



Short-Term Rental Enforcement Report

MAY 2020

City of Knoxville

Background Information

Purpose

This report provides an overview of the City of Knoxville’s current Short-Term Rental Unit Ordinance (the “Ordinance”) as well as details on enforcement and complaint resolution.

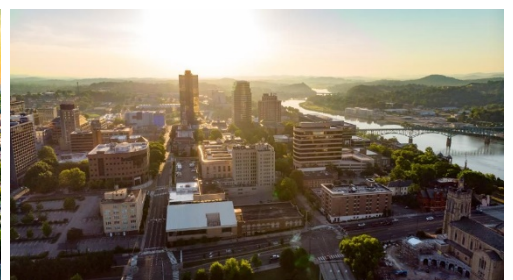
City of Knoxville Short-Term Rental Ordinance

On January 1, 2018, the City’s Short-Term Rental Unit Ordinance went into effect. This Ordinance requires operators of short-term rental units to get a permit from the City Business License and Tax Office. The City’s Ordinance also requires operators to comply with local and state laws, and it creates a complaint investigation process for violations. When the City’s Ordinance was enacted, the City could have chosen to revoke a short-term rental permit after one violation.

State of Tennessee Short-Term Rental Law

On May 17, 2018, the state adopted the “Short-Term Rental Unit Act” (see Tenn. Code Ann. § 13-7-601 and following). The City’s Ordinance is still in effect, but the state law changed how Knoxville is allowed to enforce the Ordinance. Basically, the new state law says that the City may consider revoking a short-term rental permit only after the unit has violated the Ordinance on three separate occasions. This amounts to a “three strikes” rule. The statute states, “the burden of proof that a violation of a generally applicable local law was a direct result of the operation of the short-term rental unit is on the local governing body.”

This law also grants local governing bodies the authority to suspend the continued use of properties that do not maintain a permit.



Permitting Process

Every person who wants to operate a short-term rental unit must apply for a short-term rental permit, which is issued by the City Business License and Tax Office. Applications must include acknowledgment of the rules, an affidavit of life safety compliance, lessee information, local contact person, owner information, site plan, indemnification, and for Type 1 permits, notice to the neighborhood.

Types of Permits Issued

Under the City's Ordinance, there are two types of permits which may be issued:

Type 1 Permits

- For short-term rental units in residentially-zoned districts
- Must be owner-occupied
- Owner is not required to remain or be present during the rental
- Only one Type 1 permit is allowed per person
- May not be issued to companies including LLCs

Type 2 Permits

- For short-term rental units in any other zoning district (not residential)
- Not occupied by owner
- Owner is not required to remain or be present during the rental
- A person or entity may have up to two Type 2 permits
- Can be issued to a natural person or an entity (like an LLC)

Type 3 permits are no longer issued.

According to state law, a residence which was being used as a short-term rental unit before May 17, 2018 may continue operating only if the owner or operator paid certain taxes due on renting the unit for at least six months between May 17, 2017 and May 17, 2018. The taxes which must have been paid are under Tenn. Code Ann. § 67-6-501 and following.

Permitting Fees

Type 1 – \$70

Types 2 & 3 – \$120

Renewal Fees – \$50/permit

Revenue from Permits Issued

Number of Permits Issued

	2018	2019	2020	Total Per Type
Type 1	117	88	12	217
Type 2	46	46	3	95
Type 3	14	-	-	14
Total Per Year	177	134	15	326

Total Revenue for New Applications

	2018	2019	2020	Total Per Type
Type 1	\$8,190	\$6,160	\$840	\$15,190
Type 2	\$5,520	\$5,520	\$360	\$11,400
Type 3	\$1,680	-	-	\$1,680
Total Per Year	\$15,390	\$11,680	\$1,200	\$28,270

Total Revenue from Renewals

	2018	2019	2020	Total
Renewals	\$200	\$5,950	\$600	\$6,750

Total Revenue for Monthly Occupancy Tax

	2018	2019	2020	Total
Rental Tax	\$59,515	\$157,334	\$30,564	\$247,413

Total Revenue from Short-Term Rental Permits

\$282,433

Enforcement of STR Violations

How to file a complaint?

Citizens wishing to file a Short-Term Rental complaint can do so via the City's 3-1-1 phone number, the Host Compliance 24/7 Hotline, or the Knoxville Police Department if the situation is emergent.

3 Step Complaint Process

1. Written notification of the complaint is sent to the permit holder.

2. The permit holder has thirty (30) days upon receipt of the notification to respond to the allegations including in the complaint.

3. The City investigates the validity of the complaint with assistance from the Law Department, the Zoning and Revenue Administrators, and Policy.

After these three steps, the City determines whether the complaint is factually supported by a preponderance of the evidence and if there has been a violation of the City Code or state law.

In accordance with state law, the City may issue one strike against the permit holder. Once a permit holder receives three strikes, the City may choose to revoke the Short-Term Rental permit.

If a permit holder has their permit revoked, they can appeal the decision. A panel consisting of the Law Department, the Zoning and Revenue Administrators, and the Policy Officer will determine whether the revocation is justified or whether there is good cause to reinstate the permit.

Handling Complaints

Host-Compliance Services

The City of Knoxville contracts with Host Compliance to help meet Short-Term Rental needs and regulatory objectives. Host Compliance helps identify, educate, register, and permit rental property owners and collect hotel/transient accommodation taxes. Host compliance provides the city with enforceable regulatory frameworks, compliance monitoring, 24/7 hotlines for neighbors to report issues, and continuous data analytics. These services cost the City \$26,000 per year.

Complaints Per Year

2018 – 7 complaints out of 3,295 documented stays

2019 – 7 complaints out of 4,876 documented stays

***Note: one complaint may fall into multiple categories. Numbers in this chart are not representative of the number of complaints.**

Complaint Categories	2018	2019
Failure to Comply with Notice Requirements	1	-
Operating Without Permit	1	1
Not Owner-Occupied	2	4
Noise	4	2
Parking	1	2
Trash	1	-
HOA Violation	1	-
Intoxicated Transient Threatening Neighbors	1	-
Listing Exceeds Number of Transients Allowed	1	0
Stay Exceeded Number of Transients Allowed	-	1

100% of all complaints have been resolved.

2018 Host Compliance Short Term Rental Data

Host Compliance has a database that identifies listings within the City of Knoxville. Host compliance matches data available to the public and data provided by their customers to identify listings. In 2018, Host Compliance identified the following properties:

- 8 Compliant – Not being used as a short-term rental unit
- 115 Compliant – No longer advertised as short-term rental
- 99 Compliant – There is a valid registration
- 44 Non-compliant – Assessor record identified, and no registration is found
- 0 Non-compliant – Parcel prohibited from STR use
- 1 Not Yet Determined – Assessor record has not yet been identified

Quarterly Reports

***Numbers based on properties with a valid registration.**

Q1

Documented Stays: 591

Documented Revenue: \$80,626.17

Identified Properties with a Valid Permit: 62

Q2

Documented Stays: 785

Documented Revenue: \$97,023.88

Identified Properties with a Valid Permit: 56

Q3

Documented Stays: 907

Documented Revenue: \$109,317.08

Identified Properties with a Valid Permit: 77

Q4

Documented Stays: 1012

Documented Revenue: \$117,688.49

Identified Properties with a Valid Permit: 85



**Total
Documented
Stays
3,295**



**Total
Documented
Revenue
\$404,655.65**

2019 Host Compliance Short Term Rental Data

Host Compliance has a database that identifies listings within the City of Knoxville. Host compliance matches data available to the public and data provided by their customers to identify listings. In 2019, Host Compliance identified the following properties:

- 10 Compliant – Not an STR
- 74 Compliant – No longer advertised
- 132 Compliant – There is a valid registration
- 191 Non-compliant – Assessor record identified, and no registration is found
- 3 Non-compliant – Parcel prohibited from STR use
- 1 Not Yet Determined – Assessor record has not yet been identified

Quarterly Reports

***Numbers based on properties with a valid registration.**

Q1

Documented Stays: 861

Documented Revenue: \$90,705.05

Identified Properties with a Valid Permit: 80

Q2

Documented Stays: 1335

Documented Revenue: \$131,160.01

Identified Properties with a Valid Permit: 99

Q3

Documented Stays: 933

Documented Revenue: \$96,377.26

Identified Properties with a Valid Permit: 67

Q4

Documented Stays: 1747

Documented Revenue: \$189,169.96

Identified Properties with a Valid Permit: 132



**Total
Documented
Stays
4,876**



**Total
Documented
Revenue
\$507,412.05**

Data Comparison Between the City of Knoxville and City of Chattanooga

City of Knoxville Data Reflects Years 2018 and 2019

City of Chattanooga Data Reflects Years 2018 and 2019(through Quarter 3)

City of Knoxville

Total Documented Revenue

\$912,068

Total Documented Stays

8,171

Total Properties with Valid Registration

231

City of Chattanooga

Total Documented Revenue

\$1,695,128

Total Documented Stays

11,928

Total Properties with Valid Registration

223

Short Terms Rentals in Other Cities

Nashville

- Since 2017 the Short Term Rental hotline has received 3,989 complaints
 - 56% General Complaints
 - 24% Operating without a Valid Permit
 - 10% Noise
 - 6% Trash
 - 4% Advertising in Excess of Maximum Allowed Occupancy
- Between June 14, 2017, and July 23, 2019, 213 injunctions were granted by Davidson County courts for properties operating without a valid permit. Depending on the applicable law, these injunctions prohibited short-term rental operation for either one or three years.
- Short-term rental cases for operating without a valid permit or advertising in excess of the maximum allowed occupancy have about a 95% success rate.
- Fraudulent owner-occupied cases have between a 50-60% success rates.
- No permits have been revoked, administratively, since May 2018. Prior to that date, almost a dozen permits were revoked. Metro Codes Department prefers to pursue violators through the court system rather than administrative revocations.

Chattanooga

- Has not revoked any short-term rental permits.
- No operators with permits have been taken to court for the operation of their short-term rental.
- Only operators without a permit have been taken to court.
- Complaints from neighbors generally involve wrong trashcans being used, litter left behind and noise complaints, all of which are handled by the Chattanooga Police Department.
- Most inquiries concern whether a particular property is properly permitted.
- Properties that are not properly permitted receive a court summons or a violation notice.