REFERENCE TITLE: short-term rentals; enforcement; penalties

State of Arizona House of Representatives Fifty-fifth Legislature First Regular Session 2021

HB 2481

Introduced by Representatives Kavanagh: Butler, Jermaine, Kaiser, Lieberman, Longdon, Shah, Senators Alston, Barto, Engel, Marsh

AN ACT

AMENDING SECTIONS 9-500.39, 9-1301, 11-269.17, 11-1701 AND 42-1125.02, ARIZONA REVISED STATUTES; RELATING TO VACATION AND SHORT-TERM RENTALS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 9-500.39, Arizona Revised Statutes, is amended to read:

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9-500.39. <u>Limits on regulation of vacation rentals and short-term rentals; definitions</u>
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- A. A city or town may not prohibit vacation rentals or short-term rentals.
- B. A city or town may not restrict the use of or regulate vacation rentals or short-term rentals based on their classification, use or occupancy except as provided in this section. A city or town may regulate vacation rentals or short-term rentals for the following purposes AS FOLLOWS:
- 1. Protecting TO PROTECT the public's health and safety, including rules and regulations related to fire and building codes, health and sanitation, transportation or traffic control, solid or hazardous waste and pollution control, and designation of an emergency point of contact, if the city or town demonstrates that the rule or regulation is for the primary purpose of protecting the public's health and safety.
- 2. TO ADOPT AND ENFORCE REASONABLE RESIDENTIAL USE AND ZONING ORDINANCES.
- 2. 3. Adopting TO ADOPT and enforcing residential use and zoning ordinances, including ENFORCE ordinances related to noise, protection of welfare, property maintenance and other nuisance issues, if the ordinance is applied in the same manner as other property classified under sections 42-12003 and 42-12004.
- 3. 4. Limiting TO LIMIT or prohibiting PROHIBIT the use of a vacation rental or short-term rental for the purposes of housing sex offenders, operating or maintaining a sober living home, selling illegal drugs, liquor control or pornography, obscenity, nude or topless dancing and other adult-oriented businesses.
- 5. TO REQUIRE THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO LICENSE OR REGISTER THE VACATION RENTAL OR SHORT-TERM RENTAL WITH THE CITY OR TOWN. THE CITY OR TOWN SHALL REPORT TO THE DEPARTMENT OF REVENUE ALL VERIFIED VIOLATIONS OF A VACATION RENTAL OR SHORT-TERM RENTAL LICENSED OR REGISTERED BY THE CITY OR TOWN.
- 4. 6. Requiring TO REQUIRE the owner of a vacation rental or short-term rental to provide the city or town with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone or by email at any time of day before offering for rent or renting the vacation rental or short-term rental.
- 7. TO RESTRICT THE OCCUPANCY OF A VACATION RENTAL OR SHORT-TERM RENTAL TO THE LESSER OF THE OCCUPANCY LIMIT OF THE CITY OR TOWN OR TWO ADULTS PER BEDROOM PLUS TWO ADDITIONAL ADULTS.

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- C. Within thirty days after a verified violation, a city or town shall notify the department of revenue and the owner of the vacation rental or short-term rental of the verified violation of the city's or town's applicable laws, regulations or ordinances and, if the owner of the vacation rental or short-term rental received the verified violation, whether the city or town imposed a civil penalty on the owner of the vacation rental or short-term rental and the amount of the civil penalty, if assessed. If multiple verified violations arise out of the same response to an incident at a vacation rental or short-term rental, those verified violations are considered one verified violation for the purpose of assessing civil penalties pursuant to section 42-1125.02, subsection BC.
- D. If the owner of a vacation rental or short-term rental has provided contact information to a city or town pursuant to subsection B, paragraph 4 6 of this section and if the city or town issues a citation for a violation of the city's or town's applicable laws, regulations or ordinances or a state law that occurred on the owner's vacation rental or short-term rental property, the city or town shall make a reasonable attempt to notify the owner or the owner's designee of the citation within seven business days after the citation is issued using the contact information provided pursuant to subsection B, paragraph 4 6 of this section. If the owner of a vacation rental or short-term rental has not provided contact information pursuant to subsection B, paragraph 4 6 of this section, the city or town is not required to provide such notice.
- E. This section does not exempt an owner of a residential rental property, as defined in section 33-1901, from maintaining with the assessor of the county in which the property is located information required under title 33, chapter 17, article 1.
- F. A vacation rental or short-term rental may not be used for nonresidential uses, including for a special event that would otherwise require a permit or license pursuant to a city or town ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.
- G. A VACATION RENTAL OR SHORT-TERM RENTAL MAY NOT ADVERTISE TO EXCEED THE OCCUPANCY LIMIT OF THE DWELLING PURSUANT TO SUBSECTION B OF THIS SECTION OR FOR ANY NONRESIDENTIAL USE PURSUANT TO SUBSECTION F OF THIS SECTION. A VIOLATION OF THIS SUBSECTION IS NOT A VERIFIED VIOLATION. A CITY OR TOWN MAY IMPOSE A CIVIL PENALTY FOR EACH DAY THE PROPERTY IS IN VIOLATION OF THIS SUBSECTION.
- H. A VACATION RENTAL OR SHORT-TERM RENTAL IS NOT SUBJECT TO CHAPTER 12, ARTICLE 1 OF THIS TITLE OF TITLE 11, CHAPTER 12, ARTICLE 1.
 - A CITY OR TOWN MAY NOT REGULATE AN ONLINE LODGING MARKETPLACE.

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G. J. For the purposes of this section:
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- 1. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076.
- 1. 2. "Transient" has the same meaning prescribed in section 42-5070.
 - 2. 3. "Vacation rental" or "short-term rental":
- (a) Means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, OR cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. Vacation rental and short-term rental do
 - (b) DOES not include EITHER OF THE FOLLOWING:
- (i) A unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.
- (ii) A RESIDENTIAL RENTAL DWELLING UNIT AS DEFINED IN SECTION 9-1301.
- 3. 4. "Verified violation" means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in subsection B or F of this section that has been finally adjudicated.
- Sec. 2. Section 9-1301, Arizona Revised Statutes, is amended to read:

9-1301. Definitions

In this chapter, unless the context otherwise requires:

- 1. "Building code" means the construction codes that were in force at THE time of building construction, including plumbing and mechanical codes, electric codes, residential construction codes, energy conservation codes and existing building construction codes, and includes any property maintenance codes, neighborhood preservation codes, anti-blight codes or other similar codes, however denominated. With respect to mobile homes as defined in section 33-1409, building code means the federal construction codes applicable to homes constructed after June 15, 1976, and the Arizona codes applicable to homes constructed before that date.
- 2. "Citywide residential rental property inspection program" means any program that includes systematic or periodic inspections of a majority of rental properties in the city OR TOWN that have not previously been found to meet the requirements of section 9-1302.
- 3. "Exterior inspection" means the visual inspection of any portion of a residential dwelling unit that can be seen from a public street or other right-of-way, or that can be seen from an adjacent property if a complaint or consent is received from the adjacent property owner, lawful resident or lawful tenant.

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- 4. "Initial inspection" means the first inspection of a residential rental dwelling unit after the establishment by ordinance or resolution of a residential rental inspection program.
- 5. "Interior inspection" means a physical or visual inspection of the interior of a residential rental dwelling unit and other portions of a residential rental dwelling unit that are not visible from a public street, right-of-way or neighboring property that is made for the purpose of looking for building code violations.
- 6. "Mobile home park" has the same meaning $\frac{1}{100}$ prescribed in section 33-1409.
- 7. "Multifamily housing" means site built buildings containing residential dwelling units, but does not include mobile home parks.
- 8. 7. "Owner" means the person, corporation, limited liability company, partnership, limited partnership, trust or real estate investment trust shown on the lawfully recorded title to the property.
- 9. 8. "Residential dwelling unit" means a building or structure or part of a building or structure that is used for a home or residence by one or more persons who maintain a household. It also means a mobile home regardless of ownership of the land.
- 10. 9. "Residential rental dwelling unit" means a dwelling unit that is leased or rented to one or more tenants. A dwelling unit that is occupied in part by the owner of the dwelling unit is not a residential rental dwelling unit unless a tenant occupies a part of the dwelling unit that has its own cooking and sleeping areas, a bathroom and a separate entrance, unless otherwise provided in a zoning ordinance of the city or town. Residential rental dwelling unit does not include an owner occupied OWNER-OCCUPIED mobile home in a mobile home park that is not owned by the landlord of the mobile home park OR A VACATION RENTAL OR SHORT-TERM RENTAL AS DEFINED IN SECTION 9-500.39.
- 11. 10. "Residential rental licensing requirement" means a requirement established by a city or town that property owners or property managers obtain a license or permit from the city or town, with or without an associated fee, before they can legally engage in the rental of dwelling units in the city or town.
- $\frac{12}{11}$. "Residential rental registration requirement" means any requirement established by a city or town for rental housing owners or managers to submit information to the city or town as already required to be submitted to the county assessor under section 33-1902.
- Sec. 3. Section 11-269.17, Arizona Revised Statutes, is amended to read:
 - 11-269.17. <u>Limits on regulation of vacation rentals and short-term rentals; definitions</u>
- A. A county may not prohibit vacation rentals or short-term rentals.

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- B. A county may not restrict the use of or regulate vacation rentals or short-term rentals based on their classification, use or occupancy except as provided in this section. A county may regulate vacation rentals or short-term rentals for the following purposes AS FOLLOWS:
- 1. Protecting TO PROTECT the public's health and safety, including rules and regulations related to fire and building codes, health and sanitation, transportation or traffic control, solid or hazardous waste and pollution control, and designation of an emergency point of contact, if the county demonstrates that the rule or regulation is for the primary purpose of protecting the public's health and safety.
- 2. TO ADOPT AND ENFORCE REASONABLE RESIDENTIAL USE AND ZONING ORDINANCES.
- 2. 3. Adopting TO ADOPT and enforcing residential use and zoning ordinances, including ENFORCE ordinances related to noise, protection of welfare, property maintenance and other nuisance issues, if the ordinance is applied in the same manner as other property classified under sections 42-12003 and 42-12004.
- 3. 4. Limiting TO LIMIT or prohibiting PROHIBIT the use of a vacation rental or short-term rental for the purposes of housing sex offenders, operating or maintaining a sober living home, selling illegal drugs, liquor control or pornography, obscenity, nude or topless dancing and other adult-oriented businesses.
- 5. TO REQUIRE THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO LICENSE OR REGISTER THE VACATION RENTAL OR SHORT-TERM RENTAL WITH THE COUNTY. THE COUNTY SHALL REPORT TO THE DEPARTMENT OF REVENUE ALL VERIFIED VIOLATIONS OF A VACATION RENTAL OR SHORT-TERM RENTAL LICENSED OR REGISTERED BY THE COUNTY.
- 4. 6. Requiring TO REQUIRE the owner of a vacation rental or short-term rental to provide the county with contact information for the owner or the owner's designee who is responsible for responding to complaints in a timely manner in person, over the phone or by email at any time of day before offering for rent or renting the vacation rental or short-term rental.
- 7. TO RESTRICT THE OCCUPANCY OF A VACATION RENTAL OR SHORT-TERM RENTAL TO THE LESSER OF THE OCCUPANCY LIMIT OF THE COUNTY OR TWO ADULTS PER BEDROOM PLUS TWO ADDITIONAL ADULTS.
- C. Within thirty days after a verified violation, a county shall notify the department of revenue and the owner of the vacation rental or short-term rental of the verified violation of the county's applicable laws, regulations or ordinances and, if the property owner received the verified violation, whether the county imposed a civil penalty on the owner of the vacation rental or short-term rental and the amount of the civil penalty, if assessed. If multiple verified violations arise out of the same response to an incident at a vacation rental or short-term

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 rental, those verified violations are considered one verified violation for the purpose of assessing civil penalties pursuant to section 42-1125.02, subsection $\frac{8}{100}$ C.

- D. If the owner of a vacation rental or short-term rental has provided contact information to a county pursuant to subsection B, paragraph 4 6 of this section and if the county issues a citation for a violation of the county's applicable laws, regulations or ordinances or a state law that occurred on the owner's vacation rental or short-term rental property, the county shall make a reasonable attempt to notify the owner or the owner's designee of the citation within seven business days after the citation is issued using the contact information provided pursuant to subsection B, paragraph 4 6 of this section. If the owner of a vacation rental or short-term rental has not provided contact information pursuant to subsection B, paragraph 4 6 of this section, the county is not required to provide such notice.
- E. This section does not exempt an owner of a residential rental property, as defined in section 33-1901, from maintaining with the assessor of the county in which the property is located information required under title 33, chapter 17, article 1.
- F. A vacation rental or short-term rental may not be used for nonresidential uses, including for a special event that would otherwise require a permit or license pursuant to a county ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.
- G. A VACATION RENTAL OR SHORT-TERM RENTAL MAY NOT ADVERTISE TO EXCEED THE OCCUPANCY LIMIT OF THE DWELLING PURSUANT TO SUBSECTION B OF THIS SECTION OR FOR ANY NONRESIDENTIAL USE PURSUANT TO SUBSECTION F OF THIS SECTION. A VIOLATION OF THIS SUBSECTION IS NOT A VERIFIED VIOLATION. A COUNTY MAY IMPOSE A CIVIL PENALTY FOR EACH DAY THE PROPERTY IS IN VIOLATION OF THIS SUBSECTION.
- H. A VACATION RENTAL OR SHORT-TERM RENTAL IS NOT SUBJECT TO CHAPTER 12, ARTICLE 1 OF THIS TITLE OR TITLE 9, CHAPTER 12, ARTICLE 1.
 - I. A COUNTY MAY NOT REGULATE AN ONLINE LODGING MARKETPLACE.
 - G. J. For the purposes of this section:
- 1. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076.
- $\frac{1.}{2}$. "Transient" has the same meaning prescribed in section 42-5070.
 - 2. 3. "Vacation rental" or "short-term rental":
- (a) Means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, OR cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. Vacation rental and short-term rental do
 - (b) DOES not include EITHER OF THE FOLLOWING:

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- (i) A unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.
- (ii) A RESIDENTIAL RENTAL DWELLING UNIT AS DEFINED IN SECTION 11-1701.
- 3. 4. "Verified violation" means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in subsection B or F of this section that has been finally adjudicated.
- Sec. 4. Section 11-1701, Arizona Revised Statutes, is amended to read:

11-1701. <u>Definitions</u>

In this chapter, unless the context otherwise requires:

- 1. "Building code" means the construction codes that were in force at the time of building construction, including plumbing and mechanical codes, electric codes, residential construction codes, energy conservation codes and existing building construction codes, and includes any property maintenance codes, neighborhood preservation codes, anti-blight codes or other similar codes, however denominated. With respect to mobile homes as defined in section 33-1409, building code means the federal construction codes applicable to homes constructed after June 15, 1976, and the state codes applicable to homes constructed before that date.
- 2. "Countywide residential rental property inspection program" means any program that includes systematic or periodic inspections of a majority of rental properties in the county that have not been previously found to meet the requirements of section 11-1702.
- 3. "Exterior inspection" means the visual inspection of any portion of a residential dwelling unit that can be seen from a public street or other right-of-way, or that can be seen from an adjacent property if a complaint or consent is received from the adjacent property owner, lawful resident or lawful tenant.
- 4. "Initial inspection" means the first inspection of a residential rental dwelling unit after the establishment by ordinance or resolution of a residential rental inspection program.
- 5. "Interior inspection" means a physical or visual inspection of the interior of a residential rental dwelling unit and other portions of a residential rental dwelling unit that are not visible from a public street, right-of-way or neighboring property that is made for the purpose of looking for building code violations.
- 6. "Mobile home park" has the same meaning prescribed in section 33-1409.
- 7. "Multifamily housing" means site built buildings containing residential dwelling units, but does not include mobile home parks.
- 8. 7. "Owner" means the person, corporation, limited liability company, partnership, limited partnership, trust or real estate investment trust shown on the lawfully recorded title to the property.

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9. 8. "Residential dwelling unit" means a building or structure or part of a building or structure that is used for a home or residence by one or more persons who maintain a household, including a mobile home regardless of ownership of the land.

10. 9. "Residential rental dwelling unit" means a dwelling unit that is leased or rented to one or more tenants. A dwelling unit that is occupied in part by the owner of the dwelling unit is not a residential rental dwelling unit unless a tenant occupies a part of the dwelling unit that has its own cooking and sleeping areas, a bathroom and a separate entrance, unless otherwise provided in a zoning ordinance of the county. Residential rental dwelling unit does not include an owner occupied OWNER-OCCUPIED mobile home in a mobile home park that is not owned by the landlord of the mobile home park OR A VACATION RENTAL OR SHORT-TERM RENTAL AS DEFINED IN SECTION 11-269.17.

11. 10. "Residential rental licensing requirement" means a requirement established by a county that property owners or property managers obtain a license or permit from the county, with or without an associated fee, before they can legally engage in the rental of dwelling units in the county.

 $\frac{12.}{11.}$ "Residential rental registration requirement" means any requirement established by a county for rental housing owners or managers to submit information to the county as already required to be submitted to the county assessor under section 33-1902.

Sec. 5. Section 42-1125.02, Arizona Revised Statutes, is amended to read:

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42-1125.02. <u>Civil penalties; online lodging operators;</u> <u>violation; classification; appeal; definitions</u>
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- A. An online lodging operator that fails to comply with section 42-5042 shall pay the following civil penalty:
 - 1. For a first offense, \$250.
 - 2. For a second and any subsequent offense, \$1,000.
- B. AN ONLINE LODGING OPERATOR THAT FALSIFIES INFORMATION TO AN ONLINE LODGING MARKETPLACE IN VIOLATION OF SECTION 42-5042 IS GUILTY OF A PETTY OFFENSE.
- B. C. If an online lodging operator received a verified violation, the online lodging operator shall pay the following civil penalty:
 - 1. For a first verified violation received for a property, either:
- (a) If the city, town or county did not impose a civil penalty on the online lodging operator for the verified violation, \$500.
- (b) If the city, town or county imposed a civil penalty on the online lodging operator for the verified violation, the difference between the amount prescribed in subdivision (a) of this paragraph and the amount of the civil penalty the city, town or county imposed on the online lodging operator for the verified violation.

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- 2. For a second verified violation received on the same property within a twelve-month period, either:
- (a) If the city, town or county did not impose a civil penalty on the online lodging operator for the verified violation, \$1,000.
- (b) If the city, town or county imposed a civil penalty on the online lodging operator for the verified violation, the difference between the amount prescribed in subdivision (a) of this paragraph and the amount of the civil penalty the city, town or county imposed on the online lodging operator for the verified violation.
- 3. For a third and any subsequent verified violation received on the same property within the same twelve-month period, either:
- (a) If the city, town or county did not impose a civil penalty on the online lodging operator for the verified violation, fifty percent of the gross monthly revenues of the lodging accommodation at which the violation occurred for the month in which the violation occurred or \$1,500, whichever is greater.
- (b) If the city, town or county imposed a civil penalty on the online lodging operator for the verified violation, the difference between the amount prescribed in subdivision (a) of this paragraph and the amount of the civil penalty the city, town or county imposed on the online lodging operator for the verified violation.
- subsection B C, paragraph 1 of this section and the online lodging operator appeals the civil penalty, the hearing officer may waive or lower the civil penalty based on the online lodging operator's diligence in attempting to prohibit renters from violating state law or the city's, or town's OR COUNTY'S applicable laws, regulations or ordinances. In determining whether to waive or lower the civil penalty, the hearing officer shall consider both of the following:
- 1. Whether rules that prohibit activities violating state law or the city's, or town's OR COUNTY'S applicable laws, regulations or ordinances were included in the advertisement for the lodging accommodation, vacation rental or short-term rental.
- 2. Whether the rules described in paragraph 1 of this subsection were posted in a conspicuous location inside the lodging accommodation, vacation rental or short-term rental.
 - D. E. For the purposes of this section:
- 1. "Lodging accommodation" has the same meaning prescribed in section 42-5076.
- 2. "Online lodging marketplace" has the same meaning prescribed in section 42-5076.
- 3. "Online lodging operator" has the same meaning prescribed in section 42-5076 and includes an owner of a vacation rental or short-term rental that is not offered through an online lodging marketplace.

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- 4. "Vacation rental" and "short-term rental" have the same meanings prescribed in section 9-500.39 or 11-269.17.
- 5. "Verified violation" has the same meaning prescribed in section 9-500.39 or 11-269.17.

Sec. 6. Applicability; definitions

- A. Notwithstanding sections 9-500.39 and 11.269.17, Arizona Revised Statutes, as amended by this act, a city, town or county may not prohibit the operation of a vacation rental or short-term rental based solely on its status as a vacation rental or short-term rental if the owner of the vacation rental or short-term rental has both of the following:
 - 1. As of May 1, 2021, a valid transaction privilege tax license.
- 2. As of June 2, 2021, provided the owner's or the owner's designee's contact information to the city, town or county in which the vacation rental or short-term rental is located, if required by a city, town or county ordinance.
- B. Subsection A of this section does not apply if the property on which the vacation rental or short-term rental is located changes title or ownership.
- C. For the purposes of this section, "vacation rental" and "short-term rental" have the same meanings prescribed in section 9-500.39 or 11-269.17, Arizona Revised Statutes, as amended by this act.

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