



City of New Buffalo, Michigan

SHORT-TERM RENTAL PRESENTATION

Purpose of the Presentation

This presentation is to provide the general public with a concise, summarized information packet. It is an explanation of the data and information utilized by the City Council in the decision-making process in the legislation enacted regarding short-term rentals.

Based on the information provided to them, the City Council determined that it would be in the best interest of the city to amend the zoning ordinance to limit the proliferation of short-term rental uses in certain zoning districts characterized by single-family residential neighborhoods, and to otherwise mitigate potential adverse effects of new short-term rentals.

As a result, the City of New Buffalo has received several Freedom of Information Act (FOIA) requests for “the extensive study”. The City Council has received information from a myriad of sources that include consultants, attorneys and city staff. Also, several of the council members, as well as city staff, have had meetings and conversations with other municipal leaders who govern cities with similar characteristics. There was never a “formal document” created to summarize the abundance of time and energy devoted to this matter.

Purpose of the Presentation

The nexus of the requests are based on a portion of the preamble to legislation that states:

Whereas, after extensive study of the proliferation and effects of short-term rental uses, the City Council has determined that if current trends were allowed to continue, short-term rental uses could undermine the character and stability of neighborhoods in certain districts by, among other things:

- 1. Decreasing the number of long-term residents;*
- 2. Decreasing enrollment in local schools;*
- 3. Decreasing the availability of long-term housing stock, thereby driving up prices and making long-term residency less affordable;*
- 4. Creating significant numbers of vacant homes in the winter months; and*
- 5. Increasing levels of noise, traffic, and on-street parking during the summer tourist season.*

City of New Buffalo, Michigan

HISTORY

Brief History of Vacation Rentals

*After World War II, a vacation system in Europe became popular which involved “vacation home sharing.” European families would buy a vacation cottage/villa jointly and have exclusive use of the property for one of the four seasons. They **rotated seasons** so each family enjoyed the prime seasons equally. This concept was mostly utilized by families related to each other because of the trust factor involved in joint ownership and **no property manager**.*

However, few families vacationed for an entire season at a time, so owners found ways to monetize vacant periods, leading to the birth of the vacation rental and timeshare markets we know today.

As early as the 1950s, renting a vacation home was a customary tradition for many, with advertisements and listings for short vacation rentals beginning to appear in newspapers. People looking for escapism would look to vacation rentals as an inexpensive means to accomplish this.

*The idea of vacationing in homes became widely accepted in the United States in the 1960’s. By the 1970’s and early 1980’s many **property management companies** emerged, largely as a by-product of real estate companies who helped in securing client loyalty.*

Brief History of Home Rentals

*By the mid 1990's, the internet as a vacation planning tool began to transform vacation rental manager's websites with online booking components. As vacationers turned to the search engines to plan their vacations, it quickly became extremely important for vacation rental managers to dominate the Search Engine Results Pages (SERPs). Holiday Vacation Rentals continuously strives to improve search engine optimization, increasing findability online for rental guests and increasing rental inquiries. More inquiries results in more weeks rented for vacation homeowners. **The first online platform to enable vacation or short-term rental bookings was VRBO (Vacation Rentals by Owner) which launched in 1995.** VRBO's website allowed users to browse and book various vacation rental properties that were managed by their individual owners, with most of the website's listings and bookings in the United States. Airbnb (Air Bed and Breakfast) came into the market in 2008.*

City of New Buffalo, Michigan

SHORT-TERM RENTAL & POPULATION STATISTICAL INFORMATION

Short-term Rental Statistics (Current)

Currently, the City of New Buffalo has 148 permitted short-term rentals. These are spread across all zoning districts throughout the city, except the General Industrial district. As of September 2021, there are an additional 85 prospective new short-term rentals. Based on the number of permitted and the number of potential permits, the city knows the following statistics:

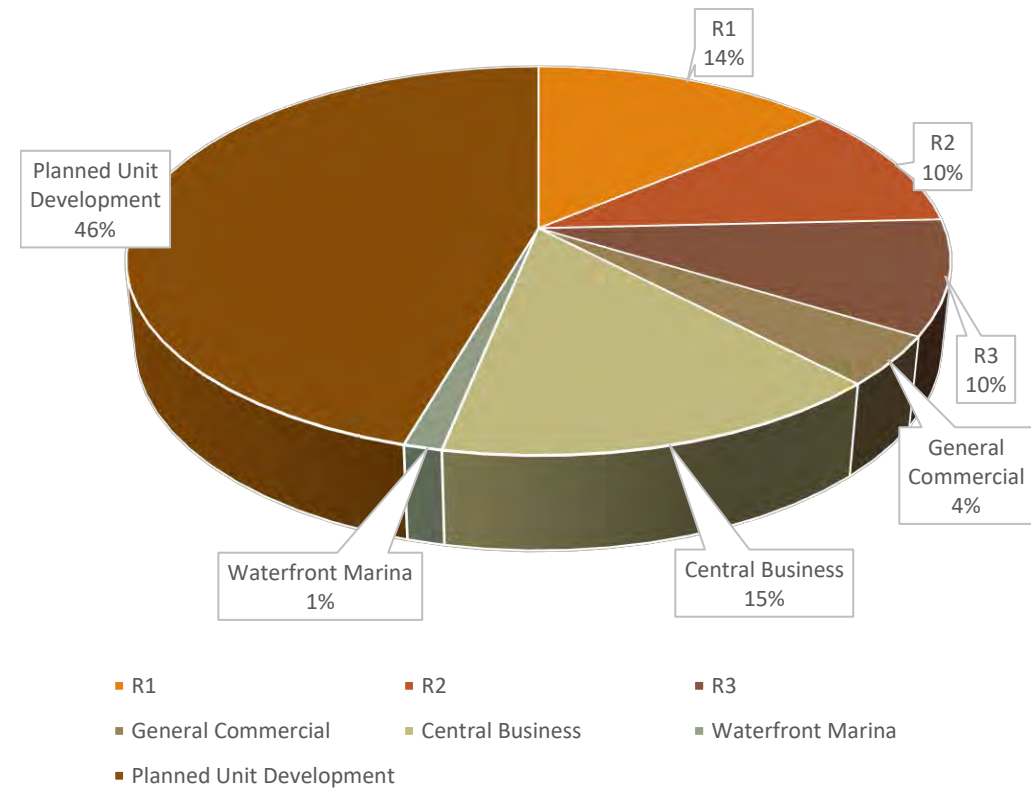
- At 2.5 square miles, there is short-term rental density of 59.2 short-term rentals per square mile, with the potential of increasing that density to 93.2 short-term rentals per square mile.*
- The city has 2,992 improved lots (not including General Industrial) and there is a short-term rental density of 1 in every 20 lots, with the potential of increasing the density to 1 in every 13 lots.*
- The current population of New Buffalo is 1,714, and there is 1 short-term rental unit for every 11.6 residents in the city, with the potential of increasing to 1 short-term rental unit for every 7.4 residents in the city.*

Short-Term Rental (Current Numbers)

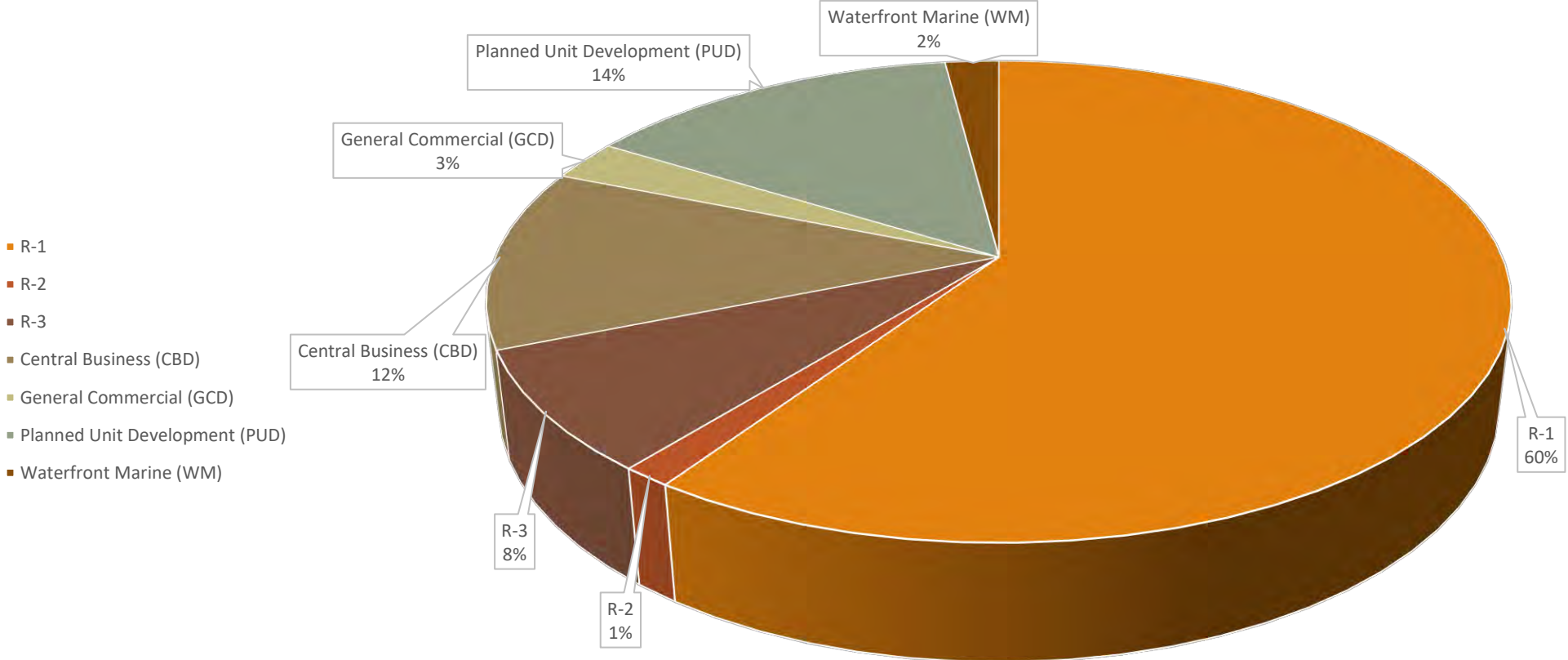
| Zoning District | Current Permitted Rentals |
|---|---------------------------|
| R-1 (Single Family Residential District) | 88 |
| R-2 (Medium Density Residential District) | 2 |
| R-3 (High Density Residential District) | 12 |
| Central Business District | 18 |
| General Commercial District | 4 |
| Planned Unit Development | 21 |
| Waterfront Marina District | 3 |
| Totals | 148 |

Short-term Rental Distribution

| Zoning District | Improved Lots | Short-Term Units |
|--------------------------|---------------|------------------|
| R1 | 921 | 88 |
| R2 | 28 | 2 |
| R3 | 183 | 12 |
| Central Business | 171 | 18 |
| General Commercial | 141 | 4 |
| Waterfront Marina | 336 | 3 |
| Planned Unit Development | 67 | 21 |



Percentage of Current Numbers




- R-1
- R-2
- R-3
- Central Business (CBD)
- General Commercial (GCD)
- Planned Unit Development (PUD)
- Waterfront Marine (WM)




Rental Properties

City of New Buffalo

Legend

 City of New Buffalo

Rental Properties

-  Registered Short Term Rentals
-  Contact List
-  Multi-Unit Developments with Units on Both Lists

Zoning

-  R-1, Single Family Residential
-  R-2, Medium Density Residential
-  R-3, High Density Residential
-  PUD, Planned Unit Development
-  GCD, General Commercial District
-  CBD, Central Business District
-  I-1, General Industrial District
-  WM, Waterfront Marina District
-  NCD, Nature Conservation District

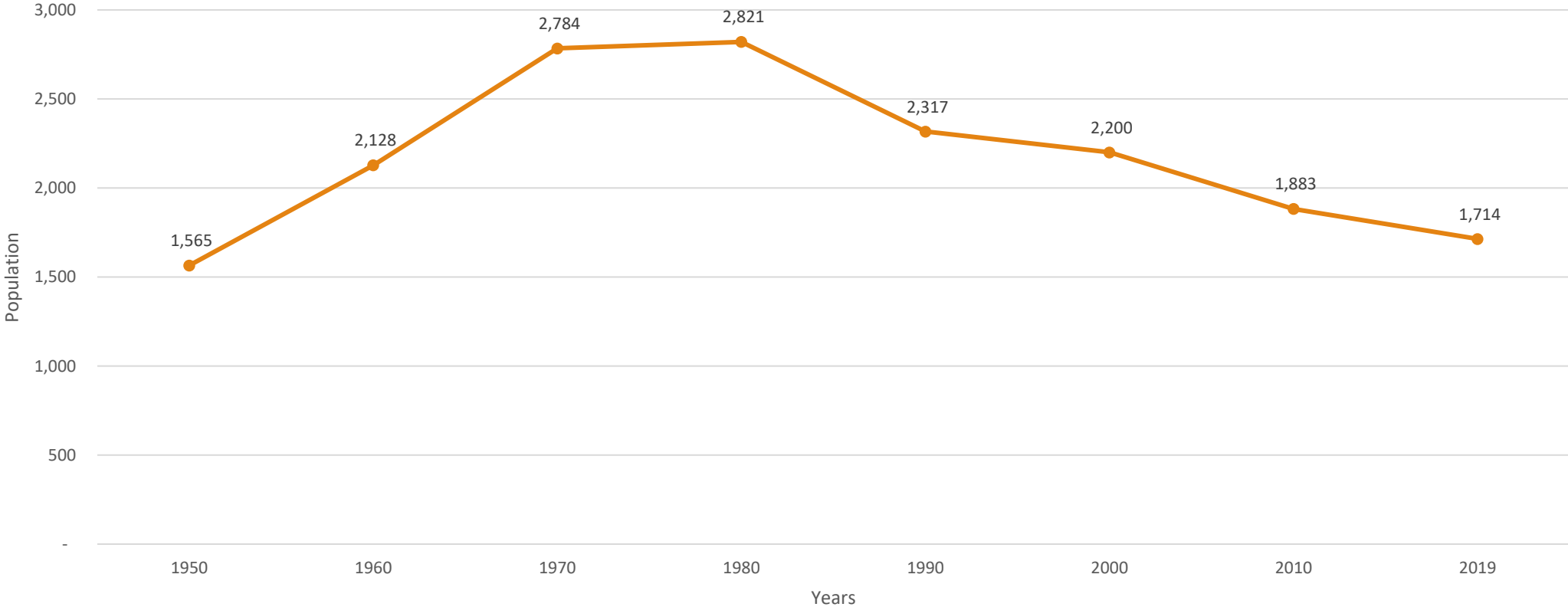


Population Statistics (Current)

According to the Southwest Michigan Planning Commission's website, the history of New Buffalo goes back to 1834 when Wessel Whittaker and his crew were bound for Chicago from Buffalo, New York. They crashed their ship in a November storm on Lake Michigan. The crew managed to come ashore near the current village of Grand Beach just south of New Buffalo. The New Yorkers, enroute to St. Joseph to report the loss of their ship, came upon a harbor which Whittaker was certain could rival the port of Chicago. Captain Whittaker determined that he would return to the scene of his calamity and found his "New" Buffalo.

The current population of New Buffalo is 1,714 per the 2019 United States Census Bureau. New Buffalo is currently declining at a rate of -0.27% annually since 1870 (the first recorded census). Its population has decreased by -9.0% since the most recent census, which recorded a population of 1,714 in 2019. New Buffalo reached its highest population of 2,821 in 1980. Since the apex of population, the city is declining in population at an average of 11.6%, annually.

City of New Buffalo Population



Effect on Population

*The current average occupancy for short-term rentals is 10.6 people per permit. This equates to a potential increase in the overall population of the city of an additional 1,564 people or a 91.2% increase. The addition of prospective short-term rentals would add an additional 901 and bring the overall number to 2,465. This would equate to a **143.8% increase** in the overall population.*

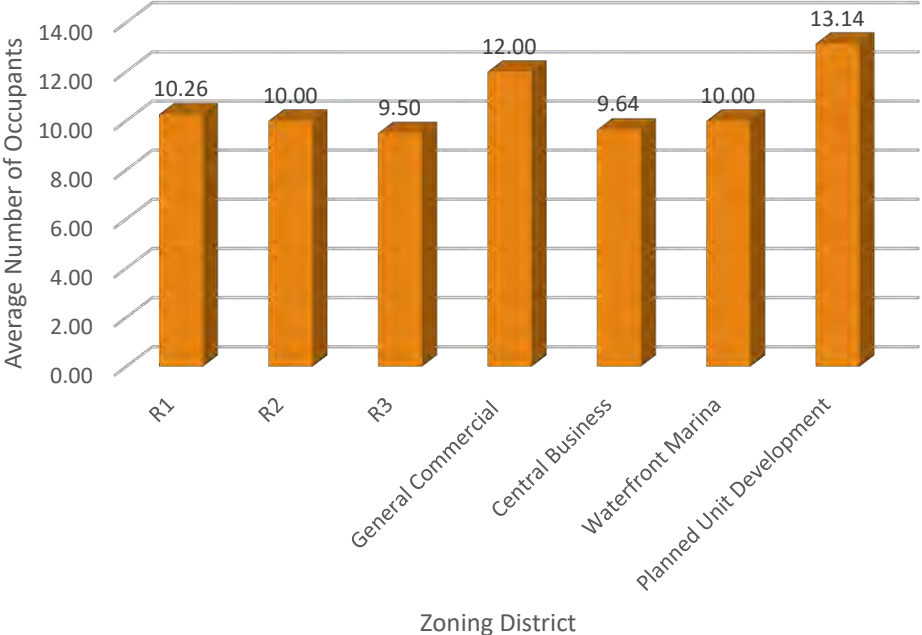
The increase does not account for the following:

- The normal visitors/tourists that visit the city regularly (one day visits, beach goers, etc.);*
- The non-short-term rental second homeowners and their visitors/family; and*
- The family members/visitors of the city residents.*

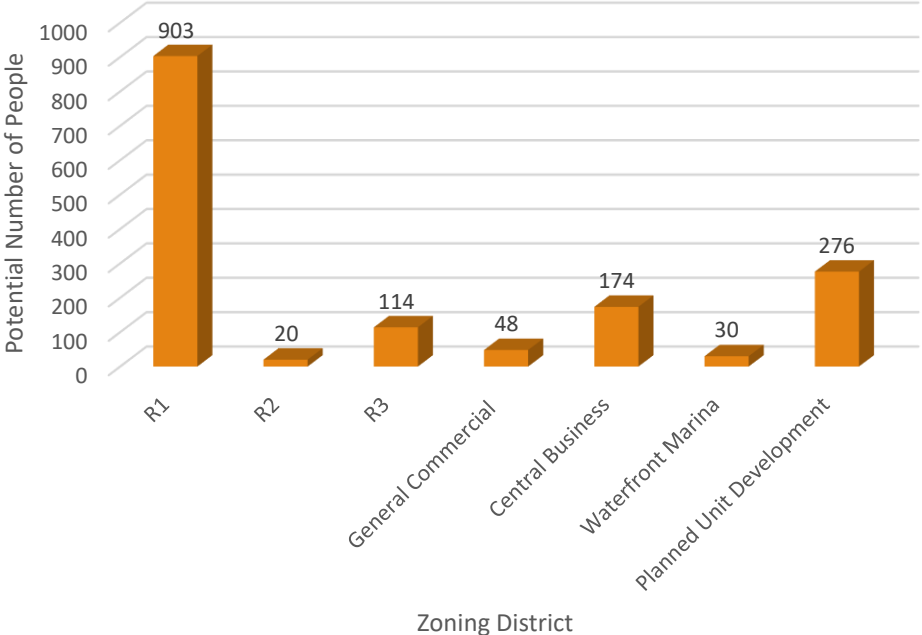
*In a 1988 Chicago Tribune article, Steve Kerch estimated that the New Buffalo population **tripled** during the summer months.*

Effect on Population

AVERAGE OCCUPANCY PER RENTAL



POTENTIAL NUMBER OF PEOPLE



City of New Buffalo, Michigan

LEGISLATION & ENFORCEMENT

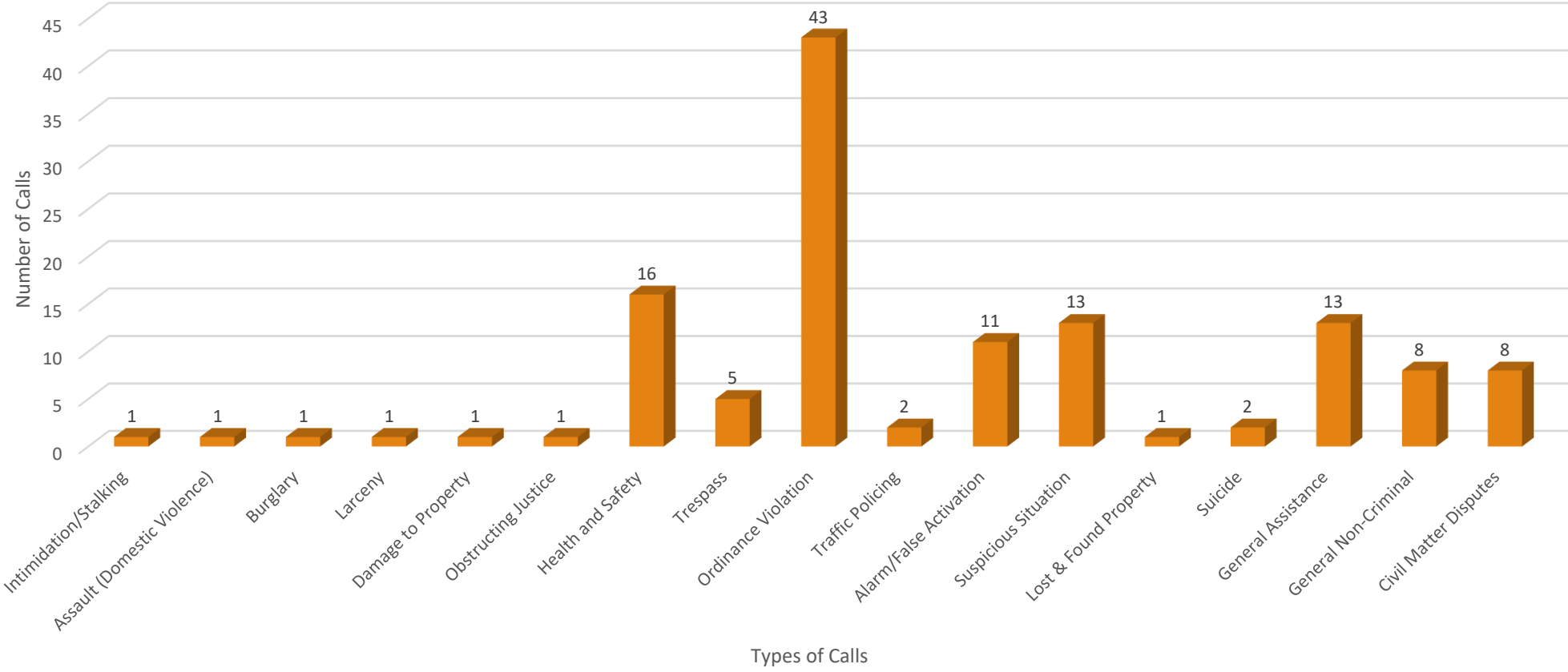
Legislation & Enforcement

- *March 20, 2013, the New Buffalo City Council adopts Ordinance #202 (Chapter 12: Noise, Nuisance, Prohibited Acts and Other Miscellaneous Provisions). The purpose of Chapter 12 of the City of New Buffalo Code of Ordinances is to **maintain the present tradition of this community regarding noise and nuisances**. It is meant to exempt certain activities which are currently acceptable and eliminate the need for those activities to seek permits. It also states that “the City of New Buffalo encourages a lively social environment, economically viable downtown with a wide variety of uses in a pedestrian-oriented setting and **peaceful and pleasant residential areas**.”*
- *April 15, 2019, the New Buffalo City Council passes an ordinance (Ordinance #237). The stated purpose of the ordinance was to take action to ensure that the operation of short-term rentals is done in a safe and controllable manner for the well-being of all in the community. The intent of the regulations is **not to restrict or eliminate** short-term rentals; however, the intent is to implement safeguards to protect the consumer, as well as the property owner, surrounding neighbors and emergency responders. Also stated is that the character of residential zoning districts **must also be preserved**.*
- *May 18, 2020, the New Buffalo City Council passes a resolution (Resolution 2020-11). The resolution states that the City Council is interested in considering appropriate ordinance amendments to address this concern relating to the City’s existing short-term rental ordinance.*
- *December 21, 2020, the New Buffalo City Council passed a resolution to extend the original moratorium of May 18, 2020, for an additional eight (8) months. The stated reason for the extension was that additional research needed to be done and enforcement of the ordinance addressed.*

Legislation & Enforcement

- *January 2021, a new Code Enforcement Officer is hired to assist in enforcement of the ordinances of the city.*
- *March 17, 2021, the New Buffalo City Council and Planning Commission held a special joint meeting. The purpose of the meeting was to discuss the development of a “new draft ordinance package” consisting of two (2) separate ordinances to: 1) amend the regulatory ordinance adopted in April 2019; and 2) amend the zoning ordinance. The proposed zoning amendment would add and amend the definitions to provide for short-term rentals and restore the residential nature of the R-1 district by limiting the number of short-term rentals for the purpose of additional research and controlling the density. **It was also shown that there were 128 complaints involving short-term rental properties.***
- *April 13, 2021, the New Buffalo Planning Commission held a special meeting to conduct a public hearing of proposed zoning amendments that were initially discussed at the March 17, 2021, joint meeting with the City Council.*
- *May 17, 2021, the New Buffalo City Council passed an ordinance amendment to Ordinance #237, the short-term rental regulatory ordinance.*
- *September 16, 2021, and September 21, 2021, the New Buffalo Planning Commission held a second round of special meetings to conduct a public hearings of proposed zoning amendments, which were initially discussed at the March 2021 joint meeting with the City Council.*

Legislation & Enforcement



City of New Buffalo, Michigan

TAXES

Taxes Paid by Taxpayers

Per the Constitution of the State of Michigan, local municipalities are established for a defined set of duties. As primary units, cities or local municipalities are to conduct state-imposed duties:

- Assess property as a basis of county and school taxes;*
- Conduct county, state and national elections; and*
- Collect taxes for counties and schools.*

The Homeowner's Principal Residence Exemption (PRE) is an exemption from a portion of the local school operating tax. Business or rental property, or 2nd homes (vacation homes) which are not your primary residence, do not qualify for the exemption.

*A PRE exempts a residence from the tax levied by a local school district for school operating purposes up to 18 mills. Section 211.7cc and 211.7dd of the General Property Tax Act, Public Act 206 of 1893, as amended, addresses PRE claims. To qualify for a PRE, a person must be a Michigan resident who **owns and occupies** the property as a principal residence. The PRE is a separate program from the **Homestead Property Tax Credit**, which is filed annually with your Michigan Individual Income Tax Return.*

Taxes Levied (Principal Residence)

SUMMER TAXES

| Tax Description | Millage Levied |
|------------------------------------|----------------|
| City of New Buffalo - Operating | 10.2232 |
| New Buffalo Area Schools Operating | EXEMPT |
| State of Michigan Education Tax | 6.0000 |
| Berrien County General | 4.7723 |
| City of New Buffalo Parks | 0.4575 |

WINTER TAXES

| Tax Description | Millage Levied |
|------------------------------------|----------------|
| New Buffalo Area Schools Operating | EXEMPT |
| Lake Michigan College | 2.2654 |
| Berrien RESA Special Education | 2.1954 |
| Berrien County 911 | 0.4500 |
| Berrien County Law Enforcement | 0.3500 |
| Library Bond | 0.3500 |
| Berrien County Senior Center | 0.3000 |
| Berrien RESA General | 0.1745 |
| Berrien County Parks | 0.1000 |

Taxes Levied (Non-Principal Residence)

SUMMER TAXES

| Tax Description | Millage Levied |
|------------------------------------|----------------|
| City of New Buffalo - Operating | 10.2232 |
| New Buffalo Area Schools Operating | 9.0000 |
| State of Michigan Education Tax | 6.0000 |
| Berrien County General | 4.7723 |
| City of New Buffalo Parks | 0.4575 |

WINTER TAXES

| Tax Description | Millage Levied |
|------------------------------------|----------------|
| New Buffalo Area Schools Operating | 9.0000 |
| Lake Michigan College | 2.2654 |
| Berrien RESA Special Education | 2.1954 |
| Berrien County 911 | 0.4500 |
| Berrien County Law Enforcement | 0.3500 |
| Library Bond | 0.3500 |
| Berrien County Senior Center | 0.3000 |
| Berrien RESA General | 0.1745 |
| Berrien County Parks | 0.1000 |

City of New Buffalo, Michigan

NEXT STEPS