

Chicago Ordinance Regulates and Restricts Short-Term Rentals of Condominiums

The explosive growth of on-line short-term rental websites has caused considerable controversy and concerns for governments, hotel operators and condominiums. Condominium corporations have safety and security concerns with the arrival and departure of strangers who have no interest in the condominium as a community. The hotel industry is facing unfair competition by short-term rental accommodations that are not subject to the same licencing, regulatory and tax requirements imposed on hotels. Governments are concerned about the negative effects of short-term rentals on the availability of affordable accommodations for long-term renters.

The City of Chicago recently enacted an ordinance to regulate and restrict short-term rentals of single-family homes and condominiums. [The Chicago ordinance](#) includes the following provisions:

- Requirement for companies like Airbnb (“rental intermediaries”) to obtain a licence and pay an annual fee of \$10,000 plus a fee of \$60 per unit. These fees would be used to enforce the ordinance.
- Requirement for short-term rental units to be registered.
- Requirement for hosts with multiple shared-housing units to obtain a licence and be subject to inspections.
- Community associations (i.e. condominiums) are allowed to prohibit short-term rentals and be added to a “prohibited buildings” list, which is available on-line to the public.
- A limit on the number of units that can be rented on a short-term basis. For buildings with more than 5 units, the limit would be $\frac{1}{4}$ of the total units or 6 units, whichever is less.
- A 4% surcharge on short-term rentals.
- Imposition of fines on rental hosts and rental intermediaries that violate the ordinance. The fines would range from \$1500 to \$3000 per offence, with each day that a violation exists being treated as a separate offence.
- “One strike and you’re out” rule resulting in licence revocation for egregious conditions such as violent acts, drug trafficking, gang-related activity, large parties or public nuisance, plus a penalty of \$2500 to \$5000 per offence.
- Ability for the City to determine that a rental unit is a public nuisance in the case of 3 instances of noise, drunkenness, harassment, loitering or overcrowding in 12 months.
- Establishment of minimum insurance requirements.
- Requirement for rental intermediaries to remove internet listings that are in violation of the ordinance.

Since short-term rentals can be quite lucrative for rental hosts, not surprisingly, Chicago’s short-term rental ordinance has resulted in [lawsuits](#) being filed against the City by unhappy homeowner hosts.

While short-term rental websites such as Airbnb may have started out with homeowner hosts trying to generate extra income by renting out a spare bedroom, things have certainly changed. [A recent study](#) conducted on behalf of the American Hotel and Lodging Association reveals that

the majority of short-term rental accommodation listings and revenue come from hosts who are commercial operators running a full-time rental business from their residential units.

Condominiums located in municipalities that do not have regulations and restrictions on short-term rentals have a difficult time trying to stop short-term rentals, even if there are provisions in their declarations that either prohibit short-term rentals or specify that residential units are for single-family use only. Unfortunately, in Ontario condominiums do not have the ability to impose fines on owners that violate the condominium documents. The ability to impose fines would certainly help condominiums eliminate short-term rentals that violate the condominium documents, as the fines would cut into the profits generated by short-term rentals.