

**City Council
Agenda Item 12.A
Meeting of April 27, 2026**



Title: Ordinance regarding short-term rentals

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Presenter: Julie Wischnack, FAICP, Community Development Director

Action Requested: Motion

Form of Action: Ordinance

Votes needed: 4 votes

Summary Statement

At the direction of the city council, staff drafted a short-term rental ordinance for introduction. Staff is seeking feedback from the city council on the ordinance.

Recommended Action

Motion to introduce the ordinance and provide feedback.

Background

On March 2, 2026, staff presented research on short-term rentals (STR) to the city council. While these types of rentals are not new to the region, they continue to grow in popularity as a flexible option for travelers and owners. STRs can provide economic benefits to communities through tourism and owners through added income. Still, they can also raise concerns regarding safety, nuisance, noise, traffic and the impact on housing prices and availability for new homeowners. To address concerns, some cities are taking steps to regulate STRs. Some of these regulations are implemented through zoning, others through licensing or a combination of both. Regulation levels vary across cities, nationally and locally, but all aim to ensure STRs are maintained for the community's health and safety.

This report considers a STR as a property where the owner rents all or part of their home to guests for less than 30 days. Many STR owners use sites such as Airbnb, HomeStay, and VRBO to market their properties. Based on the city's rental registration, there are approximately 24 STR properties in Minnetonka.

Locally, a few cities have been the subject of litigation for establishing total bans on STRs. One example is the City of Wayzata, which previously allowed STRs with a rental license but, in the fall of 2025, adopted an ordinance prohibiting them outright. In the recent legal challenge to the City of Wayzata's adoption of an ordinance prohibiting STRs, the judge determined that the ordinance was a zoning

ordinance and that the city was required to comply with the procedural requirements of the Municipal Planning Act (MPA) to enact it. The planning act is the state law that enables cities to engage in zoning and planning, and the procedural requirements include formal notice and a public hearing before the planning commission. The City of Wayzata argued that the ordinance was a licensing ordinance and that those procedural requirements did not apply. Because the city did not comply with the planning act, the judge declared the ordinance void. The decision is now subject to appeal.

During the March 2 discussion, the council raised several concerns about STRs.

- Investors or corporations purchasing large amounts of properties for STRs
- Impact on property values
- Impact on low-income residents' access to housing stock
- Safety concerns in neighborhoods
- Absentee landlords

Based on these concerns, the council discussed different levels of regulation that might be appropriate for the city. The council did not express consensus on a total ban on STRs in Minnetonka. The regulatory options that council members were interested in included:

- Reviewing how to establish a cap on STRs in the city
- Potentially consider locations where STRs would be allowed
- Address having the property owner have a connection by homesteading or to have primary ownership

Council directed staff to draft an ordinance to regulate STRs based on the concerns and comments provided.

Researching and Drafting the Ordinance

At the council's direction, staff used the discussion items above when researching ordinances and drafting Minnetonka's Ordinance. Staff reviewed ordinances that represented cities of varying sizes and locations. This section addresses the items considered to be included in the draft ordinance and the determination of scope for eligibility.

A major consideration for staff in drafting the ordinance was to ensure that any regulatory requirements could be carried out by existing city staff with a fairly low administrative burden. At this time, no additional staff will be added to enforce the ordinance.

Staff found that most ordinances followed a similar format and included standard information about their requirements, including property or location eligibility (if applicable), licensing duration, application specifics, standards, violations and enforcement actions, and notice requirements. Below are some of the items staff focused on during the review of the ordinances.

License Duration:

Almost all cities followed an annual renewal process with annual inspections and an annual fee. One city did not follow the trend. Stillwater's ordinance requires a license every 3 years. The length of a license is directly linked to staff capacity and the management of the licensing procedures. The proposed ordinance includes a 3-year licensing provision, similar to Stillwater, as no additional staff is proposed to enforce it.

Interior Inspection Requirements:

A portion of the ordinances reviewed required interior inspections of STRs. During review, those ordinances that required interior inspections generally followed an annual renewal timeline; however, a few had inspection procedures based on whether initial violations were found at the time of the initial application and inspection. The proposed ordinance includes a requirement for an inspection with the initial application and all subsequent renewals. Additional inspections would only be required if a complaint is received.

Posting and Notice Requirements:

Posting requirements within the unit itself were common among the reviewed ordinances. The items required for posting varied, but generally included the license, contact information, and additional safety information. A few cities also require that information about city nuisances and requirements be posted. The proposed ordinance would follow most cities by requiring in-unit posting of required items, including the license, contact information and additional items as described in the draft ordinance.

Standards:

Cities referenced standards that applied to STRs in their ordinance. Many provided language either referring to specific sections of their existing code or specifically stating it in the ordinance itself, covering items such as parking, public nuisance and property maintenance, among others. Including standards can be a good way to ensure everyone understands what is required for compliance. The proposed ordinance includes provisions on property maintenance and public nuisances.

Maintenance of Records:

Several cities require licensees to maintain a record of renters, which is made available to the city upon request, while others require these records to be submitted monthly. Staff did not include a provision for this, as the procedure for documenting renters does not seem necessary at this time.

Background Checks:

Only one city reviewed requires a background check of the property owner, operators and managers during the STR license application process. [Stillwater's website](#) states that the background is intended to ensure visitors have a safe and enjoyable stay in the city. Part of that is making sure "all owners, operators and managers are vetted before the issuance of their license". Staff has not included a provision for a background check.

Multi-Family Apartment Buildings:

None of the reviewed ordinances addressed multi-family rental buildings that allow STRs. While not a common practice in Minnetonka apartment buildings, at least one building allows tenants to sublease their apartments for use on Airbnb. At this time, staff believes that if a multi-family apartment building allows Airbnb through subleasing, the building and tenant agreement is sufficient to manage that activity.

Determining Scope:

An important aspect of the ordinance is determining the scope, which essentially determines eligibility to have a STR. Part of that process falls under deciding what type of regulation the city might pursue. As presented during the study session, cities could regulate through land-use or business licensing. After consideration, staff concluded that STRs would be best regulated through licensing rather than the zoning code*.

*The city would be required to recognize non-conforming use rights if the ordinance were in the zoning code.

There are several approaches staff considered when deciding STR eligibility.

- Only Homesteaded Properties:
 - This regulation would allow only homesteaded properties to operate as STRs in the city.
 - A homesteaded property requires the owner to use it as their primary residence.
 - A few cities use this regulation.
 - Staff findings indicate that this regulation would be inflexible and limiting.
 - Requiring a property to be homesteaded would drastically limit the number of available properties for STRs.
 - Less flexibility for those who may not homestead in Minnesota but have their property vacant for a portion of the year.
 - It would require additional requirements during the application process to ensure the properties being rented are, in fact, homesteaded.

- Cap on STR:
 - This regulation would set a maximum number of STRs in the city.
 - A cap can be done throughout an entire city or in specific locations.
 - Stillwater and Duluth both have caps on STRs. Both cities see significant interest in STR licenses, so cap numbers were set to allow for some growth. Duluth recently enacted a moratorium on STRs to reevaluate the ordinance.
 - Staff findings indicate that a cap on STR's could be more difficult to regulate.
 - Choosing a cap number is subjective and may not address underlying concerns. It could also need to be adjusted over time, depending on interest levels.
 - Caps can be applied geographically as well, making the regulation land-use specific rather than just licensing.
 - Would not regulate who can own or operate a STR in Minnetonka.
 - Owners who are not yet renting their home might obtain a license to preserve their right to have a STR, which, in essence, is taking it away from someone who actually needs a license to operate.

- Restricting Location:
 - This regulation would limit certain areas of the city where STRs can operate with a license.
 - In some cities, STRs are allowed along transit corridors or in specific zoning districts but are prohibited in all other areas.
 - Staff findings indicate that this regulation would not address current STRs and could be an administrative burden.
 - Limiting the geographic area would apply the city's zoning and land-use ordinance.
 - Being focused on land and zoning would require that existing properties be grandfathered under the new regulation.
 - Similar to the cap, property owners who might consider doing STR in the future would apply before the ordinance goes into effect to be considered grandfathered in.

- Owner plus one additional:
 - This regulation would allow an owner to rent their homesteaded property as a STR and have ownership interest in one additional STR property in Minnetonka.
 - Any non-homestead owner would be allowed to have ownership interest in only one STR in Minnetonka.
 - In the case of an ADU, a STR would be considered the same way as the main home on the property. The ADU is part of the owner's property, so it would be included in that property and not counted as an additional unit.
 - Minneapolis uses this format, allowing no owner or licensee to have an interest in more than one licensed STR.
 - Staff findings indicate that this regulation would be administratively manageable and offer flexibility.
 - The regulation provides owners with the flexibility to operate STRs and continue their investment in the community through an additional property.
 - This would give owners the option to rent out their properties while residing in the unit or when out of town, and to invest in another Minnetonka property for the same purpose.
 - The regulation would also limit the number of STRs owned by non-residents and investors in the city to only one.
 - It would require additional requirements during the application process to ensure the properties being rented are, in fact, homesteaded.

Draft Ordinance

After all items were considered, staff drafted the attached ordinance for council review. The main points of the ordinance are as follows.

- No owner, applicant or licensee shall own or have an interest in more than one licensed STR. An owner, applicant, or licensee with a homestead status property in the city may operate their property as a STR and have an interest in one additional licensed STR property.
 - A STR license would not be required for homestead status properties if the owner lives at the dwelling unit, only a portion of the dwelling unit is rented, and the owner occupies the dwelling unit during the rental period.
- The license duration is 3 years
- To receive a license, an application form must be submitted with the required information, and a satisfactory inspection report and fee, required by section 710 of city code.
- An inspection is required at the time of initial application, during renewal, or as a result of a complaint.
- The application must be accompanied by a management plan addressing noise, trash, parking or any other matters deemed necessary.
- Licensees are required to post the STR license in the unit, along with emergency contact information, additional safety information, and a list of applicable City Nuisance codes.

Timeline - Next Steps

- April 27, 2026 – Introduction of Ordinance to City Council
- April 28, 2026 – Minnetonka Matters Page available for comments
- May 1, 2026- Minnetonka Memo
- Mid May 2026 – Meeting with Existing STR Owner or other interested parties
- May 28, 2026 – Planning Commission Public Hearing
- June 8, 2026 – City Council Meeting to review resident feedback and present the final draft of the ordinance language
- June to August 2026 – Develop licensing and inspection processes
- September 2026 – Outreach to current owners, reminding them of procedures and dates to comply
- January 1, 2027 – STRs required to be licensed and inspected

Council Action

Staff is requesting council feedback on the draft ordinance.

ATTACHMENTS:

[Ordinance](#)
[Addendum](#)