

LAVA HOT SPRINGS CITY - VACATION (SHORT TERM) RENTAL

June 30, 2025

What Happened In The Court Case?

Lava City was sued by some property owners who disagreed with the City's short-term vacation rental regulations, as outlined in City Ordinance 2006-5. Ordinance 2006-5 allowed short-term vacation rentals (e.g. Airbnb type rentals) in commercial zones, subject to a few restrictions. Ordinance 2006-5 only allowed short-term vacation rentals in the City's residential neighborhoods if they were occupied by the property owner or manager. In other words, a "Bed and Breakfast" type of establishment was allowed in residential neighborhoods, but a short-term vacation rental without any on-site owner or property manager was not allowed.

The property owners argued that Ordinance 2006-5 violated Idaho law, namely Idaho Code 67-6539, which says a City cannot enforce any ordinance "that has the express or practical effect of prohibiting short-term rentals or vacation rentals in the city." The City vigorously defended the lawsuit, arguing that the City code was not a prohibition, but instead was a "reasonable regulation" of short-term rentals, and necessary to safeguard the public health, safety and general welfare in order to protect the integrity of residential neighborhoods, which is allowed under Idaho law. (I.C. 67-6539).

The District Court agreed with the City. The property owners appealed to the Idaho Supreme Court, which overturned the District Court's ruling. According to the Idaho Supreme Court, Lava City's code violated Idaho law by completely banning, in residential zones, short-term rentals that are not owner-occupied. The Supreme Court's ruling invalidated City Ordinance 2006-5 in its entirety.

What Did the Idaho Supreme Court Say?

The Supreme Court struck down City Ordinance 2006-5. However, the Court's ruling reaffirmed that a City is allowed to impose "reasonable regulations" on short-term vacation rentals, so long as it doesn't go too far and impose regulations that have the express effect, or practical effect, of prohibiting them. In other words, the Supreme Court decided that in this particular case, Ordinance 2006-5 went too far. But the City can still have reasonable regulations on short-term vacation rentals. The Court's opinion did not establish any rules or guidelines about what would constitute a "reasonable regulation" that a City might impose, that would pass muster under Idaho law.

What is the "Moratorium"?

The Supreme Court striking down Ordinance 2006-5 left the City in a tough spot, with a big gap to fill in that part of the City code. Without being able to use the criteria outlined in Ordinance 2006-5, if somebody applied for a business license for a short term vacation rental, what criteria would the City use to decide whether it should grant or deny that license? Keep in mind, Ordinance 2006-5 regulated rentals in *both* the commercial zones and residential zones. Only the residential zone part was challenged in Court --- but the Idaho Supreme Court tossed out *the entire ordinance*.

Idaho law allows a city to place a moratorium, or temporary pause, upon issuing real estate related permits if there is imminent peril to the public health, safety, or welfare. (I.C. 67-6523). On May 29, 2025, the Lava City Council adopted a resolution placing a 182 day moratorium on accepting or processing any new business license applications for Bed and Breakfast or Vacation Rental/Tourist home businesses within the City. During this 182-day moratorium period, the City is working diligently to gather citizen input and craft a new ordinance regarding short term vacation rentals within the City.