



NEWPORT BEACH

City Council Staff Report

September 13, 2016
Agenda Item No. SS6

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Kimberly Brandt, Community Development Director - 949-644-3232,
kbrandt@newportbeachca.gov

PREPARED BY: Brenda Wisneski, Deputy Community Development Director –
bwisneski@newportbeachca.gov

PHONE: 949-949-644-3297

TITLE: STUDY SESSION - Short Term Lodging Permits

ABSTRACT:

This is a continuation of the August 9, 2016 Council study session. At that meeting staff presented their findings and recommendations related to short term lodging and public comments were received. However, due to time constraints, not all members of the public were able to speak and the Council did not discuss the item. Therefore, the study session item was continued to this meeting.

DISCUSSION:

A detailed staff report was distributed at the August 9, 2016 meeting. The link to the report is provided below:

<http://ecms.newportbeachca.gov/Web/0/doc/854650/Page1.aspx>

Staff continues to meet with community groups and collect input from the public. Provided below is the two phased approach which staff recommended at the August 9, 2016 study session.

Phase One – Implement through summer 2018, which includes 2 summer seasons

- 1. *Expand the STL Operational Requirements.*** See Attachment 1. STL permits are subject to standard conditions listed in Municipal Code Section 5.95.050, which was last updated in 2003. Comments from residents, as well as STL managers, indicate the need for a more robust list of conditions to ensure that best practices are implemented. It is also recommended that the operational standards be separate from the Municipal Code so that they can be updated as needed, as determined by the City Manager. The standards would be posted on the City's website and attached to all STL permits.

2. **Require permits to be renewed on an annual basis.** Currently STL permits are issued on a one-time basis. Offering a streamlined, on-line service would allow permits to be renewed more easily, and an annual renewal will ensure that operators are kept aware the City's operational standards.
3. **Require Property Owner to Submit HOA verification.** Prior to the City's issuance of a STL permit, documentation from the homeowner association shall be submitted verifying that respective HOA's CC&Rs allow for vacation rentals. This requirement may also be included in Municipal Code.
4. **Require a Minimum Stay – 4 nights or other appropriate #.** Requiring a minimum night stay is common for most STL management companies. Longer rentals reduce guest turnover and associated impacts such as large amounts of trash, frequent cleaning services, and personnel and laundry. Staff recommends that this be included as a new operating standard.
5. **Include "Homesharing" in Municipal Code definition.** Homesharing is the practice of leasing one room within a residential unit where the owner, tenant, agent, or rental manager is the long-term occupant of the unit. Transient occupancy taxes are also collected for Homesharing. Homesharing does fall within the City's definition of a short-term rental, but staff recommends that the term be clearly identified in the Municipal Code.
6. **Phase out the 212 "grandfathered" single family properties.** STL permits located in single-family zones which were issued prior to June 1, 2004 are considered "grandfathered" and there is not a Municipal Code provision to phase out the ability to have a STL permit. There are 212 "grandfathered" properties, and 92 have active STL permits. To maintain the single-family character of these neighborhoods and eliminate the inequity created by the ability for these properties to obtain STL permits in the single-family zones, staff is recommending that these properties be phased out by an appropriate amortization period such as 10 years or perhaps less.
7. **Increase Code Enforcement Program.** The community would benefit greatly with the implementation of a more aggressive enforcement program aimed at vacation rentals. While vacation rentals are part of the community's culture, the increase in these uses has the potential to impact the quality of life for residents. For this reason, enforcement of best practices and elimination of vacation rentals in unpermitted zones is critical. A comprehensive Code Enforcement Program is attached which would be supported by one part-time contract position in Code Enforcement, another part-time contract position in the Revenue Division and an outside vendor. The total annual cost of the Code Enforcement Program is \$204,000 to \$211,000.
8. **Continue to negotiate with online host platforms.** Discussions with on-line platforms continue, but with limited progress. Therefore, an effective code enforcement program is critical.

Phase Two – Evaluation of Phase 1 Effectiveness

Staff would return to the Council in fall 2018 with monitoring data to determine the effectiveness of Phase One in improving compliance with the STL provisions. If additional regulations are needed, considerations may include establishing a cap on the total number of STL permits issued citywide or geographically, extending the length of minimum stay requirements, limiting the number of days any particular property could be used for vacation rentals, and/or other more aggressive code enforcement efforts.

Phase Two may also include increased audits to improve compliance with transient occupancy tax requirements. Currently, audits are limited to hotels which are conducted by a city employee. Recognizing the growth of STL permits in the City and the limits of the current auditing efforts, a contract employee devoted to the auditing and enforcement of the City's Municipal Code transient occupancy tax provisions would increase compliance. A full time, contract auditor is estimated to be \$110,000 annually.

Not Recommended

1. ***Expansion of STL areas.*** STL is currently permitted in residential zones, with the exception of single-family and some Planned Community districts. The City Council requested staff review allowing STL within the few small pockets of single-family districts on the Peninsula which are located amongst two-unit residential districts. Research reflects that many of these single family districts were re-zoned to single family in 1989 due to their small size, while other areas have historically been designated single family. The purpose of precluding STL in single family neighborhoods is to maintain the single-family character of these areas. Therefore, expansion of the areas where STL is permitted is not recommended.

CONCLUSION

With City Council's direction, staff will return to a regular meeting to request consideration of necessary amendments to the Municipal Code and additional resources required for implementation. Correspondence received since the August 9, 2016 study session is provided as Attachment A.

ATTACHMENT:

Attachment A – Correspondence