# Short Term Rental (STR) Program Update Study Session

July 16, 2024

Background

- Last update to City Council: March 19, 2024
  - STR permits: 204 (Dec. 2023)
  - 2023 TOT collection: $985,914 (hosted & unhosted)
  - Unpermitted STRs decline: 867 (2020) to 135 (2023)
  - Complaint calls decline
- Follow-up information requested
  - Enforcement best practices
  - Connection between noise & unhosted STRs
  - Revenue potential & reporting

Permitted Short Term Rentals
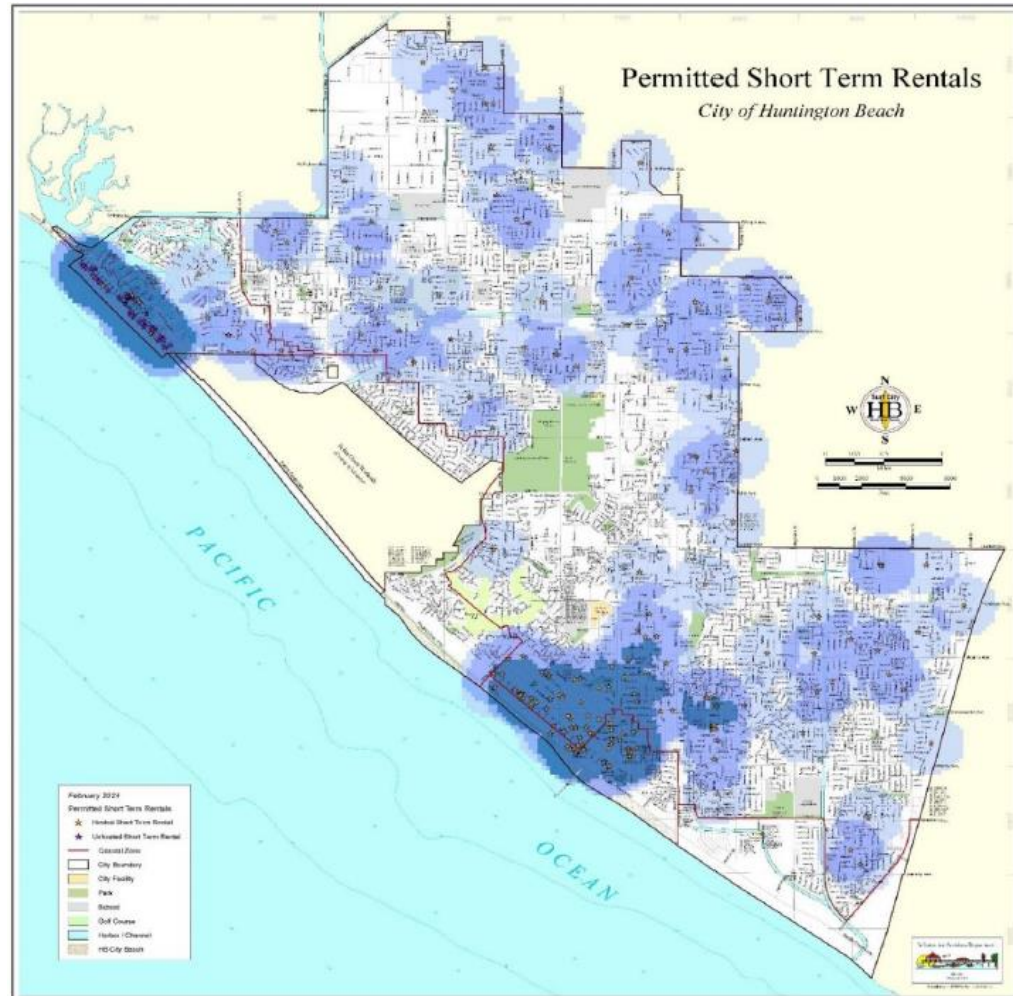
- Approx. 38% are located within the Coastal Zone

- Approx. 58% are located within Coastal Zone and RMH-A (Old Town/Town Lot) areas

Current Requirements

- Hosted (owner-occupied)
  - Citywide – unlimited (no cap)
- Unhosted (owner un-occupied)
  - Zone 2 (Sunset Beach)
  - Due to annexation MOU
  - Limited time to obtain permit
- One STR per property owner

- Local contact person must be available 24/7 to respond within 1 hour to complaints and resolve
- Obtain STR Permit; renew annually
- $1,000 fine each day for each violation
- 3 violations within 12-month period – results in revocation
- All marketing/listings must have City-issued STR permit number

Enforcement Best Practices

- Staff researched how other cities operate STR programs and met with several STR vendors.
- Third-Party Vendor:
  - Monitoring: Tracking over 60 rental listing websites for unpermitted STRs
  - Compliance Letters: Sending notices to non-compliant STR operators
  - 24/7 Hotline: Phone and web support for reporting complaints
  - Online Portals: Permits, registration, and remittance
  - Tax Collection & Reporting: Ensuring accurate and timely TOT collection and reporting
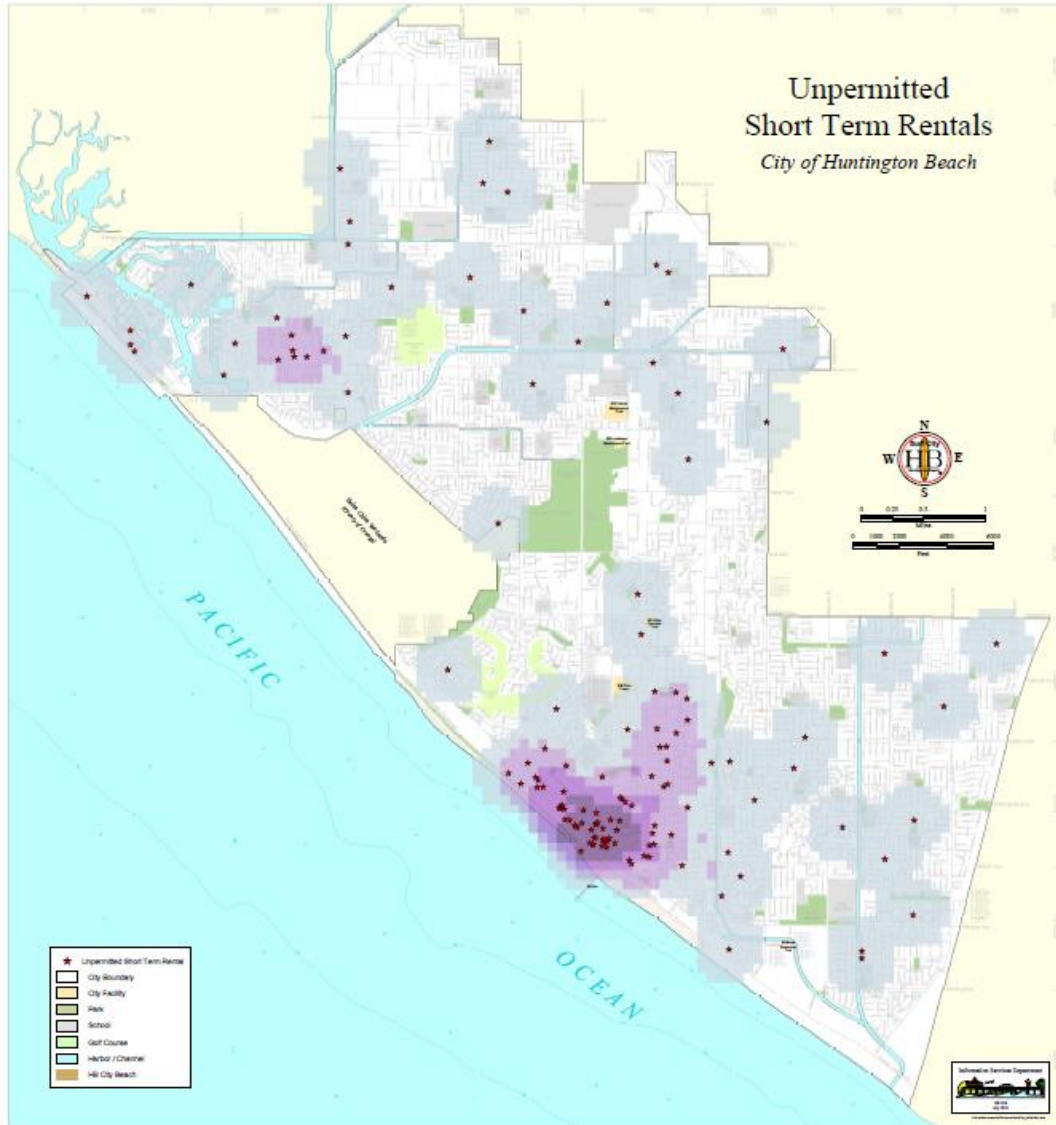
Unpermitted STRs

Number of Properties without STR Permits in 2022 & 2023
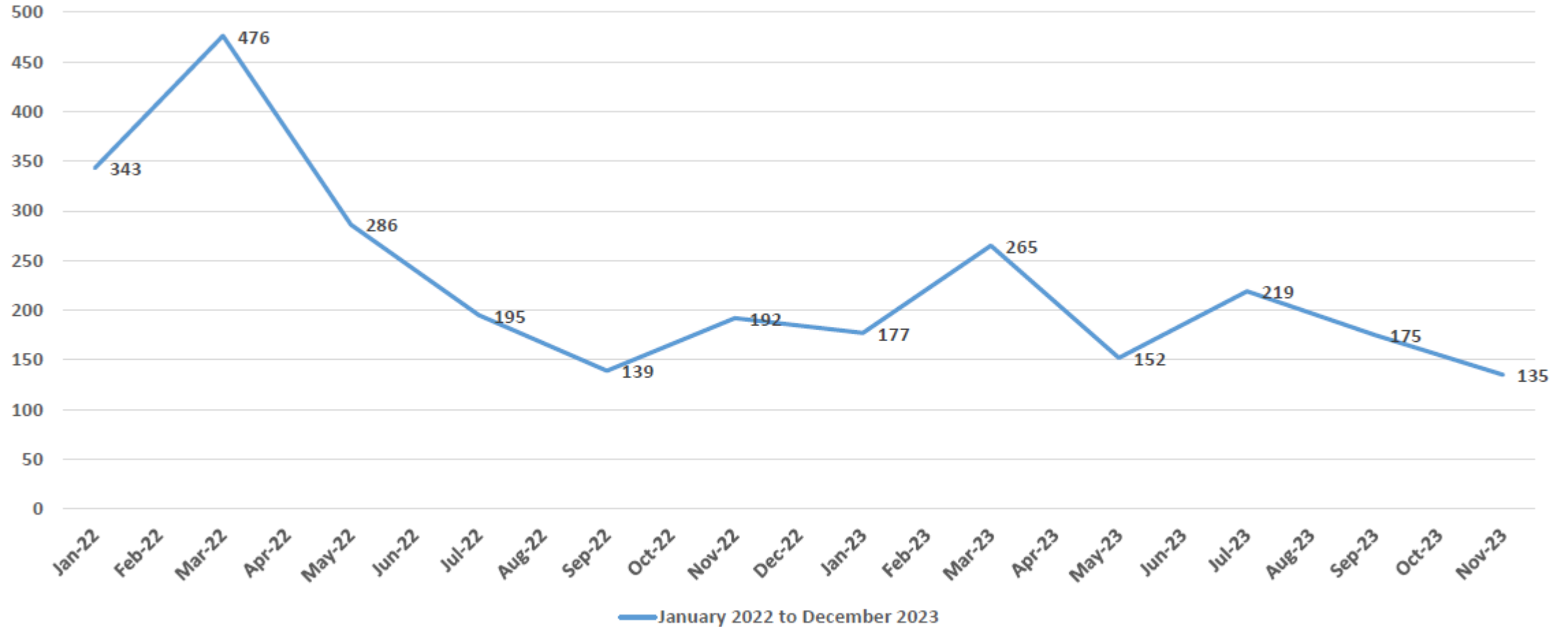
City contracts with 3rd party vendor GovOS to obtain unpermitted STR data

Unpermitted STRs

- 135 unpermitted rentals (Nov. 2023)

Complaint Detail

STR Data 4/1/2021 - 12/31/2023

Complaint Categories	Citywide Complaints	HOSTED Confirmed Violations/ Addresses*	UNHOSTED Confirmed Violations/ Addresses*	Total Confirmed Violations/ Addresses	% of Total Permits
No Owner On-Site	105	49 (36 Addresses)	N/A	49 (36 Addresses)	24%
Noise	92	30 (19 Addresses)	19 (3 Addresses)	49 (22 Addresses)	24%
Maintenance	28	14 (12 Addresses)	2 (2 Addresses)	16 (14 Addresses)	8%
Occupancy	16	4 (4 Addresses)	2 (2 Addresses)	6 (6 Addresses)	3%
Construction	29	6 (6 Addresses)	4 (3 Addresses)	10 (9 Addresses)	5%
Parking	31	11 (10 Addresses)	2 (2 Addresses)	13 (12 Addresses)	6%
Trash	13	4 (4 Addresses)	0	4 (4 Addresses)	2%
Other	46	8 (8 Addresses)	1 (1 Address)	9 (9 Addresses)	4%

*Multiple Violations at Same Address

STRs with Violations

Permitted Short Term Rentals w/Violations
City of Huntington Beach
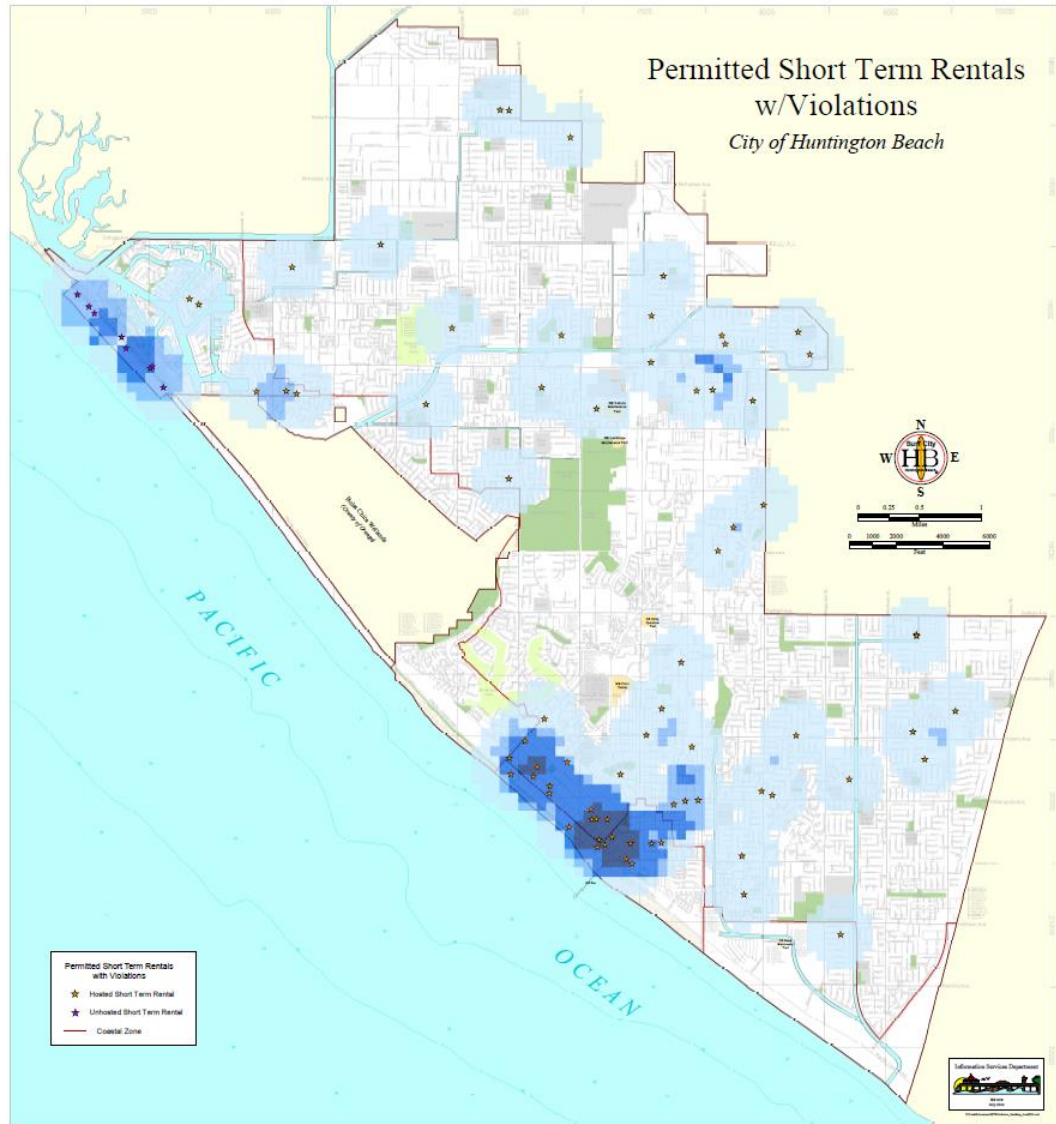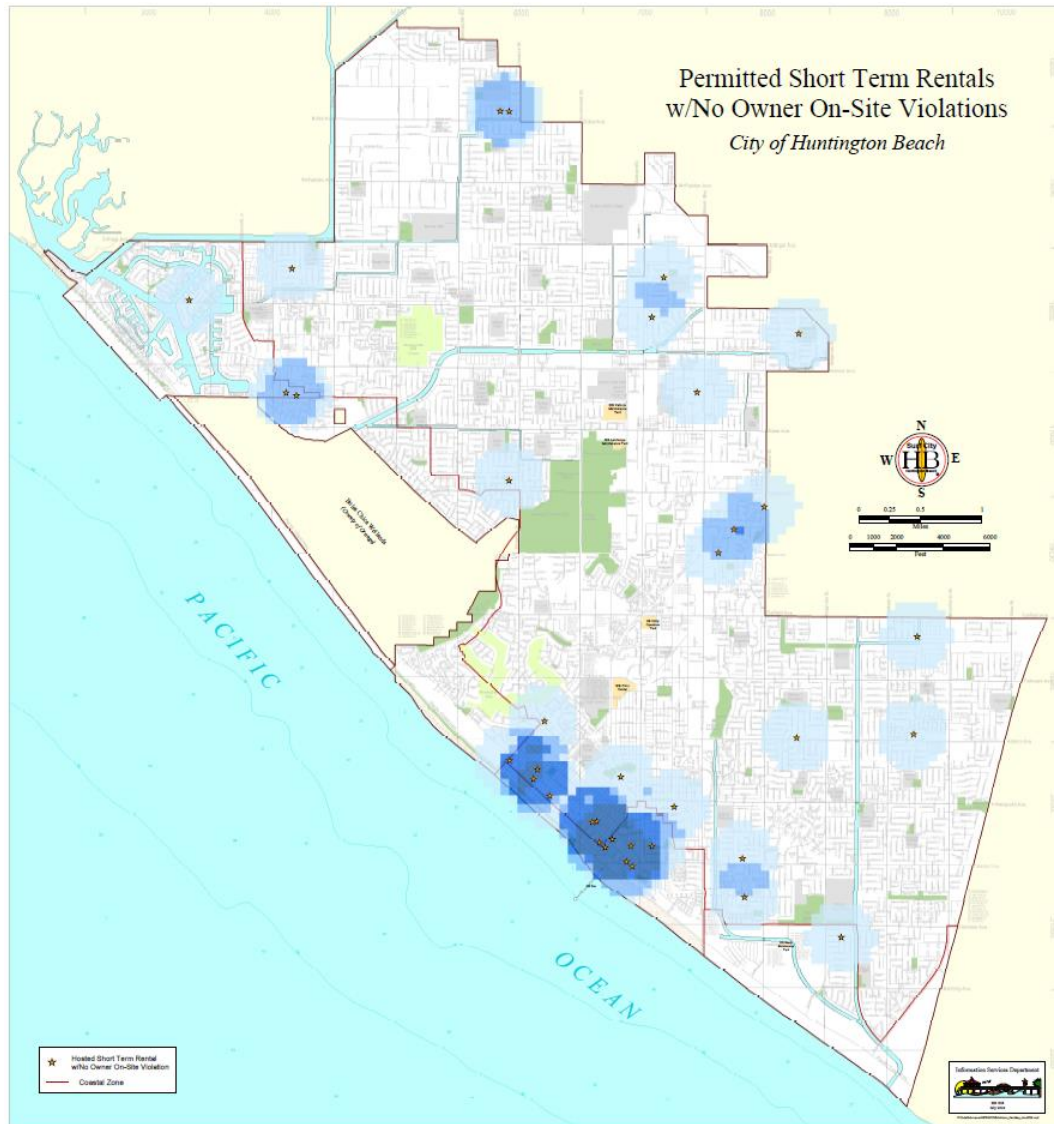
Over 3-year program:
- 156 violations documented citywide between both unhosted and hosted STRs

- Concentration occurring in the downtown area and coastal zone

No Owner On-site Violations

Permitted Short Term Rentals w/No Owner On-Site Violations
City of Huntington Beach

- 36 STRs w/ No Owner On-Site (unhosted) Violations
  - 14 in RMH-A (Oldtown/ Townlots) or Downtown Coastal Zone

Noise Violations
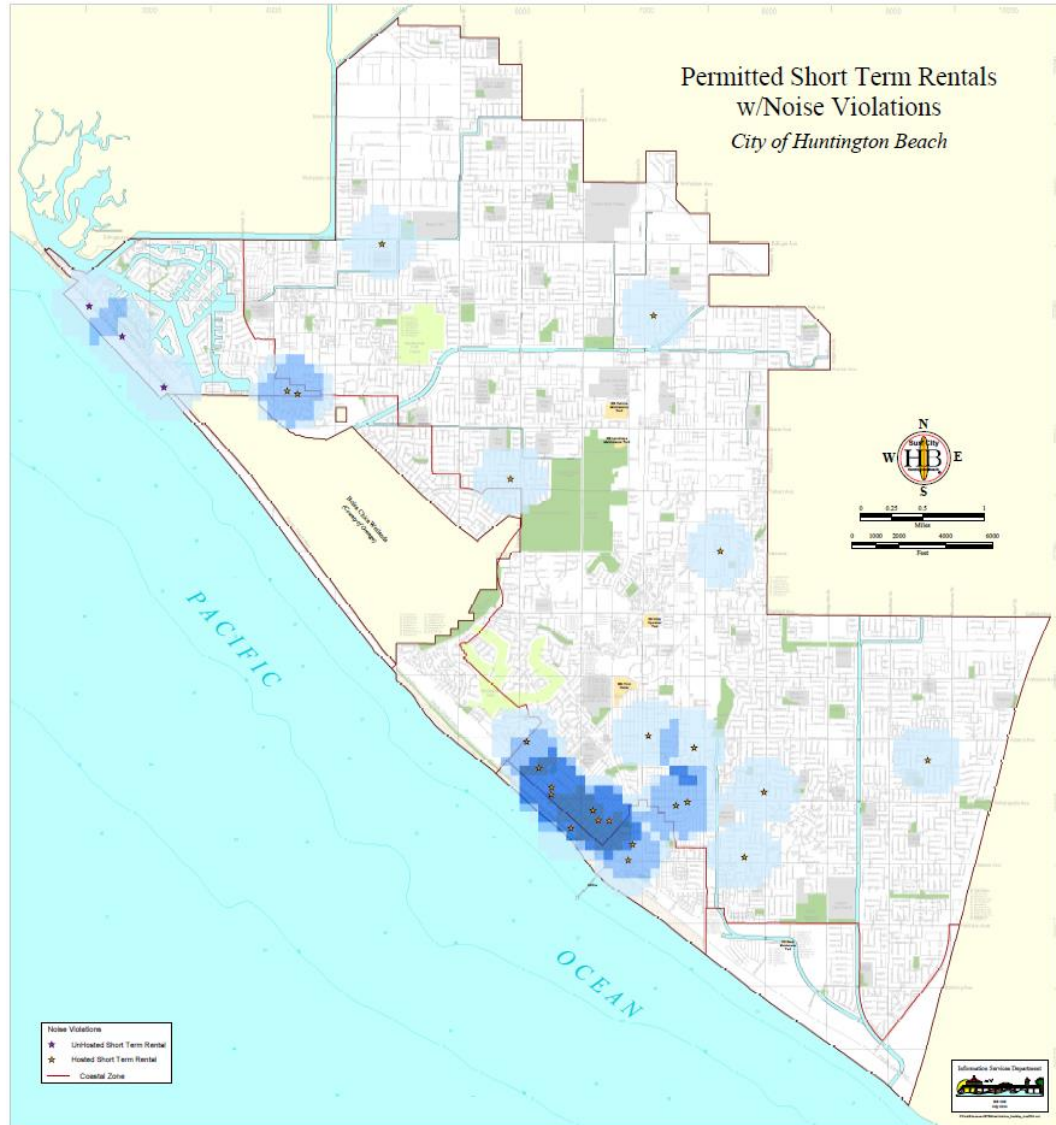
- 26 STRs w/ Noise Violations
  - 12 in RMH-A (Oldtown/Townlots) or Downtown Coastal Zone

Comparison of Other Cities

	Carlsbad	Carpinteria	Dana Point	Long Beach	Newport Beach	San Diego	Ventura
Cap	No	Yes 218 in VROD; Unlimited homestays	Yes 115 in CZ + 60 outside CZ for nonprimary; 115 outside CZ	Yes 350 in CZ; 800 non-primary Unlimited primary	Yes 1,550	Yes 4 tiers (STR types) Unlimited T1 (PT) Unlimited T2 (HS) 5,503 T3 (W, ex MB) 1,809 T4 (MB)	No
Existing # permitted STRs	445	180	165 (citywide)	800 incl primary (650 non-primary)	1,550	8,651 T1 – 193 T2 – 2,691 T3 – 4,678 T4 – 1,089	200
Locational Restrictions	Yes CZ & Residential	Yes VROD – 4 subareas w/ caps	Yes CZ & STR type	Yes CZ & total #	Yes Certain residential zones	No	No
TOT	10%	12%	10%	13%	10%	10.5%	10%
Population	113,018	12,689	32,403	444,095	81,794	1.38 mil	108,537

Coastal Zone TOT

- STRs in Coastal Zone (excl. Sunset Beach): 38
- Active STRs (paid TOT in 2023): 25
- Total TOT Collected: $157,285.04
- Average Annual TOT per STR: $6,291.40
- Encompass ~12,048 units

Legend

City Boundary

Coastal Zone
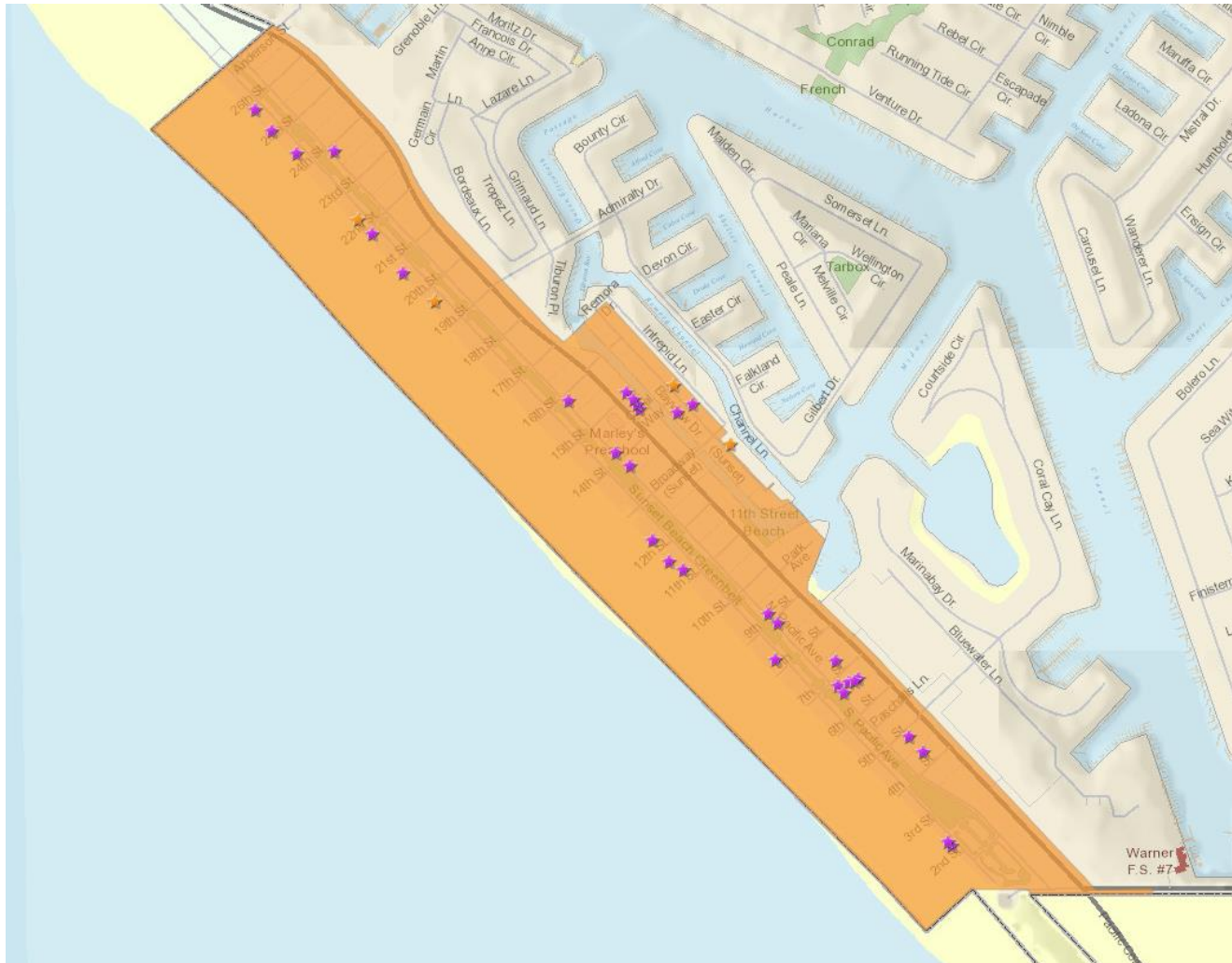
Sunset Beach TOT

- STRs in Sunset Beach: 48
- Active STRs (paid TOT in 2023): 34
- Total TOT Collected: $281,425.23
- Average Annual TOT per STR: $8,277.21
- Encompass ~650 units

Townlot & Oldtown Areas

- Hosted STRs in Townlot & Oldtown: 54
- Active STRs (paid TOT in 2023): 37
- Total TOT Collected: $209,208.22
- Average Annual TOT per STR: $5,654.28
- Encompass ~5,790 units

Actual & Potential Revenue

	Townlot & Oldtown	Coastal Zone (Excluding Sunset Beach)	Sunset Beach	Average (Combined 3 Areas)	Citywide - Estimate (with Avg Nightly Rate of $305 and 50% occupancy)
Average Annual TOT per STR Unit	$5,654.28	$6,291.40	$8,277.21	$6,740.96	$5,490
Total TOT Collected (2023)	$209,208.22	$157,285.04	$281,425.23	$215,972.83	n/a
Example Scenario: Allow 200 STRs	$1,130,856	$1,258,280	$1,655,442	$1,348,192	$1,098,000

← ―――――― **Range** ―――――― →

- Coastal Zone + SB + Old Town/ Townlot
  - 66% of 2023 actual revenue

Potential Revenue

	Townlot & Oldtown	Coastal Zone (Excluding Sunset Beach)	Sunset Beach	Average (Combined 3 Areas)
Example Scenario: Allow 200 STRs	$1,130,856	$1,258,280	$1,655,442	$1,348,192

- Range of potential revenue estimates in Coastal Zone & Oldtown/Townlot may be conservative (based on hosted STR)

- If program expanded to allow unhosted, conversion of existing hosted STRs would also potentially increase revenue

Update Considerations

- **Enhanced Online Portal:** Improving the registration and tax remittance process through a user-friendly online platform
- **Active Reporting:** Enforcing active reporting and implementing strict penalties for non-compliance
- **Cap on STRs:** Setting a cap on the number of unhosted STRs based on specific location criteria
- **Waitlist Process & Auditing:** Introducing a waitlist process for new permits and regular auditing to ensure compliance

Ordinance & Policies

- Types of STRs: Hosted, unhosted, primary, vacation rentals
- Strict penalties: Implementing severe penalties for non-compliance
- Maximum Cap: Limits on the number of STR permits issued
  - Incentivize and require permit holders to report activity and revenue accurately
- Location Restrictions: Designating specific areas where STRs are allowed
  - Associated to high concentrations of STR listings and greatest revenue potential
- Enforcement Tools: Enhancing digital services, utilizing technology like noise monitoring devices and exterior surveillance

Questions?