



City of Huntington Beach

File #: 20-1837

MEETING DATE: 9/21/2020

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Ursula Luna-Reynosa, Director of Community Development

Subject:

City Council consideration of directing staff to prepare an Ordinance regulating Short-Term Rentals (STRs)

Statement of Issue:

As a follow up to the September 3, 2019, study session, staff is prepared to provide additional information regarding short-term vacation rentals (STRs), including three regulatory framework alternatives. STRs are not currently permitted within residential districts in the City. The purpose of this item is for the City Council to consider whether to direct staff to prepare an ordinance permitting and regulating STRs based on the information provided and attached to this report. If the City Council directs staff to prepare a short-term rental ordinance, staff will return with an ordinance for City Council consideration later this year.

Financial Impact:

Not applicable. Should the City Council direct staff to come back with a proposed ordinance to allow and regulate STRs, staff will identify the fiscal impact associated with such ordinance at that time.

Recommended Action:

Provide staff with direction on one of the following options which would require the City Council to consider if these proposed regulations apply to the entire City or only portions of town:

1. Direct staff to prepare an Ordinance regulating STRs with the Low Threshold Regulations;
2. Direct staff to prepare an Ordinance regulating STRs with the Medium Threshold Regulations;
3. Direct staff to prepare an Ordinance regulating STRs with the High Threshold Regulations.

Alternative Action(s):

Do not direct staff to prepare an Ordinance regulating STRs, preserving the current prohibition of STRs.

Analysis:

At the Strategic Planning Retreat in February 2019, the City Council directed staff to conduct a study session on the opportunities and challenges associated with STRs. The City engaged with Lisa Wise

Consulting (LWC) and Host Compliance to provide an analysis and options for permitting and regulating STRs in Huntington Beach. At the September 3, 2019, City Council Study Session, an overview of the number of STRs in Huntington Beach was presented. In addition, case studies of four coastal cities (Carlsbad, Carpinteria, Newport Beach, and Pismo Beach) and the range of approaches in regulating STRs in the coastal zone were presented (see Attachment Nos. 1 and 2). The City Council inquired about the following topics and requested that staff return with more information:

- hosted vs. unhosted STRs
- primary resident requirements
- potential revenues and costs
- “grandfathering” of existing STRs
- potential expansion in the number of STRs, if permitted
- host compliance service
- enforcement mechanisms
- code enforcement companies
- potential impacts (parking, noise from special events and parties)

As a follow up to this request for information, additional research (see Attachment No. 3) and analysis will be presented to the City Council at the September 21st City Council meeting on the following topics:

- definition of hosted vs. unhosted STRs
- primary resident requirements
- enforcement protocols
- projections of short-term rentals market in Huntington Beach
- code enforcement services available to an STR owner/operator
- parking requirements for STRs
- findings from community engagement efforts (stakeholder interviews, community survey)
- potential revenues
- regulatory alternatives (low threshold, medium threshold, high threshold)

LWC and staff engaged in significant community outreach following the Study Session. The purpose of the outreach was to obtain constituent feedback from a broad group of stakeholders to gain better understanding of the community’s tolerance and concerns related to STRs.

Three options of regulatory framework for STRs have been created based on stakeholder feedback and case study research to tailor the potential regulations specifically for Huntington Beach. These options build upon themselves and increase the intensity of regulations with each threshold (see Attachment No. 4). In considering the tiered framework options, the City Council could select an option in its entirety or mix regulatory requirements from the three alternatives in providing direction to prepare an ordinance.

1. Low Threshold Regulations

These regulations consist of moderate regulatory oversight from the City and transparency from STR property owners and include the following measures:

- Code Enforcement (Existing Nuisance Ordinances)
The City's enforcement would use existing nuisance laws, such as noise, safety, and property maintenance, as well as inspections and monitoring on-street parking.
- Transient Occupancy Tax (TOT)
The City would require STR owners to register their property with the City and to have them pay the Transient Occupancy Tax, commonly known as the hotel bed tax.
- Local 24 Hour Hotline
The City would establish a 24 hour hotline for STR-related complaints utilizing the revenue from the TOT. Complaints would be funneled to the Code Enforcement Division for investigation.
- Notice to Neighbors
STR owners would be required to send out a notice to all properties within 500 feet to let neighbors know that an STR is in operation at a certain address. The notice would include the STR owner's contact information and the 24 hour hotline number.
- Owner Contact Information
The STR owner would post their contact information in a high-visibility area along the primary frontage. Neighbors would be able to contact the owners directly if any issues arise.
- STR Registration
The City would require STR owners to register their units with the City and the City would have an internal database to know exactly how many STRs are operating and their locations. No fees or specific permits would be required to operate an STR in the City.

2. Medium Threshold Regulations

These regulations build upon the 'Low Threshold' category, but with increased regulatory oversight by the City, and include the following measures:

- Exempt Status
The City could allow for an exempt status for STRs already in operation to continue (or allow for an amortization period), but would require new ones to apply for a use permit and pay an associated business license fee prior to operation.
- STR Permit & Business License Fee
The City would require a STR operator's permit and business license and associated fees.
- STR Permit Renewal (Annual)
The City would require every permitted STR owner to renew their permit on an annual basis if the owner chooses to continue renting.

- Tourism BID

The City would require STR owners to pay into the Tourism BID.

3. High Threshold Regulations

These regulations build upon the 'Low Threshold' and 'Medium Threshold' sections with maximum regulatory oversight by the City and maximum transparency from the STR property owners and include the following measures:

- On-Site Owner

The City would require all STR owners to either live on the same property of their STR (hosted stay) or within a close distance (ex. 500 feet) to ensure that the STR has proper oversight and the owner is held accountable. Further, the City could impose a primary residency requirement, which would limit the number of days that the unit can be rented and would prevent investors from converting residential dwelling units into investment properties.

- Minimum/Maximum Days of Stay

Minimum and maximum number of days of stay would be enforced to ensure predictability for surrounding neighbors and the local STR market in general.

- People per Bedroom Limit

Limits would be placed on the number of people utilizing an STR at any one time to prevent potential overcrowding and other negative impacts.

- Cap on Amount of STRs

The City would establish a total number of STRs that are allowed and enforce that law through the official STR permitting process.

- Conformance with Covenants, Conditions, and Restrictions (CC&Rs)

While cities don't typically enforce CC&Rs, if the CC&Rs expressly prohibit STRs, the City will not issue a STR permit.

- Neighborhood Zones (Geographic Limitations)

Neighborhood Zones would be created to disburse the allowable amount of STRs in the City. In this case, there would be a maximum allowable amount of STRs per neighborhood. This represents the strictest possible measures; an overall cap on the number of STRs in the city and geographic limitations on how many units are allowed in certain neighborhoods.

The City Council's direction tonight would result in staff preparing and bringing back short-term rental regulations via an ordinance for Council consideration.

Environmental Status:

This item involves the City Council direction to prepare an ordinance regulating short-term rentals and is exempt under Section 15061(b)(3) of the California Environmental Quality Act (CEQA), which

exempts activities where it can be seen with certainty that there is no possibility that the activity may have a significant on the environment. The provision of the City Council direction in this case does not commit the City Council to adopting an ordinance. Upon direction from the City Council, staff will prepare an ordinance regulating short-term rentals and conduct environmental review in accordance with CEQA.

Strategic Plan Goal:

Non-Applicable - Administrative Item

Attachment(s):

1. Case Study Summary Memo - September 3, 2019
2. PowerPoint Presentation - September 3, 2019
3. Research Summary Memo - September 21, 2020
4. Short-Term Rental Analysis - September 21, 2020