



# City of Huntington Beach

**File #:** 20-2116

**MEETING DATE:** 1/19/2021

## 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:**

**Adopt Ordinance No. 4224 amending the Huntington Beach Municipal Code by adding Chapter 5.120 (Short-Term Rentals)**

**Approved for introduction 12/21/2020 - Vote: 7-0**

**Statement of Issue:**

The proposed new chapter of the Huntington Beach Municipal Code (HBMC) would establish a set of regulations, standards, and a permitting process for Short-Term Rentals affecting residential districts citywide. The purpose of Chapter 5.120 (Short-Term Rentals) is to protect the character of residential neighborhoods, maintain the long-term rental housing stock, and ensure the collection and payment of Transient Occupancy Taxes (TOT).

**Financial Impact:**

Should the City Council vote to amend the Huntington Beach Municipal Code by adding Chapter 5.120 (Short-Term Rentals), the proposed regulations will require the development of application forms and review and approval processes to accommodate the issuance of Short-Term Rental Permits by the Community Development Department, as well as Business Licenses and Transient Occupancy Tax Certificates by the Finance Department. In addition, Code Enforcement and the Police Department staff will respond to complaints relating to short-term rental activities. The proposed amendments to the HBMC is estimated to realize \$233,095 annually in TOT and Tourism Business Improvement District (TBID) administrative cost revenues. Additional costs associated with the implementation and regulation of the Short-Term Rental program will be offset by revenues generated from this program.

**Recommended Action:**

Adopt Ordinance No. 4224, "An Ordinance of the City Council of the City of Huntington Beach Amending the Huntington Beach Municipal Code by Adding Chapter 5.120, Regulating Short-Term Rentals" (Attachment 1).

**Alternative Action(s):**

Do not approve the recommended action and direct staff accordingly.

**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 short-term rentals. At the September 3, 2019, City Council Study Session, staff presented an overview of short-term rentals in Huntington Beach, and provided case studies of four coastal cities (Carlsbad, Carpinteria, Newport Beach, Pismo Beach), as well as the range of approaches in regulating short-term rentals in the coastal zone.

At the September 21, 2020, City Council meeting, staff presented additional information regarding short-term rentals, including three regulatory framework alternatives (low threshold, medium threshold, high threshold) and a fiscal impact analysis. By a vote of 6-0-1 (Brenden), the City Council directed staff to prepare an Ordinance regulating Short-Term Rentals with the High Threshold Regulations.

At the November 16, 2020, City Council meeting, staff presented a draft Short-Term Rentals ordinance. The item was continued to the December 21, 2020 meeting to allow the incoming Council with the opportunity to discuss this issue. Although the item was continued, the following items were brought up during the meeting:

- Number of STRs allowed for multi-family properties
- STR permit number required on Hosting platforms
- STR application process
- Response to complaints process
- Maximum number of occupants in a STR
- Local contact person privacy
- Annual renewal of STRs
- Platform responsibilities and fines for violations
- Staffing for STRs processing and enforcement
- No limits on number of STR permits allowed citywide
- Distance requirement for STRs

As a result of input received during the November 16, 2020, City Council meeting, minor changes to the ordinance have been made. A redlined version of those changes is included in Attachment 2.

**Regulatory Framework**

The draft Short-Term Rentals (STR) Ordinance includes the following high threshold regulations:

- Hosted (owner-occupied) STRs citywide, including Sunset Beach
- Un-hosted STRs in Sunset Beach within 6 months of the effective date of the resolution establishing the permit fees
- STR as a legally permitted dwelling unit; ADUs or junior ADUs may be permitted as a STR if legally established prior to the effective date of this Ordinance
- STR permit required
- STR permit annual renewal
- One STR per property (single-family, duplex and triplex properties and rental properties of any size)
- Up to three STRs per property (on ownership properties with 4 or more units, i.e., condominiums, townhomes)

- TOT (Tourism BID payment should the Huntington Beach Tourism Business Improvement District take appropriate action to include STR's in TBID)
- Maximum number of occupants per STR (two persons per bedroom, plus two additional guests, including children; maximum 10 persons in any STR at one time including the operator)
- Minimum age of 25 years old for STR tenants
- Local contact person that is available 24 hours per day, 7 days a week to respond within one hour to complaints and take any remedial action necessary to resolve such complaints
- Posted notice within the unit with the information relating to the maximum number of occupants, parking location, trash pick-up schedule, emergency contact information, and evacuation plan
- Posted notice in a conspicuous place with the information relating to the STR permit and conditions, name and phone number of the local contact person
- Events prohibited
- Compliance with Noise Ordinance
- Conformance with Covenants, Conditions, and Restrictions (CC&Rs)
- City-issued STR registration number included in any STR
- Maintain liability insurance appropriate to cover the STR

The proposed regulations for short-term rentals provide appropriate regulations and permit processes to reduce operational impacts of short-term rentals properties and preserve residential neighborhood character. Other requirements, such as Code Enforcement, Building, and Fire inspections prior to permit issuance, 500-foot radius notification to adjacent properties, and liability insurance amount will be reflected in the STR Permit application and required at the time of submittal.

The un-hosted STRs in Sunset Beach offer an opportunity to evaluate data and experiences to test the City's ability to effectively manage a less restrictive regulatory structure. Staff will provide annual reports, or upon request, summarizing data. This information may be used by the City Council to refine the regulatory framework in the future, if desired.

### Fiscal Impact Analysis

The City obtained an updated fiscal analysis showing potential revenue projections, which is provided as Attachment 3. The data collected for the fiscal impact analysis were from STR listing sites to represent a snapshot of the STR market in Huntington Beach from May 2019 through April 2020. The revenues are divided into three subareas (Sunset Beach, Downtown, the rest of Huntington Beach) and by rental type (entire unit, private room, shared room). STRs in Huntington Beach are estimated to generate a total of \$8,738,294 in expenditures (i.e., revenue for STR operators). Applying the TOT rate of 10% and the City's 1% share of the TBID assessment, the City would receive \$873,829 in TOT revenue and \$3,495 in TBID revenue annually. The tables below provide more detailed revenue information:

**Table 1: City STR Revenue by Subarea**

	Total Expenditures	TOT 10%	TBID (City Share) 1% of TBID
Sunset Beach	\$1,484,977	\$148,498	\$594
Downtown	\$3,615,687	\$361,569	\$1,446
Rest of City	\$3,637,630	\$363,630	\$1,455
<b>Total</b>	<b>\$8,738,294</b>	<b>\$873,829</b>	<b>\$3,495</b>

**Table 2: City STR Revenue by Rental Type**

	Total Expenditures	TOT 10%	TBID (City Share) 1% of TBID
Entire Unit	\$7,846,779	\$784,678	\$3,139
Private Room	\$891,345	\$89,135	\$357
Shared Room	\$170	\$17	\$0
<b>Total</b>	<b>\$8,738,294</b>	<b>\$873,829</b>	<b>\$3,495</b>

Table 3 below summarizes the City revenues for allowing all types of STRs (i.e., entire unit, private room, and shared room) in Sunset Beach, and hosted rentals (i.e., private rooms and shared rooms) in the rest of the City.

**Table 3: STR Revenue from Council-Recommended Program**

	Total Expenditures	TOT 10%	TBID (City Share) 1% of TBID
City-wide: Private Rooms	\$836,510	\$83,651	\$335
City-wide: Shared Rooms	\$170	\$17	\$0
Sunset Beach: All Rental Types	\$1,484,977	\$148,498	\$594
<b>Total</b>	<b>\$2,321,657</b>	<b>\$232,166</b>	<b>\$929</b>

**Environmental Status:**

The amendment to the Huntington Beach Municipal Code is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061 (b)(3) (General Rule) of the CEQA Guidelines, because there is no potential for the amendment to have a significant effect on the environment.

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. Ordinance No. 4224
2. Ordinance No. 4224 Redlined
3. Updated Fiscal Analysis
4. November 16, 2020 Request for City Council Action