



# City of Huntington Beach

**File #:** 21-168

**MEETING DATE:** 3/1/2021

## 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 Resolution No. 2021-18 (Supplemental Fee Resolution 13), establishing Short-Term Rental (STR) Permit Fees; adding a Code Enforcement Officer I and Code Enforcement Officer II to the Table of Organization; and amending the City's Fiscal Year 20-21 Budget to the extent necessary to accommodate such expenditures**

**Statement of Issue:**

The City Council recently approved Ordinance No. 4224 establishing regulations, standards, and a permitting process for Short-Term Rentals (STRs), which went into effect on February 19, 2021. In order to implement these new processes, the City needs to establish permit application fees to offset the costs of the program, including reviewing applications, issuing permits, and staffing to monitor and enforce short-term rentals. Staff is seeking authorization to add two Code Enforcement Officers to help perform these functions, and to amend the Fiscal Year 2020-21 Budget to incorporate STR-related changes.

**Financial Impact:**

The anticipated revenue impact of adopting Short-Term Rental permit fees is:

- Initial Year: \$210,000
- Future Years: \$109,000

Revenues will offset the costs of permit application review and processing. Actual revenues will vary based on permit applications received. If regulation is required beyond the level assumed for typical permit review and approval, staff may bill hourly for code enforcement regulatory efforts.

The fully-burdened rate of the two additional Code Enforcement Officers is approximately \$232,000 per year. It is anticipated that the City will achieve full cost recovery between the permit fee, cost recovery, and Transient Occupancy Tax revenues generated by the Short-Term Rental program.

**Recommended Action:**

A) Adopt Resolution No. 2021-18, "A Resolution of the City Council of the City of Huntington Beach Establishing Short-Term Rental Permit Fees by Amending Resolution 2016-59, as Resolution 2016-

59, as Amended by Resolution Nos. 2017-28, 2017-44, 2017-46, 2018-01, 2018-29, 2018-48, 2018-55, 2019-07, 2019-19, 2020-37 and 2021-17, Which Established a Consolidated Comprehensive Citywide Master Fee and Charges Schedule (Supplemental Fee Resolution 13)”; and,

B) Authorize the addition of a Code Enforcement Officer I and Code Enforcement Officer II to the Table of Organization; and,

C) Amend the City’s Fiscal Year 20-21 Budget to the extent necessary to accommodate such expenditures.

**Alternative Action(s):**

Do not approve the recommended actions and direct staff accordingly.

**Analysis:**

On December 21, 2020, the City Council adopted Ordinance No. 4224 establishing regulations, standards, and a permitting process for Short-Term Rentals (STR) affecting residential districts citywide. The Ordinance went into effect on February 19, 2021.

The STR permit fees are intended to recover the full costs of typical staff time to review Short-Term Rental Permit applications. Additionally, the costs of software and systems used to assist the City with subscription, monitoring, and compliance of Short-Term Rentals are included in the cost of service calculations. For Short-Term Rental properties that require code enforcement regulation beyond the level assumed in the base permit fees, staff may use hourly billings for cost recovery purposes.

Staff recommends that a fee of \$589 for an initial application and \$306 for an annual renewal. These amounts are based on the time involved by the Planning Division and Code Enforcement Division in implementing the Ordinance.

For purposes of comparison, staff surveyed other cities that impose a Short-Term Rental application fee. Those fees are outlined in the table below:

City	Fee	Cost Recovery
Carpinteria	\$315	No information available
Long Beach	\$250	50% cost recovery
Newport Beach	\$169	100% cost recovery
Palm Springs	\$944	100% cost recovery
Pasadena	\$102	No information available
Pismo Beach	\$618	100% cost recovery

The proposed fee of \$589 for an initial permit and \$306 for an annual renewal would be toward the middle of STR fees by cities that assess a permit fee for short-term rentals.

Hourly billing rates for Code Enforcement are included for City Council consideration as part of Agenda Item 21-17, and are intended to be adopted and incorporated into the City’s Master Fee

Schedule. Staff may use hourly billings for cost recovery purposes for enforcement. For example, a property owner may be operating a short-term rental without the requisite permit and code enforcement will spend time enforcing the City's regulations. The only way to recoup costs associated with those enforcement efforts will be to bill the offenders on the City's actual costs to enforce.

When staff presented short-term rental regulations to City Council for consideration, the City Council directed staff to ensure that adequate code enforcement resources are available to effectively enforce the regulations. Staff is recommending that two additional code enforcement officers (Code Officer I and Code Officer II) will be sufficient to ensure adequate enforcement. The combined, fully-burdened cost of two new officers is approximately \$232,000 per year.

As previously presented at study sessions and when the short-term rental Ordinance was introduced, by regulating short-term rentals, the City will receive Transient Occupancy Tax revenue. Between the tax, permit fee, and cost recovery revenue, these two additional positions will cover 100% of the costs of the two additional officers.

**Environmental Status:**

Not applicable as the action is not subject to the California Environmental Quality Act (CEQA) in that pursuant to Section 15378(b)(4) of the CEQA Guidelines, the creation of government funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, is not defined as a "project".

**Strategic Plan Goal:**

Economic Development & Housing

**Attachment(s):**

1. Resolution No. 2021-18, "A Resolution of the City Council of the City of Huntington Beach Establishing Short-Term Rental Permit Fees by Amending Resolution 2016-59, as Resolution 2016-59, as Amended by Resolution Nos. 2017-28, 2017-44, 2017-46, 2018-01, 2018-29, 2018-48, 2018-55, 2019-07, 2019-19, 2020-37 and 2021-17, Which Established a Consolidated Comprehensive Citywide Master Fee and Charges Schedule (Supplemental Fee Resolution 13)"
2. Cost of Service Analysis