

Agenda Item #15.1
For City Council Meeting of October 12, 2021

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: SHARI MEADS, CITY PLANNER
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
SUBJECT: SHORT-TERM RENTALS URGENCY ORDINANCE

AGENDA ACTION: URGENCY ORDINANCE

RECOMMENDATION

The Planning and Economic Development Department recommends that the Council adopt an urgency ordinance to amend Title 20 of the City Zoning Code to add Chapter 20-48, Short-Term Rentals, to regulate short-term rentals, defined generally as the rental of residential property for a period of less than 30 calendar days.

EXECUTIVE SUMMARY

The City does not currently have formally adopted regulations addressing the rental of residential properties for a period of less than 30 calendar days (short-term rentals) as a land use separate and distinct from a residential land use. Unregulated short-term rentals have the potential to pose public safety hazards by impacting the ability of neighborhoods to safely evacuate during emergency events due to excessive parking on narrow streets. There is also a decreased ability to communicate with transient renters who may not be familiar with local warning and alert systems. Unregulated short-term rental activities have also led to increased frequency of complaints related to noise, occupancy, and large events requesting Police, Code Enforcement, and Planning staff response despite a lack of resources or a regulatory framework for enforcement.

Short-term rentals are rooms or residences that are rented and occupied for short periods of time, typically less than 30 days. Short-term rentals can be hosted or non-hosted. Hosted short-term rentals are rentals where the homeowner is present during the rental period and non-hosted short-term rentals are rentals where the homeowner is absent during the rental period. Short-term rentals are also referred to as vacation rentals by some jurisdictions, but since short-term rentals may be used for reasons other than vacations, the City will use the term short-term rental for these activities.

Short term rentals can increase transient occupancy taxes (TOT) revenue, offer those burdened with high housing costs a way to increase their income, help retirees “age in place”, and help attract visitors which can boost local business and sales tax revenue. Short term rentals can also result in adverse impacts. Short-term rentals can negatively impact the character and cohesiveness of a neighborhood, can impact the ability of

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neighborhoods to safely evacuate or be accessed by emergency responders, and can reduce permanent housing supply through their conversion to tourist and transient uses. Additionally, short-term rentals may contribute to the spread of COVID-19 if used for large public gatherings where distancing and adherence to local health and safety measures are not followed.

The City does not currently regulate short-term rentals as a use separate and distinct from a residential land use. Short-term rental activities have led to increased frequency of complaints related to wildfire and evacuation risks, noise, occupancy, and large events requesting police, fire, code enforcement, and planning staff response despite a lack of resources or a regulatory framework for enforcement. The proposed Short-Term Rentals Urgency Ordinance (Ordinance) will provide a regulatory framework for short-term rentals in order to reduce the safety risks during wildfire events, preserve housing stock and the residential characteristics of neighborhoods, and prevent short-term rental activities from becoming a nuisance to, or threatening the public health, welfare, or safety of neighboring residents. The Ordinance will also facilitate the collection and payment of TOT and Business Improvement Area (BIA) assessments.

The Santa Rosa City Charter authorizes the City Council to adopt an urgency ordinance if necessary to preserve the public peace, health, or safety if the ordinance contains the reasons for its urgency. An urgency ordinance requires a 5/7 Council vote and is effective immediately after adoption.

BACKGROUND

The short-term rental industry has grown significantly over the past ten years. The increased presence of web-based “hosting” platforms such as Airbnb, FlipKey, HomeAway, and Vrbo have made the process of advertising and renting homes (or individual rooms within homes) easier and more attractive to homeowners. A July 6, 2021, REALTOR Magazine Article “Short-Term Rentals Prove to be Investment Gold” reported that nationwide short-term rental occupancy rates surged 21% in May 2021, compared to pre-pandemic levels from May 2019, citing AirDNA, a real estate company that collects data on Airbnb and Vrbo short-term rentals. The article also reports that nationwide, nightly rental rates charged for vacation rentals have increased by about 8.3% over the past year.

The City currently has approximately 197 short-term rentals registered to pay TOT and BIA assessments however a July 2021 web scrape performed by Host Compliance, LLC, a Granicus company that provides short-term rental monitoring, compliance, and enforcement, indicated that there are more than 350 short-term rentals actively being advertised within City limits. TOT revenue generated from the 197 registered short-term rentals was \$261,850 in 2020. BIA revenue generated in 2020 was \$76,812.

ANALYSIS

A multi-departmental working group comprised of planning and economic development and police staff began to meet on a regular basis from December 2020 to April 2021 to monitor and discuss short-term rental related community issues and to determine if a program for regulating these currently unregulated uses was necessary. Staff also researched other jurisdictions in California that had adopted programs or ordinances associated with regulating short term rentals.

Due to an increase in the frequency and intensity of complaints related to short-term rental activities starting in late spring, it became clear that short-term rental activities were impacting public health, welfare and safety. The increasing complaints in combination with the early declaration of fire season informed planning staff's decision to elevate the discussion to the Economic Development Subcommittee. On August 10, 2021, the Subcommittee directed staff to prepare a comprehensive Short-Term Rentals Urgency Ordinance for Council consideration as soon as possible.

Following this direction, the working group was expanded to include City staff from planning, building, economic development, code enforcement, water, police, finance, communications, and fire. Working group meetings increased in frequency to at least weekly (with some staff meeting daily) to evaluate policy options associated with short-term rentals, and to address implementation and enforcement measures.

Staff prepared and promoted widely a Short-Term Rentals Survey (Survey) to assess community sentiment about short-term rentals and if/how they should be regulated. The Survey was published in both English and Spanish on August 17, 2021, and promoted to the community via press release, the City Connections Newsletter, the City website, and Facebook, Twitter, and NextDoor posts during the two weeks it was available. More than 2,350 residents responded to the Survey, 13% of which identified as short-term rental owners. In addition to multiple-choice responses, 1,719 individual comments were provided.

The Short-Term Rentals Survey Data Compilation attached to this report as Attachment 1, made it clear that short-term rentals touch many residents throughout the City and that there is substantial interest in the issue. City staff would benefit from more time to review and analyze the results of the Survey and to continue engagement efforts on a long term comprehensive short term rental program. Additionally, more time would allow staff to better prepare a comprehensive ordinance that responds to community sentiment while also identifying the resources necessary to support the implementation and enforcement of such an ordinance.

On September 14, 2021, the Economic Development Subcommittee received an update by staff and a recommendation for a phased approach. The Economic Development Subcommittee directed staff to continue to pursue an urgency ordinance for Council review on October 12, 2021, that addresses the most significant public health, welfare, and safety and nuisance concerns. In addition, the Subcommittee directed staff to continue analysis and engagement effort in pursuit of a comprehensive ordinance, to be presented to the City Council in early 2022. The additional time will provide the City with

experience regulating the use through the urgency ordinance, and more time to study the issues and engage the public.

The proposed Short-Term Rentals Urgency Ordinance is attached to this report. Key provisions are also summarized below.

Proposed Zoning Code Chapter 20-48. Short-Term Rentals

1. 20-48.010 Purpose.

The purpose of the new Short-Term Rentals Zoning Code Chapter (Chapter) is to provide a regulatory framework for short-term rentals in order to establish operating standards so that short-term rental activities do not threaten public safety during wildfire and other emergency events, become a nuisance to, or threaten the public peace, welfare, health, or safety of neighboring properties, and to preserve the City's limited housing stock, to retain the residential characteristics of neighborhoods, and to facilitate the collection of TOT and BIA.

2. 20-48.020 Application of this Chapter.

The Chapter will apply to all short-term rental uses but will not apply to other transient occupancy uses such as hotels or home exchanges, or other rental uses like supportive or transitional housing.

3. 20-48.030 Definitions.

This Section provides definitions for short-term related terms that are used throughout the Chapter such as Hosted and Non-hosted.

4. 20-48.040 Short-Term Rental Permit Requirements.

Hosted short-term rentals are allowed with a Short-Term Rental Permit in all zoning districts.

Non-hosted short-term rentals are allowed with a Short-Term Rental Permit in the following zoning districts*:

- Core Mixed Use (CMU)
- Station Mixed Use (SMU)
- Maker Mixed Use (MMU)
- Neighborhood Mixed Use (NMU)
- Rural Residential (RR)
- Single Family Dwelling (R-1)
- Residential Planned Development (PD) where not explicitly prohibited
- Office Commercial (CO)
- Neighborhood Commercial (CN)
- Community Shopping Center (CSC)
- General Commercial (CG)
- Transit Village-Mixed (TVM)

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*Non-hosted short-term rentals are prohibited in all other zoning districts.

Short-term rental permits are valid for one year. They may not be extended or transferred, and they do not run with the land.

5. 20-48.050 Registration Requirements.

This Section clarifies that short-term rental owners are required to pay TOT and BIA assessments.

6. 20-48.060 Occupancy Standards and Parking Requirements.

The maximum occupancy of a short-term rental will be determined by the number of bedrooms and the ability to meet minimum parking requirements. Two (2) short-term renters per bedroom, not to exceed 10 total short-term renters in total, will be allowed so long as one off-street parking space per bedroom is available. Where legal on-street parking is available, one on-street parking space may be used to meet minimum parking requirements.

Short-term rentals in the CMU, SMU, MMU, and NMU zoning districts are exempt from minimum parking requirements pursuant to Zoning Code Section 20-36.040 Table 3-4 – Automobile and Bicycle Parking Requirements by Land Use Type. Maximum occupancy for short-term rentals in the CMU, SMU, MMU, and NMU zoning districts shall be determined by number of bedrooms exclusively.

In addition to the maximum number of short-term renters allowed, four (4) daytime guests will be allowed to visit the property at any one time between the daytime guest hours of 8 a.m. to 9 p.m.

This Section also includes a provision that prohibits the short-term rental from being used for any gathering that exceeds the maximum number of short-term renters and allowable daytime guests, or if the minimum parking requirements cannot be met.

7. 20-48.070 Operational Standards.

This Section includes provisions related to Noise, Life Safety Requirements, Prohibition of Events, Advertising and Listing Requirements, and Posting and Neighbor Notification of Permit and Standards. The Section also includes a requirement that the short-term rental be accessible for inspection by code enforcement, building, police, or fire personnel at any time.

8. 20-48.080 Enforcement.

This Section covers the proposed enforcement process including a requirement that initial complaints be directed to a designated local contact who must be available 24/7 while the short-term rental is occupied. An enforcement penalty schedule of \$500 and education for first violation, \$1,000 for any second violation, and \$2,000 and revocation of the Short-Term Rental Permit for a third violation within one year is proposed.

OUTREACH AND ENGAGEMENT

- June 2021 Short-Term Rentals dedicated email address: shorttermrentals@srcity.org
- June 2021 Short-Term Rentals dedicated webpage: <https://srcity.org/3625/Short-Term-Vacation-Rentals>
- August 17-31, 2021, Short-Term Rentals community survey (Responses Report as Attachment 2)
- September 20, 2021, Survey Responses Report published to webpage
- September 22, 2021, Montecito Heights Neighborhood Meeting
- September 24, 2021, Draft Ordinance posted to dedicated webpage, promoted via the City's social media accounts,
- September 29, 2021, Industry-Focused Community Meeting

FISCAL IMPACT

Adoption of the Ordinance would not have a fiscal impact on the General Fund. The direct cost of Ordinance administration will be covered by application fees and enforcement penalties.

ENVIRONMENTAL IMPACT

The adoption of this ordinance is not subject to the California Environmental Quality Act (CEQA) under CEQA Guidelines Sections 15060(c)(2) and 15060(c)(3) because the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment, and because it is not a project as defined in CEQA Guidelines Section 15378, as it has no potential for resulting in physical change to the environment, directly or indirectly. Additionally, or alternatively, the Ordinance is exempt from CEQA under CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that this Ordinance or its implementation would have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On December 8, 2020, the Economic Recovery Task Force directed staff to continue monitoring the City's short-term rental situation, including collecting complaint and other data, and to continue to review how other jurisdictions regulate short-term rentals.

On August 10, 2021, the Economic Development Subcommittee directed staff to draft a comprehensive Short-Term Rental Urgency Ordinance for review by the Council as soon as possible.

On September 14, 2021, following staff's recommendation, the Economic Development Subcommittee directed staff to draft a Short-Term Rental Urgency Ordinance to provide

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an approval mechanism and regulations to address the most significant short-term rental nuisance and public health, welfare, and safety concerns.

NOTIFICATION

A public hearing notice was posted at City Hall and advertised in the Press Democrat, pursuant to Zoning Code Section 20-66.020(D), Alternative to Mailing, since the ordinance would affect properties Citywide.

ATTACHMENTS

- Attachment 1 - Short-Term Rentals Survey Data Compilation dated September 20, 2021
- Attachment 2 – Public Correspondence to Council
- Attachment 3 – Public Correspondence to City staff
- Ordinance

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