



Legislation Text

File #: 18-0447, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Anne McIntosh, Community Development Director
Nhung Madrid, Senior Management Analyst

SUBJECT:

Consideration of Short-Term Rental Program and Policies (Community Development Director McIntosh).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that the City Council direct staff to return with the necessary program elements to establish a short-term rental licensing and administrative program in commercial areas pursuant to the restrictions set forth in the staff report.

FISCAL IMPLICATIONS:

Short-term rentals are permitted in the commercial zones such as the Downtown CD zone, but not permitted in the residential zones. Without a licensing and administrative program regulating short-term rentals in commercial zones, the City does not receive any license/registration fees or Transient Occupancy Tax (TOT) revenues from short-term rentals. If the Council directs staff to create a licensing and administrative program, the City could receive TOT from authorized short-term rentals. Any increase in revenue depends on the program guidelines, the number of registered property owners who would be allowed to host short-term rentals, and under what limitations the program is subject to.

BACKGROUND:

On July 19, 2018, the City Council held a study session to review and discuss the goals and concerns of a short-term rental policy and various short-term rental programs in other municipalities throughout Southern California. After a lengthy discussion, the City Council directed staff to:

- Work in conjunction with short-term rental companies regarding compliance,
- Research implementing a short-term rental pilot program in the commercial zones west of Sepulveda Boulevard (owner-occupied; hosted stays),
- Further research hosted stays versus unhosted stays; and
- Return with data regarding short-term rental properties that are currently listed online.

DISCUSSION:

Staff is continuing to gather information in response to Council direction. As a first step, staff recommends that the City develop a licensing and administrative program for short-term rentals in the commercial districts, as outlined below. As noted previously, the City currently allows short-term rentals in the commercial zones, but, without a program, has not regulated such uses to minimize any potential adverse effects of such use.

Staff analyzed three commercial districts: Downtown Commercial (CD); North End Commercial (CNE); and Local Commercial (CL), to determine the potential impact, arising from a licensing and regulatory program for short-term rentals. Within the CD, CNE, and CL districts, there are approximately **380** total housing units that are commercially zoned. The breakdown is as follows:

- 35 single-family residences
- 11 condominium buildings (42 units)
- 13 apartment buildings (107 units)
- 36 duplex buildings (76 units)
- 13 triplex buildings (39 units)
- 9 quadruplex buildings (36 units)
- 19 mixed-use buildings (46 units)

Staff does not recommend allowing short-term rentals in rental apartment units except for the units that are owner occupied for reasons explained below. Therefore, the number of likely qualifying short-term rentals would be closer to **213** units.

Short-term rentals are considered to be a commercial use. Thus, three commercial zones-North Manhattan Beach (CNE), followed by Downtown (CD), on Manhattan Beach Boulevard (CL), and lastly, a small pocket on Aviation Boulevard (CL)-would be suitable for short-term rentals given the proximity to other adjacent commercial land uses and main transportation corridors. The majority of the units suitable for short-term rentals are located in these commercial zones.

Additionally, by limiting short-term rentals to existing single-family residences and condominium uses in the CD, CNE, and CL districts, program guidelines could be less restrictive, which could result in greater host compliance and less code enforcement activity. Program guidelines could also include the following provisions:

- Allow for hosted or unhosted stays,
- No limit on the number of stays per calendar year,
- Short-term rental unit is not required to be the Property Owner's primary residence,
- Registration of short-term rental property with City,
- Requirement to obtain a Business License; and
- Requirement to collect and remit TOT.

If the City chooses to move forward with a short-term rental program, it is imperative that the City Council consider developing guidelines prohibiting short-term rentals in year-round rental units, which will safeguard, preserve and protect residential housing stock in the City. The recent passage of the State's 2017 Legislative Housing Package has put more regulations on cities to comply with various

state housing laws to meet regional housing needs. Therefore, staff does not recommend allowing short-term rentals in apartments, Accessory Dwelling Units (ADUs), or in residential zones in the City.

If the City Council supports a short-term rental pilot program in commercial zones, staff would return at a later date with the necessary program documents, possibly including, if necessary, an ordinance to amend the Zoning Code and Local Coastal Program. Additionally, staff may include more detailed information on the registration process, program guidelines and restrictions, and a mechanism to collect TOT revenue.

POLICY ALTERNATIVES:

ALTERNATIVE #1:

Maintain status quo and engage with a short-term rental compliance monitoring vendor (i.e., Host Compliance, or other like vendor) to supplement code enforcement efforts.

PROS:

- Maintaining the status quo would minimize impacts to neighborhoods from short-term rental nuisances.

CONS:

- The City would not collect TOT revenue on short-term rentals. This option does not allow for any flexibility. A significant amount of resources are already dedicated to enforcing the current ban which has not proven to be effective in eliminating short-term rentals in the City, and additional funding and resources would be required for an outside vendor to monitor compliance.

ALTERNATIVE #2:

Consider allowing hosted short-term rentals in residential districts citywide.

PROS:

- When a host is required to live on-site in the short-term rental, they are able to monitor and immediately respond to issues (such as noise, trash and parking) that may arise during the lodger's stay. Also, since hosts would be required to live in the short-term rental, there would be less lodgers occupying the home and lodgers would less likely rent for large parties or gatherings. By allowing hosted short-term rentals in residential areas, this would increase the amount of eligible properties which could take advantage of the program, thus resulting in possibly more TOT revenues.

CONS:

- Depending on the extent of the program, additional staffing resources in Community Development may be necessary for code compliance.

PUBLIC OUTREACH/INTEREST:

Upon City Council's direction, a community outreach effort will be undertaken to inform the community of the City's goals, policies, and program regarding short-term rentals.

ENVIRONMENTAL REVIEW

The discussion item is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that

there will be no potential impacts on the environment.

LEGAL REVIEW

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachment:

1. Zoning Map