

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Luke Watson, Director of Community Development

DATE: March 12, 2019

SUBJECT: Receive and File Short-Term Rental Ordinance Update and Provide General Direction Regarding Ordinance Framework (At the Request of Subcommittee Members Mayor Pro Tem Stewart and Council Member Rahn)

PREPARED BY: Brandon Rabidou, Assistant Planner

RECOMMENDATION: That the City Council receive and file the Short-Term Rental Ordinance update and provide general direction regarding ordinance framework.

BACKGROUND: The Short-Term Rental (STR) market emerged as part of the online “sharing economy” where homeowners rent a room or their entire home for short stays, such as overnight, weekends, or even a week in some cases. Generally, the stays are short and not more than 30 consecutive days. These STRs are often done as a way to generate rental income by the owner of the home. The use of STRs by tourists has turned into an expanding part of the economy, particularly over the last five years. Staff’s research in 2017 showed there have been as many as 300 STRs in the City of Temecula. The number of short-term rentals varies depending on the time of year and the type of activities or events occurring around the community.

Currently, the City’s Municipal Code only allows short-term rentals as a “Bed and Breakfast” (B&B) within residential zoning districts on lots of 60,000 square feet or greater with a Conditional Use Permit. A B&B may only be incidental to the primary use of the residence, the owner must reside in the primary residence and operate the business, guests may not stay more than 14 consecutive days, and no receptions or parties are allowed. To staff’s knowledge, no legally permitted B&B is operating within the City and given the current regulations within the Temecula Municipal Code, permits cannot be issued to other STRs that do not meet the B&B standards.

The City has seen increased complaints associated with non-permitted STR operations. STRs are seen as providing a different experience than that of the traditional hotel stay where renters, which may include friends and family members, can stay in a home and have full use of the amenities offered by the STR host. This, at times, has led to the City receiving complaints about STR guests generating excessive noise, disorderly conduct, traffic congestion, illegal parking, and accumulation of trash.

As a result of a growing number of recent complaints from residents regarding STRs, staff was directed to research STRs and conduct outreach efforts within the community. The goal of the outreach was to educate the public about STRs and to obtain information regarding the public perception, interest, and support or opposition to STRs.

In addition to reaching out to other jurisdictions to better understand some of the issues they have experienced related to STRs, staff also entered into an agreement with HARC Consulting to assist with the community outreach meetings/survey and to prepare a report summarizing the outreach effort. The report was also to provide conclusions for consideration in developing policies or regulations related to STRs.

Between July and August of 2018, five community outreach meetings were held; one within each City Council district. The meetings were facilitated by City staff in partnership with HARC. The meetings began with City staff providing a short informational session about short-term rentals and their implications for the City. Next, community members were given the opportunity to provide input. The participants were then asked to complete an online survey, which was made available at the outreach meetings, or which could be taken at a later time.

At the November 13, 2018 City Council meeting, staff presented the STR community meeting and survey results. During that meeting, several speakers spoke in opposition to STRs while several speakers supported STRs. Those speakers opposed to STRs presented issues related to noise, parking, events, parties, shortage of housing, and commercial businesses operating in residential neighborhoods. Those speakers in support of STRs discussed flexibility, supplemental income, and economic development as potential benefits. At the conclusion of the public testimony, the City Council discussed the issue of STRs and provided initial guidance on the development of an ordinance. Staff was directed to address the issues raised by the community as well as building a framework around a “hosted” STR ordinance. A hosted short-term rental that operates with a host (“owner home sharing”). A non-hosted is a short-term rental STR that operates without any requirement for a host (“whole house rental”).

Since November, staff has enlisted a consultant (MIG) to complete additional research and provide an initial framework for a future STR ordinance. Staff asked the consultant to examine several communities’ STR ordinances, best practices, and current events related to STRs. The consultant developed a matrix (see the attached document) that summarizes these various topics. At the completion of this research, staff worked with the consultant to develop an initial framework that addressed some of the major issues related to STRs.

In February, staff met with the Planning Commission Subcommittee (Guerriero/Turley-Trejo) and City Council Subcommittee (Mayor Pro Tem Stewart/ Councilmember Rahn) to receive initial feedback on the proposed framework. Staff has incorporated the feedback of both subcommittees into the framework.

The proposed framework is broken down into three components (“Neighborhood Protections,” “Operator Accountability,” and “Permits, Process, Cost Recovery and Enforcement”) that incorporate the community’s feedback.

The first component is “Neighborhood Protections” which includes eight policy areas that focus on the preservation of our residential neighborhoods. These eight policy areas include:

- Hosted
 - Requiring hosted short-term rentals (owner must be on site 9 p.m. – 5 a.m.)
 - Primary residence requirement (no second homes)
- Noise
 - Quiet Hours (Su.-Th. 9 p.m. to 7 a.m./Fri.-Sat. 10 p.m. to 8 a.m.)
- Parking
 - On-site parking only (guests may only use the driveway or garage)
 - Guests may not use street parking
- Occupancy
 - 2 guests per bedroom
 - 1 bedroom maintained for primary resident
 - Kitchens, dining rooms, garages, etc... cannot be used for occupancy calculation.
- Life Safety
 - Self verification of smoke detectors and carbon monoxide alarms
 - Requirement for readily accessible fire extinguisher
- Duration of stay
 - 120 days per year maximum
 - 2 night stay minimum
- Signage
 - Signage will follow residential standards
- Other (HOA approval, etc...)
 - HOA approval required
 - STRs cannot be in RVs, garages, tents, etc..
 - Permit is not transferrable
 - A STR operator cannot list and rent each room individually

The second component to the proposed framework is “Operator Accountability” which consists of five policy areas. These five policy areas include:

- A three strikes program (for permitted STRs)
 - 1st Strike: Warning
 - 2nd Strike: 15-day suspension
 - 3rd Strike: 1-year revocation
 - Can examine permanent revocation for repeat offenders
- Fines for illegal STRs
 - 1st Offense: Warning
 - 2nd Offense: \$1,000.00
 - 3rd Offense: \$1,000.00
- Host responsibilities
 - 30 minute response time requirement (between 5 a.m. and 9 p.m.; after 9 p.m. owners are required to be on-site until 5 a.m.)
- Platform responsibilities
 - Hosting platform pays \$1,000 per illegal listing

- Permits
 - Posted permit must be visible to public (front door or gate if no access to a front door)
 - City standard permit
 - Owner's name, phone number, and STR hotline posted

The third component to the proposed framework is "Permits, Process, Cost Recovery and Enforcement." Five policy areas for this component include:

- Permit process
 - Goal is to have an online permit process
 - Require an affidavit with the attached ordinance
 - Required to have a business license
 - Permit is valid for one year
 - Permit may be renewed with the business license on February 1st of each year
- Permit fees
 - Reasonable fees that encourage compliance (California average is \$400.00)
 - Fee study (fiscal analysis of program and fiscal impact)
- Collection Transient Occupancy Tax (T.O.T.)
 - Required to pay TOT
- Compliance vendors
 - City can outsource monitoring of STRs
 - Increases customer service/enforcement by providing
 - 24/7 hotline
 - Addresses many issues without Code or Police intervention
 - Data collection
 - Fact finding
 - Compliance documentation
- Enforcement
 - Compliance vendor collects data to assist with enforcement
 - Code enforcement, police, and vendor work together

In order to understand the expected costs and cost recovery associated with a STR permit, staff is preparing to embark on a fiscal analysis/fee study of the proposed program. The fee study will examine costs for:

- Third party compliance vendor(s)
- Staffing/administration
- Hearing and appeals
- Legal/attorney consultation/representation

In order to ensure accurate fiscal analysis and compliance with the City Council's STR policy direction, staff is looking for additional feedback on the STR framework.

FISCAL IMPACT: Community Development budgeted sufficient funds in account 001.161.999.5248 for the ordinance development and fee study, which will include fiscal analysis of the administrative costs, enforcement and the collection of TOT.

ATTACHMENTS: Short-Term Rental Research Matrix