

# SHORT TERM RESIDENTIAL RENTALS

Special Meeting Item 5a: Conduct Study Session and Provide Direction Regarding Regulation and Permitting of Short Term Residential Rentals

---

## City Council

January 14, 2020

**Darcy Smith**

**Community and Economic Development Director**

**Keith DeMartini**

**Finance Director**



# Agenda

- I. Objective
- II. Background
- III. Draft Ordinance Overview
- IV. Permitting, Compliance, Business License  
and Transient Occupancy Tax  
Implementation Program Options
- V. Tonight's Action
- VI. Questions

## Objective

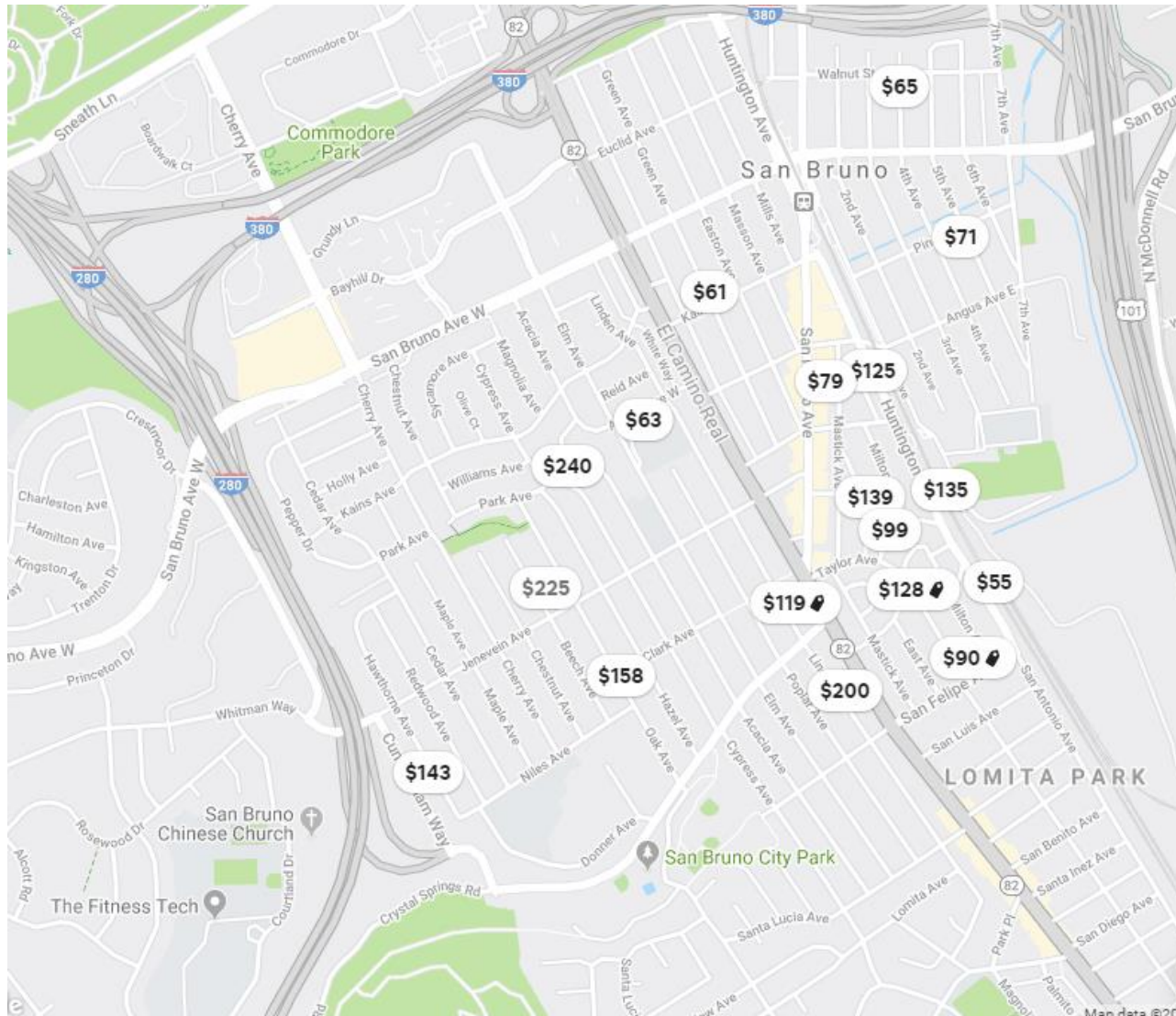
- Receive update and provide direction to staff regarding regulation and permitting of short term residential rentals

# Background

# Short Term Rentals Background

- Recently cities have experienced growth in the use of residential properties as short term rentals
- Typically advertised on online hosting platforms such as Airbnb, VRBO, and HomeAway
- “Guests” can rent rooms or entire houses from “hosts”
- Result of the new shared economic model, where an unoccupied or under-utilized resource in general demand is rented on a short-term basis to optimize utilization

# Sample Locations from Airbnb.com



# Short Term Rentals Background

- No adopted regulations for the City to use to proactively identify these properties, regulate their use, or collect permit fees and taxes
- Many cities have adopted zoning regulations and permit requirements to regulate these uses and their potential effects
- Establishing, implementing, and enforcing these regulations requires dedicated City time and resources

# July 2018 City Council Study Session

## Feedback:

- Research other cities STR regulations regarding regulatory land use permits
- Investigate STR parking related concerns
- Examine mechanisms for tax collection
- Examine permitting STRs only in certain neighborhoods
- Consider establishing a maximum number of short-term rentals citywide



# Current Zoning Regulations

- No City adopted comprehensive regulations
- Definitions and zoning regulations for hotels, boardinghouses and roominghouses

# Current Zoning Regulations

- R-3 or R-4 zoning: Rental to maximum of 3 individuals in a dwelling unit with approval of a conditional use permit - none issued
- R-1 zoning: Rental to maximum of 2 individuals in a unit
- Whole dwelling unit can be rented for any duration of time
- Accessory dwelling units currently prohibited to be rented for less than 30 days through a recorded deed restriction

## Complaints and Code Enforcement

- 11 complaints regarding suspected STRs since May 2018
  - 1% relative to the total number of complaints in City.
- Complaints involved:
  - Illegal construction inside a unit to partition each bedroom for separate renters without the benefit of proper permits
  - Whole house being rented out to different parties without adequate supervision by property owners
  - Whole dwelling units that operate as transient lodging
- No data that indicates an increased amount of criminal activity or property nuisances

## Current City Taxation Requirements

- All businesses including Short Term Rentals are required to obtain a license to conduct business in the City
- City currently does not have a specific program designed to identify those STR operators who would be required to obtain a business license - None have applied voluntarily
- City's transient occupancy tax (TOT) ordinance applies to transients occupying any hotels, including short term rentals, for 30 days or less to pay a 12% tax to the operator, who is required to remit the tax to the City
- No mechanism to identify and collect the taxes - None collected voluntarily

# Draft Ordinance Overview

## Ordinance Research and Analysis

- Pacifica, Millbrae, Redwood City and South San Francisco have enacted regulatory ordinances
- Generally include robust land use based regulatory permitting programs
- Generally permit both hosted and non-hosted stays, require all STR operators to obtain a business license and remit TOT taxes
- Cities differ on key regulatory policies such as maximum duration of stay and the permitted locations

## Key Features of the Ordinance

- Establish a regulatory permit requirement and process
  - Recommended permit fee:  
\$750 initial and \$500 bi-annual renewal
- Establish permitted STR types, locations, and annual rental duration limits
- Establish defined objective operational standards
- Establish clear requirements for owners
- Clearly define and establish taxation and license requirements

## Guiding Policy Considerations

STR Type	Annual Limits	Other Requirements
Whole House “Non-Hosted”	180 days	
Bedrooms within House “Hosted”	None	Maximum of 3 bedrooms
Accessory Dwelling Unit	90 days	Only existing Accessory Dwelling Units not subject to a current prohibition via a deed restriction

This serves to:

- Allow for optimal utilization of existing housing and income creation for property owners during periods of non-utilization while maximizing City tax revenue
- Annual cap minimizes the potential loss of long-term rentals



## Guiding Policy Considerations

- STRs would be **allowed existing dwelling units in any zoning district**

This serves to:

- Allow for units in areas close to transit or commercial uses, such as the City's downtown and near transit stations
- STRs would be required to obtain a **business license annually**. The permittee would be required to collect and remit all **applicable City taxes including TOT**

This serves to:

- Ensure the City collects the tax revenue from all operators of transient occupancy units

## Guiding Policy Considerations

- Require all STRs to obtain a **permit with required initial and bi-annual renewal and compliance inspections** by the City

This serves to:

- Ensure adherence to all applicable building and safety regulations, such as smoke detectors, carbon monoxide detectors and a heating system per state codes
- Mandate and verify appropriate insurance policies

## Guiding Policy Considerations

- **Regulate STR operations** to ensure the health, safety and welfare of the residents and guests of the City of San Bruno and preserve residential character of existing neighborhoods

Examples of operational standards:

- Existing onsite parking spaces are required to be made available for STR guests
- STRs are required to comply with the City's Noise Ordinance
- Safety information for guests in the event of emergencies must be posted
- Local contact information for owners or a designee required

Permitting, Compliance, Business License and  
Transient Occupancy Tax Implementation Program  
Options

## Program Administration

Staff will consider the following program administration options to implement the Ordinance should the City Council adopt it:

- Enter into a contract with a consulting firm to identify and outreach to existing STRs to require the submittal of the zoning permit application
- Enter into a contract with a consulting firm to collect the business license tax and/or TOT from the STR operators
- Enter into a voluntary collection agreement (VTA) with Airbnb to collect and remit TOT to the City for those operators listing their STR on the Airbnb platform

## Fiscal Impact Analysis

- Based on the number of STRs assumed to be operating in San Bruno currently, calculating permit fee revenue, TOT and business license taxes as well as calculating the costs of administering program options, staff anticipate the net revenue less program costs to be **approximately \$130,000 annually**
- Total annual gross revenue which includes permit, business license tax and TOT revenue is projected at **\$253,000**
- Total estimated staff and consulting costs to implement the program is **\$123,000** – but does not reflect any new staff costs at this time

# Fiscal Impact Analysis

- Final policy decisions made to finalize the ordinance may impact the revenue generation and program costs to implement the STR program
- For example, should the City Council choose to not allow whole house rentals, program revenue is estimated to decrease by 46%
- Other changes that may impact revenue
  - Hosted and/or non-hosted units
  - Allowing accessory dwelling units
  - Zoning districts

# Tonight's Action



## Tonight's Action – Request to City Council

- Receive update and provide direction to staff regarding regulation and permitting of short term residential rentals

## Next Steps

- Staff will finalize the Ordinance and prepare a Resolution to establish a new permit fee
- Ordinance will be presented for review at a public hearing by the Planning Commission because it is a Zoning Code amendment
- Then the Ordinance and associated Resolution will be scheduled for introduction at a City Council public hearing and subsequent adoption

# QUESTIONS?

---