

SHORT TERM RESIDENTIAL RENTAL REGULATIONS

Item 6.a: Hold Public Hearing, Waive First Reading and Introduce an Ordinance to amend San Bruno Municipal Code Title 12 (Land Use) Article III (Zoning) Chapter 12.80 (Definitions) and add Chapter 12.270 (Short Term Residential Rentals) and adopt the associated Permit Fee Resolution

City Council

July 28, 2020

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Agenda

- I. Objective
- II. Background
- III. Ordinance and Resolution Overview
- IV. Implementation Program Summary and Fiscal Impacts
- V. Tonight's Action
- VI. Questions

Objective

- Hold Public Hearing, Waive First Reading and Introduce an Ordinance to amend San Bruno Municipal Code Title 12 (Land Use) Article III (Zoning) Chapter 12.80 (Definitions) and add Chapter 12.270 (Short Term Residential Rentals) and adopt the associated Permit Fee Resolution

Background

Short Term Rentals Background

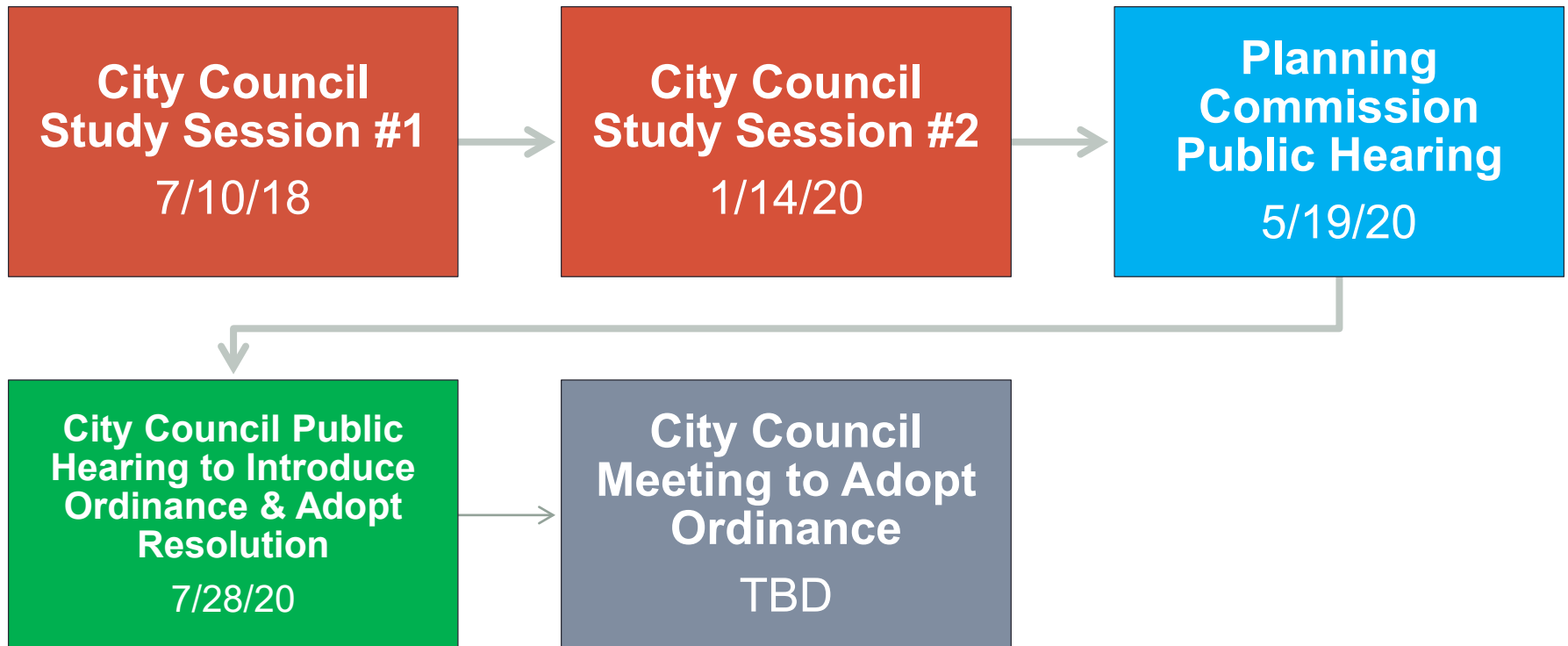
- Recently cities have experienced growth in the use of residential properties as short term rentals
- “Guests” can rent rooms or entire homes from “hosts”
- Result of the new shared economic model, where an unoccupied or under-utilized resource in general demand is rented on a short-term basis to optimize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



Short Term Rentals Background

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

Background: Public Meetings



July 2018 City Council Study Session

Topics discussed for staff follow up:

- 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

January 2020 City Council Study Session

Direction provided that led to ordinance modifications:

- Increase annual limit for ADU short term rentals from 90 to 120 days (max)
- Reduce annual limit for “non-hosted” whole house short term rentals from 180 to 120 days (max)
- Amend definitions in the Zoning Code as needed to be consistent with the new ordinance

May 2020 Planning Commission Public Hearing

- Reviewed the proposed ordinance, received public comments and provided minimal comments to staff
- Recommended the Short Term Residential Rental Zoning Permit program be implemented by consultant with a bi-annual permit renewal requirement
- None of the Planning Commission comments or questions required any changes to the Ordinance, which was previously reviewed in draft format by the City Council in January
- Adopted a resolution recommending the City Council to adopt the Short Term Residential Rental Ordinance (6-0-0)

Current Zoning Regulations

- No City adopted comprehensive land use regulations for short term rentals
- Hotels are not allowed in residential districts
- R-3 or R-4 zoning: Rental to maximum of 3 individuals in a house with approval of a conditional use permit
- R-1 zoning: Rental to maximum of 2 individuals in a house
- Whole house can be rented for any duration of time

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
- 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 or program to identify and collect the taxes

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

Ordinance and Resolution 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 and Resolution

- Establish a regulatory permit requirement and process
 - Recommended permit fee:
\$500 initial and \$250 bi-annual renewal
- Establish permitted STR types, locations, and annual rental duration limits
- STRs may be permitted in existing dwelling units in any zoning district
- Establish defined objective operational standards
- Establish clear requirements for owners
- Clearly define and establish taxation and license requirements

Guiding Policy Elements

STR Type	Annual Limits	Other Requirements
“Non-Hosted” (Whole House)	120 days	Operational requirements in Ordinance
“Hosted” (Bedrooms with Owner Present)	None	Maximum of 3 bedrooms within house Operational requirements in Ordinance
Accessory Dwelling Unit	120 days	Only existing Accessory Dwelling Units not subject to a current prohibition via a deed restriction Operational requirements in Ordinance

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 limits minimizes the potential loss of long-term rentals

Guiding Policy Elements

STRs would be required to obtain a permit with required initial application and bi-annual renewal and compliance inspections

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

STRs would be required to obtain a business license annually and collect and remit all applicable City taxes

This serves to:

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

Guiding Policy Elements

Establish defined objective operational standards and clear requirements for owners

This serves 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:

- Require onsite parking spaces to be made available for STR guests
- Comply with the City's Noise Ordinance
- Post emergency and safety information
- Require local contact information for owners or a designee

Permit Fee Resolution

- \$500 for the initial Short Term Residential Rental Zoning Permit
- \$250 for the bi-annual renewal permit
- Would provide cost recovery to cover the costs to process the application

Permit Fee Estimates

\$500 Initial Permit Fee includes approximately \$500 of processing costs:

- Technician and Planner time to process permit and check for consistency with Ordinance requirements and required permit submittals, including review of evidence of owner occupancy and insurance policies

Estimated 1 hour per permit

- Inspections by the Building Inspector and Fire Marshal, or their designees to ensure adherence to all applicable building and safety regulations, such as smoke detectors, carbon monoxide detectors and a heating system per state codes

Estimated 45 minutes to inspect per permit

- Director time for final review and approval of Permit document

Estimated 15 minutes per permit

Implementation Program Summary and Fiscal Impacts

Program Administration

Staff will consider the following program administration options to implement the Ordinance:

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

Fiscal Impact Analysis

- Total annual gross revenue which includes permit, business license tax and TOT revenue was projected at **\$253,000** (*before COVID-19*)
- Total estimated staff and consulting costs to implement the program is **\$119,000** (*before COVID-19*) – but does not reflect any new staff costs at this time
- 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 \$133,000 annually** (*before COVID-19*)

Fiscal Impact Analysis with COVID-19 Effects

- In FY2020-21, the City would expect to see very minimal TOT and business license tax revenue from reduced STR activity due to COVID-19
- STR occupancy will likely follow a similar pattern as hotel occupancy resulting in very little or no net revenue generated from the STR program in FY2020-21 and possibly beyond

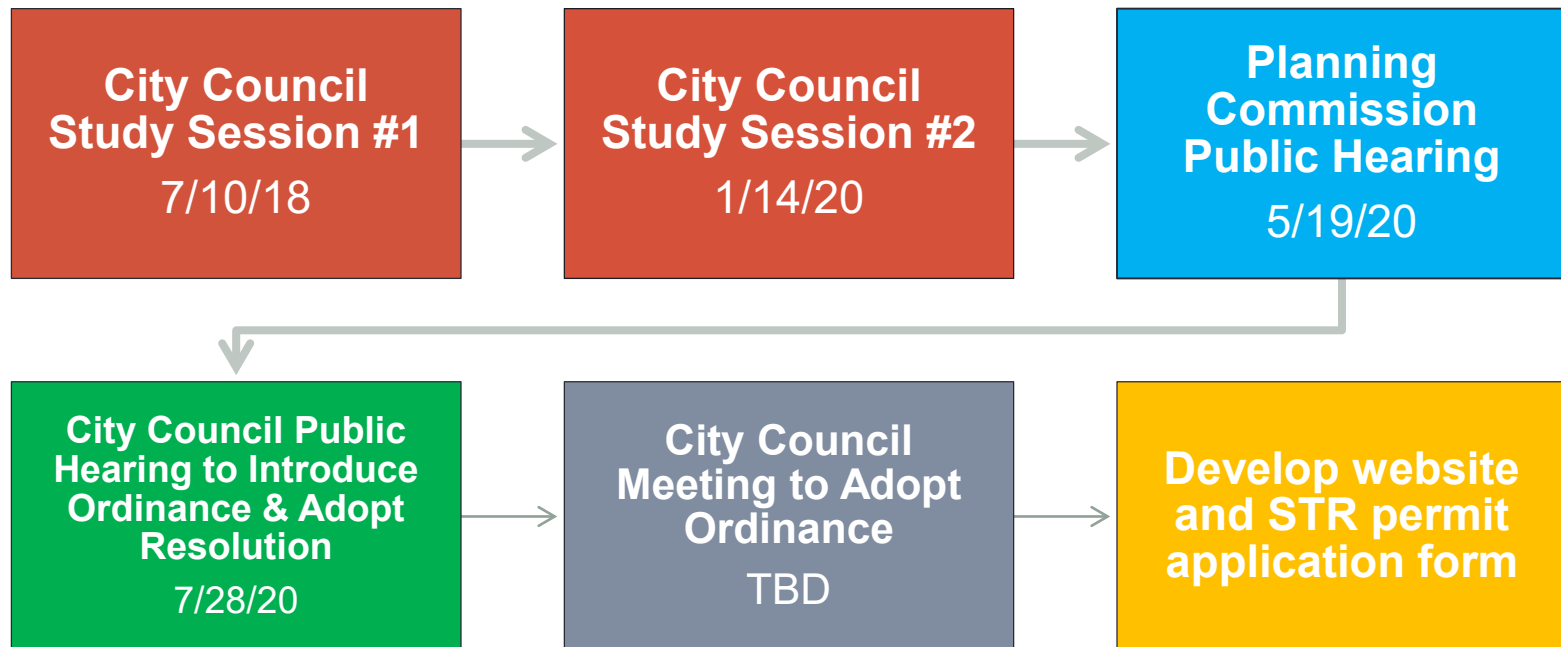
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Next Steps

- If City Council takes recommended action tonight, the second reading and adoption would be scheduled at next meeting
- Effective 30 days after adoption
- Website and permit application form to be developed



QUESTIONS?
