



**CITY OF FORT BRAGG**

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**COUNCIL COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** June 23, 2015  
**TO:** Community Development Committee  
**FROM:** Marie Jones, Community Development Director  
**AGENDA ITEM TITLE:** Receive Report and Provide Direction to Staff Regarding Vacation Rentals

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**ISSUE:**

Airbnb<sup>1</sup> is a “new-economy” company that uses the Web to advertise short term rentals for a variety of property owners, including: 1) people who live in their home and rent out a room or a couch; 2) people who rent out their personal vacation home; and 3) people who rent out a multitude of homes or rooms either that they own or as a service for other homeowners. The site has become extremely popular and successful and is changing the conversation about how and if residential units should be allowed to be rented to short term stays.

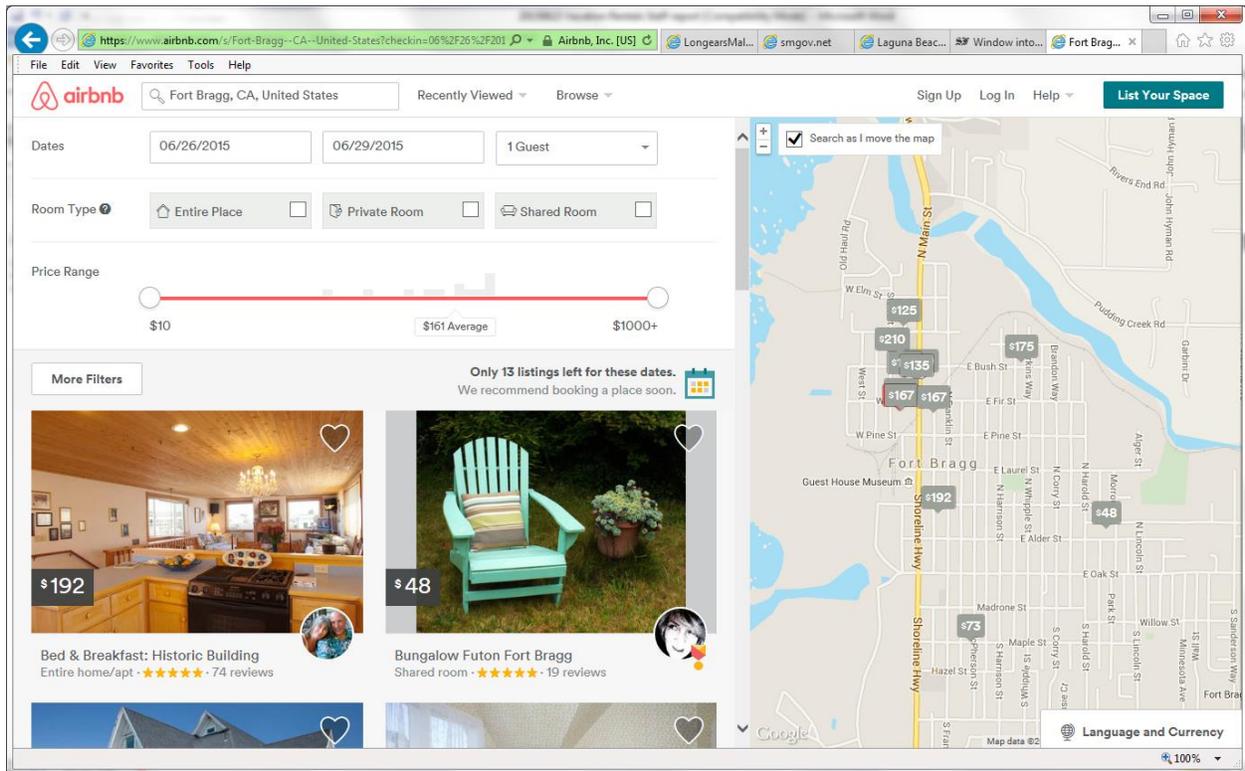
Vacation rentals and home-sharing are the two forms of short-term rentals. Both involve the rental of residential dwelling units for periods of 30 days or less, typically in residential neighborhoods. Home-sharing involves the primary resident living in the house and actively hosting their guests during the visit. Vacation rentals, on the other hand, are unhosted, which makes their negative impacts on the community more acute. Airbnb includes ads for both types of short-term rentals as well as rentals for traditional and legal bed and breakfasts and Inns.

A recent study in San Francisco concluded that over 5,000 units of housing were listed on Airbnb. Seventy percent of the vacation rentals were for entire houses or apartments, only 25% were for rooms. Overall, 2/3 of listings had fewer than 10 reviews, perhaps indicating the occasional rental of these units and 2/3 of all advertisers had only one listing.

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<sup>1</sup> Although there are a variety of short-term rental websites or Hosting Platforms, Airbnb has been the primary driver in transforming the vacation rental market; particularly because of the marketplace platform it has created which provides for a decentralized supply of short-term lodging positioned to compete directly with hotels instead of only providing an alternative when hotel rooms are scarce. Airbnb provides property owners, and other investors, with an efficient means to convert residential units into short-term lodging (i.e. hotel type units).

By comparison, there are currently only four illegal Airbnb rentals in Fort Bragg. The majority of Airbnb rentals are for legal rooms in Bed and Breakfasts and Inns (see screen capture below). This is due, in part, to code enforcement efforts by the Community Development Department as a number of listings were shut down last year through code enforcement.



In various California communities vacation rentals have been outlawed, regulated or ignored. Currently the City of Fort Bragg does not permit vacation rentals and the Community Development Department engages in quarterly code enforcement activities against users of Airbnb. Our policy has been to require that advertisers on these sites post that the rental is available for 30 days or more only. However there is no way for the City to ensure that advertisers adhere to this requirement when they actually rent the unit.

## **SUMMARY:**

Scott Dietz requested that this issue be brought forward to the Community Development Department for consideration. There are pros and cons to allowing vacation rental and some of these are summarized below.

### Cons

1. Generally, short term rentals occur in residential neighborhoods and fly “under the radar” in terms of compliance with zoning regulations, business license requirements, and health and safety requirements. Generally speaking, short-term rentals in residential neighborhoods are typically illegal or severely restricted under most zoning laws. Vacation rentals are NOT allowed in any zoning district in Fort Bragg. In addition to local zoning regulations, tenant leases may restrict or prohibit the subletting of a unit.

2. Typically the owners do not pay the required Transient Occupancy Taxes (TOT) and they compete with hotels, inns and bed and breakfasts and may possibly reduce the number of hospitality related jobs. Short-term rentals are required to collect and remit TOT to the City, just as hotels do, whether or not they are operating legally with the proper business license and zoning approval. California cities are currently struggling with not only the question of whether to allow short-term rentals, but how best to ensure collection of TOT. Airbnb has argued that it was only a platform to facilitate the rental of short-term rental units and that the individuals providing the units were required to comply with local laws. However, Airbnb collects and remits TOT for rentals in San Francisco, San Jose, and Malibu, CA USA.
3. Vacation rentals in residential neighborhoods can result in excessive noise, traffic and parking that conflicts with the residential neighborhood, especially when a whole house is rented out by rowdy visitors.
4. Vacation rentals can reduce neighborhood cohesion as residents no longer have neighbors living next door.
5. Legalization of vacation rentals could remove housing from the residential market and result in less housing available for rental or for sale and thereby increase the cost of rentals and home purchases through the law of supply and demand.

#### Pros

1. Allowing vacation rentals with a permit would bring the activity out into the light of day and allow people to get a license, comply with the zoning code, pay all permit costs and Transient Occupancy Taxes.
2. A limited number of vacation rentals could be permitted in some commercial districts of town (HVC and CBD), in order to provide an additional revenue stream for struggling retail properties and increase the number of visitors in downtown.
3. Short-term rentals provide individuals with the ability to earn extra income to support basic cost of living expenses.
4. Short term rentals enable travelers to find less expensive alternative to hotels, stay longer and spend more money on other travel related activities, such as restaurants and retail establishments.

#### **Current Legislative Actions by other Entities**

Senate Bill No. 593 would prohibit the operator of a hosting platform from facilitating rental of residential units for transient use if this is prohibited by a City ordinance. Senate Bill 593 would allow local jurisdictions to require Hosting Platforms, including online vacation rental companies to disclose the address of vacation rental listing, number of overnight stays, and revenue from rentals, to assist with the collection of TOT. Local jurisdictions could use the information to issue tax bills. The bill allows local jurisdictions to require Hosting Platforms to collect the tax when the guest pays for the rental and remits to the taxing authority.

Some jurisdictions have proactively moved to ban or maintain bans on the activity after studying the issue, including: West Hollywood, Aliso Viejo, Sonoma County, and Saratoga. Alternatively, several cities in California have recently enacted laws to legalize short-term rentals, including

Napa, San Francisco, San Luis Obispo, Seal Beach, and Arroyo Grande, although some of these are experiencing difficulty with implementation of the new ordinances.

Possible Legislative Actions by Fort Bragg

Option 1: Legalize Vacation Rentals in Some Form	Option 2: Retain Current Zoning Code Prohibition Of Vacation Rentals.
<p>Establish a regulatory framework to legalize and regulate home-sharing and or vacation rentals unlawful including:</p> <ul style="list-style-type: none"> <li>• Allowing it in some or all zoning districts;</li> <li>• Determination of zoning requirements by district;</li> <li>• Number of days a home can be rented out per year;</li> <li>• Extend to room rentals and/or whole units;</li> <li>• Limited number of vacation rental licenses awarded;</li> <li>• Require owner to address nuisance conditions, revocation of license if nuisance conditions persist or reoccur.</li> <li>• Require hosts and Hosting Platforms to collect and remit Transient Occupancy Tax.</li> <li>• Require a business license for vacation rentals, which includes detail on all rentals and payment of TOT.</li> </ul>	<p>Continue to engage in proactive code enforcement against violators of the existing zoning ordinance.</p>