



AGENCY: Planning Commission
MEETING DATE: July 8, 2015
DEPARTMENT: Community Dev.
PRESENTED BY: M Jones

PLANNING COMMISSION AGENDA ITEM SUMMARY

TITLE:

**RECEIVE REPORT AND PROVIDE RECOMMENDATION TO CITY COUNCIL
REGARDING THE REGULATION OF VACATION RENTALS IN FORT BRAGG**

ISSUE:

Airbnb 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 for short term stays.

Vacation rentals and home-sharing are two different 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 un-hosted, 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.

By comparison, there are currently only four illegal Airbnb rentals in Fort Bragg. The majority of Airbnb rentals are for legal accommodations in Bed and Breakfasts and Inns (see Figure 1). This is due, in part, to code enforcement efforts by the Community Development Department which shut down a number of listings last year.

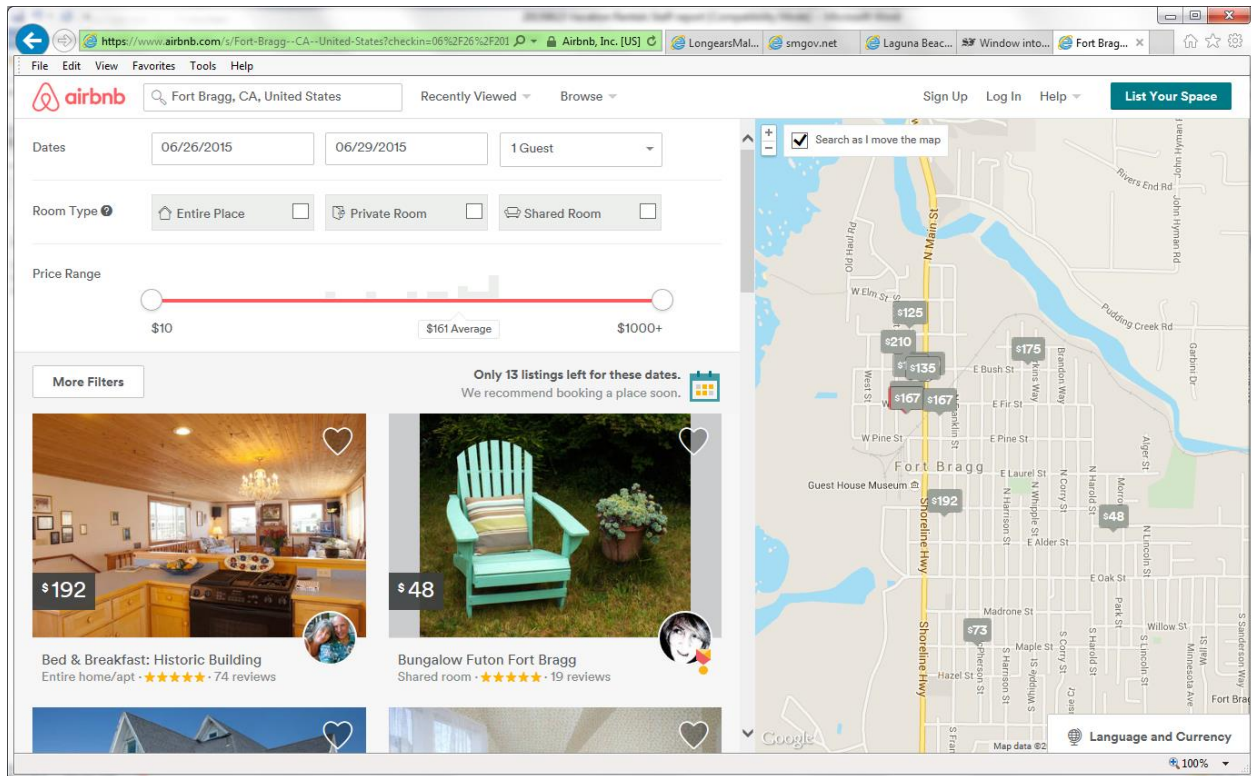


Figure 1: Airbnb listings in Fort Bragg

In 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 bi-annual code enforcement activities against advertisers on 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.

Councilmember Dietz requested that this issue be brought forward to the Community Development Department for consideration. On June 23 the Community Development Committee met, took public testimony and developed a recommendation for the City Council's consideration, which is described later in this document. On June 24 the Planning Commission requested that this item be brought forward for consideration and input by the Planning Commission.

RECOMMENDED ACTION:

Provide a Recommendation to City Council Regarding the Regulation of Vacation Rentals in Fort Bragg.

ALTERNATIVE ACTION(S):

None.

ANALYSIS:

There are many pros and cons to allowing vacation rentals within a community, and there are a variety of different approaches to regulating vacation homes within a community, from outright prohibition to treating them the same as a residential unit and every shade of grey in between. In order to facilitate discussion, staff has summarized the key pros and cons for legalizing vacation

rentals below. This is followed by a summary of the Community Development Committee's recommendations with regard to the regulation of vacation homes in Fort Bragg.

Cons/Negatives

1. Generally, short term vacation rentals fly “under the radar” in terms of compliance with zoning regulations, business license requirements, and health and safety requirements. Short-term rentals (vacation and house sharing) in residential neighborhoods are typically illegal or severely restricted under most zoning laws. Vacation rentals are currently NOT allowed in any zoning district in Fort Bragg.
2. Legalization of vacation rentals will remove some housing units from the residential market and would result in less housing available for rental or for sale. This would increase the cost of rentals and home prices through the law of supply and demand. In large tourist destination communities such as San Francisco and Los Angeles, the use of Airbnb has resulted in over 5,000 residential units being removed from the housing market. In small communities, the number of units converted is less dramatic, but may nevertheless result in some upward pressure on rents and reduced availability or rental units. In the case of house sharing, the number of roommate situations may also decline, displacing the most vulnerable rentals from the rental market.
3. Vacation rentals in residential neighborhoods can result in excessive noise, traffic and parked cars that can conflict with the residential neighborhood, especially when a whole house is rented out by rowdy visitors.
4. Typically vacation rental 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. 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.
5. Vacation rentals can reduce neighborhood cohesion as residents no longer have neighbors living next door.

Pros/Positives

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, and 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. The possibility to earn additional income could result in some downtown property owners investing in their building by adding vacation rentals in vacant upstairs and/or the rear of their buildings. Such investments could trigger sprinkler installation requirements.
3. House sharing can provide residents with additional income.

4. Short term rentals enable travelers to find less expensive alternative to hotels, which may allow them to 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 listings, 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 their new ordinances.

Possible Legislative Actions by Fort Bragg

The table below summarizes: 1) the range of potential dimensions on which vacation rentals could be regulated within Fort Bragg; and 2) the Community Development Committee's recommendations with regard to vacation rentals.

Table 1: Legalization Recommendations

Dimensions on Which Vacation Rentals could be Legalized	Community Development Committee's Recommendation
In which zoning districts should vacation rentals be allowed?	Allow vacation homes in the Central Business District with Use Permit approval by the Planning Commission.
What are the preferred zoning requirements?	Use Permit approval by the Planning Commission; and Permitted only on second and third story of CBD buildings; and Revocation of Use Permit if three or more muni code and/or penal code violations occur on the property in a year.
Total number of vacation rentals?	Limit total number of vacation rentals in CBD to ten units.
Other permitting requirements?	Require a business license for vacation rentals; and Require monthly reporting to the City's Department of Finance regarding rental rates, occupancy; and

	Require monthly payment of TOT.
What should the regulatory framework look like for home-sharing?	CDC recommends that home-sharing not be legalized, as home-sharing would occur primarily in residential zoning districts and would be very difficult to differentiate from vacation rentals, which the CDC recommends remain as an illegal use in residential zoning districts.

FISCAL IMPACT:

Limited legalization of vacation rentals in the CBD would generate revenues from TOT, Use Permit review, and business license. Some of these revenues would likely have accrued to the City anyway through TOT paid by hotels, inns and B&Bs. The business license authorizing a vacation rental could be set at a special rate to generate additional revenues for the City. Limiting the number of vacation rentals and limiting the location of vacation rental to the CBD would reduce the number of police calls for service associated with this new use type. The net fiscal impact is unlikely to be significant, but would likely be positive overall.

CONSISTENCY:

Limited legalization of vacation rentals would require an amendment to the City's Land Use and Development Code. Once the amendment is completed it would be consistent with the code.

IMPLEMENTATION/TIMEFRAMES:

Implementation steps to complete this process include the following:

1. Bring the item forward to City Council for consideration and direction.
2. Staff would draft revisions to relevant ordinances based on direction provided by City Council.
3. Staff would prepare a CEQA document to analyze potential impacts of proposed zoning ordinance revisions.
4. City Council would hold a public hearing and consider adoption of the CEQA document and the proposed zoning changes by resolution.

Given current work load and staffing levels in Community Development, steps 1 through 4 could be completed in six months.

5. In the Coastal Zone, the proposed changes would need to be made into an LCP amendment and brought to the Coastal Commission for their consideration and adoption.

Given current work load and staffing levels in Community Development, step 5 could be completed in 18 months, given that the Coastal Commission will require a year to review and rule on the proposed change.

ATTACHMENTS:

1. CDC Minutes of June 23, 2015

NOTIFICATION:

1. David Figueiredo
2. Fort Bragg Downtown Businesses email notification subscribers
3. Economic Development Planning email notification subscribers