



AGENCY:	City Council
MEETING DATE:	Aug 10, 2015
DEPARTMENT:	Community Dev.
PRESENTED BY:	M Jones

AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND PROVIDE DIRECTION TO STAFF REGARDING THE REGULATION OF VACATION RENTALS IN FORT BRAGG

ISSUE:

The City of Fort Bragg does not permit vacation rentals in any zoning district. The Planning Commission and City Council had an extensive discussion regarding vacation rentals in 2000 and 2001. At that time, the Planning Commission recommended and the City Council affirmed that two existing vacation rentals on Casa del Noyo Drive were grandfathered in, that the zoning ordinance does not permit vacation rentals, and that ordinance amendments to permit vacation rentals would not be pursued.

In recent years, Airbnb, VRBO, and other web-based services have helped to facilitate the short-term rental of residences 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 multiple homes or rooms either that they own or as a service for other homeowners. These web-based short-term rental services are changing the conversation about vacation rentals and home-sharing in many communities. For clarification, vacation rentals and home-sharing are two different forms of visitor accommodations that are considered short-term rentals. Both involve the rental of residential dwelling units for periods of 30 days or less. Home-sharing occurs when the primary resident living in the house hosts their paying guests during the visit. Vacation rentals are whole home rentals which are unhosted. Airbnb includes ads for both types of short-term rentals as well as ads for traditional bed and breakfasts and inns.

The Community Development Committee (June 23, 2015) and Planning Commission (July 8, 2015) have discussed the issue of vacation rentals and have slightly different recommendations, both of which would allow vacation rentals in the Central Business District.

RECOMMENDED ACTION:

Provide Direction to Staff Regarding the Regulation of Vacation Rentals in Fort Bragg.

ALTERNATIVE ACTION(S):

1. No action.
2. Direct staff to proceed with ordinance amendments, with specific direction regarding the amendments to the Coastal and Inland Land Use & Development Code.
3. Continue action on the matter and request additional information and/or analysis to help inform the Council's decision.

ANALYSIS:

The extent and impact of vacation rentals varies by community. Coastal tourism destinations have the majority of listings on Airbnb and similar sites. There currently are four unpermitted Airbnb rental listings in Fort Bragg. The majority of Airbnb listings 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. Our enforcement efforts require that advertisers on these sites post that the rental is available for 30 days or more only. However, it is difficult for the City to ensure that advertisers adhere to this requirement when they actually rent the unit.

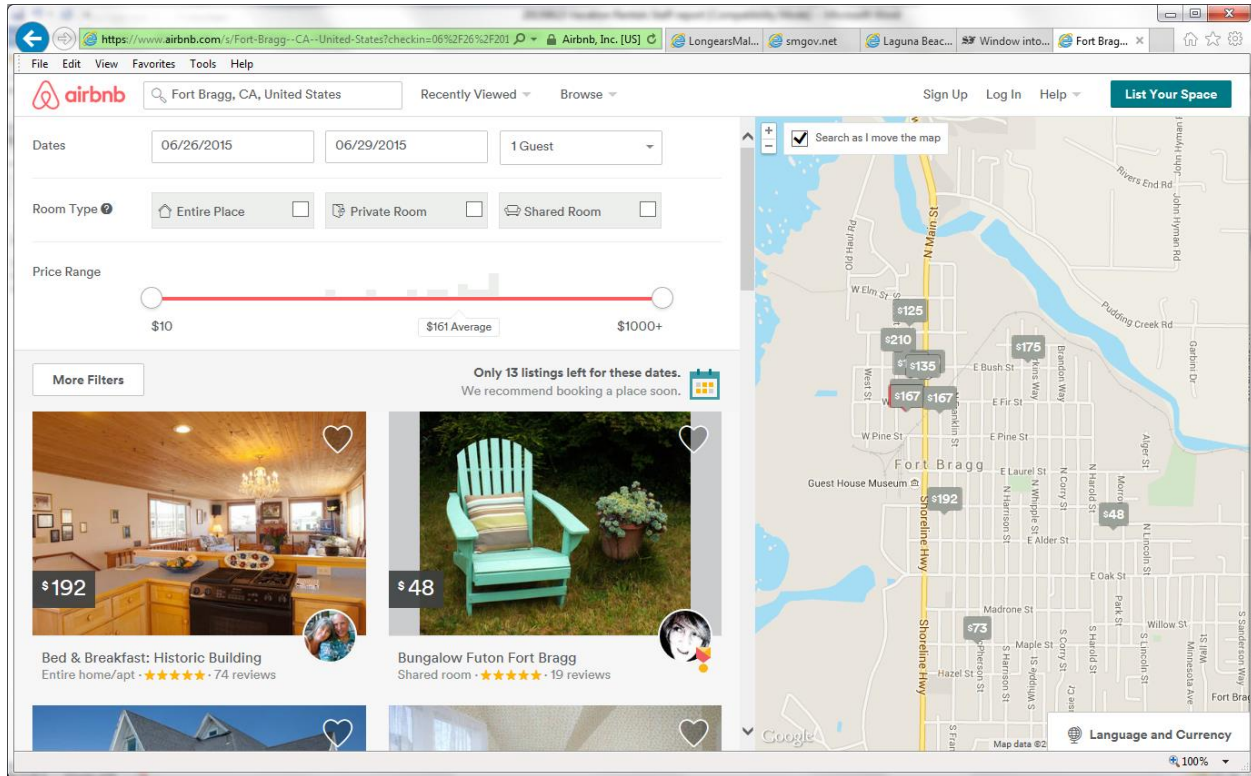


Figure 1: Airbnb listings in Fort Bragg

Current Legislative Actions by other Entities. Senate Bill No. 593 (McGuire) 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. SB 593 would allow local jurisdictions to require that hosting platforms, including online vacation rental companies, disclose the address of vacation rental listings, number of overnight stays, and revenue from rentals, to assist with the collection of Transient Occupancy Tax (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 to remit the payment 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, Saratoga, Sonoma. 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.

Pros and Cons of Allowing Vacation Rentals. 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, ranging from outright prohibition to treating them the same as

a residential unit and every shade of grey in between. The following summary identifies pros and cons for legalizing vacation rentals.

Table 1: Pros and Cons of Vacation Rental Legalization

	Cons	Pros
Legalization Vacation rentals currently are NOT permitted in any zoning district in Fort Bragg		Oftentimes vacation rentals fly “under the radar” in terms of compliance with zoning regulations, business license requirements, Transient Occupancy Taxes (TOT) collection, and health and safety requirements. Allowing vacation rentals would allow people to get required permits, business licenses, and to collect and remit TOT.
Zoning and Impacts on Neighborhood Character	<p>Permitting vacation rentals would remove some housing units from the residential market, resulting in less housing available for rental or for sale. This could increase the cost of rentals and home prices through the law of supply and demand.</p> <p>Vacation rentals in residential neighborhoods can result in excessive noise, traffic and parked cars that can damage the character of a residential neighborhood, especially when a house is rented out by groups of reveling visitors week after week.</p> <p>Vacation rentals can reduce neighborhood cohesion as residents no longer have neighbors living next door.</p>	<p>A limited number of vacation rentals could be permitted in commercial districts to provide an additional revenue stream for struggling retail properties and increase the number of visitors in downtown.</p> <p>Additional income from vacation rentals could result in some downtown property owners investing in their properties, which could result in better maintenance and upkeep, and possibly triggering fire sprinkler installation requirements as well.</p>
House Sharing	In the case of house-sharing, the rental market for long-term shared housing may also decline, displacing the most vulnerable rentals from the rental market.	House sharing can provide residents with additional income.
Impacts on Hospitality Sector	Vacation rentals and house-sharing may compete with established hotels, motels and B&Bs and may reduce the number of hospitality-related jobs.	<p>Vacation rentals would help to accommodate visitors who might otherwise stay in a vacation rental in the unincorporated areas.</p> <p>Short term rentals may be less expensive than traditional lodging establishments and less expensive accommodations may allow visitors to stay longer and spend more money in restaurants and retail establishments.</p>

Possible Regulatory Changes. Table 2 below summarizes a range of potential variables to frame regulations of vacation rentals within Fort Bragg and presents the recommendations of the Community Development Committee and Planning Commission.

Table 2: Vacation Rental Regulation Recommendations

Issues	Community Development Committee Recommendation	Planning Commission Recommendation
If at all, in which zoning districts should vacation rentals be allowed?	Allow vacation rentals in the Central Business District (CBD) with Use Permit approval by the Planning Commission.	Allow vacation rentals in the CBD with Minor Use Permit (MUP) approval by the Community Development Director.
What are the preferred zoning requirements?	Permit only on second and third story of CBD buildings; and Initiate revocation of Use Permit if three or more Muni Code and/or Penal Code violations occur on the property in a year.	PC agrees with the CDC but also recommends: 1. Allow vacation rentals on the rear of the ground floor as well. 2. Revoke MUP if unit is not used as a vacation home for six months or longer.
Total number of vacation rentals?	Limit total number of vacation rentals in CBD to 10 units.	Limit total number of vacation rentals in CBD to 10 units.
Other permitting requirements?	Require a business license for vacation rentals; and Require monthly reporting to the Finance Department regarding rental rates and occupancy; and Require collection and remittance of TOT.	PC agrees with the CDC and recommends transferability of MUP for vacation rental, if the property is sold to a new property owner.
What should the regulatory framework look like for home-sharing?	CDC did not reach a conclusion about home-sharing. Concerns expressed that home-sharing in residential zoning districts and would be very difficult to differentiate from vacation rentals, which would make enforcement against illegal vacation rentals difficult.	PC recommends that home sharing needs more study and should be considered separately from vacation rentals. Requested that staff bring forward a report focused entirely on home-sharing.

FISCAL IMPACT:

Permitting a limited number of vacation rentals in the CBD would generate revenues from TOT, permit fees, and business license fees. Some of these revenues would likely have accrued to the City anyway through TOT paid to hotels, inns and B&Bs. The net fiscal impact is unlikely to be significant, but would likely be positive overall.

CONSISTENCY:

Permitting vacation rentals in the CBD would require an amendment to the City's Inland and Coastal Land Use and Development Codes.

IMPLEMENTATION/TIMEFRAMES:

Implementation steps to complete this process include the following:

1. Prepare revisions to relevant ordinances based on direction provided by City Council.
2. Prepare a CEQA document to analyze potential impacts of proposed zoning ordinance revisions.
3. Planning Commission holds public hearing and makes recommendation to City Council.
4. City Council holds a public hearing and considers approval of CEQA document and introduction of zoning ordinance amendment. At subsequent meeting, Council adopts ordinance.
5. If Coastal LUDC is revised, an LCP amendment would need to be certified by the Coastal Commission.

Given current workload in the Community Development Department, steps 1 through 4 could be completed in about six months. Step 5 would take an additional 12 months, given the Coastal Commission's timeframe for processing LCP amendments.

ATTACHMENTS:

1. CDC Minutes of June 23, 2015
2. Planning Commission Minutes of July 8, 2015
3. Correspondence received

NOTIFICATION:

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