



**CITY OF FORT BRAGG**

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**FINANCE AND ADMINISTRATION COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** April 3, 2019  
**TO:** Finance and Administration Committee  
**AGENDA ITEM TITLE:** Receive Report and Make Recommendation to Staff Regarding Proposed Municipal Code Change to Provide Business License Exemption for Rental of Less Than Four Dwelling Units

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**ISSUE:**

In the course of the City Council approving updates to the City's Calendar Year 2018 fee schedule a question came up regarding the requirement to obtain a business license to engage in the business of renting dwelling units for residential use. Staff's review of the City's Municipal Code indicated that in fact a business license is required. On the other hand staff does not have a good method to determine where all of the City's rental units are and therefore has never attempted to enforce the requirement. Further research indicated that several Northern California cities (including Sacramento, San Francisco and Berkeley) provide an exemption for landlord's renting a small number of units. At the time, Council indicated a desire to likewise provide an exemption for landlord's renting a small number of units. Although there has not been any enforcement of the requirement there is a least one landlord who is known to be maintaining a business license for this purpose and possibly several others. Staff believes it would be prudent to revise the City's Municipal Code to make the exemption explicit. This can be accomplished with the addition of two definitions to section 5.04.010 and one paragraph to section 5.04.080 of the code. Staff's proposed code changes are attached to this report.

**ANALYSIS:**

Enforcement of the business license requirement for rental of residential dwelling units could potentially increase revenues for the City's general fund. On the other hand the City Council has taken multiple actions in recent years to make housing both affordable and available within the City limits. Staff believes that the benefit created by providing an environment conducive to increasing housing availability and affordability outweighs the benefit of a potential increase in revenue.

**RECOMMENDATION:**

Provide recommendation to the City of Fort Bragg City council to revise sections 5.04.010 and 5.04.080 of the City's municipal code in order to provide a business license exemption for rental of less than four dwelling units.

**ALTERNATIVES:**

Direct staff to explore ways to enforce the City's current municipal code regarding business licenses for rental of dwelling units.

**ATTACHMENTS:**

1. Proposed revisions to section 5.04.010 of the municipal code
2. Proposed revisions to section 5.04.080 of the municipal code