



City Council Meeting Agenda Report

Item # _____

Meeting Date: October 14, 2019

Subject: Introduction of an Ordinance Adding Chapter 5.92 to the Daly City Municipal Code and Adoption of the Short-Term Rental Fees

Recommended Action

Introduce the attached Ordinance adding Chapter 5.92 to the Daly City Municipal Code adopting regulations for Short-Term Rentals and adopt Resolution approving Short-Term Rental Permit Fees.

Background

In April 2018, the City Council convened a Task Force to discuss issues and potential regulations related to short-term rentals (i.e. homeowners renting their entire home or individual rooms within their home on a short-term basis (i.e., 30 days or less)). At the Task Force meeting on April 25, 2018, staff provided an overview of the short-term rental market in Daly City, the associated potential revenue loss, and steps other cities have taken to address the impacts of short-term rentals. Task Force members expressed their concerns and made suggestions such as requiring owner-occupancy, not allowing short-term rentals in City-approved accessory dwelling units, and limiting the number of days a homeowner can use their home as a short-term rental.

On March 11, 2019, the Task Force findings and an overview of the current short-term rental market in Daly City were presented to the City Council. Upon review of the information presented and input from staff and the public, the City Council directed staff to develop a Short-Term Rental Ordinance.

Discussion

Staff retained the consulting and data collection services of Host Compliance, a firm that provides short-term rental compliance monitoring and enforcement solutions to local governments, to advise staff through the ordinance formulation process. Host Compliance provided a list of cities of comparable size and population density to Daly City for staff to review such as Pasadena and West Hollywood in Southern California and Bellingham in Washington. Staff also reviewed the Short-Term Rental Ordinances of other Bay Area cities such as Redwood City and Berkeley and contacted staff from some cities to gather feedback on their experience with the implementation process. Host Compliance also provided data on the scale and scope of the short-term rental market in Daly City. As of October 8, 2019, there were 485 short-term rental units in Daly City and 702 active listings on various platforms.

In mid-September, staff sent courtesy notices to property owners who were identified hosts of short-term rentals in Daly City, the Short-Term Rental Task Force, and other interested parties. Information on the proposed Ordinance and the scheduled public hearing was also included in the City water bills and online such as the City website and social media platforms.

As proposed, the Short-Term Rental Ordinance aims to prevent long-term rental units from being replaced with short-term rentals, protect affordable housing units from conversion, preserve and protect neighborhood character and livability from nuisances that are often associated with short-term rentals, provide alternative forms of lodging, and generate City revenue to share City infrastructure cost and other public expenditures by operation of short-term rentals under established standards.

The key points of the Ordinance are summarized in the next section. The full text of the Ordinance is included in this report as Attachment A.

Key Regulations in the Ordinance

1. Short-term rentals would be permitted in single-family residences, townhomes, and condominiums, but not on properties with accessory dwelling units, inclusionary housing or other income-restricted housing units, and non-owner-occupied properties including properties with multiple dwelling units.
2. The property must be owner-occupied, which means the home is the owner's permanent residence. A person may only have one primary residence and must reside there for a minimum of nine months per year.
3. Un-hosted stays (i.e. the host is off-site during the guest's stay) would be limited to a maximum of 90 days per year while hosted stays (i.e. the host is on-site throughout the guest's stay) would have no limit to the number of days per year.
4. Prospective hosts, homeowners who intend to use their primary residences as a short-term rental, would be required to obtain a Short-Term Rental Permit from the Planning Division and an annual business license from the Finance Department which includes payment of all quarterly Transient Occupancy Taxes (TOT) associated with the short-term rental.
5. The business license and Short-Term Rental Permit will expire on September 30th of each year and may be renewed if the host meets all the renewal requirements. However, failure to comply with any provision of the Ordinance could lead to the property becoming ineligible for renewal at the next renewal period or suspension of the Short-Term Rental Permit.
6. Short-term rentals operating on or before the enactment of this Ordinance would be considered existing, unpermitted uses. An amnesty period ending on September 30, 2020 after the effective date of this Ordinance would be provided to allow these existing, unpermitted uses to be legalized.

Fees

Pursuant to Sections 5.16.020 and 5.15.050 of the Daly City Municipal Code, businesses and individuals who operate businesses or long-term property rentals in Daly City must pay a minimum of \$110.00 annually. Additional language applies to gross receipts. Since this payment scheme is

already universally used for business licenses in Daly City, the Finance Department recommends the same fee apply for business licenses for short-term rentals.

Pursuant to Resolution No. 13-170, the hourly cost of Planning services is \$165.00. Planning staff anticipates the review of a new Short-Term Rental Permit will amount to approximately one hour of staff time and one-half hour for the renewal of a Short-Term Rental Permit. However, Planning staff anticipates some reviews may amount to more than one hour of staff time. Therefore, the Finance Department recommends that the Planning Permit fees be set at \$165.00 for a new Short-Term Rental Permit and \$82.50 for the renewal of a Short-Term Rental Permit. For reviews that exceed one hour of staff time, fees will be charged at the hourly rate for Planning services. Furthermore, Planning staff will review the fee for the renewal of a Short-Term Rental Permit after the first renewal period in 2020 to determine if the reviews exceed one-half hour of staff time and should be revised.

Voluntary Collection Agreements

In August, staff met with representatives from Airbnb, a hosting platform that provides a means through which a host may offer a dwelling unit, or portion thereof, for home-sharing, to learn about voluntary collection agreements (VCA), an agreement between a city and a hosting platform where the hosting platform collects TOT on behalf of the city. VCAs do not typically require hosting platforms to disclose any information on each short-term rental advertised on their platforms and the TOT collected for each short-term rental. The hosting platform will simply submit the TOT collected as one payment to the city on a pre-established basis. In addition, hosted and unhosted stay limits are not typically enforced by a hosting platform. Airbnb is in the process of reviewing the City's TOT regulations to determine the feasibility of a VCA with the City of Daly City.

Environmental Assessment

Pursuant to Title 14 of the California Code of Regulations, Section 15378, staff has determined that the proposed Short-Term Rental Ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) in that it is not a project as defined by the Act, in that it does not have a potential for resulting in a detrimental physical change in the environment, directly or ultimately, as provided in Title 14, Section 15378(a). The Ordinance is also exempt under the definition of "project" in Section 15378(b)(3) in that it concerns general policy and procedure making.

Findings

Staff recommends that the City Council approve the proposed Short-Term Rental Ordinance subject to the following findings:

1. The project is exempt from the requirements of the California Environmental Quality Act (CEQA) in that it is not a project as defined by the Act. The Ordinance is also exempt under the definition of "project" in Section 15378(b)(3) in that it concerns general policy and procedure making.
2. Notice of the public hearing was published in the local newspaper on September 29, 2019.

3. The Ordinance addresses the potential impacts related to short-term rentals in Daly City and incorporates the information presented to the City Council at their March 11, 2019 meeting and input from staff and the public.
4. The Ordinance seeks to generate City revenue as a contribution to City infrastructure costs and other public expenditures associated with the operation of short-term rentals under established standards.
5. The Ordinance focuses on preventing long-term rental units from being replaced with short-term rentals and protecting affordable housing units from conversion to short-term rentals.
6. The Ordinance aims to preserve and protect neighborhood character and livability from nuisances that could be often associated with short-term rentals.

RECOMMENDATION

Staff recommends that the City Council:

1. Introduce the attached Ordinance adding Chapter 5.92 to the Daly City Municipal Code adopting regulations for Short-Term Rentals.
2. Adopt Resolution approving the proposed Short-Term Rental Permit Fees.
3. Affirm the Environmental Assessment.

Respectfully submitted,



Carmelisa Morales
Associate Planner



Tatum Mothershead
Director of Economic and
Community Development



Todd High
Acting Director of Finance

Attachments

Attachment A – Proposed Short-Term Rental Ordinance