

To: The City of Long Beach

From: John Yeamans



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re: Short Term Vacation Rentals (STRs)

The City of Long Beach has reached the point where some accommodation must be made with the fact that Short Term Rentals (STRs) exist in Long Beach in large numbers (1000+). It is very likely that this number will grow even larger in the future. Since this practice is here to stay, it is time for the City to (a) regulate and control this activity, (b) mitigate any undesirable effects of STRs and (c) use STRs as a new revenue stream (most likely for funding affordable housing.)

Before proceeding, I would like to give a little background on myself – particularly as it relates to STRs. My family owned a small house in Newport Beach from the 1950's to the 1990's. We spent a lot of time there. But on many occasions when we were not there, we would rent it out to other people who wanted to be near the beach and the ocean. From the 1990's to the 2000's, my wife and I owned a house on Balboa Island in Newport Beach that had two units. This permitted us to live in one unit while renting the other unit. During the early 2000's, we lived in Hawaii for almost three years. At that time, we owned and operated two condominiums in Kailua Kona on the Big Island as STRs.

In addition to this experience with STRs, I have also been a licensed real estate professional in both California and Hawaii. However, neither of these licenses is active at this time. I believe that my 40+ years of experience in STRs gives me a better understanding than most people of what works – and what causes problems.

With this background in mind, I would like to comment (in no particular order) on several of the points that were made at the March 21st City Council meeting.

First, if the City wants to look at another municipality where STRs work, how about Newport Beach? This city is often overlooked even though Newport Beach (a) has had STRs for about 100 years (b) has areas with a high ratio of STRs to residents without significant problems and (c) has a very effective registration and Transient Occupancy Tax (TOT) collection process.

Some of the cities mentioned as models for municipal regulation – like Santa Monica – were openly hostile to STRs; developed regulations grudgingly only when an outright ban would not work; and consequently, designed regulations that are expensive, burdensome and hostile to STRs. I like to think that Long Beach is better than that.

Second, the vast majority of STRs are single family residences and would not normally be considered to be “affordable housing”. A quick look at the AirBNB listings in Long Beach show the majority south of 7th Street and the bulk of these are south of 4th Street. I do not believe that renting a small percentage of upscale single family residences puts any significant or measurable stress on affordable housing. However, we have a daughter who lives in an apartment on Wisconsin so we appreciate how tight the rental market is in multi-family buildings. I do not believe apartment units make good STR's. And an apartment building full of STR's is basically a hotel and should be regulated as such. One STR in a duplex is OK with me. Two is probably too much.

Third, there is a misconception that it is easy to be in the STR business. This leads to a second misconception that very large numbers of people would get in on the "action". Let me explain why this is very unlikely. Before you can rent your home, you have to move out of it. And I mean completely move out of it. You must get your clothes out of the closets, clear out the bathroom and move any files or documents to a secure location. This means shuffling a lot of stuff to either locked cabinets in the garage or a storage unit. And then you must bring a lot back in upon your return. Once you get this drill down, it is not so bad. But for people with a lot of stuff who are not very well organized, it is a deal breaker. If you can overcome this hurdle, there is still a lot of ongoing maintenance and repair that must be done to keep STR in top condition. I have been maintaining and repairing rental units my entire life. When we lived in Hawaii I supplemented my income by maintaining other people's STRs. And there was no shortage of work. To keep this kind of work to a minimum, most owners try to be very careful about who they rent to. This brings me to my next point.

Fourth, many of the problems I have seen come from people renting an STR for only one or two nights. I saw this particularly in Hawaii where locals would rent condos for the weekend, make a mess around the swimming pool, make noise all night, get drunk, get into fights, etc. and then go home and leave the rest of us to clean things up. While I did not hear it at the meeting, I would never rent an STR just for the weekend. This is just asking for trouble. Five days would be about my minimum and, in general, I would prefer a full week. Weekly rentals are very common in Newport Beach, particularly in the summer. In general, the rental period there is from Saturday to Saturday.

Fifth, the City should be more inclusive of the real estate professionals in Long Beach. Even though just about every STR is listed on the Internet, many of these listings are posted by licensed real estate professionals. In both California and Hawaii I always used a licensed professional to handle the actual rental transaction. This is a nontrivial process. It involves the written rental agreement, collecting the rent, collecting the deposit, collecting the TOT. The guests must be given access to the property at the beginning of their stay while keys and garage door openers must be collected at their departure. Also, the property must be inspected for any missing items or damages that need to be deducted from the deposit. The cleaning people need to be scheduled and let in. Real estate offices are also local and available. Realtors do not want their names associated with problem properties. Often, an agent can correct a little problem before it becomes a big problem. In Newport Beach, the Realtor we used even filed our TOT report with the city each year. In my opinion, real estate people in the STR business really earn their money. However, real estate professionals have a license to protect. I have talked to several who do not want to be involved in STRs until the City changes its laws and the agents can represent owners in a professional and legal manner. Moving STR's out of the shadows and bringing in professional support would make everyone's life better.

These are some of the topics that I believe need to be considered in drafting a useful and effective ordinance regulating Short Term Rentals. Two topics that I did not cover are enforcement and parking. Code enforcement is a touchy subject. I think it best to leave a discussion of code enforcement for another day. Finally, my observation in Long Beach and other cities is that many parking impacted neighborhoods could gain significant relief if some of the residents would clean out their garages and use their garages to park their cars.

Thank you for your attention to this matter and I hope you find my comments useful.

Sincerely,

John E. Yeaman