

CONSIDERATIONS AND RECOMMENDATIONS REPORT

SHORT-TERM RENTAL PROGRAM AND REGULATIONS

City of Long Beach
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1 INTRODUCTION

The recent rise of the sharing economy, particularly the boom in short-term rentals (STRs), presents opportunities and challenges for communities and lawmakers. STR online platforms such as Airbnb and HomeAway have led the charge, enabling individuals to rent out real property not traditionally part of the temporary lodging marketplace, for 30 days or less. As a result, STRs have grown in the number of properties available and the frequency with which they are rented¹. While the rise of STRs has resulted in some consistency in policy challenges, many jurisdictions have developed regulatory responses aimed at specific local issues. The City of Long Beach (City) is conducting technical analysis and community outreach to formulate a STR ordinance which addresses local concerns regarding community character, noise, safety, housing affordability, parking, and enforcement, while accommodating benefits of STRs, such as providing supplemental income to residents.

This report summarizes background analysis and community outreach that have informed the development of three STR ordinance options. A discussion and comparison of the three options is included. This report will be presented to City Council for consideration and further direction.

¹ Sustainable Economics Law Center, Regulating Short-Term Rentals: A Guidebook for Equitable Policy, March 2016.

2 BACKGROUND ANALYSIS KEY FINDINGS

This section describes key findings from the background analysis on STRs conducted from March through August of 2018, which includes a diagnosis of the City's Municipal Code provisions related to STRs, an analysis of existing STRs and local conditions in Long Beach, and case study research. The appendices to this report include more detail on specific research and analysis.

2.1 MUNICIPAL CODE DIAGNOSIS

A diagnosis of the City's Municipal Code (Code) was completed to provide a technical analysis of the Code in relation to STRs. The following key findings are critical to understanding how the Code currently addresses STRs and to framing the regulatory environment within which a STR ordinance would be drafted. The complete Municipal Code Diagnosis is included as Appendix 1.

Hosted STRs are allowed with limitations; un-hosted STRs are prohibited

The Zoning Code allows owner-occupied STRs as “room rentals” and “bed and breakfast inns” provided the standards applicable to those uses are complied with, including that no kitchens/cooking facilities are allowed in the rented room or area.

- Room rentals are allowed in all residential zones. The owner must live in the unit where room rentals are occurring. A maximum of two rooms may be rented per unit. Room rentals cannot be detached or have an independent exterior entrance.
- Bed and breakfast inns are allowed in townhouse, moderate, and high-density residential zones with an Administrative Use Permit (approved by City staff). Annual reinspections are required, and an annual fee is due to cover the City's reinspection cost.

Hosted rental – The host lives in the unit where the rental is occurring*.

Un-hosted rental – The host does not live in the unit where the rental is occurring*.

Un-hosted (not owner-occupied) STRs are not allowed in any residential zone.

** Under STR Ordinance Options 2 and 3 (Sections 4.2 and 4.3), a hosted rental would include rental of an accessory dwelling unit (ADU) where the host lives in the principal dwelling unit or rental of one unit in a duplex where the host lives in the other unit.*

Accessory dwelling units (ADUs) are not allowed to operate as STRs

Rentals of ADUs must be for terms of longer than 30 days. Also, the owner of the property is required to reside in either the primary dwelling or the ADU unless both units are rented to the same tenant, and that tenant is prohibited from renting the primary dwelling or the ADU to any other person.

California Coastal Commission promotes STRs

For the California Coastal Commission, STRs represent a high-priority visitor-serving use that should be promoted; however, the Commission has approved STR ordinances with reasonable restrictions (e.g., requirements for minimum lengths of stay, prohibiting accessory dwelling units from being used as STRs, minimum parking, neighbor notification, etc.).² Any STR ordinance that is proposed in the Coastal Zone will require California Coastal Commission's approval through the Local Coastal Program.

The California Coastal Commission has planning, regulatory, and permitting responsibilities, in partnership with local governments, over all "development" taking place within the Coastal Zone, a 1.5 million-acre area stretching 1,100 miles along the state's coastline.

Existing development standards may be informative when crafting a STR ordinance

Standards applicable to traditional visitor lodging, ADUs, and group housing uses may be informative during the development of a STR ordinance as many of these standards have been imposed to ensure compatibility and the public health, safety, and welfare (e.g., parking, buffers, limitations on parties, separation requirements, etc.).

Transient Occupancy Tax (TOT) is not being collected from room rentals or illegally operating STRs

A 12-percent TOT is required to be paid by guests staying at hotels, motels, bed and breakfasts, and similar lodging facilities. TOT is not being collected from legally operating room rentals or illegally operating STRs.

Anticipate STR online platforms' resistance to obligations for TOT records

STR online platforms would have the same duties and liabilities as the principal STR operator, which includes TOT remittance and maintenance of adequate records. Although Airbnb, the largest online STR platform, is collecting and remitting TOT for many jurisdictions, it has limited its reporting to aggregated information and anonymous numbered accounts for auditing.

Application of the Business License tax to STRs is unclear; hotels, motels, and bed and breakfasts pay this tax

Hotels, motels, and bed and breakfast establishments are subject to Business License tax and pay the same rate (a flat fee plus a rate based on the average number of employees). The Business License tax does not appear to apply to STRs located in buildings where fewer than four rooms are rented or buildings with fewer than four units. The Business License tax requirements should be clarified as to STR application.

² The California Coastal Commission (CCC) "strongly support[s] developing reasonable and balanced regulations that can be tailored to address the specific issues within your community to allow for vacation rentals, while providing appropriate regulation to ensure consistency with applicable laws." (CCC letter to Coastal Planning/Community Development Directors, re Short-Term/Vacation Rentals in the California Coastal Zone, December 6, 2016).

Loud parties are prohibited

Noises caused by a party or gathering on any private property, including STRs, must not be audible when 50 feet or farther from the property. A violation can result in arrest, citation, or additional costs for subsequent violations within a 30-day period.

Inconsistent definitions could hinder the implementation and enforcement of a STR ordinance

Definitions (e.g. hotel, guestroom, etc.) are inconsistent across Code Titles. Definitions of terms and land uses should not create internal Code inconsistencies that could hinder the implementation and enforcement of a STR ordinance.

2.2 CURRENT STATE OF LONG BEACH SHORT-TERM RENTALS

This section identifies key findings that summarize the current STR market in Long Beach in relation to demographic, socio-economic, and housing conditions. STR data was collected in the last week of March 2018. The complete Current State of Long Beach Short-Term Rentals is included as Appendix 2.

STRs represent a tiny fraction of Long Beach's housing stock

There are approximately 1,328 active STRs in Long Beach, which represent 0.75% of the total housing stock in Long Beach (177,245 units).

The number of vacant housing units continues to decline while the number of STRs continues to grow

While the total number of vacant housing units in Long Beach declined by 3,500 units (25%) from 2010 to 2015, the number of units for seasonal, recreational, or occasional use increased by 87 units (8.5%).

The majority of STR listings are for entire homes or un-hosted units

Approximately 890 STRs (67%) were listed as “entire homes”. Entire home rentals are un-hosted (i.e., rental structure is not also occupied by the host or owner), and are therefore, more often associated with complaints (e.g., noise, parking, etc.) than hosted STRs.

Some level of STR commercialization is occurring

Out of the estimated 1,074 STR hosts operating in Long Beach, 184 (17%) were identified as having more than one STR. While a clear majority (83%) of hosts were identified as only having one STR, these numbers may understate the true number of multi-unit hosts, as many professional operators have begun listing their units under different host IDs to avoid detection.

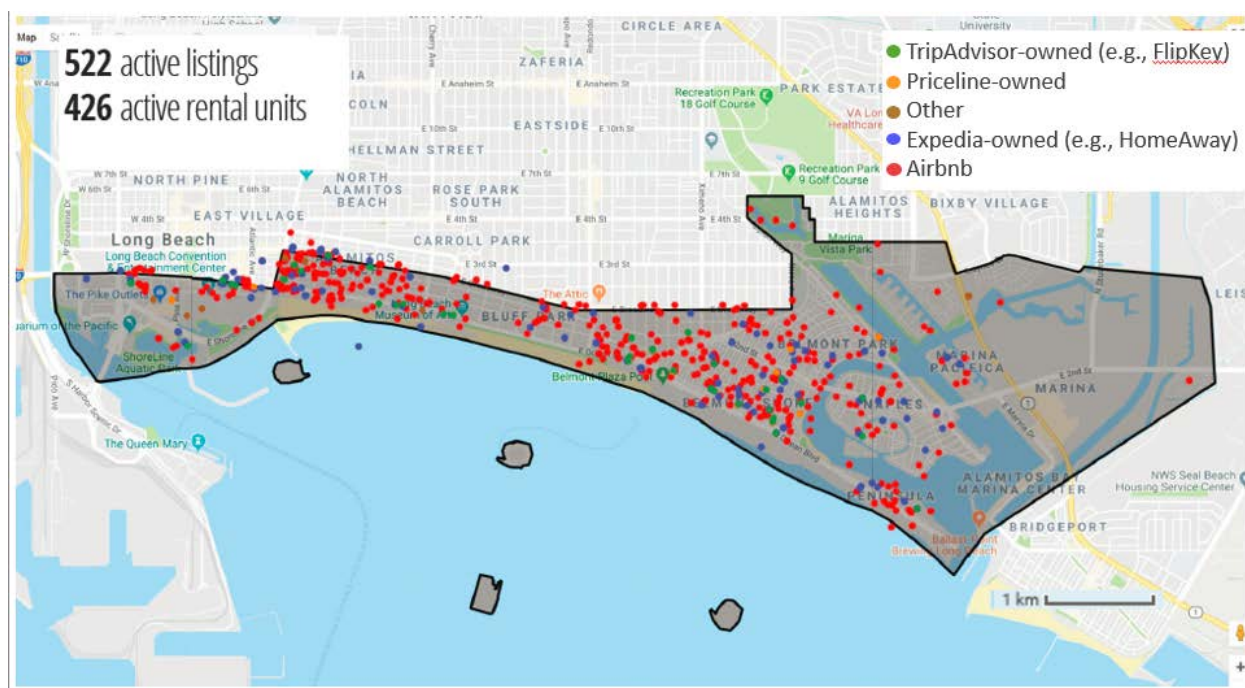
Almost half of STRs are rented for more than 90 days per year

Out of the estimated 1,328 unique active STRs identified in Long Beach, 654 (49%) show rental activity for 90 days or more. Almost one-third of unique active STRs show rental activity for 181 or more nights per year. However, 40% of unique active STRs are booked for fewer than 30 days per year. Of the active entire home STRs, 378 were estimated to rent for more than 90 days per year.

STRs are concentrated along the coast and in downtown

One-third of active STR listings³ (522), are in the Coastal Zone, despite the Coastal Zone comprising less than 10% of the physical area of the City. STRs in the Coastal Zone are more likely to have the entire home rented and higher nightly rates. The remaining STRs are primarily focused around the coastal area and downtown, but there are STRs located in all areas of Long Beach.

Figure 1 – Short-Term Rentals in the Coastal Zone



Concerns have already been raised regarding STRs in Long Beach

Concerns raised about STRs in Long Beach include the potential reduction in available housing, increase in disruptive activity as STRs bring non-residents to historically residential areas, a lack of accountability for noncompliance, and inability to collect transient occupancy tax.

³ Active listings are defined as any listing that has either had its booking calendar changed or received a review in the last year.

2.3 CASE STUDIES SUMMARY

A case study analysis documented STR policies of four California cities: San Francisco, Santa Monica, Newport Beach, and Sacramento. The four case studies were selected by the City in coordination with the Consultant Team as representative of a range of approaches. Various approaches have been implemented throughout California and nationally, many of which were also reviewed by the Consultant Team. As such, options for a Long Beach STR ordinance were not limited to those described in the case study summary table (Table 1). A detailed discussion of each case study's STR regulations is included in Appendix 3.

Table 1 – Short-Term Rental Case Studies Summary

	San Francisco, CA	Santa Monica, CA	Newport Beach, CA	Sacramento, CA
Overview	Only verified permanent residents may rent their primary home as a STR. Prohibited in affordable housing units ⁴ , accessory dwelling units (ADUs), and boats/watercraft. Hosting platforms remove invalid listings.	Only hosted STRs ("home sharing") are allowed. A new ADU is considered as a separate home. Online hosting platforms are prohibited from completing bookings for hosts that are not registered ⁵ .	Not allowed in single-family residential zones or single-family homes in planned developments or specific plan areas. STRs in single-family homes as of June 1, 2004 are grandfathered.	Primary residents may rent their home as a STR. Dwellings that are not primary residences may be rented for 90 days/year. Dwellings that are not primary residences and are rented for more than 90 days/year require a Conditional Use Permit ⁶ .
Hosted Limit	No limit	No limit	No Limit	No Limit
Un-hosted Limit	90-days	Not allowed	No limit	Primary residence - 181-days ⁷ Not primary residence - 90-days unless CUP issued
Host Requirements	Lived in the unit for ≥ 60 days and must reside in the unit for ≥ 275 nights/year. Property liability insurance of ≥ \$500,000.	Must advertise STR as a shared space. Actively prevent nuisance activities.	Local 24-hr contact. Limit occupants per Building Code. Provide guests with City rules and regulations. Best efforts to prevent nuisance activities.	Local 24-hr contact. Rent to no more than 6 people at one time. Provide guests parking and noise regulations.
Geographic Limitations	Prohibited in The Presidio, Fort Mason, Treasure Island	N/A	Prohibited in single-family residential zones	N/A
Neighbor Notification	Notice only required in detached single-family zone. Provided to properties within 300 ft and neighborhood groups	None, but information available on a publicly available Home-Sharing registry	None	Notice provided to properties within 200 ft after permit is issued.
STR Permit	STR Residential Rental Registration Application	Business License: Home-Sharing Application	Short Term Lodging Permit/TOT Registration	Short-Term Rental Permit or Conditional Use Permit

⁴ Affordable housing consists of single-room occupancies (SROs), student housing, dormitories, income-restricted units (e.g., below-market-rate units), and public housing units.

⁵ Hosting platform requirements are not currently being enforced due to a pending lawsuit.

⁶ These operations are considered as "bed and breakfast inns" (Municipal Code Sections 17.108.030, 17.228.104).

⁷ Difference between 365 days and the primary resident requirement of 184 days per year.

	San Francisco, CA	Santa Monica, CA	Newport Beach, CA	Sacramento, CA
STR Permit Fee	\$250 every two years (non-refundable)	No fee	\$93	\$125 ⁸ \$90 renewal (annual)
TOT	14% effective rate	14%	10% effective rate	12%
Business License Fee/Tax⁹	Based on anticipated gross receipts (\$75 if ≤ \$100,000)	Based on anticipated gross receipts (\$75 if ≤ \$60,000) ¹⁰	\$162 for residentially based businesses	\$50 (hotel rate) ¹¹
Misc.	Must post map of fire extinguishers and escape routes.	Exterior signage prohibited. Must provide listing URL on business license application.	Post permit conditions in unit. Must include business license number in listing.	Exterior signage prohibited. Post permit in each rental room. Must include STR permit number in listing.

⁸ Conditional Use Permit (CUP) application fees are \$5,000 to \$6,000.

⁹ Fees identified exclude State fees.

¹⁰ A person who makes \$40,000 or less annually in gross receipts may apply for a Small Business Exemption.

¹¹ A hotel type business rate is \$50 plus \$0.75 per unit over four.

3 COMMUNITY ENGAGEMENT

A comprehensive community engagement strategy was developed to inform the community about STRs in Long Beach and provide an opportunity for residents and interested parties to share opinions. The comprehensive community outreach strategy included:

- Stakeholder Interviews
- Community Kick-off Workshop (Workshop #1)
- Online Survey
- Community Roundtable Workshop (Workshop #2)
- Public Review Workshop (Workshop #3)

Input gathered from these events have informed options for City consideration in establishing clear, equitable, and community-driven regulations to address STRs. Each event is summarized below; more detailed summary memos are provided in Appendix 4.

3.1 STAKEHOLDER INTERVIEWS

In April 2018, Lisa Wise Consulting, Inc. (LWC) conducted 17 interviews with 40 individuals. Follow up telephone interviews were conducted with two stakeholders who were unable to attend in-person. Represented individuals and groups included neighborhood associations and organizations, residents, STR hosts/home-sharing groups, City staff, housing organizations, hosting platforms, and others. Open-ended questions enabled respondents to drive the interview process and voice their perspective of highest priority concerns and opportunities surrounding STRs in Long Beach.

Opportunities included homeowners being better able to afford their homes, particularly older or retired homeowners, and that STRs promote Long Beach as an attractive and friendly destination as well as help to support local businesses. Respondents were generally aware that some STRs had been disruptive in some neighborhoods due to noise and parking, and some identified that STRs may reduce housing supply and adversely affect property values. Responses to questions that considered allowing STRs included that transient occupancy tax (TOT) should be collected from STRs, business license requirements should be applied to STRs, and other controls be established for un-hosted STRs. Enforcement was frequently identified as an issue or area of concern.

3.2 COMMUNITY KICK-OFF WORKSHOP (WORKSHOP #1)

The May 2, 2018 Community Kick-off Workshop attracted over 250 attendees. Approximately 63 people gave brief testimonials on their stance on STRs in Long Beach. Speaker themes included:

- Many attendees were on-premise STR hosts who reported positive interactions with guests and reliance on supplemental income.
- Many complaints (noise, parking) were voiced regarding non-owner occupied STRs in coastal areas.
- Party houses were raised as an issue, including lack of enforcement.

- Concerns voiced on STRs impact to the rental stock and housing shortage.
- Comments expressed STR guests support local businesses.

Additionally, attendees were offered a comment card at the sign-in table, and 82 cards were completed and returned at the end of the meeting. An additional nine comments were submitted electronically from people after the workshop. Of those who responded, 38 experienced STRs as guests, 32 experienced STRs as hosts, 33 selected other, 3 selected none, and 2 preferred not to answer. The perspective that STRs should be regulated but not banned was most frequently described, followed by banning STRs, and then by STRs should be legalized without any regulation.

3.3 ONLINE SURVEY

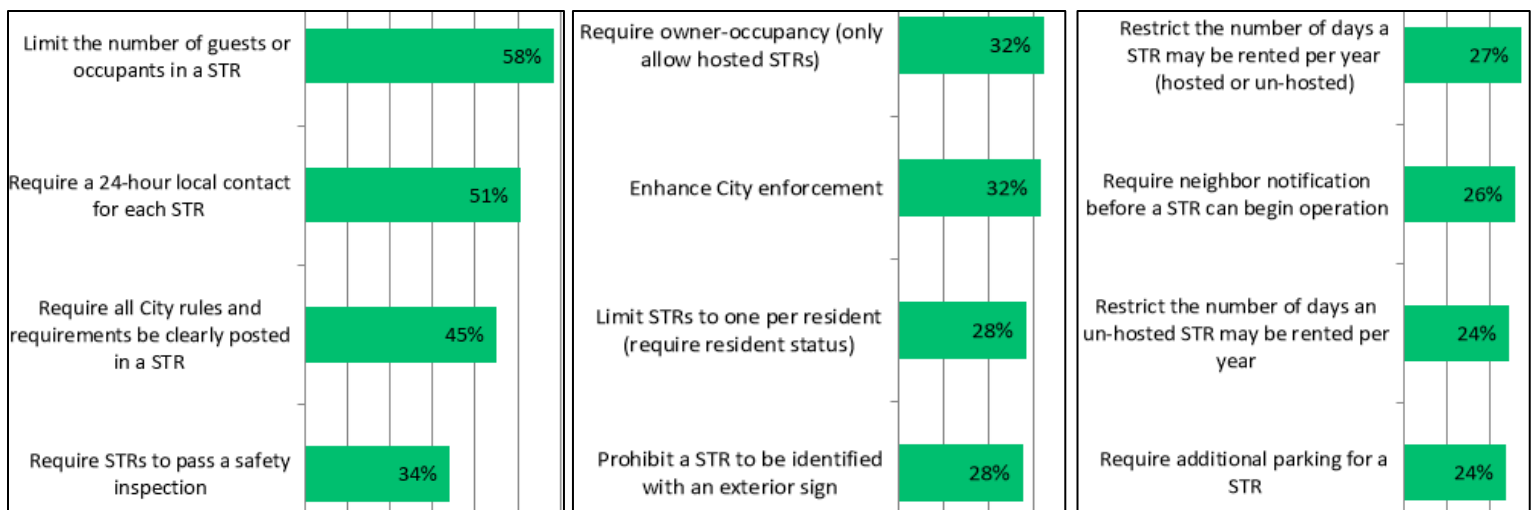
In June 2018, the City released an online survey to gain further insight on the community's perspective on STRs. 596 people responded to the survey. Of those who responded 533 were primary residents (89%), including 162 STR hosts/operators (27%), and 159 Neighborhood Associations/Organization members (27%).

Similar to the Kick-off Workshop comment cards, the largest number of respondents were supportive of STRs with regulations. However, most respondents did not think the City should establish regulations for STRs that rent out rooms or a portion of a home (i.e., hosted STRs).

The following responses provide feedback on the types of STR regulations and requirements respondents identified as most appropriate to Long Beach.

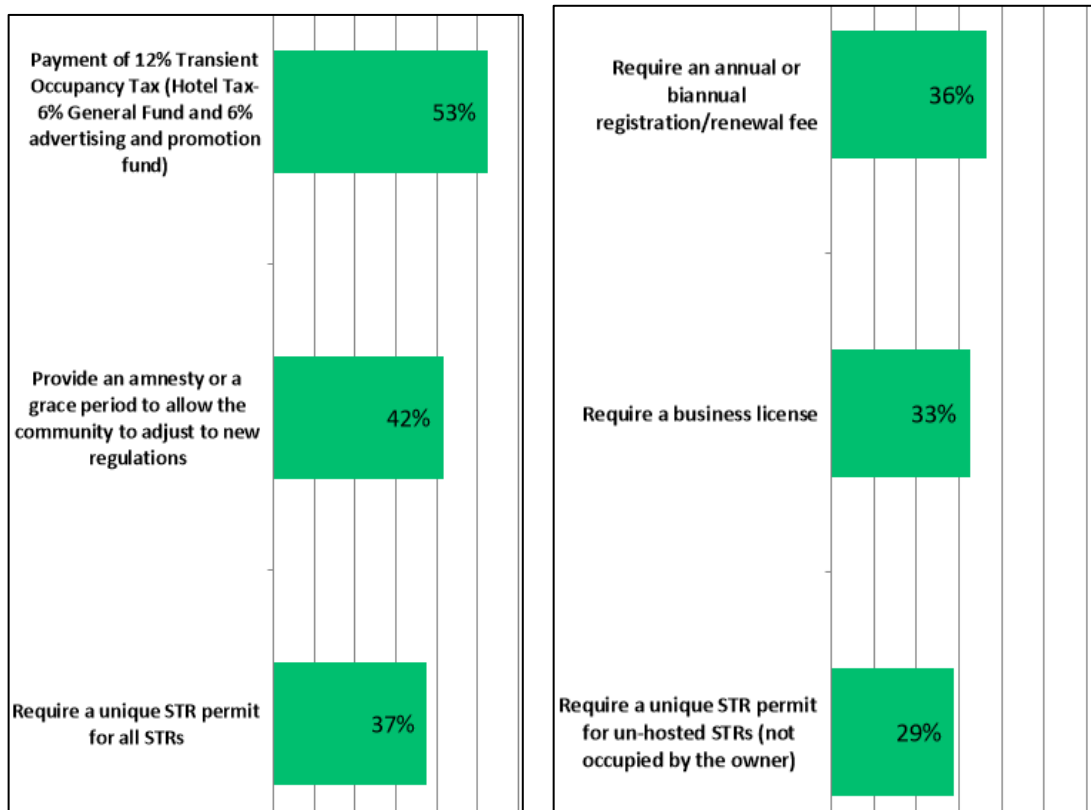
Which (if any) of the following potential regulations should the City of Long Beach consider for short-term rental (STR) regulations. [Select all that apply]

The top response was to limit the number of guests or occupants in a STR (58%). The second response was to require a 24-hr local contact for each STR (51%), followed by require all City rules and requirements to be clearly posted in a STR (45%).



Which (if any) of the following potential City requirements should the City of Long Beach include in a short-term rental (STR) ordinance. [Select all that apply] Skip this question if, STRs should not be allowed or should be allowed without any regulation.

The majority, 53%, responded that STRs should pay transient occupancy tax (TOT), and 42% were supportive of an amnesty or grace period to allow time to adjust to new regulations. 37% thought the City should require a unique STR permit for all STRs, with a close 36% saying there should be an annual or biannual renewal fee. One-third said a business license should be required, and 29% said only un-hosted STRs should be required to obtain a unique STR permit. The 17% that specified "Other" provided suggestions ranging from no regulation, to no taxes, lower taxes, higher taxes, and how taxes should be spent by the City.



3.4 COMMUNITY ROUNDTABLE WORKSHOP (WORKSHOP #2)

On July 21, 2018, Workshop #2 was held, which attracted over 140 attendees from individual residents and STR hosts, to neighborhood groups, housing advocates, as well as representatives from the local press and City staff. Attendees were provided a scorecard during the workshop that asked for their position (support, neutral, or against) on possible STR regulations organized by six key issue topics. By the close of the workshop, 130 completed scorecards were returned. The responses are summarized by the six issue topics:

1. **Sense of Community.** Most participants generally opposed possible regulations (e.g., prohibit STRs in certain zones or neighborhoods, require STRs to be separated by a certain distance, limit the number of nights an un-hosted STR may be rented, etc.). However, a majority supported prohibiting exterior signage.
2. **Enforcement.** Most responses related to potential enforcement regulations were generally evenly split. However, there was overwhelming support to require STRs to have a local 24-hour contact (e.g., property owner or property manager) and relatively strong opposition to establishing an online public registry listing all valid STRs with addresses.
3. **Housing Supply and Affordability.** A solid majority of participants were against allowing STRs only within the primary home of a Long Beach resident, prohibiting accessory dwelling units from being used as STRs, allowing STRs only if they are hosted, and limiting the total number of STRs allowed in specific zones. Participants were generally supportive of prohibiting student housing and dormitories and income-restricted units from being used as STRs.
4. **Parking.** Participants were generally supportive of requiring STR operators to provide parking requirements and instructions to guests and prohibiting commercial events in STRs. Participants were generally against limiting the occupancy in STRs based on available parking and establishing parking standards for STRs.
5. **Noise and Parties.** Participants were generally supportive of most noise/party regulations offered, including: requiring STR owners and operators to agree to comply with City noise ordinances, establishing quiet hours for STRs in the City's noise ordinance, and prohibiting commercial events in STRs. Participants were split for limiting occupancy in STRs and prohibiting the use of outdoor pools, spas, and hot tubs during certain hours, although more responded in support.
6. **Safety and Liability.** Participants supported requiring STR safety information and notices to be posted on-premise and requiring a minimum level of property liability insurance but were against requiring a City inspection before a STR can begin operation.

Charts reporting out all scorecard responses are included in Appendix 4.

3.5 PUBLIC REVIEW WORKSHOP (WORKSHOP #3)

The third workshop was held on October 10, 2018 at the Expo Arts Center. It attracted 220 attendees including individual residents and STR hosts as well as representatives from the local press, neighboring cities, and City staff. Attendees were provided a comment card during the workshop that sought their preference on three possible STR regulatory options to be presented to Council. By the close of the workshop, attendees returned nearly 180 comment cards. Additionally, 83 people gave testimonials on which option they preferred.

The three preliminary options were summarized on the comment cards as follows:

1. *Option 1 (Lowest level of regulation)*

Register with the City, provide a local 24-hr contact, pay TOT, provide registration # in listing

2. *Option 2 (Additional regulation)*

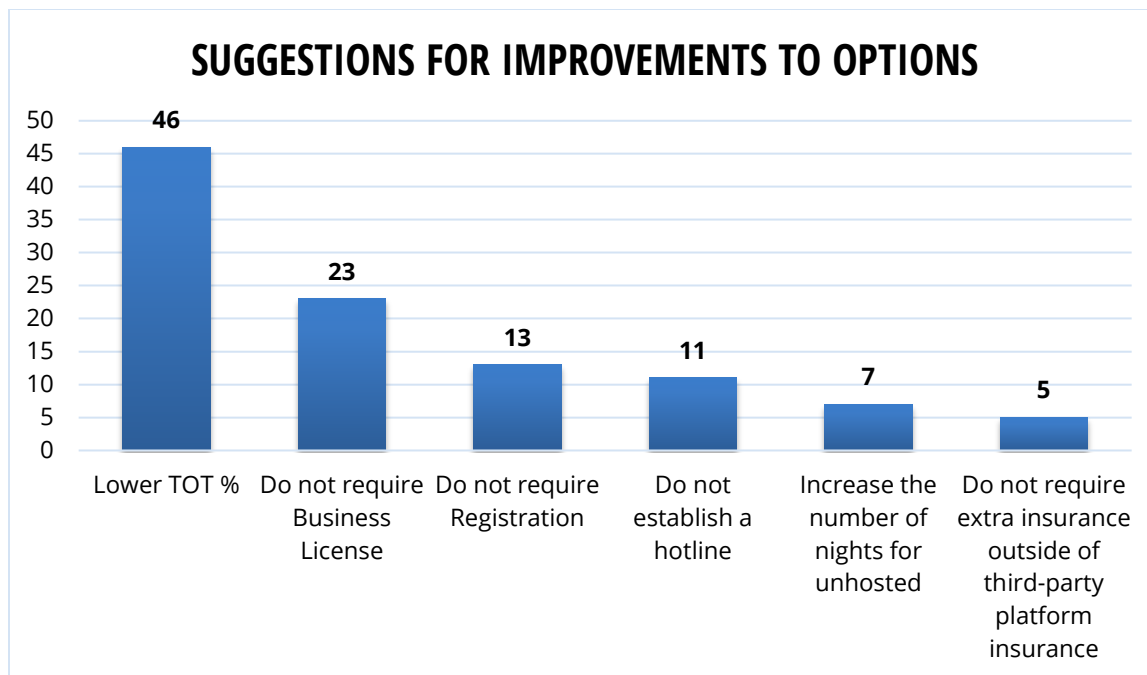
Option 1 plus: 2 STRs per resident or 3 if one STR is a primary residence; non-primary residence STRs in multi-family buildings limited to 25% of total units or 6 STRs (whichever is less); 90 nights of un-hosted stays for primary residence STRs; max. occupancy 2 people/bedroom + 2 people with a 10-person max.

3. *Option 3 (Potential additional restrictions)*

Options 1 + 2 plus: un-hosted STRs may be prohibited in a designated area through a petition process.

Of those who responded, the majority (107 respondents) preferred Option 1, 10 preferred Option 2, and 12 preferred Option 3. In addition to the three options presented, 46 respondents preferred Option "0," meaning that they did not want any regulations.

In the section that asked for attendees' suggestions on how to improve the options, several themes emerged and are summarized below.



Feedback from this workshop was used to clarify and refine the three options, although the overall framework of each proposed option has remained largely unchanged (see next section).

4 SHORT-TERM RENTAL ORDINANCE OPTIONS

Based on input gathered through the extensive community engagement process, as well as research and analysis of existing conditions and case studies, three STR ordinance options have been developed for consideration in Long Beach. None of the options include an outright ban on STRs, as a ban was not supported by community consensus, would be problematic to enforce, and would likely be rejected by the California Coastal Commission. Additionally, a “no action” option has not been included as current City Code regulations, described in Section 2.1, were adopted before the rise of the sharing economy and have been challenging to enforce. Each of the three options is summarized in Table 2, and a more detailed discussion of each option follows this Table.

Table 2 – Short-Term Rental Ordinance Options

	Option 1	Option 2	Option 3
Overview	STR registration with the City and a local 24-hr contact required. STRs prohibited in affordable housing units (deed restricted) and student housing. 24-hr hotline provided to facilitate resolution of issues and create a record of complaints.	Option 1 plus: STRs restricted to Long Beach residents. Up to 2 STRs allowed per resident, or 3 if one is a primary residence. Non-primary residence STRs in multi-family buildings limited to 25% of total units or up to 6 STRs (whichever is less), with no more than 1 non-primary residence STR per 2 to 4-unit building.	Option 1 & 2 (except where conflicts) plus: Un-hosted STRs may be prohibited within a designated area through a petition process of the residents within the area.
Hosted Limit	No limit	No limit	No limit
Un-hosted Limit	No limit	90 nights of un-hosted guest stays in a primary residence STR (excluding ADUs and duplexes where resident lives on-site). No limit for non-primary residence STRs.	Option 2; however, un-hosted guest stays can be prohibited through a petition process of residents in an area.
Host Requirements	Hosts must provide guests with rules (noise, parking, etc.) prior to guest stays. Hosts must post City requirements on-site.	Option 1 plus: Resident must have lived in the primary residence for ≥ 60 days before STR registration is approved.	Same as Option 1 & 2
Noise & Parties	Existing City noise ordinance applies, including “loud noises prohibited” ¹² .	Option 1 plus: Large-scale events prohibited. Quiet hours of 10p.m. to 7a.m., including use of outdoor pools and hot tubs.	Same as Option 1 & 2
Safety & Liability	Map of fire extinguishers and escape routes required on-site. Property liability insurance of ≥ \$1,000,000 required.	Option 1 plus: Occupants limited to 2 people per bedroom plus 2 with a maximum of 10 total people ¹³ . Exterior signage prohibited.	Same as Option 1 & 2
Enforcement	City registration number must be included in all advertisements/listings. HOAs or apartment owners may request inclusion on a STR prohibited buildings list. Landlord consent form required if rental agreement applies. Online platforms have duties and liabilities to comply with City requirements and remit taxes.		

¹² Noise that is audible from 50 or more feet from a property may result in citation or arrest (Municipal Code 9.31.010).

¹³ Lofts that meet California Building Code egress requirements are considered a bedroom.

		Option 1	Option 2	Option 3
Fines & Penalties		Fines (within a 12-month period): 1 st violation - \$500; 2 nd violation - \$1,000; 3 rd violation - City registration revoked. Registration will not be renewed for 12 months after revocation. Delinquent TOT and business license tax penalties apply ^{14, 15} .		
STR Registration & Renewal Fees		TBD – Renewal fee would be lower than registration fee	TBD – Consider lower registration and renewal fees for primary residence STRs	Same as Option 2
Transient Occupancy Tax		12% of rental revenue ¹⁶		
Business License Tax		\$78.91/parcel + \$34.64/rentable unit or room (adjusted annually per CPI)		
Potential City Revenue		High	Moderate	Less than Moderate
Potential City Resources		Less than Moderate	Moderate	Above Moderate
Key Issues Addressed	Sense of Community	●	● ● ●	● ● ●
	Enforcement	● ● ●	● ● ●	● ● ●
	Housing Supply & Affordability	●	● ●	● ● ●
	Parking	●	● ●	● ●
	Noise & Parties	● ●	● ● ●	● ● ●
	Safety & Liability	● ●	● ● ●	● ● ●

- Least effective in addressing key issue
- ● Moderately effective in addressing key issue
- ● ● Most effective in addressing key issue

¹⁴ For TOT: A 25% penalty on the amount owed is assessed if the payment is up to 30 days delinquent, a 50% penalty is assessed if the payment is 31 to 60 days delinquent, and an additional 1% penalty is charged per month for TOT remaining unpaid for more than 60 days (Municipal Code 3.64.120).

¹⁵ For Business License Tax: Taxes shall be due and payable in advance, and an applicant who fails to pay within 30 days after the due date shall pay a penalty of 25% of the total amount in addition to the taxes due. Additional penalties are assessed as follows: 10% added on the first day of each month following the imposition of the 25% penalty if the tax remains unpaid, up to a maximum 100% of the tax payable on the due date (Municipal Code 3.80.422). A fine of not more than \$500 or imprisonment for a period of not more than six months, or both apply for a violation of business license tax requirements (Municipal Code 3.80.446).

¹⁶ The current TOT rate is 12% and is applied to transient rentals (e.g., hotels, motels, bed and breakfast inns, and similar lodging facilities) (Municipal Code Chapter 3.64).

4.1 OPTION 1

OVERVIEW

Option 1 represents the lowest level of regulation for STRs in Long Beach. This Option requires STRs to register with the City, which would be subject to annual renewal to ensure the City's registration records are current and certain requirements can be confirmed or updated (e.g., local 24-hour contact). Ideally, registration would initially be conducted via the City (City's website), but ultimately, the City could consider alternatives that facilitate registration (e.g., pass-through system that enables hosts to register directly through an online platform¹⁷). The City would need to evaluate the potential of any alternative for integration with existing City systems. An amnesty period to allow STRs to become registered and comply with City requirements would be established depending on the time needed for the City to set up an online registration system, at the City's discretion.

A pass-through system enables hosts to register directly through an online platform. Pass-through systems with Airbnb are operating in Chicago, New Orleans, and San Francisco.

A local 24-hour contact would be required for each STR, and that contact must live within 15 miles of the STR to be able to respond quickly to any complaints or issues. Additionally, a 24-hour hotline would be provided (contracted out by the City) that would enable people to report non-emergency problems related to STRs at any time of day. The format could be a telephone hotline or mobile-enabled web form that would allow complainants to provide digital photos, screenshots, audio recordings, or video footage to substantiate complaints. The STR's 24-hour contact would be immediately notified once the hotline is contacted to facilitate quick resolution of issues. A 24-hour hotline would help address issues, especially when police officers are unable to respond to non-emergency complaints, such as loud parties. Additionally, it provides a third party documenting the record of complaints that can be reviewed to determine if a complaint is substantiated, and whether the issue could be considered a violation.

Under Option 1, STRs would be prohibited in affordable housing units (e.g., deed restricted units, etc.), student housing and dormitories, single-room occupancies, residential care facilities, and outdoor or non-habitable areas such as treehouses, boats, and vehicles. Additionally, City Ordinance 17-0031 (adopted December 2017) prohibits short-term rentals of accessory dwelling units (ADUs) (Municipal Code 21.51.276.E.1.D). Under Option 1, this Code section would be revised to allow existing legally permitted ADUs to be operated as STRs. Compliance with these restrictions would be verified during the registration process (e.g., applicant authorizes under penalty of perjury to comply with all City regulations) and City review.

HOSTED LIMIT

Under Option 1, there would be no limit on guest stays in a STR when the host is on-site.

¹⁷ Airbnb has pass-through systems that enable hosts to register directly through the Airbnb platform in Chicago, New Orleans, and San Francisco (Airbnb Policy Tool Chest 2.0, May 2017 Update).

UN-HOSTED LIMIT

Under Option 1, there would be no limit on guest stays in a STR when the host is not on-site.

HOST REQUIREMENTS

STR operators would be required to provide City rules and requirements to guests before their stay and post them clearly in the STR space. Such rules and requirements include parking information (how many spaces are available and where they are located), noise ordinance standards, trash and recycling information, and the 24-hour local contact information. The City registration form would require the applicant to certify that he/she will comply with these requirements; no City inspection would be conducted.

NOISE & PARTIES

The City's current noise regulations would apply under Option 1, which prohibit loud music or other noises caused by a party, gathering, or assembly on private property that is audible when 50 feet or farther from the property (Municipal Code 9.31.010). Violating this requirement can result in a citation by law enforcement or arrest. If more than one violation occurs in a 30-day period, the STR host is liable for all actual costs and expenses incurred by the City for the subsequent response(s).

SAFETY & LIABILITY

A STR would be required to meet or exceed fire and life safety requirements, including installation of smoke and carbon monoxide detectors, provision of fire extinguishers, and adequate means of egress. Emergency exit routes and fire extinguisher locations would be required to be posted clearly in the STR. The City would not approve STR registration for units that have existing building or fire code violations or other violations of City requirements, including outstanding fines or liens. The City registration form would require the applicant to certify that he/she will comply with these requirements; no City inspection would be conducted.

STRs would be required to maintain liability insurance appropriate to cover the STR use in the aggregate of not less than \$1,000,000 or conduct STR transactions through a platform that provides equal or greater insurance coverage (e.g., Airbnb provides insurance coverage for up to \$1,000,000).

ENFORCEMENT

If a unit is subject to any type of restrictions imposed by a homeowner's association (HOA), the applicant would need to affirm, under penalty of perjury, that short-term rental of the unit is not prohibited. Similarly, if the unit is subject to a rental agreement, a landlord consent form would be required. The City would also offer owners of buildings containing four or more units or buildings governed by a HOA, condominium association, or building cooperative the option to provide an affidavit for including their building(s) on a list or map of buildings where STRs are prohibited. The City would not approve STR registration applications for these buildings. A fee may be charged to cover the City's costs to maintain this list.

A pass-through system that enables hosts to register directly with the City through the online platform could facilitate compliance with City regulations. With a pass-through system, STR listings could be identified as "registration pending" until the City approves (or denies) the application. If a

pass-through system is desired, like those developed in Chicago, New Orleans, and San Francisco, the City would need to first evaluate the potential viability and then work collaboratively with online operators to develop it.

FINES & PENALTIES

Fines would be imposed when the City's STR requirements are violated. Violations would be determined by the City based on substantiated complaints or other evidence. Fines and penalties for violations of TOT and business license tax remittance are already established in the City's Code and would apply to STRs. Under Option 1, STR violations would include:

- Advertising or listing a STR without including a valid City registration number.
- Not having a local 24-hour contact.
- Not providing rules and requirements to guests prior to their stay.
- Not posting rules, requirements, and safety information on-site.
- Not complying with the City's noise ordinance.
- Not having the minimum level of property liability insurance.

A first violation fine would be \$500 and increase to \$1,000 for the second violation within 12 consecutive months. When a third violation occurs within 12 consecutive months, the STR registration is revoked, and that STR registration cannot be reissued for 12 months.

STR REGISTRATION & RENEWAL FEES

Registration and renewal fees are anticipated to allow recovery of City cost to administer the registration process while being reasonable and not deterring STR hosts from registering. Case study registration fees varied from no fee to \$125 per year.

TRANSIENT OCCUPANCY TAX (TOT)

STRs would be subject to the City's current transient occupancy tax (TOT) rate of 12%. As required by City Code, TOT would be paid by the guest and collected by the STR host or operator; TOT may not be paid or absorbed by the host or operator (Municipal Code 3.64.050). Half of the TOT (six percent) is dedicated to the City's special advertising and promotion fund, and the other half (six percent) is dedicated to the City's general fund¹⁸. As a tax, TOT is established by voter approval. For comparison, TOT in adjacent cities include 14% in Los Angeles, 12% in Seal Beach, 9% in Signal Hill, and 8% in Lakewood.

¹⁸ An additional three percent assessment is imposed on hotels of 30 rooms or more within the Long Beach Tourism Business Improvement Area (LBTBIA) boundary. This revenue is provided to the Long Beach Convention and Visitors Bureau. STRs would not be subject to this assessment unless a large-scale STR (30 or more rooms) was operating, essentially as a hotel, within the LBTBIA boundary.

The City would work with online platforms, such as Airbnb, to facilitate the remittance of TOT from online platform directly, provided the City could obtain the data necessary to perform reasonable audits¹⁹.

BUSINESS LICENSE TAX

A City business license would be required to operate a STR, and ideally would be combined with the STR registration application and review process. The business license tax rate applied would be the “rental of residential property” rate²⁰, which is currently \$78.91 per parcel plus \$34.64 per unit (July 1, 2018 – June 30, 2019 Business License Rates). For example, a STR host that rents both the primary home plus an ADU on the same parcel would pay \$148.19 per year ($\$78.91 + (\$34.64 \times 2)$) under the current business license rates. These rates are adjusted annually based on the Consumer Price Index (CPI).

POTENTIAL CITY REVENUE

The largest potential City revenue stream from STRs is TOT. The amount of TOT revenue would depend on the rental revenue generated by STRs. Based on data collected in March 2018, there are 1,328 STRs in Long Beach, and the estimated average revenue generated is \$10,000 per STR per year. Considering the City’s 12 percent TOT rate, STRs could result in \$1.6 million in TOT revenue annually, and the sharing economy is showing strong growth trends. Additional direct revenue streams include business license tax, registration and renewal fees (see STR Registration & Renewal Fees, above), and fines. These additional revenue streams are preliminarily estimated to generate \$475,000 annually (total estimated annual revenues, including TOT, of \$2,075,000). Throughout the community engagement process, participants consistently recommended that a portion of City revenues from STRs be used for affordable housing and/or to address homelessness.

POTENTIAL CITY RESOURCES

City resources, including staff, contractual services, and legal services would be required to administer a STR registration process, including appeals, enforcement, and other support services (e.g., system maintenance, etc.). Additionally, start-up costs would be necessary, which would include setting up the registration process and work flows among various departments and participants, preparing public information material (frequently asked questions, registration guide, etc.), testing, and ultimately implementation. Option 1 is estimated to have the lowest ongoing costs as well as lowest start-up costs because of the relatively few regulations imposed. The City would be processing more STR registration applications, but there would not be many criteria to review the application against. Similarly, fewer appeals would be expected as fewer applications would be denied. Most enforcement cases anticipated would be listing a STR without a registration number and noise violations, and the 24-hour hotline should assist with limiting noise violations. Preliminary ongoing City cost estimates for Option 1 range from \$625,000 to \$960,000 annually; however

¹⁹ Online platforms may be considered “secondary operators” that are responsible for the remittance of TOT (Municipal Code 3.64.010.F).

²⁰ Municipal Code 3.80.233 (Tax on rental of residential property).

continued analysis with the City is necessary to continue to evaluate resource needs and incorporate potential outsourcing of services, if desired.

KEY ISSUES ADDRESSED

The six key issue topics from Community Workshop #2 were used to broadly compare the three STR options: Sense of Community, Enforcement, Housing Supply and Affordability, Parking, Noise and Parties, and Safety and Liability.

Option 1 would be least effective in addressing all key issues except enforcement. Sense of community and housing supply and affordability would not be well addressed because there would be no mechanism to limit the number of STRs. For example, a global investor could purchase any number of homes in Long Beach and rent them on a short-term basis every night of the year. While Option 1 would address noise and parties through providing rules to guests, a local 24-hour contact, and a 24-hour hotline, Option 2 includes additional regulation to reduce potential impacts (i.e., prohibit large-scale events and restrict hours when outdoor pools and hot tubs can be used). Similarly, Option 1 addresses safety and liability issues, but Option 2 includes occupancy limits and prohibits exterior signage, which can be used to identify targets for theft. Parking is also better addressed by Option 2 because it limits the overall number of STRs by restricting STRs to Long Beach residents, prohibits large-scale events, and provides occupancy limits, thereby reducing the potential number of cars.

4.2 OPTION 2

OVERVIEW

Option 2 includes all the requirements from Option 1, plus regulations to further address community concerns. Key additions are restricting STRs to Long Beach residents, limiting the total number of STRs per resident, and capping the number of non-primary residence STRs in multi-family buildings.

In this Option, an STR operator must be a resident of Long Beach. Primary residency would be documented through current motor vehicle registration, driver's license or government-issued ID (must include address), utility bill (within last three months), and other similar evidence at the time of STR registration review (e.g., voter registration, etc.). Furthermore, primary residency would be defined as the resident occupying the residence for at least 275 nights per year (nine months). Therefore, a primary resident must be an individual owner(s) or trustee(s), and not a corporation, limited liability company, partnership, or other business or commercial entity.

STRs would fall into two categories: primary residence STRs and non-primary residence STRs.

Primary residence STR – A STR host's permanent residence as documented by motor vehicle registration, driver's license, utility bill, etc. A person may only have one primary residence STR and must reside there for a minimum of 275 nights per year (nine months). For properties with existing legally permitted accessory dwelling units (ADUs), "primary residence STR" refers to the parcel of land and includes both the main structure and the ADU.

Non-primary residence STR – A STR owned or operated by a Long Beach resident, but the STR is not the Long Beach resident's permanent residence.

Under Option 2, a Long Beach resident could operate the following:

- One primary residence STR; and/or
- Up to two non-primary residence STRs.

Option 2 also caps the number of non-primary residence STRs in multi-family buildings to 25% of the total units in the building or up to six non-primary residence STRs, whichever is less. A duplex or triplex building would be allowed one non-primary residence STR. For example:

- Building with two to seven units: One non-primary residence STR allowed
- Building with eight to 11 units: Two non-primary residence STRs allowed
- Building with 12 to 15 units: Three non-primary residence STRs allowed
- Building with 16 to 19 units: Four non-primary residence STRs allowed
- Building with 20 to 23 units: Five non-primary residence STRs allowed
- Building with 24 or more units: Six non-primary residence STRs allowed

This limitation would be enforced by the City on a first-come, first-served basis during the registration application and renewal process. As described in Option 1, the STR applicant would need to affirm under penalty of perjury that short-term rental of the unit is not prohibited (e.g., Covenants, Conditions, and Restrictions, bylaws, etc.) and must submit a landlord consent form if the unit is subject to a rental agreement.

HOSTED LIMIT

Under Option 2, there would be no limit on guest stays in a STR when the host (resident) is on-site.

UN-HOSTED LIMIT

Under Option 2, there would be a limit of 90 nights of guest stays in a primary residence STR when the host (resident) is not on-site (the resident must occupy the primary residence at least 275 nights per year). Reports provided by the host/operator documenting guest stays for TOT remittance would be used to verify compliance with the maximum of 90 nights of un-hosted guest stays.

There would be no limit on un-hosted guest stays in a non-primary residence STR because there would be no resident or host on-site.

HOST REQUIREMENTS

In addition to the requirements to qualify as a resident described under Overview, a person would need to have lived in his/her primary residence in Long Beach for a minimum of 60 consecutive days before STR registration would be approved; this ensures residency is definitively established.

The 60-day rule would be verified on the registration form, where the applicant identifies how long he/she has lived in the primary residence. This would be subject to an affidavit under penalty of perjury.

NOISE & PARTIES

Under Option 2, no large-scale events, such as conferences, weddings, fundraisers, pay-to-attend parties, or similar gatherings would be allowed at a STR. Furthermore, STR quiet hours of 10:00 p.m. to 7:00 a.m. would be imposed, which would include prohibited use of all outdoor pools or hot tubs and common areas during those hours. More restrictive CC&Rs or host rules related to noise would still apply; however, the City would only enforce City regulations.

SAFETY & LIABILITY

Additionally, occupancy would be limited to two people per bedroom plus two people, with a maximum occupancy of 10 people in any STR. Lofts that meet California Building Code egress requirements would be considered a bedroom. "People" would be inclusive of children. Occupancy limits not only help to address safety issues, but also help to reduce potential issues associated with noise, parties, and parking. During the registration process, the applicant would have to affirm under penalty of perjury that he/she will comply with these regulations, and these thresholds would also be verified through advertisement/listing details as well as on a complaint-basis.

Lastly, exterior signage would be expressly prohibited at a STR under Option 2. Exterior signage emerged as a concern because of the potential to incite theft.

ENFORCEMENT

Option 2 would have the same enforcement requirements as Option 1.

FINES & PENALTIES

In addition to the violations listed in Option 1, violations under Option 2 would include:

- Non-Long Beach resident operating a STR
- Long Beach resident operating more than the maximum allowed number of STRs.
- Exceeding 90 days of un-hosted stays in a primary residence STR.
- Not complying with the prohibition on large-scale events and gatherings.
- Not complying with quiet hours.
- Exceeding the occupancy limits.
- Posting exterior signage.

STR REGISTRATION & RENEWAL FEES

In addition to Option 1, Option 2 would include consideration of establishing lower registration and renewal fees for primary residence STRs, compared to non-primary residence STRs. This approach is

intended to shift more of the registration and renewal fee burden to non-primary residence STRs, while not reducing the City's overall revenue from STR registration and renewal fees.

TRANSIENT OCCUPANCY TAX (TOT)

Option 2 would have the same TOT requirements as Option 1.

BUSINESS LICENSE TAX

Option 2 would have the same Business License Tax requirements as Option 1.

POTENTIAL CITY REVENUE

Compared to Option 1, Option 2 would result in lower City revenues because there would be fewer STRs. The number of STRs would be lower because of the resident requirement, limitation on the total number of STRs per resident, and cap the number of non-primary residence STRs in multi-family buildings. Although it is reasonable to expect more revenue from fines resulting from violations under Option 2, that would not backfill the lower TOT revenues compared to Option 1. Based on March 2018 STR numbers, the preliminary TOT revenue estimate for Option 2 is approximately \$900,000 annually; however, strong growth in STR is expected. Additional direct revenue from business license taxes, registration and renewal fees, and fines are preliminarily estimated to generate \$345,000 annually (total estimated annual revenues, including TOT, of \$1,245,000).

POTENTIAL CITY RESOURCES

Option 2 is estimated to have a moderate level of ongoing costs as well as start-up costs because of the additional regulations imposed compared to Option 1. The City would be denying more STR registration applications, so more appeals and enforcement cases would be anticipated. Preliminary ongoing City cost estimates for Option 2 range from \$620,000 to \$1,025,000 annually; however continued analysis with the City is necessary to continue to evaluate resource needs and incorporate potential outsourcing of services, if desired.

KEY ISSUES ADDRESSED

The six key issue topics from Community Workshop #2 were used to broadly compare the three STR options: Sense of Community, Enforcement, Housing Supply and Affordability, Parking, Noise and Parties, and Safety and Liability.

Option 2 would be more effective than Option 1 in addressing all key issues (no difference in the effectiveness of enforcement). Sense of community and housing supply and affordability would be better addressed because STRs would be restricted to Long Beach residents and limited to no more than three STRs per resident. Additionally, multi-family buildings would be capped on the number of non-residence STRs. Option 2 includes additional regulation to reduce potential noise and party impacts (i.e., prohibit large-scale events and restrict hours when outdoor pools and hot tubs can be used). Similarly, Option 2 includes occupancy limits and prohibits exterior signage, which can be used to identify targets for theft, reducing potential safety issues. Parking is also better addressed by Option 2 because it limits the overall number of STRs by restricting STRs to Long Beach residents,

prohibits large-scale events, and provides occupancy limits, thereby reducing the potential number of cars.

4.3 OPTION 3

OVERVIEW

Option 3 includes all the requirements from Option 2, plus it provides a geographic alternative to further restrict un-hosted STRs (i.e., STRs where the host does not live in the unit (or on-site for ADUs and duplexes) where the rental activity is occurring). It would allow un-hosted STRs to be prohibited within designated boundaries through a petition process of the residents within the area²¹. Home-sharing, where the resident is present on-site, would not be restricted. This responds to certain Neighborhood Associations, particularly in coastal areas, where complaints about disruption (noise, parking violations) were voiced consistently in the outreach process.

Regulations described in Options 1 and 2 would continue to apply under Option 3 except for those that are mutually exclusive of the geographic prohibition on un-hosted STRs. For example, the following from Option 2 would not be allowed if a prohibition of un-hosted STRs was imposed in a certain geographic area:

- Un-hosted guest stays in a primary residence STR located in the geographic area (90 nights of un-hosted guest stays are allowed in Option 2).
- Non-primary residence STRs located in the geographic area.

The City could administer this Option by census tract; however, further evaluation would be necessary. Chicago allows for a similar process whereby a petition is completed at the precinct level, then if complete, is moved forward to Council for a vote as an ordinance. It is anticipated that a petitioner would be responsible to pay the cost for the City to review the petition for legal sufficiency, as well as agree to responsibility for legal costs if a lawsuit is filed. As previously stated, additional evaluation would be necessary to determine the most appropriate mechanism and geography to apply this option.

HOSTED LIMIT

Under Option 3, there would be no limit on guest stays in a STR when the host (resident) is on-site (same as Option 2).

UN-HOSTED LIMIT

Same as Option 2, except that un-hosted guest stays can be prohibited through a petition process of residents in a specific geographic area.

²¹ Option 3 relies on the June 2018 Central District of California Court decision that found Santa Monica's Home-Sharing Ordinance is a proper exercise of the City's police power and is not preempted by the Coastal Act.

HOST REQUIREMENTS

Option 3 would have the same requirements as Option 2.

NOISE & PARTIES

Option 3 would have the same requirements as Option 2.

SAFETY & LIABILITY

Option 3 would have the same requirements as Option 2.

ENFORCEMENT

Option 3 would have the same enforcement requirements as Options 1 and 2.

FINES & PENALTIES

In addition to the violations listed in Options 1 and 2, an additional violation under Option 3 would be operating an un-hosted STR in an area where it is prohibited.

STR REGISTRATION & RENEWAL FEES

Option 3 would approach STR registration and renewal fees in the same manner as Option 2.

TRANSIENT OCCUPANCY TAX (TOT)

Option 3 would have the same TOT requirements as Options 1 and 2.

BUSINESS LICENSE TAX

Option 3 would have the same Business License Tax requirements as Options 1 and 2.

POTENTIAL CITY REVENUE

Compared to Option 2, Option 3 is expected to result in slightly lower City revenues because there could be fewer STRs resulting from the potential prohibition of un-hosted STRs in specific geographic areas. While there could be more revenue generated from fines under Option 3 compared to Option 2, revenue from fines is not anticipated to backfill the reduced level TOT revenue. Based on March 2018 STR numbers, the preliminary TOT revenue estimate for Option 3 is approximately \$870,000 annually; however, strong growth in STR is expected. Additional direct revenue from business license taxes, registration and renewal fees, and fines are preliminarily estimated to generate \$335,000 annually (total estimated annual revenues, including TOT, of \$1,205,000).

POTENTIAL CITY RESOURCES

Option 3 is estimated to have the highest ongoing costs as well as start-up costs because it would include additional restrictions above the regulations in Option 2. Under this Option, the City would be denying the most STR registration applications, which is anticipated to result in more City

resources dedicated to appeals and enforcement cases. Preliminary ongoing City cost estimates for Option 3 range from \$715,000 to \$1,150,000 annually; however continued analysis with the City is necessary to continue to evaluate resource needs and incorporate potential outsourcing of services, if desired.

KEY ISSUES ADDRESSED

The six key issue topics from Community Workshop #2 were used to broadly compare the three STR options: Sense of Community, Enforcement, Housing Supply and Affordability, Parking, Noise and Parties, and Safety and Liability.

Option 3 would be equally effective as Option 2 in all key issue topics except housing supply and affordability, where Option 3 would be more effective. Option 3 would allow for a further reduction in the number of non-primary resident STRs, which could allow more units to become available for permanent resident housing and fewer homes being listed or sold at prices based on vacation home operations. The extent of the additional positive impact on the housing supply would vary depending on whether any petitions are completed and where the geographic boundaries are located.

5 CONCLUSION

The STR Program and Regulations project and this report were conducted at the behest of the Long Beach City Council. The findings herein are intended to inform the Council as they consider next steps and provide direction to City staff on how to proceed with a STR ordinance. The Council may direct City staff to proceed with one of the three alternative options or a modified option. If directed to proceed with a STR ordinance, the following steps would be necessary:

- Further analysis and coordination on City implementation and administration of a STR ordinance;
- Preparation of draft language for amendments to various Titles of the Municipal Code;
- Development of a strategy for keeping the community informed; and
- Coordination with the California Coastal Commission as needed.

The number of STRs is expected to continue to grow rapidly. Establishing clear rules under which these STRs can operate is critical; it's critical for residents, STR host, STR guests, and visitors to Long Beach.

Appendix 1

MUNICIPAL CODE DIAGNOSIS SUMMARY MEMO

DEVELOPMENT OF SHORT-TERM RENTAL PROGRAM AND REGULATIONS CITY OF LONG BEACH

To: City of Long Beach

From: Lisa Wise Consulting, Inc. (LWC)

Date: May 14, 2018, revised October 29, 2018

INTRODUCTION

Short-term rental (STR) online platforms, such as Airbnb and HomeAway, enable individuals to rent out real property not traditionally part of the temporary lodging marketplace. As a result, STRs have grown in both the number of properties available and the frequency with which they are rented¹.

The purpose of this memo is to provide a technical analysis of the Long Beach Municipal Code (Code) in relation to STRs. This memo summarizes relevant Code sections and presents key findings related to the regulatory environment within which a STR ordinance would be developed. This memo will be incorporated into a separate comprehensive report that will include additional considerations for a STR ordinance in the City of Long Beach.

KEY FINDINGS

The following key findings are critical to understanding how the Code currently addresses STRs. Technical issues that need to be considered during the development of a STR ordinance are summarized.

Hosted STRs are allowed with limitations; un-hosted STRs are prohibited

The Zoning Code allows owner-occupied STRs as “room rentals” and “bed and breakfast inns” provided the standards applicable to those uses are complied with, including that no kitchens/cooking facilities are allowed in the rented room or area.

- Room rentals are allowed in all residential zones. A maximum of two rooms may be rented per unit. Room rentals cannot be detached or have an independent exterior entrance.

¹ Sustainable Economics Law Center, Regulating Short-Term Rentals: A Guidebook for Equitable Policy, March 2016.

- Bed and breakfast inns are allowed in townhouse, moderate, and high density residential zones with an Administrative Use Permit (approved by City staff). Annual reinspections are required, and an annual fee is due to cover the City's reinspection cost.

Un-hosted (not owner-occupied) STRs are not allowed in any residential zone.

Accessory dwelling units (ADUs) are not allowed to operate as STRs

Rentals of ADUs must be for terms of longer than 30 days. Also, the owner of the property is required to reside in either the primary dwelling or the ADU unless both units are rented to the same tenant, and that tenant is prohibited from renting the primary dwelling or the ADU to any other person.

California Coastal Commission promotes STRs

For the California Coastal Commission, STRs represent a high-priority visitor-serving use that should be promoted; however, the Commission has approved STR ordinances with reasonable restrictions (e.g., requirements for minimum lengths of stay, prohibiting accessory dwelling units from being used as STRs, minimum parking, neighbor notification, etc.)². Any STR ordinance that is proposed in the Coastal Zone will require California Coastal Commission's approval through the Local Coastal Program.

Existing development standards may be informative when crafting a STR ordinance

Standards applicable to traditional visitor lodging, ADUs, and group housing uses may be informative during the development of a STR ordinance as many of these standards have been imposed to ensure compatibility and the public health, safety, and welfare (e.g., parking, buffers, limitations on parties, separation requirements, etc.).

Transient Occupancy Tax (TOT) is not being collected from room rentals or illegally operating STRs

A 12 percent TOT is required to be paid by guests staying at hotels, motels, bed and breakfasts, and similar lodging facilities. TOT is not being collected from legally operating room rentals or illegally operating STRs.

Anticipate STR online platforms' resistance to obligations for TOT records

STR online platforms would have the same duties and liabilities as the principal STR operator, which includes TOT remittance and maintenance of adequate records. Although Airbnb, the largest online STR platform, is collecting and remitting TOT for many jurisdictions, it has limited its reporting to aggregated information and anonymous numbered accounts for auditing.

² The California Coastal Commission "strongly support[s] developing reasonable and balanced regulations that can be tailored to address the specific issues within your community to allow for vacation rentals, while providing appropriate regulation to ensure consistency with applicable laws." (CCC letter to Coastal Planning/Community Development Directors, re Short-Term/Vacation Rentals in the California Coastal Zone, December 6, 2016).

Application of the Business License tax to STRs is unclear; hotels, motels, and bed and breakfasts pay this tax

Hotels, motels, and bed and breakfast establishments are subject to Business License tax and pay the same rate (a flat fee plus a rate based on the average number of employees). The Business License tax does not appear to apply to STRs located in buildings where fewer than four rooms are rented or buildings with fewer than four units. The Business License tax requirements should be clarified as to STR application.

Loud parties are prohibited

Noises caused by a party or gathering on any private property, including STRs, must not be audible when 50 feet or farther from the property. A violation can result in arrest, citation, or additional costs for subsequent violations within a 30-day period.

Inconsistent definitions could hinder the implementation and enforcement of a STR ordinance

Definitions (e.g. hotel, guestroom, etc.) are inconsistent across Code Titles. Definitions of terms and land uses should not create internal Code inconsistencies that could hinder the implementation and enforcement of a STR ordinance.

DIAGNOSIS

This section summarizes and analyzes specific Code provisions relevant to STRs and is organized by the following Titles:

1. Title 21: Zoning
2. Title 3: Revenue and Finance
3. Title 5: Regulation of Businesses, Trades and Professions
4. Title 9: Public Peace, Morals and Welfare

Two tables are included for every Title - the first table summarizes relevant definitions, and the second table analyzes relevant standards or requirements. Title 21: Zoning includes a third table identifying permit requirements for certain uses in residential zones.

1. Title 21: Zoning Code

Zoning Code Chapter 21.15 (Definitions) contains definitions for various terms and use types related to STRs. The definitions and an analysis of how these definitions may be applied to STRs are provided in Table 1A.

Table 1A - Title 21, Zoning Definitions

Term	Code Section	Definition	Relation to STRs
Bed & Breakfast Inn	21.15.360	A house, or portion thereof, where short-term stay lodging rooms and meals are provided. The operator of the inn shall live on the premises, or adjacent premises.	If a STR is owner-occupied, provides meals, and complies with Section 21.52.209 (Table 1B) it would be considered as a bed and breakfast inn (B&B). B&Bs are allowed in townhouse, moderate, and high density zones (R-3-T, R-4-R, -N, -H, and -U) with an Administrative Use Permit (Zoning Administrator approval).
Lodginghouse	21.15.1580	A house with 3 or more guestrooms where lodging is provided for compensation and where meals are not served.	Lodginghouses are not allowed in any residential zone.
Inn	21.15.1465	A commercial land use for the rental of 5 or fewer guestrooms, suites or dwelling units primarily to transient occupants for a period of not more than 30 consecutive days.	Inns are not allowed in any residential zone.
Motel	21.15.1800	A commercial land use for the rental of 6 or more guestrooms or suites to primarily transient occupants for a period of not more than 30 consecutive days. Motel is distinguished from hotel by having entry individually and independently from outside the building or buildings. Motel also includes tourist court, motor court, motor lodge or any other designation intended to identify the premises as providing rental or overnight accommodations primarily to motorists.	Motels are not allowed in any residential zone.

Term	Code Section	Definition	Relation to STRs
Hotel ³	21.15.1380	A commercial land use for the rental of 6 or more guestrooms or suites to primarily transient occupants for a period of not more than 30 consecutive days. Hotel is distinguished from motel by having the entry to the guestrooms from a common interior corridor.	Hotels are not allowed in any residential zone.
Guestroom ⁴	21.15.1220	Any rented or leased room which is used or designed to provide sleeping accommodations for one or more guests in apartments, hotels, motels, private clubs, lodges, and fraternal organizations. In a suite of rooms, each room that provides access to a common hall or direct access to the outside area shall be considered as one guestroom.	Guestrooms are defined in relation to transient use types (i.e., bed & breakfast inn, lodginghouse, inn, motel, and hotel); refer to those terms in this Table. Guestrooms are not a land use type.
Accessory Dwelling Unit	21.15.045	An attached or a detached residential dwelling unit which provides complete independent living facilities for one or more persons. An accessory dwelling unit is an accessory use and not a principal use of land. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation, and shall be located on the same lot as the single-family dwelling to which it is subordinate (the primary dwelling), and shall have a separate exterior entrance. An accessory dwelling unit also includes the following: A) An efficiency unit, as defined in Section 17958.1 of the California Health and Safety Code; and B) A manufactured home, as defined in Section 18007 of the California Health and Safety Code.	Accessory dwelling units (ADUs) are allowed in all residential zones except mobile/manufactured home and planned development zones (RM, R-4-M, and RP). See Table 1B – Accessory dwelling units – for an analysis of ADU standards in relation to STRs.
Special group residence	21.15.2810	Includes, but is not limited to, fraternity and sorority houses, college dormitories, residential care facility, convalescent hospitals, senior citizen housing, handicapped housing, halfway houses, military barracks and religious homes. Does not include group homes.	Special group residences are only allowed in moderate and high density zones (R-4-R, R-4-N, R-4-H, and R-4-U) with a Conditional Use Permit and must comply with Section 21.52.271 (Table 1B). Although not explicitly stated, these appear to be intended for long term occupancy, unlike STRs.
Boardinghouse	21.15.390	A house, or portion thereof, where food and lodging are provided for long-term occupancy. Boardinghouse does not provide care service.	Boardinghouses are a type of special group residence per Section 21.52.271 (see Special group residence and Table 1B). A STR conducts short-term occupancies, so would not be considered a boardinghouse.

³ Sections 3.64.010.C, 5.48.020(g), and 9.02.080 define “Hotel” differently. See Tables 2A, 3A, and 4A.

⁴ Section 3.64.010.B defines “Guestroom” differently. See Table 2A.

Term	Code Section	Definition	Relation to STRs
Home occupation	21.15.1350	An accessory activity of a nonresidential nature which is performed within a dwelling unit or an accessory structure to the unit. The principal use of the dwelling unit must be a residential use, and the home occupation must be incidental to the residential use of the dwelling unit.	See Table 1B – Home occupations – for an analysis of home occupation standards in relation to STRs.
Accessory building or structure	21.15.050	A detached or attached building or structure, the use of which is subordinate and customarily incidental to that of the main building or structure, or to the main use of the land. An accessory building or structure must be located on the same lot as the main building or structure.	Detached accessory rooms are allowed in various residential zones (Table 1C) but only for noncommercial hobbies or storage; must not be used for permanent, self-contained living quarters (21.31.245.C.1 & 21.15.910).
Accessory use	21.15.060	A use that is customarily incidental and/or necessarily related to the principal use of the land, building, or structure. An accessory use is located on the same lot as the principal building or use and is dependent upon the principal use for the majority of its use or activity. Accessory dwelling units (ADUs) are not considered accessory uses (21.51.110)	STRs are not considered to be an accessory use because vacation-type rentals are not customarily incidental or necessarily related to a primary residential dwelling.
Accessory use, residential	21.15.063	A residential use that is customarily incidental and/or necessarily related to a principal nonresidential use of land, building, or structure. An accessory residential use is located on the same lot as the principal nonresidential building or use and is dependent upon the principal nonresidential use for the majority of its use or activity. The occupant of an accessory residential use is employed in or routinely conducts business in the nonresidential space. Accessory residential uses include, but are not limited to, a caretaker's or night watchman's residence, an artist's studio and residence, and parsonage. Does not include accessory dwelling units.	Addresses residential uses that are accessory to nonresidential uses. This is not relevant to STRs.
Guest parking	21.15.1210	Parking spaces provided with a residential unit for intermittent use by visitors.	Guest parking requirements should be considered during the development of a STR ordinance.

The Zoning Code contains development standards related to the definitions in Table 1A and STRs. These are included in Chapter 21.51 (Accessory Uses), Chapter 21.52 (Conditional Uses), and Chapter 21.41 (Off-Street Parking and Loading Requirements). An analysis of these standards is provided in Table 1B.

Table 1B - Title 21, Zoning Standards

Topic	Code Section	Standard	Relation to STRs
Accessory Uses (Chapter 21.51)			
Room Rental ⁵	21.51.270	<p>Room rentals must comply with the following standards or will be considered a boardinghouse, lodginghouse, hotel, or motel.</p> <ul style="list-style-type: none"> • The owner of the dwelling unit must live in the unit. • The rented room may not be detached from the principal dwelling unit. • The rented room may not contain a kitchen, a wet bar-type sink, laundry facilities, more than 3 plumbing facilities, or a water heater. • The rented room may not have an independent exterior entrance. • Not more than 2 rooms may be rented in a single dwelling unit. 	Room rentals are not limited to long-term rentals. A hosted (i.e., owner-occupied) STR would qualify as a room rental if the required standards are complied with. Room rentals are allowed in all residential zones (Table 1C), and no City permit is required. If a STR does not comply with the required conditions for a room rental, the STR would be considered a lodging use (e.g., hotel), which is prohibited in residential zones.
Accessory dwelling units	21.51.276	<p>An accessory dwelling unit ("ADU"), defined in Table 1A, is allowed as one of two categories: Limited and Conforming (Table 1C). A Limited ADU is created solely from the existing floor area. A Conforming ADU involves either construction of new floor area to create or expand the ADU, or the lot is in a permitted residential zoning district other than single-family. For a lot where an additional principal dwelling is allowed, a Conforming ADU may only be created through conversion of the floor area of an existing attached or detached accessory structure, which may not be expanded. Maximum ADU size is 50% of gross floor area of the primary dwelling, or 800 sq. ft., whichever is less. Limited ADUs must be at least 180 sq. ft.; Conforming ADUs must be at least 300 sq. ft. (studio).</p> <p>ADUs must comply with the following:</p> <ul style="list-style-type: none"> • The primary dwelling or the ADU must be owner-occupied, unless both the primary dwelling unit and the ADU are rented to the same tenant and not subleased. • Rentals of both the primary dwelling and the ADU must be for longer than 30 days. • A deed restriction must be recorded that requires the ADU to comply with the Code. • One parking space must be provided for ADUs in the Coastal Zone or Parking Impacted Area. 	A STR, even if owner-occupied, would not be considered as an ADU because rentals of ADUs must be for longer than 30 days.

⁵ "Room rental" is not included in Table 1A because it is not defined in the Municipal Code.

Topic	Code Section	Standard	Relation to STRs
Secondary housing units (“granny flats”)	21.51.275	<p>This Section will remain in effect in the Coastal Zone until the new Section 21.51.276 (Accessory dwelling units) is approved and certified by the California Coastal Commission as an amendment to the Local Coastal Program (LCP). Secondary housing units in the Coastal Zone must comply with the following:</p> <ul style="list-style-type: none"> • May not exceed 10% of the floor area of the primary dwelling or 640 sq. ft. • May not contain more than one bedroom. • Must be attached to the primary dwelling. • One parking space must be provided for units exceeding 450 sq. ft. • The principal use must be inspected for minimum housing code compliance before occupancy of the secondary unit. 	Once California Coastal Commission (CCC) approval is given, this Section will be superseded with ADU standards in Section 21.51.276 (which have been updated to comply with recent State law); however, these standards provide insight into requirements imposed historically in the Coastal Zone. STRs could be regulated differently in the Coastal Zone than in the inland portion of the City of Long Beach. ⁶
Home occupations	21.51.235	Home occupations are intended for enterprises that are incidental to the use of the dwelling unit and do not change the principal character or use of the dwelling (e.g., office, cottage food operation, etc.). Boardinghouses, bed and breakfasts (B&B), hotels, and time-share units are among prohibited home occupation uses.	Depending on the operations and management of a STR, it could be interpreted as a home enterprise incidental to the use of a dwelling unit that does not change the principal character or use of the dwelling. However, STRs that have more frequent renters, similar to B&B operations, are prohibited home occupation uses. The relation of home occupations to STRs should be clarified.

⁶ The CCC has identified STRs as a high-priority visitor-serving use because STRs support lower cost visitor facilities and the use of private land to enhance public opportunities for coastal recreation (Coastal Act § 30213 & 30222). A STR ordinance that applies within the Coastal Zone requires CCC approval.

Topic	Code Section	Standard	Relation to STRs
Conditional Uses (Chapter 21.52)			
Bed and breakfast inn	21.52.209	<p>Bed and breakfast inns must comply with the following:</p> <ul style="list-style-type: none"> • The property owners must live at the inn or on an adjoining property. • Meals served to registered guests only, and no cooking facilities allowed in guestrooms. • Only allowed in historic or architecturally significant residential structures. • Only short-term lodging may be provided; monthly rentals are prohibited. • No receptions, private parties, or activities for which a fee is paid are permitted. • A City business license must be obtained. • Two parking spaces required for the operator plus one space for each guestroom. 	A STR may qualify as a bed and breakfast inn if these standards are complied with, including owner-occupancy, obtaining a City business license, and providing required parking. Table 1C identifies the zones where bed and breakfast inns are allowed with an Administrative Use Permit (AUP). An annual reinspection verifies compliance with City requirements; a reinspection fee is required annually.
Special group residence	21.52.271	<p>Special group residences (board and care, convalescent home, half-way house, boardinghouse/ lodginghouse, communal housing, etc.) must comply with the density of the zone based on density multiples (Zoning Code Table 52-2) and separated from a similar facility by 1.5 miles, located within 1,000 ft. to a transit stop via a pedestrian route, and have a recorded deed restriction or similar method to ensure compliance with these required standards.</p>	Although special group residences are typically for long term occupancy, applicable standards, such as the separation requirement, may be informative during STR ordinance development.
Hotels/motels	21.52.235	<p>The intent of this Section describes hotels and motels as being integral to the City's travel industry, but that they can also be incompatible with nearby residential communities because of their 24-hour business environment. Requirements to ensure compatibility with residential uses include:</p> <ul style="list-style-type: none"> • The location is reasonably related to destinations of the traveling public, such as proximity to tourist attractions, convention facilities, business centers, the airport or cruise terminals, or medical centers. • Adequately buffered from any incompatible adjoining uses. • The site is not associated with a location that has high concentrations of reported crimes. • Design contributes to an active retail frontage (storefront on ground floor of major streets). • 125 sq. ft. of usable open space per guestroom, suite, or unit with no less than 50 sq. ft. • Security include surveillance, security hardware, alarms, and lighting. 	A STR may be considered as a hotel or motel if there are 6 or more guestrooms available for rent. Standards for hotels and motels would only be appropriate for STRs that are operating at commercial intensities.

Topic	Code Section	Standard	Relation to STRs
Off-Street Parking and Loading Requirements (Chapter 21.41)			
Parking - Required number of spaces	21.41.216	<p>Table 41-1A: Required Number of Parking Spaces for Residential Uses:</p> <ul style="list-style-type: none"> • Units with 0 bedrooms (\leq 450 sq. ft) – 1.0 space per unit • Units with 1+ bedrooms ($>$ 450 sq. ft) – 1.5 space per unit/2.0 spaces per unit in Coastal Zone • Units with 2+ bedrooms – 2.0 spaces per unit • Guest parking – 1 space/4 units <p>Table 41-B: Required Number of Parking Spaces for Special Residential Uses</p> <ul style="list-style-type: none"> • Fraternity, sorority, dormitory – 1 space/bed <p>Table 41-C: Required Number of Parking Spaces for Commercial, Industrial/Manufacturing and All Other Uses</p> <ul style="list-style-type: none"> • Hotel with 60+ rooms – 1 space/guestroom, plus parking for ancillary facilities and loading • Motel with 60+ rooms – 1 space/guestroom, plus 2 spaces for the managers unit • Hotels/motels with $<$ 60 rooms, suites, or units – 1.25 spaces per guestroom or per 2 room suite or unit, and 2.0 spaces per suite or unit of 3 or more rooms, plus parking for ancillary facilities (21.52.235.G) 	These parking standards should be considered to determine how they may apply to STRs (depending on how the STR operates and what use is most similar to the STR) and should be discussed during the development of a STR ordinance.

The Residential Zones Land Use Table Summary (Table 1C) identifies which zones uses relevant to STRs are allowed or not allowed in. The City's Zoning Map is available online: <http://www.lbds.info/civica/filebank/blobdload.asp?BlobID=2538>

Table 1C - Title 21, Residential Zones Land Use Table Summary

Residential Zone	Use Type									
	Room Rental	Bed & Breakfast Inn	Lodging-house	Inn	Motel	Hotel	ADU - Limited	ADU - Conforming	Special Group Residences	Detached Accessory Room
R-1-S	A	N	-	-	-	-	A	A	N	N
R-1-M	A	N	-	-	-	-	A	A	N	N
R-1-L	A	N	-	-	-	-	A	A	N	A
R-1-N	A	N	-	-	-	-	A	A	N	A
R-1-T	A	N	-	-	-	-	A	A	N	A
R-2-S	A	N	-	-	-	-	N	A	N	N
R-2-I	A	N	-	-	-	-	N	A	N	N
R-2-L	A	N	-	-	-	-	N	A	N	A
R-2-N	A	N	-	-	-	-	N	A	N	A
R-2-A	A	N	-	-	-	-	N	A	N	A
R-3-S	A	N	-	-	-	-	N	A	N	A
R-3-4	A	N	-	-	-	-	N	A	N	A
R-3-T	A	AP	-	-	-	-	N	A	N	A
R-4-R	A	AP	-	-	-	-	N	A	C	A
R-4-N	A	AP	-	-	-	-	N	A	C	A
R-4-H	A	AP	-	-	-	-	N	A	C	A
R-4-U	A	AP	-	-	-	-	N	A	C	A
R-M	A	N	-	-	-	-	N	N	N	N
R-4-M	Y	N	-	-	-	-	N	N	N	Y
RP	A	N	-	-	-	-	N	N	N	N

Y = Yes, allowed use.

N = Not allowed.

AP = Administrative Use Permit required (standards in Chapter 21.52 apply).

C = Conditional Use Permit required (standards in Chapter 21.52 apply).

A = Accessory use, allowed (standards in Chapter 21.51 apply).

- = Not allowed by omission (not listed in residential zones use table).

Summary - Title 21: Zoning Code & STRs

- The Zoning Code, Title 21, allows owner-occupied STRs as “room rentals” and “bed and breakfast inns” provided the standards applicable to those uses are complied with, including that no kitchens/cooking facilities are allowed in the rented room or area.
 - Room rentals are allowed in all residential zones, and a maximum of two rooms may be rented per unit. Room rentals must be attached to the main unit and cannot have an independent exterior entrance.
 - Bed and breakfast inns are allowed in townhouse, moderate, and high density zones (R-3-T, R-4-R, -N, -H, and -U) with an Administrative Use Permit (AUP). AUPs are approved by the Zoning Administrator who is a City staff member in the Planning and Building Department (21.25.405 & 21.15.3380). Annual reinspections are required and the bed and breakfast inn must pay an annual fee to cover the cost of the reinspection.
- Un-hosted (not owner-occupied) STRs are not allowed in any residential zone.
- ADUs and group housing uses allowed in residential zones are intended for permanent occupancies, not short-term rentals. For ADUs, the owner of the property is required to reside in either the primary dwelling or the ADU unless both units are rented to the same tenant, and that tenant is prohibited from renting the primary dwelling or the ADU to any other person.
- Standards applicable to traditional visitor lodging, ADUs, and group housing uses may be informative during the development of a STR ordinance as many of these standards have been imposed to ensure compatibility and public health, safety, and welfare (e.g., parking, buffers, limitations on parties, separation requirements, etc.).
- For the California Coastal Commission, STRs represent a high-priority visitor-serving use that should be promoted; however, the Commission has approved STR ordinances with reasonable restrictions (e.g., requirements for minimum lengths of stay, prohibiting accessory dwelling units from being used as STRs, minimum parking, neighbor notification, etc.). Any STR ordinance that is proposed in the Coastal Zone will require California Coastal Commission’s approval through the Local Coastal Program.

2. Title 3: Revenue and Finance

The Revenue and Finance Title includes definitions related to STRs in Chapter 3.64 (Transient Occupancy Tax) and Chapter 3.80 (Business License Tax). The definitions and an analysis of how these definitions may be applied to STRs are provided in Table 2A.

Table 2A - Title 3, Revenue and Finance Definitions

Term	Code Section	Definition	Relation to STRs
Transient Occupancy Tax (Chapter 3.64)			
Hotel ⁷	3.64.010.C	Any apartment house, auto court, boarding house, bungalow court, club, hotel, inn, lodging house, motel, rooming house, camp, studio, dormitory, tourist home or other structure, private or public, or portion thereof, within the City offering or renting to transients for lodging, dwelling, or sleeping purposes, in guestrooms for compensation, and shall further include any trailer court, trailer spaces, or combinations of such spaces and trailers, including mobile homes, timeshare units not occupied by the timeshare owner or a guest of the owner, and docked boats and ships, occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes. It does not mean any convalescent home or facility, home for the aged, hospital, jail, military installation, fraternity or sorority house recognized and approved by a Long Beach educational institution, nor does it mean a structure operated exclusively by an association or corporation for religious, charitable or educational purpose or purposes, no part of the earnings of which association or corporation inures to the benefit of any private shareholder or individual.	Based on this definition, which includes "...or other structure, private or public, or portion thereof...offering or renting to transients for lodging, dwelling, or sleeping purposes, in guestrooms for compensation...", STRs could be interpreted to be a "hotel" under Chapter 3.64, unless the Zoning Code's definition of "structure" (21.15.2970) is applied ("Structure" means a manmade object without occupiable floor area).
Guestroom ⁸	3.64.010.B	Any room or rooms or space or portion thereof in a "hotel", as defined in this Section, occupied, or intended, arranged or designed for occupancy.	Any room in a STR or an entire STR being rented could qualify as a "guestroom" under Chapter 3.64, depending on how the City interprets the definition of "hotel" (see above).

⁷ Sections 21.15.1380, 5.48.020(g), and 9.02.080 define "Hotel" differently. See Tables 1A, 3A, and 4A.

⁸ Section 21.15.1220 defines "Guestroom" differently. See Table 1A.

Term	Code Section	Definition	Relation to STRs
Occupancy	3.64.010.D	The use or possession, or the right to the use or possession, of any guestroom or rooms or space or portion thereof in any hotel for lodging, dwelling, or sleeping purposes.	This relates to the determination of whether transient occupancy tax (TOT) is due.
Operator	3.64.010.F	<p>The person who is either the proprietor of the hotel or any other person who has the right to rent rooms within the hotel, whether in the capacity of owner, lessee, licensee, mortgagee in possession, sublessee or any other capacity. The owner or proprietor who is primarily responsible for operation of the hotel shall be deemed to be the principal operator. If the principal operator performs or assigns its functions, in whole or in part, through a managing agent, a booking agent, a room seller or room reseller, or any other agent or contractee, including, but not limited to, online room sellers, online room resellers, and online travel agents, of any type or character other than an employee, those persons shall be deemed to be secondary operators.</p> <p>A secondary operator shall be deemed an operator for purposes of this Chapter and shall have the same duties and liabilities as the principal operator, including, but not limited to, the collection and remittance of the full amount of the tax owed under the provisions of this Chapter to the City. A secondary operator may satisfy its obligations under the provisions of this Chapter by submitting the full amount of tax due under this Chapter, with credit for any taxes remitted to any other operator, either directly to the Director or through the principal operator. The principal operator may satisfy any potential liability it may have for taxes owed by a secondary operator by entering into a legally binding agreement with that secondary operator to remit the portion of the tax owed by the secondary operator directly to the City. Upon request, the principal operator shall provide the Director with copies of any such agreements.</p> <p>Compliance with the provisions of this Chapter by either the principal operator or the secondary operator shall be deemed to require the payment and/or remittance of any amount other than the full amount of the tax owed by the transient.</p>	<p>Relates to the responsibility of remitting TOT to the City. The distinctions between principal operator and secondary operator could apply to STR property owners and STR online hosting platforms (e.g., Airbnb, HomeAway, etc.) depending on how the City interprets the definition of “hotel” (see above).</p> <p>“Person” is any individual, association, company, partnership, corporation, LLC, LLP, firm, social club, organization, estate, trust, etc. (3.64.010.G).</p>
Occupant	3.64.010.E	Any individual who, for a consideration, uses, possesses or has the right to use any guestroom.	The occupant could be considered the transient guest of a STR.
Transient	3.64.010.L	<p>Any occupant who, for a period of not more than 30 consecutive days, either at his or her own expense or at the expense of another, obtains the right of occupancy of a guestroom, for which occupancy rent is charged.</p> <p>For an individual to avoid being deemed a transient during a 30-consecutive day period, the individual exercising occupancy rights in a hotel must, prior to occupancy, enter into a written</p>	Identifies the criteria for a transient. TOT is triggered when a transient occupies a guestroom (see Occupancy definition).

Term	Code Section	Definition	Relation to STRs
		<p>agreement with the hotel operator. The written agreement shall obligate a person to pay rent for the individual's occupancy for a period of at least 31 consecutive days. The minimum substance of such written agreement shall contain the guest's name, address, period of occupancy, rent and signature. If the written agreement requirements are satisfied, the individual exercising such occupancy rights shall not be considered a transient under this Chapter and, therefore, shall not be subject to the tax imposed pursuant to Sections 3.64.030 and 3.64.035. In the absence of the written agreement prior to the commencement of occupancy, the individual shall be deemed a transient and subject to the tax until the qualifying period (30 consecutive days) for nontransient status has been satisfied. On the 31st consecutive day, and on each consecutive day thereafter, the tax shall not apply. If the individual fails to stay for at least 31 consecutive days, irrespective of the written agreement, then the tax shall be due.</p> <p>Nothing in this definition or this Chapter shall be construed as prohibiting the operator from refunding or making a credit allowance to a person who has paid tax as required by this Chapter where it is established that the person was not a "transient" as defined herein or was exempt from the tax for any other reason, or had for any reason overpaid the tax.</p>	
Permanent lodger	3.64.010.H	Any occupant who, as of a given date, has occupied or has had the right of occupancy of any guestroom in a hotel for at least 30 consecutive days next preceding such date.	A permanent lodger would not trigger the payment of TOT.
Business License Tax (Chapter 3.80)			
Business	3.80.133	All activities engaged in or caused to be engaged in within Long Beach, including any commercial or industrial enterprise, trade, profession, occupation, vocation, calling, or livelihood, including rental or lease of residential or nonresidential real estate and mobile home parks, or independent contractors, whether or not carried on for gain or profit, but shall not include the services rendered by an employee to his employer.	Under Chapter 3.80, a business includes rental or lease of residential real estate (see Rental of residential property).
Rental of residential property	3.80.146.G	Any business conducted or carried on by any person engaged in the business of conducting or operating an apartment house, roominghouse, boardinghouse or similar residential rental operation for the purpose of dwelling, sleeping or lodging but shall not include bed and breakfast establishments meeting the conditions set forth in Zoning Code Section 21.52.209.	The "rental of residential property" classification of business appears to apply to non-transient properties as it excludes bed and breakfast inns.
Services	3.80.146.J	Any business conducted or carried on by any person engaged in the business of providing services... involving the operation of a hotel or motel.	The "services" classification of business includes hotel and motel operations.

Title 3 contains requirements related to the definitions in Table 2A and STRs. These are also included in Chapter 3.64 (Transient Occupancy Tax) and Chapter 3.80 (Business License Tax). An analysis of these requirements is provided in Table 2B.

Table 2B: Title 3 Revenue and Finance Requirements

Topic	Code Section	Requirement	Relation to STRs
Transient Occupancy Tax (Chapter 3.64)			
Imposed	3.64.030	Every transient is required to pay a tax of 6% of the rent for his or her occupancy of a guestroom. The tax must be collected by the operator from such transient at the time and in the manner provided in Chapter 3.64 (Transient Occupancy Tax). The tax is imposed for revenue purposes and is needed for the City's special advertising and promotion fund.	This Section establishes a 6% TOT rate applicable to transient rental of a guestroom as defined by this Chapter (Table 2A). See next row for entire TOT rate.
General purpose tax imposed	3.64.035	Every transient is also required to pay another 6% tax of the rent for his or her occupancy of a guestroom, and that tax is collected and accounted for separately from the tax imposed by Section 3.64.030 (Imposed). All the revenues collected from this tax are deposited in the City's general purpose fund.	A total TOT rate of 12% is applied through Section 3.64.030 and 3.64.035 ⁹ . STRs could be subject to 12% TOT remittance based on the definition of hotel (Table 2A).
Collection	3.64.050	Every operator receiving rent that is subject to TOT must collect TOT at the same time as the collection of rent. The TOT amount must be stated separately from the rent charged to the transient. Operators may not advertise that the TOT amount will be absorbed by the operator. TOT that has not yet been paid to the City shall be deemed a debt owed by the operator to the City.	Establishes operator responsibility for collecting TOT.
Returns and remittances	3.64.070	Operators must remit TOT upon forms provided by the City. TOT is due on the 10 th day of each month covering the amount of tax collected during the previous month.	Requires operators to remit TOT via City forms and establishes a monthly deadline TOT remittance.
Records	3.64.080	Every operator is responsible to keep all records of TOT due for 5 years. Records must clearly substantiate operator's gross receipts, the amount of room rentals, the rentals paid by permanent lodgers and exemptions claimed by government employees and federal credit unions on official business. Daily summary sheets must include the occupant's name, registration card number, daily rate, and date occupancy began, among other requirements. Bank statements and deposit slips must also be provided.	Operators are required to keep adequate records for 5 years. The level of detail required has not been readily provided by Airbnb when remitting for its users/hosts. Airbnb often remits TOT in aggregate form without necessary details (e.g. number of nights rented and room rates) to audit effectively.

⁹ An additional 3% assessment is due on gross short-term room rental revenue for hotels with 30+ rooms located within the Long Beach Tourism Business Improvement Area (LBTBIA) boundary. This revenue is provided to the Long Beach Convention and Visitors Bureau.

Topic	Code Section	Requirement	Relation to STRs
Business License Tax (Chapter 3.80)			
Tax on rental of residential property	3.80.233	Every person engaged in the business of the rental of residential property consisting of any residential unit that is 1 of 4 or more such units, inclusive of owner occupied units or rooms, under one roof or on one parcel, shall pay an annual business tax of \$52.85 for each parcel containing such units and an additional \$23.20 for each unit on the property (based upon CPI base year 2000). This does not apply to the rental of any residential unit or room that is 1 of 3 or fewer such units or rooms. For residential properties of 7 or fewer units, the per unit charge of \$23.20 for one owner occupied unit may be excluded from calculating the total tax due.	Apartments and other complexes on the long-term rental market would be subject to this tax based on the definition for rental of residential property (Table 2A). Furthermore, a “room rental” STR (Table 1B) would not be subject to this tax because a room rental refers to rooms being rented in a single home, not a complex of four or more units.
Taxes on selected individual businesses	3.80.253.S	A bed and breakfast establishment must pay \$244.58 plus \$12.70 for each employee based on its average number of employees (based upon CPI base year 2000).	Establishes a tax on bed and breakfast establishments, which could be considered as owner-occupied STRs.
Tax on services	3.80.243	Every person engaged in the business of services, including hotels and motels, must pay an annual business license tax of \$244.58, plus an additional \$12.70 for each employee based on its average number of employees (based upon CPI base year 2000).	Establishes a business tax rate for hotels and motel, which is the same rate applied to bed and breakfast establishments.

Summary – Title 3: Revenue and Finance & STRs

- STRs could be interpreted as being subject to payment of TOT depending on the City’s interpretation of the definition of “hotel” in Chapter 3.64. Currently, TOT is not being collected from hosted STRs (room rentals of 30 days or fewer) or illegally operating STRs. The 12 percent TOT is required to be paid by guests staying at hotels, motels, bed and breakfasts, and similar lodging facilities.
- STR online platforms could be considered as secondary operators which imposes the same duties and liabilities as the principal operator; this includes obligation to pay TOT and maintain adequate records. Although Airbnb, the largest online STR platform, is collecting and remitting TOT for many jurisdictions, it has limited its reporting to aggregated information and anonymous numbered accounts for auditing unless subpoenaed.
- Hotels, motels, bed and breakfast establishments, and non-transient rental of residential properties are subject to Business License tax. Hotels, motels, and bed and breakfasts pay the same rate which is a flat fee plus a rate based on the average number of employees. The Business License tax does not appear apply to STRs located in buildings where fewer than four rooms are rented or buildings with fewer than four units. The Business License tax requirements should be clarified as to STR application.

3. Title 5: Regulation of Businesses, Trades and Professions

The Regulation of Businesses, Trades and Professions Title includes definitions related to STRs in Chapter 5.48 (Hotels and Motels). The definitions and an analysis of how these definitions may be applied to STRs are provided in Table 3A.

Table 3A: Title 5 Regulation of Businesses, Trades and Professions Definitions

Term	Code Section	Definition	Relation to STRs
Hotel ¹⁰	5.48.020(g)	A residential building that is designated or used for lodging and other related services for the public, and containing 100 or more guest rooms, or suites of rooms. Also includes any contracted, leased, or sublet premises connected to or operated in conjunction with the building's purpose, or providing services at the building.	A STR is not operating at the scale of a hotel with 100 rooms; therefore, a STR would not be considered a hotel under this Chapter. However, the number of STRs listed per host on online platforms should be reviewed to determine potential commercialization of STRs in Long Beach.

Title 5 contains requirements related to the definitions in Table 3A. These are also included in Chapter 5.48 (Hotels and Motels). An analysis of these requirements is provided in Table 3B.

Table 3B: Title 5 Regulation of Businesses, Trades and Professions Requirements

Topic	Code Section	Requirement	Relation to STRs
Hotel and motel rentals	5.48.010	Every owner, manager or operator of any hotel or motel must keep a guest register and verify guest through valid identification. No room shall be rented more than once within a 12-hour period.	These requirements would not apply to STRs since they don't operate at a large commercial scale. However, the number of STRs listed per host on online platforms should be reviewed to determine potential commercialization of STRs in Long Beach.
Payment of minimum compensation and sick days to hotel workers	5.48.020	Hotel workers must be paid a wage of not less than \$13.00 per hour adjusted by factors outlined in 5.48.020. Minimum sick day requirements are also established.	

¹⁰ Sections 21.15.1380, 3.64.010.C, and 9.02.080 define "Hotel" differently. See Tables 1A, 2A, and 4A.

Summary – Title 5: Regulation of Business, Trades and Professions & STRs

- STRs would not be subject to the hotel and motel requirements of Chapter 5.48 because STRs typically do not have more than 100 rooms. However, an evaluation of the number of STRs operated under each host should be conducted to understand the level of STR commercialization in Long Beach.

4. Title 9: Public Peace, Morals and Welfare

The definitions in Public Peace, Morals and Welfare Chapter 9.02 (Definitions) relevant to STRs are included in Table 4A.

Table 4A: Title 9 Public Peace, Morals and Welfare Definitions

Term	Code Section	Definition	Relation to STRs
Hotel ¹¹	9.02.080	Any structure, or any portion of a structure, including any lodginghouse, roominghouse, dormitory, turkish bath, bachelor hotel, studio hotel, public club or private club which is occupied or is intended or designed for occupation by guests, whether rent is paid in money, goods, labor or otherwise. It does not include any jail, hospital, asylum, sanitarium, orphanage, prison, detention, or other building in which human beings are housed and detained under legal restraint.	This hotel definition could be interpreted to apply to STRs.

The requirements of Title 9 that are relevant to STRs are analyzed in Table 4B.

Table 4B: Title 9 Public Peace, Morals and Welfare Requirements

Topic	Code Section	Requirement	Relation to STRs
Loud noises prohibited	9.31.010	No person may cause or permit loud music or other noises caused by a party, gathering or assemblage of persons on private property to disrupt the public peace. Noise that is audible from 50 feet or more from the property shall be deemed to disrupt the public peace. Any person who causes or permits any such loud music or other noises is guilty of a public offense. Law enforcement personnel may arrest or issue a citation to the responsible person (the person owning or occupying the property or otherwise responsible). If another loud noise violation occurs within a 30-day period, the responsible person is liable for all actual costs and expenses incurred by the City for the second or subsequent responses.	Noises caused by a party or gathering on private property must not be audible when 50ft or farther from the property. STRs would be subject to this requirement or face the consequences of arrest, citation, or additional costs for subsequent violations within 30-days.

¹¹ Sections 21.15.1380, 3.64.010.C, and 5.48.020(g) define “Hotel” differently. See Tables 1A, 2A, and 3A.

Summary – Title 9: Public Peace, Morals and Welfare & STRs

- Like all other private properties, STRs must comply with noise standards. Noises caused by a party or gathering must not be audible when 50 feet or farther from the property. Violation can result in arrest, citation, or additional costs for subsequent violations within a 30-day period.

CONCLUSION

There are various Code issues and inconsistencies related or relevant to STRs that should be addressed for an effective STR ordinance. This technical memo provides a foundation for future discussions and the development of a STR ordinance.

Appendix 2

CURRENT STATE OF LONG BEACH SHORT-TERM RENTALS

DEVELOPMENT OF SHORT-TERM RENTAL HOUSING PROGRAM AND REGULATIONS CITY OF LONG BEACH

To: City of Long Beach

From: Lisa Wise Consulting, Inc. (LWC)

Date: May 22, 2018, revised October 29, 2018

INTRODUCTION

Short-term rental (STR) online platforms, such as Airbnb and HomeAway, enable individuals to rent out real property not traditionally part of the temporary lodging marketplace for 30 days or less. As a result, STRs have grown in the number of properties available and the frequency with which they are rented¹.

The purpose of this memo is to identify demographic, socio-economic, and housing conditions in the City of Long Beach (City) to establish context for the economic implications of the STR market. This memo analyzes data from the US Census Bureau, California Department of Finance, and the US Bureau of Labor Statistics, among others, as well as from Host Compliance, LLC., a California-based provider of short-term rental compliance monitoring (see Appendix A).

This memo will be incorporated into a comprehensive report that will include consideration for a STR ordinance in Long Beach.

KEY FINDINGS

The following key findings summarize the current STR market in Long Beach in relation to demographic, socio-economic, and housing conditions.

STRs represent a tiny fraction of Long Beach's housing stock

There are approximately 1,328 active STRs in Long Beach, which represent 0.75% of the total housing stock in Long Beach (177,245 units).

The number of vacant housing units continues to decline while the number of STRs continues to grow

While the total number of vacant housing units in Long Beach declined by 3,500 units (25%) from 2010 to 2015, the number of units for seasonal, recreational, or occasional use increased by 87 units (8.5%).

¹ Sustainable Economics Law Center, Regulating Short-Term Rentals: A Guidebook for Equitable Policy, March 2016.

The majority of STR listings are for entire homes or un-hosted units

Approximately 890 STRs (67%) were listed as “entire homes”. Entire home rentals are un-hosted (i.e., rental structure is not also occupied by the host or owner), and are therefore, more often associated with complaints (e.g., noise, parking, etc.) than hosted STRs.

Some level of STR commercialization is occurring

Out of the estimated 1,074 STR hosts operating in Long Beach, 184 (17%) were identified as having more than one STR. While a clear majority (83%) of hosts were identified as only having one STR, these numbers may understate the true number of multi-unit hosts, as many professional operators have begun listing their units under different host IDs to avoid detection.

Almost half of STRs are rented for more than 90 days per year

Out of the estimated 1,328 unique active STRs identified in Long Beach, 654 (49%) show rental activity for 90 days or more. Almost one-third of unique active STRs show rental activity for 181 or more nights per year. However, 40% of unique active STRs are booked for fewer than 30 days per year. Of the active entire home STRs, 378 were estimated to rent for more than 90 days per year.

STRs are concentrated along the coast and in downtown

One-third of active STR listings² (522), are in the Coastal Zone, despite the Coastal Zone comprising less than 10% of the physical area of the City. STRs in the Coastal Zone are more likely to have the entire home rented and higher nightly rates. The remaining STRs are primarily focused around the coastal area and downtown, but there are STRs located in all areas of Long Beach.

Concerns have already been raised regarding STRs in Long Beach

Concerns raised about STRs in Long Beach include the potential reduction in available housing, increase in disruptive activity as STRs bring non-residents to historically residential areas, a lack of accountability for noncompliance related to legal violations, and inability to collect transient occupancy tax.

DEMOGRAPHIC SUMMARY

POPULATION

Changes in population for any city have direct consequences on the market for housing. Understanding how Long Beach’s population has changed and is projected to change is key to understanding the impacts of STRs on the community.

² Active listings are defined as any listing that has either had its booking calendar changed or received a review in the last year.

Between 2000 and 2015 Long Beach saw its population increase 1.9% to 470,237³. During this same period, the County and the State saw their populations increase at a higher rate of 5.5% and 14.9% respectively⁴.

The Southern California Association of Governments (SCAG) population projections indicate Long Beach's population will increase by just under 23,000 people or by 3.0% from 2015 to 2040. On the other hand, the County and the State are projected to see more significant population increases of 14.1% and 20.5% respectively⁵. Despite the lower forecasted growth rate, Long Beach's population surpassed SCAG's 2040 estimate in 2016, which continues to exert pressure on the existing housing stock.

HOUSEHOLDS

Households function as the primary consumers of housing and the group most affected by shifts in housing supply. The characterization of household trends is meant to give an indication of the demands likely to be placed on Long Beach's housing stock. In 2000, Long Beach was home to 163,088 households, a number that increased 0.8% to 164,406 in 2015. During this same period, the average household size increased 1.4% from 2.77 to 2.81 people. Over the same 15-year period, the County saw its average household size increase a near identical 1.3% from 2.98 to 3.02 people but witnessed a 4.1% increase in the number of households from 3,133,774 to 3,263,069^{6,7}.

Projections for the 25-year period spanning 2015 and 2040 show average household size falling by 1.8% from 2.81 to 2.76 people, while the number of households increases by 6.7% from 164,406 to 175,500. The trend of more, smaller households is mirrored in projections for the County, which is set to see a 20.9% increase in households, and a 3.4% drop in average household size by 2040⁸. Shrinking household size may increase participation in the STR marketplace as more bedrooms become underutilized.

AGE DISTRIBUTION

The age composition of a community informs expected needs for housing and housing types. In 2015, 27% of Long Beach's population was under 20. Those between 20 and 39 years old accounted for 31.1% of the total population and the group between 40 and 59 years old represented 26%. The group between 60 and 79 accounted for 12.5%, and those 80 years of age and older made up 2.6%⁹. In general, Long Beach's population distribution is roughly equivalent to that of the County and State, with more than half the population being below the age of 40. Millennials (22 to 37 years¹⁰) are strong proponents of the sharing economy and are anticipated to support opportunities for STRs in the community. Younger travelers are more willing forgo the amenities and certainties that formal hotel

³ U.S. Decennial Census, 2000, Summary File 1, Table DP-1

⁴ California Department of Finance: Report E-5

⁵ SCAG Regional Growth Forecast 2016-2040

⁶ U.S. Decennial Census, 2000, Summary File 1, Table QT-P11

⁷ U.S. Census Bureau, 2011-2015, American Community Survey 5-year Estimate, Table S1101

⁸ SCAG Regional Growth Forecast 2016-2040

⁹ U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates, Table DP03

¹⁰ Dimock, Michael, *Defining generations: Where Millennials end and post-Millennials begin* (March 1, 2018).

lodging provides and prefer booking reservations and checking in online to over-the-phone communication that may be a feature of some traditional lodging services¹¹.

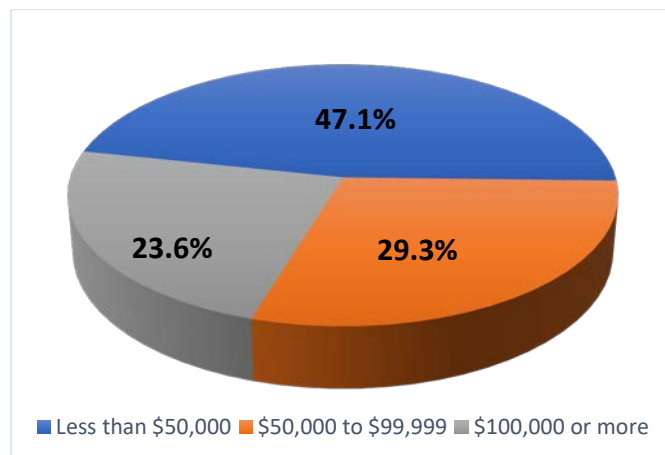
MEDIAN HOUSEHOLD INCOME

Household income is directly correlated with a household's ability to afford a home. Median household income in Long Beach has been historically lower than that of the County and the State. In 2015, incomes in Long Beach were roughly \$300 below that of the County and \$9,000 below that of the State. Median household income for the City rose 41.6% from \$37,270 in 2000 to \$52,783 in 2015. This increase outpaced the County and the State which saw incomes increase 33.2% and 30.2% respectively^{12,13}. Home sales prices and apartment rents and their relation to household income are discussed under Housing Summary.

INCOME DISTRIBUTION BY HOUSEHOLD

Income distribution by household illustrates the abilities of different groups to afford housing and informs the demand for housing by type. Of Long Beach's 164,406 households in 2015, 47.1% earned less than \$50,000 - the single largest income group. The second largest group was households earning between \$50,000 and \$99,999, which represented 29.3%, followed by households earning more than \$100,000, which represented 23.6%¹⁴.

Figure 1 - Income Distribution by Household (2015)



Source: U.S. Census Bureau, 2011-2015, American Community Survey, 5-year Estimate: Table DP03

¹¹ Martin, Hugo, *Millennials like short-term rentals but they prefer the extras offered by hotels, survey finds* (January 27, 2018)

¹² U.S. Decennial Census, 2000, Summary File 3, Table DP-3

¹³ U.S. Census Bureau, 2011-2015, American Community Survey 5-year Estimate, Table DP03

¹⁴ U.S. Census Bureau, 2011-2015, American Community Survey 5-year Estimate, Table DP03

CONSUMER EXPENDITURES

Consumer expenditures illustrate preferences for particular goods and services. These trends are critical when assessing future market potential for businesses or industries. In 2000, average income before taxes for the Los Angeles Metropolitan Statistical Area was reported at \$52,722 per household unit¹⁵. By 2015, that number was reported as \$76,721, a 45.4% increase in 15 years. The rate of increase in income was higher than that of spending on housing which increased 40.6% from \$16,550 per capita in 2000 to \$23,265 per capita in 2015; however, housing costs still exceeded Housing and Urban Development's (HUD's) 30% of income affordability threshold¹⁶.

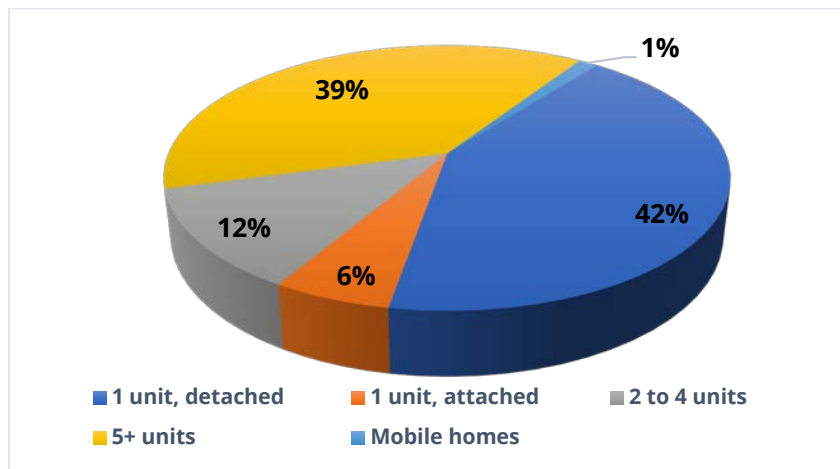
HOUSING SUMMARY

Changes in housing inventory impacts the affordability of housing and can provide a gauge for how well-equipped a community is to handle changing demographics and shifts in market preferences, including those resulting from STRs. STRs represent increased competition for a limited supply of housing and may pressure housing prices to rise¹⁷.

HOUSING STOCK BY UNIT TYPE

The stock of housing available in Long Beach has remained relatively stable since 2010, with an increase of over 400 units between 2010 and 2015 or an average of 85 per year, and only slightly below the average annual increase in households since 2000 (88 per year). Figure 2 shows the distribution of housing by unit type in 2015.

Figure 2 - Long Beach Housing Stock by Unit Type (2015)



Source: California Department of Finance: Report E-5

¹⁵ Household unit in this instance corresponds to consumer unit as defined by The Bureau of Labor Statistics.

¹⁶ Bureau of Labor Statistics, Expenditures by Western Metropolitan Statistical Areas

¹⁷ Barron, Kyle, Edward Kung, and David Proserpio, *The Sharing Economy and Housing Affordability: Evidence from Airbnb*, April 1, 2018.

Single family homes and units within housing complexes that contain five or more units accounted for 42.2% and 38.5% of the total stock respectively. These two categories represent over 80% of Long Beach's housing¹⁸.

Units within multifamily complexes, such as condominiums, may have Covenants, Conditions and Restrictions (CC&Rs) restricting owners from renting units on a nightly basis. Single family subdivisions with homeowners associations may have similar restrictions.

OCCUPIED HOUSING UNITS BY TENURE

The City, County, and State reported similar shifts in tenure during the period spanning 2010 through 2015. Renter-occupied units increased by approximately 2% for the City and approximately 3% for the County and State. In total, 40.2% of Long Beach's housing units were owner occupied and 59.8% were renter occupied in 2015¹⁹. Tenure may impact ability to conduct STR operations. For example, a renter may be precluding from subletting.

UNITS BY NUMBER OF BEDROOMS

The number of bedrooms per unit in Long Beach remained largely unchanged from 2010 to 2015. In 2015, just under 60% of all housing units contained 2 or 3 bedrooms. Units with 1-bedroom were the second most common, representing 25% of the total. Units with more than 4 bedrooms and units with no bedroom each represent 8.1% and 6.5% respectively.

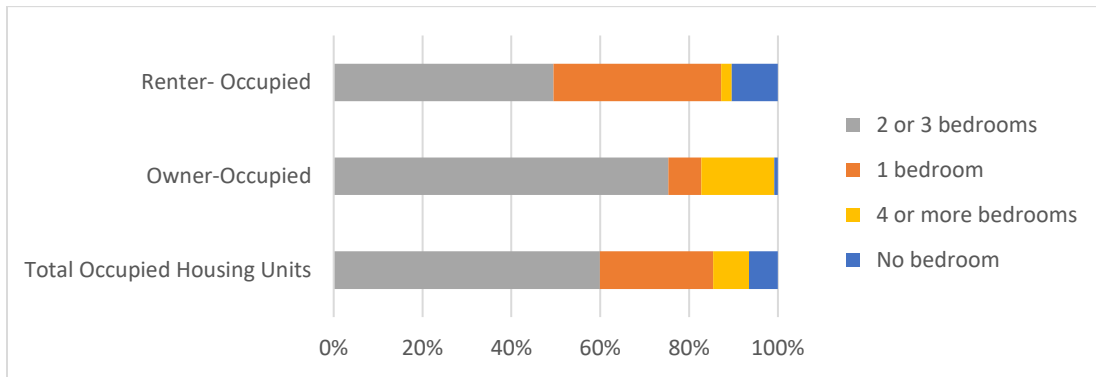
A further breakdown of housing unit by number of bedrooms for renter, owner, and total occupied units reveals a concentration of units with 2 or 3 bedrooms in owner-occupied units, which accounted for over 75% of total owner-occupied units in 2015. For renter-occupied units, the distribution was markedly more heterogenous, with units containing 2 or 3 bedrooms accounting for just under 50% of renter-occupied units. Units with 1-bedroom accounted for 37.7% of renter-occupied units, and units with no bedroom and units with 4 or more bedrooms accounting for 10.4% and 2.4% respectively. Figure 3 illustrates the distribution of units by number of bedrooms by tenure in 2015²⁰.

¹⁸ California Department of Finance: Report E-5

¹⁹ U.S. Census Bureau, 2011-2015, American Community Survey 5-year Estimate, Table DP04

²⁰ U.S. Census Bureau, 2011-2015, 2006-2010 American Community Survey 5-Year Estimates

Figure 3 - Units by Number of Bedrooms (2015)



Source: U.S. Census Bureau, 2011-2015, American Community Survey, 5-year Estimate: Table DP03

The number of bedrooms in a unit influences the feasibility of STRs as the STR market may favor one type of housing unit over another. The distribution of listings in Long Beach is notably skewed, with listings for two or fewer bedrooms making up just over 80% of the listings. While the number of bedrooms posted for a listing is not necessarily the number of bedrooms in that unit (i.e., only part of the home is listed for short-term rent), since 67% of all listings are for entire homes, this may indicate that Long Beach's renter-occupied units may be disproportionately impacted by the rise of STRs given the high frequency of smaller units being occupied by renters.

Additionally, the number of bedrooms in a unit can determine whether a unit can accommodate hosted or owner-occupied STRs. For example, studios and one-bedroom units are not conducive to owner-occupied STRs. Despite larger units accommodating simultaneous owner and guest occupancy, these larger units (three or more bedrooms) are also attractive to groups or families looking for lodging alternatives to hotels.

RESIDENTIAL VACANCY

As reported by the California Department of Finance, Long Beach's residential vacancy rate was 6.2% as of January 1, 2018. This is slightly higher than the 5.9% observed at the County level but is 1.2% lower than the 7.4% State vacancy rate. In absolute terms, the number of vacant units present in Long Beach was estimated to be 11,057 units. The overall vacancy rate declined between 2010 (7.1%) and 2017 (5.8%)²¹.

According to the U.S. Census, which reports vacancy by tenure, the homeowner vacancy rate was 1.3% and the rental vacancy rate was 3.8% in 2016²². The rates have been on the decline, with the homeowner vacancy rate at its last peak in 2011 at 2.3%, and the rental vacancy rate at 5.4% in 2013²³.

²¹ California Department of Finance: Report E-5

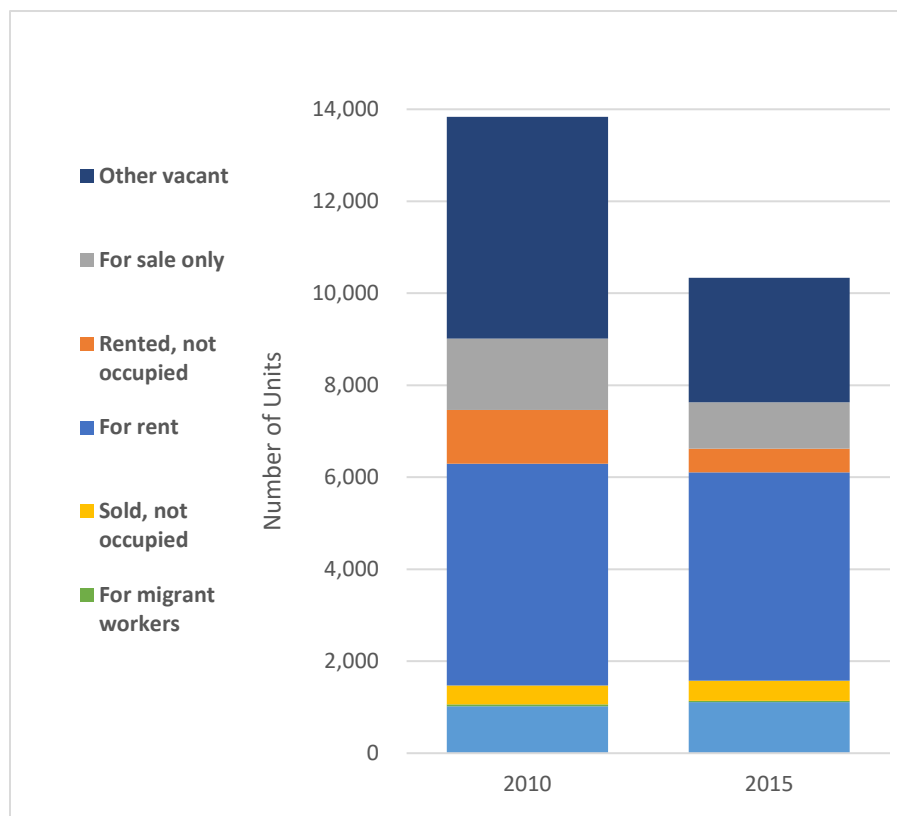
²² U.S. Census Bureau, 2012-2016, American Community Survey 5-Year Estimates, DP04, Table B25004

²³ U.S. Census Bureau, 2009-2013, American Community Survey 5-Year Estimates, DP04

However, multi-family vacancy rates rose from 4.0% to 4.6% between 2016 and 2017, which can be largely attributed to significant apartment properties coming online in 2016²⁴.

Between 2010 and 2015, the number of units reported as vacant in Long Beach dropped by over 25%, or more than 3,500 units. Sixty percent of this amount, approximately 2,000 units, were identified as “other vacant”, meaning they were held for settlement of an estate, for personal reasons, or repairs. The next most significant decline was “rented, not occupied” units, which decreased by over 55% (662 units); these units are rented, but the renter is not living in the unit. Vacant “for sale only” units dropped by almost 35% (540 units), and vacant “for rent” units dropped by 6% (292 units), indicating a tightening housing market. Importantly, the number of vacant units listed as “for seasonal, recreational, or occasional use” increased by 87 units to 1,110 units, an 8.5% increase. For comparison, this is 220 units above the number of STR listings for entire homes (67% of 1,328 active rental units, see Appendix A). Figure 4 shows the distribution of vacant units by type for 2010 and 2015²⁵.

Figure 4 - Vacancy Status by Type (2010 - 2015)



Source: U.S. Census Bureau, 2011-2015, 2006-2010, American Community Survey, 5-year Estimate: Table B25004

²⁴ CoStar Market Analytics, City of Long Beach Report of Citywide Rental Rates Through June 30, 2017

²⁵ U.S. Census Bureau, 2011-2015, 2006-2010, American Community Survey 5-Year Estimates

MEDIAN HOME SALE PRICE

Median home sale price in Long Beach increased 62% from a low of \$290,000 in 2011 to \$470,000 in 2016²⁶. This increase was lower compared to the County and State, and despite increasing home prices, Long Beach continues to be relatively affordable compared to the County overall.

Median monthly homeowner costs are estimated at \$2,147²⁷, which is 48.8% of median household income; however, homeowners earn higher incomes reducing this percentage to closer to 25% (specific to existing homeowners)²⁸. Supplemental income from a STR could reduce the homeowner cost burden experienced by many residents or provide opportunity for first-time homebuyers to enter the market.

APARTMENT RENTS

The average apartment rent in Long Beach has been increasing since 2012 when the average rent was \$1,091 per month. In 2017, the average apartment rent had increased to \$1,333 per month, a 22.2% increase since 2012²⁹. A similar rate of increase was reported in the County (22.8%), while a higher rate was experienced at the State level (27%)³⁰.

Assuming a STR nightly rate of \$100, a STR would need to be rented for more than 13 nights per month, or 160 nights per year (44% occupancy rate), to generate more income than a long-term rental apartment. Depending on existing leases, some landlords may not realize a financial benefit from converting long-term rental units to STRs.

DEED RESTRICTIONS

The City's General Plan Housing Element, which was developed in 2013, identifies that there are deed restrictions on 754 single-family homes and condominiums, which include 427 rehabilitation loans for low income homeowners and 327 second mortgage loans for low income first time homebuyers. These deed-restricted units are located throughout Long Beach. Deed restrictions often include provisions limiting the unit from being rented, precluding these units from entering the STR marketplace.

HOTELS

Hotels are a traditional short-term lodging product relative to STRs. In 2018, the Convention and Visitors Bureau reported 5,196 hotel rooms in Long Beach, which comprises the lodging properties represented by the Bureau's members (i.e., may not include all lodging properties). The future comprehensive report prepared for this project will include a revenue assessment that addresses STR revenue and any potential affects to hotel-generated City revenue.

²⁶ CoreLogic/DataQuick, SCAG Profile of the City of Long Beach, May 2017

²⁷ Selected monthly owner costs include mortgage payments, real estate taxes, insurance, utilities, fuels, mobile home costs, and condominium fees.

²⁸ U.S. Census Bureau, 2011-2015, American Community Survey 5-year Estimate, Table DP04; SCAG Profile of the City of Long Beach, May 2017

²⁹ CoStar Market Analytics, City of Long Beach Report of Citywide Rental Rates Through June 30, 2017

³⁰ Zillow; Median Rent Value – Zillow Rent Index; ZRI Multi-Family, SFR, Condo/Co-op Homes Time Series and ZHVI Condo/Co-op Time Series (\$)

KNOWN AREAS OF CONCERN

As the prevalence of STRs continues throughout Long Beach, homeowners, residents, and City leaders have raised concerns. The following summarizes the highest priority concerns raised and documented by the City³¹.

- Potential reduction in available housing for Long Beach residents and workers as housing stock is pulled into the market for STRs.
- Potential increase in disruptive activity as STRs bring non-residents to historically residential areas.
- Lack of accountability for crime due to high turnover and anonymity of guests.
- An inability to enforce regulation and standards, collect Transient Occupancy Tax, and impose fees on hosts.

CONCLUSION

Effective regulation of the STR market depends on a broad understanding of existing conditions and the dynamic economic, demographic, and housing forces in which City programs operate. This technical memo provides a foundation for future discussions regarding the economic implications of developing a STR ordinance in Long Beach.

APPENDIX A

City of Long Beach: Short-Term Rental Market Overview, Host Compliance, LLC (April 2018)

³¹ Documents include list of complaints reported by residents and official statements issued by City leaders, including Councilmembers, and City staff prior to April 2018.



City of Long Beach:

Short-Term Rental Market Overview

By [Host Compliance, LLC](#)

April 2018



Background

Sharing our homes has been commonplace for as long as there have been spare rooms and comfortable couches. Whether through word of mouth, ads in newspapers or flyers on community bulletin boards, renters and homeowners alike have always managed to rent out or share rooms in their living spaces. Traditionally these transactions were decidedly analog, local and limited in nature, but with advance of the internet and hundreds of websites like as Airbnb.com and HomeAway.com it has suddenly become possible for people to advertise and rent out their homes and spare bedrooms to complete strangers with a few mouse-clicks or taps on a smartphone screen. With this new technology has come rapid growth, and with this rapid growth, many communities including the City of Long Beach are experiencing an increased volume of “strangers” in residential communities. While some of these consequences are positive (increased business for local merchants catering to the tourists etc.), there are also many potential issues and negative side effects that local governments can mitigate by adopting sensible and enforceable regulations. The first step to making good rules is knowing the facts. By publishing this report, we add a new dimension to the debate about how to best balance the competing issues in the short-term rental industry. Specifically, we hope that the publication of this data will bring independent and objective facts to the discussion, and facilitate a larger debate on community goals and enforcement which will allow the city to reach a workable regulatory compromise.

Methodology

As a software, data and consulting services provider exclusively focused on helping more than 115 local governments overcome enforcement challenges associated with short-term vacation rentals, Host Compliance has developed a set of proprietary data and analytics tools that can provide deep insights into the scale and scope of the short-term rental activity in any community and make the enforcement of short-term rental regulations effective and economical. In this report, we will provide our findings for the City of Long Beach.

Host Compliance’s data is collected weekly and for purposes of this report Host Compliance collected, aggregated and deduplicated all listing data, reviews, calendar info and photos across the world’s 50 top short-term rental listing sites. We estimate this represents 95% of the total vacation rental universe in the City of Long Beach’s jurisdiction.



The data used for the report was collected during the last week of March 2018 and the data contained in this report is believed to be highly accurate and representative of the scale and scope of the short-term rental market in the City of Long Beach as of the date of this report. That said, it is important to acknowledge that the numbers presented, represent a moment in time, a snapshot of the marketplace as it looked like on the day of collection. Short-term renting is a dynamic, rapidly evolving industry, with individual hosts and entire listing platforms changing on a moment's notice. Absolute numbers change daily and can never truly be captured in a report. Instead, consider the themes, ratios, and trends as indicative of the scale, scope and direction of the market-place.

Gathering data across so many rental platforms presents unique presentation problems. As an example, one physical rental unit may be advertised on multiple sites, or might be listed in multiple forms on the same site. Host Compliance therefore de-duplicate all listing data to give a more accurate picture of the true number of unique rental units operating in each area of the City. To give a complete picture of the activity we however also provide a breakdown of active listings, listings that qualify as short-term rentals, and unique rental units. For the purposes of this report:

- “Listings” are defined as online advertisements for short-term rental units. Examples of listings are found on websites such as [airbnb.com](https://www.airbnb.com), [vrbo.com](https://www.vrbo.com) and [flipkey.com](https://www.flipkey.com).
- “Active Listings” are defined as any listing that has either had its booking calendar changed or received a review in the last year. These are strong indicators that a host is still actively managing the listing.
- “Rental Units” are defined as a plot of land, structure or part of a structure offered for use, in return for payment, as sleeping quarters for a single person or group of people, or any grounds, or other facilities or area promised for the use for overnight accommodation and includes, but without limitation, apartment units, boarding houses, rooming houses, mobile home spaces, RVs, boats, tents, treehouses and single and multi-family dwellings.
- “Active Rental Units” are defined as Rental Units for which there is at least 1 Active Listing
- “Active Entire Home Rental Units” are defined as Active Rental Units that are rented out in their entirety i.e. the host is not physically present in the unit during the stay.



Unless noted otherwise, the analysis in this report is based on Active Rental Units i.e. active listings de-duplicated within and across platforms. Due to rounding, some data tables may not add up to 100%.

About Host Compliance

Host Compliance LLC (<https://hostcompliance.com>) is a privately held company located in San Francisco. Serving more than 115 local governments (including 47 California communities), the company is the world's leading provider of short-term rental compliance monitoring and enforcement solutions to local governments.

Partnering with city regulators in staff in these communities, Host Compliance has developed a unique understanding of what works and what doesn't when it comes to analyzing local short-term rental markets and implementing and enforcing short-term rental regulations in communities like Long Beach.

Host Compliance's services include:

- Assisting cities with implementing fair and effective short-term rental ordinances
- Managing and processing short-term rental permit applications (online and offline)
- Identifying short-term rentals operating in non-compliance with city regulations
- Providing 24/7 hotline services that makes it easy for neighbors and other stakeholders to report, document and resolve short-term rental related issues in real-time
- Identifying tax under-reporting and enforcing Transient Occupancy Tax rules across all short-term rental platforms

Long Beach Short-term Rental Market Overview

Overall Market Observations

While there are currently 1,657 listings online for short-term rental properties in the City of Long Beach, the current number of active listings – those that have been updated, edited, or reviewed in the last year is slightly less: 1,532. After de-duplication i.e. removing duplicate listings to account for the fact that some rental units are being advertised across multiple platforms - there are currently 1,328 unique short-term rental units operating in the city. Of the 50 websites



included in this study, approximately 80% of Long Beach's short-term rental listings were posted on Airbnb.com.

<u>Listing Site</u>	<u># of Listings</u>	<u>% of Total Listings</u>
Airbnb	1,315	79.4%
VRBO	127	7.7%
HomeAway	77	4.6%
Flipkey	58	3.5%
HRS: Holidays	33	2.0%
Booking	30	1.8%
PerfectPlaces	7	0.4%
HomeStay	5	0.3%
Vacation Rentals	3	0.2%
Abritel	1	0.1%
Tripz	1	0.1%
Total	1,657	100%

Long Beach's short-term rentals are approximately evenly split between single-family homes (48%) and multi-family properties (52%). The sizes of rental units vary: 14% are listed as studios, 36% as 1BR, 31% as 2BR and 12% as 3BR. Only 5% of properties are listed as having 4+ BR. Two-thirds of listings (67%) are for 'entire homes,' whole units occupied solely by the guest during his/her stay.

It is important to note that while large 'party houses' may get more attention, the use of smaller units as short-term rentals and 'entire home' rentals are believed to most directly impact the availability of long-term affordable housing units and the quality of life of nearby residents.

While 1,532 active listings and 1,328 unique short-term rental units may seem like very large numbers, there are many intensities of use within this industry. The market in Long Beach is distinctly dumbbell-shaped, with 40% of the city's short-term rental units being booked for fewer than 30 days of rental activity per year while 49% of units show rental activity for more than 90 days per year. (Ninety days is a common rule-of-thumb for when short-term renting becomes more profitable than long-term renting.)

	0-30 nights	31-60 nights	61-90 nights	91-120 nights	121-150 nights	151-180 nights	181+ nights
# of Active Units	532	68	74	92	98	84	380
% of Total Active Units	40.1%	5.1%	5.6%	6.9%	7.4%	6.3%	28.6%
654 Units / 49.2% of Total Units							



Focusing on entire home rentals, the numbers are similar i.e. 40% of entire home rental listings are rented less than 30 days per year, whereas 378 listings or 45% show more than 90 days of annual rental activity.

	0-30 nights	31-60 nights	61-90 nights	91-120 nights	121-150 nights	151-180 nights	181+ nights
# of Active Entire Home Units	337	68	67	74	88	76	140
% of Total Active Entire Home Units	39.7%	8.0%	7.9%	8.7%	10.4%	8.9%	16.5%
378 Units / 44.5% of Total Entire Home Units							

In terms of the number of rental units per host, the clear majority (83%) has only 1 rental unit under their management. That said, these numbers may understate the true number of multi-unit hosts as many professional operators have begun listing their units under different host IDs in order to avoid detection.

	# of Hosts	% of all Hosts in Long Beach
Hosts with 1 Rental Unit	890	82.9%
Hosts with 2 Rental Units	110	10.2%
Hosts with 3 Rental Units	38	3.5%
Hosts with 4 Rental Units	14	1.3%
Hosts with 5 Rental Units	7	0.7%
Hosts with 6 Rental Units	5	0.5%
Hosts with 7 Rental Units	6	0.6%
Hosts with 8 Rental Units	-	0.0%
Hosts with 9 Rental Units	2	0.2%
Hosts with 10 or More Rental Units	2	0.2%
Total	1,074	100.0%

The charts on page 8 provides a more detailed and graphical overview of the overall Long Beach short-term rental market.

STR Listings/Units by Location

Just about half of all the active listings in Long Beach are concentrated in Council Districts 2 and 3. Similarly, the Coastal Zone has around a third of all listings despite being much smaller in area than areas outside the Coastal Zone.

City of Long Beach's Short-term Rental Markets by District or Zone

District	Active Listings	% of Total	Active Rental Units	% of Total
District 1	163	10.6%	147	11.1%
District 2	456	29.8%	391	29.4%
District 3	458	29.9%	378	28.5%
District 4	123	8.0%	116	8.7%
District 5	88	5.7%	79	5.9%
District 6	60	3.9%	50	3.8%
District 7	98	6.4%	91	6.9%
District 8	66	4.3%	56	4.2%
District 9	20	1.3%	20	1.5%
Total City of Long Beach	1,532		1,328	
Long Beach Coastal Zone	522	34.1%	426	32.1%
Long Beach Non-Coastal Zone	1010	65.9%	902	67.9%

The infographics on the following pages provide more details on the scale and scope of the short-term rental market in the overall city, the various council districts and the coastal zone vs. non-coastal zone of the city.

In case you have any questions related to this data or how Host Compliance could potentially be of help in implementing or enforcing fair and effective short-term regulations in Long Beach, please contact:

Ulrik Binzer

Founder & CEO

Host Compliance LLC

info@hostcompliance.com

PH: (415) 715-9280

Or visit:

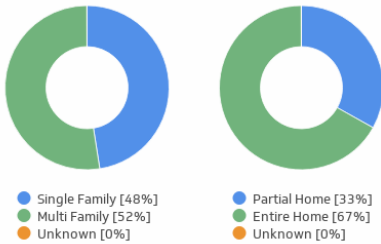
<https://hostcompliance.com>

City of Long Beach

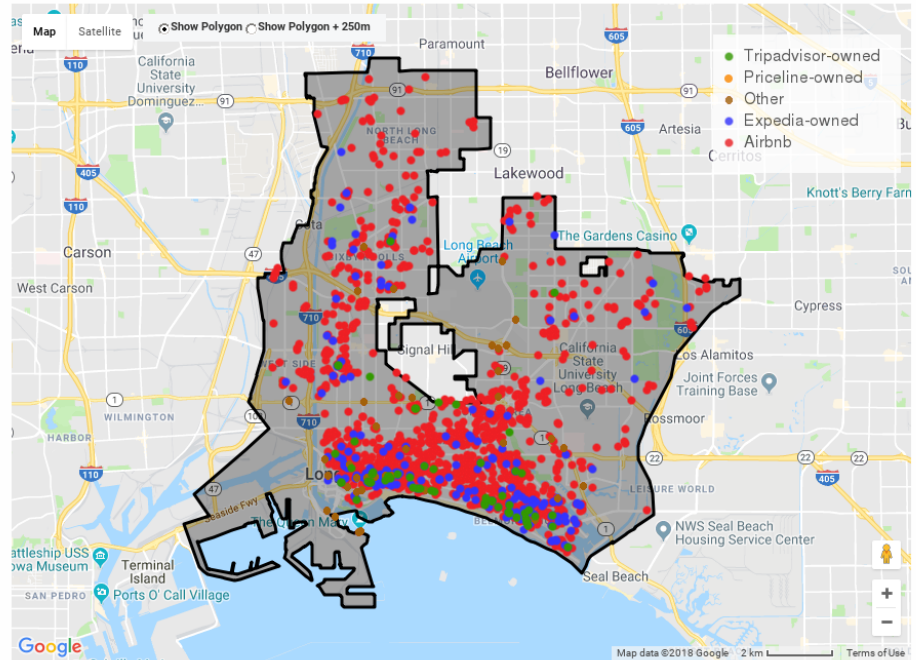
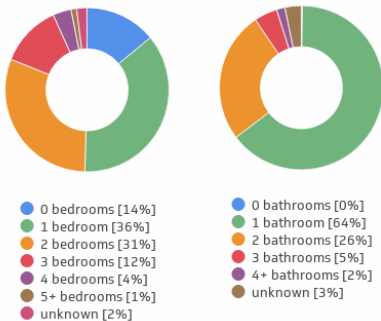
1532
Active Listings

1,328
Active Rental Units

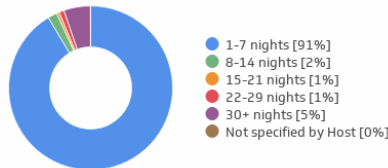
Listing Types



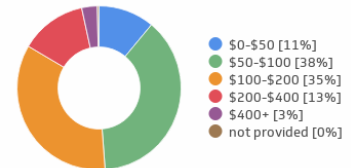
Bedrooms / Bathrooms



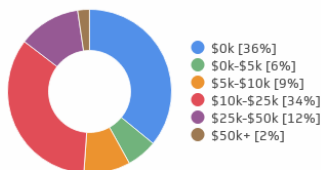
Minimum Nights



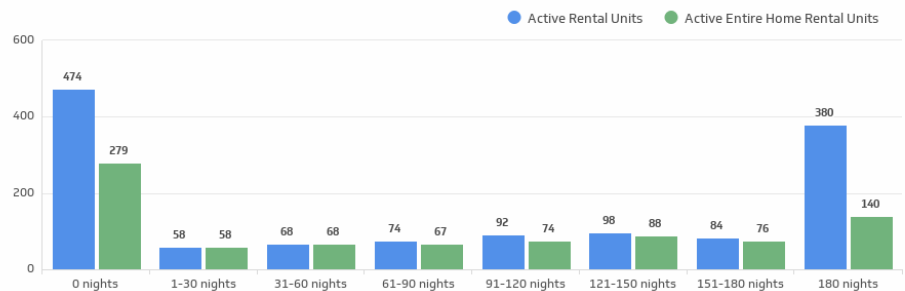
Nightly Rate



Estimated Annual Rental Revenue



Estimated Annual Nights Rented

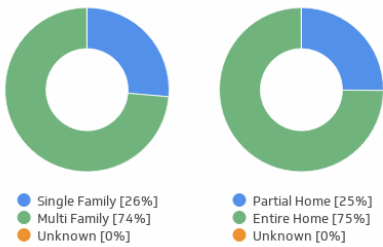


Long Beach District 1

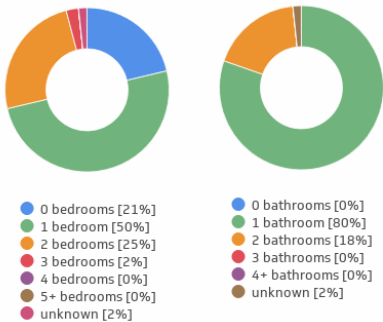
163
Active Listings

147
Active Rental Units

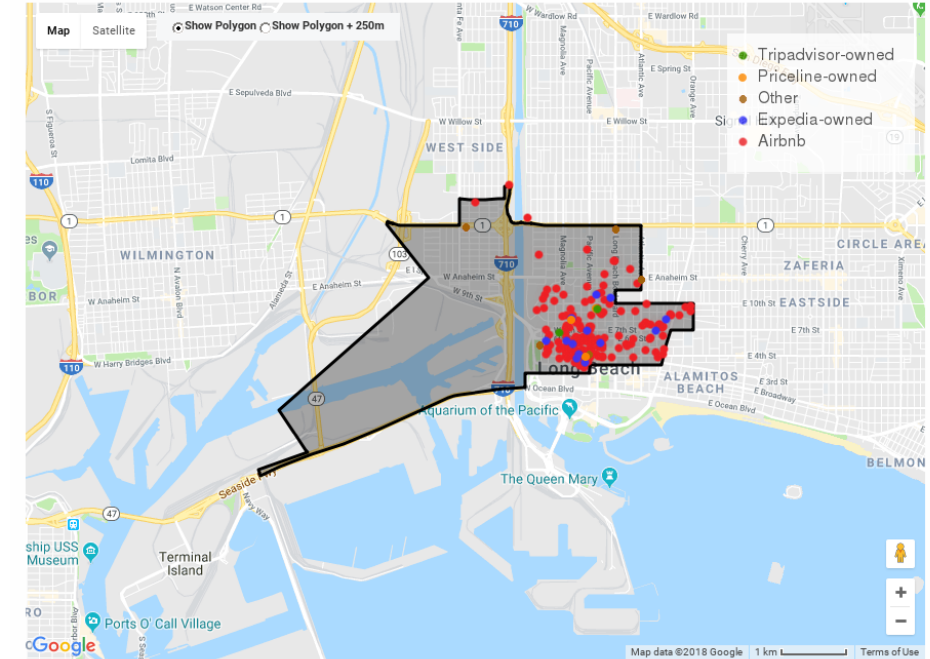
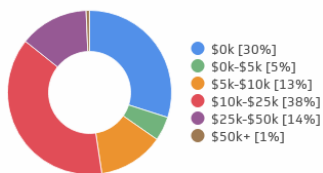
Listing Types



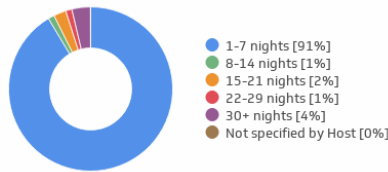
Bedrooms / Bathrooms



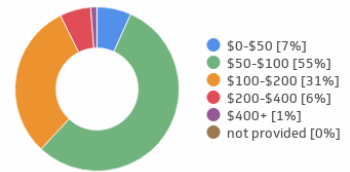
Estimated Annual Rental Revenue



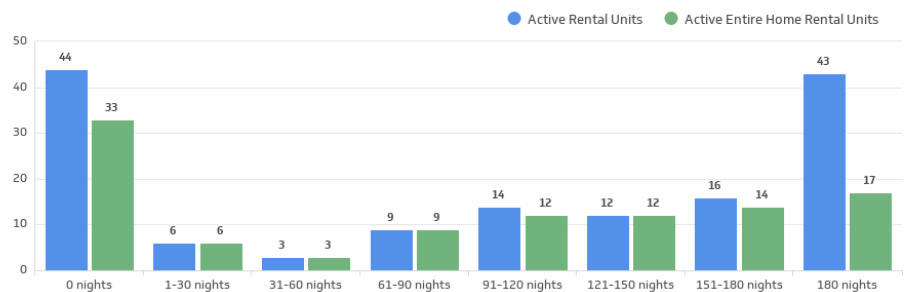
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented

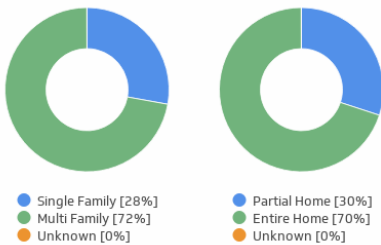


Long Beach District 2

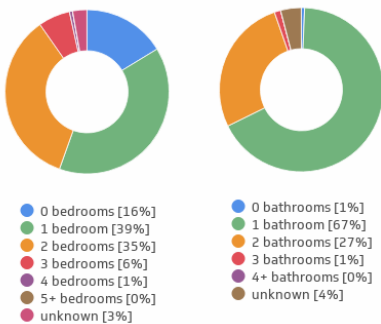
456
Active Listings

391
Active Rental Units

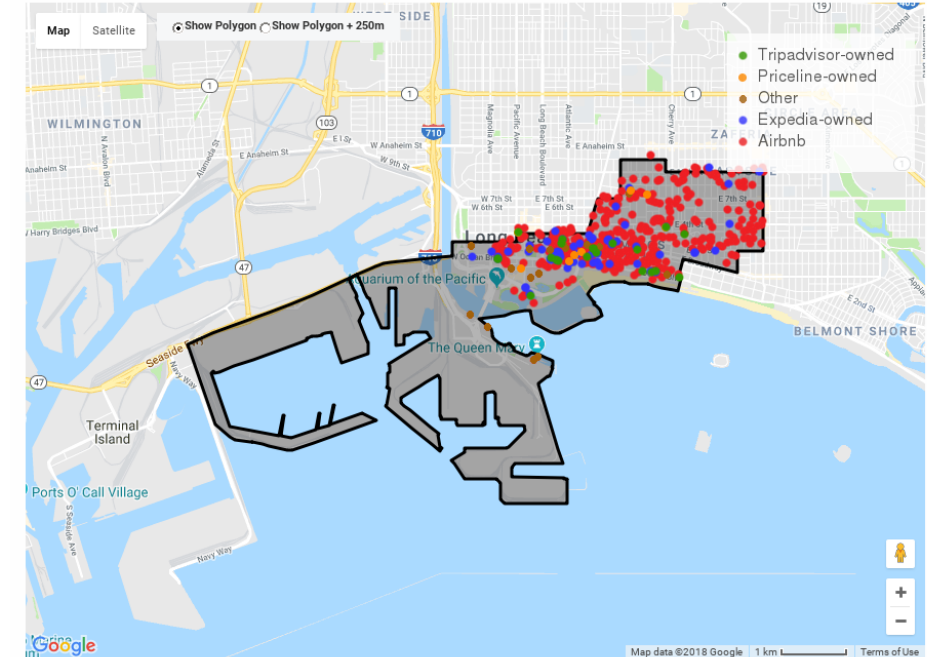
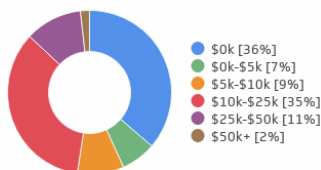
Listing Types



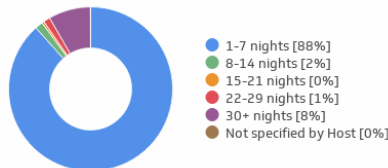
Bedrooms / Bathrooms



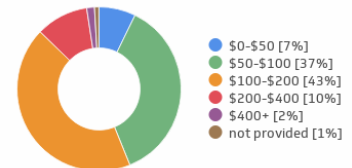
Estimated Annual Rental Revenue



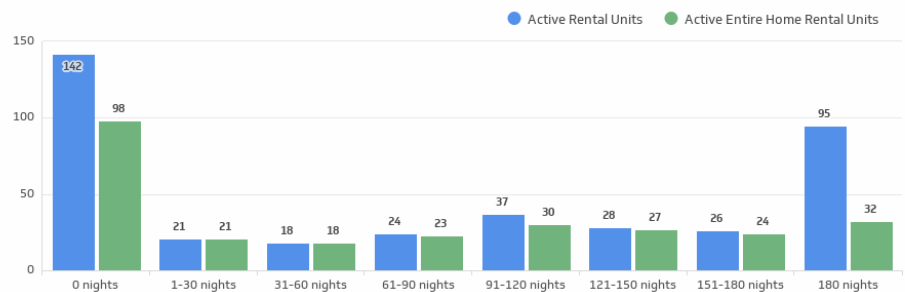
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented

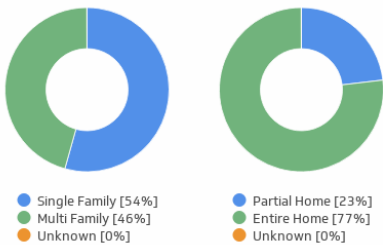


Long Beach District 3

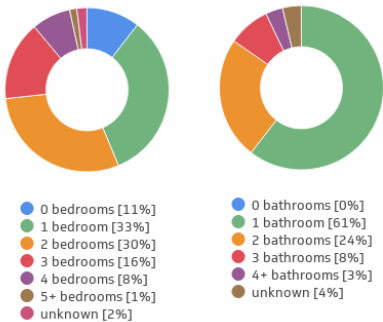
458
Active Listings

378
Active Rental Units

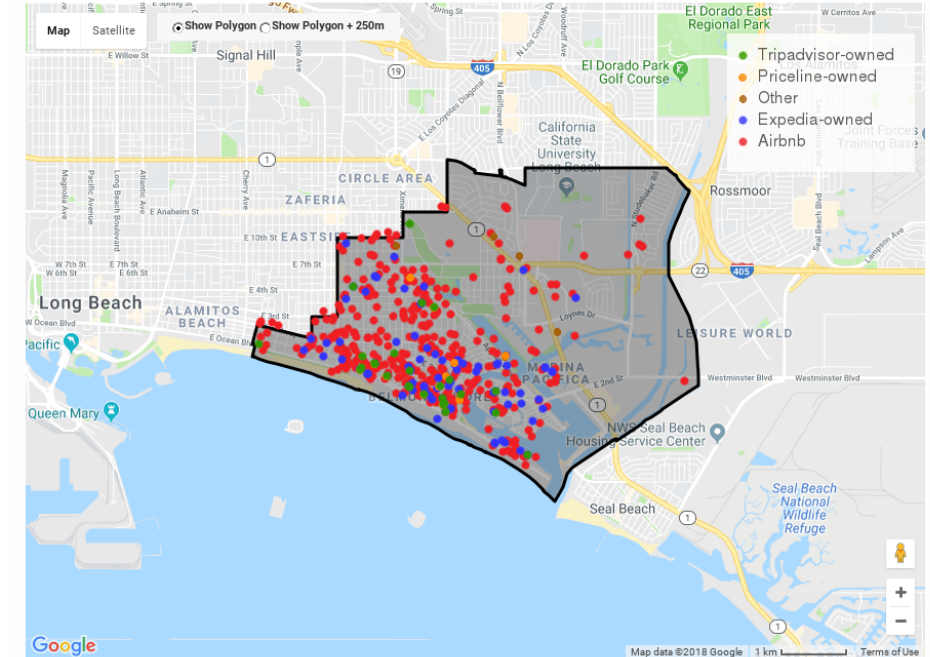
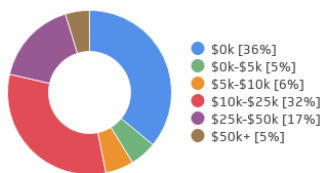
Listing Types



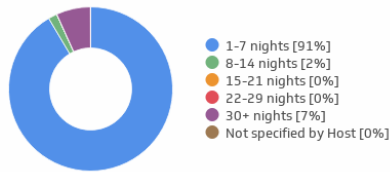
Bedrooms / Bathrooms



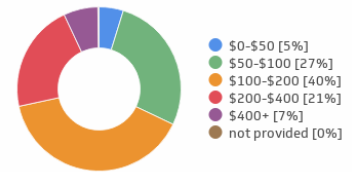
Estimated Annual Rental Revenue



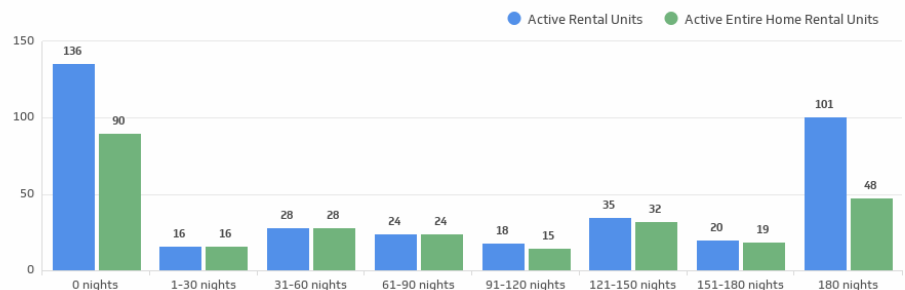
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented

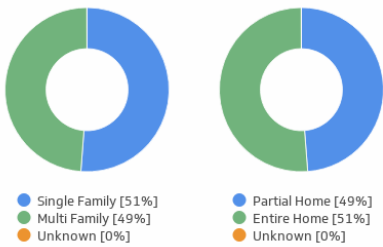


Long Beach District 4

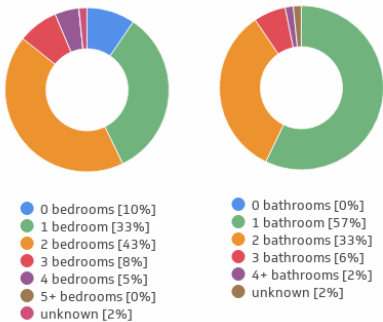
123
Active Listings

116
Active Rental Units

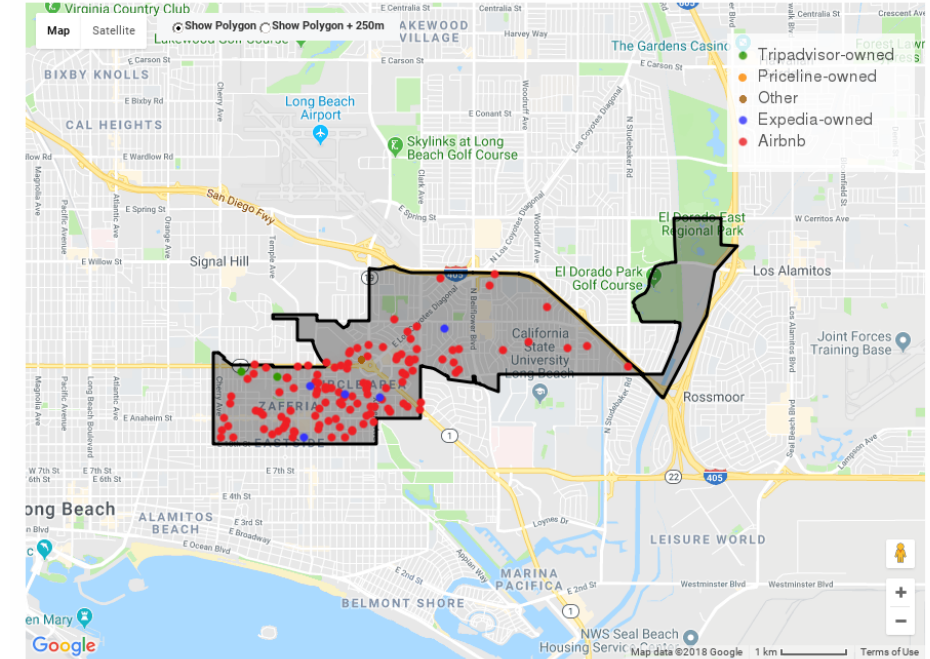
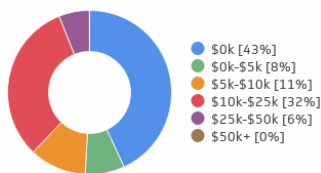
Listing Types



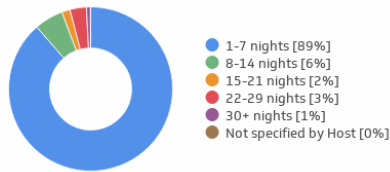
Bedrooms / Bathrooms



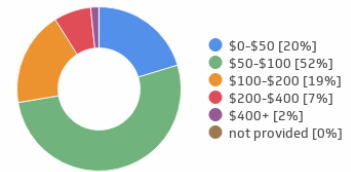
Estimated Annual Rental Revenue



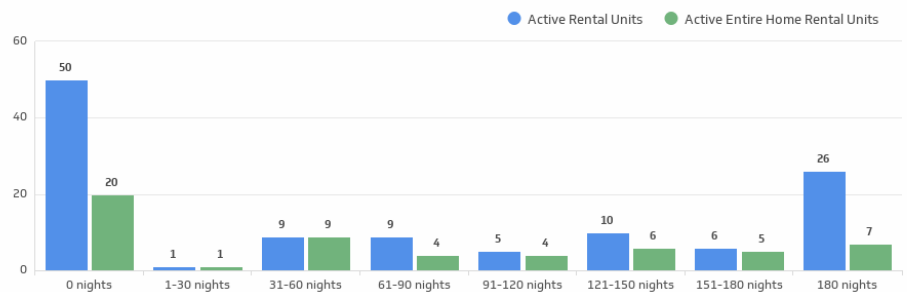
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented



Long Beach District 5

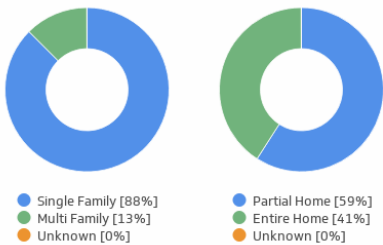
88

Active Listings

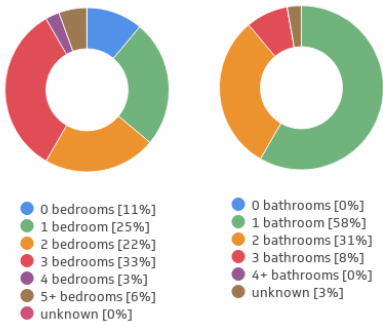
79

Active Rental Units

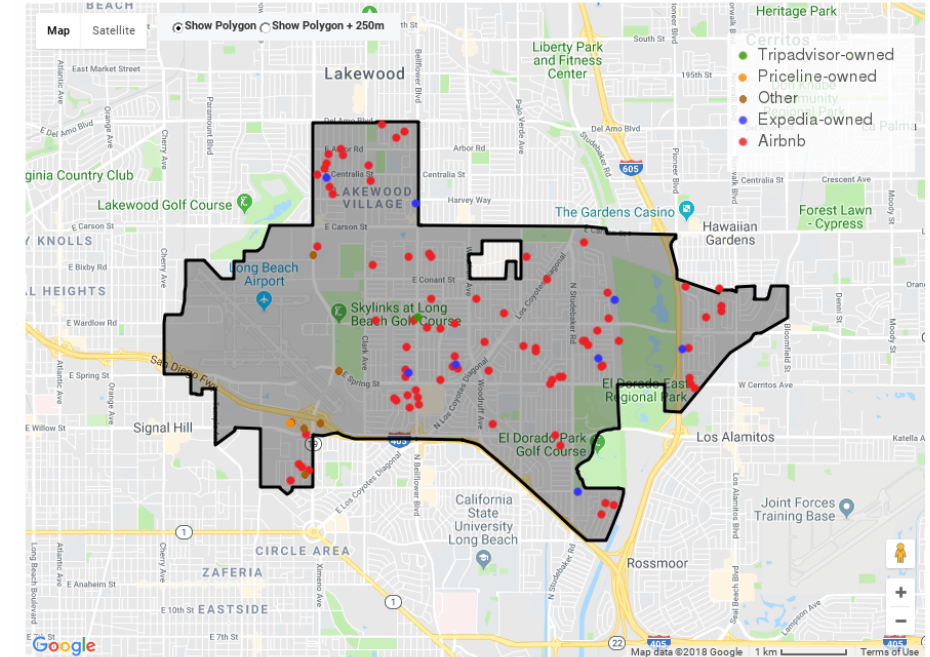
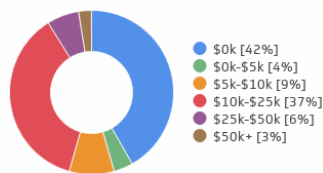
Listing Types



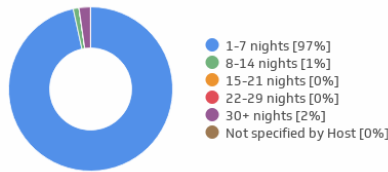
Bedrooms / Bathrooms



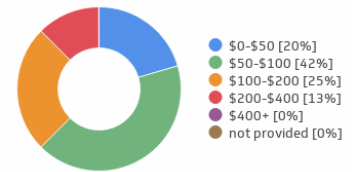
Estimated Annual Rental Revenue



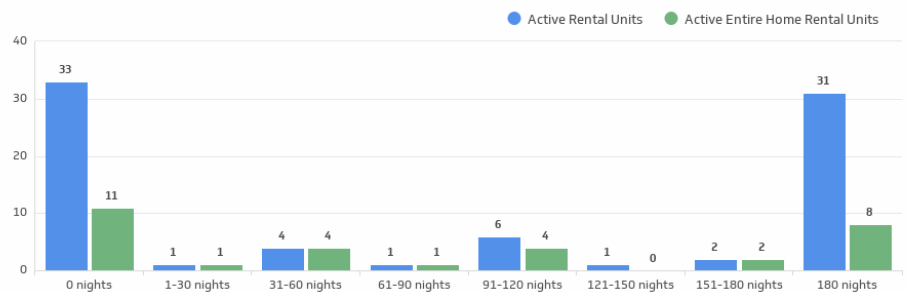
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented

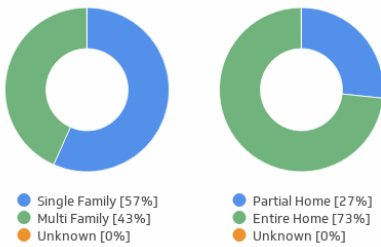


Long Beach District 6

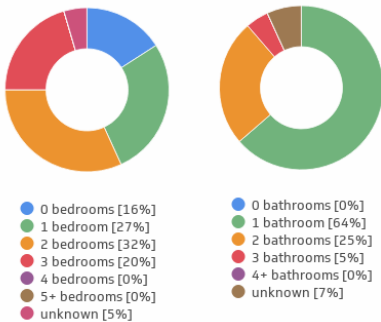
60
Active Listings

50
Active Rental Units

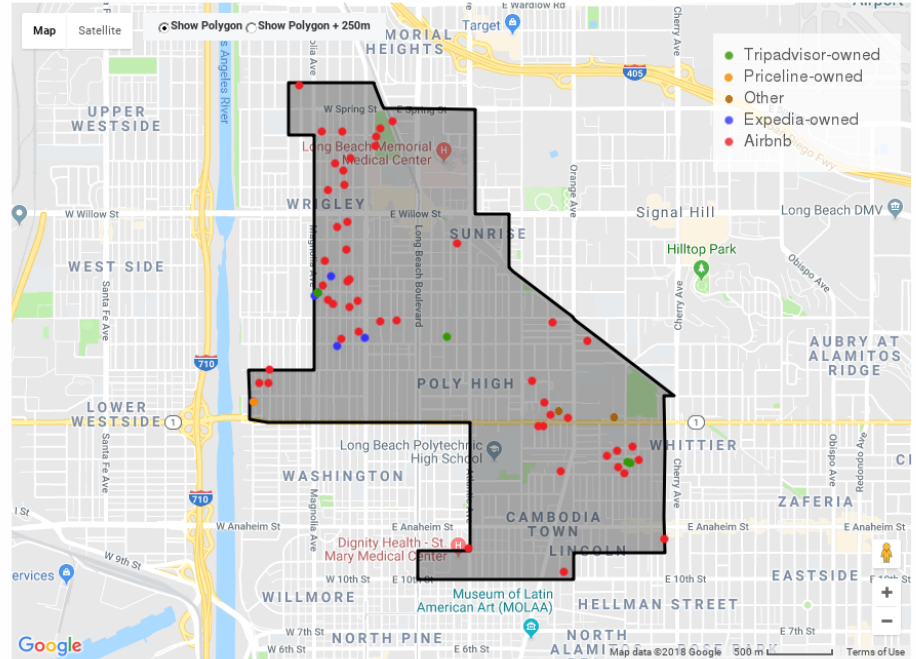
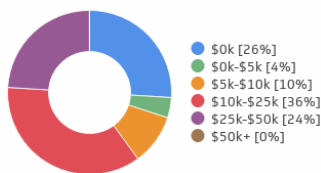
Listing Types



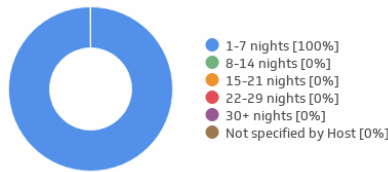
Bedrooms / Bathrooms



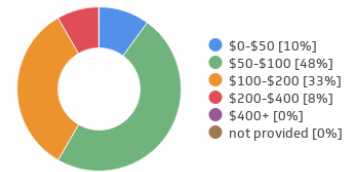
Estimated Annual Rental Revenue



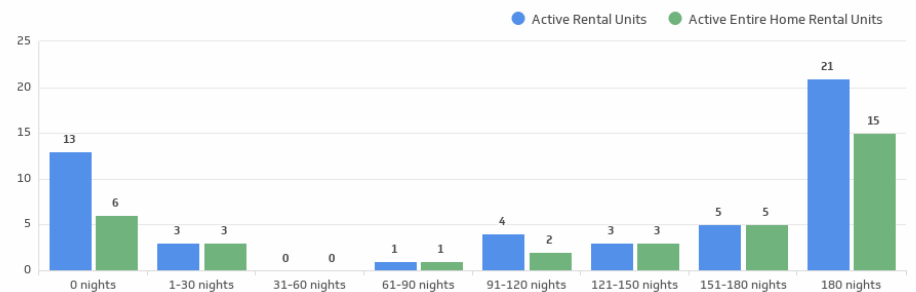
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented



Long Beach District 7

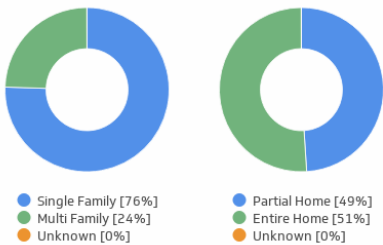
98

Active Listings

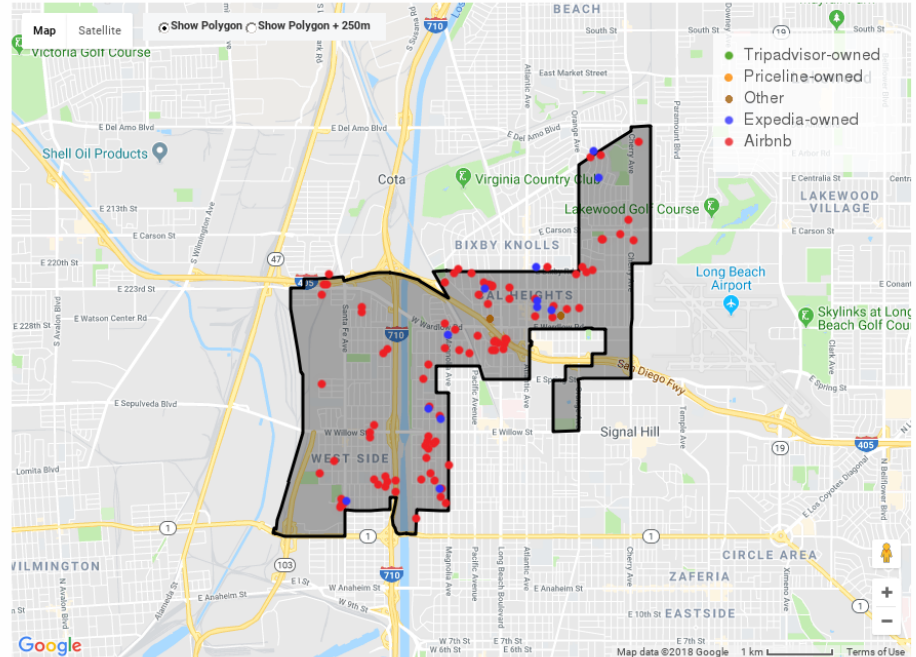
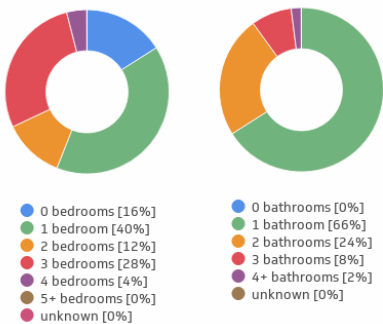
91

Active Rental Units

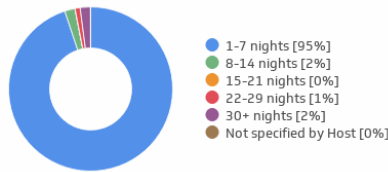
Listing Types



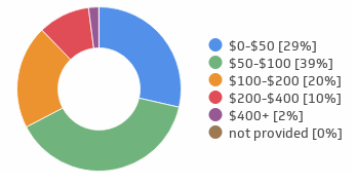
Bedrooms / Bathrooms



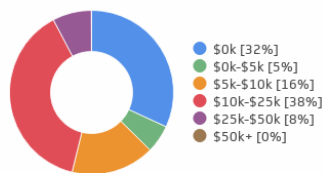
Minimum Nights



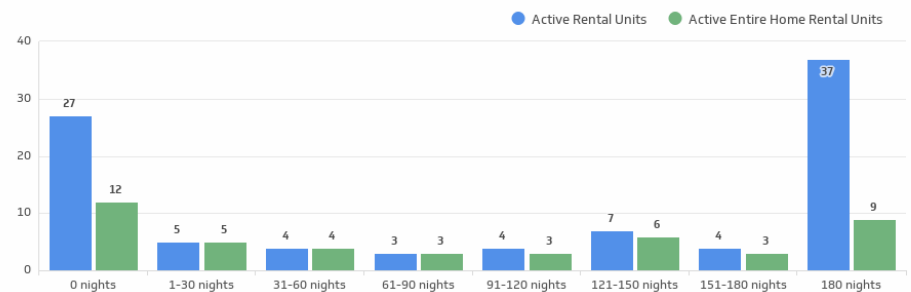
Nightly Rate



Estimated Annual Rental Revenue



Estimated Annual Nights Rented



Long Beach District 8

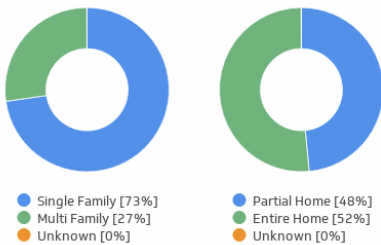
66

Active Listings

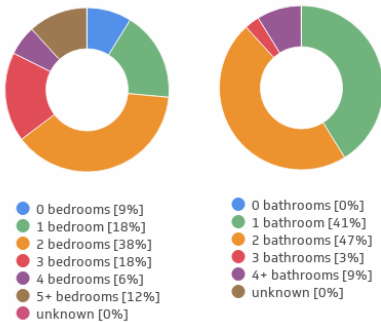
56

Active Rental Units

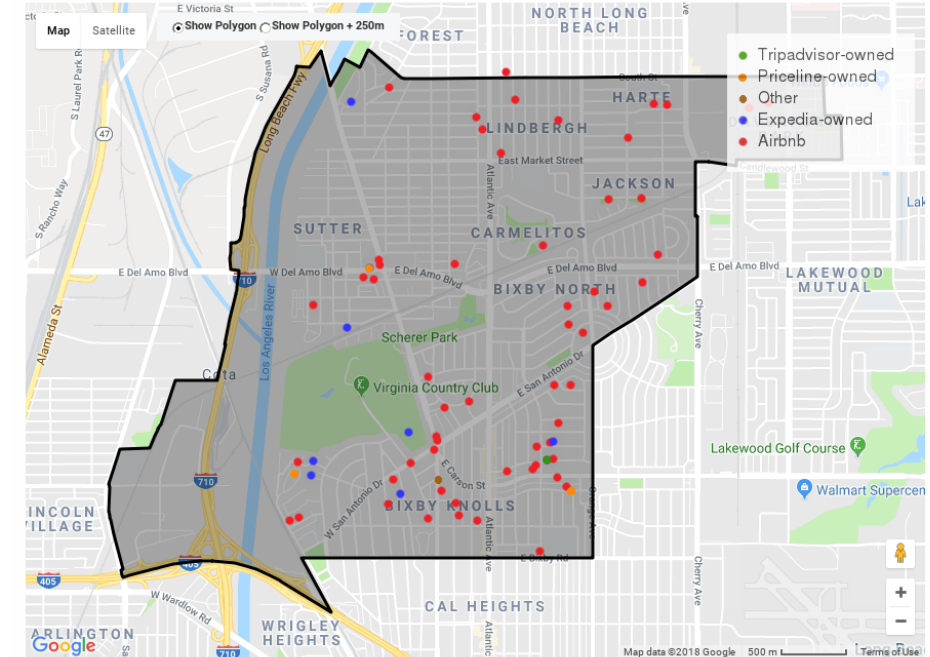
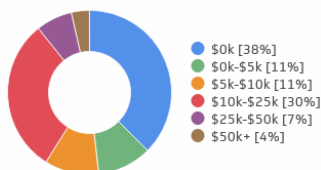
Listing Types



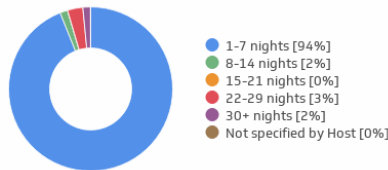
Bedrooms / Bathrooms



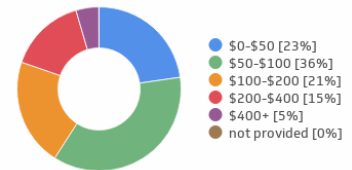
Estimated Annual Rental Revenue



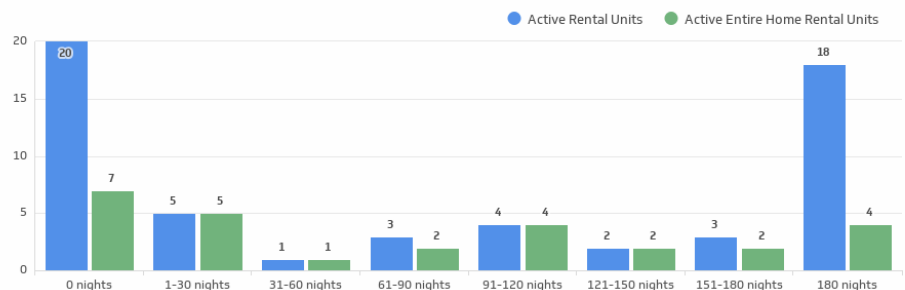
Minimum Nights



Nightly Rate



Estimated Annual Nights Rented

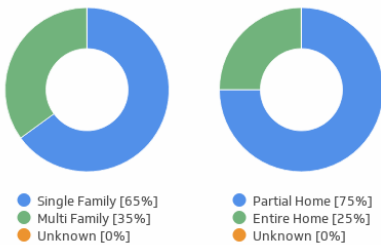


Long Beach District 9

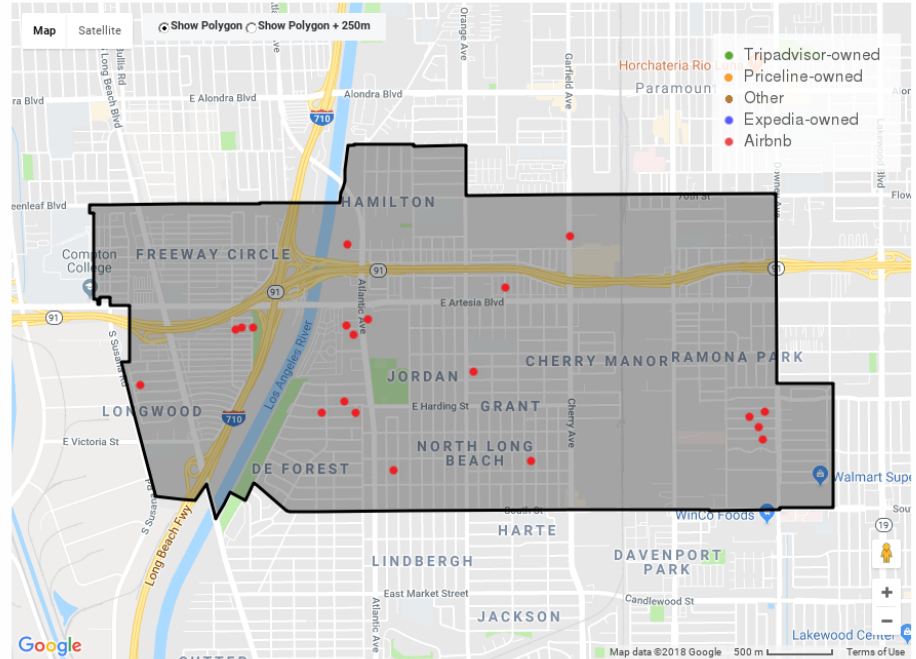
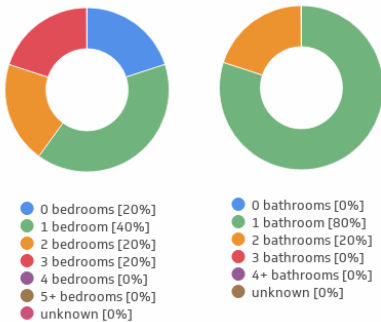
20
Active Listings

20
Active Rental Units

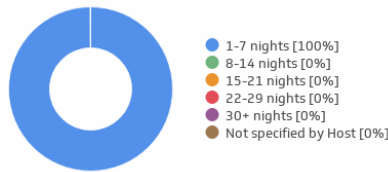
Listing Types



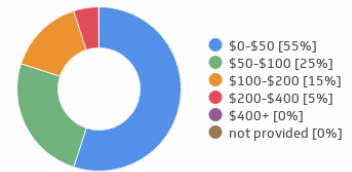
Bedrooms / Bathrooms



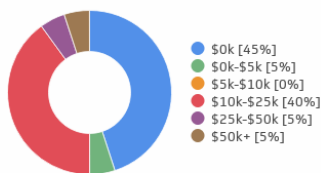
Minimum Nights



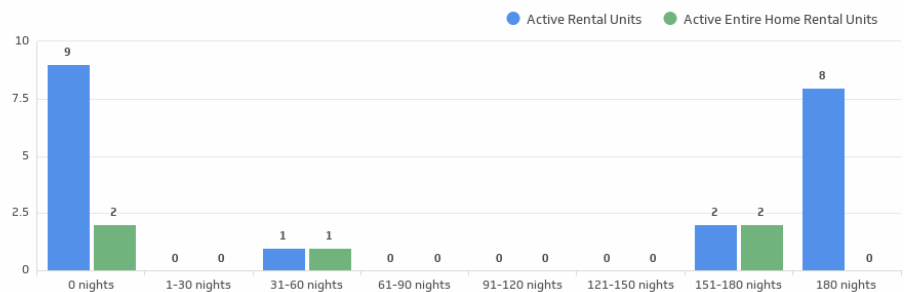
Nightly Rate



Estimated Annual Rental Revenue



Estimated Annual Nights Rented

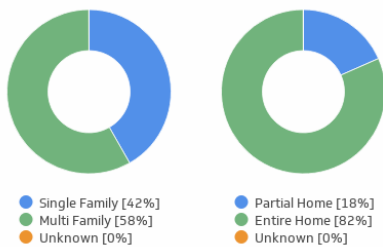


Long Beach Coastal Zone

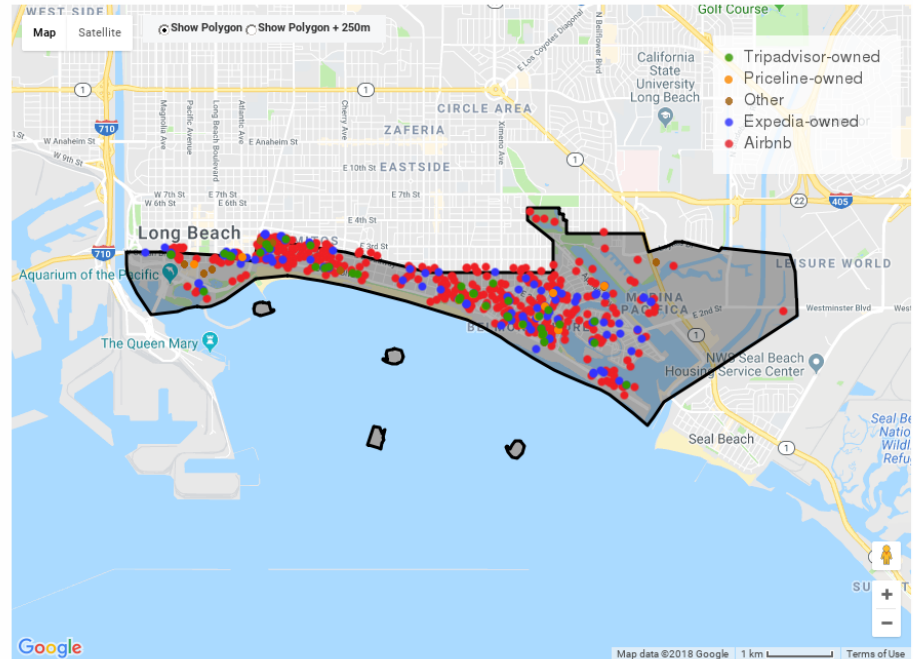
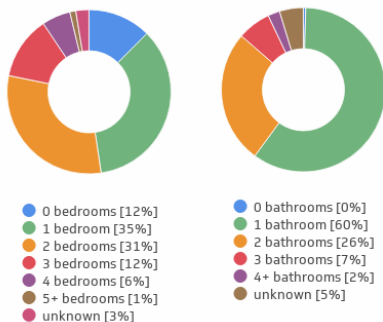
522
Active Listings

426
Active Rental Units

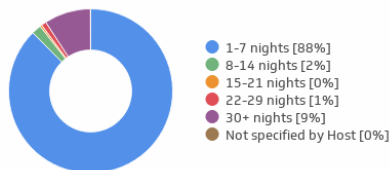
Listing Types



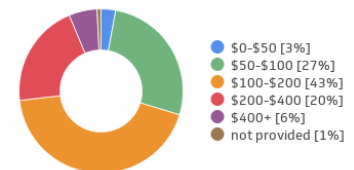
Bedrooms / Bathrooms



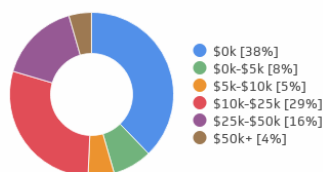
Minimum Nights



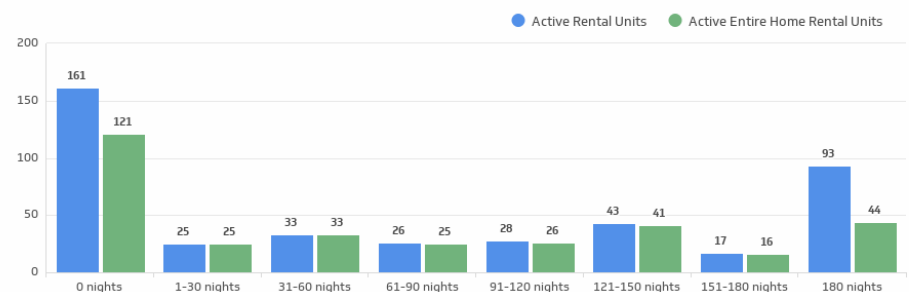
Nightly Rate



Estimated Annual Rental Revenue



Estimated Annual Nights Rented

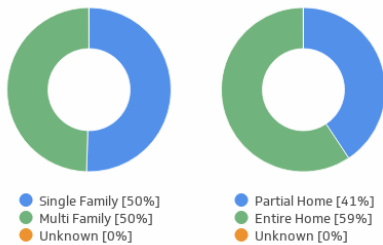


Long Beach Non-Coastal Zone

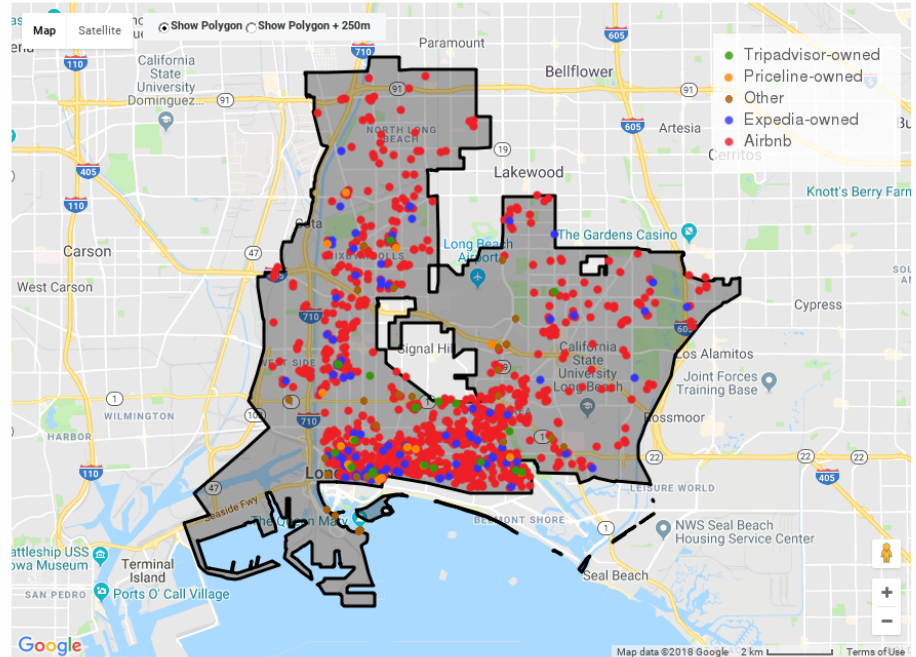
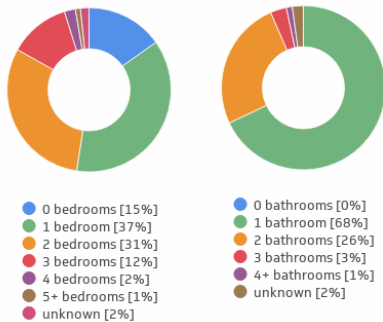
1010
Active Listings

902
Active Rental Units

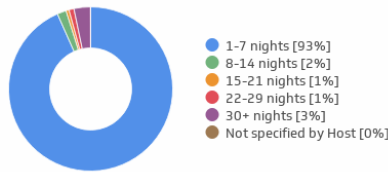
Listing Types



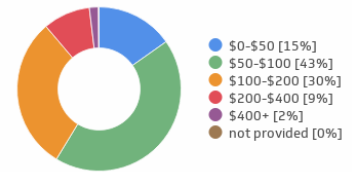
Bedrooms / Bathrooms



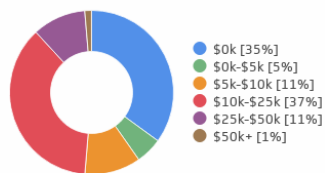
Minimum Nights



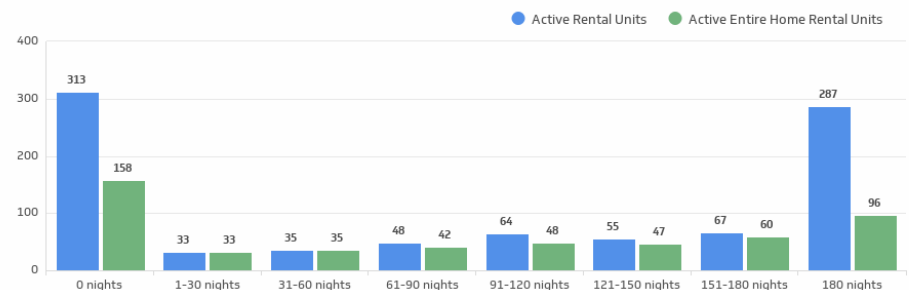
Nightly Rate



Estimated Annual Rental Revenue



Estimated Annual Nights Rented



CASE STUDIES SUMMARY MEMO

DEVELOPMENT OF SHORT-TERM RENTAL PROGRAM AND REGULATIONS CITY OF LONG BEACH

To: City of Long Beach

From: Lisa Wise Consulting, Inc. (LWC)

Date: July 23, 2018

INTRODUCTION

The recent rise of the sharing economy, particularly the significant growth in short-term rentals (STRs), presents opportunities and challenges for communities and lawmakers. While the rise of STRs presents some consistency in policy challenges across jurisdictions, a range of regulatory responses have been instituted to address specific local issues. This memo addresses responses in four California cities to consider as the City of Long Beach (City) formulates STR regulations.

This memo describes STR policies of four California cities: San Francisco, Santa Monica, Newport Beach, and Sacramento. The four case studies were selected by the City of Long Beach (City) in coordination with LWC as representative of a range of approaches. Various approaches have been implemented throughout California and nationally. As such, options for a Long Beach STR ordinance are not limited to those described in this memo.

SUMMARY

Table 1 provides a summary comparison across the four STR case studies. A detailed discussion of each case study's STR regulations follows this table and the Takeaway section.

Table 1 – Short-Term Rental Case Studies Summary

	San Francisco, CA	Santa Monica, CA	Newport Beach, CA	Sacramento, CA
Overview	Only verified permanent residents may rent their primary home as a STR. Prohibited in affordable housing units ¹ , accessory dwelling units (ADUs), and boats/watercraft. Hosting platforms remove invalid listings.	Only hosted STRs (“home sharing”) are allowed. A new ADU is considered as a separate home. Online hosting platforms are prohibited from completing bookings for hosts that are not registered ² .	Not allowed in single-family residential zones or single-family homes in planned developments or specific plan areas. STRs in single-family homes as of June 1, 2004 are grandfathered.	Primary residents may rent their home as a STR. Dwellings that are not primary residences may be rented for 90 days/year. Dwellings that are not primary residences and are rented for more than 90 days/year require a Conditional Use Permit ³ .
Hosted Limit	No limit	No limit	No Limit	No Limit
Un-hosted Limit	90-days	Not allowed	No limit	Primary residence - 181-days ⁴ Not primary residence - 90-days unless CUP issued
Host Requirements	Lived in the unit for ≥ 60 days and must reside in the unit for ≥ 275 nights/year. Property liability insurance of ≥ \$500,000.	Must advertise STR as a shared space. Actively prevent nuisance activities.	Local 24-hr contact. Limit occupants per Building Code. Provide guests with City rules and regulations. Best efforts to prevent nuisance activities.	Local 24-hr contact. Rent to no more than 6 people at one time. Provide guests parking and noise regulations.
Geographic Limitations	Prohibited in The Presidio, Fort Mason, Treasure Island	N/A	Prohibited in single-family residential zones	N/A
STR Permit	STR Residential Rental Registration Application	Business License: Home-Sharing Application	Short Term Lodging Permit/TOT Registration	Short-Term Rental Permit or Conditional Use Permit
STR Permit Fee	\$250 every two years (non-refundable)	No fee	\$93	\$125 ⁵ \$90 renewal (annual)
TOT	14% effective rate	14%	10% effective rate	12%
Business License Fee/Tax⁶	Based on anticipated gross receipts (\$75 if ≤ \$100,000)	Based on anticipated gross receipts (\$75 if ≤ \$60,000) ⁷	\$162 for residentially based businesses	\$50 (hotel rate) ⁸
Misc.	Must post map of fire extinguishers and escape routes.	Exterior signage prohibited. Must provide listing URL on business license application.	Post permit conditions in unit. Must include business license number in listing.	Exterior signage prohibited. Post permit in each rental room. Must include STR permit number in listing.

¹ Affordable housing consists of single-room occupancies (SROs), student housing, dormitories, income-restricted units (e.g., below-market-rate units), and public housing units.

² Hosting platform requirements are not currently being enforced due to a pending lawsuit.

³ These operations are considered as “bed and breakfast inns” (Municipal Code Sections 17.108.030, 17.228.104).

⁴ Difference between 365 days and the primary resident requirement of 184 days per year.

⁵ Conditional Use Permit (CUP) application fees are \$5,000 to \$6,000.

⁶ Fees identified exclude State fees.

⁷ A person who makes \$40,000 or less annually in gross receipts may apply for a Small Business Exemption.

⁸ A hotel type business rate is \$50 plus \$0.75 per unit over four.

TAKEAWAY

Each case study city approaches STR regulation differently based on unique circumstances and objectives, and some are continuing to explore methods to improve STR-related procedures and enforcement. Clear and simple regulations are often most efficient to administer and enforce, but STR regulation has proven to be complicated in the sharing economy era. The reliance on online hosting platforms to take a role in ensuring legality of STRs is apparent but brings significant challenges as well. This memo provides insight on potential regulatory strategies that the City of Long Beach may consider when drafting a STR ordinance.

CASE STUDIES

San Francisco, CA

In 2014, San Francisco was home to over 5,000 STRs, all of which were operating illegally because the City's⁹ Municipal Code did not allow STRs. At this time, the City began the process of developing regulations to allow STRs in a manner consistent with the community's goals for affordable housing and quality of life.

As a strategy for managing potential negative STR impacts, San Francisco's regulations require permanent residency of a STR. This limits the number of STRs because a host must primarily reside in the STR (i.e., live in the STR for at least 275 nights per year). As such, un-hosted rentals are allowed up to 90 nights per year. Furthermore, a host must live in the STR for at least 60 days before applying for an STR permit. The City's Office of Short-Term Rentals (OSTR) verifies primary residency during the review of the STR Residential Rental Registration Application (Application). The OSTR also reviews the Application for compliance with other requirements, including conformance with dwelling conditions (e.g., City Codes, not in The Presidio, Fort Mason, or Treasure Island, not an affordable housing unit, not outdoor sleeping areas, not a boat, etc.) and property liability insurance coverage¹⁰. Application processing time is approximately two to four weeks, but that is expected to decrease after the surge of 2018 permits is addressed (see discussion regarding the settlement agreements with Airbnb and HomeAway, below). The City has allowed hosts to rent their STR while the Application is being processed.

Neighbor notification is only required for STRs in the lowest density, detached single-family zone (RH-1(D)). This entails a courtesy notice to property owners and residential tenants within 300 feet of the proposed STR, as well as nearby neighborhood groups registered with the Planning Department. A 45-day comment period follows; however, neighborhood input will only affect the STR Application if sufficient evidence is submitted to show that the host or unit is ineligible according to City requirements. Also, if the host applying for a STR permit is a tenant, the OSTR will provide the owner of the unit

⁹ "City" is used in this section to refer to the City and County of San Francisco.

¹⁰ Each host must maintain property liability insurance in aggregate of \$500,000 or conduct each STR transaction through a Hosting Platform that provides equal or greater coverage (Airbnb provides this coverage).

notification of the tenant's intent to be a STR host. The OSTR encourages applicants to review their lease and receive permission from the property owner (landlord) prior to applying for a STR permit.

If the STR Application is approved by the OSTR, the host is certified for a two-year period. A \$250 non-refundable fee is required for each Application. Currently, OSTR's rejection or denial rate for STR Applications is 40%¹¹. Hosts are required to submit quarterly reports to the OSTR detailing listing history (i.e., dates of stays for both hosted and un-hosted stays for the quarter).

STR hosts are also required to register (Business Registration Certification) with the City's Office of Treasurer and Tax Collector and collect and remit Transient Occupancy Tax (TOT) (Certificate of Authority to Collect TOT). STR hosting platforms certified as a Qualified Website Company (QWC) by the City may collect and remit TOT on behalf of the host; however, only two platforms have been certified as a QWC: Airbnb in 2015 and Hostwell in 2018. The TOT rate is 12% with the imposition of an additional 2% surcharge, for an effective rate of 14%.

Currently, the OSTR maintains a staff of six with strong analytical skills and planning experience. OSTR is autonomous but works most closely with Planning, Treasurer and Tax Collector, and Attorney Offices. On occasion, OSTR will coordinate with Building, and will work with Digital Services when needed on web or database support systems (primarily during the web/portal/etc. development phases). In addition to host quarterly reports, the OSTR uses information provided by hosting platforms and a third-party contractor to analyze compliance. In fiscal year 2015-2016, the OSTR processed 1,278 STR Applications and pursued enforcement against 267 illegal STR hosts with a budget of \$275,604¹². However, these processing statistics are expected to change in fiscal year 2017-2018 and stabilize thereafter as compliance rates increase and the San Francisco's local market for STRs adjusts to enforcement (see next paragraph). The OSTR's budget has been increasing over time, and its fiscal year 2017-2018 budget was \$524,585.

Despite the requirement for STR hosts to register, in 2015, the City was experiencing an estimated compliance rate of 20% - only 1,082 STR registration applications had been received while Airbnb showed 5,378 unique STRs¹³. In part to address this issue, the City made it a misdemeanor for any hosting platform to list an unregistered host or unit. Subsequently, Airbnb and HomeAway sued the City, courts issued a stay in the case, deferring ruling to a later date, and the City and Airbnb and HomeAway were encouraged to come to an agreement. In a settlement, Airbnb and HomeAway ultimately agreed to help the City enforce regulations requiring hosts be registered with the City¹⁴. Between September 2017 and January 16, 2018, Airbnb reported removing 4,680 San Francisco listings from their site in compliance with the January 16, 2018 deadline for City registration¹⁵. The OSTR described STR listing reductions of approximately 65% for Airbnb and 90% for FlipKey from their peak¹⁶. After notification by

¹¹ Kevin Guy, Director, Office of Short Term Rentals, City and County of San Francisco, teleconference May 31, 2018.

¹² City and County of San Francisco Fiscal Year 2017-2018 Budget.

¹³ Airbnb, Inc. v. City and County of San Francisco, 2016.

¹⁴ Ibid.

¹⁵ San Francisco Business Times, "Even while Airbnb drops nearly half of San Francisco hosts, company says it won't affect business here" 2018.

¹⁶ Ibid.

the OSTR, platforms now have six business days to remove invalid listings and cancel future reservations.

All hosting platforms are also required to submit monthly affidavits to the OSTR affirming they have exercised reasonable care in verifying listings on their site are registered with the City. Furthermore, platforms must maintain business records for all hosts for three years. To streamline registration, platforms may choose to institute a pass-through system that enables guests to complete the required City STR Application on the platforms' site. Currently, the City charges platforms \$40,000 upfront to develop a pass-through system and charges an annual maintenance fee of \$5,000¹⁷. Both Airbnb and HomeAway utilize this pass-through system, and as a result, new listings on these platforms are all City-approved¹⁸.

The City's policy response to the growth in STRs has resulted in a significant shift in the market for STRs in San Francisco. Hosting platforms, like Airbnb and HomeAway, have conceded to regulatory requirements to pull hosts that do not have a valid permit with the City and provide a mutually agreed-upon level of host data to the City, which have contributed to a dramatic improvement in the level of STR compliance. However, according to OSTR, it is unlikely that Airbnb would agree to operating under this arrangement in another city without a legal battle.

Increased compliance has resulted in a fewer STRs operating in San Francisco, which has generated lower TOT revenues (TOT is collected from illegal STRs). Furthermore, with higher levels of compliance, fewer fines are being issued, further reducing revenue. The OSTR requires funding from the General Fund to maintain operations, as STR permit fees also do not support full operation¹⁹. Nonetheless, the Director of OSTR finds that the Office is running smoothly and doesn't foresee any changes to improve protocol or processes.

Santa Monica, CA

Through STR regulations adopted in 2015, the City of Santa Monica aimed to address concerns related to housing affordability and stability and character of residential neighborhoods. The City regulates STRs through two categories - Home-Sharing (hosted stays) and Vacation Rentals (un-hosted stays).

- Home-Sharing is defined as an activity where residents host visitors in their homes, for compensation, for 30 consecutive days or less, and where at least one of the dwelling unit's primary residents lives on-site. Living on-site means being present in the dwelling unit where the home-sharing is being offered, including sleeping overnight, preparing and eating meals,

¹⁷ OSTR, Letter to Platforms, Administrative Guidance, 2017.

¹⁸ HomeAway/LWC teleconference, June 12, 2018.

¹⁹ Although the OSTR strives for full cost recovery, it would be difficult to accomplish this in the absence of either significant penalty revenue (which is declining) or without significantly increasing the STR application fee. The City Controller or the Board of Supervisors could at any time mandate full cost recovery and increase the application fee accordingly.

entertaining, and engaging in other activities in the dwelling unit that are typically enjoyed by a person in their home²⁰.

- Vacation Rentals are defined as the rental of a dwelling unit for “exclusive transient use”, meaning none of the dwelling unit’s primary residents live on-site for the duration of the visitor’s stay.

Vacation Rentals, or un-hosted STRs, are prohibited. Similar to San Francisco, Santa Monica’s resident requirement for Home-Sharing limits the number of STRs, but is more rigid than San Francisco as a resident must be present whenever Home-Sharing takes place. However, a host or resident may be a tenant or the property owner, and there is no limit to how many nights Home-Sharing may occur within a dwelling unit.

The 2015 STR regulations were amended in 2017 to address accessory dwelling units (ADUs), which must be allowed under recent State legislation. An ADU that received a building permit on or after March 31, 2017 is considered a separate dwelling unit for the purposes of Home-Sharing, meaning that a new ADU may not be rented on a transient basis even while a resident is present in the primary dwelling. In advertisements for Home-Sharing, the host is required to clearly advertise the unit as a shared space unless the advertised rental is an allowed accessory structure (i.e., not an ADU that received a building permit on or after March 31, 2017).

These STR regulations were upheld by a recent Court decision, finding the Home-Sharing Ordinance is a proper exercise of the City’s police power and is not preempted by the Coastal Act. The Court specifically concluded that the Ordinance does not require a Coastal Development Permit from the Coastal Commission because it is not “development” under the Coastal Act. Further, the Court concluded that the Ordinance is not an improper amendment to the City’s existing certified Coastal Land Use Plan²¹.

STR host must register with the City by completing a Business License: Home-Sharing Application (Application) and pay the effective business license tax. The business license tax is \$75 on the first \$60,000 of gross receipts, and a tax of 0.3% is assessed on every \$1,000 above \$60,000²². During the review of this Application, the City evaluates proof of residency, which can be provided in the form of a bank statement, utility bill, phone bill, cable bill, or credit card bill. It typically takes a week to process an Application. The host platform website and the listing number is required to be provided on the Application.

Santa Monica also imposes hosting platform requirements; however, a case is pending between the City and two major hosting platforms (Airbnb and HomeAway, see later discussion). All platforms that collect payment for a Home-Sharing rental are responsible for collecting and remitting TOT. Subject to applicable laws, platforms are also required to report rental addresses, name of person responsible for the listing, length of each stay, and price paid for each stay to the City on “a regular basis”. Perhaps most

²⁰ City of Santa Monica Municipal Code Section 6.20 and Home-Sharing Ordinance Rules, July 1, 2017.

²¹ Denise Smith, Administrative Analyst, City of Santa Monica, June 7, 2018.

²² This tax is not specific to STRs (the City used the existing tax code). A person who makes \$40,000 or less annually in gross receipts may apply for a Small Business Exemption.

importantly, platforms are prohibited from “completing any booking transaction” unless the unit is listed on the City’s publicly available Home-Sharing registry. However, the City’s Code includes a “safe harbor” exclusion whereby hosting platforms operating exclusively online are presumed to be in compliance with the City’s regulations but must comply with administrative subpoenas issued and served by the City to obtain specific information (e.g., names of person(s) responsible for listings, length of stay, price paid for each stay, etc.). The online hosting platform has a minimum of 30 days to provide the information.

Home-Shares are not allowed to advertise on the exterior of the unit and must include the business license number in all advertisements, as well as remit TOT (set at 14%). Following a series of citations, Airbnb began complying with the City’s TOT requirements, remitting TOT on behalf of hosts in November 2015. TripAdvisor is the only other hosting platform remitting TOT on behalf of hosts in Santa Monica. Furthermore, a STR host is required to take responsibility for an actively prevent any nuisance activities that may result from STR activities.

The City has a three-person Code Enforcement task force dedicated to enforcement of STR regulations (one Administrative Analyst and two Code Enforcement Officers). City staff from the Finance Department (Business License and Revenue) are involved as well but are not dedicated solely to the STR program; the City uses no outside contract services for administration or enforcement. Complaints initiate 75% of enforcement cases, and 25% are proactive or City-initiated. Citizen complaints are crucial to enforcement efforts because citizens can provide exact addresses and names of hosts who are tenants in multi-family units.

The City issues fines of \$500 for advertising, facilitating, or operating violations or operating without a business license, and \$75 for failure to pay TOT²³. Most of the citations (65%) have been for advertising violations. Full investigative costs on administrative citations can be charged to violators in addition to the fines. Further, unregistered hosts are required to pay back TOT and remit all illegally obtained rental revenue, so it may be returned to guests or victims of illegal STRs, in addition to compensating the City for the cost of the investigation. These amounts are determined during the City’s investigation, and the illegally obtained revenue consists of post-stay revenues. Citations can be appealed, but the City has prevailed in all but two of 34 appeals in a 12-month period. The average amount of time a STR case is open is five months, and as of February 2018, the Code Enforcement task force was investigating 150 active cases. Ten criminal cases are pending and being pursued by the City Attorney’s Office.

According to Code Enforcement, the primary challenge is proving that the host is not present during guest stays; although, the City would not disclose its enforcement strategy out of concern for compromising its effectiveness. Additional challenges are identifying hosts in multi-family apartment buildings and hosts coaching guests to tell enforcement officers and neighbors that they are friends or relatives of the host²⁴. Just over half of licensed STRs occur in single-family homes, and most hosts (70%) are property owners²⁵. The average nightly rental rate is \$163.

²³ Ibid

²⁴ Ibid

²⁵ Information Item, Short-Term Rental Program Update, City of Santa Monica, February 9, 2018.

The City typically receives approximately \$2 million annually in TOT revenue from STRs. According to the City's Home-Sharing registry²⁶, there were just over 200 legal Home-Shares in April 2018. This number grew to almost 300 as the summer tourist season kicked-off in early June 2018. The City requires TOT remittance from legal and illegal STRs, and the total number of STRs in Santa Monica was not available, but the City estimated 502 unlawful listings in February 2018. The most recent numbers for collection of STR fines was approximately \$80,000 annually. STR revenues (TOT, permit fees, and fines) are deposited in the City's General Fund. STR revenues far outpace the City's cost to administer STR regulations, which is less than \$500,000 per year.

Initially, the City took enforcement action against two of the major online hosting platforms and collected \$42,630 in fines from those platforms. However, recent litigation has prevented the City from continuing enforcement against hosting platforms. In 2016, Airbnb and HomeAway filed suit against the City²⁷, following the adoption of its original ordinance that banned vacation rentals and made it a misdemeanor for a platform to complete transactions for unregistered properties. Ruling in the case is still pending, though a petition for preliminary injunction filed by HomeAway and Airbnb was denied in March 2018²⁸. While both San Francisco and Santa Monica's regulatory policies place similar requirements on platforms, and both cities are in the jurisdiction of the California Ninth Circuit of Appeals, San Francisco's STR program developed from settlement agreements with Airbnb and HomeAway and is not based on legal precedent established in court.

Newport Beach, CA

The City of Newport Beach regulates STRs through zoning and business regulations to address concentrations of tourists that can cause neighborhood disturbance issues (e.g., parties, noise, trash, etc.). The Zoning Code prohibits "short-term lodging" in the Residential-Agricultural (R-A) Zone and the Single-Unit Residential (R-1) Zone, which are detached single-family home zones. STRs are allowed by-right in the higher intensity residential zones. A complicating factor is that STRs in existence as of June 1, 2004 and located in the R-1 Zone are "grandfathered", meaning they may continue to operate, regardless of the current zoning prohibition. The City has only revoked the right to operate one of these R-1 Zone STRs upon demolition of the structure in which a grandfathered STR was operating; however, City staff has discussed the possibility of revoking this right if STR operation is discontinued for a certain period. An estimated 200 grandfathered R-1 Zone STRs exist²⁹.

The Code does not limit the number of nights a STR may be rented, regardless of whether the rental is hosted or un-hosted. Additional requirements include the provision of a 24-hour local contact who is available to respond to complaints, limiting the number of guests in accordance with the Building Code, and providing City rules and regulations to guests, including the number and location of on-site parking spaces and trash location and pick-up information. Hosts must use "best efforts" to ensure guests do

²⁶ <https://data.smgov.net/Permits-Licenses/Home-Sharing-Registry/qza6-nc9s/data>

²⁷ *HomeAWAY. COM, INC. v. City of Santa Monica*, No. 2: 16-cv-06641-ODW (AFM) (C.D. Cal. Mar. 9, 2018).

²⁸ <https://www.santamonica.gov/press/2018/03/13/city-of-santa-monica-prevails-against-airbnb-and-homeaway>

²⁹ Ellen Brenan, Revenue Department, City of Newport Beach, teleconference May 25, 2018.

not create unreasonable disturbances, including posting conditions of the STR Permit in a conspicuous place within the unit.

STR hosts are required to register with a business license, and subsequently complete a Short-Term Lodging Permit Application and Transient Occupancy Tax Registration form (STR Permit/TOT registration). A \$93 fee is required with the STR Permit/TOT registration, and the annual business license tax is \$162 for residentially based businesses. If a STR operator is different from the property owner, and that operator is collecting TOT on behalf of the owner, the operator's information must be provided on the application form. If the information is complete and accurate, processing will take only 5 to 10 minutes, although there is frequently further clarification needed³⁰. While the business license requires annual renewal, the STR Permit/TOT registration does not. The STR Permit/TOT registration is non-transferable (i.e., a new owner would need to reapply). In May 2018, the total number of licensed and permitted STRs in Newport Beach was 1,368.

STR operators or agents are required to submit TOT forms quarterly, and the property owner is required to sign the TOT form annually, even if no TOT is due to the City. According to City staff, this requirement seems to cause confusion to property owners, and City staff spends time each year enforcing this requirement. The City has no arrangement with any online hosting platform to collect and remit TOT. The TOT rate is 10%, and the City collects TOT from illegally operating STRs, including the payment of back taxes when an illegal or noncompliant STR is identified. The amount of back taxes is determined by the statement of rental history provided by the STR operator, which may be provided in response to City correspondence identifying that the STR operator can be audited by the City.

Since STR regulations reside in Business License and Zoning titles of the Code, both the City's Revenue Division staff and Community Development Department Code Enforcement staff are charged with enforcement. Currently, the City's Revenue Division has one part-time employee processing STR Permit/TOT registrations and issuing notices to comply with STR Permit and business license registration requirements. When the business license registration is submitted, the City cross references the address with the City's GIS (mapping system) to verify the STR is located within an allowed zone. Additionally, the City contracts with a third party to verify online STR listings are valid based on the business license and STR Permit/TOT registration numbers posted in the listing, or lack thereof (it is required to be included in the advertisement)³¹. The Community Development Department's Code Enforcement staff is tasked with enforcing compliance of the Zoning Code, namely issuing citations to STRs located in the R-1 Zone, where STRs are prohibited. There is no Community Development Department Code Enforcement staff dedicated solely to STR compliance. According to the Revenue Division, STR revenues (permit fees, TOT, fines) have outpaced the cost of STR program staffing; however, these revenues are deposited into the General Fund, not set aside for specific purposes.

The split of enforcement responsibilities was cited by the City as a source of confusion. Furthermore, Code Enforcement staff cited residents' reluctance to report complaints as a challenge in enforcing regulations and that officers are typically not available when complaints are most likely to be reported

³⁰ Ibid.

³¹ Host Compliance provides the City with data on active listings.

(evenings and weekends). City staff also identified a need for clearer distinction between revocable offensives and minor violations to enable effective enforcement. Staff recommended establishing higher fines for illegal STRs³² and requiring the posting of 24-hour contact information on the outside of STRs as potential ways to improve compliance. Lastly, Code Enforcement staff recommended the STR Permit/TOT registration should be valid for one-year to generate annual permit revenue that covers enforcement costs. It is estimated that a couple hundred STR code enforcement cases are opened each year in Newport Beach.

Sacramento, CA

Through STR regulations, the City of Sacramento aimed to achieve a balance between property owners supplementing their income and bringing more visitors to Sacramento while preserving the structure and function of residential neighborhoods. The City addresses STRs through special use regulations for Bed and Breakfast Inns (Sections 17.108.030 and 17.228.104) and business license regulations (Chapter 5.114). Bed and Breakfast Inns are broadly defined as “a dwelling unit in which temporary night-to-night lodging, with or without meals is being provided for compensation.”

A STR is defined as a Bed and Breakfast Inn that rents to no more than six guests at one time³³, and if the dwelling unit is not the primary residence of the STR permittee, lodging is provided for no more than 90 total days per calendar year³⁴. “Primary residence” means the STR permittee resides in the dwelling for at least 184 days per calendar year. Thus, STRs that are primary residences could provide entire unit, or un-hosted, rentals up to 181-days per year. Special events, such as weddings, are prohibited in STRs. If the 90-day threshold for non-primary residence STRs is exceeded, a Conditional Use Permit (CUP) may be obtained to allow total guest stays to exceed 90 days per year. The fee for a CUP is \$5,000 to \$6,000 and requires Zoning Administrator approval. There are currently three STR CUPs pending³⁵.

STRs are required to register with a business license and obtain a STR Permit to operate. A \$125 fee is required for new STR Permit applications and a \$90 renewal fee applies every year. STR Permits can be denied if the dwelling is subject to an enforcement action or if the dwelling, property owner, or occupant has been found in violation of the Code (e.g., Building Code, nuisances, etc.). The STR Permit process typically take two weeks. After the issuance of a STR Permit, the City will send notification to all property owners within 200 feet of the permitted STR, and the notice will contain the location of the STR and the contact information of the permittee. For STRs that are not primary residences, the City requires a local (within 30 miles) contact who can quickly respond to complaints. The City has found the 200-foot notification effective in having neighbors contact the local representative to address issues before contacting the City. Further, a copy of the STR Permit must be posted in each guest room; no exterior

³² Current fines range from \$100-\$3,000 depending on the violation (Matt Cosylion, Community Development Department, Code Enforcement, City of Newport Beach, May 29, 2018).

³³ Bed and Breakfast Inns with up to seven guest rooms in lower density residential zones required a Conditional Use Permit approved by the Zoning Administrator.

³⁴ Sacramento Municipal Code Section 17.228.104(D).

³⁵ Cynthia L. Smith, MPA, Finance Department, City of Sacramento, June 11, 2018.

signage is allowed. STR Permits are non-transferrable (i.e., a new property owner would need to reapply).

Challenges identified by the City are registering STRs already in existence and enforcing the guest limit of six people³⁶. The City stated that requiring platforms to ensure hosts are compliant would be desirable (as is being done in San Francisco), but is not a current requirement. Additionally, the City does not have an online process to facilitate the STR Permit application process; STR Permit must be submitted via mail, in-person, or placed in the City's drop box outside Finance Department office. Currently the City uses host advertising to enforce compliance with the six-person guest limit (i.e., any advertisement offering STRs that sleep more than six people).

All STRs are required to pay the 12% TOT and pay an annual business tax of \$50 (hotel rate). STRs that are not primary residences are required to submit quarterly registers documenting dates of stays, how many guests stayed on each date, and the amount paid by guests for each night. These registries are also used by the City to track compliance with the 90-day rental limit for non-primary residence STRs. The City requires TOT remittance from illegal or unpermitted STRs.

There are currently 143 STR Permits issued, and TOT revenues from STRs have been increasing since the ordinance went into effect: 1st year - \$6,200, 2nd year - \$46,000, and \$400,000 so far in fiscal year 2017-2018. The significant increase in TOT revenue resulted from the City executing an agreement with Airbnb to remit TOT on behalf of hosts. However, the agreement with Airbnb limits the City's TOT audit process for STRs, as compared to the audit process conducted for traditional hotels.

All advertisements must include the STR Permit number. Although any person who violates the City's requirements is liable for civil penalties of \$250 to \$25,000 for each day the violation continues, the City has not issued any large citations (e.g., \$25,000) to-date. Additionally, the Code includes clear procedures for revocation of a STR Permit, but the City has not revoked a STR Permit to-date.

There is one full-time employee dedicated to the STR program, who works in conjunction with Code Enforcement, the Police Department, Planning, and the public. The City's Code Enforcement Division is responsible for enforcement, and there are currently nine open STR cases. No outside contractors provide support, but the City is currently in the process of exploring a third-party vendor to assist with registration compliance.

³⁶ Ibid.

Appendix 4

STAKEHOLDER INTERVIEW SUMMARY MEMO

DEVELOPMENT OF SHORT-TERM RENTAL HOUSING PROGRAM AND REGULATIONS CITY OF LONG BEACH

To: City of Long Beach

From: Lisa Wise Consulting, Inc. (LWC)

Date: June 26, 2018

INTRODUCTION

On Wednesday and Thursday, April 25 and 26, three representatives from Lisa Wise Consulting, Inc., (LWC) conducted personal interviews with 40 individuals as part of the Development Short-Term Rental Housing Program and Regulations project for the City of Long Beach. Follow up telephone interviews were conducted with two stakeholders who were unable to attend on April 25 or 26. The interviews were the first step in an extensive process aimed at gathering input from the community to inform the development of an ordinance to address short-term rentals (STR) in Long Beach.

The comprehensive community outreach strategy (described in the Community Outreach Plan) includes:

- **Stakeholder Interviews**
- Community Kickoff Workshop
- Online Survey
- Community Roundtable Workshop
- Public Review Workshop
- City Council (Public) Hearings for the Adoption Process

METHODOLOGY

LWC Vice President, Henry Pontarelli, Senior Associate and Project Manager, Jen Daugherty, and Associate, Jennifer Ly conducted 17 interviews with individuals and groups that ranged from one to seven respondents. The survey instrument, which was used to guide each interview, was comprised of open-ended questions which enabled respondents to drive the interview process and voice their perspective of highest priority concerns and opportunities surrounding STRs in Long Beach. The survey instrument is attached as Exhibit A.

Confidentiality builds trust, protects stakeholders from real or perceived harm, and assures more accurate responses. As such, the interview protocol included assuring respondents that participation was voluntary. Respondents were also informed that interview results would be reported in aggregate form where no comment(s) could be attributed to any individual. The following individuals and groups were represented:

- Business Improvement Districts (BIDs)
- City of Long Beach
- Groups Organized to Oppose STRs
- Host and Home-Sharing Groups
- Hosting Platforms
- Housing Organizations
- Neighborhood Associations and Organizations
- Residents
- STR Hosts
- Tourist/Leisure/Hospitality Industry

Small group and one-on-one interviews are an effective way to gather insight that may be difficult in larger group settings.

SUMMARY OF FINDINGS

Generally, respondents were prepared, articulate, and deferential when in a group. The majority of respondents expressed an understanding that STRs represent opportunities and potential problems for the community and were interested in finding a solution.

Opportunities included homeowners being better able to afford their homes, particularly older or retired homeowners, and that STRs promote Long Beach as an attractive and friendly destination as well as help to support local businesses. Respondents were generally aware that some STRs had been disruptive in some neighborhoods due to noise and parking, and some identified that STRs may reduce housing supply and adversely affect property values.

Responses to questions that considered allowing STRs included that transient occupancy tax (TOT) should be collected from STRs, business license requirements should be applied to STRs, and other controls be established for un-hosted STRs. Enforcement was frequently identified as an issue or area of concern.

Additional feedback ranged from individual homeowners who were concerned with a specific property to comments on how Long Beach Transit routes should be increased between areas of the city where STRs are concentrated and amenities like the beach, Aquarium, retail districts, and the airport. Several respondents offered to participate in upcoming outreach opportunities and offered to answer additional questions or clarify points from their interview. These observations are an indication of trust in the process.

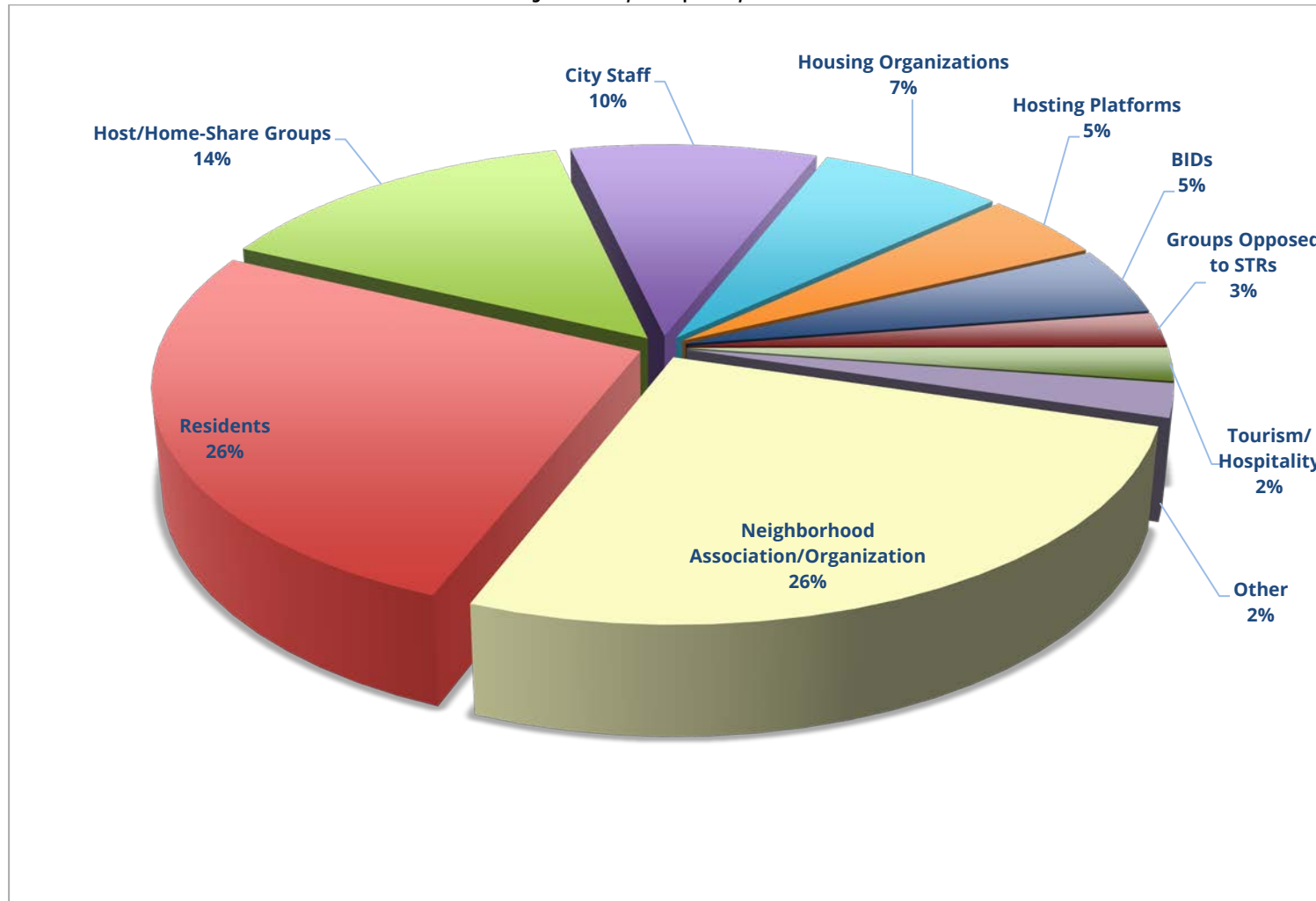
The following charts summarize the responses to each question.

“Whatever we decide, we need to make sure Long Beach keeps its reputation as an inviting, friendly place” – from an April 25th interview

Survey Participants

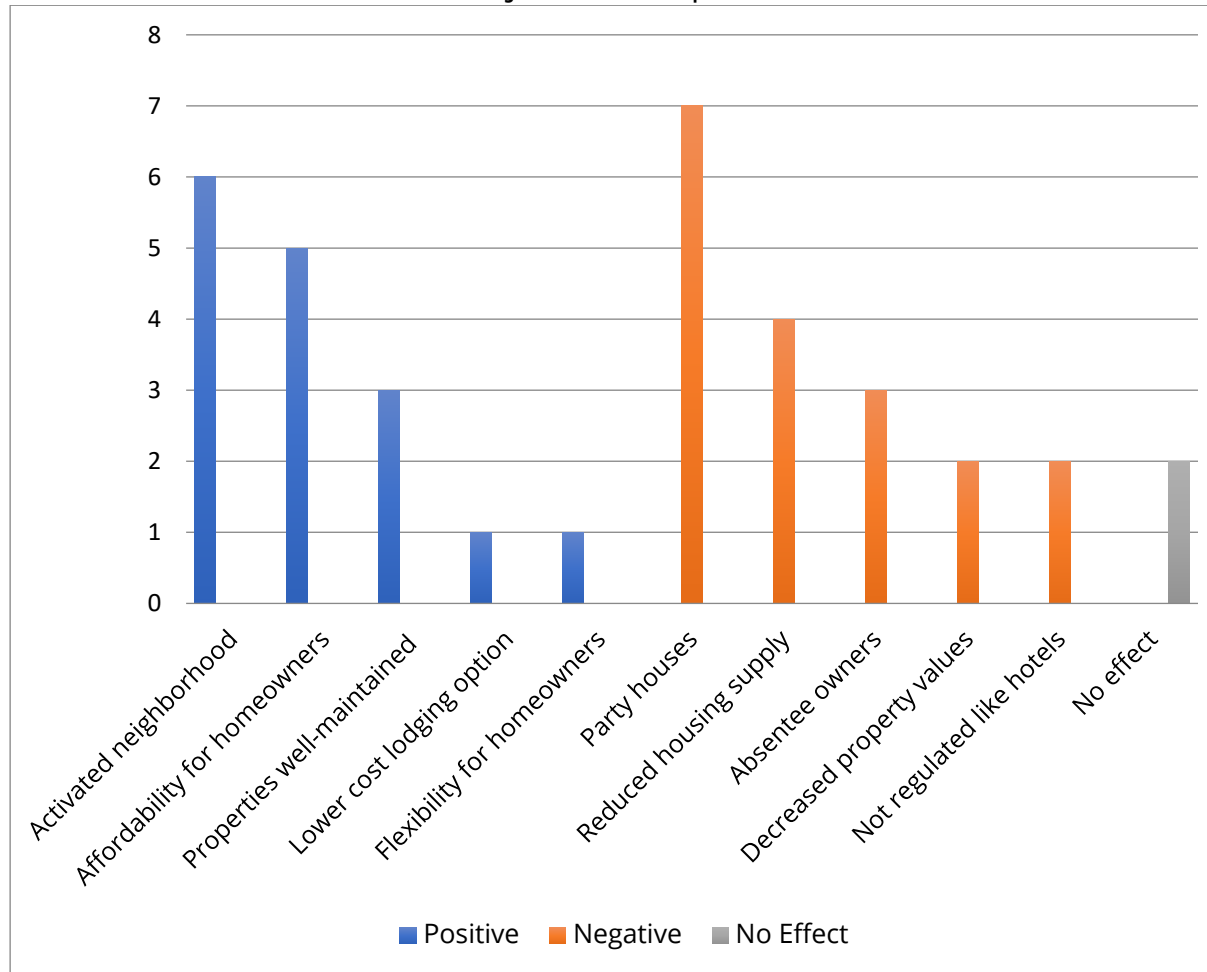
Figure 1 illustrates the percentage of survey participants by affiliation.

Figure 1: Survey Participants by Affiliation



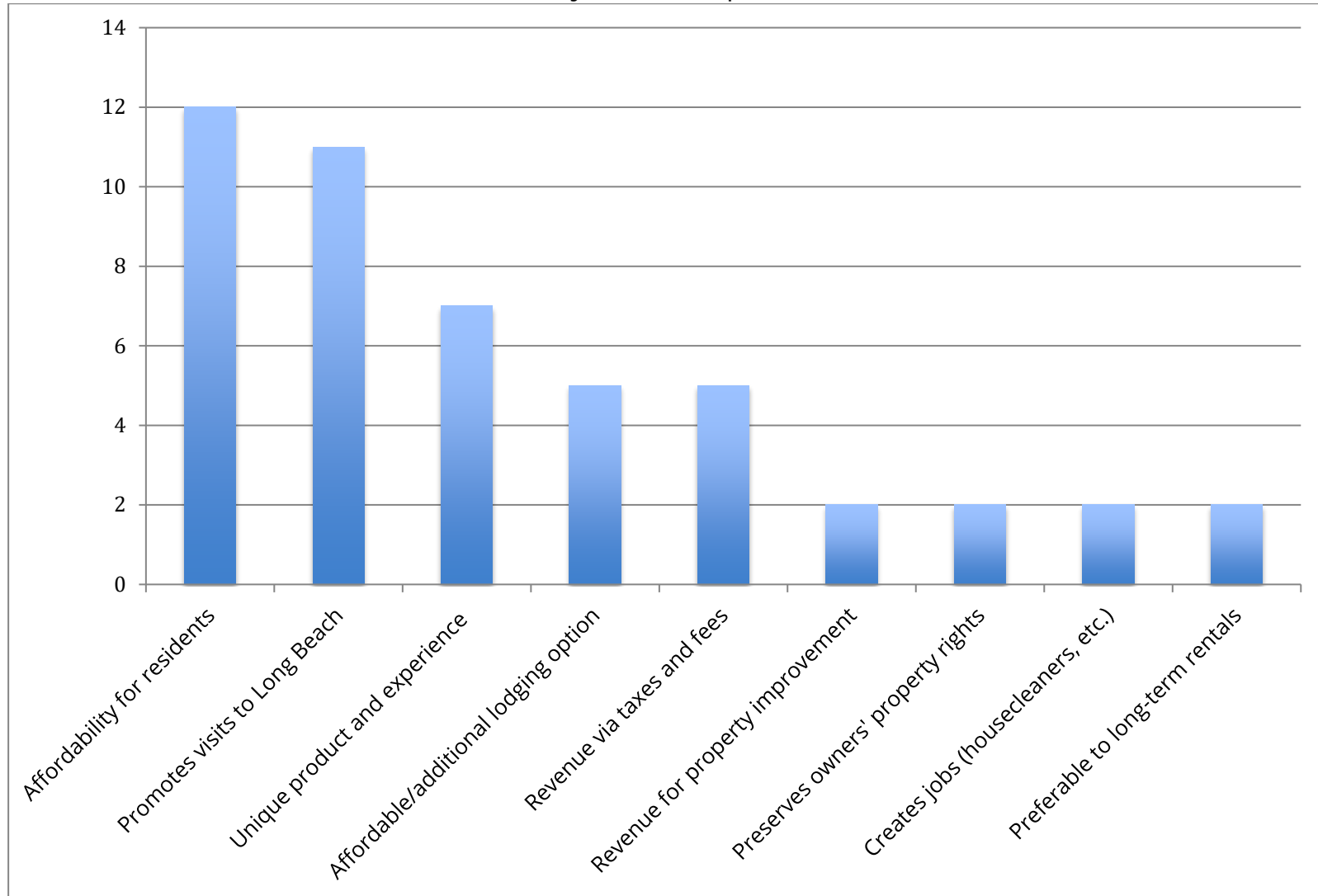
Question #1: How has your community been affected, either positively or negatively, by short-term rentals?

Figure 2: Question #1 Responses



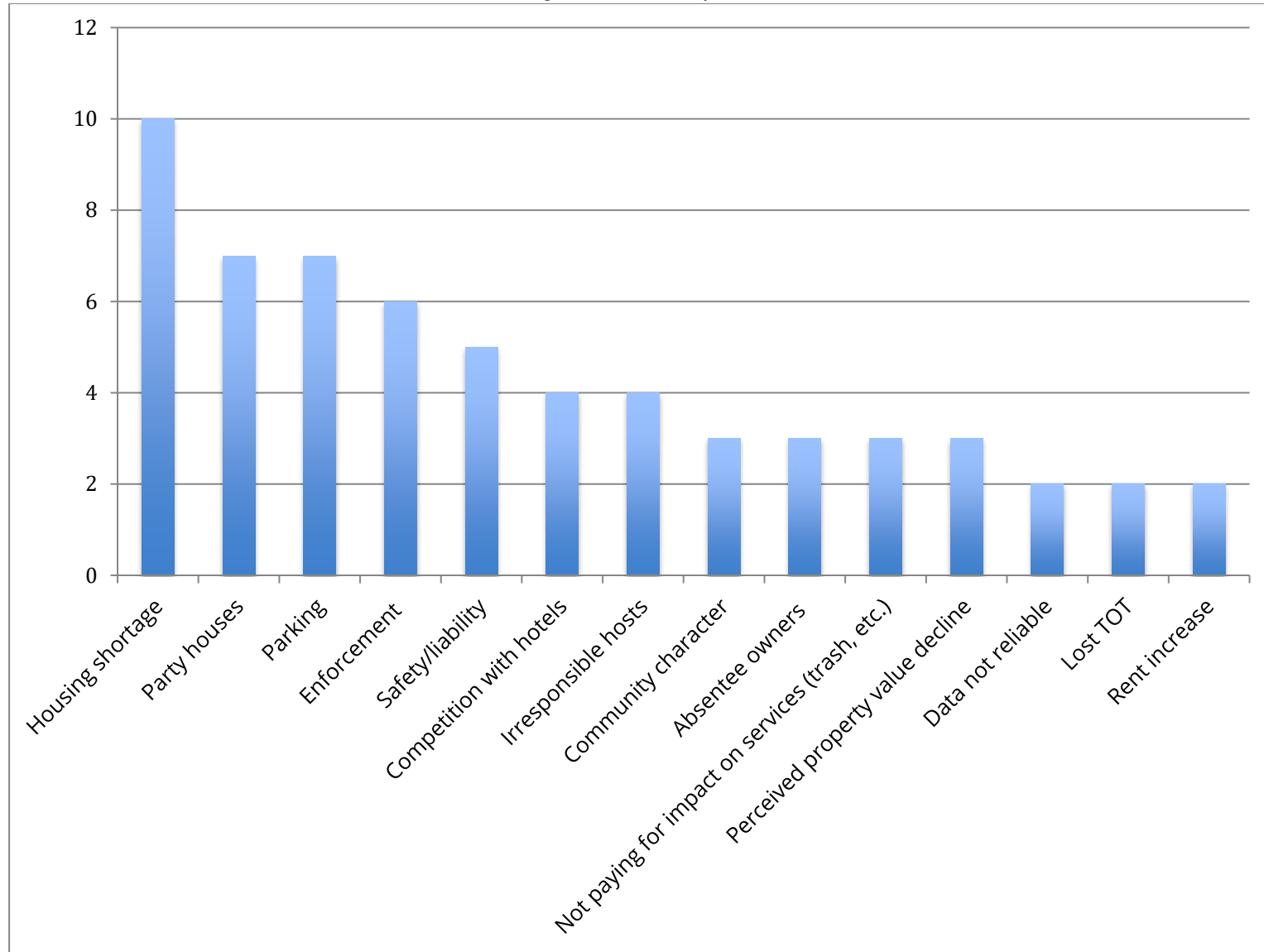
Question #2: In your opinion, what are opportunities relating to short-term rentals in Long Beach?

Figure 3: Question #2 Responses



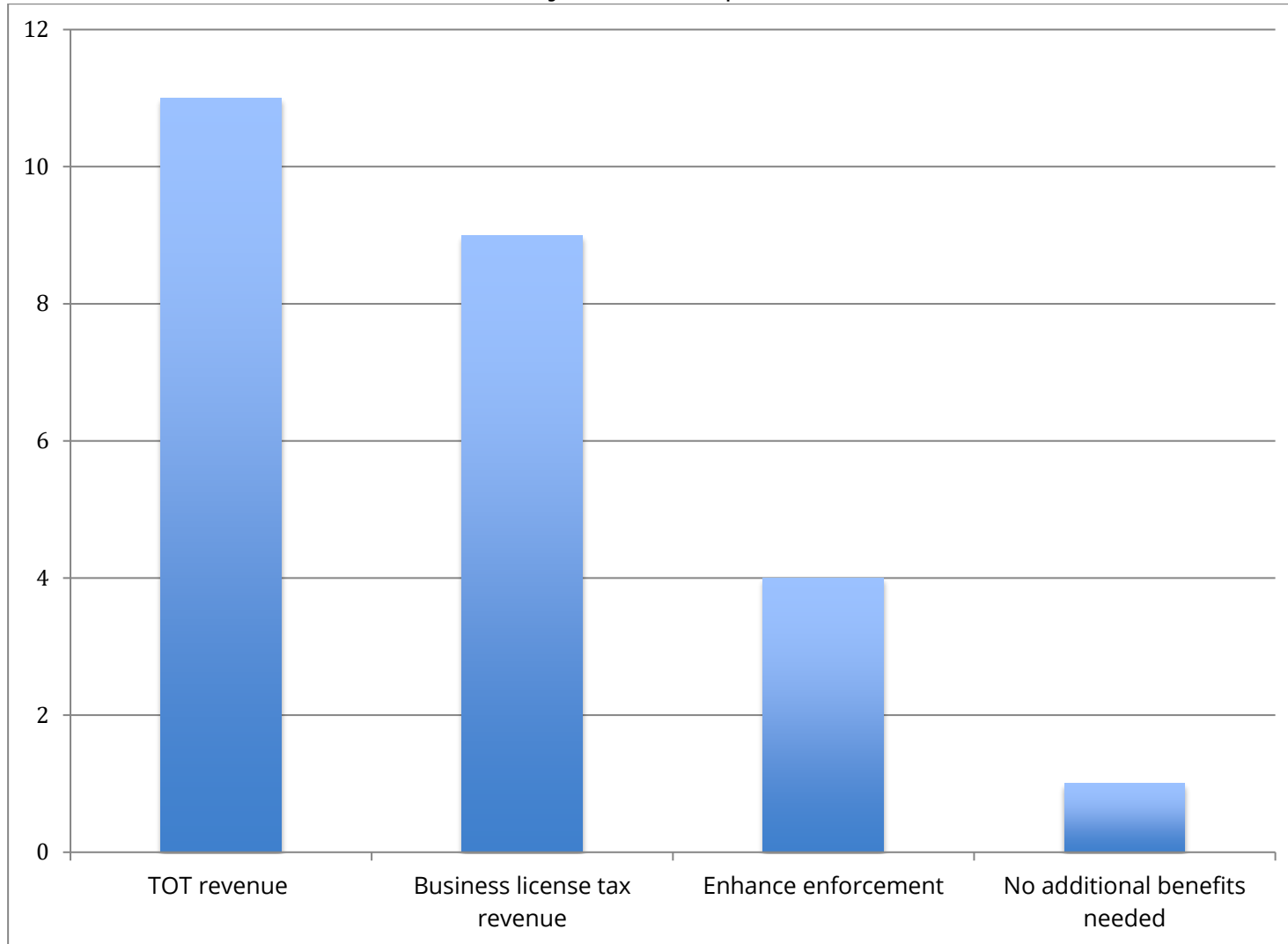
Question #3: In your opinion, what are the challenges relating to short-term rentals in Long Beach?

Figure 4: Question #3 Responses



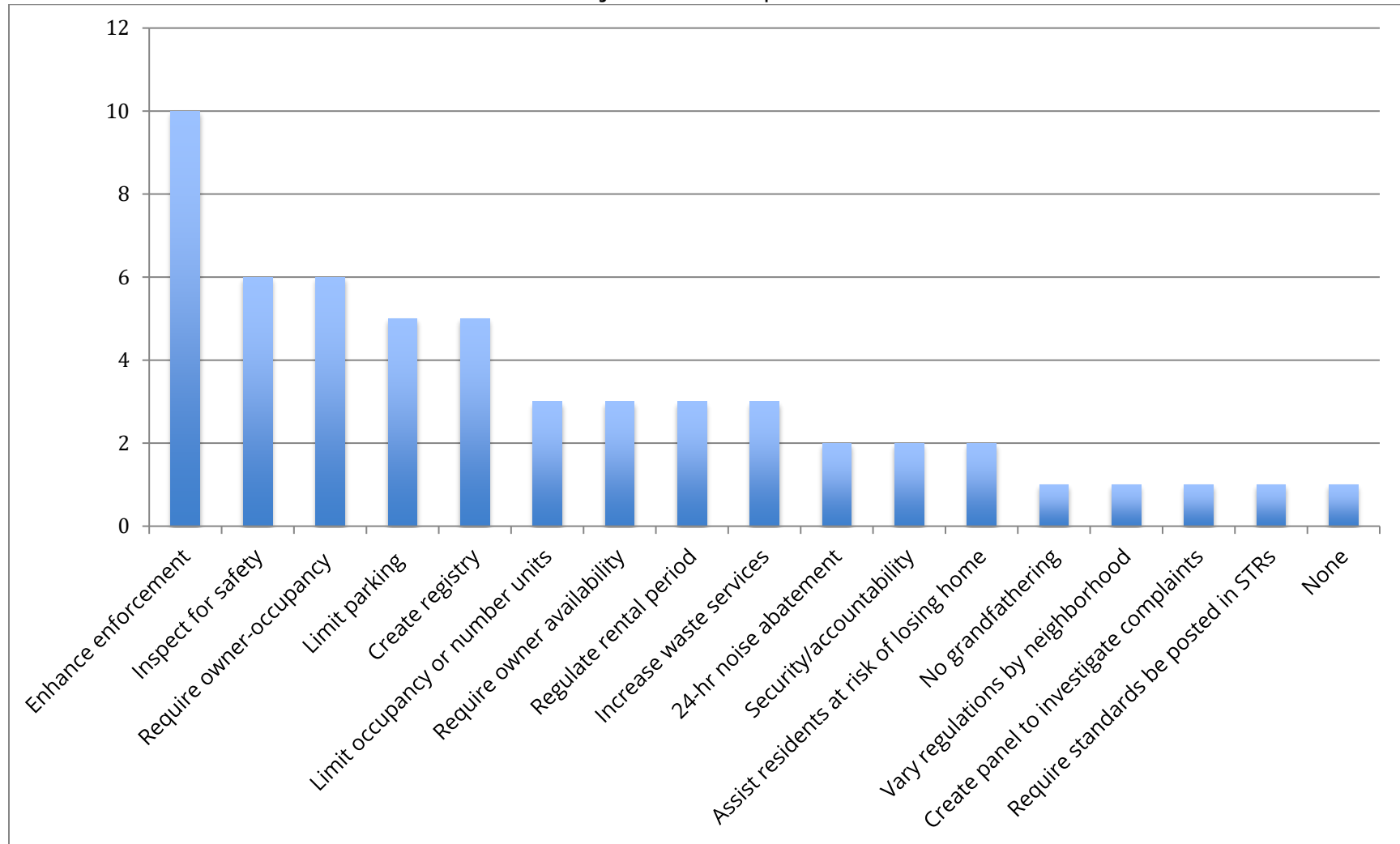
Question #4a: If the City decides to regulate short-term rentals through a local ordinance, what type of City benefits should be included?

Figure 5: Question #4a Responses



Question #4b: If the City decides to regulate short-term rentals through a local ordinance, what type of neighborhood protections should be included?

Figure 6: Question #4b Responses



Question #5: Are there any issues regarding short-term rentals that you would like to better understand?

This section lists responses to Question #5 organized by theme.

Data

- How many STRs are in Long Beach? What are their occupancy rates? What do they charge?
- What are the demographics of STR hosts?
- What is the distribution of listings per district?
- How many un-hosted STRs are there by neighborhood?
- Is there a map of listings, particularly in the downtown area?

Enforcement

- What does feasible enforcement look like?
- Which agency is responsible for enforcing whether an STR is owner-occupied?
- Will the City inspect STRs regularly?
- What is the owner's responsibility?

Benefits

- What is the maximum potential revenue based on current activity?
- How would revenue generated from STRs be used?

Hotels

- How many hotel owners live in Long Beach?
- How are hotels competing with STRs?

Miscellaneous

- Why did the City deny a day care center application but allow an STR?
- What did the City do with Uber/Lyft? Can the same model be applied here?
- What are you learning from international policy on STRs?

Question #6: Is there anything else you would like to add?

This section lists questions identified by survey participants in response to Question #6 organized by theme.

Enforcement

- STRs are difficult to enforce.
- Regulations must be clear and should be easy to apply for a license.
- Consider how many staff will be required to enforce regulations.
- Fund a code enforcement officer.
- Hosting platforms encourage responsible hosting.

Suggested Regulations

- Regulations should include grace period with incentive.
- One viable arrangement for properties with a homeowners association (HOA) is the owner pays the HOA to monitor STRs in the complex.
- Establish tiered fees for STRs based on the owner or property manager (e.g., a homeowner operating one STR, an owner/operator with two STRs, and an investor with multiple STRs) instead of based on whether the STR is hosted or un-hosted.

Competition

- Long Beach should allow STRs and not lose out to neighboring cities.

Loopholes

- There are model units in multi-family complexes that are being marketed as STRs to the residents of that complex (e.g., have your friends and family rent out).
- Condominium covenants, conditions, and restrictions (CC&R) restrict STRs. Residents in homeowners' associations (HOA) are executing 30-day leases but guests stay for shorter periods.

Hotels

- Currently, the vacation/convention market is strong; if the market changes STRs will be an issue to hotels.
- STRs are a unique product. Hotels will have to rethink approach to compete.

4-Unit Properties

- Multi-family properties with fewer than four units do not need a business license.
- Change business license requirement from projects of four units and above to "all passive income housing less than 30 days."
- Projects of less than four units serve a different market and should not be regulated by STR standards.

Owners

- It is easier for landlord to provide a STR than a long-term rental.
- Assistance should be provided to smaller scale STRs to help them host responsibly.
- Do not infringe on private property rights.

Rent Control

- Rent control would impact or exacerbate STRs.
- Rent control has many rules and may be difficult to pass.

Housing Market

- Fee structure should discourage STRs that reduce housing units (un-hosted STRs).
- STRs could affect available housing stock, particularly affordable housing.
- Regulations should incorporate anti-displacement measures.

Miscellaneous

- Parking and trash collection impacts would be the same for a STR or long-term rental.
- Consider Chicago, New Orleans, and Seattle as example/case study STR policies.
- Engage Long Beach transit to assure service from areas of heavy STR concentration to local amenities.
- Assure appropriate trash collection and containers at STRs as shopping and behavior is different for a vacationer than a resident.

CONCLUSION

The City and the Consultant Team will consider the input from these interviews as well as feedback provided in the Community Kickoff Workshop, Online Survey, Community Roundtable Workshop, and Public Review Workshop to inform recommendations regarding the development of a STR ordinance for Long Beach, which will be presented to City Council for consideration.

SURVEY INSTRUMENT (4/11/18)

SHORT TERM RENTAL HOUSING PROGRAM AND REGULATIONS CITY OF LONG BEACH

Purpose: The purpose of this survey is to enable the consultant team and the City to gain better insight on the highest priority considerations for a short term rental program from the perspective of community members and local stakeholders.

Voluntary Participation: Participation in this survey is strictly voluntary. You may decline to participate or withdraw at any time without any negative effect on your relations with City of Long Beach.

Confidentiality: Results from the interviews will be reported in aggregate form where comments cannot be attributed to an individual unless consent to use affiliation or personally identifiable is granted by the interviewee.

May we use your name and/or affiliation in reporting results of this survey? Yes, please initial: _____

1. How has your community been affected, either positively or negatively, by short term rentals?
2. In your opinion, what are opportunities relating to short term rentals in Long Beach?
3. In your opinion, what are the challenges relating to short term rentals in Long Beach?
4. If the City decides to regulate short term rentals through a local ordinance,
 - a. What type of City benefits should be included?
 - b. What type of neighborhood protections should be included?
5. Are there any issues regarding short term rentals that you would like to better understand?
6. Is there anything else you would like to add?

COMMUNITY KICK-OFF WORKSHOP SUMMARY MEMO

DEVELOPMENT OF SHORT-TERM RENTAL HOUSING PROGRAM AND REGULATIONS

CITY OF LONG BEACH

Wednesday, May 2, 2018

Recreation Park Golf Course 18 Banquet Room

5001 Deukmejian Drive

INTRODUCTION

On May 2, 2018, the City of Long Beach hosted a Community Kick-off Workshop, the first public meeting for the Development of Short-Term Rental (STR) Housing Program and Regulations (Project). The Community Kick-off Workshop is part of a comprehensive community engagement strategy, intended to inform the community about the Project, provide an opportunity for community members to voice opinions, and to promote an online survey (available in early June), Community Roundtable Workshop (July), Public Review Workshop (date TBD), and future anticipated City Council and Planning Commission hearings (dates TBD).

The meeting attracted over 250 attendees from individual residents, and STR hosts, to representatives from neighborhood groups, housing advocates, and others. Attendees were offered a comment card at the sign-in table as they entered the venue, and 82 cards were returned with comments at the end of the meeting. An additional 9 comments were submitted electronically from people that were unable to attend the meeting or attended but did not submit a comment card at the meeting. Input from the written comments received at the event and electronically, and statements made by the public is summarized in this memo.

The meeting was opened by Long Beach's Director of Development Services, Linda F. Tatum, FAICP, who welcomed attendees and introduced Long Beach's Councilwoman Suzie Price (3rd District) and Councilmember Jeannine Pearce (2nd District). Councilmembers Price and Pearce offered remarks on the importance of the Project and the positive and negative effect STRs have had in their respective districts. Director Tatum then introduced Lisa Wise Consulting, Inc. (LWC) Project Manager, Jennifer Daugherty who presented a PowerPoint on the following topics (attached as Exhibit A):

- Introduction of the Project
- Background on STRs
- How the City's Code addresses STRs (Code Diagnosis Findings)
- Demographic and housing profile in Long Beach
- STRs in Long Beach
- STRs in the City's Coastal Zone

Given the robust turnout, the agenda was altered to allow for sufficient public comment. Instead of an open house format where attendees could view posters situated around the room, the meeting went straight into public comment. Each attendee who wished to speak was allotted 1-3 minutes. Approximately 63 attendees offered their insight on STRs in Long Beach.

Jennifer Daugherty then closed the workshop (approximately 8:30 p.m.) by thanking the attendees and repeating the next opportunities to participate in the Project, the soon to be released online survey and Community Roundtable Workshop, scheduled for July 21st.

Public Comment Summary

Following the presentation, LWC opened the floor to public comment. Approximately 63 people gave a 1-3- minute testimonials on their stance on STRs in Long Beach. Despite a packed room, and strong sentiment on the various sides of the STR issue, there was no incidence of interruption while attendees were speaking, the crowd waited until each speaker was finished to offer applause, and speakers were extremely orderly and deferential when filing up to the microphone(s). This behavior is indicative that the community has trust in the process and their input was sincere and accurate.

Several themes emerged during the public comment:

- Many attendees were on-premise STR hosts (i.e., operated owner-occupied STRs), who generally:
 - Enjoy interactions with guests
 - Do not have noise, parking, trash, “party” problems while hosting guest
 - Rely on the supplemental income, which many claimed to have invested to improve their properties
 - Would be willing to pay taxes to keep STRs in Long Beach
- Non-owner occupied STRs located in the coastal area represented many complaints or negative testimonials.
- Several residents of Naples Island stated that noise and parking were problematic.
- Those living next to STR “party houses” or problem properties stressed that police do not respond to calls for service.
- Several attendees stated that code enforcement should be a priority.
- Concerns were voiced on how STRs impact the rental stock and housing shortage.
 - Some STR hosts stated that their STR, or portion of their house being used as a STR, would never be available for long term rental.
 - Many attendees believe the renting of whole multi-family units has a negative impact on housing availability and affordability in Long Beach.
 - Several people agreed that STRs present short-term problems, but long-term rentals present long-term problems.
- Many attendees commented on how much local businesses benefit from their guests spending money locally.

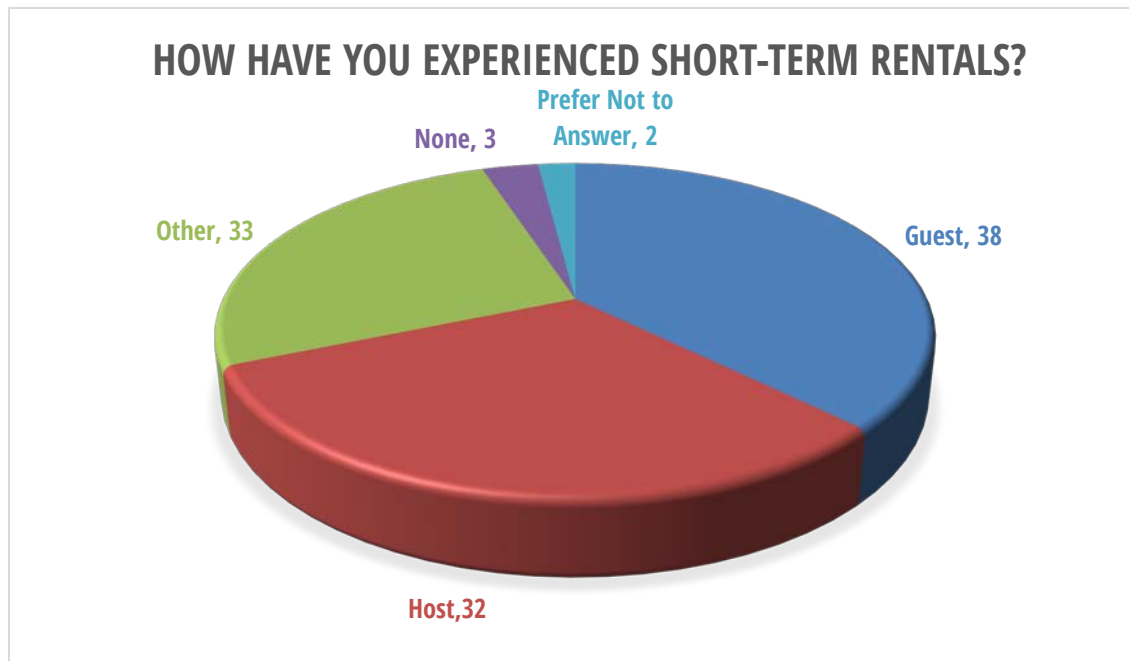
Comment Card Summary

Comment cards were provided to attendees at the sign-in table as another method for gaining feedback on how the City should address STRs. The comment card sought the attendee's name, address and phone number, and posed two questions:

- 1) How have you experienced short-term rentals?
 - Multiple choice: As a guest, host, other, none, or prefer not to answer
 - Direction was to select all that apply.
- 2) In your opinion, what should the City do to address short-term rentals (short answer)?

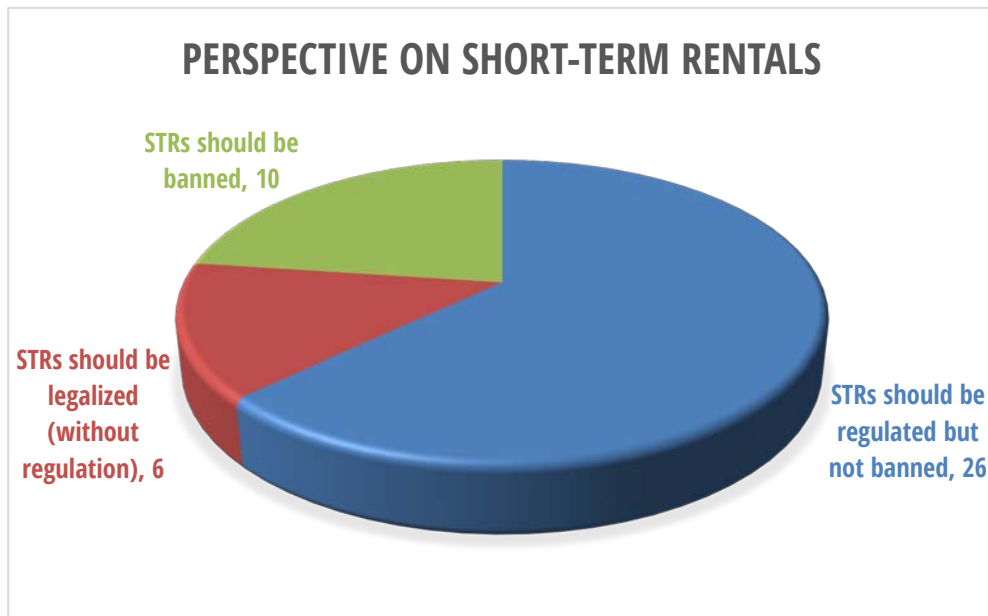
Eighty-two attendees completed and submitted comment cards. An additional nine comments were submitted electronically.

Of those who responded, 38 experienced STRs as guests, 32 experienced STRs as hosts, 33 selected other, 3 selected none, and 2 preferred not to answer.



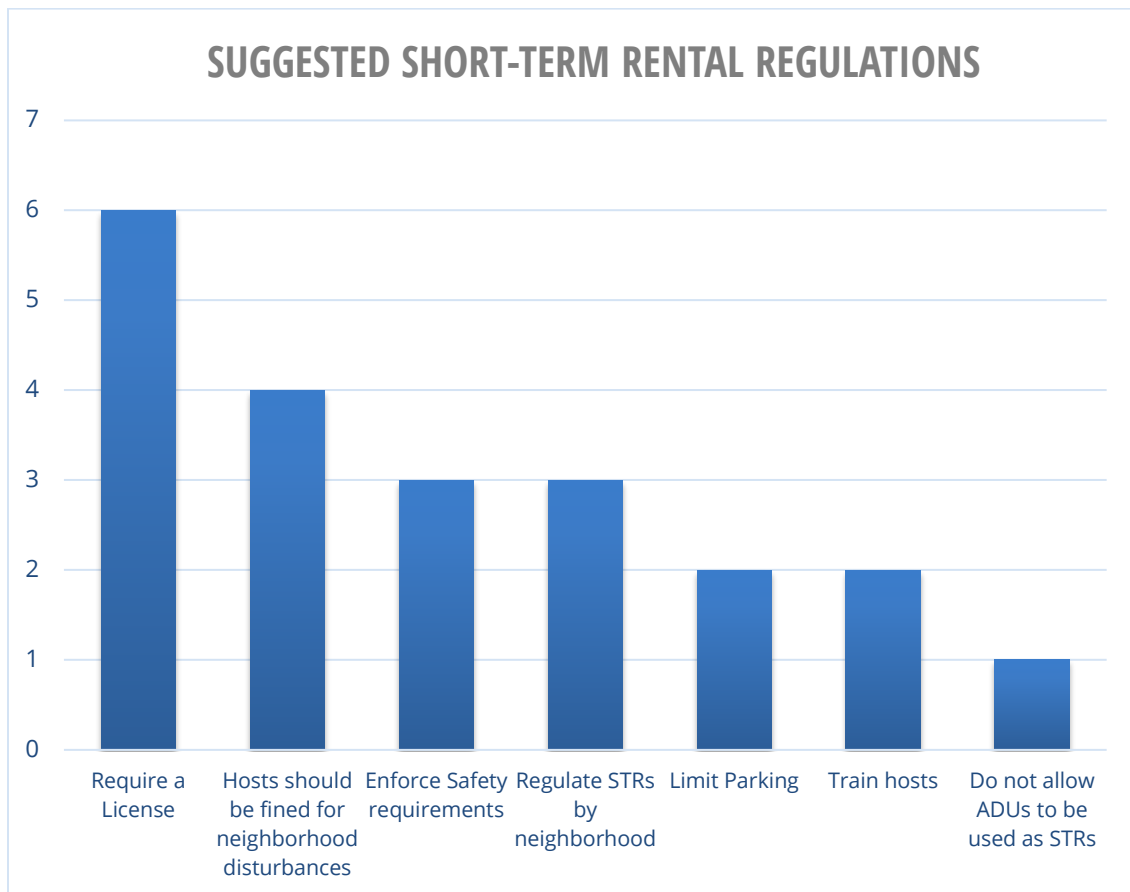
In response to: “In your opinion, what should the City do to address short-term rentals?”, attendees responded with the following themes:

- **Perspective on STRs.** There were 42 responses that exhibited three general perspectives on STRs:
 - Regulate, but don’t ban/prohibit (26)
 - Ban/prohibit (10)
 - Legalize (without any regulation) (6)



- **Long-term rentals are just as problematic.** Many people expressed that long-term rentals were just as problematic as STRs. The main issues were noise and parking. Six people stated that the City should focus on enforcing existing laws.
- **Number of Days.** Several people provided comment related to whether the City should or should not regulate the number of days that a STR is rented:
 - No cap on the days (7)
 - Limit to a minimum 30-day rental (3)
 - There should be a cap on days rented (no suggestion on number of days) (1)
- **Hosted vs Un-hosted STRs.** Ten attendees commented that only hosted STRs should be allowed. Furthermore, three attendees commented that hosted and un-hosted STRs should be regulated differently.
- **Collect Transient Occupancy Tax (TOT).** Twenty comment cards stated that the City should collect TOT from STRs. The suggested TOT rate ranged from 6-12%.

- **Suggested Regulations.** Several respondents suggested specific regulations for a potential STR ordinance:
 - Require a license (6)
 - Fine hosts for neighborhood disturbances (4)
 - Enforce safety requirements (3)
 - Regulate by neighborhood (3)
 - Limit the parking (2)
 - Train hosts (2)
 - Do not allow accessory dwelling units (ADUs) to be used as STRs (1)



Conclusion

Input gathered from this meeting (spoken and written) will augment: one-on-one and small group stakeholder interviews, research conducted on the Municipal Code, analysis on STRs in Long Beach, case study research, as well as the upcoming online survey and future community engagement events to inform options for City consideration in establishing clear, equitable, and community-driven regulations to address STRs.

Exhibit A



KICK-OFF WORKSHOP - SHORT-TERM RENTALS

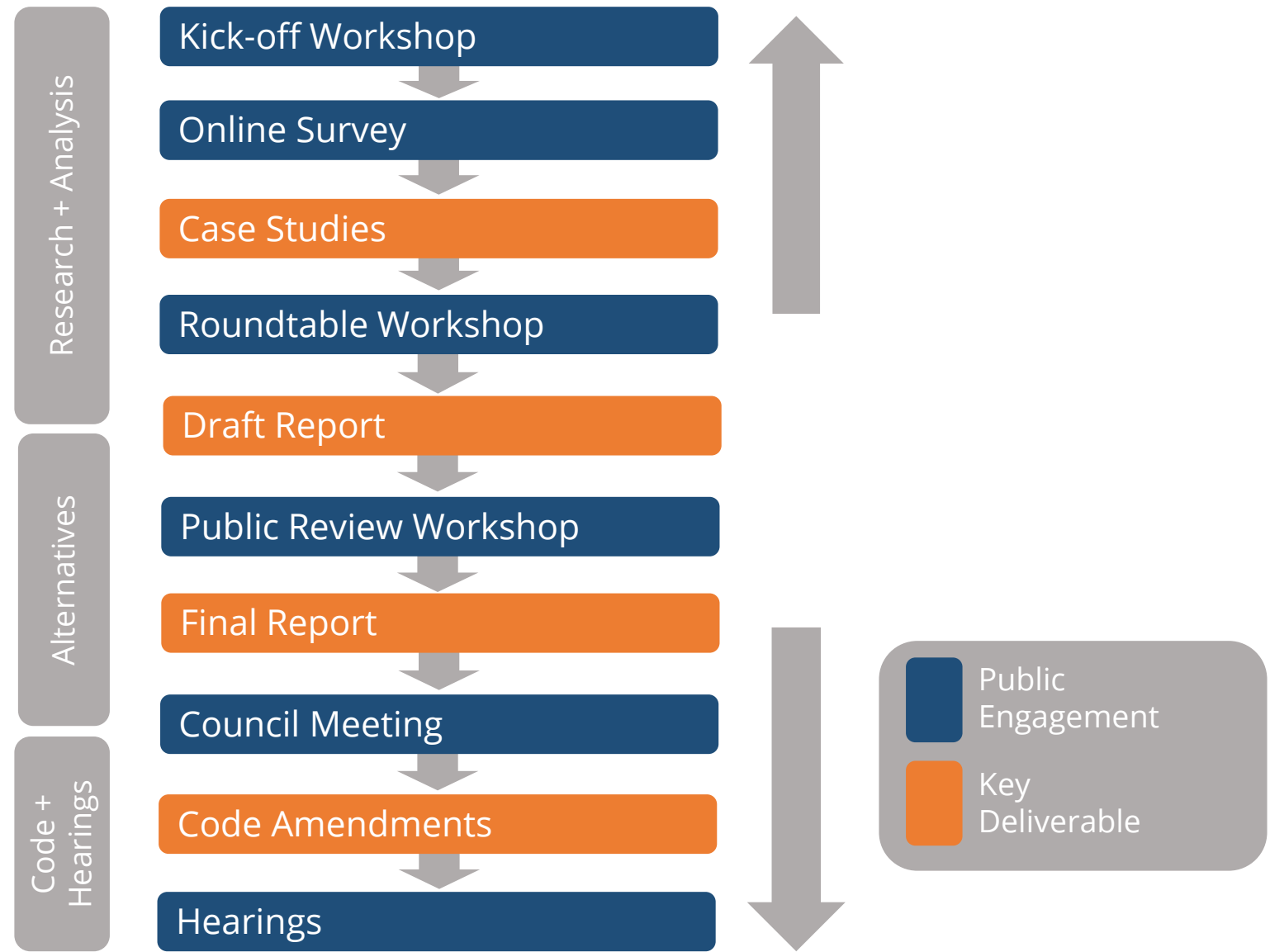
City of Long Beach
May 2, 2018



AGENDA

- 1 Background
- 2 Long Beach Profile
- 3 Short Term Rentals in Long Beach
- 4 Next Steps
- 5 Open House
- 6 Formal Public Comment

Short-Term Rental Ordinance Development Process



Short-Term Rental Ordinance Development Analysis

Key Deliverables
Municipal Code Diagnosis
Assessment of Current State of Long Beach STRs
Case Study Research Memo
City Revenue Assessment
City Resources Assessment
Considerations & Recommendations Report
Ordinance Language Memo
Ordinance



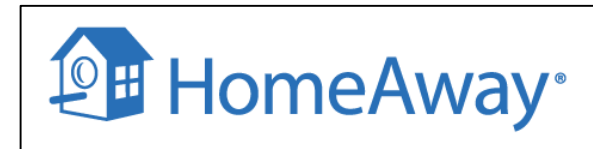
Short-Term Rental Ordinance Development Approach

All options are on the table

- STRs allowed with limited regulations
- STRs allowed with strict regulations
- STRs disallowed by regulations
- Etc.

The Sharing Economy

- **Peer-to-peer consumer market** for goods and services
- Result of **technological advancements**, primarily the internet, that allow for easy transactions
- **Impacting the broader economy:** transportation, financial services, lodging
- Sharing economy profits estimated to grow from \$15 billion in 2014 to **\$335 billion by 2025**
- Airbnb offers **more rooms than the largest hotel companies**



What is a Short-Term Rental (STR)?

A home, or portion of a home, rented by paying guests for short stays (30 days or less)

Potential Advantages

- Supplemental income
- New lodging opportunities
- City revenue
- Increase utilization of unused rooms or homes

Potential Disadvantages

- Increased competition for housing
- Change in neighborhood character
- Enforcement challenges

The City's Code and Short-Term Rentals

Hosted STRs are allowed with limitations

"Room Rental" Allowed

- Owner must live in home
- Two-room maximum
- Not detached
- No independent exterior entrance
- No kitchen

Un-hosted STRs are prohibited (many cities prohibit STRs based on zoning codes, but STRs occur regardless)

Loud parties are prohibited

Lodging must comply with certain standards (parking, inspections, buffers)

California Coastal Commission promotes STRs



By Artico2 - Own work, CC BY-SA 3.0,
<https://commons.wikimedia.org/w/index.php?curid=12719556>

The City's Code and Short-Term Rentals

- City Code needs updating to respond to the sharing economy
- Inconsistent definitions (e.g., “hotel”, “guestroom”)
- Business tax license required for bed and breakfasts, but not for short-term rentals



Short-Term Rental Enforcement

Current Enforcement Process

- Initiate action when three requirements are met:
 - Complaints from two individuals
 - Calls for service
 - STR web posting
- Notify host of Municipal Code violation and to cease activity
- Burden of proof high to take further action

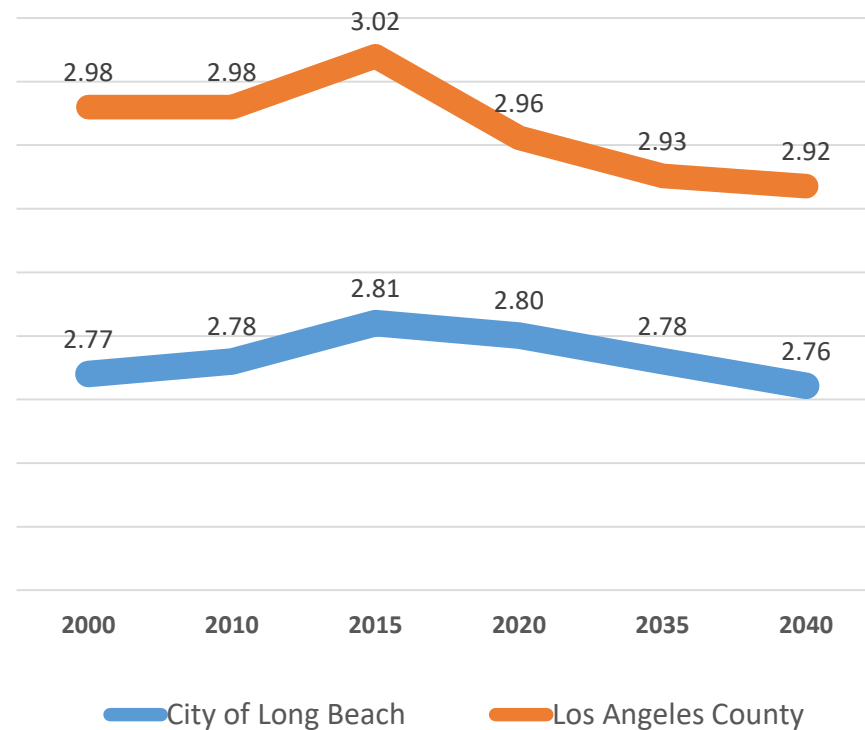
LONG BEACH PROFILE

Long Beach Profile

Population is **growing faster than projected** – 2016 population surpassed 2040 estimate

Household sizes are smaller than households in the County, and **household size is forecasted to decline**

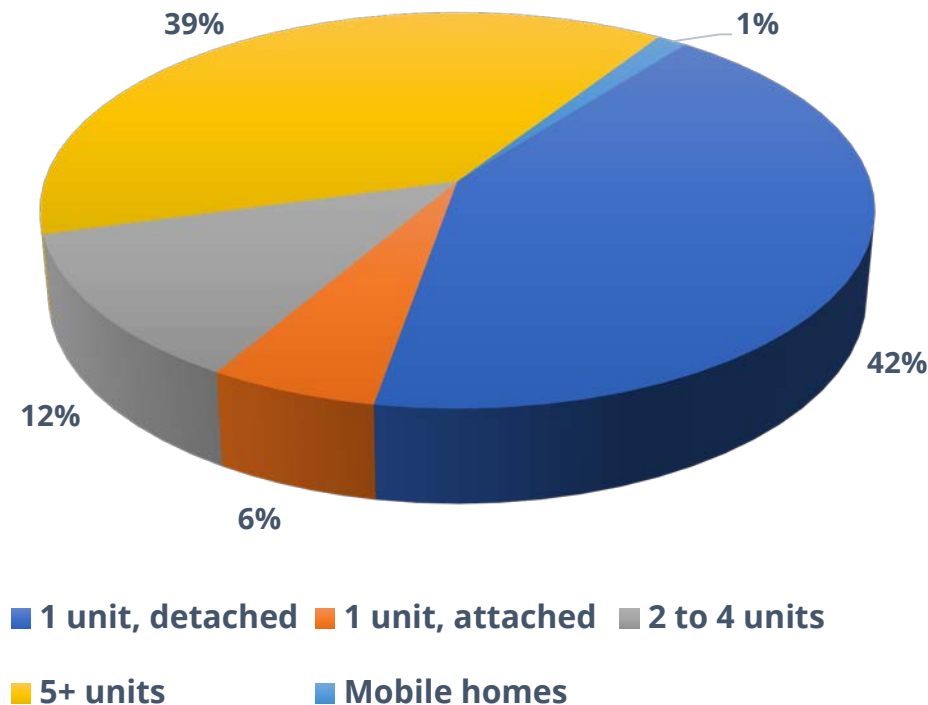
Household Size by Year
(2000-2040)



Sources: U.S. Decennial Census, 2000, Summary File 1, Table QT-P11
U.S. Census Bureau, 2011-2015, American Community Survey 5-year
Estimate, Table S1101
SCAG Regional Growth Forecast 2016-2040

Long Beach Profile

Long Beach Housing Stock by Unit Type
(2015)

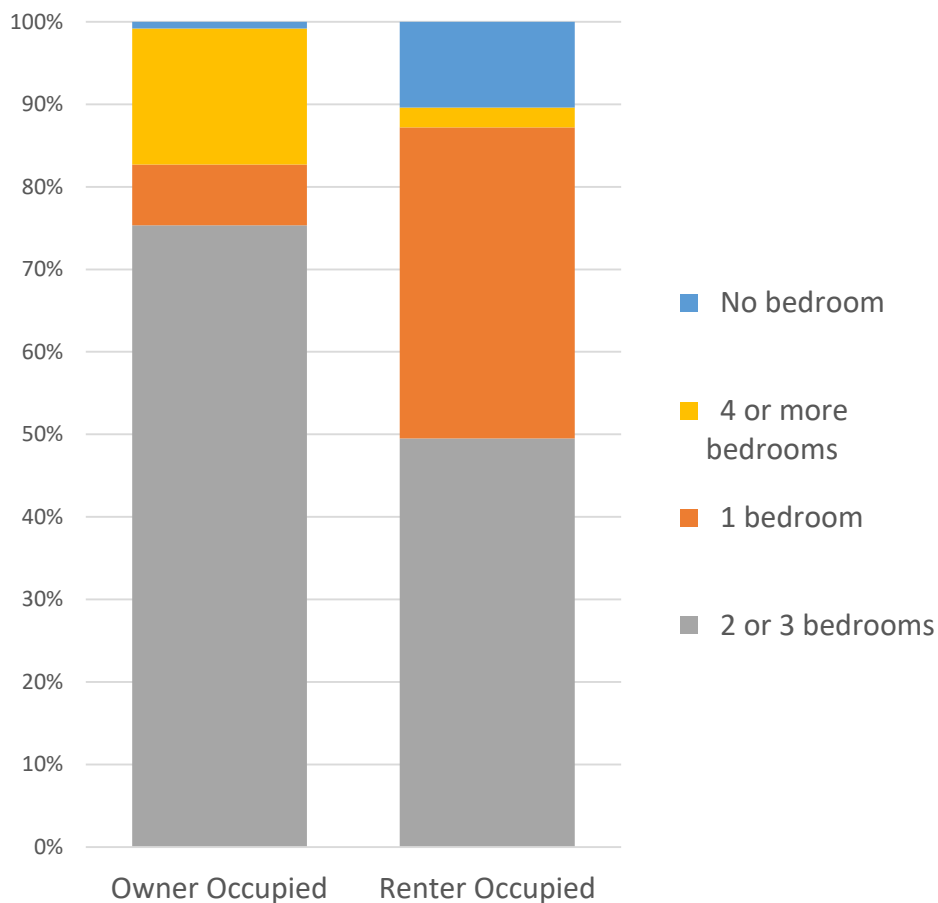


Source: California Department of Finance: Report E-5

- The number of housing units has not kept pace with household growth
- Most units are single family homes or in complexes that contain five or more units
- About a 40/60 split between owner and renter-occupied units

Long Beach Profile

Units by Number of Bedrooms
(2015)

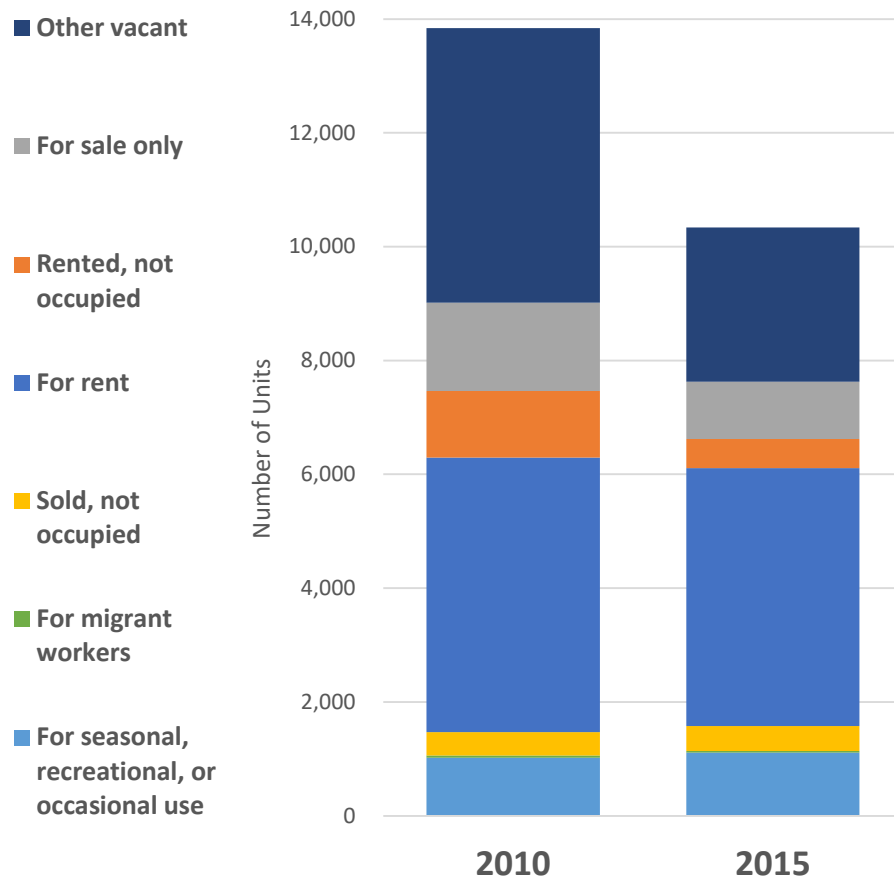


- 60% are two- or three-bedroom units
- 25% are one-bedroom units
- Owner-occupied units typically have more bedrooms
- Renter-occupied units are more diverse, but have higher rates of one-bedroom and studio units

Source: U.S. Census Bureau, 2011-2015, American Community Survey,
5-year Estimate: Table DP03

Long Beach Profile

Vacancy Status by Type
(2010 - 2015)



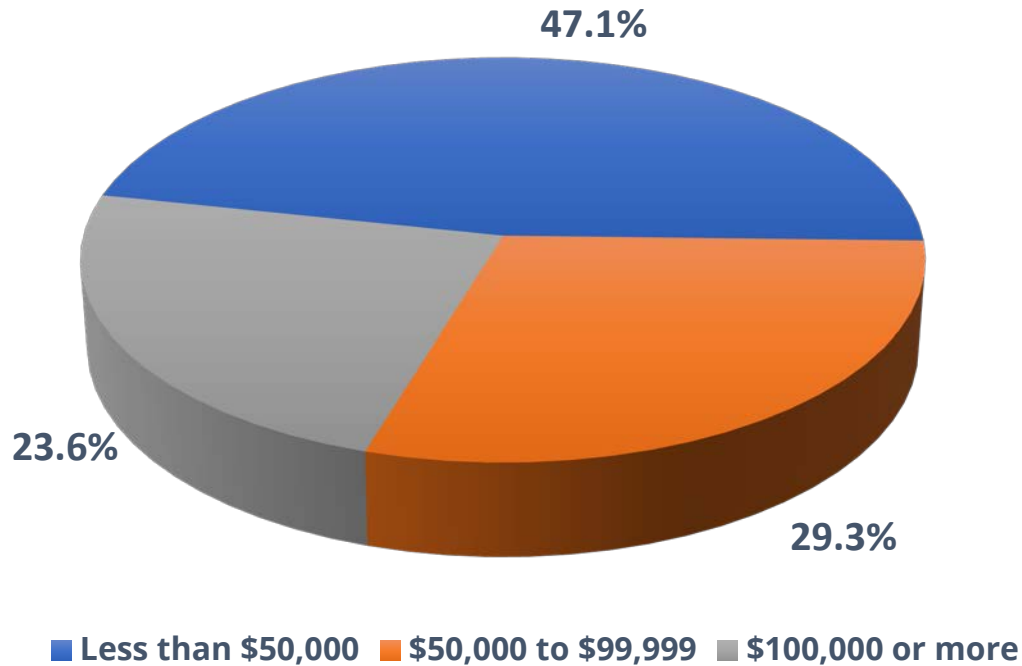
Source: U.S. Census Bureau, 2011-2015, 2006-2010, American Community Survey, 5-year Estimate: Table B25004

Residential vacancy is declining

- Vacancy rates
 - Homeowner < 2%
 - Renter < 5%
- The number of vacant units is declining (reduced by 25% or 3,500 units)
- “For seasonal, recreational, or occasional use” increased 8.5% (87 units)

Long Beach Profile

Income Distribution by Household
(2015)



Source: U.S. Census Bureau, 2011-2015, American Community Survey,
5-year Estimate: Table DP03

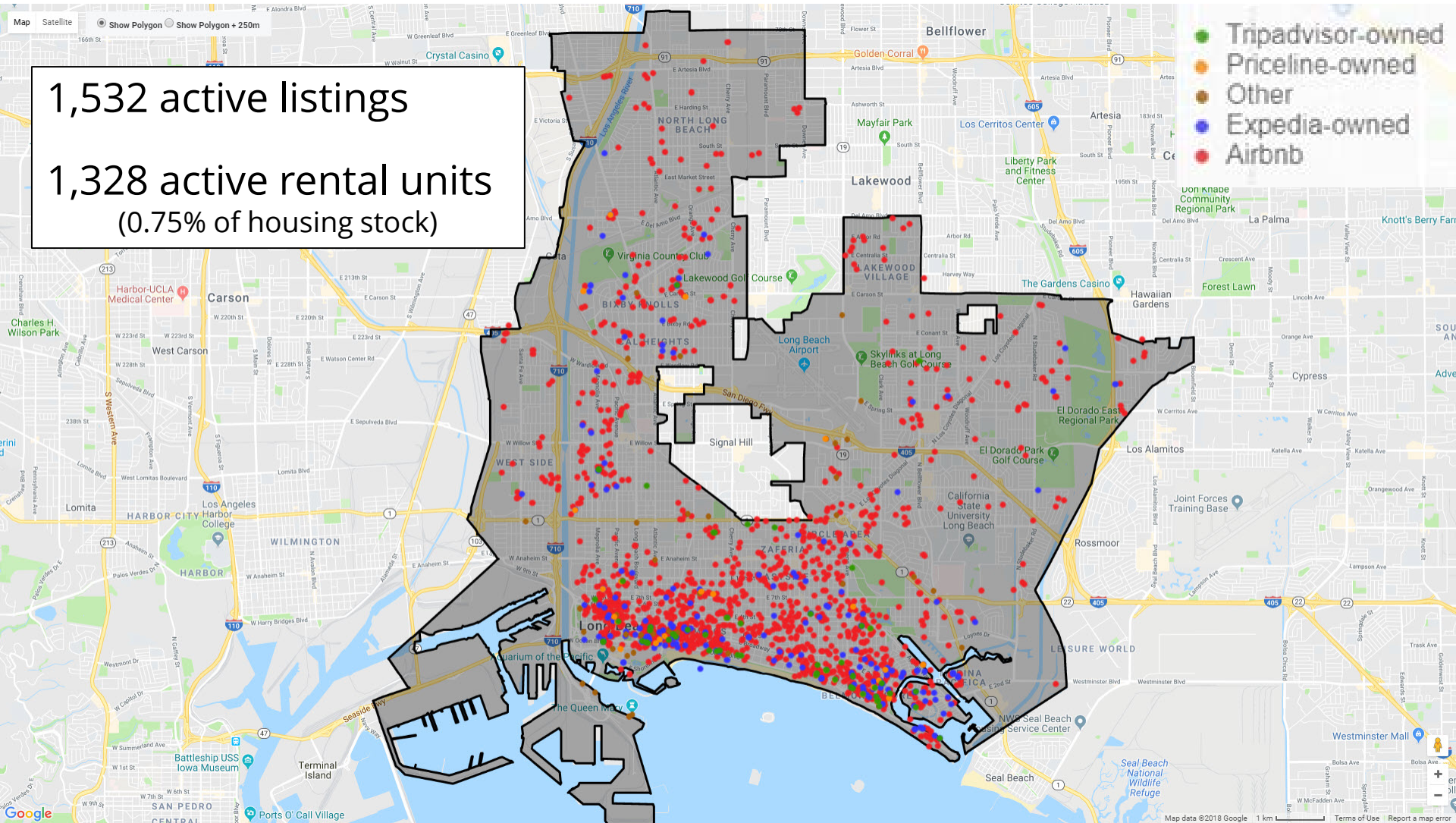
- Median household income \$52,783 (\$4,399/month)
- Median monthly homeowner costs \$2,147
- Average monthly rent \$1,333 (long-term rental unit)

SHORT-TERM RENTALS IN LONG BEACH

Short-Term Rentals in Long Beach

1,532 active listings

1,328 active rental units
(0.75% of housing stock)



Source: Host Compliance

Short-Term Rentals in Long Beach

Listing Types



■ Single-Family [48%]
■ Multi-Family [52%]
■ Unknown [0%]



■ Partial Home [33%]
■ Entire Home [67%]
■ Unknown [0%]

Source: Host Compliance

Partial home listings – 438

Entire home listings – 890

Short-Term Rentals in Long Beach

Minimum Nights

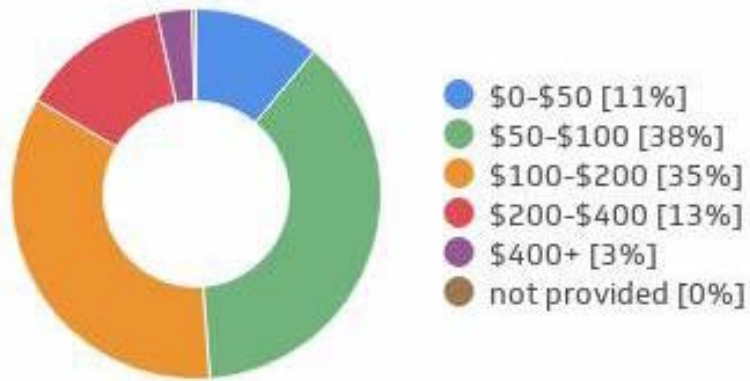


Source: Host Compliance

91% require minimum length of stay between one and seven nights

Short-Term Rentals in Long Beach

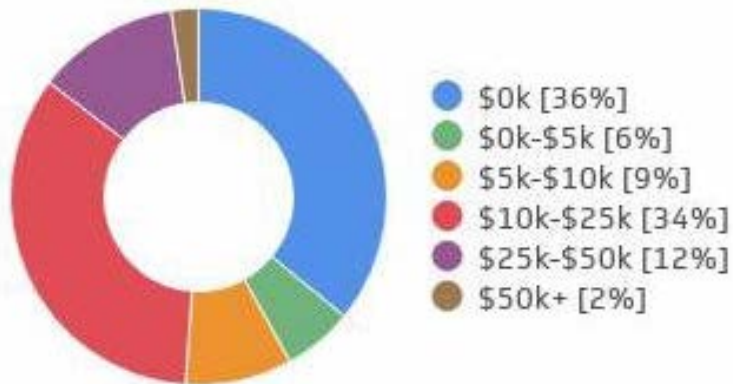
Nightly Rate



49% listed for no more than \$100/night

Source: Host Compliance

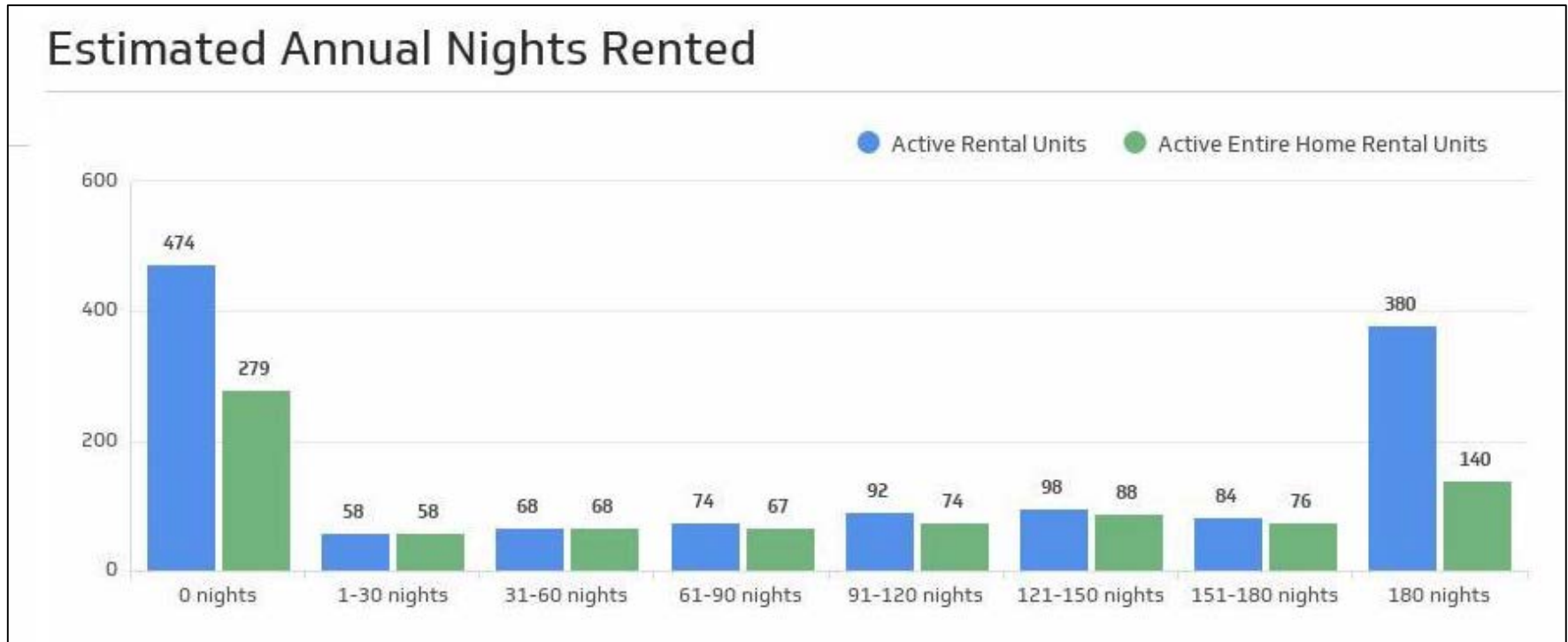
Short-Term Rentals in Long Beach



Source: Host Compliance

51% estimated to make no more than \$10,000/year in revenue for the property owner

Short-Term Rentals in Long Beach



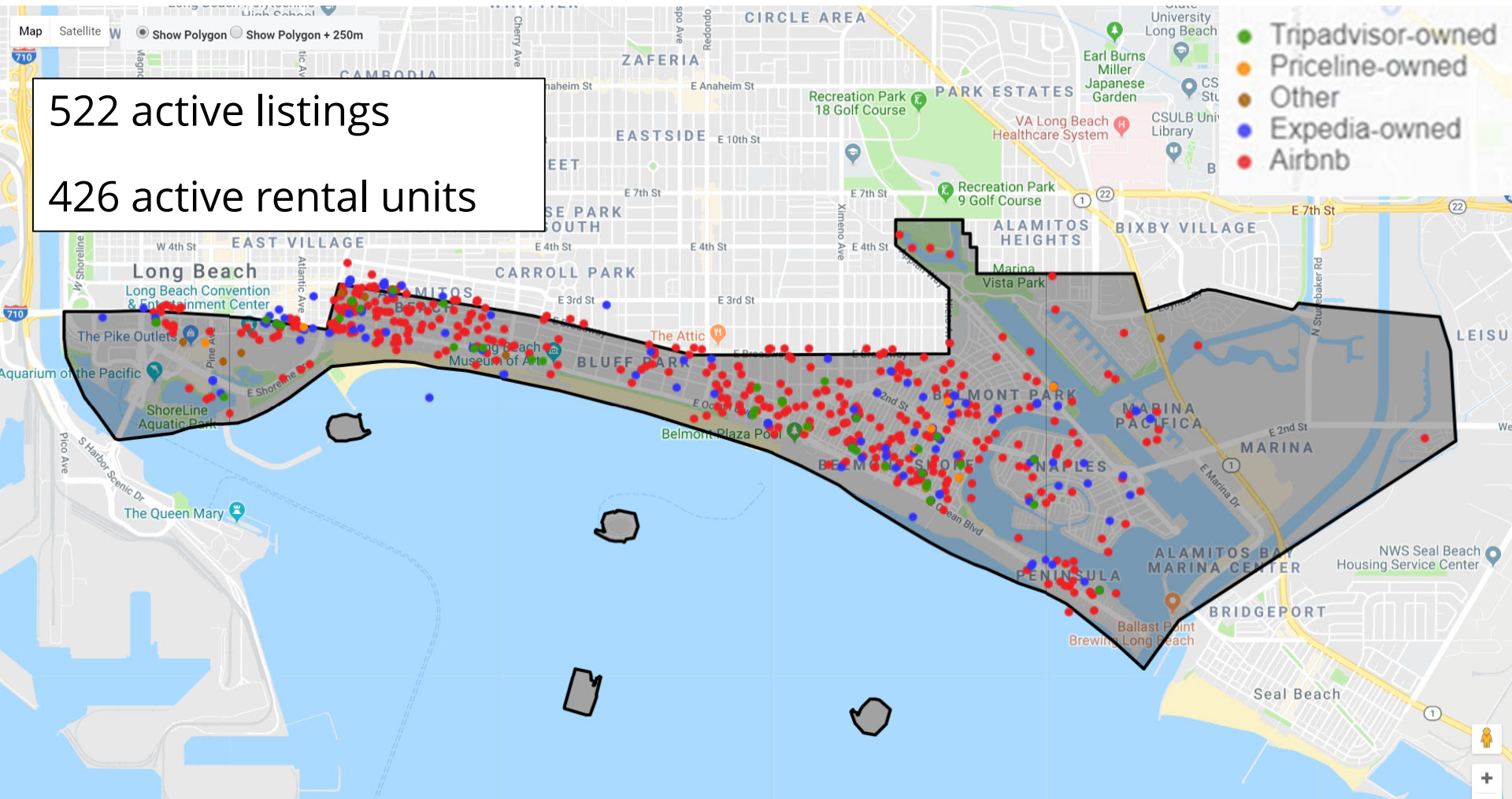
Source: Host Compliance

Almost half are estimated to be rented for more than 90 days/year
17% of hosts have more than one STR (this may be understated)

Short-Term Rentals in Long Beach: Coastal Zone

522 active listings

426 active rental units



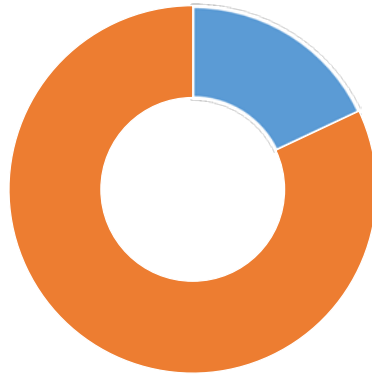
Source: Host Compliance

Short-Term Rentals in Long Beach: Coastal Zone

Listing Types



- Single-Family [42%]
- Multi-Family [58%]
- Unknown [0%]



- Partial Home [18%]
- Entire Home [82%]
- Unknown [0%]

Source: Host Compliance

Larger percentage of listings for entire home
349 listings for entire home

Short-Term Rentals in Long Beach: Coastal Zone

Minimum Nights

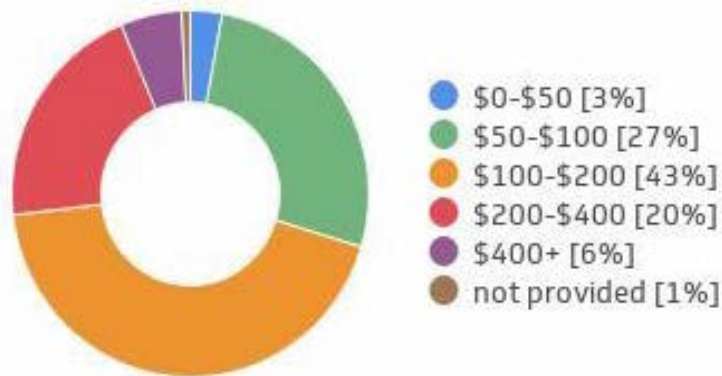


Similarly, 88% require minimum length of stay between one and seven nights

Source: Host Compliance

Short-Term Rentals in Long Beach: Coastal Zone

Nightly Rate



Source: Host Compliance

Higher nightly rates

Only 30% listed for no more than \$100/night

Short-Term Rentals in Long Beach: Coastal Zone

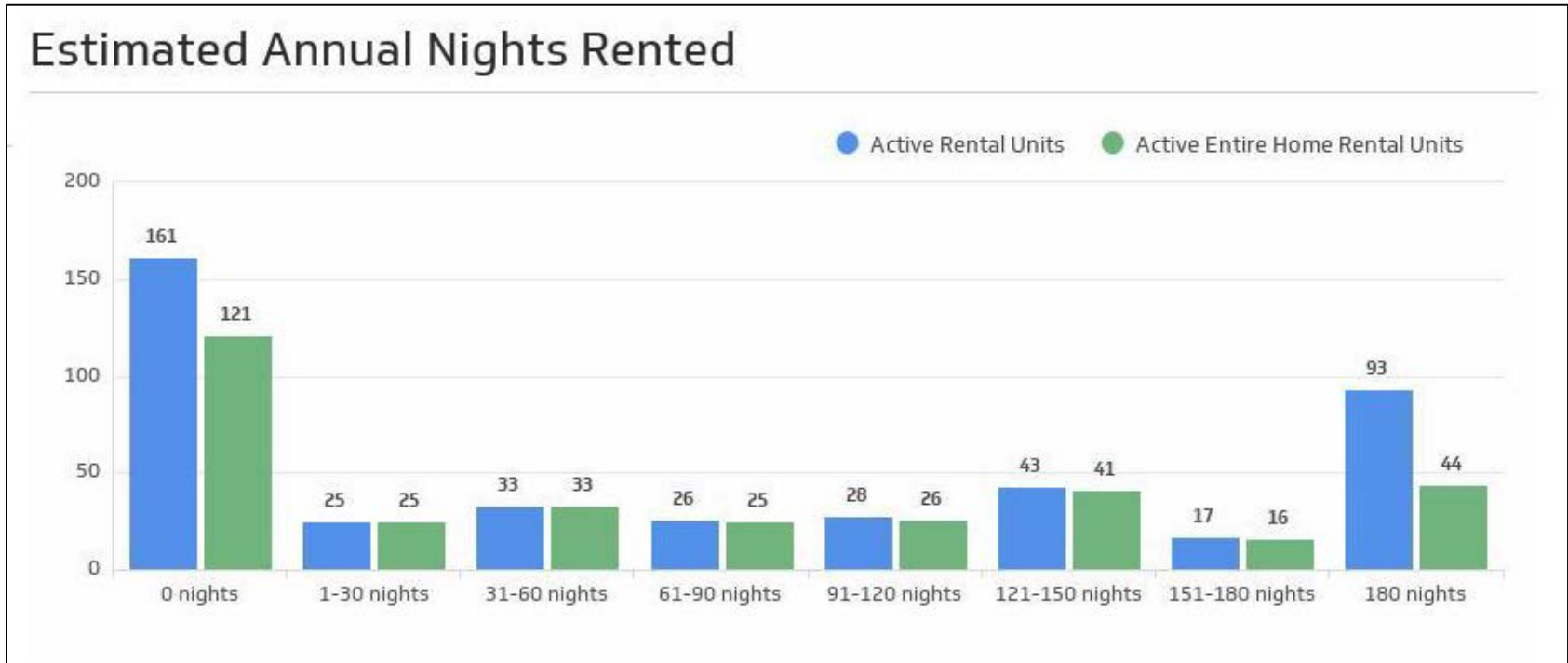
Estimated Annual Rental Revenue to the Property Owner



Similarly, 51% estimated to make no more than \$10,000/year for the property owner

Source: Host Compliance

Short-Term Rentals in Long Beach: Coastal Zone



Source: Host Compliance

A slightly lower percentage of units are estimated to be rented for more than 90 days/year compared to citywide

Next Steps

Event	Timeframe
Online Survey	June 2018
Case Study Research	Summer 2018
Community Roundtable Workshop	Summer 2018
Public Review Workshop	Fall 2018
City Council direction on preparing ordinance	Fall 2018

Open House / Agenda

- **Walk Around – Check out informational boards**
- **Ask questions!**
- **Fill out comment sheets**
- **Public comment to follow open house**
- **8:00pm - End**

THANK YOU!

WORKSHOP #2 SUMMARY MEMO

DEVELOPMENT OF SHORT-TERM RENTAL PROGRAM AND REGULATIONS

CITY OF LONG BEACH

Saturday, July 21, 2018

10:00 AM – 12:00 PM

Museum of Latin American Art (MOLAA)

628 Alamitos Ave

Introduction

On July 21, 2018, the City of Long Beach hosted Workshop #2, the second public workshop for the Development of Short-Term Rental (STR) Program and Regulations (Project). Workshop #2 is part of a comprehensive community engagement strategy, intended to inform the community about the Project, provide an opportunity for community members to voice opinions, and promote the Public Review Workshop (October 10, 2018) and future Council meeting(s) and anticipated City Council and Planning Commission hearings (dates TBD).



The meeting attracted over 140 attendees from individual residents and STR hosts, to neighborhood groups, housing advocates, as well as representatives from the local press and City staff. Attendees were provided a scorecard during the workshop that asked for their position (support, neutral, or against) on possible STR regulations organized by key issue topics. By the close of the workshop, 130 completed scorecards were returned. Input from the scorecards, along with additional comments, received at the workshop is summarized in this memo.

The meeting was opened by Lisa Wise Consulting, Inc. (LWC) Project Manager, Jennifer Daugherty, who welcomed attendees and introduced Long Beach's Director of Development Services, Linda F. Tatum, FAICP. Director Tatum provided opening remarks and introduced Long Beach Councilmember Jeannine Pearce (2nd District). Councilmember Pearce offered remarks on the importance of the Project, respecting differences of opinion, and crafting STR regulations that are appropriate for Long Beach. Ms. Daugherty then presented a PowerPoint on the following topics (attached as Exhibit A):

- Project background
- Summary of community input to date including, results from stakeholder interviews, the kickoff workshop, and the online survey

- Summary of case studies (San Francisco, Santa Monica, Newport Beach, and Sacramento)
- Next steps

Closing the presentation, LWC provided instructions for the scorecard activity and invited attendees to move among the six stations (in any order), ask questions, and fill out the scorecards handed out by the City. The stations were organized by six different issue topics:

- Sense of Community
- Enforcement
- Housing Supply and Affordability
- Parking
- Noise and Parties
- Safety and Liability

The six topics were informed by the feedback received during stakeholder interviews, the kickoff workshop (workshop #1), and the online survey. Each station had two boards: one highlighting comments gathered in the outreach effort so far, and the other listing examples of regulations other cities have imposed. A large blank sheet was available at each station for attendees to provide additional written comments.

Seven poster boards exhibited at the May 2nd Community Kickoff workshop, as well as a board summarizing the case study research were also on display.

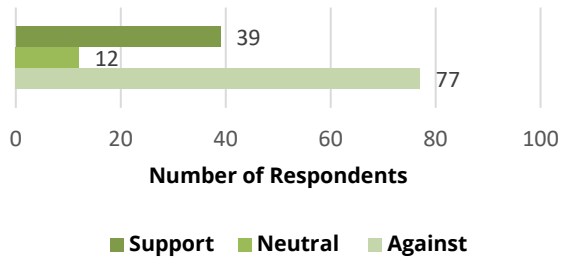
The workshop ended at approximately 11:45 a.m.

Scorecard Summary

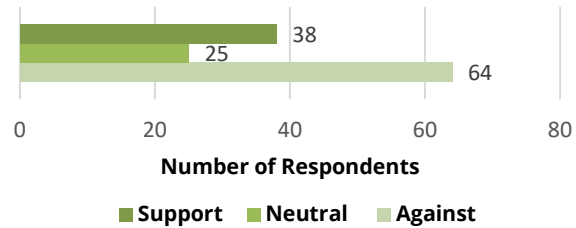
Each scorecard presented a series of possible regulations, and an “other” section, corresponding with topics at the stations (attached as Exhibit B). Respondents gave feedback by selecting “Support”, “Neutral”, or “Against” as their position on each regulation. Responses provided on the 130 completed scorecards are summarized on the following pages.

Sense of Community

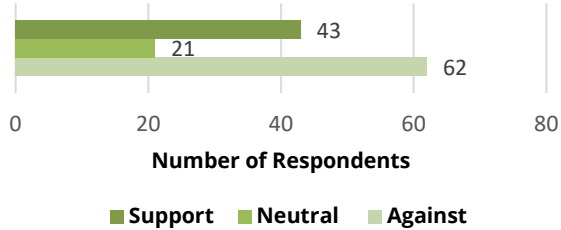
Limit the number of nights an un-hosted STR may be rented.



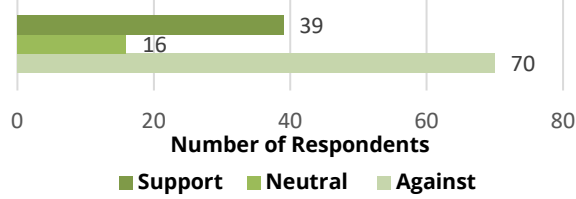
Require a City permit with neighbor notification for un-hosted STRs in single-family residential neighborhoods.



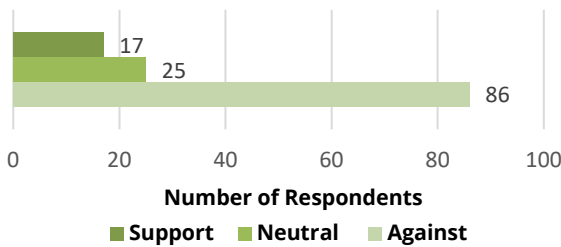
Require a City permit with neighbor notification for un-hosted STRs in multi-family buildings.



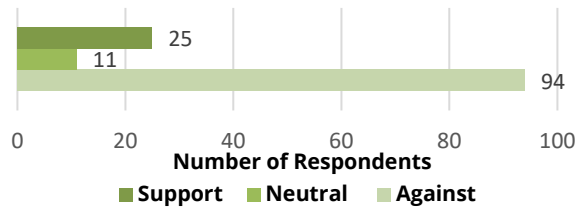
Require a City permit with neighbor notification for un-hosted STRs with stays over an extended period (e.g., 90+ days/year).



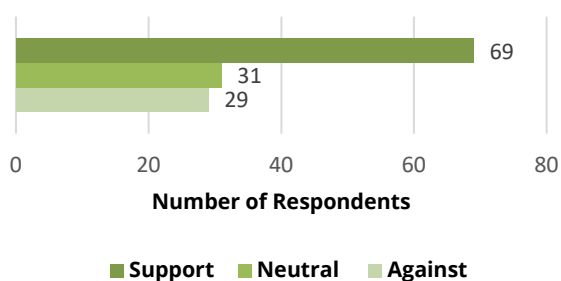
Require STRs to be separated by a certain distance.



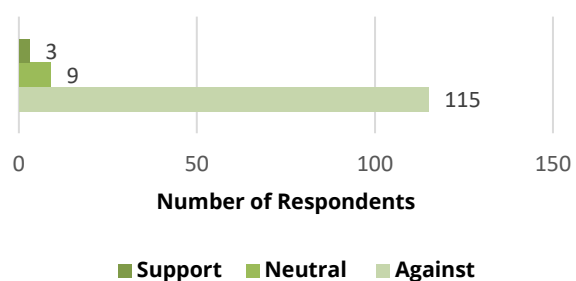
Prohibit STRs in certain zones or neighborhoods (e.g., single-family residential zones).



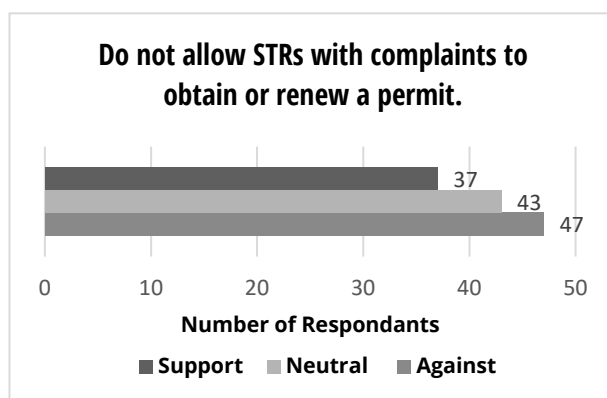
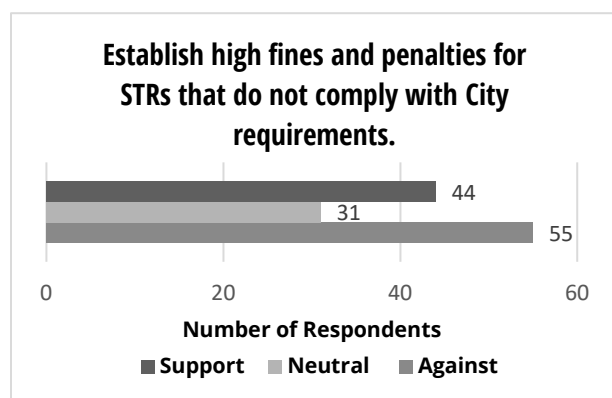
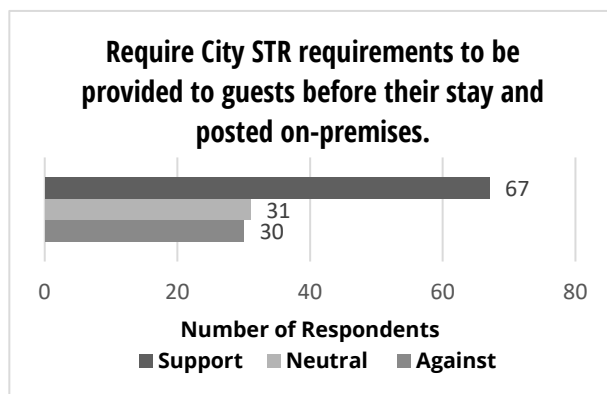
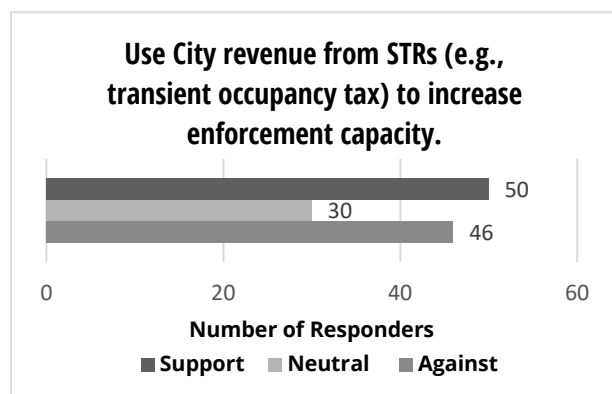
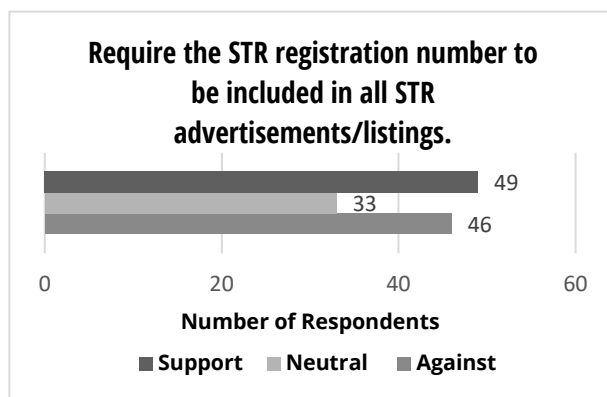
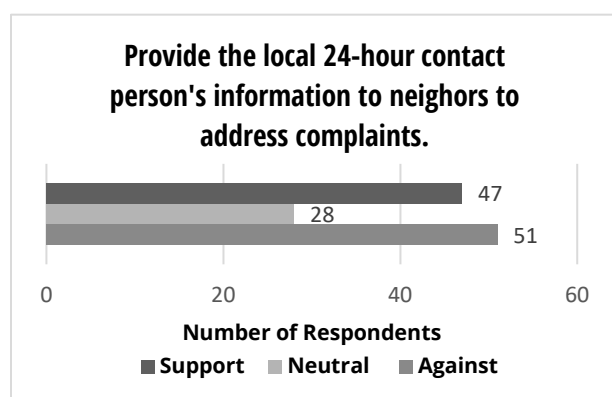
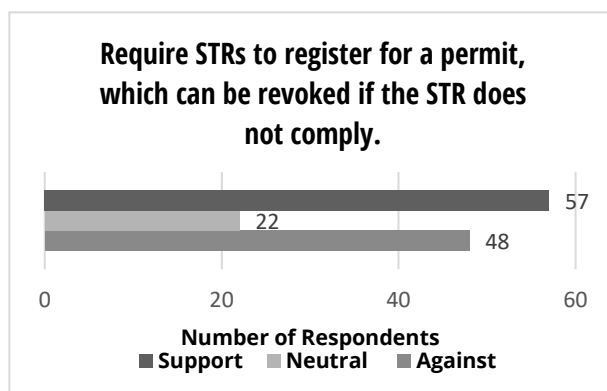
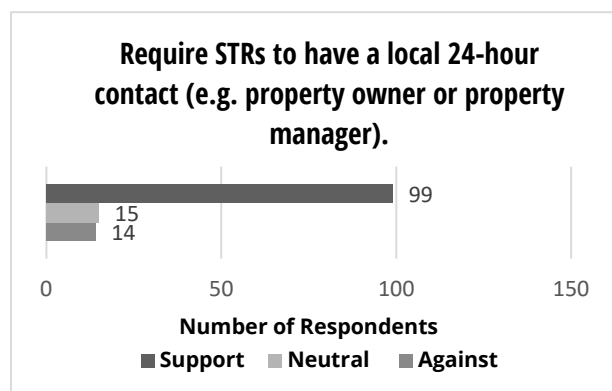
Prohibit exterior signage.



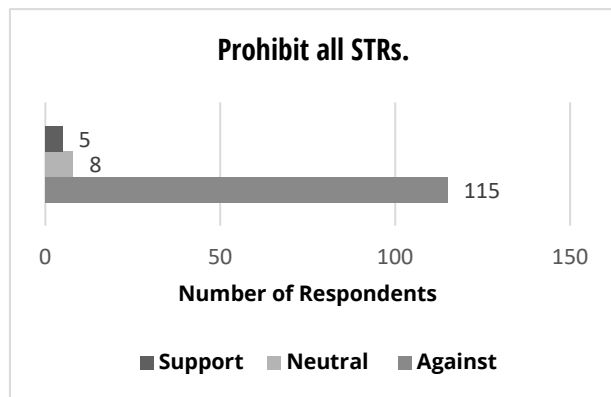
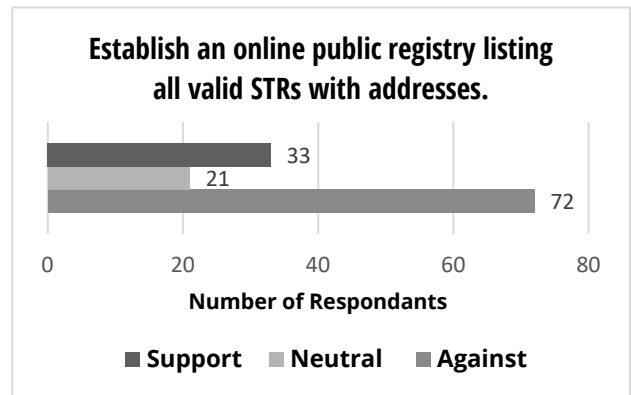
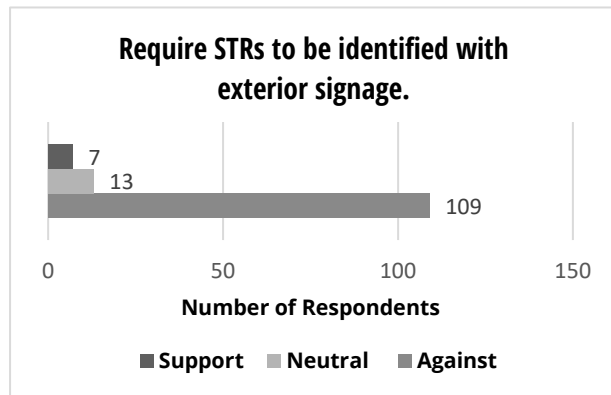
Prohibit all STRs.



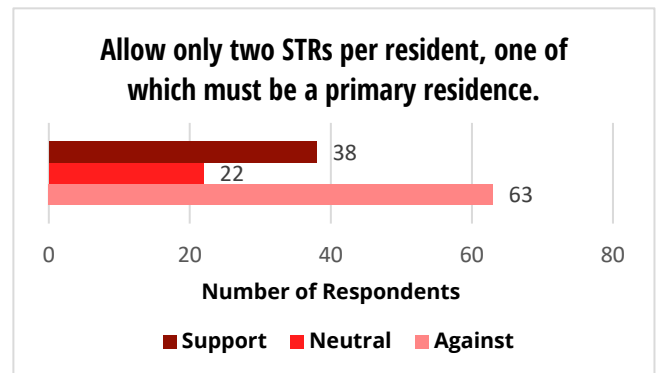
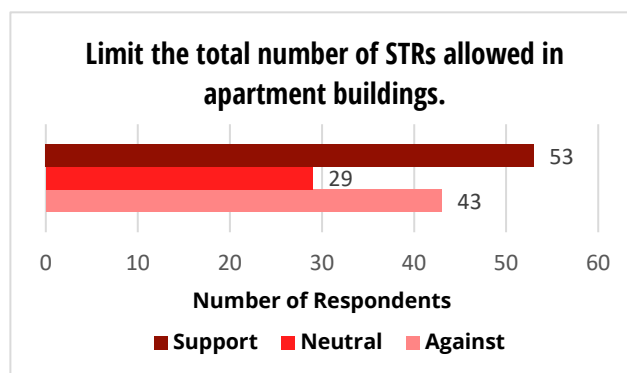
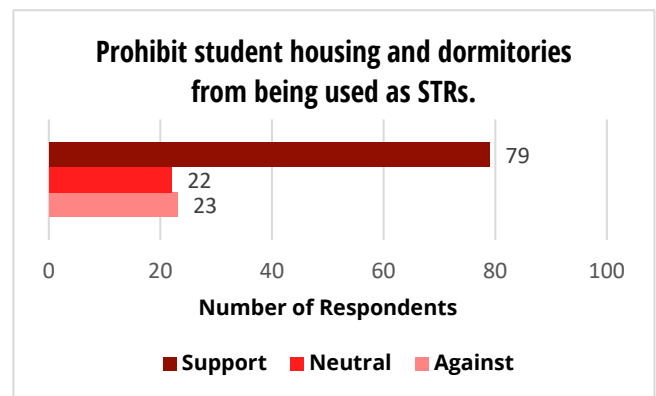
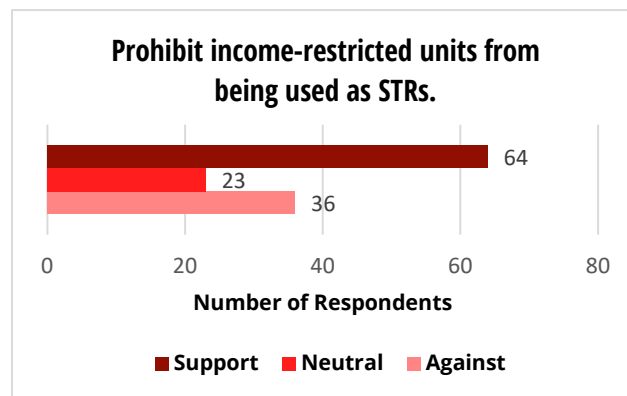
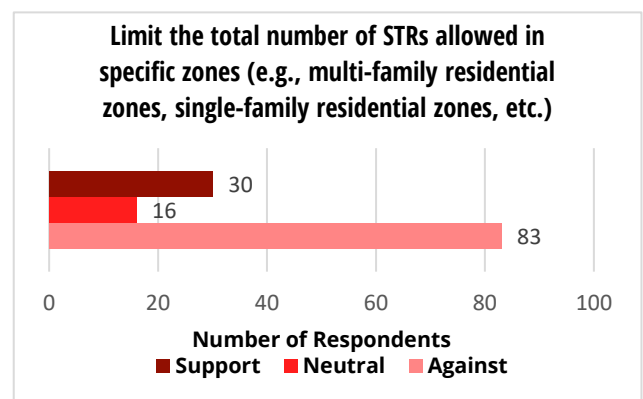
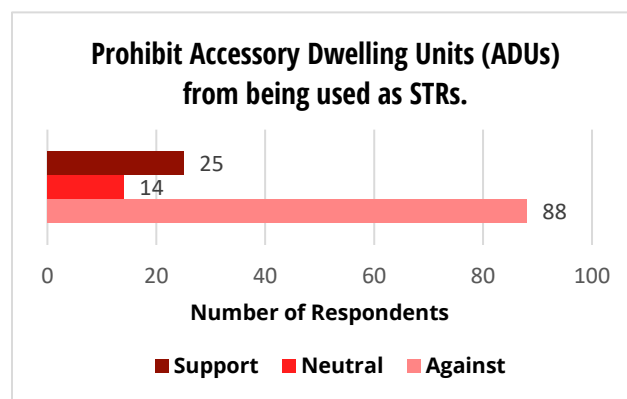
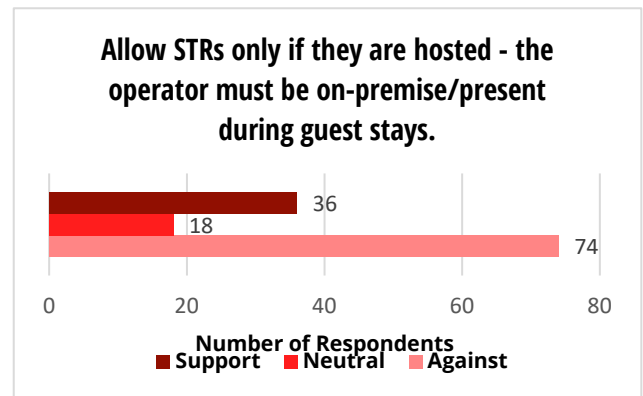
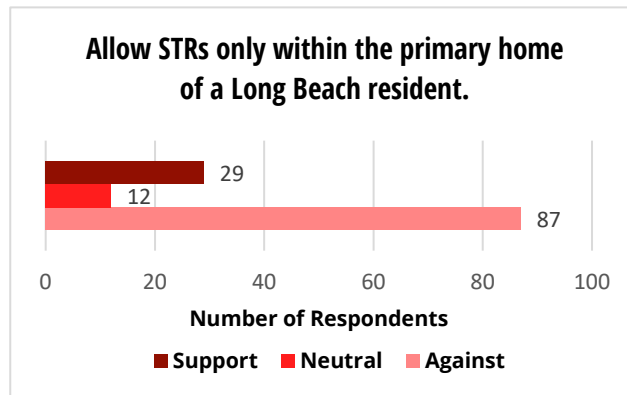
Enforcement



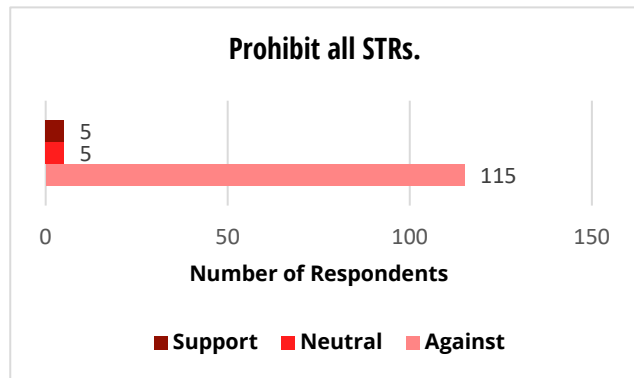
Enforcement (continued)



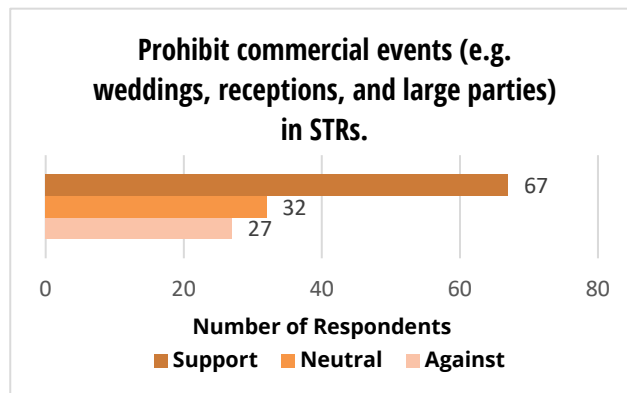
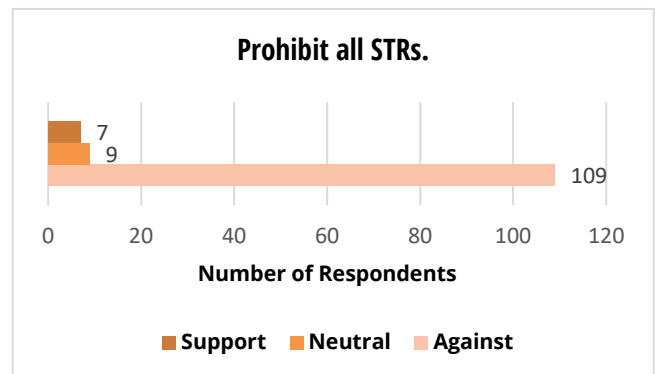
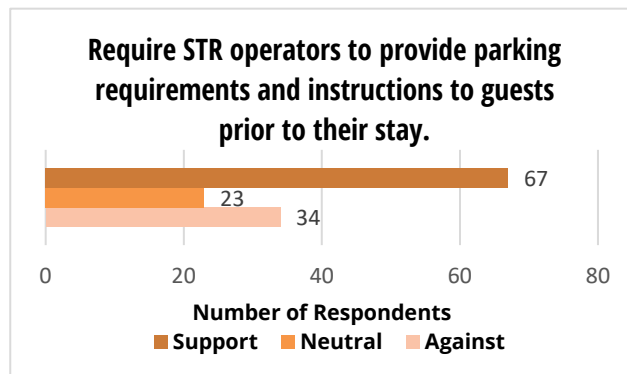
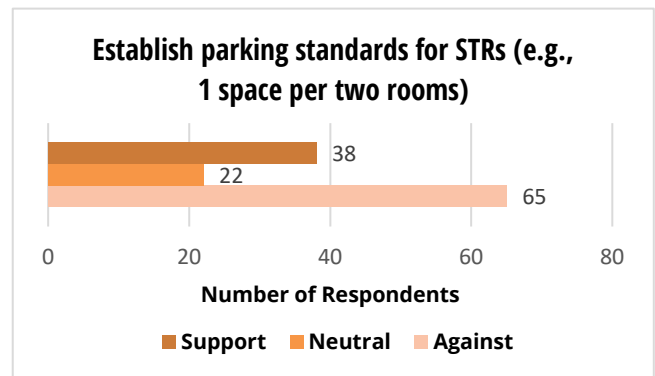
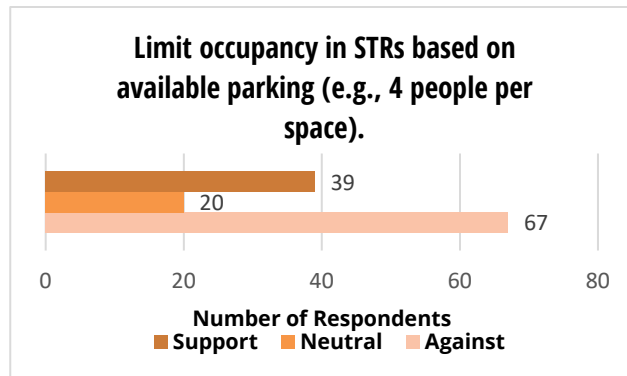
Housing Supply and Affordability



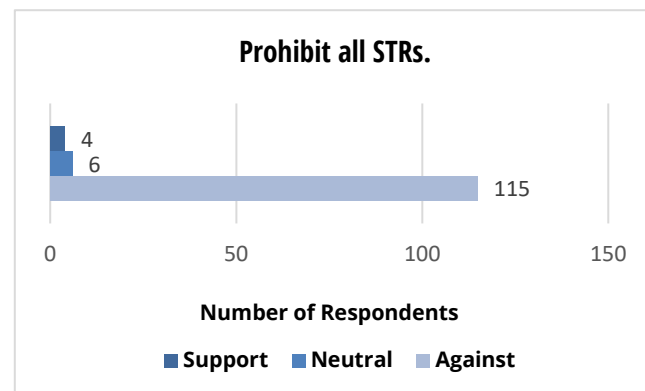
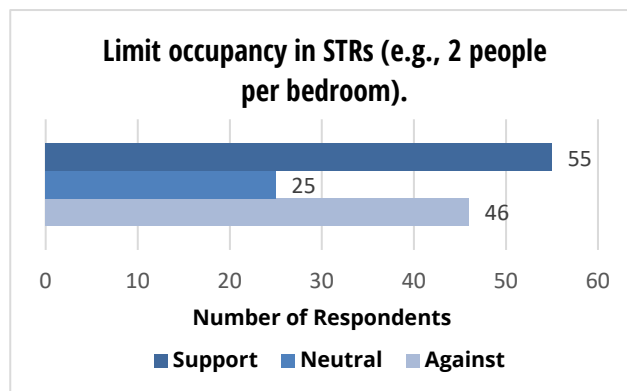
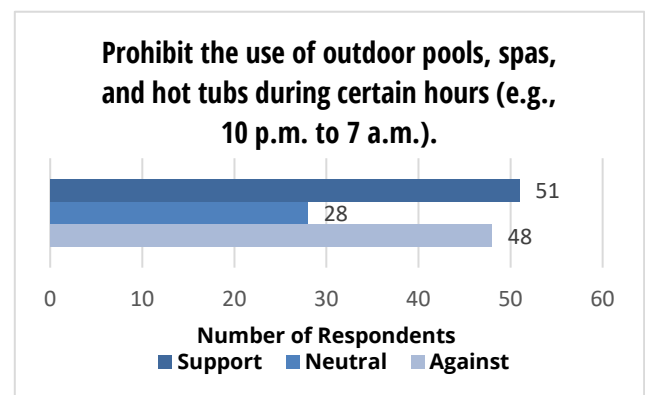
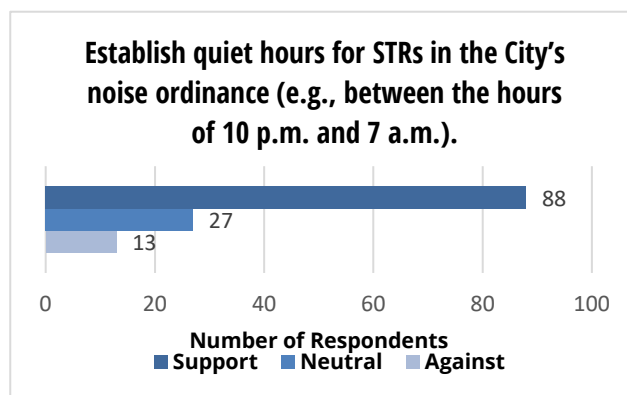
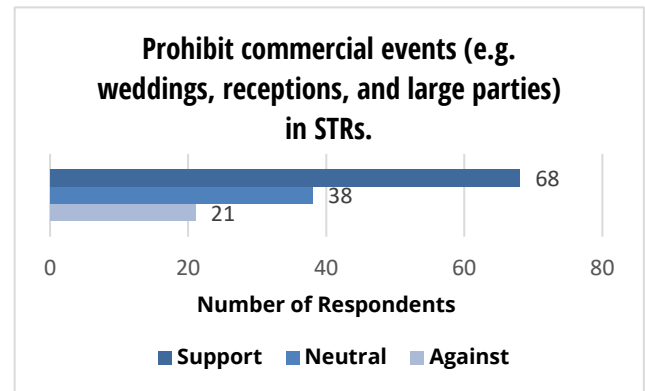
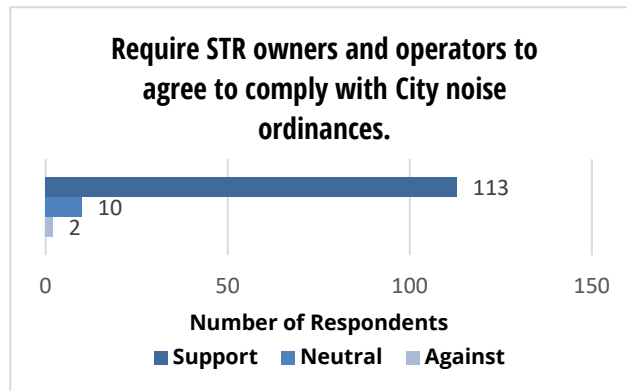
Housing Supply and Affordability (continued)



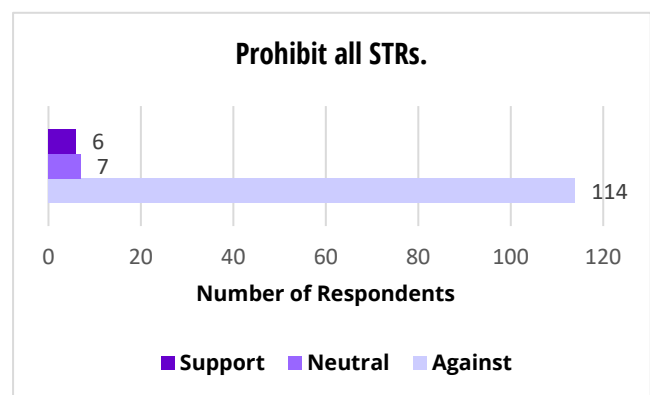
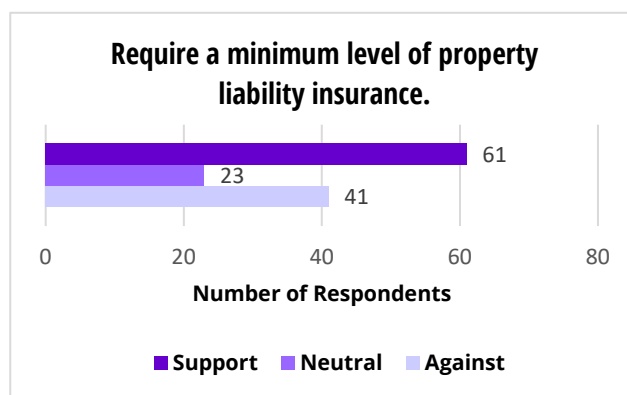
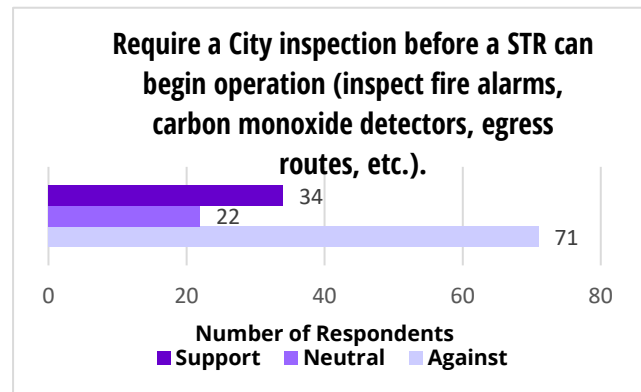
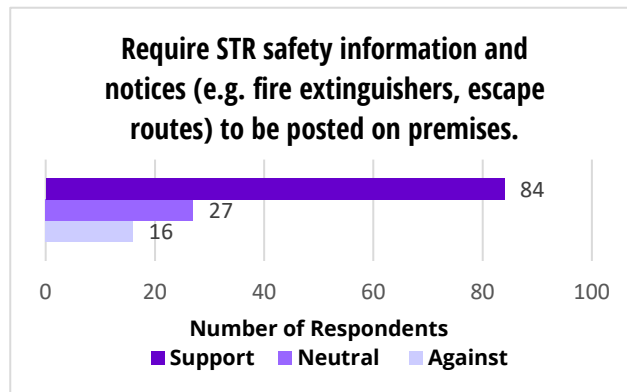
Parking



Noise and Parties



Safety and Liability



Scorecard “Other” Section

In addition to the possible regulations, respondents were given the opportunity to write in a regulation not represented in the scorecard (“Other” section). Most respondents used this space to describe their experience using or hosting STRs; however, responses that reflected suggested regulations and enforcement ideas included:

- Creating a hotline for complaints.
- Requiring home ownership to operate an STR.
- Requiring that home sharing platforms enforce the regulations (not the City).
- Requiring screening between STRs and neighbors (e.g. fence).
- Using the revenue for housing (not for enforcement).
- Prohibiting outsourcing of inspections.

Additional Comments Summary

Large sheets were also provided at each of the six stations to provide additional opportunities for written comments. Below are several written comments from these sheets which were not represented in the “Other” section of the scorecard:

- It is difficult to prove who are renters.
- STR hosts are regulating themselves and are careful who they rent to. They have a public record of their reviews, which should be considered in the process.
- City regulations and requirements must be easy/quick to accomplish.
- STR hosts want to be automatically notified if the police are called to their property.
- The City and the consultant team should look at the recently adopted ordinance from San Diego.
- STR hosts are improving their neighborhood by maintaining their landscape.
- STR guests are contributing to the local economy.
- There should be no restrictions on STRs.
- The income generated from STRs is important to STR hosts.
- Give residents the ability to help with formal citations (e.g., pictures, movies, written statements from neighbors).

“City regulations and requirements must be easy/quick to accomplish”

Conclusion

Input gathered from this workshop will augment: one-on-one and small group stakeholder interviews, research conducted on the Municipal Code, analysis on STRs in Long Beach, case study research, kickoff workshop (workshop #1) input, online survey results, and future community engagement events to inform options for City consideration in establishing a STR ordinance.

Exhibit A



WORKSHOP #2 - SHORT-TERM RENTALS

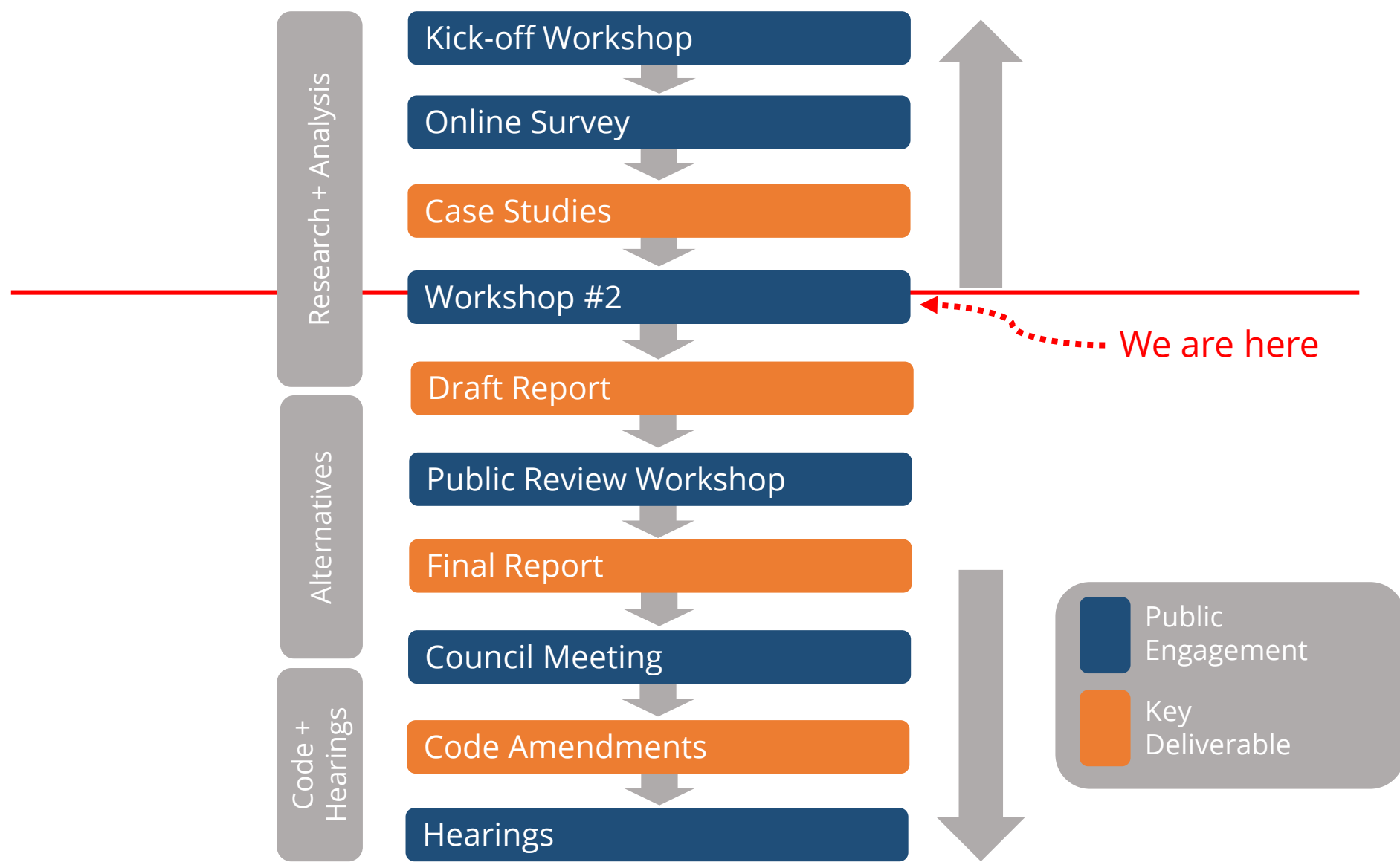
City of Long Beach
July 21, 2018



AGENDA

- 1 Background
- 2 Community Input
- 3 Case Studies
- 4 Next Steps
- 5 Activity Instructions

Short-Term Rental Ordinance Development Process



Short-Term Rentals and the City's Code

Hosted STRs are allowed with limitations "Room Rental" Allowed

- Owner must live in home
- Two-room maximum
- Not detached
- No independent exterior entrance
- No kitchen

Un-hosted STRs are prohibited (many cities prohibit STRs based on zoning codes, but STRs occur regardless)

Loud parties are prohibited

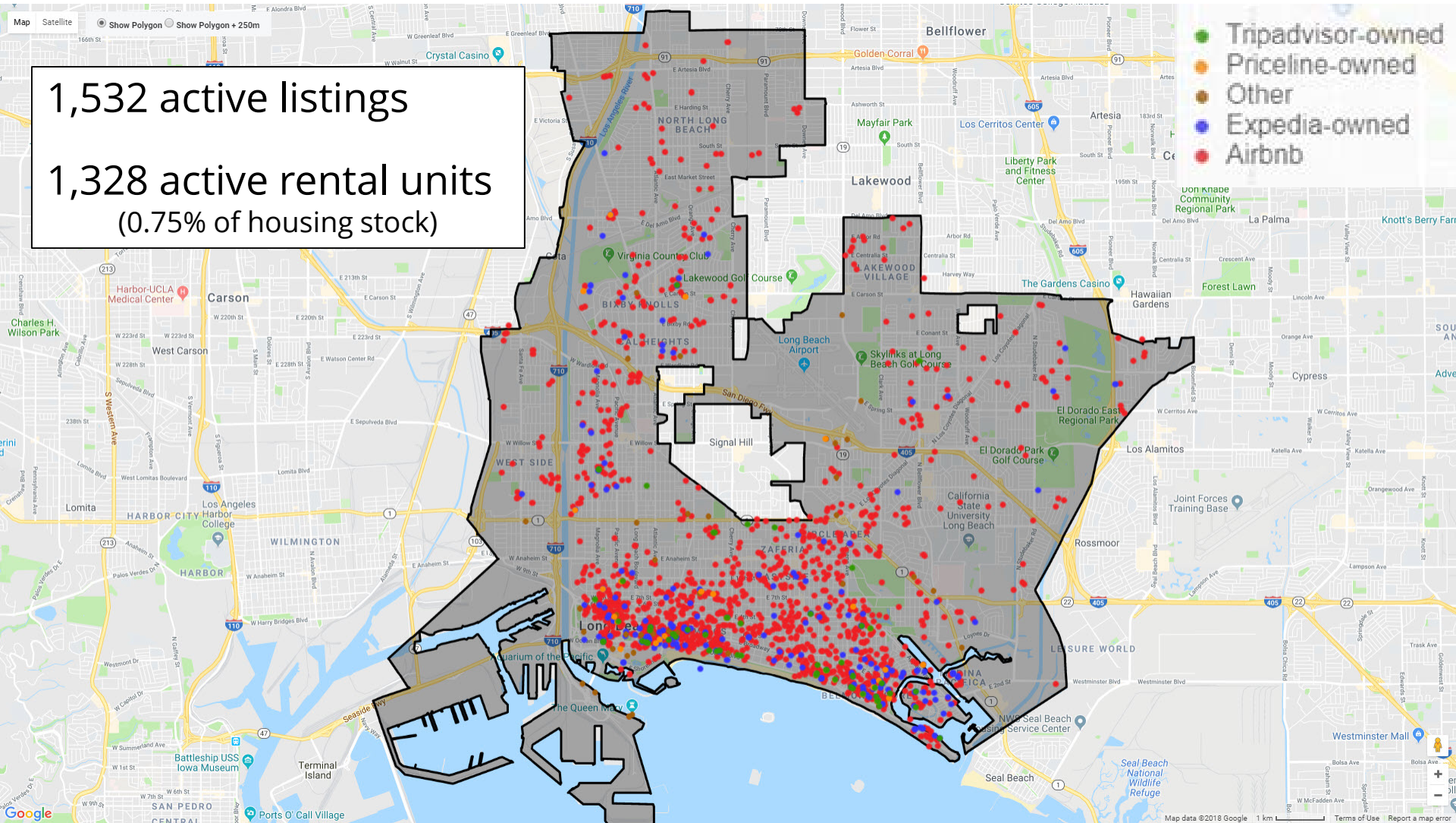


*City's Code needs
updating to address STRs*

Short-Term Rentals in Long Beach

1,532 active listings

1,328 active rental units
(0.75% of housing stock)

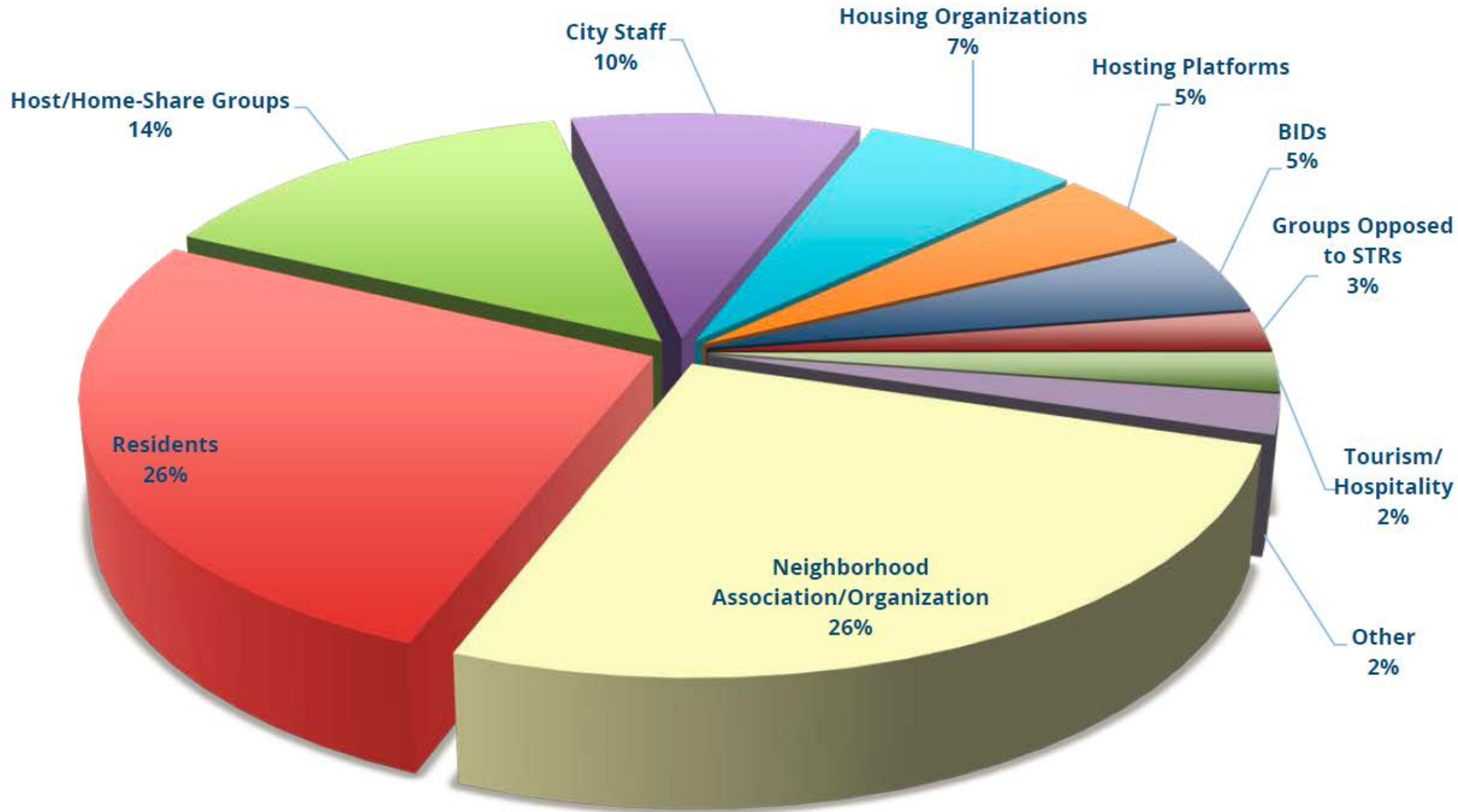


Source: Host Compliance

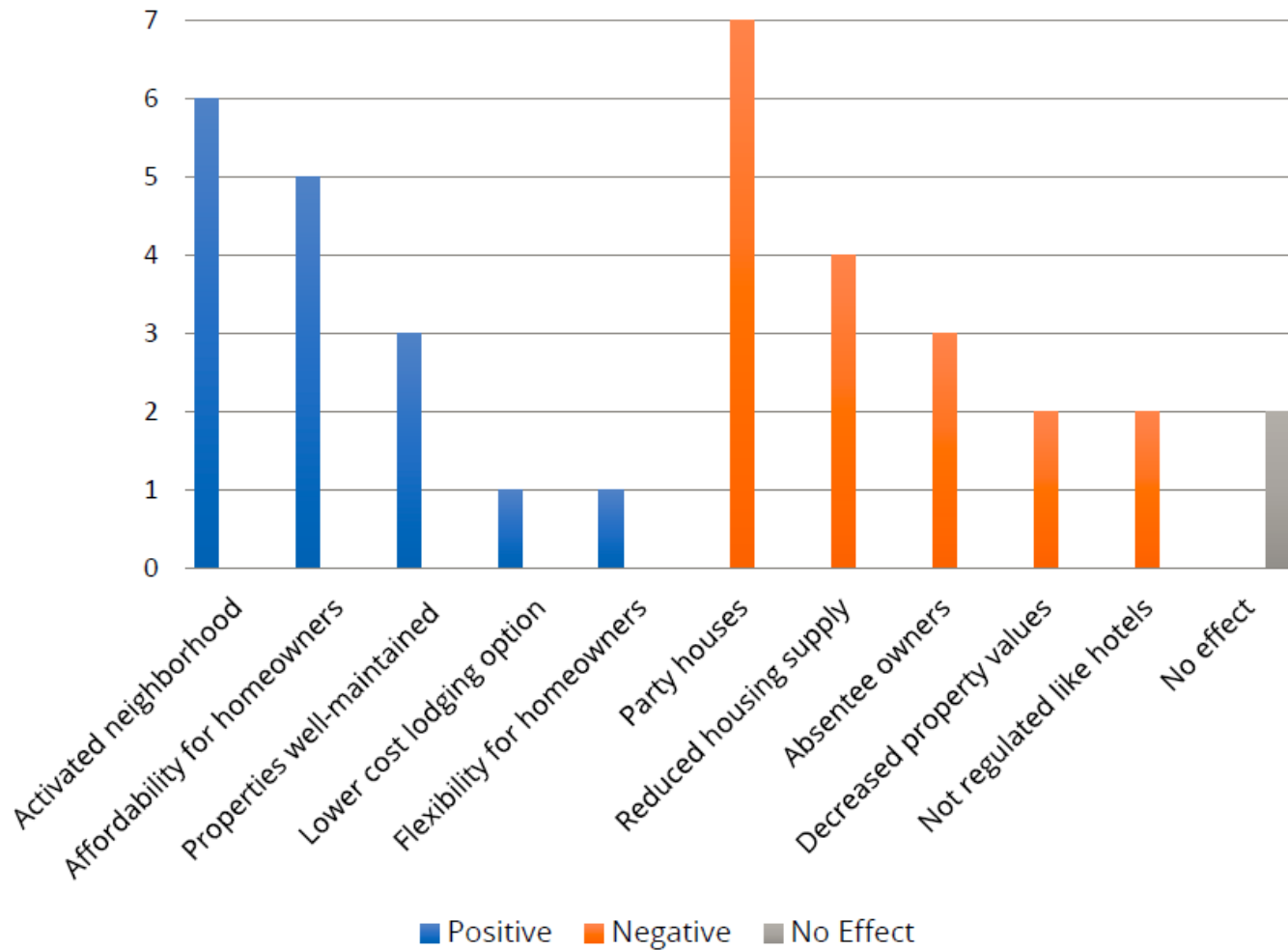


COMMUNITY INPUT

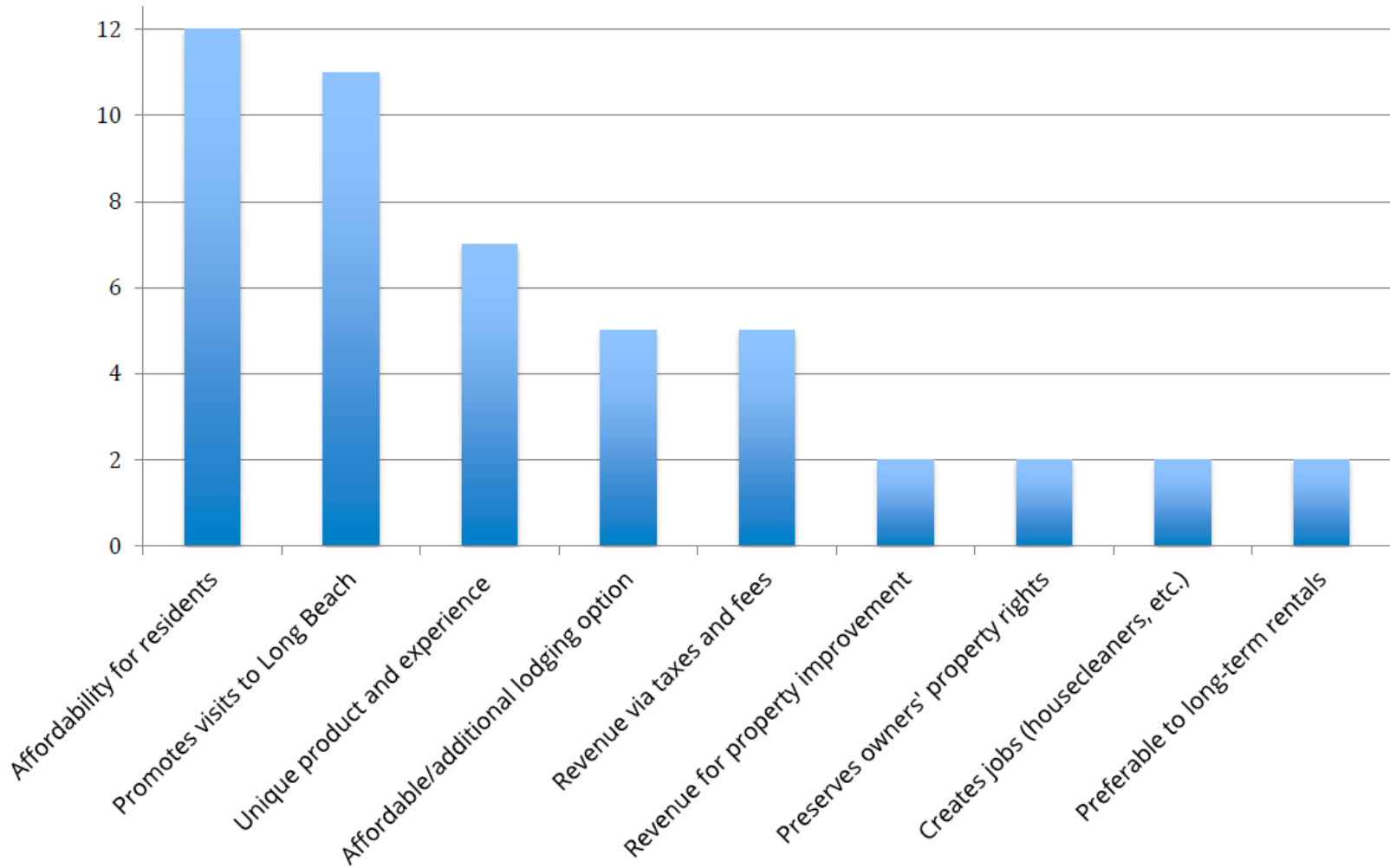
Stakeholder Interviews



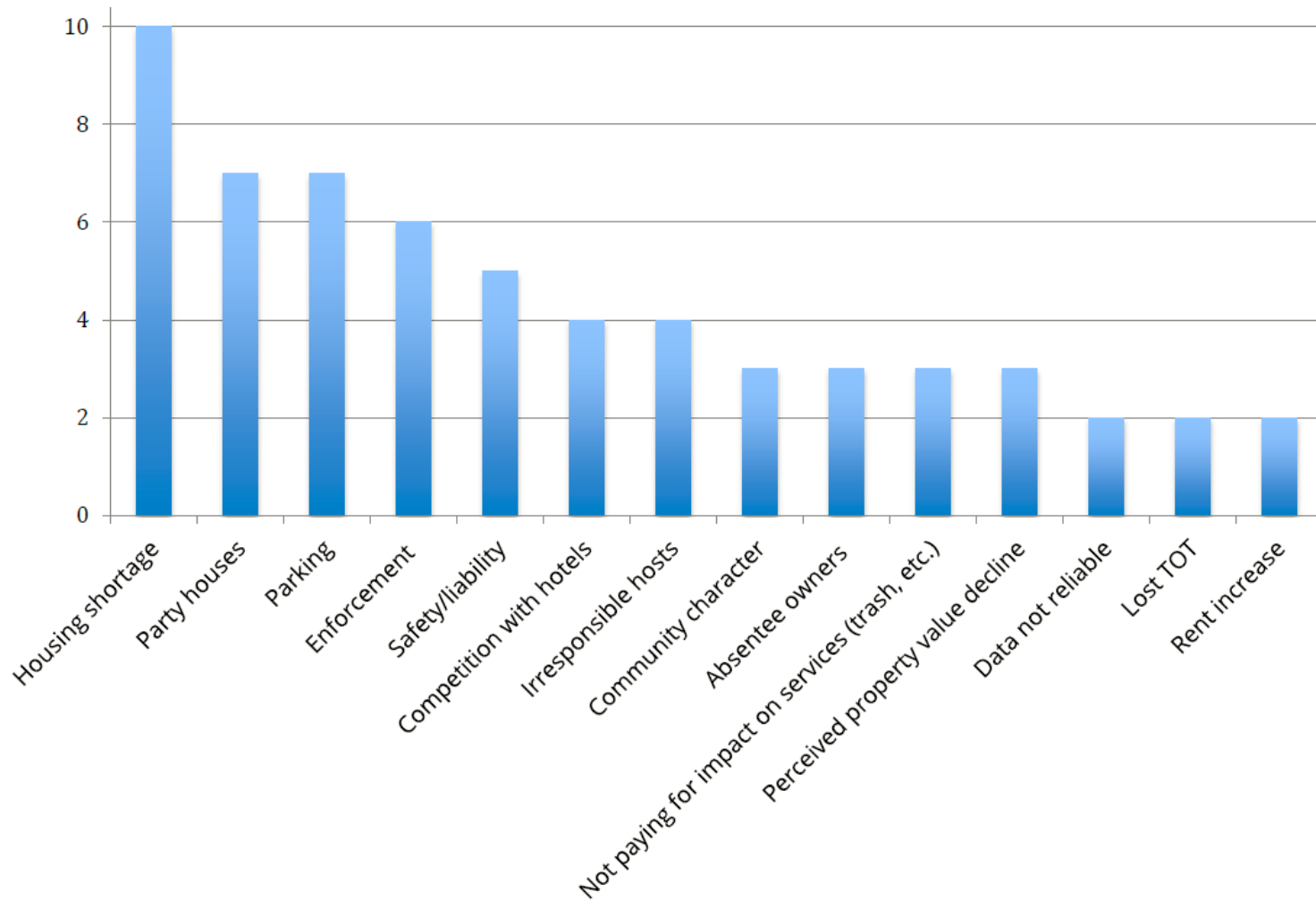
Stakeholder Interviews



Stakeholder Interviews



Stakeholder Interviews



Kickoff Workshop – May 2, 2018

- Over 250 attendees
- Over 60 speaker comments
- Over 80 comment cards returned

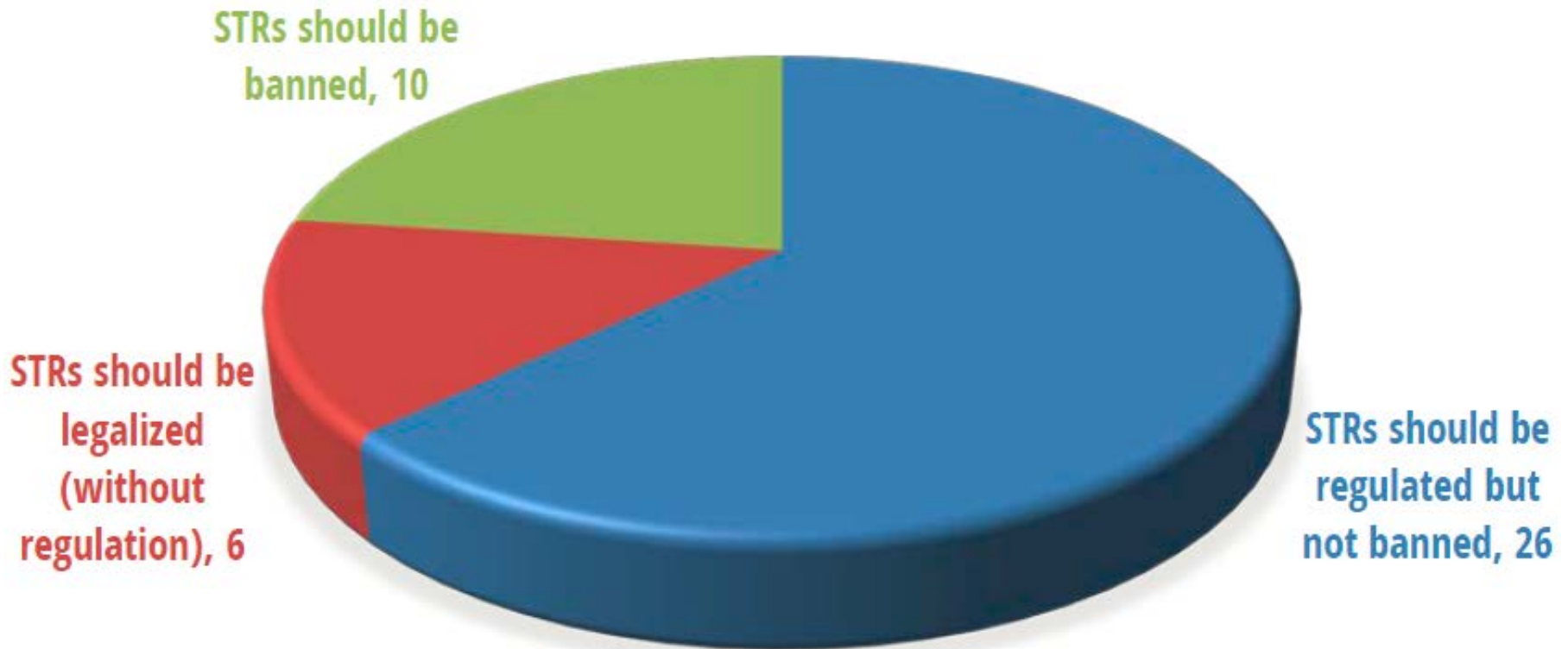
Kickoff Workshop – May 2, 2018

Speaker themes

- Many attendees were on-premise STR hosts who reported positive interactions with guests and reliance on supplemental income
- Many complaints (noise, parking) were voiced regarding non-owner occupied STRs in coastal areas
- Party houses were raised as an issue, including lack of enforcement
- Concerns voiced on STRs impact to the rental stock and housing shortage
- Comments expressed STR guests support local businesses

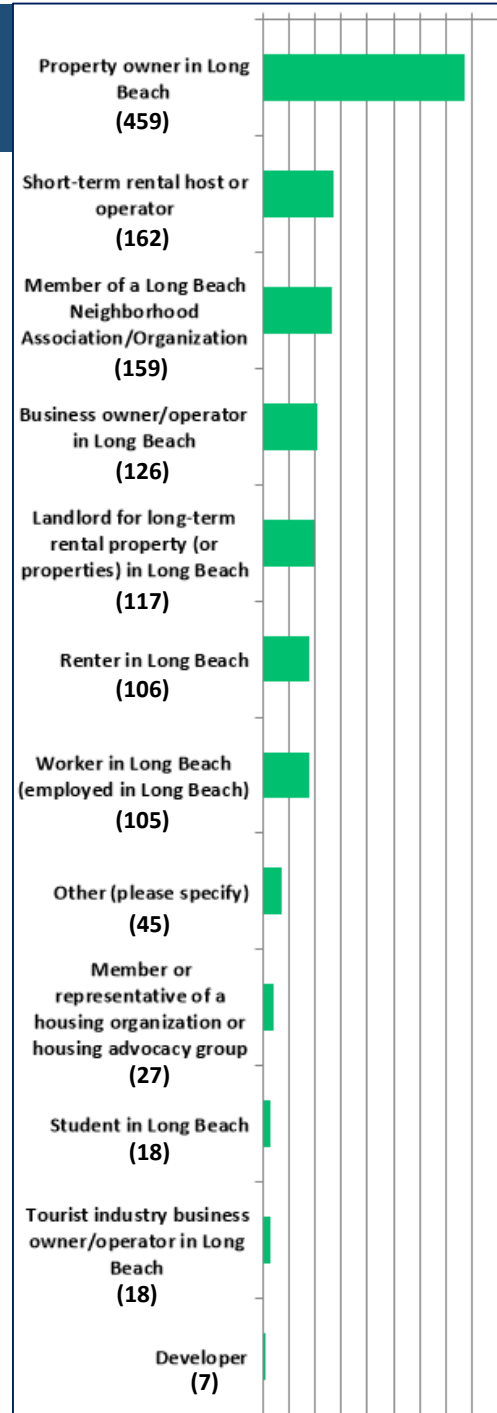
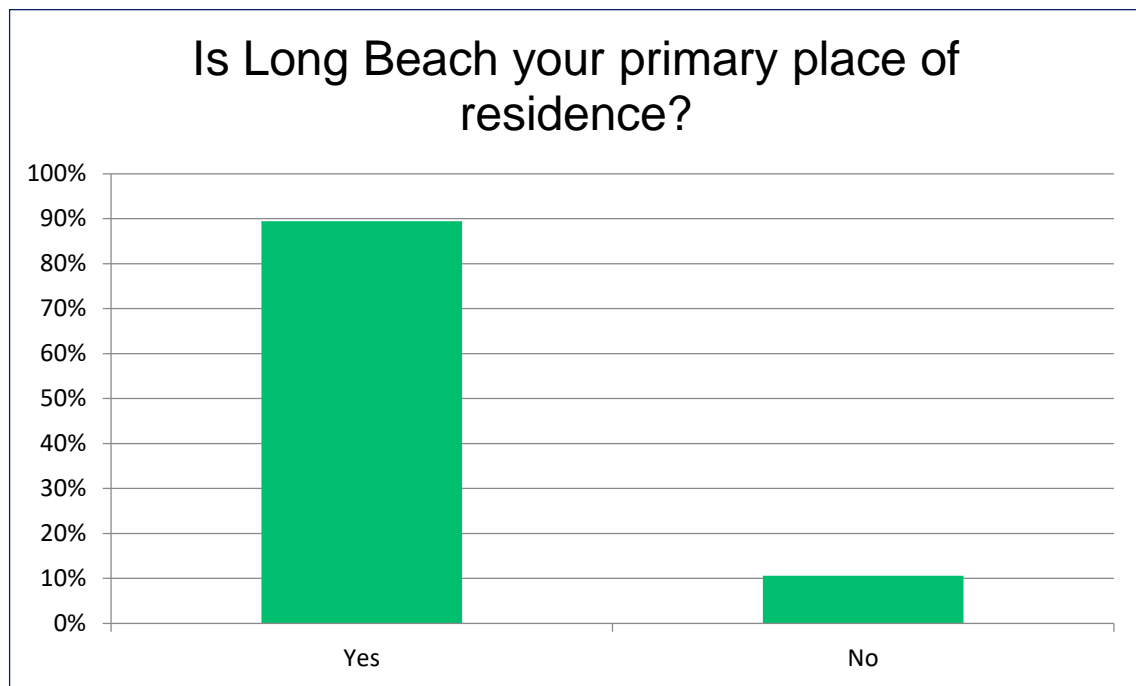
Kickoff Workshop – May 2, 2018

PERSPECTIVE ON SHORT-TERM RENTALS



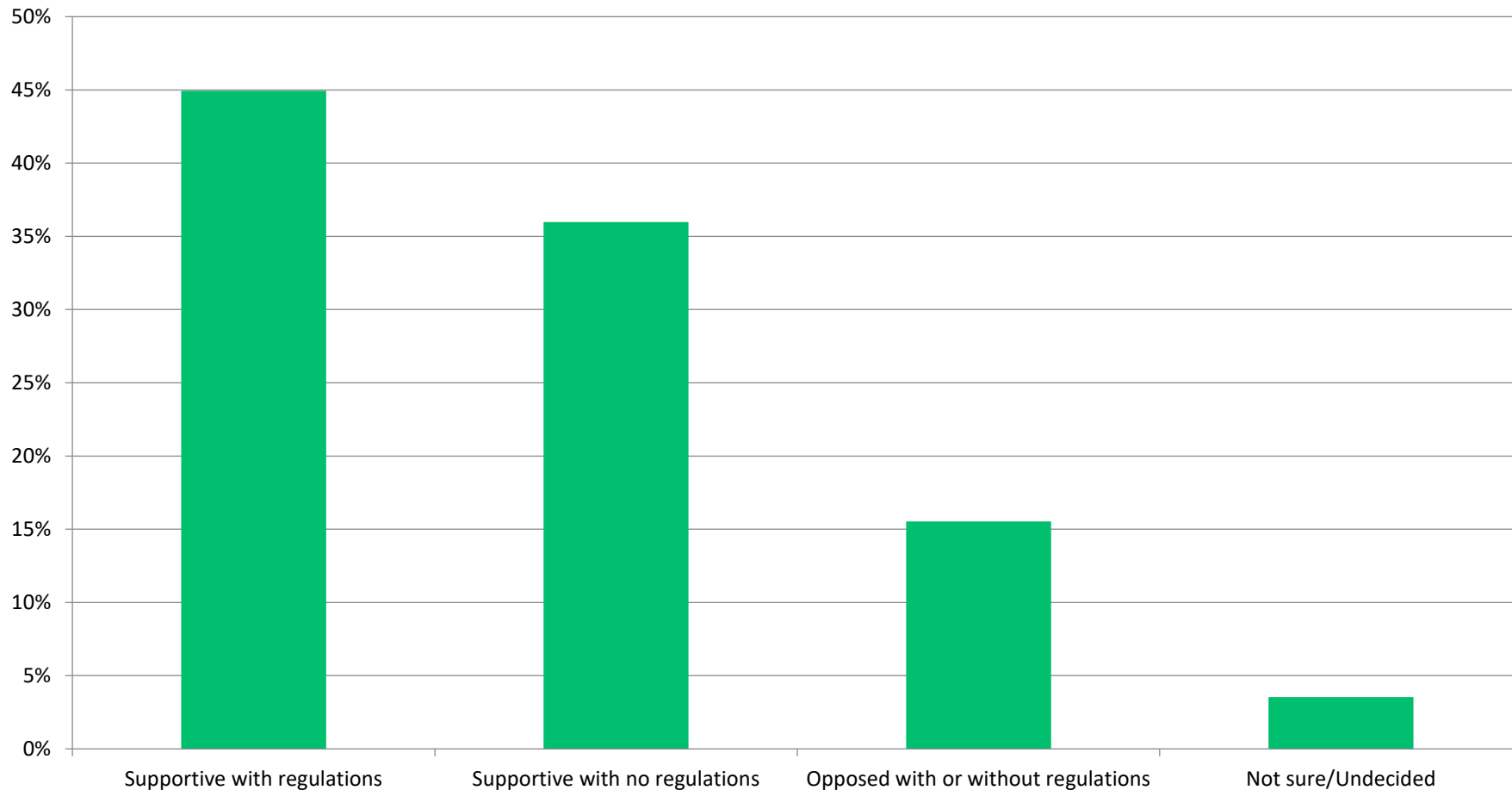
Online Survey – June 2018

- 162 STR hosts/operators (27%)
- 159 Neighborhood Association/Organization members (27%)



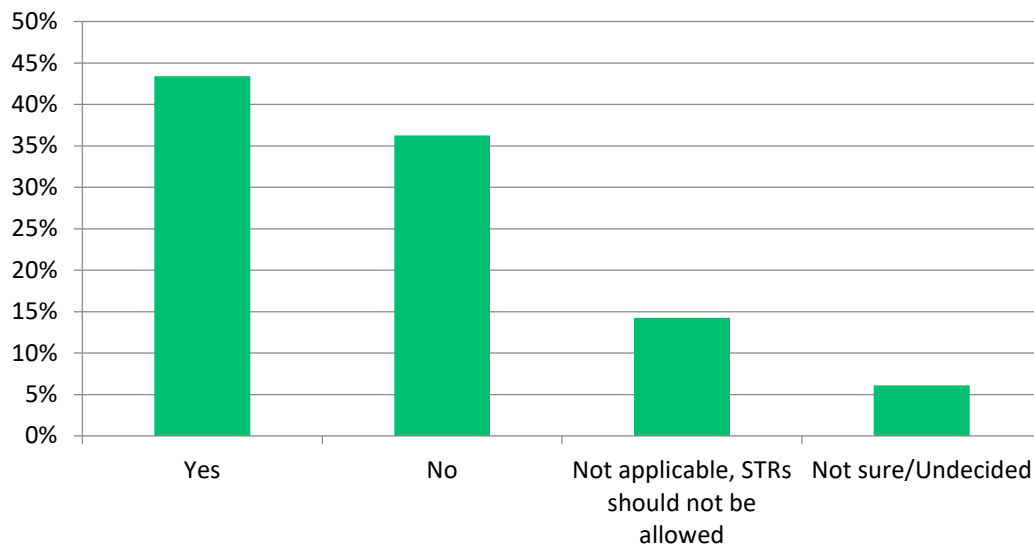
Online Survey – June 2018

What is your perspective on short-term rentals in Long Beach?
[Choose one]

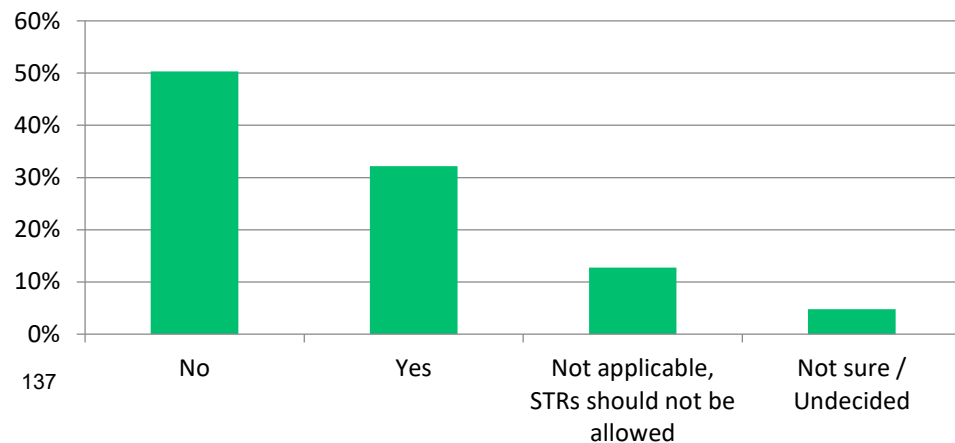


Online Survey – June 2018

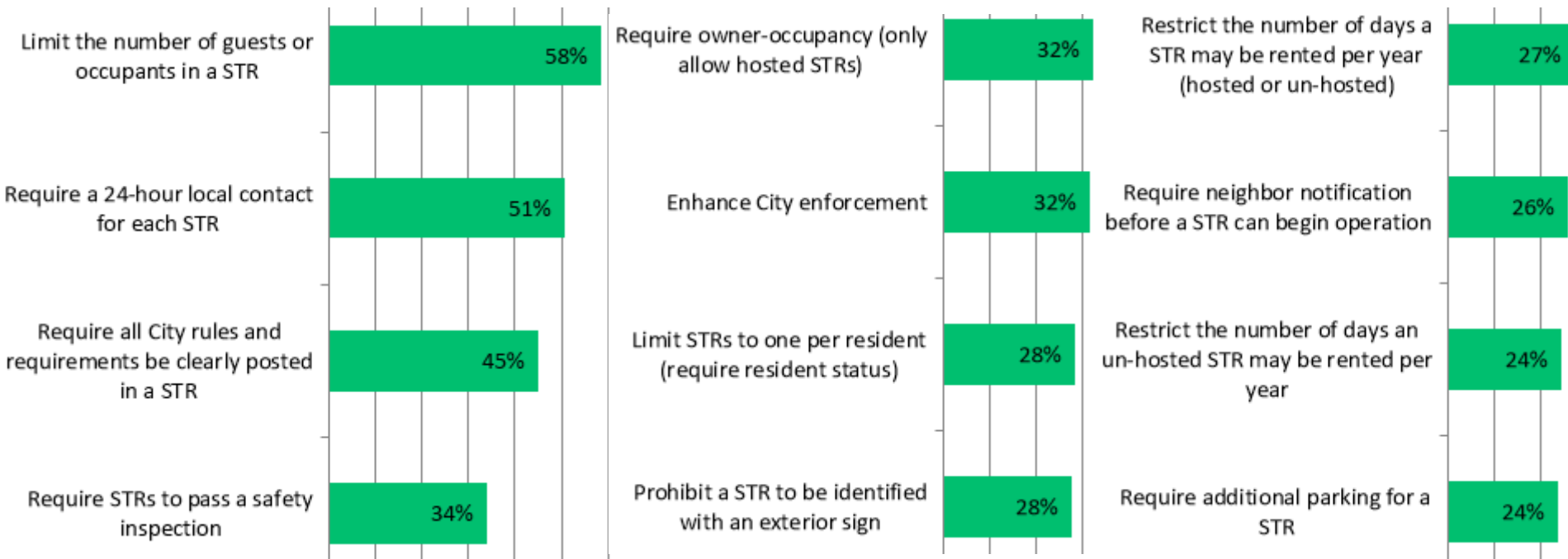
...rent out entire or whole homes?



...rent out rooms or a portion of a home?



Online Survey – June 2018



Online Survey – June 2018



Online Survey – June 2018



CASE STUDIES

Case Studies

Four case studies represent a range of STR approaches (*Long Beach is not limited to these approaches*)

- San Francisco
- Santa Monica
- Newport Beach
- Sacramento

San Francisco, CA

- 1 STR/resident
- Primary resident (275 nights/yr)
- 90 nights of un-hosted rentals allowed per year
- \$250 registration fee every 2 years
- Prohibited in affordable housing units and accessory dwelling units (ADUs)
- Property liability insurance
- Hosting platforms remove invalid listings (settlement agreement)



Santa Monica, CA

- Only hosted STRs allowed (“home sharing”)
- Must advertise as a shared space
- No application fee
- New accessory dwelling units (ADUs) considered as a separate home
- Public online Home-Sharing Registry
- Include listing URL in application
- Case pending between City and hosting platforms (Airbnb and HomeAway)



Home-Sharing Registry

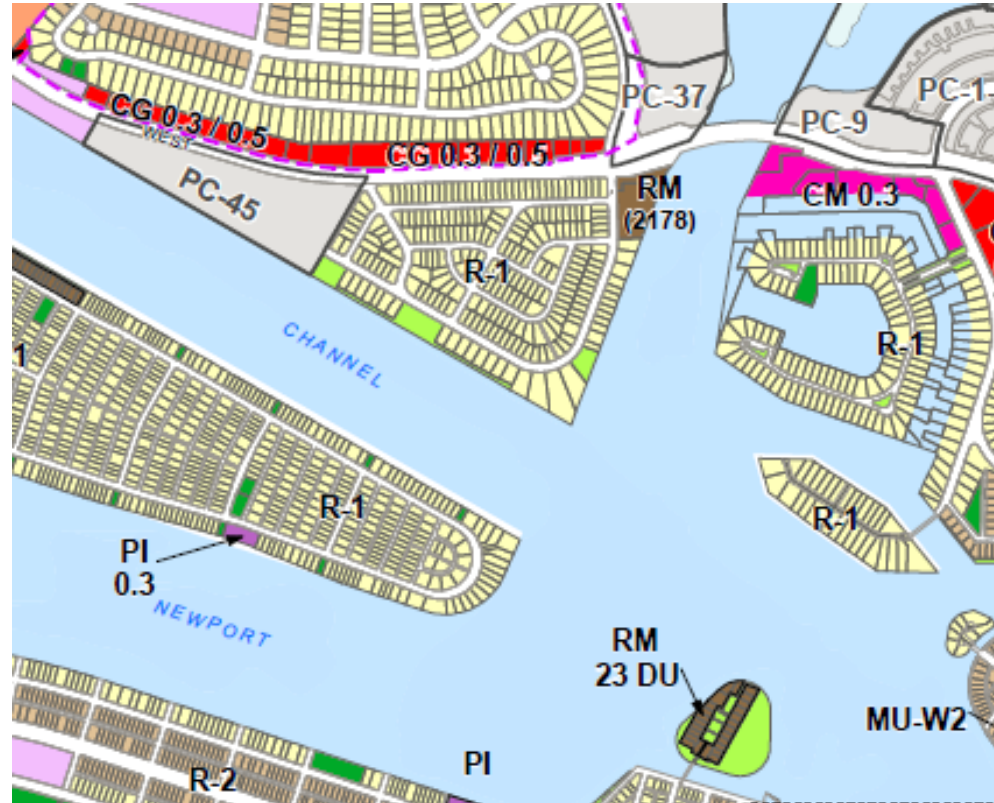
Based on Home-Sharing Registry

License Number	DBA	Address	City	State	Zip Code
228392	Lori Franklin-Garcia	1312 19TH ST #2	SANTA MONICA	CA	90404
228290	Nykki Hardin	644 PIER AVE #4	SANTA MONICA	CA	90405
228274	Eve Weston	1050 12TH ST #5	SANTA MONICA	CA	90403
228269	Inner Fitness, Inc.	2624 5TH ST #4	SANTA MONICA	CA	90405
228276	Inner Source Solutions, LLC	744 PIER AVE #1	SANTA MONICA	CA	90405



Newport Beach, CA

- STRs not allowed in single family residential zones (R-A and R-1)
- STRs in single-family homes as of June 1, 2014 grandfathered
- No limit on un-hosted stays
- \$93 application fee
- Local 24-hr contact
- Provide guests with rules and regulations (parking, trash, etc.)
- In-unit posting of conditions
- Include business license number in listing



Sacramento, CA

- Primary residence may rent home as a STR (must reside in home 184 days/year)
- Non-primary residences may be rented for 90 days/year
- Conditional Use Permit for non-primary residences rented > 90 days/year
- \$125 application fee; \$90 annual renewal
- No more than 6 guests at a time
- Local 24-hr contact
- Provide guests with rules and regulations (parking, noise)
- 200ft notification after permit issued
- Include permit number in listing



Next Steps

Event	Date/Timeframe
Public Review Workshop	October 10, 2018
City Council direction on preparing ordinance	November 2018
Following steps based on City Council direction	Post-November 2018

Scorecard Activity

- **Walk Around – Check out informational boards**
- **Ask questions!**
- **Fill out Scorecard**
- **Drop off Scorecard on your way out**
- **12:00pm - End**

Stay informed, see you soon, and thank you!

City of Long Beach – Short-Term Rental Project Webpage:

<http://www.lbds.info/lbshorttermrental/>

City of Long Beach – Email list sign up:

<http://www.longbeach.gov/linklb/>

City of Long Beach – Project Contact:

Kjell Stava

Administrative Analyst

Long Beach Development Services | Housing and Neighborhood Services Bureau

T 562.570.6315 F 562.570.6215

333 West Ocean Blvd., 3rd Fl. | Long Beach, CA 90802

kjell.stava@longbeach.gov

Public Review Workshop: October 10, 2018

Instructions: Please fill in the bubble that most accurately describes your position for each possible regulation. Your responses will provide the City with feedback on how to address key Short-Term Rental (STR) issues.

ISSUE: SENSE OF COMMUNITY

Support Neutral Against
☐ ☐ ☐ Limit the number of nights an un-hosted STR may be rented.

Support Neutral Against
☐ ☐ ☐ Require a City permit w/ neighbor notification for un-hosted STRs in single-family residential neighborhoods.

Support Neutral Against
☐ ☐ ☐ Require a City permit w/ neighbor notification for un-hosted STRs in multi-family buildings.

Support Neutral Against
☐ ☐ ☐ Require a City permit w/ neighbor notification for un-hosted STRs with stays over an extended period (e.g., 90+ days/year).

Support Neutral Against
☐ ☐ ☐ Require STRs to be separated by a certain distance.

Support Neutral Against
☐ ☐ ☐ Prohibit STRs in certain zones or neighborhoods (e.g., single-family residential zones).

Support Neutral Against
☐ ☐ ☐ Prohibit exterior signage.

Support Neutral Against
☐ ☐ ☐ Prohibit all STRs.

Other:

ISSUE: ENFORCEMENT

Support Neutral Against
☐ ☐ ☐ Require STRs to have a local 24-hour contact (e.g. property owner or property manager).

Support Neutral Against
☐ ☐ ☐ Require STRs to register for a permit, which can be revoked if the STR does not comply.

Support Neutral Against
☐ ☐ ☐ Provide the local 24-hour contact person's information to neighbors to address complaints.

Support Neutral Against
☐ ☐ ☐ Require the STR registration number to be included in all STR advertisements/listings.

Support Neutral Against
☐ ☐ ☐ Use City revenue from STRs (e.g. transient occupancy tax) to increase enforcement capacity.

Support Neutral Against
☐ ☐ ☐ Require City STR requirements to be provided to guests before their stay and posted on-premises.

Support Neutral Against
☐ ☐ ☐ Establish high fines and penalties for STRs that do not comply with City requirements.

Support Neutral Against
☐ ☐ ☐ Do not allow STRs with complaints to obtain or renew a permit.

Support Neutral Against
☐ ☐ ☐ Require STRs to be identified with exterior signage.

Support Neutral Against
☐ ☐ ☐ Establish an online public registry listing all valid STRs with addresses.

Support Neutral Against
☐ ☐ ☐ Prohibit all STRs.

Other:

ISSUE: HOUSING SUPPLY AND HOUSING AFFORDABILITY

Support Neutral Against
☐ ☐ ☐ Allow STRs only within the primary home of a Long Beach resident.

Support Neutral Against
☐ ☐ ☐ Allow STRs only if they are hosted - the operator must be on-premise/ present during guest stays.

Support Neutral Against
☐ ☐ ☐ Prohibit Accessory Dwelling Units (ADUs) from being used as STRs.

Support Neutral Against
☐ ☐ ☐ Limit the total number of STRs allowed in specific zones (e.g., multi-family residential zones, single-family residential zones, etc.).

Support Neutral Against
☐ ☐ ☐ Prohibit income-restricted units from being used as STRs.

Support Neutral Against
☐ ☐ ☐ Prohibit student housing and dormitories from being used as STRs.

Support Neutral Against
☐ ☐ ☐ Limit the total number of STRs allowed in apartment buildings.

Support Neutral Against
☐ ☐ ☐ Allow only two STRs per resident, one of which must be a primary residence.

Support Neutral Against
☐ ☐ ☐ Prohibit all STRs.

Other:

Short-Term Rentals (STRs) - Workshop 7/21/18

Instructions: Please fill in the bubble that most accurately describes your position for each possible regulation. Your responses will provide the City with feedback on how to address key Short-Term Rental (STR) issues.

ISSUE: PARKING

Support ☐ Neutral ☐ Against ☐ Limit occupancy in STRs based on available parking (e.g., 4 people per space).

Support ☐ Neutral ☐ Against ☐ Establish parking standards for STRs (e.g., 1 space per two rooms).

Support ☐ Neutral ☐ Against ☐ Require STR operators to provide parking requirements and instructions to guests prior to their stay.

Support ☐ Neutral ☐ Against ☐ Prohibit all STRs.

Support ☐ Neutral ☐ Against ☐ * Prohibit commercial events (e.g. weddings, receptions, and large parties) in STRs.

Other:

* Example regulation also listed under Noise and Parties.

ISSUE: NOISE AND PARTIES

Support ☐ Neutral ☐ Against ☐ Require STR owners and operators to agree to comply with City noise ordinances.

Support ☐ Neutral ☐ Against ☐ * Prohibit commercial events (e.g. weddings, receptions, and large parties) in STRs.

Support ☐ Neutral ☐ Against ☐ Establish quiet hours for STRs in the City's noise ordinance (e.g., between the hours of 10 p.m. and 7 a.m.).

Support ☐ Neutral ☐ Against ☐ Prohibit the use of outdoor pools, spas, and hot tubs during certain hours (e.g., 10 p.m. to 7 a.m.).

Support ☐ Neutral ☐ Against ☐ Limit occupancy in STRs (e.g., 2 people per bedroom).

Support ☐ Neutral ☐ Against ☐ Prohibit all STRs.

Other:

* Example regulation also listed under Parking.

ISSUE: SAFETY AND LIABILITY

Support ☐ Neutral ☐ Against ☐ Require STR safety information and notices (e.g., fire extinguishers, escape routes) to be posted on-premise.

Support ☐ Neutral ☐ Against ☐ Require a City inspection before a STR can begin operation (inspect fire alarms, carbon monoxide detectors, egress routes, etc.).

Support ☐ Neutral ☐ Against ☐ Require a minimum level of property liability insurance.

Support ☐ Neutral ☐ Against ☐ Prohibit all STRs.

Other:



WORKSHOP #3 SUMMARY MEMO

DEVELOPMENT OF SHORT-TERM RENTAL PROGRAM AND REGULATIONS

CITY OF LONG BEACH

Wednesday, October 10, 2018

6:00 PM – 8:00 PM

Expo Arts Center

4321 Atlantic Ave

Introduction

On October 10, 2018, the City of Long Beach hosted Workshop #3, the third public workshop for the Development of Short-Term Rental (STR) Program and Regulations (Project). Workshop #3 is part of a comprehensive community engagement strategy, intended to inform the community about the Project, provide an opportunity for community members to voice opinions, and promote the Council meeting (date TBD) and anticipated City Council and Planning Commission hearings (dates TBD). Poster boards with information on STRs (from the Code Diagnosis, Economic Analysis and Market Analysis) in Long Beach were on display for the attendees' reference.



The meeting attracted 220 attendees including individual residents and STR hosts as well as representatives from the local press, neighboring cities, and City staff. Attendees were provided a comment card during the workshop that sought their preference on three possible STR regulatory options to be presented to Council. By the close of the workshop, attendees returned nearly 180 comment cards. Input from the comment cards, along with input voiced at the workshop, is summarized in this memo.

The meeting was opened by Long Beach's Administrative Analyst and Project Manager Kjell Stava who welcomed attendees and introduced Long Beach's 8th District Councilmember Al Austin. Councilman Austin provided opening remarks and highlighted the importance of stakeholder engagement in developing City policy. After Councilmember Austin's remarks, Mr. Stava introduced Lisa Wise Consulting, Inc. (LWC) Project Manager, Jennifer Daugherty, who presented on the following topics (attached as Exhibit A):

- Project background
- Summary of community input themes to date including, stakeholder interviews, previous workshops, and the online survey

- Short-Term Rental ordinance options
- Next steps

Following the presentation, LWC opened the floor to public comment where members of the community were able to voice their opinion on the three potential regulatory options.

The workshop ended at approximately 8:00 p.m.

Public Comment Summary

Thirty-eight people gave testimonials (limited to two minutes) on which option they preferred, suggestions on how to modify the options presented, and/or asked questions.

Several themes emerged during the public comment and are summarized below:

- Many STR hosts voiced their opinion for an option with no regulations.
- STR platforms, such as Airbnb, already have an insurance requirement and already monitor and discipline irresponsible hosts and guests. Rather than shifting these responsibilities to the City, STR platforms should continue to offer insurance and monitor hosts and guests.
- Several speakers suggested that the Team look at neighboring cities' STR ordinances, including Seal Beach, Lakewood, San Pedro, Huntington Beach; Long Beach hosts need to be competitive.
- Several attendees had questions on who would be considered a Long Beach resident (a requirement under Options 2 and 3).
- The ordinance should clearly define what a violation is and how exactly the laws will be enforced.
- Options 2 and 3 are too lenient towards unhosted STRs and therefore may favor investor properties.
- Requiring both a business license and STR registration with the City is redundant.
- Part of the TOT revenue should be allocated towards homelessness initiatives and funding for affordable housing.
- The 24-hour hotline is not necessary because STR issues are everyday issues (e.g., noisy neighbors).

Comment Card Summary

Comment cards were distributed to all attendees as an additional method for gaining feedback on preliminary regulatory options the City could consider for STRs. The comment card sought feedback on a preferred regulatory option from the three proposed. The comment card also solicited suggestions for improving a preferred option. If a preferred option was not selected, attendees were asked to describe their preferred option.

The three preliminary options were summarized on the comment cards as follows:

1. *Option 1 (Lowest level of regulation)*

Register with the City, provide a local 24-hr contact, pay TOT, provide registration # in listing

2. *Option 2 (Additional regulation)*

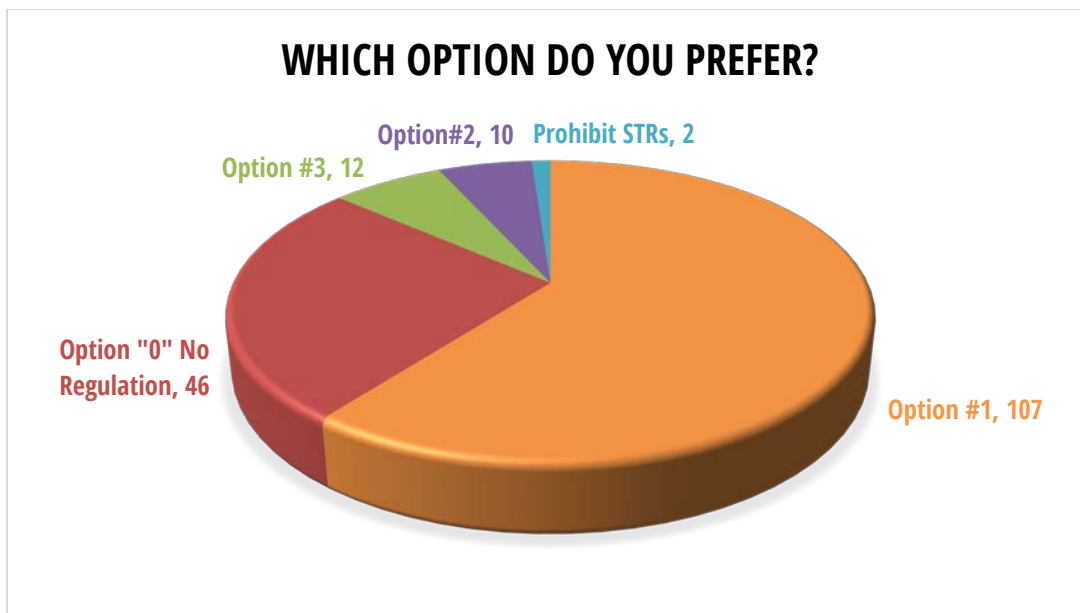
Option 1 plus: 2 STRs per resident or 3 if one STR is a primary residence; non-primary residence STRs in multi-family buildings limited to 25% of total units or 6 STRs (whichever is less); 90 nights of un-hosted stays for primary residence STRs; max. occupancy 2 people/bedroom + 2 people with a 10-person max.

3. *Option 3 (Potential additional restrictions)*

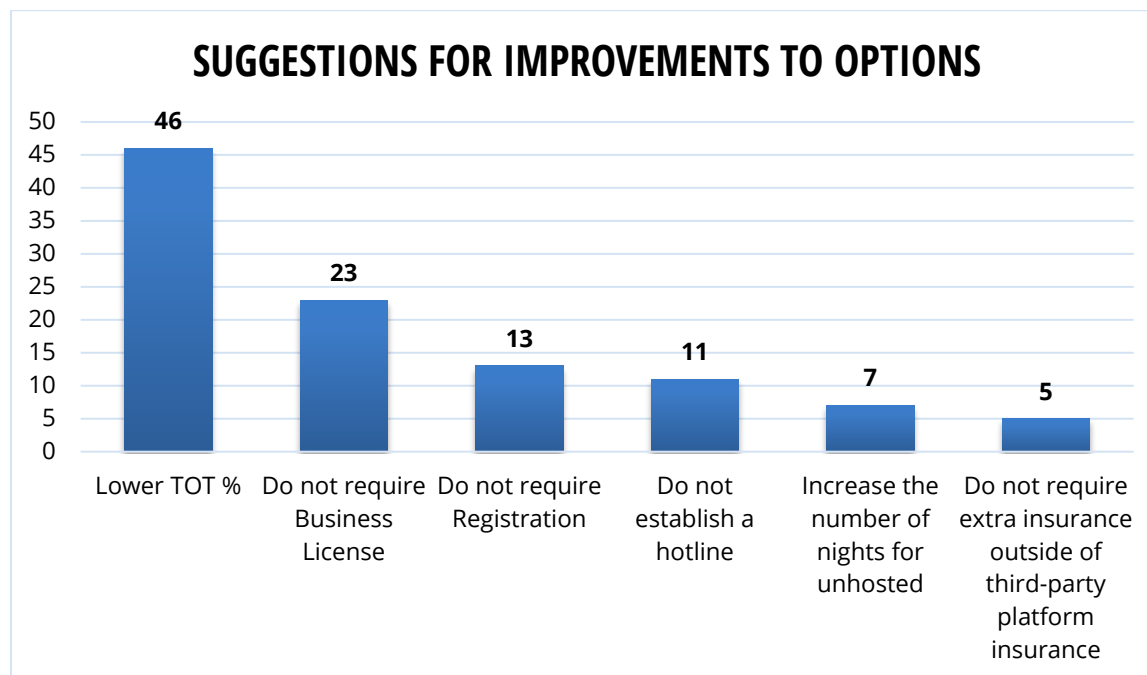
Options 1 + 2 plus: un-hosted STRs may be prohibited in a designated area through a petition process.

At the end of the meeting 176 cards were completed and submitted. Seven comments were submitted via email to the City before the meeting.

Of those who responded, 107 preferred Option 1, 10 preferred Option 2, and 12 preferred Option 3. In addition to the three options presented, 46 respondents preferred Option "0," meaning that they did not want any regulations. Two attendees preferred to prohibit all STRs. Six of the email comments did not specify preference for a potential option.



In the section that asked for attendees' suggestions on how to improve the options, several themes emerged and are summarized in the table below.



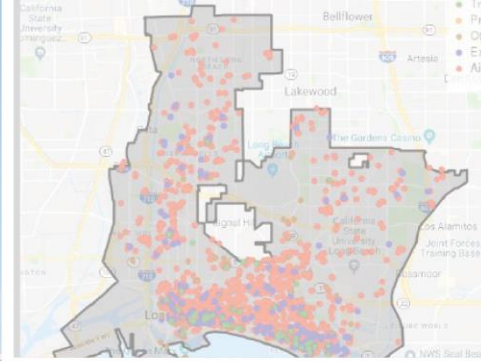
A smaller number of respondents voiced or identified concerns or opposition to STRs through comment cards or emailed comments. Those respondents provided suggestions such as:

- Keep the City's current ban (i.e., allow room rentals only)
- Do not allow investors to purchase housing stock for use as STRs
- Prohibit all unhosted STRs
- Increase the insurance requirement from \$1 million to \$2 million
- Require ADA compliance comparable to hotels
- Reduce the violation threshold to two violations instead of three before registration is revoked
- Ban all STRs in high density areas

Conclusion

Input gathered from this workshop will augment input gathered from: one-on-one and small group stakeholder interviews, research conducted on the Municipal Code, analysis on STRs in Long Beach, case study research, workshop #1 and #2 input, online survey results, and future community engagement events to inform options for City consideration in establishing a STR ordinance.

Exhibit A



WORKSHOP #3 - SHORT-TERM RENTALS

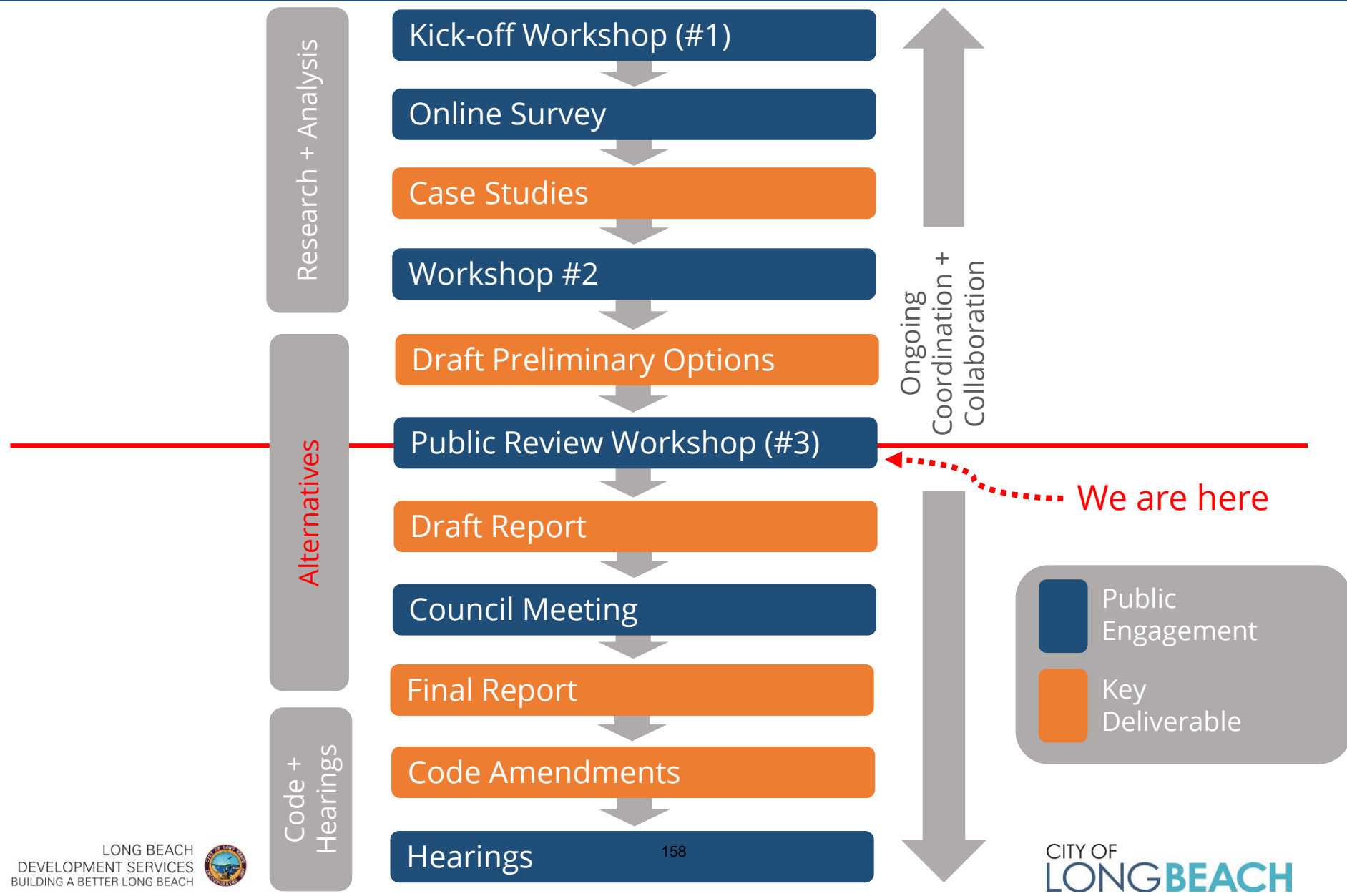
City of Long Beach
October 10, 2018



AGENDA

- 1 Background
- 2 Community Input
- 3 Short-Term Rental Ordinance Options
- 4 Next Steps
- 5 Discussion

Short-Term Rental Ordinance Development Process



Short-Term Rentals and the City's Code

A home, or portion of a home, rented by paying guests for short stays (30 days or less)

Hosted STRs are allowed with limitations

"Room Rental" Allowed

- Owner must live in home
- Two-room maximum
- Not detached
- No independent exterior entrance
- No kitchen

***City's Code needs
updating to
address STRs***

Un-hosted STRs are prohibited (many cities prohibit STRs based on zoning codes, but STRs occur regardless)

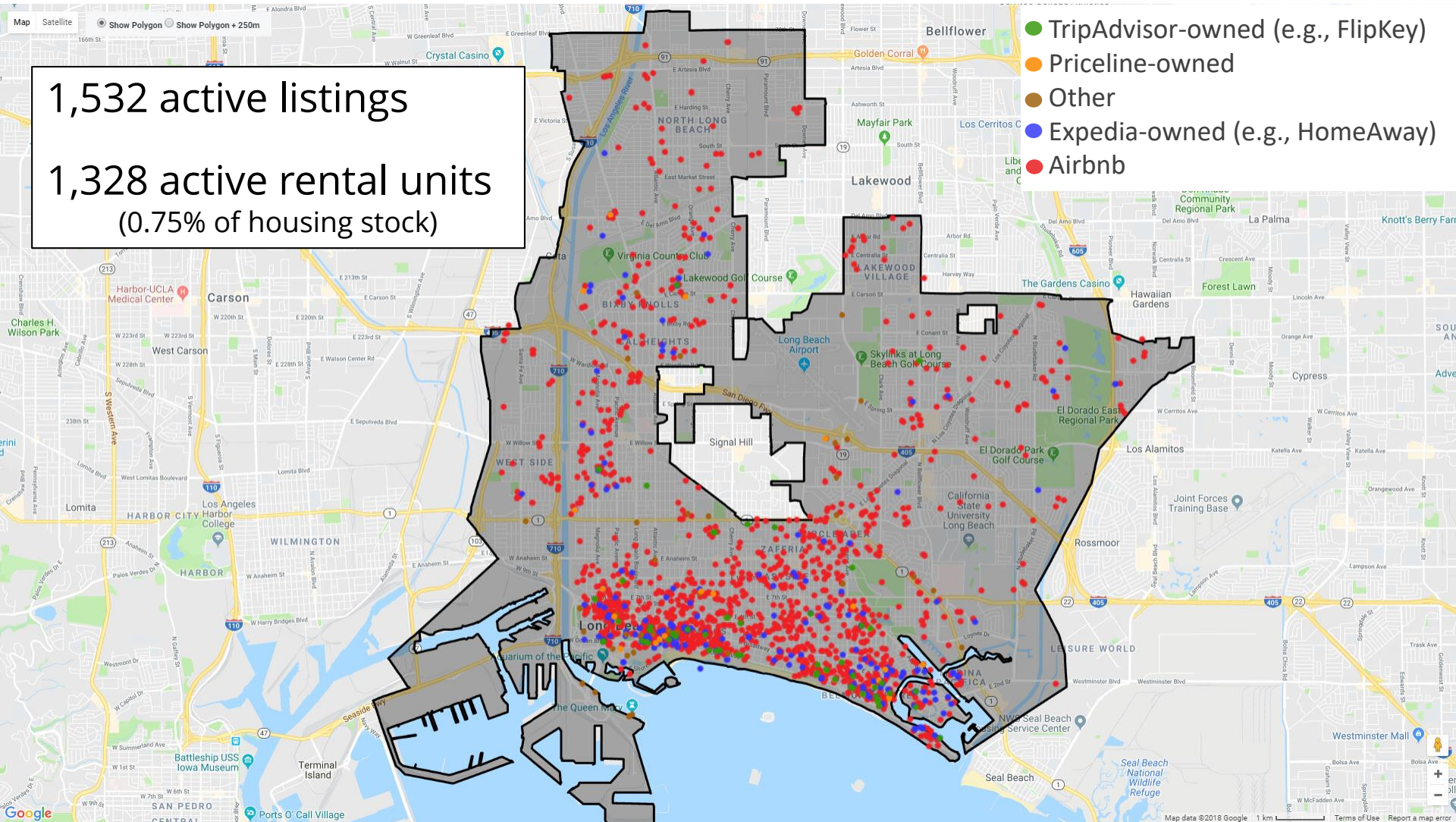
Loud parties are prohibited

Short-Term Rentals in Long Beach

1,532 active listings

1,328 active rental units
(0.75% of housing stock)

- TripAdvisor-owned (e.g., FlipKey)
- Priceline-owned
- Other
- Expedia-owned (e.g., HomeAway)
- Airbnb



Case Studies

Four case studies reviewed that represent a range of STR approaches

- San Francisco
- Santa Monica
- Newport Beach
- Sacramento

(Long Beach is not limited to these approaches)

Others considered throughout analysis

- San Clemente
- South Lake Tahoe
- Anaheim
- Chicago, IL
- Austin, TX
- Seattle, WA
- New Orleans, LA
- And others

COMMUNITY INPUT

Community Input Opportunities

Event/Activity

Stakeholder interviews

~ 40 individuals

Community Kick-Off Workshop

~ 80 comment cards completed
~ 60 testimonials

Online survey

~ 600 responses

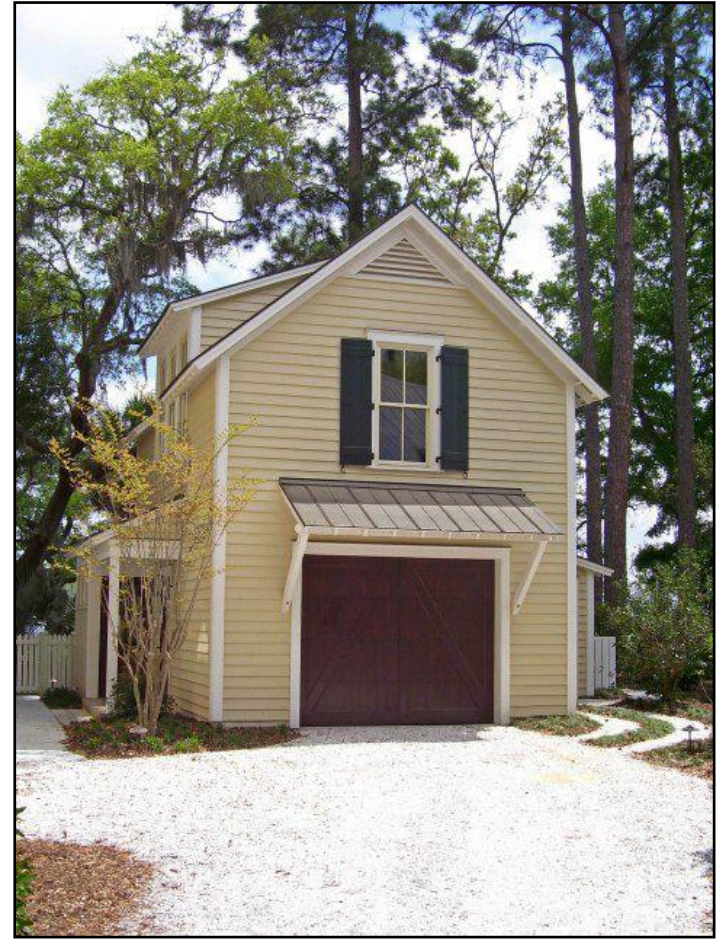
Community Workshop #2

~ 130 scorecards completed

- **Tonight's Workshop**
- **Future meetings**

Community Input Themes

- On-premise STR hosts report positive interactions with guests and reliance on supplemental income
- Comments express STR guests support local businesses
- STRs allow and encourage owners to keep up with property maintenance and improvements



Community Input Themes

- Complaints (noise, parking) voiced regarding non-owner occupied STRs focused in coastal areas
- Party houses raised as an issue, including lack of enforcement
- Concerns on STRs impact to the rental stock and housing shortage



Community Input Themes

- STR regulations need to be enforceable
- A simple STR registration process should be established
- A grace or amnesty period should be provided to adjust to new requirements

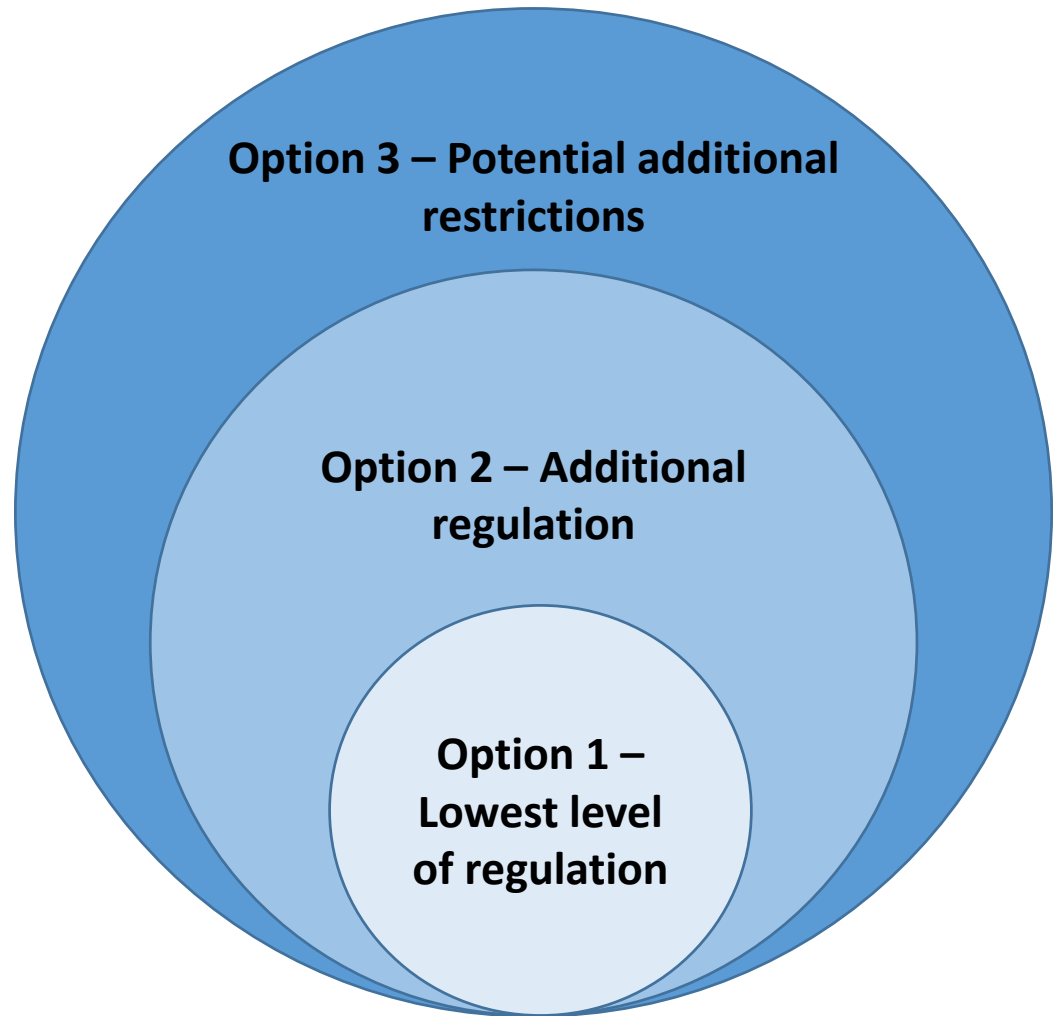
SHORT-TERM RENTAL ORDINANCE OPTIONS



Preliminary Options

Three preliminary options

- Option 1 – lowest level of regulation
- Option 2 – Option 1 + additional regulation
- Option 3 – Option 2 *(except where conflicts)* + potential additional restrictions



Option 1

Overview	<ul style="list-style-type: none"> • Register with City • Provide a local 24-hr contact • Prohibited in income-restricted units and student housing • 24-hr hotline to resolve issues and complaints
Hosted Limit	None
Un-hosted Limit	None
Host Requirements	<ul style="list-style-type: none"> • Provide rules (noise, parking, etc.) to guests prior to stay • Post City requirements in unit
Noise & Parties	Existing City Noise Ordinance applies
Safety & Liability	<ul style="list-style-type: none"> • Map of fire extinguishers and escape routes in unit • Property liability insurance of \geq \$1M
Enforcement	<ul style="list-style-type: none"> • City registration number in listing • Compliance with HOA and rental agreements • Online platforms responsibilities • 3rd violation in 12 months – registration revoked for 12 months
TOT	12% (current City TOT rate)

Option 2

Overview	<ul style="list-style-type: none"> • Option 1 + • Residents may have 2 STRs or 3 if one is a primary residence • Non-primary residence STRs in multi-family buildings limited to 25% of total units or 6 STRs (whichever is less)
Hosted Limit	None (same as Option 1)
Un-hosted Limit	90 nights of un-hosted guest stays for primary residence STRs
Host Requirements	Lived in primary residence for ≥ 60 days
Noise & Parties	<ul style="list-style-type: none"> • Large-scale events prohibited • Quiet hours (10pm-7am) apply to outdoor pools and hot tubs
Safety & Liability	<ul style="list-style-type: none"> • Occupants limited to 2 ppl/bdrm + 2ppl; max 10 ppl • Exterior signage prohibited
Enforcement	Same as Option 1
TOT	12% (same as Option 1)

Option 3

Overview	<ul style="list-style-type: none"> Options 1 + 2 (except where Option 3 conflicts with Option 2) Un-hosted STRs may be prohibited in a designated area through a petition process
Hosted Limit	None (same as Options 1 + 2)
Un-hosted Limit	Same as Option 2 unless un-hosted STRs are prohibited in the designated area
Host Requirements	Same as Options 1 + 2
Noise & Parties	Same as Options 1 + 2
Safety & Liability	Same as Options 1 + 2
Enforcement	Same as Options 1 + 2
TOT	12% (same as Options 1 +2)

Summary		
Option 1	Option 2	Option 3
<ul style="list-style-type: none"> • City registration; registration number in all listings; 12% TOT • Local 24-hr contact • Prohibited in income-restricted units and student housing • 24-hr hotline to resolve issues and complaints • Host provides guest with rules and safety information and posts in unit • \$1M property liability insurance • Compliance with HOA and rental agreements • Online platforms responsibilities • 3rd violation in 12 months – registration revoked for 12 months 		
	<ul style="list-style-type: none"> • 2 STRs/resident; 3 if one is a primary residence • Non-primary residence STRs in multi-family buildings limited to 25% of total units or 6 STRs (whichever is less) • 90 nights of un-hosted guest stays for primary residence STRs • Lived in primary residence for ≥ 60 days • Large-scale events prohibited; quiet hours apply to outdoor pools and hot tubs • Occupants limited to 2 ppl/bdrm + 2ppl; max 10 ppl • Exterior signage prohibited 	
	172	Un-hosted STRs may be prohibited in a designated area through a petition process

Next Steps

- Revise/refine options based on tonight's feedback
- Identify a preferred option based on tonight's feedback (if possible)
- Further analysis for City implementation and administration of options

Event	Date/Timeframe
City Council direction on preparing ordinance	November 2018
Following steps based on City Council direction	Post-November 2018

Discussion

- What questions do you have about the proposed options?
- Which do you consider to be your preferred option?
- What suggestions do you have to improve your preferred option?

Stay informed, see you soon, and thank you!

City of Long Beach – Short-Term Rental Project Webpage:

<http://www.lbds.info/lbshorttermrental/>

City of Long Beach – Email list sign up:

<http://www.longbeach.gov/linklb/>

City of Long Beach – Project Contact:

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