

December 4, 2018

Honorable Mayor and Councilmembers
City of Long Beach
333 W. Ocean Blvd.
Long Beach, CA 90802

Re: Item No. 21 - Short Term Rental Ordinance Recommendations

The emergence and proliferation of unregulated short-term rentals (“STRs”) have been proven to demonstrate negative impacts on an existing housing crisis, neighborhood character, and city code enforcement.¹ While the housing market and the hospitality industry normally do not intersect, unregulated STR platforms create incentives for “hosts” to turn their rental units into STRs in order to increase revenue, creating *de facto* hotels.² Without local legislation that includes strong language around platform accountability and primary residence hosting, STRs will continue to exacerbate an existing regional housing crisis. **The City Council should add at least two key provisions to Staff’s recommended option in order to ensure Long Beach implements an enforceable and effective STR ordinance: platform accountability and primary residence hosting.** Platform accountability creates mechanisms for cities to be able to hold platforms responsible for host registration, and primary residence hosting protects a city’s housing market from an oversaturation of STRs and loss of available rental units.

There are a number of other cities that have passed similarly stringent STR ordinances, including but not limited to Santa Monica and San Francisco. The City of Santa Monica has had marked success in enforcement, including fine collection, tax collection, and the return of valuable housing units to the rental market.³ San Francisco restricts STR hosing to permanent residents, prohibiting STRs in rent-controlled units, and places the burden of enforcement on hosting platforms.⁴

I. THE PROBLEM

Research has shown that STRs can lead to hikes in rental rates, removal of prospective housing from the market, and an exacerbation of gentrification for affordable housing. Further, cities without STR ordinances or proper oversight lose revenue from crucial Transient Occupancy Tax (“TOT”).

The City of Long Beach is similarly impacted by the statewide housing crisis. The number of vacant housing units in Long Beach declined by 3,500 units (25%) from 2010 to 2015, while the number of seasonal, recreational, or occasional use increased by 87 units

¹ LAANE, “AirBNB, Rising Rent, and the Housing Crisis in Los Angeles,” p. 16. March 2015.

² *Id.*

³ City of Santa Monica, “Short-Term Rental Two-Year Analysis,” February 2018.

⁴ Lisa Wise Consulting, Inc. for City of Long Beach, “Development of Short-Term Rental Program and Regulations,” July 23, 2018.

(8.5%).⁵ The time to narrow this margin and protect Long Beach residents' access to affordable housing while providing the City with fiscal compensation is now. Long Beach has the opportunity to create a strong STR ordinance that includes commonsense protections for residents and helps preserve affordability and the quality of life in the city.

The city's community review process revealed numerous other concerns related to the proliferation of unregulated STRs: negative impacts to neighborhood character, community disruptions, safety, burden of enforcement falling on neighbors' shoulders, code enforcement such as noise complaints, parking issues, decreasing property values, and more.⁶ Balancing all of these impacts with the reality of STRs in Long Beach requires an ordinance with strong enforcement and regulations that hold hosting platforms accountable and preserve STRs original intent of home sharing.

II. THE SOLUTION

The following policy recommendations have been in other cities, particularly in nearby Santa Monica, demonstrating an ability to balance the regulation of STRs with the benefits of true home-sharing. A visual summary of our recommendations is attached as Exhibit A.

a. Platform Accountability

While registration and licensing of STRs are essential, associated information disclosure and fees to fund enforcement are key to ensuring compliance. To date, cities have not been able to bring STR units into compliance without requiring platforms themselves to comply with local regulations. Cities that have been successful in removing the majority of illegal units off the market, such as the City of Santa Monica, require platforms to disclose information regarding hosts' activity, in addition to fines for the platform for any listing that is found not to be registered with the City.⁷ Platform accountability provisions would partially relieve the burden of enforcement from the city staff and place it on the platforms and hosts.

b. Primary Residence Hosting

In order to ensure the protection of the City's housing stock, there must be a limit of one STR unit per host. Most cities have implemented this provision through a "primary residence" requirement, whereby hosts are required either be present during a guest's entire stay (i.e. "home-sharing") or rent out an "un-hosted" (when the unit is not occupied by the host) unit so long as it is the host's primary residence.

⁵ City of Long Beach Staff Report, Short-Term Rental Program and Regulations, Attachment A, November 8, 2018.

⁶ City of Long Beach, "July 21, 2018, Short-Term Rental Community Workshop Information Boards," July 21, 2018.

⁷ See Santa Monica Municipal Code § 6.20.050(b).

In Long Beach, an estimated 67% of STR hosts were listed as “entire homes,” which means they are un-hosted and are associated with more complaints than if STRs hosts are present. Response to complaints is one of the major costs’ cities can incur from a presence of unregulated STRs.⁸ Further, while only 17% of STR hosts in Long Beach were identified with certainty as only having one unit, this number may understate the actual number of multi-unit hosts.⁹ Professional operators, such as landlords or many-unit apartment-complex owners have registered units under different host IDs in order to avoid detection.¹⁰ City ordinances that include strong primary residence language mitigate these issues and provide security for city housing affordability.

We also encourage Staff’s recommendation regarding enforceable limits on the number of days an STR may be rented, which helps to ensure accountability and protections for the preservation of available housing stock for Long Beach residents. Currently, 654 of the 1,328 unique active STRs in Long Beach, or 49%, show rental activity for 90 days or more.¹¹ Almost 33% of these unique active STRs show rental activity for 181 or more nights per year.¹² Units are being rented as STRs that otherwise might be available for housing rentals for City residents.

c. Other enforcement provisions

Municipalities recognize that the biggest challenge to STR regulation is enforcement. While the provisions listed above help with enforcement, it is still difficult for cities to bear the burden of enforcement, given the unprecedented recent proliferation of STRs. Many cities have enacted private rights of action in their ordinances so that affected persons may contribute to the enforcement process by bringing civil suits to address noncompliance. Additionally, city ordinances have provided authority for the issuance and service of administrative subpoenas on platforms to ensure that cities have the data necessary for the efficient and effective enforcement of their ordinances.¹³ Overall, the legislation should provide as robust enforcement provisions as possible for agencies and individuals to ensure that platforms comply with local legislation, including a private right of action and authority for administrative subpoenas.

I. Conclusion

The City of Long Beach has the opportunity to create a strong ordinance that protects residents’ quality of life and access to housing, while generating revenue for the City. Other cities in the region have passed similar ordinances that include platform accountability, primary residency hosting, and limits on duration of stay. In the first two

⁸ City of Long Beach Staff Report, Short-Term Rental Program and Regulations, Attachment A, November 8, 2018.

⁹ *Id.*

¹⁰ *Id.*

¹¹ City of Long Beach Staff Report, Short-Term Rental Program and Regulations, Attachment A, November 8, 2018.

¹² *Id.*

¹³ City of Santa Monica, “Short-Term Rental Two-Year Analysis,” February 2018.

years of Santa Monica's STR ordinance, the City of Santa Monica was able to remove the majority of illegal STR units from the market through use of these critical provisions.¹⁴ Likewise, in Long Beach, a comprehensive ordinance that includes similar requirements is essential for effective implementation and enforcement.

¹⁴ *Id.*

Attachment A

	Option 1 Baseline Regulation	Option 2 Limited STRs	Option 3 Geographic Opt-Out
Overview of Requirements	STR registration with the City and a local 24-hr contact required. STRs prohibited in deed-restricted affordable housing units and dormitories. 24-hr hotline provided to facilitate resolution of issues and create a record of complaints.	Option 1 plus: Restricts STRs to Long Beach residents. Up to 2 STRs allowed 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 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 accessory dwelling units (ADUs) and duplexes where resident lives onsite and are therefore considered hosted stays]. 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 City requirements (noise, parking, etc.) prior to guest stays and post onsite.	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."	Option 1 plus: Large-scale events prohibited. Quiet hours of 10:00 p.m. to 7:00 a.m., including use of outdoor pools and hot tubs.	Same as Option 1 & 2
Safety & Liability	Map of fire extinguishers and escape routes required onsite. 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. 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 properties list. Landlord consent form required if rental agreement applies. Online platforms have duties and liabilities to comply with City requirements and remit taxes.		
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.		
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 (TOT)	12% of rental revenue		
Business License Tax	\$78.91/parcel + \$34.64/rentable unit or room (adjusted annually per CPI)		

OPTION 4
Option 1 plus: Restricts STRs to Long Beach residents. 1 STR unit per host . Either 1 unit within a permanent residence, or entire unit while permanent resident is not on site
No limit
Same as Option 2
Requirement to disclose data related to host activity
Same as Option 2
Same as Option 2
Same as all options plus: private right of action; administrative subpoena
Same as all options plus: severe fines for platforms for non-compliance with any provisions
Same fee for all hosts
Same as all options
Same as all options