



Short-Term Rentals

City Council

November 17, 2020

Timeline

	May 2020					October 2020					April 2021		
Council revised ordinance & reconsider hosted STRs in 6 months	X												
Revised ordinance read & adopted		X											
Registration process setup													
Ordinance effective						X							
Registration period begins													
Registration enforcement begins													

Requested Information

- Cleaning and sanitizing protocols.
- Economic Impact of COVID-19 the City's tourism industry.
- Transient occupancy taxes paid to the City over the last three fiscal years.
- Rental housing vacancy rate.
- Number of registered STRs since adoption of the ordinance.

Requested Information

Cleaning and Sanitizing Protocols

- Appendix Q of the Health Order regulates STRs.
- Airbnb and VRBO shared their cleaning protocols, which direct hosts to local guidelines and provides guidance consistent with the City's Health Order.
- The Health Order requires a hosted STR to have a separate exterior entrance and exit and prohibits the use of shared facilities, which may limit the number of hosted STRs allowed under the current ordinance.



Requested Information

State Health Order Limits Which STRS Can Operate Statewide

- While the City's Ordinance allows for only hosted STRs to operate, the State Health Order only allows unoccupied STRs to operate currently due to COVID-19
- The State Health Order defines "unoccupied" as "a residence or unit that is rented while the operator is not physically present, or has a separate exterior entrance and exit that does not require the use of shared facilities, and is otherwise unoccupied"
- Since the City Health Order cannot be less restrictive than the State, only "unoccupied" STRs per the State's definition can operate within the City



Requested Information

Economic Impact of COVID-19 on Tourism

- Hotel occupancy declined by 45 percent during the first half of 2020 compared to the same period in 2019.
- Average room rate has decreased 13.3 percent from \$181 to \$157.
- Revenue per available room, a combination of occupancy and room rate, has declined 52.3 percent from \$142 to \$68.



TOT Collection for Last Three Years

Transient Occupancy Tax -- All Funds			
Lodging Type	FY 2018	FY 2019	FY 2020*
Hotels, Motels & B&Bs	\$30,612,435	\$29,182,453	\$19,017,883
STRs (Commencing April 1, 2019)	N/A	\$1,375,107	\$2,169,810
Total	\$30,612,435	\$30,557,560	\$21,187,693

*Preliminary final FY 20 information as of 9/30/20, pending year-end adjustments and collections.

Rental Housing Vacancy

Multi-Family Rental Vacancies		
Period	Costar Inventory	Vacancy Rate
2020 Q4	32,001	6.0%
2020 Q3	32,001	6.1%
2020 Q2	32,001	6.0%
2020 Q1	31,865	5.4%
2019 Q4	31,590	4.8%
2019 Q3	31,590	5.0%
2019 Q2	31,315	4.8%
2019 Q1	30,999	4.1%

*Quarter to date

Source: Costar

STR Registration

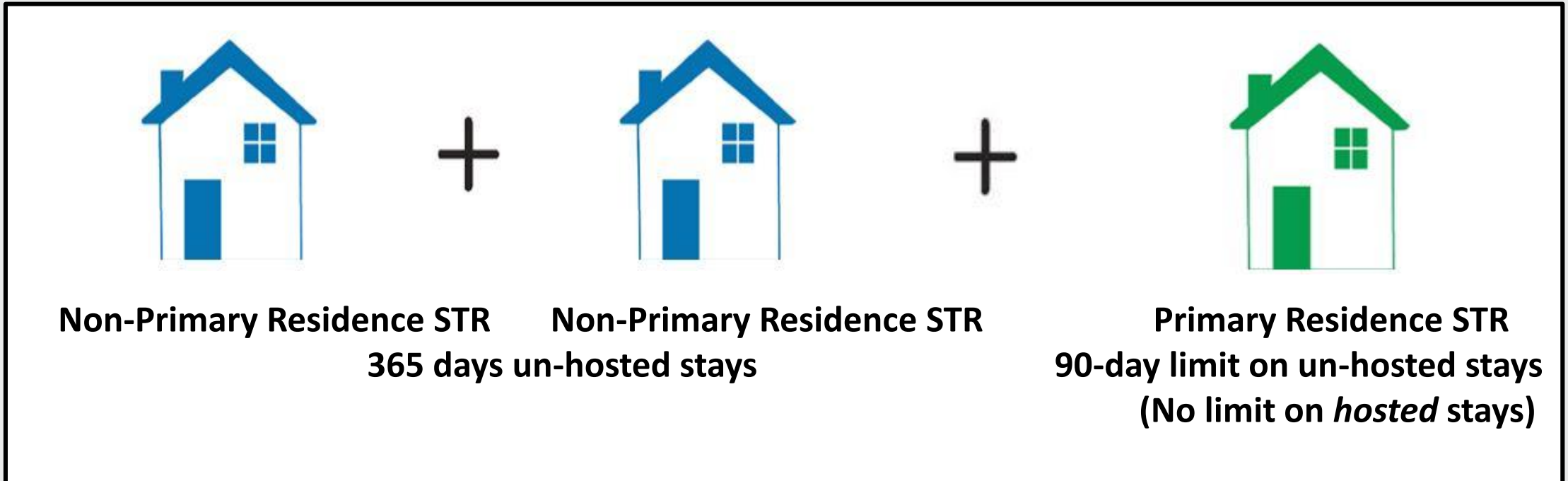
- Ordinance, adopted on June 23, provided 120 days to establish registration process.
- Registration began on October 24, 2020.
- 33 applications have been received.
- 26 applications have been approved.

Current Ordinance Highlights

- Establishes annual city registration and fee.
- Includes enforcement provisions and mechanisms to remove individual “bad actors”.
- Requires a local 24-hour contact for responding to nuisance complaints within one hour.
- Requires a Limited Event Permit to exceed occupancy limits, which is two occupants per bedroom plus two more with a maximum of 10.
- Limits occupancy to two guests per bedroom, plus two with a maximum of ten guests.
- Prohibits STRs in deed-restricted affordable housing units, dormitories and ADUs.
- Landlord consent form required if unit is subject to a rental agreement.

Staff Recommendations

- Allow a registered STR operator up to 2 non-primary residence STRs, and to operate their primary residence as an STR as well.



Staff Recommendations (continued)

- Limit the number of non-primary STRs to 1,000.
- Provide a petition process for residential property owners within a census tract or block group to prohibit un-hosted STRs.
 - Upon request, City staff would solicit and collect residential property owner signatures by mail.
 - Simple majority approval required.
 - If approved, restriction remains in effect for 3 years.
 - Initial petition process available within 180 days of effective date, and a new 180-day process will occur annually after that.

Next Steps

- Receive direction from the City Council regarding un-hosted STRs.
- Return to City Council with a revised ordinance.
- Submit a revised application to Coastal Commission.



Thank you

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Timeline

2018

- Community outreach events, online survey, and case study research
- City Council directed staff on preparation of the ordinance

2019

- Update memo responding to Council's questions
- STR phased implementation memo
- Voluntary tax collection agreement
- CEQA documentation circulated
- Meetings with stakeholders

2020

- STR ordinance presented in January
- Revised ordinance presented on May 19
- Council requested revisions to limit STRs to hosted only
- Requested report back in 6 months with certain information to reconsider un-hosted STRs
- Ordinance adopted on June 23, with 120 days to commence registration
- STR registration of un-hosted STRs started October 24