TO: CITY COUNCIL

VIA: CITY ADMINISTRATOR

FROM: DIRECTOR OF DEVELOPMENT SERVICES

DATE: JULY 23, 2019


FISCAL IMPACT: Potential for approximately $31,600 in net revenue from Transient Occupancy Tax

SUMMARY:

This ordinance would amend the Placentia Municipal Code (PMC) regarding the regulation of Short-Term Rentals. Currently, the City prohibits residences utilized for the purposes of a short-term rental in that the Placentia Municipal Code is “silent” on the matter. ZCA 2019-02 would regulate these properties to ensure that all short-term rentals are accounted for in City records, and that no property operating as a short-term rental creates adverse impacts to surrounding residential neighborhoods. On July 9, 2019, the City Council held a public hearing in which public comments were received and the City Council approved the first reading of the ordinance. The recommended actions would approve the second reading and adoption of the ordinance, to take effect on August 23, 2019, and would make the finding that adoption of the ordinance is exempt from environmental review pursuant to the provisions of the California Environmental Quality Act (CEQA), Section 15061 (b)(3).
RECOMMENDATION:

It is recommended that the City Council take the following action:

Waive full reading, by title only, and adopt Ordinance No. O-2019-06, an Ordinance of the City Council of the City of Placentia, California, adopting a Categorical Exemption pursuant to CEQA Guidelines Section 15061 (b)(3) for the proposed project and amending the City of Placentia Municipal Code (PMC), by adding Chapter 23.71 (Short-Term Residential Rentals – Licensed Use) and Chapter 6.45 (Short-Term Residential Rentals) relating to Short-Term Residential Rentals and making conforming changes to Chapters 23.10, 23.12, 23.15, 23.18, 23.21, 23.25, 23.72, 23.106, 23.107, 23.108, 23.110, 23.111 and 23.112 of the Municipal Code.

BACKGROUND:

On June 11, 2019, the Planning Commission conducted a public hearing regarding Zoning Code Amendment (ZCA) 2019-02, and recommended approval of the ZCA and also recommended that the City Council find that adoption of the ZCA is exempt from environmental review pursuant to the provisions of the CEQA, Section 15061 (b)(3). On July 9, 2019, the City Council held a public hearing in which public comments were solicited, and the City Council approved the first reading of the ordinance.

The utilization of homes for Short-Term Rentals ("STR") can provide a flexible housing stock that allows travelers a safe accommodation while contributing to the local economy, promoting travel and tourism, and supporting the local tourism industry and business community. STRs can also provide homeowners an opportunity to maintain ownership of property in difficult economic circumstances. It is in the public interest that STRs be regulated in order to help preserve housing for long-term tenants and to minimize any potential deleterious effects of STR properties on other properties to the surrounding neighborhoods in which they are located.

City Staff obtained preliminary information regarding existing non-permitted STRs operating in the City from Host Compliance, LLC (Host Compliance), which is one of several vendors that the City has collaborated with in identifying and managing STRs operating within the City. Their data indicates 56 unique STRs are currently operating citywide, of which 46% are entire home rentals and the remainder are single bedroom(s) or guest quarters rentals. The average rate charged for these rentals is $89 per day. The data indicates that Airbnb is currently the most popular rental website used for posting STRs in the City, with 75% of the rentals utilizing the website for rental postings. However, as the market continues to diversify with an increasing number of websites offering short-term rental advertising, the number of websites posting properties in the City continues to increase. Frequently, a property will be listed on several short-term rental websites at the same time.

After meeting with and attending webinars with several providers including HdL and Host Compliance, Staff is recommending that the City enter into an agreement to employ the services of Host Compliance who is a third-party operator that aids in the registration and regulation of STRs. Utilizing a service such as Host Compliance to help regulate and administer STRs will
result in a net savings to the City as the STRs will generate more than enough revenue annually through user fees and transient occupancy tax (TOT) to cover the cost of services provided by Host Compliance.

**DISCUSSION:**

**Land Use Regulatory Issues**

While for the most part STR operators are good neighbors, there are generally some concerns about allowing STRs within residential neighborhoods, based on Staff research. To protect residential properties from objectionable influences such as undue noise, traffic, and parking impacts, and to ensure the continued residential character of the zone, the proposed ordinance has addressed these issues by prohibiting STRs for temporary activities. Temporary activities include, but are not limited to, weddings, corporate events, and birthday parties. In addition to compliance with PMC Chapter 10.32 (Noise) and PMC Chapter 23.76 (Noise Control), Staff has prohibited the use of sound amplification, either inside or outside, of the STR. If an STR operator or renter operates outside of these limits, they will be subject to code enforcement action and administrative citations as outlined by 6.45.170 of the draft ordinance.

Section 6.45.120 of the draft ordinance regulates overnight occupancy of STRs to two (2) persons per bedroom with an exception for children under the age of six (6), who may additionally occupy the premises; and no additional occupants shall be permitted at the STR during the hours of 11:00 p.m. to 6:00 a.m. Any advertisement for an STR that is found to advertise an occupancy above that of two persons per bedroom will be in direct violation of the Municipal Code and will be subject to an administrative citation or possible revocation of their business license and operating permit.

Upon successful registration, the City may issue a Short-Term Residential Rental Operating Permit to the owner of the subject property on a first in time and first in right basis. Notwithstanding any provisions of this Code to the contrary, the City reserves the right to deny a short-term residential rental permit to an applicant if it is determined that the geographic area within a 300-foot radius of the site being considered for registration has an overconcentration of short-term residential rental uses.

**CEQA:**

The proposed zoning code amendment was reviewed by Staff in accordance with the requirements of CEQA. Based on that review, the proposed code amendments are not expected to create a negative impact on the physical environment, and it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. The Planning Commission recommended adoption of a Categorical Exemption for this project. Therefore, Staff and the Planning Commission recommend that the City Council find that adoption of the ordinance is exempt from environmental review pursuant to the provisions of CEQA Section 15061 (b)(3).
City Council Agenda  
July 23, 2019  
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Attachment:  
Ordinance O-2019-06 – Draft ordinance regulating Short Term Rentals