



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: APRIL 20, 2021**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT** **WARDS: ALL**  
**DEPARTMENT**

**SUBJECT: UPDATE ON SHORT-TERM RENTALS AND RELATED TRANSIENT**  
**OCCUPANCY TAX/BUSINESS TAX CERTIFICATES**

## **ISSUE:**

Receive an update on “short-term rentals” and related Transient Occupancy Tax/Business Tax Certificates for short-term rentals in the City of Riverside.

## **RECOMMENDATIONS:**

That the City Council receive and file a report on short-term rentals and Transient Occupancy Tax/Business Tax Certificates in the City of Riverside.

## **BACKGROUND:**

“Short-term rentals” (STR) are generally defined as properties rented for less than 30 consecutive days. In the City of Riverside, STRs have primarily included hotels and motels, but online platforms such as Airbnb and VRBO (Vacation Rentals by Owner) have increased the popularity of renting residential units and individual bedrooms. The City’s Transient Occupancy Tax (TOT), as described in Title 5 (Business Taxes, Licenses and Regulations) in the Riverside Municipal Code (RMC), applies to all STRs.

State Legislature has not yet adopted specific regulations on STRs. Local jurisdictions have been managing impacts of these rentals by adopting regulations specific to their community’s needs. 2019 updates to Riverside Municipal Code (RMC) Title 7 (Noise) and Title 9 (Peace, Safety and Morals - Loud or Unruly Gatherings) provide regulations to manage potential negative impacts of all uses, including STRs, in the City. Title 19 (Zoning) of the RMC does not specifically regulate STRs but was amended in 2020 to include a definition for “Short-term rental” to link the use to Title 5 regulations.

On January 7, 2020, the City Council received an update on residential STRs, including an overview of impacts, statistics, and regulations. The City’s TOT collection procedures and Business Tax Certificate process were also discussed. Following discussion, City Council supported staff’s recommendation that no additional regulations are needed on STRs considering the adopted amendments to the RMC to address loud and unruly gatherings and noise issues. Staff was directed to continue monitoring STRs and return in one year with an update.

## **DISCUSSION:**

Short-term rentals (STRs) may have positive impacts on a community. STRs can provide homeowners with supplemental income and provide a convenient and affordable alternative to renters. A jurisdiction may also receive additional Transient Occupancy Tax (TOT) while promoting the community, having a positive impact on investment.

STRs may also have negative impacts. Housing may be taken off the market for full-time residents which could impact housing access and affordability. Some renters may also create neighborhood nuisance issues related to traffic and noise. Challenges related to collecting TOT may also be an issue for some jurisdictions.

### **Number of Units:**

The number of STRs available in Riverside grew between 2016 and 2018, but between 2018 and 2021 there was a slight decline. According to AirDNA, in October 2018, there were approximately 225 registered STRs within the City of Riverside (63% private rooms and 31% entire homes). In October 2019, there were approximately 223 units (58% private rooms and 37% entire homes). As of March 2021, there were approximately 207 units (51% private rooms and 45% entire homes) (Attachment 3). Data on STRs within Riverside, based on zip code for 2019 and 2021, is summarized in Table 1.

**Table 1: Short-Term Rentals by Zip Code 2019 and 2021**

Zip Code Area	Entire Home		Private Room		Shared Room		Total	
	2019	2021	2019	2021	2019	2021	2019	2021
<b>92501</b>	27	27	13	5	0	1	40	33
<b>92503</b>	8	10	12	16	7	4	27	30
<b>92504</b>	8	7	11	15	0	0	19	22
<b>92505</b>	8	10	18	8	0	0	26	18
<b>92506</b>	13	13	31	22	2	2	46	37
<b>92507</b>	17	16	25	27	2	2	44	45
<b>92508</b>	2	10	19	12	0	0	21	22
<b>Citywide</b>	<b>83</b>	<b>93</b>	<b>129</b>	<b>105</b>	<b>11</b>	<b>9</b>	<b>223</b>	<b>207</b>

### **Transient Occupancy Tax (TOT) and Business Tax Certificates:**

Title 5 (Business Taxes, Licenses and Regulations) of the Riverside Municipal Code (RMC) allows the City to enforce revenue collection from the activities of STRs. On October 16, 2018, City Council approved a “Voluntary Collection Agreement of Transient Occupancy Tax” whereby Airbnb collects TOT from the renter on their platform and remits the proceeds directly to the City monthly. The agreement commenced on December 1, 2018 and the City collected approximately \$17,000/month.

In May of 2019, Airbnb issued the City a notice that they would be amending the voluntary collection agreement that was in place between the City and Airbnb. They changed their business reporting model and wanted to offer certain hosts the option of having more control over their taxes. By doing so, Airbnb put the obligation to collect and remit taxes owed on the Airbnb host, thus, requiring the City to ensure collection enforcement and proper receipt of revenue. The City would also be obligated to pursue the hosts directly for lack of payment which substantially

changed the terms of the original agreement and placed more burden on City staff. As a result, the Airbnb contract was terminated. To compensate for the lack of administrative support from Airbnb, the Finance Department recently expanded the contract with HdL to provide additional revenue recovery services, including TOT for STRs. The City has received TOT and related taxes from Airbnb through January 2021. HdL will commence with data analysis, reporting and recovering efforts beginning February 2021. Relevant data or insights are not yet available as the process of tracking and administration is in the final stages with completion expected by end of April 2021.

Owners/operators of STRs are also required to file for a Business Tax Certificate and renew it annually allowing the City to maintain a record of STRs.

### Nuisance Concerns

The most common concerns or complaints about STRs are related to nuisance complaints such as loud events that involve large groups of people. On October 22, 2019, City Council approved amendments to Title 7 (Noise) and Title 9 (Peace, Safety and Morals – Loud or Unruly Gatherings) of the RMC. The amendments include additional regulations to address potential nuisance issues related to noise, parking, and other potential impacts for all properties, not just STRs.

Modifications to Title 7 and Title 9 that can be used to address nuisance issues with STRs include:

#### *Title 7 Modifications*

1. Redefining “Noise disturbance” as any sound which, as judged by a City police officer or code enforcement officer, annoys or disturbs a reasonable person of normal sensitivities;
2. Including criteria for an officer to use in determining if a noise disturbance is occurring including ambient noise, context, and time of day; and
3. Adding fines and penalties that escalate as repeated violations occur as identified in the RMC.

#### *Title 9 Modifications*

1. Prohibiting defined Loud or Unruly Gatherings;
2. Defining a Responsible Party that could include the property owner, a lessee or someone attending a gathering at the discretion of the police officer;
3. Prohibiting large, noisy gatherings that charge for admission, refreshments or are advertised to the public (except where permitted or exempt);
4. Enabling officers to order guests to disperse, issue citations or make arrests if necessary; and
5. Subjecting repeat offenses to escalating fines as identified in the RMC.

On February 4, 2020, the City Council adopted Ordinance #7505, a Title 19 (Zoning) clean-up change, that included a definition for short-term rental:

*Short-term rental*, as regulated in Title 5 of the Riverside Municipal Code, means the rental of a dwelling, or a portion thereof, by the owner to another person or group of persons for occupancy, dwelling, lodging or sleeping purposes for a period of less than thirty (30) consecutive calendar days. The rental of units within City-approved hotels, motels, and bed-and-breakfast inns shall not be considered to be a short-term rental.

The Chief Financial Officer/City Treasurer and Chief of Police concur with this staff report:

**FISCAL IMPACT:**

The fiscal impacts of collecting Transient Occupancy Tax from the approximately 207 residential short-term rentals in the City of Riverside has resulted in approximately \$17,000 in TOT revenue per month.

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Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
Approved by: Rafael Guzman, Assistant City Manager  
Approved as to form: Kristi J. Smith, Interim City Attorney

**Attachments:**

1. City Council Report – January 7, 2020
2. Short-Term Rentals Within Riverside by Zip Code
3. Presentation