



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 7, 2020**

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

**SUBJECT: UPDATE ON RESIDENTIAL SHORT-TERM RENTALS AND POLICY DIRECTION
ON TRANSIENT OCCUPANCY TAX, BUSINESS TAX CERTIFICATES, AND
POSSIBLE AMENDMENTS TO TITLE 19 (ZONING)**

ISSUE:

Receive an update on “residential short-term rental” and Transient Occupancy Tax for residential short-term rentals in the City of Riverside and provide direction on possible amendments to Title 19 (Zoning) of the Riverside Municipal Code related to residential short-term rentals in the City.

RECOMMENDATIONS:

That the City Council:

1. Receive and file an update on residential short-term rentals in the City of Riverside, including an overview of issues, potential regulations and policies that can be applied; and
2. Provide direction to staff on possible amendments to Title 19 (Zoning) of the Riverside Municipal Code related to residential short-term rental uses in the City of Riverside and return to City Council for approval of any recommended amendments.

COMMITTEE RECOMMENDATION

On October 15, 2018, the Utility Services/Land Use/Energy Development Committee met with Chair Mac Arthur, Vice Chair Soubrouse and Member Gardner present to receive an update on Residential Short-Term Rentals and Policy Development. Following discussion, a motion was made by Member Gardner and seconded by Vice Chair Soubrouse to (1) receive the report on the residential short-term rentals in the City of Riverside, including an overview on the issues, potential regulations and policies that can be applied; and (2) direct staff to forward the report to the City Council including the number of short-term rentals and a map of where they are located in the City, Transient Occupancy Tax collection procedures, and if payment of business tax should be required. The motion carried unanimously.

LEGISLATIVE HISTORY:

“Short-term rentals” are generally defined by local jurisdictions as properties rented for less than 30 consecutive days. This definition, which has historically been used to describe properties that

operate as hotels, has also been used to determine applicability of the City's Transient Occupancy Tax (TOT) as described in Title 5 (Business Taxes, Licenses and Regulations) in the Riverside Municipal Code (RMC). Recent changes in the way that people travel, and reserve accommodations has resulted in a change in short-term rentals. With on-line platforms such as Airbnb (Air Bed n' Breakfast) and VRBO (Vacation Rentals by Owner), many residential units are now being used as residential short-term rentals (RSTRs).

State Legislature has not yet adopted specific regulations on RSTRs. Local jurisdictions have been managing impacts of these rentals by adopting regulations specific to their community's needs. Title 19 (Zoning) of the RMC does not specifically define or regulate "residential short-term rentals" as a land use. Recent updates to RMC Title 7 (Noise) and Title 9 (Peace, Safety and Morals - Loud or Unruly Gatherings) provide regulations to manage impacts in the City.

BACKGROUND:

Potential Impacts

During the Land Use Committee workshop, Staff discussed the factors contributing to the rise in RSTRs and identified the following potential impacts associated with RSTRs:

Desirable Impacts:

1. Homeowners
 - a. Provides supplemental income;
 - b. Flexibility to adjust unit availability; and
 - c. Ease of advertising and managing reservations.
2. Renters
 - a. Convenience;
 - b. Affordability;
 - c. Enhanced amenities versus hotels (kitchens, multiple bedrooms/bathrooms); and
 - d. Provides a different experience to visitors.
3. City
 - a. Potential revenue through Transient Occupancy Tax (TOT) and Business Tax;
 - b. Supports local economy; Keeps visitors in the City; and
 - c. Encourages investment in residential properties (maintenance).

Undesirable Impacts:

1. Housing Supply
 - a. Takes housing off market; and
 - b. Impacts housing stock and affordability.
2. Residential Neighborhoods
 - a. Large groups;
 - b. Traffic;
 - c. Noise;
 - d. Neighborhood character; and
 - e. Commercializes residential areas.
3. Fiscal/Business
 - a. Challenges collecting TOT; and
 - b. Impacts established hotel industry.

Number of Units:

The number of RSTRs available in Riverside grew steadily between 2016 and 2018, but between 2018 and 2019, there has been no growth. According to AirDNA, in October 2018, there were approximately 225 registered RSTRs within the City of Riverside (63% private rooms and 31% entire homes). As of October 2019, there are approximately 223 units (58% private rooms and 37% entire homes) (Attachment 3). Data on RSTRs within Riverside, based on zip code, is summarized in Table 1.

Table 1: Residential Short-Term Rentals in Riverside by Zip Code

Zip Code Area	Entire Home	Private Room	Shared Room	Total Units
92501	27	13	0	40
92503	8	12	7	27
92504	8	11	0	19
92505	8	18	0	26
92506	13	31	2	46
92507	17	25	2	44
92508	2	19	0	21
Citywide	83	129	11	223

Source: AirDNA, October 2019

DISCUSSION:Transit Occupancy Tax (TOT)

Title 5 of the Riverside Municipal Code (RMC) allows the City to enforce revenue collection from the activities of residential short-term rentals (RSTRs) with the most significant challenge being enforcement. At the time of the Land Use Committee workshop (Workshop) in 2018, the City had not started collecting TOT for residential short-term rentals (RSTRs). 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 on a monthly basis. The agreement commenced on December 1, 2018 and as a result, the City has collected approximately \$13,800/month.

City Regulations

The most common concerns or complaints about RSTRs are related to nuisance complaints such as loud events that involve large groups of people. Since the Workshop, City Council approved amendments to Title 7 (Noise) and Title 9 (Peace, Safety and Morals – Loud or Unruly Gatherings) of the Riverside Municipal Code (RMC) on October 22, 2019. The amendments include additional regulations to address potential nuisance issues related to noise, parking, and other potential impacts. As it relates to RSTRs, modifications to Title 7 and Title 9 include:

Title 7 Modifications

1. Redefines “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. Provides criteria for an officer to use in determining if a noise disturbance is occurring including ambient noise, context and time of day; and
3. Adds fines and penalties that escalate as repeated violations occur as identified in the RMC.

Title 9 Modifications

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

Staff suggests the following additional changes could be made to Title 19 (Zoning) to address RSTRs:

1. Prohibit RSTRs in specific zones;
 - a. RC- Residential Conservation;
 - b. RA-5 – Residential Agriculture;
 - c. CRC – Commercial Regional Center;
 - d. BMP – Business Manufacturing Park; and
 - e. I – Industrial.
2. Include a definition for Short-term rentals – “Short-Term Rental”, as defined in Title 5.32.010 Hotel and Title 5.32.010 Occupancy, are regulated per the Riverside Municipal Code Title 5.32, and 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”.

Staff suggests that RSTRs be monitored and if issues arise, consider additional RMC modifications.

FISCAL IMPACT:

The fiscal impacts of collecting Transient Occupancy Tax from the approximately 233 residential short-term rentals in the City of Riverside has resulted in approximately \$13,800 in TOT revenue per month since December 2018.

There is no fiscal impact related to the recommended Title 19 changes.

Prepared by: David Welch, Community & Economic Development Director and Edward Enriquez, Chief Financial Officer/City Treasurer

Certified as to availability of funds: Marie Ricci, Assistant Chief Financial Officer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment:

1. Utility Services/Land Use/Energy Development Committee Report – October 15, 2018
2. Utility Services/Land Use/Energy Development Committee Minutes
3. Residential Short-Term Rentals Within Riverside by Zip Code

4. Presentation