



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 23, 2024**

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

SUBJECT: REGULATION OF SHORT-TERM RENTAL HOMES

ISSUE:

Receive a report and provide staff with direction on potential amendments to the City's Short-term Rental regulations.

RECOMMENDATIONS:

That the City Council:

1. Receive a report and provide staff with direction on potential amendments to the City's Short-term Rental regulations.

COMMITTEE RECOMMENDATION:

The Land use, Sustainability and Resilience Committee (Committee) met on December 11, 2023, with Chair Plascencia, Vice Chair Edwards and Member Fierro present, to consider the current regulations regarding short-term rental homes and potential enforcement strategies moving forward. After discussion, the Committee received and filed the report, and directed staff to prepare a proposed ordinance to further regulate short-term rentals and return to City Council for discussion and consideration.

BACKGROUND:

On December 11, 2023, the Committee met to discuss the current regulations regarding short-term rental properties and possible enforcement strategies moving forward. The Committee expressed concerns with the negative impacts short-term rentals may have on a residential community including noise, parking, trash, neighborhood safety and other nuisance related concerns. The City of Riverside does not have an ordinance in place directly related to operational standards specific to short-term rental properties in the City. Staff provided best practices and model ordinances from several neighboring jurisdictions and the Committee asked that staff develop an ordinance and program appropriate for the City of Riverside that provides a breadth of regulations and controls for Council consideration.

DISCUSSION:

Short-term rentals (a.k.a. STR's) are defined as: "The rental of a dwelling, or a portion thereof, by the property owner to another person or group of persons for occupancy, dwelling, lodging, or sleeping purposes for a period of less than 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." These units are frequently used for vacation or business travel, are fully furnished, stocked with basic supplies, and are advertised on various host sites such as Airbnb, Homeaway and VRBO.

Evidence demonstrates the increasing popularity of STR's that directly connect property owners to individuals seeking accommodation. STR's provide revenue to the property owners, and cost effective accommodations for the visitor. A summary of potential impacts includes:

Residential Short-Term Rentals - Potential Positive Impacts:

1. Homeowners

- a. STR's provide supplemental income to homeowners.
- b. STR's provide homeowners with flexibility and less long-term rental commitments.
Owners can rent out single rooms to an entire house; and can choose specific days and duration. For instance, a homeowner can rent their entire home while on vacation, which offsets the cost of vacationing.
- c. STR's are easy to advertise and manage using on-line platforms.

2. Renters

- a. STR's are readily accessible using a smart phone or personal computer.
- b. In some cases, STR's are more affordable than a standard hotel, and provide different amenities, such as a kitchen, additional bedrooms, private backyards and more.

3. City of Riverside

- a. STR's can provide local jurisdictions with additional revenue through TOT, permits and business licenses.
- b. STR's support a local tourism economy, especially for cities that lack traditional lodging. Affordable and accessible accommodations encourage tourism dollars to stay within the City, rather than renters staying in nearby cities..
- c. STR's encourage upkeep of properties, and provide regular use of second homes or investment properties. Well maintained homes can be desirable high-demand accommodations that are easy for owners to rent, and which bring back reoccurring customers. STR's encourage investment in maintenance of properties, which in turn helps maintain neighborhood aesthetics and property values.

Residential Short-Term Rentals - Potential Negative Impacts:

1. Housing Supply

- a. California's housing shortage continues to be a challenge for jurisdictions across the State. The residential units used as STR's take potential housing units off the market which may impact housing stock and affordability.

2. Residential Neighborhoods

- a. STR's have the potential to impact residential areas when rented out to large groups, or for events. Impacts can include noise, disorderly conduct, traffic/parking, congestion, excessive trash and other code violations.

- b. Areas with STR's may see impacts on neighborhood character, especially as units are purchased as STR's. A concentration of STR's can result in "commercialized" neighborhoods, as the impacts can be similar to those where hotels are located.
3. Fiscal/Business
- a. STR's can have impacts on the hotel industry because they do not have staff, advertising costs or may not have clear regulations that apply to them. STR's can offer lower rates and, in many jurisdictions, are not regulated. Unless specifically required by a jurisdiction, TOT is not collected. In many cases STR's operate without business licenses

There are currently approximately four hundred fifty-four (454) short-term rental (STR) properties registered and publicly advertised as available in the City of Riverside. Common complaints have primarily been related to noisy parties/events taking place, different people coming and going from a property, trash/debris left behind, and street parking being impacted by numerous guests. Although there is no current tracking mechanism in place specifically for STR's, the number of yearly calls the Code Enforcement Division receives appears to be minimal currently.

Staff presented a report to City Council on 01/07/2020 (Attachment 3) This report requested that City Council 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. At this meeting, City Council received and filed the report, but declined to provide direction to staff to make any code amendments as the consensus was that the existing Codes (Loud/Unruly Gathering/Public Nuisances) were adequate to address the small number of issues arising from STR's.

Current Regulations

The City of Riverside does not have a short-term rental ordinance. The City does, however, require a Business Tax Certificate and payment of T.O.T. In addition, the City Council did recognize the need to put controls in place in response to concerns about short-term rental homes being used frequently to host large scale events and parties in single family residential neighborhoods. As previously stated, the most common complaint regarding these homes has been the noise disturbances generated by the guests, usually from parties, and the impact these events have on the surrounding neighborhood. To this end, Riverside Municipal Code 9.04.710-780 was adopted in 2019 (Attachment 1.) Among other things, this law defines a loud and unruly gathering as:

"A gathering of persons on any property whether residential, commercial or industrial or any public right-of-way for a social occasion or other activity upon which loud or unruly conduct occurs and results in a public nuisance or a threat to the public health, safety, welfare, or the comfortable enjoyment of life and property."

Loud or unruly conduct is further defined as:

- A. Excessive or loud noise;
- B. Excessive traffic;
- C. Obstruction of a public street or public right-of-way, including a sidewalk;
- D. Public intoxication or drinking in public;
- E. The service of alcoholic beverages to minors;
- F. Possession and/or consumption of alcohol by minors;
- G. Assault, battery, fights, domestic violence or other disturbances of the peace;
- H. The sale or service of alcoholic beverages without a required State license;

- I. *Vandalism or destruction of property;*
- J. *Litter;*
- K. *Urinating or defecating in public;*
- L. *Trespassing.*

In terms of addressing other negative secondary effects short-term rental homes may have on the community, Riverside Municipal Code 6.15 – Public Nuisances (Attachment 2) prohibits trash/debris, outdoor storage, parking vehicles on unpaved yard areas, and numerous other nuisance activity and/or conditions.

Actions to Consider

The City has an opportunity to decide which approach to regulating STR's best fits its needs. Each option is outlined below along with the option's potential impacts on staff and resources.

Option 1 - Take no additional action.

The City Council can elect to take no action at this time and continue to rely on the existing codes in place as outlined earlier in this report to regulate activities at short-term rental units in the City. These current resources include the requirement of a City Business Tax Certificate and compliance with the various noise and public nuisance statutes of the Riverside Municipal Code including property maintenance standards, parking ordinances, noise regulations and loud and unruly gathering requirements. Complaints are addressed on a case-by-case basis only when such a complaint is received from the community.

Potential impacts – As this option is essentially “status quo,” no additional impacts to staff and/or resources is anticipated.

Option 2 - Prohibit short term rentals.

City Council can prohibit the operation of STR's in Riverside altogether. The operation of these homes is not allowed by right and can be regulated and prohibited. The Cities of Corona, Huntington Beach, Anaheim, and numerous others have prohibitions on STR's. Other Cities such as Newport Beach, Costa Mesa and Santa Monica have enacted “partial bans” and limited these homes to areas allowing hotels/motels or restricted them in certain zones. Prohibitions are generally based on an unmanageable number of complaints, heavy negative impacts to residential neighborhoods and the loss of viable housing stock for permanent residents.

Potential impacts – Additional enforcement staff may be needed to apply any new code revisions/restrictions/prohibitions and/or existing staff's workload may be impacted by any new laws enacted. There may also be a loss of Business License and Transient Occupancy Tax revenue.

Option 3 - Adopt the proposed ordinance.

The attached ordinance (Attachment 4) provides the ability to adequately regulate STR's to mitigate many of the negative impacts they may have in their surrounding neighborhoods, while at the same time, providing opportunity to operate an STR in a profitable and responsible manner. The proposed ordinance is based on “best practices” of many local jurisdictions and has been tailored to meet the specific needs of the City of Riverside. The City Council can review the efficiency of the ordinance after 6-12 months and make revisions if needed. The following chart represents a summary of the proposed regulations as compared to existing requirements:

REGULATION	PROPOSED	CURRENT
Business License	X	X
T.O.T.	X	X
Comply with noise/nuisance laws	X	X
Comply with “Good Neighbor” rules	X	
24 hr. contact required	X	
Responsible for Police response costs	X	X
No event venue or non-res. use allowed	X	
Requires trash removal and disposal	X	X
Parking only allowed in legal driveway	X	X
Limits # of occupants allowed	X	

Potential impacts - Additional enforcement staff may be needed to apply any new code revisions/restrictions/prohibitions and/or existing staff's workload may be impacted by any new laws enacted.

Option 4 - Adopt the ordinance with revisions.

The City Council can elect to use the proposed ordinance as a baseline and remove or subtract any items they deem necessary. For example, in addition to the proposed regulations, some local jurisdictions require an actual short-term rental permit aside from the Business Tax Certificate. This permit could trigger design review and/or Building and Fire Safety inspections or self-certification. Also, some cities limit the number of STR permits they will issue or have other distancing requirements to prevent over-concentration. Such “stricter” regulations are usually employed by “resort” or destination communities that are experiencing far more intensive issues with STR's. (desert, mountain, beach communities, etc.)

Potential impacts – Depending on additional revisions to the proposed ordinance, this could directly impact One-Stop-Shop, Building and Safety, Planning, Fire, Business Licensing and Code Enforcement personnel and create the need to develop new permitting processes, tracking mechanisms, fees, enforcement workflows, etc. Additional permits could also provide additional revenue to offset personnel and material costs.

STRATEGIC PLAN ALIGNMENT:

This item aligns with **Strategic Priority 2 – Community Well-Being** and **Goal 2.4 – Support programs and innovations that enhance community safety, encourage neighborhood engagement, and build public trust.**

This item also aligns with each of the Cross-Cutting Threads as follows:

- 1. Community Trust** – Create a level of confidence that the City of Riverside is effectively governing short-term rentals through regulations and policies that ensure the safety, security, and well-being of both the renters and community.
- 2. Equity** – The City's short-term rental policies hope to provide an opportunity to enjoy a peaceful

and safe living environment for all while also considering economic opportunities for property owners.

3. Fiscal Responsibility – The Riverside Municipal Code provides governance and accountability for all business-related activities within the City and fair and equal application of the code. Revenue generated is directly integrated into the general fund and used for Citywide services.

4. Innovation – The City strives to be creative and innovative in its approach to emerging issues such as short-term rentals and develop policy specific to Riverside that meets the needs of all stakeholders.

5. Sustainability & Resiliency – Through proper management of short-term rentals, the City of Riverside can create a more livable and resilient community for its residents by promoting long-term environmental and economic stability.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Gary T. Merk, Code Enforcement Manager
Approved by: Jennifer A. Lilley, Community & Economic Development Director
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

- 1) RMC (Loud unruly party/gathering)
- 2) RMC 6.15 (public nuisances)
- 3) 2020 Staff Report
- 4) Presentation