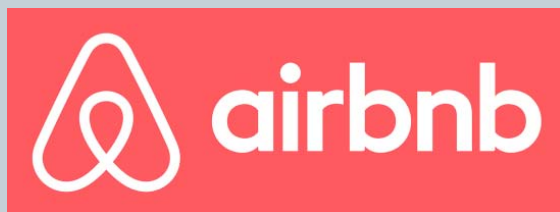


Short-Term Lodgings and Rentals



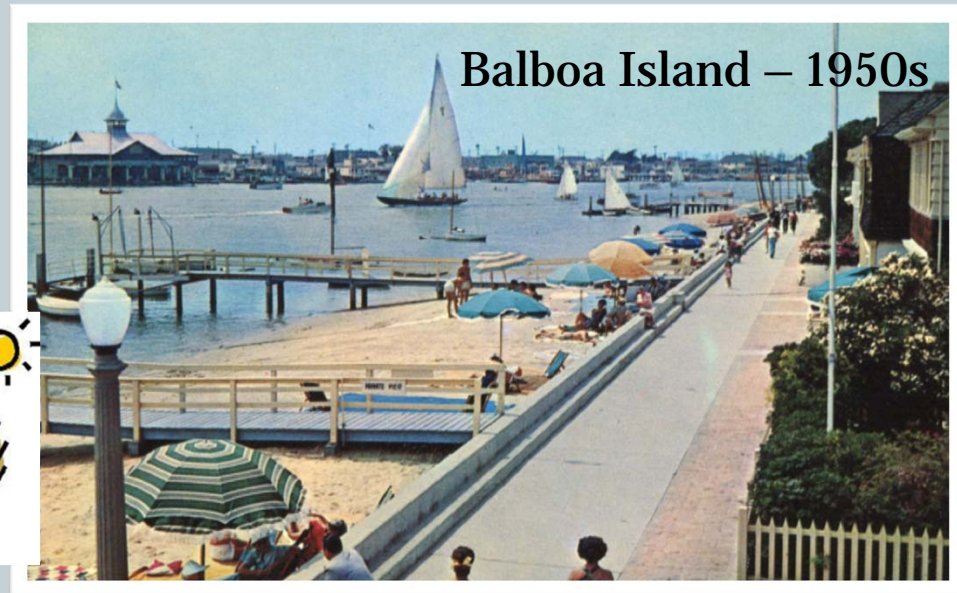
COMMUNITY MEETING
MARCH 23, 2016



Newport Beach has a long history of Vacation Rentals

2

- Balboa Island
- Balboa Peninsula
- Corona del Mar



Short-term rentals:

- Part of the culture of certain neighborhoods for decades.
- Provide lodging with kitchens that accommodates families and other larger groups
- Provides property owner with an annual overall rental income that is higher when compared to a long-term rental

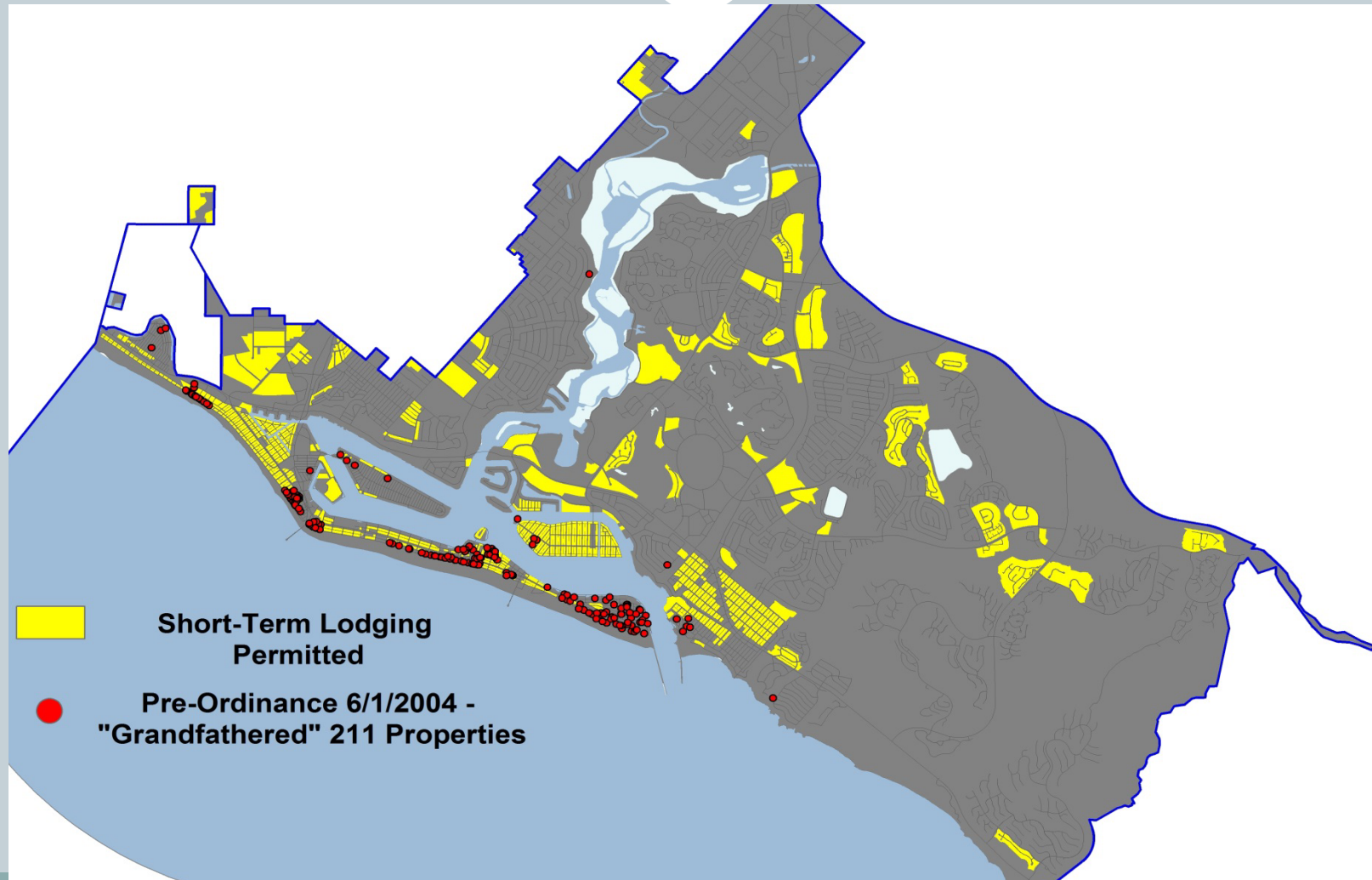
Newport Beach Regulations

3

- In 1992 the City adopted Short-term lodging regulations (Title 5):
 - Defined “short term” as an occupancy that is 30 consecutive days or less
 - Required a Permit
 - Prohibited Short-term lodgings in R-1 Single Family zones unless a permit was issued prior to June 1, 2004 and that permit has not been revoked.
 - ✦ There are 211 “grandfathered” properties in R-1 zones:
 - 91 have an active STLP
 - 120 properties do not have an active STLP, but could get one.

Short-Term Lodging Permitted

4



How to Get an STLP

6

- **Must be in correct Residential Zone**
- **Obtain a Short-term Lodging Permit (STLP) and a Business License**
- **Pay Transient Occupancy Tax (TOT)**
- *Note: Some Homeowners Associations may prohibit short-term lodgings as part of the CC&Rs; a property owner would need to consult with their association.*

Short-Term Lodging Permits Revenue Generation

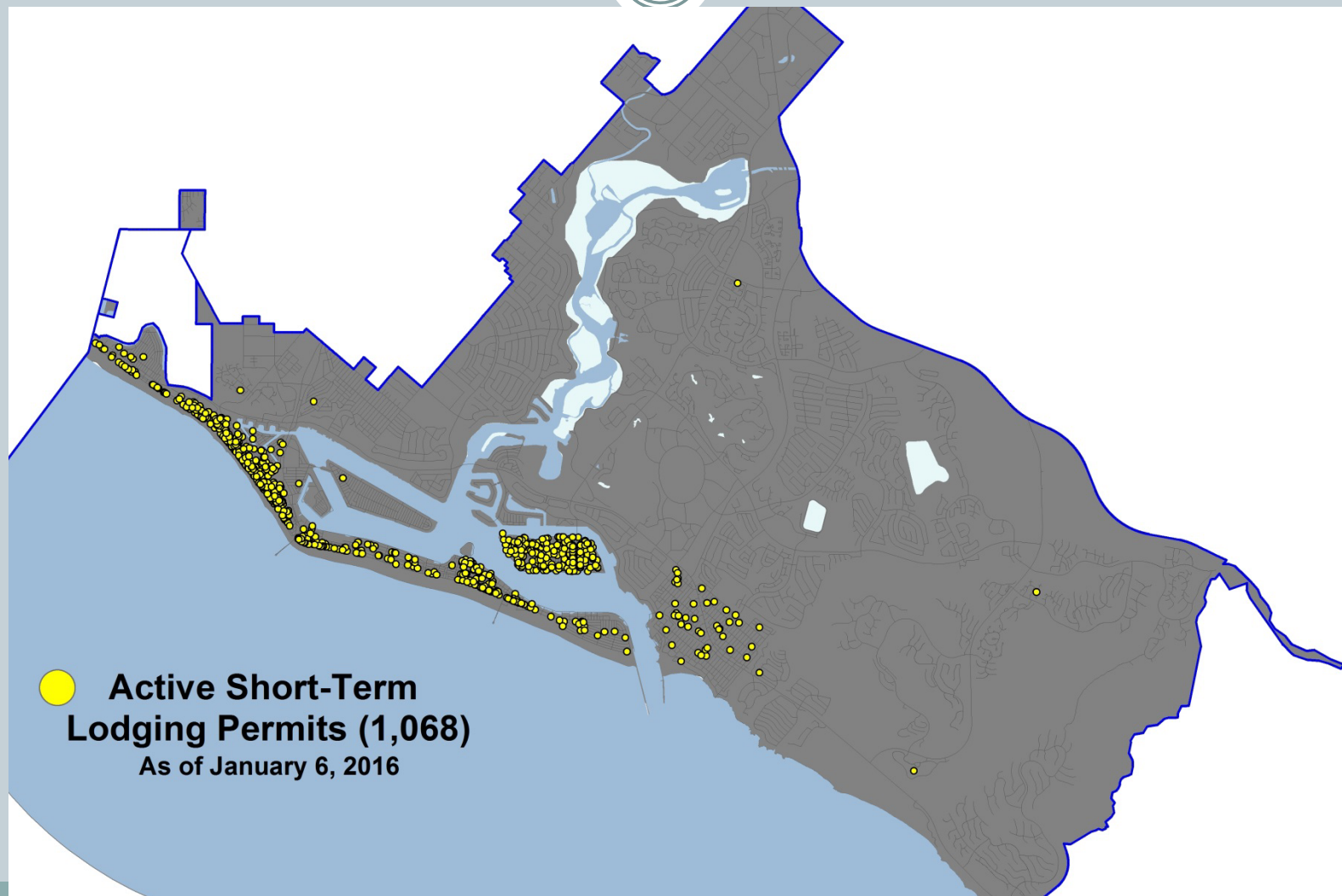
7

- Short-Term rentals pay TOT similar to the city's motels and hotels.
 - In 2014/15 the total TOT was \$2.2 million from STLPs
 - This is 9% of total TOT (\$24.4 million) from all City sources in 2014/15.



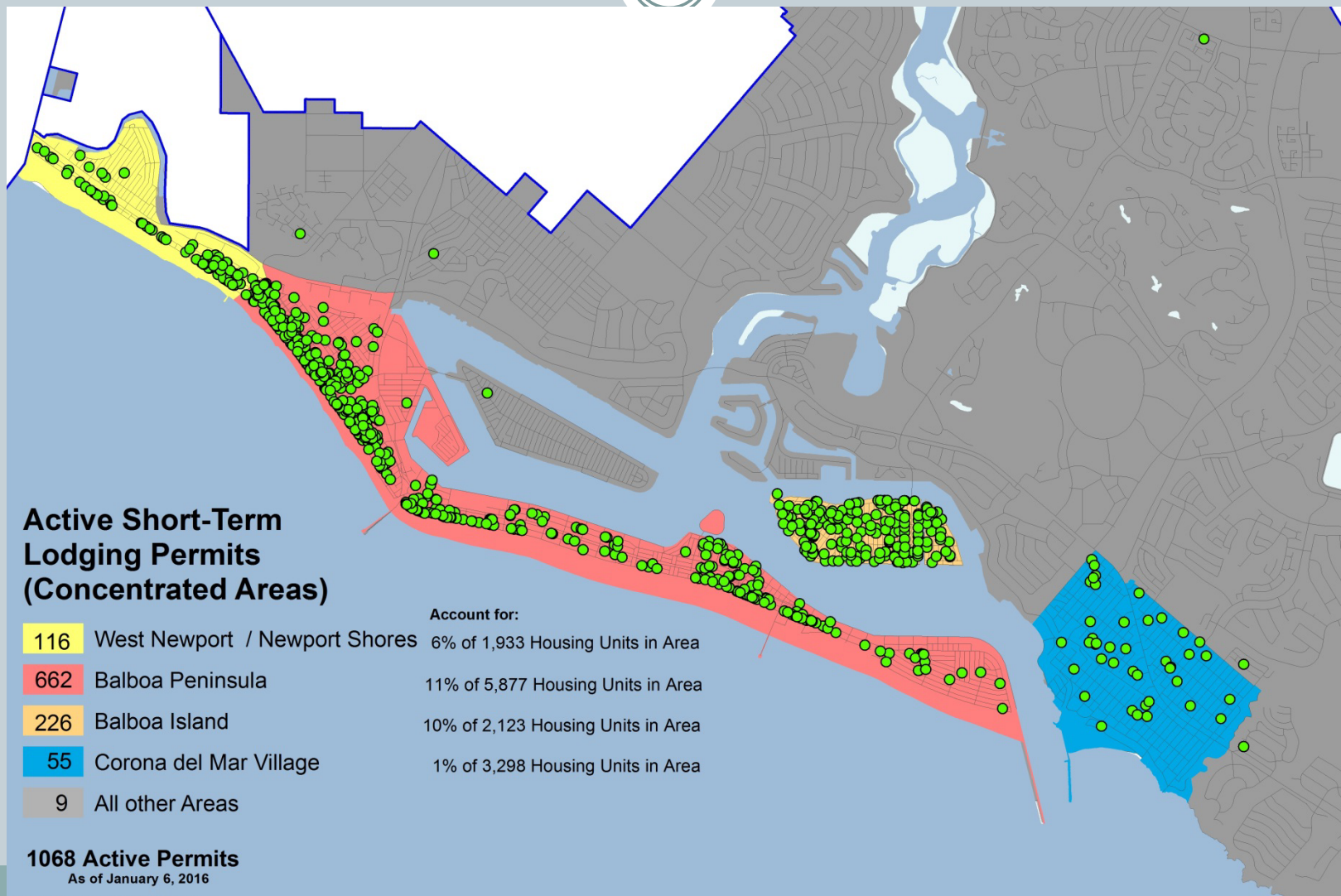
Active Short-Term Lodging Permits

8



Active Short-Term Lodging Permits Concentrated Areas

9



Revenue Trends

10

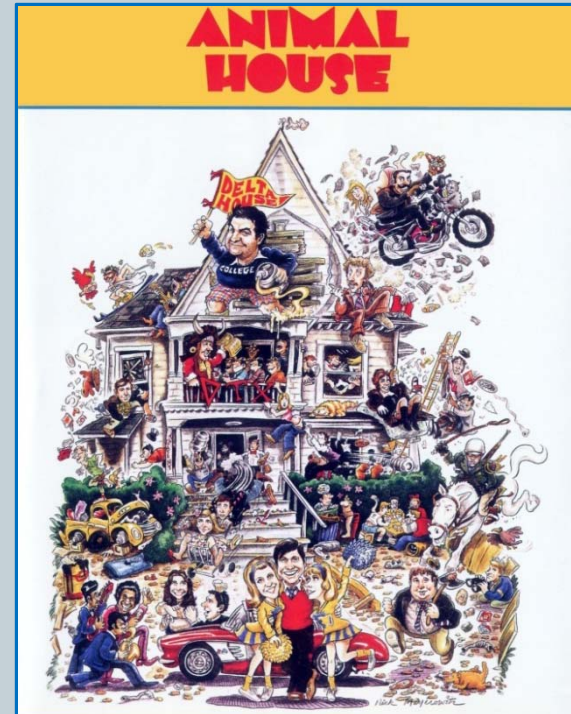
- **FY 10/11 \$1,419,986**
- **FY 11/12 \$1,478,098**
- **FY 12/13 \$1,710,373**
- **FY 13/14 \$1,954,588**
- **FY 14/15 \$2,216,158**

Since Fiscal Year 10/11, TOT revenues from Short-term Lodging have increased 56%.

Common Concerns with Short-term Lodgings

11

- Commercial use in a residential neighborhood
- Can reduce the amount of long-term rental housing available
- Some potential adverse impacts neighborhoods
 - Excessive noise, late hours, traffic, parking, increased trash
- Nonpayment of TOT
- Lack of Management



Professional Management

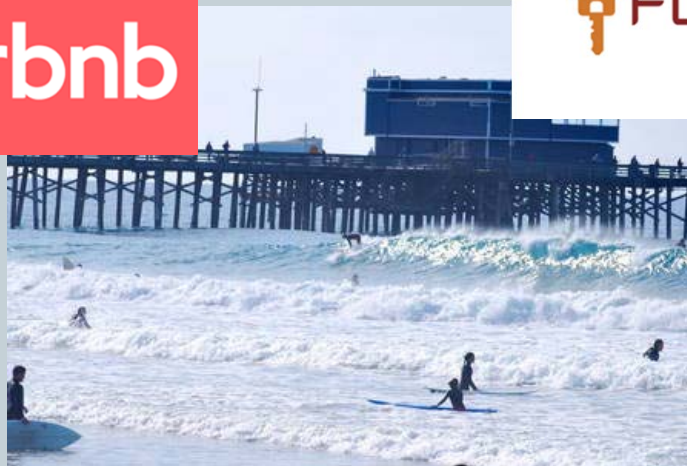
12

- Many area properties are professionally managed – that can minimize impacts to the surrounding neighbors and community.
- Management companies have “rules” for the guests to abide by and provide information regarding surrounding services and resources; who to call in an emergency; etc.

The Internet Effect

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- Online companies such as VRBO, FlipKey, and airbnb have created a whole new facet to vacation rentals.



- Difficult to regulate because online businesses do not have a physical presence here.

*Screen shot from
airbnb website for
Newport Beach*

airbnb Newport Beach, CA

Become a Host Help Sign Up Log In

Price Range \$10 \$146 Average \$1000+

More Filters 300+ Rentals - Newport Beach

Enter dates to see full pricing. Additional fees apply. Taxes may be added.

Beautiful High-Rise / Views - SAVE!
Entire home/apt - ★★★★★ - 6 reviews \$185

Ocean View 29th St Front Cottage
Entire home/apt - ★★★★★ - 12 reviews \$250

Language and Currency

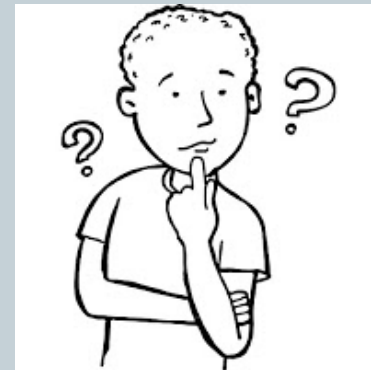
Join the millions of hosts and guests in Airbnb's trusted community. Log In Sign Up

The Internet Effect- continued

15

- Property owners do not obtain proper permits, or collect and remit TOT to the City.

Also tenants are making their units available for STL without the knowledge or authorization of the property owner.

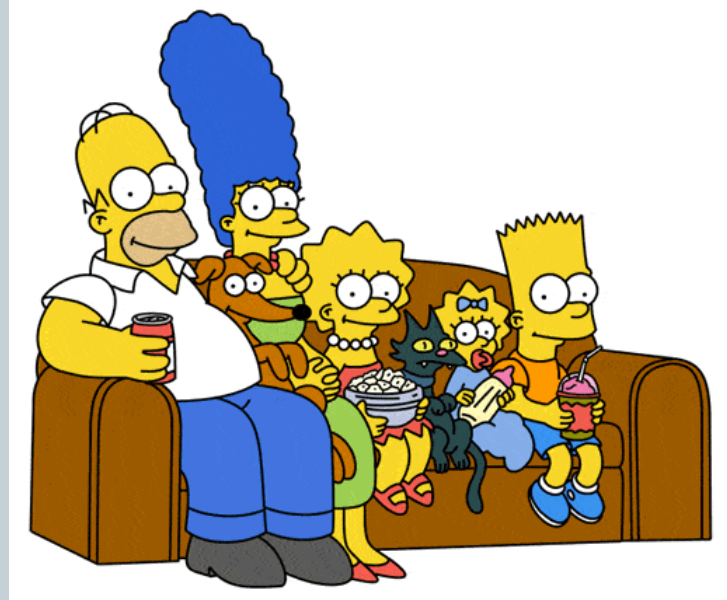


- Rentals are occurring in single-family neighborhoods where they may not be allowed.
- Creates a large code enforcement concern; particularly if there is not a local professional management company involved.

Homesharing – What is that?

16

- Typical vacation rentals are for entire units, and the owners are not present.
- Homesharing means that the owner is present, who rents out a bedroom or even a couch on a short-term basis.



An example of “Homer-sharing”

Homesharing- continued

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- The Municipal Code does not clearly define “Homesharing” as a type of short-term lodging that requires a permit, business license, and the payment of TOT.
 - Should the Code specifically address Homesharing?
 - If Homesharing is clearly defined should it be limited to the areas where Short-term Lodging Permits are allowed or could it be allowed in any residential unit in the City?

Newport Beach is Ahead

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- **Regulations in place since 1992**
- **Enforcement is key**
 - **2015 – 23 Administrative Citations Issued**
 - **June 2015 – seasonal employee hired to assist in enforcement**
 - ✦ **Over 250 non-compliant on-line listings identified**
 - ✦ **Of those, 131 obtained the required permits**
 - ✦ **City collected \$218,700 in fees and TOT as a result of the enforcement effort**
- **Staff is in contact with airbnb regarding short-term rentals in the City which are part of their network.**

What are Other OC Beach Cities Doing?

19

- Laguna Beach issued moratorium on new permits until 10/1/2016
- Dana Point revised regulations in 2013 to allow in residential and mixed-use zones
- Huntington Beach prohibits short-term rentals
- San Clemente has amended their regulations to allow only home sharing.

January 2016 City Council Study Session

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- **Council is interested in:**
 - Public outreach. Stakeholder discussions.
 - Filling in gaps on the Peninsula for vacation rentals?
 - Adopting regulations for homesharing?
 - Adopting standard operational guidelines for vacation rentals?
 - Pursuing agreements with the online services to disclose rental information and submit TOT to City.

Next Steps

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- **March 23rd at 6pm Public Meeting**
- **Ongoing discussions with stakeholders**
- **Develop approach to allow short term lodging on peninsula on certain properties zoned R1.**
- **Consider a code amendment regarding Homesharing.**
- **Expand existing vacation rental guidelines. Recommend making them requirements.**
- **Return to Council Summer 2016.**

Questions

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