

To: Tom Frutchey, City Manager
From: Warren Frace, Community Development Director
Subject: Vacation / Short-Term Rental Policy Update
Date: March 15, 2016

Needs: For the City Council to review results of the 2015 public outreach process and provide direction on next steps.

Facts:

1. Vacation Rentals or Short-Term Rentals refer to the practice of renting rooms or houses for a period of less than 30-days.
2. Short-term rentals fall under the Transient Occupancy lodging definition of the City Municipal Code (21.08.444), which requires the payment of transient occupancy tax (TOT) and a business license.
3. The City does not have any additional policies or codes that regulate term-short rentals.
4. Due to the growing popularity of short-term rental websites such as Airbnb and VRBO there are now estimated between 200 and 300 short-term rentals operating in Paso Robles.
5. Approximately 60 of these short-term rentals have a business license and pay TOT to the City.
6. In Spring 2015, as a result of increasing public complaints, the City Council requested staff analyze the operation and impacts of short-term rentals within the City.
7. On May 4, 2015 the Administrative Services Department prepared a memo to the Council summarizing the fiscal impacts of short-term rentals on the City. The memo stated that 54 licensed short term rentals paid \$122,000 in TOT for FY2014. The memo estimated that an additional \$330,000 could be collected if 200 short term rentals were licensed.
8. In August 2015, the Assistant City Manager prepared a Short-Term Rental Outreach Plan that called for; (1) a Focus Group meeting of short-term rental operators; and (2) a public workshop.
9. On September 23, 2015, staff hosted a "focus" group at the EOC that was attended by five (5) local short-term rental operators. The theme of the operator comments was that limited regulations creating a level playing field for short-term rental operators was a good idea, and short-term rentals were an important tourism and economic

development resource. The group preferred voluntary “good neighbor” guidelines rather than strict City standards.

- 10. On November 4, 2015, the City hosted a short-term rental community workshop in the Council Chambers that was attended by a standing-room-only crowd that appeared to be a balance of operators and concerned neighbors. The theme of the meeting comments was balanced between the need to protect residential neighborhoods while promoting tourism and economic development.
- 11. Due to the high level of public involvement and concern regarding short-term rentals, the policy review process was paused until the new City Manager was in place.

Analysis and Conclusion:

The November community workshop revealed the complexity of the issues related to short-term rentals. There are equally compelling points in favor of promoting short-term rentals and the need to protect the residential character of single family neighborhoods. The best case would be identifying policies and regulations that would create an acceptable balance between these competing concerns.

The “word clouds” below highlight the frequency of different words and terms raised during the community workshop. A separate word cloud was prepared for short term rental operator comments and for concerned neighbors. The key terms identified by the operators were: **tourism, owner responsibility, and no change.** The key terms identified by concerned neighbors were: **protect residential character, safety and parking.**



Although there is a gap between the concerns of both sides, there appeared to be a general willingness to find common ground and develop a “win-win” solution. Consequently, staff suggests the issue would benefit from additional dialogue and discussions prior to the Council taking any formal action to adopt policies or regulations for short term rentals. Staff is recommending the Council direct the City Manager to form an advisory panel consisting of operators and neighbors to work collaboratively with staff on a policy recommendation for the City Council’s consideration.

Staff expects the committee would review the following short-term rental policy options:

- a. Parity with hotel and bed & breakfast operations
- b. Differences between home sharing and home rentals
- c. Licensing / permitting process
- d. Transient occupancy tax collection requirements
- e. Short-term rental density limits / separation requirements
- f. Advertising / listing requirements
- g. Limits on frequency of rentals
- h. Limits on numbers of occupants
- i. Good neighbor guidelines vs. standards
- j. Parking requirements
- k. Complaint response requirements and timeframes
- l. Violation penalties



November 4, 2015 – Community Workshop

Policy

Reference: Paso Robles Municipal Code Chapter 5.06 Transient Occupancy Tax, Zoning Ordinance,

Fiscal

Impact: None related to this action.

Future adoption of short term rental policies could have either a significant positive or negative impact on City revenues.

Options: After consideration of the staff report and public testimony, the City Council may consider the following options:

- a) Direct the City Manager to form an advisory panel consisting of operators and neighbors to work collaboratively with staff on policy recommendations for the City Council's consideration; or,
- b) Direct staff to prepare additional analysis for short term rental policies; or,
- c) Amend the foregoing options; or,
- d) Take no action.

Attachments

1. Staff Summary of 11/4/15 Community Workshop

Short-Term Rental Workshop Summary

The City of Paso Robles held a Short-Term Rental Workshop on November 4, 2015. Approximately 130 people were in attendance. Short-term rentals include vacation rentals which are homes or rooms in homes rented for less than 30 consecutive days, and are operated by companies such as Airbnb, VBRO, HomeAway, and others.

Of those in attendance, about half of the audience spoke in regard to their feelings towards short-term rentals in Paso Robles. Out of those that spoke, 42% identified themselves as owners of a short-term rental property, 50% identified themselves as neighbors of short-term rentals, with the remaining 8% identified as realtors, hoteliers, or others.

Comments transcribed from attendees were compiled and divided into two separate topic headings: 1) Vacation Rental Concerns and 2) Vacation Rental Support/Benefits. Under each of these two headings, comments were further split into categories based on the frequency these topics were mentioned. Comments from one attendee may have been broken up in to multiple topics as many attendees made different points that fell into different categories. The overall importance of the topics between those who identified as neighbors and those who identified as short-term rental owners can be seen in the word clouds below. The larger the word, the more often it was mentioned. A definition of each topic is included in Appendix A.

Short-Term Rental Owner/Other Comments Word Cloud

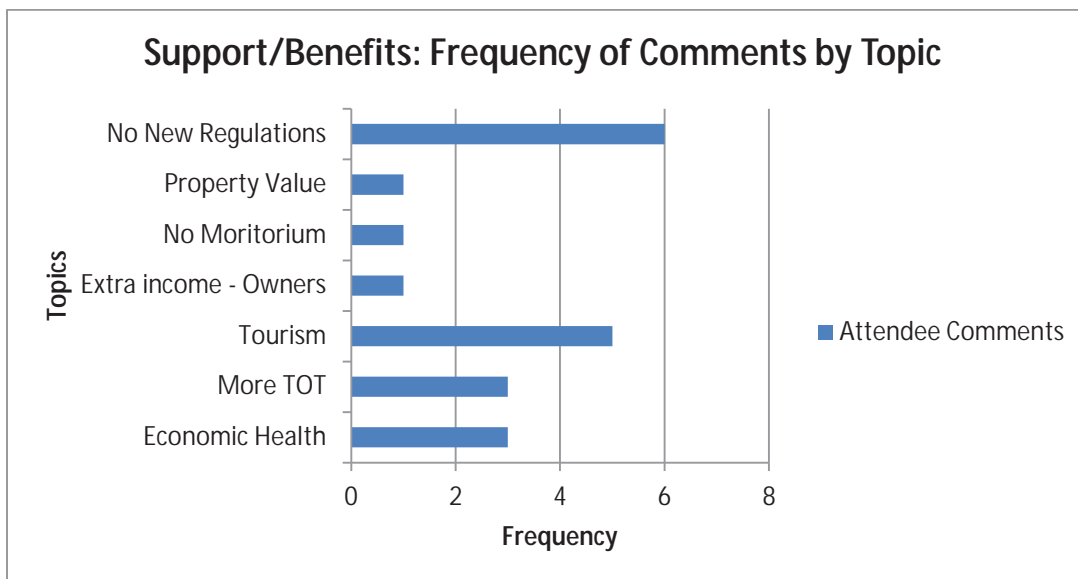
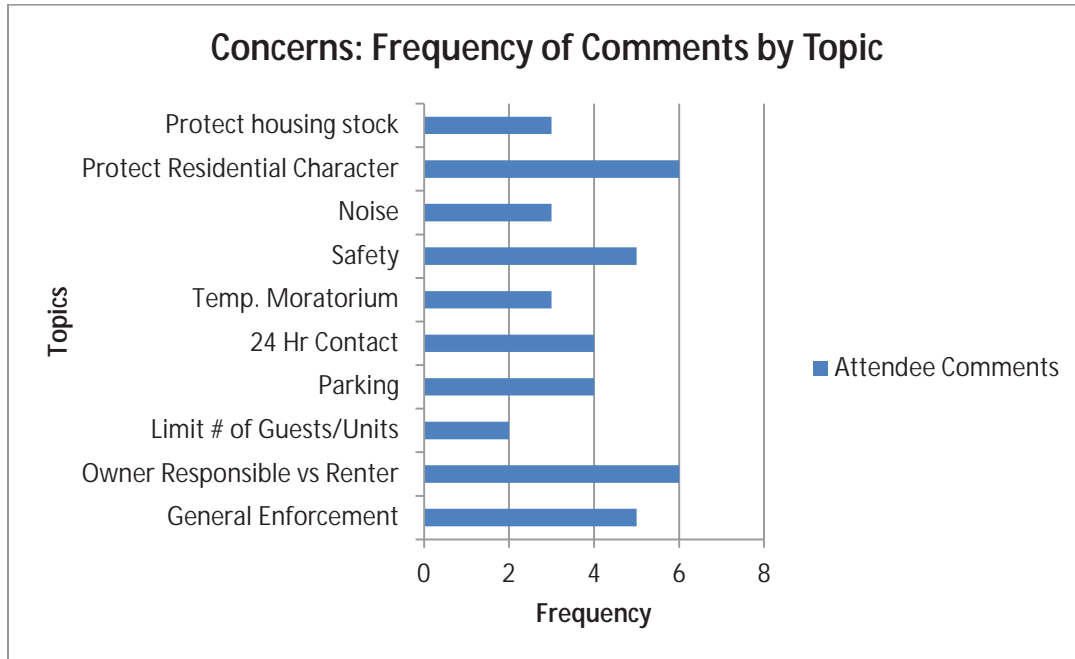


Neighbor Comments Word Cloud



I. Summary of All Short-Term Rental Comments

The graph below provides a visual summary of the frequency of comments per topic divided into comments that mentioned the benefits of and support for short-term rentals, and comments that mentioned concerns.

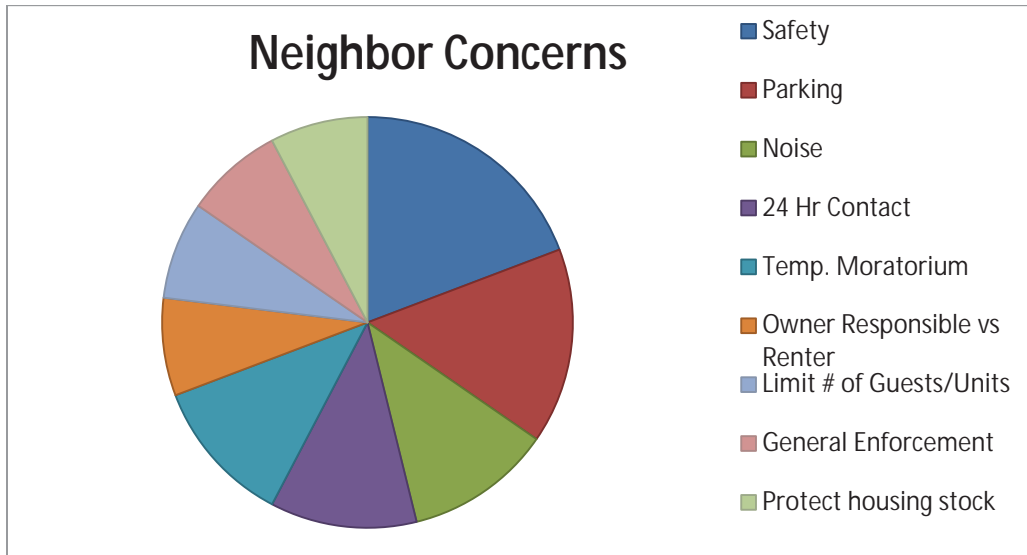


Protecting Residential Character and Property Owner Responsibility vs Renter Responsibility were mentioned more often, with six mentions each, followed by General Enforcement and Safety with five comments. The highest number of comments in support of short-term rentals mentioned using existing enforcement policies and regulations to address disruptions and neighborhood conflicts. The second most frequent topic mentioned was Tourism, followed by support for more Transit Occupancy Tax (TOT), and increasing the overall Economic Health of the City.

II. Short-Term Rental Concerns

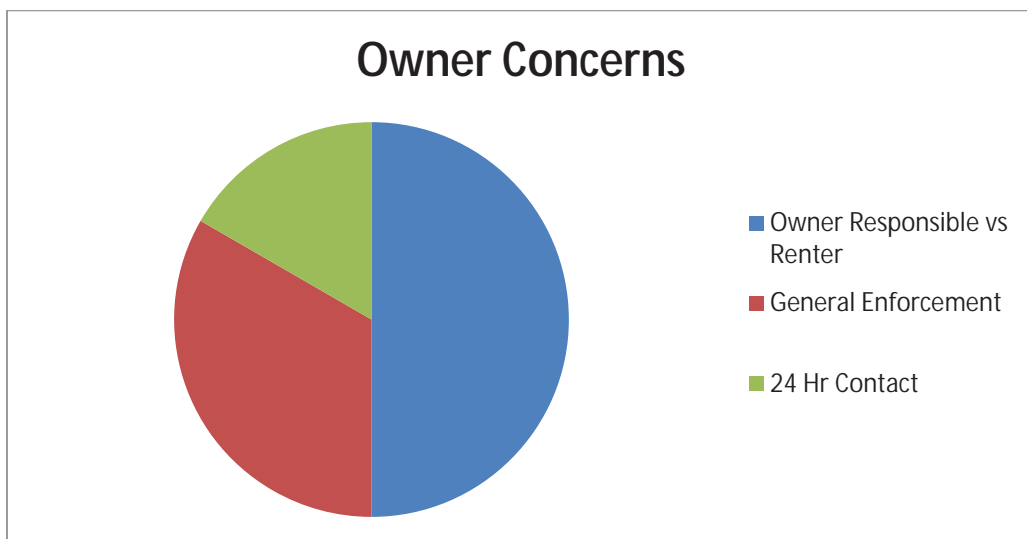
Neighbors

A review of comments identified 10 topics of concern for neighbors of short-term rentals in Paso Robles. The three topics with the most frequent comments were, in order of importance, 1) Protect Residential Character, 2) Safety, and 3) Parking.



Owners

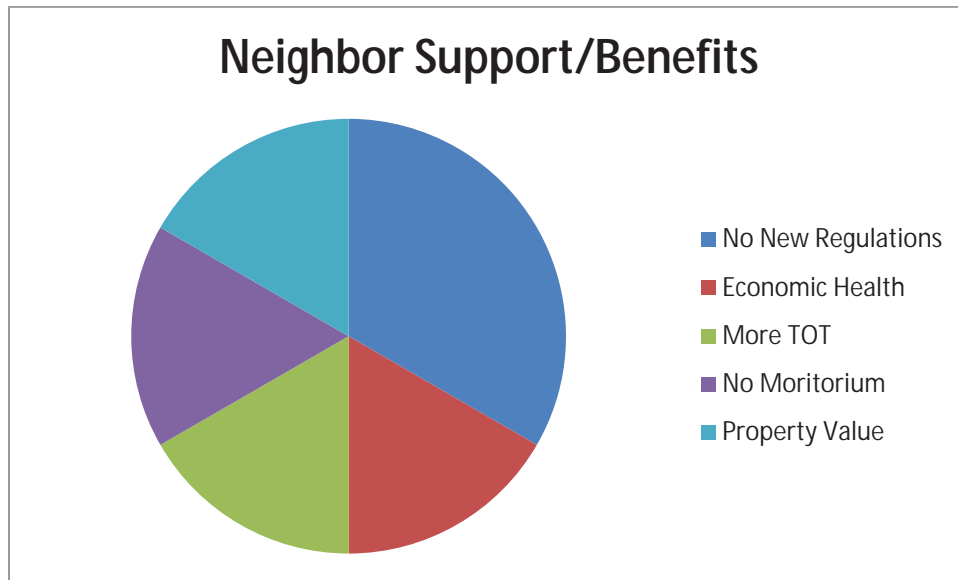
Comments by owners identified three topics of concern for owners of vacation rentals. In general, owners wanted to see general enforcement that all owners were held accountable to, and that contact information for the owner or property manager is made available to neighbors for complaints.



III. Short-Term Rental Support/Benefits

Neighbors

A review of comments identified 5 topics of support for neighbors of short-term rentals in Paso Robles.



Owners

A review of comments identified 5 topics highlighting support and benefits for owners of short-term rentals in Paso Robles. Tourism was the most frequent followed by Economic Health and maintaining current enforcement as opposed to adding new regulations.

