

South Bay Cities Council of Governments

Short Term Rental Task Force

December 7, 2016 Minutes (DRAFT)

Attendees: Hon. Hany Fangary, Kim Chafin, Estela Hill, Ken Robertson, Bob Rollins (Hermosa Beach); Hon. Kurt Weideman (Torrance); Hon. Christian Horvath and Aaron Jones (Redondo Beach); Hon. Amy Howorth, Hon. David Lesser, Ryan Heise, Jacki Harris (Manhattan Beach); Estella Cruz & Sam Lee (El Segundo); Fred Jackson (Inglewood); Gary Sugano (Lomita); Ellisa Hall (PVE); Ara Mihranian, Christina Burrows, Michael Huang, Julie Peterson & Octavio Silva (RPV); Jacki Bacharach, Rosemary Lackow (SBCCOG); Trevor Rusin (Jenkins and Hogin LLP); Jeff Kiernan (League California Cities). And guest speakers: Ulrik Blinker (Host Compliance) & Brenda Wisneski (Newport Beach)

- I. **Welcome** - Jacki Bacharach welcomed all.
- II. **Self Introductions** - Attendees gave brief introductions and comments about their cities.
- III. **Meeting Notes from September 26, 2016 – Received and filed**
- IV. **Speaker Presentations:**
 - a. **Newport Beach – Brenda Wisneski**, Newport Beach Deputy Director for Community Development shared a Power Point (available on the SBCCOG website) where Newport Beach is with this issue and where they want to be. She gave a history of vacation rentals noting that Balboa Island has long been an area of short term summer rentals and that these rentals provide a large source of revenue. Before 1992 the City had some regulations and this use was only outlawed in single family zones and some in single family zones were “grandfathered”. The concerns in not regulating this use were, among others, nonpayment of TOT, proliferation through the internet, potential adverse neighborhood effects. In 2016 the City did an outreach to the public with a multi-departmental effort, to see what changes might be needed. Ms. Wisneski passed out two handouts: the proposed changes in August, 2016 to the Newport Beach code, for operational conditions applicable to short term lodging permits. (NBMC 5.95.050) and also a proposed (draft 8/2/16) Short Term Lodging Proactive Code Enforcement Program covered proposed Inter-Departmental Coordination, Proactive Investigation, Proactive Enforcement, Outreach and Required Additional Resources.

Ms. Wisneski fielded questions from the group, clarifying that the permit process starts with the Finance Department, which acts as a clearinghouse.

They use GIS to locate lodging sites, but a simple excel file can be used if don't have GIS. There is direct communication between Finance and the Community Development code enforcement. Regarding how code enforcement is done, Newport Beach does not do "sting" operations, they use observation and then knock on the door and start asking questions. It is important to secure evidence of the violation. Newport Beach does not require a homeowner to live on the premises (that is "Homesharing"). No outside signs are permitted.

b. **Host Compliance - Ulrik Binzer, Founder & CEO**, gave a presentation, addressing the effectiveness of bans, alternatives to bans, and the issue of revenue as an offset to the cost of enforcement. He showed, using a chart, the huge increase in short term rentals between 2008 and 2015 and presently there are about 120 websites that are involved with this type of lodging and 42,000 rentals in LA County. In the South Bay, the number of short term rentals varies significantly, citing 29,357 unique rentals and 32,206 total listings (there are several cross-listings). This presents a great challenge.

Other points he made: STR's can drive a significant economic growth, citing the city of San Diego's experience, but can also create impacts that threaten neighborhood character. In defining success, the question is: have the strategic objectives for the regulation been achieved and in a way that is a net benefit to the community after factoring in the full cost of compliance and enforcement? He suggested that in many cases bans don't work (examples: Santa Monica, Redondo Beach, Santa Barbara, West Hollywood) and give a city negative press (Santa Monica, Santa Barbara). Traditional enforcement practices are not the most efficient or cost effective way to address STR non-compliance. Finding addresses is difficult, websites don't publish addresses and companies are secretive and not cooperative. What is the alternative? Mr. Binzer suggested that innovative cities are finding ways to mitigate negative consequences while defining policy objectives that reflect the best regulatory practices. For example, some cities have established percentages of a block that can have STR permits. There are software tools that can eliminate costly back-office compliance monitoring and enforcement work. Cities can outsource compliance and monitoring.

V. **General Discussion**

Mr. Binzer responded to questions from the group. He noted that fees can recoup the cost of enforcement and with fines this amount can be higher. He believes that West Hollywood has a good practice in that the cost gets passed to the host. He noted that in Hermosa Beach only 12 out of 180 enforcement letters sent were in error. He stated that Host Compliance has 31 clients and he believes that it is bad publicity for the lodging platform businesses to go after the cities. He clarified that they do not access Airbnb data, but use algorithms they have developed.

VI. Summary and Next Steps

The group determined it would like to get more input from cities that fit more with the South Bay profile and some success stories). This could include coastal cities, but not so much tourist oriented. Some possible presenters could be: 1) City of Los Angeles 2) City of Santa Monica (Denise Smith) and 3) a legal perspective (Trevor Rusin, Jenkins and Hogin).

VII. Next Meeting –

It was determined that the group would next meet on Wednesday, March 1, 2017 @ 3:30 pm, possibly at the SBCCOG offices if video conferencing can assist.

The presentations shown by Newport Beach and Host Compliance will be posted on the SBCCOG website.