



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 6/2/2015
Agenda Placement: 11A

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Lawrance Florin - Director
Housing and Intergovernmental Affairs
REPORT BY: Michael Karath, STAFF ASSISTANT - BOS - 299-1477
SUBJECT: Support for SB 593 (McGuire) - Local Authority to Regulate Vacation Rentals

RECOMMENDATION

Director of Housing and Intergovernmental Affairs requests approval of and authorization for the Chair to communicate to the Legislature and pertinent parties support for SB 593 (McGuire), a bill that would grant local governments more authority over regulating residential units for tourist or transient use. (Unanimous vote required)

EXECUTIVE SUMMARY

Director of Housing and Intergovernmental Affairs requests approval of and authorization for the Chair to communicate to the Legislature and pertinent parties support for SB 593 (McGuire), a bill that would grant local governments more authority over regulating residential units for tourist or transient use.

SB 593 will respect existing ordinances by empowering the local jurisdictions. It will provide critical tools to help cities and counties uphold their ordinances.

The proposal has two components:

1. **Assist local policies regarding online vacation rental businesses (OVRB's)** - This bill will reinforce local ordinances by requiring OVRB's to disclose information (address of host rental, amount of nights stayed, and amount paid by the visitor) to the cities and counties - similar to the way hotels currently report their TOT. This information will allow cities and counties to ensure their laws are being followed. Local jurisdictions may also choose to have OVRBs collect the taxes and remit them.
2. **Enforce local bans against short term residential rentals** - SB 593 will prohibit OVRBs from facilitating a residential rental if the transaction would violate a local ordinance. This will reinforce local control. Additionally, cities and counties will have the ability to opt out of their information disclosure process at their discretion. They may opt back in to receive the reports by providing OVRB's with 90 days' notice.

Both CSAC and RCRC support SB 593.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Like Napa County, many counties and cities throughout California prohibit the renting of residences for less than 30 days. However, these prohibitions are frequently ignored by online vacation rental businesses (OVRB's), causing unwanted burden to services, roads and neighborhood character while reducing transient occupancy tax (TOT) collection from sanctioned hotels.

Rentals facilitated by OVRB's in these counties and cities go against the expressed wishes of the residents. For the cities and counties that do allow short-term residential rentals, most require hosts to register and that transient occupancy taxes be paid. Registration and payment of TOT in these counties and cities are based on the owners of the short-term residential units voluntarily reporting their rental activity. However, there has been a severe under-registration of hosts and underpayment of TOT. Only 10% of hosts in San Francisco have followed the city ordinance to register. Sonoma County has had to spend in excess of \$200,000 in an attempt to track down those rentals that are not paying the required TOT under the ordinance. And Los Angeles is currently experiencing a rental housing shortage due in part to the recent popularity of OVRBs. Clearly, cities and counties are unable to obtain this information due to the fact that OVRB's pass their responsibility to individual home-owners. This lack of oversight and enforcement presents a huge gap in accountability, and as a result, local laws and regulations are not being followed.

The premise of SB 593 is to reinforce local laws already on the books. Where vacation rentals are legal, the bill will assist local jurisdictions in their regulation and collection of Transient Occupancy Taxes, (TOT) as more than 430 cities and 55 counties impose a TOT. Where vacation rentals are illegal by local ordinance, the bill will prohibit OVRB's from making a rental.

SB 593 would prohibit an operator of a hosting platform, such as airbnb.com, for example, from facilitating the rental of a residential unit offered for occupancy for tourist or transient use, if such a use of that residential unit, or

the offering of that residential unit for such a use, is prohibited by an ordinance of the county, city, or county and city in which that residential unit is located. The bill would authorize a county, city, county, or county and city, by ordinance, to establish a fine or penalty on an operator of a hosting platform, as specified, for a knowing violation of this provision. The bill would authorize a county, city, or county and city to require an operator of a hosting platform to collect and remit applicable local transient occupancy tax.

In sum, SB 593 has two components:

1. **Assist local policies regarding online vacation rental businesses (OVRB's)** - This bill will reinforce local ordinances by requiring OVRB's to disclose information (address of host rental, amount of nights stayed, and amount paid by the visitor) to the cities and counties - similar to the way hotels currently report their TOT. This information will allow cities and counties to ensure their laws are being followed. Local jurisdictions may also choose to have OVRBs collect the taxes and remit them.
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Both CSAC and RCRC support SB 593.

SUPPORTING DOCUMENTS

A . SB 593 - Bill Text

CEO Recommendation: Approve

Reviewed By: Molly Rattigan