January 8, 2018

SUBJECT
Regulation of Short Term Rentals to Address Neighborhood Impacts, Clarify Transient Occupancy Tax (TOT) Regulations and Dedicate Revenue to Affordable Housing Projects, Programs and Administration

RECOMMENDATION
1) Hold a public hearing; and
2) Waive First Reading and Introduce the proposed zoning ordinance and municipal code amendments; and
3) Adopt the proposed resolution dedicating TOT money to affordable housing projects, programs and administration; and
4) Direct staff to return in January 2020 with an update and opportunities to make amendments as necessary

BACKGROUND
Short-term rentals are defined as dwelling units that are rented for periods lasting less than 30 days. Common examples include renting a house or an apartment for a week or weekend for a short stay or for several weeks associated with business travel or longer vacations. Short-term rentals are most commonly offered and rented through online hosting platforms such as Airbnb, VRBO, and HomeAway.

The short-term rental industry has experienced tremendous growth in the last five years. In 2010, fewer than 100 people used Airbnb-hosted rentals in San Mateo County for all of 2010. By 2012, the number of hosts had grown to over 1,000 people. Redwood City currently has over 300 active hosts in 2017 (see information at right). Additional background on the growth of short-term rentals is available in a white paper called “Options for Regulating Short-Term Vacation Rentals” written by 21 Elements, a collaborative of cities and the County that addresses housing issues in San Mateo County.

While short-term rentals may provide income to residents and broader lodging options than the

<table>
<thead>
<tr>
<th>Short-term Rental Market on Airbnb from Dec. 2016 – Nov. 2017</th>
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<tbody>
<tr>
<td>380 active hosts</td>
</tr>
<tr>
<td>6 nights is the average length of stay per guest</td>
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<tr>
<td>$12,200 typical annual host earnings</td>
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<tr>
<td>51% of listings are for the entire home</td>
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<tr>
<td>43% of listings are for private rooms, with an additional 5% for shared</td>
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Source: Airbnb December 2017
existing hotel market, there may be significant downsides to these uses. The popularity and profitability of short-term rentals has spurred an industry where dwellings are bought and used exclusively for short-term rentals, removing housing stock that would otherwise be available for longer lease terms. A rotating series of renters in residential neighborhoods may create traffic, noise, parking, and safety concerns for neighborhoods. Short-term rentals may introduce commercial uses into previously residential areas, as larger homes may be rented for “corporate retreats” and other types of commercial and business uses.

**ANALYSIS**

**Current Regulations**

Short-term rentals are a new type of use that has only gained popularity in the last several years. Cities throughout the country are evaluating the impacts of the use and adopting local regulations to fit local conditions. Redwood City has a permissive zoning code, which means that any use not called out specifically as permitted is considered prohibited. The current zoning ordinance does not permit short-term rentals and they are considered a prohibited use.

**Proposed Ordinance Amendments and Analysis**

Recognizing that short-term rental uses are widespread and currently operating throughout Redwood City, staff is proposing a Zoning Ordinance amendment to Article 31 (Special Uses) that would specifically allow limited short-term rentals with operating standards addressing parking, noise and other negative impacts. Concurrent with this Zoning Ordinance amendment, the City Council will also consider an amendment to the Transient Occupancy Tax (TOT) regulations (Municipal Code, Chapter 32, Article IV) and a resolution dedicating the resulting TOT money towards affordable housing projects, programs and administration. The Planning Commission recently made a recommendation on the Zoning Ordinance amendment portion of the proposal.

There are several key considerations with the proposed Zoning Ordinance amendment. The purpose of the ordinance is to:

1. Allow limited short-term rental uses while preventing the loss of housing stock,
2. Preserve residential character and establish operating standards to reduce potential noise, parking, traffic, property maintenance and safety impacts on adjacent neighbors; and
3. Provide a registration mechanism for the City to track and enforce these requirements as needed and ensure appropriate collection of transient occupancy taxes.

**Allow Limited Short-Term Rental Uses While Preventing Loss of Housing Stock**

Short-term rentals have been a significant concern as they may reduce housing stock available for longer lease terms. The popularity of short-term rentals, and the substantial average rent that may be collected per night ($193/night average in 2015 as described in the 21 elements report) has incentivized the use of dwellings as exclusively short-
term rentals. In certain cases, one or two weeks of short-term rental revenue may equal the average monthly rent of a standard dwelling, motivating property owners to remove dwellings as a “residence” and shift them into permanent short-term rentals. This is a serious issue in a time when demand for housing already substantially exceeds supply.

Additional concerns include effects on residential character, and how a rotating series of guests may lead to a lack of neighborliness, with the associated noise, parking and traffic impacts. These potential impacts are discussed in more depth in the following section. Despite these drawbacks, there are also benefits with permitting short-term rentals in the community.

Income from short-term rental may be important to homeowners and residents. Supplemental rental income can assist seniors with fixed incomes or residents who are trying to make ends meet. The short-term nature of the rental adds flexibility, allowing homeowners to adjust the rental schedule as needed. Related transient occupancy taxes can be important to fund critical City priorities. Currently, the City charges a transient occupancy tax of 12 percent of the nightly room rate, which currently brings in approximately $6.5 million dollars a year. Additional TOT associated with short-term rentals could bring in an additional $400,000 dollars per year, which staff is proposing to dedicate to affordable housing projects and programs and related administrative costs.

For these reasons, the proposed Zoning Ordinance amendment would allow short-term rentals on a limited basis (Attachment 1). The operating restrictions include:

- **Primary Residence** – Short-term rentals would only be allowed in primary residences, where the homeowner usually lives and can provide evidence such as a driver’s license, income tax statement or property tax statement with a homeowner’s exemption. This would ensure that short-term rentals are not displacing residents from existing housing stock. A homeowner cannot buy multiple properties and rent them on a short-term basis under the proposed requirements. As you will note in the Alternatives section, the Planning Commission recommended exempting accessory dwelling units (ADUs) from the primary residency requirement and allowing ADUs to be used for unlimited short-term rentals by the resident of the main home. However, staff remains concerned this may be inconsistent with recent Council direction on ADUs and the ordinance’s purpose of preserving housing stock for residents. Staff continues to recommend that ADUs be subject to the primary residency requirement, and not be rented on an unlimited basis as a short-term rental.

- **Limited Number of Nights** – If the homeowner offers hosted rentals where they continue to live in the dwelling and rent a portion of the house, there is no limit on

- **Host** – Person who is the owner or lessee (renter) of the property

- **Hosted Rental** – Any short-term rental where the host is present on the premises between the hours of 10 p.m. and 6 a.m.

- **Unhosted Rental** – Any short-term rental where a host is not present.
the number of nights. The proposed ordinance limits unhosted rentals (where the homeowner or resident is not staying overnight) to 120 days per year.

The Planning Commission (PC) had a detailed discussion about the primary residency requirement and applicability to various types of units (See Attachment 4, Draft PC Minutes). They recommended unlimited short-term rentals in ADUs because the City's ordinance requires property owners to live on-site. The property would behave as a hosted rental with the primary resident on-site. This allows for more homeowner flexibility, however, it may conflict with the ordinance purpose of preserving housing stock for residents.

The PC also discussed whether duplexes should be able to have unlimited short term rentals in one of the two units. There could be instances, particularly with multi-generational living, where more flexibility would be welcomed by property owners of duplex properties. PC did not make a formal recommendation regarding duplexes, but requested that the issue be brought to City Council for further discussion.

The Planning Commission also discussed the 120-limit day limit for unhosted rentals. There are different maximums that can be set for unhosted rentals. Some cities do not permit them at all, and other cities have higher limits than 120 days. However, staff believes that 120 days a year is consistent with a long summer vacation or single season, ensuring that it may be used by a short-term renter approximately 33 percent of the year. In the absence of more data, PC concurred with that limit; however they recommended regular check-ins after the ordinance is adopted to look at potential impacts and make adjustments as needed. They stated that 120-day limit would generally be the minimum they would recommend, with the possibility of increasing the number of days with a maximum of 180 days.

Preserve Residential Character
A significant concern with short-term rentals is the impact on neighborhood character. Renters unfamiliar with the neighborhood may create noise, parking or traffic impacts for permanent residents. On-site hosts can intervene and address these concerns, however, unhosted rentals do not have management on-site to solve problems. Staff is proposing additional requirements to address potential impacts, particularly for unhosted rentals. The operating restrictions include:

- **Prohibition on “Special Events” –** Weddings, commercial functions, and similar events would be prohibited as a component of any short-term rental activity. These activities, when not associated with residency, are commercial in nature and inconsistent with the residential character of a residential district.

- **On-Site Parking –** On-site parking must be made available for the short-term renters, while hosts would be required to park on the street. This is intended to minimize conflicts in the use of shared on-street parking.
• Local Contact Person – For unhosted rentals, the host must designate a local contact person who can respond and take remedial action on complaints during the term of any stay.

There are several key considerations with the local contact person requirement. The City wishes to encourage hosts to find solutions to address potential issues. The designation of a local contact person emphasizes private solutions and neighborliness, as opposed to involvement by the Police Department or City code enforcement officers. However, it also requires divulging the contact person’s personal information to adjacent neighbors, which could be perceived as a privacy concern. Staff recommends that hosts identify a local contact person to respond to complaints.

The PC discussed potential limitations on the number of separate parties that can rent in a single dwelling unit but did not make specific recommendation. A brief review of other cities’ ordinances shows that while some cities limit the occupancy of the dwelling, no city has been found to limit the number of parties renting at any one time. The operational limitations are intended to address many of the impacts that may occur with multiple parties; however, Council could consider additional limitations.

Provide a Registration Mechanism
Enforcement of short-term rental regulations is a key consideration. Tracking and identifying short-term rentals can be challenging, as well as enforcement of primary residency requirements and total number of rental days. Staff has investigated using a contracted software solution that will assist with identifying short-term rentals and ensuring they meet City standards.

Staff proposes requiring registration for all short-term rentals. The registration application would require information verifying the primary residence, confirming an identified local contact person, and acknowledging all the operating standards. A registration fee would be applied to recover costs associated with accepting, processing, and administering the registration program. The resolution setting the fee will be considered by the City Council in conjunction with a mid-year fee update planned for early spring 2018.

There are three benefits with this system. One, it will give the City better data about exactly how many short-term rentals are in the City. Second, it will create shared expectations between the City and the hosts about the rules and regulations for short-term rentals. Lastly, it will also ensure that correct amounts of Transient Occupancy Tax are being collected. Staff expects to work with a software company, such as Host Compliance or Short-term Rental Helper, to manage the City’s short-term rental program.

TOT Ordinance Amendments and Collection
Short-term rentals are subject to the City’s Transient Occupancy Tax. Staff is proposing amendments to the TOT ordinance to clarify that requirement (Attachment 2). The funds
from the tax would be dedicated by resolution towards affordable housing projects, programs and administration (Attachment 3).

Some cities have entered into Voluntary Collection Agreements (VCAs) with hosting platforms. For example, San Jose has signed a voluntary collection agreement with Airbnb to enable Airbnb to collect the appropriate tax on behalf of individual hosts. Staff has spoken to Airbnb and they would work with the City on a VCA. The City Council may also consider whether a mandatory collection agreement should be required as part of the ordinance for platforms. Based on Council direction, staff would come back at a later date with an agreement for review and approval.

Public Outreach
The City has notified the community through newspaper ads, social media such as Next Door, LinkedIn and Facebook. Staff also contacted Airbnb and Expedia to discuss the proposed regulations and receive any comments. Airbnb agreed to notify Redwood City hosts regarding the upcoming change in regulations. Five members of the public spoke at the Planning Commission hearing on November 21, 2017.

Community members at the PC meeting generally spoke in support of short term rentals, particularly from the perspective of a seniors looking to supplement their income. Staff has also received an email with concerns about certain houses being used for multi-party rentals, with associated noise and parking impacts. Airbnb supports the proposed ordinance and has indicated they would be willing to enter into a VCA with the City. Expedia generally opposes the proposed ordinance, as it does not allow for second home rentals, which is their primary market. However, Expedia has fewer than 10 rentals in the City, and the company generally focuses on vacation rentals which are uncommon in Redwood City.

Amnesty Period
Short-term rentals are widespread and have been operating throughout the City for several years. Staff recognizes that many existing short-term rentals have lease agreements up to a year away, and that it will take time for residents to bring their short-term rentals into compliance with the proposed ordinance. However, a shorter time frame to compliance may reduce impacts on neighborhoods and housing stock, and increase the accuracy of TOT collection.

Staff recommends a one-year amnesty period for residents and property owners to bring their dwelling units into compliance with the new ordinance, and this period has been incorporated into the draft ordinance. However, the City Council may recommend an alternative amnesty period.

General Plan and Zoning Compliance
This ordinance is consistent with the General Plan as it protects existing residential neighborhoods from encroachment of incompatible activities while protecting the existing supply of housing.
**Alternatives**

Key questions for the City Council to consider include:

- Should the ordinance specify a different rental-day maximum other than 120 days for unhosted rentals?
- Should secondary residences, such as vacation homes or accessory dwelling units that are not primary residences, be allowed for short-term rentals?
- Should mandatory collection agreements be required for hosting platforms?

Based on the discussion of the key questions, the City Council may consider alternatives to the staff recommendation:

1. Consistent with Planning Commission recommendation, change the proposed ordinance to allow accessory dwelling units to be rented without restriction.
2. Recommend other changes to the proposed ordinance or resolution, such as increasing the number of days, allowing short term rentals in duplexes where the other unit is occupied by the property owner. The Planning Commission suggested up to 180-days may be appropriate.
3. Do not recommend adoption of the ordinances and resolution and direct staff to prepare additional information.

**Fiscal Impact**

The proposed regulations would provide for better review and enforcement of the City’s existing Transient Occupancy Tax requirements. With the clarification provided in the Municipal Code, and software to assist the City in tracking and ensuring collection, the City expects to receive an additional $400,000 per year in TOT.

Staff has attached a resolution that would dedicate this money to affordable housing projects, programs and administration. Administration could include enforcement costs, related staff time, as well as general housing staff time. Cost of the software would be funded by the City’s existing Geographic Information Systems (GIS) software fee collected as part of the building permit process.

**Environmental Review**

The proposed amendment is not considered a project under CEQA Guidelines Section 15378 because the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment. Alternatively, the amendment is exempt from CEQA as it can be seen with certainty that there is no possibility for causing a significant effect on the environment (Section 15061(b)(3)). The action will not cause a direct or reasonably foreseeable indirect change in the environment, as the use of short-term rental would be limited to existing primary residences and no additional structures or construction is required to comply with the regulations. The amendment provides for regulations to limit traffic, parking and noise impacts through the prohibition on special events, restricts the occurrence of unhosted rentals, preserves residential character by providing a local contact person to respond to complaints, and requires use of on-site parking.
ATTACHMENTS
1. ZONING ORDINANCE AMENDMENT
2. MUNICIPAL CODE AMENDMENT
3. RESOLUTION
4. DRAFT PC MINUTES
ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF REDWOOD CITY ADDING SECTION 31.3 TO ARTICLE 31 OF THE REDWOOD CITY ZONING ORDINANCE REGARDING REGULATIONS RELATING TO SHORT-TERM RENTALS AS AN INCIDENTAL USE TO SPECIFIED RESIDENTIAL USES

WHEREAS, the proposed Zoning Ordinance Amendment (the “Zoning Ordinance Amendment”) would add Section 31.3 to Article 31 of the Redwood City Zoning Ordinance in order to codify short-term rentals as an incidental use to specified residential uses and to establish rules and standards for such incidental use; and

WHEREAS, on November 21, 2017, the Planning Commission held a duly-noticed public hearing on the proposed Zoning Ordinance Amendment and recommended changes, namely removing the requirement for a business license and allowing short-term rentals in accessory dwelling units; and

WHEREAS, on January 8, 2018, the City Council held a duly-noticed public hearing on the proposed Zoning Ordinance Amendment and on said date the public hearing was opened, held and closed; and

WHEREAS, at the public hearing the City Council considered the whole of the record including, but not limited to, any written and oral public comments, staff reports and staff presentations.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDWOOD CITY DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The foregoing recitals are true and correct, are hereby incorporated herein by this reference as if fully set forth in their entirety, and constitute findings in this matter.

Section 2. The City Council hereby finds that the proposed Zoning Ordinance Amendment is in the public interest and consistent with the Redwood City General Plan as described in the staff report.

Section 3. This proposed Zoning Ordinance Amendment has been reviewed with respect to applicability of the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines (California Code of Regulations, Title 14, Sections 15000 et seq.). Passage of the Zoning Ordinance Amendment is not considered a project under Section 15378 as the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment. Alternatively, the Zoning Ordinance Amendment is exempt from CEQA as it can be seen with certainty that there is no possibility for causing a
significant effect on the environment (Section 15061(b)(3)) as described in the staff report. Pursuant to CEQA Guidelines Section 15091(e), the documents and other materials that constitute the record of proceedings upon which the City Council has based its decision are located in and may be obtained from the Office of the City Clerk at 1017 Middlefield Road, Redwood City, California. The City Clerk is the custodian of records for all matters before the City.

**Section 4.** If any section, subsection, clause or phrase of this Zoning Ordinance Amendment is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Zoning Ordinance Amendment. The City Council of the City of Redwood City hereby declares that it would have adopted the Zoning Ordinance Amendment and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional.

**Section 5.** The City Council of the City of Redwood City adopts the following amendment to Article 31 of the Redwood City Zoning Ordinance by adding a new Section 31.3 as shown in Exhibit A, which is attached hereto and incorporated herein by reference. Wording in brackets ([example]) is informational only and is not to be included in the published ordinance. (Exhibit A)

**Section 6.** This Ordinance shall go into effect 30 days following its adoption.

*     *     *     *
Exhibit A

[Section 31.3 is hereby added to the Redwood City Zoning Ordinance as follows:]

“31.3 – Short-Term Rental Use Incidental to a Primary Residence

A. Purpose. The purpose of this section is to:

1. Allow limited short-term rental uses while preventing the loss of housing stock;

2. Preserve residential character and establish operating standards to reduce potential noise, parking, traffic, property maintenance and safety impacts on adjacent neighbors; and

3. Provide a registration process for the City to track and enforce these requirements as needed and ensure appropriate collection of transient occupancy taxes.

B. Definitions. For purposes of this section, the following definitions shall apply:

1. Adjacent properties. The dwelling units located next to the dwelling unit in which the short-term rental is located.

2. Host. Any person who is the owner of record of residential real property or any person who is a lessee of residential real property pursuant to a written agreement for the lease of such real property, who offers a dwelling unit, or portion thereof, for short-term rental either through a hosting platform or individually as an operator.

3. Hosting platform. A means through which a host may offer a dwelling unit, or portion thereof, for short-term rental. A hosting platform includes, but is not limited to, an internet-based platform that allows a host to advertise and potentially arrange for temporary occupation of the dwelling unit, or portion thereof, through a publicly searchable website, whether the short-term renter pays rent directly to the host or to the hosting platform.

4. Primary residence. A primary residence is a dwelling unit where a person has been physically present and that the person regards as home. A person may only have one primary residence at any given time. Evidence of a person’s primary residence includes, but is not limited to, documentation from income tax statements or a
driver’s license. If a property has multiple dwelling units, including an accessory dwelling unit or apartment complex, each dwelling unit and accessory dwelling unit shall be considered a separate residence subject to the primary residence requirement.

5. **Short-term rental.** The use or possession of or the right to use or possess any room or rooms, or portions thereof in any dwelling unit for residing, sleeping or lodging purposes for less than 30 consecutive calendar days, counting portions of days as full calendar days.

6. **Short-term renter.** A person who exercises occupancy or is entitled to occupancy by reason of concession, permit, right of access, license or other agreement for a period of less than 30 consecutive calendar days, counting portions of calendar days as full calendar days.

C. Permitted Use. Short-term rental uses shall be permitted in any primary residence subject to the requirements of this section, including compliance with the operating standards, registration, Transient Occupancy Tax payments, and recordkeeping obligations. Except as provided for in this section, all other short-term rental uses shall be prohibited.

D. Operating standards. The following operating standards shall apply to short-term rentals:

1. Legal Dwelling. Short-term rentals may only occur within legal dwelling units.

2. Annual Limit. A primary residence may be occupied as a short-term rental for no more than 120 days per calendar year where no host is present. There shall be no limit on the number of days a primary residence may be occupied as a short-term rental where the host is present. For purposes of this Section 31.3, a host is considered present when they are on the premises at all times between the hours of 10:00 p.m. and 6:00 a.m.

3. Local Contact Person. Hosts shall identify to all guests and all occupants of adjacent properties a local contact person to be available 24 hours per day, 7 days per week during the term of any unhosted stay. The designated local contact person shall:
   
   a. Respond within 60 minutes to complaints regarding the condition or operation of the dwelling unit or the conduct of guests; and
   
   b. Take remedial action to resolve such complaints.

4. Parking. No additional parking shall be required for short-term rentals. Existing on-site parking spaces shall be made available to short-term renters.
5. Special Event. Weddings, corporate events, commercial functions, and any other similar events which have the potential to cause traffic, parking, noise or other problems in the neighborhood are prohibited from occurring at the short-term rental property, as a component of short-term rental activities.

E. Registration and Annual Renewal.

1. Application. Prior to advertising or making available the primary residence for renting, hosts shall register their primary residence as a short-term rental with the City. This registration shall be submitted on a form prepared by the City and shall include the name and contact information of the host, the address of the primary residence being used for short-term rental, the contact information for the local contact person, an acknowledgement of compliance with the requirements of the City’s Zoning Ordinance, Municipal Codes, applicable health and safety standards, and other information as requested.

2. Fee. The registration form shall be accompanied by a filing fee in an amount established by resolution of the City Council and updated from time to time.

3. Application Completeness. The submitted information shall be used to determine whether to register the short-term rental. The host will be notified if an application is incomplete. If the host fails to timely submit the required information or fees necessary to complete the application, the application shall expire and be deemed withdrawn.

4. Decision. The City Manager or his/her designee shall be responsible for deciding short-term rental registration applications. After an application is deemed complete, registration shall be approved where:

   a. The host demonstrates the ability to meet the requirements of this chapter,
   b. The subject primary residence is not the subject of an active compliance order or administrative citation from the City in the past 12 months, and
   c. A short-term rental registration for the primary residence has not been denied or revoked in the prior 24-month period.

5. Validity. An approved registration shall be valid and payable on a fiscal year basis. An approved registration shall be personal to the host and shall automatically expire upon sale or transfer of the dwelling unit. No registration may be assigned, transferred, or loaned to any other person.

6. Annual Renewal. A registration may be renewed annually upon payment of registration renewal fees and all required transient occupancy tax remittance associated with the short-term rental. The host shall submit such information concerning the short-term rental activity as may be required to enable the tax
collector to verify the amount of tax paid. Failure to renew prior to the expiration
date will result in expiration of the registration.

7. Requirements Not Exclusive. The issuance of a short-term rental registration
shall not relieve any person of the obligation to comply with all other provisions
of this code applicable to the use and occupancy of the property.

8. Administrative Policy. The City Manager or his/her designee shall have the
authority to develop administrative policies to implement the intent of this
Chapter.

F. Transient Occupancy Tax (TOT). Transient occupancy taxes must be collected for
short-term rentals and paid to the City pursuant to Chapter 32, Article IV of the
Redwood City Code. Collection of transient occupancy taxes for short-term rentals
shall be the responsibility of the host. The hosting platform shall collect TOT when
they have signed a voluntary collection agreement (or equivalent) with the City.

G. Enforcement.

1. Revocation of Registration. A short-term rental registration issued under the
provisions of this Section may be revoked by the Zoning Administrator after
notice and hearing as provided for in this Section, for any of the following
reasons:

   a. Fraud, misrepresentation, or false statements contained in the application;
   b. Fraud, misrepresentation, or false statements made in the course of carrying
      on a short-term rental as regulated by this Section;
   c. Any violation of any provision of this Section or of any provision of this code;
      or
   d. Any violation of any provision of federal, state or local laws.

2. Revocation Hearing. Before revoking a short-term rental registration, the Zoning
Administrator shall give the responsible host notice in writing of the proposed
revocation and of the grounds thereunder, and also of the time and place at which
the host will be given a reasonable opportunity to show cause why the registration
should not be revoked. The notice may be served personally upon the host or may
be mailed to the host at the last known address or at any address shown upon the
application at least 10 days prior to the date of the hearing. Upon conclusion of
the hearing the Zoning Administrator may, for the grounds set forth herein, revoke
the registration.

3. Appeal from Denial or Revocation of Registration. Any host whose application has
been denied or registration has been revoked shall have the right to an
administrative appeal before the City Manager or a designated hearing officer. An
appeal shall be filed in writing on a form provided by the City stating the grounds
therefor within 10 days of the decision. The City Manager or designated hearing officer shall hold a hearing thereon within a reasonable time and the decision shall be final.

4. Waiting Period. Any host whose registration has been denied or revoked shall be ineligible from applying for a new registration for a 24-month period.

5. Records of Compliance. The host shall retain records documenting the compliance with these requirements for a period of three (3) years after each period of short-term rental, including but not limited to records showing payment of transient occupancy taxes by a hosting platform on behalf of a host. Upon reasonable notice, the host shall provide any such documentation to City upon request for the purpose of inspection or audit to the City Manager or his/her designee.

6. Violations. Penalties as provided for in Article 50 (Enforcement) may be imposed for failure to comply with the provisions of this Section.

H. Amnesty Period for Short-Term Rentals. Notwithstanding any other provision of law, short-term rentals operating on or before the enactment of this ordinance shall be considered existing, unpermitted uses. An amnesty period of one year after the effective date of this ordinance is being offered to allow these existing, unpermitted uses to be legalized by conforming to the requirements of this Section, including compliance with operating standards, registration, and recordkeeping obligations. Transient Occupancy Tax payments continue to be required at all times for short-term rentals and must be collected and paid during the amnesty period. Applications to bring an existing, unpermitted short-term rental use into compliance shall be made on or before one year after the effective date of this ordinance. Existing short-term rental uses that do not conform to the requirements of this section shall cease operation within one year of the effective date of this ordinance and shall be prohibited from resuming unless and until the use conforms to the requirements of this Section.
ORDINANCE NO. ___

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF REDWOOD CITY AMENDING SECTION 32.71 OF THE REDWOOD CITY CODE AND ADDING SECTION 32.80 TO THE REDWOOD CITY CODE IN CHAPTER 32, ARTICLE IV (UNIFORM TRANSIENT OCCUPANCY TAX) REGARDING HOSTING PLATFORMS

WHEREAS, Article IV of Chapter 32 of the Redwood City Code (Section 32.70 et. seq.) establishes a Uniform Transient Occupancy Tax in the City of Redwood City; and

WHEREAS, the proposed amendments to Article IV, Chapter 32 set forth herein (the "Ordinance Amendment") would require Hosting Platforms (as defined in the Ordinance Amendment) to collect and remit transient occupancy taxes to the City and register with the City’s Tax Administrator; and

WHEREAS, on January 8, 2018, the City Council held a duly-noticed public hearing on the proposed Ordinance Amendment, and on that date the public hearing was opened, held, and closed and all interested members of the public were afforded an opportunity to be heard; and

WHEREAS, at the public hearing, the City Council considered the whole of the record, including, but not limited to, any written and oral public comments, staff reports and staff presentations.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDWOOD CITY DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The recitals set forth above are true and correct, and are hereby incorporated herein by this reference as if fully set forth in their entirety, and constitute findings in this matter.

Section 2. The City Council hereby finds that the proposed Ordinance Amendment is in the public interest and consistent with the Redwood City General Plan as described in the staff report.

Section 3. This proposed Ordinance Amendment has been reviewed with respect to applicability of the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines (California Code of Regulations, Title 14, Sections 15000 et seq.). Passage of the Ordinance Amendment is not considered a project under Section 15378 as the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment. Alternatively, the Zoning Ordinance Amendment is exempt from CEQA as it can be seen with certainty that there is no possibility for causing a significant effect on the environment (Section 15061(b)(3)). Pursuant to Guidelines section 15091(e), the
documents and other materials that constitute the record of proceedings upon which the City Council has based its decision are located in and may be obtained from, the Office of the City Clerk at 1017 Middlefield Road, Redwood City, California. The City Clerk is the custodian of records for all matters before the City.

Section 4. If any section, subsection, clause or phrase of this Ordinance Amendment is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Ordinance Amendment. The City Council of the City of Redwood City hereby declares that it would have adopted the Ordinance Amendment and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional.

Section 5. The City Council of the City of Redwood City adopts the following amendment to Section 32.71 of the Redwood City Code by adding the text shown in underline (example) and deleting the text shown in strikeout (example), as provided in Exhibit A, which is attached hereto and incorporated herein by reference. Wording in brackets ([example]) is informational only and is not to be included in the published ordinance. (Exhibit A).

Section 6. The City Council of the City of Redwood City adopts the following amendment to Chapter 32, Article IV of the Redwood City Code by adding a new Section 32.80 as shown in Exhibit B, which is attached hereto and incorporated herein by reference. Wording in brackets ([example]) is informational only and is not to be included in the published ordinance. (Exhibit B)

Section 7. This Ordinance shall go into effect 30 days following its adoption.

*   *   *
Exhibit A

Section 32.71 of the Redwood City Code is amended to add the text shown in underline (example) and delete the text shown in strikeout (example).

“Sec. 32.71. - DEFINITIONS:

Except where the context otherwise requires, the definitions given in this Section shall govern the construction of this Article:

HOSTING PLATFORM: A means through which an operator may offer a dwelling unit, or portion thereof, for transient occupancy. A hosting platform includes, but is not limited to, an internet based platform that allows an operator to advertise and potentially arrange for temporary occupation of the dwelling unit, or portion thereof, through a publicly searchable website, whether the transient user pays rent directly to the operator or to the hosting platform.

HOTEL: Any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure or portion thereof. A hotel also includes a short-term rental as provided for in Section 31.3 of the Redwood City Zoning Ordinance.

OCCUPANCY: The use or possession, or the right to use or possession of any room or rooms or portion thereof, in any hotel for dwelling, lodging or sleeping purposes.

OPERATOR: The person who is proprietor of the hotel, whether in the capacity of owner, lessee, sublessee, mortgagee in possession, licensee or any other capacity. Where the operator performs his functions through a managing agent of any type or character other than an employee, the managing agent shall also be deemed an operator for the purposes of this Article and shall have the same duties and liabilities as his principal. Compliance with the provisions of this Article by either the principal or the managing agent shall, however, be considered to be compliance by both. An operator also includes a person who is a host as provided for in Section 31.3 of the Redwood City Zoning Ordinance.
PERSON: Except as used in the meaning of "transient" hereof, means any individual, firm, partnership, joint venture, association, social club, fraternal organization, joint stock company, corporation, estate, trust, business trust, receiver, trustee, syndicate or any other group or combination acting as a unit.

RENT: The consideration charged, whether or not received, for the occupancy of the space in a hotel valued in money, whether to be received in money, goods, labor or otherwise, including all receipts, cash, credits and property and services of any kind or nature, without any deduction therefrom whatsoever.

TAX ADMINISTRATOR: The Collector of the City of Redwood City.

TRANSIENT: Any individual who exercises occupancy or is, entitled to occupancy of a specific room by reason of concession, permit, right of access, license or other agreement for a period of thirty (30) consecutive calendar days or less, counting portions of calendar days as full days. Any such individual so occupying space in a hotel shall be deemed to be a transient until the period of thirty (30) days has expired unless there is an agreement in writing between the operator and the occupant providing for a longer period of occupancy of the room. In determining whether an individual is a transient, uninterrupted periods of time extending both prior and subsequent to the effective date of this Article may be considered."
**Exhibit B**

[Section 32.80 is hereby added to the Redwood City Code as follows:]

**“Section 32.80. – Collection by Hosting Platforms**

Any hosting platform that assists with arranging transient occupancy may enter into a voluntary collection agreement (or equivalent) with the City for the collection and payment of transient occupancy taxes. Where a hosting platform has entered into such an agreement, the hosting platform shall have the same duties and liabilities of the operator under this Article. Compliance with the provisions of this Article by either the operator or the hosting platform shall be considered to be compliance by both. To comply with Section 32.78 of this Code, a hosting platform shall register in its own name and post its Transient Occupancy Registration Certificate on its website, if applicable. Operators that only use a hosting platform for providing lodging to transients shall not be required to register separately with the tax administrator or post a Transient Occupancy Registration Certificate on-site so long as such hosting platform used by the operator has registered pursuant to Section 32.78.”

[The text that currently states, “Secs. 32.80—32.84. - RESERVED:” shall be revised to state, “Secs. 32.81 – 32.84: RESERVED”]
RESOLUTION NO. ____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDWOOD CITY COMMITTING TRANSIENT OCCUPANCY TAXES COLLECTED PURSUANT TO SHORT-TERM RENTAL USES TO THE CITY’S AFFORDABLE HOUSING FUND

WHEREAS, Section 31.3 of the Redwood City Zoning Ordinance as proposed would establish short-term rentals as an allowed incidental use to primary residential uses within the City (such uses to be referred to hereinafter as Short-Term Rental uses); and

WHEREAS, Article IV of Chapter 32 of the Redwood City Code contains the Uniform Transient Occupancy Tax Ordinance of the City of Redwood City, which establishes a transient occupancy tax within the City; and

WHEREAS, transient occupancy taxes must be collected and paid for such Short-Term Rental uses; and

WHEREAS, Section 32.75.5 of the Redwood City Code states that taxes and penalties collected and received pursuant to the Uniform Transient Occupancy Tax Ordinance may be appropriated to any lawful purpose by the Council; and

WHEREAS, Section 18.273 of the Redwood City Code establishes the City’s Affordable Housing Fund, from which monies may be expended exclusively to provide housing affordable to extremely low income, very low income, lower income, and moderate income households in the City and for administration and compliance monitoring of the City’s affordable housing program; and

WHEREAS, the City Council has determined that it is in the best interests of the City to commit taxes collected pursuant to Short-Term Rental uses to the City’s Affordable Housing Fund to be used consistent with the purposes and allowed uses of Affordable Housing Fund monies.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDWOOD CITY AS FOLLOWS:

Section 1. The foregoing recitals are true and correct, are hereby incorporated herein by this reference as if fully set forth in their entirety, and constitute findings in this matter.
**Section 2.** The City Council hereby commits taxes collected pursuant to Short-Term Rental uses to the Affordable Housing Fund to be appropriated for purposes consistent with the purposes and allowed uses of Affordable Housing Fund monies.

**Section 3.** This Resolution shall be effective immediately upon its adoption.

* * *

ATTY/RESO.0001/CC RESO DEDICATING TOT FUNDS TO AFFORDABLE HOUSING
REV: 01-03-18 PR
DRAFT

COMMISSIONERS PRESENT: Commissioner Guerrero, Commissioner Hale, Commissioner Safdari, Commissioner Schmidt, Commissioner White, and Vice Chair Bondonno

COMMISSIONERS ABSENT: Chair Radcliffe

STAFF PRESENT: Planning Manager Turner, Assistant City Attorney Rasiah, Assistant City Manager Aknin, Principal Planner O’Dell

GUESTS: None

PROCEEDINGS RECORDED: For further information not contained in this draft of the written minutes, a DVD recording and audio recording of the entire meeting is available at the Planning office, located in City Hall, Redwood City.

AGENDA POSTED: Copies of the Agenda for this meeting are posted at City Hall on the Friday prior to the Planning Commission meeting.

1. ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES:
   A. DRAFT – October 3, 2017
      M/S (White/Guerrero) to approve the minutes of October 3, 2017 as submitted
      Motion Passed 6-0

   B. DRAFT – October 17, 2017
      M/S Safdari/Hale) to approve the minutes of October 17, 2017 as submitted
      Motion Passed 4-0 (abstain – Bondonno, White)

4. ORAL COMMUNICATIONS: None

5. CONSENT CALENDAR: No items

6. HISTORIC RESOURCES ADVISORY COMMITTEE INTERVIEWS

7. PUBLIC HEARING:
   A. Historic Resources Advisory Committee Appointment
Matt Klein introduced himself to the Planning Commission.

The Planning Commission interviewed Mr. Klein.

Mary Bell Ang introduced herself to the Planning Commission.

The Planning Commission interviewed Mrs. Ang.

M/S (Hale/Guerrero) to open the public hearing

M/S (White/Guerrero) to close the public hearing

Vice Chair Bondonno thanked the applicants. He encouraged both applicants to stay involved.

Roll Call Vote

Commissioner Guerrero voted for Mr. Klein.

Commissioner Hale voted for Mr. Klein.

Commissioner Safdari voted for Mr. Klein.

Commissioner Schmidt voted for Mrs. Ang.

Commissioner White voted for Mr. Klein.

Vice Chair Bondonno voted for Mrs. Ang.

The committee voted to elect Matt Klein to the HRAC in a 4-2 vote.

B. Zoning Ordinance Amendment to Regulate Short-term Rentals

Presentation by Principal Planner O’Dell on the Short-term Rental Ordinance. She provided an overview of the background and need for the ordinance, the objectives, the proposed regulations, the registration process, the timeline, and key questions.

COMMISSIONER QUESTIONS

Commissioner White asked if City Staff contacted any of the hosting providers like AirBNB when creating this ordinance amendment. He asked if they could explain their experience in working with these providers.

Assistant City Manager Aknin stated they did work with AirBNB when creating this. He discussed their involvement and their support for the proposed ordinance. He stated that VRBO is not comfortable with it, however, they understand the need for it. He stated they only have approximately 6 listings. Mr. Aknin stated that one of the questions they
are posing is when they want the effective date should be. He stated this is important so that they may give vendors time to adapt.

Commissioner Schmidt asked where they came up with the proposed limit of 120 days.

Ms. O’Dell stated that it was based on Staff discussion. She stated that people often leave for the summer and want their house available during that time.

Commissioner Safdari asked for clarification about the inclusion of accessory dwelling units.

Ms. O’Dell explained that they view accessory dwelling units as one of the strategies for addressing the affordable housing crisis. She stated that they want to ensure people understand they can use those for short-term rentals.

Commissioner Safdari asked if they have a breakdown of the percentage of vacant versus occupied ADUs.

Ms. O’Dell stated they do not.

Mr. Aknin added that the state of CA issued a lot of new laws that encouraged making it easier for accessory dwelling units to be built to help curb the housing crisis.

Commissioner Safdari asked if they have any sense of how big of a problem events are in current AirBNBs and VRBOs such as weddings.

Mr. Aknin stated he has not heard this issue reported in Redwood City, however, this is an issue that they are trying to curb through the ordinance.

Commissioner Safdari asked about how enforcement of that would work.

Mr. Aknin stated that restriction would be given to AirBNB and other hosting platforms.

Commissioner Safdari asked for clarification about the parking requirement.

Ms. O’Dell stated that the idea was to encourage neighborliness to ensure people are being considerate about parking and preserve parking impacts in the neighborhood.

Commissioner Safdari asked if they have any context for how this is working in other cities.

Ms. O’Dell stated they are the first city in the area to begin looking into this and implementing new rules.
Commissioner Safdari asked what the success metrics are for this plan.

Mr. Aknin stated the overall policy objective is to recognize the housing shortage and protect what they can. He added that hosting platforms are here to say, so the city needs to regulate appropriately. He stated the city is open to revisiting the ordinance if they find issues in order to solve any ongoing issues.

Commissioner Hale asked what the problem is they are trying to solve with the regulations.

Mr. Aknin stated the first problem they are trying to solve is to protect their primary housing stock. He stated the second problem is the collection of proper taxes. He stated the third problem is protecting their neighborhoods and ensuring they remain as such.

Commissioner Hale asked about the size and scope of effect of short-term rentals on residential neighborhoods regarding complaints.

Mr. Aknin stated there have not been that many complaints. He stated those complains have all come within the last 7 or 8 months. He stated that those who have complained have made it clear that it’s a significant issue.

Commissioner Hale stated they are early on this issue and there aren’t many places to compare to in California. She stated it would be interesting to see them expand the scope of research nationwide. She stated she is concerned about the unintended impacts and consequences of this ordinance.

Mr. Aknin discussed the potential consequences of these regulations. He stated he could not think of many offhand, but they might put a few small businesses out of business. He stated there are a few apartments downtown that are being rented out on a daily basis. He stated they are not really allowed to do that, so this would be a code enforcement issue. He stated they would need to be vigilant on this issue.

Commissioner Hale asked why they are interested in going first on this issue.

Mr. Aknin explained that the City Council gave Staff direction to pursue this issue. He stated that Redwood City has shown leadership in the area and this is an area where they can take the lead. He stated that both San Francisco and San Jose have been fighting this topic for a couple years.

Commissioner Guerrero asked for clarification about what the current regulations are. She asked whether short term rentals are currently prohibited.

Ms. O’Dell stated that the code says that unless it is specifically allowed, it is prohibited. She stated since they have nothing in their code to address short term rentals, it is currently prohibited.
Commissioner Guerrero added that because of that, there would be no enforcement.

Mr. Aknin it would be difficult to enforce at this point because of how widespread short term rentals are around the city. He stated that there is currently no revenue source for code enforcement.

Commissioner Guerrero asked about when they would require a business license.

Ms. O’Dell explained that right now that two or fewer units does not require a business license in the city. She stated they are not suggesting to change anything, they just want to defer to the municipal code.

Mr. Aknin stated that they may not have a business license requirement, however, there will be some sort of registration and fee involved. He explained a registration process used in Denver that ensures proper registration, taxation, and enforcement.

Commissioner Guerrero asked what the registration fee would go towards.

Mr. Aknin stated they would go towards the administration of the program itself and code enforcement of the program.

Commissioner Guerrero asked how much it costs for code enforcement.

Mr. Aknin explained that the estimated cost is quite low, given the lack of demand at the moment. He stated they would design their fee appropriately based on size and scope. He stated they don’t expect they would need a sole enforcement officer for the entire city.

Commissioner Guerrero asked if there is a way to limit the number of people staying in a single bedroom.

Mr. Aknin explained how general occupancy standards operate. He stated that you’re allowed to have two people per bedroom, plus one. He stated they cannot define what a family is, so this limits the control they have.

Commissioner Guerrero asked how corporate housing plays a role in these regulations.

Mr. Aknin stated that there is some corporate housing within the newer apartments and initially they were renting on a weekly basis. He stated that staff reached out to those large companies and they agreed to rent on a month by month basis. Most of these apartment buildings only do 10-15% of corporate housing.

Commissioner Guerrero stated that corporate housing is not included a short-term rental.
Mr. Aknin stated that it would if they were renting for 30 days or less, but they no longer are renting for those shorter periods of time.

Vice Chair Bondonno stated for clarification that they are protected in allowing regular month-to-month residency.

Ms. O'Dell stated that month-to-month leases would still be allowed.

Vice Chair Bondonno asked if Staff believes these regulations will sufficiently protect home-sharing programs like HIP Housing.

Ms. O'Dell stated these regulations would not affect home sharing programs like HIP Housing. She stated that home sharing is typically done with the primary resident there. She stated that home sharing is typically done for more than a month as well.

Vice Chair Bondonno stated that renting a room to a student would be protected by this regulation.

Ms. O'Dell stated that would be protected. If you do it for less than 30 days at a time, it will count as a short-term rental.

Vice Chair Bondonno asked if they received any feedback from the public about the length of the amnesty period.

Ms. O'Dell stated they haven’t received specific feedback or concern on the amnesty period. She stated she did talk to several property owners who were interested in purchasing property for the purpose of short-term rentals and they were interested in what they were hoping to enact.

Vice Chair Bondonno asked about the outreach that had been done on this issue.

Ms. O’Dell and Mr. Aknin explained the outreach they have done thus far.

PUBLIC HEARING

M/S (White/Safdari) to open the public hearing

David Grabel urged the Planning Commission to be as consistent as possible with the unincorporated San Mateo County regulations so as to have consistency and to avoid confusion. He stated this is a great opportunity to lead the way by being consistent as possible. He stated there are idiosyncrasies in the coastside that may be different than Redwood City. He stated that being as consistent as possible would be a good thing for the county.

Tania Sole, resident of Dock Town, stated they received emails explaining that the city does not know what they will do with the non-residential properties in Down Town, which means they could end up being used as short-term rentals. She stated that given that short term
rentals are somewhere between hotels and time shares, she encouraged the commission to amend the proposed language and allow year-round short-term rentals on non-primary residential units on the Redwood City public trust lands including areas such as the Dock Town marina.

John Stewart, former member of HRAC and current member of the AAC, stated he has been doing AirBNB for over a year. He stated that he has been paying several thousands of dollars in occupancy tax. He stated that he just learned that it is a prohibited use. He shared some of his experiences with short term rentals.

Christian Schmidt shared his experience with short-term rentals. She stated he isn’t sure how duplexes would be classified into this ordinance.

Lydia Green stated that AirBNB is an important source of income for her. She stated that she would like to be able to downsize, but those smaller places are far more expensive than seniors can afford on a fixed income. She stated the occupancy taxes are a huge amount of money, especially for seniors.

M/S (White/Guerrero) to close the public hearing

COMMISSIONER COMMENTS

Commissioner Schmidt thanked those that spoke during the public hearing. He shared thoughts on the role and impact of short-term rentals on Redwood City. He stated he is happy to see Redwood City be a leader on this issue. He stated he would like them to be as consistent as possible. He stated he would like them to look into how they would be able to collect tax off this issue. He expressed concern regarding whether or not the funds are available to successfully monitor the issue. He also brought up issues regarding safety and enforcement.

Mr. Akinin explained the process for how tax collection will operate. He stated this is would be all line item on the AirBNB bill and then AirBNB would send a check to the city once a day. He stated that in regard to enforcement, there would be software that could identify addresses listed on AirBNB and then they would check those against those homes registered.

Commissioner White stated for clarification that there is nothing in the ordinance that would prohibit a homeowner from having multiple listings for their home – for example, they could rent out multiple bedrooms. He asked if there was a structural way to limit how many people you could rent out to.

Assistant City Attorney Rasia stated that they would need to rely on the occupancy standards as a way of limiting how many rooms could be rented out.
Commissioner White asked if there are any regulations in the city that limit long-term rentals over 30 days.

Mr. Rasiah stated that this ordinance is aimed at rentals for less than 30 days.

Commissioner White asked whether there was anything that would prevent a homeowner from renting to 5 different people.

Ms. O’Dell provided some information about preexisting regulations regarding the intersection between boarding house regulations and the new proposed short-term rental ordinance.

Commissioner Schmidt asked where the transient occupancy tax goes.

Mr. Aknin stated it goes to the general fund.

Commissioner Guerrero asked if there are any penalties if they discovered they were no longer compliant. She asked if Redwood City is consistent with the 21 elements set forth by the county. She also asked if there is anything they can do for seniors.

Ms. O’Dell stated there will be no penalties and the amnesty period will be to ensure they can get everyone up to regulations. She stated that the situation explained by the speaker does sound permitted by the ordinance and there would be no problem continuing on as is. She explained that 21 Elements proposed a series of policy questions for each City to consider but is not proposing a one size fits all. She stated that where possible Redwood City, would like to be consistent.

Mr. Aknin stated they did not reinvent the wheel and their ordinance draws from other ordinances that have been adopted elsewhere. He stated that the policies adopted in coastal areas are distinctly different because of the market.

Ms. O’Dell stated that part of the motivation for the unlimited number of days for hosted rentals was intended to make it as easy as possible for seniors to stay in their home. She stated that is only addressing less than 30 days, there is nothing restricting month-to-month.

Mr. Aknin stated they had not discussed a tax break for any one group, but the taxes are passed on to the occupant, not to the renter. He stated he does not expect this will have a dramatic effect on the price point.

Commissioner Hale stated she would expect a new tax would raise the prices unilaterally. She asked if they had seen this yet.

Mr. Aknin explained what they would expect to see after applying new taxes.

Commissioner White stated that taxes on AirBNB are added as a line item, so it’s consistent.
Vice Chair Bondonno asked about the definitions of a host in Exhibit A of the resolution, Section B, Page 9, Item 2, in particular, the ability of a renter to offer their residence for a short-term rental. He asked what exact scenario you envision this actually being and how would this play out.

Mr. Aknin stated that first, the property owner could have a lease agreement that may prohibit short-term rentals by saying no sublets. He stated there may be circumstances where someone is a long time lease holder and they spend a few months a year away and want to sublet their unit to supplement their income – they want to make sure that is still allowed.

Vice Chair Bondonno stated for clarification that they could sublet it, but all the same conditions would apply.

Mr. Aknin stated that is correct.

Vice Chair Bondonno stated for clarification that they going to strike the requirement of a business license.

Ms. O’Dell stated that is correct. She stated there are two other places that make reference to a business license, which will be stricken. They will maintain the registration requirement.

Commissioner Safdari asked about Dock Town and how that was being considered.

Mr. Aknin stated they would not be applying the ordinance to Dock Town.

Commissioner Guerrero asked for clarification as to whether secondary residences or accessory dwelling units will be allowed for short-term rentals. She stated that secondary homes and vacation homes should not be included for this.

Commissioner Hale stated that she has concerns that this could have negative financial repercussions for the community. She thanked those that spoke on this issue for broadening the commission’s understanding for this issue. She stated she is focused on the unintended consequences of these regulations. She discussed some particular cases she is familiar with that might be impacted by this ordinance.

Commissioner Safdari outlined elements he likes about this. He likes to see Redwood City leading, however, this is a big issue to lead on with risks. He discussed how demand for housing plays a role in dealing with this issue. He stated he is in favor of letting other communities do this first so they can see any unintended consequences. He would like to see more study on the impact of taxes. He discussed considering the difference between those that live in Redwood City full time versus those that live in other areas or other states. He stated they need more data before they make a decision on this. He stated that they are not
dealing directly with the problem which is the housing shortage. He stated he isn’t sure that this is the best way to deal with this problem.

Mr. Aknin stated that there are a number of different ways for them to approach dealing with the housing issue, however, he reiterated that City Council gave them direction to address this issue right now.

Vice Chair Bondonno asked for clarification as to where they go from here. He stated he interprets the agenda as this commission could potentially make a recommendation to adopt the resolution, recommend changes to the proposal, or the commission could recommend not adopting the resolution. He stated this is not a situation where the commission will ask to see this issue return to them.

Mr. Aknin stated that is correct. He stated that if the Planning Commission is extremely uncomfortable with it, they do not have to move it forward. He did state that council wants to see this sooner rather than later. He stated that some of the points in the plan address some of the concerns expressed by Planning Commission. He stated they could recommend the 120 rule raise to 180 days, however, he recommended that they keep that number below half the year.

Commissioner White provided an overview of the priorities he sees based on the discussion so far. He stated that they should try to address the housing shortage in any possible way they can, no matter how small. He stated the fundamental question they are trying to answer is whether short-term rentals take away from the city’s housing stock. He stated that a number of people use these to supplement their rentals. He stated that they want to ensure they are properly taxing these properties. He stated he likes that there are no limits to those with a hosted stay, as long as they are registered, dealing with parking appropriately, and collecting the correct taxes. He stated that he thinks the 120-day rule may be too short and he doesn’t want to restrict owners. He stated he would prefer that a community resident take up empty spots in ADUs. He stated that the proposal addresses one of his biggest concerns which is fixed income, long-term resident that is willing to live in these homes.

Commissioner Hale asked if duplexes and/or side-by-side units would be considered a hosted rental.

Mr. Aknin stated that would not be qualified as a hosted rental since you are not the primary resident of that secondary unit. He stated that the way they report units is by kitchens. He stated that the secondary unit needs to have a primary resident in order to qualify as a hosted rental.

Commissioner Schmidt thanked the other commissioners for their comments. He asked that this conversation be brought to City Council.

Mr. Aknin stated that the notes from this conversation would be presented to City Council. He also stated that in a year they could report back on the implementation of the ordinance and take suggestions for how it should be revised.
Commissioner Schmidt stated he was going to suggest that because he would like to hear from the community after implementation about the unintended consequences of the ordinance.

Mr. Aknin stated they can always amend the ordinance as they see fit. He added that technically this use is prohibited, so the steps they are taking now are to ensure they have legitimate standards for enforcing these policies.

(2:00:40) Commissioner Schmidt asked Commissioner White if he believes the ordinance, as written, proposed unfairly restrictive limitations.

Commissioner White stated he was saying that for people that are going to be a host and live there, they are asking them to register and provide adequate parking does not seem too burdensome.

Commissioner Schmidt stated he agrees, however, he would like to ensure they have a chance to review the ordinance in a year or two to make sure. He stated he was curious to hear more about what Commissioner Guerrero said about investment properties.

Commissioner Guerrero stated that from her understanding someone might have a primary residence and a secondary residence, but if they were to begin renting out their secondary residence, it would become an investment property. She stated that was her point of view on secondary residences not being allowed for short-term rentals.

Commissioner Schmidt asked how they look at that in this scenario.

Mr. Aknin stated that right now that secondary home is looked at as housing stock and taking that off the market from someone who may need it is having one less available for long-term residents. This is why they want to have a primary residence requirement.

Commissioner Guerrero stated they are talking about two different things. She stated that the issue is between ADUs versus secondary units.

Mr. Rasiah provided the definition for primary residence as explained in the ordinance. He stated that someone only has one primary residence and the way that would get identified is through some sort of documentation. He stated the ordinance is aimed at allowing primary residences to be rented out, but not allowing second homes to be rented out for the reasons already discussed.

Mr. Aknin stated that there are 6 of these secondary homes in the area.

Commissioner Schmidt stated that he is not sure whether 120 or 150 days would be more appropriate because he isn’t sure how they even arrived at that number to begin with.
Mr. Aknin stated that no cities go over 180 because of the implications it could have on the overall housing stock. He stated that, on the low end, San Francisco is at 90 and considering dropping to 75. He stated they discussed with AirBNB and they are comfortable with the 120 rule.

Commissioner Safdari discussed how these new regulations may impact the ongoing housing crisis. He stated one of the reasons he is hesitant to approve this measure is that, while it may make sense today, it may not make sense five years from now. He stated that he would like to put it into place for a year and then return to it to see how it’s working. He stated that he does not feel strongly about the 120-day period, however, it does raise questions about enforcement issues. He stated he isn’t sure what the benefit is to going beneath 120 days. He stated that he is more comfortable with saying that accessory dwelling units should not be considered primary residences.

Commissioner Hale stated that she would like to see that applied towards duplexes or side by sides. She stated that these ADUs and duplexes are not a minus one in the housing stock because they are not going to rent it to long-term residents. She stated the tax is completely reasonable and the market will handle the demand appropriately. She stated that the supply and demand may change going forward and they need to ensure things are kept up to date.

Mr. Aknin stated that policies are absolutely subject to change and the role of Staff is to respond to those changes.

Commissioner Hale stated she is curious how much Staff resources this will take and how they will enforce it. She stated that if there is consensus around this, how they would adjust their recommendation.

Mr. Aknin stated they could recommend adopting the ordinance with specific policy direction as a part of the motion.

Vice Chair Bondonno discussed some language in the report that he thinks needs to be changed based on the lack of data. He stated he believes the ordinance should replace “can” with “may” due to the lack of data that they have collected on this issue. He stated he doesn’t want to create unfortunate unintended consequences, which is why he wants to be more flexible to all of the corner cases. He stated they do not have all the answers for how this ordinance will impact those corner cases. He stated they have to be prepared to make adjustments to the ordinance as they learn more about the impacts. He stated he is fine with prohibiting secondary residences. He discussed how he thinks differently about vacation homes, ADUs, and duplexes. He stated he does not know if the amnesty period is good or not. He stated that they need data so they can make a better decision.

Mr. Aknin stated that AirBNB does have data on this and if the proposed business model was going to negatively impact their business, they would be at the podium. He stated they have taken a stance in other cities. He stated that they are in favor of this plan.
Vice Chair Bondonno stated he would still like to see the numbers instead of basing their decision on AirBNB. He stated he feels comfortable moving forward with a recommendation to the city council. He asked the commission if they are ready to recommend changes to the proposed ordinance and allow it to move forward or if they are not comfortable making a recommendation.

Commissioner Schmidt asked if Vice Chair Bondonno is suggesting the commission proposed adopting the resolution with changes. He asked what the recommended changes are that he would like to include.

Vice Chair Bondonno stated that the Planning Commission should recommend changes to the proposed ordinance based on the discussion and feedback given, but still allow the process to move forward to the City Council.

Commissioner Schmidt stated he would like to hear some discussion on that because he knows their discussion will be presented to the council, so he does not see a problem adopting the ordinance as it is with their discussions noted and allowing the council to adjust accordingly.

Vice Chair Bondonno stated that is what he is saying.

Mr. Aknin summarized the discussion of the Planning Commission thus far. He stated that, based on the discussion, it appears they want to adopt the resolution forwarding this onto City Council, with more consideration on the number of days with 120 being the floor, allowing second homes to be rented out as short-term vacation rentals, and coming back to the Planning Commission and City Council after one year with additional evidence.

Commissioner Schmidt stated that a year was just a number they threw out so it could be two years.

Mr. Rasiah stated the issue of the business license also came up during the presentation and they decided to strike that from the ordinance.

Commissioner Safdari stated there was another question about whether the Accessory Dwelling Units should be included. He asked if they have the ability to amend the proposed ordinance.

Mr. Aknin stated that would be included in the report to City Council.

Commissioner Safdari asked if they have standing to amend the ordinance as written.

Mr. Rasiah stated that have different options. They could recommend adoption of the resolution and ask the council to take into consideration the points listed by Mr. Aknin. They could also make a recommendation to the council and adopt the proposed ordinance with specific changes.
Commissioner Safdari stated that he is not ready to move forward with it as written, but if they can make changes he would be in favor of moving forward.

Commissioner White stated he agrees with Commissioner Safdari. He stated there was a good discussion around the ADUs and he would be comfortable treating ADUs as another bedroom. He stated recommending that to the City Council. He stated he would support an annual report to review the data on the issue.

Commissioner Hale stated she does not believe the commission is setting policy. She stated one of their options is to recommend changes. She stated that, regarding the 120-day rule, they do not have the data to make that decision. If that goes to the council, they will potentially land in the same place. She stated she wants to ensure they codify their discussion on things they agree on to ensure that they adequately communicate their feelings to the City Council.

Commissioner Safdari recommended they make ADU’s not restricted.

There were no objections to this proposed change.

Commissioner Safdari proposed setting a year limit on these regulations and reviewing them with data at that time.

Mr. Rasiah provided some legal information regarding the implications of such a decision. He stated that ordinances and laws can have sunsetting provisions. He stated they would be creating permitted uses and then that permission would be going away. He stated that could get complicated to manage. He stated that reporting this would not need to be a part of the ordinance, it would just be an agreed upon process for Staff to follow.

Commissioner Hale stated it would call into question the validity of a law if they had it end after a year. She stated it is important that they review it after a year, so how would they go about ensuring it comes back for review.

Mr. Aknin stated that they have several different topics and issues they review annually, so it would be added to that calendar.

Commissioner Hale asked for more detail in the logistics of how topics come back for review.

Mr. Aknin explained how they would go about ensuring the topic come back for review.

Commissioner Hale proposed that the ordinance be put into effect without sunsetting and come back after a year for review.

Commissioner Safdari agreed with not sunsetting. He asked if there will be a discussion and vote after a year.
Mr. Aknin confirmed there would be.

Commissioner Hale stated they have confirmed the 120-day rule, ADUs, reporting back. She asked if there was anything else they needed to discuss.

Mr. Rasiah asked for clarification as to how the commission feels on the 120-day rule.

Commissioner Hale stated that they are neutral on it. She stated they do not have the data to make that decision either way. She asked that the data be delivered to City Council to make a final decision on that subject.

Mr. Aknin stated that they could get that information rather easily.

Commissioner Hale brought back up the issue of duplexes. She stated it is not as clean as ADUs. She stated that this may be an issue with a lot of gray area. She stated she would like duplexes to be covered by the ordinance and they can reconsider it after a year.

Commissioner White stated the policy currently does not restrict duplexes. He stated that his desire is to fill duplexes with long-term residents. He stated he isn’t sure what the economics are.

Commissioner Hale stated she agrees they could go either way. She stated that the number of cases is so small. She stated the question is the upside of a few units worth the negative financial impacts on the owner.

Commissioner Schmidt stated he wants to make sure the generality of what they are talking about is conveyed to the council to ensure they are able to make policy.

Mr. Aknin stated if they move forward and include the duplexes under the primary residency requirement. They will include the discussion and the various pros and cons that the commission discussed so that the City Council can have the same discussion.

Commissioner Guerrero stated that she wants to ensure this discussion is captured for the City Council. She asked how many duplexes they have in the city.

Mr. Aknin stated it is approximately 800 total units.

Vice Chair Bondonno provided a summary of the commission’s discussion. He stated that they heard some specific proposed changes and some general discussion that they want the City Council to hear. The very specific change he heard was that they would allow ADUs in this ordinance and striking any reference to the requirement of a business license. He stated he is looking for someone to make a motion.
Motion to approve the guidelines as presented by Staff with the recommendations that they remove the requirement of a business license, allow Accessory Dwelling Units for short-term rentals, and ensure Staff sufficiently communicate the remaining feedback and recommendations based on the Commission’s discussion to the City Council including the 120-day rule, the issue of duplexes, and reporting back to after a year.

M/S (Safdari/Hale) TO APPROVE
Motion Passed 6-0

Commissioner White stated it would be helpful to see if AirBNB can be a channel to reaching those people in Redwood City that use this service and communicate this policy change.

Commissioner Hale stated that they often ask developers to work with the community, so she does not see this as a burdensome request.

8. MATTERS OF COMMISSION INTEREST

Planning Manager Turner stated the last meeting of the year is scheduled for December 5. He reminded the commission of the date and time of the end of the year celebration.

Vice Chair Bondonno wished the public and his fellow commissioners a happy Thanksgiving.

8. MOTION TO ADJOURN
M/S (White/Hale) to adjourn the meeting of the Planning Commission
Motion Passed

The meeting adjourned at 9:55PM to reconvene at the next Planning Commission Meeting scheduled for December 5, 2017 at 7:00PM in the Redwood City, City Hall Council Chambers, 1017 Middlefield Road, Redwood City, California.