



## **REPORT TO CITY COUNCIL**

**To:** Honorable Mayor and Members of the City Council

**From:** Jason Simpson, City Manager

**Prepared by:** Richard J. MacHott, Planning Manager

**Date:** January 11, 2022

**Subject:** Lake Elsinore Municipal Code Amendments regarding Short-Term Rentals

### **Recommendation**

Introduce by title only and waive further reading of AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, AMENDING TITLE 5 AND TITLE 17 OF THE LAKE ELSINORE MUNICIPAL CODE RELATED TO SHORT-TERM RENTALS

### **Background**

Short-term residential rentals (commonly known by the brand names Airbnb, Vrbo, and HomeAway) are typically single-family homes, condominiums, or apartments where the owner offers overnight lodging for fewer than 30 days directly to the consumer through a third-party brokerage website. Rentals can vary from a single room in a unit occupied by the owner or a primary tenant, or the rental of a full unit or home occupied solely by the renters and their guests.

Currently, short-term rentals are not expressly permitted in the City of Lake Elsinore, however, they do exist and the City has been collecting transient occupancy tax voluntarily from some of them. The collection of transient occupancy taxes from all short-term rentals requires the adoption of amendments to the Lake Elsinore Municipal Code making payment mandatory.

Additionally, while the City welcomes visitors, valid concerns exist regarding the potential impacts of short-term rentals on the character of neighborhoods and the quality of life of nearby residents. These can include noise, parking not being contained on the rental property, responsible garbage collection/disposal, overcrowding of rentals, limited access (i.e., easements), and general lack of consideration to the neighboring residents by renters.

As requested by the City Council, proposed amendments to Title 5 (Business Taxes, Licenses, and Regulation) of the Lake Elsinore Municipal Code (LEMC) have been prepared to recognize and appropriately regulate the use of short-term rentals within the City. Additionally, there are related proposed amendments to Title 17 (Zoning).

On December 21, 2021, the Planning Commission took unanimous action to recommend approval of the proposed Municipal Code Amendments.

## **Discussion**

The proposed amendments of Title 5 and Title 17 would allow short-term rentals in all residential and mixed-use zones subject to specific regulatory requirements that operators must abide by to minimize potential impacts on the surrounding residents.

## **Summary of Draft Short-Term Rental Ordinance**

The proposed LEMC Chapter 5.86 regarding short-term rentals would allow both owner-occupied and non-owner-occupied short-term rentals. Below is an overview of each section of the draft ordinance.

1. **Purpose.** The purpose of proposed LEMC Chapter 5.86 is to establish regulations for the use of privately-owned residential dwellings as short-term rentals within the City of Lake Elsinore, to preserve the single-family character of neighborhoods, to prevent short-term rental activities from becoming a nuisance or a threat to public health, safety or welfare and to ensure the collection and payment of transient occupancy taxes.
2. **Definitions.** This section provides definitions for: “Authorized agent”, “Bedroom”, “City”, “Director”, “Good Neighbor Brochure”, “Guest”, “Local contact person”, “Occupancy”, “Owner”, “Short-term rental” and “Short-term rental unit” as those terms are used in the proposed ordinance.
3. **Short-term rental business license required.** Requires that the owner of any short-term rental obtain a business license from the City before renting or advertising the availability of a short-term rental unit.
4. **Short-term rentals permitted.** Allows short-term rentals in all residential units subject to the requirement subject to compliance with requirements to obtain and keep current a business license, comply with transient occupancy tax requirements, and obtain a Transient Occupancy Registration Certificate. Also prohibits the use of garages, tents, trailers, recreational vehicles, storage sheds or other exterior structures or spaces, and accessory dwelling units as short-term rentals.
5. **Authorized agent or representative.** Allows owner to authorize an agent or representative to act on their behalf with a notarized written document.
6. **Application for a short-term rental business license.** This section sets forth the minimum application requirements for a short-term business license.
7. **Permit approval and issuance.** This section establishes provisions related to the approval and issuance of short-term business licenses. It also states that the license is not transferable and requires new ownership of a short-term rental to obtain a new license.
8. **Permit term and renewal.** An approved short-term rental permit is valid until December 31 of the year it is issued, unless suspended or revoked by the Director. The permittee may renew the permit annually, by submitting a renewal application and fee before the expiration of the permit.

- 9. Short-term rental operational requirements.** Sets forth requirements about the operation of a license short-term rental including compliance with all fire, building and safety, health and safety, and other relevant laws and ordinances, and the requirement for a 24-hour emergency local contact person available to respond within 60 minutes to any issues at the rental. This section also reduces impacts to adjacent residences by establishing limits on occupancy, parking, trash and refuse, and noise. Requires the collection and transmittal of transient occupancy permits.
- 10. Advertising shall include permit number.** Requires all advertising to include City-issued permit number and the maximum allowed occupancy of the rental unit.
- 11. Records maintenance and production.** Requires the rental operator to preserve all records for three years and establishes the right of the City to inspect those records.
- 12. Inspections.** States that the city shall be permitted access to the subject premises, property, or dwelling to determine continued compliance with this chapter and/or any conditions of approvals outlined in the respective short-term rental business license.
- 13. Suspension and revocation.** Describes the City's ability to revoke or suspend a short-term rental business license and the procedures for doing so.
- 14. Violations/penalties.** Establishes the penalties for violations of the short-term rental ordinance.
- 15. Appeals.** Allows the appeal of any decision of the Director to suspend and/or revoke a short-term rental permit.
- 16. Service of notices.** Describes when notices according to the ordinance are deemed delivered.
- 17. Requirements are not exclusive.** States that compliance with all provisions of the Municipal Code is still required.
- 18. Amortization and amnesty period.** Requires owners of short-term rentals to apply for a short-term rental business license and to obtain a Transient Occupancy Registration Certificate within 60 days of the effective date of the ordinance.

Proposed Amendments to the Zoning Ordinance (LEMC Title 17)

The proposed amendments to the Zoning Ordinance will add a cross-reference to the Chapter 5.86 definition of "Short-term rental" to Section 17.08.190 of the LEMC (S definitions) and a cross-reference to the Chapter 5.86 parking requirements to Section 17.148.030 of the LEMC (Number of parking spaces required).

Additionally, Short-term rentals have been added as a permitted use in the Residential Mixed Use and Commercial Mixed Use zoning districts and the following language will be added to the list of accessory uses within each of the residential zoning districts:

Short-term rentals; subject to the completion and approval of an application for a short-term rental issued by the Director of Administrative Services or their designee and compliance with the provisions of Chapter 5.86 LEMC.

The amended zoning district sections are:

<b>LEMC Section</b>	<b>Zoning District</b>
Section 17.60.040	R-M-R (Rural Mountainous)
Section 17.64.040	R-R (Rural Residential)
Section 17.68.040	R-E (Estate Single-Family Residential)
Section 17.72.040	R-H (Hillside Single-Family Residential)
Section 17.76.040	R-1 (Single-Family Residential)
Section 17.80.040	R-2 (Medium Density Residential)
Section 17.84.040	R-3 (High Density Residential)
Section 17.86.020	RMU (Residential Mixed Use)
Section 17.134.020	CMU (Commercial Mixed Use)

#### Consistency with City's Vision Plan

The proposed LEMC amendments are consistent with the City of Lake Elsinore Dream Extreme 2040 Plan's Anchors and with Aspiration 1 ("Be the destination for the actions sports industry in Southern California") by broadening Lake Elsinore's appeal as a tourist destination (Strategy 1.B). They do so by supporting visitors through the expansion of hospitality services, which can be measured by tracking transient-occupancy tax revenue.

#### Environmental Determination

The proposed amendments to the Lake Elsinore Municipal Code are exempt from the California Environmental Quality Act (Cal. Publ. Res. Code §§21000 et seq. "CEQA") and the State CEQA Guidelines (14. Cal. Code Regs §§15000 et seq.), specifically according to Sections 15060(c)(2), 15060(c)(3), and 15061(b)(3) of the State CEQA Guidelines because it will not result in a direct or reasonably foreseeable indirect physical change in the environment, because there is no possibility that it may have a significant effect on the environment, and because it is not a "project" as that term is defined in Section 15378 of the State CEQA Guidelines.

#### Exhibits:

- A - Short-Term Rentals – Ordinance
- B - Ordinance Exhibit A – Short-term Rental Ordinance
- C - Ordinance Exhibit B – Zoning Code Amendments
- D - Draft Good Neighbor Brochure