

REPORT TO CITY COUNCIL

DATE: JANUARY 25, 2023

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

BY: DENICE THOMAS, AICP, COMMUNITY DEVELOPMENT DIRECTOR
ROBBY NESOVIC, SENIOR PLANNER

SUBJECT: CONDUCT A PUBLIC HEARING, WAIVE FULL READING AND INTRODUCE ORDINANCE NO 23-467 AMENDING ARTICLE VI (TAXES; LICENSES; BUSINESS REGULATIONS) OF THE AGOURA HILLS MUNICIPAL CODE TO ADD A NEW CHAPTER 10 REGARDING SHORT-TERM RENTAL REGULATIONS AND MAKING A DETERMINATION OF EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

The request before the City Council is to conduct a public hearing, waive full reading and introduce, Ordinance No. 23-467, approving a Short-Term Rental Ordinance that would enact legislation to regulate the short-term rental of residential property. The City is the applicant for this Municipal Code Amendment (Case No. MCA-2023-0002).

Approval of Ordinance No. 23-467 will establish a Short-Term Rental Program which will ensure consistent processing of short-term rental business license applications and the collection of transient occupancy tax from short-term rental business owners, and provide City staff with the necessary tools to enforce the provisions of the ordinance (further General Plan Policy LU-7.12, Safety and Code Enforcement). Ordinance No. 23-467 is attached as Exhibit A.

There are currently 47 short-term rental businesses advertised on internet platforms within the City of Agoura Hills with a median listing price of \$395 per night. The units being rented are almost entirely single-family homes dispersed throughout the City. Over the last several months, City staff received an increased number of nuisance-related complaints regarding a small handful of these short-term rental businesses. Since the City of Agoura Hills Municipal Code (AHMC) is silent on short-term rental of residential property, it has been difficult for staff to limit the impact of short-term rental businesses on the community, prompting the City to consider imposing regulations specific to short-term rentals. Well-regulated short-term rental businesses will support continued growth of the City's economic resources to provide a high level of public services for the City's residents, visitors, and employment base (General Plan Goal ED-2), while allowing these businesses to exist in harmony with surrounding residential uses.

A Land Use/Economic Development Subcommittee (Subcommittee) meeting was held on October 19, 2022, where staff presented research conducted on the baseline conditions within the City of Agoura Hills as they relate to short-term rentals, as well as regulations imposed by other jurisdictions within California. Staff also provided the Subcommittee with several sample regulations to consider and provide feedback on, and presented the public comments and suggestions received prior to the meeting. Additionally, project directives were established for the ordinance. The purpose of the Short-Term Rental Ordinance is to: (1) establish minimum operating requirements for short-term rental operators which will allow the businesses to function within residential neighborhoods without issues, (2) create enforcement and reporting mechanisms with deterrents to ensure ongoing compliance with the short-term rental operating requirements, and (3) create application procedures and operational requirements ensuring public health and safety is maintained.

Based on the information presented and the public comments received, the Subcommittee recommended several regulations which have been incorporated into the Ordinance, including; (1) a maximum occupancy of two people per bedroom plus two additional people, up to a maximum of 14 people, (2) a clause allowing a permit to be revoked following three consecutive violations within a 12-month period, (3) exponential penalties for violations, (4) a required number of parking spaces based on the number of bedrooms, (5) a quiet hours period between the hours of 10:00 p.m. to 10:00 a.m. where outdoor amplified noise is prohibited, (6) a minimum age requirement for renters, (7) a restriction on tents and recreational vehicles, (8) requirements for a local contact person who is responsible for responding to complaints, (9) minimum health and safety features, such as fire extinguishers, smoke detectors, and carbon monoxide detectors, (10) trash and recycling requirements, (11) prohibitions on special events, which are clearly defined within the ordinance, (12) a limit of one short-term rental business license per person, (13) requiring rental terms be longer than one night to further prevent “party houses” (the ordinance proposes a minimum two-night rental term, which is consistent with the proposed Los Angeles County Short-Term Rental Ordinance, as recommended by a member of the public at the Subcommittee meeting) and, (14) a requirement that the operator post a code of conduct for guests, as well as, an exterior notice with a telephone number for the 24/7 complaint hotline.

The Subcommittee also recommended staff investigate the possibility of imposing a cap on the number of days each short-term rental property could be rented each year to curtail potential nuisance impacts on residential neighborhoods. Staff carefully considered this recommendation and concluded that it would not be practical to enforce. According to a Granicus whitepaper (A Practical Guide to Effectively Regulating Short-Term Rentals on the Local Government Level), enforcing this provision would typically require a formal audit of each short-term rental property on a periodic basis, which may result in the need for additional staffing resources. Additionally, staff would not be able to determine which properties were in violation of this provision in real time, creating a situation where Code Enforcement staff would have to retroactively issue violations to permit holders at the end of each quarter, which may also result in the need for additional staffing resources. Finally, depending on market conditions, imposing a cap on the number of days a business may

operate per year may severely impact the economic viability of short-term rental businesses throughout the City. Staff looked at other ways to ensure a practical upper limit to how often properties are rented out each year, including requiring an owner to establish permanent residency on the property being rented (if an owner lives on a property, they would only be able to rent it while they are on vacation, or would be required to rent out individual rooms). This option, however, would likely have a drastic impact on the existing short-term rental businesses operating within the City. While this type of provision makes sense for a city whose existing housing stock could be depleted by short-term rental businesses, such as Palm Springs, it isn't necessary given current local conditions.

While the recommended provision was not incorporated into the Ordinance for the reasons described above, staff is confident that other regulations included in the ordinance, including occupancy limits, a minimum two-day rental term, noise limitations, posting requirements, property management requirements, and a 24/7 complaint hotline will effectively reduce potential nuisance impacts on the community while allowing existing short-term rental businesses to continue operating.

In addition to the restrictions mentioned above, staff incorporated a handful of other noteworthy regulations which further the goals of the Ordinance by establishing operating requirements that limit the possibility of nuisance-related activity, creating strict financial penalties particularly for repeat violators, and creating application procedures which ensure public health and safety are maintained. These regulations require the following:

1. An inspection report from a certified third party must be provided at least once every three years, at the cost of the owner, to ensure appropriate health and safety features are provided, including fire extinguishers, smoke detectors, and carbon monoxide detectors. The inspection report will also be required to detail any obvious material defects with the residential property that pose an unreasonable risk to people.
2. During the quiet hours period (10:00 p.m. to 10:00 a.m.), in addition to the prohibition on outdoor amplified noise, all outdoor noise shall meet the decibel limits specified in AHMC §9656.2.
3. The property address must clearly be visible from the street for emergency purposes.
4. Restrictions on the ability of an owner to evict an existing long-term tenant for the purpose of converting the dwelling unit into a short-term rental. This restriction serves the purpose of protecting the City's existing housing stock and furthers General Plan Policies LU-5.7 and LU-7.9 (Housing Maintenance).
5. A requirement that existing code enforcement violations be resolved prior to obtaining a short-term rental business license.
6. Following the denial or revocation of a business license, the owner will be prohibited from applying for a new license for a period of 12 months.
7. Short-term rental owners operating prior to the effective date of the Ordinance must obtain a business license within 90 calendar days of the effective date.

8. Violations of the Ordinance are punishable by a fine equal to twice the advertised short-term rental's daily rental rate per day in violation, and each subsequent violation within a 12-month period will double the previous fine amount.
9. Short-term rental business licenses must be renewed on an annual basis.

The Ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) because it imposes regulations that limit the environmental impacts of residential use of property compared to those currently in place. It is also exempt pursuant to Section 15301 (Existing Facilities) since it does not propose any provisions which would require an expansion of an existing or former use.

RECOMMENDATION

Staff respectfully recommends the City Council conduct a public hearing, waive full reading and introduce, Ordinance No. 23-467, amending Article VI (Taxes; Licenses; Business Regulations) of the Agoura Hills Municipal Code to add a new Chapter 10 regarding short-term rental regulations and making a finding of exemption under the California Environmental Quality Act.

Attachments:

- Exhibit A: Ordinance No. 23-467 (Short-Term Rental Ordinance)
- Exhibit B: Notice of Exemption