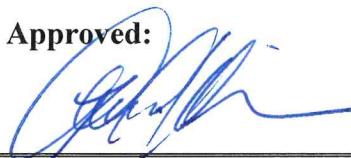


**CITY COUNCIL  
AGENDA REPORT**



**CITY OF MILLBRAE  
621 Magnolia Avenue  
Millbrae, CA 94030**

<b>SUBJECT:</b> Conduct a second reading to adopt an Ordinance Amending Chapters 3.30, 5.100, 10.05 of the Millbrae Municipal Code, and Add to Chapter 7.30 of the Millbrae Municipal Code to Allow and Provide for the Regulation of Short-Term Residential Rentals and Adopt a Resolution Establishing a Fee for a Short-Term Residential Rental Permit	<b>Report No.</b> 6147
<b>ATTACHMENTS:</b> 1. Draft Short-Term Residential Rental Ordinance (Clean Copy) 2. Short-Term Residential Rental Permit Application 3. Resolution Establishing a Fee for a Short-Term Residential Rental Permit	<b>For Agenda of:</b> July 30, 2018
	<b>Department:</b> Community Development
	<b>Originator:</b> Tom Madalena 
	<b>Approved:</b> 
Budget Action Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> X	Finance Review:

<b>REPORT TYPE:</b> ACTION <input checked="" type="checkbox"/> X INFORMATIONAL <input type="checkbox"/>
<b>ITEM TYPE:</b> CONSENT <input type="checkbox"/> PUBLIC HEARING <input checked="" type="checkbox"/> X EXISTING BUSINESS <input type="checkbox"/> NEW BUSINESS <input type="checkbox"/>

**RECOMMENDATION:**

Staff recommends that City Council, by motion, waive the second reading and adopt an ordinance amending Chapters 3.30, 5.100, 10.05 of the Millbrae Municipal Code, and adding Chapter 7.30 to the Millbrae Municipal Code to Allow and Provide for the Regulation of Short-Term Residential Rentals (STRRs). As part of the STRR Program the City Council must also adopt a resolution (Attachment 3) establishing a fee for a Short-Term Residential Rental Permit.

**BACKGROUND:**

The Ordinance to allow and provide for short-term residential rentals in the City of Millbrae was introduced for first reading on July 24, 2018 and adopted unanimously by the City Council. A second reading is required for final adoption. This ordinance will allow short-term residential rentals as an accessory use in certain residential structures in all R-1LL, R1, R-2, R-3, C, and Downtown Improvement Area districts subject to special regulations.

With the emergence and growing popularity of on-line home sharing platforms, the City of Millbrae has experienced an increase in residents renting both homes and rooms to renters for periods of less than thirty days. These STRRs present opportunities for the City and its residents, including the potential for

residents to increase their income and for visitors to become new customers for local businesses. However, STRRs also present challenges for the City, such as the potential for increased disturbances in residential neighborhoods, the reduction of housing stock for long term residential use, the diversion of transient occupancy tax (TOT) revenue from traditional hotels, and the effective collection of TOT in this new context. Like many municipalities across the United States, Millbrae's ordinances and land use regulations are not currently adequate to address the issues arising from the rapid expansion and use of STRRs.

Despite the fact that the Millbrae Municipal Code does not allow for the operation of STRRs, staff estimates that there are approximately 200 STRRs currently operating in Millbrae. Although the Millbrae Municipal Code allows for and currently regulates boardinghouses, bed and breakfasts, and commercial lodgings, these uses are distinct from STRRs, particularly because STRRs are often located in residential areas. STRRs also have more frequent turnover of guests and attract activities that are atypical for traditional residential zones.

The City Council directed the City Manager and staff to develop regulations for adoption and to take the necessary actions to implement a regulatory program for STRRs in Millbrae.

On May 8, 2018, the City Council heard public comment, received input from stakeholders, including Airbnb, residents who rent their properties as STRRs, residents living near STRRs, and law enforcement. The City Council provided policy direction to City staff to prepare necessary amendments to the Municipal Code to allow STRRs as a permitted use in the City, establish a permit process and operating rules for STRRs, implement mechanisms to improve collection of TOT from STRRs, and provide additional tools for law enforcement to respond to the issues that arise at STRRs.<sup>1</sup>

Staff provided a draft of a Short-Term Residential Rental Ordinance (STRR Ordinance) at the May 22, 2018 City Council meeting to allow for the public and City Council to have an opportunity to better understand the framework for the proposed regulatory program, and to receive preliminary feedback from the Council and the public. The STRR Ordinance proposed amendments to four chapters of the Municipal Code, including the Zoning Code.

Staff presented the draft STRR Ordinance on June 18, 2018 at the regularly scheduled Planning Commission meeting for consideration of the proposed amendments to the Zoning Code. The Planning Commission adopted a resolution of intention to amend the Zoning Code as proposed in the STRR Ordinance. At the July 24, 2018 City Council meeting the City Council waived the first reading of the ordinance and directed staff to add language to the ordinance as it relates to banning smoking within short-term residential rental units. Staff has made the appropriate revisions to the Ordinance to reflect the direction to ban smoking within a STRR.

## **ANALYSIS:**

Should adoption of the STRR Ordinance occur at the July 30, 2018 City Council meeting the STRR Ordinance would then become effective thirty days after adoption. In this case the Short-Term Residential Rental program could begin implementation on August 29, 2018. In preparation staff will work to get the word out within the community to establish awareness of the STRR Ordinance and

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<sup>1</sup> The City Council's May 8, 2018 discussion also included concerns about boardinghouses and related uses that are operating illegally and causing nuisances. The proposed ordinance does not address these issues, which are already regulated under the Municipal Code. As these uses are already regulated, staff will continue to work with code enforcement to enforce the City's existing nuisance and zoning ordinances to address this issue.

program. Staff will prepare and distribute a Frequently Asked Questions (FAQ) sheet to help residents understand how to comply with the program and avoid the possibility of code enforcement action and fines. Fines up to \$1,000/day may be imposed for those operating illegally once the STRR Ordinance becomes effective.

The City website will contain details about the program and will provide the public with the information necessary to understand the process of establishing a STRR in Millbrae. Information on how to establish the use including completing the business license, permit application and transient occupancy tax certification form along with phone numbers for Code Enforcement and the Millbrae Sheriff.

Staff is now presenting the complete STRR Ordinance to the City Council for final adoption.

### **Application Process**

Once adopted, the proposed Short-Term Residential Rental program would require that residents interested in operating a short-term residential rental at their residence apply to the Community Development Department for a STRR permit. As designed this program will require a business license, STRR permit, completion of a transient occupancy tax certification form along with health and safety inspections to ensure compliance with applicable codes.

### **FISCAL IMPACT:**

As the program is implemented staff will evaluate revenue and expenditures to evaluate full cost recovery. Staff will return to City Council at the mid-year budget report with an update.

### **CITY COUNCIL ACTION:**

By motion, conduct a second reading and adopt an ordinance amending Chapters 3.30, 5.100, 10.05 of the Millbrae Municipal Code, and adding Chapter 7.30 to the Millbrae Municipal Code to allow and provide for the regulation of STRRs as an accessory use in certain residential structures in all R-1LL, R1, R-2, R-3, C, and Downtown Improvement Area districts subject to certain regulations and adopt a resolution establishing a fee for a Short-Term Residential Rental Permit.