



Date: August 8, 2023

Honorable Mayor and Council Members:

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Title: **Short-Term Rental Ordinance Year One Performance Review and Council Direction on Potential Policy Revision Topics**

Jen Callaway, Town Manager

Recommended Action:

1. Accept report on STR data from year one of implementing the revised STR Ordinance.
2. Provide direction to staff on any future policy revisions Council would like to consider within Chapter 5.02 of the Municipal Code, which would be brought back to Town Council for consideration at a future date.

Discussion:

Background: On April 12, 2022, following significant community and stakeholder engagement, Town Council adopted Ordinance 2022-02, amending the Town's short-term rental (STR) ordinance (see Attachment 1). The goals of the updated STR regulation updates were:

- To proactively manage the short-term rental registration program as a tool to help maintain the supply of housing that is affordable to the regional workforce.
- Maintain neighborhood and community character.
- Address nuisance issues associated with STR's within neighborhoods.
- Maintain a healthy economy, including visitation-related sectors.

Pursuant to Ordinance 2022-02, the following STR program modifications took effect on May 12, 2022:

- Registration Certificate Cap of 1,255.
- Phase out STR's in Accessory Dwelling Units (ADUs) and Multi-Family Dwelling Units: Units with an existing registration certificate will be permitted to renew their registration certificates, if not renewed then the homeowner will be unable to reapply. No new registration certificates will be issued for these property types.
- 365-Day Waiting Period after a home sale before the new owner may register as an STR.
- Increase Penalties for Violation of the ordinance up to:
 - \$1,500 per day for the first violation
 - \$3,000 per day for the second violation
 - \$5,000 per day for each additional violation
- Inspections Fees may be charged for an STR.
- December 31st Deadline for Registration Renewal
- Waitlist Application Process
- Create an STR Registration Certificate-based Workforce Housing Advancement Program (now called the Short-term rental workforce housing token program).

Council directed staff to monitor the impact of the new regulations and to provide a report to Town Council after the first year and a bi-annual review thereafter. A comparison of STR data from year-end 2021 and 2022, and 2023 year to date is provided as Attachment 2 to this report and key takeaways are highlighted below in Section I of this staff report. Section II of this staff report highlights a few policy areas where Council may wish to consider additional updates to the STR ordinance in the future.

I. Short-Term Rental Performance Review & Data Analysis: Staff have compiled a data report comparing the makeup and use of Truckee's current STR inventory from 2021 to present. This information includes STR's as a percentage of Truckee's housing stock, registered STR count, property type (i.e., single-family, multi-family or accessory dwelling unit), number of bedrooms, primary versus secondary residences, by neighborhood, multi-family residence specific data, waitlist application inventory, STR annual nights rented, taxable receipts, and information on STR complaints received and enforcement efforts. The complete data set is provided as Attachment 2 and key takeaways are provided below.

- **Registered Short-Term Rentals to Long-Term:** While it is difficult to quantify the impact the regulations have had on availability of workforce housing; we have been able to confirm a total of 31 properties that were at some point a registered STR and at a different time have participated in the Lease to Locals Program. Of the 31, there were a total of 20 properties that were registered as an STR prior to the STR Ordinance going into effect and then, under the same property owner, participated in Lease to Locals after ordinance adoption, showing movement from short-term to long-term renting. Anecdotally, Placemate has heard from a number of property owners that they are considering long-term renting since they are unable to short-term rent, or that they are interested in long-term renting while they are on the waitlist to receive a short-term rental registration certificate.
- **Multi-Family & ADU Phaseout:** From 2021 to 2023 we have seen a reduction of 34 multi-family units and 1 ADU that were previously registered as STR's and have dropped from the program. This has yielded an increase of 0.3% of the single-family housing stock that is registered as an STR, and a 2.9% decrease in the percent of multi-family housing stock that is registered as an STR. Anecdotally, STR Division Staff have been relayed various reasons as to why multi-family units have discontinued participation with the program. Some of these reasons include the sale of a property, the choice to no longer STR, and failure to renew their registration prior to the deadline.
- **Waitlist Application Process:** There is continued strong interest in joining the waitlist and a total of 530 applications have been received since go-live of the waitlist application process. A total of 216 registrations have been issued to waitlist applicants since go-live. We are seeing turnover in registrations, there is continued movement, and currently we are trending at a rough estimated wait time on the waitlist of about 9 months to a year.
- **Transient Occupancy Tax (TOT):** In both 2021 and 2022, there was a decrease in the number of STR's that remitted TOT, however TOT revenue continued to increase. This trend indicates that while there were fewer STR properties for visitors to access, the active properties either had more rentals or increased their rental rates.
- **STR Compliance:** From 2021 to 2023 the Town has seen a steady decrease in complaints received over time due in part to enforcement efforts. STR Division staff have achieved this through education/outreach to STR operators and the community at large, as well as through proactive auditing efforts.

II. Council Direction on Potential Policy Revision Topics:

The following policy topics have been suggested by Council, staff, or community members as specific areas of the STR program that Council may wish to review and consider whether future amendments should be explored. Staff are not recommending any changes at this time.

- **Multi-Family Residences:** The phasing out of multi-family dwelling units was intended as a tool to help preserve the availability of these units as accessible housing for full-time residents, since they tend to be the most affordable. Preventing the ability of new buyers to short-term rent multi-family dwelling units cools the competition among buyers intending to use the units as a vacation home, making it more feasible for full-time resident buyers to compete for these units. At the time the Town Council adopted Ordinance 2022-02 there were concerns raised by some Council members around

equity and whether owners of multi-family units should be provided an equal opportunity to STR to offset the cost of homeownership. At the time of adoption, Council members indicated an interest in re-considering this issue at a later date.

- **Bed & Breakfast Policy:** “Bed & Breakfast Inns” or “Hosted Rentals” are defined as the short-term renting of one permitted bedroom within a home with one family in permanent residence, with a maximum of one short-term rented bedroom per parcel. Currently there are 26 registration certificates for Bed & Breakfast’s (B&B’s). These types of rentals are exempt from the short-term rental ordinance regulations, but they must obtain a transient occupancy tax registration certificate and remit quarterly transient occupancy tax.

While nuisance issues are largely mitigated in hosted rentals due to permanent residents being present when the bedroom is being rented, code enforcement has occasionally encountered challenges when such rentals are out of compliance, because of the Town’s limited enforcement ability over the rental types. For example, a rental listing may allow more occupants than would be allowed under the STR ordinance, a property may advertise more than one bedroom when only one bedroom is allowed for B&Bs, or the property may have a life-safety code violation. Currently, Community Development Department staff can enforce such violations through normal code enforcement procedures, however the STR division does not have clear authority to suspend or revoke a B&B Transient Occupancy Registration Certificate to bolster code compliance efforts. To address this, Town Council may wish to consider future cleanup amendments to enhance enforcement of B&Bs. This policy update topic is already listed in the 2023-2025 Council Priorities Workplan “Bike Rack” for future consideration.

- **Year Waiting Period for units originally approved as “lodging units”:** The STR ordinance requires a year waiting period after the sale of a property before the property owner can apply to the STR waitlist. Additionally, the ordinance provides an exemption for units within developments that were originally approved as “lodging units” rather than dwelling units, whereby these units are not subject to the multi-family dwelling unit prohibition but are subject to all other requirements of the STR ordinance. The Tahoe Donner Lodge Condos (11591, 11589, 11584 Snowpeak Way) fall into this exemption, therefore after a condo sells, the new owner is able to proceed with the waitlist application process after a year of ownership. However, there are limitations on the duration of stay in the CC&R’s (Declaration of Covenants, Conditions and Restrictions) for the Homeowner’s Association that prohibit these units from being occupied as a permanent residence. Since adoption of the Ordinance, the Town has received a few comments questioning why the year waiting period is required for these units, since the waiting period is intended to influence the housing market and these units are not a viable option for long-term housing.

As addressed above, staff are not recommending changes to the above policy areas at this time and. staff effort to work on any of the above topics in not included in the approved FY2023-2025 work plan. Alternately, Council could consider adding STR policy updates to the workplan which would require removing one or more items from the approved workplan. It is anticipated that researching, and considering any of the above updates would require moderate to very significant amounts of staff time (depending on the topic to be addressed), as well as stakeholder engagement and council effort. Alternately, Council could identify one or more of the above topics for addition to the workplan “bike rack,” meaning that it would not be included in the workplan but would be flagged for future Council consideration as a workplan addition.

Priority:

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| <input checked="" type="checkbox"/> Enhanced Communication | <input type="checkbox"/> Climate and Greenhouse Gas Reduction | <input checked="" type="checkbox"/> Housing |
| <input type="checkbox"/> Infrastructure Investment | <input type="checkbox"/> Emergency and Wildfire Preparedness | <input checked="" type="checkbox"/> Core Service |

Fiscal Impact: There are no fiscal impacts associated with the short-term rental performance review. If Town Council directs staff to return to Council at a later date to consider additional policy changes, this additional work will require moderate to very significant staff time, depending on the topic to be considered.

Public Communication: Agenda posting.

Attachments:

1. April 12, 2022, staff report available at: <https://portal.laserfiche.com/Portal/DocView.aspx?id=59572515&repo=r-6a91ddbc>
2. Short-Term Rental Division Data Report