



Date: November 12, 2024

Honorable Mayor and Council Members:

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Title: Hosted Rental Ordinance and Transient Occupancy Tax and Short-Term Rental Ordinance
Clean-up Amendments

Jen Callaway, Town Manager

Recommended Action:

- (1) Introduce Ordinance 2024-08 amending Chapters, 3.24 (Transient Occupancy Tax), and 5.02 (Transient Rentals of Residential Units) of the Truckee Municipal Code.
- (2) Find the adoption of the ordinance exempt from CEQA pursuant to CEQA Guidelines sections 15060(c)(2-3), 15061(b)(3), 15301, and 15378.
- (3) Conduct a public hearing and adopt Resolution 2024-67 approving additions to the Town-Wide Fee Schedule for a hosted rental application fee and hosted rental administrative fines as associated with the short-term rental program as adopted in Chapter 5.02 of the Truckee Municipal Code.

Discussion:

Introduction

Since incorporation, the Town of Truckee has required that all short-term lodging stays of not more than thirty consecutive days, including hotels and vacation homes, are subject to the remittance of transient occupancy tax pursuant to Chapter 3.24 of Truckee Municipal Code. On October 13, 2020, Town Council adopted resolution 2020-07 establishing Chapter 5.02 of Truckee Development Code, which provides an annual registration process and operating requirements for short-term rentals (STRs) (see **Attachment 1**). These regulations, which have been subsequently amended, apply to the rental of a dwelling unit for not more than thirty consecutive days. Since adoption of Chapter 5.02, "hosted rentals," meaning the rental of a single bedroom within a dwelling unit where the homeowner occupies the home as their primary place of residence and is living onsite during the rental, have been exempt from this Chapter. However, hosted rentals have been required to receive a one-time registration certificate with the Town for the purposes of transient occupancy tax remittance and hosted rentals (previously referred to as "bed and breakfast inns") are subject to certain requirements within Truckee Development Code. At the time that Chapter 5.02 was adopted, Town Council's intent was to provide a more flexible opportunity for full-time residents to supplement their housing costs through hosted renting.

On October 8, 2024, Staff brought to Town Council a policy discussion surrounding hosted rentals and recommended that Town Council consider require a limited-term registration certificate process and operational standards for hosted rentals (see **Attachment 2**). As a result of this discussion, Town Council directed staff to amend Chapter 5.02 to incorporate an updated registration process and operating standards for such rentals into this Chapter. Additionally, from time to time in the administration of the Short-term rental program staff identify opportunities to update and clean-up short-term rental regulations (TMC Chapter 5.02) and transient occupancy tax regulations (TMC Chapter 3.24) to address challenges,

areas needing further clarification, and consistency with local or state regulations. The purposes of this staff report are to:

- (1) Introduce Ordinance 2024-08 to incorporate hosted rental regulations into Chapter 5.02 pursuant to Town Council direction and recommend a suite of additional clean-up amendments to Chapters 5.02 and 3.24; and
- (2) Hold a public hearing and adopt Resolution 2024-67 to add a hosted rental registration fee and hosted rental fines for violations of Chapter 5.02 to the Town-wide fee schedule.

Hosted Rental Regulations

Pursuant to Council discussion and direction on October 8, 2024, the intent of the hosted rental regulation recommended in Ordinance 2024-08 is to address several challenges that have arisen in the administration of the hosted rental program while continuing to provide lower fees and more flexibility for hosted rentals than for short-term rentals. Following is a summary of the key topics that are addressed within the draft hosted rental amendments in Ordinance 2024-08 (see Attachment 3).

- *Registration process.* Currently, hosted rentals require a one-time registration with the Town of Truckee; there is no periodic renewal required to confirm continued compliance with regulations such as full-time occupancy. Town Council provided direction to implement a new registration process and associated registration fee, including requiring that the registration certificate shall be renewed every three-to-five years (staff have recommended every three years). Additionally, the application to register will require documentation designating the hosted rental bedroom, proof of primary residency, providing the number of available off-street parking spaces, acknowledgement of operational requirements, a deadline to register, registration renewal process and registration expiration. These requirements are provided in TMC § 5.02.030 A, E, and H, provided in Attachment 3, Exhibit B.
- *Designated Bedroom Review:* In the hosted rental definition, a maximum of one designated bedroom is allowed. However, the designation of the bedroom is currently at the discretion of the owner, and we do not have a formal process for approval of a bedroom for a hosted rental. Town Council provided direction to include designation and documentation of the designated bedroom within the hosted rental registration process. This requirement is provided in § 5.02.030 E.4.
- *Maximum Occupancy:* Truckee Municipal Code does not currently include an occupancy limit for hosted rentals. Town Council provided direction to include a maximum occupancy of two people excluding children under thirteen. This requirement is provided in § 5.02.030 E.6.
- *Prohibition of kitchens, cooking facilities, wet bars or sinks within a hosted rental bedroom:* An amendment to Development Code effective May 24, 2022, prohibits the registration of hosted rentals that contain a kitchen, cooking facility, wet bar, or sink within the designated bedroom. There are approximately 5 hosted rentals that were registered with the Town prior to this amendment that have a wet bar or sink in the designated bedroom. Town Council provided direction to staff to continue to prohibit kitchens, cooking facilities, wet bars or sinks, except that such existing facilities in hosted rentals that were permitted prior to the development code amendment will be allowed. This requirement is provided in § 5.02.030 F.1.
- *Advertisements:* There are currently no parameters or guidelines for advertisement enforcement for hosted rentals other than including the Transient Occupancy Tax Registration Certificate number within the advertisement. Additionally, there are no fines for non-compliant advertisements. Town Council provided direction to include advertising requirements including maximum occupancy, number of parking spaces available, and statement that the host will be on-site during the stay. These requirements are provided in § 5.02.040 B.8.

- *Hosted Rental Operational Standards:* Town Council provided direction to include the following additional operational standards:
 - *Hosted Rental Contact Person:* A hosted rental contact person has been defined as the individual owner for a hosted rental who will reside on-site in the primary dwelling for the duration of the renter's stay, will have access and authority to assume management of the hosted rental, and will be available via telephone on a 24-hour basis and will respond within 30 minutes of contact of the Town of Truckee. Upon receiving a complaint for the hosted rental, the hosted rental contact person shall take steps to investigate, cause discontinuance of any potential violation and will submit a verbal or written explanation to the Town of Truckee describing steps taken to mitigate the complaint/violation. These requirements are provided in § 5.02.020 and 5.02.040.B.2.
 - *Parking Requirements:* On-site parking shall be provided for each hosted rental. These requirements are provided in § 5.02.040.B.4.
 - *Fire Safety Standards:* Hosted rental applicants will sign a fire safety self-certification form and acknowledgements stating that they are adhering to pertinent fire safety standards in place of a fire safety inspection. Fire safety operational standards will be consistent with the standards set forth for short-term rentals. These requirements are provided in § 5.02.040.B.5, B.6, and B.7.
- *Penalties and Fines:* Currently, any hosted rental violations are subject to CDD Code Compliance fines, which are significantly lower than short-term rental fines. Previous Town Council direction regarding STR fines was to implement a fine structure that would effectively serve as a deterrent. Town Council provided direction to include the following penalties for hosted rentals, which are lower than STR penalties but more significant than the current CDD Code Compliance fines: A fine not to exceed five hundred dollars (\$500) for the violation or violations contained in a first administrative citation, a fine not to exceed one thousand dollars (\$1,000) for each violation contained in a second administrative citation within one year, and a fine not to exceed one thousand five hundred dollars (\$1,500) for each additional violation within one year of the first violation. This requirement is provided in § 5.02.060 A.2.
- *Parameters for Certificate Denial, Suspension and Revocation:* Currently, if a hosted rental TOT certificate is revoked or suspended due to a violation, the operator may immediately resume operating the hosted rental once the violation is remedied. This has resulted in a few properties in which repeat violations have occurred; the consequences of doing so are minimal. Council provided direction that the holder of a suspended hosted rental transient occupancy registration certificate shall not be permitted to renew the registration certificate if the suspension has not been cured, remedied, or brought into compliance. Additionally, if the certificate is revoked the operator cannot reapply for one year. This requirement is provided in § 5.02.060 B
- *Hosted Rental Prohibitions:* Town Council provided direction to prohibit the advertisement, operation or use as a hosted rental in an accessory dwelling unit or junior accessory dwelling unit, detached living area, or mobile home, manufactured home, recreational vehicle or tiny home that is not fixed to a permanent foundation but rather is attached to a chassis and/or is located in a mobile home park/recreational vehicle park/special occupancy park as defined in California Health & Safety Code. These requirements are provided in § 5.02.050.A. While hosted rentals are currently prohibited within multifamily residential units within Truckee Development code, Town Council provided direction to allow hosted rentals in such units moving forward.

Hosted Rental Fee Schedule Update

As a complement to the municipal code changes described above, the following additions to the Town-Wide Fee Schedule are recommended:

- Hosted Rental Registration: \$100
- Hosted Rental Administrative Citation- First Violation: not to exceed \$500

- Hosted Rental Administrative Citation- Second Violation: not to exceed \$1,000
- Hosted Rental Administrative Citation- Subsequent Violations: not to exceed \$1,500

Staff recommend that Town Council conduct a public hearing and adopt Resolution 2024-67 approving the above additions to the Town-Wide Fee Schedule (see **Attachment 4**). The Resolution provides that the implementation of these fees will be contingent upon adoption of Ordinance 2024-08 and these fees will go into effect on February 1, 2025, concurrently with the recommended start of the transient occupancy registration certificate application period for Hosted Rentals.

Hosted Rentals- Next Steps and Implementation

Staff will present a second reading of the draft ordinance to Town Council on December 10, 2024. If adopted by Town Council, the ordinance will be effective thirty days after adoption.

Staff anticipate the following next steps:

- January 2025: Direct communication to all hosted rental operators regarding the ordinance and changes in registration process
- January 9, 2025: Ordinance 2024-08 takes effect
- February 1, 2025: Application period opens for new 3-year hosted rental transient occupancy registration certificates; Hosted rental fees take effect.
- March 31, 2025: Expiration of existing registration certificates for hosted rentals
- April 1, 2025: New 3-year hosted rental registration certificate required for any advertisement or operation of a hosted rental
- TBD: At a future date clean-up amendments will be proposed within Truckee Development Code for consistency with new hosted rental requirements within TMC 5.02.

Short-Term Rental Ordinance Clean-up Amendments

In the course of implementing the short-term rental and transient occupancy tax program staff occasionally become aware of areas where clarification or minor clean-up amendments would be beneficial to clarify the intent and processes of implementing these chapters. The amendments recommended below are intended to address several of these topics.

Summary of recommended changes:

TMC Chapter 3.24: Transient Occupancy Tax

3.24.060 Registration.

Recommended change: remove language referring to a thirty-day grace period before enforcement of the registration requirement. This language was held over from a previous version of the ordinance that allowed a property to advertise for up to thirty days before a registration certificate was required.

3.24.080 Penalties and Interest. Operationally, since around 2015 when the Town began a formal program to enforce STR transient occupancy tax remittance, the Town has offered a process for a payor to request and the tax administrator to consider and approve waivers of late fees and interest for good cause. However, the procedure and explanation of good cause has not been clearly specified in this chapter.

Recommended change: Language added to specify the procedure for requesting a waiver of late fees or interest, specifying that the tax administrator shall have the authority to grant such waivers for good cause, and providing examples of good cause.

3.24.090 Failure to Collect and Report. Currently, staff communicate regularly with registered operators through electronic mail, however the chapter does not list electronic mail as a means of notifying such operators.

Recommended change: Language added to state that notices for failure to pay transient occupancy tax may be submitted by electronic mail to operators who are registered with the Town.

TMC Chapter 5.02: Transient Rentals of Residential Units

5.02.020 Definitions

5.02.030: Registration Certificate Requirements

5.02.040 Operational Standards

Recommended change: The above-referenced sections were modified slightly to specify definitions, requirements and standards that apply only short-term rentals as a result of the addition of hosted rental requirements to this chapter. Additionally, exemptions to chapter 5.02 for “bed and breakfast inns” (which refers to hosted rentals), were removed.

5.02.040.B: Local Contact Person. Under current regulations, the STR’s designated contact person is required to respond by telephone within a specified timeframe following receipt of a complaint, and for one year following a citation, the contact person is required to respond *in person* to any subsequent complaints. While the overall number of complaints received through the STR helpline is low, there are a small number of properties at which multiple complaints have been received regarding the same topic, sometimes with multiple identical complaints submitted on the same day.

Recommended change: Modify the current requirement so that the contact person’s required in-person response would be limited to one time per twenty-four hour period.

5.02.040.E. Trash Collection. Currently, the ordinance requires that each STR provide a minimum of two-can trash service and that each property provide a bear-resistant trash can enclosure large enough to hold two trash cans. It has come to staff’s attention that certain multi-family units share a trash enclosure between two or more units (i.e. containing one trash can for each housing unit), and that some multi-family owners do not have HOA approval and/or do not control the area that would be needed for the installation of a separate or larger trash enclosure, making compliance with this requirement infeasible.

Recommended change: Allow that a multi-family unit that shares a bear-resistant trash can enclosure with one or more neighboring units will be permitted to operate with one can within the shared trash enclosure and a second can within a secure garage or indoor area.

F.02.040.I and J. Fire and Life Safety requirements.

Recommended changes: Minor changes are proposed to align with fire code changes, as requested by Truckee Fire Protection District.

5.02.060.C. Appeals. Currently, the appeal process does not require that the appellant provide a basis for the appeal and does not require that evidence to be presented is provided to the hearing office or staff in advance of the appeal hearing.

Recommended changes: Clarify the process for requesting an appeal, including requiring that the appellant submit the pertinent facts of the case and the basis for the appeal; Change the term “Tax

Administrator” to “Hearing Officer” for clarity; specify the deadline by which the appeal deposit must be submitted.

Environmental Clearance

The adoption of this ordinance does not qualify as a “project” subject to the California Environmental Quality Act (“CEQA”) because the ordinance will not result in a direct or reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines, § 15060(c)(2)-(3), 15378.) Notably, the ordinance serves to establish a cap on the number of transient occupancy registration certificates issued for short-term rental properties, allows for some transient occupancy registration certificates to be provided to developers of workforce housing, and harmonizes provisions of the Municipal Code relating to transient occupancy registration certificates. The ordinance will not result in any construction or any other physical change to the environment. Moreover, the ordinance does not change the land use designation or zoning for any site within the Town’s boundaries. Thus, the ordinance will not result in direct or reasonably foreseeable indirect physical changes in the environment and is not a “project” within the meaning of CEQA.

In the alternative, if the ordinance is a project subject to CEQA, the ordinance is exempt from environmental review for at least two reasons. First, and for the same reasons the ordinance does not qualify as a “project,” the ordinance falls within the “common sense” exemption because “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.” (State CEQA Guidelines, § 15061(b)(3).) Specifically, and as noted above, the ordinance will not result in any construction or any other physical change to the environment, and it will not change any land use designation or zoning for any site within the Town’s boundaries. There is thus no possibility that the ordinance would have a significant effect on the environment.

Second, the ordinance falls within the Class 1 categorical exemption, which applies to the operation, permitting, and licensing of existing structures where the activity in question results in negligible or no expansion of use. (State CEQA Guidelines, § 15301.) Here, the ordinance relates to transient occupancy registration certificates issued for short-term rental properties for units that have already been constructed in the Town; accordingly, the ordinance relates to the operation, permitting, and licensing of existing structures as short-term rental properties, and the ordinance does not expand the existing use of these properties. The ordinance does not authorize the construction of new uses and does not result in land use or zoning changes, which could alter the density of development on sites where short-term rental uses could occur. In fact, the ordinance seeks to limit the number of transient occupancy registration certificates that the Town issues going forward. To the extent that the ordinance incentivizes construction of workforce housing in other areas of the Town by making available transient occupancy registration certificates to those projects, the incentive would not intensify residential development in the Town. Any new housing projects will be fully evaluated for CEQA compliance and any future transient occupancy registration certificates that are issued would have to comply with the Town’s existing regulations for short-term rental uses. The ordinance is thus categorically exempt from CEQA.

With regard to the Class 1 categorical exemption, none of the exceptions to the Class 1 exemption apply as the ordinance will not result in any physical change to the environment and will not result in any potentially significant impact. (State CEQA Guidelines, § 15300.2.)

Each of the foregoing justifications fully and independently exempts the whole of the action from environmental review under CEQA.

Summary: Staff recommend that Town Council introduce Ordinance 2024-08 to amend Truckee Municipal Code chapters 3/24 and 5.02; find the ordinance exempt from CEQA; and conduct a public hearing and adopt Resolution 2024-67 approving additions to the Town-Wide Fee Schedule for a hosted rental application fee and hosted rental administrative fines.

Priority:

<input 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: *Hosted Rental registration fee:* The collection of the recommended hosted rental registration fee (\$100) will offset the additional costs associated with administering Chapter 5.02 of the Municipal Code.

Hosted rental penalties: The recommended fee schedule amendments would impose administrative fines of up to \$500 for the first violation, up to \$1,000 for a second violation within one year, and up to \$1,500 for subsequent violations within one year.

Public Communication:

Ordinance 2024-08: Notification was published as part of the regular Town Council agenda packet.
Resolution 2024-67: Notification was published as part of the regular Town Council agenda packet and notice of public hearing was published in the Sierra Sun on November 1, 2024, and November 8, 2024. Email notifications were sent to registered hosted rental owners, registered short-term rental operators, applicants on the STR waitlist, and Visit Truckee Tahoe (VTT) and a summary of Council's recommended changes was discussed at the October VTT board meeting.

Attachments:

1. October 13, 2020 – [Second Reading of Short-Term Rental and Noise Ordinance \(2020-07\)](#)
2. October 8, 2024 – [Bed & Breakfast \(Hosted Rental\) Policy Discussion Staff Report](#)
3. Ordinance 2024-08
4. Resolution 2024-67 and Amended Fee Schedule
5. Municipal Code Chapter 3.24 – Track changes from current ordinance
6. Municipal Code Chapter 5.02 – Track changes from current STR ordinance