

BACKGROUND:

On September 15, 2015, the City Council adopted an interim urgency ordinance imposing a 45-day moratorium on the establishment of Short-Term Rentals (STRs). Since the adoption of the moratorium, staff continues to receive inquiries from potential STR operators interested in establishing new facilities. In addition, residents living in neighborhoods impacted by STRs continue to express concerns about how operational issues and the proliferation and concentration of STRs are negatively changing the dynamics of their neighborhoods. Consequently, staff believes the conditions and concerns that existed at the time of adoption of the moratorium continue to exist. Prior to and following the adoption of the moratorium, staff has been diligently working to identify solutions to address community concerns while balancing the needs of STR operators. As detailed later in this staff report, staff has been actively engaged in discussions with STR operators and resident groups in an effort to identify and prioritize potential solutions. In addition, staff continues to research STR regulations in other jurisdictions to identify “best practices” that could be considered as part of a potential amendment to the current STR ordinance or other options the City may wish to consider. Staff believes that an extension of the existing 45-day moratorium is necessary to provide the time needed to continue on-going collaboration with affected parties and develop effective and responsive recommendations. Staff is recommending that the moratorium be extended for 186 days, expiring on May 3, 2016. During this extension term, staff can formulate recommended development standards and implementation regulations with input from interested parties and submit such recommendations to the City Council for consideration. A detailed explanation of the steps staff intends to take during this extension period is provided later in this staff report. This staff report is also intended to fulfill the requirements of paragraph (d) of California Government Code Section 65858, which requires that the City describe the measures taken to alleviate the condition that led to the adoption of Ordinance No. 6343.

The City Council adopted a comprehensive ordinance regulating STRs in May 2014. The Ordinance was the result of considerable research and analysis on the then emerging issue of “vacation rentals.” The ordinance includes numerous operational conditions, envisioned at the time of adoption, to ensure that STRs would be operated in a responsible manner and in a way that would mitigate potential impacts to adjoining property owners. At that time, there were approximately 200 known STRs in Anaheim. Today, staff estimates that there are nearly 400 STRs in operation. Prior to adoption of the moratorium, the City was receiving between five to ten STR applications per week with no slowing in sight. As the number of STRs has grown, so has the number of concerns expressed by neighboring residents about their impacts. Following a discussion at the August 4, 2015 City Council meeting, staff was directed to examine and report back to Council on the City’s existing STR regulations and identify any changes necessary to ensure that STRs are sited and operated in a manner that ensures neighborhood compatibility. Staff reported back to Council on September 15 and at that time recommended adoption of the current moratorium, which was adopted on that date as Ordinance No. 6343. The basis for staff’s recommendation is included in the September 15, 2015 City Council staff report which is included as Attachment 2, along with the original moratorium ordinance.

Consistent with the terms of the urgency ordinance, staff continues to review and issue STR permits for properties associated with complete applications received prior to the moratorium. Eighteen such permits have been issued since September 15. Existing STR permit holders may continue to make improvements to their properties, subject to obtaining required building permits, as long as the modifications do not impact current occupancy limits by increasing bedrooms. Increasing the number of bedrooms at a licensed STR would require the submittal of a new STR application which cannot be accepted during the moratorium period. Bedroom additions may be permitted in conjunction with legally pending applications received before the moratorium deadline as long as the proposed addition was indicated on the plans submitted with the application. In addition, owners of existing or legally pending STRs may continue to receive building permits for improvements such as kitchen or bathroom remodels that do not impact occupancy limits.

DISCUSSION:

Following the September 15 City Council meeting, staff hosted two well-attended public workshops designed to solicit input and ideas on how to best address the differing perspectives that presently exist between STR operators and surrounding neighbors. The first workshop was held on October 1 and was attended by 90 STR operators. The second workshop was held on October 8 and was attended by nearly 100 residents. The format of both workshops was identical. At both meetings, staff provided a brief presentation on the history of Anaheim's STR regulations and described the community concerns that have been expressed through City Council meetings, phone calls, and emails. Attendees were broken up into groups and were asked to identify suggestions which could help address these concerns. The intent of this exercise was to allow attendees to share any idea or suggestion they felt would improve the existing situation and determine if there is any "common ground" between STR operators and residents that could be incorporated into a future Code amendment. Both groups did an excellent job generating and sharing ideas and suggestions. A list of every suggestion generated from each workshop, including a tabulation of the most popular ideas, is included as Attachment 3 to this report.

The workshops confirmed STR operators and residents presently have differing perspective on the issue and potential solutions. STR operators view the situation primarily as an enforcement issue and expressed their desire to fully comply with the existing ordinance and any modifications that would not undermine their ability to reasonably operate. The STR operators expressed their desire to be good neighbors and work with each other, their neighbors, and the City to ensure compliance is a top priority. Conversely, the residents overwhelmingly expressed their desire that the existing ordinance should be repealed and that existing STRs should be phased out. The residents in attendance expressed their opinion that it is not an issue of enforcement; they view STRs as a commercial use that is not compatible with residential neighborhoods.

The differing perspective between residents and STR operators is not unique to Anaheim. In fact, many communities throughout the nation, including some in Orange County, are currently addressing the STR phenomenon under very similar circumstances. Communities have developed or are considering a number of measures to strike a balance between divergent community interests. Such measures include the following: (1) establishing minimum separation distances between STR properties to avoid overconcentration in some neighborhoods while providing over-concentrated neighborhoods with relief by phasing out some existing STRs through attrition; (2) requiring neighborhood notification of pending STR applications in order to solicit community feedback and establishing well-defined and easily implemented lines of communication between potential STR operators and their neighbors; (3) establishing a tiered permitting system that encourages home-sharing (i.e., where a homeowner stays on-site at all times and rents out individual rooms rather than the entire residence); (4) requiring the preparation of a “nuisance response plan” that clearly identifies the steps that will be taken, and the responsible parties to be contacted, in response to community complaints; and, (5) requiring STR operators to post a surety bond that could be used to cover civil fines assessed due to verified Code violations. In addition to exploring these options, staff intends to thoroughly explore the ideas that have been generated from the community workshops held to date, as well as any other ideas that may be presented by STR operators or residents in the coming weeks.

Although staff, in collaboration with community stakeholders, has made progress towards identifying strategies that may address the conditions that led to the current moratorium, it is clear that this matter cannot be resolved by October 30 which is when the current 45 day moratorium period expires. In the interest of protecting public safety, health and welfare, State law authorizes the City to extend an interim ordinance prohibiting uses that may be in conflict with a contemplated zoning proposal that the City is considering or studying or intends to study within a reasonable time. The findings necessary to support the extension of the moratorium are incorporated in the ordinance included as Attachment 1. Staff recommends a one hundred eighty-six day extension to provide adequate time to complete the outreach and analysis efforts currently under way. The recommended moratorium extension period would expire on May 3, 2016. Any forthcoming ordinance amending the City’s current STR regulations would need to be adopted and effective before the moratorium ends. Alternatively, if additional time is warranted, the City Council would have the ability to extend the moratorium once more beyond May 3, 2016 but for a period not longer than one additional year. The following table outlines the anticipated process staff intends to follow should Council extend the moratorium period, as recommended.

PROCESS	TIMEFRAME	EXPECTED OUTCOME
Continued community outreach and staff research	October through December 2015	Solicitation and thorough vetting of stakeholder suggestions. Identifying areas of consensus through additional community dialogue.
Formulation of recommendations for future City Council consideration. Possible City Council workshop to share preliminary recommendations and receive Council direction.	January through February 2016	Finalization of potential STR ordinance amendments prior to final Council consideration.
Consideration/adoption of potential amendments to STR ordinance	March through April 2016	Adoption of final changes to STR ordinance in time to allow for first and second reading and completion of 30-day referendum period prior to the proposed moratorium expiration date of May 3, 2016.

Staff believes that the recommended 186-day moratorium extension would provide the time necessary to continue meaningful community dialogue and develop thoughtful recommendations to address community concerns. Adoption of the proposed extension to the urgency ordinance requires at least a 4/5 vote of the City Council. In the event that the City Council elects to not extend the current 45-day moratorium, staff will resume accepting and processing STR applications while simultaneously pursuing the processes outlined in the above table, absent other Council direction.

IMPACT ON BUDGET:

This interim ordinance would have minimal impact to the City's General Fund as the recommended action would only place a hold on the issuance of new STR permits during the extended moratorium period. Existing, licensed STRs, as well as STRs approved from pending applications, could continue operating during the moratorium period.

Respectfully submitted,

David Belmer
Planning and Building Director

Attachments:

1. Draft Moratorium Ordinance
2. City Council Staff Report (September 15, 2015)
3. Community Workshop Summaries