DATE: December 17, 2019

TO: City Council

FROM: Jeffrey Lambert, Community Development Director, (805) 385-7882, jeffrey.lambert@oxnard.org

SUBJECT: Adoption of Ordinance Nos. 2969, 2970, and 2971 for Planning and Zoning Permit No. 19-580-04 - Zoning Text Amendment to Create Regulations for Short Term Rentals.

RECOMMENDATION

That the City Council approve for second reading (by title only and waive further reading) and adoption of Ordinance Nos. 2969, 2970, and 2971 regarding short term rentals.

BACKGROUND

Ordinance Nos. 2969, 2970 and 2971 were introduced to the City Council at its November 5, 2019 meeting. Following a public hearing, the Council approved the first reading of the ordinances for future adoption. If adopted by Council on December 17, 2019, the ordinances will take effect in thirty days, on January, 16, 2020.

STRATEGIC PRIORITIES

This agenda item is a routine operational item or does not relate to the four strategic plans adopted by City Council on May 17, 2016.

FINANCIAL IMPACT

The City will not receive revenues from newly permitted STRs within the Coastal Zone until the Coastal Commission approves the new STR regulations within the Coastal Zone (Oxnard City Code Section 17-53) pursuant a Coastal Development Permit. The proposed STR regulations outside of the Coastal Zone (adding Article XI to Chapter 16 of the Oxnard City Code) would become effective 30 days after the City Council adopts the ordinance.

Once the recommended STR ordinances received final approval, the ordinances would raise revenue for the General Fund in four different ways:

1. Short-term rental permit (annual): Staff is currently completing a cost analysis to determine the fee amount required to fully recover the cost of administering the STR program. Since the STR permit fee would be limited to cost recovery, this revenue source would have no net impact on the General Fund. It should be noted that as the City implements provisions to limit STRs, it will be more challenging to ensure sufficient funding from fees will be in place to ensure adequate enforcement of these regulations. Staff will return to Council with a fee structure that reflects the final approved regulations.

2. Progressive fines for misdemeanor violations: Ideally, the City will not need to assess any fines because all STR owners will comply with the ordinance. To the extent they do not, however, the progressive fines could generate
noticeable new revenue for the General Fund. For example, with a cap of 206 STRs in the Coastal Zone; and if only 5% of those STRs incur two fines per year, then annually the General Fund revenue would increase by $30,900 (.05 * 206 * ($1,000 + $2,000)). There will, however, be costs associated with these enforcement actions.

3. Business tax revenue: With the cap in the Coastal Zone of 206 STRs and a business license tax of approximately $300.00 per year, the General Fund would receive $61,800 annually for STRs in the Coastal Zone if 206 STRs were permitted within the Coastal Zone. The City would also receive a business license tax for STRs located outside of the Coastal Zone.

4. Transient Occupancy Tax revenue: There are many variables in estimating new TOT revenue to be paid by STRs. The following example is not a projection, but merely an illustration of how to estimate revenue under any given set of assumptions. Assuming 206 STRs in the Coastal Zone, 100 days per year rental, an average rental price of $350.00 per night, the current TOT tax rate of 10% then the General Fund revenue from STRs in the Coastal Zone would be:

$721,000.00. (206 STR’s * 100 days rented * $350/day * 10% T.O.T. rate = $721,000). The amount of revenue generated will fluctuate significantly per year based on the variables including (but not limited to) the number of STRs that are actually permitted within the Coastal Zone and within other areas of the City.

The FY 2019-20 Adopted Budget does not assume any General Fund revenue from these sources. If approved, these new revenues will be added to the next General Fund forecast.

COMMITTEE OUTCOME

This item was previously presented to Council during a public hearing at its December 3, 2019 meeting and was heard by the Planning Commission and presented to the Housing and Economic Development Committee.

Prepared by: Paul McClaren, Associate Planner

ATTACHMENTS
1. Ordinance No. 2969 - Ch 16 Short Term Rentals
2. Ordinance No. 2970 - Ch 17 Short Term Rentals Coastal Ordinance
3. Ordinance No. 2971 - Ch 7 Short Term Rentals Fines