



**OFFICE OF COUNCILMEMBER TODD GLORIA
COUNCIL DISTRICT THREE**

M E M O R A N D U M

DATE: March 5, 2015

TO: Honorable Councilmember Lorie Zapf, Chair, Smart Growth and Land Use Committee

FROM: Councilmember Todd Gloria *Todd Gloria*

SUBJECT: Vacation Rentals

Thank you for your commitment to bringing the issue of vacation rentals to the Smart Growth and Land Use Committee on April 22. I appreciate the opportunity to comment on how the city's policies on this issue might be revised to accommodate this growing trend while maintaining the quality of life in our residential neighborhoods.

The "sharing economy," which includes vacation rentals, is a relatively new development within the mainstream way of life. As such, clear rules should be published by the city, both on the website and in the form of an official Information Bulletin to ensure that rules and restrictions for vacation rentals are clear.

In my District the most common vacation rental scenario involves a homeowner renting out rooms on a short term basis through an online rental site such as Airbnb or VRBO. As I understand them, current city codes allow for homeowners in single family zones to rent to two boarders at a time with no minimum restriction on the length of stay. In multifamily zones it is my understanding that a seven day minimum length of stay is required. An operator who wishes to exceed the two-boarder limit is required to obtain a Neighborhood Use Permit or Conditional Use Permit. I am generally comfortable with these rules, but feel they should be the same in both single family and multifamily zones.

It is appropriate to collect city Transient Occupancy Taxes (TOT) at vacation rentals. However, since the rules have been unclear in the past, and some online rental sites do not account for tourism taxes, many well-meaning operators of short term rentals have not been collecting the tax from their tenants. Recently I have been told of operators receiving statements from the city for years of back taxes, including a 25% late penalty. This seems excessive, and I hope the City Treasurer can use discretion and exercise appropriate leniency in these cases. The city should also work with online rental sites to ensure that there is a method to collect appropriate tourism taxes.

Vacation Rentals

Further, I am interested in obtaining a City Attorney opinion on whether it is appropriate to collect Tourism Marketing District (TMD) fees as part of the TOT assessment on vacation rentals. I am especially interested to know if the TMD assessment would meet the Proposition 26 direct benefit requirements. I would also like to know if vacation rental operators who pay into the TMD would be considered voting members of the organization with the ability to run for election to the Board of Directors.

Thank you for allowing me to add my comments in anticipation of the April 22 meeting of the Smart Growth and Land Use Committee. If you have any questions or comments about these items, please let me know or contact Stephen Hill of my staff at 619-236-6137 or shill@sandiego.gov.

cc: Honorable Councilmembers
Independent Budget Analyst Andrea Tevlin