

Short Term Residential Occupancy (STRO) Update

Ocean Beach Town Council

March, 2024

Objectives

- Provide an *update* on Vacation Rental licenses
- Identify *weaknesses* in the current ordinance
- Get your support for ordinance and enforcement *improvements*

Recommended Improvements to the Short Term Rental Ordinance

The 2021 Short Term Rental (STR) Ordinance created a licensing framework and brought transparency to the city's STR listings, but it is not fulfilling its intent.

Many owners are exploiting the ordinance to the detriment of residents, visitors, and small-time hosts.

We request that the City consider the following changes to improve the STR ordinance...

**An annual review including proposed changes to the ordinance is required per San Diego Municipal Code §510.0111*



OFFICE OF COUNCIL PRESIDENT JENNIFER CAMPBELL
SECOND COUNCIL DISTRICT

FOR IMMEDIATE RELEASE

February 18th, 2021

CONTACT: Jordan Beane

Phone: (619) 890-1902

CAMPBELL'S VACATION RENTAL ORDINANCE COMING TO COUNCIL

SAN DIEGO – On Tuesday, February 23rd, Council President Jennifer Campbell will bring forward her short term rental ordinance for the City of San Diego. This ordinance is a compromise that creates the best path forward for dealing with one of San Diego's most vexing issues.

"This ordinance is about two things: increasing the amount of homes available for San Diegans and neighborhoods will see a massive reduction in STRs in their communities with real enforcement to weed out bad actors."

This is the culmination of a robust process that included the feedback of residents, community groups, organized labor, and other stakeholders. This ordinance will:

- Capping whole home STRs at 1% of the City's housing stock per the San Diego Planning Commission (based on SANDAG's annual Demographic and Socioeconomic Housing estimates), which would equate to 5,400 today - reducing whole home STRs by 65% from the City Auditor's estimation that 16,500 STRs exist.
- Allowing part-time STR operators to obtain a license at lower annual fees to accommodate high visitor events such as Comic-Con, Pride or December Nights.
- Creating a detailed Good Neighbor Policy along with strict enforcement guidelines, a fine structure for violations, and a license revocation standard.

“Allowing STR owners a maximum of one license, per person...

San Diegans will have more homes to buy or rent, neighborhoods will see a massive reduction in STRs in their communities with real enforcement to weed out bad actors.

This truly represents what San Diegans want to see: an end to the ‘wild west’ STR environment that has negatively impacted so many.”

Some background:

STRs are not allowed in ADUs, boats, RVs or deed-restricted affordable housing units.

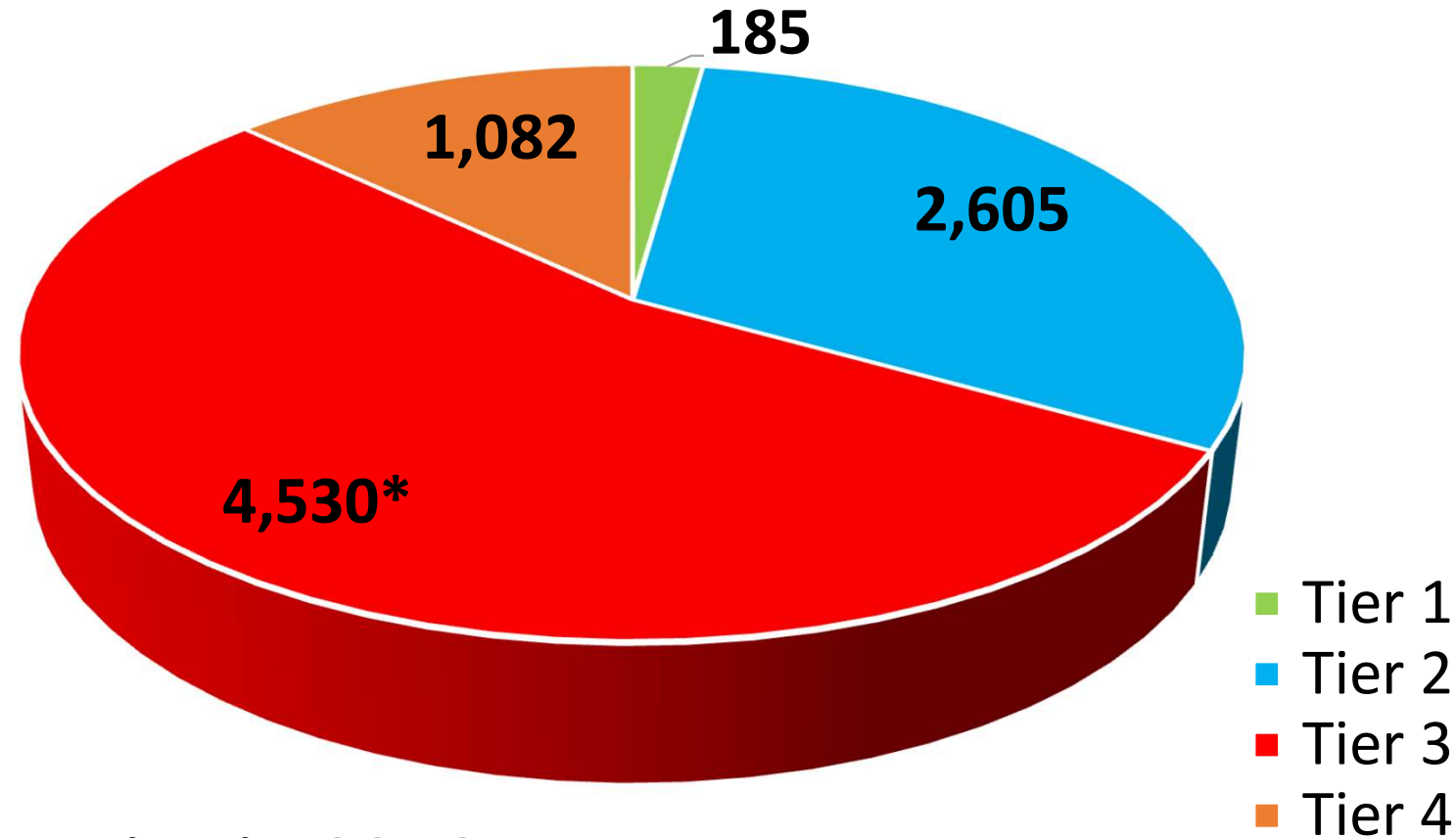
Tier 2 licenses can include whole-home STRs if a host lives on the same property. = unlimited licenses

Tier 3 (whole-home) licenses are limited to 1% of total city housing outside Mission Beach = 5,419 licenses

Tier 4 (whole-home) licenses are limited to 30% of housing in Mission Beach = 1,082 licenses

So how is it going?

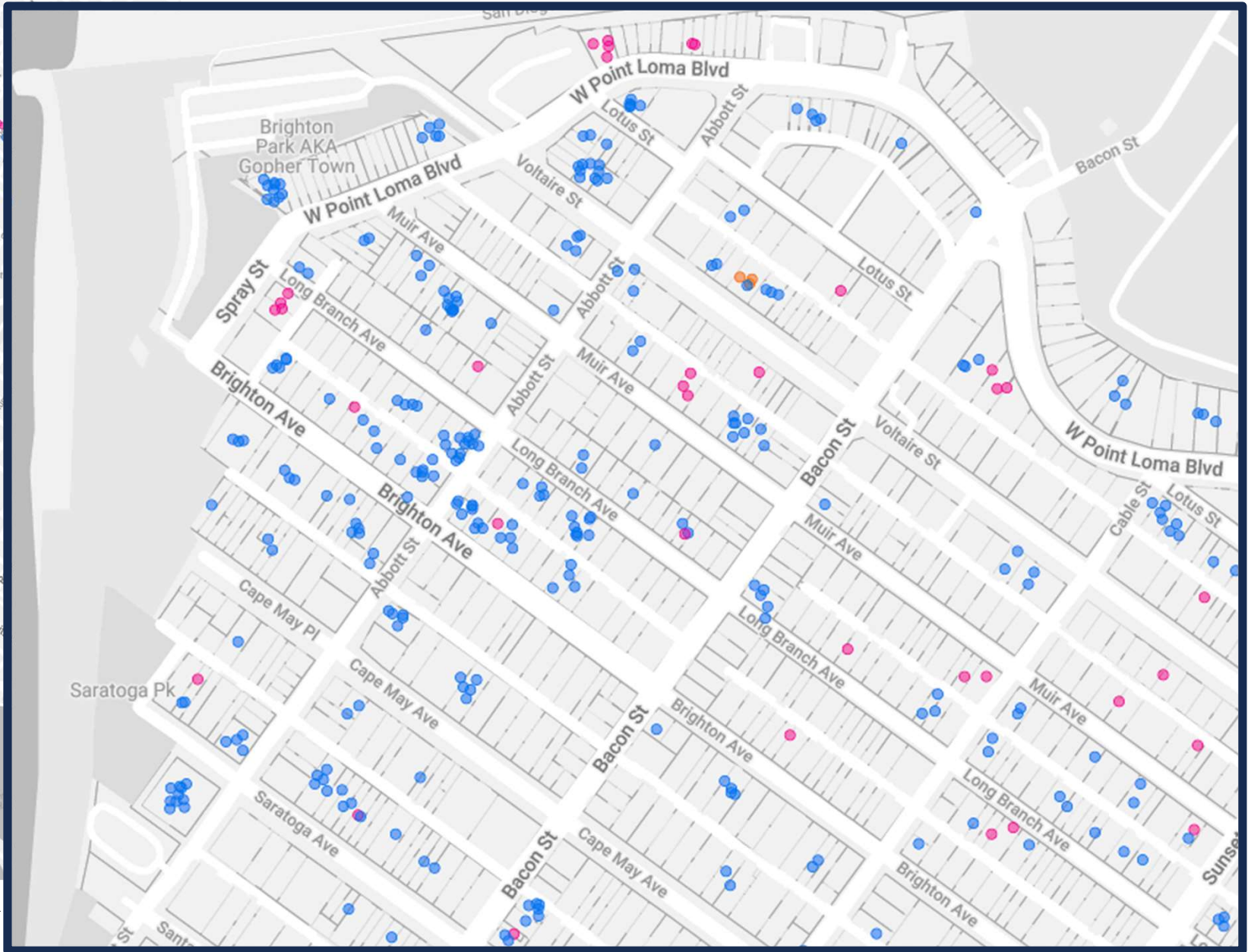
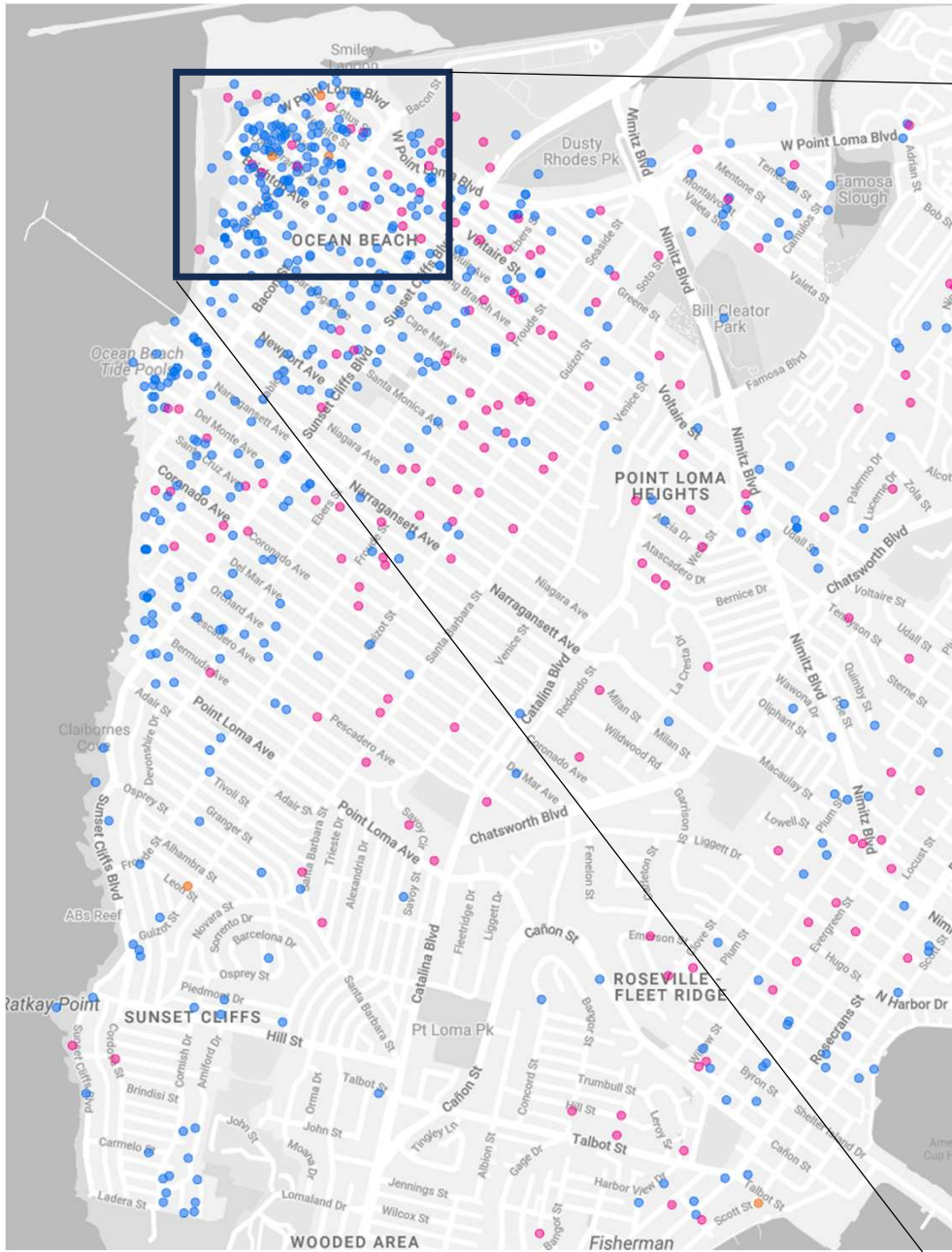
STRO Licenses issued as of March 2024:



618 Tier-3 licenses in zip 92107

717 whole-home STRs in 92107, when including full-time Tier 2 listings

*889 additional Tier-3 licenses are available city-wide outside of MB.



Mar 2024

Ocean Beach Town Council

Let's talk about the economics of Short Term Vacation Rentals...

A Tale of 2 Units...

- Two Ingraham St units: *3757 #202* and *3763 #306* (STRO)
 - Units are the same size (300 sq ft), same owner and in identical buildings
 - The STRO units were remodeled



Vacation rentals are good business!

#202	<i>Illustrative</i>	#306 (STRO)
\$13,200	Rent/year	\$56,400
	Cleaning Fee/stay	\$100
	AirBnB Fee (14.1%)	\$9,000
	San Diego TOT tax (10.5%)	\$5,900



Dakota Property Management



The rise of the “Apartment-Hotel”

- Defined as an multi-family building with **4** or more units, of which at least **50%** are STRs by the same owner.
- In Ocean Beach, there are **42** Apartment-Hotels with **189** STR units. **75%** are owned by corporate entities
- City-wide there are **206** Apartment-Hotels with **865** STR units.
- In Ocean Beach, the average apartment-hotel unit is 600 ft²

Apartment-Hotels are eliminating lower-cost rental units

The 42 Apt-Hotels in Ocean Beach (189 licenses)

Parcel Address	Licenses	Units
5101 NARRAGANSETT AVE	11	16
5188 POINT LOMA BLVD	10	10
5115 SARATOGA AVE	10	10
5053 LONG BRANCH AVE	8	8
5041 NARRAGANSETT AVE	6	6
5045 NARRAGANSETT AVE	6	6
2128 ABBOTT ST	6	6
2126 ABBOTT ST	6	6
5113 POINT LOMA BLVD	5	8
2069 ABBOTT ST	5	10
5076 SARATOGA AVE	5	9
5168 BRIGHTON AVE	5	5
1466 PESCADERO DR	4	4
1675 CABLE ST	4	4
4851 NARRAGANSETT AVE	4	4
2219 CABLE ST	4	4
1558 EBERS ST	4	4
4721 GREENE ST	4	4
5037 NARRAGANSETT AVE	4	4
5112 SARATOGA AVE	4	3
5066 BRIGHTON AVE	4	4

Parcel Address	Licenses	Units
5117 BRIGHTON AVE	4	4
2101 ABBOTT ST	4	4
4953 BRIGHTON AVE	4	4
5080 BRIGHTON AVE	4	4
2114 ABBOTT ST	4	8
5028 MUIR AVE	4	4
5127 LONG BRANCH AVE	4	3
4803 BERMUDA AVE	4	4
5109 VOLTAIRE ST	4	7
5156 POINT LOMA BLVD	4	4
2037 SUNSET CLIFFS BLVD	3	4
1476 PESCADERO DR	3	5
5050 CAPE MAY AVE	3	4
4973 NARRAGANSETT AVE	3	4
5143 BRIGHTON AVE	3	5
4918 SANTA MONICA AVE	3	6
4934 POINT LOMA BLVD	3	4
5122 VOLTAIRE ST	3	4
5116 BRIGHTON AVE	2	4
2104 ABBOTT ST	2	4
5073 LOTUS ST	2	4

Most of the STR licenses in OB are held by owners of multiple properties and Apt-Hotels:

Licenses per	Owners	%	# Licenses	%
1	158	20%	158	32%
2	55	7%	110	22%
3 or more	37	5%	222	45%
			490	

Note: Brackets in the original image group the 2 and 3+ categories. The 2 and 3+ categories together represent 12% of owners (55 + 37 = 92 owners) and 67% of licenses (110 + 222 = 332 licenses).

- The largest single owner entities are *Mills Trust 05-09-77* and 2 others linked to Mickey Mills, which together obtained 115 STR licenses in Ocean Beach.

But how is this allowed with “1 license per STR owner”?

Let's talk about **ghosts**

The city issues licenses to “Hosts” not Owners

Currently, only one license is allowed per natural person, but a loophole allows owners to obtain many (100+) licenses.

Owners accomplish this by listing a different ‘proxy host’ name on each license application who may have no connection to the property or hosting duties.

*The **ghost** may live out of state without any account on Airbnb. They do not have to manage the listing, receive payments, or be the point of contact for complaints.*

This allows commercial operators to dominate the STR market and convert entire apartment buildings to de-facto hotels that could otherwise be lower-cost long term housing.

This loophole also allows an owner to transfer the STR license upon sale, or to reapply under a different name if their license is revoked.

The city has confirmed all of this is legal under the current ordinance.



5037-5045 Narragansett Ave (16 full-time STRs)

Prevent Property Owners From Obtaining Multiple STR Licenses

Recommendations:

1. Restrict Tier 3 & 4 licenses to a natural person with ownership interest in the property.
(Renters and 3rd party managers may still operate and profit from STRs under this restriction.)
2. Restrict Tier 3 & 4 licenses to 25% of units in a parcel (or 2 units, whichever is greater).
✓ Supported by OBTC in June 2013
3. If a license is revoked, no new licenses shall be issued on the parcel for 1 year.



2126-2128 Abbott St (12 full time STRs)

Our neighborhood lacks affordable long-term housing

- From 2020 to 2022, **NO** new affordable housing units were completed in Ocean Beach.

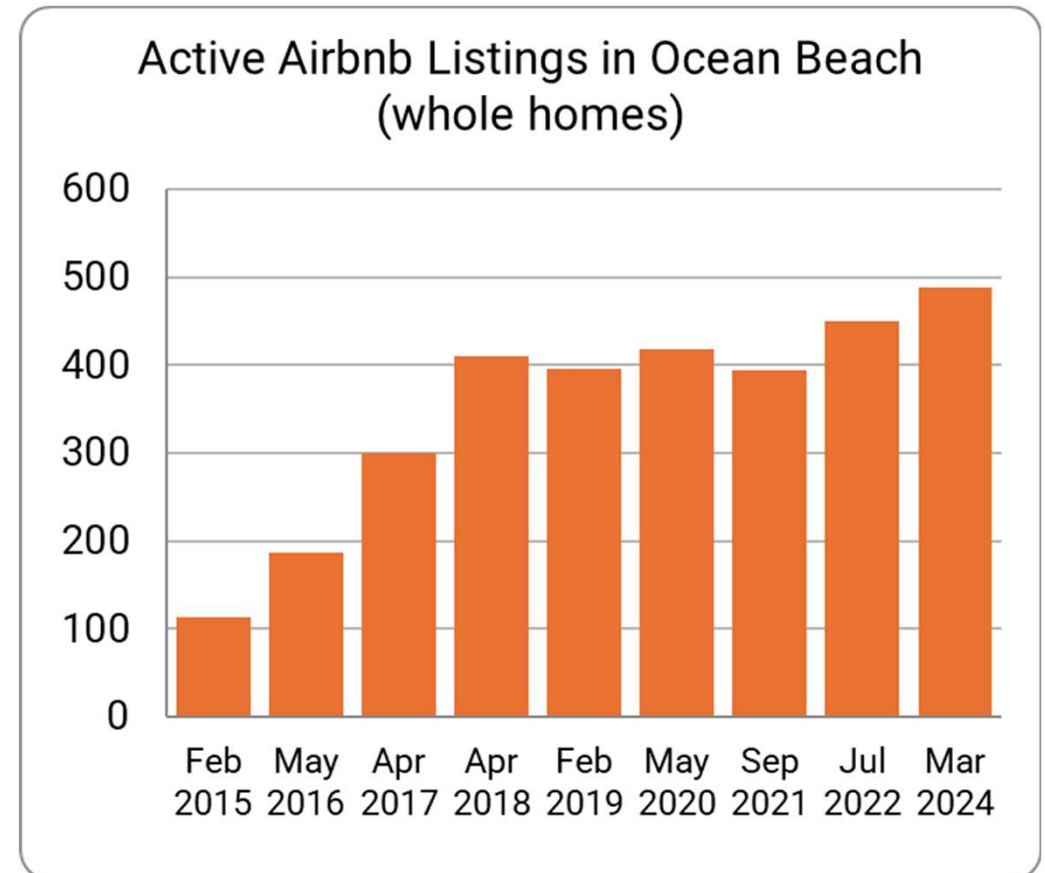
- Across the city, **385** affordable housing units were completed. The average construction cost is \$521,000.

Source: Axios "Inside San Diego's most expensive affordable housing project", 9/28/23

- Meanwhile STR growth continues → → →



Returning Apartment-Hotel units to the housing inventory is low-hanging fruit



Limit Over-Concentration within Neighborhoods

The ordinance allows for the over-concentration of STRs in a few neighborhoods, thus impacting housing availability and affordability.

Planning Area	% of Housing	Tier 3&4 Licenses	STRs > 1%	Total Housing
Mission Beach	30.0%	1,082	n/a	3,605
Ocean Beach	6.2%	495	415	7,958
Pacific Beach	4.2%	929	705	22,374
La Jolla	3.8%	576	423	15,304
Greater Golden Hill	1.9%	143	69	7,425
Uptown	1.7%	405	162	24,323
Peninsula	1.3%	222	49	17,338
Southeastern SD	1.1%	176	21	15,532
North Park	1.1%	282	19	26,304
All others	0.3%	1,333		393,840

Recommendation #4:

*There are 889 additional Tier-3 licenses available

Implement the Planning Commission's 2020 amendment to cap licenses per area (Community Planning Area). **Mission Beach would remain at 30%.*

✓ Supported by OBTC in June 2013

There is more...

Airbnb and other platforms are not complying with the ordinance

- They are allowing unlicensed listings, 1-night stays, and are not removing existing bookings when the City requires a listing be removed.
- New York City is a successful example of pursuing fines to get hosting platforms to comply.
- Also, some hosts are operating full-time unhosted STRs illegally under Tier-2, to avoid license caps and fees. The city has difficulty in enforcing booking limits on these units.

Improve enforcement and hold booking platforms accountable

Recommendations:

5. Provide the platforms a list of valid STR licenses and exempted properties (hotels) against which the platforms must validate listings.
6. Enforce the ordinance and penalize the platforms with specific fines for non-compliance.
7. Require Tier-2 hosts to report booking activity to the City.

Summary

- The STRO Ordinance succeeded in bringing a formal licensing framework and some transparency to the Vacation Rental picture.
- However, in a housing crisis, it has allowed hundreds of affordable housing units to be lost and has impacted some communities disproportionately.
- Some property owners are taking advantage of the system
- Booking platforms must do better for the communities

Your support for these recommendations is appreciated