



MEMORANDUM
COMMUNITY DEVELOPMENT RESOURCE AGENCY
COMMUNITY DEVELOPMENT SERVICES DIVISION
County of Placer

TO: Honorable Board of Supervisors **DATE:** March 8, 2022
FROM: Jane Christenson, ACEO, Interim Agency Director
BY: Crystal Jacobsen, Deputy Director - Tahoe
SUBJECT: Short Term Rental Permit Fee Schedule Adjustment

ACTION REQUESTED

1. Conduct a public hearing and adopt a Resolution adjusting the Short Term Rental Permit Fee Schedule.

BACKGROUND

The Board of Supervisors (Board) established the Short Term Rental (STR) program and fee schedule on November 19, 2019. The STR program requires owners of STRs located in Eastern Placer County (as described in Placer County Code Section 9.42.010) to obtain a STR permit. The fee schedule was established to offset the cost of providing the STR permit program, including periodic fire inspections.

On January 25, 2022, the Board introduced and waived oral reading of an ordinance to repeal and replace Chapter 9, Article 9.42 of the Placer County Code to regulate STRs with a permit cap established at 3,900 (Ordinance). The Board also found the Ordinance exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15061(b)(3) and 15378. On February 8, 2022, the Board adopted the Ordinance to repeal and replace Chapter 9, Article 9.42 of the Placer County Code. The Ordinance will take effect on March 11, 2022.

The Ordinance contains several new provisions that significantly expand the STR program. A substantial amount of STRs in the region were previously exempted from the Ordinance. Under the new Ordinance, the majority of these rentals will now be subject to the Ordinance and will require STR permits. Therefore, the provisions will result in an increase in STR permits and the need for additional resources to administer the program. Key changes to the STR program include the following:

- Establishment of a 3,900 cap of STR permits
- Elimination of previous exemption provisions
- A 30-night per year rental requirement
- Increased frequency of fire life safety inspections
- Stricter operational and enforcement standards
- Limit of one STR per parcel
- Increased fines and penalties

At the January 25, 2022, Board hearing the Board also discussed strategic goals related to the STR program and provided direction to staff on implementation of the ordinance, requesting staff focus on adaptive management including monitoring key metrics, forming a stakeholder working group to provide ongoing input, and providing annual reports to the Board.

Since adoption of the Ordinance, staff has worked to assess resource needs resulting from the expansion of the STR program. With the Ordinance changes described above it is expected that STR permit processing will increase by 50 percent. In addition, based on Board direction related to meeting strategic goals for the STR program, including adaptive management, formation and facilitation of a stakeholder working group, annual program monitoring and reporting, and future ordinance refinements and program adjustments, additional staff are needed to administer and manage the program. Accordingly, the cost to administer the program has increased and an adjustment to the program's fee schedule is necessary.

DISCUSSION

Current STR Permit Fees and Tiered Approach

STR permit fees currently cost \$105 for professionally managed properties and \$179 for privately managed properties and were set when the program was originally adopted in 2019. The fee differential was established due to the general understanding that STRs managed by professionally licensed property management companies generally have a lower impact on County services, because professional management companies have properties that have full time 24/7 professional staffing available to efficiently address complaints and handle STR permitting and operational issues on a regular basis. In addition, at the time the STR ordinance was developed, the Board heard from members of the public that they experienced fewer nuisance issues where an STR was managed by a local property management company. Accordingly, the Board adopted a reduced permit fee for professionally managed STRs. Over the last two years, professionally managed STR permits represent 62% and privately managed properties represent 38% of total STR permits issued.

As noted in previous reports to the Board, initial implementation of the STR ordinance in 2020 was challenging due to impacts of Covid and stay-at-home orders. As a result, for the first year of the STR program staff was unable to fully assess the efficacy of the ordinance and whether or not the resource demand for professionally managed properties is lower than for privately managed properties. In 2021 staff was able to track STR complaints by management type and found that approximately 46% of complaints come from professionally managed properties, 36% from privately managed properties and 18% are unknown. However, complaint data also shows that approximately 47% of the complaints received in 2021 were resolved prior to STR enforcement officers reaching the site; and of those cases that were resolved, 68% of those cases were from professionally managed properties, 28% from privately managed properties and 4% were unknown. This split may indicate that local professional management companies are able to quickly reach STR guests and address complaints before STR enforcement officers reach the site. That said, generally the spread of complaints does not drastically differ across permit types, given that professionally managed properties represent 62% and privately managed properties represent 38% of total STR permits.

Regarding general STR administration and tasks associated with managing permit intake and monitoring and overall program needs, administrative staff have indicated they typically spend more time with professional property managers in answering questions about the program, specific questions about properties, and assisting them with batch processing of permits.

Current STR Program and Community Development Resource Agency Cost

The STR program has been in effect for two years, providing actual cost data for the administration of the program. The existing costs to manage the program includes the administrative cost of permitting through the Transient Occupancy Tax (TOT) vendor, 50% of a

Supervising Code Enforcement Officer position, 1.5 positions of a STR Code Enforcement Officer, an Administrative Clerk position, additional partial time of other Community Development Resource Agency (CDRA) staff, an associated vehicle, and indirect and overhead costs. For FY2020/2021 it cost the County \$444,094 to administer the program while the program brought in \$334,021 in revenue, resulting in a net county cost of \$110,073. That said, existing fees are currently not covering the cost to administer the program, which has resulted in an increased net county cost each year.

STR Program Expansion - Anticipated STR Permits and Resource Needs

In 2021 the County permitted approximately 2,500 STR permits. Under the new Ordinance, STR permits may reach 4,100 (cap of 3,900 + approximately 200 local resident STR permits). However, for this fee analysis staff is conservatively estimating 3,500 STR permits for the 2022 STR permit cycle. Staff's conservative approach is based on permit data tracked over the last two years of the STR program. However, it should be noted that STR permits, and fee revenue will be tracked and assessed over the next year and updated as needed to meet the Board's direction of the programs' strategic goals.

As described previously in this report, the Ordinance contains several new provisions that significantly expand the STR program. The following key provisions will result in an increase in STR permits and the need for additional resources to administer the program as described below:

- Establishment of a 3,900 cap of STR permits – This provision will cap STR permits limiting the number of permits staff can issue. Local residents or those who claim homeowner exemption on their tax returns, will be subject to the Ordinance but exempt from the cap. The Ordinance requires a waitlist to be established once the cap is reached, where permit applications will be pulled from the waitlist as permits become available. Additionally, the Ordinance limits one STR per parcel and establishes a 30-night rental requirement per year. Tasks involved with tracking and verifying these new provisions will require more resources to administer. The establishment of a cap and a waitlist have already caused a significant increase in public inquiries regarding the STR program. It is expected that managing public inquiries and monitoring the cap, the waitlist, the local's exemption, and other new permit requirements described above will result in a 40% increase in administrative workload.
- Elimination of previous exemption provisions – Under the former STR Ordinance, STR property owners could request an exemption and in 2021 the County approved approximately 740 exemptions. Under the new Ordinance these STR properties will be required to get a STR permit. In addition, it is anticipated that there are other STR properties that may have assumed they were exempt but failed to get County approval for the exemption. For the 2022 STR permit cycle, staff expects to see 2,500 STR permit renewals from the 2021 STR permit cycle, plus 740 STR permit applications from previously exempted properties. Additionally, for new STR permits – those STR property owners who did not have a permit in 2021 or an approved exemption, staff conservatively estimates there will be 260 new STR permits issued. Therefore, for the purposes of the fee analysis, staff estimates there will be 3,500 STR permits issued for the 2022 STR permit cycle, which results in a 40% increase in the STR permitting workload.
- Increased frequency of fire life safety inspections – The new Ordinance increases the frequency of fire life safety inspections and requires all STR properties to have a fire life safety inspection within 12 months from March 31, 2022, so that all STRs will be

inspected prior to the 2023 STR permit cycle. Starting March 31, 2023, prior to permit issuance, privately managed properties are required to have annual inspections and professionally managed properties are required to have inspections every three years. Staff has been coordinating with the fire districts to help manage inspection notifications and overall inspection scheduling. This coordination and assistance are expected to increase STR program administrative tasks by 20%.

- Stricter operational standards – The new Ordinance modifies operational standards related to noise, trash, parking, occupancy, and snow removal, including increased quiet hours, and limiting amplified sound, bear bin/dumpster requirements, requiring parking and occupancy limits to be posted in advertisements, limiting occupancy limits, and requiring snow removal service in winter months. It is anticipated that these operational changes will result in a 15% increase in staff time related to additional monitoring, complaint follow-ups and inspections.
- Increased fines and penalties – The Ordinance increases STR fines from a \$500/\$1,000 escalating fine model to a \$1,500/\$3,000/\$5,000 escalating fine model consistent with industry standards and Senate Bill 60, which sets fine limits for STR enforcement. The Ordinance also modifies the citation/duration limits to state that three citations in a 24-month period (changed from three citations in a 12-month period) can result in revocation of the STR permit. Additionally, the Ordinance establishes a new penalty whereby three violations within a 90-day period shall result in the issuance of a citation (even if violations are remedied within the allowed 60-minute timeframe). Based on the Ordinance changes described above, staff anticipates the number of citations issued will increase by 70% and the number of STR appeals will likely rise due to the increased penalties and the stricter revocation process. Therefore, it is expected that the penalty provision changes described above will result in a doubling of STR administrative time needed to monitor and process fine remittance and appeals.

In addition, as part of the Board's action to adopt the new Ordinance, the Board discussed strategic goals related to the STR program and provided direction to staff on implementation of the Ordinance, requesting staff focus on adaptive management including monitoring key metrics, forming a stakeholder working group to provide ongoing input, and providing annual reports to the Board. This direction is a new component of and further expands the STR program and results in the need to further develop a STR policy/initiative team to carry out the Board's strategic goals related to the program. The following outlines tasks and resource needs associated with achieving the Board's goals:

- Adaptive Management – The Board discussed a desire for adaptive management of the STR program. This entails tracking and analyzing the following data: inventory of residential units, existing and new tourist accommodation units, short-term rental units, complaint/citation/appeal data, officer response time and frequency data, ongoing research/monitoring of other STR programs and trends, quarterly program review and reporting to stakeholder groups, annual Board updates, Ordinance revisions driven by metrics and working group input, public outreach and education, and fee analysis and updates. It is estimated that these tasks will result in an additional 3,500 annual staff hours.
- STR Working Group – The Board discussed the formation of a STR Working Group which would provide input on the STR program and guide implementation and future program and Ordinance changes. Tasks associated with this include selection of Working Group members and meeting approach, facilitation of Working Group

meetings, preparation of meeting materials, and meeting follow-up. It is estimated that implementation of these tasks will result in 300 additional staff hours.

Proposed STR Application Fee

The proposed fee amount for Short Term Rental Application Fee is \$306 for both privately and professionally managed STR permits. If adopted, the new fee schedule would take effect upon adoption of the resolution. The proposed fee amount is determined by:

- 1) Administrative staff processing of an estimated 3,500 permit applications per year. (1.5 hours per permit)
 - Application review
 - Fire Inspection verification
 - Business License verification
 - 30-day rental requirement & check for ability to renew
 - One STR/parcel limit
 - Occupancy increase requests for large homes – check against approved assessor records for size of home. Requires CDRA director approval
 - Correct fees paid
- 2) Follow-up with applicant or property management company for incomplete applications per year. (0.25 hours per permit)
- 3) Permit issuance (0.25 per permit)
- 4) General administration of program
 - Adaptive Management (3,500 hours per year)
 - Data analysis: housing and hotel units; housing market data; permit intake, review of calls/complaints, officer response time and frequency, complaint resulting in citation, summary of when and how complaints are received.
 - On-going research/monitoring of other STR programs
 - Quarterly review/status to working group
 - Annual reporting to the Board and Stakeholder groups
 - Ordinance and Resolution updates driven by metrics and working group
 - Public Outreach and education
 - Fee analysis and updates
 - STR Working Group administration, meeting material preparation, meeting facilitation, meeting follow-up (300 hours per year)
 - Waitlist management (100 hours per year)
 - Coordination with all Fire Districts on fire inspections, updating MOUs with correct scope of work as roles change (100 hours per year)
 - Contract coordination (50 hours per year)
 - STR fine monitoring, fine remittance and appeals (500 hours per year)
 - Staff oversight and performance evaluation (500 hours per year)
- 5) Administrative STR inspections by Code Enforcement
 - Patrol STR operation area (2,205 hours per year)
 - Inspection of property sites (40% increase with increased permits, 2,205 hours)

- Document findings from inspection in Accela and provide any follow-up as necessary
 - Public education and outreach on ordinance (250 hours per year)

As noted previously, under the current fee structure, the STR program revenues have not fully covered administrative costs, resulting in a current FY 2021/2022 increase in net county cost of \$204,628. With this fee schedule update, staff proposes an increased STR annual application rate of \$306 for both privately and professionally managed STR permits. This fee will fully fund the administrative staff costs of the program. There are ongoing discussions with the County Executive Office to approve expanded staffing levels to appropriately administer the program. The STR program for FY2021/2022 has an estimated net county cost of \$337,469 that is attributable to only the enforcement piece of the program.

The fees would be adjusted annually by the State of California Department of Industrial Relations Consumer Price Index (CPI) – California for All Urban Consumers. For comparison to other resort jurisdictions collecting STR permit fees, including Douglas County, El Dorado County, South Lake Tahoe, Durango, Crested Butte, and Moab, fees range from \$145 to \$2,000 per permit, often with increased fees dependent on the number of nights rented annually.

As outlined in this report, the current fee structure is tiered with a lower rate for professionally managed STRs and a higher rate for privately managed STRs. Having spent the last two years administering the program under the tiered model, staff have found that the time and resources needed to administer STR permits for professionally managed properties is not less than that of privately managed properties as initially anticipated when the program was adopted. To that end, it is staff's opinion that the County's permit application fee should be a flat, equal fee for both professionally managed and privately managed properties. However, it should be noted that while staff is proposing a flat permit application fee for all STR permits, the fire fees remain tiered. Additionally, the fire life safety inspection frequency is tiered, thereby requiring more frequent inspections for privately managed properties than for professionally managed properties. This tiered approach to fire life safety inspections and fees was included in the former STR Ordinance and was carried forward with the new STR Ordinance based on input from fire district staff who stated that when conducting inspections, they have found that professionally managed properties tend to better meet life safety standards and require less staff inspection time upon first inspection than privately managed properties.

STR Program Costs and Fee Assumptions

The cost to implement and administer the new STR program is estimated at \$1,421,015. The proposed fee rate is anticipated to cover program administration costs, which is 75% of the total cost of the expanded STR program. The remaining 25% of the expanded program costs will be offset by STR enforcement fines, TOT and/or the General Fund.

The proposed fee rate was established with the following assumptions:

- The proposed fee covers all administrative costs of the program
- Enforcement costs are not included in the STR permit fee calculation and will be covered by fines, TOT and/or General Fund
- Fees were conservatively calculated assuming a projected total permit intake of 3,500 permits

- The fees were calculated by taking the total estimated cost to cover program administration and dividing by the assumed projected permit intake of 3,500 permits

As noted above, the program is assumed to cost \$1,421,015 for FY2022/2023, which will be 75% covered with the intake of increased permit fees. As noted above, the remaining 25% of the program costs will be offset by STR enforcement fines and/or the General Fund.

Fire Fees

As noted above, STR fire fees will maintain a tiered approach. CDRA will continue to collect fire fees for the 2022 STR permit cycle and distribute them to the four local fire protection districts, North Tahoe Fire Protection District, Northstar Fire Department (Northstar Community Service District), Olympic Valley Fire Department (Olympic Valley Public Service District), and the Truckee Fire Protection District, per the existing Memorandums of Understanding (MOUs) between Placer County and each fire protection district. Staff are participating in ongoing discussions with the local fire protection districts and based on those discussions, it is anticipated each local fire protection district will begin to collect and maintain their own fees. This revised approach related to the collection of fire fees will be reflected in modified MOUs, which staff anticipates bringing before the Board within the next several months.

ENVIRONMENTAL IMPACT

Adoption of this Ordinance Amendment does not constitute a "Project" under the CEQA pursuant to CEQA guidelines 15378(b)(5) because it is an administrative action that does not result in any direct or physical change in the environment.

FISCAL IMPACT

With adoption of this resolution, there would potentially be minor fiscal impacts, beginning in FY2022/2023. Increased permit fees would cover 75% of the program costs. The remaining 25% are costs associated with enforcement of the STR Ordinance and would be funded by revenues from STR enforcement fines, TOT and/or General Fund to fully reimburse the enforcement costs of the STR program. It should be noted that as part of the STR program, staff will focus on adaptive management, tracking permit revenue and expenses, including revenue generated from STR enforcement fines, and will conduct regular fee analysis and updates as needed.

ATTACHMENT

Attachment A: Resolution
Exhibit 1: Short Term Rental Administration Fee Study

ATTACHMENT A

Before the Board of Supervisors County of Placer, State of California

In the matter of: A Resolution adjusting the
Short Term Rental Permit Fee Schedule

Resolution No.: _____

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held on _____, by the following vote:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, on July 23, 2019, the Board of Supervisors ("Board) directed staff to establish regulations for short term vacation rentals in unincorporated eastern Placer County; and

WHEREAS, on November 19, 2019, the Board adopted an ordinance to amend Placer County Code Chapter 9 to add Article 9.42 entitled "Short Term Vacation Rentals" in order to establish said regulations; and

WHEREAS, on November 19, 2019, the Board adopted a resolution establishing the Short Term Rental Permit Fee; and

WHEREAS, on February 8, 2022, the Board adopted an ordinance to repeal and replace Placer County Code Chapter 9 Article 9.42, which will become effective March 11, 2022 (“STR Ordinance”); and

WHEREAS, the STR Ordinance (Article 9.42, Section 9.42.060(B)) allows for the Short Term Rental Permit Fee to be adjusted by resolution of the board following a public hearing; and

WHEREAS, County staff has estimated the cost of permitting and administering the short term rental program, which is based on staff and operating cost and has documented said cost analysis in the “Short Term Rental Program Costs” presented to the Board on March 8, 2022 and specifically described in Exhibit “1” attached hereto and incorporated herein; and

WHEREAS, the County is required to provide, to all interested persons who file a request with the Clerk of the Board, a notice of the scheduled meeting not less than 14 days in advance of the meeting and said notice was provided; and

WHEREAS, the County is required to make and has made available to the public data indicating the amount of the fee increase at least 10 days prior to the hearing; and

WHEREAS, the Board has held a public hearing on this matter on March 8, 2022.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors, of the County of Placer, State of California as follows:

1. The Board hereby adjusts the short term rental permit fee schedule as set forth in Exhibit “1” attached hereto and incorporated herein, for the short term vacation rental program.
2. The Board hereby authorizes annual adjustments to the short term rental permit fee on or about July 1st using State of California Department of Industrial Relations Consumer Price Index (CPI) – California for All Urban Consumers.
3. Any necessary increases or adjustments in said fee amounts beyond the annual CPI adjustment shall be implemented by formal action of this Board through adoption of a subsequent resolution.
4. This Resolution shall take effect immediately upon its adoption.

Exhibit 1 – Short Term Rental Administration Fee Study

Attachment A, Exhibit 1

Short Term Rental Administration Fee Study

Short Term Rental Administration Fee is an annual fee paid by property owners who rent out their property as a vacation rental.

The proposed fee amount for Short Term Rental Application Fee is \$306 for both privately and professionally managed STR permits.

- 1) Administrative staff processing of an estimated 3500 permit applications per year. (1.5 hours per permit)
 - Application review
 - Fire Inspection verification
 - Business License verification
 - 30-day rental requirement & check for ability to renew
 - One STR/parcel limit
 - Occupancy increase requests for large homes – check against approved assessor records for size of home. Requires CDRA director approval
 - Correct fees paid
- 2) Follow-up with applicant or property management company for incomplete applications per year. (0.25 hours per permit)
- 3) Permit issuance (0.25 per permit)
- 4) General administration of program
 - Adaptive Management (3500 hours per year)
 - i. Data analysis: housing & hotel units; housing market data; permit intake, review of calls/complaints, officer response time and frequency, compliant resulting in citation, summary of when and how complaints are received.
 - ii. On-going research/monitoring of other STR programs
 - iii. Quarterly review/status to working group
 - iv. Annual reporting to BOS and Stakeholder groups
 - v. Ordinance and Reso updates driven by metrics and working group
 - vi. Public Outreach and education
 - vii. Fee analysis and updates
 - STR Working Group administration, meeting material preparation, meeting facilitation, meeting follow-up (300 hours per year)
 - Waitlist management (100 hours per year)
 - Coordination with all Fire Districts on fire inspections, updating MOUs with correct scope of work as roles change. (100 hours per year)
 - Contract coordination (50 hours per year)
 - STR fine monitoring, fine remittance and appeals (500 hours per year)
 - Staff oversight & performance evaluation (500 hours per year)
- 5) Administrative STR inspections by Code Enforcement
 - Patrol STR operation area (2205 hours per year)
 - Inspection of property sites (40% increase with increased permits, 2205 hours)
 - i. Document findings from inspection in Accela and provide any follow-up as necessary
 - Public education and outreach on ordinance (250 hours per year)

Fee is based on STR Staff hourly rate of \$81.60 and per application:

- 1.5 hours process permit (\$122.40)
- 15 mins to follow-up on incomplete permits (\$20.40)
- 15 mins to issue permit (\$20.40)
- 45 hour of program administration per permit (\$62.20)
- 1 hours of STR inspection per permit (\$81.60)

Total = \$306 annual permit administrative cost

