



## Short-Term Rental Policy

*The city of Anaheim's rules and regulations covering short-term rentals*

- **What:** a ban on new short-term rentals and a tiered phase out of existing short-term rentals with stricter operating rules during the phase-out period
- **Adopted:** July 12, 2016
- **Effective date:** Aug. 11, 2016
- **Key provisions:**
  - Prohibits permitting of any new short-term rentals
  - Owners had 18 months to phase out rentals before a ban on short-term rentals took effect on Feb. 12, 2018
  - Owners allowed to apply for a hardship extension allowing them to operate beyond Feb. 12, 2018
  - Permitted short-term rentals can continue to operate and pay city transient occupancy tax during the phase-out period
  - Visitors can continue to book with permitted short-term rentals in Anaheim during the phase out

# 300

Short-term rentals  
permitted in Anaheim

February 2018

## Hardship Extension

- **What:** a program to consider hardship among short-term rental owners that would allow operation beyond the Feb. 12, 2018 ban date to recoup investment costs
- **Update:** As part of a settlement agreement for litigation filed by owners and the Anaheim Rental Alliance (*see owners litigation below*), the City Council on April 25, 2017, voted 4-3 to amend the hardship extension program

## Hardship Extension

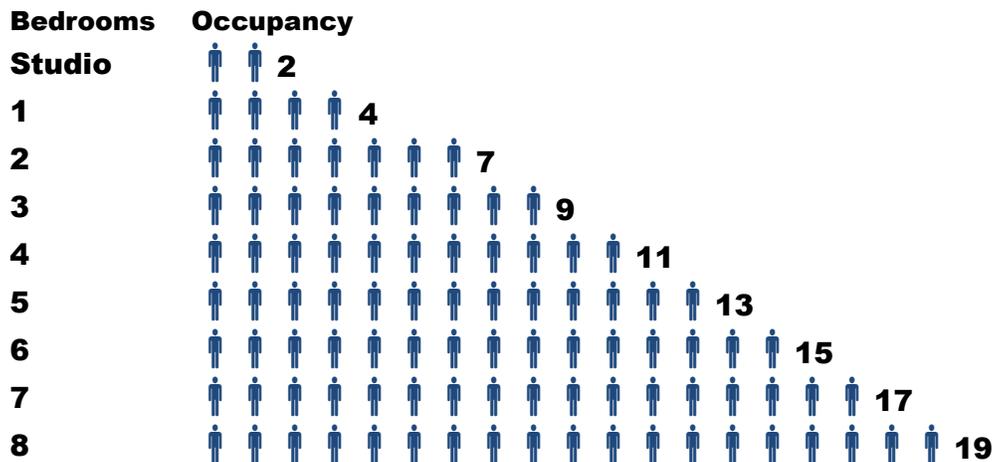
- **Extension types:**
  - 18-month “affidavit” extension for hardship under penalty of perjury; if approved, allows STR to operate during general hardship application review; extends operating period to Aug. 11, 2019
  - “Capped” extension where an owner demonstrates hardship and if approved, agrees to seek no further extensions beyond Aug. 11, 2021
  - “General” extension where an owner demonstrates hardship and if approved, is allowed to operate for a unique period of time allowing them to recoup their investments
- **Hardship applications received:** 289
- **Applications received by type:**
- *With significant overlap among all three categories*
  - **Affidavit:** 289
  - **Capped:** 21
  - **General:** 223
- **Findings so far:**
  - All of the 289 affidavit applications have been approved, which extends their operating period to Aug. 11, 2019
  - 50 STRs did not apply to operate beyond Aug. 11, 2019
  - 11 operators did not file any type of extension and ceased operation as of Feb. 12, 2018
  - 244 hardship extension applications are still under review

## Owners Litigation

- **What:** In August 2016, short-term rental owners and the Anaheim Rental Alliance, representing about 300 owners in Anaheim, filed suit against the city’s regulations
- **Status:** On April 25, 2017, the City Council voted 4-3 to settle the owners litigation while adopting hardship changes and minor regulatory updates
  - ▶ *See Hardship Extension above*

## Short-Term Rental Policy

- **Occupancy:** Effective Jan. 1, 2017, the number of short-term rental guests is limited by the number of rooms at a property



- **Other provisions:**

- Short-term rental owners and operators are required to designate a local contact who can respond around the clock to reported violations
- Short-term rental owners and operators must verify that they have supplied contact information to neighbors
- Additions to houses permitted as short-term rentals are prohibited
- Fire sprinklers and secondary exits are required for short-term rentals with four or more bedrooms and occupancy of more than 10 people (rentals that plan to close within five years are exempt)
- Guests renting a short-term rental in Anaheim must be 21 or older
- Guests must adhere to quiet time from 10 p.m. to 9 a.m.

- **Fees:**

- |   |                |
|---|----------------|
| ○ Onetime permit renewal, ordinance compliance review | <b>\$1,094</b> |
| ○ Annual permit renewal                               | <b>\$536</b>   |
| ○ Change of ownership                                 | <b>\$498</b>   |
| ○ Property modifications                              | <b>\$415</b>   |

- **Tax:** Short-term rentals are required to pay Anaheim’s transient occupancy tax, equal to 15 percent of their gross rental revenue

## Enforcement

- **Annual short-term rental transient-occupancy tax:** about \$3 million, out of Anaheim’s nearly \$150 million in yearly transient-occupancy tax revenue
- **Citations:** may be issued to owners, operators and guests without warning
- **Violations:** violations fall under two categories, major and minor
  - Two major violations within 12 months are grounds to revoke a permit
  - A major violation and two or more minor violations within 12 months are grounds to revoke a permit
  - 10 minor violations within 12 months are grounds to revoke a permit
  - Violations result in fines for owners, operators and renters

- **Fines:**

<b>Owner/ Operator</b>	<b>First offense</b>	<b>Second offense <i>within 12 months</i></b>	<b>Third offense <i>within 12 months</i></b>
<b>Minor</b>	\$200	\$400	\$1,000
<b>Major</b>	\$1,000	\$1,500	\$2,500

<b>Guest</b>	<b>Each offense</b>
<b>Minor</b>	\$200
<b>Major</b>	\$500

## Enforcement

# 558

Short-term rental code violations addressed since August 2016

# 486

Short-term rental code cases opened since August 2016

# 86

Cease-and-desist letters issued to unpermitted short-term rentals since August 2016

# 20

Notices of pending power and water shut-offs to unpermitted short-term rentals since May 2014

# 11

Denials of short-term rental permits since May 2014

# 9

Shut-offs of power and water to unpermitted short-term rentals since May 2014

## Online Hosting Sites

- **What:** companies such as Airbnb, HomeAway, VRBO and others that list short-term rentals on their websites
- **Anaheim policy:** The city's short-term rental policy calls for fines against online hosting sites that list unpermitted short-term rentals in Anaheim
- **Litigation:** Airbnb and HomeAway filed a lawsuit challenging the online hosting sites provision in July 2016
- **Status:** After a review of federal communications law, in August 2016 Anaheim opted not to enforce the online hosting sites provision, relying instead on continued action against unpermitted short-term rentals through Code Enforcement; hosting sites lawsuit was dropped
- **Update:** a U.S. District Court judge in November 2016 ruled against Airbnb and HomeAway in a lawsuit against San Francisco; potential enforcement of Anaheim's online hosting sites provision remains under consideration

## Short-Term Rental Policy Timeline

- **February 2013:** City Council requests a review to address short-term rental policies for residents and owners
- **December 2013:** A City Council workshop is held on a program framework to ensure compatibility between neighborhoods and short-term rentals, with input from residents and the Anaheim Rental Alliance
- **May 13, 2014:** City Council adopts first short-term rental ordinance requiring owners to register, obtain a permit

## Home sharing program

**What:** A proposed pilot program that would allow individual property owners to rent out a room or second unit of their primary residence for 30 days or less

**Status:** conceptual review presented at an Anaheim City Council workshop on Nov. 1, 2016, with policy adoption consideration in 2018

### Details:

- Home sharing would be allowed as part of an 18-month pilot program
- Home sharing would require a business license
- Permit holders would pay the city's transient occupancy tax, or 15 percent of the cost of a nightly stay

## Short-Term Rental Policy Timeline

- **Aug. 4, 2015:** The City Council hears resident comments on short-term rentals
- **Sept. 15, 2015:** The City Council adopts a 45-day moratorium on new short-term rental permits
- **Feb. 23, 2016:** The City Council holds a workshop to hear recommendations to address immediate and long-term concerns about short-term rentals and receive input from the community and owners
- **June 29, 2016:** The City Council holds a special meeting and votes 5-0 to impose tighter regulations and votes 3-2 to ban and phase out short-term rentals over 18 months
- **July 12, 2016:** The City Council by second reading formally adopts:
  - Tighter regulations on existing short-term rentals and a ban on new ones
  - An 18-month phase out period for existing short-term rentals
- **July 13 to Aug. 12, 2016:** Public invited to submit comments on a home sharing pilot program
- **Aug. 11, 2016:** New ordinances take effect banning new short-term rentals and imposing 18-month phase-out of existing ones
- **Nov. 1, 2016:** City Council hears a conceptual review of a home sharing pilot program with potential policy consideration at a later date
- **Nov. 9, 2016:** Hardship applications available
- **Jan. 10, 2017:**
  - Adoption of 45-day extension for filing of hardship applications to allow applicants more time to meet city documentation requirements
  - Clarification of Code Enforcement property access rules; replaced immediate, unannounced investigatory access with requirement that owners or representatives respond within 45 minutes of a Code Enforcement inquiry
- **April 25, 2017:** City Council votes 4-3 to settle owners litigation and adopt hardship changes and minor regulatory updates

## Short-Term Rental Policy Timeline

- **June 2017:** Hardship applications due
- **September 2017:** Extended hardship application deadline
- **Feb. 11, 2018:** Last day to legally operate a short-term rental in Anaheim unless a hardship extension is granted
- **Aug. 11, 2019:** Last day to legally operate a short-term rental in Anaheim if approved for an 18-month affidavit extension
- **Aug. 21, 2021:** Last day to legally operate a short-term rental in Anaheim if approved for a capped two-year extension