

Short Term Vacation Rental Report

Marc Saltzberg, Vice President, Venice Neighborhood Council

11/7/2013

The vacation rental business has been part of Venice since there was a Venice – it is part of our heritage as a community and part of our economy today. Over the years, many people have taken part in the business, from owners renting their properties, realtors helping owners connect with renters, and people involved in cleaning and making the properties ready for the next renter. Neither the Venice Neighborhood Council nor city offices heard little about the subject - it just wasn't on the radar.

The VNC recently received several complaints from Venice residents regarding vacation rentals that were referred to the Neighborhood Committee. The complaints ranged from the apartment owner who was unable to get a vacation renter to leave after their rental period was over (the only process available to the owner was a month's long eviction) to the homeowner who lived next to a vacation rental where round-the-clock parties occurred over several weekends. Because of these and other complaints we did some research and discovered:

1. Vacation rentals (actually, any rental under 30 days in length) are illegal in R-1 and R-2 zones (that's single family dwellings and duplexes) in the City of Los Angeles!

Under the City's ordinances, all such rentals fall into the category of "transient occupancy" and should be treated as "hotel rooms." Transient occupancy rentals are not allowed in R-1 and R-2 zones. And, of course, hotels have a whole host of regulatory requirements. For vacation rentals the problem starts with their illegality in most residential neighborhoods of the city - but that's just the tip of the iceberg. Trying to determine how to make such rentals legal will require a comprehensive study of the City's ordinances to determine the many ways they impact on short-term vacation rentals.

2. The City's Department of Building and Safety (DBS) is charged with enforcing the ordinances which ban vacation rentals. DBS is complaint driven - that is, they don't enforce unless there is a complaint. Until recently, there weren't many complaints - it has only been with the rise of airbnb.com (which currently lists "1000+" rentals in our area) and related websites that complaints have risen to the point where DBS has started enforcement.

Complaint driven enforcement is "selective" - if DBS receives a complaint about one house that is a vacation rental, but not the house next door (which is also a vacation rental), only the first home owner is cited. Of course, that's unfair, but that's the situation. Additionally, DBS has a very difficult time with enforcement - they need proof before they can enforce and they have to observe the evidence (so a neighbor's complaint can lead DBS to inspect - but if they don't observe a short-term rental situation they cannot enforce). Another problem DBS inspectors have is trying to decide if the people they observe are renters or friends or relatives (you can imagine the personal circumstances) of the owners and simply "helping out with expenses" during their stay.

The bottom line is that the enforcement situation is selective, inconsistent and inherently unfair. And of course, contrary to our expectations as Venetians, with our long history of vacation rentals!

3. The City's Department of Finance gets into the act - because all rentals under 30 days are "transient occupancy" rentals, they are businesses (meaning the owner has to register then as such) and are subject to the Transient Occupancy Tax (the same 14% tax the city applies to hotel rooms). Because the City is desperately in need of more money, Finance is under enormous pressure to collect all revenue owed to the city. The Department has become creative in finding vacation rentals and has been delivering notices of amounts due (and fines for being in arrears) all over the city as their various programs to discover listings bear fruit.

This puts the city in a completely contradictory situation – it collects taxes on what it defines as an illegal activity! And people who pay the tax believe that they are, in fact, engaged in a legal activity – after all, they pay their taxes - until DBS shows up.

4. The exponential increase in vacation rentals has led investors to recognize that they can make more money from short term rentals than from buying and reselling a house or from buying and renting a house to long term tenants. We have been told by real estate professionals that this is happening - but no statistics are available because no one collects / publishes the data. There is a concern that housing

stock is disappearing from the market - that rents are going up as supply diminishes and that shortages may be developing. This is problems we don't know much about. It could be minor - or it could be huge - we don't have any hard number - nor does the city have the data.

It seems to be clear that non-owner occupied/adjacent vacation rentals are increasing – and not just because of the stories we hear from realtors. We know this because of the volume of complaints and because those complaints don't get settled in a neighbor-to-neighbor conversation; they go to DBS instead.

The front desk of a hotel gets complaints all the time about noisy / disrespectful customers. The hotel deals with such complaints as part of their business. They probably don't get many complaints; but when there is a problem, customers know who to call and they get prompt attention. But in non-owner occupied rentals there is no on-site manager - complaints go to LAPD - and if the problem persists, to DBS.

DBS typically cites the owner for an "unapproved change of use;" the owner is required to pay a relatively small fine and stop their unapproved use of the premises. But because the citation is not specific to short-term vacation rentals, no statistics are available. Complaints and inspections are just another symptom of non-owner occupied/adjacent rentals.

For all these reasons, the VNC's Neighborhood Committee passed the following resolution:

Whereas, short-term vacation rentals are rapidly increasing in Los Angeles as the result of internet-based brokerages listing available dwellings and facilitating rental reservations - one online site lists 746 short-term rentals in Venice; *and*

Whereas, the demand for short-term rental units has resulted in long-term rental units being withdrawn from the market; *and*

Whereas, the City's regulatory agencies contradict each other regarding short-term vacation rentals, with the Department of Public Safety enforcing the city's ordinance prohibiting short-term vacation rentals in R1 and R2 zones (\$336 fine for each violation with no mechanism for escalating penalties in cases of repeat violations) but the Department of Finance requiring the operators of short-term vacation rental units to pay the Transient Occupancy Tax (14% on revenues received from rental of units under 30 days);

Therefore, be it resolved, The Neighborhood Committee of the Venice Neighborhood Council recommends that the Board of the VNC pass the following motion:

Resolved, The Venice Neighborhood Council requests that the Councilperson for the 11th City Council District, Mike Bonin, introduce a motion to the full City Council requesting that the conditions surrounding short-term rental of dwellings in Los Angeles be investigated by appropriate City Departments, that an ordinance be drafted regulating such rentals, and that the ordinance be submitted to a vote of the City Council.

This resolution does not make recommendations on how to solve the problems we have found. The VNC does not have the expertise to research city ordinances and departmental practices; nor is it in a position to hear from other areas of the city (and this is a city-wide concern). The resolution asks instead that our city council member get involved, do the necessary investigation and determine a better approach.

This resolution will come before the VNC's Administrative Committee on Monday, 11/11 and, assuming they decide to agendaize it for board review, the full VNC Board on Tuesday, 11/19. If the motion passes and if Councilmember Bonin decides to take up the issue (and he may not - the complexities and research will require substantial staff and city time to research - he may well have other priorities), Venice residents will likely be consulted to help with the development of new ordinances and to make recommendations about any future proposals.