



City of Delray Beach

Memorandum

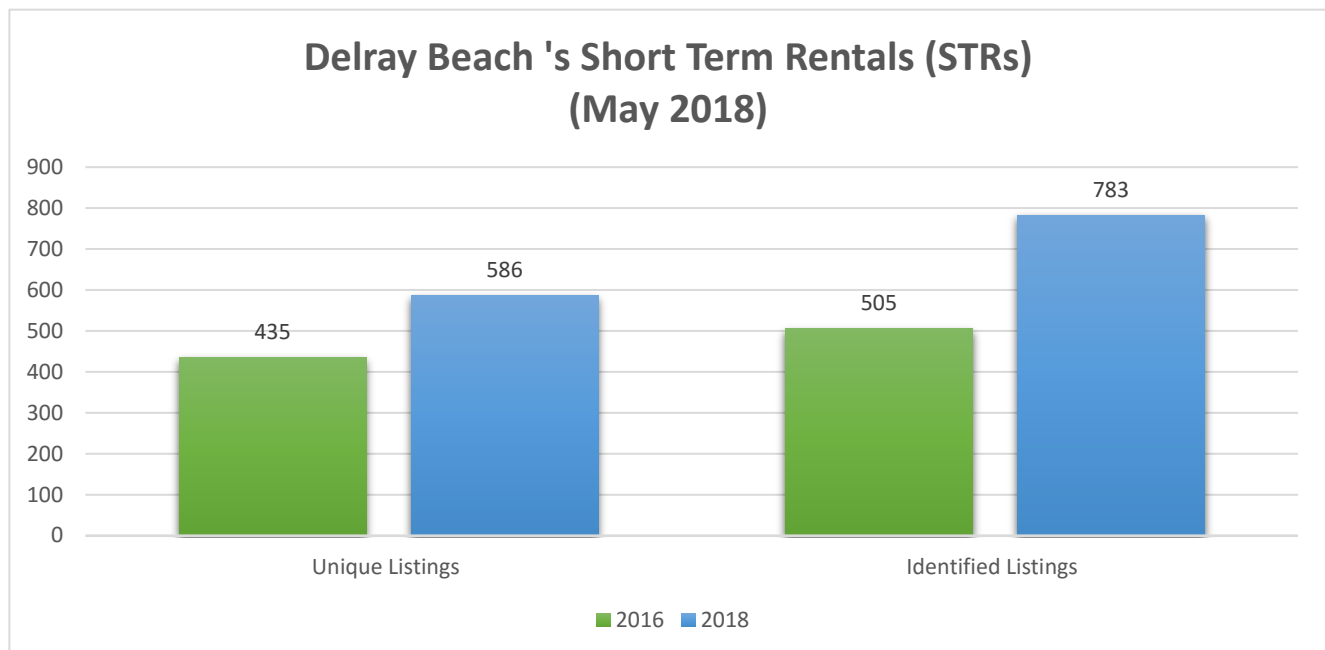
TO: Mark R. Lauzier, City Manager
FROM: Jeffrey S. Goldman, Acting Assistant City Manager; India Adams, Assistant City Manager
THROUGH: Michael Coleman, Director, Neighborhood and Community Services
SUBJECT: Short-Term Rentals
DATE: October 9th, 2018

SUMMARY:

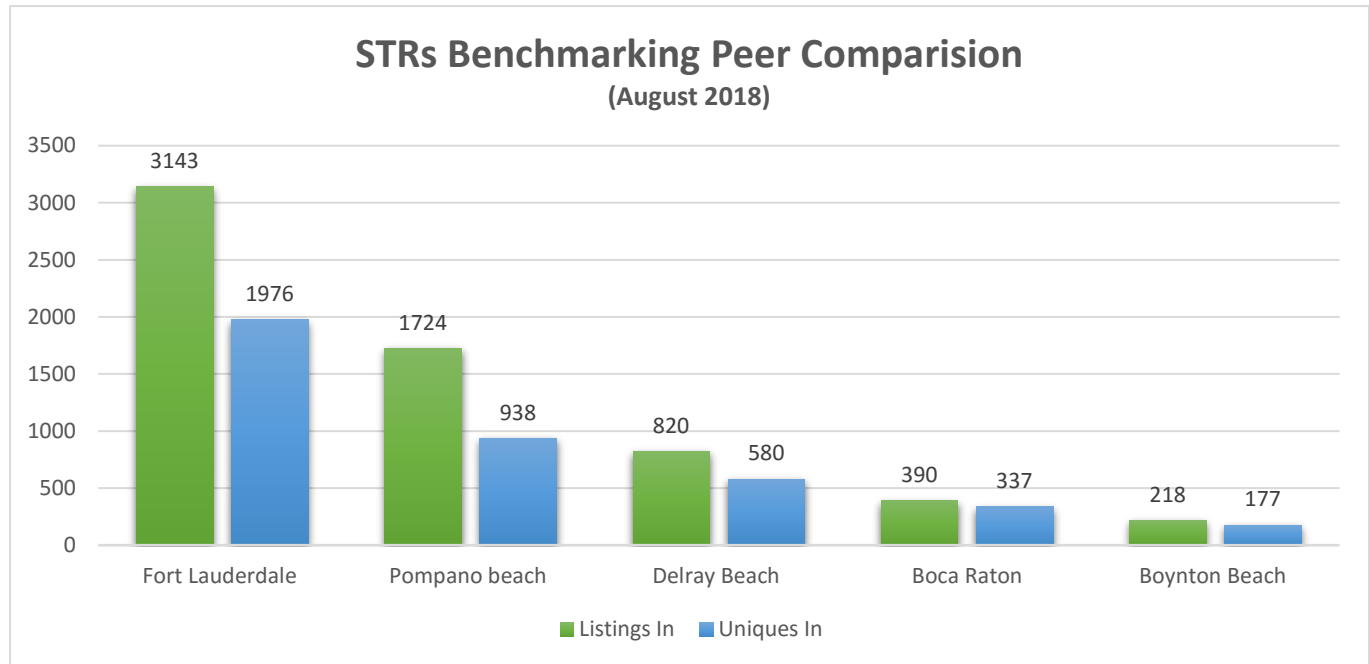
The purpose of this memo is intended to provide background on the issue of short term rentals. It will highlight benchmarking of three peer localities in Florida. Short term rentals include those listings on AirBnB, VBRO, and FlipKey, to name a few. Also included is how to address issues associated with short term rentals, the fiscal and operational impacts, and a recommendation.

BACKGROUND:

Short term rentals are a nationally emerging issue which is already impacted the City of Delray Beach. The City of Delray Beach first began researching options to regulate STRs in 2016 and contacted a vendor for a demo of their product. Based on that initial discussion the vendor provided the City with data of the total number of short term rentals (STR) within the City limits. In March 2018, the City reengaged a vendor for updated data on the number of STRs within the City limits. City staff has gathered data from a vendor on the total number of STRs in 2016 and 2018. The data shows a 35% increase in STRs from May 2016 to May 2018. When you look at the data below it is important to note that the unique listings are the individual or original listing of the unit/home. Identified listings include unique listings, as well as that same listing may be posted additional times on various other platforms such as VBRO and Flipkey. More recent data was obtained during a vendor demo for Acting Assistant City Manager Jeff Goldman. This data as of August 2018 reveals 843 Identified Listings representing 638 Unique Rental Units.



Staff has research and collected data from localities who have adopted short-term rental regulations. Those benchmarking localities include: City of Fort Lauderdale, City of Pompano Beach, and Village of Islamorada. Staff was also able to gather data from a vendor on our neighboring localities to shed light on the issue here in Delray Beach and Palm Beach County.



ISSUE:

While acquiring any vendor/product may help reduce the number of short term rentals within the City limits, it does have its limitations. The chart below provides the details on the data that the City will be able to gather. From city staff research we will not be able to specifically identify apartment units or units within condominiums.

Public available data for majority of properties	Data that can be acquired through the use of sophisticated technology or labor	Data that is impossible to obtain for majority of
<ul style="list-style-type: none"> Interior photos Listing description Location within half a mile of actual location 	<ul style="list-style-type: none"> Address Owner name Permit information 	<ul style="list-style-type: none"> # of nights rented per month/quarter/year Rental revenue per month/quarter/year

CITY ATTORNEY REVIEW:

City Attorney's Office will provide input during the Workshop on comments/questions that pertain to the legality of this presentation and recommendations.

FISCAL IMPACT & FUNDING SOURCE:

The Fiscal Impact is described below in the code enforcement costs (projected). Recommendation number one involves all short term rentals acquire a Business Tax License and have an Inspection Fee, which would generate fees at approximately \$129,000.

<i>Revenue Generated from Regulation YTD (Projected)</i>				
<i>Locality</i>	<i>One-Time (initial registration)</i>	<i>2016</i>	<i>2017</i>	<i>Total (YTD)</i>
City of Ft. Lauderdale	\$433,599	\$60,541	\$61,888	\$556,029
City of Pompano Beach	N/A	N/A	\$27,000	\$27,000
Village of Islamorada	N/A	N/A	N/A	N/A

<i>Code Enforcement Cost (Projected)</i>		
Projected Vendor Cost		\$38k
Administrative Staff Time		\$49K
Vehicle (Garage Maintenance/Gas)		\$8,180
Mailing/Notices x 5	(\$5.00 x 600units) (x5 Mailings)	\$15k
Housing Inspection Time	(2 hrs Per Inspection x 600 = 1200 hrs) 1200 hrs x \$22.50(Per Hour) = \$27,000	\$27k
	Total	\$129, 180

RECOMMENDATION:

1. **Require Short Term Rentals to register as an actual business and require them to have a Business Tax License with an annual fee of \$190.30 and contract with a vendor to capture the locations of the Short Term Rentals.**

Proposed BTR FEE	Inspection Fee	Estimated Number of Units	Estimated Revenue
\$190.30	\$25.00	600	\$129,180

TIMELINE

October 2018

- Direction from Commission
- Contract with a Vendor to provide data on Short Term Rentals
- Mail Notice to Property Owners w/ 60 Day notice to comply

November & December 2018

- Process BTR Applications

January 2019

- Issue Violations for non-compliance

2. **Bring back for discussion after March 2019 to see what/if changes will be made by the legislature.**

Proposed State Legislation to take place in March 2019

HB 773 would amend Section 509.032(7)(b), Florida Statutes to clarify how local governments may regulate vacation rentals while still maintaining the state preemption. Here is the text of the amendment (the underlined words would be added by the amendment):

(b) A local law, ordinance, or regulation may regulate activities that arise when a property is used as a vacation rental provided such regulation applies uniformly to all residential properties without regard to whether the property is used as a vacation rental as defined in s. 509.242 or a long-term rental subject to the provisions of chapter 83 or whether a property owner chooses not to rent the property. However, a local law ordinance, or regulation may not prohibit vacation rentals or regulate the duration or frequency of rental of vacation rentals. This paragraph does not apply to any local law, ordinance, or regulation adopted on or before June 1, 2011, including when the duration or frequency requirements of such law, ordinance, or regulation are being amended to be less restrictive.

HB 789 would amend Section 212.18, Florida Statutes which applies to the Florida Department of Revenue's authority to administer state law and regulate the registration of real property owners who lease or rent their property. Subsection 212.18(3)(a) and (b) require that persons who engage in a business of leasing or renting property subject to paying taxes, must file an application with the Department of Revenue for a "certificate of registration." Once issued to the property owner, it must be displayed in a "conspicuous place." HB 789 would amend Section 212.18(3)(b) to add a requirement that persons renting or leasing property for use as a "vacation rental" (as defined in Section 509.242(1)(c), Florida Statutes) must also display the certificate of registration number in each rental listing or advertisement for the property.

This amendment has two significant ramifications. One is that owners of vacation rentals who are listing their properties on website advertisements would need to display "a valid certificate of registration number" obtained from the Department of Revenue in their internet advertisements. And two, if they failed or refused to register with the Department, they could be subject to the criminal and civil penalties listed in Subsection 212.18(3)(c).

HB 789 would also amend Section 212.18 to add new civil penalties. The amendment would impose a \$50 per day penalty against owners who fail to display a certificate of registration number in a listing or advertisement until they complied by including it. Repeat offenders would be subject to a \$100 per day penalty for each day they are not in compliance and the amendment would give counties the authority to collect the penalty (more than half of Florida counties have agreements with Airbnb for the payment and collection of taxes).

