

City of Sacramento

Legislation Text

File #: 2020-00664, **Version:** 1

Title:

**Conversion of Multi-Unit Dwellings into Hotels/Motels (M20-001) [Majority Vote Required]
{Noticed 06/19/2020; Passed for Publication 06/16/2020; Published 06/19/2020}**

File ID: 2020-00664

Location: Citywide

Recommendation:

Conduct a public hearing and upon conclusion adopt: 1) a Resolution determining the proposed ordinance is not a “project” under the California Environmental Quality Act (CEQA) and is therefore exempt from CEQA Review (Pub. Res. Code section 21065.); and 2) an Ordinance amending various portions of Title 17 of the Sacramento City Code, relating to Bed and Breakfast Inns and Hotels;

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Presenter: Garrett Norman, Associate Planner, (916) 808-7934, Community Development Department

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-Ordinance (Redline)
- 4-Ordinance (Clean)
- 5-Letter from Sacramento Housing Alliance

Description/Analysis

Issue Detail: Recently, developers of some approved apartment projects within the Central City have expressed interest in converting their rental units into bed and breakfast inns or motel/hotels in

order to boost profits because short-term rentals can generate more income than long-term rentals. By example, the National Multifamily Housing Council estimated in 2017 that 65-percent of Airbnb bookings were done in apartment buildings. This trend is expected to continue in many mid to large sized cities.

Staff has concerns that these multi-unit buildings, however, were not specifically designed for interim lodging (i.e. hotel) and may lack features that will ensure a non-nuisance producing operation in a residential setting-e.g. entrance/egress, front lobby, delivery access and loading docks, etc. The intent of the ordinance is to not automatically prohibit the conversion of multi-unit dwellings into hotels, but rather require a discretionary planning process to determine compatibility of a site with appropriate conditions to ensure the project can operate safely and effectively. For example, the CUP process would allow staff to evaluate operational characteristics, like valet parking, loading and unloading zones, security for fencing, 24/7 onsite staff/management, and video surveillance systems. Staff thinks these are all important factors to consider when reviewing a hotel, particularly if that development was not originally designed to be a hotel.

The proposed ordinance requires a conditional use permit when demolishing multi-unit housing (three or more dwelling units) or converting existing multi-unit housing into a hotel/motel. The CUP process will require a public hearing before the Zoning Administrator, which will include a public notice to all residents within 500-feet of the site. All CUPs are required to make four findings of fact for the decision-maker to consider that includes consistency with general plan policies, zoning, and maintaining the public health, safety, convenience, or welfare of persons (Sacramento City Code section [17.808.200.C. <http://www.qcode.us/codes/sacramento/view.php?topic=17-viii-17_808-ii-17_808_200&frames=on>](http://www.qcode.us/codes/sacramento/view.php?topic=17-viii-17_808-ii-17_808_200&frames=on)). Additionally, the CUP process also allows for the decision-maker to impose conditions to help reduce any negative effects potentially caused by the new use, such as hours of operation, delivery service times, or required security.

Further, section [17.228.104 <http://www.qcode.us/codes/sacramento/view.php?topic=17-ii-17_228-i-17_228_104&frames=on>](http://www.qcode.us/codes/sacramento/view.php?topic=17-ii-17_228-i-17_228_104&frames=on) of the City Code defines the standards for Bed and Breakfast Inns and states a Zoning Administrator CUP is required if it is located in the lower density residential zones (RE, R-1, R-1A, R-1B, R-2, R-2A, R-2B, R-3, and R-3A). A Bed and Breakfast Inn is permitted by right in the higher density residential zones and commercial zones (R-4, R-5, C-2, C-3, etc.). Bed and Breakfast Inns are defined the same as short-term rentals in Chapter 5.114 of the City Code and are also required to obtain a short-term rental permit. No code amendments to Chapter 5.114 are included with this ordinance.

Also as part of the proposed ordinance, the Title 17 definition for Bed and Breakfast Inns would be clarified to apply only to single or duplex dwellings, thereby eliminating the application for Bed and Breakfast Inn within any residential complex containing three or more dwelling units. These sites would be classified as a hotel/motel for purposes of occupying a multi-unit structure with short-term lodging. Lastly, with respect to some Bed and Breakfast Inns the ordinance will require the property owner or a manager to reside on site.

Community Comments: The Sacramento Housing Alliance submitted a letter (Attachment 5) and spoke at the Planning and Design Commission hearing on June 11. The Alliance thinks the ordinance

does not do enough to protect multi-family housing in the City. For example, it was mentioned that a moratorium on the conversion or demolition of multi-family housing or offering relocation benefits pertaining to residential hotel units or demolition (S.C.C. [18.20](http://www.qcode.us/codes/sacramento/view.php?topic=18-18_20&frames=on) [<http://www.qcode.us/codes/sacramento/view.php?topic=18-18_20&frames=on>](http://www.qcode.us/codes/sacramento/view.php?topic=18-18_20&frames=on)) are better approaches. Currently, hotels are allowed by right in the zones identified in the ordinance-this is so, regardless of whether the development involves the demolition of multi-unit dwellings. The proposed ordinance would limit this type of development by requiring a CUP when the development involves the conversion of multi-unit dwellings. This will allow staff to look at the unique operational concerns presented by a hotel when developed in a residential setting. State law (Ellis Act) prohibits compelling the owner of any residential real property to offer, or to continue to offer, accommodations in their property for rent or lease, including significant restrictions on the owner's use of the property when those restrictions are tied to and inconsistent with the exercise of Ellis Act rights.

Policy Considerations: The 2035 General Plan contains the following goals and policies that support the proposed ordinance:

- **Goal LU 2.1: City of Neighborhoods.** Maintain a city of diverse, distinct, and well-structured neighborhoods that meet the community's needs for complete, sustainable, and high-quality living environments, from the historic downtown core to well-integrated new growth areas.
- **Policy LU 2.1.2: Protect Established Neighborhoods.** The City shall preserve, protect, and enhance established neighborhoods by providing sensitive transitions between these neighborhoods and adjoining areas, and by requiring new development, both private and public, to respect and respond to those existing physical characteristics buildings, streetscapes, open spaces, and urban form that contribute to the overall character and livability of the neighborhood.
- **Policy LU 2.6.6: Efficiency Through Density.** The City shall support an overall increase in average residential densities throughout the city consistent with the adopted General Plan Land Use & Urban Form Diagram, as new housing types shift from lower-density, large lot developments to higher-density, small lot and multifamily developments as a means to increase energy efficiency, conserve water, and reduce waste.
- **Policy LU 2.1.7: Good Neighbors.** The City shall encourage businesses located within and adjacent to residential developments to conduct their business in a courteous manner by limiting disturbances and nuisances from operations and patrons, and to act as members of the community by making themselves available to respond to complaints and by participating in neighborhood/community meetings.
- **Policy H-1.1.1: Sustainable Housing Practices.** The City shall promote sustainable housing practices that incorporate a "whole system" approach to siting, designing and constructing housing that is integrated into the building site, consume less energy, water, and other

resources, and are healthier, safer, more comfortable, and durable.

- **Policy H-1.3.1: Social Equity.** The City shall encourage economic and racial integration, fair housing opportunity, and the elimination of discrimination.
- **Policy H-2.3.5: Clear Development Standards and Approval Procedures.** The City shall maintain and administer clear development standards, and approval procedures for a variety of housing types, including, but not limited to, multifamily housing and emergency shelters.

The ordinance helps achieve these goals and policies by providing a public review process that requires planning review if any multi-family structure requests to convert into a hotel or motel. This process will help ensure compatibility of physical and operational characteristics when adjacent to residential development by allowing staff to provide appropriate conditions of approval to address potential nuisances. When the conversions are not compatible with the neighborhood or are inconsistent with city goals and policies, then staff would recommend denial. This discretionary process will likely discourage applications for conversion and may also reduce the number of approvals because of neighborhood incompatibility.

Economic Impacts: Not applicable.

Environmental Considerations: The Community Development Department, Environmental Planning Services Division has reviewed the proposed ordinance and finds that it is not a project requiring review under the California Environmental Quality Act (CEQA). CEQA defines a “project” as including an activity directly undertaken by a public agency that “may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.” (Pub. Res. Code section 21065.) The proposed ordinance will not do either. Among other things, the proposed ordinance would amend the city code to require a conditional use permit (CUP) for hotels and motels if the hotel/motel project involves the demolition or conversion of multi-unit dwellings that exist or are under construction. Currently, hotels and motels are allowed by right in all the zones addressed by the ordinance. The addition of a CUP requirement will not lead to additional development beyond what is currently allowed, but rather, if anything, may result in less hotel/motel development.

The other aspects of the ordinance—which consist of 1) making clear that bed and breakfast inns consist only of single-unit or duplex dwellings (offering temporary night-to-night lodging) and 2) with respect to certain bed and breakfast inns, require the property owner or a manager to reside on site—will likewise not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Neither of these changes will affect the built environment and will not result in a physical change in the environment.

Finally, even if the proposed ordinance were considered a “project” under CEQA, it would be exempt

from environmental review as it “can be seen with certainty that there is no possibility that [it] may have a significant effect on the environment.” (CEQA Guidelines section 15061(b)(3).) As explained above, the proposed ordinance, if anything, would restrict development and as such would have no significant effect on the environment.

Sustainability: Creating a discretionary review process for the conversion of existing rental housing into a hotel/motel will help to reduce displacement of renters, thus providing transparency and a public hearing process to ensure long-term economic and social resiliency is considered for our City neighborhoods.

Commission/Committee Action: On January 21, 2020, the Law and Legislation Committee passed a motion directing staff to draft an ordinance to require a planning review process for converting multi-unit dwelling structures into hotels/motels for short-term rental purposes. The Committee also requested that this ordinance bypass the second discussion with Law and Legislation and go straight to City Council as soon as possible [Council Rule Chapter 13, Law and Legislation Committee, (B.1.b.ii)]. The Committee also requested an annual report back to the Council to look at the number of conversions processed and number of new hotels submitted.

This ordinance was presented to the Planning and Design Commission at the June 11, 2020 public hearing in which the Commission passed a motion recommending approval to the City Council, subject to changing the hearing review level from the Zoning Administrator to the Planning and Design Commission until the time the City adopts a more progressive policy to preserving multi-family housing.

Rationale for Recommendation: Staff recommends the City Council pass a motion to adopt the attached resolution and ordinance. The proposed CUP requirement will allow the City to ensure that any proposed hotel/motel project involving the demolition or conversion of existing multi-unit dwellings properly fits within a residential setting. Multi-unit dwellings which are not specifically designed as a hotel/motel use could result in adverse impacts to existing neighborhoods when converting the structure without proper review and conditions. This ordinance supports the City’s goals and policies of the General Plan by protecting established neighborhoods by ensuring the building design and business operations are compatible with neighboring residential uses with a discretionary planning review process.

Financial Considerations: This ordinance may reduce the number of multi-family structures converted into hotels, which would have an impact on Transit Occupancy Tax (TOT).

Local Business Enterprise (LBE): No goods or services are being purchased under this report.