



# AGENDA REPORT

**Department:** Planning  
**Prepared by:** Martin Reeder, AICP – Asst. Director of Community Development  
**Meeting Date:** Tuesday, June 3, 2025  
**Approved by:** Scott W. Huth, Interim City Manager

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## **SUBJECT:**

Public Hearing: First Reading and Introduction of an Ordinance Amending Title 6 (Business and Franchise Taxes) adding Chapter 6.30 (Short-Term Rentals).

## **RECOMMENDATION:**

Introduce the Ordinance entitled: "An Ordinance Amending Title 6 (Business and Franchise Taxes) of the National City Municipal Code Adding Chapter 6.30 (Short-Term Rentals)."

## **BOARD/COMMISSION/COMMITTEE PRIOR ACTION:**

Not Applicable.

## **EXPLANATION:**

Staff gave a brief staff report to the City Council in December on the topic of short-term rentals (STRs), at which time staff was asked to return with additional information regarding current and prospective short-term rental activities. Staff reported back to the City Council on April 1, 2025, to receive additional input, at which time the Council instructed staff to return with a draft Ordinance. The attached Draft Language/Ordinance has been provided for input from the City Council. Any changes can be brought back at the second reading phase, or subsequent readings if necessary.

## **Background**

There are no current regulations on STRs, which means that they are not technically permitted by our "permissive" Land Use Code. The only rentals regulated in the City are those of 30 days or more. While an exact number is hard to know, there are routinely 100-200 STRs shown in the City as vacation rentals by owner, primarily on the Airbnb or VRBO platforms. Costs to rent are highly variable and range from \$300 to \$900 a night on weekends (April was used as a search parameter). Although ensuring compliance with the Municipal Code with regard to public safety is paramount, another issue is the missed opportunity to collect Transient Occupancy Tax (TOT), which is required for traditional hotel and motel room rentals. Other cities that have STR Ordinances require TOT payment, as well as conformance with other standards as discussed below. National City's TOT is 10% of the room rental rate. If there were 100 units rented out at \$500 a night, the resulting loss in TOT revenue would equate to around \$4,000 a day, depending on seasonality and market demand.

Of the 19 San Diego County jurisdictions (including the County), nine have STR regulations (Carlsbad, Chula Vista, Coronado, Del Mar, Encinitas, Oceanside, San Diego, Solana Beach, and Vista). Another six, while not having any specific STR regulations, allow STRs subject to normal rental property regulations (County, El Cajon, Escondido, Imperial Beach, La Mesa, and San Marcos). Four cities, including National City, do not regulate or permit STR's (the others are

Lemon Grove, Poway, and Santee). TOT in the County ranges from 8% to 14%. The average TOT in San Diego County is 10.3%. All but two cities collect TOT on STR's.

Because the majority of cities with STRs are beach cities with different populations, scenarios, and issues compared to National City, staff focused on the cities of Chula Vista and Vista, both of which have STR Ordinances and are similar in location or population. Both cities have basic requirements related to required permits, operating requirements, parking, payment of TOT, and maximum number of guests, as well as minimum stays (2 days) and transfer of licenses.

Chula Vista differs in that they require a STR landlord to maintain a primary residence in the city and limits a permittee to two STR licenses. They also allow events (weddings, parties, fundraisers, etc.) at STRs subject to a special permit. Vista has a more streamlined Ordinance, but allows up to five STRs per permittee and does not allow any events at STRs. Both Ordinances are attached for your reference and discussion. Staff is suggesting a streamlined, yet robust Ordinance that would ideally be a hybrid of the two.

The next steps would generally be to discuss the components of a draft ordinance, introduce and adopt the Ordinance, then implement the Ordinance. If this STR Ordinance is adopted, staff would then need to work with a vendor to implement a licensing and TOT collection program. Three vendors have been identified so far, whose services range anywhere from \$10,000 to \$15,000 annually, depending on services selected.

**FINANCIAL STATEMENT:**

Adoption of a Short-Term Rental Ordinance will generate Transit Occupancy Tax contributions to the General Fund through application of Short-Term Rental permits. Future license and monitoring costs are intended to be offset by permit fees.

**RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:**

Balanced Budget and Economic Development

**ENVIRONMENTAL REVIEW:**

This is not a project under CEQA, and is therefore, not subject to environmental review. CCR15378; PRC 21065.

**PUBLIC NOTIFICATION:**

The Agenda Report was posted at least 72 hours before the Regular Meeting date and time, and 24 hours before a Special Meeting in accordance with the Ralph M. Brown Act.

**ORDINANCE:**

First Reading

**EXHIBITS:**

Exhibit A - Draft Chapter 6.30 – Short-Term Rentals

Exhibit B - Draft Ordinance