



# AGENDA REPORT

**Department:** Planning  
**Prepared by:** Martin Reeder, AICP – Acting Director of Community Development  
**Meeting Date:** Tuesday, August 19, 2025  
**Approved by:** Scott W. Huth, Interim City Manager

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**SUBJECT:**

Public Hearing - First Reading and Introduction of an Ordinance Adding Chapter 6.30 (Short-Term Rentals) to the National City Municipal Code.

**RECOMMENDATION:**

Introduce the Ordinance Entitled, “An Ordinance of the City Council of the City of National City, California, 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 reports to the City Council in December 2024, April 2025, and June 2025 to receive input and direction on the creation of a Short-Term Rental (STR) Ordinance. The Council provided additional language requests and asked staff to return with an ordinance for introduction in August.

Discussion at June 17, 2025 meeting

At the last meeting when this topic was discussed, several additional points were raised that required follow up:

*Limitations on short-term rentals per Council District*

The number generally arrived upon was a maximum of 180 total short-term rental units permitted at one time. While this would generally equate to 45 per Council District, staff is suggesting a maximum of 60 (or one third of the maximum allowed) in any one district. This has been incorporated into the attached draft ordinance (6.30.030).

*Criminal background checks*

It was suggested that someone who has a criminal record related to prostitution or other serious crime be prohibited from operating a short-term rental. While the majority of landlords may get criminal background checks from their tenants prior to renting, it is not prevalent in short-term rental ordinances for other cities for the permittees themselves to require one. Regardless of a background check, a permittee must adhere to the operating standards of any permit regulations. If there are violations, citations and revocations would be a remedy. Revocation of a short-term rental permit requires a one year cooling off period prior to re-application.

*Permit costs in other jurisdictions*

The permit costs vary greatly between jurisdictions. However, we have been looking at the cities of Chula Vista and Vista for purposes of comparison. Chula Vista charges \$250 for a permit, plus \$175 per year thereafter for renewal. Vista charges a flat fee of \$250 per year.

#### *Bedroom storage requirements*

The definition was modified to allow for cabinet storage in lieu or in addition to a closet (6.30.020).

#### *Rentals not used for business purposes*

The requirement that short-term rentals be used only for residential purposes and not for any business purpose has been incorporated into the draft ordinance (6.30.080 M)

#### *Location of primary residence*

It was suggested that the permittee's primary residence be in the City or within a quarter-mile of the short-term rental if outside the City. This has been incorporated into the draft ordinance (6.30.040 A)

#### *Number of total rental days per year*

Hosted short-term rentals are not limited in the amount of days that they be rented for. However, un-hosted short-term rentals are currently limited to 90 days per calendar year. This creates feasibility issues for property owners who are considering purchasing a property for purposes of operating a short-term rental. 90 days would mean that the property would sit vacant or be more likely to be used for non-sanctioned purposes. The only other option (other than the 90 days per calendar year) would be to switch from a short-term to long-term rental situation. This would be difficult to manage and unpredictable. However, the 90-day limitation would protect long-term rental housing more effectively.

The limit on the maximum number of short-term rentals in the draft Ordinance is 180. Based on the City's Transient Occupancy Tax rate of 10%, 180 rentals at an average of \$500 per night (see additional discussion below) would equate to approximately \$9,000 per day, or around \$3.3 million annually. However, based on the suggested language limiting non-hosted short-term rentals to a maximum of 90 days rental per calendar year, the potential TOT revenue would be reduced by up to 75%. While public safety and neighborhood livability are paramount, ensuring that the program pays for itself and for impacts on City resources, it is suggested that one of these limitations be modified to increase revenue potential.

It should be noted that a short-term rental property may be considered as a "hosted unit" even if the owner's primary residence is on a separate property. However, in that case the primary residence must be immediately adjacent to the short-term rental property. There are current owners in the City that have multiple short-term rentals, most of which likely function without issue. However, these would only be able to continue if they are located next door to or behind (immediately adjacent to) the primary residence. Otherwise, they would be limited in the future to no more than 90 days per calendar year as a short-term rental. Long-term rentals (more than 30 days) would be permitted as they are currently, subject to appropriate permits. Long-term rentals do not generate Transient Occupancy Tax.

#### Information Previously Presented

Two other San Diego County cities with STR Ordinances have numerical limits on rental nights per year or maximum number of short-term units. Chula Vista limits the maximum number of rentals for non-hosted units to 90 days per year. Del Mar has an overall limit of 129 short-term rental permits, or 5% of its housing stock. 5% of National City's housing stock would 885 units.

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 \$5,000 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. Staff has attempted suggesting a streamlined, yet robust Ordinance that is a hybrid of the two, as well as with additional regulations based on previous Council input.

The next steps would generally be to discuss and introduce the Ordinance, adopt the Ordinance at a subsequent meeting, 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 Transient 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

**EXHIBIT:**

Exhibit A - Draft Chapter 6.30 – Short-Term Rentals

Exhibit B – Draft Ordinance