



NEWPORT BEACH

City Council Staff Report

September 27, 2022
Agenda Item No. 1

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2022-61: Initiation of Zoning Code and Local Coastal Program Amendments Related to Fractional Homeownership (PA2022-0202)

ABSTRACT:

For the City Council's consideration is the initiation of amendments to Newport Beach Municipal Code (NBMC) to address fractional ownership. Specifically, Title 20 (Planning and Zoning) and Title 21 (Local Coastal Program Implementation Plan) of the NBMC will need to be amended to regulate the use of properties that are considered fractional homeownership.

RECOMMENDATION:

- a) Determine this action exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15262 (Feasibility and Planning Studies) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3;
- b) Adopt Resolution No. 2022-61, *A Resolution of the City Council of the City of Newport Beach, California, Initiating Amendments to Title 20 (Planning and Zoning) and Title 21 (Local Coastal Program Implementation Plan) of the City of Newport Beach Municipal Code Related to Fractional Homeownership (PA2022-0202)*; and
- c) Provide other direction to staff as deemed necessary by the City Council.

DISCUSSION:

On November 16, 2021, the City Council conducted a study session to discuss fractional homeownership. Information was presented that there was one fractional ownership operator within the jurisdictional boundaries of the City and that four homes had either been fully sold or marketed for sale as fractional homeownership. The City Council directed staff to monitor fractional ownership activity in the City and investigate how other jurisdictions were dealing with such issues and report back.

Staff retained the services of Sagecrest Planning+Environmental (Sagecrest) to study jurisdictions with known fractional ownership properties. The study found that of the 22 jurisdictions surveyed, 15 classify these properties as a form of timeshare.

On September 13, 2022 the City Council held a study session to discuss the results of the Sagecrest study. Public testimony provided during the study session included concerns about increases in traffic and noise, as well as fractional ownership properties having an adverse impact on the character of the existing residential neighborhoods. In some instances, fractional ownership properties operate in a similar manner as short-term lodgings by limiting occupancy by owners of a fractional interest in a property to less than 30 consecutive days. Over the past 10 months, the number of fractional ownership operators has increased to five and fractional ownership residential properties within the City has nearly tripled with at least 11 fractional homeownership residential properties currently fully sold or marketed in the City.

At the conclusion of the study session, the City Council directed staff to return with: 1) a moratorium to pause the transactions of new fractional ownerships; and 2) an initiation of a code amendment to revise the NBMC.

This agenda item focuses on the code initiation only as the moratorium is still being developed. Should the City Council choose to initiate these proposed amendments, the specific text changes will be drafted and considered by both the Planning Commission and the City Council at future public hearings. Additionally, amendments to the certified LCP will require certification by the California Coastal Commission (CCC) to become effective.

FISCAL IMPACT:

There is no fiscal impact related to this item.

ENVIRONMENTAL REVIEW:

The initiation of zoning and LCP amendments are exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15262 (Feasibility and Planning Studies) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential to have a significant effect on the environment. No final action on any amendments will occur at this meeting and the initiation of the amendment does not have any legally binding effect upon future consideration of the amendments themselves. The City of Newport Beach will conduct an environmental review prior to the consideration of approval of the amendments.

NOTICING:

The Municipal Code does not require notice for the initiation of amendments. Notice of this item appeared on the agenda for this meeting, which was posted at City Hall and on the City website.

Should the City Council initiate the amendment, public notice will be provided for subsequent public hearings before the Planning Commission and the City Council as required by the Municipal Code. Additionally, notice of the LCP amendments will be sent to all persons and agencies on the Notice of the Availability mailing list.

ATTACHMENT:

Attachment A – Resolution No. 2022-61