



March 29, 2023

TO: Members and the Board of Directors

FROM: Ron Rubino, President

Subject: Fractional Home Ownership – City Policy Update

This is a follow-up report on the action taken by the City Council on the policy of how Fractional Home Ownership should be permitted and regulated.

The meeting had a full house and the City Council had received more letters and emails. The agenda item was last item on regular agenda. You can listen to the meeting on the video provided on the City's website at the following link.

[https://newportbeach.granicus.com/player/clip/4146?view\\_id=44&meta\\_id=457303&redirect=true&h=6552886650518d4b4c489d28143b5644](https://newportbeach.granicus.com/player/clip/4146?view_id=44&meta_id=457303&redirect=true&h=6552886650518d4b4c489d28143b5644)

#### **Information Provided by StuNews:**

At the February meeting, commissioners agreed to recommend to the council that a permit be created to regulate this type of use through the municipal code under business licenses (similar to how the city regulates short-term lodging) and that permits be required for both the property and the property manager. Staff emphasized that it's important that the city clarify that these permits would only be applicable to co-owned properties that are managed and facilitated by a third party, so that they don't unintentionally capture other properties that are held in common ownership by family members or friends.

They also suggested that a management plan be submitted to the city. The plan needs to identify a local, 24-hour contact person that is available to address any issues that arise. They should be located within 25 miles and respond within 30 minutes of any calls.

Other recommendations included that the property conform with current parking requirements and noise restriction standards, a good neighbor policy is posted at the property, subletting and guest use is prohibited, a grandfathering provision be created and confirm that the owners acknowledge the rules.

There were also some comments about suspending the permit after a certain number of complaints and exploring the idea of prohibiting advertising the use as a real estate selling point. After some discussion, commissioners also asked for transparency for neighbors through the permit process and directed staff to define fractional homeownership (but didn't specify whether they should or shouldn't fall under the description for a timeshare). Some commissioners and public speakers noted concern about the potential commercialization of residential neighborhoods. Several commented that the council could consider broadening the definition of timeshares to include fractional ownership.





## Information Provided by SPON

We talked about Fractional Homeownership (FHO's) in our last newsletter. For those of you who have busy lives and haven't had time to follow this issue, here is a brief reminder:

Fractional Homeownership refers to residential homes which are purchased by a real estate/management company, remodeled with high-end amenities, and then sold at inflated prices to buyers in "shares" – typically eight shares are sold for a single property. Rules requiring short stays (usually two weeks) ensure that Fractional Owners and their guests cycle in and out of a residential property frequently just like Timeshares.

In addition to the Fractional Owners and their guests, housekeeping crews, maintenance workers, landscapers, and others must regularly service the properties due to frequent occupancy turnover. This translates into increased traffic, and many additional parked cars and trucks on already overburdened streets.

SPON hired a renowned law firm to review our City ordinance banning Timeshares and render an opinion regarding how our ordinance could be modified or expanded to regulate or disallow Fractional Homeownership. Several community groups, including Corona del Mar Residents Association, Central Newport Beach Community Association, Balboa Island Improvement Association, West Newport Beach Association, and resident activists from Newport peninsula, Newport Island, Newport Heights, the Bluffs, Santa Ana Heights, banded together to inform residents and encourage people to contact their Council representatives and voice their opposition to FHO's. Over the course of a few short weeks, Newport residents made a lot of noise and got the attention of the City Council.

On March 14th, we filled the Council Chamber with standing room only to make our concerns known. We had two attorneys present who were prepared to argue the residents' position. Through the overwhelming commitment and vigilance of our residents, we convinced the City Council members that FHOs didn't belong in residential neighborhoods. Prior to public comment on the matter, Mayor Blom asked the Council to share their opinions and, to our surprise, all seven Council members indicated that they had heard the message loud and clear, that residents didn't support FHOs. Everyone had a chance to voice their concerns and, at the end of the session, the Council members voted 7-0 in support of a ban.

Thank you to the City Council for reading our emails, taking our phone calls, and meeting with us to listen to our many concerns, objections and ideas.

The staff is currently working on language to include Fractional Homeownership in our existing ordinance which bans Timeshares in our residential neighborhoods. The Planning Commission will review the revised ordinance on April 20th and City Council will hear the ordinance on May 9th. It's not done yet, and we need to stay alert. We need to attend the April 20<sup>th</sup> Planning Commission meeting and the May 9th City Council meeting, but we are very close to a successful resolution to what could have been a serious threat to our peaceful residential neighborhoods.

