

DRAFT

AGENDA: 6/22/10

June 9, 2010

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

RE: VACATION RENTALS

Dear Members of the Board:

Home to some of the most beautiful coastline in our county, the coastal neighborhoods in Live Oak are treasured by local residents and tourists alike. With new infrastructure investment over the years, the neighborhoods have become increasingly popular for the purchase of vacation homes. As these homes have proliferated, the summer rentals of the past have evolved into a year round business.

With advances in technology, vacation homes can now be marketed to larger audiences for varying periods of time. This evolution has caused growing problems for residential neighborhoods in coastal communities. Increased numbers of vacation homes/rentals have stirred discussion about the preservation of neighborhood integrity, decreases in rental housing for local residents, public safety, and increased rents. The more universal complaints about vacation rentals include loud, late-night parties, traffic, and garbage. A comment heard in coastal communities is that vacation rentals are in essence a commercial business in a residential neighborhood.

There is an approval process related to hotels or motels. A hotel or motel must be located in a commercial zone, and almost all hotels and motels are subject to various local taxes. Bed and breakfast operations are subject to permit requirements and limits. Currently, vacation rentals in the unincorporated area have no restrictions or limits. There are no operational permits required, which makes vacation rentals in residential neighborhoods an unregulated, growing industry. Many vacation rentals available for daily, weekend or weekly rentals are direct competitors to the regulated visitor accommodation industry.

BOARD OF SUPERVISORS

June 9, 2010

Page 2

Attempts to mediate the competing interests of the opponents and proponents of vacation rentals have not been successful in many communities, including our own. This prompts the need for local government to implement regulations. Our Board has previously recognized the need for regulation in this area as indicated in our recently adopted Housing Element.¹

Due to the changes described above, I propose that the Board establish a set of regulations to protect the integrity of our neighborhoods, reduce calls to the Sheriff's office for assistance, and level the playing field with other lodging establishments that contribute to our tax base.

Zoning Regulations

When vacation rentals are permitted in residential neighborhoods, they commonly include the following components:

- A definition of the classification of the vacation home/transient occupancy use type
- Occupancy limitations
- Time limitations
- Parking requirements and limitations
- Management of impact mitigations, e.g. putting garbage cans out of sight, etc.
- Identification of zoning districts where vacation rentals would be allowed
- Approval process and public notification
- Permit, signage, business licensing, and tax collection considerations
- Availability of an in-town property manager or representative to mitigate neighborhood impact
- Penalties for police calls and other disturbance issues
- Limits on the number of vacation rentals in a specific residential neighborhood

Scope of Vacation Rental Ordinances in California

The following communities have been identified as having some ordinance in effect regulating vacation rentals. This list is not exhaustive but is provided to demonstrate the number of communities that have addressed the issue of regulating vacation rentals in residential neighborhoods. Others such as Dana Point and Pismo Beach are now holding hearings on vacation rental regulations.

¹ Program 4.13: Explore options for regulating the conversion of existing housing units to vacation rentals in order to limit the impact of such conversions on the stock of housing and on the integrity of single family neighborhoods. County of Santa Cruz Housing Element

BOARD OF SUPERVISORS

June 9, 2010

Page 3

Cities: Big Bear Lake, Calistoga, Capitola, Carmel, Coronado, Encinitas, Imperial Beach, Monterey, Napa, Newport Beach, Moro Bay, Palm Springs, Paso Robles, Solana Beach, Sonoma, South Lake Tahoe, and Ventura.

Counties: El Dorado, Mendocino, Monterey, Napa, San Luis Obispo, Siskiyou, and Sonoma.

The attached table shows the range of regulatory methods used by communities in California (See Attachment 1, _____)

Vacation Rental Ordinances in the Monterey Bay Area

The following information summarizes the regulations in effect in the Monterey Bay Area.

Santa Cruz County

City of Capitola - Capitola allows vacation rentals in the Village Area of the community but requires registration of the units, a business license, and other regulations. The permit for the vacation rental must be renewed on an annual basis. Vacation rentals are not allowed outside the Village Area. (See Attachment 2, Capitola Regulations)

Monterey County

City of Carmel - The City of Carmel bans all short-term rentals in residentially zoned areas, which are under 30 days in duration. (See Attachment 3, Excerpt from the Carmel Municipal Code)

City of Monterey - The City of Monterey has banned all short-term rentals in residentially zoned areas. Short-term rentals in residentially zoned areas as of 1991 were grandfathered for five years or upon resale of the property. (See Attachment 4, Excerpt from the Monterey Municipal Code)

Monterey County - Unincorporated area, including Carmel Valley, Pebble Beach, the Big Sur area, and others. These regulations were adopted in 1997. Vacation rentals in the unincorporated areas cannot be for less than seven days, require an administrative permit, require a property manager if the owner does not live within five miles of the rental, prohibit on site advertising, and contain a penalty clause. (See Attachment 5, Excerpt from County of Monterey County Code)

Proposed Features of a Vacation Rental Ordinance for Live Oak Parking District

The neighborhoods experiencing the largest impact from the growing presence of vacation rentals are along the coastal areas of Live Oak, which have the most immediate access to summer beaches and other attractions. This area corresponds to the Live Oak Summer Parking District, the area between Capitola and Santa Cruz, and is comprised of the largest portion of beach access streets. Many neighborhoods in this area have large concentrations of vacation rentals, with more homes being converted to this usage each year. This proposed area for vacation rental regulation includes at least four motels within easy walking distance to the neighboring beaches.

As proposed, the Live Oak Vacation Rental Ordinance would combine features found in the ordinances of other Monterey Bay communities, with adaptation of these regulations to the Live Oak Parking District. For instance, the proposed ordinance would not ban such uses outright, as is the case in the Cities of Monterey and Carmel. Rather, it would allow the continuation of certain pre-existing vacation rentals but require new regulation in terms of operation for approved existing vacation rentals and put limits on the expansion of new vacation rentals in impacted neighborhoods.

Proposed Live Oak Vacation Rental Ordinance Components

These new regulation components are meant to apply to any existing vacation rentals.

Geographic Boundary: The Live Oak Vacation Rental Overlay District shall be co-terminus with the boundaries of the Live Oak Beach Parking District. (See Attachment 6)

Permit Requirement: An administrative use permit would be required for operation of a vacation rental, with annual renewals subject to neighborhood notification. An administrative use permit can be revoked or denied based on an analysis of neighborhood complaints that have been filed with the Sheriff's office.

Length of Stay Limitation: All vacation rentals in the Live Oak area would be prohibited from renting for less than seven days. (Review of coastal regulations and practices in coastal communities that have recently passed vacation rental ordinances may result in modification of this requirement.) Rentals for a period of over 30 days are exempt from the requirements.

Usage Limitation: No vacation rentals can be used for business purposes such as business retreats, sales events, non-owner participant wedding receptions, or other high intensity purposes.

BOARD OF SUPERVISORS

June 9, 2010

Page 5

Occupancy: All vacation rentals would be prohibited from renting to groups with over two persons per bedroom, up to a maximum of ten persons regardless of additional room availability.

Signage: Signage is prohibited, except the permit certificate visible from the exterior.

Management: Owners must designate a person located within a 15 mile radius of the rental unit as a local contact person. This contact person shall be available 24 hours a day to respond to tenant and neighborhood questions or concerns and to otherwise be responsible for assuring that the rental unit complies with the requirements of the administrative permit

Geographic Concentration: Vacation rentals will be grandfathered that were in operation in 2007 (the top of the last housing market). All others are subject to a three year phase out after adoption of the new regulations. Evidence of operation includes submittal of Federal or State tax information indicating past use of the residence in 2007 as a vacation rental, including payment of appropriate transient occupancy tax (TOT). The approved grandfathered vacation rentals will be subject to the new regulations in terms of operation, e.g. length of stay, occupancy limits, permit, parking, etc. No new vacation rentals will be permitted in the overlay district.

Parking: Applications for vacation rentals must provide evidence of adequate off-street parking for the proposed occupancy of the unit. A maximum of five cars are permitted regardless of additional space availability.

Penalty Clause: A specific penalty clause will be applied to vacation rentals relating to calls to the Sheriff's Office concerning noise or other documented complaints about garbage and property maintenance and will outline the grounds for a permit to be revoked or denied.

Transient Occupancy Tax: Owners shall document rental receipts and pay the County Transient Occupancy Tax on gross rental receipts.

Recommendations

With the increasing number of vacation homes in the Live Oak coastal neighborhoods and our previously expressed desire to enact some kind of regulation, I recommend that the Board take the following actions:

1. Direct the Planning Department, in concert with County Counsel, to draft an ordinance that includes regulation as described above on the following components, at a minimum:
 - Geographic Boundaries
 - Permit Requirements
 - Length of Stay Limitations
 - Usage Limitations
 - Occupancy
 - Signage
 - Management
 - Geographic Concentration
 - Parking
 - Penalty Clause
 - Transient Occupancy Tax
2. Direct the Planning Department to review the proposed ordinance with the Planning Commission and the Housing Advisory Commission.
3. Direct the Planning Department to confer with the local Coastal Commission office to review coastal regulations on vacation rentals that have most recently been certified.
4. Direct the Planning Department to report on existing vacation rental stock as well as existing visitor-serving units otherwise (e.g., hotels, motels, inns, bed and breakfasts, etc.) and land designated for visitor-serving uses to better understand the visitor-serving baseline and context.
5. Direct the Planning Department to return to the Board with a recommended ordinance on or before November 16, 2010.

Sincerely,

JOHN LEOPOLD, Supervisor
First District

JL:ted
Attachments

cc: Planning Department
County Counsel
Conference and Visitors Council

5054A1