

Short-Term Vacation Rental Subcommittee

City of Santa Cruz

Date: March 7, 2017

From: Planning and Community Development, Scott Harriman

To: STVR Subcommittee

Subject: Subcommittee Findings

BACKGROUND: The Short-Term Vacation Rental (STVR) Subcommittee was formed by the City Council in late 2016 to examine potential regulatory frameworks for short term rentals and to address the associated issues of preserving and protecting neighborhood character and long term rental housing stock in Santa Cruz. The eleven-person Subcommittee represents a wide spectrum of residents with various business and professional backgrounds including real estate, the hospitality industry, engineering, architecture, education, housing, and neighborhood advocacy. The Subcommittee assembled for five meetings from December 14, 2016 to March 7, 2017.

The Subcommittee examined vacation rental ordinances from multiple jurisdictions throughout California, including that of Santa Cruz County; completed two staff-generated questionnaires on various aspects of vacation rentals; held group discussions; and received many email correspondences expressing a variety of opinions and personal stories, both pro and con, on the topic. All information and reports distributed to the Subcommittee, including public correspondence received, is available for public review on-line at the City's website.

As articulated throughout Subcommittee discussions and correspondences received, Santa Cruz has a long history of being a vacation destination. Longtime residents recall homes throughout town that were occupied mostly on weekends and during summer months. Prior to advent of computer-based platforms, the process of renting a vacation home was typically word-of-mouth through friends and families, and real estate professionals. Some vacation, or second homes, were offered or shared when not in use by family members, and remained vacant when not in use.

Today, with the advent of computer-based vacation rental platforms, the ease, global reach and speed of vacation home renting has expanded the market dramatically over the past decade. Many cite the high cost of housing in Santa Cruz and the ability to offset housing costs as compelling factors, which contribute to the increase of short-term vacation rentals. Santa Cruz is a great place for those that have the ability to own a primary residence or vacation home, but has become less affordable for long-term renters.

SUMMARY OF SUBCOMMITTEE WORK: The Subcommittee was asked to participate in a collaborative process to explore the varied aspects of vacation rentals in Santa Cruz. The Subcommittee was not asked to write municipal code or draft language for Planning Commission or City Council review. Group consensus was reached on some fundamental questions, such as agreement that short-term rental definitions were needed, and that some form of regulatory scheme would be appropriate to preserve long term rental housing and protect neighborhoods. Other topics, such as how STVR should be limited, resulted in divergent viewpoints.

Preparing for and meeting with the Subcommittee provided staff and the Subcommittee an opportunity, outside of the public-hearing, decision-making process, to research the various short-term rental topics, share thoughts and ideas, hear opposing viewpoints, and most particularly, find areas where more research and data is needed.

The composition of the Subcommittee resulted in a philosophically divergent policy base, with roughly the same number of participants who felt that short-term rentals are a detriment to the community and advocating for prohibition or strict limitations, as those who are strong property-rights advocates recommending few limitations. All participants agreed that short-term rental terminology, policies and operational standards should be clearly defined and established.

SUBCOMMITTEE RECOMMENDATIONS: Based on group discussions and survey responses, the following list represents the Planning Department staff interpretation of the key take-away points from the STVR Subcommittee process. Together, these points reflect the high-level recommendations of the Subcommittee and should be acknowledged and considered as part of any further regulatory review process:

1. Santa Cruz has a long history of being a vacation destination.
2. Housing and STVR's in Santa Cruz is a complex problem with no immediate fix.
3. The periodic and fluctuating student population contributes to the rental housing demand and can affect neighborhood character.
4. The growth of the short-term rental market has increased rapidly over the past decade.
5. Use of computer-based platforms has increased the speed, reach and ease of participating in the vacation rental market.
6. Any STVR process should include definitions, registration, clear standards and procedures, rules of behavior, verifiable complaint process, and enforcement procedures.
7. Continue to gather data and research to assess the true impact of STVR's.
8. Consider an amnesty program to determine the actual number, location, intensity of STVR use and if hosted or non-hosted.
9. Consider establishing a cap or other limiting criteria to manage the number of STVR's including phase-in/phase-out criteria.
10. Allow for periodic review of the regulations.
11. Update rules as appropriate.

In addition to these high-level points for further consideration by Planning staff, the Planning Commission and City Council; the attached table includes a summary of some of the detailed topics reviewed and discussed by the Subcommittee.

CONCLUSION: The STVR Subcommittee has expressed concern that the moratorium on allowing new short-term rentals has resulted in an extremely limited time-frame in which to review this complex topic. In preparing this summary report, staff has attempted to fairly reflect a compilation of the various opinions expressed and ideas discussed during the Subcommittee meetings, not any one person's particular point of view. It is acknowledged that whatever regulatory method is ultimately adopted by the City Council, that the details of the administration and enforcement of STVR's will need to be frequently monitored and adjusted as new and more complete information becomes available. The work of the Subcommittee has provided a good base from which to build a regulatory structure. The Subcommittee discussions have been informative and a productive way to hear the diverse perspectives relating to this issue in a less formal, working group environment.

Attachments: Table of Subcommittee Recommendations
Correspondence