

Short-Term Vacation Rental Subcommittee

City of Santa Cruz

Date: January 11, 2017

From: Planning and Community Development, Scott Harriman

To: STVR Subcommittee

Subject: Short-Term Vacation Rentals in Santa Cruz; Potential regulatory frameworks, background and process report for subcommittee discussions and recommendation.

BACKGROUND: Currently, the City of Santa Cruz Municipal Code does not have any land use regulations or standards that define, govern or permit short term vacation rentals in residential zones. The City does have Finance regulations requiring registration and payment of transient occupancy tax (TOT) for rental housing stays of less than 30 days. This report is intended to provide a foundation for subcommittee discussion for this and future subcommittee meetings. New information or handouts will be provided as necessary to the subcommittee prior to each meeting as follow-up or in response to subcommittee input or questions.

In looking at vacation rental regulations as a broad topic, jurisdictions have taken various regulatory approaches, which can be generally categorized as Restrictive, Limited, and Permissible. This report provides an overview of these basic regulatory options. Examples of these basic frameworks, are included in the subcommittee binder in staff reports and ordinances from other jurisdictions. Depending on a jurisdictions desired outcome, regulations can be viewed as a series of “menu options” that work to achieve to the goal.

To frame the subcommittee discussions, the City Council identified a number of objectives for consideration of potential vacation rental regulations:

Preserving rental housing in Santa Cruz, and

Protecting the character of residential neighborhoods.

These over-arching goals should be kept in mind during discussions and when formulating recommendations to the Planning Commission and City Council.

Included as attachments to this report, are summary notes from the December 14 Subcommittee meeting; various Santa Cruz facts and statistics; responses to subcommittee questions received following the December 14th meeting; the vacation rental ordinance from the City of Napa;

summary outline of the County of Santa Cruz Vacation Rental Ordinance; and correspondence directed to the subcommittee.

REGULATORY OPTIONS: For purposes of identifying potential regulatory frameworks in this report, the following categories will be used: Restrictive, Limited, Permissible, and No Change.

- a. Restrictive: This option would prohibit short-term rental housing in single and multi-family residential neighborhoods. This option has the greatest potential to protect neighborhood character and preserve rental housing in neighborhoods. In Santa Cruz, this option would likely require establishing vacation rental definitions and establishing an amortization process to eliminate, over time, existing short-term vacation rental activities that have been established. As an example, the City of Santa Barbara defines “vacation rentals and home sharing” as “hotels”, which are a non-residential use for zoning purposes, and may operate only in zones that permit hotels. All short-term residential rentals are prohibited in Santa Barbara. Further information on vacation rentals in Santa Barbara is included in the STVR binder.
- b. Limited: This option would allow some form of short-term residential rentals, limited for example, to a “hosted” condition wherein at least one of the primary residents lives on-site throughout the visitor’s stay. Requiring a resident host preserves the dwelling as someone’s primary residence and provides over-sight protecting neighborhood character. The STVR binder includes reports from the cities of Sunnyvale, Santa Monica and Los Angeles, which limit short-term residential rentals to those which are “hosted” only. Reports from these City’s provide background information and detailed analysis of permitting and enforcement strategies.
- c. Permissible: This option allows for a residential home or unit to be rented on a short basis (less than 30 days) where the owner, operator or agent does not occupy the dwelling unit while it is rented, sometimes referred to as “non-hosted.” The City of Napa has adopted regulations permitting hosted and non-hosted short-term rentals, with a cap allowing a maximum of 41 non-hosted and 60 hosted accommodations. The City of Napa Municipal Code Section on vacation rentals is included as Attachment 4.

The County of Santa Cruz is another example of a jurisdiction that has established a permit process for non-hosted short-term rentals. Vacation rental in Santa Cruz County is defined basically as a non-hosted short-term rental. A summary outline of the Santa Cruz County vacation rental ordinance is provided (Attachment 5) as it is familiar to local constituents, has been in place for a number of years and recently amended, and has the support of the California Coastal Commission.

- d. No Change: This option would recommend no changes to the Municipal Code and is not recommended by Planning, Finance or Code Enforcement staff. This approach would not be consistent with Council direction and would not provide updated rules, procedures and definitions that appropriately regulate on-line vacation rentals in residential neighborhoods. Currently, the Zoning Code does not define or provide any operational standards or limitations on the leasing of a private home, condo or apartment as a short term vacation rental. This option would likely result in further loss of long term rental housing for residents.

MEETING TOPICS AND GOALS: The goal of the January 11th subcommittee meeting is to select a regulatory model for future discussions. Toward that goal, the subcommittee will examine and discuss the various regulatory models; Restrictive, Limited, and Permissible; using examples from jurisdictions that prohibit short term rentals, to those (like the County of Santa Cruz) that permit hosted and non-hosted short-term rentals.

Subsequent meeting agendas and topics will follow and build upon subcommittee discussions, direction and input during each meeting.

ATTACHMENTS:

1. Summary notes from the December 14, 2016 Subcommittee meeting
2. Santa Cruz Facts (Various City statistics)
3. Responses to subcommittee questions
4. City of Napa Vacation Rental Ordinance
5. County of Santa Cruz Vacation Rental Ordinance Summary Outline
6. Correspondence