

ATTACHMENT 3

Dear STVR Subcommittee members,

We have had some questions raised that we believe would be appropriate to respond to all subcommittee members via email as opposed to taking up valuable meeting time to discuss. We would like to suggest that Planning staff limit our emails to the subcommittee to ideally once per week in order to provide answers to basic questions that you may have. We would also scan the email exchanges and post online with all the other STVR info.

Here are some ***responses in bold italics*** to some questions we received from subcommittee members. Some of these questions may not require full discussion at a meeting, but may be good information for the subcommittee.

1. If we were (hypothetically) to decide to regulate STVR's in a manner to how we regulate Bed and Breakfast Inns
 - a. If we require special use permits, what is the permit processing cost and time frame for the application and granting of a special use permit?

There are several levels of review, which could be considered for regulating STVRs and the B&B ordinance needs updated anyway, but...

Currently, B&B's require approval of Special Use Permit applications through the Planning Commission. The current cost is approximately \$2,200 and SUP's are targeted to be finished between 8 to 12 weeks. Caveats include completeness of plans and other complications. Administrative Use Permits (heard by the Zoning Administrator as opposed to the full Planning Commission) take the same amount of time, but may cost about \$1,500. Standard conditions could be created since the issues are very similar for all the STVR's. A fee study is currently underway and the City fee schedule is expected to change in early 2017.

- b. What mitigations are or might be considered to lessen the impact on residential neighborhoods?

Standard conditions could include limiting number of guests per unit, limiting number of days the unit could be used as a STVR, on-site or nearby management, and others that might be included in some of the ordinance examples.

- c. Are there different off-street parking requirements as compared to what is required for properties intended for long term occupancy (over 30 days)?

The abbreviated summary is: B and B's, Motels and hotels require two spaces plus essentially one required parking space per bedroom. For residential projects, parking is calculated based on bedrooms. Current residential parking is 1 BR = 1 space, 2 and 3BR = 2 spaces 4BR = 3 spaces, etc.... Townhomes and condos are similar, but there are some differences with guest

parking. New state rules on Accessory Dwelling Units take effect January 1, 2017, which ELIMINATE parking requirements for ADU's in certain circumstances, such as historic districts and within ½ mile of the metro center (proximity to public transit).

2. If we decide on a regulatory scheme for STVR's:
 - a. What would be in impact on STVR's (legal and paying TOT) which pre-exist the effective date of the new ordinance?

Options include allowing them to remain as non-conforming uses licensed to the current owner or resident and terminating the use upon renter or owner no longer is associated with the property, or amortizing them to phase them out by a certain date, or more directly prohibiting the existing registered STVR from any further short-term rental use as of the effective ordinance date. This would be worth discussing during the enforcement topic for the subcommittee.

- b. Will they be considered pre-existing non-conforming and “grand-parented” as a legal use?

Depends on how the ordinance is written. See 2a above.

- c. Even if pre-existing units “grand-parented” in, are there some restrictions that can be applied to them? Health and safety requirements?

Yes. The ordinance can require inspections to meet basic health and safety items. The ordinance can also require new permits for existing STVRs to follow a set of standard conditions/rules.

- d. Under what circumstances could pre-existing/grand-parented units lose their grand-parented status and be subject to full compliance with the new regulatory scheme?

Through amortizing the use (See 2a). An ordinance can establish operating standards for existing vacation rentals (i.e. noise, large groups, property maintenance, etc) with consequences for multiple violations such as amendment of conditions or revocation. Guidelines can be created to require full compliance by certain date or lose opportunity to be a STVR.

3. Economic/Impact on the Market questions:

- a. Do we know the ratio of long term to short term rentals in the city, i.e. what percentage of the overall non-hotel/motel rental stock is currently represented by the current legal STVR rental stock ?

We are gather data on known (registered) short term and long-term rental housing stock. Private property owners are not required to report to any entity whether they rent short or long-term. Requiring TOT payment for STVR when units are advertised is one method to gain statistics. Vacancy rates of larger apartment buildings is helpful, but no similar information is available on an individual unit basis. The US Census Bureau's American Community Survey is continuously being updated and relevant reports are released typically every two years. The survey questionnaires include rental questions, which may be helpful to begin to understand rental housing in Santa Cruz. We will provide a full range of available statistics to the subcommittee.

- b. Does any of the existing STVR stock meet the criteria for being rental properties that qualify as "affordable housing?"

We might need to have this question rephrased in order to properly respond. We're unclear about the context of the word 'stock' in this question. Also, affordable housing can take on different meaning, depending upon when discussing deed-restricted to certain income levels or just being relatively more affordable than a larger rental unit. We will provide some statistics on affordable housing in the city. An ordinance can prohibit short-term rental of any property that was established as part of an approved affordable housing agreement The City's ADU ordinance prohibits renting an ADU as a vacation rental.

- c. Are there issues of unfair competition between STVR and traditional hotels/motels?

It depends upon who is asked. Some smaller lodging facilities have indicated yes and some standard and larger-sized facilities say no – they serve different markets. There are inequities in the building permit review process for repairs or improvements to commercial buildings, such as hotels/motels, that may trigger ADA improvements that are not required for single family homes, including those homes used a vacation rental. There are also zoning inequities which prohibit certain intrusive or intensive commercial activities in residential zones.

- d. Are there health and safety regulations that apply to hotels/motels and not to STVR?
 - i. Cleanliness, bedbugs, fire hazards

Hotels/motels require initial inspections for building and fire codes and annual fire code compliance. No on-going cleanliness inspections are required – just complaint driven to either City or County Health Department. STVR in houses have no inspection requirements after the house receives it’s initial building permit final inspection.

- ii. Rental inspection ordinance, possible special treatment requiring inspection and not just self-certification

The City’s rental inspection program is required for (non-transient, more than 30 days) residential rentals. A requirement for some type of minimum safety inspection of STVR’s could be considered with new ordinance.

- iii. Other costs?

Compliance with the Americans with Disabilities Act is relevant to publicly available lodging (motels/hotels), but is not typically triggered for guests in private homes. This raises the question: is there a difference between STVR’s as a business, vs. as a home occupation where guests are visiting the owner/resident? Planning staff is not aware of any legal challenges to accessibility regulations, but this is worth further investigation.

- iv. Higher parking requirements?

Accessibility parking compliance is required for motels/hotels but not for single-family residences. (Similar issue to iii. Above)

- e. Are there seasonal issues that create a seasonal advantage?

This is where student population plays a key role in the city’s rental supply. We do know that the demand for long-term rental housing increases during the school year (August through May). We also know that the peak demand for tourism in the city is between June through August.

- f. Are there cost/operational issues that create a seasonal advantage?

Please provide clarification on this question. Seasonal costs and operational issues may be better directed to industry experts. There are no known seasonal costs or operational issues associated with a City function.

In the General Plan and Zoning code section there is a list of permitted uses in R-1 Single Family Zones. Under 24.10.310 5. b. it reads:

“Room and board for not more than two paying guests per dwelling unit, when located within principal building.”

Does this mean that under the current codes listing a bedroom (or two) on an online platform like Airbnb and renting for less than 30 days is allowed when the room or rooms are in the property’s principal building?

The current code is not clear, since it was not written with the context of the current vacation rental market. The term “Room and Board” is not defined, except for as written as a permitted use. The term is generally interpreted to be a non-commercial accessory use, subordinate and clearly an incidental use of one’s home, allowing for up to two paying guests in the main home with the owner present. The length of the stay is not specified as a land use limitation; however the Revenue and Finance section of the Municipal Code, Chapter 3.28, requires registration and remittance of transient occupancy tax for any stay less than 30-days. This and other sections of the code would need to be clarified with any proposed new regulation.

If so, what is the definition of board?

The term “Board” is not defined in the Municipal Code; however its etymological roots refer to a table where food is served.

Does that mean one has to feed their guest to conform to the code?

Practically speaking, such provisions are difficult to regulate and enforce. Many terms and definitions used in land use regulations were originally created to provide general guidance, protections and limitations. Over time, with changes in technology, lifestyles and community needs certain terms, like “room and board”, would benefit with clarification.