

Board of Supervisors
May 25, 2021
Agenda Item. No.17

Vacation Rental Ordinances

Recommendation

- **Find that the action is a planning study for direction on possible future action and qualifies for a statutory exemption per Section 15262 of the CEQA Guidelines; and**
- **Provide policy direction on draft ordinances amending Title 7 (Vacation Rental Operation Permits and Business Licenses), Title 20 (Coastal Zoning) and Title 21 (Inland Zoning) of the Monterey County Code to establish regulations for Vacation Rentals in the unincorporated areas of Monterey County, and a proposed compliance program for vacation rentals.**

Major Points of Ordinances

- Vacation Rentals
 - Residential property rented for 30 days or fewer
 - 1 rental contract at a time
 - Establishes Commercial Vacation Rentals (CVR) and Limited Vacation Rentals (LVR)

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 - LVR = No Discretionary Permit

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- Vacation Rentals
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 - Establishes Commercial Vacation Rentals (CVR) and Limited Vacation Rentals (LVR)
- Discretionary Permits (Titles 20 & 21)
 - CVR = Use (inland) or Coastal Development (coastal)
 - LVR = No Discretionary Permit
- Commercial Vacation Rentals Prohibited
 - Big Sur Coast Land Use Plan
 - Carmel Area Land Use Plan – Low Density Residential (Carmel Highlands)

Major Points of Ordinances con't

- Ministerial Permits, Licenses & Registration (Title 7)
 - Business Licenses
 - Hotels (MCC Sec. 5.40.020.A), CVRs & LVRs
 - Vacation Rental Operation Permit (VROP)
 - CVRs and LVRs
 - Rules for the vacation rental operation

Major Points of Ordinances con't

- Terms for Suspension & Revocation
- Code Enforcement penalties linked to Advertised Rental Rate

Major Points of Ordinances con't

- Rooming/Boarding (2 or fewer people) or Roominghouse/Boardinghouse (3 or more)
 - Shared living quarters intended to meet short-term shelter and/or immediate housing needs for purposes that require physical presence in County (non-recreational activities)

Policy feedback and direction:

- Limited Vacation Rentals (LVR)
- Commercial Vacation Rentals (CVR)
- Covenants, conditions and restrictions (CC&Rs)
- Vacation rental limits, or caps
- Unique neighborhoods and prior permitted operations
- Vacation rentals in multi-family and duplex dwellings
- Vacation rentals per legal lot of record
- Permit and compliance program and funding

Limited Vacation Rentals

- Frequency & Duration
 - Rented 3 times or fewer per 12-month period
 - Each rental 14 consecutive days or fewer
- No Discretionary Permit Required
- Annual Permits, Licenses & Registration
 - Business License
 - Transient Occupancy Tax Registration
 - Vacation Rental Operation Permit (VROP)

Provide direction on the Board's intent for the regulations

Commercial Vacation Rentals

- Frequency & Duration
 - Rented more than 3 times per 12-month period
 - Rented more than 14 consecutive days
- Discretionary Permit Term
 - Prior Draft = 5 yrs + 2 renewals = total of 15 yrs
 - Current Draft = 15 years (renewals eliminated)
- Annual Permits, Licenses & Registration
 - Business License
 - Transient Occupancy Tax Registration
 - Vacation Rental Operation Permit (VROP)

Provide direction on the Board's intent for the regulations

Covenants, conditions and restrictions (CC&Rs)

- Title 20 and Title 21 (Discretionary Permit Process)
 - Applies to CVRs
 - Affidavit that proposed vacation rental does not violate any applicable CC&Rs
 - Standard noticing to include homeowners' association
- Recommended to add (per errata memo)
 - Language allowing homeowners' association to object to issuance of use/coastal development permit for CVR

CC&Rs con't

- Title 7 (VROP)
 - Sign affidavit that operating the Vacation Rental is not in violation of CC&Rs
 - Grounds for suspension or revocation
- Alternative
 - Proof of approval from homeowners' association

Provide direction on the Board's intent for the regulations

Informational Letter

- Vacation Rental Operator will
 - Mail an informational letter to properties within 300 ft radius and the HOA that includes
 - Location of the Vacation Rental
 - Name and contact information for the 24/7 Property Manager
 - County contact information (e.g., Hotline for complaints)

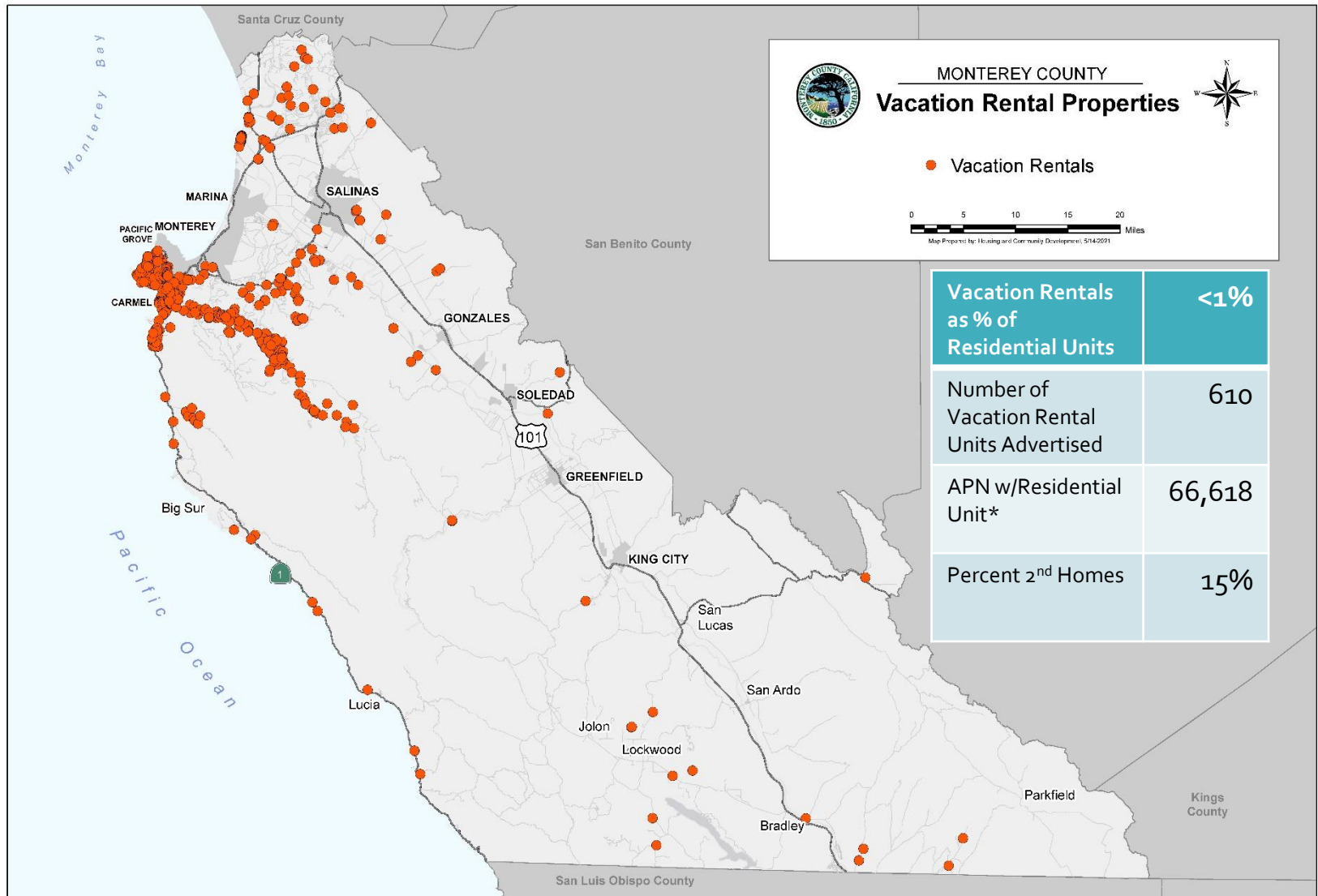
Provide direction on the Board's intent for the regulations

Vacation Rental Limits or Caps

Option 1: No Caps for LVRs or CVRs

- Regulations Sufficiently Limiting

Countywide Vacation Rentals



* Excluding Cachagua, Ft Ord, Moss Landing and South County

Vacation Rental Limits or Caps, cont.

Option 2:

- CVR caps in high concentration areas
 - Carmel Area LUP (4.3%)
 - Carmel Valley MP (4.1%)
 - Del Monte Forest LUP (Coastal) (6.2%)
 - Del Monte Forest portion (Inland) of Greater Monterey Peninsula Area Plan (3.2%)

Vacation Rental Limits or Caps, cont.

Option 3:

- Limit maximum % of housing to CVRs
 - Countywide
 - Area Plan
 - Block/Tract

Provide direction on the Board's intent for the regulations

Unique Neighborhoods

- Subject to regulations and conditions of original permit
 - Existing permitted uses intended for short-term or transient rentals (e.g., Monterey Dunes Colony)
- Alternative
 - Amortization period to cease operation then come into compliance with new regulations (e.g., unique neighborhoods; permitted by 21.64.280)

Provide direction on the Board's intent for the regulations

Other Issues Identified

Regulations for Limited Vacation Rentals

- Require Vacation Rental Operation Permit (VROP) and Business License
 - VROP rules are the same for LVR and CVR

Provide direction on the Board's intent for the regulations

Other Issues Identified

Multi-family & Duplex Dwellings

- Vacation rentals allowed in multi-family and duplex dwellings
- Still limited to 1 per legal lot

Provide direction on the Board's intent for the regulations

Other Issues Identified

Vacation Rentals per Legal Lot

- Draft ordinance allows 1 LVR *and* 1 CVR per legal lot of record

Provide direction on the Board's intent for the regulations

Vacation Rental Program

- Initial 3-yr program rollout
- Proactive enforcement
- Responsive during evenings & weekends
- Funding generated by vacation rentals
 - Permit fees
 - Transient occupancy tax
 - Enforcement fees and penalties

Vacation Rental Program

Option 1 - \$1,062,000 *plus* per year

In-house staffing model w/ 3rd party monitoring & hotline

Option 2 \$1,285,000 *plus* per year

Minimal In-house staffing model w/ 3rd party review services

Program Revenue

- Existing Revenue
 - Transient Occupancy Tax (TOT)
- New Revenue
 - Permit Fees
 - Enforcement Penalties/Fees

Program Revenue

Scenario 1 – Cost Recovery

- Current land use fee structure
- Assumes fewer permit applications
- New one-time \$1.5 M and annual ~\$250 K
- Reduced TOT over existing revenue

Scenario 2 – Reduced (Minimal) Fees

- Reduced fees by 2/3
- Assumes more permit applications
- New one-time \$1.1 M and annual ~\$100 K
- Sustain TOT same as existing revenue

Next Steps

Based on Board direction received today:

- Final Draft Ordinances (Project Description)
- Complete Environmental Review
 - Fund request up to \$300 K to Budget Committee then Board
- Final Recommendations and Options
 - Implementation and Compliance Program
 - Permit Fees
- Final Draft Ordinances to Planning Commission then Board of Supervisors