County of Monterey
Planning Commission

Agenda Item No.3

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Item No.3

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

October 28, 2026

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Current Status: Agenda Ready
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REF260029 - VACATION RENTAL REGULATION IMPLEMENTATION STATUS REPORT

a. Receive a status report on the implementation the Vacation Rental Regulations outlined in Monterey County Code (MCC) Title 20 Section 20.64.260 (Coastal), Title 21 Section 21.64.260 (Inland), and Title 7, Chapter 7.120 (Business Tax, Licenses and Regulations) to regulate the vacation (or short-term) rental of residential property; and
b. Provide direction to staff.

Proposed Location: Countywide

Proposed California Environmental Quality Act (CEQA) action: Find this status report statutorily exemption pursuant to CEQA Guidelines section 15262.

RECOMMENDATION:

It is recommended that the County of Monterey Planning Commission:

1. Find this status report statutorily exemption pursuant to CEQA Guidelines section 15262 as the status report is a planning and feasibility study and does not commit to any specific project;
2. Receive a status report on the implementation the Vacation Rental Regulations outlined in Monterey County Code Title 20 Section 20.64.260 (Coastal), Title 21 Section 21.64.260 (Inland), and Title 7, Chapter 7.120 (Business Tax, Licenses and Regulations) to regulate the vacation (or short-term) rental of residential property; and
3. Provide direction to staff.

SUMMARY:

After the adoption of the vacation rental regulations, staff agreed to return to the decision makers with a status report on the implementation experience. The following areas will be discussed in detail below:

- Background;
- Legal challenges;
- Permit types and numbers;
- Phasing out of unpermitted vacation rentals;
- Discretionary review and implementation experience, including concerns and staff challenges; and
- Next steps in the process.

Staff will be come back with additional details on any amendments to the regulations that may potentially address the concerns raised below.

DISCUSSION:

Background

The County of Board of Supervisors (Board) adopted the Vacation Rental (VR) regulations (Ordinance No. 5422) for the unincorporated inland areas of the County of Monterey (County) on August 27, 2024 and subsequently adopted the Vacation Rental Operation License (VROL) regulations (Ordinance No. 5424) on September 10, 2024. These regulations became operative and applicants were able to begin submitting an application for a VR within the inland areas beginning on October 14, 2024. The following year, the Board adopted the VR regulations (Ordinance No. 5439) for the unincorporated coastal areas of the County on September 23, 2025. These regulations became operative and applicants within the coastal areas were able to submit for a VR application beginning on October 24, 2025.

Legal Challenges:

On December 12, 2025, a lawsuit was filed, challenging the County's Inland VR ordinances, including homestays (*Monterey County Vacation Rental Alliance v. County of Monterey,* Monterey County Superior Court Case No. 24CV004922). Given some challenged provisions of the ordinances, the County proactively suspended from permit/license consideration and enforcement, two provisions being challenged related to real person ownership requirements and owner occupancy requirements for homestay permits. This pause remained in place until such time as the court finished its analysis and made an official ruling (Attachment C). On June 3, 2026, the court ruled in favor of the County while also requiring suspension of provisions of the ordinances related to real person ownership, owner occupancy for homestays, and violation penalties (Attachment B). As outlined in Attachment A, the County has suspended enforcement of the following ordinance provisions consistent with the proactive action and the court judgment: **Section 7.120.020(J) of Title 7 (Vacation Rental Operation License):**

> 'Homestay' means a vacation rental in which the owner occupies at least one bedroom within the vacation rental while it is being rented as a vacation rental. ~~The vacation rental must be the owner's primary residence.~~
>
> **Section 7.120.020(W) of Title 7 (Vacation Rental Operation License):**
> ~~The owner of the vacation rental must be an individual, except if the vacation rental is held in a trust, in which case the trustee may apply for a license and operate the vacation rental on behalf of the trust beneficiaries.~~
>
> **Section 20.64.290(B)(5) of Title 20 (Coastal Zoning Regulations):**
> 'Homestay' means a vacation rental in which the owner occupies at least one bedroom within the vacation rental while it is being rented as a vacation rental. ~~The vacation rental must be the owner's primary residence.~~
>
> **Section 21.64.290(B)(4) of Title 21 (Inland Zoning Regulations):**
> 'Homestay' means a vacation rental in which the owner occupies at least one bedroom within the vacation rental while it is being rented as a vacation rental. ~~The vacation rental must be the owner's primary residence.~~

Additionally, the Court Ruling stated the County's enforcement penalties identified in Section 7.120.160.D of Title 7 (Vacation Rental Operation License) exceeds the limit permitted under Government Code section 25132 (e)(1). Therefore, changes to this section would be required and only penalties identified in Chapter 1.22 of the County Code will remain.

A separate challenge is now pending over the coastal VR ordinances which includes the Coastal Commission and the County. No ruling has been made on the coastal VR regulations as of this update.

Permit Types and Numbers:
Pursuant to Title 7 section 7.120.040.A, an operator who intends to operate a VR shall obtain a license subject to the regulations outlined in MCC Chapter 7.120. There are three types of VRs:

- Homestay VRs are hosted. Homestays required that an owner occupy at least one bedroom of the dwelling unit being used as a VR but as discussed above, this provision had been modified to require that a resident occupy the VR. The resident does not need to be the owner.
- Limited VRs are non-hosted and may be rented no more than three times per 12-month period
- Commercial VRs are non-hosted and are unlimited except that Commercial VRs can only have one rental contract at any given time.

The County prepared a Final Environmental Impact Report (FEIR) for the Vacation Rental Ordinances project, which was certified by the Board on August 27, 2024 (SCH# 2022080643). The FEIR identified a total number of 825 advertised vacation rentals at the time throughout all areas of the County. Thus far, the County has received 384 total VROL applications, consisting of:

- Homestay VRs: 121
    - 46 issued
    - 0 denied
    - 75 pending to be processed
- Limited VRs: 63
    - 29 issued
    - 0 denied
    - 34 pending to be processed
- Commercial VRs: 200
    - 30 issued
    - 36 with approved discretionary permits pending to be issued
    - 3 denied
    - 131 are pending to be processed

Additional information about the status, location, and types of permit applications is summarized in Attachment C. See discussion below regarding the VROL process.

Phasing Out of Vacation Rental Operations:
Title 20 section 20.64.290.G and Title 21 section 21.64.290.G provides provisions to allow the unpermitted operators time to come into compliance with the newly adopted regulations. Specifically,

Section 20.64.290G.2 and Section 21.64.290.G allows the operators to make an application for all permits, licenses, certificates, or other required entitlements within a “phasing out period” while allowing the operator to continue operating a vacation rental until the time specified for each area (see below), or until the County takes action on the operator's application for all required permits, licenses, and entitlements, whichever is later, unless County requires earlier termination of the vacation rental use due to a risk to public health, safety and welfare. The operator must diligently pursue the approval and issuance of the required permits.

The “phasing out period”, also known as a grace period, has different timeframes dependent upon the area. Specifically, in the inland area vacation rental operators had six months from the October 14, 2024 ordinance adoption or until April 14, 2025 to apply for a permit or stop operating. In the coastal areas, operators had two months from the ordinance adoption on October 24, 2025 or until December 24, 2025 to apply or stop operating. According to the regulations, the operator would be allowed to continue operating as a VR until the County takes actions on the Operator’s application for all required permits, licenses and entitlements, whichever is later, provided the application is diligently pursued. The County also did not seek any code enforcement fines or citations during this grace period, provided the operator was diligently pursuing their application. In order to notify the current operators, the County provided courtesy letters to operators who were actively advertising. Although not required, three courtesy letters were provided to all operators within the inland areas and one courtesy letter was provided to all the operators within the coastal areas.

The challenges that staff are raised with is that the code does not define the terms “diligently pursuing.” Given staff availability and workload, weekly review of an operator diligently pursuing is not feasible, and thus staff has been reviewing applications on a quarterly basis to review when any activity or effort from the operator has been made to move their application forward. Further, the County’s vacation rental dashboard illustrates the applications in the process and those that have been approved. However, the information related to the applications that have applied during the grace period and are diligently pursuing, are not a part of this dashboard information. Therefore, it can appear as if they are not operating in compliance with our regulations. This has created challenges when discussing vacation rental applications that are permitted to operate, those permitted to operate as part of the grace period, and those who are truly operating illegally. Thus, creating the potentially for lack of trust with our County HCD C Enforcement Team. In order to address some of these concerns, staff will publish the VR information for operators who applied during the grace period to help illustrate the operators who are able to continue operating under the provisions outlined above.

Within the Inland Areas 76 vacation rental applications were submitted prior to April 14, 2025. In the Coastal areas, 120 vacation rental applications were submitted by December 24, 2025. All operations who were not permitted prior to the adoption of the applicable (Inland or Costal) VR regulations, or who did not apply within the phase out period, or who are not diligently pursuing their permit, have been or will be subject to enforcement penalties and procedures.

Title 7 Section 7.120. A requires all vacation rentals to obtain a VROL subject to the regulations outlined within that section. The VROL are issued on an annually basis and are required to be renewed at least 30 days prior to the expiration. The VROL process includes working with the Treasurer-Tax Collector and our HCD-Code Enforcement team. As part of the submittal documents,

the operator must provide their current transient-occupancy tax (TOT) number. Through the review of the VROL, the application is reviewed for consistency with the regulations and routed to the Treasure-Tax Collector's Office to ensure the operator has applied for a Business License. HCD Planning works with our Code Enforcement team to ensure operators are not operating outside of the grace period, and that any operators that have applied during the grace period are diligently pursuing. Once each department/division signs off on the application, and if applicable, the discretionary permit is approved and applicable conditions have been satisfied, then the VROL is issued. After issuance and prior to commencing use, the operator must mail the provided Informational Letter to all properties within a 300-foot radius of the Vacation Rental property. If applicable, the letter must also be mailed to all property owners with ownership interests or access rights to any shared private road used to access the Vacation Rental. The operator is provided with a mailing list for properties within the 300-foot radius by staff to ensure each identified property receives the letter. The operator is responsible for posting signage inside and outside the Vacation Rental. Outdoor Signage must be displayed in a clearly visible location on a wall, fence, or immediately inside the front boundary where it is readily visible from the public viewing area. Interior Signage must be posted within six (6) feet of the unit's front door and include the completed interior signage, a copy of the Transient Occupancy Tax Certificate, and the Business License issued by the County of Monterey Treasurer-Tax Collector's Office. The operator must retain their copy of the VROL and ensure the VROL number is clearly displayed on all advertisements. Upon receipt of the VROL, the operator is required to follow up with the Treasurer-Tax Collector's Office for the issuance of the Business License. Staff forwards the issued VROL certificates to the Treasurer-Tax Collector by email to facilitate coordination.

As part of the online application process, the operator must consent to comply with all of the terms, conditions, and requirements set forth with the Vacation Rental Operation License. The operator must acknowledge and agree to notify the County at least 30 calendar days before the expiration of the license if the operator intends to renew their license.

The County has an automated process in place to assist operators with renewals which includes an automated alert through email set up at ninety days and sixty days. A final notification goes out once the license is expired if the operator does not renew in that timeframe. Once the VROL expires, the operator must apply for a new license. The VROL can be renewed through the online portal, and the operator must indicate if there are any changes prior to issuance of the renewal. VROLs and renewals are granted for a one-year period. During the renewal, County staff reviews any open code enforcement cases and/or complaints that were received to ensure the criteria to renew is met.

Discretionary Review of Commercial VRs and Implementation Experience:
A commercial vacation rental (CVR) is the only type that requires a Use Permit/Coastal Development Permit with specific maximum count allowed within each area plan and land use plan, subject to regulations outlined in Title 21 section 21.64.290 and Title 20 section 20.64.290. CVRs are currently prohibited within the following areas:

- Residential zoning districts subject to the Carmel Valley Master Plan (CVMP);
- All zoning districts subject to the Big Sur Coast Land Use Plan (BSC LUP);
- Low density residential zoning districts subject the Carmel Area Land Use Plan (CAR LUP); and
- Low density and medium density residential zoning districts subject to the Moss Landing

Community Plan (MLCP).

These Use Permits/Coastal Development Permits are subject to review and approval by the County of Monterey Zoning Administrator (ZA). To date, the County has received 200 applications for a CVR. Of those 200 applications, 72 applications have been taken for consideration to the ZA, leaving 128 applications to still process. Of the 72 applications, the following outcomes were made:

- 2 denied;
- 3 referred to the County of Monterey Planning Commission (1 of which has been denied); and
- 66 approved (7 of which were appealed).

The number of referrals do not include the amount staff referred based on the same concerns that the ZA raised regarding concentration. This has resulted in an increase in workload for planning staff, not including the remaining applications to still process which can potentially take an additional 1-2 years depending on the outcome. Additional resources were provided to the department such as an additional planning staff and funding for outside consultant work. However, this does not take into consideration the nuisances that can occur with each specific application nor does it illustrate the managerial oversight that is needed, especially for the applications that are appealed. Further, these permits are granted for a seven-year term and would have to be considered for renewal shortly after processing the remaining applications received.

All Commercial VR applications are reviewed by the ZA to ensure consistency with the applicable regulations outlined within Chapter 7.120, Chapter 16.80 (if applicable), Section 21.64.290 or Section 20.64.290 and that the Findings to grant such discretionary entitlement is made pursuant to Section 21.74.050.B (Use Permits) or Section 20.70.050.B (Coastal Development Permit). Through the discretionary process, common concerns raised during review of CVR applications include:

- Concentration of VRs in specific neighborhoods, (particularly in Carmel and Del Monte Forest);
- Homeowner's association limitations;
- Use of private roads;
- Appeals; and
- Enforcement.

Concentration

The EIR prepared in connection with adoption of the VR regulations identified a maximum allowed number of CVRs which does not include homestays or limited vacation rentals. This maximum threshold is applied to each planning area; however, the area wide maximum does not contemplate the density within unique neighborhoods of those planning areas. As an example, the Pebble Beach area is one large planning area distinguished by a coastal area, subject to the Del Monte Forest Land Use Plan (DMF LUP) and an inland area, subject to the Greater Monterey Peninsula Area Plan (GMPAP). The GMPAP is comprised of the northern half of the Del Monte Forest in addition to areas along Highway 1 to Carmel Valley Road and along Highway 68 surrounding the city of Monterey. A disproportionate number of the 4% allowed appears to be concentrated in the inland portion of the Del Monte Forest. This can compound with a separate 4% allowance in the coastal area of Del Monte Forest.

Other neighborhoods such as Hatton Fields and Lower/Upper Trail in Carmel are also seeing high concentrations of VR applications. Like most neighborhoods in the Carmel Area Land Use Plan, these areas have tight roads with limited on-site parking, and/or roads with minimal traffic signal lights. There are no current thresholds or setbacks within the regulations to address these unique neighborhood densities or clustering of applications, and the discretion is placed at the appropriate hearing authority to consider such situations. However, the challenge has been on how to consistently apply such discretion and at what point does approval of CVRs become too many for one neighborhood. The applications received and approved for CVRs are still well below the 4% CAP for each planning area (see Attachment C) and still do not include the homestay and limited applications, yet staff is finding that these approvals are heavily within specific neighborhoods. Therefore, the 4% CAP does not necessarily address the heavy saturate areas of applications.

More recently, the County of Monterey Planning Commission denied an application within the Hatton Fields neighborhood due to density in a neighborhood including other VRs permitted within 500 feet. Concerns regarding the density of CVRs in some neighborhoods presents difficulties in finding that a particular CVR does not have the potential to be detrimental to the peace, moral comfort of those residing within the general neighborhood, which is one of the findings required to grant such entitlement.

The are no current setback requirements outlined within the VR regulations and some options that were previously discussed through the creation of the ordinances were limits on a block as defined by the current County regulations, U.S Census Blocks or Tracts or by a specific setback distance between approved CVRs.

Homeowner's Associations

Certain properties within the County of Monterey are managed by a governing structure or Homeowner's Association (HOA), and are typically subject to Covenants, Conditions and Restrictions (CCRs), which establish requirements for the use, maintenance, or modification of the property. The CCRs are privately held between the property owner and the HOA or governing structure. The County is not a party to or responsible for enforcing these agreements. However, proposed uses on these properties may also be subject to discretionary entitlements such as CVRs. Property owners are responsible for obtaining any approvals from the HOA or governing structure and to ensure the application for the proposed use is not in conflict with the CCRs. Nonetheless, any disputes amongst the language or enforcement of the CCRs are a civil matter between the private parties. Concerns and complaints from the HOA or governing structure and the public continue to arise, particularly within the Pebble Beach Area. Depending on the terms within the document/agreement, CCRs may also include language regarding private road access and therefore can be interpreted as a Private Road Agreement subject to the regulations outlined in MCC Chapter 16.80, which is intended to provided regulations for properties that are accessed by a private road. Many of the concerns raise typically correlate the CCRs to the use of the private roads for the purposes of a CVR.

Private Roads

Title 20 section 20.64.290.E.4 and Title 21 section 21.64.290.E.4 require CVRs not

accessed by a public road shall be subject to MCC Chapter 16.80 - regulations for Private Roads. As such, properties subject to this section have primarily been applications within the Pebble Beach area. These properties are currently managed by the Pebble Beach Company, which is the legally established governing structure for the private roads used to access the subject parcel. Pebble Beach Company is authorized to make determinations regarding the use, maintenance, and related matters regarding the private road. The private road accessing the property is subject to a private road agreement, which is typically found recorded as a grant deed for the subject property. The property's deed restrictions are privately enforced by the grantor of the deed, the Pebble Beach Company.

While the County does not enforce or regulate CCRs as stated above, these documents may include provisions that serve as private road agreements and/or private road maintenance agreements. The County reviews these documents only to understand whether such private road agreements exist and how to proceed pursuant to Chapter 16.80. Beyond this limited use, the County has no role in enforcing the deed restrictions or resolving disputes related to them; enforcement remains entirely a civil matter between the affected parties.

Through noticing of the project, the applicant then has the ability to resolve any potential disputes prior to the consideration of the project by the Appropriate Authority. However, should the dispute not be resolved regarding the use of a private road for a project and based on substantial evidence in the record, the Appropriate Authority "*may approve the project but shall require as a condition of project approval that the applicant provide the County with proof of access demonstrating that the dispute has been satisfactorily resolved".* As such, the County has been conditioning such projects where applicable should a substantive dispute exists.

Appeals

The County has received 7 appeals, 6 of which involve properties within the Coastal Zone. Appeals are subject to a land use fee, $4,031 as established within the County's adopted land use fee schedule; however, applications within the Coastal Zone that are appealable to the California Coastal Commission are exempt from the appeal fee. Upon receipt of an appeal, the County has 60 days to schedule the appeal before the appropriate hearing authority at which the application is considered de novo. Staff must prepare the report and associated documents, responding to each contention outlined in the appeal immediately after. This takes priority over the 40+ applications that the planner may have at the time. More recently, the County received separate appeals for 4 CVRs that were approved by the County of Monterey Zoning Administrator, all of which are located within the Pebble Beach area, contending similar issues. Despite the similarities, staff is still required to write 4 separate reports with association resolutions and presentations. The amount of staff time required can range anywhere between 20-25 hours collectively, at no additional charge to the appellant. Based on the County's adopted hourly planning rate, the associated staff time represents an estimated value of $4,340 to $5,425.

Enforcement

To date, the HCD-Code Enforcement team has opened 280 cases and has issued 170

administrative citations directing the property to comply with the County regulations for vacation rental uses. Out of the 280 cases open for the complaints of vacation rentals, 127 operators have complied with actions required and closed the case. 153 cases remain open and 106 of these cases have administrative citations issued. Attachment D provides a detailed count by planning area. To date, County staff has not taken any cases to an administrative hearing. Currently, only CVRs are prohibited in all of the BSC LUP, certain districts within the CVMP, CAR LUP and MLCP.

Two additional code compliance inspectors were provided for the implementation of the vacation rental regulations; however, staff is still finding challenges being able to respond to the number of complaints and prioritizing which should be pursued first, while still being proactive.

The public are able to submit a complaint or concern any time during the day by calling 831-796-3674 or emailing cecomplaints@countyofmonterey.gov. Additionally, VR operators are required to provide the contact information to all properties within 300 feet of the subject property and post the property manager in a visible location outside of the structure. The property manager is required to be available 24/7 and have the ability to arrive on-site within 30 minutes. Complaints can be made to the property manager to resolve immediate concerns and/or County enforcement for any violations with the applicable regulations.

Next Steps

Given all the information and concerns raised above, staff believes that a larger refinement to the regulatory approach is warranted. Potential avenues to address the issues raised by the public, staff and decision makers as it relates to concentration, workload levels and enforcement would be to potentially re-structure or re-define vacation rentals. Additionally, farmstays was an area the Board directed staff to return with more information. Staff is still currently researching this topic and will place this on our long-range work program to return to the decision makers.

This is an informational item that staff is providing to the Commission. Potential options to consider or direct staff to move forward with are:

1) Make the minimum legally required changes;
2) Modify the existing ordinance to address: concentration, phasing out periods, appeals/workloads and enforcement; or
3) Consider a different approach such as a different permitting regulatory structure.

CEQA:

Pursuant to Section 15262 of the CEQA Guidelines, this status report is statutorily exempt as early discussion on possible future actions that do not involve commitment to a project.

Depending upon the scope of the updates requested by the Planning Commission, staff evaluate whether the updates fall within the scope of the certified Final Environmental Impact Report (FEIR) for the Vacation Rental Ordinances (SCH#2022080643).

OTHER AGENCY INVOLVEMENT:
HCD continues to work closely with the Treasurer-Tax Collector and the Office of County Counsel on the implementation of the regulations as applicable.

Prepared by: Stacy Giles, Permit Technician III and Jacquelyn M. Nickerson, Principal Planner
Reviewed and Approved by: Melanie Beretti, AICP, Chief of Planning

The following attachments are on file with HCD:
Attachment A - County Memorandum for Limited Suspension of Terms
Attachment B - Tentative Court Ruling, dated June 3, 2026
Attachment C - Vacation Rental Application Count
Attachment D - Code Enforcement Cases

Cc: Front Counter Copy; Planning Commission; Vacation Rental (STR) Public Distribution List; County of Monterey Treasurer-Tax Collector; Monterey County Regional Fire; County of Monterey Health Department Environmental Health Bureau; Coastal Commission; Monterey County Land Watch; Keep Big Sur Wild; Liz Gonzales, Permit Center Manager; Stacey Giles, Permit Technician III; Sarah Wikle, Principal Planner; Jacquelyn Nickerson, Principal Planner; Fionna Jensen, Principal Planner; Karen Riley-Olms, Management Analyst II; Josh Bowling, Chief of Building Services; Evan Nuckles, HCD Building Services Manager; Melanie Beretti, Chief of Planning; Craig Spencer, HCD Director; File: REF260029.