

## Exhibit B

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## **Exhibit B – Detailed Discussion**

### **Vacation Rental Ordinances Background**

On August 27, 2024, the County of Monterey (County) adopted Ordinance No. 5422 amending Title 21 (Non-coastal Zoning Ordinance) to regulate the short-term vacation rental of residential property in unincorporated Monterey County. On September 10, 2024, the County adopted Ordinance No. 5424 to require business licenses and vacation rental operation licenses for any vacation rental operations in unincorporated Monterey County. The vacation rental regulations for the inland areas became operative on October 14, 2024, and timeline for unpermitted vacation rental operations to come into compliance in the Inland areas past April 14, 2025.

On August 27, 2024, the County adopted a resolution of intent to adopt an ordinance amending Title 20 (Coastal Zoning Ordinance) to regulate the vacation rental of residential property in the coastal zone of unincorporated Monterey County. On August 13, 2025, the California Coastal Commission (CCC) approved the Monterey County Local Coastal Program (LCP) Amendment No. LCP-3-MCO-24-0039-1 (Vacation Rentals), an ordinance amending Title 20 (Coastal Zoning Ordinance) to regulate vacation rental as submitted by the County. On September 23, 2025, the County adopted Ordinance No. 5439 amending Title 20 (Coastal Zoning Ordinance) to regulate the vacation rental of residential property in the coastal zone of unincorporated Monterey County. The vacation rental regulations for the coastal zone became operative on October 24, 2025 and the timeline for unpermitted vacation rental operations to come into compliance in the coastal zone past December 24, 2025. The Vacation Rental Ordinances that were adopted and operative in 2024 and 2025 are herein collectively referred to as the “original vacation rental ordinances”.

These approved ordinances establish three vacation rental types that may be permitted in residential, commercial and agricultural zones in all planning areas. Homestays must have an owner or their representative residing in the rental unit while being rented and are allowed in all planning areas with ministerial approval. Limited Vacation Rentals are whole house (non-hosted) rentals that may be rented up to 3 times per year and are allowed in all planning areas with a ministerial approval. Commercial Vacation Rentals are whole house (non-hosted) rentals that may be rented an unlimited number of times per year and are allowed with discretionary permit in all planning areas except Big Sur, low density residential zones in Carmel, and residential zones in Carmel Valley. All vacation rentals must obtain a Vacation Rental Operators Permit, Business License, and register to pay Transient Occupancy Taxes.

### **Vacation Rental Implementation**

As of January 6, 2026, the County has received a total of 271 vacation rental applications that are in various stages of consideration and approval (or denial). Table 1 summarizes the vacation rental application counts by type.

TABLE 1 – Vacation Rental Application Status (Inland and Coastal)

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Type	Denied Void Withdrawn	Pending Incomplete	Approved	Prior Approved
<b>INLAND</b>				
Homestay	2	35	22	N/A
Limited Vacation Rental	0	17	13	N/A
Commercial Vacation Rental	2	46	2	34*
<b>COASTAL</b>				
Homestay	0	23	2	N/A
Limited Vacation Rental	1	7	0	N/A
Commercial Vacation Rental	13	101	0	None

*\*Prior permitted transient/short-term rentals that are operating pursuant to the phase out provisions of the approved regulations.*

### Amended Vacation Rental Ordinances

The County's approved vacation rental regulations are subject to lawsuit that alleges numerous causes of action, including two claims that the regulations violate: 1) U.S. Constitution's Dormant Commerce Clause by treating non-resident property owners differently for homestays; and 2) U.S. and California Constitutions' Equal Protection Clauses by treating corporate or other non-individual entity owners differently from natural person owners for all types of vacation rentals. On December 12, 2025, due to a lawsuit challenging the County's vacation rental ordinances, including homestays (*Monterey County Vacation Rental Alliance v. County of Monterey*, Monterey County Superior Court Case No. 24CV004922), the County has suspended from permit/license consideration and enforcement, two provisions being challenged and generally related to ownership provisions. This pause will stay in place until such time as the court finishes its analysis and makes an official ruling. Additional information is available at <https://comry.us/VacationRentals>.

On January 6, 2026, the Board of Supervisors conducted a public workshop regarding the vacation rental regulations, and directed staff to develop ordinances to: 1) address two provisions of the original ordinances that have been legally challenged; 2) prohibit vacation rentals in residential zoning districts except those with commercial agricultural operations; 3) maintain that unique neighborhoods with existing developments established with the intent of allowing managed short-term or transient rentals such as Monterey Dunes Colony are exempt from the regulations; and 4) providing for a ministerial approval process for vacation rentals on lands with agricultural operations. The amended ordinances seek to implement the Board's January 6, 2026 direction.

The draft ordinances would amend Title 7, Title 20, and Title 21 of the Monterey County Code to implement the Board's direction. Collectively these draft ordinances are referred to as the

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“amended vacation rental ordinances” or “amended ordinances”, and they would amend Monterey County Code Title 7 (Business Taxes, Licenses, and Regulations) Section 7.02.060 and Chapter 7.120, amend Title 20 (Coastal Zoning Ordinance) definition and zoning use sections and Section 20.64.290, and amend Title 21 (Inland Zoning Ordinance) definition and zoning use sections and Section 21.64.290 to regulate vacation rentals in unincorporated Monterey County.

The proposed Amended Vacation Rental Ordinances would modify a number of key provisions of the County’s approved vacation rental ordinances including:

- a. Prohibit vacation rentals in all residential zoning districts, except as may be accessory to an agricultural use and a vetted commercial agricultural operation.
  - i. Carmel Valley - Would allow vacation rentals in rural density residential zoning district.
- b. Delete homestay, limited vacation rental, and commercial vacation rental types, and distinguish between vacation rentals that are hosted and/or non-hosted.
  - i. Big Sur – Would allow only hosted vacation rentals.
- c. Allow vacation rentals as an allowed use without discretionary permits in commercial, visitor serving, and agricultural zones, and as an accessory use to a commercial agricultural operation.

The amended ordinances would also include minor edits and revisions to certain provisions including: clarifying definitions; adding agricultural definitions and evidence requirement for commercial agriculture; adding amortization of investment and phase out provisions for vacation rentals permitting or pending decision under the current vacation rental regulations; establishing occupancy limits based on building, health and safety laws; prohibiting events unless approved with a separate entitlement. The amended ordinances further modify regulations and add enforcement provisions for hosting platforms to include: requirements to disclose URL and License numbers for listings; clarify timing for when License numbers must be included with a listing; civil penalties of up to \$1,000 per day per violation; and ability for County to serve administrative subpoenas.

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