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Monterey County Policy Background

Monterey County is a world-renowned travel destination, and tourism is an important economic pillar of Monterey County's economy. To protect the health, safety, and welfare of visitors and residents of Monterey County, it is necessary for the County of Monterey (County) to adopt regulations for short-term vacation rentals. Short-term rental of residential property began to become more common in the 1990s and proliferated with the introduction and popularization of the Internet. In response to community challenges associated with short-term rental of residential property, the County adopted regulations for the transient use of residential property in the Inland Area in 1997 (Monterey County Code (MCC) Section 21.64.280). These regulations were not certified in the Coastal Zone and, therefore, never went into effect. As such, the Coastal Zone does not have regulations that specifically regulate the short-term rental of residential property. In response to the increasing proliferation of short-term rental of residential properties and the inadequacy of preexisting regulations in the Inland Area, staff began to work on new regulations for the short-term rental of residential property. Staff facilitated a Short-Term Rental Workgroup, convened by former District 5 Supervisor Dave Potter, which met multiple times between 2015 and 2016. Staff conducted outreach to the Land Use Advisory Committees between 2016 and 2018. Staff presented to the Agricultural Advisory Committee in 2018 and again in 2023 and 2024. Staff collaborated with members of the public and Planning Commission (Commission) to develop draft ordinances between 2016 and 2024. During the outreach process, staff met with various industry groups, companies, and community organizations, including Monterey County Hospitality Association (MCHA), Monterey County Vacation Rental Alliance (MCVRA), Carmel Valley Association (CVA), Big Sur Local Coastal Program Defense Committee (BSLCPDC), and Pebble Beach Company (PBC).

It was clear from these meetings that people hold varying opinions on the benefits and consequences of short-term rentals. These same opinions have been reflected in comments and testimony on the Environment Impact Report (EIR) and at the multiple public hearings held on this subject.

Summary of Draft Ordinances

In an attempt to address the many opinions held, staff has drafted several ordinances that together provide regulations for short-term rentals or "vacation rentals" in the unincorporated areas of Monterey County. The draft regulations define three different types of vacation rentals, which are explained in more detail below.

Types of Vacation Rentals

Commercial Vacation Rental–

Definition:

- Operators of Commercial Vacation Rentals are allowed to rent their property as Non-hosted for more than three times per 12-month.

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Cap:

- Commercial Vacation Rentals are limited to no more than four percent of the total single-family residential dwelling units per Planning Area, as identified by the County of Monterey in 2022.
- Commercial Vacation Rentals are prohibited in the Big Sur Coast Land Use Plan, the Low Density Residential Zoning District in the Carmel Area Land Use Plan, the Rural Density, Low Density, Medium Density, and High Density Residential Zoning Districts in the Carmel Valley Master Plan, and the Low Density and Medium Density Residential Zoning Districts in the Moss Landing Community Plan Area.

Maximum Occupancy:

- Commercial Vacation Rentals have a maximum overnight occupancy of two per Bedroom plus one and not counting infants (0 – 12 months), and not to exceed ten total Occupants. The daytime occupancy is 1.5 times the overnight occupancy and not to exceed fifteen Occupants and Visitors.

Permit Requirements:

- Commercial Vacation Rentals would be required to obtain a Vacation Rental Operation License, a ministerial license issued by the County of Monterey Housing and Community Development (HCD). They would also be required to obtain a Use Permit (inland) or a Coastal Development Permit (coastal).
- Commercial Vacation Rentals would also need to obtain a Transient Occupancy Tax (TOT) Certificate and a business license from the County of Monterey Treasurer-Tax Collector (TTC).

Additional Regulatory Requirements:

- Commercial Vacation Rentals are required to provide evidence that their septic system (also known as an Onsite Wastewater Treatment System (OWTS)) is in good working order and functioning properly in compliance with Chapter 15.20.
- Commercial Vacation Rentals must comply with Chapter 16.80 (Regulations Relating to Application Involving Use of Private Roads). Commercial Vacation Rentals must demonstrate that the emergency response time of fire and emergency medical services is adequate, pursuant to the standards established by the 2010 County of Monterey General Plan Safety Element Policy PS-1.1 and Table PS-1.
- Commercial Vacation Rentals must provide parking as required for the dwelling type by Monterey County Code Section 20.58.040 and 21.58.040 at the time the dwelling was built.
- All Use Permits or Coastal Development Permits issued for Commercial Vacation Rentals have a seven-year term limit.

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- Commercial Vacation Rentals are limited to one per legal lot of record, excluding Commercial Zoning Districts, where there can be more than one Commercial Vacation Rental.

Limited Vacation Rentals –

Definition:

- Operators of Limited Vacation Rentals are allowed to rent their property as non-hosted for not more than three times per 12-month period.

Maximum Occupancy:

- Limited Vacation Rentals have a maximum overnight occupancy of two per Bedroom plus one and not counting infants (0 – 12 months), and not to exceed ten total Occupants. The daytime occupancy is 1.5 times the overnight occupancy and not to exceed fifteen Occupants and Visitors.

Restriction on the Number of Rental Contracts Per Time Period:

- One rental contract per seven day period.

Permit Requirements:

- Limited Vacation Rentals would be required to obtain a Vacation Rental Operation License.
- Limited Vacation Rentals would also be required to obtain a TOT Certificate and a business license.

Homestay

Definition:

- A Homestay is a Vacation Rental in which the Owner or principal resident of the Vacation Rental occupies at least one Bedroom in the Vacation Rental for the duration of the Vacation Rental. This would require that the Vacation Rental was the Owner's Principal Residence. This is a hosted vacation rental.

Maximum Occupancy:

- Homestays have a maximum overnight occupancy of two per Bedroom plus one and not counting infants (0 – 12 months), and not to exceed ten total Occupants. The daytime occupancy is 1.5 times the overnight occupancy and not to exceed fifteen Occupants and Visitors.

Restriction on the Number of Rental Contracts Per Time Period:

- One rental contract per seven day period.

Permit Requirements:

- Homestays would be required to obtain a Vacation Rental Operation License.

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- Homestays would also be required to obtain a TOT Certificate and a business license.

Regulatory Requirements of All Vacation Rentals

Allowable Zoning Districts:

- Coastal Zoning Districts:
 - High Density Residential (HDR(CZ));
 - Medium Density Residential (MDR(CZ));
 - Low Density Residential (LDR(CZ));
 - Rural Density Residential (RDR(CZ));
 - Watershed and Scenic Conservation (WSC(CZ));
 - Coastal General Commercial (CGC(CZ));
 - Moss Landing Commercial (MLC(CZ));
 - Visitor-Serving Commercial (VSC(CZ));
 - Coastal Agriculture Preserve (CAP(CZ)); and
 - Agricultural Conservation (AC(CZ)).
- Non-coastal Zoning Districts:
 - High Density Residential (HDR);
 - Medium Density Residential (MDR);
 - Low Density Residential (LDR);
 - Rural Density Residential (RDR);
 - Light Commercial (LC);
 - Heavy Commercial (HC);
 - Visitor-serving/Professional Office (VO);
 - Farmland (F);
 - Rural Grazing (RG);
 - Permanent Grazing (PG);
 - Resource Conservation (RC);
 - Community Plan (CP), subject to Section 21.39.030.B (Regulations for Community Plan Zoning Districts or “CP” Districts” – Uses Allowed) except industrial and public/quasi-public land use designations within the CP districts; and
 - Specific Plan (SP), subject to Section 21.41.030.B (Regulations for Specific Plan Zoning Districts or “SP” Districts – Uses Allowed) except industrial and public/quasi-public land use designations within the SP district.

Allowable Dwelling Types

To protect housing options for Monterey County residents and its workforce while also allowing Vacation Rentals, staff received direction from the Commission and Board to limit Vacation Rentals to single family dwellings. This will limit the impact on housing typologies that are more affordable by design, such as accessory dwelling units, junior accessory dwelling units,

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townhomes, and multi-family dwellings. Guesthouses can be rented as a part of the single family dwelling, but cannot be rented separately from the single family dwelling.

Active Agricultural Operations

Vacation Rentals are allowed in agricultural zoning districts to encourage tourism in the more rural and less visited areas of Monterey County. Vacation Rentals in agricultural zoning districts allow other types of visitor accommodations that support agrotourism, particularly in areas where agritourism is encouraged by the 2010 County of Monterey General Plan, such as the Agricultural and Winery Corridor Plan and Rural Centers.

During the outreach process, staff received input that allowing visitors to properties with active agricultural operations could potentially endanger the visitors and the active agricultural operation. Therefore, staff added language to ensure that if a Vacation Rental is rented while there is an active agricultural operation on the property, the Operator, Owner, or Property Manager must concurrently reside on the property while the Vacation Rental is rented. This requirement in the draft ordinances additionally facilitates compliance with allowing Vacation Rentals on Williamson Act properties, as Williamson Act properties must remain in active agricultural production.

Property Manager

The Operator must provide rental Occupants, property owners within 300 feet, and HCD with the contact information, including the phone number, of a Property Manager who is available 24 hours a day, seven days a week, to respond to complaints and arrive at the site within 30 minutes of receiving a complaint. This is to ensure that the Occupants and neighbors of the Vacation Rental can contact the Property Manager or Operator of the Vacation Rental in the event of nuisances, hazards, or other concerns arising (such as a broken pipe, loud neighbors, or situations where the maximum occupancy is exceeded). This does not preclude the Occupants or neighbors from filing a code enforcement complaint with the County for violations occurring at the Vacation Rental.

Commercial Vacation Rental Cap

The Board directed staff at their May 25, 2021, hearing to establish a limit or cap on Vacation Rentals of 6 percent per Planning Area for Commercial Vacation Rentals. The 6 percent cap on Commercial Vacation Rentals was established to balance the concerns of operators operating in good faith and waiting for the County to adopt ordinances, particularly in the Coastal Zone. These concerns were weighted against the concern that not capping the amount of Vacation Rentals could create significant negative social and economic impacts on existing residents and encourage the proliferation of Vacation Rentals in already unaffordable areas of the County. The 6 percent cap of residential single-family dwelling units would balance these concerns by allowing all existing operators at that time to submit applications through the new regulatory process while ensuring that the unincorporated County would not become oversaturated with Commercial Vacation Rentals. Due to the significant public comments received throughout the CEQA process that expressed concerns that the 6 percent cap of residential single-family

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dwelling units was too great, staff recommended reducing the 6 percent cap to 4 percent. Additionally, as a part of the CEQA process, the number of advertised Vacation Rentals per planning area was around 4 percent. Therefore, a reduction in the 4 percent cap would allow most existing operators, where not prohibited by the draft ordinances, to make applications for the necessary permits, licenses, and entitlements as required in the draft ordinances. This 4 percent cap is in the version presented to the Commission and the Board.

Prohibition on Outdoor Fire Areas

CalFire has designated significant areas of Monterey County as being in very high, high, or moderate fire hazard severity zones. Significant areas of the County within the past twenty years have burned as a result of wildfires, which have resulted in significant property damage and loss as well as have the potential to cause bodily injury and death to residents and visitors. Due to the significant public comments the County received during the environmental review process and in recognition of the significant danger wildfires pose to the residents and visitors of Monterey County, the draft ordinances prohibit outdoor fire areas at all Vacation Rentals. This prohibition includes all approved recreational fire containers and portable fireplace containers but does not prohibit barbecues.

Compliance with Existing Monterey County Code Sections

All Vacation Rentals are required to comply with Monterey County Code Chapters 8.36 (Nuisance and Nuisance Animals), 10.41 (Solid Waste Collection and Disposal), 10.60 (Noise Control), and 15.04 (Domestic Water Systems). This is to ensure that the Vacation Rental operation is safe for both the Occupants of the Vacation Rental and neighboring properties and communities. The Operator is required to notify the Occupants of these requirements and notify them of the penalties for violating any of these requirements, where each violation constitutes a separate and unique violation.

Conditions, Covenants, and Restrictions (CC&Rs)

The current regulations for administrative permits for transient use of residential property for remuneration (pursuant to MCC Section 21.64.280.D.2.g) include regulations that the short term rental shall not violate any applicable CC&Rs. The draft considered by the Board analyzed the inclusion of regulatory language related to CC&Rs; however, staff recommended removing any regulatory language related to CC&Rs.

At its June 12, 2024, public hearing, the Planning Commission agreed with the staff's recommendation not to include regulatory language related to CC&Rs in the draft ordinances. The Commission came to this recommendation based on staff's research, its prior recommendation in 2020, and the issues that have arisen from the current Title 21 ordinance (Section 21.64.280.D.2.g), which requires the permit not to be approved if the homeowner's association objects to the issuance of the permit.

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Phasing out of Unpermitted Vacation Rentals

The draft ordinance language provides a specific process and timeline for applicants with existing, unpermitted Vacation Rental operations to follow to ensure they can apply for a Vacation Rental Operations License and, if applicable, a Use or Coastal Development Permit. Within six months of the ordinances' operative date in the Inland Area and two months of the ordinances' effective date in the Coastal Zone, applicants must make an application for all permits, licenses, certificates, and other entitlements required by County regulations. If the County denies the applicant's Vacation Rental, the applicant must cease operations. Finally, the County can require earlier termination of unpermitted operations when there is a risk to public health, safety, and welfare or if the applicant is not diligently pursuing the required permits or licenses.

Amortization of Existing Applications

The draft ordinances address the amortization for Vacation Rental operations permitted pursuant to Section 21.64.280 or as uses similar to a bed and breakfast in the Coastal Zone. The previously permitted operations are required to come into compliance once their permit expires or for permits issued without expiration dates within seven years after the adoption of the draft ordinances.

As of May 21, 2024, approximately 34 permits have been approved by the hearing bodies or Appropriate Authority for uses similar in nature to Vacation Rentals in the unincorporated inland and coastal areas of Monterey County. This permit data was pulled from Accela, the County's online permit platform.

To ensure that existing operations have the opportunity to come into compliance with the new regulatory requirements for Vacation Rentals, the draft ordinances will reserve from the Commercial Vacation Rental cap the total number of units (by Area or Master Plan) that were previously permitted for the requisite amortization period. If the existing operations do not make an application for the required licenses and permits staff will release the reserved unit counts.

In addition, approximately 50 permits are in some stage of processing. This permit data was pulled from Accela, the County's online permit platform.

Applications that are in some stage of processing in the Inland Area (pursuant to Section 21.64.280) are required to comply with the draft regulations as of October 14, 2024 (the effective dates for Title 7 and Title 21). If the Appropriate Authority has not rendered a decision on the application by October 14, 2024, the applicant must comply with the requirements of the newly effective ordinances.

California Environmental Quality Act (CEQA)

The County of Monterey evaluated the potential environmental effects associated with the implementation of the Vacation Rental Ordinances Project. The County of Monterey prepared a Notice of Preparation (NOP) and Initial Study (IS) to solicit public and agency input on the

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scope and content of the environmental information to be contained in the Environmental Impact Report (EIR). As a result of the scoping process and public comment of the NOP and IS, the County of Monterey prepared and released the Draft Environmental Impact Report (Draft EIR), which included an evaluation of 11 environmental topics (agricultural resources, air quality, energy, greenhouse gas emissions and climate change, land use and planning, noise, population and housing, transportation, tribal cultural resources, utilities and service systems, and wildfire) as well as other CEQA mandated issues (such as cumulative effects, growth-inducing impacts, significant and unavoidable impacts, and alternatives). The County of Monterey prepared the Final EIR, which includes responses to comments received on the Draft EIR and revisions to the Vacation Rental Ordinances made in response to comments received as a part of the public process.

Notice of Preparation and Initial Study

The County of Monterey distributed a NOP and IS to agencies and other interested parties on August 29, 2022. Due to errors in the NOP and IS, the County of Monterey re-released the NOP and IS on September 6, 2022, and extended the public comment period to October 6, 2022. The County of Monterey received significant comments on the NOP and IS from the public, agencies, and organizations. These comments were used to inform the Draft EIR. The Revised NOP and IS can be found at this link:

<https://www.countyofmonterey.gov/home/showpublisheddocument/114875/637980779085330000>.

Draft Environmental Impact Report (Draft EIR)

The County of Monterey circulated the Draft EIR for public review from December 11, 2023, through January 29, 2024. The Draft EIR did not identify significant and unavoidable impacts. All impacts identified in the Draft EIR would either be less than significant, have no impact, or have no significant conclusion. The Draft EIR additionally discussed the unusual circumstances for this project, which would result in no direct physical change from construction. These circumstances had the Draft EIR rely on reasonable assumptions based on facts to evaluate the potential impacts resulting from implementing the Project and explain the basis for the Draft EIRs conclusion. The Draft EIR can be found at this link:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:2c17faae-8f04-45c7-9e72-2495e419435d>.

Alternatives Identified in the Draft EIR

No Project Alternative (Alternative 1)

This alternative would consist of the County of Monterey continuing to implement the existing regulations for Vacation Rentals pursuant to Section 21.64.280 for the unincorporated inland areas of Monterey County and as a use similar to a bed & breakfast in the unincorporated coastal areas of Monterey County. This alternative would likely result in more residential properties being converted from housing for residents into Vacation Rentals. If the Board considered this option, there would likely be greater social and economic impacts, such as disruption of neighborhoods and further displacement of residents.

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Homestays Alternative (Alternative 2)

Homestays were not included in the draft ordinances released as a part of the California Environmental Quality Act (CEQA) process or in the draft ordinances presented to the Commission. Throughout the outreach process and during the Planning Commission's public hearings, the County received a significant number of comments supporting that staff add a Homestay option to the ordinances. The Owner or principal resident is onsite for the duration of the rental period, which reduces potential impacts from Vacation Rentals and allows the homeowner to obtain additional supplementary income. This alternative also reduces potential pressures on housing stock since it involves the use of residential structures that are occupied by full-time residents. The Commission recommended adding this type of Vacation Rental to the draft ordinances before the Board hearing. Staff has added Homestays to the draft ordinances before the Board.

Reduce Growth Alternative (Alternative 3)

The Draft EIR considered an alternative that reduced the six percent cap by planning area to three percent by planning area. Throughout the CEQA process, there were significant comments received expressing concern with the potential negative social and behavioral impacts of Commercial Vacation Rentals on the surrounding residents and the community by allowing up to 6 percent of the residential single family dwelling units to operate as Commercial Vacation Rentals. Additionally, data gathered for the EIR showed, on average, that four percent of the total single family residential dwelling units in a planning area would be close to existing numbers of advertised Vacation Rentals identified in the Draft EIR. Four percent would require small reductions from existing numbers in some areas while allowing additional growth opportunities in other areas. Therefore, the updated draft ordinances propose a reduced cap on Commercial Vacation Rentals at four percent of residential single family dwelling units per Planning Area.

No Additional Growth Alternative (Alternative 4)

This alternative would change the regulations to prohibit any additional growth in Vacation Rentals beyond the existing conditions identified in the Draft EIR. This option would cap the number of Commercial Vacation Rentals based on the existing advertised rentals per area, allowing for a higher number of Commercial Vacation Rental operations in areas of the County with higher visitor serving demand, such as the Big Sur Land Use Plan Area, Cachagua Area Plan, Carmel Area Land Use Plan, Carmel Valley Master Plan Area (CVMP Area), Del Monte Forest Land Use Plan Area, and Moss Landing Community Plan than would be allowed under the draft ordinances, but it would allow less in all other Planning Areas. This would not change the existing conditions but would require that existing Vacation Rentals comply with the requirements in the draft ordinances, which would likely improve current conditions related to Vacation Rental operations.

Permitting and Policy Options Alternative (Alternative 5)

This alternative would modify the draft ordinances with various policy changes. Some of the alternative policy options identified in the Draft EIR were eliminating regulations for Limited

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Vacation Rentals, requiring all Vacation Rentals to post informational packets with information about fire and flood evacuation routes, water conservation, and noise control, and establishing an amortization period for currently permitted operations. In response to comments received in the Draft EIR, staff modified the draft ordinances to require Vacation Rentals to post informational packets and establish an amortization period for currently permitted operations. Draft EIR comments were generally supportive of Limited Vacation Rentals and Homestays, and by requiring that they obtain a Vacation Rental Operation License, the draft ordinances ensure that HCD appropriately permits them and that HCD has the means to track complaints and violations of the regulatory requirements.

Carmel Valley Master Plan Prohibition of Commercial Vacation Rentals in Residentially Zoned Districts (Alternative 6)

The Draft EIR (State Clearinghouse Number 2022080643) analyzed as alternative six the prohibition of Commercial Vacation Rentals in residentially zoned areas of the CVMP Area. The CVMP Area is a popular tourist destination within Monterey County as visitors are drawn to its wineries, tranquil vistas, popular outdoor recreation areas, and hiking trails. At the same time, Carmel Valley has a rural character, and Policy CV-1.1 of the Carmel Valley Master Plan (CVMP) directs the County to ensure that all ordinances are consistent with the goal of preserving the Valley's rural character. CVMP Policy CV-1.15 further states that visitor accommodation projects must be designed to respect the privacy and rural residential character of adjoining properties. CVMP Policy CV-1.15 additionally establishes regulations to count bed and breakfast facilities as visitor accommodation units, specifically noting that they should count against the visitor accommodation unit cap established by the CVMP. To ensure that the visitor accommodation unit caps remain for traditional units (such as bed and breakfast facilities, hotels, motels, and lodges), Commercial Vacation Rentals do not count against the cap established by CVMP Policy CV-1.15.d-e.

In recognition of the unique policies in the CVMP, staff recommends that Commercial Vacation Rentals be prohibited in residential zoning districts of the CVMP Area. This prohibition will ensure that the rural character of the CVMP Area is protected and that the draft ordinances comply with Policy CV-1.1. Limited Vacation Rentals will be allowed in all zoning districts in the CVMP Area as Limited Vacation Rentals are a use similar in character, density, and intensity to residential use. Commercial Vacation Rentals are allowed in the commercial or agricultural zones in the CVMP Area as commercial zoning districts are intended for visitor-serving uses, and agricultural zoning districts allow agrotourism. Commercial Vacation Rentals in commercial and agricultural zoning districts do not count against the visitor accommodation cap, established by CVMP Policy CV-1.15.d-e, as the cap is intended to count against traditional visitor-serving uses. Prohibiting Commercial Vacation Rentals in residentially zoned districts removes the conflict between traditional visitor-serving uses and residential neighborhoods. This prohibition removes potential negative impacts associated with more intensive visitor accommodation uses, which the CVMP Policy CV-1.15.d-e is intended to limit. Limited Vacation Rentals and Homestays would still be allowed.

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Final Environmental Impact Report (Final EIR)

The County of Monterey received one agency comment, seven organization comments, and eighty-eight individual comments during the public review period for the Draft EIR. The County of Monterey responded to comments in the Response to Comments of the Draft EIR, which was released as a part of the Final EIR on May 21, 2024. The County of Monterey made several changes to the Vacation Rental Ordinances and Project Description as a result of these comments. The Vacation Rental Ordinances were revised with the adoption of Alternatives Two, Three, Five, and Six, with additional changes for clarification and corrections. The Final EIR can be found at this link: <https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:3506b1aa-df4c-4f0b-af4d-df753d17f56b>.

Concentration and Density Limitations

Throughout the CEQA process, there were comments on the potential negative social and behavioral impacts of Vacation Rentals on the surrounding residents and the community, including impacts at the neighborhood-level if a high number of Vacation Rentals were allowed to concentrate in certain blocks or neighborhoods. However, the four percent cap on Commercial Vacation Rentals in the draft regulations would not prevent the potential for Commercial Vacation Rentals to concentrate at the neighborhood or block level. Therefore, staff has researched other jurisdictions and the different concentration and density limitations they have applied. Staff does not recommend the inclusion of concentration or density limits in the draft ordinances due to the additional layer of complexity and additional staff time and effort that would be required to implement.

The Planning Commission, at their June 12, 2024, public hearing, recommended that staff not include additional concentration and density limits in the draft ordinances. The Commission came to this recommendation based on other limitations in the draft ordinances, including the prohibition on Commercial Vacation Rentals in certain Planning Areas, the cap on Commercial Vacation Rentals by Planning Area, and the requirement that Commercial Vacation Rentals obtain both a Vacation Rental Operation License and a Use Permit or Coastal Development Permit. A more detailed discussion of additional concentration and density limitations can be found in the Commission Detailed Discussion (**Exhibit B**), which can be found at this link: <https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:5f9daf8d-1049-496f-8c49-f9becaf6d6ff>

Vacation Rental Licensing and Permitting Process

Staff worked with the TTC and the Environmental Health Bureau to develop clear steps and processes for obtaining all necessary Vacation Rental licenses and permits. Applicants must first register with the TTC to pay TOT. Then, applicants must obtain a Vacation Rental Operation License and, if applicable, a Use Permit or Coastal Development Permit. Finally, applicants must obtain a business license from the TTC before their Vacation Rental begins operations.

This clarity of process and responsibilities will enable the TTC and HCD staff to work together to streamline the process of applicants obtaining the necessary permits and licenses from both offices.

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Permit Streamlining Act not Applicable to Vacation Rental Applications

The Permit Streamlining Act (Act) was enacted to ensure that permits for development projects are processed in a timely manner. The Act sets a 30-calendar-day review period for any public agency that has received an application for a development project, and failure to provide completeness review determination during that time results in a development application being deemed complete by operation of law. Importantly, the Act's 30-day review period only applies to applications for “development projects” (as defined in California Government Code section § 65928), which are any project involving the issuance of a permit for construction or reconstruction but not a permit to operate. Development projects do not include any ministerial projects or any projects that are not undertaken for the purposes of “development” as defined in California Government Code section § 65927 to effectively mean any newly built structure, the changing of any physical structure, a change in the density or intensity of land, or a change in the intensity of water use. Vacation Rental permitting is not subject to the Act as Vacation Rental Operation Licenses are ministerial, and Vacation Rental operations permitted by a Use Permit or a Coastal Development Permit do not meet the definition of “development” or a “development project.”

There is an expectation that HCD will receive a significant influx of Vacation Rental applications within the first six months to a year after the ordinances become effective. HCD staff will make every effort to ensure that the processing of Vacation Rental applications is timely; however, the standard timelines are not applicable and may not be met. Subsequent sections will detail how HCD is planning, with Board approval, to ensure timely processing of the initial influx of permit applications.

Vacation Rental Enforcement

The County currently has enforcement in the unincorporated inland areas of Monterey County through the County’s Code Compliance division, where members of the public can file a complaint for unpermitted Vacation Rentals. The County currently has limited enforcement options in the unincorporated coastal areas of Monterey County. The County’s Code Compliance division in the unincorporated coastal areas of Monterey County is actively enforcing complaints related to health, life, and safety concerns related to Vacation Rentals. As a result of the current prioritization and challenges with enforcement, Vacation Rentals have proliferated within Monterey County, with the vast majority operating without the appropriate County approvals.

The Board directed staff at the May 21, 2021, Board hearing to prioritize a minimal in-house staffing model with third-party contracted compliance and permit review services. HCD received funding from the Board at the February 21, 2022, Board hearing to add three FTEs, which consisted of two Code Compliance Inspectors and one Office Assistant, to focus on Vacation Rental enforcement, noise complaints, and other Code Compliance issues occurring outside normal business hours and during Friday and Saturday afternoons and evenings. While the County of Monterey has been doing limited enforcement of vacation rentals, code compliance staff added by the Board in 2022 have been assigned to assist with the backlog of code

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compliance cases as well as enforcement of the updated noise ordinance, including providing staff on Friday and Saturday evenings.

HCD has received significant feedback from the public and policy makers throughout the process about the importance of enforcement. Due to the significant volume of applications and enforcement actions likely resulting from implementing the draft ordinances, staff has developed a staffing and cost estimation for the Board's consideration. This staffing and cost estimation is based on what HCD believes is necessary to fully implement the draft ordinances without impacting the level of responsiveness for other essential HCD services, including enforcement of noise regulations. Further, HCD developed this staffing cost estimation to ensure that enforcement of noise violations continues and that HCD would have the ability to respond to illegally operating Vacation Rentals in more remote areas of the County, such as the Big Sur Coast Land Use Plan Area and the South County Area Plan.

Enforcement Program

HCD has developed a proposed Enforcement Program for Board consideration. The Enforcement Program will consist of multiple phases and will likely require staff to return to the Board for approval of third-party contractor agreements for compliance services. The Enforcement Program will first consist of HCD developing a Vacation Rental landing page, posted before October 14, 2024 (Titles 7 and 21 operative dates). This page will be the central location for all information related to Vacation Rentals in the County. This page will include the following information or links:

- Direct link to the TTC, where applicants can apply for their TOT Certificate and business license.
- A frequently asked questions page for both applicants and neighbors or concerned residents on the regulations for Vacation Rentals and the process to file a complaint.
- A GIS map that will include all approved and pending approved Vacation Rentals that will be updated multiple times weekly. The GIS map will include an updated tally of the remaining Commercial Vacation Rentals allowed by Planning Area. The GIS map will also allow individuals to research the permit information and detail what type of Vacation Rental the operation was approved as (either Homestay, Limited Vacation Rental, or Commercial Vacation Rental).
- A table with additional details on the approved Vacation Rentals and pending approved Vacation Rental applications by the Planning Area.
- A link to Code Compliance that will allow members of the public to file a complaint through the County's Accela Citizen Access, where it will be reviewed by the Code Compliance Division.

The Enforcement Program will be structured to consist of the following key components:

1. A Code Compliance Program to ensure robust education and outreach, unpermitted and non-compliant operations enforcement, and resources for ongoing monitoring and enforcement.

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2. A Permit Review and Condition Compliance Program to ensure a clear and well-structured process for permitting unpermitted operations. Strengthened condition compliance to ensure approved Vacation Rentals found to be operating outside their permit are swiftly addressed, and action is taken to address the violations.
3. Enforcement Penalties that discourage illegal operations and escalate appropriately as the violation(s) continue and become more severe with time.
4. Hosting Platform Compliance Requirements that require Hosting Platforms to provide HCD with a monthly list of all rentals in the unincorporated County and remove listings that are not legally permitted.

1. Code Compliance Program

Implementation of the Vacation Rental regulations will result in the County Code Compliance Program rolling out in three operational phases: Phase 1 – Initial Code Compliance Program establishment and phase out period; Phase 2 – Enforcement of unpermitted and non-compliant operations; and Phase 3 – On-going monitoring and enforcement. The Vacation Rental regulations for the inland portion of unincorporated Monterey County will go into effect on October 14, 2024, following Board adoption. The Coastal Zone regulations will become operable approximately one year later because the Title 20 regulations require Coastal Commission certification. Staff anticipates that upon Board adoption, there will be a significant influx of Vacation Rental applications in the Inland Area during the first six months after October 14, 2024, and a larger influx of applications in the Coastal Zone once the Title 20 regulations are certified by the Coastal Commission. Additionally, outreach, education, and enforcement would be facilitated by the procurement of a third-party compliance tools/services. This third-party contract will likely be brought to the Board at a subsequent hearing.

Phase 1 would initially focus on outreach and education to Vacation Rental owners, operators, associations, and the general public, informing them of the new regulations, including the steps and timelines required for compliance with the new regulations and phasing out unpermitted operations. During this time, code compliance would continue to focus on health/life/safety investigations and proactively responding to nuisance complaints. Staff expects Phase 1 to continue for the Inland Area for the first six months after October 14, 2024. For the Coastal Zone, Phase 1 is expected to continue for two months after the operative date of Title 20.

Phase 2 will commence once the timelines established in the draft ordinances for all existing unpermitted operations apply for County permits or cease operating. At this time, the County will pursue enforcement against the operators who continue to operate illegally and have not applied for appropriate licenses and/or permits with the County. Depending on the number of Vacation Rental operations that fail to comply with the new regulations and enforcement resources available, Phase 2 enforcement would begin six months after October 14, 2024, in the Inland Area and two months after the operative date in the Coastal Zone.

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Phase 3 would occur once the initial unpermitted operations have ceased operating and the County has begun Phase 2 enforcement actions against illegally operating Vacation Rentals. Phase 3 will be the County's ongoing monitoring and enforcement. This would entail code compliance staff continuing its enforcement actions on any new unpermitted operations as well as responding to any operations that have nuisance complaints or are operating outside of their permit or license requirements.

Code Compliance Program Staffing (Reference: Table 1)

This staffing plan would ensure that HCD is staffed when the regulations become operative and can effectively implement and enforce the regulations. It would also ensure that existing HCD enforcement efforts, such as noise complaints and health, life, and safety concerns, could continue to be addressed without reduced responsiveness. Finally, this plan and new staffing would allow HCD to respond more effectively to code enforcement actions in more remote areas of the County.

- Code Compliance Inspectors II (2 Full-Time Equivalents or FTEs) – Provide optimal coverage during evenings and weekends and ensure that staff can respond to complaints in more remote areas of the County. Ensure that areas with prohibitions on Commercial Vacation Rentals, such as the Big Sur Coast Land Use Plan Area, Carmel Land Use Plan Area, Carmel Valley Master Plan Area, and Moss Landing Community Plan, can have complaints of operators operating outside of their permits addressed expeditiously.
- Third-Party Compliance Tools/Services – To augment HCD Code Compliance Division's enforcement of unpermitted and illegally operating Vacation Rentals, HCD plans to utilize third-party compliance tools/services such as Rentalscape, which is the platform that the TTC utilizes for TOT enforcement. Utilizing the same platform would enable HCD and TTC to coordinate better. Rentalscape is able to send automated notices on behalf of the County to operators as a part of the initial educational outreach and courtesy notices to encourage violators to shut down expeditiously. HCD would expect to utilize Rentalscape along with Accela to ensure that violations would be tracked in Accela. Tracking violations in Accela will enable HCD to link the violations to the specific parcel. If the operator is operating outside of their permit or license, this will create a clear record, so if the applicant tries to renew their permit or license, they would be prohibited from doing so. HCD will return to the Board at a future date with a contract for third-party compliance tools/services.

2. Permit Review and Condition Compliance Program

Once the Vacation Rental regulations become operative, this program will ensure that unpermitted Vacation Rentals have a pathway to becoming permitted. HCD will have a clear application process, which will begin with applicants obtaining a TOT certificate from TTC, receiving a Vacation Rental Operation License and, if applicable, a Use Permit or Coastal Development Permit from HCD, and finally, a Business License from TTC to become a

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legally operating Vacation Rental. This process will ensure that the Vacation Rental receives appropriate approval from both TTC and HCD and that the operation complies with the regulatory requirements. Once an application is approved, the Condition Compliance team within HCD will ensure that the Vacation Rental operators are operating within the bounds of their permit, and if not, code compliance staff is notified, and enforcement action is initiated.

There will initially be hundreds of applications; therefore, having the requisite staffing to process the applications and effectively monitor condition compliance of these operations will be crucial. The nature of the applications will evolve over time as application volumes diminish. Additionally, application renewals will be a simplified process; therefore, staff time processing applications will diminish over time. On the other hand, as more applications are approved, staff expects a fairly consistent need for condition compliance staff to ensure that Vacation Rental operations are continuously monitored, violators can be dealt with swiftly, and enforcement action is taken when necessary. Renewals of Use Permits or Coastal Development Permits will follow on a 7-year rotation after intimal approvals. While renewals may take less effort over time, the demand on staff resources will continue in regular intervals.

*Permit Review and Condition Compliance Program Staffing (Reference: **Table 1**)*

This staffing plan would ensure that HCD is staffed when the regulations become operative and can effectively implement the regulations. It would also ensure that existing HCD permit review and condition compliance can be addressed without reduced responsiveness. Finally, this plan and new staffing would allow HCD to use these staff to assist non-Vacation Rental-related applications and condition compliance as the Vacation Rental operations are regularized.

- Permit Technician III (1 FTE) – This position is needed to process the annual Vacation Rental Operation Licenses for all three vacation rental types without impacting the current level of service provided to the public. This position would be primarily responsible for processing the non-discretionary permits. The Permit Technician would work with the Assistant Planner and Contract Planner to ensure coordination between the non-discretionary (for Vacation Rental Operation License) and discretionary permit (for Commercial Vacation Rentals) processing. This position would be responsible for managing the Condition Compliance for all Vacation Rental types to ensure that their operations are tracked and monitored, and any violations of the license would be forwarded to Code Compliance for swift enforcement action. This position would also be responsible for the annual renewals of the Vacation Rental Operation License. Finally, this position would be responsible for regularly coordinating with TTC staff to ensure that violations of the TTC TOT certificate or business license would result in appropriate HCD action, including but not limited to revocation or non-renewal of a license or permit. Without this position, levels of service at the front counter for HCD, including assisting customers in person, answering phone calls, responding to emails, routing permit applications, and

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- reviewing minor planning permits, would be impacted. Impacts might include limiting business hours at the permit center to provide existing staff the necessary time to perform Vacation Rental Operation License reviews in addition to other duties.
- Assistant Planner (1 FTE) – This position is needed to process an initial influx of Use Permit or Coastal Development Permit applications. After the initial processing of discretionary permits (for Commercial Vacation Rentals) and assisting the Permit Technician with non-discretionary permit processing, this position would be utilized to process renewals for the discretionary permits (Use Permit and Coastal Development Permit) and work with condition compliance monitoring for Vacation Rentals, which will be ongoing. This position could also assist HCD with other permit reviews and condition compliance as the Vacation Rental application processing moves to focus on renewals of existing applications after the first two years. Without this position, processing times for discretionary permit applications will be extended as current staff add the influx of Use Permits or Coastal Development Permits to the queue of all other permit applications.
 - Contract Planner (.40 FTE) – This contract planner would assist HCD with the initial influx of Vacation Rental Operation License and Use Permit or Coastal Development Permit applications. This position would be expected to be utilized for two years and would be an in-office position. Once the initial influx was completed in the Inland Area and the Coastal Zone, HCD would no longer need the Contract Planner position.

3. *Enforcement Penalties*

Implementation of strong enforcement penalties will facilitate enforcement and limit individuals who are operating in violation of their Vacation Rental Operation License, Use Permit, or Coastal Development Permit and dissuade unpermitted Vacation Rental operations. The Vacation Rental regulations enable multiple avenues for enforcement, including administrative and civil penalties. These penalties include misdemeanor charges, punishable by a fine of not more than one thousand dollars. These penalties can include administrative citations that escalate per individual citation and are based on a set rate or a percentage of the maximum Advertised Rental Rate to ensure that properties with high rental rates do not ignore financial penalties. Additionally, each and every violation of any regulation in the ordinances constitutes a separate and unique violation, and every day the violation continues to exist, it will be deemed a separate and distinct offense. This will ensure that operators continuing to operate in violation of the ordinances will face mounting penalties until the violation is remedied.

4. *Hosting Platform Compliance Requirements*

Hosting Platforms, such as Airbnb or VRBO, enable property owners and tenants to rent their living space to visitors as a Vacation Rental. These websites allow property owners to rent anything ranging from a Bedroom to their entire home, allow visitors to search in one location to find a potential Vacation Rental, and create a one-stop location to facilitate the rental transaction between renter and owner. As Hosting Platforms are the primary means by

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which Vacation Rentals are advertised to the public, the regulation of Hosting Platforms can facilitate compliance from property owners unaware or unwilling to comply with local or state regulations. To facilitate the enforcement of the County’s ordinances, staff added language to Title 7 with requirements for Hosting Platforms similar to previously legally tested Hosting Platform compliance requirements.

Staff is aware of multiple other jurisdictions with regulatory requirements for the Hosting Platforms (including but not limited to the City of Los Angeles, the County of San Bernardino, the City of San Diego, the City of San Francisco, and the State of Florida). These jurisdictions have similar requirements of the Hosting Platforms and, in particular, require that the Hosting Platforms ensure that if notified about a non-compliant listing, they remove it within a specified time period. HCD staff has met with the City of San Francisco, and City staff have found that these types of Hosting Platform compliance requirements included in Title 7 have greatly facilitated enforcement actions against operators not operating in compliance with the City’s regulations.

Williamson Act Compatible Uses

Vacation Rentals in agricultural zones are subject to all Vacation Rental regulations. In addition, Vacation Rentals operating on agriculturally zoned parcels with active agricultural operations must have the Property Manager, Owner, or Operator concurrently reside on the property during the rental period.

To ensure consistency between the ordinances and properties under Williamson Act contracts, the Williamson Act Compatible Uses list must be amended to add the transient use of a single-family dwelling as a compatible use. Staff has reviewed the proposed Williamson Act Compatible Uses language with the Agricultural Preservation Review Committee (APRC) to ensure it was appropriate. Staff submitted the draft language to the Department of Conservation (DOC), and DOC staff noted that “the County’s language is extremely similar, and in-line with what other jurisdictions have proposed.” Transient use of a residential property is allowed in at least three other jurisdictions (County of Merced, Placer, and Yolo) under their Williamson Act Compatible Uses list.

The Agricultural Advisory Committee, at its April 25, 2024 meeting, voted six ayes and two noes to recommend that the Planning Commission amend the Compatible Uses for Williamson Act contracts (Agricultural Preserves and Farmland Security Zones) by adding Vacation Rentals within a single-family dwelling as a permitted compatible use under the Williamson Act.

Finances

Staff time to develop the draft ordinances is funded as part of the Fiscal Year 2024-25 Adopted Budget for HCD, Appropriation Unit HCD002, Unit 8543. Based on the policy direction received at the Board hearing on May 25, 2021, the Board directed staff to pursue the cost recovery approach when setting new fees associated with the draft ordinances. This cost recovery approach was also directed to be paired with a minimal staffing model. HCD has considered

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what a realistic implementation of the draft ordinances would entail and recommends that the Board consider HCD’s aforementioned Enforcement Program with new HCD staff positions to ensure that the Code Compliance and Permit Review and Condition Compliance implementation can be carried out successfully. This Enforcement Program is designed to utilize third-party services where reasonable but also ensure that HCD is appropriately staffed to manage the implementation and enforcement of Vacation Rental operations. The Enforcement Program is expected to be paid for out of newly realized revenues from the implementation of the draft ordinances.

Estimated Annual Program Costs – The estimated annual funding needed to fully fund the Code Compliance and Permit Review and Condition Compliance Program presented above includes:

- Code Compliance Inspectors II (2 Full-Time Equivalents or FTEs) – \$315,396
- Third-Party Compliance Tools/Services - The cost of procuring this service is unknown at this time. However, it would likely be less than \$25,000 annually and would greatly assist HCD with the initial educational outreach and courtesy notification of Operators operating unpermitted Vacation Rentals.
- Permit Technician III (1 FTE) – \$144,477
- Assistant Planner (1 FTE) – \$135,120
- Contract Planner (0.40 FTE) – \$147,200 (first two years only)

Table 1 – Estimated Annual Costs

Estimated Code Compliance Program Staffing*	
Code Compliance Inspector II	\$157,698
Code Compliance Inspector II	\$157,698
Third-Party Compliance Tools/Services	\$25,000
Total Annual Code Compliance Program Staffing Costs	\$340,396
Estimated Permit Review and Condition Compliance Program Staffing*	
Permit Technician III	\$144,477
Assistant Planner	\$135,120
Contract Planner**	\$147,200
Total Annual Permit Review and Condition Compliance Program Staffing	\$426,797
First Two Years Enforcement Program Costs	\$767,193
Long-Term Annual Enforcement Program Costs**	\$619,993
*These costs are based on the most recent estimates of staffing and third-party contractor costs for FY 2025.	
**The Contract Planner's annual costs are only for the Program's first two years.	

For the first two years, the annual cost to fully fund the Code Compliance and Permit Review and Condition Compliance Program would be \$767,193, where approximately 78% (\$594,993) of the yearly cost would be for HCD staff positions and approximately 22% (\$172,200) would be

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for third-party contractor costs. After the first two years, the annual Code Compliance and Permit Review and Condition Compliance Program would be \$619,993, where approximately 96% (\$594,993) of the yearly costs would be for HCD staff positions and approximately 4% (\$25,000) would be for third-party contractor costs. Revenues from implementing the draft ordinances would offset these costs. The estimations of these revenues are discussed in the subsequent section.

During the initial influx of applications, which staff expects to consist of 825 applications over the course of the first two years after the adoption of the draft ordinances, staff recommends utilizing a part-time Contract Planner to assist HCD Planning staff in processing Use Permits and Coastal Development Permits. These services would operate on a part-time basis, and the cost would depend on the volume of Use Permits and Coastal Development Permits actually submitted. The third-party Contract Planner would be paid for out of newly realized revenues associated with the draft ordinances. This newly realized revenue is based on the cost of HCD Planning staff processing the Vacation Rental Operation Licenses, Use Permits, and Coastal Development Permits. The temporary consulting services are needed to assist the 1 Assistant Planner and 1 Permit Technician III in processing 825 permits in a timely manner. Historically, utilizing third-party Contract Planners has been more expensive than utilizing in-house staff to process permits. Therefore, staff would expect that the costs of utilizing a third-party Contract Planner would exceed the newly realized permit revenues. HCD's FY 24/25 Adopted Budget could cover this differential between expected revenues and costs. However, if these costs exceed HCD's FY 24/25 Adopted Budget, staff expects to return to the Board at a later date to request an augmentation. This augmentation would be a separate augmentation request from the already approved augmentation request for \$100,000 for third-party Planning On-Call Services that were a part of the FY 24/25 Adopted Budget.

Estimated Vacation Rental Ordinances Program Revenue

Staff developed preliminary cost and revenue estimates based on a cost recovery model that assumes all 825 advertised Vacation Rentals operating, based on the data obtained as a part of the CEQA process, would seek to become permitted through the County's new Vacation Rental regulatory process. Of the 825 advertised Vacation Rentals, staff assumed that operators would generally want to operate their Vacation Rental as a Commercial Vacation Rental due to the limitations placed on the Homestay and Limited Vacation Rental categories. Staff calculated the breakdown of Homestays and Commercial and Limited Vacation Rentals by assuming that seventy percent of the existing operators would apply as a Commercial Vacation Rental and thirty percent would apply as either a Homestay or Limited Vacation Rental. This was based on the data obtained as a part of the CEQA process that indicated that most Vacation Rentals are not operating as a Homestay or occasional Non-hosted Vacation Rental. This would mean that most advertised Vacation Rentals would be required to obtain a Vacation Rental Operation License, Use Permit, and/or Coastal Development Permit. Staff would note two specific deviations from the seventy/thirty breakdown. One was in areas where the Commercial Vacation Rental cap would be exceeded or where Commercial Vacation Rentals are entirely banned (such as the Big Sur Coast Land Use Plan Area). Staff conservatively estimated that the four percent cap or ban

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on Commercial Vacation Rentals would not be altered from the draft ordinances approved by the Commission. Secondly, due to the ban on Commercial Vacation Rentals in residential zoning districts, staff conservatively estimated that only Limited Vacation Rentals would operate in the CVMP Area.

Based on the above assumptions, there could be an estimated increase in revenue of \$4,081,825, which would be realized over a multi-year period (Reference: **Table 2**). The one-time permit fee revenue could total an estimated \$3,285,700 (based on the cost of obtaining a Use Permit or a Coastal Development Permit), which would likely be realized over a multi-year period. There would be one-time revenue from the Vacation Rental Operation License of \$796,125, which would likely be realized over a multi-year period as well. This Vacation Rental Operation License revenue may be reoccurring or will likely be reduced based on an analysis of processing and administrative enforcement time for the Vacation Rental Operation License renewal. There would also be some expected revenues from enforcement penalties/fees for operators operating outside their permit or license and from illegal, unpermitted operations. These revenues are unknown at this time, and these fees are intended to ensure enforcement action staff time is operated at cost recovery.

For Fiscal Year 2022-23, TOT revenues for Vacation Rentals are roughly estimated to be \$3,865,840, and TOT revenues for non-Vacation Rentals are roughly estimated to be \$34,477,613. For Fiscal Year 2022-23, total TOT revenues were \$38,343,453. This distinction between TOT revenue for Vacation Rentals and non-Vacation Rentals is if the operator is paying the Monterey County Tourism Improvement District (MCTID) fee, which is a fee that is associated with operators that provide additional amenities that are not generally associated with Vacation Rentals. There would be a roughly estimated decrease in TOT Vacation Rental revenue of \$1,159,752 based on Fiscal Year 2022-23 TOT revenue collection due to the cap placed on Commercial Vacation Rentals and the limitations on Commercial Vacation Rentals in specific areas of the County (see **Table 2** for additional details). The TTC would expect new revenues based on the business license that the TTC will begin issuing to all Vacation Rentals and hotels, pursuant to Section 7.02.060 of the MCC. The TTC will bring the new business license fee before the Board at a subsequent hearing date.

The proposed changes to HCD permit fees (Article IX) aim to achieve as close to full cost recovery as possible for the newly established Vacation Rental Operation License fee. Staff will return to the Board for consideration of a Vacation Rental Operation License renewal fee in the future. The renewal fee is anticipated to be less than the initial Vacation Rental Operation License fee as it is expected to take less time to renew these permits annually after their initial review.

Table 2 – Estimated Revenues

AREA	LAND USE PERMIT*	LICENSE – HCD*, ****	BUSINESS LICENSE – TTC	TOT**, ***
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COASTAL	COASTAL DEV. (ONE-TIME)****			
COST	\$11,000	\$-	\$-	\$-
COUNT	212	-	-	-
REVENUE	\$2,336,400	\$-	\$-	\$-
INLAND	USE (ONE-TIME)****			
COST	\$5,500	\$-	\$-	\$-
COUNT	173	-	-	-
REVENUE	\$949,300	\$-	\$-	\$-
BOTH				
COST	\$-	\$965	Variable	Variable
COUNT	-	825	825	825
REVENUE	\$-	\$796,125	\$TBD	\$(1,159,752)***
TOTAL REVENUE	\$3,285,700	\$796,125	\$TBD	\$(1,159,752)***
<p>*For simplicity, staff assumes an influx of one-time land use permits. This influx of fees would likely be over a multi-year period and would depend on the effective date of Titles 7, 20, and 21. This pattern would repeat itself in approximately seven years, but with reduced fees, as these fees would likely be reduced renewal fees, which correspond to the permit term.</p>				
<p>**Estimated TOT for Vacation Rentals is calculated based on whether operators are paying the Monterey County Tourism Improvement District (MCTID) fee. MCTID is paid by operators whose property offers additional amenities, which are typically offered by hotels, motels, and traditional bed and breakfast establishments. A typical Vacation Rental would not pay the MCTID fee; therefore, these figures can be used as a rough estimate to determine which operators paying TOT are Vacation Rentals and which are not.</p>				
<p>***Estimated reduction in TOT based on a thirty percent reduction to the average annual TOT collected that can be roughly estimated to have been paid by Vacation Rentals in FY22-23, which as (Total TOT FY 22/23: \$38,343,453; MCTID TOT FY 22/23: \$34,477,613; non-MCTID TOT FY 22/23 \$3,865,840).</p>				
<p>****These fees are only the fee for the Use Permit, Coastal Development Permit, or Vacation Rental Operation License and exclude other fees charged by other departments such as Environmental Health, any fire review fees, or County Counsel fees. These also exclude fees that are added on as a percentage of the overall fee charged by HCD.</p>				

*Projected Long Term Vacation Rental Ordinances Program Operations Revenues and Costs (Reference: **Table 3**)*

Implementation of the Vacation Rental Ordinances and associated revenues and expenditures will present the County with new recurring revenues and expenditures. Staff has prepared **Table 3**,

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which projects the long-term estimated fiscal impacts of adoption of the Vacation Rental Ordinances and the associated fees and regulatory requirements.

Staff has prepared two projections; one projection is over a nine-year cycle, which includes the initial and renewal revenues associated with the Vacation Rental Operation License, Use Permit, and/or Coastal Development Permit and costs associated with the County’s Annual Enforcement Program. This projection indicates that the adoption would be self-sustaining over the nine-year cycle, which would include the higher initial Vacation Rental Operation License, Use Permit, and Coastal Development Permit fees. The second projection is over a seven-year cycle, which only includes renewal revenues associated with a preliminary proposed Vacation Rental Operation License fee, and existing renewal fees for a Use Permit and/or a Coastal Development Permit and costs associated with the County’s Annual Enforcement Program. The second projection indicates that even with the lower revenues associated with the reduced renewal fees, the Vacation Rental Ordinances Program is self-sustaining over the seven-year cycle and likely will have a structural operating surplus.

Table 3

Item Detail	Projected Total Cost Over 9-Year Initial & Renewal Cycle FY25-FY33	Projected Total Cost Over 7-Year Renewal Cycle FY27-FY33
Expenditures -		
Code Compliance Inspector II	\$1,356,583	\$1,103,886
Code Compliance Inspector II	\$1,356,583	\$1,103,886
Third-Party Compliance Tools/Services	\$225,000	\$175,000
Permit Tech III	\$1,242,850	\$1,011,339
Assistant Planner	\$1,162,358	\$945,840
Contractor Planner	\$235,875	\$-
Total Expenditures	\$5,579,248	\$4,339,951
Revenues*, **		
Initial Use Permit*	\$(949,300)	\$-
Initial Coastal Development Permit*	\$(2,336,400)	\$-
Initial Vacation Rental Operation License*	\$(796,125)	\$-
Renewal of Coastal Development Permit*	\$(1,168,200)	\$(1,168,200)
Renewal of Use Permit*, **	\$(949,300)	\$(949,300)
<u>Preliminary Proposed - Renewal of Vacation Rental Operation License***, ****</u>	\$(3,750,395)	\$(3,493,875)
Total Revenues*, **, ***	\$(9,949,720)	\$(5,611,375)
Total Expenditures - Revenues*	\$(4,370,472)	\$(1,271,424)

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*These fees do not include the fees that are assessed as a percentage of the overall amount, such as the Storage and Electronic Conversion of Files Fee and the Technology Fee or fees assessed by other departments such as County of Monterey Environmental Health, County of Monterey Treasurer-Tax Collector, or County of Monterey Office of the County Counsel.

**These projected revenues do not include other fees assessed in code enforcement cases or other types of fines and fees from code enforcement actions.

***This is an estimation of the fee, conservatively estimated on the lower end, but will depend on staff time analysis.

****For the Vacation Rental Operation License renewal, the assumption is that 80 percent of the renewals will be No Change renewal fees and 20 percent will be Change renewal fees.

Vacation Rental Operation License Fee

As part of implementing the new Vacation Rental Operation License, staff researched the various fees charged in other local jurisdictions with similar Vacation Rental regulatory requirements. Vacation Rental approval costs range from \$145 (in Humboldt County) to \$1,195 (in Ventura County). Jurisdictions with similar regulatory requirements to the requirements in Title 7 are El Dorado County (fee: \$760), Santa Barbara County (fee: \$1,000), San Bernardino County (fee: \$1,135), and Ventura County (fee: \$1,195). Monterey County’s proposed fee for the Vacation Rental Operation License is in line with other jurisdictions that have similar regulatory requirements as Monterey County. This new Vacation Rental Operation License fee is not a land use fee; it is simply a fee for time necessary to review and approve a Vacation Rental Operation License.

The County’s new proposed “Each” Article IX – Land Use fee is \$965 for the Vacation Rental Operation License. This fee is based on the estimate that it will take five hours for the Permit Technician III review and one hour for an office assistant to process a Vacation Rental Operation License. Therefore, the total cost for the Vacation Rental Operation License will be \$965, not including Environmental Health or other County departments. Staff would like to note that the \$965 excludes other fees charged by other departments, such as Environmental Health (which will be set at \$301), any fire review fees, County Counsel fees, or the additional fees added on as a percentage of the overall license fees. Staff will expect to return to the Board within a year to adjust the fee as necessary and potentially establish separate fee(s) for the yearly renewal of the Vacation Rental Operation License. This potential reduced yearly renewal fee(s) would be based on staff time data for processing and administrative enforcement of the Vacation Rental Operation Licenses within the previous year.

Staff Response to the Planning Commission Requested Revisions to the Draft Ordinances

This section details changes to the draft ordinances considered at the Planning Commission hearing on May 29 and June 12, 2024. The draft ordinances reflect items the Commission requested staff to revise before the Board's consideration.

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- Section 7.120.010.A.3 – The Commission requested that staff clarify the purpose section of Title 7 to preserve a sense of neighborhood security and safety.
- Section 7.120.040.L.4 – The Commission requested that staff clarify the required listing of the Advertised Rental Rates to ensure that the minimum and maximum Advertised Rental Rates were posted in the unit to clearly show Occupants the range of rates for the Vacation Rental.
- Sections 7.120.020.J, 7.120.050, 20.64.290.D, and 21.64.290.D – Added Homestays into the draft ordinances.
- Sections 7.120.020.H, 7.120.040.U, 20.06.620, and 21.06.620 – Guesthouse regulations in Title 20 and 21 (Sections 20.64.020 and 21.64.020), do not allow a guesthouse to be rented separately from the single family dwelling, however they could be rented as a part of a whole property rental. Staff presented three options to the Commission related to Guesthouses at their June 12, 2024, hearing. The first option would allow Guesthouses to be rented as a part of the single family dwelling, but they could not be rented separately from the single family dwelling. The two other options would allow the Guesthouse to be rented separately from the single family dwelling, which would allow two rental contracts per parcel (one for the single family dwelling and one for the Guesthouse). Due to the additional staff time and research and the Commission’s comfort with the current Guesthouse regulations, where the Guesthouse could be rented as a part of the single family dwelling, regardless of the type of Vacation Rental, the Commission recommended that staff revise the draft ordinances to clearly state the Guesthouses can be rented but only as a part of the single family dwelling. Staff also revised the existing definition of Guesthouses in Titles 20 and 21 to ensure that they mirrored the current Guesthouse regulations (in Sections 20.64.020 and 21.64.020) and deed restrictions language, stating that they cannot be rented separately from the single family dwelling.
- Sections 7.120.050.C, 7.120.060.C, 7.120.070.C – At the Commission hearing on May 29, 2024, there was significant Commissioner and public concern about the impact that reduced occupancy maximums for Limited Vacation Rentals could have on the ability of families to travel together and rent Vacation Rentals in the unincorporated Monterey County. On June 12, 2024, staff presented the revised maximum occupancy requirements to the Commission, which recommended that staff incorporate them into the draft ordinances presented to the Board. Staff revised the draft ordinances to harmonize the maximum occupancy limitations for Homestays and Limited Vacation Rentals, so they mirrored the maximum occupancy limitations of Commercial Vacation Rentals, which is two per Bedroom, plus one, not including infants (0 – 12 months), with a maximum of ten overnight Occupants regardless of the number of Bedrooms per Vacation Rental. This maximum occupancy of ten individuals is due to California Building Code requirements. If occupancy exceeds ten or more, it would trigger different and stricter California Building Code requirements. Additionally, due to septic system limitations, the draft ordinances limit the number of Occupants per Bedroom. The County of Monterey Health Department Environmental Health Bureau recommended the limitation of two per bedroom. These limitations are intended to minimize the impacts on existing septic systems, which are sized based on two individuals per Bedroom. Additionally, the

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limitation of two per Bedroom plus one individual for occupancy calculations is based on the guidelines established by the Keating Memo (63 Federal Register 70256–70257, <https://www.govinfo.gov/content/pkg/FR-1998-12-22/pdf/98-33568.pdf>) and the California Department of Fair Employment and Housing (DFEH) formula-based occupancy restriction known as the “two plus one” formula.

- Sections 7.120.050.B and 7.120.060.B – During the Commission hearings, there was concern expressed that even with the limitations identified in the draft ordinances on Homestays and Limited Vacation Rentals, there could still be frequent changeovers of both visitors and employees servicing the Vacation Rental within a short period of time. Therefore, staff recommended, and the Commission agreed to limit the number of rental contracts to one rental contract per seven day period for Homestays and Limited Vacation Rentals.
- Section 20.64.290.E.3.e.i – At their June 12, 2024, public hearing, the Commission, after reviewing the Moss Landing Community Plan Area and the limited amount of residentially zoned areas, recommended staff add a prohibition on Commercial Vacation Rentals in the residential zoning districts of Moss Landing. The Final Environmental Impact Report identified 61 single family residential dwelling units and 11 advertised Vacation Rentals in Moss Landing, which reduced the housing stock availability for the community. Even two Commercial Vacation Rentals, which account for four percent of the 61 single family residential dwelling units, would impact the community’s housing stock. Therefore, the Commission recommended that Commercial Vacation Rentals be prohibited in the residential zoning districts in the Moss Land Community Plan Area. Staff has added this prohibition to the draft ordinances and concurs with the Commission’s recommendation due to the limited residential housing stock in the Moss Landing Community Plan Area.

Staff Response to the Planning Commission Requested Options for Board Consideration

This section details changes to the draft ordinances considered at the Commission hearings on May 29 and June 12, 2024. It reflects items for which the Commission requested that staff provide the Board with options for their consideration and ultimate adoption in the draft ordinances.

- Sections 7.120.020.F & 7.120.040.H – The Commission requested that staff come to the Board with an option to allow a small sign outside the Vacation Rental. This would facilitate visitors' ability to locate vacation rentals and allow residents to clearly see the legally operating vacation rentals in their neighborhoods. This outdoor sign could also show the contact information for the Property Manager to ensure that members of the neighborhood can reach the Property Manager easily if visitors violate their Vacation Rental Operation License, Use Permit, or Coastal Development Permit. Staff reviewed examples from other jurisdictions and included proposed language as track changes in the draft ordinance for the Board’s consideration. Staff would like to highlight to the Board that including this option in the final ordinances could potentially conflict with

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homeowner's associations or covenants, conditions & restrictions on residential property that prohibit outdoor signs.

- The Commission requested that staff research the feasibility of limiting investors or commercial-style operators from operating and owning more than one Vacation Rental. Increased commercialization of Vacation Rentals could potentially increase the negative social and behavioral impacts of Vacation Rentals on surrounding residential neighborhoods. Staff researched other jurisdictions (such as the County of Sonoma) and found two potential methods to limit the commercialization of Vacation Rentals. The first is limiting the number of Commercial Vacation Rentals a single Owner can have at any time. The second is limiting the operation of Vacation Rentals to non-investor-owned properties.
 - Sections 7.120.020.L & 7.120.040.W – Limiting the impact of investor-owner Vacation Rentals could be achieved by requiring that the Owner of the Vacation Rental be either an individual (a natural person) or, in the case of a property held in a trust, the Owner must be a trustee. This method would eliminate the ability of any corporation, partnership, firm, business, or similar entity to operate a Vacation Rental in the unincorporated Monterey County. Research has shown that full-time Vacation Rentals remove housing from the long-term rental market, and operators that own multiple Vacation Rentals tend to be overrepresented in operating commercial-style vacation rentals. (Barron et al., 2019; Merante et al., 2016; Wachsmuth, 2022) This method is easy to implement and has been inserted into the draft ordinance to limit the commercialization of vacation rental operations.
 - Sections 20.64.290.F.10 & 21.64.290.F.10 – The most common regulatory method to limit the number of Vacation Rentals a single Owner can have at any time would be limiting the number of properties a single Owner could operate. Staff drafted language limiting the ability of a single Owner to have an ownership interest in more than one Commercial Vacation Rental real property at a time. It would also be relatively easy to implement when paired with the method above. It has been inserted into the draft ordinance to limit the proliferation of investor-owned vacation rentals.
- Section 7.120.080.G – The draft regulations for Hosting Platforms (such as Airbnb and VRBO) have required standards that the platforms must comply with, such as removing non-compliant listings within ten days and providing HCD with all active listings in the unincorporated Monterey County monthly. At the Commission hearings on May 29 and June 12, 2024, concerns were raised that if the draft ordinances did not include potential fines for Hosting Platforms violating these standards, they may be unenforceable. Staff researched the feasibility of including fines for Hosting Platforms in the draft regulations and found that some jurisdictions include fines as punishment for Hosting Platforms that violate their regulatory requirements (such as the City of San Francisco, the City of Santa Monica, and the State of Florida). The City of San Francisco and City of Santa Monica regulations resulted in lawsuits. The City of Santa Monica's case upheld their ordinance, which penalizes the Hosting Platform for unlawfully booking Vacation Rentals of unpermitted properties in Santa Monica. The City of San Francisco's case denied an

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injunction, ultimately leading to the settlement agreement between Hosting Platforms and the City of San Francisco. This settlement agreement included penalties for Hosting Platforms for violations of the City's regulations.

- Section 7.120.160.D – Members of the public and Commissioners expressed concerns that fines for Vacation Rental Operators violating the draft ordinances should be large enough to encourage violators to comply. Therefore, staff added draft language to ensure the violation fine was based on the maximum Advertised Rental Rate.
- Section 20.64.290.F.2 – In recognition of the time delay in the Coastal Zone and in response to the concerns raised at the Commission public hearings on May 29 and June 12, 2024, all unpermitted Vacation Rental operations not allowed pursuant to the draft ordinances are required to phase out operations within two months of the ordinances' effective date. This is due to the delay in the effective date of the Title 20 ordinance in the coastal zone, which will require Coastal Commission review and certification. Before the effective date in the Coastal Zone, the County can require earlier termination of unpermitted operations when there is a risk to public health, safety, and welfare.
- At the Commission hearings on May 29 and June 12, 2024, there were significant public and Commissioner concerns about the cost and permit requirements for Homestays. The Commission requested that staff research approaches to streamline the permit process and fees for Homestays. Staff researched the feasibility of streamlining the permit process for Homestays and potentially creating a separate reduced permitting process for Homestays. The draft regulations require Homestays to obtain a Vacation Rental Operation License, a ministerial permit with a relatively low fee (\$965), not including other reviewing departments or other fees charged as a percentage of the overall application. A separate reduced permit process for Homestays would require a significant rework of the draft ordinances and require staff to create a third separate process for Homestays, which would need to be implemented separately. Staff could make Homestays an allowed use with no-permit requirements. However, this would remove the HCD's ability to track these operations and could cause enforcement difficulties with non-compliant Homestays. Therefore, staff did not bring forward different and new regulatory requirements or a reduced fee option for Homestays due to these additional challenges. If applicants for Homestays or any other type of Vacation Rental cannot afford the application fee, they could apply for a fee waiver.