

# Attachment A

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# **Attachment A – Detailed Discussion**

## **Monterey County Policy Background**

The County of Monterey Board of Supervisors (Board) adopted Vacation Rental Ordinances and certified the Final Environmental Impact Report (FEIR) for the Vacation Rental Ordinances on August 27 and September 10, 2024. The Board adopted a resolution of intent to adopt regulations for Vacation Rentals, amending Title 20. Staff subsequently submitted these regulations to the California Coastal Commission at the end of September 2024. Regulations for Vacation Rentals went into effect on October 14, 2024, in the unincorporated Inland Areas. The Board requested that staff return before the end of the calendar year to hold a study session on the Vacation Rental Ordinances. The Board requested that staff review the implementation of the Vacation Rental regulations, the impact on Transient Occupancy Tax (TOT), and the impact on housing. Additionally, the Board requested that staff at the study session potentially discuss making updates to the regulations that could include prohibitions on vacation rentals in other residential zoning districts in the County (including North County Area Plan, North County Land Use Plan, Del Monte Forest Land Use Plan, and Carmel Area Land Use Plan), reducing the Vacation Rental Operation License (License) fee for Limited Vacation Rentals, allowing long-term renters to qualify for a Homestay, adding additional concentration or density limitations, and subdividing the Commercial Vacation Rental cap in the Greater Monterey Peninsula Area Plan.

Due to the recent implementation of regulations for Vacation Rentals in the unincorporated Inland Area of Monterey County, staff recommends returning to the Board before December 2025, where staff can provide additional data on the implementation of the regulations to date and discuss having the Board direct staff to return to the Planning Commission to work on updates to the adopted regulations. Finally, staff would recommend this approach to see how adoption in the Coastal Zone has progressed, as the California Coastal Commission will likely have considered those regulations before April 2025, allowing staff to obtain additional implementation data for Board and Planning Commission consideration.

## **Summary of Draft Ordinances**

The regulations adopted by the Board established new requirements for short-term vacation rentals in unincorporated Monterey County. The new regulations define a Vacation Rental as the use, by any person, of all or a portion of a Residential Property for a period of 30 calendar days or less. Residential Property includes detached single family homes, manufactured homes, or mobile homes on permanent foundations. Vacation Rental regulations became operative in the unincorporated Inland Area of Monterey County on October 14, 2024, and in the unincorporated Coastal Zone of Monterey upon certification by the California Coastal Commission. Staff has prepared the summary below, including some of the regulatory requirements associated with the three Vacation Rental types.

# Attachment A – Detailed Discussion

## Vacation Rental Types

- Homestay
  - Description: Owner must stay in the house during their guests' stay. VR is the Owner's Primary Residence.
  - Allowable Zoning Districts: HDR; MDR; LDR; RDR; LC; HC; VO; F; RG; PG; RC; CP; SP.
  - Rental Contract Limitation: Cannot have more than 1 rental contract per 7 days.
  - Caps and Limitations: Allowed Countywide with no cap.
  - County of Monterey Housing and Community Development (HCD) Requirements: Vacation Rental Operation License
  - County of Monterey Treasurer-Tax Collector (TTC) Requirements: TOT Certificate & Business License
  
- Limited Vacation Rental
  - Description: Whole house rental where the owner is not in the home during their guests' stay. VR rented for up to three times per 12-month period.
  - Allowable Zoning Districts: HDR; MDR; LDR; RDR; LC; HC; VO; F; RG; PG; RC; CP; SP.
  - Rental Contract Limitation: Cannot have more than 1 rental contract per 7 days.
  - Caps and Limitations: Allowed Countywide with no cap.
  - County of Monterey HCD Requirements: Vacation Rental Operation License
  - County of Monterey TTC Requirements: TOT Certificate & Business License
  
- Commercial Vacation Rental
  - Description: Whole house rental where the owner is not in the home during their guests' stay. VR rented for more than three times per 12-month period.
  - Allowable Zoning Districts: HDR; MDR; LDR; RDR; LC; HC; VO; F; RG; PG; RC; CP; SP; except in CVMP where allowed in LC; HC; VO; F; RG; PG; RC; CP; SP.
  - Rental Contract Limitation: No limitation.
  - Caps and Limitations: Caps by Planning Area and prohibited in the residential zoning districts in the CVMP. Coastal Zone prohibitions are proposed in the Big Sur Coast Land Use Plan, Moss Landing Community Plan, and in LDR(CZ) in the Carmel Area Land Use Plan.
  - County of Monterey HCD Requirements: Vacation Rental Operation License
  - County of Monterey TTC Requirements: TOT Certificate & Business License

All Vacation Rentals are required to obtain a Vacation Rental Operation License which require that applicants comply with regulations pursuant to Monterey County Code (MCC) Chapter 7.120. Staff has summarized the requirements for all Vacation Rentals below.

## Attachment A – Detailed Discussion

- Maximum overnight occupancy of two per bedroom plus one and not counting infants (0 – 12 months) and not-to-exceed ten total occupants;
- Maximum daytime occupancy of 1.5 times the overnight occupancy and not to exceed 15;
- One rental contract at a time per Vacation Rental;
- If the parcel has active agricultural operations, the property manager, operator, or owner is required to reside onsite;
- Property manager is available at all times of the day to arrive on site within 30 minutes to respond to complaints;
- Post one outdoor sign to notify neighbors and occupants;
- Prohibition on outdoor fire areas;
- Informational letter to neighboring properties within a 300-foot radius and properties with ownership or access rights to any shared private road utilized to access the Vacation Rental;
- Provision to provide the following documents to the HCD:
  - Operations plan;
  - Site/Floor plan; and
  - Vacation Rental Home Inspection Report.
- Requirement to notify the Vacation Rental occupants of:
  - Emergency response numbers;
  - Quiet hours;
  - Map of evacuation routes; and
  - Contact information for the property manager or operator.
- Required to comply with MCC Chapters:
  - 8.36 (Nuisance and Nuisance Animals);
  - 10.41 (Solid Waste Collection and Disposal);
  - 10.60 (Noise Control); and
  - 15.04 (Domestic Water Systems).
- Enforcement requirements that include both fines and penalties;
- Enforcement that each violation will be a separate and unique violation that will incur separate penalties;
- Requirements for the hosting platforms (such as VRBO or Airbnb) to ensure that they are not listing unpermitted Vacation Rentals in the County and a notification process that they must remove any listing that the County finds to be unpermitted; and
- A process and timeline for phasing out unpermitted operations and requiring existing permitted operations to comply with the new regulations.

Additionally, Commercial Vacation Rentals are required to comply with additional regulatory requirements:

- MCC Chapter 16.80 (Regulations Relating to Application Involving Use of Private Roads);

## **Attachment A – Detailed Discussion**

- Compliance with parking requirements in MCC Sub-Section 20.58.040 and 21.58.040 (Regulations for Parking);
- Proof that the septic system is in good working order;
- Proof of adequate response time for fire and emergency services; and
- Limitation of one Commercial Vacation Rental per legal lot of record, excluding Commercial Zoning Districts.

### **Vacation Rentals Implementation**

#### *Number of License and Permit Applications*

As of November 18, 2024, the Vacation Rental regulations have been in effect for slightly longer than one month. At this time, the County of Monterey Housing and Community Development (HCD) has received 26 License applications, which are required for all Vacation Rentals, and 19 Use Permits, which are only required for Commercial Vacation Rentals. Additionally, HCD is working with applicants whose applications were in process but not presented to a hearing body prior to the operative date of the new regulations, October 14, 2024. Five previously submitted applications will likely be converted to the new regulatory requirements.

#### *Transient Occupancy Tax (TOT) Revenue Impacts*

Due to the relatively short timeframe between the regulations' implementation of October 14, 2024, and the date of this hearing, staff has been unable to determine whether there is an impact on TOT revenues. The Treasurer-Tax Collector collects TOT tax on a quarterly basis, with the next reporting period of October – December to be collected by January 31<sup>st</sup>. Staff would recommend returning to the Board before December 2025, when they will have more TOT data to better understand the regulations' impact on TOT revenues. Additionally, the new business license requirement from the TTC will provide additional data on which operators are vacation rentals versus traditional lodging establishments.

#### *Vacation Rentals Impact on Housing*

As a part of the HCD's California Environmental Quality Act (CEQA) analysis, the County prepared a Socioeconomic Analysis (Appendix C of the Draft Environmental Impact Report (DEIR)), which provided additional data on the potential housing impacts of vacation rentals. Staff has summarized some of the findings from Appendix C in the following section. Areas of Monterey County with less affordable housing also tend to be more popular with tourists. Areas of Monterey County with more tourism tend to have higher residential vacancy rates than other areas, largely because of the greater number of homes in those areas classified as seasonal, recreational, or occasional-use housing units. The United States Census Bureau defines these types of housing units as covering "a wide range of housing units, from part-time residences and hunting cabins to beach houses and timeshares." These seasonal, recreational, or occasional-use housing units are largely concentrated in the coastal areas of Monterey County, which already have more expensive and less affordable housing. For example, in the Carmel Area Land Use Plan and Del Monte Forest Land Use Plan, these housing units comprise almost 60 percent of

## Attachment A – Detailed Discussion

total vacant housing units. In contrast, in the Toro Area Plan, they comprise only about two percent of total vacant housing units.<sup>1</sup>

Additionally, the study found that Vacation Rentals comprise a relatively small share of the overall housing units by Planning Area, slightly over one percent, with coastal areas having slightly higher percentages, but with all Planning Areas having less than five percent of the overall housing stock comprised of Vacation Rentals. Available literature has indicated that Vacation Rentals can have moderate to significant impacts on housing supply and pricing, especially in communities already facing affordability issues. Vacation Rentals appear to have an impact on housing prices for both for-sale and rental properties. However, studies have disagreed on the magnitude of the impact, increasing rental rates and housing prices anywhere from 0.02 percent to between 4.0 to 4.9 percent.

### Potential Updates to Vacation Rental Regulations

The adopted Vacation Rental regulations attempt to address the many differing opinions held and balance the concerns of residents and visitors. The regulations adopted by the Board resulted from a years-long public process and reflect the significant comments and testimony that the public and hearing bodies provided throughout this process. Staff recognizes that these regulations are not perfect and will likely need to be updated as the implementation of the Vacation Rental regulations progresses. Therefore, staff in the subsequent section will review some of the potential updates that the Board requested staff discuss at this study session and additional options that may be appropriate for consideration. Once again, staff requests that these items be brought forward to a subsequent Board hearing before December 2025, where staff will request that the Board recommend staff return to the Planning Commission to work on updates to the adopted Vacation Rental regulations.

#### *Prohibitions of Commercial Vacation Rentals in Other Residential Zoning Districts in Monterey County*

In the current Vacation Rental regulations in effect in the unincorporated Inland Area of Monterey County and submitted to the California Coastal Commission, Commercial Vacation Rental are prohibited in the Big Sur Coast Land Use Plan, the low density residential zoning district in the Carmel Area Land Use Plan, and the residential zoning districts in the Carmel Valley Master Plan and Moss Landing Community Plan. These prohibitions in the draft regulations balance the unique resource constraints and housing limitations in specific areas of Monterey County while still allowing Commercial Vacation Rentals in other areas of the County to ensure compliance with the California Coastal Zone Conservation Act of 1972 and allow homeowners or renters to benefit from earning additional revenues by operating these types of operations.

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<sup>1</sup> 2021 United States Census Bureau American Community Survey 5-Year Estimates Table B25004

## **Attachment A – Detailed Discussion**

The Board recommended at this study session that there be a discussion of prohibiting Commercial Vacation Rentals in other areas of Monterey County, including the North County Area Plan, the North County Land Use Plan, the Del Monte Forest Land Use Plan, and the Carmel Area Land Use Plan. Additional prohibitions would likely comply with the FEIR as they would reduce potential impacts from vacation rental operations. However, the Planning Commission would need to consider additional prohibitions of this scale and breadth. Finally, additional prohibitions of Commercial Vacation Rentals may not comply with the California Coastal Commission's interpretation of the California Coastal Zone Conservation Act of 1972.

### *Reduction in the Vacation Rental Operation License (License) Initial Fee for Limited Vacation Rentals*

The cost of the License, which is a ministerial license that is issued to all vacation rentals, was estimated by staff to incur staff costs of \$965 (of which it would take five hours for a Planning/Permit Tech review time and one hour for an office assistant to process the License). Any reductions to the cost that HCD charges for the License would mean that HCD would not recover the cost of those Licenses. It was recommended that due to the limitations on the number of times Limited Vacation Rentals can operate, it may be appropriate to charge Limited Vacation Rental operators a reduced fee for their License. If the Board directed HCD to charge a lower fee for Licenses issued to Limited Vacation Rental operations, HCD could create a reduced fee. The difference between the cost to HCD and the cost to the applicant would need to be covered by the General Fund since these Licenses would no longer be operated at cost recovery.

### *Establishment of the Vacation Rental Operation License (License) Annual Renewal Fee*

Staff will return to the Board in the Summer of 2025 to establish the License renewal fee. Operators are required to renew their Licenses annually. Staff expects to return to the Board with two separate renewal fees. The first type of renewal fee would be for applications that have "no change" to their existing operation. The application fee for these "no change" applications would likely be around a hundred dollars. The second type of renewal fee would be for applications that have some "change" to their existing operation. The application fee for these "change" applications would likely be around a few hundred dollars. These fees will be based on cost recovery, which staff will have more data on after staff has had the chance to process License applications.

### *Permitting Long Term Renters to Operate Homestays*

Homestays, which only allow the property owner to operate, could be modified to allow long-term renters to operate with the owner's approval. Staff had drafted this regulatory language and was prepared to present it to the Board on August 27, 2024. Staff has the draft language, which could be inserted into the Vacation Rental regulations. Adding this language would require staff to develop an additional form and process for long-term renters who would like to operate a Homestay, which would require additional administrative work. As this was something that the Planning Commission did not consider, staff would recommend returning to the Planning Commission for their consideration of changing the definition of a Homestay.



## Attachment A – Detailed Discussion

### *Additional Regulatory Changes*

- Adding further concentration or density limitations to Commercial Vacation Rentals. At the Planning Commission hearing, staff proposed additional concentration and density limits on Commercial Vacation Rentals for the Planning Commission to consider. The Planning Commission agreed with staff's recommendation not to include additional concentration and density limitations in the Vacation Rental regulations. The Planning Commission came to this recommendation based on the other limitations in the Vacation Rental regulations, including the cap on Commercial Vacation Rentals by Planning Area, the requirement that Commercial Vacation Rentals obtain both a Vacation Rental Operation License and a Use Permit or Coastal Development Permit, and finally banning Commercial Vacation Rentals in areas of the County with unique resource constraints or with severe housing limitations. The Board could direct staff to return to the Planning Commission for their consideration of implementing further concentration or density limitations.
- Subdivide the Commercial Vacation Rental cap in the Greater Monterey Peninsula Area Plan (GMPAP). The GMPAP is a diverse geographic area; it encompasses areas north of the City of Marina, the western portion of California State Route 68, and the inland portions of Pebble Beach. Demand for vacation rentals in the unincorporated Monterey County can primarily be found in the Coastal areas of the County, which include the Del Monte Forest Land Use Plan, which includes most of Pebble Beach. Due to the unique geographic boundaries of the GMPAP and the fact that only a small portion of Pebble Beach is in the GMPAP, this could cause a significantly higher concentration of Commercial Vacation Rentals in that specific area of Pebble Beach compared to the Del Monte Forest Land Use Plan, which encompasses the remaining area of Pebble Beach. Staff has draft language which could add to the Vacation Rental regulations. Adding this language would require that staff update the Geographic Information System (GIS) data layers and update the newly implemented Accela permitting process, which would require additional administrative work. Additionally, as the Planning Commission did not consider this, staff would recommend returning to the Planning Commission for their consideration of this new geographic restriction.

As regulations for vacation rentals went into effect on October 14, 2024, in the Inland Area and have yet to go into effect in the Coastal Zone, staff would recommend returning to the Board before December 2025 to have the Board recommend staff return to the Planning Commission for their consideration of these regulatory revisions and updates. Staff would be able to provide additional valuable implementation data at that time. This could also allow staff to recommend additional regulatory changes based on the regulation's implementation and allow for a more in-depth consideration of the items discussed in today's study session.

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