

Attachment J

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Attachment J – Financing

Staff time to develop the draft ordinances is included in the Fiscal Year 2024-25 Adopted Budget for HCD, Appropriation Unit HCD002, Unit 8543. The EIR was prepared by a third-party contractor (Ascent). The total contract amount for preparation of the EIR was \$500,715. For the prior Fiscal Year 2023-24, the third-party contractor cost of the EIR is \$272,804.30, which is included in the Adopted Budget for HCD, Appropriation Unit HCD002, Unit 8543. For the current Fiscal Year 2024-25, there may be additional third-party contractor costs for finalization of the EIR, which could be up to \$14,085, included in the Adopted Budget for HCD, Appropriation Unit HCD002, Unit 8543.

Staff developed preliminary cost estimates to successfully implement the draft ordinances and ensure that other HCD services would not be negatively impacted. These preliminary cost estimates encompass the entirety of HCD's Enforcement Program, which consists of the Code Compliance Program and the Permit Review and Condition Compliance Program. For the first two years, the Enforcement Program's preliminary annual cost estimates would be \$767,193 if fully funded, of which 44% (\$340,396) would be funding for the Code Compliance Program and 56% (\$426,797) for the Permit Review and Condition Compliance Program. After the first two years, the preliminary annual cost estimates of the Enforcement Program would be \$619,993 if fully funded, of which 55% (\$340,396) would be funding for the Code Compliance Program and 45% (\$279,597) for the Permit Review and Condition Compliance Program. These yearly cost estimates include third-party contractor costs. These costs would be expected to be offset by permit and license fee revenues from the implementation of the draft ordinances.

Staff would expect that all 825 operating Vacation Rentals identified in the Draft EIR would try to come into compliance with the newly established regulations. The expectation would be that most operators, would want to apply as a Commercial Vacation Rental due to the restrictions on Homestays and Limited Vacation Rentals. This would mean there would be applications for 825 Vacation Rental Operation Licenses, 212 Coastal Development Permits (Commercial Vacation Rentals in the Coastal Zone), and 173 Use Permits (Commercial Vacation Rentals in the Inland Area). The estimated revenue that would be expected to be realized over multiple fiscal years from one-time permit fees is \$4,081,825 (based on the cost of obtaining a Vacation Rental Operation License, Use Permit, or Coastal Development Permit). These fees would be reduced in subsequent years as the cost of renewals would generate less revenue and incur less staff time.

The cost of the Use Permit (Inland Area) and Coastal Development Permit (Coastal Zone) is currently established in Article IX – Land Use Fee Schedule, and staff would use those existing established fees for the Use Permit and Coastal Development Permit. The Use Permit (Inland Area) is a Tier 4 fee, set at \$5,500, and the Coastal Development Permit (Coastal Zone) is a Tier 6 fee, set at \$11,000, per individual permit. The Vacation Rental Operation License will be a newly established "Each" fee set by HCD of \$965, not including other reviewing departments or other fees charged as a percentage of the overall application. This one-time permit revenue would be expected to be realized over multiple fiscal years, depending on the operative date of Titles 7, 20, and 21. The estimated revenue from processing the 825 Vacation Rental Operation Licenses would be \$796,125, and the estimated revenue from processing the 173 Use Permits and 212 Coastal Development Permits would be \$3,285,700. These revenues would occur over a

multi-year period. The revenue for the Vacation Rental Operation License would be estimated to decrease in subsequent years depending on whether a separate renewal fee(s) is established.

The County of Monterey Treasurer-Tax Collector would expect an estimated decrease in TOT revenue of \$1,159,752 out of total TOT revenue in FY 2022/23 of \$38,343,453, which would be due to the expected decrease in the number of Commercial Vacation Rentals due to the restrictions and bans on Commercial Vacation Rentals in the draft ordinances. The Adopted Budget for FY 2024-25 allocated projected TOT revenue collections across various County programs and services. The use of TOT revenue to support various programs/services throughout the County and changes to anticipated TOT revenue could impact these programs/services. The County of Monterey Treasurer-Tax Collector's Office would expect an increase in business license revenue of a to-be-determined amount based on the newly established business license fee, which will be set at a later date.

Permit fees are established with the expectation of cost recovery for staff costs. Due to the significant influx of permits and licenses, staff anticipates procuring a third-party compliance service similar to the one currently utilized by the County of Monterey Treasurer-Tax Collector to assist HCD with enforcement, with the cost anticipated to be less than \$25,000 annually. Staff would also anticipate procuring a Contract Planner to assist HCD Planning staff in processing an influx of Use Permits and Coastal Development Permits. HCD will expect to return to the Board at a later date with an augmentation request to the approved FY 24/25 Planning On-Call contracts, which are expected to be offset by revenues associated with the Vacation Rental Operation License, Use Permit (Inland Area) and Coastal Development Permit (Coastal Zone). If the Contract Planner costs exceed the expected costs in the Fiscal Year 2024-25 adopted budget, staff may be required to return to the Board to request an augmentation to the existing budget.

For a more detailed discussion of finances related to the policy, please refer to the Detailed Discussion included in **Attachment G**.