



# County of Monterey

Item No.

## Board Report

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

Legistar File Number: 24-764

December 04, 2024

**Introduced:** 11/18/2024

**Current Status:** Agenda Ready

**Version:** 3

**Matter Type:** General Agenda Item

Conduct a study session on potential revisions to the Vacation Rental regulations, including:

a. Receiving a presentation from staff on the following items:

i. The number of Vacation Rental Operation Licenses and Use Permits applications approved and pending;

ii. The potential revenue impacts on Transient Occupancy Tax (TOT);

iii. The potential housing impact of vacation rental operations; and

b. Consider providing direction to staff on:

i. Adding additional prohibitions on Commercial Vacation Rental in residential zoning districts in the following Planning Areas:

Carmel Area Land Use Plan,

Del Monte Forest Land Use Plan,

Greater Monterey Peninsula Area Plan, and

Supervisorial District 2 (North County Land Use Plan and North County Area Plan);

ii. Reducing the fee of the Vacation Rental Operation License for Limited Vacation Rentals; and

iii. Allowing long-term renters to qualify for a Homestay.

**Project Title:** REF 100042 & REF 130043 - Vacation Rental Ordinances Study Session

**Proposed Location:** Countywide

**Proposed California Environmental Quality Act (CEQA) action:** Find this study session statutorily exempt per Section 15262 of the CEQA guidelines.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

a. Receive a presentation from staff on the following items:

i. The number of Vacation Rental Operation Licenses and Use Permits applications approved and pending;

ii. The potential revenue impacts on Transient Occupancy Tax (TOT);

iii. The potential housing impact of vacation rental operations; and

b. Provide direction to staff to: return to the Board in the third quarter of 2025 for a review of the number of Vacation Rental Operation Licenses and Use Permits applications approved and pending and the potential revenue impacts on Transient Occupancy Tax (TOT) and to consider potential amendments to the Vacation Rental regulations and fees at that time.

### SUMMARY:

On August 27, 2024, the Board of Supervisors (Board) adopted an ordinance amending Title 21 (Regulations for Vacation Rentals in the unincorporated Inland Area of Monterey County) and had a

first reading of an ordinance amending Title 7 (Regulations for Vacation Rental Operation License and Business Licenses). On August 27th, the Board also adopted a resolution of intent to amend Title 20 (coastal zoning) of the Monterey County Code (MCC).

On September 10, 2024, the Board adopted an ordinance amending Title 7 of the MCC and requested that staff return on December 4, 2024, to conduct a study session on the adopted Vacation Rental Ordinances (Ordinances) to receive an update on implementation and consider recommending that staff work on updates to the Ordinances.

Today, staff will review implementation data with the Board as of November 18, 2024, including the number of permits and Vacation Rental Operation Licenses received, the impact on TOT revenues, and the housing impacts of short-term vacation rentals. Additionally, staff will briefly review the concept of modifying the Ordinances, which could include prohibiting commercial vacation rentals in residential zoning districts in more areas of the unincorporated areas, reducing the fee of the Vacation Rental Operation License for limited vacation rentals, and allowing renters to rent their homes as homestays.

As of October 14, 2024, vacation rental regulations became operative in the unincorporated Inland Areas and will not become operative in the unincorporated Coastal Zone until after consideration of certification by the California Coastal Commission (CCC). Staff expects the CCC to consider certification in February or March 2025. Given all of this, staff recommends that the Board direct staff return before December 2025 to receive an update on the implementation of the Ordinances.

#### DISCUSSION:

The Ordinances define Vacation Rentals as the use of Residential Property for transient lodging for a period of 30 calendar days or fewer. Residential Property includes detached single-family dwellings, manufactured homes, or mobile homes on permanent foundations. The regulations created three types of Vacation Rentals: Homestays, Limited Vacation Rentals, and Commercial Vacation Rentals. Homestays require that the home be the owner's primary residence, and they stay there for the duration of their guests' stay. Limited Vacation Rentals allow the owner/operator to rent their whole home up to three times per year when they are not present in the home. Finally, Commercial Vacation Rentals allow the owner/operator to rent their whole home more than three times per year when they are not present in the home. Staff has briefly summarized the requirements and allowability for each vacation rental type.

#### **Vacation Rental Types**

- Homestay
  - County of Monterey Treasurer-Tax Collector (TTC) Requirements: TOT Certificate & Business License
  - County of Monterey Housing and Community Development (HCD) Requirements: Vacation Rental Operation License
  - Zoning Districts Allowed: Most commercial and residential.
  - Limitations by Planning Area: None

- Limited Vacation Rental
  - County of Monterey TTC Requirements: TOT Certificate & Business License
  - County of Monterey HCD Requirements: Vacation Rental Operation License
  - Zoning Districts Allowed: Most commercial and residential.
  - Limitations by Planning Area: None
  
- Commercial Vacation Rental
  - County of Monterey TTC Requirements: TOT Certificate & Business License
  - County of Monterey HCD Requirements: Vacation Rental Operation License and a Use Permit or a Coastal Development Permit
  - Zoning Districts Allowed: Most commercial and residential.
  - Limitations by Planning Area: Cap by Planning Area and in CVMP are not allowed in residential zoning districts.

On September 10, 2024, the Board requested that staff return to conduct a study session and potentially return to the Planning Commission to consider amending the adopted regulations. Some of the items the Board discussed are additional prohibitions on Commercial Vacation Rentals in various planning areas throughout the County; reducing the fee of the Vacation Rental Operation License for Limited Vacation Rentals; allowing renters to rent their homes as Homestays; adding further concentration or density limitations for Commercial Vacation Rentals; and subdividing out the Commercial Vacation Rental cap in the Greater Monterey Peninsula Area Plan. Additionally, the Board requested that staff present data on the implementation of the regulations and their potential impact on housing costs and County TOT revenues.

### **Study Session Topics**

The key points of the Study Session topics are included below:

- **Data on implementation of the regulations**
  - HCD has, as of November 18, 2024, received 26 Vacation Rental Operation License applications, of which three are for Homestays, four are for Limited Vacation Rentals, and 19 are for Commercial Vacation Rentals. No Vacation Rental Operation Licenses or Commercial Vacation Rentals have been approved as of November 18, 2024.
  - The Vacation Rental regulations became operative on October 14, 2024. As it has been less than two months since then, TTC has been unable to discern any impacts on Transient Occupancy Tax (TOT) revenues at this time.
  - The County of Monterey's Vacation Rental Ordinances Draft Environmental Impact Report included a socioeconomic analysis as Appendix C to better understand the potential impact that restrictions on Vacation Rentals could have on the housing market, including home ownership, rental housing supply, and average costs in the unincorporated County. One of the key takeaways from the study is that Vacation Rentals are likely to play a role in influencing the availability and affordability of housing, particularly in areas where tourism is a core component of the area's economy.

- **Potential updates to Title 7 and Title 21 regulations**

- Consider a prohibition on Commercial Vacation Rentals in other residential areas throughout the County, including the following planning areas: Carmel Area Land Use Plan, Del Monte Forest Land Use Plan, Greater Monterey Peninsula Area Plan, and Supervisorial District 2 (North County Land Use Plan and North County Area Plan). Any prohibition of Commercial Vacation Rentals would require staff to return to the Planning Commission for consideration. Staff would recommend that additional prohibitions be discussed when staff returns to the Board before December 2025. Staff believes the existing restrictions on Commercial Vacation Rentals, such as the four percent cap by planning area, requiring a Use Permit, and only allowing one Commercial Vacation Rental per parcel, will sufficiently limit potential negative impacts associated with Commercial Vacation Rentals.
- Consider reducing the Vacation Rental Operation License (License) fee for Limited Vacation Rentals. Reducing the fee would likely result in HCD being unable to recoup the staff costs required to process the License. Additionally, staff expects the renewal cost for Licenses to be much lower than the initial fee of \$965. Staff would request that this item be discussed when staff returns in Summer of 2025 to establish the License renewal fee.
- Consider permitting long term renters to operate Homestays. Revising the regulations to include allowing long term renters to qualify for a Homestay would be a relatively simple change to the Vacation Rental regulations. However, staff would recommend that changes to the Vacation Rental regulations wait until the regulations have been fully implemented and staff returns to the Board before December 2025.
- Consider adding additional concentration or density limitations to the regulations, which could further limit the impacts of Commercial Vacation Rentals on a more granular scale. The Planning Commission considered additional concentration and density limitations for Commercial Vacation Rentals and decided not to recommend them, as the regulations already include regulatory restrictions to limit the impact of Commercial Vacation Rentals, and new restrictions would add additional complexity.
- Due to the unique geographic nature of the Greater Monterey Peninsula Area Plan, it may be appropriate to subdivide the cap on Commercial Vacation Rentals into a more granular geographic area, such as setting a 4% cap for the portion of Pebble Beach in the Greater Monterey Peninsula Area Plan (the Inland Area portions of the Del Monte Forest). This could minimize the potential for clustering all the allowable Commercial Vacation Rentals in the Inland portions of the Pebble Beach area.

To read the full discussion and data details, please refer to the Detailed Discussion included as **Attachment A**.

CEQA:

This study session is statutorily exempt per Section 15262 of the CEQA guidelines. Depending upon the scope of the updates requested by the Board, staff will need to consider whether the updates fall within the scope of the certified Final EIR for the Vacation Rental Ordinances. See the Final EIR at this link:

<https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:3506b1aa-df4c-4f0b-af4d-df753d17f56b>.

OTHER AGENCY INVOLVEMENT:

HCD staff worked in collaboration with the Treasurer-Tax Collector, Environmental Health Bureau, and the Office of County Counsel.

FINANCING:

Staff time to develop the Ordinances is included in the Fiscal Year 2024-25 Adopted Budget for HCD, Appropriation Unit HCD002, Unit 8543. If the Board directs staff to return to the Planning Commission, additional staff time to conduct additional policy research and bring forward those proposed policy changes to the Planning Commission will be funded from the Fiscal Year 2024-25 Adopted Budget for HCD, Appropriation Unit HCD002, Unit 8543. Staff will subsequently return to the Board in 2025 based upon the outcome of this discussion with a request for additional positions to implement the Vacation Rental Ordinances, which the Budget Committee heard on October 30, 2024, where the Budget Committee recommended with no action that this item return to the Board at a future date for consideration.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The study session supports the Board of Supervisors' Strategic Initiatives for Administration by considering potential amendments to the regulations that may promote efficient and effective resource management and provide for accountability and transparency for implementing the regulations.

Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer service, accountability and transparency.

Health and Human Services:

- Improve health and quality of life through County supported policies, programs, and services; promoting access to equitable opportunities for healthy choices and health environments in collaboration with communities.

Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

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Approved by: Craig Spencer, HCD Director

The following attachments are on file with the Clerk of the Board:

Attachment A - Detailed Discussion

cc: Front Counter Copy; Planning Commission; REF 100042 & REF 130043 Public Distribution List.