



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Board of Supervisors - First District and Third District

Subject: Consider Recommendations of the Short-Term Rental Ad Hoc Subcommittee to Consolidate and Revise the Hosted Rental and Vacation Rental Ordinances.

Meeting Date: March 11, 2025

Formal Title: Consider recommendations of the Short-Term Rental Ad Hoc Subcommittee to consolidate and revise the hosted rental and vacation rental ordinances, and take related actions

Recommended Actions

1. Receive report from Board subcommittee and consider proposed revisions to the Santa Cruz County Code regarding short term/vacation rentals; and
2. Refer the proposed revisions to the Coastal Commission for their review and comment; and
3. Direct CDI staff and County Counsel to process the proposed revisions and present them to the Planning Commission for their recommendation to the Board and return to the Board with the proposed ordinance no later than the first meeting in June; and
4. Direct CDI staff to send a letter to short-term rental owners that have been paying transient occupancy taxes but do not have a permit notifying them of their illegal status and encouraging them to apply for a permit; and
5. Direct the Board's Representative to Visit Santa Cruz County to solicit feedback on ways to support hotels.

Executive Summary

On September 24, 2024, the Board of Supervisors formed the Short-Term Rental Ad Hoc Subcommittee to collaborate with stakeholders and to develop proposed amendments to the County's Vacation & Hosted Rental ordinances. The requested amendments included the creation of a county-wide cap on vacation rentals and hosting platform responsibility to remove unpermitted listings. Additional amendments proposed by the Subcommittee would streamline the County's short-term rental regulations by consolidating and restructuring existing sections while introducing enhanced compliance and enforcement measures. These changes aim to balance the economic benefits of short-term rentals with the need for neighborhood stability, housing protections, and regulatory oversight.

Discussion

On September 24, 2024, the Board directed the Subcommittee to analyze the feasibility of a countywide cap on un-hosted short-term rentals and identify measures to increase platform responsibility for compliance.

Caps on Short-Term Rentals

Today there are three designated areas that have caps on non-hosted rentals: the Live Oak Designated Area (LODA), Sea Cliff/Aptos/La Selva Designated Area (SALSDA), and the Davenport/Swanton Designated Area (DASDA). Outside of these designated areas, there is no limit on the number of non-hosted vacation rentals. To address this gap, the Subcommittee recommends establishing a countywide cap on non-hosted vacation rentals equivalent to the current number of permitted rentals and pending applications.

To determine an appropriate cap, the Subcommittee analyzed data from the County's Vacation and Hosted Rental dashboard, available at <https://sccgis.maps.arcgis.com/apps/dashboards/8213708434d74b57b5f7069edeac2f7d>, which tracks existing STR permits and applications. As of March 1st, 2025, there were 263 permitted non-hosted rentals and 7 pending permit applications outside the designated areas, leading to the proposed cap of 270 non-hosted vacation rental permits.

Hosted Rental Cap - A non-substantive adjustment to the hosted rental cap is proposed as well. Currently County Code limits the number of hosted rentals countywide to 250. However, for consistency with the way that non-hosted rentals outside of the designated areas are defined, the cap for hosted rentals is defined as being outside of the designated areas as well. The 66 hosted rentals allowed within the designated areas was subtracted from the total number allowed countywide, 250 to yield 184 hosted rentals. A cap of 185 hosted rentals is recommended outside of the designated areas.

SALSDA Exception Zone Clarification and Cap Reduction - The cap on non-hosted rentals within the SALSDA is recommended for reduction along with a simultaneous clarification about the Exception Zone that includes Pot Belly Beach Road; Las Olas Drive; Rio Del Mar flats, Beach Dr. and other specified locations. This adjustment ensures consistency and better aligns the cap with the ordinance's original intent.

Currently 213 non-hosted vacation rentals are allowed within the SALSDA. Of these, 94 are located within the Exception Zone. Planning staff has interpreted the Exception Zone to mean that block caps do not apply. However non-hosted rentals in the Exception Zone are still counted towards the overall area cap. It is the Subcommittee's belief that the original intent of the ordinance was that short-term rentals in the Exception Zone should not be counted towards the area cap either. This is clarified in the proposed amendments. Instead of opening up 94 new permits in SALSDA, a reduction of 94 to 119 non-hosted rental permits is recommended to reduce the overall impacts of this clarification.

Hosting Platform Responsibilities and Legal Precedent

Under the proposed framework, hosting platforms such as Airbnb and VRBO must ensure that only permitted properties are listed on their sites. If the County notifies a platform of a non-compliant short term rental listing, the platform must remove the listing within 10 days. As it pertains to these code sections, a listing is considered non-compliant if it lacks a permit or if the associated permit is invalid, expired, or revoked. The recommended code additions would enable the County to prevent access to the market by all unpermitted listings rather than taking enforcement action one at a time.

Code Compliance staff report that approximately 70 listings have been paying Transient

Occupancy Tax but are not permitted. The Subcommittee recommends notifying these listings that they must obtain a permit or be removed.

The proposed code sections, SCCC 13.10.695 & 13.10.696, are modeled after Santa Monica's Home-Sharing & Vacation Rental Ordinance (§ 6.20), which was upheld by the U.S. Court of Appeals for the Ninth Circuit in 2019. This legal precedent reinforces the County's ability to enforce compliance and preserve local housing stock.

Consolidating Code

The proposed ordinance consolidates and reorganizes existing code Chapters 13.10.690 and 13.10.694 to create a clearer regulatory framework while introducing new provisions to address community concerns. Currently there are separate code chapters to deal with non-hosted rentals and hosted rentals, despite the fact that the majority of provisions are similar. Combining these chapters will make it easier to manage changes related to short-term rentals going forward.

Additional Subcommittee Recommendations

The Subcommittee incorporated a number of additional recommendations based on staff and community feedback. This is the first time that this code has been significantly updated since designated code compliance staff have worked to enforce it.

Key recommendations include:

- ***Stricter Permit Limitations***
 - Vehicle Parking - Exceptions: The Zoning Administrator shall not [issue a parking exception] if an encroachment into the public right-of-way exists which prevents parking along the frontage of the subject property. In these cases, the applicant for the short-term rental permit shall be required to remove the encroachment in order to provide parking along the frontage of the subject property - SCCC 13.10.694(D)(8)(k)(iv)(2).
 - Permit Cap Per Individual or Entity: No one person or entity shall be issued more than one short-term rental permit, either for a hosted rental or a non-hosted rental – SCCC 13.10.694(D)(4)(e).
 - This restriction is intended to prevent the consolidation of permits and promote a more equitable distribution of short-term rental opportunities.
- ***Enhanced Tenant Protections***
 - Tenant Displacement Protections: If a new short-term rental permit would require the eviction of an existing tenant, the applicant shall be liable to pay the lessee six months of the dwelling's actual rent at the time of the eviction - SCCC 13.10.694(D)(5)(c).
- ***Improved Reporting & Oversight***
 - STR Hotline: The County will utilize a centralized short-term rental

(STR) hotline applicable to all STR properties, including both hosted and non-hosted rentals [...] The STR hotline will serve as a centralized resource for receiving and addressing complaints or inquiries related to short-term rentals, ensuring timely responses to neighborhood concerns and regulatory compliance – SCCC 13.10.694(D)(3)(a).

- Signs: All non-hosted rentals shall have a sign identifying the structure as a permitted non-hosted rental [...] All signs shall prominently display the Short-Term Rental Hotline, with the hotline information being the largest and most visible text on the sign – SCCC 13.10.694(D)(8)(i).

- *Stronger Location & Density Restrictions*

- Designated Area Block Density Limits within the Designated Areas: No new non-hosted short-term rental shall be approved if its approval would result in a block density greater than 20 percent, when counting parcels on the same block – SCCC 13.10.694(D)(4)(b).
- Limitation on Proximity of Non-Hosted Rentals: A non-hosted short-term rental permit will not be issued if it results in another parcel being adjacent to two or more parcels with non-hosted short-term rental permits – SCCC 13.10.694(D)(4)(d).

- *Higher Permit Application Standards*

- Applicants will be required to register with the CruzAware alert system, undergo Code Compliance reviews, and demonstrate significant prior use for permit renewals.
- Site Visit Requirement: All new hosted and non-hosted rental permit applications may require an on-site inspection of the property by County officials to verify compliance with applicable safety, habitability, and zoning requirements. Site inspections will also confirm adherence to permit application standards outlined in this section - SCCC 13.10.694(D)(5)(b).
- Renewal of All STR Permits - Nonrefundable Application Fee: The fee will cover the estimated costs of processing the application for a renewed short-term rental permit. Upon notice by the Community Development and Infrastructure Department, applicants may need to provide additional funds to cover further processing and enforcement costs. CDI staff may require a site visit as part of the renewal application process - SCCC 13.10.694(D)(6)(a)(ii).

- *Expanded Eligibility*

- Accessory Dwelling Units: Properties containing an Accessory Dwelling Unit (ADU), [...] or a Junior Accessory Dwelling Unit (JADU), [...] , may be issued a hosted rental permit under the following conditions: the property owner or an immediate family member resides in the ADU or JADU while renting the primary dwelling - SCCC 13.10.694 (B)(1)(a).

- *Rightsizing the Number of Permits Available*
 - Effective January 1, 2026, the total number of non-hosted permits in each area shall be reduced by 10 per year over a five-year period, if unused permits are available in designated areas or outside designated areas. No existing permit holder shall lose their permit or ability to renew it consistent with the provisions of Subsection (B)(3).

Stakeholder Outreach

The proposed ordinance is informed by extensive stakeholder engagement, including input from residents, STR management companies, and hosting platforms. Five meetings with stakeholders, including management companies, neighborhood residents, and hosting platforms, have been held.

Financial Impact

The recommended actions do not have any financial impact. However, the Subcommittee acknowledges that by limiting the growth of short-term rentals, the long-term impact of this policy could be significant on the County's tourism economy. Therefore, the Board should consider actions to promote new and expanded hotels to facilitate future tourism growth without reducing housing stock.

Strategic Initiatives

Operational Plan - Attainable Housing

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Recommended By:

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Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.