



**COUNTY OF SANTA BARBARA
PLANNING AND DEVELOPMENT**

MEMORANDUM

TO: Santa Barbara County Planning Commission

FROM: Matt Schneider, Deputy Director
Long Range Planning Division

DATE: November 18, 2015

RE: Short-term Rentals
November 4, 2015 Planning Commission Hearing

SUMMARY

At the November 4, 2015 hearing, the County Planning Commission considered the use of Short-term Rentals (STR) in the County of Santa Barbara and received testimony from the public. Understanding the complexity of the issue the County Planning Commission continued the hearing to December 9, 2015 and directed staff to return with a summary of the November 18, 2015 Montecito Planning Commission hearing and to provide further information on the below items:

- What other jurisdictions have done to regulate the concentration of STRs;
- How STRs affect housing affordability; and
- Additional information on the issuance of TOT certificates and the Tax Collector's current enforcement.

This memo summarizes the various concentration methods used for STRs, provides examples of studies on housing affordability, speaks to the enforcement of TOT certificates by the Tax Collector, and summarizes the Montecito Planning Commission's direction. Additional information on the enforceability of regulatory provisions, further details on what regulatory provisions might be included in a permit, and approaches to determining what particular zoning districts the use of STRs are appropriate in will be provided at the County Planning Commission hearing on December 9, 2015.

Concentration Summary

Attachment A delineates what other jurisdictions have done to limit STR concentration. This approach has not been widely applied due to the difficulty of enforcement. Jurisdictions outside of the State of California that have used this approach are included. A summary of the attached is below:

City of Arroyo Grande, California: Establishment of a vacation rental or homestay within 300 feet of an existing vacation rental on the same street shall not be permitted.

Mendocino County, California: A ratio of thirteen long-term residential dwelling units to one vacation home rental shall be maintained.

San Luis Obispo County, California: Within all residential land use categories, no residential vacation rental shall be located within 200 feet of a parcel on the same side of the street as the vacation rental; 200 feet of the parcel on the opposite side of the street from the vacation rental; and 150 foot radius around the vacation rental.

Santa Cruz County, California: No new vacation rental shall be approved if parcels with existing vacation rentals on the same block total 20 percent or more of the total parcels on that block that allow residential use.

City of Napa, California: The number of vacation rental permits issued shall not exceed 41 non-hosted accommodations and 60 hosted accommodations.

City of Austin, Texas: STRs are limited to three percent of the total dwellings by census tract.

City of Bend, Oregon: There shall be at least 250 feet of separation between STR properties.

Housing Affordability

Growth in the STR market is occurring in many communities where housing availability is already constricted. It is stated that STRs detrimentally affect housing affordability for both workforce and affordable housing. There are various opinions and research supporting and opposing this statement. The general theory of housing supply holds that if the demand for apartments and houses exceeds the supply, the prices will rise and reduce housing affordability. STRs take housing stock out of the market, and in a tight housing market, drive up the cost of housing, making it challenging for workforce and low income renters to find housing and for first time homebuyers to enter into the market. Staff has gathered material that both support and refute this claim. The materials are included in Attachment B-H and a summary of the report's findings are provided below.

Santa Barbara Housing Authority Commission: This letter was written by the local Santa Barbara Housing Commission to the Mayor and City Council of the City of Santa Barbara in May of 2015. It states:

“The Housing Authority Commission has concluded that the proliferation of short term vacation rentals exacerbates the existing tight rental housing market in Santa Barbara. That is because we are witnessing the wholesale removal of entire units (apartments, condos, and single family homes) for the purpose of using them as short term vacation rentals. The owners of these dwellings (and/or their

management companies and in some cases leasehold interests) are doing the math and realizing that nightly and weekly rentals can deliver much more revenue than a month to month rental. While some might argue that such is their right in a free market economy, short term vacation rentals violate current, well-established zoning restrictions, and result in the loss of critical housing inventory-inventory that was built to house the local workforce and residents who are in need of housing.”

The Impact of Vacation Rentals on Affordable and Workforce Housing in Sonoma County: This report was commissioned for the Sonoma County Community Development Department and prepared by Economic & Planning Systems, Inc. in July of 2015. It states:

“That expansion of vacation rentals in Sonoma County, especially the component of the market involving rental of whole housing units in areas not historically associated with vacation rentals, is reducing the supply of housing available to the resident workforce market. This reduction in housing supply, in turn, has and will continue to contribute to upward pressure on residential rents and prices.”

Airbnb, Rising Rent, And the Housing Crisis in Los Angeles: This report was prepared by Laane, an advocacy organization based in Los Angeles in July of 2015. The discussion on housing starts on page 16 of Attachment D. A summary of key points is below:

- AirBnB’s impact on Los Angeles is far larger than previously understood. The AirBnB units are not, by and large, the “shared” space implied by terms like host or sharing economy. Instead, nearly 90 percent of AirBnB’s Los Angeles revenues are generated by lessors with whole units and leasing companies who rent out two or more whole units.
- AirBnB has created a nexus between tourism and housing that hurts renters. The 7,316 units taken off the rental market by AirBnB is equivalent to seven years’ of affordable housing construction in Los Angeles. AirBnB density overlaps with high median rents and lower rental vacancy.

Short-Term Rental Housing Restrictions: This white paper was prepared by Robinson & Cole in its capacity as consultant to the National Association of Realtors in 2011. On page 11 of Attachment D the report states:

“Short-term rentals can affect housing costs in a community. When property owners elect to rent their homes on a short-term basis rather than renting on a longer-term basis (e.g., by the season or by the year), they essentially squeeze the supply of housing, pushing up the demand, and subsequently, the cost of housing in the community. In some cases, allowing short-term rentals may fuel speculation in rising housing markets by allowing investors to cover the carrying costs of a house for a period of time while the property appreciates in value and then sell it for a profit. Tourist communities, in particular, may be affected if the workers in lowpaying service and tourism related jobs can no longer afford to live in the community or within a reasonable commuting distance.”

Airbnb and Affordable Housing: This blog was written by Michael Lewyn, assistant professor at Touro Law Center in Long Island, who has written extensively on issues relating to urban and suburban development. This blog states:

The argument that Airbnb takes units away from traditional housing... “rests on an essentially unprovable claim: that Airbnb units would otherwise be rented out as traditional apartments. More importantly, the argument proves too much. If Airbnb hosts reduce the supply of apartments by not using their houses and spare rooms as traditional apartments, why isn't this equally true of hotels who are not using their rooms as apartments, or homeowners who are not renting out every spare room? And if homeowners and hotels are reducing the rental housing supply, why shouldn't they be forced to rent out their units as traditional apartments?... A better way of understanding Airbnb's impact, if any, on rents is to compare it to the total number of housing units in Los Angeles. There are just over 1.2 million housing units in the city of Los Angeles; thus, Airbnb units are roughly 0.6 percent of the housing market. There are about 700,000 rental units in Los Angeles—so even if every single Airbnb unit would otherwise be part of the rental market, Airbnb units would comprise only 1 percent of the rental market. Thus, it seems to me that even if every single Airbnb unit would be used as traditional apartments in the absence of Airbnb, its impact on regional housing markets would be small.”

MIT professor skeptical of Airbnb's impact on New Orleans housing prices: Robert McClendon reporter for the Times-Picayune, a New Orleans news source states that:

“The assumption that...short-term rentals eat up supply is flawed...Every unit offered up short-term does not represent the loss of a unit that would otherwise be occupied by a local tenant. Homeowners who have no interest in renting long term might decide to relocate and rent short term because of the money to be made. Units that were vacant or blighted may have been redeveloped expressly for use as short-term rentals. Landlords may rent short term when they are between long-term tenants or while waiting to perform repairs, he added. Furthermore, the supply of housing is not static. Real estate investment is self-reinforcing. An influx of investment, even if it's for short-term rentals, will draw in the development of more housing, some of which will inevitably be dedicated to long-term tenants.”

Housing & The Airbnb Community in the City of Los Angeles: This report was prepared for AirBnb by UCLA professor Paavo Monkkonen and states that:

“Asserting that the decades-long challenge of affordable housing is the result of a few thousand middle class families sharing the home in which they live does a disservice to the broader problem. Housing affordability is a challenge, and one that affects all of us, and deserves real policy solutions.”

Additional Information on the Tax Collector's process

At the County Planning Commission hearing the Commission requested information on when the Tax Collector started enforcing the collection of TOT. The question was posed to identify if active enforcement had caused the increase in TOT certificates instead of web-based platforms popularity. Enforcement of payment for TOT from STRs was first actively pursued in 2008. The Tax Collector estimates that 90% of TOT certificates per year are issued due directly to an

enforcement letter. AirBnB was also started in 2008. Since these events both happened in the same year, it is infeasible to discern a single reason for the increase in TOT certificates.

Department of Conservation

Planning and Development staff requested that the Department of Conservation comment on if the short-term rental of the principle residence on properties under Williamson Act Contract is a compatible and allowable use. On November 18, 2015 the Department of Conservation replied (Attachment I) and stated:

“The Department recommends that any short term vacation rentals of the principle residence be limited in scope, and be allowable only if the landowner is on site to manage the agricultural operations. Short term rentals, with examples such as Airbnb or VRBO, take on a number of forms, including partial and full house rentals. A limited use arrangement would be analogous to a bed and breakfast, with the renter having a specified footprint within the house. The overall number of days that the rental can occur should be restricted so as to ensure it remains incidental to the agricultural uses on the property.”

Montecito Planning Commission

The Montecito Planning Commission met on November 18, 2015 and received staff’s briefing and public testimony on the use of STRs. By a unanimous vote, the Commission directed staff to develop specific zoning ordinance amendments to the Montecito LUDC and Article II to prohibit STRs in zone districts that do not currently allow traditional transient lodging uses. The Commission also did not deem Homestays as a separate use from STRs.

Recommendations and Procedures

Staff recommends that the County Planning Commission:

1. Receive a staff briefing and consider public testimony on the use of Short-term Rentals within the unincorporated County.
2. Provide direction to staff to develop specific zoning ordinance amendments to the County LUDC and Article II for the use or prohibition of Short-term Rentals.
3. Direct staff to return to the County Planning Commission with draft zoning ordinance amendments for Planning Commission consideration and recommendation to the County Board of Supervisors.
4. Determine that the briefing and Commission’s direction to staff does not constitute a project under the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines Section 15378(b)(5).

Attachments

- A. Examples Concentration Ordinances
- B. Santa Barbara Housing Authority Commission
- C. The Impact of Vacation Rentals on Affordable and Workforce Housing in Sonoma County
- D. Airbnb, Rising Rent, And the Housing Crisis In Los Angeles
- E. Short-Term Rental Housing Restrictions
- F. Airbnb and Affordable Housing
- G. MIT professor skeptical of Airbnb's impact on New Orleans housing prices
- H. Housing & The Airbnb Community in the City of Los Angeles

I. Letter from the Department of Conversation