

A Plan for Fair Regulation of STRs in Santa Barbara

Why Short-Term Rentals should be regulated (and not prohibited) in Santa Barbara City & County:

- 1) **Short-Term Rentals (STRs) are a major source of revenue for the City and County of Santa Barbara, generating ~\$470 million in economic activity, and ~5,000 jobs** (source: Santa Barbara Independent: <http://www.independent.com/news/2016/feb/18/report-says-vacation-rentals-generate-470-million/>).
 - a) The economic impact of STRs is so large because STR visitors use all the resources in our community (ex. grocery stores, auto repair shops, etc.), not just the tourism-based resources.
 - b) STR activity is spread equally throughout the City & County, and is not concentrated in just the tourist-specific areas
- 2) **With Fair Regulation, the Transient Occupancy Tax (TOT) revenues from STRs would triple to ~\$3.6 million per year to the City of Santa Barbara, and quadruple to ~\$5.6 million per year to the County of Santa Barbara.**
 - a) Over 10 years, the ~\$36 million to the City and ~\$56 million to the County in unrestricted TOT revenues could help solve ongoing infrastructure & budget problems.
- 3) **STRs provide property owners with a way to generate income to help support the affordability of their home, while also having the ability to enjoy the home throughout the year**
- 4) **STRs provide important local short-term housing needs:**
 - a) Temporary housing for workers, professors, medical personnel, & families relocating for employment.
 - b) Executive housing, insurance claim temporary housing, housing needed during remodels, people looking to move to our area.
 - c) Visitors who come to town for medical procedures.
- 5) **STR's provide affordable & authentic accommodations for visitors**
 - a) Families who cannot afford multiple hotel rooms have an affordable option by renting a multi-bedroom home
 - b) Guests can "live like a local" in a residential neighborhood, and learn & appreciate the local lifestyle
 - c) Allowing STRs in a community promotes a "welcoming" attitude towards visitors
- 6) **Decisions to prohibit STRs in communities are generally based on two perceptions that are not supported by data, statistics, or formal studies. Conversely, recent studies performed by a respected Santa Barbara-based economic consulting firm do not support these perceptions.**
 - a) **Perception 1: STRs are a significant cause of the reduction in supply of long-term housing**
 - i) The data-supported conclusions of a recent economic study do not support this perception: http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Housing_051216.pdf
 - b) **Perception 2: STRs increase nuisances in residential neighborhoods**
 - i) The data-supported conclusions of a recent nuisance study do not support this perception: http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Neighborhoods_062816.pdf

A Proposal for the Fair Regulation of Short-Term Rentals in Santa Barbara City & County

Given the benefits outlined on the previous page (and the fact that the negative effects of STRs have been overstated) it is easy to conclude that a set of industry regulations and local ordinances be developed to govern STRs in the public interest.

The creation of City & County Short Term Rental Ordinances will ensure the short-term industry is regulated and operates at a high standard. It will also prevent the creation of a “grey market”, whereby some owners will rent out their properties without applying for the appropriate licenses.

As partners who share a passion for the benefits of short term rentals (and who also understand the concerns of neighborhood compatibility & housing supply), we look forward to working with the County & City of Santa Barbara to create a regulatory framework that works in the public interest, and gives certainty to this important part of the economy.

We would note that nearby communities have successfully implemented short-term-rental policies to ensure they retain this industry while maximizing public good.

We believe the following items represent the over-riding principles that will allow short-term rentals to co-exist within current bylaws and zoning. These principles can be used to craft a simple and effective Short Term Rental Ordinance that ensures the benefits of STRs are realized, and negative effects are minimized (or eliminated).

- **Zoning:**

- A Short-Term Rental Ordinance (with revocable Permits) could exist within existing R-1, R-2, and R-3 zoning, without a change to the zoning regulation. Short-Term Rental Ordinances have been successfully implemented in Ventura, CA (since 2009) and Goleta, CA (since 2015). Neither of these cities changed their zoning code to adopt regulation of short-term rentals.
- The Revocable Short Term Rental Permit Ordinance could be written to allow a conditional exception to the “30-day minimum rental” zoning rule in residentially-zoned areas.
- In fact, the existing “30-day minimum rental” zoning rule should not be deleted from the zoning code, because it may be used as an additional enforcement mechanism in cases where a Short Term Rental Permit is being revoked.

- **Neighborhood Compatibility:**

- **Noise, Parking, Parties, Etc.:**
 - Regulation could ensure that each registered property is assigned a maximum number of Overnight Guests, Daytime Guests, and Cars Allowed at the property at any time.

- Outdoor Quiet Time (9:00pm), No RVs, No Parties or Hosted Events, and many other controls could be put into place to ensure neighborhood compatibility.
 - Owner or Manager contact details for all registered properties could be placed on the County & City websites, with a 24/7 “2-number” call sequence to report problems.
 - Ventura has implemented a simple and effective “Nuisance Response Plan” system (see list of *Registered Nuisance Response Plans* at: <http://www.cityofventura.net/ft/STVR>).
 - Short-Term Rental Permit Holders could be required to respond to nuisance complaints within a reasonable amount of time
 - Noise complaints could be registered, and response times recorded and monitored.
- **Density:**
 - Concerns about neighborhoods being “overrun” by Short Term Rentals could be addressed by limiting the percentage of short-term rentals in any given neighborhood (ex. only 5% of the residences in the neighborhood can be STRs).
- **STR Neighborhood Disturbances and Incompatibility are minor issues:**
 - Neighborhood disturbances and incompatibility comprise an extremely small percentage of the total number of reservations that happen in the County & City.
 - A recent study proves this: http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Neighborhoods_062816.pdf
 - However, for neighbors who have had to suffer the negative effects of poorly managed rentals, this is a very valid issue that could be controlled and/or eliminated by regulation.
- **Housing Supply:**
 - **STRs Effect on the Long Term Housing Supply is a minor issue:**
 - Although a valid concern, it has been proven that STRs have a negligible effect on the supply and pricing of long-term housing
 - A recent study proves this: http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Housing_051216.pdf
 - **Although STRs effect on the Long Term Housing Supply is a minor issue, long-term housing supply concerns could be still be addressed:**
 - The regulation could limit the amount of STRs in multi-unit & apartment housing complexes
 - The regulation could limit the percentage of short-term rentals in any given neighborhood (ex. only 5% of the residences in the neighborhood can be STRs).
- **Hotel Industry:**
 - **STR regulations could be adopted that:**
 - Minimize the “competitive threat” of STRs to Hotels
 - Require a “minimum nights” for STRs that is in excess of Hotel average stays
 - Ensure that STRs abide by most of the same regulations that govern Hotels

- **Enforcement**

- Enforcement could be simple and easy
- The easiest and most cost-effective Ordinance to enforce is one that allows and regulates short-term rentals
 - The only difference between enforcing a Short-Term Rental Prohibition and enforcing a Short-Term Rental Regulation is that the STR Regulation enforcement will fund itself by the TOT taxes generated.
- All registered STRs could be required to post their STR Permit # on all advertising, which will make it very easy to spot “unregistered” properties
 - Immediate action could be taken against properties not displaying a permit
 - An annual review of all published permit numbers could identify permits that were expired, suspended, or revoked.
- In addition to County & City STR Enforcement Staff, enforcement will also be done by Professional STR Managers and STR Property Owners.
 - Managers and Owners who are “playing by the rules” will actively seek out and report properties that have an unfair advantage by not registering and collecting TOT
- There could be large statutory and punitive financial penalties for not registering and operating within the STR Ordinance.
- Requiring Professional Property Management for all STRs could ensure consistent standards, and would create “centralized” contact for all enforcement actions

- **Components of a successful Short-Term Rental Ordinance:**

- **Permit Requirement:**
 - Any property owner wanting to rent for less than 30 days must have:
 - A Short-Term Rental permit
 - A Business License
 - A Transient Occupancy Tax registration certificate
 - With monthly reporting and remittance requirement
 - Compliance (and be in good standing) with all residential Building & Safety codes
 - Short-Term Rental Permit # must be posted on all advertising
- **Surety Bond and Insurance:**
 - Permit holders must post a surety bond, and have applicable insurance.
- **“Good Neighbor” Policies:**
 - **Limits:** Before a Short-Term Rental Permit is approved, each property must be approved for limits on the following items (limits will be relative to the size and parking availability of each property):

- Max # of overnight Guests
- Max # of people allowed on the property at any time
- Max # of cars parked at property (and no RV parking)
- **Performance Standards:** Other policies to which STR Property Owners must agree:
 - No minors may be the responsible party on a Short-Term Rental Agreement
 - 9:00pm “Outdoor Quiet Time” rule
 - No parties or hosted events
 - Trash policy
 - Any other items as determined by public input on the Short Term Rental Ordinance
- **A Nuisance Response Plan must be registered with the County or City:**
 - A two-number (and two-email address) “disturbance response” contact sequence must be provided in the plan
 - Manager and/or Owner personal contact information must be provided in the plan
- **Violations:**
 - Not meeting any of the above conditions will be grounds for removal of a licence.
 - Offering, advertising, or renting on a short-term basis without a permit and business license will not be permitted by the industry.
- **A Model Short Term Rental Ordinance:**
 - A model Short-Term Rental Ordinance (which reflects most of the principles outlined in this paper), has been developed by the City of Ventura, CA.
 - This Ordinance has been used successfully since 2009
 - The County & City of Santa Barbara can use this as a template for their Short Term Rental Ordinances
 - <http://www.cityofventura.net/files/file/finance-tech/stvr/STVR%20Ordinance%202009-004.pdf>