

extremely low at .29 percent⁴. The trend of reduced housing stock and increased demand to convert housing to STRs increases the difficulty of maintaining affordable housing.

The 2015 Carpinteria Valley Economic Profile provided by The California Economic Forecast provides information about the status of certain economic sectors of the community. Several of the statistics in the report support the concerns raised by the City Council and public regarding the growth of the STR market and increasing impacts on affordable housing. In the 2015 report, it was noted that:

*There are also approximately 100 additional Vacation Rental units that are operated individually. In 2014, approximately 25 percent of the City's total transient occupancy tax was generated from these additional Vacation Rental units. Because of the success of such ventures, the number of individual transient units continues to grow, adding to the region's economic base. The growth in the number of single family and multifamily homes used as Vacation Rentals is expected to contribute to pressure on the housing market and effect the availability of work force housing.*⁵

During an update of the Economic Profile, presented at the City Council Meeting of November 9, 2015, Mark Schniepp of The Economic Forecast noted that Vacation Rentals:

...are crowding out available housing stock. They pay T.O.T.... so you are getting a revenue boost... but on the other hand they are subtracting from the housing stock. And while you have a surprising number of home sales this year, that's not going to last. That's problematic. You are withdrawing housing from the overall housing stock making it very difficult for housing to be available, driving up prices overall and that causes concerns to business who have to house their labor. So, in general, you have to weigh the benefits from increased taxes with the cost of not really providing the work force with adequate housing.

Mr. Schniepp's conclusions are consistent with findings previously made by the City Council concerning the negative affect the growth of STRs in Carpinteria is having on housing availability and affordability.

In general, many of the concerns identified in Carpinteria are similar to those identified locally and in other tourist based communities.

IV. POLICY CONSIDERATIONS

Private vs. Public Interest. A fundamental issue that cities address when evaluating current and/or proposed local regulation of STRs is the appropriate balance between private property interests and the broader public interest. It is apparent that the establishment by cities of land use policies and zoning regulations specific to STRs aim to balance property owner expectations concerning use of their homes with broader public interests such as available and affordable workforce housing, a

⁴ Source: "The 2015 Carpinteria Valley Economic Profile" July 2015, The California Economic Forecast Mark Schniepp, Director. This report was presented to the City Council on November 9, 2015.

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sustainable local economy, community and neighborhood character, quality of life and property values.

Licensing, Permitting and Payment of Fees/Taxes. Operating an STR in most cities is considered a commercial activity and, if allowed, requires a business license. Most cities have a transient occupancy tax (TOT), which, under California law, applies to all rentals of (thirty) 30 days or less. Some areas also have a tourism business improvement district (TBID) or similar special assessment or taxing district that applies to visitor-serving uses. Cities that permit STRs often also require an application for a permit to be filed with an associated fee.

Cities are finding that operators of STR properties often are not in compliance with one or more local license, permit, fee and/or tax requirements that STRs can be disruptive to neighborhoods and cause public nuisances and that enforcement can be difficult and expensive. Senate Bill 593 (McGuire), which is currently pending before the Senate Governance and Finance Committee, would require online reservation services, such as Airbnb.com, to provide data, including location, to cities about STRs using the service.

Land Use and Zoning Consistency. Many cities are also finding that their regulations, processes and procedures associated with STRs are out of step with current practices and are no longer adequate to address trends in the conduct of STR use. Cities have found the need to better define STR types in order to appropriately develop and apply local regulations. In particular, differentiating Home Stays from other STRs is a common change made by cities wishing to distinguish the way the use is regulated.

In many communities, STR use has greatly expanded and intensified, with a greater number and frequency of STRs occurring in non-traditional areas such as single-family neighborhoods. This trend has resulted in many cities updating zoning regulations in order to clarify or establish appropriate limits on STR use.

Neighborhood Compatibility and Service Demands. As STR use has expanded and intensified in residential neighborhoods, cities have experienced increased complaints in neighborhoods where such complaints had been rare or non-existent. Complaints include: overcrowded units, numerous vehicles overwhelming available onsite parking and impacting availability of neighborhood on-street parking, and short-term tenants being inconsiderate of neighbors, (e.g., blocking driveways with cars, leaving trash on street and yard areas, and having loud parties late into the night). These trends in complaints to city government officials impact both law enforcement services, which typically respond to acute complaints about noise, etc., and also zoning enforcement services, which typically respond to complaints about cumulative impacts and chronic nuisances.

Effects on Rental and Ownership Housing Markets Affordability and Availability. The growth in the STR market is occurring in many places where housing availability and affordability is already low.⁶ This drives up the cost of housing, making it challenging for first time homebuyers to enter into the market, for renters to find housing, and for business owners to meet the housing needs of

⁶ The impact of STRs on the Santa Barbara region housing market was the topic of discussion at the July 2015 meeting of the Santa Barbara Joint Cities/County Housing Task Group and at a May 2015 meeting of the City of Santa Barbara Housing Authority Commission. A letter summary of the Commission meeting, dated May 21, 2015, is attached to this report as part of Exhibit 2.

their employees. Many cities have identified the commercialization of residential units for STR use as a factor exacerbating housing availability and affordability.

Compliance with applicable non-discrimination, Uniform Housing, Building and Fire Code Standards and Insurance. Operators of traditional lodging facilities must comply with the Federal Housing Act (FHA) and the Americans with Disabilities Act (ADA). Special construction, exiting and fire safety standards also apply to lodging facilities. As STRs have become a popular alternative lodging choice, many cities are concerned that adequate protections for the public using these facilities are not being provided. Questions are being raised about adequacy of homeowner's insurance policy coverage to protect guests injured due to homeowner negligence, and compliance with state and federal laws that require public accommodations to be accessible to persons with physical disabilities. In some communities, the owners/operators of traditional lodging facilities, e.g., hoteliers, have asked cities to ensure that STR operators comply with the same standards that hotels are expected to meet with regard to permitting, licensing and taxes, and compliance with accessibility standards and other building and fire code requirements in order to ensure a level playing field.

Law Enforcement. The lack of adequate oversight of internet based rental services has allowed scams to proliferate where the public is victimized. A typical scam involves consumers putting down deposits for rental properties that don't exist. The Santa Barbara County Sheriff's Office reports that this activity has been occurring in Santa Barbara County and at least one incident has been reported in Carpinteria to date.

Litigation: Cities involved in litigation concerning STRs. Examples of litigation arising from Short-Term Rental use include instances when property owners violate zoning or other regulations associated with the establishment and/or operation of an STR property, when online rental services have refused to cooperate in providing information about STR properties to cities for enforcement purposes, and when a disabled person claimed cities that regulate STRs have an obligation to ensure compliance with accessibility standards.

V. DISCUSSION

As discussed in the Background Section of this staff report, cities all over the country are studying STRs and many have decided to establish or update local regulations. Similar to Carpinteria, multiple cities have also temporarily prohibited establishment of STRs by adopting moratoriums in order to provide time to study the issues and develop an appropriate response. In preparing this staff report, reports and regulations from the Cities of San Diego, Santa Monica, Laguna Beach, San Luis Obispo, Goleta and Santa Barbara were reviewed. A number of studies on STRs were also reviewed.

On August 10, 2015 the City Council directed staff to prepare an Ordinance and a permit process to regulate STRs, including Vacation Rentals and Home Stays. The Council received comments from the general public regarding STRs and considered several options regarding regulations and geographic limitations. In general, the Council directed that the Ordinance include a geographic boundary that would restrict where Vacation Rentals are permissible, encouraging that they be focused in the Beach Neighborhood and Downtown Neighborhood and should not include the Single-Family Residential Zone Districts. The City Council made a preliminary determination that Home Stays and Home Exchanges did not create the same impacts as Vacation Rentals and therefore suggested that they be permissible in all residential zones. The City Council asked that