

**COUNTY OF SANTA BARABARA
PLANNING AND DEVELOPMENT**

MEMORANDUM

TO: Board of Supervisors

FROM: Glenn S. Russell, Ph.D., Director



DATE: December 2, 2016

HEARING

DATE: December 6, 2016

RE: Proposed Short-Term Rental (STR) Ordinances

This memo sets forth possible actions your Board could take at the December 6, 2016, hearing regarding the STR Ordinances, and an analysis of the potential fiscal implications of the STR Ordinances.

A. Possible Actions

The County and Montecito Planning Commissions considered a broad range of options for addressing the use of STRs, which assisted in the formation of the proposed recommendation to your Board. Your Board could take one of the following actions:

1. Adopt the Planning Commissions-recommended STR Ordinances described in the Board letter for the December 6, 2016, hearing as-is or with minor changes.
2. Direct staff to return with revisions to the Ordinances that modify the Planning Commissions' recommended actions to:
 - Allow STRs in all residential, agricultural, mixed use, and commercial zone districts with or without a permit and with or without additional regulations;
 - Prohibit STRs in all zone districts;
 - Allow STRs in different zones than recommended by the Planning Commissions, adopt a portion of the Planning Commissions-recommended regulations and/or revise the permitting requirement for STRs; and/or
 - Consider additional uses and definitions separate from STRs, such as homestays¹ and farmstays.²

¹ A homestay is a residential unit rented for 30 consecutive days or less where the owner of the property inhabits a legal dwelling on the same parcel at the same time as the transient occupant.

² A farmstay is a type of working farm or ranch operation that is partially oriented towards visitors or tourism by providing guest accommodations. Such an operation may include interactive activities where guests participate in basic farm or ranch operations such as collecting eggs and feeding animals, or a work exchange agreement where the guest works a set number of hours in exchange for free or reduced rate accommodation.

Depending on the scope of these changes, during a continuance during which P&D will draft revisions to the Ordinances, your Board may request additional review by the Planning Commissions prior to taking action to effectuate these changes.

3. Status quo/do nothing option.

B. Possible Fiscal Implications

In response to a request from a member of your Board, staff prepared the following analysis of the possible fiscal implications of adopting the STR Ordinances.

The proposed STR Ordinances will only allow STRs in certain commercial, mixed use, and Agriculture II zone districts. If the proposed STR Ordinances are adopted, it is difficult to determine with certainty how many new STRs will be established in the zones where they would be allowed, and how many property owners would continue to operate STRs (albeit illegally) in the zones where they would be prohibited. However, Tax Collector data regarding the issuance of Transient Occupancy Tax (TOT) Certificates may provide some indication of the fiscal impacts associated with the adoption of the STR Ordinances. Therefore, Long Range Planning Division staff reviewed the TOT Certificates that the Tax Collector issued during Fiscal Year 2015-2016, in order to determine how many existing STRs will be prohibited and how much TOT revenue might be lost, assuming that your Board adopts the proposed STR Ordinances.

As shown in the table below, the Tax Collector issued 535 TOT Certificates, of which: (1) 43 (8.02%) are located in zones where STRs would continue to be allowed and (2) 492 (91.98%) are located in zones where STRs would be prohibited. Therefore, assuming that the proposed STR Ordinances were in effect during Fiscal Year 2015-2016, and property owners operated and paid TOTs for STRs only in zones where STRs are allowed under the Ordinances, it would have resulted in the loss of approximately \$1.5 million in TOT revenue.

Fiscal Year 2015-2016 TOT Certificates and Revenue

	TOT Certificates for STRs in Zones Where STRs would be Allowed	TOT Certificates for STRs in Zones Where STRs would be Prohibited
Number of TOT Certificates	43 (8.02%)	492 (91.98%)
TOT Revenue	\$133,918.76	\$1,535,891

Once again, it cannot be determined with certainty how many property owners would continue to operate existing STRs, and how many property owners would propose new STRs, assuming that your Board adopts the proposed STR Ordinances. However, it seems fair to say that the County may experience a substantial loss in TOT revenue, assuming that your Board adopts the proposed STR Ordinances.