

## 10/17/2014 Vacation Rental Ordinance Proposal Discussion

A meeting was held on Friday, October 17, 2014, with Supervisor Zack Friend and the 2<sup>nd</sup> District Planning Commissioner. In attendance were; Robert Bailey, Co-Owner Bailey Properties Inc & Bailey Property Management, Barbara Palmer, Business Manager, Bailey Properties, Inc and Darren Houser, a Seacliff resident and property owner, Vacation Property Business owners, and a resident of Seacliff. The purpose of the meeting was to discuss the proposed Vacation Rental Ordinance for the portion of District 2 between the Bay and Highway 1.

Supervisor Friend said during the meeting are 3 reasons for creating new/additional restrictions to the existing vacation rental ordinance for District 2. 3 of his reasons are listed followed by why the proposed ordinance will not meet the 'need':

1. Increase the long term housing stock and moderate the rapid increase in rents by taking vacation homes out of the vacation market, and potentially adding those homes to the long term rental market.
  - a. This does not work; mathematically there are not enough vacation rentals to impact the housing market. This premise assumes that a vacation rental will become a permanent rental. Would the county mandate that if a person has a second home they must rent it to a full time tenant? While not an official survey, we took the time to contact a representative number of our vacation rental clients. Of those vacation home owners we spoke with we found they would not be willing to rent full time. These owners were very clear in that they had purchased and intended to use these as their personal vacation home not as full time rentals. Owners want and have the right to use their own property. Santa Cruz County should be not being allowed to diminish their private property rights.
  - b. UCSC is the largest employer in the county. 17,000 students, 2,500 staff, and 750 faculty. There was a plan for housing presented in 2006, and on file with the University, but to date no action has been taken. If that plan would move forward it is reasonable to assume cost of rental housing would go down. Perhaps the Planning Commission and Board of Supervisors should be engaged in solving this housing problem, which is not just a City of Santa Cruz problem, but a county wide problem.
2. Protect the character of the neighborhoods of Seacliff, Rio Del Mar, and Seascape.
  - a. The area has been known to be a vacation area since the 1920's, when the Rio Del Mar beach area was first developed. Second homes and vacation rentals have been an integral part of the communities' fabric and key economic contributor since the

inception of Rio Del Mar and Seacliff. Changes proposed would change the character of the neighborhoods, not protect it.

- b. The area has 2 different state parks on 2 borders, plus a resort. There is an established expectation of tourism in the area of Seacliff, Rio Del Mar, and Seascape. It is clear that tourism and availability of vacation homes defined the character of the area prior to the influx of permanent residents.
3. Create a vision for the neighborhood for 20 – 30 years in the future, (and presumably this proposal will support that vision).
- a. Where is the study that supports the need and desire for a new vision to change the neighborhood? The Board of Supervisors accepted the Sustainable Santa Cruz County Plan on October 28, 2014. In this report which appears to be contrary to the new vacation ordinance proposal:
    - Encourage TOT tax
    - Encourage enterprises that generate sales tax
    - Encourage community and stakeholder involvement
    - Encourage Cabrillo College to develop on site housing
  - b. What are the issues that have created a need for a new vision, or new character for the neighborhoods?
  - c. Does a vision get created by addressing the after-use of some homes in a neighborhood? Or, by examining an entire neighborhood's use? If tourism is not desired in an area with motels, resorts, state parks, and vacation rentals should the county be redefining the future character of a neighborhood without a complete evaluation with extensive participation from the property owners of Aptos? Why has the county's Business Development Director been missing from the discussion?

The Planning Commissioner attending the meeting for District 2 said that the new, more stringent ordinance would reduce traffic. This is a false premise. If these homes were rented or occupied on a full time basis it would actually add to the Highway 1 traffic in Santa Cruz County. At the current time many vacation homes are not used in the off season during the week, but on weekends when traffic is lighter. Also not being taken into consideration is the potential increase in day users of our beaches. Our summer traffic is less impacted by vacation home guests than by the day users traveling in and out of our county each weekend.

**What has not been discussed is the unintended consequences of the proposal:**

- a. A Sustainability Santa Cruz Plan was just adopted by the Board of Supervisors. This change was not mentioned. This is a change that will negatively affect the economic vitality of the area.

- b. The businesses in the neighborhoods, indeed the county, depend on tourism to stimulate the economy. Restaurants, markets, gas stations and retailers would lose business. Where is the study in order to understand the future loss and conversely the plan to regain economic well being of these businesses?

The guests in a vacation rental are distinguished from a motel guests:

- Vacation rental guests stay longer, usually a mandatory one week stay in the season, and a minimum 2 night stay in the off season.
  - Vacation rental guests usually are families, which enjoy a variety of attractions throughout the county, adding to sales tax revenue.
  - Longer stays add to the economy, especially with restaurants and markets.
  - Vacation rental guests add sales tax dollars to a greater degree than the motel guest that stays a few nights.
  - Vacation guests are more likely to leave their automobile in place, onsite at the home, and support the local stores and restaurants. This positively impacts traffic.
- c. This proposal would negatively affect the value of homes in the neighborhoods. For example, of the 100 homes on Beach Drive, only few are occupied full time. To require 4 out of 5, or even 50 percent, of these homes not to be a vacation rental is changing the character of the neighborhood. The impact on homes in the RDM flats area and Seacliff will be as significant. All throughout Seacliff, Rio Del Mar, and Seascape we have second homes that are sometimes used as vacation rentals.
- d. Experience tells us that vacation rentals are not increasing at an alarming rate as appears to be suggested by the Tables in the Planning Commission document of September 29<sup>th</sup>. Historical data shows that the purchase and sale of second homes reflects family patterns and the general economy.
- e. Some people are now getting permits because of hearing “the votes have been counted; the Commission & Supervisors are in agreement so get your permit now.” Why would a person get a permit? Because without a permit the home is worth less than the home with a permit. This is a proven fact.
- f. The Board of Supervisors has proposed an increase in the TMD to be assessed to all vacation rentals for the purpose of marketing Santa Cruz County for tourism. This change indicates that the economic strategy is to increase tourism, not decrease tourism.

This strategy seems to be direct conflict with the proposal to cut tourism.

Some of the background that led to the current vacation ordinance is worth noting because the current ordinance solved the issues:

1. Many complaints about noise, trash, parking were noted by the Sheriff's office over a period of years, most of which centered around a 10 block area in Live Oak. Supervisor Friend said he receives "about 2" complaints a month regarding vacation rentals." There were property managers from 3 offices in the meeting on October 17, 2014, (which represent about 400 rentals county-wide) and to their knowledge there has been no Sheriff report of complaint from these properties due to vacation guests. The property managers in the room handle complaints direct, instantly when calls are made. Their signs with their name and phone number posted on their rentals. Has the Sheriff's office provided lists of complaints?
2. The complaints recorded prior to the 2011 Ordinance which led to a series of meetings and workshops over several months. Stakeholders that were included in these meetings were homeowners who lived in Live Oak and throughout the county as full time residences, homeowners who used their home as a vacation rental, property managers, and representatives from the business community. How can these amendments go forward without the same level of input?
3. Throughout discussions in 2011 it became obvious most complaints came from several square blocks in the Live Oak District, now known as the LODA.
4. Several of the homeowners who live in both inside and outside the LODA have reported the success of the current Ordinance, with the most important piece being a sign on the property, enabling a person with a complaint to call the responsible person for immediate action.

The current Vacation Rental Ordinance solved problems that were presented in the community meetings.

The vacation permits stipulate how many guests can be in the home, which reduces the number of automobiles.

In summary:

To pass this ordinance now would erode the creditability of the Board of Supervisors, Planning Commission, and Planning Department. A need for this change of the current Ordinance has yet to be reasonably, clearly defined. The solution, the new ordinance seems to be a solution chasing a problem. The Sustainable Santa Cruz Plan is contrary to the Ordinance.

To pass this ordinance would significantly harm the local economy.

It does not make sense to artificially change the character of these neighborhoods that are adjacent to a state park, a state beach, both with overnight camping, state and county beaches, golf course, and a resort. Less than a mile away is another state park for day use for hiking and biking. We know of families that have visited these vacation homes since the 1920s. As our economy changes over time, the purpose of these residences will probably change.

- If the intent of the proposal is to create more housing, where is the evidence that proves this is a remedy?
- If the proposal is to mold a neighborhood for the future what is the basis for the need?
- Has there been a study on the impact the SADA will have on current and future property values?
- Finally, perhaps it is time to solve the high rent problem by working with UCSC and the City of Santa Cruz.

When the original ordinance was proposed we as a company (Bailey Property Management) our peers, vacation property owners and the community at large worked tirelessly with Supervisor Leopold and the county to get it right. Is there a reason that the same process is not being followed now?

To make the changes to the Aptos, Rio Del Mar and Seacliff areas without the seeking the same kind of input is very disconcerting. Earlier in our comments we spoke of personally reaching out to our clients who own vacation homes. None of which had been contacted by anyone for their input. Of equal concern are the owners of restaurants, grocery stores and visitor serving business's that were unaware of the a change that may have an impact on the present day and future viability of their business.

Respectfully submitted November 6, 2014 by:



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