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September 26, 2022

To: City Council

Re: Short-Term Rental Permitting Framework
(September 27, 2022 Council Agenda, Item #11)

Mayor Rowse and Council Members,

Allied Neighborhoods Association appreciates the opportunity to comment on the above agenda item. Our focus is residential zones in the Inland (Title 30) area of the City.

Basically, the City has three residential zones in the Inland area (we're not discussing the R-MH zone, which is zoned for both hotels and multi-unit housing). The three residential zones we're talking about are: **RS** (Residential Single Unit), **R-2** (Two-Unit Residential) **and R-M** (Residential Multi-Unit). ***Currently, short term rentals are not an allowed use in these three residential zones.***

We strongly oppose the proposed EXPANSION of short-term rentals (overnight accommodations, transient use) into the above three Inland residential zones.

What a shock to read the proposal to expand short-term rentals into these residential neighborhoods. The most current draft of the Housing Element Update, the HCD draft (pg.99) includes HE-14: Short-Term Vacation Rental/Hotel Ordinance. There is nothing in the language that even hints that this would be about expanding short-term rentals into the Inland residential zones.

We are familiar with the 2015 discussions and Council decisions regarding short-term rentals. We strongly agreed with the Council decision that short-term rentals remain in zones that allowed overnight accommodations, transient occupancy use - and not be in our residential neighborhoods/zones. (There are numerous opportunities for short-term rentals, both in the Inland area and in the Coastal Zone; the list of zones is on pg. 3 of the Council Agenda Report.)

Below are additional comments (to provide some context and additional information) to our position of opposition to expansion of short term rentals into our Inland residential neighborhoods:

- Program Goals (CAR, pg. 5). *"The recommended program seeks to regulate short-term rentals down to a use that is primarily residential rather than quasi-hotel, and in doing so allow short-term rentals in all zones that allow residential use."* This seems like wishful thinking. Tourist accommodations are not like long-term residential use.

- The proposed operational standards don't make transient occupancy use in residential zones compatible in residential neighborhoods, no matter how much the Council Agenda Report wants to say it can be so. Renting out one's home for overnight stays, the equivalent of about a week every four weeks, is nothing like our long-term residential neighborhoods.

- Land Use Compatibility (CAR, pg. 5). Regulation of short-term rentals in the Inland residential zones cannot be regulated to make short-term rentals compatible with residential zones. <u>There's a basic unresolvable conflict and incompatibility between overnight accommodations/transient use and long-term residential use.</u>

- Single family neighborhoods such as Samarkand and the Upper East (both generally not in exception hazard areas) will probably be seen by tourists as very desirable areas for overnight accommodations. We could see Visit Santa Barbara marketing these neighborhoods (as they market short-term rentals in commercial zones, for example).

- A main theme of our housing discussions and policies has been about long-term housing for residents and workers. <u>The proposed expansion of short-term rentals into long-term residential neighborhoods is counter to these efforts.</u>

- For all the talk at Council about needing to diversify our economy, the proposal's expansion into residential zones would seem to add to further concentration (and expansion) of our tourist economy.

- Income Generation (CAR, pg. 5). Currently with their primary residence (as in 2015 when this topic was discussed), homeowners have the opportunity to generate income from their home. It just needs to be long-term (at least 31 consecutive days), not short-term. It is common to rent an extra room or rooms to foreign students for 6 – 8 weeks. Also, to rent a room (or rooms) to seniors, singles and others needing housing; housing in SB is very expensive and renting a room is generally less expensive for the renter. **This is also a big plus, as it can provide a long-term housing opportunity while generating income.** (ADUs might be another possibility for income generation without adding short-term related problems.)

- Allowing 90 days of short term rental per year in residential zones could lead to destabilization of our Inland residential neighborhoods.

- Enforcement generally has been lacking since January 1, 2017 (the date for compliance, after the lengthy grace period granted by Council) – when unpermittable short-term rentals needed to cease operations (those operating in zoning areas not allowing short-term rentals, mostly in Inland residential zones). And short-term rentals in zones that allow them needed to get permitted, or cease operations. In addition, some enforcement staff was re-assigned to work on the NZO, and after that Accela. It was generally explained that enforcement staff was pulled off enforcement when staffing was needed in other areas.

- Also in 2015, residential property owners (especially homeowners in single family neighborhoods) communicated to Council about how they purchased their residential property knowing the zoning it was located in, and an expectation of the allowed uses in their residential neighborhood. Changes to allow short-term rentals would be a significant departure.

- In the past, if we needed a web monitoring service to assist us, we should have hired one. The services contracting with a web monitoring firm can provide (CAR, pg. 6) sound very good. We also agree with *"…establishing higher fines and penalties to discourage noncompliance."*

- Increase in short-term rentals over previous year (CAR, pg. 2). This may be partially due to covid-19 vaccination and booster availability and travel opening up.

- 2022 enforcement stats (CAR, pg. 4). *"So far this year, 31 cases have been closed. There are 28 active cases under investigation and an additional 25 cases pending investigation."* We appreciate the work on every illegal or potential illegal short-term rental.

- Having the same short-term rental regulations for the Coastal Zone and the Inland area doesn't really make a lot of sense, as these areas are very different. (In the Coastal Zone, ordinance changes need to be certified by the Coastal Commission and comply with the Coastal Act, and there's a big emphasis on visitor-serving accommodations, for example.) There needs to be regulations for the Coastal Zone and separate regulations for the Inland area. Having one set of regulations for both areas seems like trying to fit a square peg into a round hole.

Housing vs hotels; there were recent Council discussions about this topic, where zoning allows both. Hotel room rates have risen substantially, and profit-wise looking very lucrative in zoning that allows both. In our AUD Program, we're learning over time that rental rates for new market-rate housing units are expensive, generally surprisingly expensive, and not affordable to the majority of our workers and residents. And too often, not the housing we need. Much of what happens in the market seems to be driven by where and how the most money can be made.

Now the Council Agenda Report is talking about opening up Inland residential zoning/neighborhoods to short-term rentals for an annual number of overnight stays equivalent to 3 months of every year. Short-term rental stays are very very lucrative. A handful of overnight stays a month (way fewer than the max number of overnight stays proposed) is probably equivalent to income from renting a room long-term to a local resident or worker. The proposal has the potential to reduce some of our most affordable market-rate long-term housing (renting out of a room or rooms, long-term), and have incompatibility issues in our current long-term Inland residential neighborhoods. History has been showing us, policies have consequences – and **we should not be opening up our Inland residential neighborhoods to overnight stays.**

We've been talking with homeowners, residential property owners and long-term renters and no one thinks short-term rentals in Inland residential zones is a good idea.

Thank you for consideration of our comments.

Sincerely,
Allied Neighborhoods Association

Cc: Tim Bolton
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