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W21b

Prepared May 18, 2018 for June 6, 2018 Hearing

To: Commissioners and Interested Persons

From: Susan Craig, Central Coast District Manager
Rainey Graeven, Coastal Planner

Subject: De Minimis Amendment Determination for Santa Cruz County LCP Amendment Number LCP-3-SCO-18-0032-2-Part B (Hosted Vacation Rentals)

Santa Cruz County Proposed Amendment

Santa Cruz County is proposing to modify the Local Coastal Program (LCP) Implementation Plan (IP) to amend Chapter 13.10 of the LCP to allow for the regulation of hosted vacation rentals, which the ordinance defines as the use of one or two individual rooms within an occupied residence for short-term transient lodging of less than 30 days. Santa Cruz County has a successful, comprehensive vacation rental ordinance that specifies the density and operating parameters of vacation rentals in the coastal zone. However, the ordinance has only applied to entire-house vacation rentals, leaving individual-room vacation rentals unregulated. This ordinance will bring hosted rentals under the ordinance's regulatory umbrella. The proposed amendments include the addition of IP Section 13.10.690, which defines and sets forth regulations governing hosted rentals; modification of the use charts for the various zoning districts that already allow entire-house vacation rentals to specifically address hosted rentals; and the inclusion of "hosted rentals" in the glossary of IP Chapter 13.10. The proposed amendments would supplement existing regulations applicable to vacation rentals including by distinguishing hosted rentals (i.e., where the owner of the house lives in the house permanently and rents either one or two bedrooms for periods of less than 30 days at a time) from standard vacation rentals (i.e., whereby the entire house is rented as a short-term rental). More specifically, the proposed amendments include: 1) a definition of hosted rentals; 2) new regulations specifically governing hosted rentals (including what qualifies as a hosted rental, the number of people allowed, the process for obtaining and renewing Hosted Rental permits, payment of Transient Occupancy Taxes, etc.); 3) the imposition of area and block restrictions for hosted rentals in the Live Oak, Seacliff/Aptos, and Davenport/Swanton Designated Areas, consistent with the existing area and block restrictions imposed on entire-house vacation rentals; and 4) modification of the use charts to specifically distinguish hosted rentals from other existing short-term rentals in areas where vacation rentals are already allowed uses. Please see **Exhibit 1** for the proposed amendment text.

De Minimis LCP Amendment Determination

Pursuant to Coastal Act Section 30514(d), the Executive Director may determine that a proposed LCP amendment is “de minimis.” In order to qualify as a de minimis amendment, the amendment must meet the following three criteria:

1. The Executive Director determines that the proposed amendment would have no impact, either individually or cumulatively, on coastal resources, and that it is consistent with the policies of Chapter 3;
2. The local government provides public notice of the proposed amendment at least 21 days prior to submitting the amendment to the Commission, by one of the following methods: posting on-site and off-site in the affected area, newspaper publication, or direct mailing to owners and occupants of contiguous property; and
3. The amendment does not propose any change in use of land or water or allowable use of property.

If the Executive Director determines that an amendment is de minimis, that determination must be reported to the Commission. If three or more Commissioners object to the de minimis LCP amendment determination, then the amendment shall be set for a future public hearing; if three or more Commissioners do not object to the de minimis determination, then the amendment is deemed approved, and it becomes a certified part of the LCP ten days after the date of the Commission meeting (in this case, on June 16, 2018).

The purpose of this notice is to advise interested parties of the Executive Director’s determination that the proposed LCP amendment is de minimis. Each of the de minimis criteria is discussed briefly below:

1. **No impact to coastal resources and consistency with Chapter 3 of the Coastal Act:**
In general, the proposed amendments establish specific regulations for hosted rentals, which can serve as a low-cost visitor serving alternative to other types of overnight accommodation. The proposed amendments distinguish hosted rentals from standard vacation rentals, and merely extend existing whole-house vacation rental regulations to apply to hosted rentals. In other words, the purpose of the proposed amendments is to supplement existing regulations governing whole-house vacation rentals to address a different vacation rental type (i.e., hosted rentals), and the existing regulations governing vacation rentals (including the number, location, etc.) would be applied to hosted rentals. Specifically, hosted rentals would be limited to the zoning districts that already allow vacation rentals, and existing regulations applicable to whole-house vacation rentals would be applied to hosted rentals, including permitting requirements, the area and block restricts for the Live Oak Designated, Seacliff/Aptos, and Swanton/Davenport designated areas, and continuance of an unlimited number of vacation rentals (provided the County-wide cap has not been reached) in areas that have been historically and primarily used as vacation rentals including Potbelly Beach Road Beach Drive, and the Rio Del Mar Esplanade Area. Although the proposed amendments cap the maximum number of hosted rental permits that can be issued at 250, this cap provides for

significant growth of hosted rentals,¹ and is simply intended to protect against the conversion of a large number of long-term residential room rentals to short-term overnight accommodations. In sum, the proposed amendments related to hosted rentals are expected to preserve vacation rental uses in zoning districts where vacation rentals are already allowed, while appropriately regulating them to ensure that vacation rentals co-exist in coastal residential areas, and to protect against the conversion of a significant number of long-term residential room rentals to short-term overnight accommodations. Thus, the proposed amendments will not adversely affect coastal resources, and are consistent with the policies of Chapter 3 of the Coastal Act.

2. **Provision of public notice:** The County provided public notice in advance of the Planning Commission hearings (held on November 8, 2017 and January 10, 2018) and the Board of Supervisors hearing (held on December 5, 2017) where the proposed amendment was considered. For the Planning Commission hearings, a newspaper advertisement notice was printed on October 26, 2017, December 26, 2017, and December 27, 2017. For the Board of Supervisors hearing, a newspaper advertisement notice was printed on November 18, 2017. In addition, the proposed text was made available to the Planning Commission mailing list and the Board agenda packet distribution list, and was also available for public inspection at the County Planning Department Counter and on the County's website, all in advance of the County's hearings. The amendment submittal was subsequently received by the Commission on April 30, 2018, (and filed as complete on May 3, 2018), and therefore, the 21-day noticing requirement has been satisfied.
3. **No change in use of land or allowable use of property:** The proposed amendments do not add or delete any new land use to the LCP, but rather add additional standards specifically regulating hosted rentals (i.e., a type of vacation rental use) in zoning districts where vacation rentals are already an allowed use.

California Environmental Quality Act (CEQA)

The Coastal Commission's review and development process for LCPs and LCP amendments has been certified by the Secretary of Resources as being the functional equivalent of the environmental review required by CEQA. The County found that the proposed amendments in the Coastal Zone to be statutorily exempt from CEQA review pursuant to CEQA Guidelines Section 15061(b)(3). Specifically, the County found that there is no potential for the proposed amendments to have significant effect on the environment because hosted rentals have already been operating in a largely unregulated manner, and thus the proposed amendments will simply add new regulations governing this specific type of vacation rental. This report has discussed the relevant coastal resource issues with the proposal, and has concluded that the proposed LCP amendment is not expected to result in any significant adverse impact on the environment. Thus, it is unnecessary for the Commission to suggest modifications to the proposed amendment to address adverse environmental impacts because the proposed amendment, as submitted, will not

¹ The number of hosted rentals in Santa Cruz County does not appear to have grown between October of 2015 and June of 2017. In October of 2015 there were 180 hosted rental units in the County, and in June of 2017 there were actually less – only 169. Therefore, a cap of 250 County-wide provides for significant growth of hosted rental units considering that growth has stagnated and/or the number of hosted rental units appears to have actually declined in recent years.

result in any significant environmental effects for which feasible mitigation measures would be required.

Coastal Commission Concurrence

The Executive Director will report this de minimis LCP amendment determination, and any comments received on it, to the Coastal Commission at its June 6, 2018 meeting at the Chula Vista City Council Chambers, 276 Fourth Avenue, Chula Vista. If you have any questions or need additional information regarding the proposed amendment or the method under which it is being processed, please contact Rainey Graeven at the Central Coast District Office in Santa Cruz. If you wish to comment on and/or object to the proposed de minimis LCP amendment determination, please do so by June 1, 2018.

Procedural Note - LCP Amendment Action Deadline

This proposed LCP amendment was filed as complete on May 3, 2018. It amends the IP only and the 60-day action deadline is July 2, 2018. Thus, unless the Commission extends the action deadline (it may be extended by up to one year), the Commission has until July 2, 2018 to take a final action on this LCP amendment.

Exhibit

Exhibit 1: Proposed IP Amendment