CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 5, 2025

TO: Mayor and Councilmembers

FROM: City Attorney's Office
Community Development Department

SUBJECT: Short-Term Vacation Rental Enforcement Program Update
and Short-Term Rental Program Ordinance Update

RECOMMENDATION: That Council:

A. Receive an update on the Short-Term Vacation Rental Enforcement Program ("Program") from the City Attorney's Office;

B. Receive summary background and update on the future Short-Term Rental permitting program; and

C. Direct staff to draft a Short-Term Rental Program, including a Home Share Ordinance, for the inland and coastal areas of the City.

SHORT-TERM VACATION RENTAL ENFORCEMENT PROGRAM UPDATE (RECOMMENDATION A):

The Short-Term Vacation Rental Enforcement Program began as a pilot program on August 1, 2023. As part of the Program, City Council receives an update each year in April. This Pilot Program was set to expire at the end of the 2024 fiscal year. In April 2024, during a presentation to the City Council about the Program's progress, Council directed the City Attorney's Office to prepare and submit a budget for the Program's continuation as a permanent initiative within the City Attorney's Office. The proposed budget of $443,315.23 for this permanent Program was approved, with the permanent program in place on July 1, 2024. This report outlines the enforcement conducted from July 1, 2024, through June 30, 2025 (FY2025), which includes compliance efforts, collections and expenditures.

Short-Term Vacation Rental Pilot Program FY2024

During Fiscal Year 2024 ("FY2024"), the Short-Term Vacation Rental Pilot Program used $139,690 of its allocated budget of $1,175,000. At the end of FY 2024, the Pilot Program successfully collected $823,795 in outstanding taxes, interest, penalties, and fees. This amount includes $487,393 from properties located in the Coastal Zone and $336,402 from properties in the inland area. By the end of FY2024, compliance with applicable regulations was achieved in 94 cases.

Short-Term Vacation Rental Enforcement Program (FY2025)

Since July 1, 2024, a total of 230 short-term rental violation cases have been addressed. Currently, there are 26 open cases. The Program has successfully gained voluntary compliance in 182 cases. There have been 22 cases filed with the Santa Barbara Superior Court this past fiscal year.

In Fiscal Year 2025 ("FY2025"), the Program collected $1,795,578 in outstanding taxes owed to the City, inclusive of penalties and interest. The breakdown of the taxes collected includes $456,743 from properties located in the coastal zone and $1,338,835 from properties situated in the inland area.

Additionally, the Program consistently gathers data concerning the number of short-term rentals operating within the city. On average, it is estimated that 974 unlawful short-term rentals continue to operate on some level within the City, which is down from the 1,298 short-term rentals that were operating at the start of the Pilot Program back in 2023.

The enforcement of regulations pertaining to unpermitted short-term rentals in the coastal zone is focused on local tax violations unless complaints arise regarding tenant behavior or other issues related to disturbances and the vacation rental not being operated responsibly. Complaints regarding short-term rentals are reported through a dedicated telephone hotline and an online complaint portal.

The Program staff includes three hourly Special Investigators (one current vacancy), and two hourly Financial Analysts. Under the supervision of the City Attorney Investigator, the Special Investigators gather evidence, interview witnesses, and visit properties as needed. Investigators contact violators to encourage compliance and obtain records related to short-term rentals. The Financial Analysts calculate any back taxes owed, including penalties and fees, and assist violators in paying back what is owed.

If voluntary compliance is not achieved, then the enforcement case is referred to the City Prosecutor. A referral to the Prosecutor is also made when an investigator is informed that the property owner is represented by an attorney. In such cases, the prosecutor works with that attorney to try to gain compliance. If charges are filed, the prosecutor seeks compliance through the court system, including obtaining orders for the payment of back taxes. When appropriate, the prosecutor will issue subpoenas to testify in court

on short-term rental platforms. A part-time hourly Assistant City Attorney has been hired to assist the prosecutor due to the increased caseload as the result of the Program. The City Attorney's Office has filed 46 cases since the inception of the Program.

Since its inception on July 1, 2023, the Program has successfully collected a total of $2,619,373 in back taxes, interest, penalties, and fees.

FY2025 Program Expenditures

For FY2025, the Program only used $232,835.18 of its allocated budget of $443,315. The desire is to use the full budget to obtain more investigators in order to handle more cases. However, the successful blueprint of this program is to have very experienced investigators that are good with the public in order to obtain compliance right away. For that reason, it is difficult to find those qualifications as the City Attorney's Office is very selective in the hiring process.

FUTURE SHORT TERM RENTAL PROGRAM (RECOMMENDATIONS B AND C):

EXECUTIVE SUMMARY

A short-term rental (STR) is a dwelling unit that is rented for 30 consecutive days or less[1]. With the advent of online rental platforms over the last 15 years, the popularity and prevalence of short-term rentals has grown dramatically in Santa Barbara. The transient use of STRs brings with it concerns about the loss of long-term housing, nuisance and neighborhood impacts, land use compatibility, real estate speculation, and environmental impacts.

STRs are currently regulated as hotels in accordance with the City's Zoning Ordinance. Short-term rentals are allowed in zones where hotels are permitted (Attachment 1) but may not operate in single-unit and two-unit residential zones. The City's zoning regulations for hotels and "similar uses" were developed prior to the popularity of STRs, and the process of converting residences to a STR is often challenging due to City standards regarding access, parking, and other requirements for a hotel.

Staff seeks Council's direction on a proposed STR program. Regulating STRs can mitigate usage intensity, address nuisances, preserve long-term housing, and enhance enforcement of regulations. This STR program aims to promote occupancy of existing housing for residents by limiting STRs in single-unit and two-unit residential zones. Key questions for Council include: whether a "home share"[2] option should be developed, and, if so, whether non-hosted home shares should be allowed; and if STRs should continue to be treated like hotels, or if a simpler permitting option should be allowed.

[1] 30 days or less inland (SBMC Title 30), less than 30 days in the Coastal Zone (SBMC Title 28).
[2] Home share means that the home serves as the primary residence of an owner and involves rental of all or a portion of the unit.

As with any new permit program, mechanisms and cost to enforce must be considered.

BACKGROUND—PROPOSED STR PROGRAM

As noted in prior reports and Council meetings, STRs have become increasingly popular in destination cities like Santa Barbara. Although classified as hotels in the City's Zoning Ordinance, STRs often involve the conversion of a dwelling unit to a commercial (hotel) use. Third-party online platforms like Airbnb, VRBO, and HomeAway have facilitated this type of temporary guest lodging over the last 15 years.

In many areas of the City, unpermitted STRs are inherently incompatible with the surrounding land uses and neighborhood due to the intensity of use and potential nuisance impacts related to noise, parking, littering, traffic congestion, public safety, "party houses," and loss of community. The land use incompatibility, loss of long-term housing, and stress of adding to service sector jobs in the current housing market are also concerns surrounding housing conversions to STRs.

Operating a residential unit as a STR is typically more lucrative than renting the unit on a long-term basis, which spurs the loss of long-term housing, increases real estate speculation, and inflates housing costs. STRs also increase the demand for additional workforce housing to service these units. These conversions have brought land use compatibility and code compliance challenges that are not comprehensively addressed with existing regulations.

The related displacement of long-term housing stock has become even more critical, as highlighted in the City's 2023 Housing Element policies (Attachment 2).

Benefits of a Short-Term Rental Program

Developing a STR Program will allow the City to: enforce STRs in the Coastal Zone; limit them in single-unit residential zones, including in the Coastal Zone; and provide clarity for STR regulations and enforcement citywide. Currently, enforcement of unpermitted STRs in the Coastal Zone is limited because of the Kracke decision[3]. A permitting program approved by the Coastal Commission is needed to regulate STRs in the City's Coastal Zone and ensure clear planning and enforcement.

Existing Regulations

Hotels are currently prohibited in single-unit and two-unit zones. Because STRs are

[3] Kracke v. the City of Santa Barbara determined that the City could not enforce against STRs because it does not have STR regulations in the coastal zone approved through either zoning (Title 28) or the Coastal Land Use Plan.

defined as hotels, they are also prohibited in those zones. Attachment 3, Table 1, shows a list of zones where STRs are currently allowed. Short-term rentals are currently an allowed use in the inland area in specific multi-unit residential zones and certain office, commercial, and manufacturing zones. They are allowed in the Coastal Zone in specific multi-family, hotel, commercial, and manufacturing zones. Attachment 1 provides a map of these areas, and Attachment 4 is an information sheet that advises the public about these regulations in the Coastal Zone.

STRs are considered a nonresidential use, and applicants must go through a change-of-use process that varies in complexity depending on the number of existing residential units, the amount of floor area converted from residential to nonresidential use, and whether the property is in the Coastal Zone, which requires additional permitting. Converting a single dwelling unit located in a multi-unit or nonresidential zone may be approved ministerially by the Community Development Director with a simple Zoning Clearance letter if there is no other trigger for discretionary review or a building permit. Other variables that affect the permit process include:

- Requirement for one parking space per bedroom and located such that the car does not back out onto a public street;
- STRs are not eligible for resident permit parking program;
- Buildings proposed for use as a STR must comply with the required setbacks in the zone for nonresidential uses—nonconforming buildings may require a Zoning Modification for a change of use in the setbacks;
- Possible need for separate water meter and commercial rates for water and sewer; and
- Alterations may trigger accessibility requirements in the Building Code.

Since 2017, 21 approved and completed STR projects have converted existing dwellings to short-term vacation rental use. Another 37 approved or completed projects have converted commercial spaces to short-term vacation rental use.

Prior City Council Direction

City Council first considered a work program to address the vacation rental trend on June 23, 2015, and subsequently conducted multiple hearings to discuss options for ordinance amendments and enforcement due to concerns that the City's housing stock was being converted to short-term rentals. Since 2023, the City has focused on enforcement while staff researched programmatic options and responded to Council direction. Adoption of the City's 2023 Housing Element, notably Goal 4, Policy 4.3, and Program HE-19, has provided the opportunity and staffing to act on prior Council direction to draft a STR ordinance.

On June 11, 2024, City Council considered the issues outlined above, as well as the implications of the Kracke decision and its effect on the City's ability to enforce STRs in the Coastal Zone. At that hearing, Council directed staff to develop an STR program as summarized below:

Inland Area (Title 30):

- Prohibit short-term rentals (hotels) in residential zones; and
- Allow for a "home share" model for owner-occupied, primary residences in any zone. Under this scheme, qualifying residences may be rented for either an unlimited number of days if the owner is continuously onsite ("hosted"), or a limited number of days/year if the owner is not also occupying the residence ("non-hosted").

Coastal Zone (Title 28):

- Prohibit short-term rentals (hotels) in residential zones;
- Allow short-term rentals in a specified area of the Coastal Zone (east of Castillo Street to Los Patos Way, below U.S. 101). Attachment 4 shows this area and includes staff's recommendation to incorporate other limited residential and commercially zoned areas in the City's Coastal Zone where hotels are currently allowed (Coast Village Road, Mesa shopping area, lower Milpas Street, see discussion below)[4]; and
- Allow for the "home share" model described above.

DISCUSSION

During the initial stages of drafting these ordinance amendments, several questions emerged that require confirmation or additional input from City Council. These questions are presented at the end of this report and are discussed below. In order to simplify the discussion, staff proposes the term "home share" to distinguish between a true STR, where the unit is rented commercially for a term of 30 days or less, similar to a standard hotel, and a situation where the owner is still the primary occupant of the unit, but may rent all or a portion of the unit for a period of 30 days or less. Attachment 3, Table 2, summarizes the zones where staff recommends allowing STRs and Home Share.

Short-Term Rentals

At the June 2024 hearing, Council directed a prohibition of STRs in residential zones. Because some of the City's residential zones also allow hotels, further discussion and

[4] The City's Coastal Land Use Plan identifies these other areas as appropriate for visitor-serving uses such as hotels and staff does not recommend changing land use designations in the Coastal Zone.

recommendations are presented below.

Short-Term Rentals—Citywide

As discussed above, STRs are currently treated exactly the same as hotels in the Zoning Ordinance. If Council wants to make converting a single residential unit to a STR a simpler process, staff can draft unique requirements accordingly. For example, language could specify that STRs are not considered a nonresidential use and therefore do not fall under the nonresidential growth management ordinance and do not need to meet the more stringent parking requirements (e.g., backing out of a driveway would be allowed). This would make it simpler for owners to easily switch between a residential unit and a STR, and back again, as desired.

Staff recommends maintaining the existing process in order to preserve as many residential units as possible, even for projects that only propose to convert one dwelling unit.

Short-Term Rentals—Coastal Zone

At the June 2024 hearing, Council identified an area where full unit STRs would be allowed—in the multi-family, hotel, and commercial zones listed in Attachment 3. This included the area generally described as south of Highway 101 from the east side of Castillo Street to Los Patos Way, as shown in Attachment 4. There are several additional locations with a Coastal Land Use Plan designation for multi-unit residential uses and hotels that need to be part of the STR area including a small area west of Castillo Street and a small area north of Highway 101 (both in the R-4 zone); Coast Village Road (C-1 zone); and a small area on the Mesa (C-P/R-2 zone) as shown in Attachment 5.

Short-Term Rentals—Inland

Staff recommends that STRs remain an allowed use in commercial zones where hotel uses are currently allowed. Regarding residential multi-unit zones (R-M and R-MH) that currently allow STRs, staff recommends removing the allowance for short-term rentals[5]. In July 2024, Council and Planning Commission gave direction to essentially eliminate the R-MH zone, thereby significantly reducing the areas where hotels and STRs are allowed; however, if Council finds that STRs are a more limited use and remain appropriate in the R-MH zone, they can be defined and regulated as a separate allowed use, or conditionally allowed use (CUP).

[5] There is a future effort via Housing Element Program HE-20: *Evaluate Hotel Zones* that directs the City to review zone districts that allow both hotel and residential use and amend the zoning ordinance to consider either a Conditional Use Permit for some hotels, or rezone areas of the City that allow both uses to reduce the conversion of residential uses to hotel uses.

Home Shares

Home shares, the rental of one or more bedrooms in a unit or habitable accessory space (attached or detached, but not including ADUs or required parking) that also serves as an owner's primary residence, would be allowed in the STR permit area, but also in the single-unit and two-unit residential zones where STRs are currently not allowed. Under this concept, staff has identified two options:

1. Hosted home share: Bedrooms or accessory space (e.g., workshop, guesthouse) in a residential unit may be rented with terms of less than 30 days but for an unlimited number of days in a given year if the owner is continuously on-site during the home share stay.

2. Non-hosted home share: The residential unit may be rented for a limited number of days (e.g., up to a maximum of 45 days in a year), but with terms of less than 30 consecutive days if the owner is not occupying the residence at the same time as the home share stay.

It should be noted that staff from multiple City departments have questions and concerns about staff resources for managing and inspecting home share registrations. They are concerned about the ability to monitor and enforce home shares, particularly for the non-hosted home share option. Depending on the demand for this program, it may require additional staff and other resources to register, monitor, and enforce a home share ordinance. Access to home inspections in cases where an owner rents a room or two for intermittent periods may require random home inspections, which may be challenged on privacy grounds. Moreover, it might be difficult to monitor or enforce consistently how interior spaces may be used in a home share model.

A non-hosted home share might present neighborhood compatibility issues similar to STRs. This, along with the enforcement and inspection concerns noted above, leads staff to recommend against including a non-hosted home share option in the STR ordinance program at this time.

Home Share Permit Tracking and Management

There might be tools the City could use for issuance and renewal of licenses to operate such units (e.g., floor plan showing what portion of the main house will be rented, whether the operation includes an accessory building separate from the main unit, how will it be rented if the owner is away for some period of time, etc.). Some cities that allow this also have a robust license and enforcement budget to support it, which should be considered in developing the licensing process and fees.

Community Development staff is researching an option through its current permit tracking system, Accela Civic Platform, to assist with the licensing and renewal of STRs. This research is ongoing, and preliminary discussions are underway with the County of Ventura, which uses Accela to issue permits under their Temporary Rental Unit Program. If a third-party service can assist in managing such applications, costs may be minimized.

Accessory Dwelling Units

The City's ADU ordinances (inland and coastal) require all lots developed with an ADU to be rented for terms of not less than 31 consecutive days (primary residential unit, ADU, and junior ADU). Staff recommends that this limitation remain in effect and that neither STRs nor home shares shall be allowed if the lot is developed with an ADU or junior ADU.

Coastal Commission Coordination and Local Coastal Plan Amendment Process

The Coastal Commission has long encouraged public access to the coast and visitor-serving uses as a priority land use. With this in mind, staff met with California Coastal Commission staff on May 20, 2025, to update them about the City's plans to adopt STR regulations. The STR area conceptually identified by Council was reviewed to demonstrate how it focuses such opportunities in a waterfront area that already has visitor-serving uses, and is close to beach access, amenities, and transportation options.

Coastal Commission staff acknowledged that many agencies are updating regulations regarding STRs and referred staff to a resource with examples of certified STR regulations in other coastal communities. Preliminary review of this information confirms that many coastal communities have updated their regulations in recent years, coincidently with updates of Housing Elements statewide. The variety and complexity of approved STR programs will help inform future negotiations with Coastal staff. On a preliminary basis, Coastal staff understood the City's intent to create a geographic area for STRs and to allow a home share model in remaining areas with certain caveats, and agreed to continue meeting as the City develops program specifics.

Ultimately, this work effort will include a Zoning Ordinance amendment to Title 28 (Coastal Zoning regulations) as well as a Zoning Ordinance amendment to Title 30 (Inland regulations). The changes to Title 28 will require a Local Coastal Plan amendment (LCPA). After adoption by Council, the Title 28 amendments and associated LCP amendments will go to the Coastal Commission for certification. At this time, staff believes the ordinance amendments would not necessitate any change to the City's Coastal Land Use Plan, because no changes in underlying land use designations are foreseen.

Noise and Nuisance Regulations

As part of the program development, staff will also be proposing a comprehensive management and oversight structure that allows for the revocation of STR permits in certain defined instances to ensure compatibility with surrounding neighborhoods, e.g. excessive noise or nuisances. Other cities have very robust regulation programs in place and staff will be reviewing these as part of our program development. Staff requests input from Council on specific issues that should be explored as part of this management and oversight structure.

PUBLIC OUTREACH PLAN:

Given the history of this effort, the City has a healthy interested parties list on file. Community Development staff will also launch a website explaining the development of this STR program and post it through City outlets. In addition, staff will conduct focused meetings with stakeholder groups who have participated in public hearings on this effort over the last 10 years such as:

- Board of Realtors
- Santa Barbara Rental Property Owner's Association
- Housing Authority of the City of Santa Barbara
- Coastal Housing Partnership
- South Coast Chamber of Commerce
- Visit Santa Barbara
- Multiple STR agents and working groups based on prior testimonies.

Staff anticipates this effort will launch in late August 2025 and continue into early 2026 with website updates and outreach as requested through the process.

BUDGET/FINANCIAL IMPACT:

The City collects Transient Occupancy Tax (TOT) from STR operators who have complied with City laws and have a Business Tax Certificate. Revenue might drop if the adopted program causes some STRs to cease operating (e.g., allowing only hosted home share units in the single-family residence zones) because they cannot meet future performance standards. A more refined estimate of the potential lost revenue and cost increases will be provided once the specifics of the ordinance are settled.

Community Development staff is researching options for managing increased permit activity for STRs and home shares, with a goal of establishing a fee schedule that will fully offset the costs of the program. It should be noted that preliminary research found that agencies with robust programs had more employees than modest programs. Further research on these variables will be completed to better inform decision makers when staff returns with draft ordinance language.

ENVIRONMENTAL REVIEW:

CEQA Section 15061(b)(3) states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. An ordinance amendment to revise, clarify, and add permit procedures related to short-term rentals and home shares will enhance efficiency and add new development standards to minimize potential adverse impacts to the surrounding areas. This ordinance amendment is not related to any particular development project, and individual projects will be subject to compliance with CEQA, as applicable.

QUESTIONS FOR COUNCIL:

a. Does Council want to continue to treat STRs as hotels in terms of permitting, or create a simpler permitting path (e.g., classify them as dwelling units rather than a commercial use)?

b. Does Council want to remove both hotel use and STRs from multi-unit residential zones (R-M, R-MH)? Council already directed staff to remove hotels from the R-M and R-MH zones, so clarification is needed if Council's direction is to treat STRs differently from hotels.

c. Does Council want to allow home share use in all zones that allow either residential or hotel use, including single-unit and two-unit (R-2) zones?

d. Does Council agree with staff's recommendation to only allow hosted home shares (i.e., owner must always be present on-site)?

NEXT STEPS:

With clear direction from Council on the questions presented today, staff will develop the draft ordinance and launch the public outreach effort. The anticipated schedule is as follows: outreach to stakeholder groups in fall 2025, draft ordinance to Planning Commission in winter 2025, review by Ordinance Committee and Finance Committee in winter 2026, and return to Council in late winter or spring 2026. Once adopted by Council, the ordinance will be effective inland in 30 days. In the coastal zone, the ordinance amendments will require certification of a Local Coastal Program Amendment by the Coastal Commission, which takes approximately six months to a year.

ATTACHMENTS:
1. Map of area/zones where STRs are currently allowed
2. Housing Element policies
3. Zones where STRs are allowed (Existing and Proposed)
4. Short Term Rental Information Handout – Coastal Zone
5. Map of Proposed Area for new Coastal Zone STR Permit Area

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