



## COUNTY OF MENDOCINO

### DEPARTMENT OF PLANNING AND BUILDING SERVICES

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#### MEMORANDUM

**DATE:** SEPTEMBER 12, 2017

**TO:** BOARD OF SUPERVISORS

**FROM:** JESSE DAVIS, PLANNER III  
MATTHEW KIEDROWSKI, DEPUTY COUNTY COUNSEL

**RE:** SHORT-TERM/VACATION HOME RENTALS

On August 1, 2017, the Mendocino County Board of Supervisors passed and adopted urgency Ordinance No. 4391, approving interim restrictions on the establishment of short-term/vacation home rentals of residential property pending the study and consideration of land use and existing regulations pertaining to such activity. This urgency ordinance was in response to the concern that a substantial and increasing share of the County's housing stock is being utilized for the purpose of short-term/vacation home rentals, thereby reducing the share of units available for long-term lease by permanent residents. The Board of Supervisors directed the Department of Planning and Building Services to study and prepare for their consideration changes to the County's General Plan or zoning code with respect to the regulation of short-term/vacation home rentals.

This report serves to provide limited background regarding short-term/vacation home rental activity in Mendocino County. The Department of Planning and Building Services recommends that the recently adopted urgency ordinance be extended by the Board of Supervisors in order for staff to develop and propose comprehensive regulations regarding short-term/vacation home rentals in a setting where additional rentals are not being established. These future regulations should seek to limit the reallocation of housing stock from the long-term to the short-term markets, without discouraging the use of home-sharing by owner-occupiers.

#### **SHORT-TERM/VACATION HOME RENTAL BACKGROUND:**

Mendocino County permits short-term rentals in any zoning district where residential use-types are allowed. Within the Inland Zoning Division (Division I) short-term rentals are processed under the *Room and Board* accessory use, while in the Coastal Zoning Division (Division II) short-term rentals are processed under the *Vacation Home Rental* use, or a more limited form of the *Room and Board* accessory use. Mendocino Town (Division III) is the most restrictive Zoning Division with regard to short-term/vacation home rentals. In the Mendocino Town area short-term rentals can proceed as a *Single-Unit Rental* or as a *Vacation Home Rental*, but they are subject to issuance of a Minor Use Permit. Historically, the Mendocino Town area has maintained a ratio requirement of thirteen (13) long-term residential dwelling units to either one (1) *Single-Unit rental* or vacation home rental (Chapter 20.748 –Division III). This ratio has precipitated a wait-list for permission to permit a *single-unit* or *vacation home rental* within the Mendocino Town area. Under the recently prepared Town Plan, which is still subject to final review and approval by the Planning Commission and Board of Supervisors, new total limits will be placed on the total number of *Vacation Home Rentals* and *Single-Unit Rentals*, and the current ratio requirement will be eliminated.

At all times a business license is required to operate a short-term rental, which must be renewed annually through the Mendocino County Tax Collector. Operators of short-term/vacation home rentals are subject to the collection of Transit Occupancy Tax.

Currently, Mendocino County prohibits short-term rentals from occurring within following structure types:

- 'Guest Cottage'
- 'Detached Bedrooms'
- 'Family Care Unit'
- 'Class-K Structure' (*Within 1 Year of Permitting*)
- 'Airstream Trailers', Busses, Recreational Vehicles, etc.
- 'Second Residential Units'/'Accessory Dwelling Units' (*Single-Unit Rentals Division III ONLY*)

Due to the absence of a comprehensive ordinance, short-term rentals are permitted by the Department of Planning and Building Services by regulations spanning multiple sections within a Division's Zoning Ordinance. Between the three Zoning Divisions significant differences exist in how short-term rentals are permitted and regulated. Although vacation home rentals have been a historic part of the County's coastal communities, the recent proliferation of rental listing platforms have made it easier for homeowners to undertake short-term rentals within more remote inland areas, where few visitor serving accommodations exist. At the same time, these platforms have increased the density of rental offerings along the coast.

Especially within the Coastal Zone, there is concern that a substantial and increasing share of the existing housing stock is being used as short-term rentals, thereby reducing the share available for either purchase or lease on a long-term basis.

This year, the Department of Planning and Building Services has received a total of 100 business license applications to conduct short-term rentals. 46 of those have been approved, 26 are on 'Hold' pending staff review, 26 are 'In Progress', and 2 have been 'Withdrawn' or 'Denied'.

**Inland Zoning Division (Division I) Overview:** Under the Inland Zoning Division (Division I) business licenses for short-term rentals can proceed as a *Room and Board* accessory use. To qualify under this definition, the applicant may only rent 1-2 individual rooms. Due to the lack of a *Vacation-Home Rental* use type in the Inland Zone, the *Room and Board* use definition is extended to include rentals of the entire home, so long as it is intended to be let or hired as an entire, single unit for occupancy. One major difference between the Inland and Coastal Zoning Code is that *Room and Board* accessory use requires that applicants obtain a major use permit if the site location is accessed via a private road.

**Coastal Zoning Division (Division II) Overview:** Under the Coastal Zoning Division (Division II), short-term rentals are processed under the *Vacation Home Rental* use or a more limited form of the *Room and Board* accessory use. Renting more than one individual room on the coast disqualifies an applicant from the *Room and Board* definition. If the applicant rents more than two individual rooms, they need to be processed under *Bed and Breakfast Accommodation* use type. Given the diversity of visitor accommodation types on the coast, staff recommends reviewing and making modifications to Chapter 20.332 - Coastal Visitor Accommodations and Services Use Types. Unlike the *Room and Board* accessory use within the Inland Zoning Division (Division I), site locations on a private road are not subject to a major use permit in the Coastal Division (Division II).

**Mendocino Town Zoning Division (Division III) Overview:** Mendocino Town (Division III) is the most restrictive Zoning Division with regard to short-term/vacation home rentals. In the Mendocino Town area short-term rentals can proceed as a *Single-Unit Rental* or as a *Vacation Home Rental*, but they are subject to issuance of a Minor Use Permit. Historically, the Mendocino Town area has maintained a ratio requirement of thirteen (13) long term residential dwelling units to either one (1) single unit rental or vacation home rental (Chapter 20.748 –Division III). However, under the recently revised Mendocino Town Plan, new limits will be placed on the total number of Vacation Home Rentals and Single-Unit Rentals. The ratio requirement will be eliminated, but other restrictions, such as the prohibition against *Single-Unit Rentals* within an accessory dwelling unit will persist.

## **ORDINANCE RECOMMENDATIONS/NEXT STEPS**

The Board of Supervisors has previously given direction to amend the Inland Zoning Code to require a minor use permit instead of a major use permit for the *Room and Board* use type; staff is working on preparing an amendment for review by the Planning Commission and eventual review and approval by the Board of Supervisors.

**Comprehensive Short-Term Rental Ordinance:** Staff will undertake a review of other jurisdictions in California that have established comprehensive short-term rental ordinances and bring back to the Board of Supervisors an agenda item to discuss possible regulations. Comprehensive regulations regarding short-term rentals should address the land use impacts associated with such activities and ensure that positive spillover effects on local businesses are better captured, while negative spillover effects, such as the cost of housing, noise or congestion are mitigated. The comprehensive ordinance should address topics such as event restrictions, short-term rental guest limits, parking & noise requirements, public notification procedures, nuisance complaint processes, and intensity of use. However, the full extent of topics addressed by any ordinance will need to be determined after extensive public outreach.

As earlier mentioned, these future regulations should seek to limit the reallocation of housing stock from the long-term to the short-term markets, without discouraging the use of home-sharing by owner-occupiers. The development of these regulations should be undertaken in close cooperation with the Treasury-Tax Collector. Without implementing comprehensive regulations, short-term rentals will likely continue to increase in number and density, further impacting the number and affordability of housing units available for purchase or long-term rental by permanent residents within Mendocino County.