

TOWN OF WINDSOR AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: March 19, 2025

To: Mayor and Town Council
From: Kimberly Jordan, Planner III
Subject: Short-Term Rental Ordinance: Consideration of Expanding the Definition of Hosted Short-Term Rental

Recommendation to Council:

Provide direction to staff regarding the consideration of expanding the definition of hosted short-term rentals.

Strategic Plan Element:

The recommended action supports the goal of Livability. Goal Statement: Preserve community character by maximizing the use of existing amenities and creating future opportunities that enhance quality of life for all.

Background:

The regulation of short-term rentals (STRs), also known as vacation rentals, which are rentals of residential units for periods of less than 30 days, has been a subject of public interest and policy development in Windsor since at least 2015. Initially, STRs operated under an informal internal policy established by the Community Development Director. By 2021, growing community concerns about STRs prompted the Town Council to direct staff to prepare an ordinance to regulate STR operations. A draft ordinance was first reviewed by the Planning Commission in January 2022 during two meetings which were pivotal to shaping the ordinance.

Subsequent Town Council meetings further refined the ordinance. A revised ordinance was presented to the Council on April 19, 2023, with the introduction of additional revisions, including a prohibition of non-hosted STRs in residential districts. At the June 7, 2023, Town Council meeting, the Town Council introduced an ordinance to amend the Town of Windsor Municipal Code and Zoning Ordinance to establish regulations for short-term rentals. One of the modifications to the draft ordinance amended the definition of "hosted short-term rental" to also include a residence where the owner or primary occupant is the primary resident of the dwelling being rented and the dwelling is rented a maximum of sixty (60) days per calendar year without the owner or primary resident occupying a bedroom in the dwelling unit during the entire rental period, and to require that to qualify as a "permanent resident" the individual must reside in the dwelling unit a majority of a calendar year. The ordinance was introduced on a vote of 4-1. The ordinance was adopted at the following meeting, on June 21, 2023, and went into effect 30 days later (Attachment 1).

At the January 15, 2025, Town Council meeting, the Council received a presentation on the Implementation of the STR program (Attachment 2). At that meeting, the Council requested the consideration of expanding the definition of a Hosted Short-Term Rental and to revisit the renewal fees.

Discussion:

The Town's STR program has been in place for over a year and half with the amortization period for the operation of non-hosted STRs in residential districts approaching an end on June 30, 2025. To date, no complaints with confirmed violations have been reported for properties with STR Licenses, indicating issues primarily arise from non-hosted STRs in residential neighborhoods.

The Town's STR program includes two definitions for a Hosted Short-Term Rental (Attachment 1):

- A short-term rental where the owner or primary occupant occupies a bedroom in the dwelling unit during the entire rental period. In addition, this includes the occupation of an accessory dwelling unit (ADU) by the owner or primary occupant while the primary unit is being rented. Short-term rental of an ADU is prohibited.
- To be a residence where the owner or primary occupant is the primary resident of the dwelling being rented and the dwelling is rented a maximum of sixty (60) days per calendar year without the owner or primary resident occupying a bedroom in the dwelling unit during the entire rental period.

Expanding the definition of Hosted Short-Term Rental

In response to direction from Town Council to explore expanding the period of time a Hosted STR allows the host to not be present, staff did a survey of both local and non-local STR programs (Attachment 3). Of the nine incorporated jurisdictions in Sonoma County and the unincorporated county, Windsor is set apart for its liberal STR program. Specifically, the following is worth considering from a survey of jurisdictions other than Windsor in Sonoma County:

- Currently, three of the nine jurisdictions do not allow new STRs (Cotati, Santa Rosa, and Sonoma)
- Of the five that allow STRs in residential districts, all five limit the rental to allow only a portion of the house to be rented, with most allowing no more than two bedrooms to be rented
- Windsor is the only jurisdiction that permits the entire house to be rented for a STR program in residential districts
- Of the six that allow STRs, two limit the total nights the rooms may be rented per year (Cloverdale and Petaluma)

The survey also included Hosted STR programs in the Bay Area and across the state to gather additional data for other Hosted STR programs (Attachment 3).

- The majority of Hosted STR programs require the host to be on-site during the entire rental period, with a few allowing the host to be present for a minimum number of hours per rental period to be defined as hosted
- The majority of STR programs that don't require the host to be present during the rental period only permit a portion of the dwelling to be rented
- Of the 25 surveyed, only three STR programs define a Hosted STR as one in which the host may be absent during the rental period (Marin County, San Jose, and Santa Cruz)

In summary, the survey of STR programs in California indicates that Windsor is unique for having a STR Program that does not require the host to reside during the entire rental period for a Hosted STR and by not limiting the rental to a portion of the housing unit. The majority of other jurisdictions attempt to minimize the impacts of their STR programs by limiting the number of bedrooms within a residence that may be rented, and/or limiting the total days the units can be rented, and/or putting a cap on the total STR permits issued, or prohibiting STRs entirely.

During the preparation of the STR Ordinance, staff noted in a report that it considered limiting the operation of any non-hosted STR to 182 days per calendar year. It was decided that this limit would be difficult to track and enforce. Similar concerns arise with tracking and enforcing the period of time the host is allowed to be absent.

While vacation rentals play an important role in Windsor's tourism economy, there are other considerations. Windsor's STR program may impact the housing stock for both the Town and surrounding areas. Additionally, expanding regulations is not in line with the Town's Housing Element goal to maintain and improve housing stock (Goal 3). This program includes capping the number of days per year that a unit may be rented or capping the number of units:

H-21: Short-Term Rental Ordinance: *The Town will adopt a short-term rental ordinance and monitor the impacts of short-term rentals on long-term housing options. The short-term rental ordinance should consider prioritizing STRs owned by local residents as a primary or secondary residence, with lower priority given to STRs owned by entities outside of Windsor. Because a housing unit operating solely as an STR represents a loss to the Town's permanent housing inventory, the STR ordinance should include a cap to the number of days per year in which an existing unit may be rented out (for terms of less than 30 days) and/or a cap on the number of units in a new housing development that can be granted business licenses to operate as STRs.*

The Town's STR Ordinance is not entirely consistent with the Town's Housing Implementation Goal for STRs. Expanding the Hosted STR definition could be considered further deviation from Program H-21. Additionally, expansion of the STR program could be in conflict with the California Department of Housing and Community Development's (HCD's) Prohousing Designation Policies, which must be maintained for the Town to continue its status as a Prohousing Designee.

Fees

The fees for an STR License include the inspection fees for the Fire District, and the Town's fees, including the business license fee, and the Planning review fee, which equates to 3 hours of staff time (currently \$796; see Attachment 4). The Town's STR License Renewal fee is \$264, which includes one hour rate of Planning staff time and the business license renewal fee (currently \$26). The Fire District sets its own rates for the annual re-inspection, and it is currently \$382. An inspection guide published by the Fire District is included in this report as Attachment 5. The total STR License Renewal fee is \$646. If the Planning staff fee is decreased, the General Fund would supplement the time required to review a license application.

Fiscal Impact:

The STR program has generated substantial revenue through licensing fees and Transient Occupancy Tax (TOT). In FY 2024-25, initial and renewal fees ranged from \$642 to \$1,249, which generally covers administrative costs for licensing and compliance monitoring.

From a revenue perspective, Transient Occupancy Tax (TOT) collected for STRs is meaningful. In Fiscal Year 2023/24, the Town collected \$680,748 in TOT revenue from STRs, representing 22% of the total TOT income of \$3,068,552. Hotels contributed \$2,387,804, or 78%, to the total. Additionally, the Town collected \$6,130 in late payment fees, all from STR operators. The preceding numbers may not reflect future projections as the Town was also engaged over the last year in compliance efforts to recover over \$82,000 in back payments from operators who had not filed or incorrectly filed taxes.

Despite these achievements, challenges persist. Unlicensed STR operations continue to demand

enforcement resources, and some community members have expressed concerns about fairness and consistency in licensing and enforcement. Additionally, the upcoming expiration of the amortization period for non-hosted STRs in residential districts on July 1, 2025, will likely require further attention to ensure a smooth transition and compliance.

Environmental Review:

The Municipal Code and Zoning Code text amendments for the regulation of Short-Term Rentals were found to be exempt from environmental review pursuant to CEQA Guidelines Section 15061(b)(3), the General Rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. This report does not allow for or encourage any more development than is already anticipated under the Town's 2040 General Plan and it can be seen with certainty that there is no possibility that this report in question may have a significant effect on the environment.

Attachment(s):

1. 2023-379 Amending Municipal Code and Zoning Ordinance Establishing Requirements for Short-Term Rentals
2. Item 6.4 STR Implementation TC Mtg. 1-15-25
3. Survey of STRs in Sonoma & California
4. Town & FD Fees for STR License and Renewal
5. SCFD Vacation Rental Inspection Requirements
- 14.2 Correspondence Received (Distributed 2025-03-19)
- 14.2 PowerPoint (Distributed 2025-03-19)
- 14.2 Correspondence Received After Meeting (Distributed 2025-03-21)

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