

TOWN OF WINDSOR AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: January 15, 2025

To: Mayor and Town Council
From: Patrick Streeter, Community Development Director
Subject: Presentation on the Implementation of the Short-Term Rental Ordinance

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. This policy required approval of a business license, a safety inspection by the Fire District, and compliance with fire safety standards. However, this approach lacked formal zoning provisions and did not provide a comprehensive framework for managing STR impacts on housing availability, neighborhood character, and public safety.

By 2021, growing community concerns about STRs prompted the Town Council to direct staff to prepare an ordinance to regulate STR operations. The process of developing the ordinance was characterized by extensive public outreach and deliberation. The Town engaged the community through a town-wide survey to gather input on STRs. The survey revealed a mix of support for STRs, particularly for their economic benefits, and concerns about their impact on residential neighborhoods and housing availability. To further involve residents, the Town hosted a public workshop, providing a forum for attendees to share their views and ask questions about proposed regulations.

A draft ordinance was first reviewed by the Planning Commission in January 2022 during two meetings. These sessions were pivotal in shaping the ordinance, as commissioners recommended adjustments to occupancy limits, notification requirements, and provisions distinguishing hosted from non-hosted STRs. The Planning Commission resolution, which included these modifications, was forwarded to the Town Council for consideration.

Subsequent Town Council meetings further refined the ordinance. On February 15, 2023, the Council held a public hearing that featured robust testimony from residents. The feedback highlighted the need for stricter performance standards for non-hosted STRs. Following this, staff revised the ordinance to address issues such as maximum occupancy, parking, and limits on the number of STR licenses per operator. The revised ordinance was presented to the Council on March 1, 2023, where further discussions emphasized the importance of mitigating impacts on residential neighborhoods.

A revised ordinance was presented to the Council on April 19, 2023, with the introduction of additional revisions, including a prohibition on non-hosted STRs in residential districts and the establishment of a

one-year grace period for existing operators. The Council also refined operational standards to ensure that STRs could operate in a manner consistent with neighborhood preservation goals.

At the June 7, 2023, Town Council meeting, the Town Council introduced an ordinance, by title only, to amend the Town of Windsor Municipal Code and Zoning Ordinance to establish regulations for short-term rentals (STRs). The introduced ordinance included modifications to the draft ordinance that was published with the agenda report. The modifications to the draft ordinance extended the amortization period for non-hosted STRs in residential zoning districts from July 1, 2024, to July 1, 2025, and 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.

Discussion:

The implementation of Windsor's Short-Term Rental Ordinance has provided valuable insights into its impacts and effectiveness. Since its adoption, the program has been actively administered, primarily by staff of the Community Development and Administrative Services Departments, and its key provisions have been put into practice. In addition to the existing code compliance services contract administered by the Community Development Department, Town staff has utilized consultant services for identification of STR operations as well as operation of a 24/7 STR reporting hotline.

Under the ordinance, hosted STRs and STRs operating in mixed use zoning districts were eligible for licensing; all other STR operators wishing to continue during the amortization period were required to register the STR within the first several months of the ordinance going into effect. Approximately 60% of the property owners with existing business licenses chose to register their STR operation, and approximately 50% of those property owners are still in operation.

As of the end of 2024, a total of 11 STR Licenses and 53 STR Registrations were active, with hosted STRs in residential districts comprising the majority of licenses issued. Compliance efforts have also been a priority. Notices of violation were issued to 19 unapproved STRs advertising on online platforms, with 15 ceasing operations or transitioning to mid-term rentals and 4 continuing to operate illegally. Enforcement remains ongoing to address these violations and ensure adherence to the ordinance.

Community feedback has highlighted both successes and challenges in implementation. The majority of complaints have stemmed from STR Registrations rather than fully licensed STRs. A total of 86 hotline calls were received for 11 properties with STR Registrations, primarily concerning noise, parking violations, and overcrowding. Notably, no complaints with confirmed violations have been reported for properties with STR Licenses, which reinforces the Council's assumption at the time of ordinance adoption that neighborhood incompatibility issues primarily arise from unhosted STRs in residential neighborhoods. To date, two STR Registrations have had their operation terminated due to ongoing reported lack of compliance with the standards.

Since going into effect, Town staff's correspondence with the public related to the STR Ordinance has largely been educational in nature, such as explaining the requirements of the ordinance or providing additional information to neighbors of an STR that receive notice in the mail. One operator sent a message to staff in December (attached) expressing concerns with the cost and effort currently required

to license a hosted STR under the ordinance.

Fiscal Impact:

There is no fiscal impact associated with receiving this presentation. 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, and engaged in compliance efforts to recover over \$82,000 in back taxes 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:

There is no environmental impact associated with receiving this report. 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. The amendments do 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 the amendments in question may have a significant effect on the environment.

Attachment(s):

- 1. Ordinance No. 2023-379 Amending Municipal Code and Zoning Ordinance Establishing Requirements for Short-Term Rentals
- 2. Correspondence
 - 6.4 Correspondence Received (Distributed 2025-01-13)
 - 6.4 PowerPoint (Distributed 2025-01-14)
 - 6.4 Correspondence Received (Distributed 2025-01-15)
 - 6.4 Correspondence Received (Distributed 2025-01-15 PM)

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