

Vacation rentals stir debate

By JENNIFER KOSS
STAFF WRITER

As Capitola moves to enforce a law against vacation rentals in residential neighborhoods, tourism promoters are hoping other jurisdictions don't follow suit.

"I hope that it doesn't get carried away, because I think it would stop people from coming to Santa Cruz," said Rita Law, property manager at Kendall and Potter Realtors-Rentals in Aptos.

Jerry Eidam, president of the Santa Cruz County Lodging Association, said the vacation-rental business should be recognized for its importance to the county.

"It's a shame that Capitola is really outlawing it," he said. "Everybody else is encouraging it rather than discouraging it."

However, Capitola City Manager Steve Burrell said he did not think the city's actions regarding vacation rentals would change visitor patterns to the community much. All the city is trying to do is prevent the spread of vacation rentals into neighborhoods where they cause parking and noise problems for residents, he said.

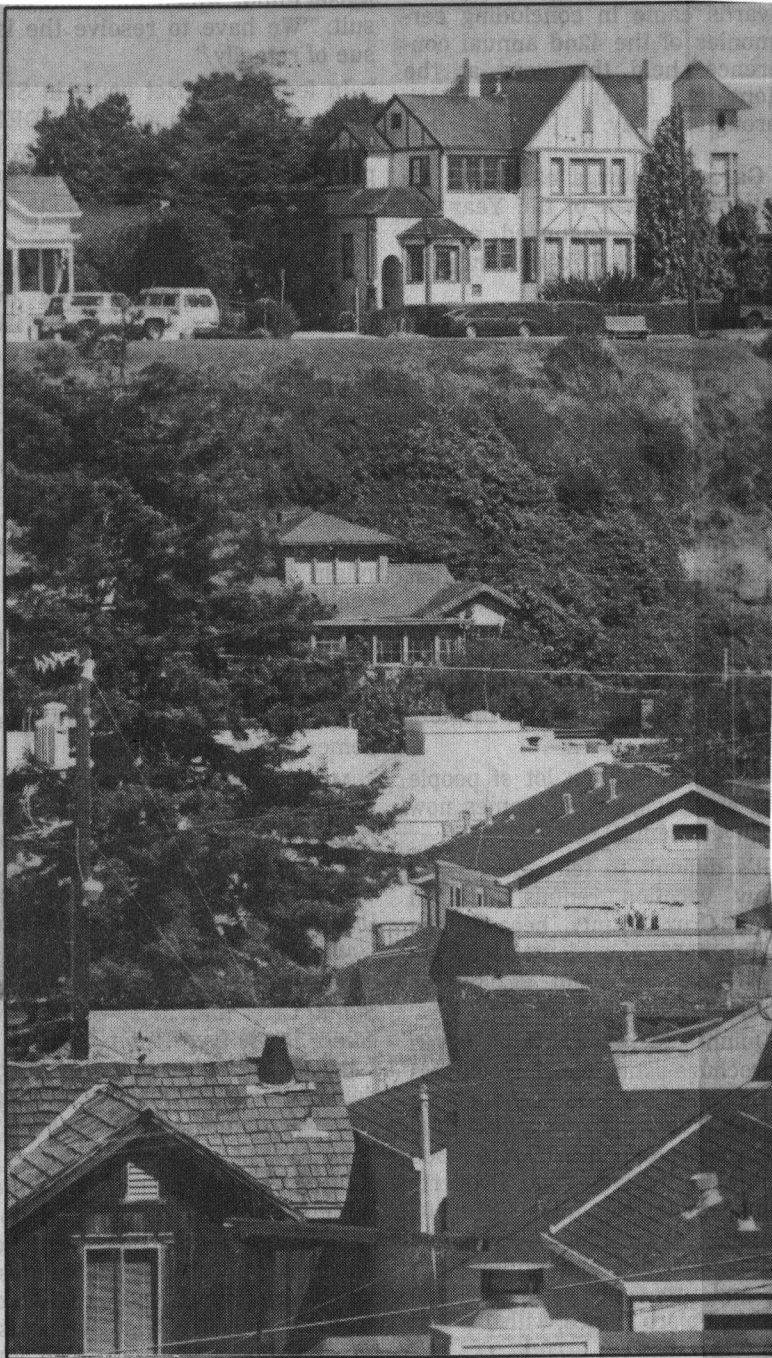
"Vacation things have been going on since Capitola was founded, but they've traditionally been in the Village area," he said. "And that's where we're saying they oughta stay."

Capitola Village is a commercial area and vacation rentals will continue to be allowed there, as in other commercial areas, Burrell said. It's only in the past two or three years that vacation rentals have increased in residential areas and prompted complaints, he said, but the city's municipal code has prohibited them in residential areas for a long time.

Burrell said he would recommend to the City Council Thursday night that owners of vacation rentals in residential areas be given two months to get out of the vacation-rental business. If they fail to comply, the city could take court action against them, he said.

Vacation rentals include townhouses, condos and single-family houses. Particularly in the summer and if the dwelling is located close to the beach, renting them out is a big business and brings in a lot of tourist dollars to Santa Cruz County, Law and other tourism, supporters said.

Cities and the county can col-



Chip Scheuer

The big house above, at Grand Avenue and Cliff in Capitola, has been used as a vacation rental but can't be anymore, while the houses in the Village below can still be rented.

lect Transient Occupancy Tax on any rentals rented out for periods of less than 30 days, which include vacation rentals, bed and breakfast facilities, hotels and motels, and RV park campsites, said Rita Quinn, executive director of the Santa Cruz Conference and Visitors Council.

"Vacation rentals do pay TOT and they do pay a rather significant amount," she said.

The TOT varies according to location, she said. At 10 percent of the room rent, Scotts Valley charges the most. Watsonville, Santa Cruz and the county each collect 9.5 percent and Capitola collects 8 percent.

Eidam said the tax totals more than \$3 million a year. Figures for 1988 show that Santa Cruz collected more than \$1.8 million in TOT, the county collected \$1.1 million and Wat-

sonville, Capitola and Scotts Valley collected roughly \$100,000 each.

The TOT money collected has been increasing at a rate of 10 percent a year, Eidam said, but he attributed that to a rise in the rents rather than in the number of rentals.

However, Law and Marie Salvatore, office manager for Bob Bailey Real Estate and Property Management, said they thought the number of vacation rentals was increasing in the county.

A realtor for Santa Cruz Property Management Co. in Capitola, who would identify herself only as Christine, agreed vacation rentals have been increasing in Capitola.

"Everyone's been buying up property in residential areas and turning them into vacation rentals," she said.

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Salvatore said the problems that led to Capitola's crackdown on vacation rentals could be the result of new owners renting out the homes themselves and not keeping close enough tabs on the tenants.

"I think there's a lot of people that are buying these homes now for investments," she said.

It's difficult to tell exactly how many vacation rentals exist in Santa Cruz County, because the TOT is not broken down according to the type of rental and not all vacation rentals pay the TOT.

Quinn said she was working on a brochure listing accommodations in the county and had conducted a survey. The largest vacation-rental agencies responding were Bob Bailey Real Estate and Property Management in Aptos, with 65 rentals; Cheshire Realty, with 125 rentals; Kendall and Potter, with 80; and two agencies renting homes in Pajaro Dunes, with 170 and 100.

But agency representatives said those figures were not necessarily accurate because the number of

vacation rentals varies with the season, increasing as summer draws near. Also, it's impossible to know how many vacation rentals might exist that are privately rented.

In any case, Eidam said, "Vacation rentals are a big, big part of lodging in the county as a whole, and there's a lot of TOT that comes in because of it."

Many businesses need tourist dollars to survive, Law said. Large homes close to the beach can rent for as much as \$2,000 to \$3,000 a week, and the people who rent them spend a lot of money in the county, she said.

"It's such a big business here in Santa Cruz and most of the income is derived from tourism," Law said. "And when they start doing things like that (restricting vacation rentals), it hurts everybody."

Marc Eymard, a planner for the county, said the county has not imposed any regulations similar to Capitola's on short-term rentals. Neither has the city of Santa Cruz, said city planner Tim Reynolds, but Santa Cruz has not had any pervasive problems associated with vacation rentals.

"It's totally unrestricted," he

said, and the city does not even collect TOT money from vacation rentals.

Watsonville City Manager John Radin said vacation rentals were not restricted in Watsonville either, but he did not think there were any anyway. All of the city's TOT is collected from its hotels and motels, he said.

Salvatore said Watsonville's efforts to promote tourism were stymied by the lack of available lodging. She said there were also few hotels in the Aptos and La Selva Beach area, so vacation rentals were the only option.

She and Law said vacation rentals were a good alternative to hotels and motels, particularly for families who can't afford to eat out every meal or pay for several rooms.

Law noted that the origin of people using vacation rentals seems to be changing. Where once they were mostly ranchers escaping the inland heat for a few days, she said, more and more rentals seem to be occupied by vacationers from the East Coast and New York areas, as well as from countries like England, France and Germany.