

## Donovan Arteaga

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**From:** Nicholas Brown  
**Sent:** Wednesday, May 14, 2025 9:04 AM  
**To:** Donovan Arteaga  
**Cc:** [REDACTED] Shane Pavonetti; Sheila McDaniel; Trina Barton; Yesenia Jimenez; Renee Shepherd  
**Subject:** FW: Planning Commission Comment on Short Term Rental item

Forwarding this public comment that came in last night.



### Nicholas Brown

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**From:** Alex Vartan <alex.vartan@gmail.com>  
**Sent:** Wednesday, May 14, 2025 12:11 AM  
**To:** Nicholas Brown <Nicholas.Brown@santacruzcountyca.gov>  
**Subject:** Planning Commission Comment on Short Term Rental item

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Commissioners,

I am writing to request your urgent reconsideration of the proposed amendments to the Santa Cruz County Code for short-term rentals, as detailed in the May 14, 2025, staff report. The current proposals, especially grandfathering existing permit holders while systematically eliminating new permits, would enact a **profoundly** unfair system. This policy would transfer an immense financial windfall (a publicly derived value) to a select group of current STR operators, permanently excluding other property owners and future generations from this economic opportunity.

What does that mean in \$\$\$? Two public reference points let us work it out. The last time the County broke out the numbers, calendar-year 2019 short-term rentals generated about \$5.5 million in ToT at the 11% rate. That indicates rough \$50 million in gross host revenue. If one subtracts a conservative 30% for platform fees, management, cleaning, and depreciation, net operating income comes to about \$35 million. But a house could always be rented long-term, so only the extra spread counts. Long-term rents are nowhere near short-term levels; treating one-third of the gross as money a long-term tenant could

have paid leaves about \$23million in incremental annual income created solely by the County's permission to run short-term rentals. Capitalizing that at a conservative six-percent yield produces roughly **\$390 million of franchise value locked in for the 2019 cohort.**

Countywide totals have grown since then. Recent budget material pegs total transient-occupancy-tax revenue at roughly \$12.8 million in FY2024, collected at a 14% rate for STRs and 12% for hotels. Keeping the same sixty-percent split seen in 2019 implies about \$7.7 million in current short-term-rental tax. Dividing by the 14% rate yields nearly \$55 million in present-day gross host revenue. After the 30% expense haircut assumption and the one-third discount for what long-term rents would have produced, the total incremental income directly attributable to the STR franchise is about \$26 million. At the same 6% rate that income stream is worth roughly \$430 million today.

**The ordinance turns that \$400 million economic privilege into private property held by fewer than a thousand households,** at no cost to them and with no road back for newer owners who face modern mortgage costs and full Proposition 13 assessments, unlike many of the STR permit holders, who retain extraordinarily low assessed values. Residents in the most heavily impacted blocks would suffer the traffic and parking burden yet never get the same economic tool to offset it. That is profoundly inequitable by any measure and cannot be squared with the County's commitment to fairness.

No agency would give away oil leases, broadcast spectrum, or water rights for life without public compensation. Short-term-rental permits are a similarly scarce public asset. If a cap is necessary, **the value must be shared, not privatized.** That means we need to ensure the policy revisions include:

1. Time-Limited Permits: STR permits should be issued for fixed terms (e.g., 3-5 years) with no automatic renewal rights
2. Equitable Access: All expiring and newly available permits should be distributed via a transparent lottery system, open to all eligible property owners
3. Periodic Review: The regulatory framework must allow for periodic review and adjustment to meet evolving community needs and prevent the creation of permanent, exclusionary windfalls.

*Without changes along these lines, the proposal before you will be remembered as one of the largest uncompensated wealth transfers in County history, entrenching rather than easing neighborhood conflict. I urge you to withhold approval and direct staff to return with a framework that sunsets permits, democratizes access, and protects communities without gifting a half-billion-dollar asset to a select few.*

Respectfully,

Alex Vartan  
Santa Cruz  
2531 Portola Drive