

BoeKnows Real Estate

Your Questions from Real Estate Buyers, Seller, & Agents

By Patti Boe

Q. How do vacation rentals work in Santa Cruz?

A. First of all this is a function of specific rules (ordinances) in City of Capitola and the lack of any rules in the City of Santa Cruz, and in Santa Cruz County areas.

As for the City of Capitola, there are strict ordinances that govern daily/weekly/vacation rentals. (That is any time period less than 1 month or 30 days.) The property must be zoned commercial and in the Village, Downtown to be rented in this manner. Also, there is a 10% hotel tax (otherwise known as room tax or transient tax) due at all times. Penalties for not paying this are extreme.

Most is positive about vacation rentals. They are a vehicle to “have your cake and eat it too”. You buy your Beach House, enjoy it when you want to (or when it’s not rented) and collect about four times the normal rent per month. A rule of thumb is vacation rentals get about the same income per week as you would get per month in the off-season. Of course, you must deduct cleaning, advertising, bookkeeping, maintenance, hotel tax, and any management charges. This total can range anywhere from 25%-45% of the price charged to the guest. Another perk is the **constant appreciation** that Beach Properties in Santa Cruz County have enjoyed. Even in so-called down markets, Beach Homes here have stayed strong since most are cash buyers that are not relying on large loans or high LTV’s (loan-to-value) and our limited product inventory.

Once you leave Capitola, both north and south, you are in Santa Cruz County designation. These areas include Rio del Mar, Seacliff, Seascape, La Selva Beach, Manresa, and Pajaro to the south. To the north of Capitola, there is Opal Cliffs, Pleasure Point, Live Oak, and the Yacht Harbor. **All of these areas have no restrictions** except to pay the 10% Hotel Tax.

The City of Santa Cruz also has little or no restrictions on vacation rentals that I know of except the 10% Transient Tax due. Fortunately, this Hotel Tax goes to either the City or County areas where the property is located and into those coffers for use on roads and maintenance of that local infrastructure.

When choosing areas for your new beach home that you intend to rent, be sure to call one of the several local vacation rental management companies or a network of owners who want to manage their own. (You can call or email me for this list.) It is important that you ask which property areas are in most demand and exactly what amenities should the property have to get the most rent and be most desirable for vacation tenants.

In summary, the positive aspects of vacation rentals are the following: you have your own Beach House when you want it (maybe with a locked closet or room to keep your personal things on site); you **enjoy the appreciation** over the years; you off-set the expenses with **great income**; someone else (if you have a management company) takes care of the problems and maintenance; short-term rentals allow more **owner control** than long-term; you may need to use your assets for income gain; **it’s good for the economy** of Santa Cruz – tourism is our #1 business. People who rent vacation homes shop, eat, and are entertained in our little Paradise. **Call or email questions or comments regarding where to buy and how it works.**

Call Patti Boe 800-738-3261, See PattiBoe.com for beachfront homes, commercial and income properties

*Send Questions to Patti@PattiBoe.com

See Our Website: PattiBoe.com

American Dream Realty-Top Office
Top Agent in Overall Production
For The Last 15 Years!!

