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Policy Memorandum

Date: 3.11.2025

To: Councilor Jamie Cassutt, Councilor Carol Romero-Wirth, and Councilor Signe Lindell

From: Palmer Anderson
Policy Analyst
City Attorney's Office
Office of Legislation and Policy Innovation
City Hall | 200 Lincoln Avenue
Santa Fe, New Mexico 87504

Subject: Short-Term Rental Properties

QUESTION PRESENTED

Question as presented on JotForm:

The policy request included the following question: “Councilors Romero-Wirth, Lindell, and I would like to revisit our Short-Term Rental ordinance. I am interested in learning about what the impact has been since the ordinance was last changed in 2020 (I think), what recommendations are there from Land Use staff on enforcement, what have other communities with heavy tourism-based economies/housing crises implemented successfully, what policies are recommended to lessen the impact of STRs on the housing stock and housing market, how STRs impact the local economy. I think it would be helpful to have a brief 30-minute meeting with myself and the other councilors to better refine the direction of the research and specific policy solutions we are each interested in exploring.”

Updated policy question as of Policy Meeting on 8/15/2024:

How can the City of Santa Fe (“City”) improve its Short-Term Rental (“STR”) regulations such that housing is made more affordable and that the supply of housing in the City becomes more plentiful and accessible?

SUMMARY

This memorandum examines possible ways SFCC 1987, 14-6.2(A)(5), the “Short-Term Rental Ordinance” could be updated in order to help housing in the City become more plentiful and accessible. This section of code, which contains regulations for STRs, was last substantively updated by Ordinance 2020-35.

KEY FINDINGS

SFCC 1987 14-6.2(5), “Use Specific Standards” for “Short Term Rental Units”, currently regulates STRs. Section 14-6.2(5)(c)(vi), which covers residentially zoned properties, limits density for STRs to 50 feet of each other in a residential district (this limitation does not apply to City commercial districts). As to zoning, code enforcement staff are required to confirm the zoning of the location of a proposed STR when the staff receive an STR application. It also establishes that



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applicants must specify if their property is not within 50 feet of another residentially zoned STR at the time of application. The City Land Use Director is required to reject an application that violates this stipulation. Section 14-6.2(5)(c)(vi)(B), which creates exceptions to the 50-foot rule, establishes that no more than 12 permits can be issued for a multi-unit building, and multi-unit buildings with more than 4 units cannot have more than 25% of the units in the building be STRs. Staff are required to confirm number of units and percentage of dwelling units at the time of application for an STR in a multi-unit building.

Section 14-6.2(A)(5)(a) describes “Use Specific Standards” for STRs with the purpose of ensuring that neighborhood character is not disrupted by the presence of STRs. However, the ordinance does not define neighborhood character, nor does it describe which ways the presence of STRs might infringe on this character.

Section 14-6.2 (A)(5)(b)(i) requires a city-issued business license for all STRs, as well as either a permit or registration. Whether the city requires a permit or registration depends on the property’s zoning. Section 14-6.2 (A)(5)(c)(i) specifies that permits are required for residentially zoned STRs, while Section 14-6.2(A)(5)(d)(i) specifies that registrations are required for non-residentially zoned locations, which include the Santa Fe Business Capitol-District (“BCD”) and commercial zones. The City does not currently have a comprehensive method for assessing the status of STRs in their respective zones, especially when it comes to identifying properties operating without the proper permit or registration. However, the integration of new software known as Avenu (“Avenu”), currently being acquired by the City, will aid in the City’s ability to more effectively track and respond to permitting and registration issues. For example, the Avenu system has the capacity to flag instances of a platform such as Airbnb advertising an STR property that also has not obtained the appropriate permit or registration. Currently, the primary way to track instances of STR operation without a permit/registration is through the investigation of constituent complaints made directly to code enforcement staff.

The City currently limits STR permits to 1,000 for the whole city. The number of currently permitted or registered STRs are tracked internally through Energov, the City’s intranet platform, and through a spreadsheet kept by staff. There is a waiting list for STR permit/registration applicants, also facilitated through Energov. The City of Santa Fe’s STR website currently shows Energov as being “down until July 8th”.¹

SFCC Section 14-6.2 (A)(5)(v) stipulates that an STR cannot be rented more than once in a seven-day period. As of now, there is not a reliable way to track whether or not this regulation has been violated, save for direct constituent complaints to code enforcement staff. The adoption of Avenu will also aid in tracking these types of violations in real time.

SFCC Section 14-6.2 (A)(5)(e)(vii) prohibits STRs on residential property from hosting what is referred to as activities “not residential in nature”. Activities not residential in nature include special events, weddings, fund raisers, or parties with individuals not staying as guests in the specified STR. STR operators are expected to communicate these expectations with their guests.

¹ “Short Term Rentals | City of Santa Fe,” Santafe.nm.gov, 2021, <https://santafenm.gov/land-use/short-term-rentals>.



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Once again, the primary way that a violation of this regulation is reported to the city is through complaints from neighbors or other constituents.

The cap on guests in a given STR is limited to twice the number of beds within a property.² The number of beds is verified by a code enforcement inspector from the City's Land Use Department once an STR permit/registration has been approved. Currently, there are only two land use code enforcement officers employed by the City for this purpose.

SFCC Section 14-6.2 (A)(5)(o)(iii) outlines reporting requirements for STR platforms. Specifically, platforms are required to "provide a monthly report to the *City* that includes the web address (URL) for each property listed on the *host platform*, together with the *permit* or registration number associated with that URL".³ City staff familiar with the functions of Ordinance 2020-35 have noted that that platforms do not send monthly reports, and staff need efficient and effective mechanisms to assist the enforcement of this requirement. Once again, Avenu is meant to aid in gathering better and more up to date compliance data.

RECOMMENDATIONS

There is evidence to suggest that STRs do affect the supply of long-term rental properties as well as the affordability of housing where STRs are present.⁴ Specifically, platforms like Airbnb tend to drive up the cost of housing more in areas that have a lower rate of owner-occupancy housing.⁵ This being the case, there are several options for further regulating STRs by amending the City's Ordinance 2020-35 which could mitigate these effects.

Defining "Neighborhood Character"

The definition of "neighborhood character" within the Short-Term Rental Ordinance could be more clearly defined to include the accessibility and affordability of housing. This would allow the affordability and accessibility of housing to be considered an integral aspect of neighborhood character. Next steps would be consultations with legal staff in order to clarify how housing accessibility and affordability can be included as a critical aspect of neighborhood character in the City, and staff assessing the permitting of a property should calculate the likelihood of an increase in the cost of living on the street where a property is located. The ordinance could be amended to prohibit changes in affordability caused by a particular STR permit.

Zone and Neighborhood-Specific Regulations

Because research suggests that STR properties tend to drive up the cost of housing more in areas that have a lower rate of owner-occupancy housing, the Short Term Rental Ordinance could be amended to have stricter regulations on STRs for portions of the City that have less owner-occupant housing. Next steps would be to discern which zones or areas of the City stricter

² SFCC 14-6.2 (A)(5)(e)(viii).

³ "City of Santa Fe Ordinance 2020-35" (2020).

⁴ Kyle Barron, Edward Kung, and Davide Proserpio, "The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb," papers.ssrn.com (Rochester, NY, March 4, 2020), <https://ssrn.com/abstract=3006832>.

⁵ "What Impact Does Airbnb Have on Local Housing Prices and Rents?," Informs, 2021, <https://www.informs.org/News-Room/INFORMS-Releases/News-Releases/What-Impact-Does-Airbnb-Have-on-Local-Housing-Prices-and-Rents>.



regulations could apply to, based on owner-occupancy data. The introduction of Avenu in the City's STR regulatory processes has potential to help with a data-driven task such as this one.

Further Restrictions on Permitting, Registering, and Other Stipulations

Further restricting STRs in the City by reducing the number of permits/licenses allowed could potentially free up housing supply for City residents. The limit on STR permits in the City is currently 1,000. Next steps would be for Governing Body members, by consulting with relevant City staff, to clarify an appropriate lower limit for STR permits. Further limits could also be placed on features of rentals, like the number of days that constitute a stay in an STR, increasing the period during which a rental is permitted from the current one rental per 7-day requirement to some duration of more than seven days with one rental of a property.

Including Avenu or other STR Tracking Parameters in STR Ordinance

SFCC 14-6.2 (A)(5)(o)(iii) requires STR platforms to provide monthly reports of STR properties. Avenu is a software that can aid the City in STR compliance and monitoring by tracking STRs that are operating legally and illegally, and tracking under which STR platform (such as VRBO or Airbnb) a property is operating.⁶ Avenu will, ideally, be a better method of tracking STRs in real time as opposed to assuming STR platforms will provide monthly reports to the City through URLs. Amending language on STR reporting to require tracking rental parameters like occupancy, adherence to restrictions on "non-residential" activities, and whether properties have obtained the correct permits/registrations will allow the City to discern more reliably if there are problematic STR properties that are not operating up to standards outlined in code. The City could revoke permits/registrations from properties with violations, thus freeing these properties up for longer term residency.

CONCLUSION

Final Comments on Housing Affordability, Availability, and Accessibility in Connection with STR Regulations

As previously mentioned, there are specific situations in which restrictions on STRs can improve housing affordability and access. It is also important to note that these STR restrictions have their limitations. For instance, the de facto ban on STRs that New York City implemented helped eliminate illegal listings, but has done little to improve overall supply, affordability, or generally influence that city's housing crisis.⁷ In Los Angeles, restrictions on STRs reduced STR listings by about 50%; however, housing prices were only reduced by a 2% margin.⁸

Many factors exogenous to STRs have a more pronounced negative effect on housing affordability, availability, and accessibility than the existence of STRs. These hindrances range from restrictive

⁶ "Short Term Rental - Avenu Insights & Analytics," Avenu Insights & Analytics, September 21, 2021, <https://www.avenuinsights.com/solutions/revenue-enhancement/short-term-rental/>.

⁷ Amanda Hoover, "New York Cracked down on Airbnb One Year Ago. NYC Housing Is Still a Mess," WIRED, September 4, 2024, <https://www.wired.com/story/new-york-city-airbnb-law-one-year-results/>.

⁸ Hans R.A. Koster, Jos van Ommeren, and Nicolas Volkhausen, "Short-Term Rentals and the Housing Market: Quasi-Experimental Evidence from Airbnb in Los Angeles," *Journal of Urban Economics* 1, no. 24 (May 2021): 103356, <https://doi.org/10.1016/j.jue.2021.103356>.



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zoning, building height limitations, lack of tenant protections, and a nation-wide problem of low housing inventory.⁹ Specific instances in which STR regulations can positively impact housing supply and affordability have been outlined in this memo. Intensifying the restrictions on STR regulations, however, will not be likely to significantly improve housing problems in Santa Fe. Solving deeply entrenched problems of housing affordability, access, and broader housing crisis issues will require more intensive study and exploration of policy programs and models that have been specifically designed to confront these types of housing issues.

Further topics relating to STRs that extend beyond the scope of changing the City's current Ordinance include STR policy models for regulating STRs, new staff positions for STR enforcement, and better data tracking strategies. If Governing Body members see these topics as relevant, the office of Legislation and Policy Innovation can provide research on these topics as well.

⁹ Brian Callaci and Sandeep Vaheesan, "The Market Alone Can't Fix the U.S. Housing Crisis," Harvard Business Review, September 12, 2024, <https://hbr.org/2024/09/the-market-alone-cant-fix-the-u-s-housing-crisis>.