



AGENDA NO: B-1

MEETING DATE: AUGUST 18, 2020

**AGENDA CORRESPONDENCE RECEIVED BY THE
PLANNING COMMISSION FOLLOWING POSTING OF
THE AGENDA IS ATTACHED FOR PUBLIC REVIEW
PRIOR TO THE MEETING**

August 16, 2020

To: Scot Graham, Scott Collins, Planning Commission & Council Members, Dana Swanson

First, I do not own a Vacation Rental/Short-term (VR) and have lived in Morro Bay since 1995 and homeowner.

First, I want to compliment the committee for their time and energy with their report, it was not an easy task and the subject matter is quite dicey.

Second, The City of Morro Bay does not have sustainable income, like when the power plant was in operation, and they are looking at every opportunity to generate income, aka TOT. Hence, we citizens are being faced with voting on an increase in our sales taxes. Rather than a sales tax, why not put a bed tax on the VRs, hotels etc.?

Third, VRs are a powerful financial aphrodisiac that enables people to purchase property prior to their retirement or inherited from family members and the cost to maintain these properties with taxes, insurance, maintenance can strain budgets. Turning second-homes into VRs causes a heavy impact to availability and affordability of rental properties for seniors and families as well as turning our neighborhoods into “commercial” vs “residential.

Parking has become a serious issue with VRs. Unfortunately, all of Morro Bay has parking issues with multiple families living together in order to afford their residence. I am in favor of a parking permit issued to each resident for a \$100/year fee/car, parking meters downtown, and that would offset the financial impact of street repairs/sewers/trash and maintenance

I would support VRs if the owners were on site, take all VRs from the residential areas and place them only in Commercial/Visitor Serving. Bring back the residential neighborhoods and the family-friendly environments whereby children can play and attend our local schools. I was impressed in the VR Ordinance Statement from Santa Cruz: ***“The purpose of these regulations is to provide a set of standards governing the renting or leasing of residential property on a short-term basis in the City of Santa Cruz. The regulations contained herein will help ensure that short-term rental activities do not become a nuisance or threaten the public health, safety, or welfare of neighboring properties while helping to maintain long-term rental housing stock in the City.”*** We have a significant issue with availability of rental properties in Morro Bay for families and seniors.

The Santa Cruz Ordinance continues with: ***“Short-term rental permits provide an added financial benefit to owners of residential properties and help individuals meet their mortgage and family living expenses. Insofar as the number of Short-Term Rentals Permits is limited, the goal of the short-term rental programs is to issues Short-term rentals permits to the widest population-base and not grant a special privilege to individuals who own multiple properties.”*** Santa Cruz has 250 short-term rental permits, like Morro Bay. I believe for our small community we should limit the properties to maximum of 150 or less.

We know as the plans for future growth in Morro Bay is taking the existing structures on Morro Bay Boulevard etc. and converting them into VRs upstairs and businesses downstairs. We have seen the impact in the City of San Luis Obispo and the “charm” is gone! Cities of San Luis Obispo, Paso Robles, only allows hosted-VRs!

I feel that Licenses for VRs should be only 2-3 years maximum, thus giving other property owners an opportunity to benefit from this manner of financial assistance in keeping their properties. Property owner may not apply for another VR license for five (5) years after their license expires. VR Licenses are non-transferable and are NOT grandfathered in when properties are sold.

Safety of families in our neighborhoods, are the rental agencies/property owners/managers looking at the potential renter’s history if they were accused of being a pedophile? What about pet management? I can understand a pet owner of wanting to share their vacation with family along with their pet, but what about leaving the pet unattended? Have rules been set into place? What about cleaning up of the renter’s pets’ deposits on lawns/yards, which may impact a local resident who lives next door with odiferous scents?

Implementing and enforcing a very strict noise ordinance, “Quiet hours of 10:00 p.m. and 8:00 a.m.; this shall include all amplified noise.” Short-term rentals are intended to be overnight accommodations in residential neighborhoods, they are not meant to host weddings, parties, or other large engagements.

Let’s face it, VRs are a lucrative business for people that have property. However, the long-term impact to our neighborhoods needs to be taken into consideration. A VR permit is not a right, it is a privilege.

Thank you,

Scot Graham

From: Dorothy Cutter [REDACTED]
Sent: Sunday, August 16, 2020 3:32 PM
To: PlanningCommission
Subject: Vacation rentals

I notice the breakdown of the total number of vacation rentals by votes were 4 for 250 units and 4 for less than 250 units. Since 250 did not have a true majority and it was really a tie vote for 250 or less, a compromise MUST be considered.

There are several ways to do this. One is to agree on something between 250 and the lesser number .Another way is to consider attrition. That would work if a permit is cancelled for any reason or a unit is sold, that one permit would not be replaced. So if you decide on 250 and the owner dies or the property is sold there would just be 249 vacation units etc. until the number got down to 150 or 175.

Of course the quicker way would be just make the number smaller than 250!!

I have lived in Morro Bay for almost 63 years and I think that 250 units are too many!!!

Dorothy Cutter
[REDACTED]

August 14, 2020

Dear Planning Commission Members:

Morro Bay has been a destination on the California coast for vacationers and vacation homes since its beginnings. For families traveling to Morro Bay, a "vacation home" has been for decades the desired choice for their vacation.

As you consider establishing regulations controlling residential vacation rentals in Morro Bay, please consider the following:

1. Economic advantages the residential vacation homes afford the community. Please think of all the stores and businesses that the owners and guests alike use. Vacation rental owners likely spend an enormous amount of time and monies maintaining their homes. Personally, I cannot even fathom how many times I have been to the Ace Miner's Hardware store over the years.
2. Complaints centered on family/adult occupancies are extremely few and not of a serious nature especially compared to other homes. City meetings on short term rentals have noted rare or non-existent problems.
3. Owners of vacation rentals or their managers vet prospective guests offering control and can respond to concerns or complaints from neighbors of rental properties.

4. Many people are repeat guests who appreciate the community wherein they come year-after-year and are not a negative factor in these neighborhoods. It is in the guest's best interest to keep Morro Bay their destination of choice.

5. Hotels in Morro Bay do not offer kitchens, with spacious residential accommodations, close distance to the ocean beach tracts like many vacation homes and therefore these families who prefer this setting will instead opt to go to other coastal towns. Hotels are indeed a beautiful and vital part of the Morro Bay downtown. We utilize them for our guests and have personally stayed in several Morro Bay hotels during our many visits to the area.

6. Many owners like my wife and I purchased our home years ago knowing that we could obtain a permit to rent it as a vacation home with the vision of eventually being able to retire in Morro Bay. Any proposal seriously restricting us from using our home as a vacation rental would result in a crippling financial burden. When we obtained our permit, permits were available without limit to whoever wanted to take on the hard work and expense of opening their home to the wonderful people who could not have their own home on the Central Coast. We have always paid our TOT and have not received a complaint from the city. Sharing one's home so that others may enjoy the ocean and beauty of Morro Bay is a positive factor to be considered provided that it is not an unwanted burden on the neighborhood. We also knew that we would be able to pass the permit on if we sold our home especially in the case of a life changing circumstance.

In your deliberations, kindly address measures that will allow residential vacation rentals to be maintained to the benefit of both guests and neighbors in making certain renters are also good neighbors, namely:

1. Establishing on-site parking only restrictions for vacation rental guests. This is the easy solution to any issues with traffic flow and parking. This will result in acceptable and safe traffic flow and emergency access to a neighborhood with rental sites.

2. Allowing good current vacation rental owners to continue. These owners have been paying the TOT taxes and putting time and money into their homes for years knowing that they would be able to use the home as a short-term rental. These owners should be allowed to pass the STR license on in the sale of the home just like in other beach vacation towns like Cayucos.

3. Set a limit of 2 persons per bedroom, with a maximum occupancy of 8 persons per any home. This solution would statistically and dramatically decrease the number of vacation guests. This limit would effectively decrease vacation rental activity by about 30%.

4. Creating a "buffer zone" policy that would not effectively eliminate existing homes from participating in the residential vacation rental program and "over protect" neighbors needlessly. Current good vacation owners should be grandfathered, especially owners who have been good vacation owners even before the moratorium. The map of the locations of the STR

homes already shows that they are generally well spaced out. Consider minimal buffers for new STR homes along the beach tracts (for example no “adjacent” homes) to allow other families to enjoy the coast who could not afford a home near the ocean. This is one of the goals of the Coastal Commission, to allow access and enjoyment to all.

6. Enforcement of existing regulations to prevent and minimize disruptive situations. Impose higher fines or penalties.

7. Encourage an "association" of owners and community (self-governing) to meet regularly to address concerns surrounding residential vacation rentals with the goal of more effectively enforcing relevant regulations and quickly and equitably eliminate any problems.

8. Posting signs on rental properties giving concerned neighbors the name and telephone number of management firm or contact, as is desired.

As an owner of a residential home it is to our advantage to keep Morro Bay the sought after community for visitors and residents. We have opened our home to a family for a week free of charge as a charitable gift. Our home has been a destination for a terminally ill gentleman with pancreatic cancer, siblings who have lost their parents, and families escaping the demands of everyday life. We suggest you look at the cross section of families who come to these homes and see them as good neighbors to the permanent residents residing in our community.

Renting one's home is a lot of work and self-sacrifice but very rewarding when guest families comment on our home's peaceful setting. Our walks down the streets are quiet and peaceful with little traffic. On beachcomber in almost all cases we can walk the entire street without even a car passing by and barely hearing a pin drop. That is what drew us to Morro Bay.

We feel that the measures noted are reasonable and fair.

Morro Bay's origins decades ago was based on Californians building vacation homes near the coast. These homes were often rented out to other people for family vacations throughout the decades.

Allowing property owners to share their homes with others through a controlled but not overly restrictive set of regulations is the outcome we petition you to pursue.

Sincerely,

James and Linda Rieger

Scot Graham

Subject: FW: A citizens opinion on the VR ordinance

Sent from my iPhone

On Aug 16, 2020, at 4:01 PM, [REDACTED] wrote:

Hello Mr. Collins,

I understand the ordinance for vacation Rentals is to be discussed at the City Counsel meeting August 18. I'd like to voice my opposition to Vacation Rentals in residential areas if homeowners of those rentals are not on the premise at the same time. I say this (perhaps erroneously), because ideally, they would keep their out-of-towners respectful of the MB citizens living on the same streets, and trying to live their day-to-day lives.

We had a vacation rental next door to us for about 7 years and the individuals coming over from out of the area were noisy far into the night...weekends and weeknights....when we had extremely intense and stressful work schedules the following days. We tried to work with them to no avail. They gave absolutely no thought to us because in their minds, they were "on vacation to party"! We even had to call Law Enforcement once, which was a major waste of city tax payer dollars, just to get them to keep the noise within their own 4 walls. It was terrible and I was very glad to see the home finally sell to a family who actually lived in the home and we could be neighbors with.

I'm also not at all sure encouraging out of towners at this point in time, during the Corona-19 Virus Pandemic is wise. It certainly puts us citizens in jeopardy! As it is now, my husband and I spend very little money in our city because our city has been extremely crowded with vacationers more than ever before. It is very stressful for us, and since I am a psychotherapist for individuals within our city, I can tell you it is very stressful for those who speak about it to me

For these reasons I have to oppose Vacation Rentals in our residential areas, especially during this Pandemic.

Thank you for your consideration,
Dr. Joanne Smith

Scot Graham

From: Judi Brown [REDACTED]
Sent: Friday, August 14, 2020 8:18 PM
To: Scot Graham; Scott Collins; Voad20
Subject: Residential VRs/No Megan's Law Screening

Dear Mr Graham,

Thank you for your quick response to my prior email.

A young family with small children in our neighborhood brought concerns about screening for Megan's Law Offenders to my attention. I made a post on Nextdoor asking VR operators if they screen for offenders. No one would answer the question (likely meaning they don't or may never have even considered it). The operators said they just turn it over to their management companies to figure out. The owner/operators with management did not jump in the conversation to say they screen out Megan's Law Offenders.

Megan's Law offenders often have trouble finding long-term housing. They may take advantage of less stringent VR screening to insert themselves in residential neighborhoods. As it is, Morro Bay has several sex offenders circulating around town in campers because they cannot secure housing. We don't need to roll out the red carpet to more sex offenders by giving them residential VR access. This is dangerous and a liability to our city's most precious asset: our resident families with children.

I request that Megan's Law screening be required in the new ordinance. We absolutely don't need to add more injury from sex offenders present in neighborhoods to our residents' already heavy VR burden.

Thank you for your consideration of this essential requirement.

Sincerely,

Judi Brown
[REDACTED]

Scot Graham

From: Judi Brown [REDACTED]
Sent: Sunday, August 16, 2020 2:45 PM
To: Scott Collins; Jeffrey Heller; Scot Graham
Subject: Unattended Pets In Residential STRs

Dear Mr. Graham,

Please include this letter as part of the STR packet being reviewed for our city council meeting on Aug 25. Thank you!

The issue of unattended pets, especially dogs, has created an intolerable situation in some STRs. Pet owners leave their animals alone in a strange place as they go about their vacation activities without them which makes them anxious. They bark and whine all day until the 'guests' return. This is animal neglect as well as an unconscionable aggravation for surrounding residences.

Short term rentals are NOT animal boarding kennels. Inconsiderate visitors to STRs can not be relied upon to do the right thing by their pets and their 'rented' neighborhood.

NO STRs IN RESIDENTIAL NEIGHBORHOODS, please!

Sincerely,

Judi Brown
[REDACTED]

STR: Morro Bay Planning Commission Letter

August 11, 2020

Morro Bay Planning Commission,

We want to thank you, the Morro Bay staff, and the STR Committee for all the hard work that that has gone into the STR Ordinance and hope it can be adopted soon. Our neighborhoods and our community are at stake without intelligent and realistic restrictions on STRs.

We support the STR Ordinance as proposed but ask that you consider the following comments during your review.

Regarding Section **17.41.040 parts A & D:**

- In our opinion, the caps should be as low as is workable, more in line with the committees opinions, **175** seems appropriate.
- In addition to the **3 lot** separation requirement, a distance separation of **250 feet** would help make this section more enforceable and protect the small lot neighborhoods.

Thank you,

Larry and Victoria Schmidt

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Scot Graham

From: [REDACTED]
Sent: Sunday, August 16, 2020 3:51 PM
To: PlanningCommission
Subject: Comments on Short Term Vacation Rental ordinance

TO: Morro Bay Planning Commission:

RE: New proposed Short-Term Vacation Rental Ordinance for Morro Bay

My name is Maggie Juren and my husband and I own Beach-N-Bay Getaways and are half owners of URelax Vacation Rentals. These 2 companies currently manage 36 non-hosted STRs and 6 hotel units and we contribute 40% of the all the TOT collected by the city from STRs. I also had the privilege of serving on the committee that the city put together to come up with reasonable and fair new regulations. As you have read as part of the introduction and summary from the City Manager, our goals in coming up with these new regulations was to make sure they are enforceable, respectful of the local residents and neighborhoods but also protect homeowner property rights and ensure continued economic viability for the city whose number one industry is tourism.

Because of our large vested interest in this lodging segment, we took it upon ourselves to create a website to provide information and data related to STR regulations and to advocate for fair and reasonable regulations. On this website we provide a history of STRs in Morro Bay along with several articles and studies on STR impacts in coastal California. The website is ShareMorroBay.com and I strongly recommend that you visit it to read both sides of the story before making your decisions about these new regulations.

I am proud of what the committee produced and I feel these regulations establish several new regulations and requirements that will go a long way in controlling most of the issues that locals have had with STRs. With the increased permit fee recommended, this will also fund the enforcement of these regulations.

I and most of my colleagues (other property managers and STR owners) are strongly opposed to predisposing a lottery to bring non-compliant STRs into compliance at any time in the future. These homeowners have purchased and invested money in their home with the understanding that the city has granted them the right to operate their home as an STR indefinitely as long as they remain compliant with all regulations. As you know, in the past Morro Bay STR regulations have not been enforced, so many illegal rentals have been operating along with second homes where owners and their guests have cause disturbances. Unfortunately, the residents had no way to know if it was a vacation rental or who to call to report the problem. Now the city is going from "0 to 60" with this new proposed ordinance, imposing some very restrictive regulations on STRs, so please give these new regulations time to be implemented and hopefully have a positive effect on the situation before mandating punitive measures to eliminate long standing, compliant licenses.

I support the density requirements that the majority of the committee members voted on because this does ensure adequate spacing between STRs. There are a few proposed regulations included in this proposal that will move the STR properties toward meeting the density requirements over time. Those are:

1. STR license does not transfer with the property when sold nor does it pass to heirs upon death of the owner.
2. STR licensees that do not pay a minimum of \$500 in TOT (representing \$5000 in earnings) will not have their license renewed.
3. Implementation of the density rules for all new licenses after these new regulations are approved and implemented.

4. Normal attrition that happens as STR owners move to this area to live here full time, which is the plan for many STR owners.

During the committee meetings, we were told that there is about a 20% turnover of STR licenses per year so as you can see, this is an issue that will eventually resolve itself without causing harm and ill-will to the current STR operators that have been compliant for all these years. If the city were to decide to eliminate licenses by a lottery scheme, they must be prepared for multiple lawsuits or class action lawsuits from those owners. This has been the case in other cities up and down the California coast and in most cases, the homeowners have prevailed because the courts have seen this as “taking” of property rights. In the unincorporated areas of SLO County, the regulations “grandfathered” existing licenses when they implemented proximity/density rules for exactly this reason – they did not want to deal with the lawsuits. Attrition has taken care of this in Cayucos for example where there is a steady decline of STR licenses over the years.

In the fall of last year, the City Council considered and passed an ordinance bringing STRs into the Tourism Business Improvement District and as of January this year, we now pay 3% just as the hoteliers and other lodging types do. The intent of this move was to bring us into the advertising and promotion of Morro Bay in order to improve our results, so attempting to take away licenses through a lottery draw is contradictory and opposite of this and if the city should decide to go forward with the lottery or other means of taking licenses away from STRs, they should be prepared to reimburse these STRs for their contributions to the TBID.

I respectfully ask that you approve these proposed regulations as written with the exception of mandating a lottery in a few years before the city has a chance to see if many of the issues of the local community will be resolved by the implementation and enforcement of these new regulations.

Sincerely,

Maggie Juren

[Redacted signature block]

Scot Graham

From: Meredith Bates [REDACTED]
Sent: Friday, August 14, 2020 8:49 AM
To: Scot Graham; Dana Swanson
Subject: Short Term Rentals

To be included in agenda correspondence

Dear Scot,

I was privileged to participate in the Short-Term Rental sub-committee, composed of a group of diverse citizens. I'm grateful to Scott Collins, Marlys McPherson and John Heading for their time and ability to both facilitate and educate as we worked together. Our goal was to strike a balance between considerations of both residents concerned about neighborhood quality and business owner's and the communities' economic needs. In several areas we achieved consensus after many mutually respectful discussions among our sub-committee members.

I've studied the draft ordinance that you will be reviewing on August 18. I'm in favor of many of the issues listed in the document. In particular, the Good Neighbor Brochure, which will be highly effective when it's distributed to neighbors surrounding any vacation rental. It will give neighbors peace of mind to know the rules about parking, noise and number of guests allowed as well as the hotline number.

Our sub-committee strove for consensus however, we didn't agree on every point. Although some residents want to ban vacation rentals entirely, I am in favor of a reasonable cap. I strongly urge you to lower the 250 cap in residential/mixed use neighborhoods. Most other communities of our size with caps have no more than 100 vacation rentals per 10,000 population.

Residents have been waiting to see changes in the current situation. They are told "there is a committee working on it. They want to see some change. Please consider shortening the roll out and transition time. Residents need to see that the city has listened to them.

Respectfully,

Meredith Bates, Morro Bay Resident

Dear Commissioner

I believe we have issues developing with the status of this city Short Term Vacation Rental guidelines. I feel that we are now at a crossroads of either due what is in the interest of our citizens that reside here all year or do we sway to real-estate stake holders? As is sits I believe it only generates approximately \$600,000 from bed tax revenue? Is this worth changing the makeup of our community? By allowing certain zoning within our neighborhoods for these short term rentals I have already seen changes within the very fabric of our community and the neighborhood that I live in. I am asking that you, as a member of the Planning Commission, consider correcting these deficits.

With respect to the total number of vacation rentals there was strong disagreement concerning total capitation. A vote by less than majority decided on a residential cap of 250. This number would result in an immediate increase in the number of rentals being added from those on the waiting list. I believe our citizens will be disappointed to find even more vacation rental businesses in their bedroom neighborhoods.

I ask you to consider reducing this total cap to 200, which is a number more representative of a compromise of the opposing viewpoints. Even this number is higher than most coastal California cities of our size.

The next item I ask for your consideration and review, is the spacing between vacation rentals. The committee and resultant ordinance in section 17.41.040 D cites a separation of three lots. It does not specify if these lots are on the same street, the street behind, or three lots front to back. Unless better defined, this method of spacing determination could lead to vacation rentals being **as close as fifty feet.**

I ask you to consider maintaining the present suggested spacing of 250 feet between vacation rentals. I believe this would be much easier for the city to determine and execute.

My last area of concern is for our citizens who are individually affected, by having two or three vacation rentals contiguous to their property. These citizens have had the quality of their home life significantly impacted in some cases.

The plan to correct this situation as outlined in the ordinance, will take up to four years before a nonconforming vacation rental is forced stop operation. I ask you to consider reducing this time period by 2 years.

With our pandemic and its resultant effect on community gatherings, I fear that the feelings and opinions of community members may be neglected. I believe it is our responsibility to act in their behalf.

Thank you for your consideration of my concerns and your continuing commitment to our city and its citizens.

Sincerely,

Michael Williams

Scot Graham

Subject: FW: Vacation rentals

From: Patricia Tokar-Hazlett [REDACTED]
Date: August 16, 2020 at 12:16:26 PM PDT
To: Scott Collins <scollins@morrobayca.gov>
Subject: Vacation rentals

We believe Morro Bay has too many short term vacation rentals. They have impacted the quality of neighborhoods. Parking, noise, trash and behavior have affected all of us. Code enforcement has been difficult because of the number of illegal rentals and transient nature of the renters. The city has tried to depend on people doing the right thing but owners do not care.

Rentals should be permitted in commercial areas only. More housing should be available to locals seeking long term leases. Robust fines should be given to owners illegally renting their houses for VRs.

Sincerely,

Larry and Patricia Hazlett

Sent from my iPad

Scot Graham

From: Sandra Santoianni [REDACTED]
Sent: Monday, August 17, 2020 7:49 AM
To: Scott Collins; Scot Graham
Cc: Gerald Luhr; Jesse Barron; Michael Lucas; Joseph Ingraffia; Susan Stewart
Subject: Cap of STRs

Good morning Scott and Scot,
cc: G. Luhr, J. Baron, M. Lucas, J. Ingraffia and S. Stewart

Placing 250 in the draft STR ordinance "as it received the highest number committee of votes," (four) is incorrect. Varying numbers 250 and below received an equal number of votes (four). The Planning Commission should select a number well below 250 which seems supported by the results of resident votes collected.

We applaud the "off street parking" requirement for STRs, and give a standing ovation to a "street visible STR sign" with legible contact information. Please use code enforcement to back up these requirements. Thanks also for not permitting STRs to be transferred upon change of current owner.

Your work in helping the City be profitable, while realizing that few of us would purposely opt to make our home next door to a motel, is greatly appreciated.

Bruce and Sandra Santoianni

Scot Graham

From: Walter Auerbach [REDACTED]
Sent: Thursday, August 13, 2020 5:16 PM
To: PlanningCommission
Subject: Proposed Vacation Rental Ordinance

Dear Planning Commission Members:

I am an owner of a residence on the north end of Beachcomber Drive. We have been vacation renting the property for 10 years as a way to defray costs of ownership. We use it ourselves about 20-30 days per year because we love Morro Bay and hope to spend half the year there when we retire. But when we purchased the property, we were on the edge financially, and it has been vacation rentals that have allowed us to think about retirement there.

Bravo to the City for taking on the challenge of developing real monitoring and enforcement of rules and regulations associated with STR's. We are completely in support of those provisions that generate funds for real enforcement, and penalties for repeat offenders. Your draft ordinance is hitting all the right topics, right up to the point where it picks winners and losers among the existing 250 permit holders. By declaring that there needs to be a certain spacing between STR's, we suddenly become non-conforming, and our permit will sunset in three years. We think this is overreach, and stepping out too far beyond solving the immediate problem.

Specific to our location, it also really does grate against our sensibilities to hear that our property will no longer be able to have visitors while the occupants of the campground directly below us are pretty much enabled to do whatever they want. They have no limitations as to how they affect the adjacent community. They park on the street, their campfires often stink up the neighborhood, among other things. I know that isn't on the table right now, but maybe the STR's on Beachcomber Drive deserve some additional consideration given the adjacency to another visitor-serving property. We, as a group, are some of the most highly sought-after vacation rental properties in Morro Bay because of the views and the proximity to the beaches. The only complaints I seem to get are about that campground.

Adaptive Management is a term that is used to describe how regulations can be implemented incrementally, allowing the agency to take in data over time to determine how those rules should be adapted in the future. We urge you to adopt all the provisions of the draft ordinance that deal with the nuisances and enforcement of those nuisances, but leave the density and transferability limitations out until the data is collected on how the nuisance enforcement is working. If it works really well, maybe the questions about how many STR's and where they are located will be resolved. If addressing the nuisances isn't working, and you decide later to

take more steps, so be it. Both Placer County and the Town of Truckee (in my home region) have taken (or are taking) similar steps, first by setting up true code enforcement that works for STR's, and allowing the discussion on longer term management to continue.

Small steps, properly planned, will lead to long term success and buy-in from everyone. Shotgun blasts hit everything in sight, and don't recognize the good players from the bad ones, or the unique qualities of any individual property. Policy-making with shotguns is just wrong, and hurtful. We hope you'll agree.

Thanks for the opportunity to comment.

Wally Auerbach





August 14, 2020

Chairperson Gerald Luhr and Commissioners
Morro Bay Planning Commission
City of Morro Bay
Morro Bay, CA 93442

RE: Short-Term Rental Proposed Ordinance, Agenda Item B1

Dear Chairperson Luhr and Commissioners,

Thank you for the opportunity to provide comment on the City of Morro Bay's efforts to regulate short-term rentals (STRs). Expedia Group is a family of brands that includes vacation rental leader Vrbo, and our experience working with communities in California and around the world gives us a unique understanding of the kinds of regulations that work for municipalities like Morro Bay.

Expedia Group supports regulations and oversight of the short-term rental (STR) industry. We welcome the responsible regulation of the industry, because we see STR's as an important part of the fabric of tourism. STRs provide an essential option within the visitor industry for travelers, such as families, and gives them an opportunity to enjoy your beautiful city in a more personal setting.

An often-unacknowledged casualty of onerous restrictions on STRs would be the community of small businesses and local homeowners who will be severely harmed. Morro Bay deserves a short-term rental ordinance that responsibly regulates the activity while also recognizing the important economic benefits STRs provide to the local economy and the families who benefit, not to mention the revenue generated for much needed municipal expenditures.

Expedia Group has learned that policies work best when governments and platforms work together. We offer platform tools to assist the City with compliance.

- Platforms will create a mandatory field for owners to enter their permit number, in the same format as issued by the City of Morro Bay;
- Platforms will display the permit numbers on all new and existing property listings;

- Platforms will remove any existing listing that does not display a permit number, and will prohibit any new listings that do not display a permit number;
- If the City determines that any permit numbers are invalid, either because the number is incorrect or has expired, it can notify the platform, and the platform will remove the listing from its platforms within 10 business days of receiving notice;
- To allow the City to determine the validity of the permit numbers supplied by the owners, platforms will send to the City, on a quarterly basis, a list that matches URLs of every vacation rental listing on its site together with the permit number for that listing;

We welcome the opportunity to work together in the direction of responsibly regulating STRs and look forward to working with you further to identify sustainable, workable, and legal ways to assist Morro Bay in increasing compliance with local regulations. Please feel free to contact me at [REDACTED] with any questions.

Sincerely,



Walter R. Gonzales
Government Affairs Manager
Expedia Group

CC: Morro Bay Mayor and City Councilmembers

Gina Arias

From: Nancy Bast [REDACTED]
Sent: Monday, August 17, 2020 10:25 AM
To: PlanningCommission
Subject: Re: DRAFT STR ORDINANCE

Honorable Commissioners,

One of the biggest issues of our time is a lack of housing for a diverse and burgeoning population. Responding to the state's mandate to build more housing, we already see the effect on our community as permits are granted for high density three story units with inadequate on-site parking.

Yet there are **hundreds of vacant living units in Morro Bay** whose owners are seeking applications as short term vacation rentals - living units that could provide the needed housing instead of changing the face and feel of Morro Bay with new development.

In all likelihood much of this new development will be second home and/or investment purchases that will also submit applications for short term Vacation Rentals.

The City has NO OBLIGATION to ensure home buyers of profitable or even viable investments, especially if subordinating present residents quality of life to commercial greed.

These same homes can provide owners with profitable rentals for full time residents who would add revenue and civic value to our community.

Thank You to the members of the Committee for their time and thoughtful discussion on this important issue and it's affect on Morro Bay's residents quality of life and possible diminishment of their property's value.

The areas in which the Committee found consensus I believe are reasonable and appropriate.

Because there are so many STR applicants, it is reasonable and democratic to limit the permit to three years, at which time the operator can return to the waiting list.

I am opposed to transfer of STR permits for any reason.

Morro Bay has less than 6000 water/sewer connections, including businesses, a fact that gives a rough indication of the town's total number of living units. 250 short term vacation rentals is an **excessive** percentage of the town's homes and it's population.

The **commercial usage of STRs** interspersed among residences belies the basis of zoning for Residential areas. It is the exploitation of quiet neighborhoods made hospitable by residents through pride of ownership and long term renting residents.

The present excessive number of STRs fosters a deleterious effect on residents sense of belonging to their neighborhood and commitment to community.

There should be no more than 120 STRs, including in Commercial zones.
All of those within residential areas should be home sharing STR rentals with the host living on the property.

The full home STRs should be limited to Commercial areas and sited for the fewest effects on resident neighbors.

It would be helpful in considering home sharing rentals vs full home rentals to know how many of the total STR applicants do not reside in Morro Bay.

An added benefit of home sharing with property owner STRs keeps the money locally.

With a reduced number of STRs, the obvious difficulty of buffering becomes far less troublesome. The reduced number is also a more appropriate percentage of the total number of homes and population.

The discussion regarding non-conforming STRs is disturbing.

Investment return to STR owners is NOT A FUNCTION OR CONCERN OF THE CITY.

Full time rental is always an option for the owner and a benefit to the housing crisis.

The investment of STR owners has no more need for concessions or priority or **importance than the investment in the home of a full time resident** of Morro Bay.

One year seems adequate to phase out non-conforming STRs.

In the Definitions section of the Draft Ordinance, a number of definitions merely refer to a section of the Government Code or the Zoning Ordinance. For clarity of applicants complete understanding, these definitions should be fully defined in this ordinance without the necessity of referring to another document.

Out of town owners and their property managers form a vocal bloc that is highly motivated to influence the terms of this ordinance, however, residents voices should carry more weight commensurate with their contribution to the community which is far more than personal monetary gain.

Your decision in this matter is not a usual planning or business decision - it is as much a moral decision that can adversely affect the every day quality of life of your friends and neighbors and the cohesiveness that has long characterized this friendly community.

Sincerely,
Nancy Bast
40 year resident of Morro Bay

Sent from my iPad

From: Sean Green [REDACTED]
Sent: Monday, August 17, 2020 11:57 AM
To: PlanningCommission; Scot Graham
Cc: Scott Collins
Subject: 8/18/20 PC Agenda - Simplify and make transparent the VR discussion

Planning Commission and Scot,

As a member of the VR committee responsible for much of what you see before you, there are two important points of clarification that I believe must be addressed during this week's PC and TBID meetings, as well as the eventual council meeting later this fall, for the sake of city transparency:

1. Effective date of compliance/non-compliance (for VR buffer, cap)

With VR attrition happening constantly, especially during Covid times, and with zoning changes looming in our future, the moving VR target we were aiming at back in December is no longer the target we are aiming at today, nor the one Council will be aiming at in September or Coastal Commission next year. This fluidity muddies the waters for everyone who seeks raw data to support major policy decisions, especially when it comes to location, zone, and number of allowable VRs. Creating a fixed "as of" date, likely in the past or present, would immediately set in stone (make static) the fluid numbers and locations of VRs, as well as eliminate the need to consider future zoning changes in your discussion. (If we could simply freeze new VR permits, that could help, but I believe that would take an emergency ordinance). Basically, all parties need to know the rules and players of the game in order to accurately advocate for their position or vote. This can't happen if PC, TBID, and Council push forward an ordinance that doesn't set an "as of" date until its passage in the distant, uncertain future.

While changes in planning and building codes only look forward, not back, and while we would never think of forcing a non-conforming structure previously approved by planning commission to be torn down, I do think there's value in selecting a date sometime in the recent past to determine some level of VR permanence and to prevent sudden surges of VR activity, property sales, and other gamesmanship that city staff may not be equipped to handle.

Suggestions for a fixed "as of" date include:

- **April 2018 - Council permanently approves the VR emergency ordinance (legitimizing compliant VRs and the 250 cap)**
- May 2018 - Planning Commission meeting re: VR draft ordinance
- **August 2019 - Council officially votes VRs into TBID (further legitimizing compliant VRs and increasing their tax rate from 11% to 14%)**
- June 2020 - end of fiscal year; final meeting of VR committee
- July 2020 - the date of most recent VR permit issuance

Whichever "as of" date you choose could potentially lower the 250 number of VR permit holders to, say, somewhere in the 175-225 range, all of which could be considered conforming as of that chosen date (similar to planning and building codes), or, at the very least, could be used to establish a fixed data point and agreeable basis upon which all relevant decisions by PC, TBID, Council, and the general public are made.

2. Expressly publishing the addresses of suddenly non-compliant VRs

Unlike the blanket inclusion of VRs into TBID, which the city properly noticed publicly and evenly via meetings, mailers, etc., the VR ordinance, as proposed, is to be applied unevenly in that the livelihood of 10, or 30, or 50, or more currently compliant VR owners with years, sometimes decades, of successful operation without a single infraction may be taken away. These VR owners (and their neighbors) deserve to know explicitly, by public notice through PC agenda, TBID agenda, Council agenda, and direct mailers, which specific addresses are at risk of becoming non-compliant in each scenario being discussed. Every buffer proposal to date presents unique confusion (even to those of us on the VR committee); there should be no confusion about which specific properties and owners may lose their license. City staff has already done much of this hard work. Planning Commission must direct them to complete and publish a list of property addresses or parcel numbers, perhaps color-coded to reflect the one, two, or three potential buffer systems being considered.

Respectfully submitted,

Sean Green
Morro Bay, CA

Gina Arias

From: Roger Ewing [REDACTED]
Sent: Monday, August 17, 2020 12:14 PM
To: PlanningCommission
Subject: vacation rentals...

Greetings to each of you...and thank you for all the good you do. With the problems usually associated with vacation rentals, I would like to suggest you have all vacation rentals in the City of Morro Bay have a host on site or at least residing within the city.

Respectfully...

Roger Ewing

Gina Arias

From: daynard tullis [REDACTED]
Sent: Monday, August 17, 2020 12:48 PM
To: PlanningCommission
Subject: Transferability of Permits / Vacation Home Rentals

Dear Commissioners,

We are opposed to the lack of ability to transfer the permit to relatives or with the sale of the property. We recently purchased a home with a permit that was transferable, and there is real dollar value that was considered in the purchase of that particular home. No other objections to the other findings of the committee.

Thanks for your consideration,

Daynard Tullis
[REDACTED]

Scot Graham

From: Dana Swanson
Sent: Monday, August 17, 2020 8:14 AM
To: Scot Graham
Subject: FW: Public comment for Aug 18 Planning Commission

From: [REDACTED]
Sent: Friday, August 14, 2020 11:27 AM
To: Dana Swanson <dswanson@morrobayca.gov>
Subject: Public comment for Aug 18 Planning Commission

August 13, 2020

Dear Commissioners,

I was privileged to serve on the Short Term Rentals Ad Hoc Committee that helped draft the ordinance you will be reviewing at your Aug 18 meeting. I served as a community member who represented the local residents who have lived with short term rentals in their neighborhoods for years. This committee was a balanced group, respectful even in heated discussions. We worked to come to consensus on issues and succeeded more often than not.

There are three issues I hope you will consider as you make recommendations for the City Council.

The cap in the new ordinance is 250 STRs in residential zones. The committee vote was split at 4 votes for 250 and 4 votes for 150 or less. There needs to be a compromise here. Residents are expecting to see a decrease in the cap. Other cities our size have much lower caps.

Another issue that I urge you to consider is the Penalty and Enforcement Section. Our committee was in total agreement that whatever ordinance comes forward needs to be enforceable. We had many good detailed suggestions during our discussions that are referenced in this section. But a clear description of what owners and residents can expect when the regulations are violated is missing.

My last point is in regards to transitioning to the new regulations. I feel that residents have been waiting and watching as this STR ordinance has been developing over the years. They want to see change. Please consider shortening the roll out and transition time. Residents need to see that the city has listened to them.

Thank you for your time on this long awaited topic!

Sincerely,

Kathy Quigley

Morro Bay Resident since 1980

Scot Graham

From: [REDACTED]
Sent: Monday, August 17, 2020 2:02 PM
To: Scot Graham
Subject: VR input for Planning Commission Meeting

Hi Scot,

Thank you for the time and effort you have put into taking a look at vacation rentals in Morro Bay.

In reading the memo dated August 7, 2020 (subject: Summary of Vacation Rental Committee Process and Draft Ordinance), I have the following comments. Please note I have lived in Morro Bay for 10 years in a single-family home in the area known as North Morro Bay Hills. I have three children, all of whom, attend Morro Bay High School (and attended LOMS and Del Mar). I currently am on the leadership team of a large non-profit based in SLO and prior to that was on the leadership team of the American Red Cross based also in SLO covering 10 counties. I have a deep commitment to helping my local community in my professional and personal life.

I am curious to know if the committee considered the purpose of these rentals? From my perspective they allow the home owner to have their cake and eat it too. They can own a home in beautiful Morro Bay, visit when they want and get visitors to pay for their mortgage when they aren't there. Seems like a great deal, however, no thought is made to the impact on the neighbors in the area. Wouldn't it be better to convert to long-term rentals so that families and others needing housing can find a place to stay?

Is there any economic impact of these types of rentals? Are they taking revenue away from motels/hotels in Morro Bay? Are motels/hotels in Morro Bay at capacity? Has any study been done to examine the economic impact such as how much money these vacationers spend at our local businesses and restaurants or are they just adding to traffic and congestion? The people I have seen that rent the illegal rental in my neighborhood bring coolers of food and beverages and way too many people. So, they are staying in Morro Bay, not spending in our community and due to the illegal rental, the City is not collecting any fees/taxes.

Why do we need vacation rentals at all in residential areas of Morro Bay?

My thoughts:

1. **More funds to enforce the rules:** Vacation rentals aren't necessarily a problem to local residents and neighbors if the rules are followed. The problem is that what upsets us locals is when they are not. So, whatever the final recommendation, **I hope more funds and/or staff time can be allocated to enforcement. The problem in my neighborhood is an illegal rental.** Since May, 2020 over a dozen different families and groups of people have stayed in this particular home. I have never seen any cleaning company or anyone carrying cleaning supplies in or out of the home. It is not listed on Air BnB or VRBO or in any other search I have done on the address. There is no visible sign posted to the public that it is a rental (because it is not), nor is there a way to contact the owner with problems. I have reported this twice to code enforcement and nothing has been done. This is extremely frustrating as the additional vehicles (that don't park in the driveway of that home) and noise is upsetting to many of us.
2. **Set the cap at 150 in residential zones:** Since four members of the committee voted for a cap of 250 and three voted for 120 and one a cap of 150, I don't understand how a 250 cap was selected. The vote basically seems tied to me. There is huge gap of 100 or 130 between the current proposed cap.
3. **Increase the separation of short-term vacation rentals in residential zones:** The current draft document says, "Single family dwelling short-term vacation rentals in residential zones must be separated by no fewer than

three lots without short-term vacation rentals. A single family dwelling short-term vacation rental may not abut another such short-term vacation rental in front, behind, or kitty corner from each other, including across a street or alley.” This may work in a flat, grid-based area of Morro Bay but in the hills, the distance should be increased significantly. There is a vacation rental around the block from me, but because we are on a hill, and the way the wind and geography carry the sound, it feels like loud vacationers are literally right next door. Perhaps instead of lot spacing, you should consider a radius around the vacation rental home of 1,000 feet.

4. **Fully support 17.41.090 Operational Requirements:** I really like all of the operation requirements, especially the Parking!

We appreciate your time and attention to this issue. **PLEASE take action on these illegal rentals.** Morro Bay is losing money and neighbors are losing their minds! For residents who are invested emotionally, physically and economically in our homes and City of Morro Bay, we deserve to live in peace.

Sincerely,

[Redacted signature block]

Scot Graham

From: Morgan Nolan [REDACTED]
Sent: Monday, August 17, 2020 12:37 PM
To: Scott Collins; Scot Graham
Cc: Kathy Simpson
Subject: Short-term Rental Ordinance Concerns

Please forward as necessary.
August 17, 2020

Gerald Luhr, Chair
Jesse Barron, Member
Joseph Ingraffia, Member
Michael Lucas, Member
Susan Stewart, Member
Scot Graham, Community Development Director
Planning Commission
Scott Collins, City Manager

955 Shasta Avenue
Morro Bay, CA 93442

Dear Commission Chair Luhr, Director Graham, Manager Collins and Planning Commission Members:

We are extremely concerned about the proposed short-term rental (STR) ordinance. We feel strongly that allowing excessive STR's in residential neighborhoods is in direct conflict with the "promises" made about zoning when families invested in our residential neighborhoods. We appreciate the hard work that you have done on this ordinance to try and meet conflicting needs.

We are full-time Morro Bay residents who live in a home that has been in our family for nearly 50 years and three generations. We are lucky and privileged to have this home in a beautiful place, and try our best to be good neighbors and citizens. We want our home to be peaceful and safe.

We also acknowledge that many people live elsewhere and deserve the opportunity to share this wonderful city and surrounding natural resources. Morro Bay has emerged so that the tourists have the beaches, Embarcadero and downtown during the weekends and summer, while the residents have a 'normal' life a few blocks away. We stay away from these areas during these times to avoid the huge crowds and grinding traffic.

Excessive STRs alters this balance between tourist and residential areas, and it seems that the only winners are the absentee STR property owners. Increased noise, traffic, parked cars, litter, and many unknown strangers wandering the streets in residential neighborhoods are stressful and unnecessary.

As there are many, many more residents than STR owners, having an equal number of STR owners and residents on the committee has biased the committee toward STR owners. Thus, as underrepresented homeowners, we respectfully ask that you consider our major concerns below:

1. The 250 residential neighborhood cap is excessive. Why not find a more reasonable number that members could reach consensus on? If consensus was the operational rule, then consensus should be reached.

2. We support the tourism industry but not at our expense. We are not interested in working for the tourism industry by having to police STRs in our neighborhood. Even if there is an enforcement official, the onus is on residents to report violations and suffer until the violators can be contacted and dealt with.
3. Excessive STR's leaves fewer, less affordable housing options for our residents. Also, how does it impact the occupancy rates of our existing motels and hotels?
4. How can we stop illegal STRs?

Thank you for your consideration. We hope that we can find solutions that will work for all.

With best regards,

Morgan Nolan

Kathy Simpson

Handwritten signature of Morgan Nolan in black ink, consisting of stylized initials and a long diagonal stroke.Handwritten signature of Kathy Simpson in black ink, written in a cursive style.

Scot Graham

Subject: FW: STVR

From: Torrey Scharton [REDACTED]
Sent: Friday, August 14, 2020 12:21 PM
To: gluhr@morrobayca.gov; Michael Lucas <mlucas@morrobayca.gov>; Joseph Ingrassia <jingraffia@morrobayca.gov>; Jesse Barron <jbarron@morrobayca.gov>; Susan Stewart <sstewart@morrobayca.gov>; Dana Swanson <dswanson@morrobayca.gov>
Subject: STVR

Dear Commissioners,

I reside in the south beach tract on Beachcomber Drive. I happen to live in my grandparent's home which was purchased in 1965. While I have spent most of my life visiting MB routinely, this time around I have been here 20 years and have raised my two children on this street, in this house. My neighborhood has changed from a family oriented one to one with more retirees. Many of us live here full time and consider our neighborhood a residential area. However, over the past five years (maybe more) it definitely **feels like a commercial area** - and I am not exaggerating.

We are on the corner of Sienna and Beachcomber. In our immediate area 3 of 8 homes are vacation rentals and each sleep 8-12 people. With each of them booked regularly through the high season, we have at least 10 new cars, filled with people parking in this small residential zone. **The point here is routinely increased traffic, vehicles and unknown people in our bedroom neighborhood.**

After reviewing the most recent STVR draft ordinance, I feel there are some deficits that need correcting.

The 250 capitation actually increases the number of STVR. This number is too high. I ask you to consider **reducing this total cap to 200**. Even this number is higher than most coastal California cities of our size.

I ask you to consider **maintaining the present suggested spacing of 200-250 feet between vacation rentals** to avoid residents being surrounded by vacation rentals both next door and along their back property line. We especially, in this tract have narrow backyards, so considering spacing - this manner better protects the resident. Some of us, as I stated, have two or three vacation rentals contiguous to our property. These citizens have had the quality of their home life significantly impacted.

The plan to correct this situation as outlined in the ordinance, will take up to **four years** before a nonconforming vacation rental is forced stop operation. This **is too long**. The problem has been allowed to continue for too long already, and putting off the solution so long only benefits the city and STVR owners' revenues. It places one party's economic return over the comfort and privilege of the long term residents.

The pandemic has little effect on the crowds in our little corner of the world. Since the fourth of July, summer has returned full steam. All our STVRs are full and operating at capacity - business per usual. Again, I strongly feel that my needs and expectations as a full-time resident of Morro Bay are being tabled if not ignored in favor of revenues. I am sure that the STVRs are the reason we are not attracting long term residents, families and invested community members. It is the city's responsibility to protect the interests of its residents.

Thank you for your consideration of my concerns and your continuing commitment to our city and its citizens.

Sincerely,

Torrey Scharton



Scot Graham

From: Vicki McDonald [REDACTED]
Sent: Monday, August 17, 2020 9:50 AM
To: Scot Graham
Subject: Vacation rentals

I am a resident of The Cloisters. We have a real problem with vacation rentals in our area. One neighbor has them all the time it's many cars and many people and lots of noise and trash. Another has rented out to construction companies and the street is filled with construction vehicles plus the many people and trash. I believe this ordinance will address some of the problems and hope that you will support it.

Thank you,
Doug and Vicki McDonald
[REDACTED]

Scot Graham

From: Carolyn Brinkman [REDACTED]
Sent: Monday, August 17, 2020 6:39 PM
To: Gerald Luhr; Jesse Barron; Joseph Ingrassia; Michael Lucas; Susan Stewart
Cc: Scott Collins; Scot Graham
Subject: Comments on the STVR Ordinance

Dear Commissioners,

I don't envy you the work you have ahead of you in making recommendations on the Draft STVR Ordinance. So thank you ahead of time. I watch your meetings and appreciate how diligently and with knowledge and care you consider decisions before you.

It's clear that City Manager Collins, Mayor Heading, Council Member McPherson, and all of the Short-term Vacation Rentals Committee members worked hard and for many months to bring us the draft STVR Ordinance. The draft ordinance reflects the committee's spirit of cooperation and goodwill and the participants' intensive research efforts. The document is remarkable in its detail, coverage, and thoughtfulness. I know that Community Development Director Graham and other City staff offered much assistance in the process.

I read through the draft carefully and support it in large part. Here are some comments—respectfully offered—related to the following:

- 1) A lower cap on the number of licensed STVRs
- 2) Shorter time periods for phasing out non-confirming STVRs
- 3) A clearer statement of how the City will deal with *current unlicensed STVRs*.
- 4) Diligent enforcement of the STVR Ordinance
- 5) Ideas for paying for enforcement

Lower the cap on licensed STVRs to 200

First, according to the preface to the draft ordinance, the vote on the number of allowed licensed STVRs was evenly split between those who voted for a 250 cap and those who voted for a lower cap. I propose a compromise cap of 200, to be fair.

Second, there's no cap on STVR's in commercial zones, so there would still be the potential to make up the 50 additional licensed STRS there.

Third, we're a *small town of 10,000*, and it seems unfair to ask people, most of whom live on very small lots, to bear the congested parking and noise impact of vacationers in STVRs.

Shorten the time period for phasing out non-confirming STVRs to two years

First, the owners of licensed but nonconforming STVRs are already given a year after the lottery to comply with density regulations if they have not been able to do so before that. That gives them three years, if the time period to phase out is two years. I will be interested to hear the arguments on this issue, however.

Second, owners have the option to convert an STVR into a long-term rental. The owner still has the quite extraordinary financial benefits of a pass-through business with many, many expense deductions and the ability to write off 20% of the rental income. (See documentation below.)

Make clear how the City will deal with current unlicensed STVRs

First, some people will argue that the real problem is unlicensed STVRs, and that owners of licensed STVRs are compliant with regulations. The problem with that argument is that we won't know the truth of that until the City puts the unlicensed STVRs out of commission.

Second, unlicensed STVR's will continue to proliferate. They are a very sweet deal. (See below.)

Diligently enforce the Ordinance.

Without continuous enforcement of the ordinance backed by real consequences for owners of illegal STVRs and scofflaw owners of legal STVRs, it will fail

First, an unenforced Ordinance will lead to the proliferation of illegal STVRs. That's because STVRs are one of the sweetest deals around. Most owners can deduct 20% of their net rental income from their taxes because of the new benefits given the owners of pass-throughs in 2018. That's on top of deductions for maintenance, depreciation, and many other costs incurred for running the "business." That includes supplies, insurance, mortgage interest, utilities, property tax, travel. Even mileage to buy batteries for the remotes for the rental's TV can be written off—with receipts as backup! See quotation below from [Nolo.com](https://www.nolo.com/legal-encyclopedia/how-the-new-tax-law-affects-airbnb-and-other-short-term-rental-hosts.html) the online legal encyclopedia)

"The TCJA [Tax Cuts and Jobs Act] created a brand new tax deduction for individuals who earn income from businesses owned individually (my underlining) or by pass-through entities like limited liability companies or partnerships, which includes almost all short-term rental hosts. If your short-term rental activity qualifies as a business for tax purposes, as most do, you may be eligible to deduct up to 20% of your net rental income from your income taxes. This is in addition to all your other rental-related deductions.

<https://www.nolo.com/legal-encyclopedia/how-the-new-tax-law-affects-airbnb-and-other-short-term-rental-hosts.html>

The second reason to diligently enforce the STVR Ordinance is that an unenforced ordinance will not deter renters of a legal and licensed STVR from becoming a neighborhood nuisance. They will go on holding raucous parties, packing more people than allowed into the rental, clogging streets with their vehicles, and behaving in otherwise unneighborly ways.

Use available sources of money to fund the enforcement of the policy.

First, to fund enforcement, charge more for an STVR license and increase other fees for licensed STVRs—to be renewed yearly. The selling point and a counter argument to those owners who object is as follows. Almost all STVRs qualify as pass-throughs (see Nolo source above), so, as with long-term rentals, licenses and fees can be written off by the STVR

owner as a business expense. In addition, as of 2018, owners can deduct 20% of their rental income from their federal income taxes and can deduct many other expenses of running their rentals. (See Nola source above.)

Second, the City can recoup the costs of enforcement by fining operators of illegal STVRs—after publicly noticing the ordinance and a giving a warning, of course.

Thank you, Commissioners, for considering my comments.

With admiration for the careful, conscientious consideration you give to issues that come before you,

Carolyn Brinkman
Resident of Morro Bay

Sent from my iPad

Scot Graham

Subject: FW: STR review and comments

From: Debra Dickson [REDACTED]
Date: August 17, 2020 at 6:22:47 PM PDT
To: Scott Collins <scollins@morrobayca.gov>
Subject: STR review and comments

TO: STR Committee; Scott Collins; Scott Graham

Local governments throughout California have debated and implemented new ordinances to regulate short-term rentals (STRs). California coastal cities face the challenge on how to regulate STRs, the rising costs of housing and meeting the California Coastal Act requirements. One of the primary goals of the California Coastal Act is to maximize public access to the coast and the Coastal Act does allow local governments to pass ordinances to balance the varying interests surrounding STRs. We need to pass an ordinance that preserves and protects the residential character of our Morro Bay neighborhoods. Residential neighborhoods in Morro Bay have been greatly impacted by STRs and have the right to ensure nuisance abatement, minimize traffic congestion and preserve neighborhood character.

The California Court of Appeals opined that “[i]t stands to reason that the ‘residential character’ of a neighborhood is threatened when a significant number of homes . . . are occupied not by permanent residents but by a stream of tenants staying a weekend, a week, or even 29 days” because “[s]hort-term tenants have little interest in public agencies or in the welfare of the citizenry. They do not participate in local government, coach little league . . . [or engage] in the sort of activities that weld and strengthen a community.”

Numerous coastal cities have controlled the spread of STRs, and the potential effects they may have on any given neighborhood, by imposing selected limits. This includes caps on the number of STRs allowed, the number of STRs a single individual or company can list for rent, and/or the number of nights a unit can be rented out over a designated period of time. Additionally, other coastal cities have created “vacation rental overlay districts” that also help to regulate STRs activity in certain popular areas without prohibiting them. In Morro Bay a vacation rental overlay district could include the homes along the “Beach Tract” and in “North Point”.

In North Point, along Toro Lane, there are a total of 14 homes. The most recent home built is a duplex. Currently, 6 homes are STRs. That’s over 40% of the homes in one small area. These are multi-million dollar homes now used as vacation rentals. The majority of STR owners reside in other cities and counties and are not aware of the day-to-day issues surrounding STRs. These homeowners obviously do not need the money to make mortgage payments but are greedy for additional income. Who wants to live next to a business when you own a multi-million dollar home? The market value of these homes are impacted as well.

The California Coastal Commission has allowed other coastal cities to impose various caps or limits on STRs, such as setting a minimum or maximum number of days a unit can be rented, limiting the number of units a single individual or owner can advertise for rent, or designating occupancy limits and minimum separation requirements between STRs in order to customize their regulations to suit the needs and concerns of their particular community. Santa Cruz has a cap of 250 STRs but their population

is over 65,000. Morro Bay's population of 10,000+ should have a vastly reduced number of STRs (i.e. 150).

Setting a maximum number of days a unit can be rented (12 days/month) and limiting the number of permits a single individual or company can obtain will discourage people from converting housing units from long-term to short-term accommodation. Los Angeles, for example, has proposed implementing a 180-day cap on STRs, whereby a single unit could not be rented out for more than 180 days in one year, in order to help competition.

These caps can be used to curb the specific kind of STR activity that is deemed harmful to our communities while still allowing for other STR activity that helps supplement homeowner's income and preserve the number of lower-cost visitor accommodations (e.g., owner-hosted or home-sharing)

Additionally, Morro Bay needs to create and implement a nuisance response plan. When there are violations and/or related concerns and complaints, who and how does a neighbor contact without repercussions from the STR owners. Since the STR owners are running a "business" in a residential area their interest is different than that of other homeowners. After 3 violations or complaints within one year an STR permit would either be suspended for 1 year or lose their STR permit entirely. Fines must be enforced.

PROPOSE:

- 1) Designate the Beach Track and North Point areas as a vacation rental overlay district (VROD)
- 2) Limit STRs in the (VRDO) to 5% of total homes (max of 20) and with at least 3 lots (or min 500 sf) separating STRs (excludes streets, alleys etc.)
- 3) No one owner may have more than 2 STR permits to allow the widest population base access and not grant a special privilege to individuals that own multiple properties and operate as a business
- 4) Permits revoked/or not renewed after one year if no TOT or minimum of \$500 TOT not collected and paid
- 5) 150 maximum number of STRs (does not include owner-hosted or home sharing)
- 6) Existing STRs will NOT be grandfathered and must participate in a lottery to conform to property distancing guidelines and have 1 year (or 12 months) to exit STR program
- 7) After 5 years a STR permit expires and owners must wait at least one year before reapplying allowing more opportunities for the population base
- 8) All STRs required to post visible signage with their respective TOT permit number
- 9) Limit STRs to 12 days per month (Fine \$100/day for violation for each day over 12 days and lose permit)
- 10) No advertising signage
- 11) STRs are intended for overnight stays and NOT meant to host weddings, parties, or large engagements. Special events are not allowed
- 12) STRs must meet parking requirements of 1 parking space per 2 bedrooms (no parking on street or using guest parking areas)
- 13) Permits not transferable
- 14) Stricter enforcement of violations of city codes and ordinances
- 15) Nuisance Response Plan – 3 complaints within 1 year license revoked

We sincerely appreciate all the time and effort the committee has put in developing a comprehensive short-term vacation plan for Morro Bay and hope we can achieve the right balance for our community.

Sincerely,
Debra Dickson and Majic Sardarabadi

TO: Morro Bay Planning Commissioners

FROM: KC Caldwell

CC: TBID Advisory Board

DATE: August 17, 2020

SUBJECT: Draft Short-Term Vacation Rental Ordinance

It's clear that extraordinary effort was put forth to make the Draft Ordinance for Short Term Vacation Rentals (STR) a workable document. It satisfies visitors and STR permit holders while protecting neighbors who may be impacted by a vacation rental business operating in their block, behind their home and down their street. Not an easy assignment for any committee! For the most part, I think it is successful, and Scot Collins' summary was exceptionally well done. Good job, Scot!

In this letter, I hope to point out those areas where I think the draft ordinance may be confusing, or where potential problems have been overlooked. But first, let me note the provisions that are especially well-crafted.

Prologue: In the prologue, the City of Morro Bay holds that (1) we are a unique community and (2) that a central and significant goal of the City is to preserve housing stock for residents and preserve the quality and character of neighborhoods. Those preservations are so critical to keeping Morro Bay special! I'm very glad to see this language because it expresses the intent of the drafters long after the current City Council is gone.

Transfer of Permits: I especially appreciate that the STR permits will be non-transferable. That alone helps keep the cost of all Morro Bay housing on a level playing field. No longer can a Seller obtain an inflated price because of their permit, and no longer will a Buyer purchase a property that they cannot afford based on the promise of short-term rental income.

Affordable Housing Units: There are a lot of instances where the concept of "affordable housing" has been undermined for financial gain. Thank you for excluding them from eligibility.

The Lottery: Having a lottery when the number of active permits exceeds the maximum density in a particular neighborhood is a fair and impartial way of meeting the density requirements. However, there is an important piece of information missing from the text that needs to be decided and I will cover that below.

These are the areas that I think need more consideration before the ordinance is adopted:

Accessory Dwelling Units: Scot Collins notes in his summary that ADUs are defined by Government Code Section 65852.2. Section 65852.2 has a sunset clause and is repealed on January 1, 2025. Is there language that should be included here and now to avoid problems when the State law expires? Probably.

Existing STRs: Under two sections, 17.41.050 - Nonconforming Short-Term Vacation Rentals, and 17.41.040 - Density Limitations, the language is confusing. Does it reflect what the Committee intended? Here's the problem.

Under 17.41.050 A, a vacation rental that is lawfully permitted today will become a *legal nonconforming* unit if the owner obtains a new permit within one year of the ordinance becoming effective. I needed to read that paragraph several times and wondered when the status would change from *legal nonconforming* to illegal or conforming. Are *legal nonconforming* rentals counted in addition to the 250 conforming units?

Then I went back and read Section 17.41.040. It says no *new* permit applications will be accepted until the number of active permits drops below 250. Hmm.

How many active permits are out there? What is an active permit?

If there are active permits, there must be inactive permits. How many of those are out there?

How long is it going to take to get below 250 if everyone who has a permit applies for the new permit?

First, I think you need to define *active permit* under Definitions. Then I ask you to look at Section 17.41.050 and these two interpretations. Do either of them accurately reflect the intent of the Committee?

As written, Section 17.41.050 A. says this:

Short-term vacation rentals lawfully permitted by the City prior to the effective date of this ordinance, and in good standing with the City on the effective date of this ordinance, shall be considered legal nonconforming uses provided they obtain a new short-term vacation rental permit pursuant to this Ordinance within 1 year of its effective date. The permit application in conformance with this chapter should be filed in lieu of a renewal application.

Does 17.41.050 A. mean this:

Property owners with a short-term vacation rental lawfully permitted by the City prior to the effective date of this ordinance shall have a one-year grace period to obtain a new permit. New permits are issued on a first-come, first-served basis and are counted towards the maximum number of allowable short-term vacation rentals in residential zones. Any permit issued prior to the effective date of this ordinance shall not be renewed.

Or does 17.41.050 A. mean this:

The number of short-term vacation rental permits in a residential area issued by the City prior to the effective date of this ordinance exceeds the maximum allowable number. Property owners with residential permits issued prior to the effective date shall have a one-year grace period to obtain a new permit. Any permit issued prior to the effective date shall not be renewed. At the end of the one-year grace period no new permit applications for a short-term vacation rental in a residential zone shall be accepted unless the number of active permits is less than 250.

The Lottery Issues: Further adding to the confusion is 17.41.050 B is the timing of the lottery. When is it going to be held? The timing of the lottery isn't expressly stated in the ordinance. It would make a huge difference if it were held sooner rather than later. See my example below.

Density Requirements: Under 17.41.050 B, the density requirements do not apply for 3 years. If the loser of the lottery gets an additional year to keep operating, that means that density requirements will not be implemented in some neighborhoods for 4 years after the ordinance goes into effect. That seems like a lot to ask of our residents.

Here's a simplified version of what the draft ordinance requires:

1. Everyone who currently holds a residential permit must apply for a new permit within 1 year of the ordinance taking effect.
2. The new permits are valid for no more than 12 months, but you can renew them.
3. The maximum number of residential permits allowed is 250, but more than 250 permits were previously issued. A certain number of those are active, some are not.
4. After the deadline passes for all current permit holders to apply for a new permit, no new applications will be accepted until the number of active permits falls below 250.
5. Everyone must follow the new ordinance rules.
6. The new rules about density aren't effective for 3 years.
7. If your neighborhood has too many short-term vacation rentals under the density requirements, don't worry - there will be a lottery in 3 years. Here's how it could work: Let's say your neighbor wins the lottery and you lose. Your neighbor will either keep renting under the permit he has until it expires, or the City will issue him a new 12-month permit. You, as the LOSER, get to operate for an additional year under the permit you already have. Theoretically, you could operate longer than your neighbor!
8. The rest of your neighbors must wait a total of 4 years from the date the ordinance is effective to realize the benefits of lower density.

Inactive Permits: If there is a definition of *inactive permit*, we don't know it yet - but let's assume that it means the property is not being used as a short-term rental. The permit is valid and still counted towards the total number of permits issued. This presents a problem.

One of the goals in the preamble states that the City derives prestige and revenue from having an STR program. Yet the City derives no transient occupancy tax (TOT), Morro Bay Tourism Business Improvement District assessments, or San Luis Obispo County Tourism Marketing District prestige when vacation rentals sit empty. If a person wants to have the security of a vacation rental permit *in case we need it someday*, all they have to do under the new ordinance is write an annual check to the City for \$500 in TOT - whether they rent the property or not! That leaves a lot of money on the table and a lot of people on a waiting list.

Let's say the average vacation rental charge in Morro Bay is \$150.00 per night and the average TOT + BID charge is 13% per night. The City realizes \$19.50 for each day that rental is occupied. To meet the \$500 minimum payable to the City, a permit holder would only have to rent their property for about 26 nights per year. That's not running a viable vacation rental business. That's scamming.

The City needs to stop issuing permits that aren't being used. To do that, there needs to be a minimum number of nights met and an STR permit policy of "Rent It or Return It."

If the new ordinance had a minimum requirement of 153 reservation nights per year, that's equivalent to renting the property for 5 out of 12 months. Not too bad; this still allows for a lot of unoccupied nights when the owner can use the premises or it simply isn't booked. Using the average charge of \$150.00 per night, the City would receive \$2,983.00 in taxes and assessments per permit. To drive the point home, let's say that all 250 permit holders only took reservations for the minimum number of nights. The City would see \$745,750 in annual SRT revenue. If all 250 permits simply paid the \$500 minimum TOT fee, the City would see \$125,000.

It seems that in order to derive revenue and prestige from the program, there should be a minimum number of occupied nights per year required for each permit.

Thank you for your consideration of these improvements. I look forward to seeing the final document.

Sincerely,

A handwritten signature in black ink, appearing to read "KC Caldwell", followed by a long horizontal flourish line.

KC Caldwell

Scot Graham

From: Kevin Carroll [REDACTED]
Sent: Tuesday, August 18, 2020 5:35 AM
To: PlanningCommission
Subject: Short Term Vacation Rental Ordinance Hearings

1. My thanks is extended to City Manager Scott Collins and the Short-term Vacation Rental Community Committee for their months of dedication and hard work.

I look forward to their recommendations.

As a homeowner who has raised a family in Morro Bay, please consider my recommendation.

1. Forbid persons who have run illegal vacation rental properties in this town to participate in any vacation rental system that is ultimately agreed upon. These absentee neighbors have not played by the rules. Instead, they have avoided taxes/fees while making money hand-over-fist for decades.

Sincerely,

Kevin Carroll

Scot Graham

Subject: FW: VR ordinance comments

From: Neil Farrell [REDACTED]
Date: August 17, 2020 at 5:31:03 PM PDT
To: Dana Swanson <dswanson@morrobayca.gov>
Subject: VR ordinance comments

See attached.

Dana, I'd like to submit the following comments to the planning commission for tomorrow night's meeting:

Dear Planning Commission, and City Council:

I'm writing to you as a former 29-year resident of Morro Bay (currently living in rural SLO), and would like to relate my ideas as to the short term rental or Vacation Rental ordinance.

I understand the need to allow for at least some VRs, as the Coastal Commission isn't likely to allow the City to ban them, believing that VRs are an affordable way for families and large groups to enjoy the Coast.

I also understand the City's need for revenue, and the TOT these VRs bring in and while you've decided to ask voters for a sales tax hike, I'd like to propose another revenue source that doesn't hit local taxpayers.

I also understand intimately the struggle people have just finding a place to live in Morro Bay let alone an affordable abode (hence why we're living on a ranch in rural SLO).

If the City decides there should be 250 VR licenses, that's fine, and I would encourage the City Council to consider the following:

Each VR license should cost \$4,000 a year and be charged through a business license fee (you could make it a quarterly charge on property taxes). With 250 licensed VRs, \$4,000 each would raise \$1 million for the City's general fund.

This could be justified in several ways:

First, VRs are asking to allow what is essentially a lodging business in a residential area/zone, ordinarily that would not be allowed.

Who is coming into town on a given day or weekend, is most likely impossible to determine in advance, so the possibility that a really bad person, gang members, or just rowdy frat boys from Fresno State could come here and raise hell is a real concern.

Charging \$4,000 would only account for perhaps 2-3 weeks worth of rentals, much less than the City charges lease holders on the waterfront.

At \$4,000 a year, it would weed out the amateur/part time VR renters and would likely force some homes, condos, and apartments back into the long-term rental or homeownership markets.

The \$1 million would be to cover anticipated calls for service to the police and fire departments originating from these VRs.

Perhaps the Council could ease down this path, setting the initial fees at \$2,000 a year, subject to annual increases for inflation as all City fees are. At \$2,000 for 250 VR licenses, you'd raise a half million a year.

And any VR that obtains a license, must be immediately re-assessed by the County Tax Assessor as a "commercial property" for property tax purposes.

Many of these VRs are no longer housing units, but are being used as commercial enterprises, and should therefore be reassessed under that usage.

You wouldn't let a motel be assessed as a residential dwelling, would you?

Those are my ideas on the VR ordinance. Thanks for all you do.

Neil Farrell



Scot Graham

From: Bill Luffee [REDACTED]
Sent: Tuesday, August 18, 2020 2:15 PM
To: PlanningCommission
Subject: Vacation Rental Ordinance

Planning Commissioners:

As a Resident of Morro Bay my two cents on the whole thing is we leave the 250 as is and reduce the number to 200 Permanent Vacation rentals after a certain time period Also I like all the requirements on clustering and spacing. Great job in trying to keep some semblance in residential zone neighborhoods. Thank you for all your hard work

Bill Luffee
[REDACTED]

Scot Graham

From: betty winholtz [REDACTED]
Sent: Tuesday, August 18, 2020 9:25 AM
To: Gerald Luhr; Michael Lucas; Joseph Ingraffia; Jesse Barron; Susan Stewart
Cc: Scot Graham; Scott Collins
Subject: agenda item b-1

Dear Planning Commissioners:

Please consider my comments regarding Vacation Rental ordinance. Being so controversial, I hope you take all the deliberative time you need.

Sincerely,
Betty Winholtz

1. I'm curious why the committee chose to use the **term "home sharing"** which is a popular word for people exchanging houses around the world, instead of the popular term "hosted." This invokes confusion.
2. Who designates and what is the definition of **"affordable housing units?"**
3. Regarding putting out "trash/recycling/green **waste containers** curbside earlier than the pickup day" does not match MBMC 8.16.200 which states, "Refuse may be placed at the curb for collection not earlier than eight a.m. on the day preceding the day of collection."
4. I totally agree that the **permit runs with the property and the person**. VRs are houses in a residential neighborhood that got a special business privilege to make money. It's not the main purpose of the zoning.
5. Absolutely, **250 is too high of a cap**. Full time residents live in both residential zones and in commercial zones, maybe or maybe not by choice but by availability. 150 or less should be the cap for the whole town, not unlimited in the business districts.

While **hotels** are in or abut some residential areas, primarily downtown, they are controlled by onsite managers. Just because they exist there doesn't extend the argument that its okay to add to the burden of the neighbors unlimited VRs.

This is assuming you are not willing to grant only hosted or home-sharing rentals with no unhosted or full-home rentals. I would approve **limitless hosted with zero unhosted**.

6. **Density** should be no more than 1 rental per block. Other options are too complicated and do not protect north Morro Bay particularly the east side of Route 1.
7. **Phasing out** current rentals should be done in a shorter period of time than proposed. What you are proposing offers no immediate (1 year or less) relief to the neighborhoods.

August 17, 2020

Dear Council,

Regarding Non Hosted Vacation Rentals

We live next door to a vacation rental. The man and wife, who lived there, both died and the house went to their daughters. That's been about 8 years ago. It's been a VR for a long time.

The house has a good manager but he doesn't know what is happening all the time. We (us and another neighbor) take turns complaining. The manager encourages us to call only him, if there is a problem. So, the city never knows about it.

1. There should be a VR hot line that records ALL problems.
2. Amount of VR's – 150 is way enough
 - There shouldn't be more than one per block
 - The rental should go with the name of the person AND the Property

Realtors continue to list their properties as “has a vacation rental permit”. They can find ways to transfer that permit “with” the property.

3. Trash Cans – they are left out ALL the time and they are usually overflowing
 - Shouldn't they have the same rules as regular houses

4. Signs – you need more clear language about the sign: you should be able to easily read it from, say, the front porch, the phone # should be as big as the Vacation Rental language. (Our VR next door has a sign in the upper window, a tree in front of it and all you can read is Vacation Rental)

5. Limited # of guests – we have had a van full of a soccer team and their coaches.

We often have 3 or more cars pull up and its constant: they leave, the cleaner comes in and soon more cars arrive the same day.

Final Note – this is a HUGE business the city makes money, the home owner makes money, and the rental agency makes money. We figure our VR makes \$7500 per month, at least. I don't believe in the government taking our money that we earn but can't we redistribute it so the money helps the citizens. Maybe give

each neighbor a disruption fee or something. And if they don't want it then there shouldn't be a VR next to them.

Ann Reisner, citizen

A Policy Position on Short Term Vacation Rental Policies

Morro Bay Chamber of Commerce

Introduction

The City of Morro Bay is considering a Planning Commission-recommended Zoning Ordinance amendment that would establish new requirements for vacation rentals. The matter has been under an urgency ordinance (now expired), and the long-awaited Zoning Ordinance amendment that was to address this issue is on a distant horizon. Consequently, the City Council members have been reaching out to the public, and to the Chamber of Commerce, to solicit recommendations. The Chamber's Governmental Affairs Committee (GAC) heard a presentation from Mayor John Heading about the status of the matter and to solicit input. The City has since also formed an advisory group of community members and vacation rental (VR) industry representatives.

The GAC discussed the matter at its October meeting. CEO Erica Crawford attended a community workshop that was held by the City and she also convened a meeting of Chamber members from the hospitality industry, including representatives from TBID (Joan Solu and Charlie Yates), Beach and Bay Getaways (Nick and Maggie Juren), and Rockstar properties (Ian Starkie) to augment the GAC's discussion. Beach and Bay Getaways and Rockstar represent over 52 percent (130 units) of the current local supply of 250 licensed units. The attendees provided written and verbal input on the matter. The Chamber Board considered the matter at its October Board meeting and provided general guidance to the GAC co-chairs and staff on which to finalize this recommendation to the City.

Background

The matter has been reviewed for more than six years according to those involved. The Planning Commission has conducted hearings on this matter and has provided its written recommendations to the City Council. The City Council is now interested in formally considering those recommendations, preceded by workshops and recommendations from the Chamber, a City-appointed working group, and others.

It is the Chamber's understanding that part of the Council's motivation is that Vacation Rentals are now subject to TBID assessment, and Council may wish to start collecting both this assessment and TOT from unlicensed Vacation Rentals, as well as expanding the collection to "hosted" rentals (see below). It also stands to reason that the City Council wants to fast-track this item, and not wait for the delayed GP/LCP update as originally proposed. The GAC and Chamber Board and staff believe that the matter has received adequate public exposure and education and that it is ripe for action. Our goal is to provide specific comments on this matter from the business community's standpoint, and to move it to the City Council for a decision that makes business sense and responsibly represents the interests of our 300 members.

The Business Perspective

Items of interest to the business community are diverse. First, there is an interest in increasing tourism-based businesses. A goal of the TBID is to get more overnight stays (as opposed to day trips and visits), and increasing both the supply of all lodging and the quality and diversity of lodging is believed to be important. Second, business has an interest in the stability and sustainability of consumer demand. A stable year-round population is important. Stable neighborhoods attract and retain workers, business managers and business owners. Third, our businesses need housing for our workforce. High turnover is an issue in retail, restaurants and hospitality and a stable and growing supply of owned and rented housing is important. Finally, business relies on an adequately funded government to provide services.

To these ends, the Morro Bay Chamber of Commerce recommends the following:

1. That the City continue with strict enforcement of the unlicensed vacation rentals.
2. That it set density limits and limits on concentration that will protect existing quality VRs while not compromising the integrity of our neighborhoods. In residential zones, the percentage of licensed **VRs should not exceed five percent (5%) of the total number of units**. In order to implement this limitation, there should be a dual standard of number of units in a defined housing tract, and a **separation requirement of 200 feet between units**. Establishment of licensed VRs at this level would require the reduction, over time, of units in the Beach Tract and Island Tract, while permitting increases in concentration in the other residential neighborhoods and an increase of 50-75 units overall in the community. A greater concentration may be provided by changing the zoning of certain concentrated areas to a commercial designation.
3. The limitations stated above would not apply to “hosted” VRs. There is not proposed to be a limitation on hosted VRs, but there should be a very strict “residency” requirement for hosted VRs.
4. Vacation or second homes that are not rented and are only used by family members are not affected by this regulation, as is now the case.
5. The fee and licensing requirements should be substantially increased as described herein. An adequate portion of those fees and increased TOT should be dedicated to enforcement and to fund neighborhood improvements and “wellness” activities and programs.
6. State and local regulations already adequately cover trash management, noise and overcrowding. Do not use the VR ordinance to re-legislate these issues. **Enforcement is what is lacking, and the funding from increased VR revenues can facilitate that.**

Background and Analysis

We observe that discussion of this matter in public often leads to high emotions and confusion about what the precise entitlements will be. So, as a primer, here is the context of the issue as we understand it: Morro Bay started out as a “second home” community, but has evolved to have a more significant full time, year-round population. It currently has a total of 6,206 residential dwelling units,

with approximately 20-25 percent of those units (1,200-1,500) being second homes or homes which are not occupied year-round by a resident family (owners or renters). These second homes include family second homes that are used on holidays and weekends, and for use by them for extended times during the summer. They are also being used as licensed and unlicensed vacation rentals. There are currently 250 licensed Vacation Rentals (VRs).

Units occupied by residents may be used as “hosted vacation rentals” under a typical sharing economy type of arrangement (such as Airbnb or VRBO) where a room or portion of a house is rented. A Vacation Rentals where the entire home is rented is referred to as a “non-hosted” Vacation Rental. (“Vacation Rentals” are considered “Short Term Rentals” for the purposes of state real estate and tenant’s rights laws.) In San Luis Obispo County, VR’s and hosted “home stays” represent approximately 10 percent of the lodging market. In Morro Bay they represent 15 percent of the paid lodging market, excluding the number of family second homes being used by family with no money exchanged for accommodation.

The ordinance proposed by the Planning Commission seems to provide for an apparent unlimited number of hosted VRs/home stay days in the City’s 4,600 units that are occupied by year-round residents (both owners and renters), subject to occupancy limitations. It also seeks to change the current full-time VRs to part time uses, or effectively second homes that are occasionally rented out. This part of the proposal is vehemently opposed by our members in the VR industry. The proposed ordinance also does not address “part-time” VR rentals that might be allowed a limited number of days a year, and might address, legalize, regulate and tax second home rentals. The proposed ordinance would also result in a substantial reduction in the number of allowed non-hosted Vacation Rentals (see below).

The IRS considers a residence as the principal residence of its owner if the owner lives there for a designated length of time in the year, and is only used for incidental rental purposes for no more than 14 days a year; is used by a family member of any person who owns an interest in the property; or, is used as an exchange that lets the owner use some other dwelling.

Morro Bay is a unique and naturally breathtaking recreation destination. Second homes, hotels, motels, hosted VRs (i.e. Airbnb), and non-hosted VRs (i.e. Airbnb, VRBO or independently-owned, professional management companies) constitute different lodging choices for our visitors. This fact is important since there has been very little growth in the number of hotel and motel rooms over the last ten years, since the hotel/motel stock is not well suited to accommodating an entire family, since our visitors are increasingly sophisticated in their accommodation needs and continually seek new (and better) experiences when they return. The growth in VRs is the only element of the supply of lodging that has increased in recent years. The current stock of accommodations is not adequate to meet the needs of new visitors that we intend to capture, nor diversify our lodging options. Longer term success from implementing recommendations in the City’s Tourism Destination Strategy will come from meeting the lodging consumer’s preferences.

Policy Issues and Recommendations

Based on reports from the City, anecdotal testimony at the forums, GAC and Chamber Board comments, and input from our lodging industry members, the issues seem to be these:

1. Discussion of this matter often leads to complaints about noisy neighbors and visitors. This may be a noisy resident, but it is believed that this issue stems more from second homes than licensed VRs. ***There is no substantial evidence that licensed Vacation Rentals create any more noise or nuisance than other residences. There is also no lack of City or State regulations to address noise, overcrowding or trash management.***
2. Vacation Rentals that are professionally managed and monitored have a limited number of complaints. ***The City's licensing requirements appear to be an effective way of managing potential conflicts. Enforcement and monitoring should be on a more regular, systematic basis, rather than simply complaint based.***
3. There are adequate regulations on the books to control noise and other nuisances, but neighbors often hesitate to complain about their neighbors. ***Some signage and contact information at a VR should be required. Enforcement and monitoring should be on a more regular, systematic basis, rather than simply complaint based, and should be funded from the incremental increase in annual license fees and incremental VR revenues.***
4. There is a concern that a higher number of Vacation Rentals and second homes in a neighborhood leads to poor social cohesion, and less feeling of community. Residents living in blocks that are impacted complain of feeling isolated or threatened by their oft-changing "neighbors". (There is also a corollary concern that certain institutional lenders will not underwrite a conforming single-family homeowner loan that is in a predominantly "rental" neighborhood.) Currently, some neighborhoods are impacted more than others by VRs, in particular those close to the Embarcadero, Beach Tract, or near Downtown. For example, North Morro Bay, Beach Tract and Island Tract in particular, have a higher than average concentration. As shown in the table below, Beach Tract has a concentration that is two to four times that of other neighborhoods and equal to a 125-foot separation radius. The Island Tract has a concentration equal to one unit per 175-foot radius. ***The City's proposed 250-foot separation requirement would require most neighborhoods to reduce the number of VRs, as shown in the table below. The regulations should not be designed to "turn back the clock" by assuming that there will be a substantial reduction in VRs in any given neighborhood, or overall. There should probably not be one density standard, and the density standard may need to be focused on blocks rather than a distance radius. It is recommended that a density standard of five percent (5%) be established with the separation standard of 200 between licensed non-hosted VRs. Non-residential zones should not have limitations, and hosted VRs and vacation homes would not be subject to this requirement. This standard would require the long-term reduction of units in Beach Tract and Island Tract as units are sold and non-hosted VRs licenses are surrendered per the agreement, or as licenses are not renewed for cause or non-compliance. Overall, this would permit an increase in the number of VRs by about 50-75 units community wide.***

Vacational Rental Density Comparison						
Radius Methodology						
Separation Radius (feet)	Density			Comments		
	Units/Acre	Percent of Total Units	Acres/Unit			
100	1.39	21.3%	0.72			
150	0.62	9.5%	1.62			
200	0.35	5.3%	2.88			Chamber Proposed
250	0.22	3.4%	4.51			PC Proposed
Change in Units in Area						
Existing Densities	Units	Units/Acre	Percent of Total Units @	Units increased or (decreased) @	Units increased or (decreased) @	Units increased or (decreased) @
Assumed Radius (feet)>>>>>>			6.50	250	200	150
Beach Tract	49	0.77	11.8%	(35)	(27)	(10)
Island Tract	35	0.42	6.5%	(17)	(6)	16
Del Mar North	22	0.30	4.6%	(6)	3	23
Del Mar South/Tree Streets	40	0.28	4.3%	(8)	10	48
Harbor Tract	9	0.26	4.0%	(1)	3	12
Downtown North	6	0.16	2.5%	2	7	17
Downtown South/Heights	57	0.18	2.8%	13	53	138
Waterfront (Main to Embarcadero)	18	0.17	2.5%	6	20	49
Citywide	236	0.16	2.4%	(45)	62	295

5. There was concern expressed at the GAC that in a tight housing market, like San Luis Obispo County, and a more isolated community, like Morro Bay with its very limited growth, usage of the housing stock for VRs will compete with local workers wanting to live in town. The industry members that we consulted commented that **long term rentals provide more economic return than a VR, and that a VR may be an income-producing strategy for a second home when the owner is not using it.** Therefore, there should be a percentage restriction on the number of ADUs permitted to be used for VRs city-wide, and a restriction considered to allow one hosted VR on a lot containing both a primary residence and ADU. **Year-round occupancies stabilize consumer demand. The limits on concentration will ensure an adequate supply of housing.**
6. Regulations should be appropriate to the real or potential problems associated with VRs or home stays. **Over-regulation based on speculation or undocumented issues should be avoided. Adequate regulations exist and the VR ordinance should not be used to re-legislate these standards.**
7. One of the key features of the proposed ordinance is that VRs could be no closer than 250 feet to another VR. The 250-foot distance separation is overly restrictive. If a standard R-1

lot is 50 feet wide (some are narrower) the nearest VR could only be five lots away in each direction on the block face where the VR is proposed to be located. And, it would limit VRs that are potentially two blocks away (if a residential lot is 100 feet deep and a roadway is 50 feet wide). This would result in no more than 2.5% to 3% of the housing stock being VRs, effectively limiting the number of total licensed VRs in the community to less than 200 (3% of 6,206), and maybe substantially lower, and 40 fewer than currently allowed. This effect would take place over time as the City re-allocates surrendered permits due to non-use or property transfer. **Nevertheless, it would result in a reduction of VRs over time. It would effectively render 1,000 units of the total 1,200 second home units as incapable of being legally rented out as a STR.** Changing this to 200 feet in all directions would cover the lots in front of and in back of the VR, and three lots in each direction. This would have the practical effect of limiting the number of VRs to 5% in any neighborhood, with no more than three (3) on any block face. This would increase the total potential number to no more than 300 units of the City's 6,206 units. **The City could have differential percentages in each neighborhood, reflecting the quality of each for VRs, current concentration of units, and the availability of visitor serving facilities. And, there should be a distinction between full time hosted VRs and part time hosted VRs (second homes that are occasionally rented out), possibly with different spacing requirements, but with essentially the same rules. (Note: we question whether there might be a "personal use" exception considered for units that are rented fewer than 14 days a year, per the IRS definition of a residence.)**

8. There have been concerns that increasing VRs or home stays will reduce the community's hotel occupancy rate. However, our hotel industry members indicated that this was not the case, and that each serves a different niche of the market. Families and groups may be more inclined to use a VR than a hotel. The business/government fraction of the local hotel market is small. **There is no substantial evidence that increasing the number of VRs or home stays will reduce hotel occupancy.**
9. Overcrowding and cleanliness is cited as a legitimate concern. Multiple families may share a house that was not intended for that purpose. There is also concern for trash management and clean-up. **There should be clear strategies and remedies for overcrowding and cleanliness. City codes already address required trash management, and State Law regulates overcrowding. No added regulations are needed.**
10. There are a number of issues that are not addressed in the ordinance that are recommended:
 - a. Increase in the annual fee for VRs. The current rate is \$105 per year. There has been some suggestion that the fee should be as high as \$2,500 per year. **Industry representatives indicate that a \$1,000 fee per year per full time VR would be acceptable. The Chamber recommends a fee of \$750 per year. Fees should be established for hosted VRs at \$550 per year.** If the City is going to expand, regulate and tax this program, it seems reasonable to use this fee to fund enforcement of the VR regulations, and for general VR code enforcement. **Further, a small fraction of the VR TOT (or a portion of the incremental growth) should be earmarked for**

neighborhood wellness programs. City TOT from VRs accounts for \$552,000 per year. The City should commit 5%-7.5% of this total amount (or 15% of the incremental increase) for neighborhood wellness programs and improvements and community enhancement.

- b. Adequate signage to identify the unit as a VR, with contact information.
- c. Requirements for putting out and taking in trash cans, and general site maintenance. (Morro Bay Garbage already has “yard service,” and there is a local trash valet for this purpose.) Nevertheless, all buildings served by City and Morro Bay Garbage are required to comply with the City’s requirements.



Scot Graham

From: Erica Crawford [REDACTED]
Sent: Tuesday, August 18, 2020 12:13 PM
To: PlanningCommission; luhr@charter.net; Scot Graham
Cc: Stephen Peck; Ken MacMillan
Subject: Agenda Item B-1
Attachments: Vacation Rental Policy Review_11.2019.pdf

Dear Commissioners,

The Chamber respects the process through which the recommendations on Vacation Rental policy arrived before you tonight. The diligence of the Community Committee members is apparent and is to be commended, as is the commitment of this Mayor and Council to wrap up VR policy in a timely manner.

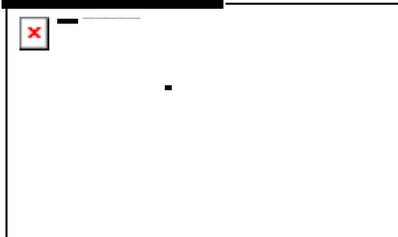
Our Chamber has a deliberative process through which we review policy. We were able to get our review of the spring 2018 draft STR ordinance to city staff and, ultimately, to the Community Committee members in time for them to consider our review in November 2019. That review is attached.

Though we were not able to take the Community Committee recommendations before you tonight back through our process to provide fresh comments on this current draft before you, our comments on various decision points including density, transferability and caps remain relevant. For that reason, we are writing today to respectfully refer you to our comments in the attached document created by members of our Chamber's Governmental Affairs Committee and Board of Directors, together numbering 24 business community leaders.

Thank you,
Erica

--

Erica D. Crawford
President/CEO



Hello Planning Commissioners and Staff,

We would like to thank the City Staff, Planning Commissioners, AD HOC STR Members and Citizens for their contributions to formalize the Short Term Vacation Rental Ordinance.

As a thirty-year Morro Bay homeowner, we thank you for the opportunity to share our concerns, along with some fears. If Morro Bay moves in a direction driven by the perceived financial wants, at the expense of how it will affect the citizens here in Morro Bay we feel it could cause both a personnel and public health safety issue. Our main concern is the quality of life changes that will be forced on homeowners with little recourse.

Most concerning issues:

- **Shorten the transition period** - We personally feel that the three-year period is too long of a time to make this transition. Will you make the transition period two years?
- **Proposed Ordinance to allow 250 STVRs in the residential zones** - Several AD HOC members expressed that 250 is too many for a community of Morro Bay's population (as demonstrated by the votes). There is a shortage of rentals for the young families who grew up here on the coast. We believe the 250 STVR has driven up the price of rental properties, as they are lost to STVR. Will you lower the STVR cap to 150 to preserve our neighborhood's character?
- **Proposed three lot buffers around STVR** - We believe that there should be a 250-foot buffer around each STVR. A three-lot buffer around our home is inadequate. We live in North Morro Bay where the lot sizes are 40X60 feet. That would mean every fourth house could have a vacation rental. Our vote is for a 250-foot buffer around STVR to promote our daily well being and preserve the character of our neighborhood.
- **Proposed STVR length is four years** - Our personal experience is derived by living across the street from a STVR. It is mentally and emotionally taxing to have weekly guests or two to six strangers living across the street from us. While some may be respectful and quiet others have shown to be a huge problem. We would prefer to allow the next person in the lottery to have a chance to rent their home. Our vote is for a three year STVR permit.
-
- **Megan's Law** - We are greatly concerned for our young family members and the children that interact in the neighborhoods of Morro Bay. We need a safe environment where children can play, walk or ride their bikes in both the residential and business areas. Will you please address this subject for the protection and safety of all children?
- **Penalty and Enforcement Section** - We ask that there be clear guidelines for the STVR owners and for the resident to have access to this information on the City website. We would also like the information on a plan moving forward to enforce the guidelines. It's imperative that everyone understands the rules and penalties for any and all violations.
- **North Main Street Corridor** - The idea of no maximum number of short-term vacation rentals, that would apply to the Neighborhood Commercial/Mixed Use Residential, could have significant impacts to

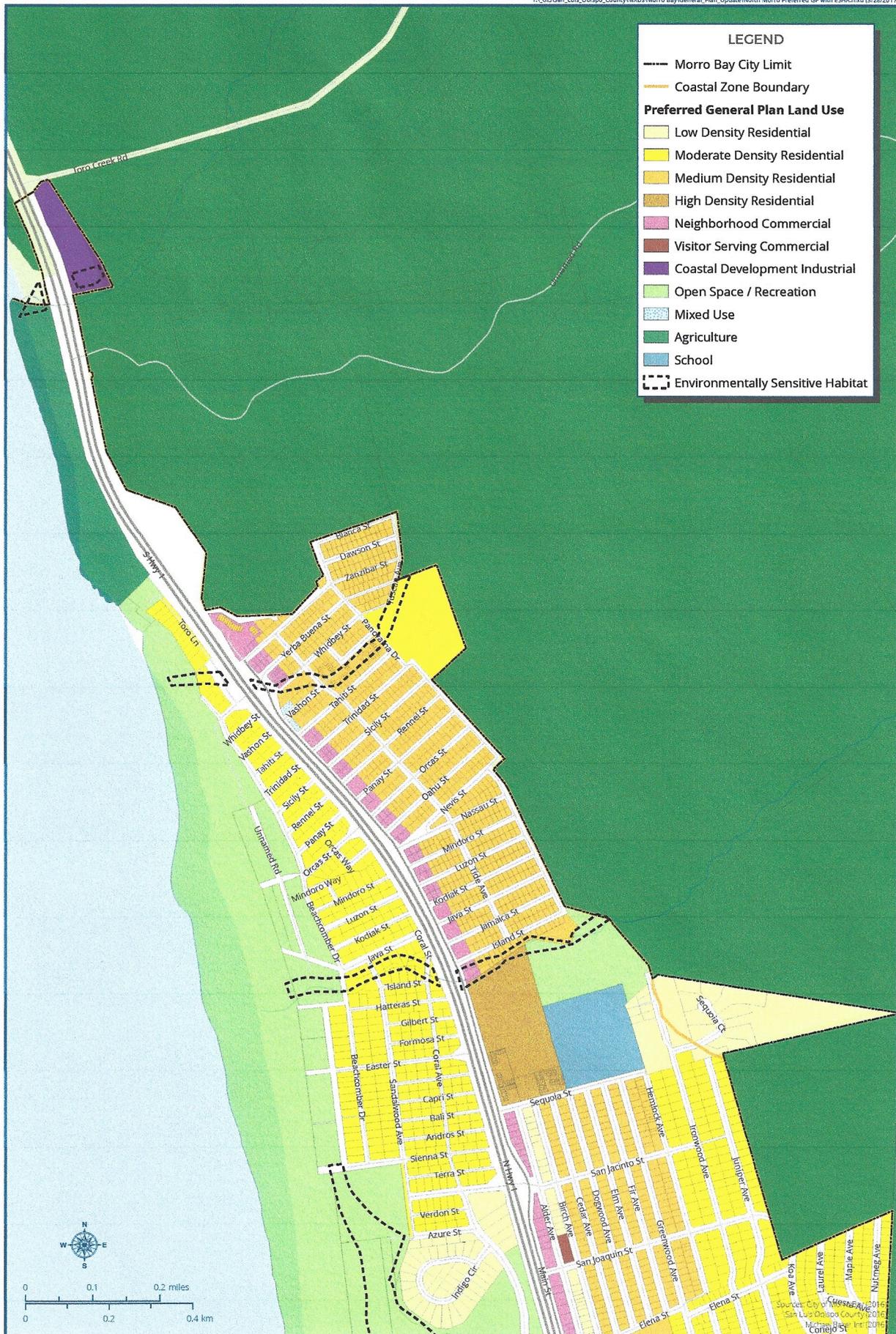
the North Main Street Corridor area and its surrounding residents. We are greatly concerned for North Main Street. We think, if allowed, squeezing two-three story buildings into lots along North Main Street Corridor would be a non-reconcilable situation.

The reality is, we would prefer that there be no STVRs in our neighborhoods. Having stated that, we feel the appropriate and fair compromise would be to lower the proposed 250 STVR to 150 STVR in our beloved residential neighborhoods.

Thank you for your time in this very important matter.

Respectfully,

Don and Kristen Headland
Morro Bay Resident



Scot Graham

From: Joan Petersen [REDACTED]
Sent: Tuesday, August 18, 2020 12:03 PM
To: PlanningCommission
Subject: Vacation rentals

Prior to tonight's discussion on Vacation Rentals in Morro Bay, we are writing to say, in general, we support Vacation Rentals, but with a limited number: less than 250.

Harvey and Joan Petersen

[REDACTED]

[REDACTED]

Scot Graham

From: MrAJ2019 [REDACTED]
Sent: Tuesday, August 18, 2020 12:27 PM
To: PlanningCommission; Scot Graham; Scott Collins
Subject: Vacation Rentals Ordinance

Planning Commission

I am against Vacation Rentals in residential neighborhoods based on my ongoing problems with a busy registered VR two doors away. Issues are as follows:

1. Out of area or worse yet out of state owners have little or no control of their short term guests/tourists.
2. Consequently who are the residents to call when visitors disrupt quiet residential neighborhoods?
3. Noise and excessive partying come with vacationers - I get it - it's a vacation and people want to celebrate. They celebrate, the local residents suffer.
4. Overcrowding and chaotic parking seriously impact our already overloaded residential streets.
5. No city staff (Code Enforcement) are available Friday (pm) thru Monday am. to mitigate infractions of stated City rules for VRs.

Summary of my experiences the past couple of years with this particular VR.

A. Took over a month to get the City to get the out of state owner to post the required signage for vacation rentals.

B. With the City's rules and regulations I finally ascertained the limits on the number of visitors allowed per a formula of bedrooms/square footage. In this instance the guest limit was between 6 and 10 visitors.

On one fateful weekend I contacted the City Friday morning to report:

For your information now there are

(3) Three Trucks/SUV's

(1) Very Large Motorhome - Taking up the entire driveway of this home

Plus...

(1) 4-Door Sedan parked in our neighborhood.

As I have mentioned there are at least 20 people staying in this 3 Bed. 1500 Sq. Ft. Home.

The impact to our neighborhood is unacceptable.

I urge you to resolve this situation early tomorrow morning.

It is great you have contacted the owner....but nothing has changed.

Next response came from Scott Graham - the Community Development Office to let me know:

"We do not have code enforcement staff available today. One of our code enforcement officers left the City for another job a couple of months ago and we are not able to fill the position due to budgetary constraints associated with financial impacts from COVID-19. Code enforcement will investigate the situation when they are back in the office Monday. Until then, if you experience nuisance noise issues, please contact Morro Bay PD as suggested in Tracy's earlier email."

This is not the answer. If the City is going to continue short term vacation rentals to operate they should be restricted to business districts where residents are not exposed to such nuances.

At least have Code Enforcement available on the weekends. We should not have to contact the Morro Bay Police Department to handle such issues.

Absentee owners investing and renting VR's in our residential neighborhoods do nothing other than bring noise, impact residential parking and possible COVID exposure.

There is a housing shortage in the Central Coast and surely these properties could be leased on a long term basis if owners want to invest for their future - they do not have to run a Mini-Motel.

Collecting TOT is not the most important thing for city government - think about our quality of life and safety. Please step up and do the right thing for the Citizens of Morro Bay.

Respectively yours,

James Curnutt

Scot Graham

From: Dana Swanson
Sent: Tuesday, August 18, 2020 11:07 AM
To: Scot Graham; Scott Collins; Heather Goodwin
Subject: FW: STVR Input

From: Tim Hixson [REDACTED]
Sent: Tuesday, August 18, 2020 11:02 AM
To: Dana Swanson <dswanson@morrobayca.gov>
Subject: STVR Input

Hello Dana, I hope it is not too late to add something to the draft that is going forward tonight. I own a home here in Morro Bay.

I would like to reduce the cap of STVR from 250 to 125.

Thank you, TTHixson jr