



AGENDA NO: B-2

MEETING DATE: September 22, 2020

**STAFF PRESENTATION RECEIVED
BY THE CITY COUNCIL FOLLOWING
POSTING OF THE AGENDA IS ATTACHED
FOR PUBLIC REVIEW PRIOR TO THE
MEETING**

Short-term Vacation Rental Report and Ordinance

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City Council Meeting

September 22, 2020

Agenda

- ▶ Background
- ▶ Community Committee Formation, Goals and Process
- ▶ Committee Areas of Consensus
- ▶ Committee Areas of Disagreement
- ▶ Questions
- ▶ Public Comment
- ▶ Deliberation

STR Background

- ▶ 250 cap set in June 2016
- ▶ Ordinance renewed in 2018
- ▶ Council sub-committee and outreach
- ▶ Planning Commission Review and Recommendation
- ▶ TBID Review and Recommendation
- ▶ Next Steps
- ▶ Questions for Council

STR Background

- ▶ 250 permits in residential, 13 in commercial (no cap)
- ▶ Host Compliance launched in late 2019
 - ▶ Less than 250 active STRS (advertising online)
 - ▶ 216 active currently, 34 non-compliant
- ▶ STRs generate \$600K in TOT annually, 17% of total TOT. TOT equates to 24% of total General Fund revenues
- ▶ Council to consider ordinance in August to prohibit granting new STR permits until new ordinance is adopted (City Council and Coastal Commission)

Community Committee Formation

- ▶ General Plan/LCP timing
- ▶ Priority issue in community - address issues raised during town hall meetings
- ▶ Strike balance on areas of tension - neighborhood compatibility, quality of life property rights, economics
- ▶ Coastal Commission considerations

Community Committee Goals

- ▶ Community Committee formed to find that balance
 - ▶ 3 STR owner operators, 3 community members, 1 hotelier, 1 Planning Commissioner, facilitated by Council sub-committee and staffed by City Manager
- ▶ Committee establishes goals and values to drive their work

Community Process

- ▶ Met 12 times between October - February 2020
- ▶ Material/best practice review, town hall input, community survey, Coastal Commission approved STR ordinances
- ▶ Deliberation
- ▶ Consensus
- ▶ Voting
- ▶ City Attorney draft
- ▶ Review of draft

STR Ordinance - Areas of Consensus

- ▶ Purpose/Goals/Definitions (Preamble, 17.41.010, 17.41.020)
 - ▶ Matches goals established by Committee to lead their process
 - ▶ Differentiate home share and full home rental
- ▶ General (17.41.030)
 - ▶ Outlines uses that can accommodate STRs
 - ▶ Public information
 - ▶ TOT and TBID, SLOCAL funds collected, and a minimum of \$500 TOT generated and remitted each year to maintain permit
 - ▶ No affordable housing units, mobile home parks
 - ▶ Council can adopt further regulations as needed (training permittees, brochures, reporting requirements, etc.)

STR Ordinance - Areas of Consensus

- ▶ Permit application and renewal (17.41.060)
 - ▶ Annual fee should cover full cost of STR program, especially inspections and enforcement (\$500 - \$750 annually)
- ▶ Permit denial, suspension and revocation (17.41.070)
 - ▶ Guidelines to address illegal and irresponsible permitted STRs
- ▶ Appeal of denial, suspension and revocation (17.41.080)

STR Ordinance - Areas of Consensus

- ▶ STR Operational Requirements (17.41.090)
 - ▶ Local contact, 24/7 response, 1 hour maximum to initiate corrective action
 - ▶ Noise
 - ▶ Parking - onsite only, no on-street parking
 - ▶ Cap on guests - 2/bedroom + 2 (3 years or older counts towards total)
 - ▶ Solid waste
 - ▶ Sign with key information prominently displayed
 - ▶ Primary renter 21 or older
 - ▶ Good neighbor brochure and guest acknowledgement of rules

STR Ordinance - Areas of Consensus

- ▶ Advertising (17.41.100)
 - ▶ Must include City permit number on advertisements
- ▶ Penalty and Enforcement (17.41.110)
 - ▶ Key to addressing illegal and irresponsible STRs
 - ▶ Infractions, fines, misdemeanors
 - ▶ Council adopt resolution on fine structure - committee strong on point that fines must be greater than cost of doing business

STR Ordinance - Areas of Disagreement

▶ Transferability of STR Permits (17.41.030B)

Committee Vote:

- ▶ Group voted 6 - 2 to prohibit transfer of STR permit....they are unique to the specific property and property owner
- ▶ Some in group felt that certain circumstances should be exempted, such as passing on to next generation within family

STR Ordinance - Areas of Disagreement

▶ Accessory Dwelling Units - ADUs as STRs (17.41.050C)

Committee Vote:

- ▶ 5 - 3 no ADUs may obtain STR permit, with exception of those that already have an STR permit
- ▶ State law has changed, and rendered this moot. Recent reading of law (AB 68) determines that they are not allowed. Researching if any ADUs in Morro Bay have STR permit

STR Ordinance - Areas of Disagreement

▶ Total number of STRs - Cap (17.41.040A)

Committee Votes:

- ▶ By vote of 5 - 3, no cap on commercial STRs
- ▶ Regarding residential cap on STRs group voted the following:
 - ▶ 4 members = 250 cap
 - ▶ 3 members = 120 cap
 - ▶ 1 member = 150 cap
- ▶ Concern from half of committee that 250 is too many STRs
- ▶ Consistently about 175 - 200 legally operating STRs in residential zone, number down a bit during COVID
- ▶ On average 20 STR permits relinquished each year, opportunity to reduce cap through this attrition

STR Ordinance - Areas of Disagreement

▶ Density of STRs (17.41.040B - 14.41040D)

Committee Vote:

- ▶ 5 - 3 require buffers between permitted STRs in residential zones
 - ▶ No fewer than 3 lots separation
 - ▶ May not abut in front or behind, or kitty corner from each other, including across a street or alley.
 - ▶ Applies to home share and full-home rental

Density Continued

- ▶ Committee discussed multiple options to create separation or buffers between STRs, to address concerns about certain areas of town or neighborhoods being inundated with STRs.
- ▶ First looked at 250 foot and 200 foot buffers between STRs, as was discussed at the Planning Commission in 2018.
 - ▶ When looking at the Beach Track area, 250 foot buffer would eliminate between 25 -30+ out 44 existing permitted STRs.
 - ▶ Same area, 200 foot buffer would eliminate between 24 -27 out of 44 existing permitted STRs.

Density

- ▶ Committee then considered 100 foot buffers in the front and side, and 50 foot behind, similar to what is used in County (for Cayucos)
 - ▶ That process would eliminate less than the 250 and 200 foot buffers, but would impact smaller plots differently than larger plots.
- ▶ This led to discussion of using number of plots between STRs as the buffer mechanism. More uniform across the City.
 - ▶ As recommended by the STR Committee, this method would eliminate 14 -16 STRs in the Beach Track area (out of 44), and would eliminate 40 - 50 STRs across the City.

STR Density Reduction Options (Residential, non-Commercial zones)

Method	Number of Eliminated STRs (Beach Track)	Number of Eliminated STRs (Citywide)
250-foot buffer	25 – 30+	80 – 100+
200-foot buffer	24 – 27	70 – 80+
100-foot buffer	17 – 23	50 – 60
50-foot buffer	11 – 14	30 – 40
Committee's Recommended Method	14 – 16	40 – 50

STR Ordinance - Areas of Disagreement

▶ Grandfathering non-conforming STRs (17.41.050)

- ▶ Applies to otherwise conforming STRs that conflict with other STRs through the density/buffer, once ordinance is adopted and in effect

Committee Votes:

- ▶ 3 + 1 methodology = 3 votes
- ▶ 4 + 1 methodology = 1 vote
- ▶ 2 + 1 methodology = 2 votes
- ▶ 18 months total = 1 vote
- ▶ Full grandfathering non-conforming = 1 vote

Planning Commission Review and Recommendation

The Planning Commission reviewed the draft Ordinance on August 18, 2020 and September 1, 2020, making the following recommended changes:

1. Revise the second to last WHEREAS in the ordinance to add “**quality**” as shown below:

*WHEREAS, while the City Council recognizes that short-term vacation rentals can be conducted in harmony with surrounding uses, those activities must be regulated to ensure that these activities do not threaten the residential **quality and** character of the neighborhoods where they are operating, or otherwise harm the public health, safety, or general welfare.*

PC Recommended Changes cont.

2. Allow unlimited home share/hosted short-term vacation rentals and don't count them against the cap.
3. Reduce cap number for short-term rentals from 250 to 175.
4. Allow guesthouses to be used as home share STR's.
5. Don't allow apartments as STR's in residential zones. Apartment in residential zones with valid STR licenses shall term out in 3 years from effective date of ordinance, same as ADU's (Section 17.41.050.C). Apartments in commercial and mixed use zones can be used as STR's, subject to same policy for multifamily restriction noted in section 17.41.040.C for multifamily zones.
6. Add prohibition for wood burning fire pits.

PC Recommended Changes cont.

7. Cap maximum occupancy of STR's at 10 people over the age of 3 in addition to the current policy limit of 2 individuals per bedroom, plus two noted in section 17.41.090.G.

8. Revise sign requirements such that sign is required to be clearly visible and legible from the street or right of way.

9. Revise the linear separation requirement between STR's noted in section 17.41.040.D to add 175 feet as the minimum acceptable linear separation. See revised language below: Single family dwelling short-term vacation rentals in residential zones must be separated by no fewer than three lots or 175 feet, whichever is greater, without short-term vacation rentals.

PC Recommended Changes cont.

9. Revise the linear separation requirement between STR's noted in section 17.41.040.D to add 175 feet as the minimum acceptable linear separation.

*See revised language below: Single family dwelling short-term vacation rentals in residential zones must be separated by no fewer than three lots **or 175 feet, whichever is greater**, without short-term vacation rentals.*

Impact of Adding a Linear Minimum Distance to the Ordinance

150' Linear Distance; Damar Street



Vacation Rental Comparison



Impact of Adding a Linear Minimum Distance to the Ordinance

175' Linear Distance; Damar Street

Vacation Rental Comparison



Impact of Adding a Linear Minimum Distance to the Ordinance

150' Linear Distance; San Joaquin Street

Vacation Rental Comparison



Impact of Adding a Linear Minimum Distance to the Ordinance

175' Linear Distance; San Joaquin Street Vacation Rental Comparison



Impact of Adding a Linear Minimum Distance to the Ordinance

- ▶ The impact of adding a 175' of minimum linear distance between STR is largely dependent on the lot size and configuration in any given neighborhood.
- ▶ In some instances the 175 feet provided greater separation and in others the three lot requirement provides greater separation
- ▶ 3-lot separation creates approximately 80 conflicts among existing licensed STR's
- ▶ Adding 175' linear distance increased conflicts to 83

Tourism Business Improvement Advisory Board (TBID) Review

1. Use grandfathering/Attrition to bring STR's into compliance with the ordinance. Remove the 3-year period and lottery process. PC strongly disagreed this this recommendation
2. Exclude apartments from being able to be used as STR's. Apply ADU 3-year phase out process to apartments that are currently licensed as STR's. PC agreed with excluding apartments in residential zone, but were willing to accept them in commercial/mixed use zones with use of the multifamily language (1 in every 8 units can be an str)

Tourism Business Improvement Advisory Board (TBID) Review

3. Set STR cap at 175. PC changed their recommendation from 150 to 175 to match TBID.
4. No cap on home share/hosted STR's. Same as PC
5. No cap on STR's in commercial zones. Same as PC

Next Steps

- ▶ City Council second reading of Ordinance No. 640 at the October 13, 2020 council meeting.
- ▶ Certification of the Ordinance by the California Coastal Commission

Recommendation

- ▶ Staff recommends introduction and first reading, by number and title only, with further reading waived, of Ordinance No. 640, repealing Chapter 5.47 (Short-Term Vacation Rental Permit) and amending Title 17 of the Morro Bay Municipal code, adding Chapter 17.41 (Short-Term Vacation Rental) to regulate the operation, and permitting of short-term vacation rentals within the City of Morro Bay.

Questions For Council

1. Transferability - As recommended by PC, TBID and STR committee, should the ordinance prohibit the transfer of STR permits?
2. ADU's/Apartments -
 - a. As recommended by the STR Committee, PC and TBID, should ADU's be prohibited from being used as STR's?
 - b. Should the same restriction apply to apartment in residential zones?
3. Density Buffer - Should the City use the density buffer method noted in the ordinance? Should the PC recommended 175' of linear distance be added to current Ordinance language?

Questions For Council

4. Cap -

- a. Should the Cap for STR's be revised from 250 to 175?
- b. Should home share/hosted STR's be excluded from the cap, similar to commercial STR's?

5. Guesthouse - Should guesthouse be allowed to be used as a home-share/hosted STR?

6. Non-conforming STR's - What method is appropriate to term out non-conforming STR's?

- a. as proposed in the ordinance, 3 years of attrition then lottery, or
- b. Through attrition only (grandfathering), or
- c. should nonconforming STR's be phased out sooner?

Questions For Council

7. Fire Pits - Should woodburning fire pits be prohibited at STR's.
8. Occupancy cap - Should maximum occupancy be set at 10 people per STR?
9. Sign Requirements - Should ordinance language be change to require that signage is both "legible" and visible from the street or right of way?
10. Fines and Violations - What type of fine structure should the City adopt?
11. Lottery System - What type of lottery system should the city use to phase out nonconforming STR's, if the lottery system remains in the ordinance.