



## CITY OF MORRO BAY

CITY HALL  
595 Harbor Street  
Morro Bay, CA 93442

### **Subject: Summary of Vacation Rental Committee Process and Draft Ordinance**

**Date: August 7, 2020**

**From: Morro Bay City Manager, Scott Collins**

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The City of Morro Bay established a cap on short-term vacation rentals (STRs) at 250 in residential zones via an urgency ordinance in June 2016. The ordinance was renewed in May 2018 (Morro Bay Municipal Code Chapter 5.47), with the City committing to creating a longer-term ordinance following completion of the General Plan and Local Coastal Program (GP/LCP) update. The Council formed a sub-committee at that time for community outreach and engagement on this important issue. Several town hall meetings were held and the Planning Commission reviewed different options for a new STR ordinance in May 2018.

#### **Formation of a Community Committee**

As the City continued to experience delays in processing the GP/LCP update, the City Council directed staff to move the STR ordinance review ahead of the GP/LCP process in the fall of 2019. The City then formed a community committee of Morro Bay residents/business owners to develop recommendations for a new STR ordinance that strikes a balance between several important considerations including neighborhood character, economics, and community safety. With that goal in mind, the City selected a diverse group of community members to serve on the committee, a group that represented the various perspectives on short term vacation rentals. The City selected 8 community members (and 3 alternates) that created balance between those perspectives, with the following makeup:

- three owners/operators of short-term vacation rentals;
- three community members concerned about the number of STRs in town and their negative impacts on neighborhood character, public safety, and affordable housing;
- one hotelier; and
- one Planning Commissioner.
- one alternate for each of the categories of representatives (with exception of the Planning Commissioner) was also selected to assist in the process in case one of the lead members was unable to attend a meeting.

#### **Goals of Committee**

The committee began their work in late October 2019. Their first order of business was establishing goals and values to drive their effort. According to the committee, the ordinance that they help develop through the process shall:

1. Be enforceable
2. Include funds to ensure that it is enforced

3. Include broad public input
4. Achieve balance across the various stakeholders in the community
5. Establish requirements to ensure the safety and wellbeing of residential neighborhoods, as well as the maintenance of a neighborhood's character
6. Establish requirements that provide for reasonable property rights for all stakeholders
7. Assist in ensuring economic sustainability and tourism for the City, from both a public and private perspective
8. Be compatible with the City's zoning code and zoning designations
9. Be based on data and "best practices"
10. Consider housing affordability during ordinance development; and
11. Be reviewed one year following enactment to determine results and possible changes.

The Committee also agreed to approach the discussion with an open mind and the intent to try and achieve consensus in as many areas of discussion as possible.

### **Committee Process**

Over the span of five months (October – February), the committee met 12 times to discuss various aspects of the short-term vacation rental ordinance. The committee was facilitated by the Council sub-committee (Mayor John Heading and Councilmember Marlys McPherson) and staffed by City Manager Scott Collins, with assistance from Community Development Director Scot Graham.

The committee reviewed input from the community survey and town halls as well the existing City VR ordinance, proposed changes by the Planning Commission from 2018, as well as review of STR ordinances from other cities and counties. They also reviewed materials from a variety of perspectives on the vacation rental industry. As the City of Morro Bay is in the Coastal Zone, any change to the STR ordinance requires Coastal Commission approval. So, the committee also reviewed a summary of STR ordinances recently approved by the California Coastal Commission to understand the elements that were important to the Commission.

The committee took up their work in methodical fashion, developing their recommendations aspect by aspect. For each aspect, they reviewed relevant material and engaged in discussion. Following discussion, they formed recommendations through a consensus process for most areas of the ordinance. However, there were several important areas of exception where voting was necessary to come to a decision (those areas are discussed below). It is important to note only committee members, and not the staff and Mayor and Councilmember, created the

recommendations. The committee members alone participated in the consensus and voting process.

The committee completed its work in February 2020 and requested that the City Attorney convert their policy recommendations into a draft ordinance. That conversion effort was delayed due to COVID-19. The City Attorney shared the draft ordinance with the committee in late June 2020. The Committee provided input and suggested edits to the draft, which has now been finalized (see attachment).

### **Areas of Committee Consensus**

The committee developed consensus on a host of important aspects including the need to enhance enforcement to address community concerns related to STRs, such as parking, noise, and number of guests. The committee also agreed on requiring inspections, with annual license fees that help recoup the cost of inspections and enforcement. They agreed that information for each permitted STR must be easily accessible for the community online, and that local contact information must be provided so that issues can be addressed in a timely manner. The committee laid out a process to address repeated violations and/or egregious violations through fines and revocation. The committee also determined by consensus that some regulations should be different for STRs where the owner is present when their home is being rented (home-share rental) compared to those homes where the owner is not present (full-home rental). Finally, the committee agreed that accessory dwelling units (ADUs), with exception of currently permitted STRs, and designated affordable housing units should not be allowed to be permitted for STR use. Current state law no longer allows ADUs to be used as short term rentals as of January 1, 2020.

These matters will be discussed in much greater detail in the staff report being prepared for the upcoming Planning Commission and Tourism Business Improvement District (“TBID”) Advisory Board meetings.

### **Areas of Committee Disagreement, which Required Votes**

While the committee found consensus on most issues, they required a vote on the following important matters:

Transferability of permits – The committee, by a vote of 6 – 2, voted that the STR permits shall not transfer with the sale of a property, and that they also cannot be passed from one family member to another. Some members felt that permits should be transferable in certain scenarios, though the predominant vote was to provide no exemptions to this rule.

Density of STRs – The Committee, by a vote of 5-3, voted to require buffers between permitted STRs along the following lines (from the draft ordinance):

“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 limitation applies whether the single family dwelling is used as a full-home rental or a home-share rental. Abutting or intervening lots with multi-family dwellings are also subject to this spacing limitation.”

Several members of the committee felt that there should be greater spacing between homes than what is outlined above, so as to lessen the overall density of STRs in impacted areas (such as the Beach Tract). Greater density of STRs creates quality of life issues, according to this perspective, for home owners in those impacted areas.

Total number (cap) of STRs – The committee, by a vote of 5-3, voted there should be no cap on STRs in commercial zones. With regard to cap on STRs in residential zones, four members of the committee voted to retain the 250 cap on residential STRs, while three members voted for a cap of 120, and one member voted for a cap of 150. 250 was placed in the draft STR ordinance as it received the highest number of votes. Several members expressed that 250 is too many for a community of Morro Bay’s population (as demonstrated by the votes).

Grandfathering non-conforming STRs – The committee did not reach consensus on how to phase out non-conforming STRs. The draft ordinance stipulates the following with regard to non-conforming STRs:

“Short-term vacation rentals must comply with all the requirements of this Ordinance, provided that the density limitations shall not apply to existing and validly permitted short-term rentals for three years after the effective date of this Ordinance. If the need arises, short-term vacation rentals permitted at the time of this Ordinance’s effective date shall be brought into compliance with the density limitations pursuant to a lottery system that shall be promulgated in the implementing regulations. Any short-term vacation rentals that will not be able to maintain a permit following the lottery procedure will have one year from the date of expiration of their permit following the conclusion of the lottery.”

Three committee members voted for that option, one member voted for an additional year to come into compliance, whereas two voted for one less year to come into compliance, one voted for 18 total months to come into compliance, and one member voted that all existing STRs should be fully grandfathered in regardless of non-conformance. As expressed by the votes, some felt that the City should use less time phasing out non-compliant STRs, while some felt more time is required as STR owners have invested significant money into their rentals and

losing their permit would represent a loss of income to support those investments and their livelihood.

Accessory Dwelling Units – By a vote of 5 – 3, the committee voted to allow those accessory dwelling units that currently have STR permits to retain those and prohibit STRs for any other accessory dwelling units moving forward. Several members felt that ADUs should not be used as STRs, even those that already have permits. As noted above, State law prohibits ADUs from being used as STRs.

These five important matters will be discussed in much greater detail in the staff report being prepared for the upcoming Planning Commission and TBID Advisory Board meetings (discussed in the next section).

#### **Planning Commission and TBID Advisory Board review**

The Planning Commission will review the draft STR ordinance on August 18 and the TBID will review it on August 20, 2020. The Planning Commission may require multiple meetings as they provide guidance to Council on zoning issues and those can be quite complicated. The Planning Commission is required to make recommendations on the ordinance to the City Council.

#### **City Council Review**

City Council will review the recommendations moved forward by the Planning Commission and TBID, as well as the work completed by the STR committee, likely sometime in September or October 2020 (depending upon when the advisory committees complete their review and provide recommendations).

#### **California Coastal Commission Review**

An STR ordinance adopted by City Council cannot take effect until the Coastal Commission reviews and approves it. The City's STR committee reviewed several STR ordinances from California coastal cities that have recently received approval from the Coastal Commission to help guide their recommendations. We are hopeful that Coastal Commission will approve a new STR ordinance for Morro Bay, given the amount of effort and thought that our committee put into the recommendations, as well as the work the advisory committees and Council will put into the final document.

#### **Thank you!**

On behalf of the Mayor, City Council and City staff, I would like to thank the STR committee members for the care and significant number of hours they spent developing the draft STR ordinance. They worked very hard to develop a balanced ordinance that meets community goals.

**ATTACHMENT:**

**Draft STR Ordinance (as submitted by the STR Committee)**

**DRAFT** ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORRO BAY REPEALING CHAPTER 5.47 (SHORT-TERM VACATION RENTAL PERMIT) OF TITLE 5 (BUSINESS TAX CERTIFICATES AND REGULATIONS), AND ADDING CHAPTER 17.41 (SHORT-TERM VACATION RENTALS) OF TITLE 17 (ZONING) OF THE MORRO BAY MUNICIPAL CODE RELATING TO THE PERMITTING AND OPERATION OF SHORT-TERM VACATION RENTALS

WHEREAS, the City of Morro Bay is a unique community that takes pride in its community character.

WHEREAS, a central and significant goal for the City is preservation of its housing stock for residents and preserving the quality and character of residential neighborhoods.

WHEREAS, the City is a popular tourist destination and derives part of its revenue and prestige from this.

WHEREAS, the City Council of the City of Morro Bay finds that it is important that visitors to the City feel welcome and have access to a range of accommodations.

WHEREAS, the City Council finds that the proliferation of short-term vacation rentals has the potential for negative impacts on the community associated with noise, parking, and traffic impacts.

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 character of the neighborhoods where they are operating, or otherwise harm the public health, safety, or general welfare.

WHEREAS, by the adoption of this Ordinance, the City Council wishes to strike the appropriate balance between welcoming visitors and maintaining the neighborhood character of the City.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORRO BAY DOES ORDAIN AS FOLLOWS:**

**SECTION 1.** The City Council of the City of Morro Bay finds:

A. The above referenced recitals are true and correct and material to the adoption of this Ordinance, and are incorporated herein by reference.

B. The proposed Zoning Ordinance Amendments will not be injurious or detrimental to the health, safety, comfort, general welfare or well-being of the persons residing or working in the neighborhood.cd

C. The Local Coastal Plan Implementation Program Amendments are intended to further the goals of the California Coastal Act, as set forth in Section 30001.5 of the Public Resources Code, to:

1. Protect, maintain, and where feasible, enhance and restore the overall quality of the coastal zone environment and its natural and artificial resources.

2. Assure orderly, balanced utilization and conservation of coastal zone resources taking into account the social and economic needs of the people of the state.

3. Maximize public access to and along the coast and maximize public recreational opportunities in the coastal zone consistent with sound resources conservation principles and constitutionally protected rights of private property owners.

4. Assure priority for coastal-dependent and coastal-related development over other development on the coast.

5. Encourage state and local initiatives and cooperation in preparing procedures to implement coordinated planning and development for mutually beneficial uses, including educational uses, in the coastal zone.

D. Pursuant to Morro Bay Municipal Code Section 17.64.080, no amendment to the Zoning Ordinance shall be legally effective in the coastal zone until the amendment is certified by the Coastal Commission. If the Coastal Commission certifies this Ordinance conditioned on substantive changes being made, then the Council will introduce and adopt another ordinance to incorporate those substantive changes. If the Coastal Commission certifies this Ordinance conditioned on non-substantive changes being made to this Ordinance, then the City Clerk is authorized to amend this Ordinance to reflect those non-substantive changes.

**SECTION 2.** Chapter 5.47 (Short-term vacation rental Permit) of Title 5 (Business Tax Certificates and Regulations) of the Morro Bay Municipal Code is hereby repealed in its entirety.

**SECTION 3.** Chapter 17.41 (Short-term vacation rentals) of Title 17 (Zoning) is added to the Morro Bay Municipal Code, as follows:

## **17.41 Short-term Vacation Rentals**

### **17.41.010 Purpose**

The purpose of this chapter is to establish a set of regulations applicable to short-term vacation rentals. In the adoption of these standards the City Council finds that short-term vacation rentals support the City's significant tourism industry, but also have the potential to be incompatible with surrounding residential uses, especially when several are concentrated in the same area, as they can have a deleterious effect on the adjacent full-time residents, and may alter the character of the neighborhoods within which they are located. To that end, the City Council with this Ordinance is adopting density limitations in residential zones, a permit scheme, and operational standards that strike the balance between these interests.

### **17.41.020 Definitions**

The terms used in this chapter shall have the following meanings, unless the context clearly indicates otherwise.

"Affordable housing unit" means no more than 30% of the monthly household income for rent and utilities for individuals and families of moderate, low, very low, or extremely low incomes, as defined by State law.

"Accessory dwelling unit" shall have the same meaning as the term is defined in Section 65852.2 of the Government Code.

"Bedroom" means any habitable space in a dwelling unit other than a kitchen or living room that is intended for or capable of being used for sleeping, is at least 70 square feet in area, meets all requirements of the California Residential Code, and has a window or opening that can be used for emergency egress.

"Booking transaction" means any reservation or payment service provided by a company that facilitates a short-term vacation rental transaction between a prospective visitor and a host.

"City Manager," as the term is defined in Chapter 2.12 of this Code, shall include his/her designee.

"Dwelling" has the same meaning the term is defined in the Zoning Ordinance.

"Finance Director," as the term defined in Section 2.16.090 of this Code, shall include his/her designee.

“Full-home rental” means a short-term vacation rental of no more than 30 consecutive days of a home, in whole or in part, for exclusive transient use. The guest enjoys the exclusive private use of the dwelling, and the host is not present.

“Guest” means a person who rents a short-term vacation rental.

“Guest house” has the same meaning as the term is defined in the Zoning Ordinance.

“Host” means the owner or his/her authorized agent, of a short-term vacation rental, who is responsible for its operation. A host can include the property owner, a tenant, or a management company.

“Home-sharing rental” means a short-term vacation rental within a dwelling that is the host’s primary residence, and where the host is on site throughout the guest’s stay. Home-sharing rentals include detached accessory dwelling units, and any unit in a multifamily dwelling of no more than four units, where the host lives in the primary residence or in one of the units.

“Hosting platform” means a company that participates in the short-term vacation rental business by collecting or receiving a fee, directly or indirectly through an agent or intermediary, for conducting a booking transaction using any medium of facilitation.

“Junior accessory dwelling unit” shall have the same meaning as the term is defined in Section 65852.22 of the Government Code.

“Local contact person” means an individual who is personally available by telephone on a 24-hour basis and who maintains the ability to initiate corrective action within one hour of being notified of a concern or complaint and who has authority to address violations of this Ordinance or any disturbance or problem at a short-term vacation rental.

“Lot” shall have the same meaning as the term is defined in the Zoning Ordinance.

“Multi-family dwelling” means a residential development with two or more attached dwellings, such as apartment or condominium buildings, duplexes, triplexes, fourplexes, and townhouses. Any Zoning Ordinance definition of “multi-family dwelling” that may be inconsistent with this definition shall govern.

“Primary residence” means the usual place of return for housing of an owner or long-term resident as documented by at least two of the following: motor vehicle registration, driver’s license,

California state identification card, voter registration, income tax return, or property tax bill. A person can only have one primary residence.

“Property owner” or “owner” means the person or entity holding single or unified beneficial title to a property.

“Short-term vacation rental” means a single family dwelling, multi-family unit, bedroom of a primary residence, accessory dwelling unit, or junior accessory dwelling unit, which is rented to a guest for compensation for the purpose of lodging for a period of thirty (30) or fewer consecutive days. “Short-term vacation rental” encompasses home-sharing and full-home rentals. “For compensation” includes, but is not limited to, rental of the property for any form of monetary or non-monetary consideration, including but not limited to money, goods, or services, as well as in-kind exchanges of goods, services, or premises.

“Single family dwelling” means a dwelling unit that is designed for occupancy by one household with private yards on all sides. This classification includes individual manufactured housing units. Any Zoning Ordinance definition of “single family dwelling” that may be inconsistent with this definition shall govern.

#### **17.41.030 Short-term Vacation Rentals — General**

- A. Short-term vacation rentals may only be operated pursuant to a current and valid short-term vacation rental permit from the City of Morro Bay, as well as a current and valid City business license, in accordance with all the requirements of this chapter. Permits shall be obtained by the property owner. Permits shall be valid for no more than 12 months, unless renewed.
- B. Permits are non-transferable and are unique to the specific property and property owner. A permit for a property shall not be valid for a successor owner or host.
- C. Short-term vacation rentals are permitted in residential, mixed use, and commercial zones only. Short-term vacation rentals in residential zones shall be subject to the density limitations of Section 17.41.040, below.
- D. Short-term vacation rentals shall not be operated in vehicles or in non-habitable or illegally constructed structures, such as sheds, unconverted garages, cars, vans, or trucks,

- unpermitted attached or detached accessory dwelling units, unpermitted rooms or patios, etc.
- E. Short-term vacation rentals shall not be operated from dwellings that are designated as affordable housing units, or out of mobile home parks.
  - F. Short-term vacation rentals may not be operated from boats in the harbor, or from recreational vehicles unless permitted through the Conditional Use Permit process.
  - G. Operation of short-term vacation rentals in housing developments shall be permitted to the extent they are permitted by the development's CC&Rs. All provisions of this chapter shall apply. In case of conflict between this chapter and the development's CC&Rs, the more restrictive provisions shall apply. The City shall not be responsible for enforcing CC&R provisions relating to short-term vacation rentals.
  - H. The City shall provide public information regarding validly permitted short-term vacation rentals.
  - I. The provisions of this chapter shall apply to both home-sharing and full-home short-term vacation rentals, unless otherwise indicated.
  - J. The host has the responsibility to ensure that the short-term vacation rental and its guests comply with all the provisions of this Ordinance. The City must have current contact information for both the local contact person and the host, if they are different. Any change in contact information must be provided to the City forthwith.
  - K. Transient occupancy tax, Morro Bay Tourism Business Improvement District assessments and San Luis Obispo County Tourism Marketing District (SLOCTMD) assessment shall be collected on short-term vacation rentals in accordance with Chapters 3.24 (Transient Occupancy Tax) and 3.60 (Tourism Business Improvement District Law) of the Morro Bay Municipal Code. Short-term vacation rentals must contribute a minimum of \$500 of TOT annually to maintain a valid permit.
  - L. The City Council may by resolution promulgate additional regulations relating to the operation of permitted short-term vacation rentals, including but not limited to, a training program for current and potential hosts, content guidelines for an informational brochure to be provided to guests (Good Neighbor Brochure), and additional reporting requirements.

#### **17.41.040 Short-term Vacation Rentals — Density Limitations**

- A. The maximum allowable number of short-term vacation rentals in residential zones is 250, subject to Section 17.41.050 (Nonconforming short-term vacation rentals). No new permit applications for short-term vacation rentals in a residential zone will be accepted until the number of active permits drops below 250. No maximum number of short-term vacation rentals applies to the commercial and mixed-use zones.
- B. Property owners who wish to apply for short-term vacation rental permits for property in a residential zone shall be issued permits on a first-come, first-served basis, provided the proposed short-term vacation rentals do not violate the density limitations herein. Applicants who are not eligible for a permit due to these density limitations shall be placed on a chronologically maintained waiting list.
- C. Multi-family developments in residential zones. No more than 12.5% (1/8<sup>th</sup>) of the total number of units in a multi-family dwelling in a residential zone can be operated as a short-term vacation rental. Multi-family dwellings of fewer than 8 units shall have no more than one unit operating as a short-term vacation rental. Any residentially zoned lot with a single family dwelling and a multi-family dwelling shall also be subject to these density limitations.
- D. Single-family dwellings in residential zones.
  - 1. 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 limitation applies whether the single family dwelling is used as a full-home rental or a home-share rental. Abutting or intervening lots with multi-family dwellings are also subject to this spacing limitation.
  - 2. Only one short-term vacation rental shall be permitted on any property with a single-family dwelling.

#### **17.41.050 Nonconforming Short-Term Vacation Rentals**

- A. 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.
- B. Short-term vacation rentals must comply with all the requirements of this Ordinance, provided that the density limitations shall not apply to existing and validly permitted short-term rentals for three years after the effective date of this Ordinance. If the need arises, short-term vacation rentals permitted at the time of this Ordinance's effective date shall be brought into compliance with the density limitations pursuant to a lottery system that shall be promulgated in the implementing regulations. Any short-term vacation rentals that will not be able to maintain a permit following the lottery procedure will have one year from the date of expiration of their permit following the conclusion of the lottery.
- C. Accessory dwelling units and junior accessory dwelling units.
  - 1. Accessory dwelling units and junior accessory dwelling units for which entitlements are obtained after the effective date of this ordinance shall not be used as short-term vacation rentals.
  - 2. A permit for an accessory dwelling unit or a junior accessory dwelling unit that expires or is revoked may not be renewed or reapplied for.
  - 3. Starting with their next permit renewal following the effective date of this Ordinance, accessory dwelling units and junior accessory dwelling units may maintain currently valid short-term vacation rental permits for three years. Thereafter, Subsection (C)(1) of this section shall apply.

#### **17.41.060 Permit Application and Renewal**

- A. A completed application for a short-term vacation rental permit shall be submitted by the property owner to the Finance Director on a form provided by the City, and shall include the following information:

1. Name, address, and current contact information of the property owner/applicant. Any change in this information must be provided to the City forthwith. The application must be signed under penalty of perjury by the property owner. A permit application may not be submitted or signed by a property management company or other commercial agent.
2. If different from the property owner, name and address of the host, including current contact information.
3. Address and description of the property that will be used as a short-term vacation rental. The description shall include number of rooms, maximum guest occupancy, amenities, and available parking for guests.
4. Whether the short-term vacation rental will be operated as a home-sharing or full-home rental.
5. The house rules for the short-term vacation rental and any other information that will be provided to the guest.
6. Proof that the property owner has insured the property as a short-term vacation rental.
7. Hosting platforms that will advertise the property.
8. A copy of any valid and current short-term vacation rental permit held by the applicant for any other property in the City.
9. Information on any short-term vacation rental permits that have been suspended or revoked as to the host or the property owner anywhere in the State of California, or as to the property, within the previous two years, and the reasons therefor.
10. If the property owner has been asked or been compelled to no longer advertise with a hosting platform within the previous two years, and the reasons therefor.

B. Inspection.

1. A completed application shall include a completed inspection report. The report shall include:
  - a. Number of exits

- b. Conformance with application information
  - c. Sufficient off-street parking
  - d. Signage, per requirements
  - e. A Good Neighbor Brochure
  - f. Compliance with any other applicable code requirement
2. Short-term vacation rentals shall be inspected as part of the initial application, and every 4 years thereafter at the time of renewal. Each renewal application when a City inspection is not required will include a self-inspection form to be filled out and signed under penalty of perjury by the property owner.
  3. Properties may be additionally inspected to ensure that any violations are timely corrected.
- C. Any change in the information in the application, whether the change occurs while the application is pending, or at any time after the permit issues, must be provided to the City forthwith.
- D. The City shall review the application for completeness. If the application is incomplete, the City shall inform the applicant in writing within 30 days of receipt of the application, articulating the necessary additional information for completeness. An application that is found to be incomplete upon a second submission shall be deemed abandoned.
- E. The City shall deny, conditionally approve, or approve an application within 45 days of receipt of a completed application. Conditions imposed shall be aimed at ensuring that the short-term vacation rental does not create a disturbance in the neighborhood, and is not operated in a manner that will undermine the character of its neighborhood.
- F. Renewals.
1. Permit renewals shall be submitted 60 days prior to permit expiration on a form provided by the City and signed by the property owner. Renewal forms must detail any changes in the short-term vacation rental (bedrooms, ownership, number of guests, parking, etc.), and shall otherwise certify that other than what is listed as a change, the information in the original application remains the same.

2. Permit renewals that are not timely submitted per Subsection F.1. may experience a delay in reissuance. In the event a permit expires before the renewal permit is issued because of a delay in renewal submittal, the permit shall be deemed suspended until the renewal issues, and the short-term vacation rental may not be rented as such.
  3. Any permit whose renewal application is submitted after the permit's expiration shall be deemed abandoned. Reapplication shall only be accepted in full compliance with all the provisions of this chapter, including the density limitations.
- G. Permit applications and renewals shall be subject to permit fees in accordance with the City's Master Fee Schedule. Permit fees shall include, but not be limited to, the reasonable cost of processing the application and inspection fees, as applicable.

#### **17.41.070 Permit Denial, Suspension, and Revocation**

A short-term vacation rental permit may be denied, suspended, or revoked based on the following grounds:

- A. A material misrepresentation on the application or renewal materials.
- B. The dwelling that is the subject of the application or permit is not in full compliance with all applicable local, state, and federal regulations.
- C. The host has violated, or has permitted his/her guest to violate, the terms of the hosting platform, and as a result the hosting platform has withdrawn its permission to advertise on that platform.
- D. The host has violated, or has permitted his/her guest to violate, any of the operational requirements in Section 17.41.090. A host is presumptively permitting violations of the applicable regulations under the following circumstances:
  1. If the violation consists of conduct by the guest that is disturbing the peace and quiet of the neighbors, or that constitutes an immediate threat to the health and safety, and the host does not initiate corrective action within one hour of being notified of the disturbance;
  2. If the noticed violation is not corrected before the next guest arrives at the property.

- E. The property owner has had a short-term vacation rental permit revoked or suspended in the preceding two years.
- F. Grounds for suspension. The City may initiate suspension proceedings for minor violations of this chapter, or of any applicable code, that are not timely corrected. Additional guidance on the grounds for suspension may be provided in the implementing regulations. A permit may be suspended for up to 180 days.
- G. Grounds for revocation. The City may initiate revocation proceedings for repeated or serious violations of this chapter or of any applicable code. Serious violations include any condition that is a threat to the guest's, the neighbors', or the public's health, safety, and welfare; conditions that constitute a public nuisance. Additional guidance may be provided in the implementing regulations.
- H. A notice of intent to suspend or revoke, and the reasons therefore, shall be provided to the permit holder. The permit holder shall have 15 days to submit relevant evidence for the City Manager's consideration. The City Manager shall issue a written decision articulating the grounds therefor within an additional 15 days, taking into consideration any relevant evidence submitted by the permit holder.
- I. Any property owner whose permit is revoked may not reapply for a short-term vacation rental for the property for which the permit was revoked, or for any other property, for two years following the date of revocation. Revocation of a permit shall not affect any other current and valid short-term rental vacation permits by that property owner.

#### **17.41.080 Appeal of Permit Denial, Suspension, or Revocation**

Any person whose permit application was denied, or whose permit was suspended or revoked, may appeal the decision as follows.

- A. An appeal must be submitted in writing to the City Manager within 15 days of the date of the decision. The appeal must articulate the reasons therefor, and shall be accompanied by an appeal fee in accordance with the City's Master Fee Schedule.
- B. The City Manager shall schedule an appeal hearing within 30 days of receipt of the appeal before an independent hearing officer, at which hearing the host will have an opportunity

to be heard and to present evidence. Compensation for the independent hearing officer shall not be determined by the outcome of any appeal.

- C. The host shall be provided with notice of the hearing no later than 10 days prior to the hearing. The hearing may be postponed for good cause.
- D. The hearing officer shall not be bound by the formal rules of evidence. The hearing officer may consider all relevant evidence, and may exclude repetitive or irrelevant evidence.
- E. The hearing officer shall provide a written decision within 10 days of the hearing, and shall articulate the reasons therefor. The decision of the hearing officer shall be final. The hearing officer's decision may be challenged pursuant to Sections 1094.5 and 1094.6 of the Code of Civil Procedure, which shall be referenced in the written decision.

#### **17.41.090 Operational Requirements**

Short-term vacation rentals must comply with the following requirements.

- A. A copy of the short-term vacation rental permit must be posted in a prominent location within the short-term vacation rental.
- B. The host shall use reasonably prudent business practices to ensure that the short-term vacation rental is used in a manner that complies with all applicable laws, rules, and regulations pertaining to its use and occupancy.
- C. **Parking.**
  - 1. Short-term vacation rentals must provide sufficient onsite parking spaces for their guests; no offsite or other street parking is allowed.
  - 2. Onsite parking should be only in legal spaces required for the applicable housing type.
- D. Short-term vacation rental operators must notify guests of the City's licensing requirement. The permit number must be included in the hosting platform advertisement.
- E. No one under the age of 21 years shall be permitted as the primary renter of a short-term vacation rental.

- F. The host shall use reasonably prudent business practices to ensure that short-term vacation rental guests do not violate the provisions of this ordinance, or violate provisions of the code or any state law, such as but not limited to, regulations pertaining to noise, disorderly conduct, overcrowding, the consumption of alcohol, or the use of illegal drugs.
- G. Occupancy for each full-home rental shall be limited to two individuals per bedroom, plus two; occupancy for home-share rentals shall be limited to two individuals per bedroom. Children under 3 years of age are excluded from the occupancy limits but children three and older are included.
- H. The City's current noise ordinance requires reduced noise between 7:00 p.m. and 7:00 a.m.; "noise" is defined as sounds that are audible within 50 feet of the source of the sound. Guests must comply with all noise restrictions.
- I. While a short-term vacation rental unit is rented, a local contact person shall be available 24 hours per day, 7 days per week, to respond to complaints or notification of violations, and if appropriate initiate corrective action regarding the conduct of the occupants or their guests, or the condition or operation, of the short-term vacation rental, within one hour of being notified.
- J. The host shall:
1. Prior to occupancy:
    - a. Obtain the contact information of the guest.
    - b. Require the guest to execute a written acknowledgment that he or she is legally responsible for compliance by all occupants of the short-term vacation rental with all applicable laws, rules, and regulations pertaining to the use and occupancy of the short-term vacation rental.
  2. Maintain the information required in item 1, above, for a period of two years, and make such information available upon request to any officer of the City responsible for the enforcement of any provision of this Ordinance or any other applicable local, state, or federal regulations.

3. Provide guests with the Good Neighbor Brochure, the name and number of the local contact person where problems can be reported, the City's hotline number, and the short-term vacation rental's house rules.
- K. A sign shall be posted in a location visible from the public right-of-way that contains the following information:
1. Identification as a short-term vacation rental, including the permit number.
  2. 24-hour contact information in case of problems or complaints, in conformance with Subsection I, above.
- L. Short-term vacation rentals shall be subject to the provisions of Chapter 8.16 (Solid Waste Management); in addition, short-term vacation rentals shall not leave their solid waste containers curbside any earlier than the day before pickup, or any later than one day after pickup. If this requirement cannot be met, the host must provide for concierge trash service, if this service is available at the property.

#### **17.41.100 Advertising**

- A. All short-term vacation rental advertisements shall include the permit number.
- B. Advertising of unpermitted short-term vacation rentals is prohibited.

#### **17.41.110 Penalty and Enforcement**

- A. Violations of this chapter are deemed a public nuisance, and may be abated as such. Each day a violation continues is deemed a new violation.
- B. Violations of this chapter may be punishable as infractions or misdemeanors, pursuant to Chapter 1.16 of this code.
- C. Violations of this chapter may be punishable through administrative fines, in accordance with Chapter 1.03, as may be set by City Council resolution.
- D. The owner of any illegally operated short-term vacation rental that is on the wait-list for a permit is presumed to have actual knowledge of the permit requirement. The owner and the short-term vacation rental shall be removed from the permit waiting list, and the host may not reapply for a short-term vacation rental permit for any property for two years. Any

application for the same property shall also be barred for two years, irrespective of ownership.

SECTION 4. CEQA Findings. The Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, sections: 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment); 15060(c)(3) (the activity is not a project as defined in Section 15378); and 15061(b)(3) (the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment). The proposed ordinance maintains the status quo and prevents directly related changes in the environment. Because there is no possibility that this ordinance may have a significant adverse effect on the environment, the adoption of this ordinance is exempt from CEQA.

SECTION 5. Severability. If any section, subsection, phrase, or clause of this ordinance or any part thereof is for any reason held to be unconstitutional or otherwise unenforceable, such decision shall not affect the validity of the remaining portions of this ordinance or any part thereof. The City Council hereby declares that it would have passed this ordinance and each section, subsection, phrase or clause thereof irrespective of the fact that any one or more sections, subsections, phrases, or clauses be declared unconstitutional or otherwise unenforceable.

SECTION 6. Effective Date. This Ordinance shall take effect 30 days after its adoption.

SECTION 7. Certification. The City Clerk shall certify as to the passage and adoption of this Ordinance and shall cause the same to be posted as the designated locations in the City of Morro Bay.

INTRODUCED at a regular meeting of the City Council held on the XXX day of XXX 2020, by motion of Councilmember XXX and seconded by Councilmember XXX.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF MORRO BAY this \_\_\_\_th Day of \_\_\_\_ 2020, by the following roll call vote:

AYES: NOES:  
ABSTAIN:  
ABSENT:

\_\_\_\_\_  
JOHN HEADDING, MAYOR

ATTEST:

