

**STAFF REPORT**

**TO: HONORABLE MAYOR AND CITY COUNCIL**

**FROM: BRUCE BUCKINGHAM, COMMUNITY DEVELOPMENT DIRECTOR** *BAB*  
**JANET REESE, PLANNER II**

**SUBJECT: CONSIDERATION OF PLANNING COMMISSION COMMENTS AND  
REQUEST FOR DIRECTION ON WHETHER TO REGULATE VACATION  
RENTALS**

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**BACKGROUND**

In November 2009, the City Council considered a staff report concerning vacation rental issues that had come to the attention of the City. Following a discussion on the matter, the City Council referred the issue of whether vacation rentals should be regulated to the Planning Commission. In January 2010, the Planning Commission discussed the item and reached a consensus that vacation rentals should be regulated. Based on the comments received, staff is recommending that Council direct staff to draft an ordinance regulating vacation rentals.

**DISCUSSION**

In January, the Planning Commission reviewed and discussed the staff report which provided an overview on vacation rentals, the number of known vacation rentals operating in the City and how some agencies regulate the use (reference Attachment 1). The consensus of the Commission was that vacation rentals should be regulated, but the process should be kept as simple as possible and that the permit be issued at an administrative (staff) level (reference Attachment 2). In addition, some Commissioners commented that vacation rentals should be allowed in all residential zones, including the R-1 District.

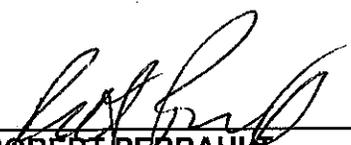
Based on the Planning Commission's consensus, staff is recommending that the Council direct staff to initiate a code amendment regulating vacation rentals. In reviewing other cities with vacation rental regulations, staff would also recommend that the following requirements be incorporated into the draft ordinance:

- Maximum number of occupants based on bedrooms.
- Minimum number of on-site parking spaces.
- Neighborhood notification requirements and contact information.

If the Council concurs with staff's recommendation, staff would also request that direction be provided on what zoning districts may be appropriate for vacation rentals (e.g., all residential

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**APPROVED FOR FORWARDING**

  
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**ROBERT PERRAULT**  
**CITY MANAGER**

**Please Review for the Possibility of a  
Potential Conflict of Interest:**

- None Identified by Staff     Bright  
 Shoals     Mires  
 Nicolls     Peterson

**Meeting Date: November 15, 2010**

**Agenda Item No. 9**

zones, only the R-2 and R-3 zones, commercial zones, etc.).

Alternatively, the Council could also consider not regulating vacation rentals. This would in essence classify the use as residential which is permitted by right in residential zones. Conversely, the Council could prohibit vacation rentals in all residential zones.

### **ALTERNATIVES**

The City Council has the following alternatives:

1. Direct staff to prepare a draft ordinance regulating vacation rentals;
2. Direct staff to not regulate vacation rentals;
3. Direct staff to prepare an ordinance prohibiting vacation rentals; or
4. Provide alternative direction to staff.

### **RECOMMENDED ACTION**

It is recommended that the City Council direct staff to prepare a draft ordinance regulating vacation rentals.

### **FISCAL IMPACTS**

If the Council directs staff to initiate a Zoning Ordinance Amendment, there will be costs associated with public noticing and the use of staff time.

### **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act. In addition, several local residents and two property management companies were notified of the meeting.

### **ATTACHMENTS**

1. Planning Commission Staff Report w/o attachments
2. Planning Commission Minutes

CITY OF GROVER BEACH  
PLANNING COMMISSION STAFF REPORT

DATE: JANUARY 12, 2010  
ITEM #: \_\_\_\_\_

**FROM: COMMUNITY DEVELOPMENT DEPARTMENT  
PAT BECK, INTERIM COMMUNITY DEVELOPMENT DIRECTOR**

**SUBJECT:** Discussion on Vacation Rentals – City Council request for Planning Commission comments.

**RECOMMENDATION**

Staff recommends that the Commission review the attached information, discuss the matter as it pertains to the City of Grover Beach and provide any comments for consideration by City Council.

**BACKGROUND**

On November 2, 2009, the City Council considered a staff report from the City Manager concerning vacation rental issues that had come to the attention of the City in response to a citizen complaint about a vacation rental in their neighborhood (Attachment 3). The City Council asked that this matter be referred to the Planning Commission for their recommendation on appropriate actions that the City should undertake.

**DISCUSSION**

A vacation rental can be defined as a use associated with the rental of a residential unit for a limited period of time, generally not longer than 30 days. The use is subject to the City's Transient Occupancy Tax payment requirements. Vacation home rentals are often found in travel destination locations and while we may have a small number of homes being used in this manner currently, we may see this increase over time as Grover Beach continues to grow as a visitor-serving area.

Community Development and Administrative Services have reviewed the City's record of vacation rentals. Administrative Services has identified 18 properties that are currently paying transient occupancy tax (TOT) for vacation rentals. This list indicates that each of these is being operated through a property management company. It is also possible that there are other individuals who are renting their properties without payment of TOT; for example, staff has seen instances of listings on Craig's List that do not appear to be through property management companies.

Zoning District	# of units
Visitor Services (C-V)	4
Planned Commercial (P-C)	2
High Density (R-3)	2
Medium Density (R-2)	9
Low Density (R-1)	1

Please Review for the Possibility of a Potential Conflict of Interest:

- None Identified by Staff
- Coleman                       Alex                               Marshall
- Long                                 Blum                               Roberson

In contrast, the City of Pismo Beach identified 270 advertized Pismo Beach vacation rentals in September, 2009. On line at approximately 7-10 vacation rental websites, about 175 of these were located in the downtown area where visitor serving transient lodging is permitted with 95 located in residential areas ranging from Shell Beach to Pismo Heights and the Freeway Foothills near City Hall.

CDD staff has reviewed and determined that none of the 18 identified properties within the City of Grover Beach had a zoning clearance or any land use permits at the time that they initiated payment of transient occupancy taxes for this use. In addition, there are no Business Tax Certificates for these uses. In reviewing the Zoning Ordinance, the rental of units within the commercial zones (Visitor Serving and Planned Commercial) could be permitted. In fact, there are several units within Beach Place that have been authorized with the necessary Use Permit. There are also two units within the Perkins project (178 S. 4<sup>th</sup>) that could be authorized but would require an amendment to the existing Use Permit. There are also two mobile home units within LeSage Mobilehome Park in the Planned Commercial zone and these may also require a Use Permit under existing regulations.

Staff has reviewed the existing Zoning Ordinance requirements and there is no specific provision for "Home Vacation Use Rentals" as a separate use within the residential districts. Staff had in the past determined that this type of use is most similar to the Room and Boarding House use which is allowed in the R-2 and R-3 districts. The R-3 district would require an Administrative Use Permit and the R-2 district would require a Use Permit before the Planning Commission. No provision is made for Room and Boarding House within the R-1 district, so the one property located in the R-1 zone could not be permitted.

Staff has had discussions with property owners concerning these use permits requirements; however, only one project has been filed and was subsequently withdrawn. Given that there are 18 properties that have been periodically used as vacation rentals it is clear that the City needs to have clear and consistent policies on how these are or are not being regulated. This could range from continuing the practice of only requiring the collection of the transient occupancy tax with no associated zoning clearance or use permit, requiring use permits for establishment of a vacation rental similar to the requirements for rooming and boarding homes, or through adoption of new specific regulations for vacation rentals with standards for operation.

It is likely that the use of homes as vacation rentals within the City varies widely from just an occasional use, where the homeowner is actually the main occupant of the property to the other end of the spectrum, where the home is used primarily as a rental lodging unit the majority of the time. Consequently, the impact to the surrounding neighborhood can also vary significantly. It should be noted that expecting the one unit where a complaint has been received, the Police Department has received very few calls for service or complaints stemming from vacation rentals. However, it can be expected that as Grover Beach is viewed more as a travel destination, it is probable that the number of issues related to vacation rentals will at some point increase.

Other communities have dealt with this same issue. Staff has identified two local ordinances that are currently in use or under development that will regulate vacation rentals within San Luis Obispo County. These include County requirements that apply in Cambria and Cayucos and a new ordinance under development by the City of Pismo Beach. These programs have in place or would develop an administrative process for dealing with vacation rentals.

In researching these regulations further, staff finds some differences and similarities in how the units are currently being used and permitted.

City of Pismo Beach – The City is currently updating its regulations and is proposing to allow vacation rentals in primary downtown area where there are existing primarily single family residences in close proximity to the visitor-serving uses. While the current regulations would allow vacation rentals through a Conditional Use Permit in other single family areas of the City, the proposed amendments to the codes would eliminate the potential for vacation rentals in those areas of the City. In talking with a major property management company, this would eliminate a significant number of existing vacation rentals currently in operation; however, there is continued discussion about the properties zoned R-3 and R-4.

County of San Luis Obispo (originally Cayucos/Cambria only) – The County has had a vacation rental ordinance for 6 years that applied only to Cayucos and Cambria with vacation rentals not permitted in other areas. Recently, this has been extended to other coastal communities with additional regulations. The County also has a home stay ordinance provision and also makes provision for bed and breakfast use in several zones for the other areas of the county. In the communities of Cayucos and Cambria, where there are currently 672 units in operation, the vacation rentals generally apply within the residential zones, which may be more similar to the circumstances that occur in the City of Grover Beach.

The County has established an administrative process (zoning clearance) to establish a vacation rental and the ordinance establishes standards for location, tenancy, number of occupants/parking, appearance of the structure, signs, noise and the requirement for a local contact should problems arise. Under these requirements, no vacation rental shall be located within 200 linear feet of a parcel on the same block that is being used as a vacation rental. Rental shall not exceed one tenancy within seven consecutive calendar days. In many ways, the circumstances of where and how vacation rentals are occurring are more similar than to the City of Pismo Beach. If the City of Grover Beach decides to establish regulations, these are the types of design and compatibility issues that we may wish to incorporate.

#### Extent of Vacation Rentals

Staff has discussed the extent of transient occupancy taxes that are being generated from the known vacation rentals within the City of Grover Beach. Attachment 2 provides a summary of the vacation rental income as a proportion of the Transient Occupancy Tax for the period from 2005 through 2009.

#### Neighborhood Compatibility Issues

The types of concerns that arise as properties are used as vacation rentals include: noise, parking and numbers of persons allowed in vacation rental units. Unlike a more typical rental circumstance where one individual or family is occupying the residences for an extended period of time or even a circumstance where a home is used with several renters in individual bedrooms, a vacation rental typically has different renters each week in peak period and may be unoccupied for periods of time. That is not to say that the same concerns about noise, parking and numbers of person cannot also occur when the residence is occupied by an owner or long-term renters. And in some instances, a well operated vacation rental may actually result in decrease impacts as the property is only periodically occupied with periods of no use, with no traffic, etc.

In some instances, there has been concern expressed that vacation rentals may be more appropriate in the R-2 and R-3 zones where there is already the potential for increased density, traffic, and noise and that single family neighborhood may need to be more protected from these types of use, such as is proposed in the City of Pismo Beach. In other communities, it is the single family zoned areas that have been the primary area for vacation rentals and these neighborhoods may have larger homes/properties that can accommodate more visitors. This may be something that your Commission wishes to make a recommendation on and is reflected in the alternatives that staff has identified.

#### Discussions with Property Management Company (s)

Staff spoke with a representative from Pismo Coast Management & Realty who currently has the majority of the properties that have been used as vacation rentals and paid transient occupancy tax when short term (less than 30 days) rental has occurred. Three of these units are located in the C-C-V or C-P-C zones where visitor-serving uses can be allowed. The remaining rentals are located in residential neighborhoods. The representative indicated that the use as vacation rentals has been more difficult in the City of Grover Beach than other coastal tourist destinations such as Pismo Beach and Cayucos/Cambria areas. She has found that most of the units are being used as long term (more than 30 days) rentals with only occasional use for short-term rental. Several of the units have discontinued their use as vacation rentals and are pursuing only long-term rentals.

While this may be in part a reflection of the economic circumstances, it may also reflect that Grover Beach is not yet a significant location of visitor-serving uses in the same way as the other beach communities. This may affect the manner in which the City may need to or wish to regulate these units.

Staff also discussed vacation rental with the other property management companies and found that they have many of the same observations about vacation rentals and the likelihood of a significant increase in the near future is limited.

#### Code Enforcement of Regulations

In discussing vacation rentals with San Luis Obispo County, code enforcement can be a significant issue if the standards established in the ordinance are not clear or are too complex. The County completed a 5-year review of its existing ordinance program, including code enforcement issues, which is provided in Attachment 3.

#### Coastal Commission Concerns:

As the City ventures into establishing vacation rental standards and requirements, the Coastal Commission may have some concerns. In discussions with the City of Pismo Beach, Coastal Commission staff has expressed concern that in the downtown area where the City's ordinance is proposing to establish specific standards, an additional requirement may need to be related to the length of use of the property as a vacation rental, with a minimum of 180 days a year being required to ensure that the property is serving a visitor-serving purpose. This would permit only the use as a non-vacation rental for up to remaining 185 days/year. This has not been an issue in the county with the exception of a proposed condominium/hotel in the community of Oceano.

## Alternatives

1. Given the low volume of vacation rentals occurring within the City and the fact that the City has received only one complaint, continue the existing practices which has required only the payment of the transient occupancy tax with no land use permit or business tax certification and do not pursue additional formal vacation rental requirements at this time.

Your Commission may wish to suggest that there be annual monitoring of changes in the number and type of vacation rentals occurring to determine if there is a significant increase in the level of activity and whether the City may wish to consider future zoning code amendments should the activity level increase.

2. Amend the zoning ordinance to identify those residential zones where vacation rentals would be allowed as the R-2, R-3, C-R-2 and C-R-3 and appropriate standards such as parking, length of stay, signs, and 24-hour contact, etc. (Note: This would eliminate vacation rentals in the R-1, C-P-R-1 and C-R-1 zone.) This should also include one of the following:
  - o Create an administrative process with approval occurring at a staff level based upon specific standards that each vacation rental must meet. This could include an informal notice to surrounding properties; however, no formal public hearing would be required. Under this alternative, staff action to approve or deny a vacation rental could be appealed to the Planning Commission or City Council and if there have been complaints that the unit was being operated not in conformance with the standards, the matter could be set for a public hearing at the Planning Commission.or:
  - o Establish a use permit or administrative use permit which would trigger a public hearing and notice to surrounding property owners.
  - o Create a process where these units are permitted based upon specific standards but are reviewed annually and if there have been complaints that the unit was being operated not in conformance with the standards, the matter could be set for a public hearing at the Planning Commission.

3. Same as Alternative 2; however provide for vacation rentals in the R-1, C-R-1 and C-P-R-1 zone with an Administrative Use Permit or Use Permit (where a public hearing would be required).
4. Determine that the establishment of vacation rentals is most similar to a rooming and boarding house as provided under the existing zoning code and require the existing and future vacation rentals to obtain the appropriate permits required under the zoning code (Use Permit in the R-2 zone and Administrative Use Permit in the R-3 zone).
5. Determine that vacation rentals are not an allowed use in residential zones.

*Note: If the City pursues this approach, we will need to determine how to handle the 18 properties that have been in current or past use as vacation rentals.*

6. Other alternative as the Commission identifies.

**ATTACHMENTS**

1. Staff Report to City Council re: Request for Direction Regarding Vacation Home Rentals, Use and Permit Requirements including SLO County ordinance requirements and City of Pismo Beach proposed requirements.
2. Vacation Rental Income as a Portion of Transient Occupancy Tax
3. SLO County Staff Report, March 3, 2009 re: Five-Year Review of the Residential Vacation Rental Ordinance (Ordinance No. 2933)

landscaping.

Commissioner Blum stated that it is possible that the residents would remove the landscaping. Mr. Koczanowicz stated that Code Enforcement is complaint-driven.

Chair Coleman asked if they were only talking about projects going forward.

Mr. Koczanowicz stated that if standards are changed, it will be going forward, but it would also apply to someone wanting to divide a parcel with two existing dwelling units.

Ms. Beck stated that there doesn't have to be consensus at this point. Staff can inform City Council of the various feelings and suggestions of the Commissioners.

Vice Chair Long stated that it would be nice to trade guest parking for landscaping.

Ms. Beck suggested that it could also use material that serves a dual purpose, i.e. grasscrete.

Mr. Koczanowicz asked if there was consensus regarding parking in setbacks.

The Commissioners indicated that there is a consensus.

Commissioner Marshall asked about tandem parking.

Planner Reese stated that most of the PUD lots can't accommodate the parking for the front unit.

Mr. Koczanowicz stated that tandem covered parking is not prohibited.

Ms. Beck stated that staff will prepare a report for the City Council and receive direction for how to proceed.

#### **4. Vacation Rentals**

Pat Beck presented the staff report. Staff contacted major property management companies for feedback and also received information from Finance regarding the TOT amounts.

She stated that there has only been one complaint regarding a vacation rental, so it hasn't been a major problem in the City at this time.

Ms. Beck stated that Pismo Beach has an area for providing vacation rentals; general residential is separated from vacation rentals. She noted that the situation is different in Grover Beach, which is more similar to the County.

Staff highlighted some of the issues, including the situations in which a vacation rental is contributing Transient Occupation Tax (TOT), but not getting the zoning clearance. There needs to be a defined process for vacation rentals.

Ms. Beck indicated that some of the anticipated issues could include: noise, parking, and the number of people using site (more or less than long term rental or primary ownership home). The impact may be less than other residential uses, due to the seasonal nature of vacation rentals. Issues that have occurred in other communities may not apply to Grover Beach.

Ms. Beck outlined possible options for the Commission.

Commissioner Alex indicated that for the short term it is acceptable, but that staff should continue to monitor the situation. He would not want to discourage tourism.

Commissioner Marshall asked if vacation rentals have additional fire safety requirements. Mr. Koczanowicz indicated that the requirements would be the same as regular residential units. Commissioner Marshall asked if insurance is required for the operation of the vacation rental. He stated that the City should have a defined ordinance that addresses vacation rentals. He would like to keep it as simple as possible, with approval given at the staff level, but including notification of people in the neighborhood. He indicated that he favored Alternative 3, which includes R-1.

Ms. Beck described AUP process and appeals. She stated that if they think SF zones can accommodate vacation rentals, they could have an administrative process to address those.

Chair Coleman, Vice Chair Long and Commissioner Blume indicated that this should be handled at an administrative level, and should encourage tourism, while giving consideration to the other neighbors. Chair Coleman also stated that because of the small numbers of units that are being utilized in this way, she believes they should monitor on an annual basis.

Commissioner Blum stated that no residential areas should be excluded. He stated that if there are problems with a vacation rental, it could be referred to the Planning Commission. He would also like to see the City publicize that it is open to having vacation rentals.

Commissioner Long asked what kind of administrative process could be adopted. Ms. Beck stated that there could be a staff level approval that would verify that the house met the standards that are set, and notify the neighbors; the administrative approval would be final unless there were problems reported or it is appealed. If it is appealed and was done as an AUP, there would be a Planning Commission Public Hearing. The Commission could set what the appropriate level of review and how much notification would be required.

Vice Chair Long felt that an administrative procedure would be appropriate and that he likes the idea of publicizing the new process and potential for vacation rentals.

Vice Chair Long asked how the proprietors are informed about the requirement for the TOT. Ms. Beck indicated that property management companies are aware of the requirement. Ms. Beck indicated that the process should be clear about what the rules are and what fees are required.

Mr. Koczanowicz stated that they should also provide information about Business Tax Certificates.

Linda Sartuche, Pismo Coast Management addressed the Commission. She stated that she currently manages 41 properties, and that vacation rentals in Grover Beach are mostly converting back to long term rentals. She stated that as long as the permit process isn't difficult and cost-prohibitive, people will do the right thing. She also stated that owners have to provide insurance, smoke detectors and fire extinguishers in the units. Also, Pismo Beach requires that contact information be provided, in case of complaints.

The discussion was concluded.

**COMMISSIONERS' COMMENTS:**