

# CASE STUDIES SUMMARY MEMO

## SHORT-TERM RENTAL CASE STUDY ANALYSIS CITY OF HUNTINGTON BEACH

To: City of Huntington Beach

From: Lisa Wise Consulting, Inc. (LWC)

Date: August 26, 2019

---

### INTRODUCTION

The recent rise of the sharing economy, particularly the significant growth in short-term rentals (STRs), presents opportunities and challenges for communities and lawmakers. While the rise of STRs presents some consistency in policy challenges across jurisdictions, a range of regulatory responses have been instituted to address specific local issues. This memo addresses responses in four California cities for the City of Huntington Beach (City) to consider.

This memo describes STR regulations of four California cities: Carlsbad, Carpinteria, Newport Beach, and Pismo Beach. The four case studies were selected by the City in coordination with LWC as representative of a range of approaches in coastal jurisdictions. Various approaches have been implemented throughout California and nationally.

### SUMMARY

Table 1 provides a summary comparison across the four STR case studies. A detailed discussion of each case study's STR regulations follows this Summary section.

**Table 1 – Short-Term Rental Case Studies Summary**

	Carlsbad, CA	Carpinteria, CA	Newport Beach, CA	Pismo Beach, CA
<b>Year Regulations Implemented</b>	2015	2017	2004	2019
<b>Estimated Number of Active STRs<sup>1</sup></b>	690	215 with licenses, total unknown	1,451	15 with permits, 4 pending, total unknown
<b>Overview</b>	Allowed in the Coastal Zone and La Costa Resort Area. Banned outside of the Coastal Zone.	Vacation rentals limited to an overlay zone. Overlay zone sets vacation rental caps by four sub-areas. Home stays are allowed.	Not allowed in single-family residential zones or single-family homes in planned developments or specific plan areas. STRs as of June 1, 2004 are grandfathered.	Only allowed in single-family homes that are primary residences (owner must reside at the home 183 days or more per year).
<b>Host Requirements</b>	Local 24-hr contact. Notify adjacent neighbors. Post Permit on exterior of unit. Provide guests with City rules and regulations.	Vacation rentals: 24-hr contact within 30 miles, notify neighbors within 100ft, and post contact info on exterior of unit.	Local 24-hr contact. Provide guests with City rules and regulations. Best efforts to prevent nuisance activities.	Local 24-hr contact. Provide guests with City rules and regulations.
<b>Operational Limitations</b>	Special events prohibited. Max. 2 ppl/bedroom plus 1.	Vacation rentals: special events prohibited; max. 2 ppl/bedroom plus 2.	Number of occupants limited per Building Code.	Max. 2 ppl/bedroom plus 2. Parking spaces required per bedroom.
<b>STR Permit</b>	Short Term Vacation Rental Permit	Vacation Rental/Home Stay License	Short Term Lodging Permit/TOT Registration	Short Term Rental Permit
<b>STR Permit Fee</b>	No fee	\$315	\$103	\$399
<b>STR Permit Renewal</b>	Annual renewal required (no fee)	Annual renewal (\$105 fee)	Annual renewal (no fee)	Does not expire (business license must be renewed annually)
<b>TOT</b>	10% effective rate	12%	10% effective rate	14%
<b>Business License Fee/Tax<sup>2</sup></b>	\$25 plus \$0.30 per each \$1,000 annual gross receipts	N/A (Vacation Rental/Home Stay License serves as a business license)	\$174 for residentially based businesses	\$30 plus tiered flat fee per annual gross receipts (e.g., \$20 for receipts up to \$25,000)
<b>California Coastal Commission</b>	STRs allowed in Coastal Zone	Regulations approved by Coastal Commission	Not reviewed by Coastal Commission (regulations not in Local Coastal Program)	Coastal Commission approved July 2019

<sup>1</sup> Estimated Number of Active STRs includes all licensed and unlicensed STRs estimated within each city.

<sup>2</sup> Fees identified exclude State fees.

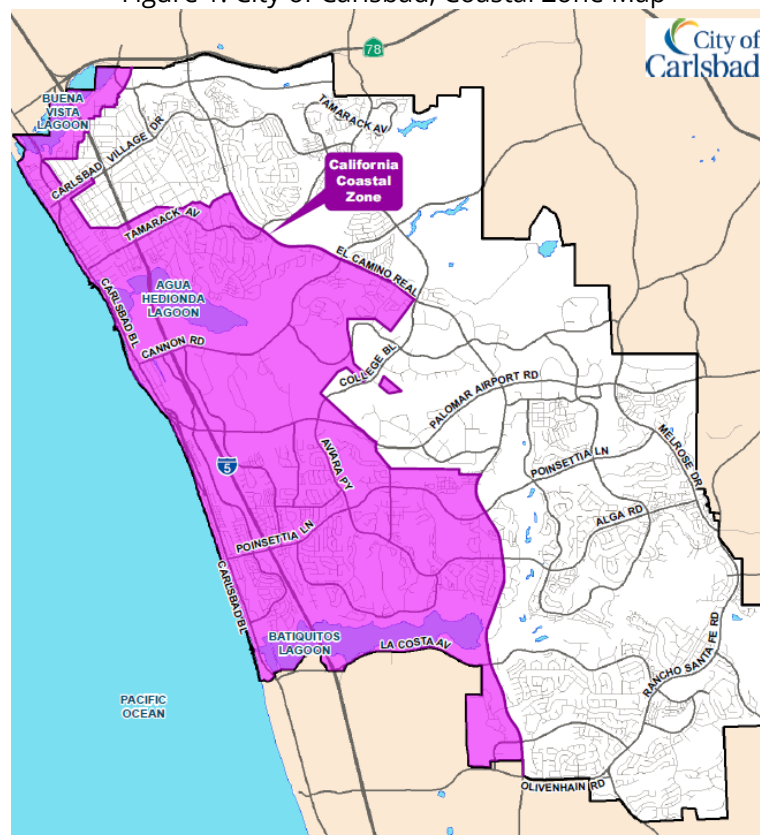
Each City approaches STR regulation differently based on unique circumstances and objectives, and some are continuing to explore methods to improve STR-related procedures and enforcement. Clear and simple regulations are often most efficient to administer and enforce, but STR regulation has proven to be complicated in the sharing economy era. The reliance on online hosting platforms to take a role in ensuring legality of STRs is apparent but brings significant challenges as well<sup>3</sup>. This memo provides insight on potential regulatory strategies the City may consider.

## CASE STUDIES

### Carlsbad, CA

The City of Carlsbad adopted STR regulations in 2015. The City established its regulations to limit the negative impacts of STRs, which was generally seen as neighborhood compatibility, and ensure access to the coast, consistent with the California Coastal Commission. STRs in Carlsbad are only allowed in the Coastal Zone (see Figure 1).

Figure 1: City of Carlsbad, Coastal Zone Map



<sup>3</sup> A ruling filed on March 13, 2019 by the United States Court of Appeals for the Ninth Circuit affirmed the dismissal of a complaint brought by HomeAway.com and Airbnb Inc. against the City of Santa Monica for imposing various obligations on hosting platforms. Based on this ruling, increased participation may be seen from hosting platforms with both data-sharing and enforcement issues.

STRs are banned everywhere outside of the Coastal Zone, except for the La Costa Resort and Spa Master Plan area, within which two buildings are permitted to host STRs following an owner led petition<sup>4</sup>. While Staff notes that generally residents are content with the regulations, there have been negative responses from homeowners who purchased their home without understanding the City's STR limitations (i.e., STRs are prohibited outside of the Coastal Zone). The City's STR regulations are in Business License and Regulations, Title 5 of the Municipal Code (Chapter 5.60).

Carlsbad's regulations make no distinction between home sharing (e.g., rental of a portion of a unit or when the host is on-site during rental activity) and the rental of an entire unit; both require the City's Short-Term Vacation Rental (STVR) Permit and a business license. STVR Permits must be renewed annually. As part of this Permit, the City requires a local 24-hour contact person for the purpose of responding within 45 minutes to complaints regarding the conditions, operation, or conduct of occupants of the STR. STR owners must acknowledge receipt of the City's "Good Neighbor Brochure" when applying for a STVR Permit. Additional standards include:

- Provide the "Good Neighbor Brochure" to the renter.
- The STVR Permit shall be posted on the exterior of the unit within plain view of the general public with the 24-hour contact's phone number (only required to be posted during rental activity).
- Limit the number of occupants to two per bedroom or studio plus one per unit.
- No amplified or reproduced sound shall be used or audible from the property line between 10:00 p.m. and 10:00 a.m.<sup>5</sup>.
- Trash shall not be left stored within public view except in proper containers for the purposes of collection.
- To the greatest extent possible, occupants and guests shall utilize on-site parking and avoid parking on nearby residential streets.

In July 2018, the City amended its Ordinance to include a requirement that STR owners prepare and distribute to adjacent neighbors an "Impact Response Plan". This plan must state the owner's intent to operate a STR, the number of bedrooms that will be rented, and the phone number for the owner or the owner's authorized agent. The plan is distributed to all residents and property owners abutting or across the street from the STR. The July 2018 amendment also included language that banned STRs in timeshares and recreational vehicles and prohibited commercial activities and special events (e.g., weddings) at STRs.

---

<sup>4</sup> The two condominium buildings in the La Costa Resort and Spa Master Plan require guests enter through the resort to access units and are subject to additional oversight and restrictions established by the resort. Further, these units were always intended to be vacation rentals. The exception for the La Costa Resort and Spa Master Plan was the first amendment to the City's STR regulations.

<sup>5</sup> The City of Carlsbad does not have a noise ordinance.

The City's regulations require that "brokers" (i.e., hosting platforms such as Airbnb) ensure STRs listed on their sites are registered with the City; however, Staff said this is not enforced. Staff estimates that approximately 690 unique rental units are posted online within Carlsbad, with approximately 270 that are licensed. The City opens approximately 350 STVR compliance cases per year, and Staff estimates at least an 80% success rate for compliance cases. In general, Staff noted increased success in enforcement as fines increase. Fines are levied at \$100, \$200, and \$500 per violation, and the City collects a 100% late fee (doubles the violation fine). Also, if three or more administrative citations, verifiable violations, or hearing officer determinations occur within a 24-month period, the STVR Permit may be revoked. In the event of Permit revocation, a STVR Permit may not be issued for that property for three years. To date, no STVR Permit has been revoked.

Complaints have been limited, with Staff noting that most STRs are good neighbors, citing Carlsbad's family atmosphere and lack of party scene as contributing factors. Complaints are typically minor, such as kids playing in a pool at night, and the City may not receive a complaint for months at a time. However, City regulations include that the owner of an STR may be billed for law enforcement services when a second or subsequent police response is required, and the police officer determines that continued activity is a threat to the peace, health, safety, or general welfare of the public.

STR hosts are required to maintain a record of renters for three years, consistent with the TOT audit process, and must make this information available to the City upon request. The City requires all STRs pay TOT including non-compliant and illegal STRs. Staff speculates that STRs are cannibalizing existing hotel business but noted that new hotels have been built in Carlsbad in recent years, obscuring effects STRs may be having on the local market. Staff estimates that approximately \$1,000,000 is remitted in TOT annually from STRs, and the City spends less than \$1,000,000 on the STR program every year.

TOT in Carlsbad is set at 10% plus \$1 per bedroom per night collected for the Carlsbad Tourism Business Improvement District (TBID). The City entered into a TOT collection agreement with Airbnb in August 2018, which provides the City with a lump sum payment of TOT. No other hosting platform collects or remits TOT to the City. Staff noted limited enforcement of the \$1 per bedroom TBID fee, which was originally designed for hotels and is challenging to enforce for STRs, which would generate little of this revenue regardless.

The City employs two full time employee equivalents (FTEEs) who are responsible for enforcing regulations. Code enforcement employees dedicated to STR enforcement were described as having a different skill set than conventional code enforcement staff, as the task of STR enforcement requires technically savvy officers who are comfortable with analyzing data. Overall, Staff estimates between five and six FTEEs are allocated to the STR program (Finance, Police, Attorney, Community and Economic Development). Staff reported that attorney time is needed to help with enforcement cases and process tax liens and other penalties. Staff estimates that the City is 6 to 12 weeks behind in processing STVR Permits (Staff stated that STVR permits should only take one week to process). STVR Permits are free, but Staff suggested that a fee would be appropriate. Additionally, Staff suggested that more services could be provided online, including the STVR Permit application and payment of TOT, which could help increase efficiency and compliance. The City uses outside contractors to provide data on STR location, monitor compliance, provide Administrative Hearing Officers, and provide administrative citation billing and collection services.

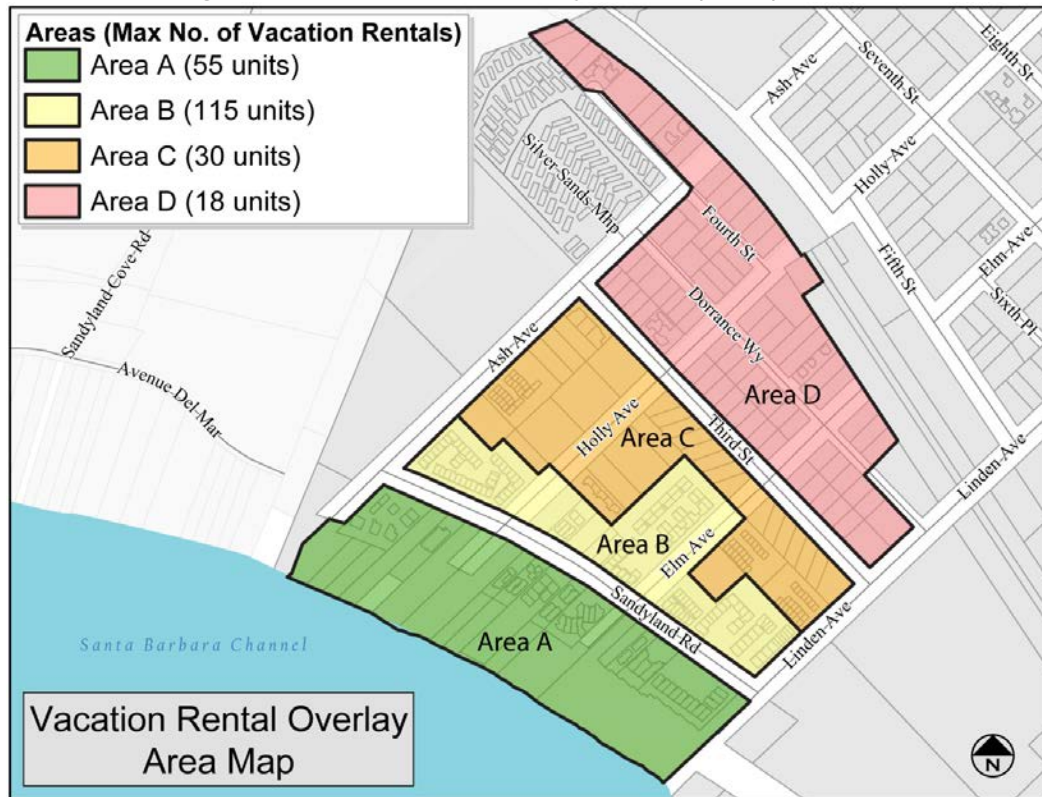
## Carpinteria, CA

Carpinteria's STR regulations went into effect on July 1, 2017. Staff describes the City's regulations as being adopted proactively, noting that City leaders saw problems arising in other communities where STRs were common, including STRs potential impact on the local housing market. The City's Zoning Code regulates two types of STRs – Home Stays and Vacation Rentals – each defined as follows:

- *"Home stay" - A type of short-term rental where the owner remains in the residential unit during the entire rental period. A home stay does not include the hosting of personal guests, home exchanges or vacation rentals. Tents, yurts and RVs are not allowed as a part of a home stay rental.*
- *"Vacation Rental" - A type of short-term rental where the owner of the residential unit does not remain in the residential unit during the entire rental period. Vacation rentals typically include the rental of an entire dwelling or premises. For the purposes of the Zoning Code, a vacation rental does not include time shares, home stays or home exchanges. Tents, yurts and RVs are not allowed as a part of a vacation rental.*

Home stays are allowed in residential zoning districts (R-1 single-family residential, planned unit development, and planned residential development zone districts). While the entire City is located within the Coastal Zone, Vacation Rentals are limited to the Vacation Rental Overlay District (VROD), which is generally bounded by the City's State Beach in the southwest, Fifth Street in the northeast, Ash Avenue in the northwest, and Linden Avenue in the southeast (see Figure 2: Vacation Rental Overlay Area Map).

Figure 2: Vacation Rental Overlay Area Map, Carpinteria<sup>6</sup>



The VROD is made up of four areas (Area A, B, C, and D), each with different caps on the number of Vacation Rentals allowed. These caps were established based on the estimated number of STRs located in each area at time of the VROD creation. A total of 218 Vacation Rentals may be allowed. If the cap in each area is reached, then 60%, 50%, 15%, and 15% of the total units in each area, respectively would be Vacation Rentals<sup>7</sup> (see Table 2: Maximum Allowed Vacation Rentals by VROD Area).

Table 2: Maximum Allowed Vacation Rentals by VROD Area

Area	A	B	C	D
Max Vacation Rentals allowed (Units)	55	115	30	18
Max allowed Vacation Rentals as percent of housing units	60%	50%	15%	15%

<sup>6</sup> City of Carpinteria, Short-term Rental Administrative Policies and Procedures, August 2018.

<sup>7</sup> Sam Goldman, *Carpinteria Prepares to Enact Short-Term Vacation Rental Rules*, Noozhawk.com, June 24, 2019.



Currently, two of the areas have reached their cap (Areas C and D), and Staff suggests that they would consider increasing the cap in these areas. The VROD Ordinance established a lottery system for assigning licenses; however, as the initial number of Vacation Rental applicants was below the cap established in each of the four areas, no lottery was held. The City has since switched to a waitlist system, and no more than three Vacation Rental applicants have been on the waitlist at any time<sup>8</sup>.

The City has more requirements for Vacation Rentals compared to Home stays, including:

- Vacation Rentals with no on-site manager shall require noticing that includes the contact information for the owner and person or property manager responsible for managing the Vacation Rental to properties within 100 feet.
- The owner or property manager must live within 30 miles of the Vacation Rental.
- The owner or property manager's contact information must be posted on the exterior of the unit, near the entrance.
- The Vacation Rental must not be rented or used for events (e.g., weddings, commercial activities, etc.)
- Maximum occupancy shall not exceed two occupants per unit plus two occupants per bedroom.

Staff noted a few issues with these requirements. The requirement for exterior signage has resulted in some unsightly postings, with some owners printing the required information on paper, placing it in a plastic sleeve or bag, and stapling it to the STR's exterior. This requirement has also conflicted with some condominium rules that limit exterior postings. To avoid some of these issues, Staff suggested the City produce the signage for Vacation Rentals and charge a signage fee to cover the costs. Also, the 30-mile limit has not been as practical, given some property owners live in relatively nearby cities but must find another contact person that is within the 30-mile radius.

The City requires a special business license for the operation of a Vacation Rental or a Home stay<sup>9</sup>. Currently, there are 215 active licenses for all STRs, but only two are for Home stays. Vacation Rentals listed outside of the VROD before the adoption of the City's current regulations were grandfathered (allowed to continue to operate, regardless of the current zoning prohibition) and allowed to apply for a license. The City has approximately 30 licensed grandfathered Vacation Rentals, which will expire no later than 2022<sup>10</sup>.

Licenses must be renewed every year, but the Vacation Rental or Home Stay license automatically renews upon payment of the business license tax renewal fee and all required Transient Occupancy Tax (TOT) remittance documents. First time applicants pay a fee of \$315, with a \$105 renewal fee. Staff suggested adding a change fee to cover Staff costs of making minor changes to licenses (e.g., owners changing STR management companies).

---

<sup>8</sup> Elise Dale, City of Carpinteria Short-Term Rental (STR) Program, teleconference, July 19, 2019.

<sup>9</sup> Licenses run with the applicant, not with the property.

<sup>10</sup> Ibid.



TOT is collected quarterly, which has resulted in some compliance issues for STR operators who are unaware of quarterly reporting requirements. Failure to report TOT for over 12 months results in a license revocation. If an STR fails to remit any TOT in over 24 months, the license expires. Staff noted that this policy has affected grandfathered STRs most notably and has had the effect of some grandfathered STRs losing their licenses unintentionally. Staff estimated that STRs in Carpinteria generate between \$400,000 and \$450,000 per year in TOT, collected from both legal and illegal STRs. Given landslides and fires, recent TOT totals may not reflect the normal values and obscure the effects that STRs are having on the local market for traditional lodging (e.g., hotel, motels, etc.). Collected TOT goes to the City's General Fund, while all licensing fees go to Community Developments budget. Staff noted overall, that the program is revenue positive.

Community Development is responsible for enforcement of STR regulations; however, the regulations have not been aggressively enforced, and Staff patiently works with property owners to inform them of the requirements and achieve compliance. Staff estimated that approximately six notices have been mailed to noncompliant STRs, mostly as a result of complaints, and all violations have been corrected. However, Staff suggested that requiring the STR license number to appear as a watermark on photos in the STRs listing, would be helpful in identifying uncompliant STRs.

The City hired a contractor to implement the regulations, including creating the required forms and processes, following its adoption. In addition to the City's STR regulations, the City has STR administrative policies and procedures to implement the intent the STR regulations.

The City's STR regulations were approved by the California Coastal Commission (CCC) in December 2016.

"The Coastal Commission held that this was a model ordinance, especially for a city like Carpinteria," said Community Development Director Steve Goggia.

(Sam Goldman, *Carpinteria Prepares to Enact Short-Term Vacation Rental Rules*, Noozhawk.com, June 24, 2019)

## Newport Beach, CA

The City of Newport Beach regulates STRs to address concentrations of tourists that can cause neighborhood disturbance issues (e.g., parties, noise, trash, etc.). The Municipal Code prohibits short-term rentals in single-family zones (R-1) or on properties designated for single-family residential use (i.e., Planned Community Development Plan, Planned Residential District, or Specific Plan). STRs are allowed in higher intensity residential zones. The Coastal Zone in Newport Beach includes residential zones that allow and prohibit STRs; however, the City's STR regulations are in Municipal Code Title 5 (Business Licenses and Regulations Chapter 5.95), not in the City's Local Coastal Program (LCP)<sup>11</sup>.

However, STRs in existence as of June 1, 2004 and located in the R-1 Zone are "grandfathered", meaning they may continue to operate, regardless of the current zoning prohibition. The City has only revoked

---

<sup>11</sup> While the Coastal Commission reviewed a few basic provisions in the City's LCP related to STRs, the Coastal Commission has not reviewed the City's STR regulations (Chapter 5.95) since they are not in the LCP (Jim Campbell, Deputy Community Development Director, City of Newport Beach, email correspondence, July 2019).

the right to operate one of these R-1 Zone STRs upon demolition of the structure in which a grandfathered STR was operating; however, Staff has discussed the possibility of revoking this right if STR operation is discontinued for a certain period. An estimated 200 grandfathered R-1 Zone STRs exist<sup>12</sup>.

STR requirements include the provision of a 24-hour local contact who is available to respond to complaints, limiting the number of guests in accordance with the Building Code, and providing City rules and regulations to guests, including the number and location of on-site parking spaces and trash location and pick-up information. Hosts must use “best efforts” to ensure guests do not create unreasonable disturbances, including posting conditions of the STR Permit in a conspicuous place within the unit.

STR hosts are required to register with a business license, and subsequently complete a Short-Term Lodging Permit Application and Transient Occupancy Tax Registration form (STR Permit/TOT registration). A \$103 fee is required with the STR Permit/TOT registration, and the annual business license tax is \$174 for residentially based businesses. If an STR operator is different from the property owner, and that operator is collecting TOT on behalf of the owner, the operator’s information must be provided on the application form. If the information is complete and accurate, processing will take only 5 to 10 minutes, although there is frequently further clarification needed<sup>13</sup>. Annual STR Permit/TOT registration renewal requires an up-to-date business license. The STR Permit/TOT registration is non-transferable (i.e., a new owner would need to reapply). In July 2019, the total number of licensed and permitted STRs in Newport Beach was 1,451, up from May 2018 total of 1,368, an increase of 6.1% in just over a year.

STR operators or agents are required to submit TOT forms quarterly, and the property owner is required to sign the TOT form annually, even if no TOT is due to the City. According to Staff, this requirement seems to cause confusion to property owners, and Staff spends time each year enforcing this requirement. The City has no arrangement with any online hosting platform to collect and remit TOT. The TOT rate is 10%, and the City collects TOT from illegally operating STRs, including the payment of back taxes when an illegal or noncompliant STR is identified. The amount of back taxes is determined by the statement of rental history provided by the STR operator, which may be provided in response to City correspondence identifying that the STR operator can be audited by the City. If no TOT is collected for more than three years an STR Permit is revoked.

Since STR regulations reside in Business License and Zoning titles of the Code, both the City’s Revenue Division staff and Community Development Department Code Enforcement Staff are charged with enforcement. Currently, the City’s Revenue Division has one part-time employee processing STR Permit/TOT registrations and issuing notices to comply with STR Permit and business license registration requirements. When the business license registration is submitted, the City cross references the address with the City’s GIS (mapping system) to verify the STR is located within an allowed zone. Additionally, the City contracts with a third party to verify online STR listings are valid based on the business license and STR Permit/TOT registration numbers posted in the listing, or lack thereof (it is required to be included

---

<sup>12</sup> Ellen Brenan, Revenue Department, City of Newport Beach, teleconference July 2019.

<sup>13</sup> Ibid.

in the advertisement)<sup>14</sup>. The Community Development Department's Code Enforcement Staff is tasked with issuing citations to STRs located in the R-1 Zone, where STRs are prohibited. There is no Community Development Department Code Enforcement Staff dedicated solely to STR compliance. According to the Revenue Division, STR revenues (permit fees, TOT, fines) have outpaced the cost of STR program staffing; however, these revenues are deposited into the General Fund, not set aside for specific purposes.

The split of enforcement responsibilities was cited by the City as a source of confusion. Furthermore, Code Enforcement Staff cited residents' reluctance to report complaints as a challenge in enforcing regulations and that officers are typically not available when complaints are most likely to be reported (evenings and weekends). Staff also identified a need for clearer distinction between revocable offenses and minor violations to enable effective enforcement. Staff recommended establishing higher fines for illegal STRs<sup>15</sup> and requiring the posting of 24-hour contact information on the outside of STRs as potential ways to improve compliance. Lastly, Code Enforcement Staff recommended the STR Permit/TOT registration should be valid for one-year to generate annual permit revenue that covers enforcement costs. It is estimated that a couple hundred STR code enforcement cases are opened each year in Newport Beach.

## Pismo Beach, CA

The City of Pismo Beach adopted STR regulations to balance a growing number of complaints from residents and direction from the California Coastal Commission (CCC). According to City Staff, complaints were concentrated in a small number of single-family neighborhoods where residents were experiencing incompatibility issues and nuisance behaviors associated with STRs. However, the CCC rejected an earlier City proposal that did not allow vacation rentals in single-family residential areas. To address these concerns, two types of STRs, "Short-term Rentals", and "Homestays", related to single-family zones were defined in the Zoning Code:

- *"Short-term rental" or "STR" - The rental of a detached single-family residence or accessory dwelling unit for less than 30 consecutive days where the primary residence is not being concurrently occupied by the owner.*
- *"Homestay" - An owner-occupied, detached single-family residence where bedrooms are rented for compensation for less than 30 consecutive days. In cases where an accessory dwelling unit (ADU) is located onsite, rental of the ADU for less than 30 consecutive days shall qualify as a homestay contingent upon the single-family residence being concurrently occupied by the property owner during the short-term rental period, or if the single-family residence is rented, upon the ADU being concurrently occupied by the property owner.*

The key distinction between these two STR types is that Short-term Rentals are rentals without the owner present, and Homestays are rentals with the owner on-site.

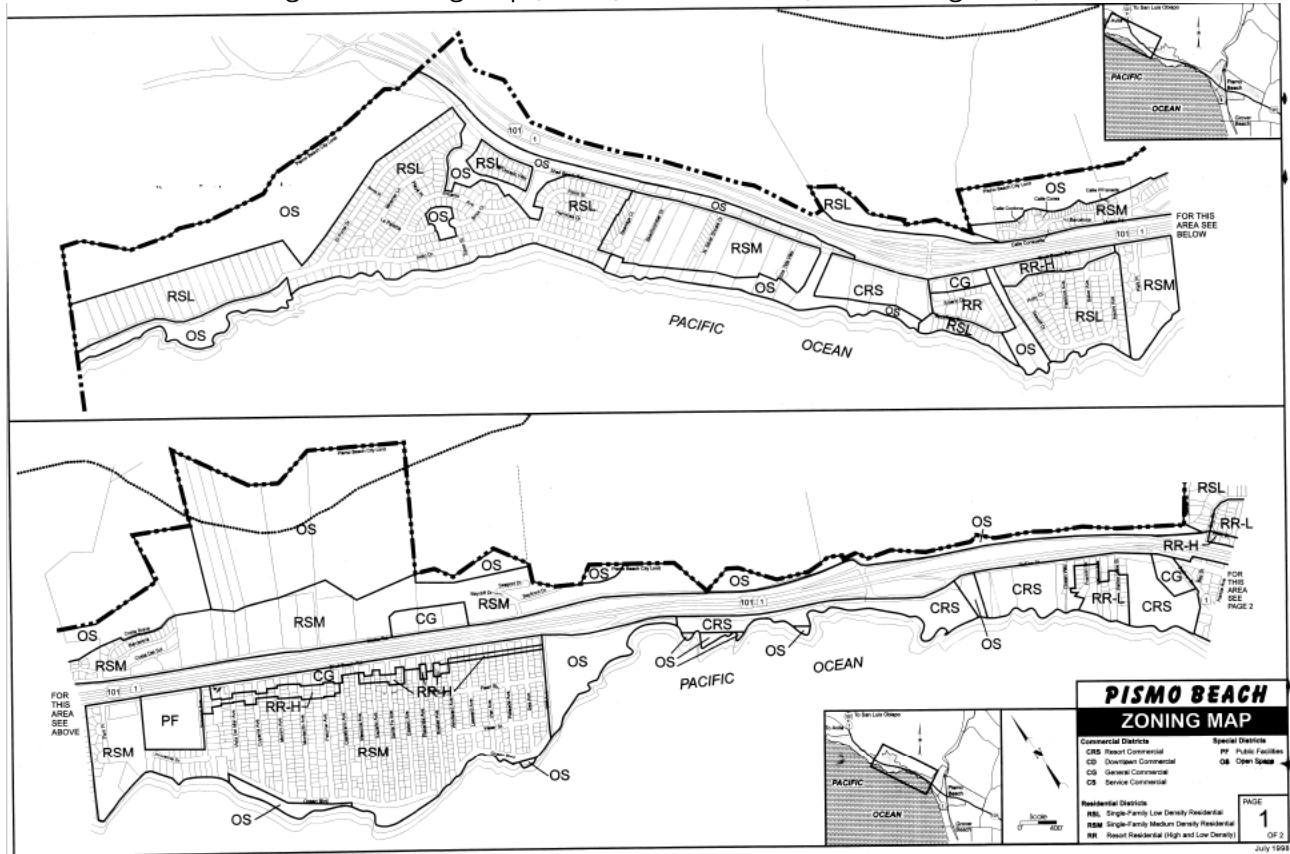
---

<sup>14</sup> Host Compliance provides the City with data on active listings.

<sup>15</sup> Current fines range from \$100 to \$3,000 depending on the violation (City of Newport Beach, 2019).

The STR regulations apply to Short-term Rentals and Homestays in the Single-Family Low Density Residential (RSL), Single-Family Medium Density Residential (RSM), and Open Space (OS) zones<sup>16</sup>. Figure 3 shows the zoning of the north area of the City, which is almost entirely within the Coastal Zone.

Figure 3: Zoning Map (North), Pismo Beach (1998 Zoning Code)



Vacation rentals, Short-term Rentals, or equivalent uses are allowed in the Downtown Core and other non-residential zones and are not the subject of the STR Ordinance<sup>17</sup>.

STRs and Homestays are allowed only at single-family properties that are the primary residence of the property owner. A “primary residence” is defined as “the dwelling owned and occupied as the property owner’s principal place of residence, where the owner lives more than 50% of the year (i.e., 183 days or more per year). Short-terms Rentals are limited to a maximum of 182 rental days per year (less than half

<sup>16</sup> The corresponding zones in the 1983 Zoning Code (Coastal Zone) are single family residential (R-1), planned residential (P-R), and open space-natural resources protection (O-S-1). Single-family homes may be developed under limited circumstances in the O-S-1 Zone and may be allowed in the OS Zone with a Conditional Use Permit.

<sup>17</sup> STR regulations are Chapter 17.09 of the 1998 Zoning Code (outside Coastal Zone) and Chapter 17.113 of the 1983 Zoning Code (Coastal Zone). Vacation Rentals are addressed in Chapter 5.22 of the Municipal Code. Short-term rentals, homestays, and vacation rentals are listed in the Zoning Code use tables.

the year). There is no limit on rental days for Homestays, which include Accessory Dwelling Units (ADUs) when the owner occupies the main house concurrently (i.e., owner is on-site).

The City's regulations require the acknowledgement of rules and good neighbor policy by the STR property owner and responsible party, and the placement of a good neighbor brochure within the rental unit. The regulations also limit the number of overnight occupants and visitors within Short-term Rentals and Homestays. The maximum number of overnight occupants is limited to two people per bedroom, plus two. The number of visitors to Short-term Rentals and Homestays cannot exceed the number of overnight occupants (i.e., a 2-bedroom Short-term Rental would allow up to six occupants and an additional six visitors). Visitors are not allowed between 11:00 p.m. and 7:00 a.m. Required parking is also based on the number of bedrooms provided for rent, at the following rates:

- 1 bedroom - 1 space
- 2 bedrooms - 2 spaces
- 3 to 4 bedrooms - 3 spaces
- 5 or more bedrooms - 4 spaces

Noise is limited to a level that may not "unreasonably interfere with the quiet use and enjoyment of any other residence or business in the area." Any noise contained after 10:00 p.m. and before 7 a.m. shall be contained within the unit. Trash is not allowed to be stored within public view, except in proper containers for the purposes of collection.

Proof of primary residency status must be provided on a yearly basis (e.g., homeowner's income tax return or other documentation deemed acceptable by the City showing the dwelling is the owner's principal residence for tax purposes). A corporation, limited liability company, partnership, or other business or commercial entity is not allowed to claim a property as a primary residence.

Each Short-term Rental or Homestay must obtain an STR Permit from the City. Applicants must submit a site plan showing the number of bedrooms and parking spaces as part of the license application. An on-site inspection will confirm the site plan and applicable safety standards. Staff noted that the City has had issues with applicants attempting to list converted garages as bedrooms, and that availability of parking often limits the number of bedrooms that may be listed. As part of the permitting process, the City requires that property owners within 300 feet be provided notice of the intent to operate with contact information for the property owner and responsible party (i.e., person responsible for compliance with the City's Code).

Additionally, Short-term Rentals and Homestays are required to obtain a Business License and Transient Occupancy (TOT) Certificate. The STR Permit, Business License, and TOT Certificate are issued as a packet at the conclusion of City review, and overall processing time is approximately one month. The STR Permit fee is \$399, and these Permits do not expire except when the property owner changes. Business Licenses carry a separate \$30 fee and a \$6 renewal fee (annual renewal is required). The City's TOT rate is 14%.

Revenue from STR taxes, fees, and fines goes into the City's General Fund. Despite the STR program being new, Staff estimates the program will be revenue positive, since TOT is now being collected from STRs (the City did not collect TOT from illegal STRs). The City employs one part-time employee in Code

Enforcement dedicated to STR enforcement. Further, the City has an agreement with an outside contractor to provide data on STRs including location across several hosting platforms to facilitate the City's enforcement efforts.

The City has approved approximately 15 STR Permits and has approximately four under review. Staff estimates that there were previously over 100 illegal STRs in Pismo Beach, but that number is likely lower now that the STR regulations are in effect. The Code includes a three strikes policy, where an STR Permit may be revoked following three instances of being non-responsive to complaints or significant violations in a 24-month period. The City issues fines to enforce its regulations, which may be levied at up to \$2,000 per day<sup>18</sup>. As part of its enforcement strategy the City does not collect TOT from any illegal STRs, with Staff stating they do not want to give unpermitted STRs de facto approval by collecting the tax.

The California Coastal Commission (CCC) ratified the City's STR regulations in July 2019. As previously mentioned, the CCC rejected the City's prior regulations that did not allow vacation rentals in single-family areas along the coast. After the current regulations were submitted to CCC, the CCC review and approval process was about three months.

---

<sup>18</sup> Mike Gruver, City of Pismo Beach, teleconference, July 26, 2019.