



City of Morro Bay

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MEMORANDUM

To: Mayor and City Council
From: Scot Graham, Community Development Director
Date: January 9, 2024
Subject: C-2: Attachment 1, Short-term rental ordinance/key policy discussion

This memo is provided as supplemental information to the short-term rental (STR) staff report included as item C-1 of the January 9, 2024, City Council Agenda and more specifically to provide a summary of key STR policy requirements. The policy discussion is broken into four categories: 1. Background, 2. General Regulations, 3. Operational Requirements and 4. Enforcement.

Background

The City's STR ordinance was adopted on October 27, 2020, as Chapter 17.41 of the City of Morro Bay Municipal Code (Zoning Code). The ordinance was approved by the California Coastal Commission on September 9, 2021, and became effective September 19, 2021, as part of a certified amendment of the City's Local Coastal Program Implementation Plan.

Link to short-term rental ordinance:

https://library.municode.com/ca/morro_bay/codes/code_of_ordinances?nodeId=TIT17ZO_CH17.41SHRMVARE

In Fiscal Year 2022/2023 STR's generated \$757,558 in Transient Occupancy Tax (TOT) or just under 18% of the total TOT collected by the City.

STR numbers in Morro Bay:

Full Home Rentals = 173

Commercial = 9

Home-sharing Rental = 11

Total = 193

Waitlist total = 169

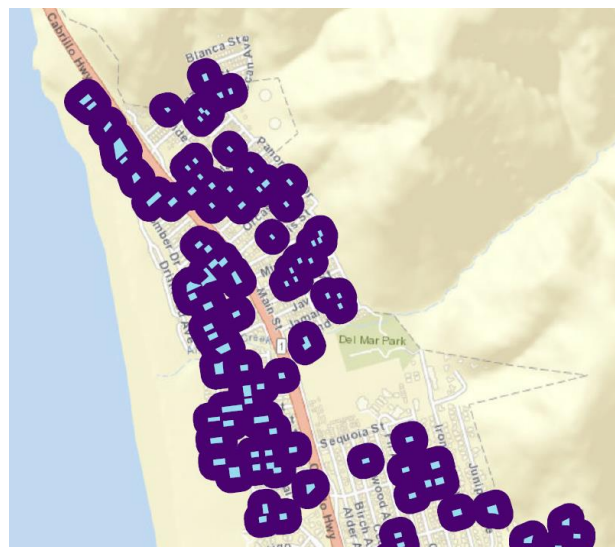
Key Definitions

1. Full-Home Rental: guest enjoys exclusive use of the dwelling and host is not present

2. Home-sharing rental: STR located within a dwelling that is the host's primary residence, and where the host is on site throughout the guest's stay. Includes guest houses (detached bedroom)
3. 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 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.

General Regulations

- STR's must pay minimum Transient Occupancy Tax of \$500 per year
- STR's are prohibited in affordable housing projects, Accessory Dwelling Units, mobile home parks and apartments located in residential zones
- STR's are limited to 12.5% or 1/8th of the number of units in an apartment or apartment house, located in a mixed use or commercial zone.
- Grandfathering: STR's lawfully permitted prior to the effective date of the ordinance, that are in good standing on the ordinance effective date of the ordinance shall be considered legal nonconforming uses
- Inspections: all STR's are required to be inspected as part of the initial application/renewal under the ordinance, and every 4-years thereafter. Community Development and Fire conduct the inspections.
- STR licenses are not transferable upon sale or death
- Density Limitations
 - Full-home rental cap = 175 in residential zones
 - No maximum # of full-home rentals in commercial and mixed use zones
 - Full-home rentals, in residential zones must be separated by 175' radius measured from exterior property lines...see below.



Operational Requirements

- The STR permit/license must be posted in the rental
- Parking: all parking must be onsite in legal spaces required for the applicable housing type
- STR operators must notify guest of STR operational reqs.
- Permit/license number must be included in the hosting platform advertisement.
- Minimum age 21 for primary renter of STR
- STR operator must have policies in place to address things like noise, disorderly conduct, overcrowding, and alcohol consumption.
- Occupancy for full-home rentals: 2 per bedroom, plus two, with maximum of 10 guests.
- Occupancy for home-share rental: 2 per bedroom
- Children under 3 are excluded from the occupancy limitations
- Local 24 hour/7-day per week contact must be identified and available to address concerns within 1-hour while STR's are being rented
- Signage: a sign is required to be posted on site in a location that is visible and legible from the public right of way that includes:
 - Identification that the residence is an STR, with permit/license No.
 - 24-hour contact information
 - Violations are subject to penalties set by resolution and include possible permit revocation

Enforcement

Staff uses various methods for identifying and tracking illegal STR's or STR's operating in violation of the City STR policy. Citizens can contact code enforcement directly via phone or email or indirectly through the City's "Service Request" application found on the front page of the City website. Code enforcement also uses the Granicus Host Compliance application to proactively identify illegal short term rental advertisements in Morro Bay. The Host Compliance application allows code enforcement staff to track illegal vacation rentals and to generate automatic violation letters through the system. Code enforcement will typically provide two notice of violation letters prior to issuing an administrative citation. Administrative citations are issued pursuant section 1.03.050 (Administrative Fines) of the Morro Bay Municipal Code which includes a \$100 fine for the first violation, \$200 fine for the second violation and a \$500 fine for the second violation. The Morro Bay Police Department also responds to STR complaints, mostly related to noise issues and typically outside regular business hours. Inspections are conducted by Fire Department and Community Development staff.

TOT administration

City utilizes HDL to administrate TOT revenue collection. Due to COVID delays and staffing transition, there has been miscommunication between HDL and city. Staff will continue to work on improving process and customer satisfaction.