

CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT OFFICE
725 FRONT STREET, SUITE 300
SANTA CRUZ, CA 95060
PHONE: (831) 427-4863
FAX: (831) 427-4877
WEB: WWW.COASTAL.CA.GOV



W13b

Prepared August 23, 2019 for September 11, 2019 Hearing

To: Commissioners and Interested Persons

From: Susan Craig, Central Coast District Manager
Katie Butler, Coastal Planner

Subject: City of Grover Beach LCP Amendment Number LCP-3-GRB-19-0012-2 (Short-Term Rentals)

SUMMARY OF STAFF RECOMMENDATION

The City of Grover Beach proposes to amend its Local Coastal Program (LCP) to add new regulations to the Implementation Plan (IP) for short-term rentals (STRs) in the residential and commercial zoning districts. Specifically, the amendment would allow up to 40 non-owner-occupied STRs (i.e., whole house rentals with no owner present) and unlimited owner-occupied STRs (i.e., room rentals or homestays with the owner present) in single-family dwellings, multi-family dwellings, and mobile homes. STRs would also be allowed in existing accessory dwelling units and those that were under construction or in building plan review prior to the adoption of the City's STR ordinance. The amendment includes various operational requirements for STRs, including related to occupancy, parking, noise, traffic levels, and trash, as well as STR permitting and noticing requirements.

The proposed amendment is primarily a means to provide a regulatory structure to a category of use in the residential and commercial districts of the City that is not currently explicitly regulated by the LCP. The proposed amendment allows for a reasonable amount of non-owner-occupied STRs given the relatively small size of the City's coastal zone (i.e., by allowing for a 50 percent increase over the number of existing non-owner-occupied STRs currently in the City's coastal zone), and the amendment proposes no limit on owner-occupied STRs. The amendment provides an appropriate balance between residential and visitor uses that is consistent with the Land Use Plan's (LUP's) vision of maintaining and improving the City's tourism economy while supporting continued long-term residential use.

The amendment is also consistent with the LUP's mandate to protect, enhance, encourage, and provide lower-cost visitor-serving facilities because STRs (in particular owner-occupied STRs) are generally considered to be in the lower-to-medium range of affordability, and can be considered affordable in particular when considering the cost of accommodations for an entire family or multiple families who wish to share an STR. Furthermore, the proposed allowance of STRs in a variety of residential types (single-family, multi-family, mobile homes, and existing

ADUs) ensures that lower-cost options for overnight accommodations will be available throughout the City's coastal zone.

In sum, the proposed STR regulations are intended to facilitate and increase the utility of STRs, and the amendment provides an opportunity to regulate them in a manner that protects public visitor-serving accommodations and access and recreational opportunities, as well as residential neighborhoods and community character, consistent with the requirements of the LUP. The City has succeeded in identifying appropriate STR regulations that address potential visitor-resident conflicts and that satisfy the sometimes competing objectives associated with facilitating public recreational opportunities near and within residential areas of the shoreline. Under the proposed rules, STRs would be expected to effectively coexist in coastal residential areas, as well as in commercial areas, with better clarity on use parameters to ensure that they do not become problematic in light of the identified coastal resource concerns. As such, the proposed IP amendment can be found consistent with and adequate to carry out the certified LUP and staff recommends that the Commission approve the amendment as submitted. The required motion and resolution are found on page 4 below.

Staff Note: LCP Amendment Action Deadline

This proposed LCP amendment was filed as complete on July 23, 2019. The proposed amendment affects the LCP's IP, and the 60-working-day action deadline is October 16, 2019. (*See* Coastal Act Section 30513.) Thus, unless the Commission extends the action deadline (it may be extended by up to one year per Coastal Act Section 30517), the Commission has until October 16, 2019 to take a final action on this LCP amendment.

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EXHIBITS

Exhibit 1: Proposed Implementation Plan Amendment

Exhibit 2: City of Grover Beach Zoning Map

I. MOTION AND RESOLUTION

Staff recommends that the Commission, after public hearing, approve the proposed LCP amendment as submitted. The Commission needs to make the following motion in order to act on this recommendation.

A. Certify the IP Amendment As Submitted

Staff recommends a **NO** vote on the motion below. Failure of the motion will result in certification of the IP amendment as submitted and the adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the Commissioners present.

***Motion:** I move that the Commission reject Implementation Plan Amendment Number LCP-3-GRB-19-0012-2 as submitted by the City of Grover Beach, and I recommend a **no** vote.*

***Resolution:** The Commission hereby certifies Implementation Plan Amendment Number LCP-3-GRB-19-0012-2 as submitted by the City of Grover Beach and adopts the findings set forth below on the grounds that the amendment is consistent with and adequate to carry out the certified Land Use Plan. Certification of the Implementation Plan amendment complies with the California Environmental Quality Act because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the plan on the environment, or 2) there are no further feasible alternatives or mitigation measures which could substantially lessen any significant adverse impact which the Implementation Plan Amendment may have on the environment.*

II. FINDINGS AND DECLARATIONS

A. DESCRIPTION OF PROPOSED LCP AMENDMENT

The proposed amendment would add a new section to the Implementation Plan (IP)¹ and would amend other IP components to regulate short-term rentals (STRs) in the City of Grover Beach. Specifically, the amendment adds STRs as an allowed use in all residential and commercial zoning districts² and adds new IP Section 4.10.185 to existing IP Chapter 4 (Standards for Development and Land Uses) that provides the substantive regulatory requirements for STRs. Applicable STR-related definitions are also proposed to be added to existing IP Chapter 9. The amendment defines “short-term rental” as the rental of a private residence, or any portion of the private residence, for less than 30 days, which may be either owner occupied or non-owner occupied. “Owner-occupied STR” is defined as an STR in which the owner resides on the property during the time a renter is occupying the residence, and “non-owner-occupied STR” is

¹ The City’s “Development Code” constitutes the certified Implementation Plan (IP) component of the Local Coastal Program (LCP).

² The residential zoning districts are: Coastal Planned Low Density Residential (CPR1), Coastal Low Density Residential (CR1), Coastal Medium Density Residential (CR2), and Coastal High Density Residential (CR3). The commercial zoning districts are: Coastal Visitor Serving (CVS) and Coastal Commercial (CC).

defined as an STR in which the owner does not reside in the residence during the time a renter is occupying the residence.

The proposed STR regulations allow for both owner-occupied and non-owner-occupied STRs in legally constructed single-family dwellings, multi-family dwellings (including in a mixed-use project), and mobile homes. STRs would be prohibited in recreational vehicles, motor homes, travel trailers, truck campers, tent trailers, boats, live-work units, caretaker residences, and accessory dwelling units (ADUs) constructed in the future. However, existing ADUs and secondary residential dwellings, or those that were under construction or in building plan review prior to the adoption of the City's STR ordinance, may be used as STRs. In the coastal zone, the amendment proposes to allow for a maximum of 40 non-owner-occupied STRs and proposes no limit on the number of owner-occupied STRs.

The ordinance also imposes various operational requirements on STRs, including related to maximum overnight occupancy, parking spaces, noise, property maintenance, signage and advertising, and life safety measures. In addition, owners of STRs are required to have a local contact person and have renters sign an agreement acknowledging they have been provided a copy of, and that they agree to comply with, the City's "Good Neighbor Brochure." The proposed amendment requires property owners to obtain an STR permit from the City (approved by the Community Development Director), which must be renewed annually and is not transferable to other residential units or new property owners. As part of the STR permit process for non-owner-occupied STRs, the proposed amendment stipulates that the City will notify all property owners and occupants within a 150-foot radius upon issuance of an STR permit indicating the address, the owner's name, hotline contact information, and the maximum number of occupants allowed. The ordinance includes specifics related to permit application requirements, permit violations and revocations, and permit denials.

Finally, the amendment proposes to eliminate the allowance and associated standards in their entirety for bed and breakfast inns (B&Bs) in the LCP. In other words, B&Bs would no longer be allowed in the City's coastal zone.

Please see **Exhibit 1** for the proposed IP amendment text and **Exhibit 2** for a map showing the City's zoning districts and coastal zone boundary.

B. CONSISTENCY ANALYSIS

Standard of Review

The proposed amendment affects the IP component of the City of Grover Beach LCP. The standard of review for IP amendments is that they must be consistent with and adequate to carry out the policies of the certified Land Use Plan (LUP).

IP Amendment Consistency Analysis

The Grover Beach LUP requires that commercial visitor-serving uses be given priority over residential use in areas that are suitable for it, and mandates that existing lower-cost visitor-serving facilities be protected and enhanced and that new ones shall be encouraged and provided in the City. For residential areas, the LUP allows residential uses as well as other uses that are

similar and compatible to residences, and includes specific policies that require the transition of an existing residential mobile home park in the City's coastal zone to visitor use. Applicable LUP policies include:

LUP 5.2 Existing Conditions – 5.2.3 Private Visitor-Serving Facilities

Grover Beach's portion of the Coastal Zone contains a limited number of visitor-serving facilities. Most of these facilities lie within areas designated as "Coastal Visitor Serving," which permitted uses range from motels and restaurants to veterinary hospitals and professional offices.

The CVS District encompassed both sides of Grand Avenue from Highway 1 eastward and is developed primarily in commercial uses although few of these are visitor-serving or recreation-oriented. However, this area must offer commercial services to both local residents as well as visitor needs.

The Coastal Visitor Serving designation has been applied to thirty acres of land located on the west side of Highway 1 between Grand Avenue and the City's northern boundary. Approximately five acres within this district are presently undeveloped. The remaining developed land is occupied by a sixty-unit mobilehome park and adjoining recreational vehicle park.

The recreational vehicle park is a visitor-serving use; however, the mobilehome park serves only residents. Although the park is immediately adjacent to the beach and to a nine-hole golf course, its residents must use public access to these facilities from LeSage Drive and Grand Avenue.

Also adjacent to Highway 1, but at the City's southern boundary, lies a 100-foot-wide strip of land which is owned by the County of San Luis Obispo. It is presently leased by a private party for use as a recreational vehicle park. Five acres at the northernmost end of this facility are within Grover Beach boundaries. This land, designated on the City's Zoning Map for Coastal Visitor Serving uses, is presently used for open-air vehicle storage.

LUP 5.7 Recommendations – F. Visitor-Serving and Recreational Facilities. *Ensure that commercial visitor-serving and recreational uses are given priority over residential, general industrial and general commercial development on lands suitable for visitor-serving commercial, public recreational access, and beach-related uses.*

1. Policies

- a. The City shall ensure that visitors to the Pismo State Beach are provided with easily accessible, visitor-serving commercial and public recreational access services, particularly those relating to provision of food and lodging and beach related uses, in any new development in the Coastal Visitor Serving area west of Highway 1. In the Coastal Visitor Services area along Grand Avenue east of the railroad tracks, the City shall ensure that visitors are provided with easily accessible visitor-serving commercial services, particularly those relating to provision of food and lodging. The area west of Highway 1 shall be developed with visitor serving uses, including a*

lodge and conference center within the portion of Pismo State Beach shown in Figure 3. ...

e. Lower-Cost Visitor and Recreational Facilities. Existing lower-cost visitor serving and recreational facilities shall be protected (sic) and enhanced, and new lower-cost visitor and recreational facilities shall be encouraged and provided in the City.

f. The transition of the LeSage Mobile Home Park to accommodate additional visitor-serving commercial or retail businesses shall be encouraged.

LUP 7.1 Land Use Designations

Low Density Residential: This designation allows for single-family detached and attached homes, secondary residential units, public and quasi-public uses, and similar and compatible uses. Residential densities shall be in the range of 2 to 5 units per gross acre.

Medium Density Residential: This designation allows for small lot single-family attached or detached homes, duplexes, multi-family residential units, public and quasi-public uses and similar and compatible uses. Residential densities shall be in the range of 6 to 9 units per gross acre.

High Density Residential: This designation provides for single-family attached homes, multi-family residential, mobile home parks, public and quasi-public uses and similar and compatible uses. Residential densities shall be in the range of 10 to 20 units per gross acre.

Visitor Serving – Mixed Use: This designation accommodates a complementary range of hotels and motels, bed and breakfast accommodations, convention facilities, restaurants, recreational uses and retail sales primarily for the convenience of visitors. This category is intended to foster the establishment of a pedestrian-oriented area near the beachfront, the train station, and the entrance to the Oceano Dunes State Vehicular Recreation Area, and Pismo State Beach that provides convenience goods and services for visitors to Grover Beach and the surrounding neighborhood areas. Opportunities to provide family oriented businesses within this area should be explored. The Visitor Serving - Mixed Use category allows for both vertical (different uses stacked above one another) and horizontal (different ground level uses on a single parcel) mixed use opportunities.

In general, ground floor development within the Visitor Serving - Mixed-Use designation should be reserved for retail shops, eating and drinking establishments, and visitor accommodations, with the upper floors reserved for additional visitor accommodations, offices and dwellings. To assure adequate space for visitor-serving uses, properties within this designation should not include general retail stores unless oriented to visitors, auto repair, or business services. Although mixed-use development is encouraged, it is not required.

....

The proposed ordinance seeks to introduce STRs as an allowable use within residential and commercial zoning districts subject to operational and other parameters in order to proactively address and mitigate potential impacts to a less than significant level. To address operational issues associated with STRs, the proposed IP amendment establishes a variety of regulations intended to limit coastal resource impacts from parties, noise, trash disposal, parking, and other related issues that are often raised in terms of STRs and community character throughout the coastal zone. These proposed operational standards are generally similar to other operational standards the Commission has approved for other communities, such as for San Luis Obispo County, Santa Cruz County, and the Cities of Santa Cruz and Pismo Beach, and are reasonable regulations to address potential STR issues with respect to coastal resources. These types of standards have proven suitable in other communities for establishing a system in which STRs are allowed and regulated, and the potential coastal resource impacts of their operations are clearly addressed. The City's proposed new operational and related standards can be found consistent with the above-cited LUP provisions that protect and encourage public recreational access and visitor-serving uses because they ensure that STRs will operate in a manner compatible with both the residential neighborhoods and commercial areas in which they are located, thereby ensuring their success and continued availability for the visiting public.

To address the density and amount of STRs, the City proposes a maximum of 40 non-owner-occupied STRs in the residential and commercial zoning districts (CPR1, CR1, CR2, CR3, CVS, and CC) in the coastal zone (see **Exhibit 2**). Based on information provided by the City, as of June 2019 there were approximately 70 non-owner-occupied STRs operating in the City, with 27 of those located in the coastal zone and 43 located outside the coastal zone. The City's proposed limit of 40 non-owner-occupied STRs in the coastal zone would allow for the existing 27 STRs to remain operating (assuming the owners applied for a permit) while allowing for an additional 13 non-owner-occupied STRs in the coastal zone, which represents a 50 percent increase over the number of existing non-owner-occupied STRs in the coastal zone.³ The City's coastal zone is relatively small compared to other coastal jurisdictions, and it includes about 13% of the City's residential lots.⁴ As such, the maximum of 40 non-owner-occupied STRs in the coastal zone represents about three times more STRs compared with those allowed outside the coastal zone relative to the number of residences located within and outside of the coastal zone, respectively. In addition, the proposed amendment places no limit on the number of owner-occupied STRs in the allowed zoning districts. Furthermore, the zoning districts where STRs are allowed encompass the majority of developed land in the City's coastal zone, resulting in a geographically wide and varied area for STRs. Given these points, the proposed allowance for 40 non-owner-occupied STRs and unlimited owner-occupied STRs is reasonable for Grover Beach's coastal zone.

In general, STRs are a critically important visitor-serving use in Grover Beach, particularly given that the City's small coastal zone currently contains only one motel. The proposed amendment

³ Although not part of this amendment and not relevant from a Coastal Act/LCP perspective, the City proposes to also allow up to 60 non-owner-occupied STRs outside the coastal zone (where there are currently 43 in operation), which would be a 40 percent increase over current conditions.

⁴ There are approximately 465 single-family residences, 342 multifamily residences, and 85 mobile homes in the City's coastal zone.

allows for a reasonable number of STRs (both owner- and non-owner occupied) relative to the size of the City's coastal zone and the districts where they are proposed to be allowed. The amendment provides an appropriate balance between residential and visitor uses that is consistent with the LUP's vision of maintaining and improving the City's tourism economy while supporting continued long-term residential use.

The amendment is also consistent with the LUP's mandate to protect, enhance, encourage, and provide lower-cost visitor-serving facilities because STRs (in particular owner-occupied STRs) are generally considered to be in the lower-to-medium range of affordability, and can be considered affordable in particular when considering the cost of accommodations for an entire family or multiple families that wish to share an STR. Furthermore, the proposed allowance of STRs in a variety of residential types (single-family, multi-family, mobile homes, and existing ADUs) ensures that lower-cost options for overnight accommodations will be available throughout the coastal zone.

From a land use standpoint, STRs are consistent with LUP allowances for uses that are "similar and compatible uses" to residential uses in the City's residentially-designated areas and for a "complementary range" of visitor accommodations in the commercially-designated areas. With respect to the proposed allowance for STRs in commercial zones, the LUP notes that while the CVS district west of Highway 1 includes an RV park for visitors, it also includes a mobile home park that serves only residents, and mandates that commercial visitor-serving uses be given priority over residences on lands suitable for visitor-serving commercial use. It also includes a specific policy that encourages the transition of the LeSage Mobile Home Park (located in this area west of Highway 1) to accommodate additional visitor-serving commercial businesses. The amendment directly addresses this policy mandate by allowing STRs in mobile homes and, as such, implements the LUP's vision for that site.

Finally, the City proposes to eliminate the LCP's allowance and standards for B&Bs because none exist in the City and they view an overall trend of B&Bs being essentially replaced by non-owner-occupied STRs. The proposed standards for owner-occupied STRs mimic much of what is provided for in the B&B regulations, and in fact the proposed STR regulations are less restrictive from a visitor-serving standpoint. For example, the existing B&B rules dictate that no B&B shall be located within 300 feet of another B&B, but no such distance limitations are proposed for STRs. As such, this aspect of the proposed amendment can also be found consistent with LUP requirements to protect visitor-serving uses.

In sum, the proposed STR regulations are intended to facilitate and increase the utility of STRs, and the amendment provides an opportunity to regulate them in a manner that protects public visitor-serving accommodations and access and recreational opportunities, as well as residential neighborhoods and community character, consistent with the requirements of the LUP. The City has succeeded in identifying appropriate STR regulations that address potential visitor-resident conflicts and that satisfy the sometimes competing objectives associated with facilitating public recreational opportunities near and within residential areas of the shoreline. Under the proposed rules, STRs would be expected to effectively coexist in coastal residential areas, as well as commercial areas, with better clarity on use parameters to ensure that they do not become problematic with respect to coastal resource impacts. For all the reasons discussed above, the

proposed IP amendment can be found consistent with and adequate to carry out the certified LUP.

C. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The Coastal Commission's review and development process for LCPs and LCP amendments has been certified by the Secretary of Resources as being the functional equivalent of the environmental review required by CEQA. (14 CCR Section 15251(f).) Local governments are not required to undertake CEQA environmental analysis of proposed LCP amendments (*see* Pub. Res. Code Section 21080.9), although the Commission can and does use any environmental information that the local government has developed, consistent with its CEQA requirements, in consideration of approving and certifying an LCP proposal. CEQA requires that alternatives to the proposed action be reviewed and considered for their potential impact on the environment and that the least damaging feasible alternative be chosen as the alternative to undertake.

The City of Grover Beach found that the amendment is not a project within the meaning of CEQA, under Section 15378 of the State CEQA Guidelines, and is therefore exempt from CEQA because it will not result in any direct or indirect physical changes in the environment. This report has discussed the relevant coastal resource issues with the proposal. All above findings are incorporated herein in their entirety by reference.

As such, there are no additional feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse environmental effects which approval of the amendment would have on the environment within the meaning of CEQA. Thus, the proposed amendment will not result in any significant environmental effects for which feasible mitigation measures have not been employed consistent with CEQA Section 21080.5(d)(2)(A).