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W14b

Prepared March 7, 2023 for March 8, 2023 Hearing

To: Commissioners and Interested Persons
From: Stephanie Rexing, North Central Coast District Manager
Subject: **STAFF REPORT ADDENDUM for W14b, Half Moon Bay LCP Amendment Number 2-HMB-21-0078-2 (Short Term Rentals and Home Occupations)**

In the time since the staff report for this item was published (on February 24, 2023) staff received a number of comments, including a letter from the City of Half Moon Bay requesting some clarifying edits and identifying that they still had one area of disagreement with the staff recommendation (dated March 3, 2023, and found in the correspondence package for this item). In terms of the latter, the City suggests that a maximum of 120 rental nights per year for unhosted short term rentals (STRs) in residential areas should be applied, and not the 180 rental nights per year that staff recommends. The City stated they that they felt that “a 180 night per year allowance for new unhosted STR use is excessive” and felt that some operators will find a way around the primary residence requirement (i.e., the requirement that STR operators live in the home at least half the year; a requirement that staff has adopted in its recommendation due to its importance to the City). Staff believes that allowing an STR operator the flexibility to schedule STR use times during the other roughly half the year when they are not required to live in the home is appropriate, and is an appropriate byproduct of adopting the primary residence requirement. Staff also believes that allowing a maximum of up to 180 rental nights in such cases will not have any effect on the enforcement of the primary residence requirement (i.e., there is no nexus between such allowance and the City’s stated goal of a unit being occupied by the owner for half the year). Therefore, staff continues to recommend the 180 rental night limit for such unhosted rentals, including as part of the compromise related to the primary residence requirement.

To be clear, under the staff recommendation it seems entirely unlikely that the STR market would change dramatically, particularly in terms of a marked increase as the City suggests, since it appears the market has found its current equilibrium in a time when there were no LCP regulations on STRs, and the staff recommendation would only increase the level of regulation, inclusive of a new primary residence requirement. Historically the Commission has attempted to at least maintain existing STR markets in these kinds of LCP amendments, and has looked to even provide for some limited growth. Staff believes that slightly softening proposed restrictions around allowed rental

nights in unhosted STRs is consistent with that kind of approach. In addition, staff also notes that the LCP does not need to stay this way forever. An important part of the new program under the staff recommendation is that it will allow for information to be better developed on STRs, and such information can be used to adapt the LCP as needed and necessary to help resolve any issues that might be identified moving forward. In other words, the LCP does not currently provide for any STR regulation, and some of the unknowns will become clearer as the regulations are rolled out, and further refinement could be pursued at that time. For now, it is important to provide a regulatory program within the LCP to start down that path.

The City also requested that the STR definition explicitly state that STR uses are incidental to residential uses where the primary residence requirement would apply. While staff does not believe such a statement is necessary, including as the primary residence requirement means that all such homes must be lived in by the STR operator at least half the year, staff also does not believe it alters the staff recommendation in any significant way, and can recommend a friendly suggested modification of this type (see below).

The other comments received are from members of the public or organizations who have previously commented on this ordinance, and all express varying levels of support for the staff recommendation or for the City's original proposal. Staff believes that these issues are almost all adequately addressed in the staff report without additional response. The one issue raised that staff does feel needs some clarification is related to allowing currently compliant STRs to continue operating even if they don't currently meet the primary residence requirement (estimated at about 9 such STRs by the City), an issue on which City and Commission staff had reached agreement. Staff agrees that the proposed language includes some ambiguity regarding which STRs would qualify, and worked with the City to provide a different fix with greater clarity (see below).

Thus, staff modifies the staff recommendation as shown below. Staff would note that these changes simply refine the base staff recommendation, and it continues to be a recommendation to approve with modifications. Staff believes that the result will be to at least accommodate some version of the already very small STR market (currently estimated by the City at 46 legally operating STRs), thus appropriately balancing housing needs with visitor needs. Importantly, that small market can then continue to provide for an important overnight accommodation option to those not fortunate enough to live in Half Moon Bay, including larger groups and families for which STRs provide a unique service not available through other types of accommodations such as hotels or campsites, which in some instances make such visits possible at all.

Changes to the Staff Report

The following changes are made to the staff report produced February 24, 2023. Where applicable, text in double underline format denotes text that would be added, and text shown in ~~double-strikeout~~ format denotes text that would be deleted compared to the original text in the distributed staff report:

1. Modify Suggested Modification 13 on staff report page 8 as follows:

~~Existing STVRs shall have one (1) year from the effective date of this Ordinance to come into compliance with~~ Short-term vacation rentals are not required to meet the primary residence requirement if all of the following conditions are met:-

i. The short-term vacation rental does not currently meet the primary residency requirement, and was in operation and in good standing with the City (i.e., had obtained a business license and has paid all required TOT) registered with the City as of October 14, 2022. ...

2. Modify Suggested Modification 14 on staff report pages 8-9 as follows:

"Short-term vacation rental" means a residential or mixed-use property that contains a dwelling unit or habitable portion thereof that is offered for hire for transient occupancy for periods of thirty days or less ~~as a use that is incidental to the principal residential use of a dwelling unit or property~~ as a use that is incidental to the principal residential use of a dwelling unit or property in residential zoning districts. Non-permanent housing such as for seasonal farmworker housing and short-term boarding for researchers and others employed or otherwise affiliated with agricultural uses are not short-term vacation rental ~~transient lodging~~ facilities.