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Th13b

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To: Commissioners and Interested Persons

From: Kevin Kahn, Central Coast District Manager
Sarah MacGregor, Coastal Planner

**Subject: City of Grover Beach LCP Amendment Number LCP-3-GRB-24-0009-1
(Short-Term Rentals)**

SUMMARY OF STAFF RECOMMENDATION

The City of Grover Beach is proposing to modify Local Coastal Program (LCP) Implementation Plan (IP) provisions related to short-term rentals (STRs). The Commission initially approved the LCP's STR provisions in 2019, providing for, among other things, a cap of 40 non-owner occupied (or 'unhosted') STRs and no cap on owner occupied (or 'hosted') STRs in the City's coastal zone, as well as a series of 'good neighbor' operational requirements. The Commission found at that time that the proposed amendment struck a good balance between providing visitor-serving accommodations while ensuring the number of STRs is not burdensome on housing stock or community character in the City.

While the overall STR program has worked well in its 5 years of operation, the proposed amendments seek to make certain changes to reflect lessons the City has learned for better implementation of the LUP and its goals. The City is not proposing to change the amount of allowed STRs in the coastal zone, but rather the types of units within which such STRs may operate (i.e., prohibiting them within all single room occupancy facilities, two-unit housing development projects, urban lot split projects, ADUs, and JADUs). In terms of ADUs, the LCP currently allows STRs in certain ADUs, but the proposed amendment would prohibit renewal of all active STR permits within ADUs (and in any residential units established under SB 9). The intent of these proposed changes is both to ensure consistency with State housing law (which requires ADUs to be rented for at least 30 days¹) as well as to reserve these forms of housing for longer-term housing purposes. In other words, these special housing types are meant to facilitate increased housing – and increased 'more affordable by design housing' – in the coastal zone, and prioritizing them for that purpose, and guarding against their conversion to other types of uses, strikes an appropriate balance. The City found that doing so will also help them contribute to the State and City goal of preserving and

¹ California Government Code Section 65852.2.e.4.

providing housing while still allowing for a modest – albeit more limited than currently allowed by the LCP – STR market at the same time.

The LCP's Land Use Plan (LUP), which serves as the standard of review for this proposed amendment, generally mirrors the Coastal Act in terms of placing a high priority on visitor-serving uses, including ensuring sufficient overnight accommodations for those not fortunate enough to live in the coastal zone, but to provide such uses in a manner that respects communities and neighborhoods, including in terms of the need to maintain their proper functioning with housing and other community goods and services. Finding this balance has been the Commission's overall reviewing lens for proposed STR provisions. And under that lens, staff concurs with the City's assessment.

In sum, the proposed amendment should only improve the LCP's STR framework and meet the dual City objectives of accommodating both overnight accommodations and longer-term housing, consistent with the requirements of the LUP. Staff thus recommends that the Commission find the proposed amendment consistent with and adequate to carry out the policies of the LUP, and that the Commission approve the amendment as submitted. The motion and resolution are found on page 4 below.

Staff Note: LCP Amendment Action Deadline

This proposed LCP amendment was filed as complete on March 21, 2024. The proposed amendment affects the LCP's IP, and the 60-working-day action deadline is June 17, 2024. Thus, unless the Commission extends the action deadline (it may be extended by up to one year), the Commission has until June 17, 2024 to take a final action on this LCP amendment.

Therefore, if the Commission fails to take a final action in this case (e.g., if the Commission instead chooses to postpone/continue LCP amendment consideration), then staff recommends that, as part of such non-final action, the Commission extend the deadline for final Commission action on the proposed amendment by one year. To do so, staff recommends a YES vote on the motion below. Passage of the motion will result in a new deadline for final Commission action on the proposed LCP amendment. The motion passes only by an affirmative vote of a majority of the Commissioners present.

Alternate Time Extension Motion: I move that the Commission extend the time limit to act on City of Grover Beach Local Coastal Program Amendment Number LCP-3-GRB-24-0009-1 to June 17, 2025, and I recommend a yes vote.

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EXHIBITS

Exhibit 1: Proposed IP Amendment (shown in strikethrough and underline)

1. MOTION AND RESOLUTION

Staff recommends that the Commission, after public hearing, **certify the proposed LCP amendment as submitted**. The Commission needs to make one motion in order to act on this recommendation, and staff recommends a **NO** vote on the motion below. Failure of this motion will result in certification of the Implementation Plan 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 to Certify: *I move that the Commission reject Implementation Plan Amendment LCP-3-GRB-24-0009-1 as submitted by the City of Grover Beach, and I recommend a **no** vote.*

Resolution to Certify: *The Commission hereby certifies Implementation Plan Amendment LCP-3-GRB-24-0009-1 for the City of Grover Beach and adopts the findings set forth below on the grounds that the amended Implementation Plan conforms with, and is adequate to carry out, the provisions of the certified Land Use Plan. Certification of the amended Implementation Plan 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 amended Implementation Plan on the environment, or 2) there are no further feasible alternatives and mitigation measures that would substantially lessen any significant adverse impacts on the environment.*

2. FINDINGS AND DECLARATIONS

A. Proposed LCP Amendment Description

Currently, short-term rentals, or STRs, in the City are regulated by a series of provisions that were initially approved by the Commission in September of 2019. That amendment was the culmination of a local public process that sought to develop regulations that appropriately balance residential, and visitor-serving uses consistent with the LCP's vision of maintaining and improving the City's tourism economy while supporting continued longer-term residential use. STRs are currently allowed in all residential and commercial zoning districts² up to a cap of 40 non-owner occupied STRs in the coastal zone and no cap on owner occupied units.³ The standards also set maximum occupancy, parking requirements, and regulations for the application and issuance of STR permits.

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).

³ The LCP defines a non-owner occupied short-term rental as one in which the owner does not reside in the residence during the time a renter is occupying the residence, often referred to as an unhosted rental. Owner occupied short-term rental is defined as a short-term rental in which the owner resides on the property during the time a renter is occupying the residence, often referred to as a hosted rental.

The proposed changes primarily stem from feedback received by the community since the ordinance's enactment with the intent to better implement the STR program in the City. The proposed amendment would not change the number of STR permits allowed in the City but would rather prohibit STRs in all single room occupancy facilities, two-unit housing development projects, urban lot splits, ADUs, and JADUs. Additionally, based on STR permittee feedback, the City is proposing a change in the response time for the local contact person from 30 to 45 minutes.⁴ The amendment will also remove language which requires unpermitted operators to apply for an STR permit since all operators have either complied with the STR ordinance or they no longer operate an STR. And the amendment will allow STR permits to be revoked if the property is not able to provide adequate onsite parking, or changes to the property have occurred that would prevent ingress/egress. And finally, the amendment would add a new section to address the continued operation of any legally established STR that may become non-compliant with the proposed amendment or any future amendments to the STR ordinance. This language would serve to prohibit renewal of all active STR permits within ADUs and would prohibit the renewal of permits for STRs operating within a residential development project established under SB 9.⁵

See **Exhibit 1** for the proposed amendment text.

B. Proposed LCP Amendment Consistency Evaluation

Standard of Review

The proposed amendment affects the LCP's IP, and the standard of review for IP amendments is that they must conform with and be adequate to carry out the policies of the certified LUP.

Applicable Land Use Plan Policies

The Grover Beach LUP requires that commercial visitor-serving uses be given priority over residential use in areas that are suitable for it and encourages lodging related uses. Applicable LUP policies include:

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*

⁴ As proposed, the local contact person must be able to be present at the short-term rental within 45 minutes of receiving a complaint at all times the short-term rental is operational.

⁵ California Government Code Sections 65852.21 and 66411.7.

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. ...

In short, the LUP generally mirrors the Coastal Act in terms of placing a high priority on visitor-serving uses, including ensuring sufficient overnight accommodations for those not fortunate enough to live in the coastal zone, but to provide such uses in a manner that respects communities and neighborhoods, including in terms of the need to maintain their proper functioning with housing and other community goods and services. Finding this balance has been the Commission's overall reviewing lens for proposed STR provisions, including in Grover Beach.

Consistency Analysis

While the overall STR program has worked well in its 5 years of operation, the proposed amendments seek to make certain changes to reflect lessons learned for better implementation. As previously stated, the City is not proposing to change the amount of allowed STRs in the coastal zone,⁶ but rather the types of units within which such STRs may operate (i.e., prohibiting them within all single room occupancy facilities, two-unit housing development projects, urban lot splits, ADUs, and JADUs). In terms of ADUs, the LCP currently allows STRs in certain ADUs,⁷ but the proposed amendment would serve to prohibit renewal of all active STR permits within ADUs (and residential units established under SB 9). The intent of these proposed changes is both to ensure consistency with State housing law (which requires ADUs to be rented for at least 30 days⁸) as well as to reserve these forms of housing for longer-term housing purposes. In other words, these special housing types are meant to facilitate increased housing – and increased 'more affordable by design housing' – production in the coastal zone, and prioritizing them for that purpose, and guarding against their conversion to other types of uses, strikes an appropriate balance. The City found that doing so will also help them contribute to the State and City goal of preserving and providing housing while still allowing for a modest – albeit more limited than currently allowed by the LCP – STR market at the same time.

⁶ Which will remain at 40 non-owner occupied ones (unhosted) and unlimited owner-occupied ones (hosted). Prior to the adoption of the LCP's STR provisions in 2019, the City determined that there were approximately 27 non-owner occupied STRs operating in the coastal zone. Based on this information, the City determined that establishing a cap of 40 non-owner occupied STRs would allow all STRs to continue operating, assuming the operator chose to apply for an STR permit, and would allow for a 50% increase in the number of STRs. The Commission found, in its 2019 approval, that this proposed cap struck that appropriate balance between providing visitor-serving overnight accommodations while ensuring the number of STRs is not burdensome on the housing stock or community character in the City.

⁷ STRs are currently allowed in ADUs that were constructed prior to adoption of the original STR ordinance.

⁸ California Government Code Section 65852.2.e.4.

Lastly, with respect to the other proposed changes, these too can be found LUP consistent. The proposed change to the response time for the local contact person from 30 to 45 minutes is intended to provide greater flexibility for where the local contact person can live and is not expected to have an impact on coastal resources. Furthermore, removal of language that requires unpermitted operators to apply for an STR permit is appropriate as that language is no longer relevant since all operators have either complied with the LCP's STR provisions or they no longer operate an STR. Additionally, the change to allow for the revocation of an STR permit if the property is not able to provide adequate onsite parking, or changes to the property have occurred that would prevent ingress/egress, will ensure all STRs meet the existing parking requirements and will not impact coastal resources.

In sum, the proposed amendment seeks to better implement the City's existing STR program by ensuring protection of the City's housing stock and maintaining consistency with State housing laws while ensuring protection of visitor-serving accommodations and access to recreational opportunities in the City, as is the requirement of the LUP. Thus, the proposed IP amendment will not adversely affect coastal resources and can be found consistent with and adequate to carry out the certified LUP.

C. California Environmental Quality Act (CEQA)

CEQA Section 21080.5(d)(2)(A) prohibits a proposed LCP or LCP amendment from being approved if there are feasible alternatives and/or feasible mitigation measures available that would substantially lessen any significant adverse effect that the LCP or LCP amendment may have on the environment. Although local governments are not required to satisfy CEQA in terms of local preparation and adoption of LCPs and LCP amendments, many local governments use the CEQA process to develop information about proposed LCPs and LCP amendments, including to help facilitate Coastal Act review. In this case, the City exempted the proposed amendment from environmental review (citing CEQA Section 15378(b)(5), and concluding that the proposed action does not qualify as a project within the CEQA definition).

The Coastal Commission is not exempt from satisfying CEQA requirements with respect to LCPs and LCP amendments, but the Commission's LCP/LCP amendment review, approval, and certification process has been certified by the Secretary of the Natural Resources Agency as being the functional equivalent of the environmental review required by CEQA (CCR Section 15251(f)). Accordingly, in fulfilling that review, this report has discussed the relevant coastal resource issues with the proposal, has addressed all comments received, and has concluded that approval of the proposed LCP amendment is not expected to result in any significant environmental effects, including as those terms are understood in CEQA.

Accordingly, it is unnecessary for the Commission to suggest modifications (including through alternatives and/or mitigation measures) as there are no significant adverse environmental effects that approval of the proposed amendment would necessitate. Thus, the proposed amendment will not result in any significant adverse environmental effects for which feasible mitigation measures have not been employed, consistent with CEQA Section 21080.5(d)(2)(A).