



# City Council Agenda Report

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Subject: Second Annual Status Report on the Implementation of Ordinance 1082 Regulating Short-Term Rentals in all Zoning Districts

Date: October 19, 2021

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## Facts

1. Short-term rentals (also known as “vacation rentals”) refer to the practice of renting rooms or houses for a period of 27 days or less.
2. The City’s process of evaluating short-term rentals began in 2015 and involved a significant public participation process with 35 separate public meetings:

Public Workshops:	2 meetings
Short-term Rental Task Force #1:	9 public meetings
Short-term Rental Task Force #2:	8 public meetings
Planning Commission:	6 public meetings
City Council:	10 public meetings
3. The adopted Short-Term Rental Ordinance included recommendations from the Short-Term Rental Task Force, Planning Commission, City Council, and public testimony.
4. On August 6, 2019, the City Council adopted [Ordinance 1082](#), a Zoning Code amendment modifying Sections 21.23A.010, 21.23A.020, 21.23A.030, and 21.23A.050, repealing Sections 21.15.210, 21.15.220, 21.15.230, and 21.15.240 of Chapter 21.15, and adding Chapter 21.34 to the Paso Robles Municipal Code regarding short-term rentals.
5. The City Council also approved City Council Resolution 19-077 which established numeric limits on short-term rental permits and establishing procedures for grandfathering existing short-term rentals.
6. The ordinance includes:
  - Capping the maximum number of non-hosted short-term rentals in the R-1 District at 75 permits.
  - Capping the maximum number of non-hosted short-term rentals citywide at 325 permits.
  - Grandfathering all short-term rental business licenses submitted on or before July 16, 2019 for the purposes of issuing 3-year short-term rental permits.
  - Parking and occupancy limitations.
  - Minimum separation distance of 100 feet between new non-hosted short-term rental permits in the R1 zone.
  - **August 16, 2022 is the sunset date for the entire ordinance, at which point short-term rental regulations and permitting expire (Section 21.34.070).**
7. As of October 9, 2019, the City received 126 grandfathered non-hosted accommodation short-term rental permit applications in the R1 district, which left no non-hosted permits remaining in the R1 district.
8. In June 2021, the City reached the 325-permit capacity for citywide non-hosted short-term rentals permits. The City has initiated two different wait lists. One for those wishing to obtain a non-hosted permit in the R1 zone and one for all other zones. The City will need to wait for the number of non-hosted permits in the R1 zone to fall below 75 before we can start issuing permits to the wait list designated to the R1 zones. The current number of approved non-hosted short-term rental permits in the R1 district is 110.
9. Current non-hosted wait lists as of September 1, 2021

- R1 Zone, Non-Hosted: 16 (number of approved permits must first fall below 75)
  - Other Zones, Non-Hosted: 7
10. As of September 1, 2021, the city has collected the following in application fees:
    - 329 non-hosted applications (329 x \$550 = \$180,950 in permit fees)
    - 41 1-bedroom home-share applications (41 x \$300 = \$12,300 in permit fees)
    - 28 2+ bedroom home-share applications (28 x \$550 = 15,400 in permit fees)
    - 398 Total applications, Total permit fees collected = \$208,650
  11. The City has contracted with Host Compliance to monitor the short-term rental permits within the City to ensure each listing is obtaining a short-term rental permit. Host Compliance is also providing a 24-hour hotline to assist in taking in complaints that come in after hours. The approved annual contracted services are attached (see attachment 2) and breaks down as follows:
    - Address Identification \$15,840
    - Compliance Monitoring \$5,903
    - 24/7 Hotline Service \$4,723
    - **Total Annual Host Compliance Contract \$26,466**
  12. The Host Compliance hotline has received 93 calls reporting complaints since initiation of service in November 2019, the nature of the complaints generally involves noise and parking.
  13. Staff has spent the following time on Short-Term Rental applications and complaints:
    - 398 Permit Applications x 1 hour staff time (398 hours x \$180) = \$71,640
    - 93 Complaint Hotline Calls x 1 hour staff time (93 hours x \$180) = \$16,740
    - **Total estimate of staff costs incurred - \$88,380**
  14. The California legislature has recently adopted several bills to promote the construction of long term housing and increase the amount of affordable housing in the state,. AB881 was enacted January 1, 2020, making it easier to construct an accessory dwelling unit (ADU). SB-9, which takes effect January 1, 2022, will allow lot splits and two-unit projects by right in single-family zoning districts. These enactments acknowledge the negative impact that short-term rentals can have on the long-term rental market. SB 9 requires municipalities to prohibit short-term rentals in any dwelling created under SB 9. The new laws governing accessory dwelling unit development allow municipalities to prohibit short-term rentals in accessory dwelling units and junior accessory dwelling units.
  15. Based on the owner's mailing address submitted with each application, approximately 46% of the applicants for a non-hosted accommodation permit live outside City limits. Of these, 75% are from outside the county. (54% in Paso Robles. 12% in SLO County outside Paso Robles. 34% outside SLO County)

### Public Outreach

The following outreach was conducted to notify the public and stakeholders of this status report:

- Letters mailed to current short-term rental permit holders and their agents,
- Email notification to the current short-term rental applicants and neighbors who have voiced complaints,
- Email notification to the 2019 Short-Term Rental Task Force and interested parties of the task force,
- Social media postings to the Facebook and Next Door apps, and
- Press Release.

### Options

1. Receive and file – no action This would result in the STR Ordinance expiring on August 16, 2022 and the City rely upon State law to regulate any new STR applications.
2. Direct staff to prepare an extension of Ordinance 1082 beyond its August 16, 2022 sunset date and continue to work with Host Compliance to increase compliance with the Ordinance.

3. Provide alternative direction to staff on any changes or updates to the process or requirements. Changes to the short-term rental ordinance would need to be formally noticed and then considered at a future public hearing.

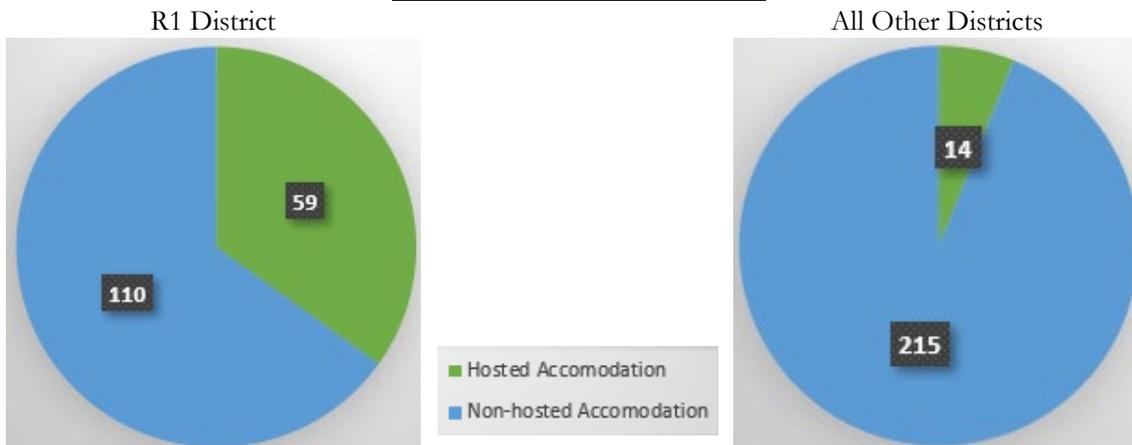
### **Analysis and Conclusion**

#### Ordinance Review

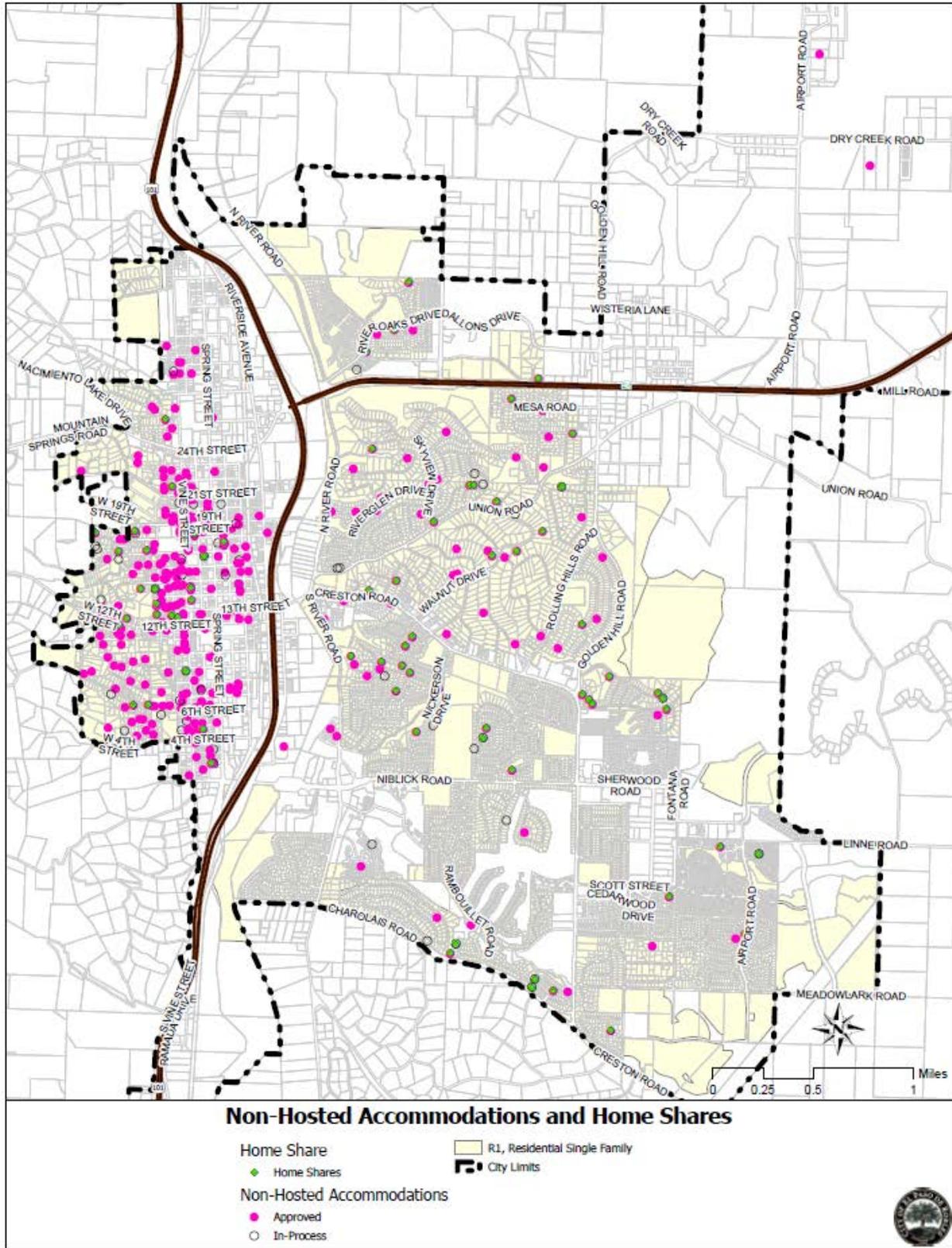
Since adoption of the short-term rental ordinance, staff worked diligently to review all permits and establish services with Host Compliance, now a subsidiary of Granicus. In June 2021, the City issued the 325<sup>th</sup> non-hosted short-term rental permit, reaching the maximum allowed number of permits. Staff is keeping two waiting lists for homeowners wishing to receive a new non-hosted permit: 1) in the R1 zone, and 2) in all other zones. As homes sell, or owners choose to close their short-term rentals, staff is able to offer permits to those on the wait list.

There are currently 325 non-hosted accommodation permits and 73 home share permits in the City, distributed as shown in the following charts and map

#### **Permitted Short-Term Rentals**



Map of Short-Term Rentals in the City  
**City of Paso Robles**

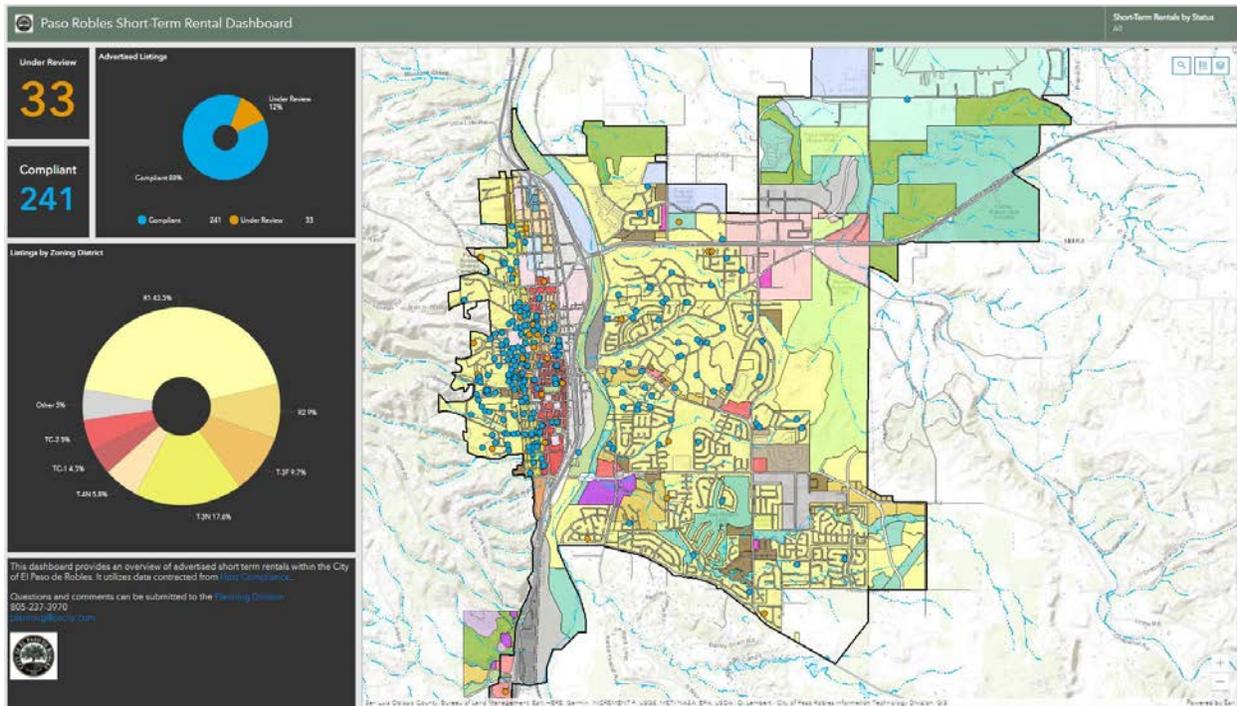


## Short-Term Rental Dashboard

In response to feedback received from City Council during the first annual short-term rental update, staff has worked to create a short-term rental dashboard. The dashboard is updated monthly and provides an overview of the number of permits currently advertised as well as those that are under review. The interactive map allows the public the ability to obtain detailed information on each listing. The dashboard is available on the City website on the short-term rental page (<https://www.prcity.com/847/Short-Term-Rental>).

### Screenshot of the Short-Term Rental Dashboard

<https://prcity.maps.arcgis.com/apps/dashboards/b7b4699ab21b44739d6f5510a2067f93>



## Compliance Monitoring

The STR requires that the City shall establish and maintain a non-emergency hotline telephone number for the express purpose of receiving complaints regarding the operation of any short-term rental property. Complaints are to be forwarded to both the owner and/or authorized agent if any or if necessary, the Paso Robles Police Department.

City Council [Resolution 19-094](#) approved a contract with Host Compliance, a firm located in Seattle Washington, for providing compliance services. Host Compliance provides the City with:

- A 24-hr hotline to receive complaints
- Tracking of complaints received
- Monitoring of the number of compliant and non-compliant short-term rental properties
- The ability to provide pro-active and systematic outreach to unpermitted and/or illegal short-term rental operators

The number of complaints the City and hotline received escalated each year as summer approached. The warm weather along with the restrictions on hotel and community pools due to Covid-19 appeared to make short-term rentals with pools even more desirable. Multiple complaints have been received regarding daytime and nighttime noise from short-term rental swimming pools. However, they indicate the noise nuisance primarily occurs during daytime hours when guests are using the pool. Callers indicate that the noise is greatly disrupting their neighborhoods. Short-term rentals with swimming pools tend to create noise complaints,

however, the majority of the time they do not violate the noise ordinance. Staff continues to work with both the reporting parties and homeowners to remedy each situation.

The STR Ordinance provides that each time a complaint is received by the hotline the following actions should be taken:

- The Owner or Authorized Agent shall resolve the complaint within thirty (30) minutes of being notified of a complaint by the Hotline.
- The Owner or Authorized Agent shall notify the Hotline attendant of the corrective action taken and results obtained within thirty (30) minutes of being notified of a complaint by the Hotline.
- If the Owner or Authorized Agent believes the situation is un-safe, they shall immediately contact the Police Department for assistance. Proactively contacting the Police Department for assistance will not be counted as a permit violation.

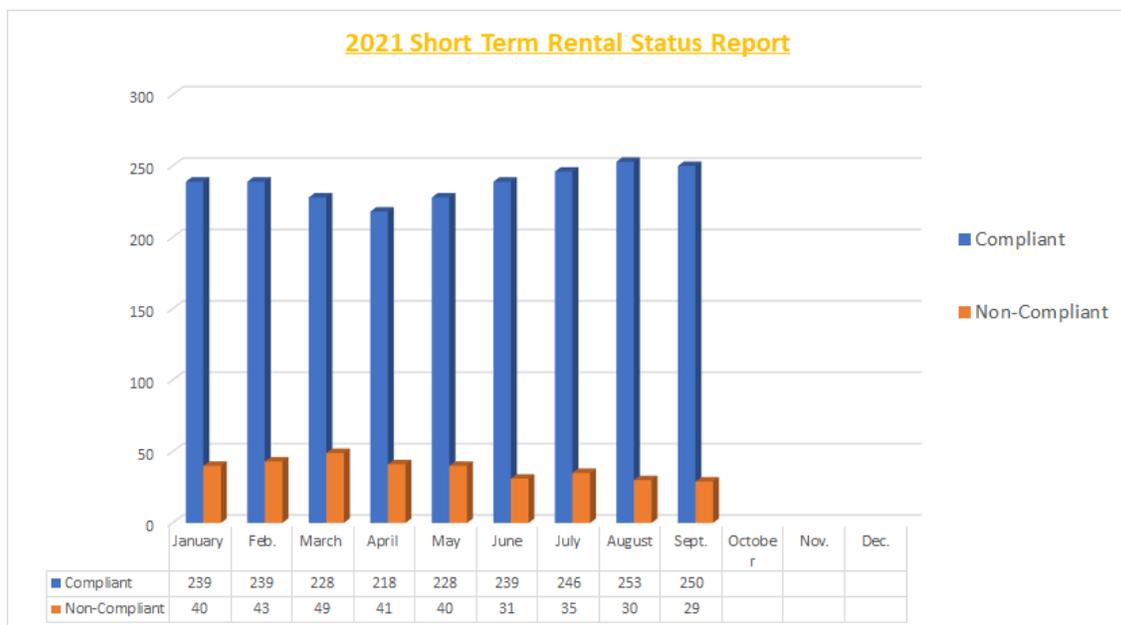
The STR Ordinance provides an escalating process for addressing violations of the Ordinance with penalties ranging from administrative citations, revocation of permit, to criminal prosecution.

Violations are defined as follows:

- Permittee provided materially false or misleading information in any submittal required under this Chapter;
- the Permittee has committed a total of three (3) violations of a combination of any of the violations specified in Section 21.34.060.B within any 365-day period;
- the Permittee fails to maintain an active business license tax certificate per Chapter 5.04

Any enforcement action of the Director may be appealed to the Planning Commission by the applicant or any interested party.

Staff has been working with Host Compliance in a pro-active and systematic outreach to unpermitted and/or illegal short-term rental operators. Host Compliances technology for identifying properties currently advertising a short-term rental without a permit allows for automated notification to homeowners of the permit process. The City has now sent multiple 1<sup>st</sup> and 2<sup>nd</sup> warning letters to homeowners advising of the permit process, each outreach resulted in approximately half of the property owner’s either removing their listings or applying for a short-term rental permit.



### Effect of Short-Term Rentals on Housing Affordability

Current online listings indicate short-term rental nightly rates charged in Paso Robles exceed the rate a typical property owner can charge a long-term tenant, especially on the west side of Paso Robles, nearest to the downtown where the largest concentration of short-term rentals are located. The Short-Term Rental Ordinance encourages short-term rentals to locate in the “T” zones, where much of this older housing stock is located.

Citywide, there are approximately 12,775 housing units in Paso Robles, 325 of which are now permitted non-hosted accommodations, which is 2.5% of the residences in town. Very roughly, there are approximately 4,000 residential units on the west side and 243 approved non-hosted accommodations. Approximately 6% of all west side homes are now non-hosted short-term rentals. Forty-six percent of non-hosted accommodations are owned by persons living outside the City of Paso Robles.

In 2019, the Council set caps for the number of short-term rentals at 325 units to be allowed in the City in part to minimize neighborhood conflicts, but also to balance the economic desire for short-term rentals and the need for housing.

### Ordinance 1082 Implementation Issues

In the past year, staff has identified the following issues that have arose from the short-term rental ordinance that the City Council may want to consider:

1. Resolving neighbor complaints surrounding daytime noise. Short-term rentals with swimming pools have been a source of unusually high neighbor complaints/calls. While the owners and agents of these homes have been responsive to each complaint that comes in, the daytime noise continues to be a concerns. Since short-term rental are subject to the standard City noise ordinance, daytime use of swimming pools does not violate any City standards.
2. PRMC 21.34.020 defines a “Home Share” as “a short-term rental structure in which the owner both resides and remains during the time a renter is occupying the short-term rental unit”. Staff has received requests to issue home-share permits in which a designated agent (not the owner) resides on-site. Staff has interpreted the definition of a home share not to allow this arrangement and requires homeowners reside on-site while renting and provide proof that the home is their primary residence.
3. Staff has received requests to transfer a property’s position on a waitlist to another property. Staff is maintaining that a position on the waitlist is associated with the parcel not the property owner and therefore is not allowing them to be transferred.
4. Short-term Rental Ordinance 1082 has a sunset clause and expires three (3) years from the effective date unless the City Council conducts a review of its provisions and either extends or amends the Short-Term Rental Ordinance. Unless extended or amended the Ordinance would expire on August 6, 2022. If the Ordinance expires all the City regulations and permitting for short-term rental would end.

### Recommendation

#### **Option 2 consisting of the following actions:**

- A. Direct staff to prepare an extension of Ordinance 1082 beyond its August 16, 2022 sunset date; and
- B. Direct staff to continue working with Host Compliance in increase Ordinance 1082 compliance monitoring and sending letters to notify properties who are not in compliance. This includes properties that have not applied for a permit as well as those who may be advertising their permitted listing for an incorrect occupancy than what the Ordinance allows.

### **Fiscal Impact**

The city has received a total of approximately \$217,500 in permit application fees to-date. COVID-19 significantly affected short-term rentals in 2019-20, however, the City realized a significant turnaround in 2020-21 on short-term rental Transient Occupancy Tax (TOT) collected. As of June 2021, the monthly TOT

received by short-term rentals had increased 76% from the previous year (see attachment 2, short-term rental TOT Chart) from \$517,801 to \$911,543.

Below are the estimated costs incurred-to-date to manage the Short-term Rental program. The City is contracted with Host Compliance for a 3-year term with a cost of approximately \$26,500 per year (two years of expenses incurred-to-date). Additionally, the staff time incurred does not include responding to general inquiries or working with Host Compliance on establishing compliance monitoring.

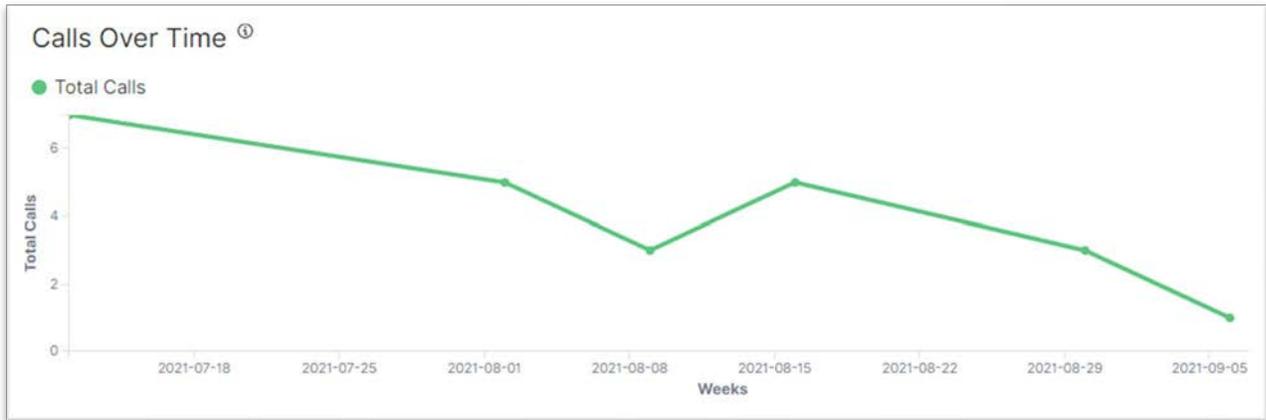
	<u>Cost-to-Date</u>
Host Compliance	
24/7 Hotline	\$9,446
Address Identification	\$31,680
Compliance Monitoring	<u>\$11,806</u>
Total Host Compliance	<u>\$52,932</u>
Staff Time	
398 Permit Applications @ 1 hour staff time	\$71,640
93 Complaint Hotline Calls @ 0.5 hour staff time	<u>\$8,370</u>
Total Staff Time	<u>\$80,010</u>
Total Costs Incurred-to-Date	<u>\$132,942</u>

**Attachments**

1. Host Compliance Complaint Dashboard
2. Short-Term Rental TOT Collections

# Attachment 1

## Host Compliance Complaint Dashboard (9/01/2021)



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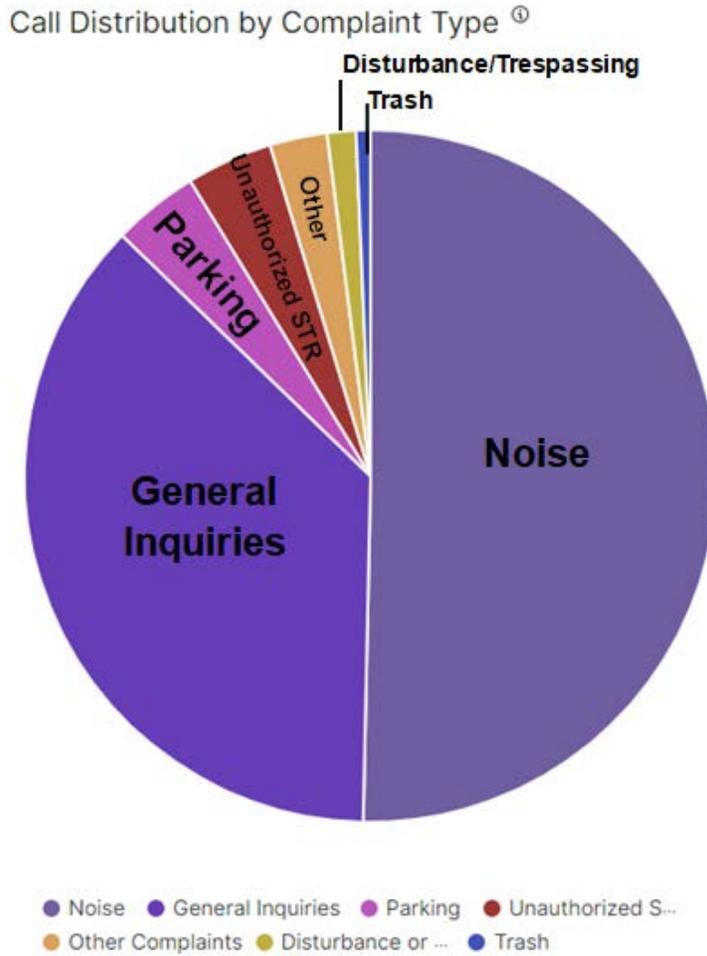
**5**  
Calls in the Past 30 Days

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**149**  
Total Calls All Time

# Attachment 1



The below calls per address also represent homeowners and/or agents calling in to report that a complaint was resolved as well as “test” calls being done by agents to make sure the hotline was working correctly.

## Complaints by Address <sup>①</sup>

Address <sup>⚙</sup>	Number Of Calls <sup>⚙</sup>
405 Peachtree , Paso Robles, California	30
819 Marl Bank Place, Paso Robles, California	16
1048 Vista Grande St. , Paso Robles, California	12
262 James St., Paso Robles, California	8
51 Ridgeview Dr, , Paso Robles, CA	4
1000 Spring St, , Paso Robles, CA	4
416 Peach Tree Lane, Paso Robles, California	3

# Attachment 2

**TOT Revenues by Source**

	2016-17	2017-18	2018-19	2019-20	2020-21
Hotels/RV's	5,040,709	5,158,260	5,633,646	4,521,744	6,091,823
STR	365,731	491,017	614,929	517,801	911,543
Total	5,406,440	5,649,277	6,248,575	5,039,545	7,003,366

**STR Revenues by Month**

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	34,901	26,380	29,805	36,516	32,921	20,955	16,779	18,011	28,253	33,140	42,012	46,056
2017-18	54,146	31,872	41,742	47,773	42,269	34,846	18,657	23,456	39,500	46,706	49,911	60,141
2018-19	68,057	50,639	52,467	55,671	56,081	39,720	24,661	34,732	45,446	51,358	62,407	73,690
2019-20	85,408	65,833	59,583	69,420	65,503	46,955	34,464	34,850	19,659	2,987	13,466	19,673
2020-21	83,191	90,251	80,259	86,919	83,314	35,312	22,157	40,496	67,224	96,659	105,740	120,022

**STR Revenues Accumulated by Month**

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2016-17	34,901	61,281	91,086	127,602	160,524	181,479	198,258	216,269	244,522	277,662	319,674	365,731
2017-18	54,146	86,018	127,760	175,533	217,801	252,648	271,305	294,761	334,261	380,966	430,877	491,017
2018-19	68,057	118,696	171,163	226,834	282,915	322,635	347,296	382,028	427,474	478,832	541,239	614,929
2019-20	85,408	151,241	210,824	280,243	345,747	392,701	427,165	462,015	481,674	484,661	498,127	517,801
2020-21	83,191	173,441	253,700	340,619	423,933	459,246	481,402	521,899	589,122	685,781	791,521	911,543
Increase from PY	-2.6%	14.7%	20.3%	21.5%	22.6%	16.9%	12.7%	13.0%	22.3%	41.5%	58.9%	76.0%

