



## MEMORANDUM

**TO:** City Council

**FROM:** Brian Pedrotti, Community Development Director

**BY:** Patrick Holub, Associate Planner

**SUBJECT:** Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding Short Term Rentals (Vacation Rentals and Homestays); Development Code Amendment 22-002

**DATE:** October 11, 2022

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### **SUMMARY OF ACTION:**

Adopt an Ordinance to amend regulations related to short term rentals.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

In accordance with Chapter 3.24 of the Arroyo Grande Municipal Code (AGMC), Short Term Rentals are required to pay the City's transient occupancy tax (TOT) in the amount of 13.5% of the rent charged by the operator, 10% of which is retained by the City, 2% is provided to the Arroyo Grande Tourism Business Improvement District (AGTBID), and 1.5% is provided to the San Luis Obispo County Tourism Marketing District (SLOTMD) (Visit SLO Cal). The City received an estimated \$150,000 in FY 2021-22 in TOT from Short Term Rentals.

### **RECOMMENDATION:**

Adopt an Ordinance amending Title 16 of the AGMC regarding short term rentals.

### **BACKGROUND:**

On October, 12, 2021, the City Council directed staff to bring a discussion item related to short term rentals due to the proliferation of rentals within the City. On March 22, 2022, the City Council conducted a study session to identify future potential changes to the ordinance. Based on the recommendations from this study session, a draft Ordinance was presented to the Planning Commission on August 2, 2022. Additional recommendations were made at that meeting, which were incorporated into an updated draft ordinance that was presented for introduction by the City Council on September 13, 2022. During the introduction meeting on September 13, 2022, the City Council recommended additional changes to the draft Ordinance. The hearing to introduce the

**Item 8.h.**

## **City Council**

### **Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding Short Term Rentals (Vacation Rentals and Homestays); Development Code Amendment 22-002**

**October 11, 2022**

**Page 2**

proposed Ordinance was continued to September 27, 2022. During the introduction hearing on September 27<sup>th</sup>, the City Council modified the proposed ordinance to require permit revocation proceedings to be commenced if an STR operator does not remit a minimum amount of TOT every six months equivalent to the average of all active STRs from the previous fiscal year. The modified ordinance was then introduced by unanimous vote of the three City Council Members who participated in the item.

Minutes from the October 12, 2021 City Council meeting are included as Attachment 2. Minutes, staff reports and attachments for the March 22, 2022 City Council, August 2, 2022 Planning Commission meeting, September 13, 2022 City Council meeting and September 27, 2022 City Council meeting are included as Attachments 3 through 6.

#### **ANALYSIS OF ISSUES:**

The Ordinance is now ready for adoption. The updated regulations for short term rentals will become effective thirty (30) days after adoption. These updated regulations, including requirements to submit minimum amounts of TOT every six months, will only apply to approvals granted after the Ordinance becomes effective and will not apply to existing permitted rentals. Staff will return to the Council with a status update regarding the number of permitted and unpermitted vacation rentals six (6) months after the Ordinance becomes effective.

#### **ALTERNATIVES:**

1. Adopt the Ordinance as proposed;
2. Direct staff to make additional changes to the proposed Ordinance and to schedule a hearing to reintroduce the modified Ordinance at a future City Council meeting;  
or
3. Provide other direction to staff.

#### **ADVANTAGES:**

Adoption of the Ordinance will allow City staff to more easily regulate short term rentals, ensure that rentals are remitting TOT, and address community concerns related to the rentals.

#### **DISADVANTAGES:**

Adoption of the draft Ordinance will render a number of existing approvals legally non-conforming.

#### **ENVIRONMENTAL REVIEW:**

In compliance with the California Environmental Quality Act (CEQA), the Community Development Department has determined that the adoption of an ordinance to implement

**Item 8.h.**

**City Council**

**Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding Short Term Rentals (Vacation Rentals and Homestays); Development Code Amendment 22-002**

**October 11, 2022**

**Page 3**

amendments to the short-term rental regulations is categorically exempt from CEQA pursuant to Section 15305 – Minor Alterations in Land Use Limitations.

**PUBLIC NOTIFICATION AND COMMENTS:**

A summary of the Ordinance was published in The Tribune on October 5, 2022, pursuant to State law. The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. Proposed Ordinance
2. Minutes from the October 12, 2021 City Council meeting
3. Minutes, staff report and attachments from the March 22, 2022 City Council meeting
4. Minutes, staff report and attachments from the August 2, 2022 Planning Commission meeting
5. Minutes, staff report and attachments from the September 13, 2022 City Council Meeting
6. Draft Minutes, staff report, and attachments from the September 27, 2022 City Council meeting