



Council Agenda Report

From: Ty Lewis, City Manager

Subject: Reduction of Short-Term Rental Wait Lists

CEQA Determination: The City finds that this action is categorically exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines §§ 15305 pertaining to minor alterations of land use limitations, and 15378(b)(5), continued administrative activities and organization activities that will not result in a direct or indirect physical change in the environment.

Date: December 5, 2023

Facts

1. On August 6, 2019, the City Council adopted Ordinance 1082, regulating short-term rentals ("Short Term Rental Ordinance").
2. Concurrent with the Short-Term Rental Ordinance, the City Council approved Resolution 19-077, which in part established numerical limits for non-hosted short-term rental.
3. On October 9, 2019, the City reached the R1 numerical limit of 75 non-hosted short-term rental permits, and on May 24, 2021, the City reached the citywide numerical limit of 325 non-hosted short-term rental permits.
4. The City maintains two waiting lists for those interested in obtaining a permit for a non-hosted short-term rental: there are 44 applications on the R1 waitlist; and 44 applications on the citywide waitlist.
5. Amendments to short-term rental policies and procedures are categorically exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines §§ 15305 pertaining to minor alterations of land use limitations, and 15378(b)(5), continued administrative activities and organization activities that will not result in a direct or indirect physical change in the environment.
6. During the October 17th City Council meeting, Mayor Pro Tem Gregory requested that staff return with an agenda item addressing short term rental permit waitlists.

Community Outreach

The City conducted extensive community outreach to formulate the Short-Term Rental Ordinance including the formation of two Short-Term Rental Advisory Committees, and multiple informational meetings and public hearings at the Planning Commission and City Council. Between 2015 and 2019, the City conducted 35 public meetings evaluating short-term rentals. In addition, the City Council heard annual updates on the short-term rental program in 2020, 2021, and 2022.

Options

1. Take no action;
2. Direct staff to prepare, and return to the City Council with Municipal Code amendments and resolutions necessary to eliminate future short term rental permit transfers within T-zones; decline renewal of inactive short-term rental permits, upon expiration; and/or increase the number of non-hosted STR permits within respective zones.

3. Provide alternative direction to staff.

Analysis and Conclusions

Existing Short-Term Rental Program

The current Paso Robles short-term rental program was adopted by the City Council based on recommendations from a Short-Term Rental Task Force, the Planning Commission, and public testimony. Relative to STR caps, the program includes:

- Capping the maximum number of non-hosted short-term rentals in the R-1 district at 75 permits (but allowing short-term rentals existing before the ordinance was adopted to apply for a short-term rental permit).
- Capping the maximum number of non-hosted short-term rentals citywide at 325 permits.

Issued Short-Term Rental Permits

Currently, there is a combined total of 418 issued short-term rental permits citywide. The total includes 325 non-hosted permits, and 93 home-share permits distributed in the City as shown in the following table and map:

Paso Robles Short-Term Rental Permits as of 11/14/23

Zoning District	Home-share Permits	Non-Hosted Permits	Total Permits Issued	Waitlist for Non-Hosted Permits
R1	66	89	155	44
“T-Zones”	15	183	198	34
All Other Zones	12	53	65	10
Total	93	325	418	88

Permit Utilization – Transient Occupancy Tax Payment

Of the combined 418 issued permits, an average of 110 permits each year do not remit any Transient Occupancy Tax (TOT); permit holders are either not reporting TOT or are not using permits. Of the 110 permits, 92 are non-hosted permits. For FY 2023-2024, there are 92 non-hosted accommodations and 20 home-shares reporting no TOT.

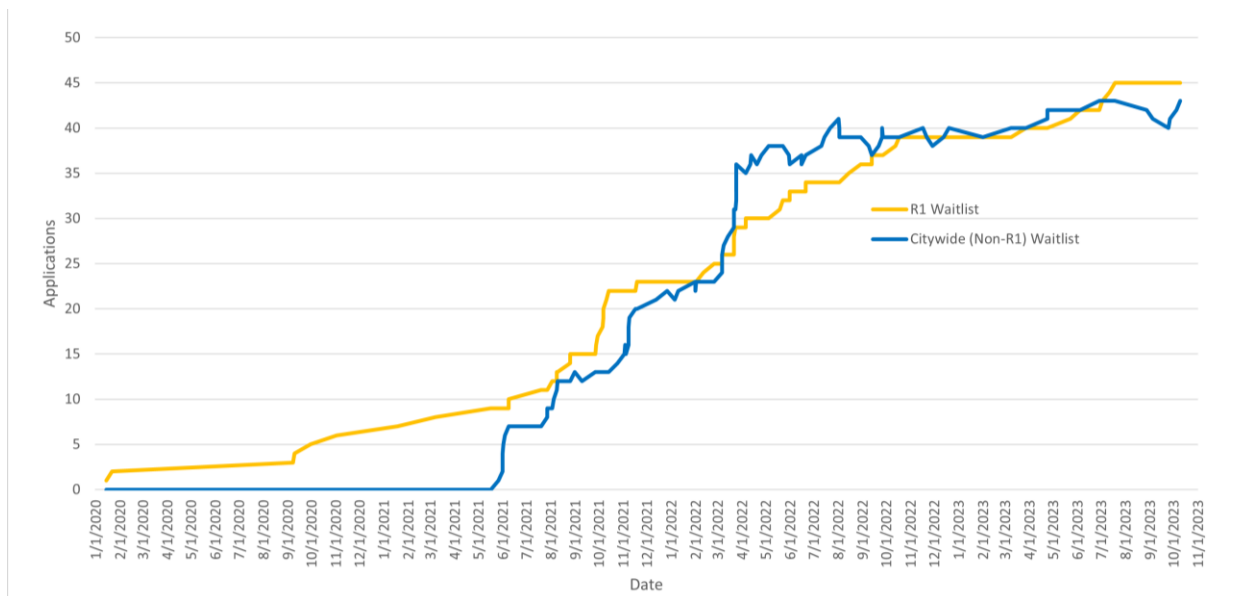
Waitlist

The City maintains two waiting lists for those interested in obtaining a permit for a non-hosted short-term rental: an R1 waitlist and a citywide waitlist. In October of 2019, the City reached (and exceeded) the 75-permit capacity for the R1 zoning district; 125 non-hosted permits were issued within the R1 district (yellow areas on the maps in this report). New applications received in the R1 district are put onto the R1 waitlist.

As of November 2023, there are 89 issued non-hosted short-term rental permits in the R1 district. The decline from 125 permits is largely the result of permit holders selling their property (which results in the closing of a short-term rental permit in the R1 district). These permits are then moved into the non-R1 pool of permits. In the R1 district, the City will need to wait for the number of non-hosted permits to fall below 75 before new permits can be issued. There are currently 44 applications on the R1 waitlist.

In May of 2021, the City reached the 325-permit capacity for citywide non-hosted short-term rental permits and began the citywide waitlist. The number of applications on the waitlists (80-90) has been relatively stable for the past 18 months.

Short-Term Rental Waitlist Applications



The current procedure to obtain a spot on a wait list requires the owner to submit a short-term rental application and proof that they are the current owner of the property. The application is not fully reviewed and vetted until a permit becomes available. Waitlist positions are not transferrable to new owners and/or to other properties.

Since the initiation of the wait lists, the City has received a total of 108 wait list applications, 20 of which received a non-hosted short-term rental permit and have been removed from the citywide non-hosted waitlist.

Waitlist Relief Options

The list below indicates optional methods to reduce the waitlist for non-hosted short-term rental permits:

1. Eliminate permit transfers within the T-zones. When an application can be transferred, it prevents wait list applicants from receiving a permit. To date, there have been 15 short-term rental permit transfers. Without transfers, the citywide non-hosted waitlist would be at 29 applications (whereas, currently there are 44 applications on the waitlist).
2. Limit short-term rental permit renewals for inactive permits. If the Council wishes to make it possible to revoke existing, non-expired STR permits on the grounds that the permit holder is not putting the permit to active use and not generating TOT income, the STR ordinance would need to be amended through a formal public process to allow for notice and opportunity to be heard by interested parties.
3. Alternatively, without amending the Code, permits that were inactive during their issuance period can be declined for renewal when their term expires, thereby opening that spot up to someone from the waitlist.
4. Increase the cap number of non-hosted STR permits allowed in respective zones.

Fiscal Impact

The City collects significant TOT revenue from short-term rentals. In FY 2022-23, TOT generated from short-term rentals totaled a little more than \$1.2 million (down from the peak of \$1.4 million in FY 2021-22 in response to the COVID-19 pandemic).

Declining to renew inactive permits and reissuing them would likely increase TOT revenue. It is difficult to anticipate individual rental performance of newly issued permits. There are management, marketing, and location factors that influence rental rates, occupancy and ultimately revenue. However, there are currently 110 permit holders currently not remitting TOT.

CEQA

The City finds that this action is categorically exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines §§ 15305 pertaining to minor alterations of land use limitations, and 15378(b)(5), continued administrative activities and organization activities that will not result in a direct or indirect physical change in the environment.

Recommendation

No Staff Recommendation

Attachments

1. Short-Term Rental TOT Revenue
2. Map of Permitted Short-Term Rentals
3. Map of Westside Short-Term Rentals between 1st and 24th Streets
4. Map of Westside High Concentration Areas
5. Map of Properties on a Short-Term Rental Waitlist