Lower-Cost Visitor-Serving Accommodations Technical Memorandum

1. INTRODUCTION

According to the California Coastal Commission's (Commission) Local Coastal Program (LCP) Update Guide, lower-cost visitor-serving accommodations (LCVSA) are one of the primary issues that should be addressed by coastal cities to protect, encourage, and, where feasible, provide lower-cost visitor-serving accommodation facilities. This is necessary to ensure that jurisdictions remain in compliance with the California Coastal Act (Coastal Act) and that the coast remains accessible to the public. This is especially important as accommodation prices continue to rise in coastal jurisdictions throughout California, including Pismo Beach. Average annual hotel rates in Pismo Beach, while still relatively low for a coastal city, have risen by 19 percent from 2012 to 2018 (Smith Travel Research 2019).

PlaceWorks evaluated overnight accommodations in the City of Pismo Beach to determine existing conditions, including potential losses from sea level rise, and whether the City's current policies related to LCVSAs are in compliance with Coastal Act provisions for coastal access. This memo describes the Coastal Act requirements and Commission guidance on overnight accommodations, and provides an overview of LCVSA issues in Pismo Beach using an inventory of overnight accommodations in Pismo Beach. Using this existing conditions analysis, the memo recommends potential LCP policies that will facilitate the retention and development of LCVSAs in the city in order to ensure coastal accessibility.

1.1 DATA SOURCES

Due to a lack of comprehensive data on overnight accommodations, PlaceWorks relied on a variety of data sources to complete this memorandum. Some of these data sources include:

- Coastal Commission staff reports and analyses, 2008 to 2016
- Smith Travel Research reports
- Data on tourism (occupancy, transient occupancy tax, etc.) from the City of Pismo Beach
- Hotel websites
- Airbnb and HomeAway online databases
- City of Pismo Beach Municipal Code

- City of Pismo Beach General Plan and LCP
- California Coastal Commission guidance on the LCP update process

1.1.1 PLACEWORKS SURVEYS

In some cases, there were no complete data available on accommodation pricing. To that end, PlaceWorks completed comprehensive surveys for different accommodation types in Pismo Beach.

Hotels and Motels

In February 2019, PlaceWorks completed a hotel/motel price survey for the peak travel season. Hotel and motel prices were obtained using internet searches of advance prices available on each accommodation's website, using a randomly selected date in June 2019 to gather insight on pricing in popular summer months. Included in this survey was the lowest price available. In some cases, pricing information was not accessible online and was instead obtained via phone calls. In one case, pricing was not available online, over the phone, or in person, so an estimate of average price from a 2018 survey performed by the City was used. A more detailed methodology and the results of this survey are included below in Tables 2 and 3.

Short-Term Rentals

Short-term rental (STR) prices were obtained using internet searches on two major vacation rental interfaces, HomeAway and Airbnb. This included six separate inventories of STR listings that covered private rooms and two-person, four-person, and eight-person entire home accommodations. This resulted in a discussion of average prices, capacities, and affordability levels for STRs during the peak season, which provided an understanding of these types of accommodations in Pismo Beach. A more detailed methodology and the results of this survey are included below in Section 3.1.3.

2. LOWER-COST VISITOR-SERVING ACCOMMODATIONS

2.1 THE CALIFORNIA COASTAL ACT

The Coastal Act requires that all members of the public have "equal access to the coast." Development cannot interfere with this right, and adequate parking, facilities, and accommodations must be available and affordable for the general public to use. In addition, the provision of LCVSAs is a primary goal when protecting and maximizing recreation and visitor-serving land uses (Coastal Act Sections 30212.5, 30213, 30220 through 30224, 30250, 30252, 30253, and 30254). While Senate Bill 1581 (Ch. 1087 Statutes of 1980) precludes the Commission from setting room rates or using any method to identify low- or moderate-income persons, the

language of Section 30213 requires coastal communities to protect and encourage lower-cost facilities and accommodations for visitors (California Coastal Commission 2016).

There have been several updates to these policies since the 1976 enactment of the Coastal Act, and they are still being refined. Assembly Bill 2616 (Burke) took effect in January 2017, amending the Coastal Act to add Section 30604(h) to the Public Resources Code. Section 30604(h) states: "When acting on a coastal development permit, the issuing agency, or the commission on appeal, may consider environmental justice, or the equitable distribution of environmental benefits throughout the state." This was added to ensure coastal accessibility and adequate provision of lower-cost accommodations.

2.1.1 COASTAL COMMISSION COMMUNITY WORKSHOP DISCUSSIONS

Due to rising costs in coastal communities, the Commission has been reassessing its approach to LCVSAs to provide clearer guidance on how coastal cities should manage these issues. Several workshops throughout California organized by the Commission have outlined different aspects of this assessment.

On December 10, 2014, and March 13, 2015, the Commission held workshops in Monterey and Chula Vista, respectively, to discuss topics related to hotel development and the constraints and opportunities associated with financing LCVSAs. These workshops outlined the economics of hotel development, opportunities for public-private partnerships, and lower-cost accommodations facilitated and/or funded by the California Coastal Conservancy. A project at the Port of San Diego (proposed $30 million, 175-room hotel on Harbor Island) was presented as a case study (California Coastal Commission 2014, 2015). The workshops outlined a variety of ways to accommodate LCVSAs, and provided background materials and policy examples, many of which are referenced in this analysis.

On November 3, 2016, the Commission held another workshop on LCVSAs to provide staff recommendations pursuant to Section 30213 of the Coastal Act. This workshop included an introduction and six preliminary staff recommendations:

- Introduce an official definition of "lower cost" that is calculated individually for each community.
- Prohibit loss of LCVSAs in coastal communities.
- Require that new high-cost accommodations provide lower-cost accommodations where possible.
- When on-site provision is not possible, require in-lieu fees that are adequate for the full range of development costs.

- Ensure efficient use of in-lieu fees through partnerships with other organizations (e.g., environmental education, outreach programs).
- Support appropriately regulated STRs.

During this workshop, Coastal Commission staff noted that these recommendations and policies have not been fully developed yet, especially those regarding STRs. However, staff intends to continue to explore these issues through future workshops and publications (California Coastal Commission 2016).

On July 12, 2019, the Commission held another workshop on STRs, Sea Level Rise (SLR), and the Local Coastal Program (LCP) process. This workshop included an introduction and discussion on the following topics:

- Key coastal city and county issues and concerns related to CCC interactions with the STR, SLR, and LCP processes.
- STR policies and practices that provide appropriate deference to local solutions.
- Collaborative resolutions for SLR that minimize adverse social, economic, and environmental impacts on coastal cities and counties.
- Shorter, less duplicative LCP process that is more predictable and less deterrent to local community willingness to undertake LCP updates.

The workshop concluded with a discussion on priorities and specific actions when possible for STRs, SLR, and LCP processes and identification of next steps and commitments to development specific solutions for all three topics moving forward (California Coastal Commission, 2019).

2.2 DEFINING LOWER-COST VISITOR-SERVING ACCOMMODATIONS

To comply with Coastal Act Section 30213, there must be a clear definition of lower-cost accommodations in each community. This definition varies based on both the location and accommodation type. For instance, campgrounds, cabins, cottages, yurts, hostels, and similar uses are by their nature usually lower cost, and many LCPs identify and protect these facilities as a matter of policy. Hotels and motels may or may not be defined as lower cost, depending on factors such as room rates, types of amenities, and overall quality (California Coastal Commission 2015).

2.2.1 PREVIOUS LOWER-COST DEFINITIONS AND ISSUES

The Commission has historically defined lower-cost or affordable accommodations by looking at market conditions (typically in the county where the jurisdiction updating its LCP is located) and comparing those conditions to a statewide per night room average. This definition has varied slightly between different jurisdictions. In 2008, the Commission indicated that lower cost should

be defined by a certain percentage of the statewide average room rate, as calculated by Smith Travel Research (www.STR.com) or another comparable study or website (California Coastal Commission 2014). In recent years, coastal cities have used several different variations of this calculation that have been approved by the Commission.

2.2.2 MOST RECENT LOWER-COST DEFINITION

As of the November 3, 2016, workshop, the Commission announced an official definition for the calculation of lower-cost hotels and motels that reflects the local market. This method was developed by Maurice Robinson & Associates and consists of a 10-step process that includes obtaining market data from Smith Travel Research, surveying prices through online travel agencies, and calculating average annual rates for the city or county, accounting for both the high and low season. However, this method is time-intensive due to the need to conduct hotel surveys.

As an alternative, the Commission developed a simplified version that all jurisdictions can use to determine their low-cost thresholds. This method is based on thresholds that Smith Travel Research uses to categorize hotel prices. These thresholds are developed by organizing all hotel prices from low to high and dividing the dataset into four tiered classes of affordability based on where each hotel's price falls in the overall range of prices. These thresholds are as follows:

- Budget: Lowest 20 percent of average room rates
- Economy: Next 20 percent of average room rates
- Mid-price: Next 30 percent of average room rates
- Upscale: Top 30 percent of average room rates

[Note: Figure 1 later in this memo displays the hotel and motel prices surveyed for Pismo Beach separated into these ranges.]

Using Smith Travel Research's data and price thresholds, the simplified method is as follows:

1. Obtain a Smith Travel Research report on local hotel trends.
2. Identify which hotels and motels are "economy."
3. Determine the average daily room rate (ADR) for economy hotels and motels.
4. Use the calculated ADR as the lower-cost threshold.
    - The ADR for the "economy" segment of hotels and motels is to be used as a threshold for lower-cost accommodations, as long as this threshold does not exceed 125 percent of the statewide ADR. According to a report that was published on VisitCalifornia.com, California's ADR was $171.65 in September 2018. Therefore, the 125 percent threshold for this method would result in a statewide ADR threshold of $214.56.

Application to Pismo Beach

According to the *Custom Trend Report for Pismo Beach* (Smith Travel Research 2019), 325 out of 1,881 hotel and motel rooms in Pismo Beach are considered economy, or lower cost. This constitutes 17 percent of all hotel and motel rooms surveyed by Smith Travel Research in Pismo Beach. In comparison, 477 hotel and motel rooms, or 24 percent of the entire hotel and motel stock, are considered lower-cost based on the revised lower-cost definition discussed in the following section. The hotels and motels considered lower cost by the Smith Travel Research 2019 report and their number of rooms are shown in Table 1.

TABLE 1 LOWER-COST HOTELS AND MOTELS IN PISMO BEACH, SMITH TRAVEL RESEARCH DATA

Named	Capacity
Blue Seal Inn	26
Dolphin Cove Motel	21
Kon Tiki Inn	86
Motel 6 Pacific Ocean	33
Motel 6 Pismo Beach	137
Ocean Palms Motel	22
Total Rooms	**325**
Percent of All Accommodations Survey by Smith Travel Research	**17%**

Source: Smith Travel Research, 2019.

Revised Lower-Cost Definition in Pismo Beach

Due to data collected and privacy limitations, Smith Travel Research was unable to release ADRs for any requested data subset that included fewer than four properties that provide monthly and annual data. While six total hotels and motels were classified as economy in Pismo Beach, only two of those properties report monthly and annually to Smith Travel Research. Therefore, it was not possible to obtain ADRs for the economy hotels and motels subset or the lower-cost group as approved by the Commission.

As an alternative, PlaceWorks developed a revised lower-cost calculation based on 2019 hotel/motel survey results by averaging the prices collected for the six Smith Travel Research designated economy hotels and motels during the summer months. This represents pricing for peak-season travel and reflects higher prices tourists can expect to spend, since Pismo Beach is most popular during the summer months. This method resulted in an ADR threshold of $136 for

future lower-cost accommodations. Since it is below the statewide ADR of $171.48, as well as the state threshold of $214.35, this number is sufficient as a threshold for LCVSAs in Pismo Beach. This threshold is lower than the ADR of hotels and motels in Pismo Beach, which is $182.91 for 2018, according to the 2019 Smith Travel Research report. It is important to note that this threshold for all hotels and motels in Pismo Beach is higher than the statewide ADR. In addition, according to the 2019 Smith Travel Research report, the ADR in Pismo Beach has steadily increased by over 5 percent since 2012, so it is important to identify a cost threshold that can be used for future decision-making to maintain a sufficient selection of low-cost options. Furthermore, the Smith Travel Research *Custom Trend Report* only includes information on hotels that participate in its program. Therefore, not all hotels and motels are listed in the report. The report included 24 hotels and motels, whereas the PlaceWorks survey included 30 properties. The Commission's methodology was applied to this more complete inventory in order to obtain a more accurate representation of the hotel and motel market in Pismo Beach. When using the PlaceWorks hotel/motel cost survey, the ADR of all 30 hotels and motels in Pismo Beach is $172.30, which is slightly lower than the cost from 2019 Smith Travel Research data and one dollar higher than the statewide ADR cost.

Applying this methodology to PlaceWorks' hotel/motel cost survey, 10 hotels and motels and 477 total hotel and motel rooms meet the lower-cost or economy threshold, representing 33 percent of the properties and 24 percent of the rooms, of the entire stock surveyed by PlaceWorks. Since the PlaceWorks survey included a more complete inventory of all hotels, 24 percent is used as the total number of lower-cost hotels in Pismo Beach. The lower-cost hotels and motels, along with their lowest-priced room costs, capacities, and age (when available), are shown in Table 2.

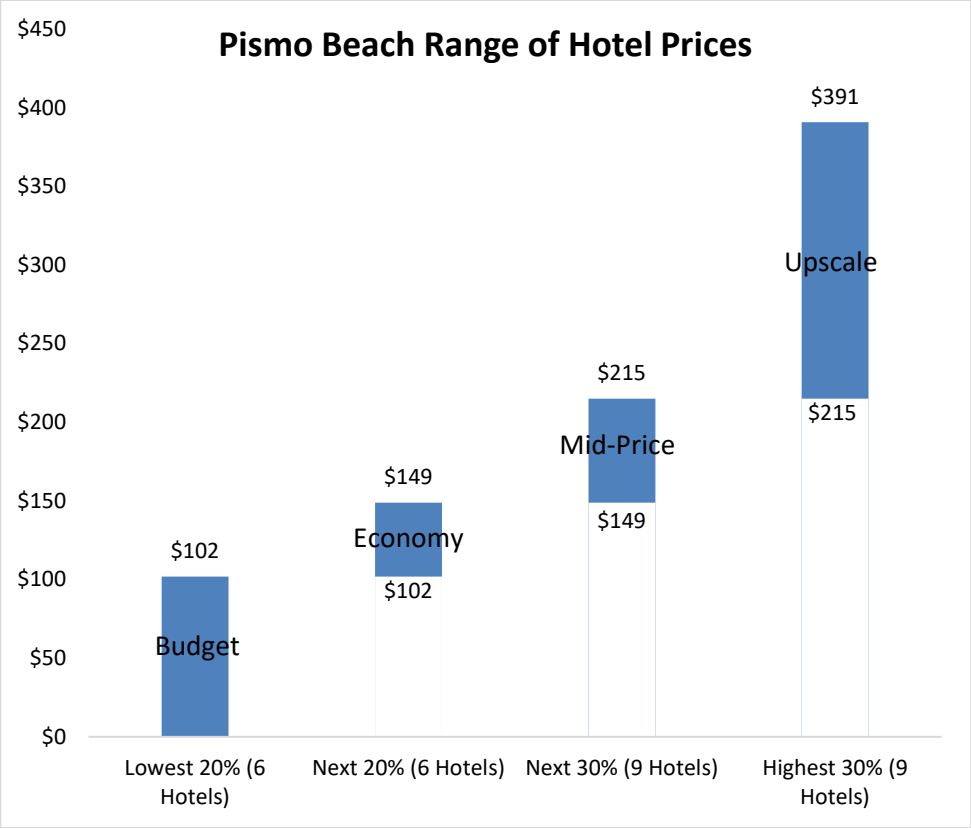
TABLE 2 LOWER-COST HOTELS AND MOTELS BELOW THE LOWER-COST THRESHOLD IN PISMO BEACH, PLACEWORKS SURVEY

Name	Price	% of lower-cost threshold	Capacity	Year Opened
Beach Walker Inn & Suites	$90.00	66%	19	1972
Blue Seal Inn	$102.00	75%	26	1995
Motel 6 Pacific Ocean	$115.00	85%	33	1952
Motel 6 Pismo Beach	$70.00	51%	137	1982
Ocean Palms Motel	$89.00	65%	22	1980
Palomar Inn	$66.00	49%	14	1972
Pismo Beach Hotel	$95.00	70%	30	1960
Quality Inn Pismo Beach	$121.00	89%	100	1975
Sea Garden Motel	$125.00	92%	19	1970
Sea Gypsy Motel	$105.00	77%	77	1973
Average	**$97.80**	**72%**	**48**	--
Total Units		**477**		
Percentage of All Hotels and Motels		**24%**		

Sources: City of Pismo Beach Conference and Visitors Bureau, 2018; Smith Travel Research, 2019; PlaceWorks, 2019.

Figure 1 shows the Smith Travel Research categories described earlier in the memo and the price ranges and number of hotels they represent in Pismo Beach based on the survey of hotel and motel properties conducted by PlaceWorks. This budget and economy distribution does not exactly match with the group of hotels and motels that were found to be less than the $136/night threshold derived from the Smith Travel Research data (Tables 1 and 2) due to the differences in the Smith Travel Research dataset and the actual costs surveyed by PlaceWorks.

FIGURE 1 HOTEL AND MOTEL COST RANGES IN PISMO BEACH



2.2.3 LOWER-COST DEFINITION FOR SHORT-TERM RENTALS

The most recent Commission-approved cost threshold was designed to specifically apply to hotels and motels. Other accommodation types, such as STRs, reflect a different segment of the accommodation market and are prevalent in Pismo Beach. Therefore, it is necessary to determine a suitable definition of "lower-cost" for these accommodation types as well. These rentals tend to appear more expensive than hotel rooms, but may have more amenities, including kitchens or additional bathrooms. Furthermore, they often accommodate more people than a traditional hotel room. An alternative methodology for evaluating lower-cost STRs starts on page 14.

3. LOWER-COST VISITOR-SERVING ACCOMMODATIONS IN PISMO BEACH

3.1 INVENTORY OF ACCOMMODATIONS

3.1.1 HOTELS AND MOTELS

As described above, PlaceWorks evaluated hotel and motel accommodations in to determine existing conditions and compliance with the California Coastal Act. This survey included hotel and motel prices for June 2019, and showed a variety of options at multiple price levels in the city. The prices selected and shown in Table 3 reflect the least expensive options available for that date, as some hotels and motels surveyed have multiple price levels. The table also shows which hotels and motels are considered lower cost, using the method identified above to account for the hotels and motels not included in the Smith Travel Research survey.

TABLE 3 PLACEWORKS SURVEY OF HOTELS AND MOTELS

Name	Type	Location/Address	Lowest Cost	Percent of Lower-Cost Threshold	Capacity	Lower Cost?
Beachcomber Inn	Hotel	541 Cypress St	$149.00	110%	7	No
Beach House Inn & Suites	Hotel	198 Main St	$169.00	124%	14	No
Beach Walker Inn & Suites	Hotel	490 Dolliver St	$90.00	66%	19	Yes
Blue Seal Inn	Hotel	230 Dolliver St	$102.00	75%	26	Yes
Cliffs Resort	Hotel	2757 Shell Beach Rd	$209.00	154%	162	No
Cottage Inn By The Sea	Hotel	2351 Price St	$186.00	137%	80	No
Dolphin Bay Resort & Spa	Hotel	2727 Shell Beach Rd	$391.00	288%	54	No
Dolphin Cove Inn	Hotel	170 Main St	$218.00	160%	21	No
Edgewater Inn & Suites	Hotel	280 Wadsworth Ave	$153.00	113%	99	No
Hilton Garden Inn	Hotel	601 James Way	$200.00	147%	120	No
Inn At The Cove	Hotel	2651 Price St	$234.00	172%	52	No
Inn At The Pier	Hotel	601 Cypress St	$220.00	162%	104	No
Kon Tiki Inn	Hotel	1621 Price St	$220.00	162%	86	No
Motel 6 Pismo Beach	Hotel	860 N. 4th St	$70.00	51%	137	Yes

TABLE 3 PLACEWORKS SURVEY OF HOTELS AND MOTELS

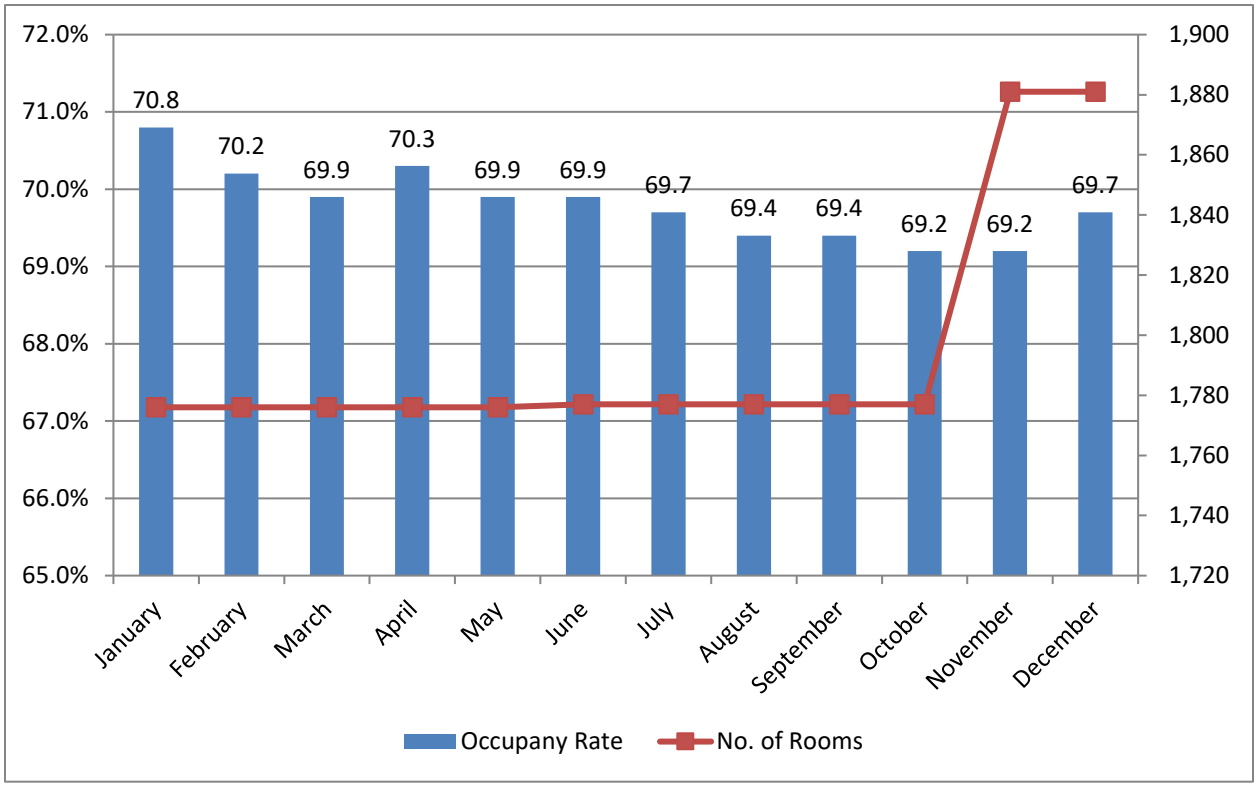
Name	Type	Location/Address	Lowest Cost	Percent of Lower-Cost Threshold	Capacity	Lower Cost?
Motel 6 Pacific Ocean	Hotel	250 Main St	$115.00	85%	33	Yes
Ocean Palms Motel	Motel	390 Ocean View Ave	$89.00	65%	22	Yes
Oxford Suites	Hotel	655 Five Cities Dr	$150.00	110%	133	No
Palomar Inn	Hotel	1601 Shell Beach Rd	$66.00	49%	14	Yes
Pismo Beach Hotel	Hotel	230 Pomeroy Rd	$95.00	70%	30	Yes
Pismo Lighthouse Suites	Hotel	2411 Price St	$259.00	190%	70	No
Quality Inn Pismo Beach	Hotel	230 Five Cities Dr	$121.00	89%	100	Yes
Sandcastle Inn	Hotel	100 Stimson Ave	$220.00	162%	75	No
Seacrest Oceanfront Hotel	Hotel	2241 Price St	$215.00	158%	158	No
Sea Garden Motel	Motel	340 Stimson Ave	$125.00	92%	19	Yes
Sea Gypsy Motel	Motel	1020 Cypress St	$105.00	77%	77	Yes
Seaventure Beach Hotel	Hotel	100 Ocean View Ave	$239.00	176%	50	No
Shell Beach Inn	Hotel	653 Shell Beach Rd	$175.00	129%	10	No
Shore Cliff Hotel	Hotel	2555 Price St	$259.00	190%	100	No
Spyglass Inn	Hotel	2705 Spyglass Dr	$185.00	136%	82	No
The Tides Oceanview Inn & Cottages	Hotel	2121 Price St	$140.00	103%	26	No
						Total Lower-Cost: 477 / 1,980 Rooms = 24%

Source: City of Pismo Beach Conference and Visitors Bureau, 2018; PlaceWorks, 2019

Occupancy Rates

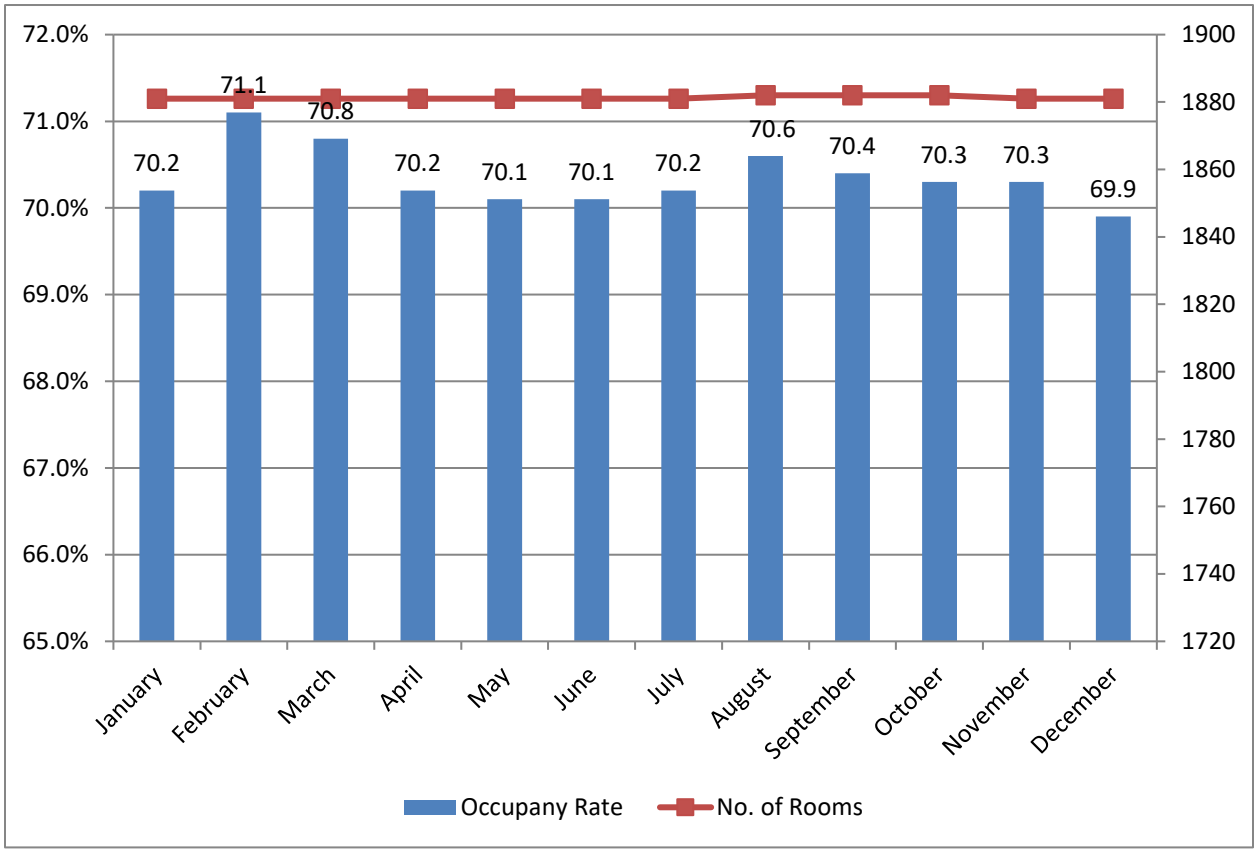
Figures 2 and 3 display motel occupancy rates and total motel rooms in Pismo Beach from 2017 and 2018, according to Smith Travel Research. The number of rooms indicates the total number of rooms available by month in Pismo Beach and may vary month to month if a hotel offers less rooms during the off season or if one or multiple hotels increase room capacity with an addition.

FIGURE 2 HOTEL AND MOTEL OCCUPANCY AND ROOM NIGHTS, FISCAL YEAR 2017



Source: Smith Travel Research, 2019.

FIGURE 3 HOTEL AND MOTEL OCCUPANCY AND ROOM NIGHTS, FISCAL YEAR 2018



In 2017 and 2018, motel occupancy was relatively consistent. In 2017, the months from January through June were the highest occupancy months. In 2018 the peak occupancy months were also relatively consistent, with February, March, and August as the most popular months. Based on the occupancy rates, travel during non-peak months was slightly higher in 2018 than 2017. In 2017 the number of rooms increased by over 100 beds during the last three months of the year. This is due to the completion and opening of a new hotel, Inn at the Pier, that year. In 2018, the number of rooms increased by only one room from August through October before returning to the previous number of rooms for the rest of the year.

3.1.2 CAMPGROUNDS

Pismo Beach contains three accommodations that are classified as campgrounds or recreational vehicle (RV) parks. These are typically the lowest-cost option for overnight accommodations and range in price from $35 to $55 per night, with an average cost of $48 per night. This entire range is below the amount considered lower cost, as it is substantially below both the local lower-cost threshold and the state average. Two of the campgrounds, the Holiday RV Park and the Pismo Coast Village RV Resort, have varying prices depending on the date, with higher prices for higher demand

times of year and holidays. These accommodations are open year-round and range in size from 19 sites to 400 sites. There are a total of 515 sites available. These are shown in Table 4.

TABLE 4 CAMPGROUNDS AND RECREATIONAL VEHICLE PARKS

Name	Type (campground, RV park)	Location/ Address	Owner	Public/ Private	Lowest Cost per Night	Percentage of Lower-Cost Threshold	Capacity
Holiday RV Park	RV and/or Tent Camping	100 South Dolliver	Holiday RV Park	Private	$55.00	40%	19
Pismo Coast Village RV Resort	RV Park	165 South Dolliver	National Association of RV Parks & Campgrounds	Public	$54.00	40%	400
Pismo State Beach North Campground	Campground	399 South Dolliver	CA State Parks	Public	$35.00	26%	96
							Total Lower-Cost: 515 /515 sites 100%

Source: City of Pismo Beach Conference and Visitors Bureau, 2018; PlaceWorks, 2019.

Campground and RV/Trailer Park Usage

RV/Trailer Parks

According to the City of Pismo Beach, RV/trailer parks generated $541,906.19 in transient occupancy tax (TOT) revenue for fiscal year 2016–2017, and $581,527.73 in fiscal year 2017–2018. This is substantially lower than revenue generated from hotels and motels, partially because RV sites are much lower in price than hotel rooms or vacation rentals and there are fewer of these sites than hotel rooms in Pismo Beach.

State Park Campgrounds

According to a California State Parks Statistical Report from 2015–2016, Pismo State Park North Campground had 129,832 visits to camping facilities in the fiscal year 2015–2016. There were no data available for more recent years.

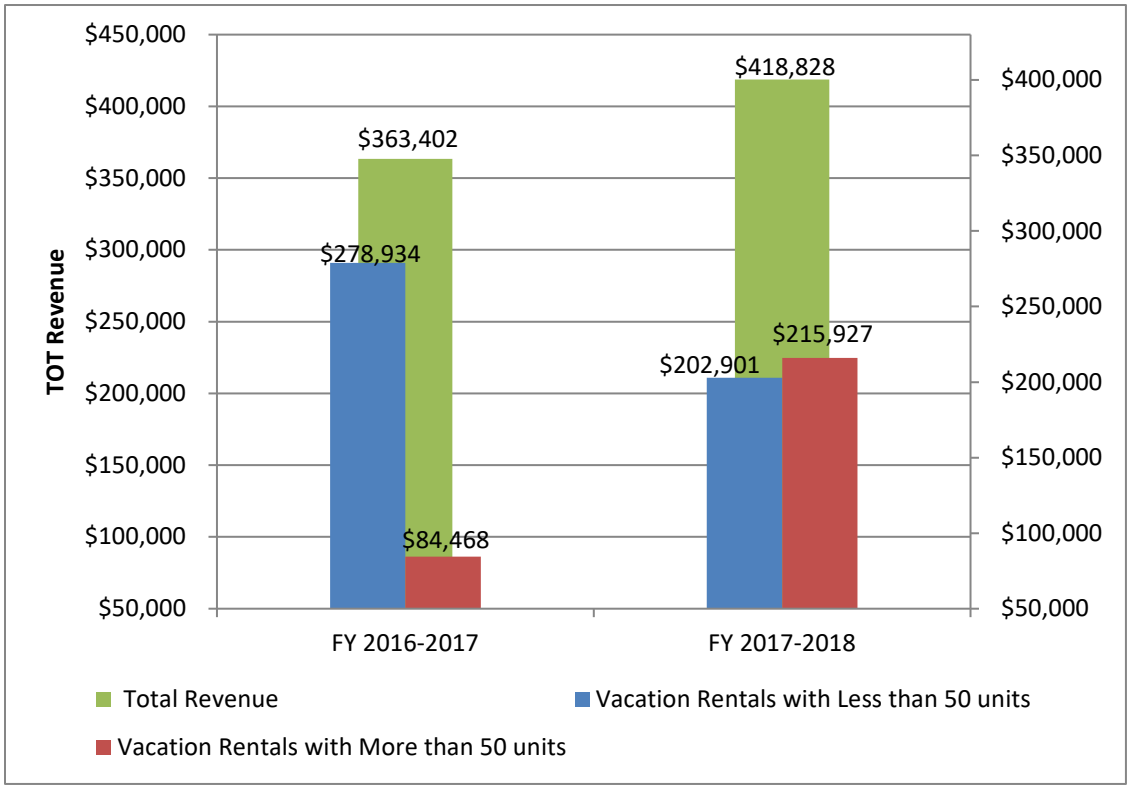
The statistical report notes that total attendance at state parks—e.g., Pismo State Park—is often underestimated or inaccurate due to lack of complete data collection. Furthermore, the way data are collected may result in duplication because visitor attendance is defined as "an estimate of the number of individual visits (not individual visitors) to the units of the State Park System during the fiscal year." The report states, "Using this approach, an individual visiting three units in a day is

recorded in attendance data three times rather than one." It is important to note these limitations in data collection.

3.1.3 SHORT-TERM RENTALS

An emerging trend in coastal communities and other popular locations in California is the propagation of private STRs. Owners of private homes and apartments advertise primarily on the internet. STRs supplement the local accommodation market and provide an alternative to hotels, motels, or campgrounds. Many of these accommodations are larger and can allow an entire family to stay in one home together, rather than requiring multiple hotel rooms. Furthermore, many have common areas, full kitchens, or multiple bathrooms. In some cases, STRs serve as lower-cost options for individuals and families visiting Pismo Beach. As stated in Chapter 17.113 of the Municipal Code, STRs contribute TOT to the City each year. Due to the recent nature of the City's STR ordinance, only nine applications had been approved and issued TOT certificates and seven more were in the application process at the time this memo was drafted. However, the City has collected TOT revenue from vacation rentals identified mainly in the downtown region of the city for many years. Figure 4 shows this vacation rental TOT revenue in the fiscal years 2016–2017 and 2017–2018, broken down by vacation unit type. The revenue paid to the City is collected by STR owner, encompassing individual owners as well as larger property management companies. The categories attempt to separate the two by categorizing STR owners by those with either less or more than 50 vacation rental units. Revenue has increased in the past two years, as have the number of vacation rentals. In the 2016–2017 fiscal year, there were 123 vacation rentals. In the 2017–2018 fiscal year, the number of vacation rentals more than doubled to 297 units. Revenue generated from vacation rentals with 50 or more units contributes significantly to the overall total revenue generated by individually owned vacation rentals.

FIGURE 4 TOT REVENUE FROM STRS, FY 2016–2017 AND FY 2017–2018



Source: City of Pismo Beach, 2019.

Survey Methodology

PlaceWorks evaluated STR accommodation options in Pismo Beach in February 2019 to understand how they contribute to the number of overnight accommodations in the city (Tables 5 to 10). This STR survey gathered data using a point-in-time approach for advance reservations for five peak travel dates in 2019, as well as a search with no date limitations, to view the full stock of STRs. This survey was completed using the websites Airbnb and HomeAway (which is now the parent company to and has the same listings as VRBO). When possible, duplicates between HomeAway and Airbnb were eliminated. This survey was completed for the following date selections:

- No dates entered: to obtain a complete inventory of the stock with no limitations.
- June 21–24, 2019, and August 16–19, 2019: for depictions of weekend peak-season travel.
- June 23–29, 2019, and August 18–24, 2019: for depictions of week-long peak season travel, which will also reflect discounts that many listings offer for longer trips.
- August 30–September 2, 2019: for a depiction of holiday peak-season travel.

To capture a range of STR accommodation types, this survey examined two-person, four-person, and eight-person listings. This included "private room" listings on Airbnb, where owner-occupied units provide basic shared accommodations (kitchen and bathroom) but sometimes also include private amenities such as additional bathrooms, kitchen areas, or outdoor spaces.

As of February 2019, when conducting a search on Airbnb and HomeAway with no date selected, between 4 and 338 STRs were available in Pismo Beach, depending on accommodation type and capacity. When conducting a search with date restrictions, between 2 and 201 listings were available, depending on the accommodation type and capacity. Overall, most listings available are entire homes with larger capacities.

Limitations of Search Interfaces

When searching by capacity, it is important to note that results did not only show listings for that capacity, but the full range of possible capacities. For instance, some listings that accommodated five people would also accommodate two people. In some cases, prices for the same listing were altered, depending on the capacity searched.

There were several issues to resolve when conducting the survey that were related to the Airbnb and HomeAway search interfaces:

- Duplicates are present between different sized accommodations. Not all listings are duplicated, as some listings will not accommodate a range, or some listings change the price based on the number of people. The most accurate total number of unduplicated listings will likely be the amount for any given capacity, rather than all aggregated searches (i.e., two-person plus four-person plus eight-person).
- Sometimes hotels and motels list their rooms on Airbnb for extra publicity. These have been excluded from the survey because they are not STRs and therefore artificially inflate the stock (e.g., one hotel posts 10 rooms on Airbnb but they are not actually STRs).
- The "average capacity" column is included to show which listings accommodate a wide range of people. For instance, in a survey of accommodations that will fit two people, a significant portion of these may include listings that accommodate more than two people, because it is possible for two people to stay in a STR that accommodates more than two. This field was therefore rounded to the nearest tenth.

Lower-Cost Methodology

The threshold for lower-cost STRs aligns with the definition of lower-cost hotels and motels ($136) but is adjusted for the additional occupancy that STRs can provide. Rather than apply one definition for lower cost across the range of STR accommodations, affordability is determined based on how many accommodations are within the lower-cost range when considering cost per person. Using

this method, STRs are considered lower cost if their cost per person is less than $34 per night (the hotel and motel cost threshold of $136 divided by four and rounded to the nearest tenth to reflect the maximum capacity of the average hotel room). This captures the range of STR pricing while considering the differences in accommodation sizes. For instance, if an STR costs $300 per night, this would appear to be more expensive than a hotel room. However, if it accommodates 12 people, it would cost $25 per person, which is a comparable per-person cost of a lower-cost hotel room with an occupancy limit of four. This provides a tally of affordable STRs based on their capacity.

One limitation to this method is that it does not consider the fact that families may choose to stay in accommodations regardless of whether they meet the occupancy limits (e.g., an 8-person family may stay in a 12-person unit). Furthermore, according to the per-person methodology, no private rooms can be considered lower cost. This is because the vast majority of private room listings can only accommodate two people, whereas the average hotel room accommodates four. However, it provides a more accurate depiction of the types of STR accommodations, particularly for entire home listings, which constitute the majority of STRs in Pismo Beach.

Cost/Inventory Survey

The results of the survey are summarized in Tables 5 to 10, which show the lowest, highest, and average prices for each accommodation type, and the average capacity surveyed within each accommodation type. The number and proportion of accommodations that can be considered lower cost is also shown under each accommodation and capacity type.

TABLE 5 STR SURVEY WITH NO DATES SELECTED

Type of Rental	Low Price	High Price	Average Price	Average Capacity
Private Room				
2 Occupants Total Rooms: 6 Lower-Cost: 1 / 17%	$75.00	$190.00	$118.00	2
4 Occupants Total Rooms: 5 Lower-Cost: 1 / 20%	$76.00	$300.00	$167.00	4
Entire Home				
2 Occupants Total Rooms: 338 Lower-Cost: 55 / 16%	$65.00	$1,114.00	$318.00	6
4 Occupants Total Rooms: 317 Lower-Cost: 53 / 17%	$71.00	$1,114.00	$331.00	7
8 Occupants Total Rooms: 101 Lower-Cost: 16 / 16%	$110.00	$868.00	$390.00	9

Source: PlaceWorks, 2019.

TABLE 6 STR WEEKEND SURVEY, 6/21–6/24

Type of Rental	Low Price	High Price	Average Price	Average Capacity
Private Room				
2 Occupants Total Rooms: 2 Lower-Cost: 0 / 0%	$216.00	$400.00	$308.00	2
Entire Home				
2 Occupants Total Rooms: 180 Lower-Cost: 7 / 4%	$87.00	$1,187.00	$380.00	6
4 Occupants Total Rooms: 163 Lower-Cost: 7 / 4%	$87.00	$1,187.00	$388.00	6
8 Occupants Total Rooms: 49 Lower-Cost: 2 / 4%	$279.00	$925.00	$448.00	9

Source: PlaceWorks, 2019.

TABLE 7 STR WEEKEND SURVEY 8/16–8/19

Type of Rental	Low Price	High Price	Average Price	Average Capacity
Private Room				
2 Occupants Total Rooms: 2 Lower-Cost: 0 / 0%	$216.00	$400.00	$308.00	2
Entire Home				
2 Occupants Total Rooms: 178 Lower-Cost: 9 / 5%	$84.00	$1,227.00	$404.00	6
4 Occupants Total Rooms: 161 Lower-Cost: 9 / 6%	$84.00	$1,227.00	$404.00	6
8 Occupants Total Rooms: 48 Lower-Cost: 1 / 2%	$279.00	$925.00	$468.00	9

Source: PlaceWorks, 2019.

TABLE 8 STR WEEK-LONG SURVEY, 6/23–6/29

Type of Rental	Low Price	High Price	Average Price	Average Capacity
Private Room				
2 Occupants Total Rooms: 3 Lower-Cost: 0 / 0%	$100.00	$400.00	$232.00	2
Entire Home				
2 Occupants Total Rooms: 165 Lower-Cost: 10 / 6%	$125.00	$1,167.00	$357.00	6
4 Occupants Total Rooms: 155 Lower-Cost: 10 / 6%	$126.00	$1,167.00	$367.00	7
8 Occupants Total Rooms: 47 Lower-Cost: 3 / 6%	$257.00	$902.00	$440.00	9

Source: PlaceWorks, 2019.

TABLE 9 STR WEEK-LONG SURVEY, 8/18–8/24

Type of Rental	Low Price	High Price	Average Price	Average Capacity
Private Room				
2 Occupants Total Rooms: 3 Lower-Cost: 0 / 0%	$100.00	$400.00	$232.00	2
Entire Home				
2 Occupants Total Rooms: 179 Lower-Cost: 12 / 7%	$130.00	$1,167.00	$380.00	6
4 Occupants Total Rooms: 162 Lower-Cost: 12 / 7%	$151.00	$1,167.00	$385.00	6
8 Occupants Total Rooms: 48 Lower-Cost: 2 / 4%	$249.00	$902.00	$448.00	9

Source: PlaceWorks, 2019.

TABLE 10 HOLIDAY WEEKEND SURVEY, 8/30–9/2

Type of Rental	Low Price	High Price	Average Price	Average Capacity
Private Room				
2 Occupants Total Rooms: 2 Lower-Cost: 0 / 0%	$216.00	$400.00	$308.00	2
Entire Home				
2 Occupants Total Rooms: 201 Lower-Cost: 9 / 4%	$105.00	$1,200.00	$413.00	6
4 Occupants Total Rooms: 182 Lower-Cost: 9 / 5%	$105.00	$1,200.00	$415.00	7
8 Occupants Total Rooms: 60 Lower-Cost: 1 / 2%	$300.00	$1,200.00	$506.00	9

Source: PlaceWorks, 201

Discussion

Occupancy Trends in STRs in Pismo Beach

This survey shows that most STRs in Pismo Beach are larger accommodations. The range of STR capacities for the no dates search is shown in Table 11.

TABLE 11 BREAKDOWN OF SURVEYED STR CAPACITY

Private Rooms	Number	Percent of Total
2-Person	6	2%
4-Person	5	1%
Entire Home		
2-Person	20	6%
3–4-Person	66	19%
4–7-Person	151	43%
8-Person	72	21%
>8-Person	29	8%
Total	349	100%

Source: PlaceWorks, 2019.

The table shows that few entire-home STRs accommodate only two people, whereas 43 percent of STRs fit four to seven people, and 29 percent of STRs fit eight or more people. The results from Tables 5 to 10 show that about 25 percent of two-person private room accommodations are considered lower cost, which is slightly higher than the ratio for entire home accommodations at every occupancy level. The results for entire home STRs, regardless of maximum capacities, indicate that approximately 16 to 17 percent of accommodations are considered lower cost according to the cost per person threshold.

No Dates Entered

When searching without dates entered, the full extent of the STR stock was visible, and as many as 344 STRs were available for any given category. This search showed that the majority of STRs in Pismo Beach have higher capacities. For instance, when searching all two-person accommodations, the average capacity was approximately six people.

Depending on the capacity selected, between 16 and 20 percent of STR accommodations could be considered lower cost, and approximately 21 additional STRs were within 10 percent of the

threshold. In general, larger capacities tended to be less expensive, and smaller STRs and private room options were more expensive per person. This makes STRs a sensible lower-cost option for larger groups and families. Overall, there was still a wide range of pricing options, from $14 to $186 per person.

Weekend Dates

When searching for availability on a weekend in June 2019, the available STR stock was significantly diminished, with 182 accommodations available depending on the search criteria for June. This is likely because reservations had been planned several months in advance. This search showed similar trends as the no dates search on a smaller scale; there were fewer options for only two people. However, the two-person search elicited the same average capacity of six people with these dates elected. The price range was higher than in the no dates search, with the lowest price option of $108 per person for a private room and $17 per person for an entire home. Unlike the results in the search with no dates, this had significantly fewer affordable small STRs: 4 percent each of two-person, four-person, and eight-person entire home accommodations could be considered lower-cost.

The weekend survey in August 2019 demonstrated that approximately the same number of peak-season weekend accommodations were available as earlier in the summer, with as many as 180 accommodations being available depending on the search criteria for August. It should be noted, however, that the number of STRs available in June was similar to the number of STRs available two months later in August, indicating that visitors either plan in advance for the whole summer or accommodations will become relatively less available in August than June, given the additional time for more bookings prior to the reservation date. The price range for August was like the June weekend search results, with the lowest price option of $108 per private room and $17 per person for an entire home. In this survey, there were more lower-cost options in entire homes for two people (5 percent) and four people (6 percent) than for eight people (2 percent).

Weeklong Dates

Prices shown in the June survey for a weeklong stay were lower than prices for weekend stays, with the lowest price of $50 per person for a private room and $16 per person for an entire home. This is likely because some hosts offer discounts for longer stays, which usually apply to visits of at least seven days. Prices for large accommodations were slightly lower, with the lowest cost for an eight-person accommodation at $16 per person.

Price ranges for an August weeklong survey were similar to those in June, with accommodations as low as $16 per person. In addition, average capacities were approximately 6 persons average for 2-person and 4-person accommodations and approximately 9 persons average for 8-or-more-person accommodations.

The proportion of accommodations that were lower-cost accommodation was similar for both dates, with between 4 percent and 7 percent of entire home accommodations meeting the lower-cost threshold, which were relatively consistent per person regardless of accommodation size.

Holiday Weekend

Availability for Labor Day weekend was lower due to the holiday weekend than other weekend searches in the peak season, and the holiday had a slight impact on the price ranges, with increased pricing for Labor Day weekend. The lowest price options for that weekend were $108 per person for a private room and $22 per person for an entire home at all accommodation sizes. Four percent of all entire home accommodations could be considered lower cost, while no private rooms met the lower-cost threshold.

3.2 CURRENT ISSUES AND POLICIES IN PISMO BEACH

The City seeks to establish General Plan/LCP policies that will address LCVSA issues on a long-term basis. Current General Plan/LCP, and Municipal Code regulations that relate to or impact LCVSAs are outlined in this section.

3.2.1 GENERAL PLAN/LOCAL COASTAL PLAN

The General Plan/Local Coastal Plan is a combined document of both the General Plan and the LCP, given that a large portion of Pismo Beach lies within the Coastal Zone. The General Plan/LCP includes multiple policies that outline the importance of LCVSAs as well as provisions and requirements. Since certain regions of the city are not in the Coastal Zone, policies are separated by different planning areas designated by the General Plan/LCP. Therefore, not all the policies listed below are applied generally to the whole jurisdiction but rather to regions of the city. All policies related to LCVSAs are in the Land Use Element.

Policy LU-4: Resort Commercial Land Uses. The Resort Commercial land use shall allow various visitor services including motels, hotels and R.V. Parks. Floor area ratios shall not exceed 1.25. Specific policies for these uses are:

a. All Income Levels: Resort commercial activities shall be promoted catering to visitors of all income levels.
b. Conversion Prohibited: Conversion of visitor-serving lodging to other non-visitor-serving types of uses shall be prohibited unless the cost of rehabilitation is greater than 50 percent of the market value of the structure or the city finds, based upon supporting data, that the existing use can no longer be made economically viable. Where conversion is allowed, the city may require on or off site replacement of the lost visitor serving lodging.
c. R.V. Parks Restricted: R.V. parks shall be restricted to the Pismo Creek Planning Area "L".

d. Non-visitor-serving Uses: The Resort Commercial category is specifically intended to be set aside for visitor-serving uses. Residential and/or non-visitor-serving commercial uses may be permitted on lands designated within this category only if one of the following findings is made:
    1. The size, shape or location of the parcel make it inappropriate for a visitor-serving use; or
    2. The use is low-or moderate-income housing that is clearly subordinate and accessory to an on-site hotel or motel use and is established for, and limited to occupancy by, employees of the hotel, motel or other nearby visitor-serving establishments. Uses, which shall be specifically prohibited, include office space for general or medical businesses, and non-retail commercial services.
e. Condominium Hotels Permitted: The subdivision of hotels into airspace condominium units may be permitted with the approval of the City Council, provided that such units are clearly designed as hotel rooms or suites rather than dwelling units and are restricted to occupancy on a transient basis. Approvals of any such subdivision shall be subject to conditions that will assure the development functions primarily as visitor accommodations. Such conditions shall require recordation of enforceable deed restrictions limiting occupancy by any individual to a maximum of 30 calendar days per year, cumulative; compel participation in a rental program open to the general public on the same basis as non-condominium hotels; and discourage design features, which would be characteristic of long-term occupancy.

Policy LU-J-1: The Motel District shall be designated for Resort Commercial, Medium Density Residential and Open Space. The area shall serve as a key focus for Pismo Beach's visitor-serving industry with special consideration given to ocean views and bluff access. Retention or upgrading of the existing motel uses is a major emphasis of the plan.

Policy LU-K.3.1: Mixed Residential (MR) District. The Mixed Residential or MR District shall permit a mixture of hotels and motels along with apartments, condominiums and other similar residential uses. Restaurants may be permitted when secondary to onsite hotel use. It is expected that the visitor-serving uses will gravitate toward the beach and the major thoroughfares. Small convenience markets that serve the daily needs of residents and visitors would be allowed in this district.

Policy LU-K-3.3: Mixed Use (MU) District. The Mixed Use or MU District will provide for a wide variety of land uses including visitor lodging, commercial retail, restaurants, service uses, offices, and residential uses. The more intensive commercial uses and visitor-serving uses shall be encouraged to locate along the major thoroughfares. Mixed-use projects are encouraged throughout the district.

Policy LU-L-4: Pismo Coast Village Storage. The RV storage and repair area next to Pismo Creek should be moved to a less important place on the site. Areas next to Pismo Creek should be used for Pismo Creek trails and open space and visitor related uses such as additional RV spaces.

3.2.2 MUNICIPAL CODE

Chapter 3.20: Transient Occupancy Tax

Chapter 3.20 establishes a mandatory TOT for hotels in Pismo Beach. Included in the definition of hotels is a wide range of accommodation types, including inns, tourist homes or houses, motels, studio hotels, bachelor hotels, lodging houses, rooming houses, apartment houses, dormitories, public or private clubs, mobile home or house trailers. The TOT in Pismo Beach is 10 percent.

Chapter 3.26: Lodging Business Improvement District

Chapter 3.26 forms the Pismo Beach Lodging Business Improvement District (LBID), which mirrors the boundaries of the city, to provide revenue and defray the costs of services, activities, and programs promoting lodging operations in the LBID. The assessment levied on all existing and future operations in the city are collected monthly based on the gross lodging revenues from the previous month.

Chapter 5.22: Vacation Rental Regulation

Chapter 5.22 establishes vacation rental and short-term rental application, regulations, and ongoing requirements for safe, consistent, and responsible STR operation. This chapter states that no homeowners may rent, offer to rent, or advertise a STR or homestay to another person without a permit approved and issued by the City. STR permits are the personal property of the property owner and do not run with the land upon resale of the property. Other regulations in this chapter require the provision of garbage removal, written notice of the contact person responsible for the homestay, and STR advertising criteria.

Chapter 17.09: Short-Term Rentals and Homestays in the Non-Coastal Zone

Chapter 17.09 is intended to establish requirements for STRs and homestays in Pismo Beach outside the Coastal Zone. It defines an STR as a rental of a detached single-family residence or accessory dwelling unit for less than 30 consecutive days where the primary residence is not being currently occupied by the owner. STRs are permitted in the Single-Family Low Density Residential (RSL), Single-Family Medium Density Residential (RSM), and Open Space (OS) zones and are prohibited in all other residential zones. Homestays are regulated in the same manner as STRs, except there is no limit to the number of rental days allowed per year. These STRs or homestays are permitted only at single-family homes where the property owner retains the property as their primary residence. The property owner is required to obtain a STR license from the City of Pismo Beach. For tax purposes, properties identified as STRs must be licensed and the property owner must apply for a transient occupancy tax/lodging business improvement district/tourism marketing district (TOT/LBID/TMD) certification. This certificate requires that the property owner collect and

remit TOT/LBID/TMD payments to the City on a monthly basis in compliance with the city's TOT and LBID ordinances and the city's tourism marketing district assessment. This chapter was updated in 2018 to further regulate STRs within the City's Non-Coastal Zone and ensure that all STRs and homestays operate and are administratively regulated consistent with standards and regulations in the Municipal Code. Updates in 2018 also amended the General Plan to approve land use changes.

Chapter 17.113: Short-Term Rentals in the Coastal Zone

Chapter 17.113 is intended to establish requirements for STRs in Pismo Beach's Coastal Zone. It defines an STR as the rental of a detached single-family residence or accessory dwelling unit for less than 30 consecutive days where the primary residence is not being concurrently occupied by the owner. STRs in the Coastal Zone are permitted in the Planning Area K of the General Plan, or other non-residential zones. This definition is consistent with Commission guidance that recommends defining and regulating STRs in the LCP. STRs in the Coastal Zone are taxed under the same procedures as STRs and homestays in the Non-Coastal Zone described previously. Updated via ordinances in 2018, this chapter amends the General Plan/LCP to approve land use changes, and the Municipal Code to permit necessary administrative policy changes to implement the regulation of STRs in the Coastal Zone. These amendments also added more specifications regarding the application process to convert a conventional residence to an STR, increasing STR parking and garbage removal standards and detailing ongoing requirements for vacant rental operations. As amended, this chapter contains procedures for the violation of STR guidelines and enforcement of standards upon violation.

3.2.3 CITY ORDINANCES AND RESOLUTIONS

Resolution 2004-062

Based upon findings from the City of Pismo Beach Development Impact Fee Study and Update from 2004, the City adopted new development fees including establishing a Commercial Impact Fee. The Commercial Impact Fee requires new commercial development and hotels to pay an impact fee to the city's Rental Housing Fund. Since adoption in 2004, the development fees have been regularly updated, and these funds are used to assist housing for low and very low income households. The additional cost of this fee as applied to hotels increases the cost to develop new accommodations in Pismo Beach.

3.3 INPUT RECEIVED DURING OUTREACH

Over the course of preparing this memorandum, PlaceWorks completed several outreach activities to receive input from the community regarding affordable accommodations. This input is summarized below.

3.3.1 STAKEHOLDER MEETING

This stakeholder meeting at Pismo Beach City Hall on March 22, 2019, was a key component of outreach efforts. Hotel/motel owners, travel and tourism groups, the business community, short-term rental operators, and the real estate industry were invited to provide input and feedback about the opportunities and challenges related to providing lower-cost overnight accommodations in Pismo Beach. Nine stakeholders participated in this group conversation, consisting of hotel general managers and other hotel representatives, the manager of an RV park, and tourism organization representatives. Discussions were held in a roundtable setting with a question-and-answer format centered on the following questions posed to stakeholders:

1. Does Pismo Beach offer a variety of low-cost accommodations options (hotels, motels, campgrounds, RV parks, etc.)?
2. Are there low-cost options that are missing?
3. What are the challenges or barriers to providing new or rehabilitating existing low-cost accommodations in Pismo Beach?
4. Do you have any examples of ways that low-cost accommodations have successfully been provided in Pismo Beach in the past?
5. Are there ways the City could help address any of the challenges identified in this discussion?
6. Do you have any additional comments to share?

Stakeholder Input

The following questions, issues, and topic areas were most important to those participating in the stakeholder meeting:

- In offering a variety of low-cost accommodations, what percentage of lower-cost accommodations or rooms is generally requested by the California Coastal Commission?
- Safari tents on the beach, cabins, and airstreams are low-cost options that are missing in Pismo Beach.
- It can be frustrating and difficult as an applicant to provide new or rehabilitated existing low-cost accommodations when the Commission is not consistent in requirements and requests from project to project.

- Compliance with the American Disabilities Act (ADA) is already costly and constraining when providing accommodations in Pismo Beach. Additional LCVSA requirements imposed by the Commission will further increase barriers to providing ADA-compliant accommodations in Pismo Beach at a reasonable cost.
- There is a good example of low-cost accommodations in Pismo Beach where a short-term rental owner operates a unit with no occupancy limit, allowing him to fit multiple families in the unit to lower the cost per family.
- The City policies created from the LCVSA analysis work should be clear what level of redevelopment or remodeling triggers LCVSA requirements.
- It may be beneficial to test different types of projects using the draft recommendations prior to finalized recommendations for feedback.
- City and Commission regulations must be clear about the expectations for monitoring the renting of designated low-cost rooms in new projects.
- This project needs to be publicized so everyone in the city can submit comments.
- It is important for the City and the accommodations community to be unified in addressing additional Commission requirements.
- Regulations should be delivered with certainty, but there may not always be a need for additional regulations.
- The LCP should incorporate all LCVSA regulations so there are fewer surprises after the LCP update.
- The City should hold another stakeholder meeting to review the administrative draft report.
- A vacation club could be a good low-cost option in Pismo Beach.
- Hotels and accommodation owners are aware that they need to provide options for many different income levels in Pismo Beach.

3.4 SEA LEVEL RISE EXPOSURE

At the time of this report, the City is beginning the process to update the City's General Plan and Local Coastal Plan. The LCP update is a critical component of adaptation planning. Currently, a fair amount of coastal shoreline in California is threatened by sea level rise. For example, campgrounds in state parks provide a low-cost alternative to hotels and motels, but such facilities may be occasionally unusable due to increased flooding and erosion resulting from sea level rise. In addition, erosion from sea level rise may decrease the accessibility and impair the infrastructure of accommodations on bluffs above.

3.4.1 CURRENT SEA LEVEL RISE PROJECTIONS

Six sea level rise scenarios have been evaluated ranging from 1.6 feet to 9.8 feet, representing projections across multiple risk aversion cases through this century. Current projections indicate a one percent chance that sea level rise will meet or exceed six feet through 2100. According to the Pismo Beach Vulnerability Assessment, the likely range of sea level rise at 2050 is between 0.5 to 1.0 feet and at 2100 is between 1.8 to 3.6 feet. The City's evaluation of sea level rise projections divides the city into three areas where hazards could result in differing impacts:

- Bluffs: This region of bluffs stretches from Pirate's Cove in the northwest to the city's downtown northwest of the pier. At 3.3 feet of sea level rise, all beaches in this study area are anticipated to be eroded or wholly submerged if no adaption measures are implemented
- Downtown: Extending approximately from the northwest end of Pismo State Beach to Pismo Creek, most of this developed downtown shoreline is protected by a seawall, but the area is currently exposed to coastal erosion, wave runup, and flooding during extreme events. By 3.3 feet of sea level rise, the natural storm buffer of Pismo State Beach will be reduced by one third.
- Low-lying: This area of the city is most prone to coastal and fluvial flooding is between the southern side of its downtown and the southern City boundary, including the banks of Pismo Creek, Pismo Lake, and visitor facilities and attractions between Highway 101 and the coastline. Approximately one third of Pismo State Beach is anticipated to be eroded by 3.3 feet of sea level rise. Coastal flooding in normal conditions will impact this area with this same increase in sea levels.

Figure 5 shows a map of existing accommodations overlaid on anticipated flood hazard projections at 2050 in a 100-year storm, and Figure 6 shows a map of projections at 2100. These maps show the geographic extent of projected coastal flooding, taking into consideration flood uncertainty, associated with sea level rise and storm conditions. For the 2050 time horizon, the likely range of sea level rise is between 0.5 and 1.0 feet of water inundation, shown at an average 0.8-foot rise in Figure 5. With sea level rise projections likely falling within 1.8 to 3.6 feet by 2100, Figure 6 shows 3.3 feet of sea level inundation which is predicted to occur in a 100-year storm. It should be noted that 3.3 feet represents the medium-high projection for 2070 rather than the greater increase of 6.7 feet at 2100, which means that it is highly unlikely to occur over the next 50 years. This amount of sea level rise represents the upper end of the scenarios predicted through 2100. The effects of sea level rise are not expected to substantially degrade the quality of affected hotel and motel facilities through 2100, but are expected to have greater impacts on the use and availability of campgrounds and RV parks in the city.

FIGURE 5: ACCOMMODATIONS AND PROJECTED 2050 SEA LEVEL RISE HAZARD ZONES



Source: Moffat & Nichol, 2019.

FIGURE 6: ACCOMMODATIONS AND PROJECTED 2100 SEA LEVEL RISE HAZARD ZONES



Source: Moffat & Nichol, 2019.

3.4.2 ANTICIPATED SEA LEVEL RISE IMPACTS ON LCVSAS

Bluffs

Along the City's northern coastline, this stretch of development includes 12 hotels and motels in Pismo Beach, all perched atop the bluffs. While bluff erosion is an existing hazard in Pismo Beach, erosion is projected to intensify with increasing sea level rise. The narrow beaches in this area are most sensitive to SLR-induced shoreline erosion. The dry beach and intertidal zone are at risk of permanent loss due to coastal squeeze, which pushes sea level-dependent areas landwards. The shoreline is predicted to encroach towards the base of the Sea Crest Hotel bluff by 1.6 feet of sea level rise and towards the base of the Kon Tiki Inn bluff by 4.9 feet of sea level rise. The permanent structures atop the bluffs, while preserved from sea level rise inundation, are constrained from landward migration and may suffer loss of adjacent visitor-serving amenities. Erosion-induced

damage to structures or paths in this area could cause loss of access to beaches for visitors at accommodations in the Coastal Zone. For example, the Cottage Inn, Pismo Lighthouse Suites, Seacrest Hotel, and Kon Tiki Inn all have stairs down to the beach at risk from shoreline erosion. All stairs other than the Kon Tiki Inn are at severe risk of inundation starting at 1.6 feet of sea level rise. At the same level of sea level rise, Kon Tiki Inn's stairs are moderately impacted, subjected to wave attack during storm conditions.

Downtown

This area includes approximately 10 hotels and motels that sit near each other between the shoreline and Highway 1. While this area is less sensitive to shoreline erosion, many access points to the beach and visitor-serving amenities will be impaired at 1.6 feet of sea level rise. The water is not anticipated to reach the ends of the streets terminating at the beach within Downtown until 3.3 feet to 4.9 feet of sea level rise, but exposure to normal and storm condition wave attacks will become more common on some streets. Unarmored streets will be more impacted by the direct wave attacks. The permanence and significance of structures in Downtown severely limits the adaptive capacity of the area and the hotels and motels in this area are not within the sea level rise inundation zone in extreme scenarios. However, the projected hazards may exceed design specifications for currently installed infrastructure which would require upgrades to preserve existing development. Armoring in this area would protect accommodations from sea level rise impacts, but the accommodations structures' perpendicular orientations to the shoreline decrease their vulnerability overall.

Low-lying

This area includes the three campgrounds/RV parks in the city. If unmitigated, sea level rise could significantly increase flooding potential in this region. This area is less sensitive to shoreline erosion, and the partially vegetated dunes between the beach and Pismo Creek south of Addie Street offer protection from increasing wave impacts and erosion. Despite these features, this area is most exposed to flooding in normal conditions with 3.3 feet of sea level rise. Pismo State Beach North Campground and Pismo Coast Village RV Resort are both affected by flooding in this scenario.

Furthermore, the projected flooding that could impact Dolliver Street during extreme storm events effectively separates the campgrounds and RV parks from the rest of Pismo Beach to the north. This has the potential to impact critical needs, including emergency services, at these accommodations. There is an inherent vulnerability of lower-income households that would seek lower-cost accommodations due to their lack of resources to access medical care, and other necessities. Considering the heightened vulnerability of households living in this area, preserving access to essential transportation routes and reducing structural damage to the low-cost campground and RV park infrastructure could be viable adaption strategies to address these hazards. In addition, beach nourishment along the shoreline here could increase the width of

Pismo State Beach to further protect the Pismo State Beach North Campground and other camp sites/RV spots in the Low-Lying area.

Policies to Support At-Risk LCVSAs

If sea level rise displaces or impacts the inventory of LCVSAs, the overall impact on affordability will remain the same as if they were displaced by other means. Therefore, at that point, the City can refer to policies 1.14 to 1.12 to protect the existing inventory of lower-cost accommodations, develop new LCVSAs off- and on-site, and continue to provide public access to day-use facilities.

3.5 SUMMARY OF FINDINGS

3.5.1 LOWER-COST ACCOMMODATIONS VERSUS HIGHER-COST ACCOMMODATIONS

Hotels and Motels

When considering the results of the PlaceWorks 2019 hotel/motel survey, STR data, and adjusted lower-cost threshold calculations, it is evident that Pismo Beach has a substantial amount of lower-cost hotels and motels. According to the survey, 10 hotels and motels that include 24 percent of the available hotel room inventory (477 total rooms) are considered lower-cost.

The room capacity of hotel and motel accommodations ranges significantly in Pismo Beach, regardless of price. Furthermore, many of the hotel and motel accommodations are older accommodations, and about one-third were built prior to 1980. This is true of both lower- and higher-cost accommodations.

When analyzing the hotel/motel survey and receiving comments during community outreach efforts, it is clear that Pismo Beach considers all income levels when providing accommodations in the city.

Campgrounds

According to the 2019 survey of campgrounds and RV/trailer parks, all (100 percent) of these accommodations are well below the lower-cost threshold. These sites are and likely always will be options for lower-cost travel. However, this type of accommodation is very different from a hotel or a short-term rental, and in some cases, requires different equipment and appeals to a different type of traveler.

STRs

According to the survey of STRs in 2019, when searching with no date limitations, 16 percent of two-person accommodations (56), 17 percent of four-person accommodations (54), and 16 percent of 8-person accommodations (16) are below the lower-cost thresholds designed for STRs. When examining all STRs available in Pismo Beach (using the survey with no dates specified) and not considering the differing capacity of STRs, there are 57 lower-cost accommodations, or 17 percent of the entire stock. Unlike the rest of the accommodation options in Pismo Beach, many of these accommodations are larger and therefore more expensive. However, this makes Pismo Beach's STR market more suitable for families and large groups, as the per-person cost to stay in these larger units is less, and these rentals typically supply additional amenities.

3.5.2 SEASONAL OCCUPANCY

Pismo Beach has a high vacancy rate of 28 percent. This can primarily be attributed to the fact that many of the homes in Pismo Beach are second homes that owners only occupy part-time. These homes may be rented as STRs for part of the year or left vacant when unused. This affects both neighborhood character and long-term housing availability in the community, as these units are not available in the long-term rental housing market. Despite the drawbacks of these STRs, the revenue generated from tourism is a significant component of the local economy.

While the vacancy rate is high in Pismo Beach, these units are sometimes difficult for the City to identify. Pismo Beach recently passed an STR ordinance, as mentioned in this memorandum, to better regulate the STRs and discern them from units that are likely seasonally vacant.

3.5.3 DEVELOPMENT PRESSURES

Due to the aging stock of hotels and motels in Pismo Beach, some lower-cost accommodations may be subject to pressure from developers who wish to buy out properties and build higher-end accommodations. This would result in loss of affordable accommodation stock and an overall increase in hotel prices.

The same pressures may also be true in residential neighborhoods with STRs. Ordinances 2018-006 and 2018-007 have established a new system for administering and regulating STR permits, intensifying the existing market for larger STRs (8+ person capacity), and the development community may face pressure to develop much larger homes that are solely intended as STRs or second homes. This can ultimately result in increased nightly rates for STRs and make it more difficult for individuals or smaller families to find affordable accommodations. It can also put additional pressures on long-term housing as more homes are converted from long-term rentals or owner-occupied homes to STRs.

3.5.4 OVERALL AFFORDABILITY IN PISMO BEACH

The aggregated data on all LCVSAs in Table 12 shows the full range of accommodation affordability across all accommodation types in Pismo Beach. This table shows that approximately 37 percent of all accommodations in Pismo Beach can be considered lower cost.

TABLE 12 ALL LOW COST VISITOR SERVING ACCOMMODATIONS IN PISMO BEACH

Campgrounds/RV Parks	Number/Percent
Total Stock	515
Total Lower Cost	515
Percent	100%
Hotels and Motels	
Total Stock	1,980
Total Lower Cost	477
Percent	24%
Short-Term Rentals	
Total Stock[1]	344
Total Lower Cost	57
Percent	17%
Total All Accommodations	**2,839**
Total Lower Cost	**1,049**
Percent	**37%**

[1]Total stock for STRs determined using the number of STRs available when no dates or capacities are selected. This number was used to ensure that the total is comparable to the other accommodation types in that it reflects the entire STR stock available regardless of actual vacancy rates.

Conclusions

As previously discussed, the Commission expects coastal communities to implement policies to encourage the development of new LCVSAs and prevent the loss of existing LCVSAs. In Pismo Beach and other coastal communities, the Commission has typically interpreted this expectation to mean that 25 percent of each new accommodation should be designated LCVSAs.

Construction of onsite lower-cost units has not been required for new hotels or motels in Pismo Beach. However, the City issued permits in both 2007 and 2015 to the Vespara hotel requiring a

deposit of $97,000 and $200,000, respectively, for in-lieu fees to be used towards lower-cost accommodations.

Pismo Beach has a variety of hotel and motel prices, and STRs provide alternative accommodations that are particularly suited for group or family travel, some of which are low cost. The City continues to prioritize coastal accessibility and affordability by working with new development projects to ensure pricing aligns with Commission expectations and will be accessible to the general public. The existing accommodation stock in Pismo Beach has sufficient options to ensure equal access to the coast, pursuant to Section 30213 of the California Coastal Act. The City proposes to implement policies that will allow the City to maintain its level of affordability and accessibility.

4. CANDIDATE POLICIES

The following policy categories are recommended for consideration during the General Plan/LCP update process to ensure that LCVSAs continue to be widely available in Pismo Beach, and sufficient mitigation strategies are in place to remain consistent with the Coastal Act. While Pismo Beach has a suitable percentage of LCVSAs that are not currently at risk, it is important to continue to preserve existing LCVSAs and to have strategies in place to address potential future issues, such as sea level rise, which could impact the LCVSA stock in Pismo Beach. This will ensure that Pismo Beach continues to be an affordable destination.

Following discussion with City and Commission staff, the final policies included here will be incorporated into the General Plan/LCP. This information is based on a review of several other adopted LCPs and Commission guidance documents, but has been tailored to respond to issues specific to conditions in Pismo Beach.

4.1 PROVISION OF LOWER-COST VISITOR-SERVING ACCOMMODATIONS

As evidenced by hotel, motel, campground, and short-term rental price surveys, 37 percent of all accommodations in Pismo Beach can be considered lower cost. New development and rehabilitation of hotel and motel projects require discretionary review by the City, while use of a residential property for an STR does not in the zones where STRs are allowed. Therefore, many policies that are intended to increase the LCVSA stock focus on hotels and motels. Other policies are included that protect other LCVSAs, including STRs and campgrounds. Each candidate policy is tied to an implementation time frame and subsequent threshold, if applicable.

4.1.1 DEFINE AND TRACK THE INVENTORY OF LOWER-COST HOTELS AND MOTELS

The City should define accommodations at different cost levels. It should also regularly track the hotel and motel inventory to determine when the policies specified in the following section will be necessary. This should be in the form of a regularly scheduled price survey of all hotels and motels.

1.1 *Low, Moderate, and High-Cost Accommodations Defined:* For purposes of this subsection, visitor accommodations shall be defined as low, moderate, or high cost as follows:

- Low Cost. The annual average daily room rate of all economy hotels and motels in the City of Pismo Beach market area based on a full survey of hotels and motels.
- Moderate Cost. The average daily room rate is between low cost and high cost.
- High Cost. The average daily room rate is one hundred twenty (120) percent of the Statewide average daily room rate or greater.

1.2 *Affordability Classification.* Prior to approval of new development involving overnight accommodations, establish a classification method to define whether the proposed facility providing overnight accommodations is lower, moderate, or higher cost within the Pismo Beach hotel submarket. Classification criteria may include Average Daily Rate (ADR) during peak summer season and per person value.

1.3 *Survey of Accommodations:* Perform a survey in the city every five years or at the time of a new hotel or motel application approval (whichever occurs first after the previous most recent survey) for all hotels and motels. The survey shall be at the same level of detail as the survey performed for this memo. The survey should include documentation of the number of accommodations (for 2- to 4-person occupancy) and their average costs. Upon completing the survey, use the City threshold to determine what proportion of hotels and motels can be considered LCVSAs. This process will be completed using a search for peak season dates to reflect realistic prices for the most popular times for visitors. The City's dollar amount threshold should also be updated at the time of the survey using the Consumer Price Index to adjust for inflation.

4.1.2 PROTECT EXISTING INVENTORY OF LOWER-COST ACCOMMODATIONS AND DEVELOP NEW LCVSAS ON-SITE

The LCVSA hotels and motels in Pismo Beach are on average older than the overall average age of the hotel/motel stock. They may be outdated and in need of rehabilitation or ongoing maintenance to ensure they can continue to attract guests and remain in the LCVSA stock. From a policy

standpoint, it is important to not only prioritize new LCVSA development, but to support existing LCVSAs.

While the Commission is still developing specific policy language on LCVSAs, it has provided a preliminary recommendation to require new developments to offer at least 25 percent of units that are lower cost, when economically feasible. This will allow a range of opportunities for visitors of all incomes. This is based on the Commission's requirement to preserve affordable accommodations in coastal cities. The Commission advises against providing "credits" for hotel rooms based on their size or amenities that would allow higher-cost hotels and motels to manipulate this allowance and operate while providing few or no lower-cost units. On-site provision of LCVSAs is the Commission's preference for new development requirements.

1.4 *Overnight Accommodations.* Protect, encourage and, where feasible, provide lower cost overnight accommodations in the coastal zone.

1.5 *Lower and Moderate Cost Accommodations.* Prohibit the loss of existing lower cost facilities, including lower cost hotel, motel or inn units, or campsites, unless they are replaced with comparable facilities, mitigation, or in-lieu fees are provided to fund other lower-cost overnight visitor accommodations in the city or the greater Central California coastal zone area.

1.6 *Mitigation.* If the review authority determines that the development will impact existing lower cost visitor-serving accommodations, or provide only high or moderate cost visitor accommodations or limited use overnight visitor accommodations such as timeshares, fractional ownership and condominium-hotels, then mitigation commensurate with the impact shall be provided as follows:

i. Where development proposes to remove existing lower cost accommodations or replace existing lower cost accommodations with high cost accommodations, replacement of the lost low cost rooms shall be provided at a one-to-one ratio either on site or on a suitable off-site location within the city or greater Central California coastal zone area. Where development proposes replace existing lower cost accommodations with moderate cost accommodations, replacement of lost low cost rooms shall be maximized and provided at a ratio commensurate with the identified impact, taking into consideration the proposed cost increase and any additional amenities that would be provided to serve as a lower-cost option for families. Replacement shall prioritize providing for lower cost accommodations on-site where feasible; where on-site provision is not feasible, off-site provision shall be completed and ready for use prior to occupancy of the new development, as feasible.

ii. Where development proposes to provide for new higher cost accommodations, 25% of the new higher cost accommodations shall be lower cost.

iii. Where it is not feasible to provide lower cost accommodations on or off-site, payment of an in-lieu fee commensurate with the impact shall be required, as described under the In-Lieu Fee Program below in Section 4.1.3.

1.7 *Range of Pricing.* Encourage new overnight visitor accommodation developments to provide a range of rooms and room prices in order to serve all income ranges. Consistent with Section 30213 of the Coastal Act, the City shall in no event (1) require that overnight room rental be fixed at an amount certain for any privately owned and operated hotel, motel, or other similar visitor-serving facility located on either public or private land; nor (2) establish or approve any method for the identification of low or moderate income persons for the purpose of determining eligibility for overnight room rentals in any such facilities.

1.8 *Feasibility Analysis Required.* An analysis of the feasibility of providing low cost visitor accommodations shall be required for any application involving the expansion, reduction, redevelopment, demolition, conversion, closure, cessation, or new development of any project involving visitor overnight accommodations, with the exception of short-term rental lodging that is within residential units. If the proposed rates are not lower cost, the feasibility study shall explain why providing lower cost accommodations as part of the project is not feasible, or whether the proposed project includes amenities that would serve as a lower cost option for families (e.g. additional beds per unit, suite facilities, kitchen facilities, etc.). This explanation shall address the land value; development costs; a breakdown of the estimated annual revenues (including average daily rate and occupancy rates); a breakdown of the estimated operating costs; and any other information necessary to address the feasibility of providing lower cost accommodations on site. The feasibility analysis shall be prepared at the applicant's expense.

1.9 *Older Hotels and Motels:* The City will encourage the retention of older motels and cottage courts. Where economically feasible, these facilities may continue to provide low and moderately priced overnight accommodations to Pismo Beach visitors. Where these facilities have already converted to lower income rentals, the City may assist owners to preserve and improve the structures through available rehabilitation assistance programs.

4.1.3 DEVELOP NEW LCVSAS OFF-SITE

When it is not economically feasible to develop lower-cost units on-site, the Commission has supported the development of reasonable mitigation fees that will allow lower-cost accommodations to be developed elsewhere. However, the Commission has noted that many previously developed in-lieu fees have proven to be too unsubstantial, and the lack of adequate funds has often made the development of lower-cost facilities impossible. This is because

mitigation fees have typically been calculated based on the cost to provide campground units or hostel beds, but have not included costs for hotel or motel rooms or other costs, such as acquisition, permitting, and infrastructure development.

The Commission has provided multiple case studies where in-lieu fees were highly underestimated and did not result in development of the intended number of lower-cost units. Therefore, the Commission is in the process of developing new estimates that will fully consider the following development costs:

- Planning, engineering, design, and permitting
- Infrastructure development, including water and sewer
- Site preparation, including earthwork and drainage improvements
- Cost to acquire land, if necessary, to complete the project
- Construction costs for all required building, including restroom buildings
- Fire protection and associated improvements
- Access roads
- Americans with Disabilities Act (ADA) requirements
- Habitat restoration, if required
- Administrative costs for the fee holder

In addition, the Commission is recommending that the in-lieu fee be charged for an initial 20- or 30-year period and then reassessed for permit amendments in the future. These fees would be used to fund all stages of project construction as well as ongoing operations (California Coastal Commission 2016).

The state Coastal Conservancy released the *Explore the Coast Overnight* assessment in November 2018. It includes some local funding and financing mechanisms to consider for funding development of low-cost accommodations. These include:

- Community Revitalization and Investment Authorities (CRIA). These authorities address revitalization of disadvantaged communities through planning and financing infrastructure improvements and upgrades and economic development activities. CRIAs are led by local governments.
- Enhanced Infrastructure Financing District (EIFD). EIFDs can be created by local governments using property tax increment financing. This funding source could be combined with other funding sources. EIFDs finance a wide variety of public infrastructure and private facilities, including parks, recreational facilities, and projects that implement a "sustainable community" strategy.

CRIAs would not be an option currently because no disadvantaged communities have been identified in Pismo Beach. An EIFD might be an option in the city.

1.10 In-Lieu Fee Program. Specific detailed information regarding calculation and use of any required in-lieu fees as part of a mitigation program for project impacts to the availability of low cost visitor accommodations within the City shall be included as a condition of approval of the Coastal Development Permit for the visitor accommodations. Fees shall be adequate to cover the cost of mitigation proportionate to the impact of the development for which the CDP is issued. All in-lieu fee payments shall be deposited into a fund established by the City which shall be in an interest bearing account and shall only be used for the provision of new lower-cost overnight accommodations, within the City or in the greater Central California coastal zone area. The fee shall be determined in the Local Coastal Program Implementation Plan (IP). Funds may be used for activities including land acquisition, construction, and/or renovation that will result in additional low cost visitor accommodations or other visitor facilities, as well as permitting costs. The specific low-cost requirements for any project funded by the in-lieu fee program shall be determined through the Coastal Development Permit process of the in-lieu fee funded project.

1.11 *Enhanced Infrastructure Financing District:* Consider establishing an Enhanced Infrastructure Financing District (EIFD) that would help fund public access facilities.

4.1.4 PROVIDE PUBLIC ACCESS TO DAY-USE FACILITIES

The Commission has approved numerous permits and certified LCP policies that require developers to provide non-overnight, lower-cost facilities in new hotel projects. Furthermore, language in the Commission LCP Update Guide notes that "developments providing public recreational opportunities are preferred." Although these facilities do not provide overnight accommodations, they do ensure that visitors who cannot or choose not to pay for a hotel room can nonetheless access the facility for activities during the day.

1.12 *Access to Day-Use Facilities:* Require new mid-price hotel and motel projects that do not have lower-cost accommodation options or in areas of the city were certain amenities are lacking to incorporate non-overnight facilities and amenities, either within or as a component of the development, which will be generally available for passive public use. Such amenities may include public plazas and spaces, restaurants, retail units, gardens, viewing areas, free Wi-Fi, bike parking facilities, or other day-use features that may be used by the general public at no or relatively low cost. The quality and quantity of amenities will be considered in the Coastal Development Permit review process. This policy does not

prohibit a new hotel or motel project from charging a user fee or resort fee for active amenities, such as pool and spa access, recreation activities and equipment, or organized group activities on the property.

4.1.5 LCVSA POLICY ACTIONS FOR CAMPGROUND FACILITIES

Maintain Camping Facilities

Campgrounds and RV parks are important components of the City's accommodation stock because they will almost always be LCVSAs. However, these facilities degrade over time due to heavy use, direct exposure to weather, and wear and tear. Regular maintenance will ensure these facilities remain a feasible option for tourists.

1.13 *Maintain Campgrounds and RV Parks:* Campgrounds and RV parks will be regularly maintained and improved. This may include improvements to accessibility, trails, and amenities.

4.1.6 SHORT-TERM RENTALS

The City recently adopted regulations governing short-term rentals within and outside the Coastal Zone. Short-term rentals provide some low-cost options, especially for larger groups visiting Pismo Beach. The City will continue to allow this accommodation type while balancing the need for long-term affordable housing and maintaining community character. The number of affordable short-term rentals will continue to be monitored over time.

1.14 *Allow Appropriately Regulated Short-Term Rentals:* Continue to allow and monitor short-term rentals without discretionary review in several residential and commercial areas of the City both inside and outside the Coastal Zone.

5. REFERENCES

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