

**Chapter 7.40**  
**SHORT-TERM RENTAL LICENSE**

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#### **7.40.210 Administrative policy.**

\* Prior legislation: Ords. 10-001 and 16-007.

#### **7.40.010 Purpose and intent.**

This chapter authorizes short-term rental use of a dwelling unit for remuneration for less than 30 consecutive days and establishes short-term rental license requirements and limitations. This chapter also sets regulations for the enforcement of these requirements and limitations, and collection and payment of fees and transient occupancy tax (TOT). [Ord. 17-024 § 2, 2017].

#### **7.40.020 Prohibition of transient use.**

The transient use or short-term rental of residential property by any owner representative, responsible tenant, person acting as agent, real estate broker, real estate sales agent, property manager, reservation service or otherwise who uses, arranges, or negotiates for the use of residential property for remuneration is prohibited, except as otherwise expressly permitted by this chapter, and for which a short-term license is issued in accordance with this chapter. The short-term rental of residential property without a license is a violation of this chapter and enforced at PGMC [7.40.140](#). [Ord. 17-024 § 2, 2017].

#### **7.40.030 Definitions.**

“Block” means as designated by Monterey County assessor.

“Block density” means STRs on a block divided by parcels on that block, expressed as a percentage.

“Block density limit” means block density of 15 percent.

The terms “owner,” “owner representative,” “person,” “remuneration,” “residential property,” “responsible tenant,” “transient,” “transient use,” “transient use of residential property,” and “transient use site” as used in this chapter shall be given the same definition as those terms in PGMC 23.64.350.

“Short-term rental (STR)” is a term that shall mean a short-term rental unit that is rented for periods of less than 30 consecutive days for remuneration.

“Short-term rental use” or “short-term occupancy” means the use, by any person, of residential property for transient lodging where the term of occupancy, possession, or tenancy of the property by the person entitled to such occupancy, possession, or tenancy is less than 30 consecutive calendar days.

“STR license” shall authorize the short-term rental use of an entire dwelling unit.

“STR site manager” shall mean the representative of the person or entity that owns an STR.

“Sun-setting” means a method in which licenses are discontinued. The sun-setting determination shall be the result of a lottery to ensure blocks are consistent with a block density limit of 15 percent.

“Zone of exclusion” shall mean the range of 55 feet from an existing STR parcel boundary. Any parcel that is located within the 55-foot zone of exclusion shall be ineligible for an STR license. [Ord. 18-005 § 3, 2018; Ord. 17-024 § 2, 2017].

**7.40.035 STR lottery process.**

- (a) The city manager shall conduct a lottery to implement this chapter.
- (b) Upon the effective date of the ordinance codified in this section, each STR license shall be subject to the STR lottery. The STR lottery shall apply only to those existing STR licenses located on an identified over-dense block using the “block density limit” referenced below.
- (c) The city manager shall cause the STR lottery to be administered by an independent firm to follow procedures established by the city, consistent with the requirements of this chapter and the provisions of this section. The STR lottery shall be held as soon as practicable following the effective date of the ordinance codified in this section but shall not be held before April 1, 2018.
- (d) The order of lottery selection shall be as follows:
- (1) All STRs that are either (a) on blocks at or below the block density limit or (b) do not overlap a ZOE with another STR will be exempt from the lottery process and designated to continue.
  - (2) Each nonexempt STR shall be placed into the lottery.
  - (3) Each block shall be considered in turn by the lottery, as determined by random order.
  - (4) When each block is considered in the lottery, each STR in that block shall be reviewed in random sequence. Each STR that meets the criteria set below may be designated to continue if:
    - (A) The number of STRs designated to continue, plus the number yet undetermined, including the STR being reviewed, are within the block density limit for that block; or
    - (B) The STR is outside of the ZOE of all other STRs, including STRs on all other blocks.
  - (5) An STR not meeting the criteria of subsection (d)(4) of this section will be designated to sunset.
- (e) STRs which: (1) are not eligible for renewal or, or (2) are subject to license denial, suspension or revocation pursuant to PGMC [7.40.090](#), or (3) are determined by the lottery result to sunset,

shall sunset and be null and void on and after April 30, 2019. STRs that sunset on this date will be issued a prorated refund of the license fee for time actually used.

(f) On and after September 30, 2018, an STR license shall not be issued if the license does not meet ZOE criteria set by this chapter.

(g) If needed, the city manager shall maintain an STR waiting list to process future STR license applications. [Ord. 18-005 § 2, 2018].

**7.40.040 STR cap, density, and occupancy limits.**

(a) License Cap. The maximum number of STR licenses allowed throughout the city shall be 250. If the number of existing licenses exceeds 250, new license applications shall be placed on a waiting list.

(b) Density Limit. Each new STR shall be subject to the following limits:

(1) Only one STR license shall be permitted per parcel.

(2) Upon the effective date of the ordinance codified in this chapter, all new STR licenses shall be subject to a 55-foot zone of exclusion. The 55-foot zone of exclusion shall be drawn from the STR parcel boundary. A property shall be ineligible to hold an STR license if any part of its parcel boundary is within the 55-foot zone of exclusion of an existing STR. Subject to the city manager or his/her designee's discretion, a property may be eligible for an STR license if its parcel boundary is outside the zone of exclusion but an associated legal easement is within the 55-foot range (i.e., a reverse ingress or egress easement creates a flag lot).

(c) Occupancy Limit. The maximum number of overnight occupants (aged 18 or older) allowed within an STR unit shall be two persons per bedroom, plus one additional person per STR unit. The maximum number of daytime (nonovernight) occupants shall be one and one-half times the maximum number of occupants allowed to stay overnight at the STR unit. The city has sole discretion to determine the final occupancy limit and number of vehicles to be permitted on the STR site. [Ord. 17-024 § 2, 2017].

**7.40.050 General STR requirements and limitations.**

(a) Each STR unit shall be used and maintained in a manner consistent with the character of the neighborhood.

(b) It is unlawful for any person to rent a property for a short-term rental use in the city without first procuring, and remaining in compliance with all conditions of, a valid STR license.

(c) Affordable housing units shall not be eligible for an STR license.

(d) Each designated on-site parking space at an STR unit shall be made available for use by overnight occupants of that unit.

- (e) Auctions, commercial functions, or other similar events are prohibited at any STR unit.
- (f) Each STR owner must appoint an STR site manager who shall be on call 24/7 to manage the STR unit and shall respond to reported issues, contact the tenants regarding complaints received and/or be physically present at the STR unit to address reported concerns within 30 minutes from the time of telephone notification.
- (g) Each STR owner or STR site manager shall inform at least one responsible STR tenant regarding occupancy, parking, noise, trash collection schedules, and other requirements or limits set forth in this chapter or in the city's administrative policy and procedures.
- (h) Each STR owner or STR site manager shall respond in a reasonable and timely manner (not to exceed 30 minutes) to address concerns or complaints pertaining to, but not limited to, the following: unreasonable use of the STR property, unreasonable noise or disturbance, disorderly or unlawful conduct, overcrowding of the STR unit, or any other requirement or limit set forth in this chapter or in the city's administrative policy and procedures.
- (i) The STR owner or STR site manager shall maintain a guest log book that includes the name, phone number, home address, guest license plate number if traveling by car, and dates of stay of a responsible tenant. The STR owner or STR site manager shall furnish such information to the city upon request.
- (j) The STR owner or STR site manager shall post a city-issued placard in a location visible at the front entrance. The placard shall prominently display the owner representative contact information, STR license number, and guest occupancy limits. It shall be the responsibility of the owner and STR site manager to immediately notify the city and obtain an updated placard whenever there is change in contact information.
- (k) The STR owner or STR site manager shall maintain a valid STR license at all times, and shall agree to collect and remit transient occupancy taxes on all gross receipts pertaining to short-term rental use of the property.
- (l) The STR owner or STR site manager shall include the STR license number in an easy-to-find and conspicuous location within all advertising (online or otherwise) pertaining to the short-term rental use of the property, but shall not post short-term rental availability on site.
- (m) The STR owner or STR site manager shall provide the city with hyperlinks for all online listings pertaining to the licensed STR property within 14 days each time a listing is created or is modified.
- (n) The STR owner or STR site manager shall immediately inform the city of any change in the contact information or a change in any material fact upon which the STR license was issued. [Ord. 17-024 § 2, 2017].

**7.40.060 STR license application requirements.**

To obtain an STR license, the STR owner shall submit an application on forms provided by the city. STR license applications shall comply with all terms, conditions, and requirements of this chapter including the following:

- (a) An STR license application shall be in the name of the owner of the real property.
- (b) A tenant of the STR property shall have written permission to use the property for short-term rental use from the owner of the property.
- (c) In the event an application is made for issuance of an STR license by a person doing business under a fictitious name, the application shall set forth the names and places of residence of all persons having an ownership interest in the property, and an ownership interest in the business.
- (d) In the event an application is made for issuance of an STR license by a corporation or a partnership, the application shall set forth the names and places of residence of the principal officers of the corporation, and the names and places of residence of any managing partner and any partner whose ownership share exceeds 25 percent.
- (e) Each STR license application shall include the following information:
  - (1) Address of the short-term rental unit.
  - (2) Name, address, phone and email contact information of the owner and the STR site manager.
  - (3) Name and phone number of the person(s) whose contact information is to be placed on the placard. This contact number and person must be reachable at all times during day or night and able to physically respond to the STR location within 30 minutes of telephone notification.
  - (4) A floor plan and site plan which shows the proposed use of each room, in each building, the street name, and off-street parking.
  - (5) An affidavit affirming that smoke and carbon monoxide alarms are installed and that fire extinguishers are in accessible locations.
  - (6) A building inspection report shall be submitted to the city upon initial application and upon every other renewal period. The building inspection checklist shall be completed by a certified third-party general contractor, building or home inspector. The inspection report shall use a form approved by the city. The chief building official or his/her designee may conduct a follow-up inspection to ensure the accuracy of information provided to the city and inspect any deficiencies that may need correction. The applicant or STR owner shall reimburse the city for all building inspection costs; payments shall be nonrefundable for applications found by the city to not be suitable or to qualify for short-term rental.

(7) All required fees shall be paid in accord with the city master fee schedule or as set forth by a city council resolution.

(8) Any other information which the city manager or his/her designee may require to properly administer the STR license program.

(f) Upon initial STR license application, the city shall notify neighbors within the 55-foot zone of exclusion of each STR unit. The city may consolidate STR neighborhood notices when possible. Each notice shall state the maximum number of nighttime occupants permitted to stay in the short-term rental unit, and state the STR owner's or STR site manager's contact information.

(g) The city manager or his/her designee may delay or deny issuance of an STR license for any reason, including the following grounds:

(1) The STR unit does not meet the definition of dwelling unit, per PGMC 23.64.350(a)(5).

(2) The STR application is incomplete or does not comply with STR ordinance regulations.

(3) An owner or applicant fails to comply with the city's determination of final occupancy limits or vehicle limits.

(4) An owner or applicant has made a false material statement or misrepresentation in, or in support of, the application.

(5) The building inspection report identifies an unsafe condition, and the owner has not corrected the identified deficiencies.

(6) The STR unit has existing planning, building, housing, or other city code violations, and the owner has not corrected the violations prior to issuance of an STR license.

(7) The STR unit has outstanding administrative penalties or the STR owner or STR site manager owes past-due transient occupancy taxes (TOT) for prior short-term rental use, or the property under present ownership has previously been used for short-term rental use without an STR license. [Ord. 17-024 § 2, 2017].

**7.40.070 STR license.**

(a) Each STR license shall be issued for a specific time-limited term.

(b) If no expiration date is shown, each STR license shall expire on March 31st of each year.

(c) Each STR license shall be prominently displayed at all times in plain view within the STR unit.

(d) Each STR license shall contain the following information:

(1) License number and expiration date;

- (2) The address of the STR unit;
  - (3) The name and contact information of the STR owner and STR site manager;
  - (4) The maximum number of allowed overnight occupants and vehicles; and
  - (5) Any other information which the city requires to enable proper administration of the license.
- (e) The city shall retain sole and final authority to determine the final occupancy limit and number of vehicles to be permitted for each STR unit.
- (f) Each STR license shall be nontransferable to any other person, except that transfer of ownership shall be allowed between spouses. Each STR license shall be nontransferable to any other location. No STR license shall be assignable, and shall not be transferred upon sale or other transfer of the property. [Ord. 17-024 § 2, 2017].

**7.40.080 STR license renewal.**

(a) No STR license shall be automatically renewed. It shall be the responsibility of an STR owner or STR site manager to renew each STR license on or before March 31st of each year. To renew an STR license, the owner or STR site manager shall submit the following:

- (1) STR license renewal form provided by the city.
- (2) List of hyperlinks for each online listing for the STR unit.
- (3) Signed owner responsibility statement.
- (4) Signed affidavit affirming smoke and carbon monoxide alarms are installed and that fire extinguisher(s) are in accessible locations.
- (5) A building inspection report, using the form provided by the city, and obtained through a certified third-party general contractor or building inspector.
- (6) Payment of all fees adopted in the master fee schedule or as set forth by a city council resolution.

(b) In addition to other reasons, any of the following factors is grounds for nonrenewal of an STR license:

- (1) Incomplete application.
- (2) Failure to demonstrate the STR license number is displayed in all the online listings or failure to provide hyperlinks of each online listing to the city.
- (3) Failure to remit payment to the city at the time the STR license renewal application is

submitted.

(4) The STR unit fails the building inspection, or the building inspection report identifies an unsafe condition.

(5) Failure to demonstrate that the licensed STR unit has been rented at least once for a minimum of three nights during the preceding 90 days, for a minimum of 12 nights during the preceding 180 days, or at a minimum of 24 nights of rental in the year prior to the STR renewal application.

(6) Evidence of two or more verified violations as described in PGMC [7.40.090](#) during the preceding 12 months.

(7) Failure to demonstrate all TOT owed to the city has been paid prior to the date of the STR renewal application. [Ord. 17-024 § 2, 2017].

**7.40.090 STR license denial, suspension or revocation.**

Any STR license issued pursuant to this chapter may be withdrawn, suspended or revoked for any reason, including but not limited to:

(a) A false material statement or misrepresentation has been made in, or in support of, the application;

(b) A change occurs in any material fact upon which the STR license was issued where the change was not reported to the city within 14 days;

(c) The STR unit is the location of a violation of any provision of this chapter in the 12 months preceding the date of application;

(d) The STR owner or STR site manager failed to timely respond to two or more complaints which have been independently verified by city of Pacific Grove police department, or by other city staff regarding limits on short-term rental use in the 12 months preceding the date of application, such as:

(1) Exceeding allowable occupancy;

(2) Violation of the city's codified noise ordinance;

(3) Failure to dispose of solid waste;

(4) Failure to properly store waste and refuse bins;

(5) Failure to assign or use designated on-site parking;

(6) Occurrences of other parking citations for on-street STR-related parking; and

(7) Any other incident which, at the discretion of the city manager or his/her designee, provides grounds for verified complaint.

(e) The STR owner, site manager, guest or any occupant of an STR unit engages in disorderly conduct at that site, or violates provisions of the municipal code or any state law pertaining to noise or disorderly conduct. [Ord. 17-024 § 2, 2017].

#### **7.40.100 Advertising STR without STR license.**

When the city has reasonable cause to believe an owner of real property within the city, or the agent of an owner, has advertised such property as available for short-term occupancy in exchange for monetary payment, and if no valid STR license has been issued for the property, the city may require the owner or owner's agent to provide the city within seven calendar days a sworn statement that such advertisement and/or occupancy has not occurred. Failure by the owner or owner's agent to provide the sworn statement shall constitute prima facie evidence that the owner or owner's agent is violating this chapter. Advertisement includes, but is not limited to, offering the property for short-term occupancy through internet advertisement, signs, circulars, cards, telephone books, newspapers, or any other representation implying or stating the property is available for short-term rental use. This section shall not be construed to apply to any notice that has been posted pursuant to PGMC [7.40.050](#). [Ord. 17-024 § 2, 2017].

#### **7.40.110 Statements and records.**

No statement required by this chapter shall be conclusive as to the matters set forth therein, nor shall the filing of such statement keep the city from collecting by appropriate action taxes or fees that are due and payable hereunder. In the event the city manager or his/her designee deems it necessary, he/she may require that a licensee or application for a license submit verification of financial information necessary to calculate the transient occupancy tax due, or, at the option of the licensee or applicant, may authorize the city to examine records or business transactions to compute the transient occupancy tax that is owed. [Ord. 17-024 § 2, 2017].

#### **7.40.120 Failure to file statement or corrected statement.**

If any person fails to file any statement required by this chapter within the time prescribed, or if after demand therefor made by the city he or she fails to file a corrected statement, or if any person subject to the tax imposed by this chapter fails to apply for a license, the city may determine the amount of tax due from such person by means of such information as he or she may be able to obtain and shall give written notice thereof to such person. Delinquent payment shall be subject to penalties calculated in the same manner as set forth in PGMC [7.40.190](#). [Ord. 17-024 § 2, 2017].

#### **7.40.130 Short-term occupancy for monetary payment without an STR license.**

When the city has reasonable cause to believe an owner of real property within the city, or the agent of an owner, allowed his or her property to be used for short-term occupancy in exchange for monetary payment without an STR license, the city may determine the amount of tax due from such

person by means of any available information. Delinquent payment shall be subject to penalties calculated in the same manner as set forth in PGMC [7.40.190](#). [Ord. 17-024 § 2, 2017].

**7.40.140 Liability and enforcement.**

(a) Any owner, owner representative, responsible tenant, person acting as agent, real estate broker, real estate sales agent, property manager, reservation service or otherwise who uses, arranges, or negotiates for the use of residential property in violation of the provisions of this chapter is guilty of an infraction for each day in which such residential property is used, or allowed to be used, in violation of this chapter.

(b) Any owner, owner representative, responsible tenant, or other person who uses, or allows the use of, residential property in violation of the provisions of this chapter is guilty of an infraction for each day in which such residential property is used, or allowed to be used, in violation of this chapter.

(c) Violations of this chapter may be prosecuted pursuant to Chapter 1.16 PGMC, or enforced pursuant to Chapter 1.19 PGMC.

(d) Penalties may be assessed for violations as provided in Chapters 1.16, 1.19, and/or [7.40](#) PGMC. The maximum limits set for administrative penalties in PGMC 1.19.200, however, shall not apply to any violation of this chapter. [Ord. 17-024 § 2, 2017].

**7.40.150 Payment of transient occupancy tax.**

The STR owner or site manager shall remit the transient occupancy tax as set forth in Chapter 6.09 PGMC. [Ord. 17-024 § 2, 2017].

**7.40.160 Appeal of tax.**

Any person aggrieved by any decision of the city with respect to the amount of the transient occupancy tax or fees associated thereto may appeal to the administrative enforcement hearing officer panel under Chapter 1.19 PGMC by filing a notice of appeal with the city clerk or delegate within 15 days after receipt of written notice from the city. The hearing officer assigned by the panel shall thereupon fix a time and place for hearing such appeal. The city manager or delegate shall give notice to such person of the time and place of hearing in compliance with Chapter 1.12 PGMC. The hearing officer shall have authority to determine all questions raised by such appeal; provided, however, that no such determination shall conflict with any substantive provision of this chapter. [Ord. 17-024 § 2, 2017].

**7.40.170 Additional power of city.**

In addition to all other power conferred upon the city manager, he or she shall have the power, for good cause shown:

(a) To extend the time for filing any required sworn statement or application for a period not exceeding 30 days, and in such case to waive any penalty that would otherwise have accrued; and

(b) Whenever any fee, tax, or penalty pursuant to this chapter is due and payable but has not been satisfied in full within 90 days or has not been successfully challenged by a timely writ of mandate, such amounts shall constitute a debt against the real property, and be subject to the processes set forth in Chapter 1.19 PGMC for liens and special assessments. [Ord. 17-024 § 2, 2017].

#### **7.40.180 Appeal of denial, revocation or suspension.**

Any person who has been denied a license or to whom notice of revocation or suspension of a license has been mailed may appeal to the administrative enforcement hearing panel under Chapter 1.19 PGMC, pursuant to a request for hearing under PGMC 1.19.090. Notice of the proceeding shall conform to PGMC 1.12.010, and the hearing shall conform to the process set at PGMC 1.19.120 and following PGMC 1.19.180. The hearing officer shall have authority to determine all questions raised by such appeal; provided, however, that no such determination shall conflict with any substantive provision of this chapter. Any applicant or license holder whose license shall have been denied or revoked shall be ineligible for a two-year period from applying for a new license. No person whose license has been revoked shall continue to engage in or carry on the activity for which the license was granted, unless and until such license has been reinstated or reissued. The decision of the hearing officer shall be final. Notice of the decision, and the opportunity for judicial review, shall conform to PGMC 1.20.010. [Ord. 17-024 § 2, 2017].

#### **7.40.190 Penalties.**

Penalties as set forth in Chapter 1.16 PGMC, or the administrative process set forth in Chapter 1.19 PGMC, may be imposed for failure to comply with the provisions of Chapter 23.64 PGMC or this chapter, with respect to:

- (a) Any STR owner, STR site manager, or person who transacts or carries on any activity relating to or supporting the short-term rental use of residential property in the city without first having procured and complied with an STR license from the city and paying all applicable license fees shall be subject to administrative penalties as set forth in Chapter 1.19 PGMC, including administrative penalties imposed by a hearing officer for violation of any provision of this chapter in an amount not to exceed a maximum of \$2,500 per day for each continuing violation, in addition to administrative costs, interest and restitution for compliance re-inspections, for any related series of violations, and/or forfeiture of all rents received during the period short-term rental use was allowed without an STR license, whichever amount is greater;
- (b) Any STR owner, STR site manager, or person who fails to immediately respond to neighborhood concerns regarding any activity at the short-term rental site and who has failed to timely remedy any violation in response to two or more complaints shall be subject to administrative penalties;
- (c) Any STR owner, STR site manager, responsible tenant or person who allows a short-term rental use site to be used or maintained in a manner detrimental to the peace, public health, safety or general welfare of persons or property of the neighborhood or the public, and fails to timely remedy

this violation in response to two or more complaints;

(d) Any STR owner, STR site manager, responsible tenant or person who allows impermissible or inappropriate behavior at the STR unit or action that exceeds the limits on short-term rental use set by PGMC [7.40.040](#) following two or more complaints;

(e) Limits upon administrative penalties in PGMC 1.19.200 shall not apply to any violation of this chapter. [Ord. 17-024 § 2, 2017].

**7.40.200 Liens/special assessments.**

Whenever the amount of any penalty, forfeiture, or administrative cost imposed by a hearing officer pursuant to this chapter or to Chapter 1.19 PGMC has not been satisfied in full within 90 days or has not been successfully challenged by a timely writ of mandate, this obligation shall constitute a debt against the real property on which the violation occurred, and be subject to the processes set forth in Chapter 1.19 PGMC for liens and special assessments. [Ord. 17-024 § 2, 2017].

**7.40.210 Administrative policy.**

The city manager or his/her designee shall have the authority to develop administrative policies and procedures to implement the intent of this chapter. [Ord. 17-024 § 2, 2017].