October 13, 2024

Chelan County Planning Commission
316 Washington St., Suite 301
Wenatchee, WA 98801

RE: Comments on Proposed Code Text Amendments – ZTA 24-328 - Proposed amendments to the Short-Term Rental provision in the Chelan County Code, specifically Section 11.88.290

Dear Planning Commissioners:

These comments are specific to the proposal to "Revisit/Reassess All Cap Numbers – Or Remove" pertaining to Chelan County Code 11.88.290(2)(B)(ii) as included in the agenda packet for your October 16, 2024, meeting. These are the caps on the maximum percent share of short-term rentals (STRs) in residential zones as part of total housing stock.

It was unclear to me why the Board of County Commissioners (BOCC) had proposed that the STR caps potentially be revised or even removed after the years of effort that went into developing the STR code, including these caps. When I recently met with Commissioner Gering,[1] she stated that it was <u>not</u> related to recent declines in lodging tax revenues, even though others have blamed this decline on the STR code coming into effect in 2021 (Residents Coalition of Chelan County has clearly demonstrated that the STR code is not the primary driver of these declines in a detailed presentation of lodging tax and total taxable sales data dated September 16, 2024).

Instead, Commissioner Gering said that, from her perspective, there were two reasons for the BOCC's desire to revisit or remove the STR caps:

1) The burden of litigation that the County has endured defending the code, especially from STR owners who have been denied permits, is costing the County a lot of money. If the caps were increased or removed, many of these STR owners would be able to obtain permits and would be less likely to sue the County.
2) Since the Manson Community Council (MCC) had requested that the cap for the Manson Urban Growth Area (UGA) be reduced from nine percent to six percent, it was fair to reexamine all of the caps.

I would like to look at these two reasons in more depth.

The first reason was the proliferation of legal claims against the County by those who have been denied STR permits and the associated costs to the County of having to defend against those claims. I asked Commissioner Gering if it wasn't true that the vast majority of those claims have already been

[1] As a representative of Residents Coalition of Chelan County.

adjudicated – she said she didn't know. I believe that the majority of these claims have already been addressed, so going forward, very few such claims would be expected as potential grandfathering issues get resolved. In other words, whatever associated expenses the County may have endured, they have already been spent and cannot be recovered at this point.

I would also note that making such a drastic change to the STR code would carry its own legal risk for the County. This risk was articulated by Marcus Foster, a prosecuting attorney with Chelan County, when he reviewed the proposed changes to the STR code in early August of this year. On the proposal to change the STR caps, he wrote "*This could create an issue in litigation. These numbers were negotiated at length. So far the only testimony to change caps I know of is Manson wanting to DECREASE their cap. Raising caps eliminates a large part of the purpose of the code.*" I think Mr. Foster makes a very good point, which should be heavily weighed when considering whether or not to change the STR caps.

The second reason Commissioner Gering gave was that the BOCC felt that since the MCC was requesting a decrease in the nine (9) percent cap in the Manson UGA to six (6) percent, it was reasonable to review all of the cap numbers. At that point I noted how this requested change actually came about.

At the December 11, 2023, BOCC meeting, Community Development Director Deanna Walter brought up the issue of the nine (9) percent cap in the Manson UGA versus the six (6) percent cap for the 98831 (Manson) zip code. She noted that it made the math complicated having two different caps for two overlapping areas.

At this point in the BOCC meeting, one of the Commissioners suggested that maybe the cap for the <u>entire zip code</u> should just be changed to <u>nine (9) percent</u> for simplicity.

I then contacted Kari Sorenson with the MCC to review what had been discussed on this issue in the December 11 BOCC meeting. The general consensus between Ms. Sorenson and me at this point was that <u>**if**</u> the caps for the Manson UGA and the entire 98831 zip code needed to be the same, then it should be set at six (6) percent, not nine (9) percent. Since both the Manson UGA and the entire 98831 zip code have STRs well below six (6) percent currently, this made sense. The MCC subsequently indicated to the County that they would prefer a six (6) percent cap for the Manson UGA.

So, in fact, the potential change to the STR cap for the Manson UGA was really initiated by the BOCC, not the MCC. My recommendation is to simply leave the Manson UGA cap at nine (9) percent, and I suspect that the MCC would be supportive of this as long as the cap for the entire 98831 zip code is also left at six (6) percent.

I would like to point out that having a nine (9) percent cap on the Manson UGA and a six (6) percent cap on the 98831 zip code is really not that complicated. It just means that two separate requirements get applied to new STR permit requests in the Manson UGA. A new STR permit in that area can only be granted if both cap requirements continue to be met. In the regulatory world there are thousands, if not millions, of situations where two or more requirements apply simultaneously. This is neither complicated nor difficult to monitor and demonstrate.

I believe that the discussion above completely negates the stated reasons provided by Commissioner Gering for revisiting or removing the STR caps in the STR code.

Thank you for considering these comments.

Sincerely,

Brian Patterson

Brian Patterson, Ph.D.
150 Kestrel Ln
Manson, WA 98831

Jessica K. Thompson

From: Residents Coalition of Chelan County <info@coalitionofchelancounty.org>
Sent: Sunday, October 13, 2024 10:36 AM
To: CD Comment
Cc: Deanna C. Walter; Kirsten Ryles
Subject: Comments on Proposed Changes to STR Code

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Dear Commissioners,

We urge you to proceed with care and caution in making changes to the existing short-term rental (STR) code. The code was developed over a 2-year period with multiple workshops, public hearings, and research support provided by Berk Consulting. Furthermore, key aspects of the code have been litigated and the STR code has been upheld. It is essential that the advice of the County's Prosecuting Attorney, Marcus Foster, be followed or the county could be subject to more litigation costing hundreds of thousands if not millions of dollars in taxpayer's money.

The reasons provided by some members of the BOCC for the proposed changes are flimsy and one-sided. The changes clearly benefit STR owners, STR related businesses, and investors who wish to convert residences to STRs. There has been no analysis done by the County to assess the impact of the proposed changes on residents, neighborhoods, or housing availability and cost.

The majority (72%) of the Tier 2 and 3 STR owners do not live in Chelan County. It seems only fair that the concerns of residents and local employers (whose employees need housing) be given higher priority than those of investors and people desiring second homes.

Overall Percentage Caps

It is still unclear why the Board of County Commissioners (BOCC) has proposed that the STR caps potentially be revised or even removed. While there has been some testimony asserting that the code caused a decline in lodging tax, RC3 has analyzed data from the Washington State Department of Revenue which shows that the STR code is not the primary driver of this decline. During the same period, sales taxes have continued to increase and tourism is stable or increasing.

Making such a drastic change to the STR code would also carry its own legal risks for the County. This risk was articulated by Marcus Foster when he reviewed the proposed changes to the STR code in early August of this year. On the proposal to change the STR caps, he wrote "*This could create an issue in litigation. These numbers were negotiated at length. So far the only testimony to change caps I know of is Manson wanting to DECREASE their cap. Raising caps eliminates a large part of the purpose of the code.*" RC3 wholeheartedly agrees with Mr. Foster's statement.

Protection of Housing for Residents

One of the primary goals for enacting the STR regulations was protection of residential neighborhoods and the housing stock for the benefit of people who live and work in Chelan County. The situation is no different today than it was three years ago. Housing cost and availability remain a crisis and it is unfair to residents and to local businesses to allow more conversions of homes to commercial lodging. The need for housing is especially acute in zip codes 98826 and 98831 where about 50% of the housing units are already vacation homes which may or may not be STRS. As it is, there is nothing the county can do to prevent people wanting second homes from purchasing a condo or house in Chelan County. But the county does not need to provide further financial incentive by allowing those homes to be rented out as STRs beyond the 6% cap.

According to the 2023 Washington State Housing Needs Assessment, Chelan County needs an additional 10,032 housing units by 2044, an average of 418 units per year. This would be a 59 percent increase from the current (at the time) trend of new residential housing production. Raising the 6% cap or allowing Tier 1 units to be purchased by investors will further reduce the availability of housing for residents.

The STR code has no constraints on construction of STRs in commercial zoning and this is where the growth should occur.

Proposed Changes to the Tier 1 Category

The Tier 1 category was intended to benefit residents not investors. It was determined that this category of STR was likely to be compatible in residential neighborhoods because the owner lived on the property. As we have shown in our second fact sheet, owners can realize an average annual income of $49,000 a year by renting out an ADU or small apartment. This income goes a long way toward helping residents afford their homes.

The proposal to open up the Tier 1 category to investors is fraught with problems. First, there is no evidence that a longer term renter will provide the same level of due diligence in overseeing the STR as an owner would provide. Furthermore, the county cannot dictate the rental terms or conditions to owners so there is no way of managing this kind of set up. County code defines a short-term rental as a stay shorter than 30 days. Any stay longer than 30 days is not subject to the STR regulations. Owners would be within their rights to rent out the "long term" units by the month thus making a farce out of idea that renters in one unit can provide oversight of the guests in the unit designated as the STR.

Not Counting Children Under 24 months of age

You have received testimony from the Chelan Douglas Health District and the Fire Marshall that existing regulations count all persons, including children under 24 months. It is a myth that children under 24 months do not contribute to wastewater flows—water is still used for food preparation and cleanup, washing clothes, and children need baths. It is also a myth that all the rental platforms do not count children under 24 months. For example, VRBO does count small children. And the listing information for a STR on any of the platforms can provide clear information that the occupancy maximum includes children under 24 months. Not counting these children will result in higher occupancies in all three Tiers of STRs.

Parking

Relaxing the parking regulations will cause the same problems that existed before the enactment of the current code. It is impossible for an STR owner to mandate carpooling or to ensure that it is occurring. There is not a surplus of street parking in the areas where STRs are concentrated especially during winter months. The suggestion made by one member of the BOCC that excess cars could be parked at local businesses such as Safeway is ridiculous. Virtually all businesses reserve their available parking for their clientele.

In summary, we do not support the proposed changes to Tier 1, to the parking requirements, or to excluding children under 24 months. We believe the BOCC has asked your Commission to do a thorough review and analysis of the proposed changes. The BOCC said more than once during their workshops that they consider you to be the experts. Where you feel you don't have sufficient data supporting the proposed change, you should take the time to consult with experts. Alternatively, the County could hire Berk Consulting, a firm with expertise on STRs, to be made available to you.

Thanks for your serious consideration of our comments. Please contact us with any questions at info@coalitionofchelancounty.org.

Respectfully submitted,

Board of Directors

Residents Coalition of Chelan County (RC3)

Cc: Deanna Walter

Kirsten Ryles

Jessica K. Thompson

From: Troy Campbell <troy@leavenworth.org>
Sent: Friday, October 11, 2024 3:50 PM
To: CD Comment
Cc: Tiffany Gering; Jerri Barkley; Kevin Rieke
Subject: Short Term Rental Regulation Comment Visit Chelan County

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October 11, 2024

Chelan County Community Development
Chelan County Planning Commission Members
District 1: James Wiggs, Vicki Malloy, Ryan Kelso
District 2: Mike Sines, Cherie' Warren, Christopher Dye
District 3: Jesse Redell, David Donovick, Doug England
316 Washington Street, Suite 301
Wenatchee, WA 98801

Commissioners,

The Leavenworth Chamber of Commerce would like to provide our support of the revisions to the STR code that are currently under consideration.

Since 2021 the Chamber has lost 1/3 of our lodging members due to STR regulations. For many, the reasons they were denied were rules that seem punitive or unnecessarily harsh when put in the context of their specific properties.

Therefore, we support the following changes:

- Excluding infants under 24 months from two-per-bedroom occupancy limit.
- Changing Tier 1 to include a manager or operator on site.
- Changes to parking rules.
- Replacing discretionary hardship exemption for late permit renewal applications with progressive late fees and delayed issuance.

On other matters, we respectfully decline to offer our support at this time. Chelan County's Community Development Department's reputation of being opposed to the short-term rentals proceeds them and their penchant to inflict additional costs and requirements to applicants has been shared several times with our board. The current attitudes and operations designed to dissuade and penalize homeowners would preclude us from supporting any new measures that require additional financial burdens on permit applicants and/or permit holders, those include

- Replacing self-certification with mandatory annual inspections.
- Requiring proof of paying sales tax and lodging tax annually at time of renewal.
- New Signage Rules

Finally, we would like to keep the door open for further discussion on cap percentages, as we believe this issue requires more scrutiny and review. As mentioned, the Chamber has been affected by the loss of lodging members and reduced income due to the decline in the lodging tax fund. Lodging tax revenue has declined since 2021 and continued through Q2 of 2024, resulting in a loss of over $1 million in collections—a significant hit for a region in need of revenue sources.

From a purely economic standpoint, more STRs would mean greater inventory and a bigger financial impact on the immediate area. However, we acknowledge that the situation is more nuanced.

Leavenworth, for instance, has arguably benefitted from the loss of regional STRs, as our ADR (average daily rate) has increased, along with our lodging tax collection, even without significant new inventory. Combined with inflation and sustained visitation, our retail tax collections have also risen. However, we cannot speak for all areas in our county, which contains various micro-economies. Our data does not cover the unincorporated parts of the county we represent, such as Plain and Lake Wenatchee, which have been more directly impacted by the loss of STRs.

For these reasons, we advocate for continued discussions on caps relative to zip codes. This would help prevent unintended STR expansions and focus growth in areas where tourism support is needed, rather than wherever an aspiring entrepreneur happens to obtain a permit.

Thanks for your consideration,
Troy Campbell

Troy Campbell, Executive Director
Leavenworth Chamber of Commerce
PO Box 327
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Telephone: 509-548-5807
troy@leavenworth.org

Jessica K. Thompson

From:	Jerri Barkley <jerri@visitchelancounty.com>
Sent:	Friday, October 11, 2024 11:31 AM
To:	CD Comment
Cc:	Tiffany Gering; troy@leavenworth.org
Subject:	Short Term Rental Regulation Comment Visit Chelan County

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October 11, 2024

Chelan County Community Development
Chelan County Planning Commission Members
District 1: James Wiggs, Vicki Malloy, Ryan Kelso
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District 3: Jesse Redell, David Donovick, Doug England
316 Washington Street, Suite 301
Wenatchee, WA 98801

Commissioners,

As the Executive Director of Visit Chelan County, a 501c6 non-profit organization that provides destination management and marketing services to Chelan County, I am reaching out to you. The organization's priority is to promote, protect, and enhance the county's tourism and recreation industry.
The Chelan County Commissioners, the Community Development Department, and the Chelan County Planning Commission is reviewing changes to the current Short-Term Rental codes.
The Short-Term Rental Code establishes best practices. It creates a relationship between property owners and managers serving to host visitors and the neighbors potentially impacted.
The code that regulates short-term rentals should be clear, objective, and easy to understand. Standards should not conflict. For example, if Airbnb does not count children under 2 in occupancy, why deviate from that?
Short-term Rentals currently provide an attractive and often sought-after lodging alternative. The goal is to provide an exceptional guest experience—a clean, well-maintained property with clear expectations regarding parking, cleanliness, noise, and emergency contact information.
Tourism is vital to the economies of our cities and counties. In 2023, food, hospitality, entertainment, and recreation services they represented 12% of total employment in the county (up from 10% in 2003), meaningfully higher than the state equivalent of 9%.
The information below outlines the effect these regulations have already had on tax revenues. It explains why it is essential to consider the impact of short-term rentals in the unincorporated areas of our county.In 2020, prior to Chelan County instituting short term rental regulations it is estimated that there were between 1500 and 2000 short term rentals. Today there are just over 700. It is clearly reflected in the tax collection numbers stated below that this has had a financial impact in revenue available to do the programs and grants that the Chelan County Lodging Tax Advisory Group has been able to fund and will in the near future.

AREA Annual LodgingTaxes Distributed 2019-2023

- Chelan 52.8%
- Leavenworth 74.1%

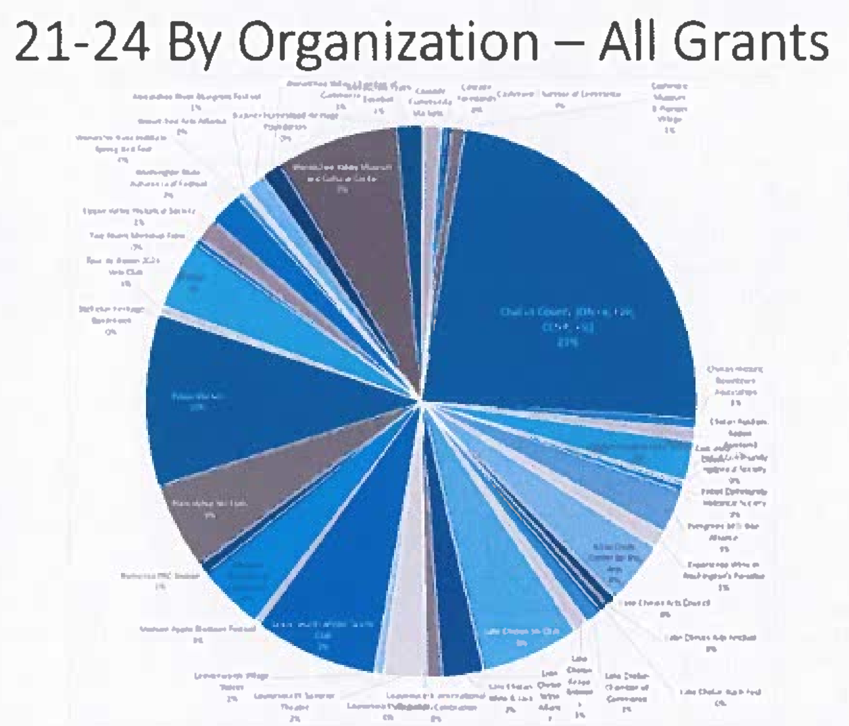
- Wenatchee 65.0%
- Chelan County 21.0%

During the first half of the last five years is averaged here showing similar results.

AREA Amount Distributed January-July 2019-2024

- Chelan 118.7%
- Leavenworth 103.5%
- Wenatchee 101.2%
- Chelan County 51.2%

Where tourism is being touted as "healthy", it is important to note that permitted STR's cause very little nuisance issues when looking at the County data. We should be promoting more permitted STR's in an effort to bolster our tourism economy and related workforce.
The chart below shows the benefit Chelan County residents receive when lodging tax collection is healthy.



Chelan County (Chelan Fair, CCNR etc)	$	714,000
Pybus Market	$	325,000
Wenatchee Valley Museum and Cultural Center	$	235,200
Leavenworth Winter Sports Club	$	233,000
Lake Chelan Ski Club	$	190,000
Plain Valley Ski Trails	$	149,610
TREAD	$	134,000
Manson Chamber of Commerce	$	129,000
Icicle Creek Center for the Arts	$	122,500
Evergreen Mtn Bike Alliance	$	84,000
Lake Chelan Wine & Jazz	$	76,000
Chelan-Douglas Land Trust	$	75,000
Leavenworth Summer Theater	$	75,000
Washington State Autumn Leaf Festival	$	60,000
Upper Valley Historical Society	$	46,500
Wenatchee Youth Baseball	$	44,325
Wenatchee River Bluegrass Festival	$	40,000
Cascade Community Markets	$	35,000
Experience Wine in Washington's Paradise	$	35,000
Wenatchee Valley Chamber of Commerce	$	35,000
Lake Chelan Chamber of Commerce	$	33,000
Lake Chelan Grape Growers	$	30,000
Lake Chelan Wine Alliance	$	30,000
Cashmere Museum & Pioneer Village	$	26,610
Chelan Rodeo & Rodeo Weekend	$	25,000
Chelan Historic Downtown Association	$	20,000
Leavenworth Village Voices	$	18,150
Tour de Bloom 2024 - Wen. Cub	$	17,500
Numerica PAC Season	$	17,100
Lake Chelan Arts Council	$	16,000
Wenatchee River Institute - Spring Bird Fest	$	14,550
Manson Apple Blossom Festival	$	13,000
Lake Chelan Bach Fest	$	12,500
Wenatchee Arts Alliance	$	11,000
Cascade Farmlands	$	10,000
Entiat Community Historical Society	$	9,000
Entiat Community Historical Society	$	9,000
Cashmere Chamber of Commerce	$	8,800
Two Rivers Medicine Fare	$	8,331
Lake Chelan Arts Festival	$	5,500
Leavenworth Reject al	$	5,000
Buckner Homestead Heritage Foundation	$	4,700
Leavenworth International Accordion Celebration	$	3,000
East West Classic	$	1,580
Stehekin Heritage Celebration	$	1,420
	$	3,253,167

Total tourism visits reported in Chelan County include not only overnight visitors but also our day trip numbers and local visits, taking advantage of every square inch of the beautiful area we live in.
Specifically speaking to the argument of short-term rentals and their effects on affordable housing, I would like to refer to a recent study done by San Luis Obispo, California:
Press release: https://www.slocal.com/articles/post/visit-slo-cal-and-beacon-economics-release-short-term-vacation-rentals-and-workforce-housing-nexus/ STUDY: https://www.slocal.com/about-us/research-resources/

Respectfully submitted
Jerri Barkley - Executive Director
Visit Chelan County

Jerri Barkley – Executive Director

Visit Chelan County | visitchelancounty.com
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Direct 509.699.8555

LAKE CHELAN
CHAMBER OF COMMERCE

TO: Chelan County Planning Commission
RE: Short Term Vacation Rental Regulation

To Whom It May Concern:

Please take a moment to review the comments on behalf of the Board of Directors from the Lake Chelan Chamber of Commerce. The Chamber is a non-profit organization dedicated to improving the quality of life in the Lake Chelan Valley while ensuring economic stability and success for our business community.

The Benefits of Short-Term Vacation Rentals in Chelan County

Short-term vacation rentals (STRs) play a crucial role in Chelan County's economy and community, contributing to employment, local revenue, and improving quality of life for residents. Here are the key benefits of STRs in our region, supported by data and statistics.

1. Employment Opportunities

STRs generate a wide range of employment opportunities in Chelan County, supporting the local labor market in industries such as:

- **Hospitality and Tourism**: Cleaning services, property management, and concierge staff are frequently employed to maintain vacation rentals. A 2021 study by the National Association of Realtors found that vacation rentals can create up to 17 jobs for every 100 STR units in rural communities like ours.

- **Real Estate and Construction**: STRs drive demand for housing, leading to job creation in property maintenance, renovation, and real estate transactions. The Chelan County real estate market has seen significant growth, with the number of rental property transactions increasing by **15% from 2019 to 2023**.

- **Local Services**: STR guests often use local services, from restaurant staff to tour guides, creating indirect employment. In 2023 alone, visitor spending supported over **2,000 local jobs** in Chelan County's service sectors.

2. Boosting the Local Economy

STRs contribute directly to Chelan County's local economy by increasing visitor spending. Tourists who stay in STRs are likely to:

- Spend more money on local goods and services, contributing to small businesses. In 2023, visitors spent **$221 million** in Chelan County, with a significant portion attributed to STR guests.

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LakeChelan.com • Info@LakeChelan.com •

- Promote year-round tourism. While Chelan County is famous for its summer lake activities, STRs have helped extend the tourist season by accommodating visitors for fall festivals, winter sports, and spring wine tours.

3. Keeping Property Taxes Low for Year-Round Residents

Revenue from STRs allows local governments to maintain essential services and public infrastructure without relying solely on property taxes. This keeps tax rates more stable for full-time residents:

- In 2022, Chelan County collected **$4.5 million** in lodging tax from STRs, a significant portion of the county's total revenue. These funds help reduce the need for increased property taxes and contribute to general budget items such as law enforcement, road maintenance, and public health.

- By keeping taxes manageable, STRs also help homeowners avoid tax hikes that could otherwise displace long-time residents due to rising costs of living.

4. Funding Public Projects

Short-term vacation rentals provide significant contributions to public projects that benefit both tourists and locals alike. Some recent projects funded in part by STR-generated taxes include:

- **Riverwalk Park Moorage Improvements**: These upgrades enhance public spaces and attract more visitors, increasing local tourism revenue.

- **Chelan Butte Trail Expansion**: Lodging tax revenue has helped fund hiking trails, which provide recreational opportunities for both visitors and residents.

- **Downtown Revitalization Projects**: Through local tax revenue, Chelan County has been able to invest in projects that boost the aesthetic appeal and usability of key downtown areas, improving the experience for residents and tourists alike.

5. Supporting Local Events

Chelan County has become known for its diverse range of events—from wine festivals to sporting competitions—and STRs are critical in supporting them by providing accommodation options for event attendees. Key impacts include:

- STRs ensure there is ample lodging for major events like the **Lake Chelan Winterfest**, **Chelan Wine and Jazz Festival**, and **Manson Apple Blossom**.

- These events generate substantial economic activity, with Winterfest alone estimated to inject **$2 million** annually into the local economy.

6. Improving Quality of Life for Residents

By supporting tourism and economic activity, STRs indirectly improve the overall quality of life for Chelan County residents:

- Increased revenue from STRs enables local governments to provide better public services such as park maintenance, recreational facilities, and community events.

- The variety of cultural and seasonal activities funded by STR-related revenue ensures a vibrant community that residents can enjoy year-round.

- By attracting visitors, STRs also contribute to the development of new restaurants, shops, and recreational activities, providing more amenities for full-time residents.

Benefits

Short-term vacation rentals are a vital component of Chelan County's economic and social fabric. They generate employment, contribute significantly to the local economy, and help keep property taxes low for year-round residents. Additionally, the revenue from STRs enables public projects and supports local events, making Chelan County a thriving, well-rounded community with a high quality of life for both residents and visitors.

By continuing to foster the growth of short-term vacation rentals, Chelan County can ensure a sustainable and prosperous future for its economy and its people.

What does STR Regulation Do?

The regulation of short-term vacation rentals (STRs) in Chelan County have brought about several negative effects, impacting local economy, property owners, and the broader community. Here are some specific downsides:

1. Economic Impact on Tourism and Local Businesses

- **Reduced Tourism Revenue:** Chelan County's economy is heavily reliant on tourism. Strict regulations limit the number of available short-term rentals, reducing the number of tourists who visit the area. With fewer tourists, local businesses like restaurants, shops, and recreational services have experienced a drop in revenue.

- **Impact on Hospitality Employment:** A decrease in tourism has led to job losses in hospitality-related industries such as housekeeping, maintenance, and customer service, where many workers depend on income from high tourism demand.

2. Property Value Reduction

- **Decreased Property Demand:** Properties with potential for short-term rentals tend to have higher value because of their income-generating potential. If regulations remain stringent, property owners may find it harder to rent their homes, leading to reduced demand for investment properties. This could drive down property values in the county, impacting homeowners' wealth.

- **Reduced Flexibility for Homeowners:** Many owners of STRs rely on this rental income to cover mortgage payments, property taxes, and maintenance. By limiting their ability to rent, regulations could financially strain these owners, especially those who purchased properties specifically for vacation rental purposes.

3. Impact on Non-Profit and Charitable Support

- **Reduced Donations and Support:** STRs often attract affluent travelers, who are more likely to spend money in the community and support local non-profit events and fundraisers. Reducing STRs have led to less discretionary income flowing into the community, thereby affecting local charities and non-profits that benefit from donations from tourists or property owners.

4. Loss of Flexibility for Event and Seasonal Support

- **Fewer Accommodations for Large Events:** Chelan County hosts a number of events, including wine festivals, sporting events, and weddings, all of which bring in large numbers of visitors. The availability of short-term rentals plays a key role in providing accommodation for these events. Regulating the number of STRs make it harder for the county to host large events or attract seasonal visitors, impacting the economy surrounding these activities.

5. Reduced Tax Revenue for Local Government

- **Decrease in lodging tax:** STRs generate significant tax revenue through lodging tax and sales tax. These taxes are a major source of income for funding local infrastructure, services, and community improvements. Limiting STRs would lead to lower tax collections, reducing the county's ability to invest in public services and improvements.

6. Displacement of Jobs in the Short-Term Rental Sector

- **Fewer Job Opportunities:** Many local jobs depend directly on the STR industry, such as property managers, cleaning services, and maintenance personnel. Restricting STRs reduces the demand for these services, leading to job losses and negatively impacting the livelihoods of those employed in this sector.

7. Strained Relationships Between Locals and Government

- **Property Rights Concerns:** Some property owners feel that strict regulations infringe on their rights to use their property as they see fit, especially those who rely on STRs as part of their financial strategy. This has led to tension between residents and local government authorities.

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8. Unintended Consequences on Long-Term Rentals

- **Conversion to Long-Term Rentals Not Guaranteed:** One of the aims of STR regulations is to increase the availability of long-term housing. However, owners of previously profitable STRs may not automatically convert their properties into long-term rentals. Instead, they might leave properties vacant or sell them, meaning the regulation could fail to meet its housing goals and reduce overall housing inventory that is affordable.

Overall, while regulating short-term vacation rentals may address certain community concerns, it could also have far-reaching economic, social, and financial consequences for Chelan County.

All the best,

Mike Steele
Executive Director

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October 11, 2024
Sean Lynn
Founder and CEO
Love Leavenworth Vacation Rentals
217 Cascade Street
Leavenworth, Washington 98826

Dear Planning Commissioners,

I want to apologize in advance for this lengthy document. As a significant stakeholder and hopefully a widely respected advocate for STRs in Chelan County, I do not have a voice in the upcoming discussion in real time, so I must lay out my comments, arguments, and suggestions in writing for you all to consider. The issues are complicated, and the volume of public comments is impressive. The STR Community has been relatively quiet on their comments as we have already voiced our main pain points to the County Commissioners before beginning the code amendment process. Most of our requests are included in the current amendments and were requested to resolve operational day-to-day challenges that the new code posed to STR operators. We asked to consider raising or changing CAPs, knowing this would be a contentious topic of discussion. Considering your time, I have tried to consolidate and condense my comments as much as possible and clearly articulate my viewpoints and arguments.

Differentiate between Permitted and Unpermitted STRs

When discussing STRs, it is critical to differentiate between permitted and unpermitted STRs. I have been watching the recent discussions closely and want to point out that permitted and unpermitted STRs are often combined into one group during discussion with staff, public comments and even amongst yourselves. Legally permitted and illegal unpermitted STRs are vastly different, and so are the challenges they present to be discussed. The operator of a permitted STR is well aware of the rules and consequences, whereas unpermitted operators have no rules or consequences. Permitted operators care deeply about protecting their investment and are highly motivated to ensure their guests behave properly, whereas unpermitted operators do not have the same motivations.

An effort must be made to differentiate between permitted and unpermitted STRs when discussing the future of STRs in Chelan County. To prove my point, in the September 28th PC session, Commissioner Donovic went on at length about a problem STR across from his home. In a follow-up conversation with Commissioner Donovic and myself, he indicated that the STR he was describing was not permitted.

In three years of STR code, one nuisance citation has been issued to a permitted STR. The Planning Commissioners have recently received many public comments complaining about the problems STRs cause. I'm sure these comments are genuine and concerning, but to be fair to permitted STRs, not one public comment to the best of my knowledge specifically noted that a complaint was against a permitted STR. Suppose a permitted STR was causing valid nuisance issues. In that case, there are multiple avenues to resolve nuisance issues quickly, and if unresolved, there are consequences to the permit holder, including potential permit revocation.

Enforcement
Unpermitted STRs in unincorporated Chelan County are a problem. That is a fact. There is abundant language in the STR code to cite, fine and shut down unpermitted STRs, and there appear to be adequate resources to accomplish proper enforcement.

Bullet Points gathered from Wenatchee World articles and Community Development Presentations to the Planning Commission on 7/28/24:

- Community Development in July of 2021 stated that "it was estimated 1,300 illegal STRs were being operated".
- From 2021 to July 2024, there were less than 90 Code Enforcement cases involving unpermitted STRs. (Doc titled CE cases for STR by Type)
- In March 2024, Community Development implemented a $60,000 annual regulation compliance software.
- The 2024 Chelan County Budget lists 3 code enforcement officers, and 3 Community Development dedicated STR staff, with a combined payroll of over $425,000 a year.

Looking at these timelines and data, it is likely that Unincorporated Chelan County currently has many illegal STRs operating even though a significant amount of County funds are dedicated to STR management and enforcement. The STR code is now in its fourth year, and many Chelan County residents and I find the inability to shut down illegal STR operators frustrating. I respect the work and challenging tasks that county staff are being asked to resolve, and I am actively working with online listing sites to provide tools to help Chelan County resolve this issue.

Looking to the Future
I have highlighted the differences between permitted and unpermitted STRs and the challenge to remove illegal STRs out of neighborhoods, not to point fingers at Community Development or code enforcement. I hope that you, the Planning Commissioners, can look at the future of STRs in our County clearly and ensure that the past behavior of unregulated STR guests and the continued behavior of illegal STR guests are not conflated with the behavior of permitted STR guests. I am not saying that permitted STR guests do not or will not cause any problems for neighbors, but they do not cause nearly the issues that unpermitted STRs do, and there are mechanisms in place to resolve problems quickly.

A few questions to ponder:

- If there are large amounts of illegal STRs currently operating, what would the additional economic impact on Chelan County tourism be if they were all shut down?
- What is the current number of illegal unpermitted STRs operating in Chelan County? Community Development should be able to answer this question.

- Is there value differentiating between permitted and unpermitted STRs during STR discussions?

Public Comment
I respect the Members of the Residents Coalition of Chelan County (RC3) and the executive board. I also appreciate their right to support a vision of Chelan County without short-term rentals in the residential communities. They work hard to promote their vision effectively and are very good at exciting their base to testify passionately when needed. Conversely, getting the public to comment on their neutrality or acceptance of STRs in their neighborhoods is impossible. I believe most Chelan County residents fall into the neutral & general acceptance categories. It is very important to consider that the RC3 vision of STRs is narrowly focused. RC3 and its members do not represent the views of all or even a significant portion of Chelan County residents. A perfect example of the varied views about vacation rentals can be seen at the table with your fellow Planning Commissioners, all of whom live in Chelan County and have differing opinions about STRs.

Negative Economic Impact of the STR Code
Public input has now been received from the tourism professional stakeholders in our County. The Residents Coalition group has submitted ample comments on the topic. Of course, all of these comments need to be considered. I will offer a much more simplistic view of the economic impact created by the STR code. Reducing the number of tourist lodging options reduces the number of tourists visiting. Once enacted, the STR code reduced overnight visitors in these ways:

- In 2020 Community Development Estimated 1500 STRs were operating in Unincorporated Chelan County prior to the code enactment. (Community Development posting Sep. 2020)
- Currently there are just over 700 permitted STRs in operation.
- The STR code reduced maximum occupancies in almost all homes creating less guests staying in each home.
- Many of the largest homes operating in 2020 were unable to become permitted.
- CAPs were created that stopped new STRs from entering the very popular Leavenworth area.

It is clear that these changes reduced lodging options and the amount of guests able to stay in currently permitted STRs. Clearly it is not a huge leap to say that these changes reduced overnight stays of visitors to our area which has had a negative impact on the tourism economy, the industries and workforces relying on overnight Chelan County visitors.

Line Item Comments on 11.88.290 Draft Code Revisions.

I have broken down my comments on each line item to be concise and clear. My line item comments will need to be reviewed with a copy of the proposed changes submitted by Community Development for the 10/16/24 amendment hearing. My original comments were on the September 12th staff version and the October 16 staff version is different. I have consolidated all my comments in this document. I will be in the room for your deliberations and invite Chairman Redell to ask any clarifying questions of me in real time that might need to be asked to assist in the process.

(1)(A) and (C) Purpose Statement Modification

- I support the strikeout changes to the purpose statement. There are numerous studies that exist about the impact that STRs have on housing inventory with wide ranging conclusions.

  Comment- (1)(A) Includes the statement "Short-term rental use is a commercial use." The STR community has always disagreed with this statement and would like to see a discussion about removing the commercial use designation of STRs or at least removing STRs from the Commercial Use section of the district use chart for the following reasons:

  1. Chelan County code defines Commercial Use as: any activity involving the sale of goods or services carried out for profit.
  2. Commercial uses such as Bed and Breakfasts, Guest Inns, Home-Based Businesses, and In home daycare, are all in the Residential Use category within the District Use Chart.
  3. STRs are located in the Commercial Use section of the District Use Chart though STR activity occurs in single family residences and condos.
  4. RCW 64.37 State Law regulating STRs does not define STRs as a Commercial use in fact the law specifically defines STRs as not being an inn, motel, hotel or timeshare.
  5. Within the Chelan County District Use Chart almost all Commercial Uses are not allowed in residential zoning and ironically STRs are not allowed in most commercial zoning.
  6. Community Development has highlighted the "Commercial Use" designation to define STRs as similar to motels/hotels therefore requiring special commercial use requirements for single family homes. Example- In 2024 a permitted STR owner applied for a pool permit. They were told the pool had to be ADA

compliant to meet commercial lodging standards of pools even though the dwelling itself was not ADA compliant.

7. Concerns of future regulatory requirements utilizing the “Commercial Use” definitions are real and justified.

(2)(i) Allowing Tier 1 STRs to have a Manager Onsite

- This is a Win-Win scenario for Short-Term and Long-Term Rental housing advocates, as it would allow for more Tier 1 STR growth and increase LTR rental options.
- Along with creating additional LTR housing options, STR owners could reduce rents for Designated Managers as part of the STR management requirement, making housing even more affordable.
- This exact topic was discussed during the STR draft code process in 2020/21 and was almost included in the original STR code but pulled because it was not compliant with state law ADU code. State law ADU code has changed and now allows for one LTR and one STR.
- National studies clearly show that a manager/owner on site for STRs reduces or limits nuisance issues to almost zero.
- We should incentivize and promote Tier 1s in Chelan County, as they clearly minimize the impact of STRs on neighborhoods.

Comment- It has been discussed by the Planning Commissioners that allowing a manager to be onsite completely changes the Tier 1 standards required. The intent would be not to change the tier 1 standards at all. The manager would be held to all of the same requirements that an onsite owner would. Furthermore I have to argue that an onsite manager or homeowner would be equally incentivized to ensure that guests were not creating nuisance issues of any kind. As a property manager that manages many Tier 1 homes guests are aware when booking that another person resides on the property. In general this will automatically weed out any guests that may potentially cause nuisance issues.

(2)(B)(ii)(a) Cap Discussion

- Recently provided data by Community Development shows Permitted STRs cause very little nuisance issues for neighbors in the last 3 years.
- Increasing lodging options will increase spending in many businesses and create jobs by allowing more visitors to stay overnight in Chelan County.
- Consideration of the quality of life in neighborhoods should be robustly discussed.

My solution/recommendation is to leave the 6% cap in place. Remove zip code and sub area designations and make the cap County wide.

-This greatly simplifies the code and allows STRs to be created where they are needed.

-This keeps STRs from moving into neighborhoods where they historically have not operated.

-This treats all Chelan County property owners fairly.

-Finally it allows growth of STRs in areas where they can have the greatest economic impact.

(2)(C)(iv)(a) Removal of Existing Non Conforming Language

- Simplify the code wherever possible.
- For non land use professionals this code is incredibly difficult or even impossible to navigate.
- I support removing all non-critical existing non-conforming language.

(3)(B)(1)(b) Children Under Two Exemption

- I support the proposed changes
- Consistency-Most STR codes have relaxed occupancy regulations, and those with stricter regulations will often not count children two and under.
- For example, the Washington Counties of King and Pacific, plus Maui County in Hawaii, do not count infants towards the maximum guest occupancy of an STR.
- Align with STR booking platforms such as Airbnb, which do not count children two and under. This is a major pain point for STR stakeholders in Chelan County.
- Septic concerns are non-existent. On average, Chelan County STRs are annually occupied 37%. Children 2 and under have little to no impact on septic systems.

Comment-Rebuttal of Fire Marshal concerns of allowing children under two to be exempt from property maximum occupancy. The current maximum occupancy count in the Chelan County STR code is actually quite restrictive when compared to many other codes. Many STR codes allow for two per bedroom plus two, other codes require three per bedroom and many Counties and Cities do not even have maximum occupancy requirements on homes operating as STRs, such as in the city of Leavenworth. I have listened carefully to the Fire Marshal's arguments as to why these children under two exemptions should not be implemented and with all due respect the arguments appear to be based more on opinion than supported by code or based on historical evidence of safety concerns.

(3)(C)(i) and (ii) Parking Amendments

- I generally support aligning with residential parking code language.
- The issue is that the STR parking code does not align with the current residential parking code in which all SFRs were built to residential parking standards of 2 off-street spaces per dwelling.
- Some SFRs were built before offsite parking was addressed in code. For Owners and long term renters this is not currently an issue but can be for STRs.

SPECIAL REQUEST—Community Development has interpreted the maximum occupancy count as allowing only two guests per vehicle. This interpretation may have a major negative impact on permitted STRs with limited parking areas. Please consider discussing clarifying language in the STR parking code amendment that allows for more than two guests per car.

My solution/recommendation is to amend Table 11.90-3 in section 11.90.060 seen below.

Bed and breakfasts, guest inns, and Tier 1 and Tier 2, and Tier 3-overnight-lodging use-only, short-term rentals	1 space per bedroom and 1 space for any on-site manager

Amend highlighted area to allow for more flexible solutions such as:

1 space per two or three bedrooms

Or

Remove STRs from the chart and use the SFR required off-street parking requirements.

(3)(G)(i) Sign Amendments

- Proposed language about local contact not aligned with other language in code. See recommendation.
- I support all-weather, reflective and permanently set/posted for all newly permitted STRs but for STRs with existing signs I believe the reflective requirement should be waived as many homeowners have spent considerable $$$s on custom signs that do not meet the reflective requirement. For example many homes in the Leavenworth area have custom made wood signs that look great but are not reflective.

Recommendation: The proposed sign amendmendment language reads "of local contact/qualified person to be called if an issue needs someone onsite within 60 minutes as"

The current language describing a local contact in (3)(J) reads "a qualified person or their designee (which can be a person or company) who can be contacted concerning use of the property and/or complaints and can respond, personally or through a designee, to the property within sixty minutes "

These are important distinctions and it is important to be consistent.

(3)(O) Proof of Paid Taxes Requirement

- I do not support this amendment.

- It is not a state law requirement to provide proof of STR taxes paid annually. RCW 64.37.
- DOR is the governing body that regulates tax payments.
- I am concerned that this information would be passed on to the assessors office and somehow revenue of an STR would increase property taxes.
- I did not feel Community Development made a strong or any real argument as to why proof of tax payments would be required. What problems exist and what problems are they solving?
- I encourage the Commissioners to ask questions and I will comment further when given more information.

(4)(B)(i) Annual Renewal Grace Periods

- I support the grace periods as written.
- On November 1, of 2021 many wonderful people trying to do the right thing lost their ability to renew their STR permits due to this proposed language not being in place upon the code's inception. Eighty-Two (82) newly permitted for the first time STR operators missed postcard notices from Community Development and then missed their Oct 31 Deadline to renew for 2022. All of these permitted owners had only received their first administrative permits months prior and they still were not given relief from the Director. Note- the BOCC did support the Directors decision at the time in a 2 to 3 vote.

Recommendations:

-Add language into proposed grace period changes to requiring Community Development to notify permitted STR holders of a missed renewal deadline to renew.

-Consider adding a Grace period and Community Development notification requirements to section (4)(I)(ii) or(iii) Property Sale or Transfer of Ownership. This transfer of ownership notice has a 30 day requirement to notify Community Development. Or….

Remove the 30 day requirement to notify and keep the language consistent with the other transfer and/or change of information language.

(4)(D)(v)(d) Applications Deemed Complete

- Adding additional language into this section is concerning for a variety of reasons. Language already exists within this section that requires properties to be in compliance with all Chelan County Code.
- This particular section has historically been utilized by Community Development to put properties under a microscope to find any item not complete or not correct and deem these items “Violations”.
- If a State law has passed that now makes a previously permitted legal dwelling or use on a parcel not in compliance does this mean the property is not eligible for an STR permit?

Recommendation: I recommend the Planning Commissioners ask clarifying questions as to exactly why this particular language needs to be added and what issues does it resolve. Specifically the addition of State and City Codes being added.

(4)(H)(i) and (ii) and (iii) Requiring Annual Life Safety Onsite Inspections

- I support strong Life Safety requirements in code but I do not support annual life safety inspections for the following reasons:

-What problem are we solving?

-Prior to operating as an STR each property owner or representative walks through the home with the Fire Marshal's office and thoroughly understands what is required.

-Property owners are required to self certify their Life Safety checklists under penalty of perjury of State Law. This is done annually.

-Logistics are going to be difficult for the Fire Marshal's office to inspect annually and prior testimony has not shown that there is not a plan for inspecting in an organized and efficient manner.

-Costs??? Please check these numbers that annual inspections could range from $59 to $880 annually. I am going off memory from the Fire Marshal's testimony in September.

Recommendations:

-Keep current code in place (i),(ii) and (iii) and do not require annual inspections. Add language that change of ownership requires an inspection.

If there is a strong desire to have the Fire Marshal onsite please consider other timelines such as every three or five years. This could be a good compromise and allow for easier logistics should the annual inspections be broken down into smaller groups. Please consider the costs to do so or include the costs within the Permit renewal of $500.

(4)(I)(ii) and (iii) Transfer of Ownership

- (4)(I)(ii) I don't have an issue with what I think is intended but the language seems redundant. Why would an owner requesting a transfer of STR permit not provide requested materials to CD staff to complete transfer?
- I support the County in ensuring that this section is not a loophole to add or remove names from a title or change principles of an entity in an attempt to bypass a change of ownership.
- (4)(I)(iii) I interpret the proposed language to not allow for a property owner/person to change to an entity (trust, llc, etc…) or from an entity to a person. It is critical to protect a property owner's right to record ownership of their Title into or out of an entity without jeopardizing their STR permit so long as the principles named in the entity do not

change from the Title holder or the Title Holder names are not changed in the entity. See example.

Example- A couple owns a home that has an STR permit. The permit and the title are in the couple's name. They receive legal advice that for liability protection it is advised to create an LLC and place the property into the LLC still with both homeowners as the managing members 50/50.

If I am interpreting the proposed code language correctly the home owners would not be allowed to transfer the Title name into an LLC without jeopardizing their STR permit by creating an unauthorized transfer of person to entity.

Recommendation: Modify language in (4)(I)(iii) to allow for a transfer of the STR permit to occur between any combination of entities or persons so long as the principles remain the same.

Final Thoughts

It is a documented fact that permitted STRs cause minimal nuisance issues and that tourism is a major driver of Chelan County's economy. Short term rentals are now interwoven into the fabric of tourism and are a preferred lodging option for many travelers. On behalf of the workforces, service providers, retail sellers and all other sectors of industries benefiting from STRs I ask that you carefully consider the facts when looking at the future and the amendments within the STR code revision document.

Thank you Planning Commissioners and Community Development for the difficult work you do. I have done my best to submit factual and respectful comments. If any of you wish for me to clarify any comments anytime not during the hearing please feel free to do so. My email sean@loveleavenworth.com

Sincerly,

Sean Lynn

Founder and CEO of Love Leavenworth Vacation Rentals

RECEIVED

AUG 14 2024

CHELAN COUNTY
COMMUNITY DEVELOPMENT

October 11, 2024

Chelan County Community Development
Chelan County Planning Commission Members
District 1: James Wiggs, Vicki Malloy, Ryan Kelso
District 2: Mike Sines, Cherie' Warren, Christopher Dye
District 3: Jesse Redell, David Donovick, Doug England
316 Washington Street, Suite 301
Wenatchee, WA 98801

Commissioners,

As the Executive Director of Visit Chelan County, a 501c6 non-profit organization that provides destination management and marketing services to Chelan County, I am reaching out to you. The organization's priority is to promote, protect, and enhance the county's tourism and recreation industry.
The Chelan County Commissioners, the Community Development Department, and the Chelan County Planning Commission is reviewing changes to the current Short-Term Rental codes. The Short-Term Rental Code establishes best practices. It creates a relationship between property owners and managers serving to host visitors and the neighbors potentially impacted. The code that regulates short-term rentals should be clear, objective, and easy to understand. Standards should not conflict. For example, if Airbnb does not count children under 2 in occupancy, why deviate from that?
Short-term Rentals currently provide an attractive and often sought-after lodging alternative. The goal is to provide an exceptional guest experience—a clean, well-maintained property with clear expectations regarding parking, cleanliness, noise, and emergency contact information. Tourism is vital to the economies of our cities and counties. In 2023, food, hospitality, entertainment, and recreation services they represented 12% of total employment in the county (up from 10% in 2003), meaningfully higher than the state equivalent of 9%.
The information below outlines the effect these regulations have already had on tax revenues. It explains why it is essential to consider the impact of short-term rentals in the unincorporated areas of our county.In 2020, prior to Chelan County instituting short term rental regulations it is estimated that there were between 1500 and 2000 short term rentals. Today there are just over 700. It is clearly reflected in the tax collection numbers stated below that this has had a financial impact in revenue available to do the programs and grants that the Chelan County Lodging Tax Advisory Group has been able to fund and will in the near future.

AREA Annual LodgingTaxes Distributed 2019-2023

- Chelan 52.8%
- Leavenworth 74.1%
- Wenatchee 65.0%
- Chelan County 21.0%

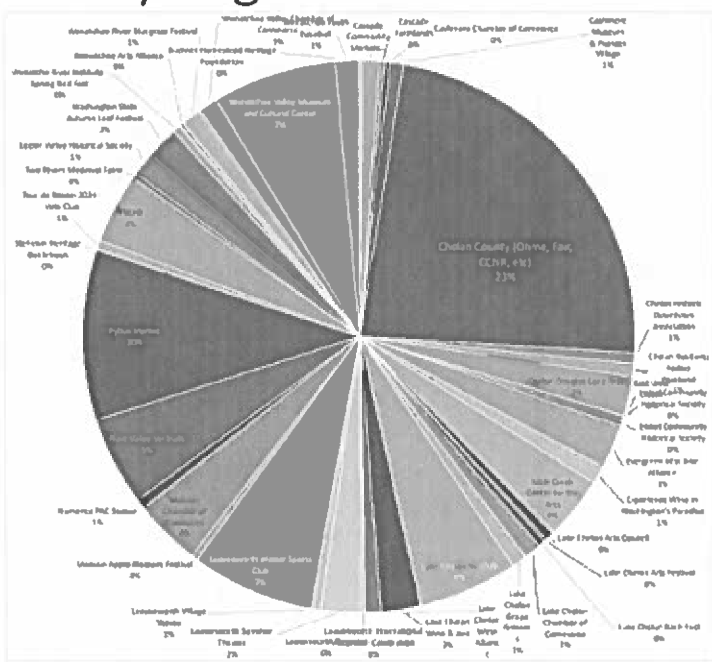
During the first half of the last five years is averaged here showing similar results.

AREA Amount Distributed January-July 2019-2024

- Chelan 118.7%
- Leavenworth 103.5%
- Wenatchee 101.2%
- Chelan County 51.2%

Where tourism is being touted as "healthy", it is important to note that permitted STR's cause very little nuisance issues when looking at the County data. We should be promoting more permitted STR's in an effort to bolster our tourism economy and related workforce.
The chart below shows the benefit Chelan County residents receive when lodging tax collection is healthy.

21-24 By Organization – All Grants



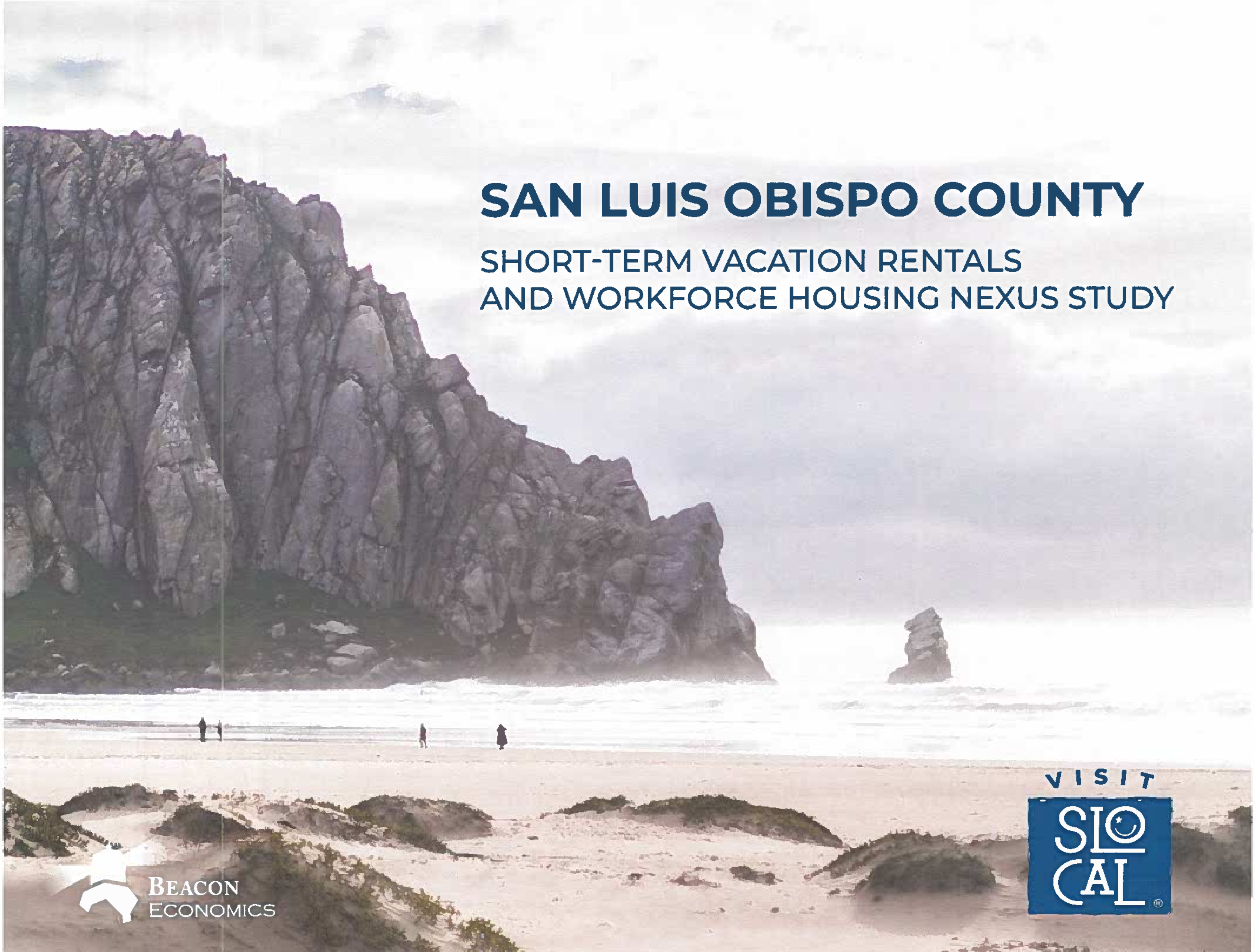
Chelan County (Chime, Fair, CCNR, etc)	$	719,000
Pybus Market	$	321,000
Wenatchee Valley Museum and Cultural Center	$	235,200
Leavenworth Winter Sports Club	$	233,000
Lake Chelan Ski Club	$	190,000
Plain Valley Ski Trails	$	169,610
TREAD	$	134,000
Manson Chamber of Commerce	$	128,000
Icicle Creek Center for the Arts	$	122,500
Evergreen Mtn Bike Alliance	$	84,000
Lake Chelan Wine & Jazz	$	76,000
Chelan-Douglas Land Trust	$	75,000
Leavenworth Summer Theater	$	75,000
Washington State Autumn Leaf Festival	$	60,000
Upper Valley Historical Society	$	46,500
Wenatchee Youth Baseball	$	44,326
Wenatchee River Bluegrass Festival	$	40,000
Cascade Community Markets	$	35,000
Experience Wine in Washington's Paradise	$	35,000
Wenatchee Valley Chamber of Commerce	$	35,000
Lake Chelan Chamber of Commerce	$	33,000
Lake Chelan Grape Growers	$	30,000
Lake Chelan Wine Alliance	$	30,000
Cashmere Museum & Pioneer Village	$	26,400
Chelan Rustlers Rodeo Weekend	$	25,000
Chelan Historic Downtown Association	$	20,000
Leavenworth Village Voices	$	18,150
Tour de Bloom 2024 - Velo Club	$	17,500
Numerica PAC Season	$	17,430
Lake Chelan Arts Council	$	16,000
Wenatchee River Institute - Spring Bird Fest	$	14,500
Manson Apple Blossom Festival	$	13,000
Lake Chelan Bach Fest	$	12,500
Wenatchee Arts Alliance	$	11,000
Cascade Farmlands	$	10,000
Entiat Community Historical Society	$	9,000
Entiat Community Historical Society	$	9,000
Cashmere Chamber of Commerce	$	8,800
Four Rivers Medicine Fest	$	6,351
Lake Chelan Arts Festival	$	5,500
Leavenworth Regional	$	5,000
Buckner Homestead Heritage Foundation	$	4,700
Leavenworth International Accordion Celebration	$	3,000
East West Classic	$	1,580
Stehekin Heritage Guidebook	$	1,430
	$	3,251,167

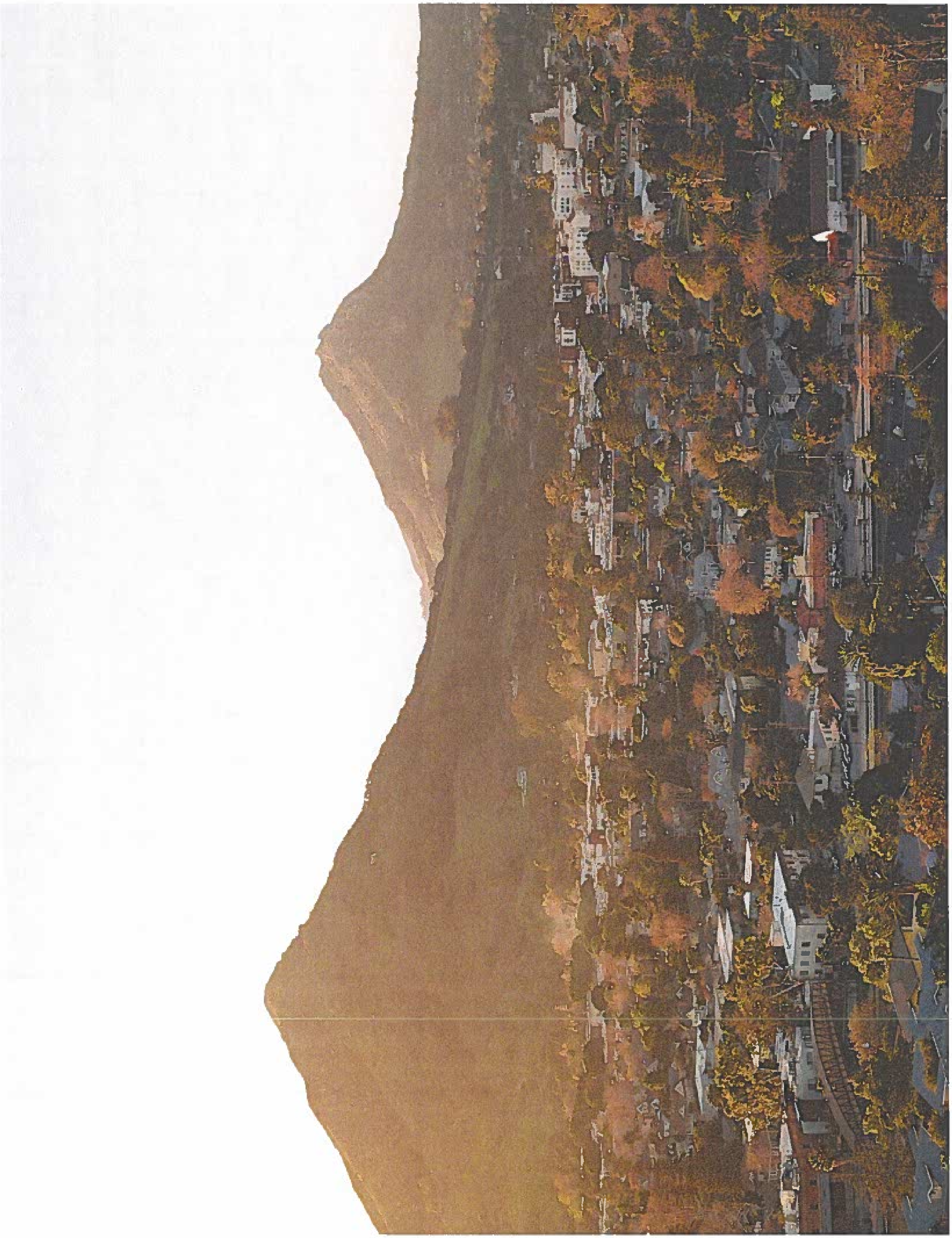
Total tourism visits reported in Chelan County include not only overnight visitors but also our day trip numbers and local visits, taking advantage of every square inch of the beautiful area we live in.
Specifically speaking to the argument of short-term rentals and their effects on affordable housing, I would like to refer to a recent study done by San Luis Obispo, California:
Press release: https://www.slocal.com/articles/post/visit-slo-cal-and-beacon-economics-release-short-term-vacation-rentals-and-workforce-housing-nexus/ (hard copy included)

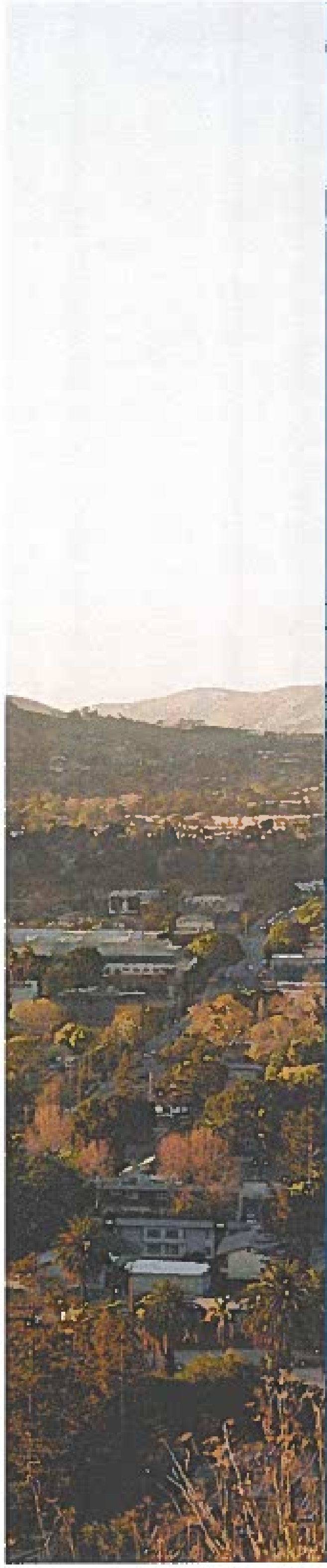
Respectfully submitted
Jerri Barkley - Executive Director
Visit Chelan County

SAN LUIS OBISPO COUNTY

SHORT-TERM VACATION RENTALS AND WORKFORCE HOUSING NEXUS STUDY







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EXECUTIVE SUMMARY

- Communities throughout the United States are grappling with the rise of short-term rentals (STRs).
- These communities are weighing the benefits that short-term rentals bring against the perceived costs they generate.
- Opponents assert that STRs have a negative impact on local housing markets, that they create housing shortages and are driving up rents and housing prices.
- This study explores the relationship between short-term vacation rentals and housing affordability in San Luis Obispo County (SLO CAL) and its communities. The findings of the report are as follows:

TOURISM IN SAN LUIS OBISPO COUNTY

- Visitors bring a significant amount of economic activity to San Luis Obispo County. Tourism accounts for nearly 10% of countywide GDP, generating $2.15 billion per year in economic benefits.
- Following steep drops during the pandemic, hotel occupancy rates are on par with pre-pandemic figures, despite a 3.8% increase in supply, while nightly rates and revenue per available room (RevPAR) exceed pre-pandemic levels.
- Overall, the tourism industry in SLO CAL is crucial to the local economy. The enduring health of the hotel sector reveals that, rather than reducing activity at existing businesses, short-term rentals are providing additional lodging capacity, enabling more visitors to come to the region.

SHORT-TERM RENTALS IN SAN LUIS OBISPO COUNTY

- Short-term rentals long pre-date the rise of online platforms like Airbnb and Vrbo, although the emergence of these services has added great demand to the STR market.
- Over the past ten years, the number of STR days reserved on these platforms has more than quadrupled, totaling over 40,000 by late 2022.
- There are almost 4,500 properties in the county that engage in STR activity in some way, although roughly one-third of these are not available for booking in any given month.
- The number of SLO CAL properties listed on STR platforms has increased eight-fold over the past 10 years, primarily in Paso Robles, Pismo Beach, and Arroyo Grande.

- Paso Robles accounts for a quarter of all short-term rentals in the community, followed by San Luis Obispo (10%). [1] Combined, the unincorporated areas of the county account for one third of STR rentals.

- Short-term rentals encompass a wide range of property types, from single-family homes to boats, providing visitors with a wide range of accommodation options.

- As of February 2023, roughly 86% of active listings (properties that are listed for short-term rentals) on STR platforms sought to rent an entire housing unit. In other words, few multi-family properties are listed as short-term rentals.

- Short-term rentals comprise an increasing share of Transit Occupancy Tax (TOT) revenues in the county, up from around 15% prior to the pandemic to 19% of the total since the beginning of the pandemic.

- One of the issues raised in the regional community of San Luis Obispo is compliance regarding short-term rentals. In general, most short-term rentals are compliant with local regulations.

HOUSING IN SAN LUIS OBISPO COUNTY

- Like much of California, SLO CAL has seen limited growth in its housing stock over the last decade, adding just 7,796 units from 2013 to 2023, a 6.6% increase, slightly below the state average.

- Most housing units in San Luis Obispo County are single-family, with a higher share of single-family housing compared to other parts of California.

- In a community where the median single-family home costs more than $800,000, the relative lack of multi-family housing limits the ability of low-income workers to live in the community.

- Like many parts of California, SLO CAL is in the midst of a housing accessibility and affordability crisis.

- In the first quarter of 2023, just 12% of households could afford a single-family home in SLO CAL, at current market prices.

- High housing costs mean that lower-income households have to devote a significant portion of their incomes to housing, move further away from job centers, or move to lower-cost areas of the state or country.

- In San Luis Obispo County, 92% of households earning less than $20,000 are rent burdened, meaning they spend over 30% of their household income on housing.

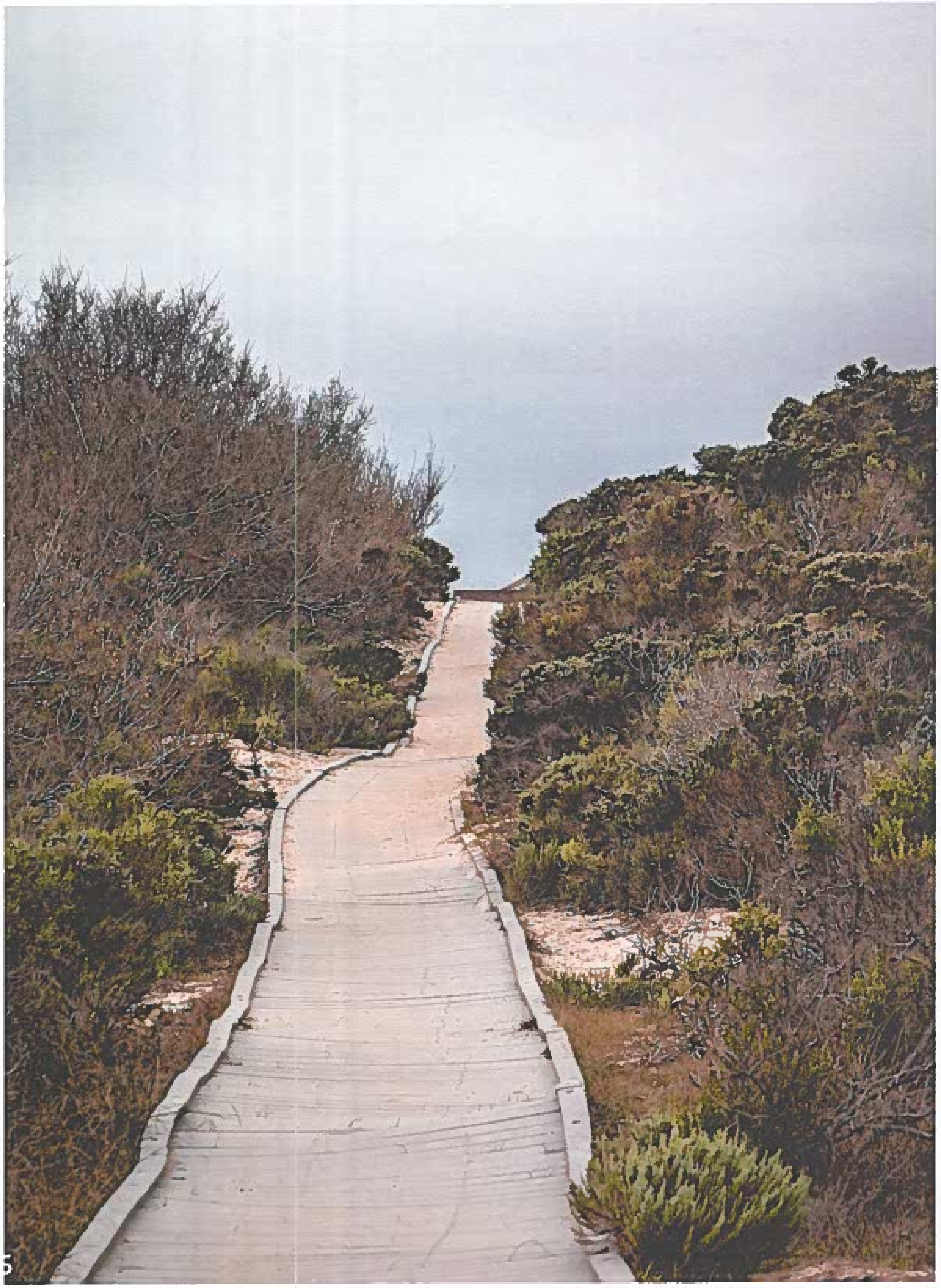
- It is widely agreed that limited housing supply in the face of strong demand is the primary driver of high housing costs, and that to solve the housing affordability crisis, more housing is required.

[1] These figures are based on a city identifier provided by AirDNA. The data provided by AirDNA includes approximate (not exact) coordinates for the property. It is possible that these fields consider properties outside of the city limit. Matching the property based on its coordinates suggests Paso Robles comprises 12.4% of active properties, while City of San Luis Obispo amounts to roughly 6.5%. Please see the table in the appendix.

THE RELATIONSHIP BETWEEN SHORT-TERM RENTAL ACTIVITY AND HOUSING MARKETS

- For STRs to affect housing affordability in a community, two things should hold true. First, STR activity should reduce the supply of housing in a community. And second, STR activity should specifically remove lower-income housing from the market.
- Across the county, around 2.7% of the housing stock is devoted to STR activity. Active listings account for around 2% of the total housing stock in SLO CAL.
- Across Grover Beach, Paso Robles, the City of San Luis Obispo, and the unincorporated areas of the county[2], more than one in five listings (22.3%) are non-compliant.
- It is unlikely that all housing currently devoted to STR activity would be converted to long-term rentals, and therefore increase local housing supply, in the absence of STR activity.
- Many STR properties in SLO CAL are second homes. Removing all STR activity, therefore, would not necessarily lead to a 2-3% increase in housing supply since it is likely that many of these units would remain vacation homes for property owners.
- Based on the best available research, converting all short-term rental properties in the community to long-term rentals would effectively reduce rents by less than 1%. This changes very little if non-compliant properties are included.
- STR properties across SLO CAL are typically larger than those in which lower-income households reside. On average, STR properties have 3.4 bedrooms, while lower-income households typically live in much smaller properties.
- STR properties in SLO CAL have an average value of more than $1.2 million, far beyond the reach of lower-income households.
- Overall, STR activity is occurring in the wealthiest, least affordable parts of the community, home to few low-income households.
- If STR properties were converted to long-term rentals, based on prevailing market prices, households earning $100,000 would only be able to afford 5% of the properties listed as STRs.
- If local leaders are seeking to increase housing supply in their communities, there are more direct ways to achieve this by zoning for more housing.

[2] Compliance status is not available for Pismo Beach, Arroyo Grande, Atascadero, and Morro Bay.



INTRODUCTION

San Luis Obispo County (SLO CAL) is located on California's Central Coast. In a state that offers an abundance of tourist destinations, SLO CAL more than holds its own. Visitors are drawn to the region for its beautiful coastline, charming communities, bountiful vineyards and first-class restaurants. On average, around two million tourists visit the San Luis Obispo County each quarter, generating an annual economic impact of $2.15 billion. The county's Leisure and Hospitality industry[3] directly employs around one in six workers (17%), which is around 50% higher than the statewide figure.

Short-term rentals are an increasingly popular choice of accommodation for travelers throughout the United States. With the growth of online platforms such as Airbnb and Vrbo, visitors have an enormous range of accommodations to choose from. However, communities are grappling with the growth of these platforms and are increasingly focused on how best to appropriately incorporate STR properties into their existing regulatory and fiscal framework, and to better understand the role they play in local economies and housing markets.

[3] Leisure and Hospitality consists of two sectors: Arts, Entertainment, and Recreation (NAICS 71) and Accommodation and Food Services (NAICS 72).

The rapid growth of the STR market has generated both supporters and opponents in the seven incorporated cities and unincorporated communities in SLO CAL. Supporters point to the popularity of STRs with visitors, and the ability of homeowners and tenants to generate additional sources of income. STRs provide a range of lodgings, sometimes in places where there are few alternative options. Opponents worry that STRs are changing the character of neighborhoods and leading to housing shortages, which in turn drive up rents and house prices in local communities. Of particular concern is how low-income households might be affected by the rise in STR activity.

This research study tackles one aspect of the debate surrounding short-term rentals: whether there is a relationship between short-term rental activity in San Luis Obispo County and housing affordability for low-income residents. The report relies on short-term rental data obtained from AirDNA, a leading provider of comprehensive short-term rental market data. AirDNA aggregates data from various sources, including major vacation rental platforms like Airbnb and Vrbo. AirDNA data measures key short-term rental metrics such as occupancy rates, average daily rates, revenue trends, and property characteristics dating back to October 2014. The analysis also uses Host Compliance data provided by Granicus, which tracks short-term rental compliance at the listings level. The research team also held a focus group with STR property management owners in the region to better understand the short-term rental environment across SLO CAL communities.

The data provided by AirDNA and Granicus differ in terms of their unit of measurement. AirDNA's data is reported at the property level, whereas Granicus presents data by listing. This distinction is important since it impacts the interpretation of the figures. In the case of AirDNA, their data captures information specific to unique properties. If a property is listed on multiple platforms, it would still be counted as a single property in AirDNA's dataset. [4] Granicus' data is measured by listing, which means that a property can be listed on multiple platforms. For example, a property may be listed on both Airbnb and Vrbo simultaneously, resulting in multiple listings for a single property.

This study has two primary goals. First, to provide data and empirical analysis to help inform stakeholders and policymakers in San Luis Obispo County and its communities about the nature of the local STR market. Second, to understand the relationship between STRs and the broader housing market in the county and its communities, and to assess the impact of STR activity on the supply of housing for low-income members of the community.

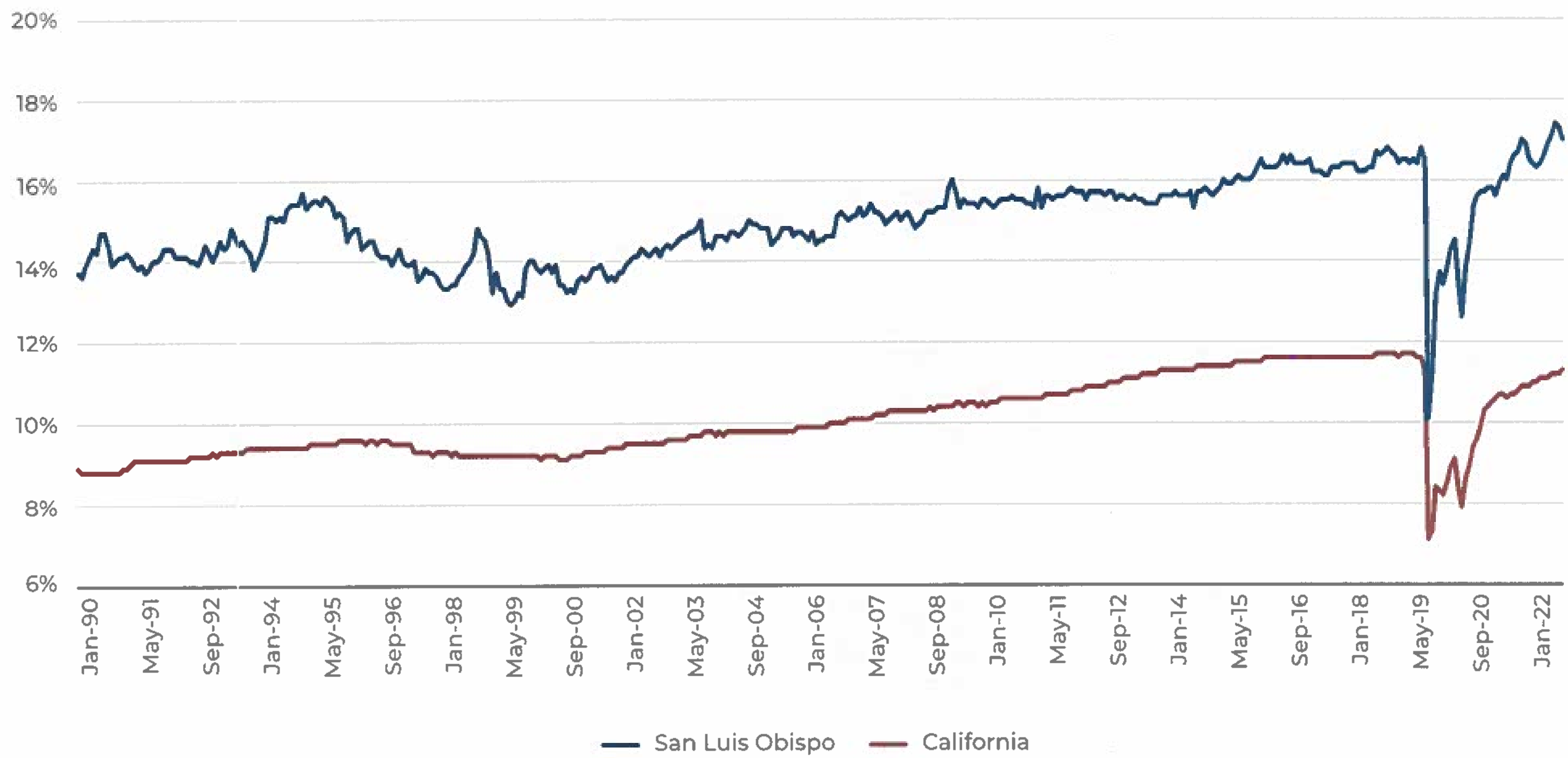
The study is divided into four primary parts. Part One establishes the importance of the tourism industry to the county's economy. Part Two traces STR activity in the county and its communities over the past decade. Part Three assesses the local housing market and housing affordability in the community. Finally Part Four analyzes the relationship between STR activity and housing affordability throughout San Luis Obispo County.

[4] For more information see https://enterprise-help.airdna.co/hc/en-us/articles/14527029817869-How-AirDNA-Identifies-Duplicate-Listings#how-airdna-identifies-duplicate-listings-0-0

PART 1: TRACKING VISITOR ACTIVITY IN SAN LUIS OBISPO COUNTY (SLO CAL)

Tourism is an important industry to SLO CAL's economy. This is borne out by a number of different metrics. The county's Leisure and Hospitality industry[5] directly employs around one in six workers (17%). In the State of California, the industry employs around 11% of the total workforce. With respect to real GDP, the industry is similarly around 50% more important to the county's economic output than it is to the state's economy. When the impact of leisure and hospitality is extended to include tourism's total impact, tourism accounts for nearly 10% of countywide GDP. The following analysis reveals the health of the tourism industry in SLO CAL.

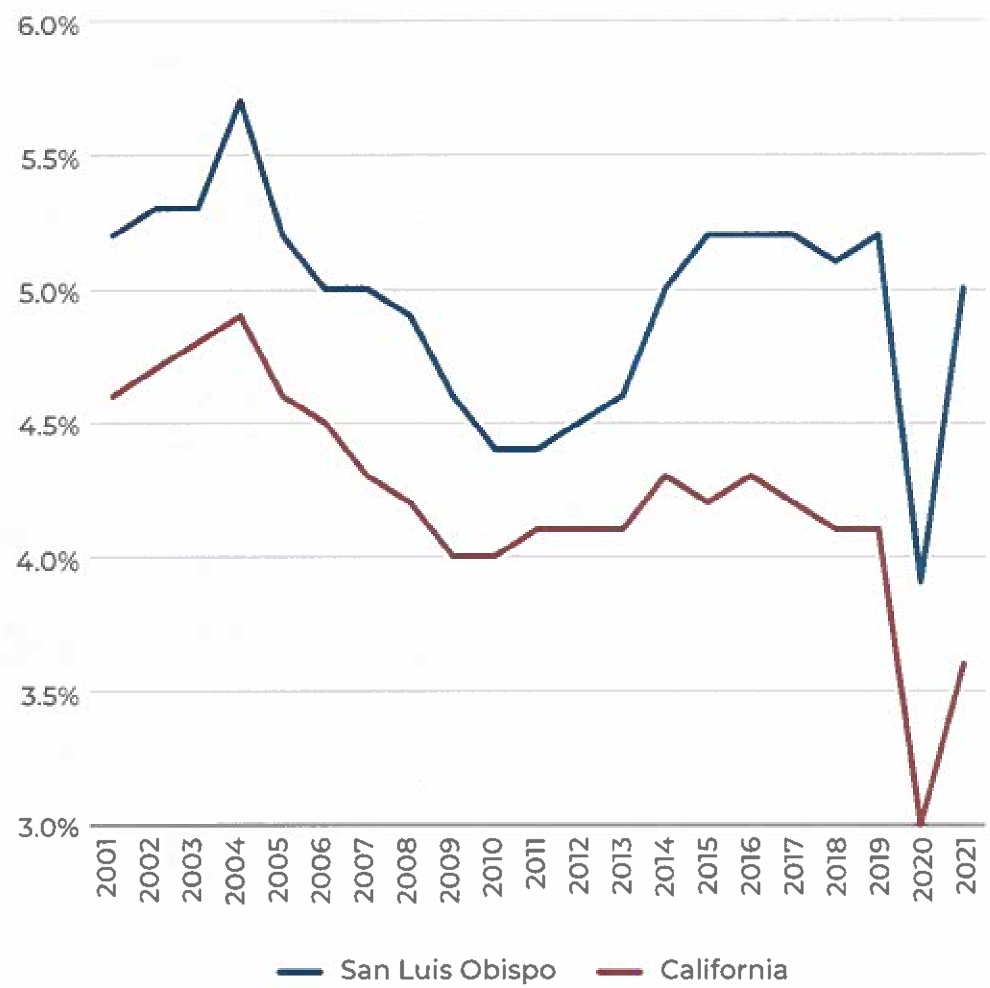
Leisure and Hospitality as a Percent of Non-farm Employment



Source: California Employment Development Department, US Bureau of Labor Statistics; Analysis by Beacon Economics

[5] Leisure and Hospitality consists of two sectors: Arts, Entertainment, and Recreation (NAICS 71) and Accommodation and Food Services (NAICS 72).

Leisure and Hospitality as a Percent of Real GDP



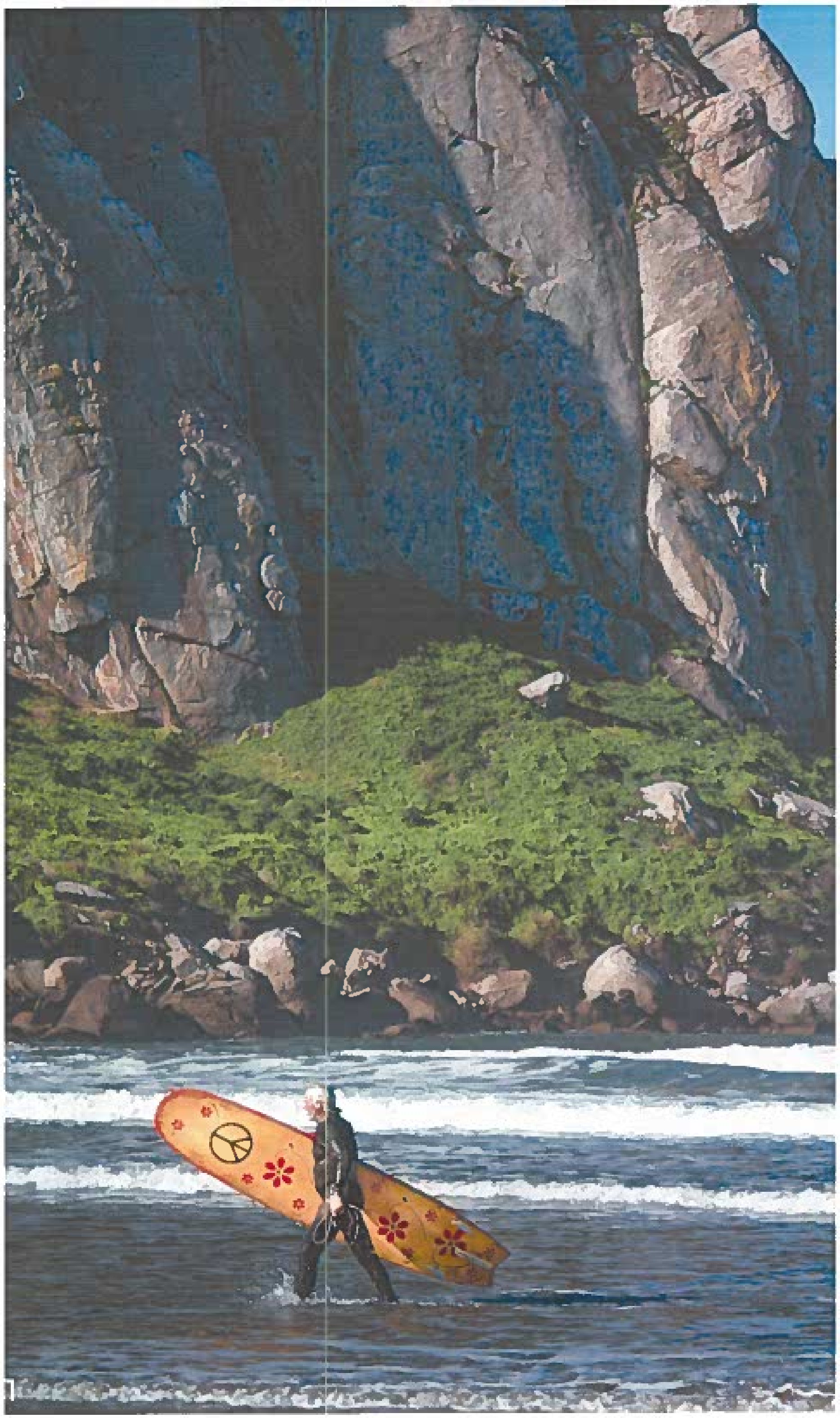
Source: US Bureau of Labor Statistics; Analysis by Beacon Economics

VISITORS TO THE REGION

The tourism industry was hit especially hard by the pandemic, as regulations constraining in-person activity and travel restricted the number of visitors to the region by nearly two-thirds. The number of visitors to the SLO CAL region is now roughly equal to pre-pandemic figures. The continued influx of visitors has helped support the recovery of Leisure and Hospitality employment in the county. Employment in Leisure and Hospitality in the County of San Luis Obispo is now 4.4% higher than it was before the pandemic. Statewide, employment in this industry was still 0.5% below pre-pandemic levels in May 2023. In fact, Leisure and Hospitality payrolls have expanded at a faster rate than total employment, which now stands 1.2% above February 2020 figures.

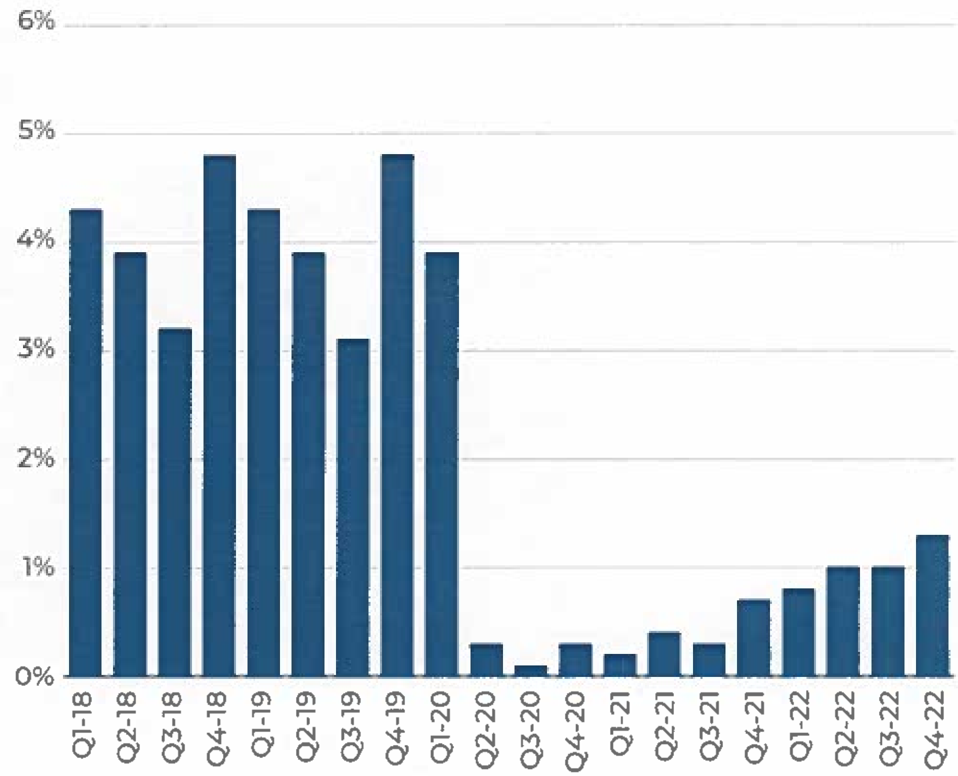
Total Vistors to San Luis Obispo County in MIllions

Source: Tourism Economics; Analysis by Beacon Economics



The primary driver of this recovery is domestic travel, with foreign travel yet to fully rebound. While the proportion of international visitors has risen slightly since the height of the pandemic, growing to just over 1% of total visitors, it is still significantly lower than it was before the pandemic, when it hovered around 4%. The lion's share of visitors to SLO CAL travel from within the state and tend to come from the Central Valley and Southern California.

International Visitors as a Percent of Total Visitors

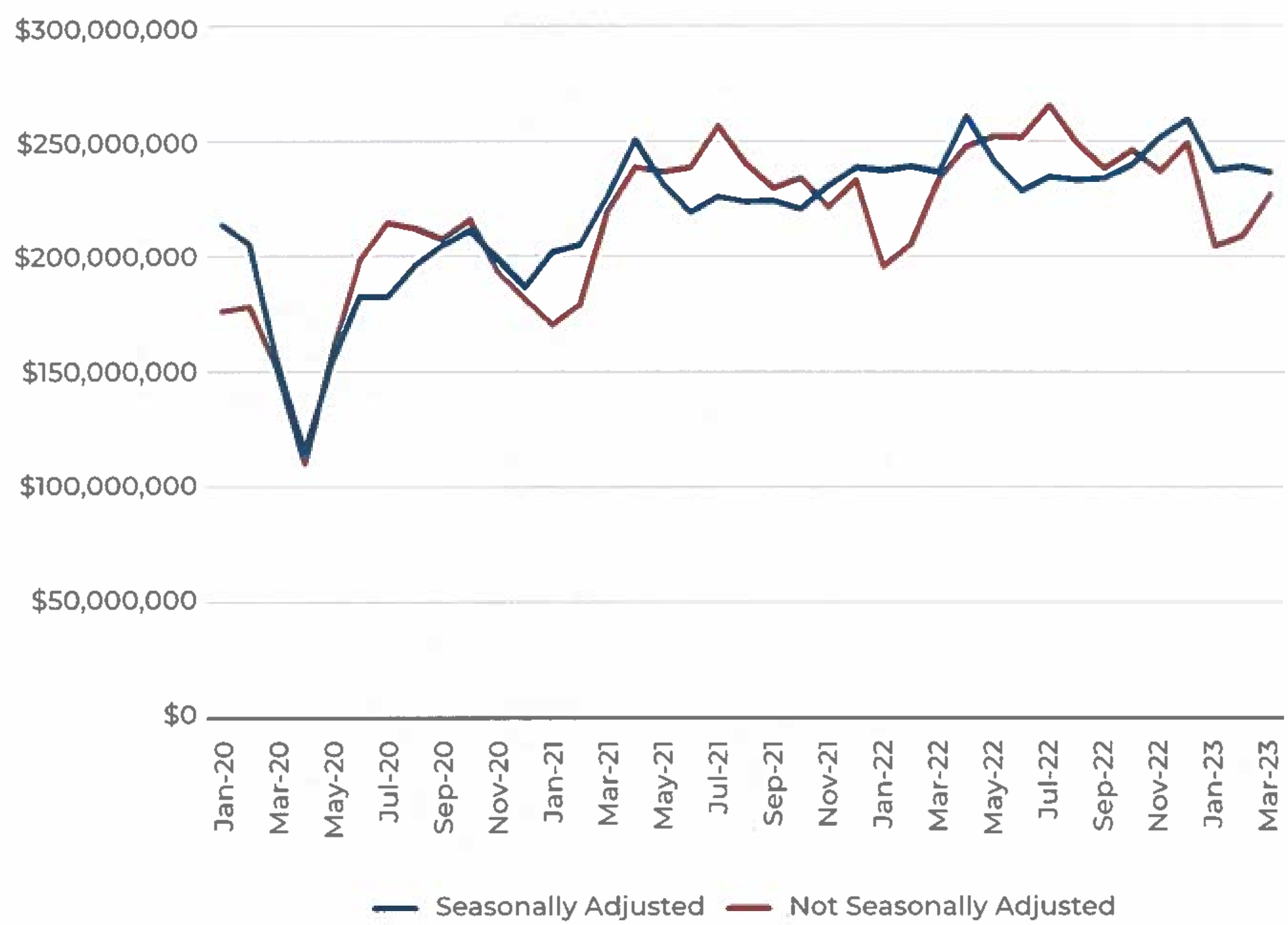


Source: Tourism Economics; Analysis by Beacon Economics

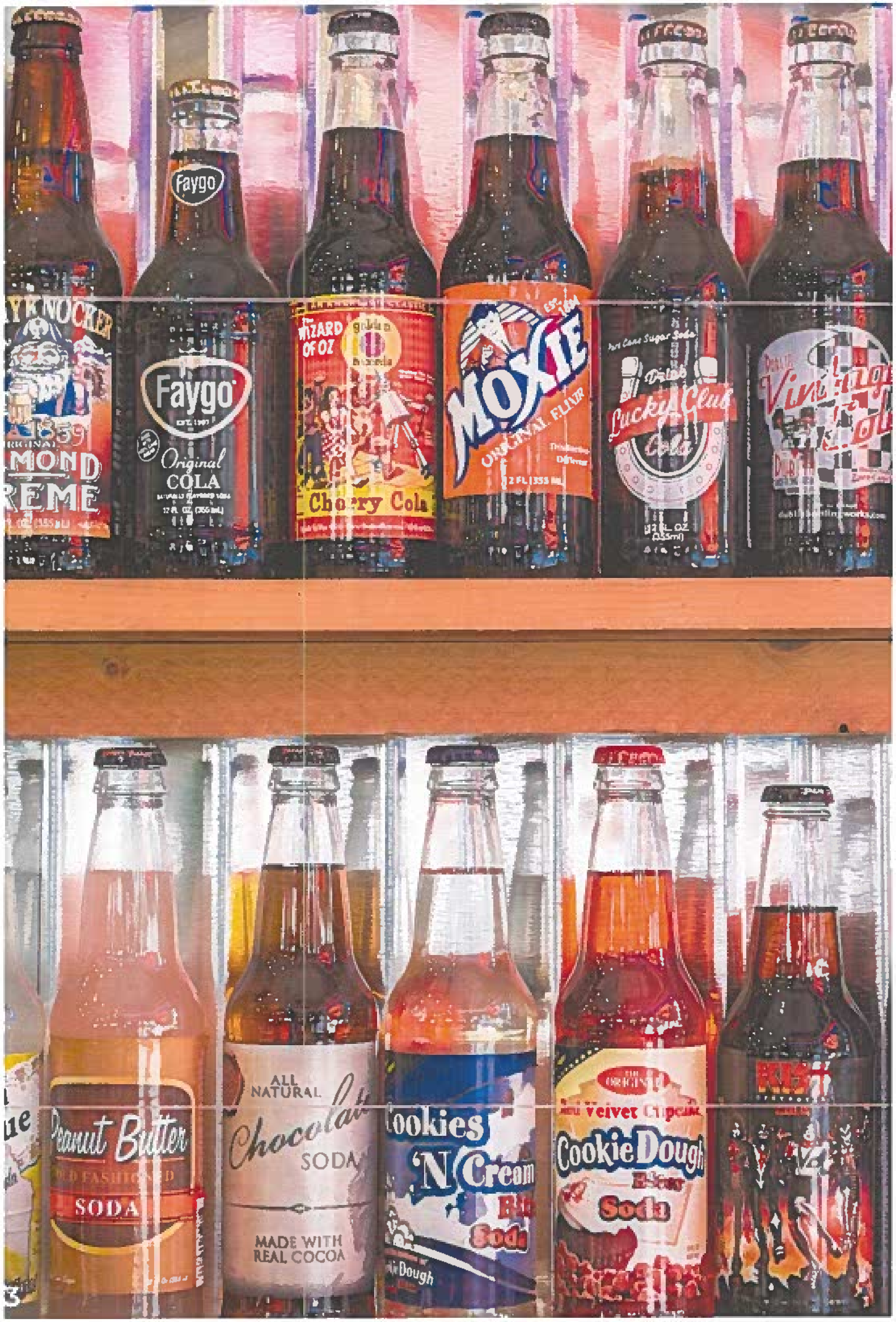
VISITOR BEHAVIOR

Visitors bring significant economic activity to the county, generating $5.9 million per day in 2022 ($2.15 billion annually), an increase of 13.8% year-over-year. Every dollar spent by tourists reverberates through various other sectors, from accommodations and dining to transportation and retail. This spending, whether on hotel stays, meals at local restaurants, souvenirs, or recreational activities, directly supports local jobs. According to spending data from Visa Destination Insights, roughly $12 million of monthly credit card spending is on hotels and other accommodation, meaning the vast majority is spent in other sectors of San Luis Obispo County's economy, contributing significant support to the country's small businesses, such as retail outlets and restaurants.

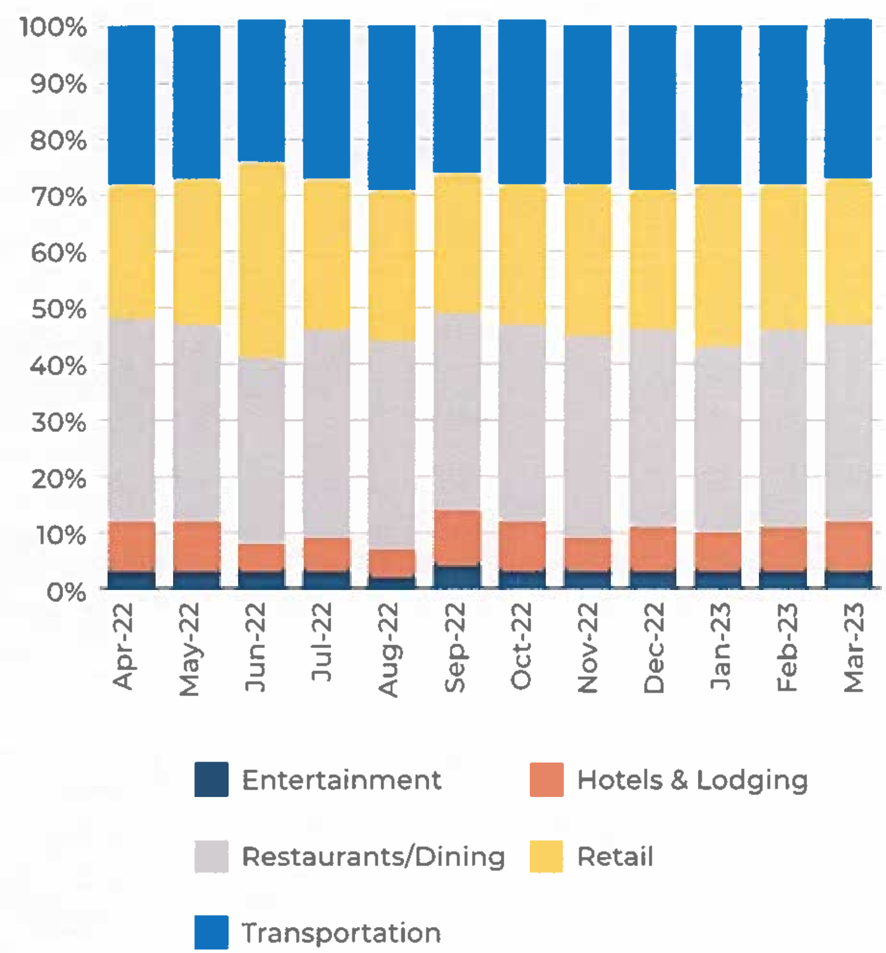
Visitor Credit Card Spending



Source: Visa Destination Insights; Analysis by Beacon Economics



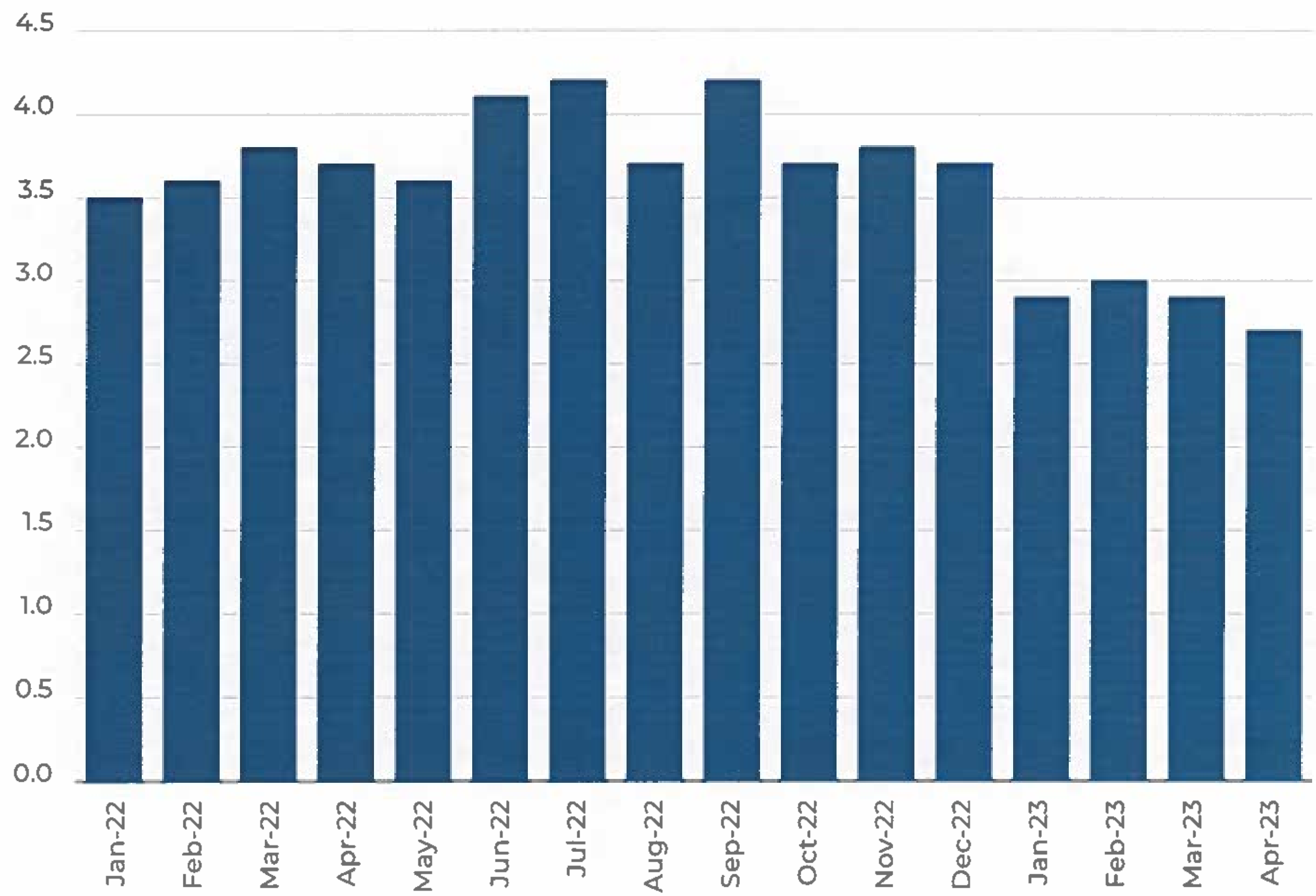
Visitors Share of Total Spending



Source: Visa Destination Insights; Analysis by Beacon Economics

Visitors to SLO CAL typically stay for a relatively short time – approximately three days, with visitors from further afield typically staying longer. For example, visitors from California spend, on average, less than three nights in the region (2.7), while out-of-state visitors spend an average of 3.5 nights. Topping the list of primary destinations for visitors is the City of San Luis Obispo. Pismo Beach and Shell Beach, located in the City of Pismo Beach, are also very popular. Combined, these three locations account for 15.7% of total visitors and offer a diverse range of attractions, from the vibrant downtown area of San Luis Obispo to the scenic coastline and sandy shorelines of Pismo Beach and Shell Beach.

Average Trip Duration for Visitors to San Luis Obispo County

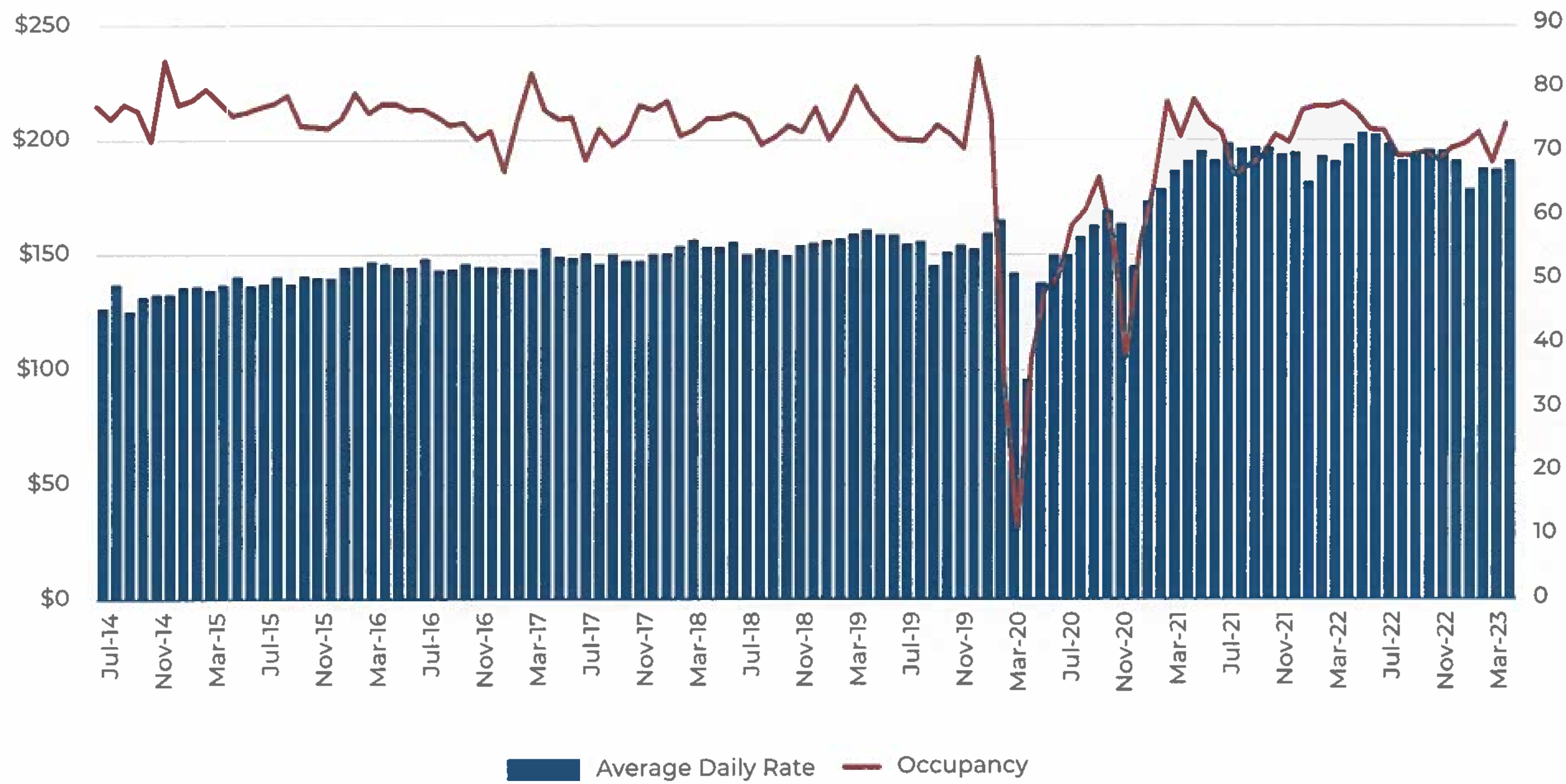


Source: Tourism Economics/Arrivalist; Analysis by Beacon Economics

VISITOR LODGING

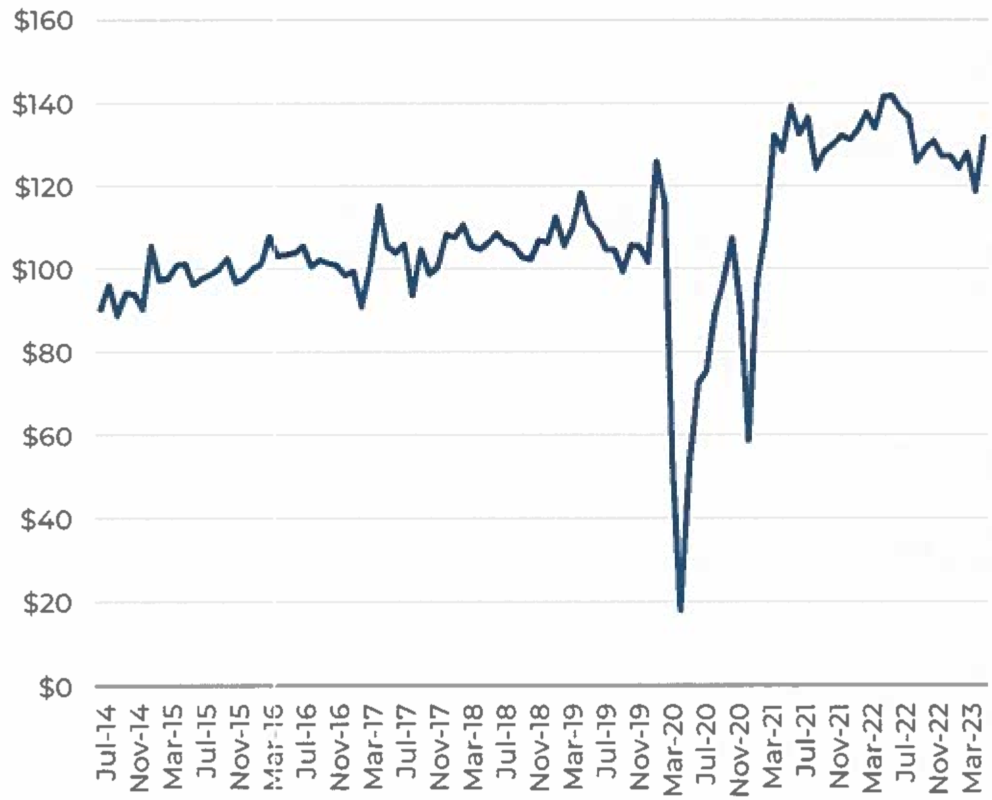
In line with trends in visitor spending, there has been a noticeable resurgence in demand for leisure and travel. Hotel statistics in San Luis Obispo County reflect this, showing significant improvements in occupancy rates, revenue per available room (RevPAR), and overall bookings. The continued health of the hotel industry has occurred against the backdrop of a growing proliferation of short-term rentals.

San Luis Obispo County Hotel Occupancy and Average Daily Rates



Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

San Luis Obispo County Revenue Per Available Unit



Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

While destinations within the county differ in revenue and occupancy rates, the three largest hotel markets – the City of San Luis Obispo, Pismo Beach, and Paso Robles – are all performing strongly, with high occupancy rates and revenues per available room. These three destinations account for more than 60% of the hotel rooms in the county and continue to be the engine of SLO CAL's tourism industry.

Community Hotel Statistics (as of April 2023, Seasonally Adjusted)

	Occupany Rate	RevPAR	Avg Daily Rate	Supply	Percent of County
Atascadero	69.6	$106.27	$150.88	18,510	6%
Cambria	63.2	$139.78	$219.36	22,620	7%
Morro Bay	61.0	$96.70	$156.34	26,400	9%
Paso Robles	74.5	$134.86	$180.17	44,220	15%
Pismo Beach	69.2	$165.76	$232.50	63,090	21%
San Luis Obispo	70.5	$137.59	$192.91	75,600	25%
San Simeon	59.2	$86.61	$145.13	18,030	6%
County	68.6	$131.75	$190.72	304,500	-

Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

Hotels play a crucial role in generating revenue for the general fund through the collection of Transient Occupancy Tax (TOT). This tax, commonly known as a hotel tax or bed tax, is levied on guests staying in hotels, motels, and other lodging establishments. TOT revenue is an increasingly significant source of income in SLO CAL, accounting for 6.7% of general fund revenues in fiscal year 2021-2022, up 1.6 percentage points from the prior fiscal year.

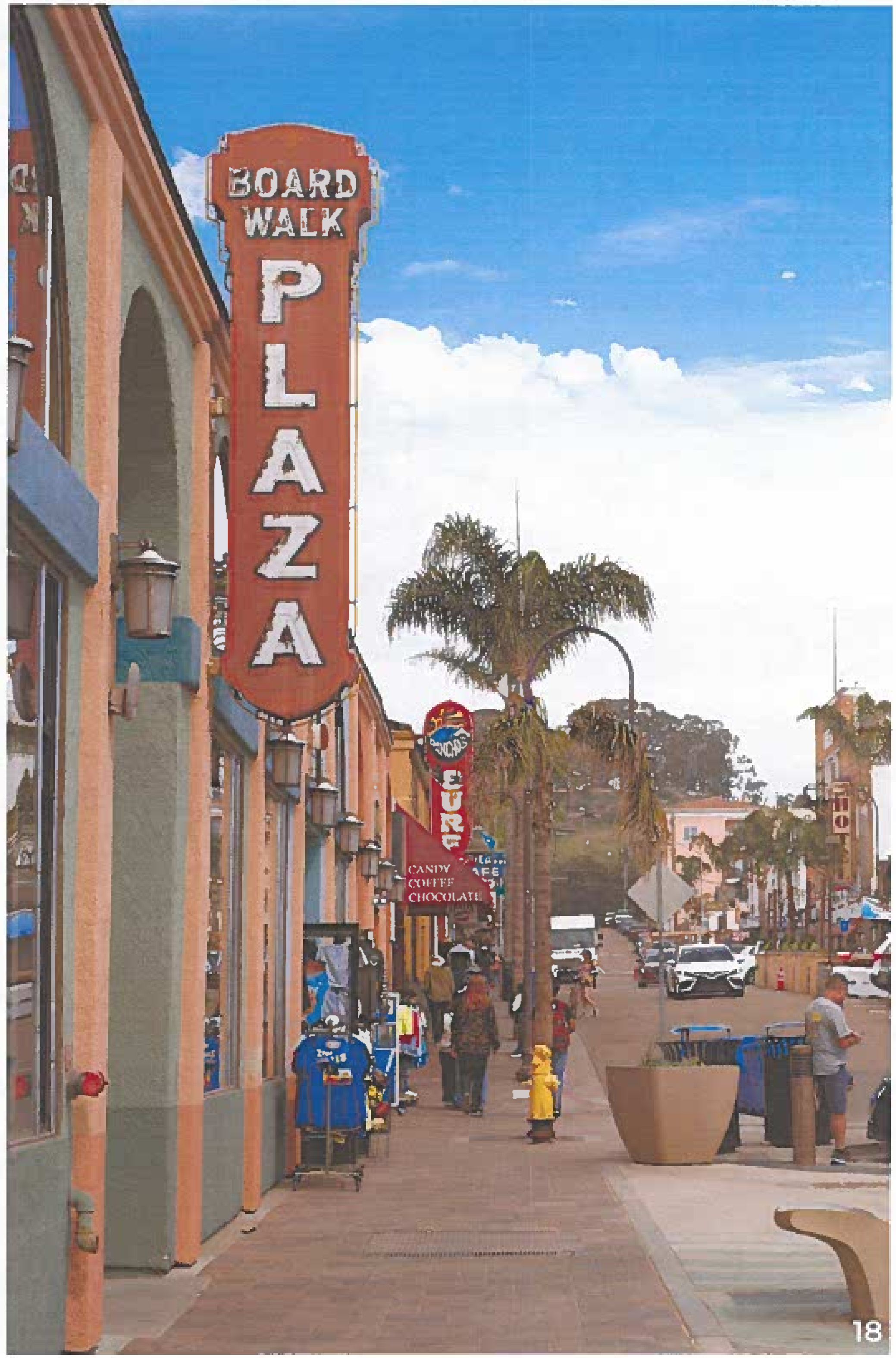
The table below gives an interesting insight into the contribution of different areas within San Luis Obispo County. Overall, Pismo Beach and the City of San Luis Obispo accounted for 41% of TOT revenues in the twelve-month period ending in April 2023. Notably, nearly 60% of TOT from short-term rentals is is collected from the unincorporated portion of the county, which also comprises a sizable share of overall TOT (27%).

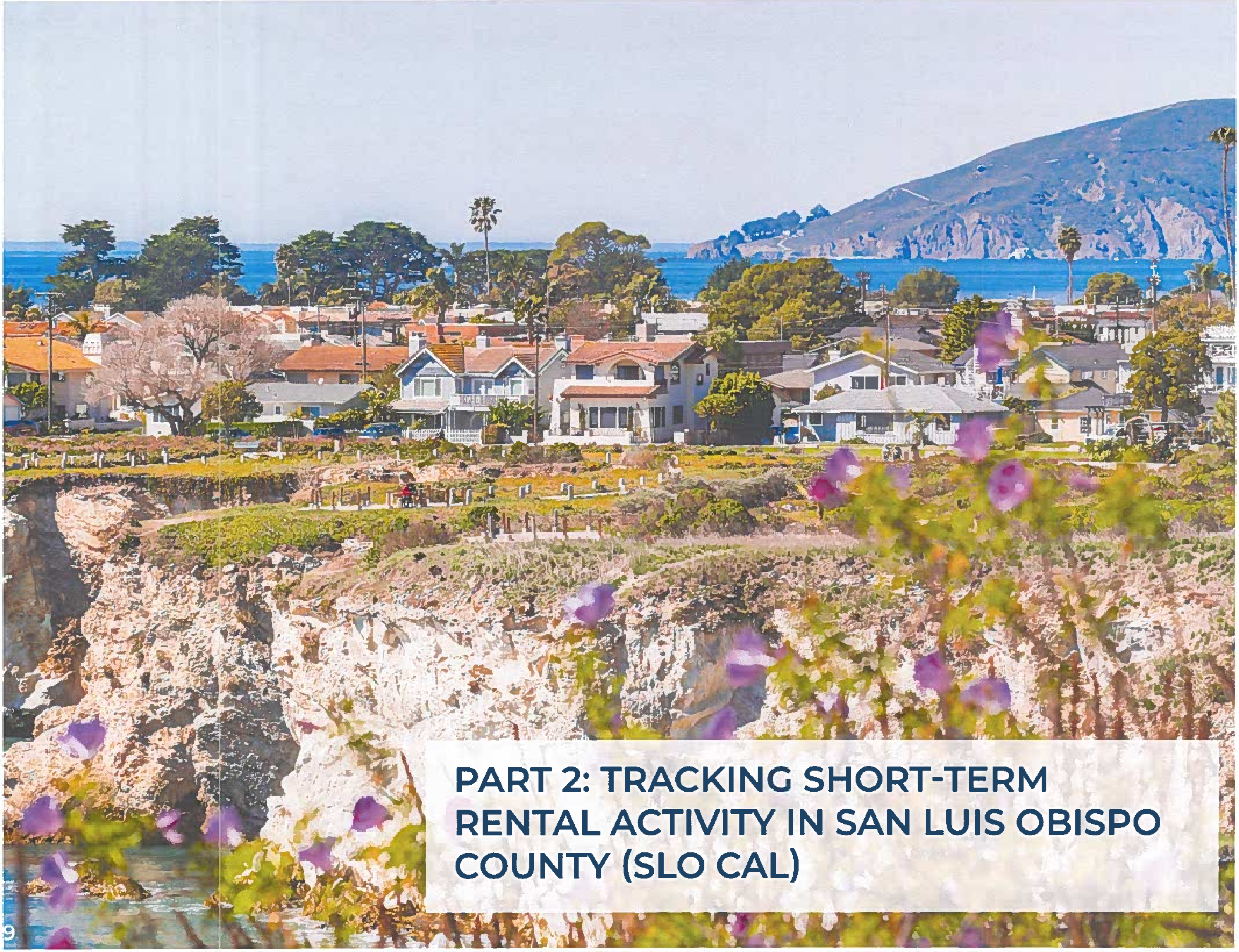
Transient Occupancy Tax Share (12-month sum ending April 2023)

	Percent STR	Total
Arroyo Grande	2.0%	2.1%
Atascadero	2.6%	3.5%
Grover Beach	3.6%	1.3%
Morro Bay	6.6%	7.3%
Paso Robles	9.9%	15.5%
Pismo Beach	9.7%	25.9%
San Luis Obispo	5.7%	17.5%
Unincorporated	59.9%	27.0%

Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

The tourism industry in SLO CAL is crucial to the local economy, through both direct employment and by generating spending in other sectors. The continued health of the hotel sector reveals that, rather than reducing activity at existing businesses in the community, short-term rentals are providing additional lodging capacity, enabling more people to visit the region.





PART 2: TRACKING SHORT-TERM RENTAL ACTIVITY IN SAN LUIS OBISPO COUNTY (SLO CAL)

TRACKING SHORT-TERM RENTAL ACTIVITY IN SAN LUIS OBISPO COUNTY

Although short-term rentals have existed for some time, the rise of platforms like Airbnb and Vrbo have seen their popularity soar over the past decade. After exploring the travel and tourism trends in San Luis Obispo County, focus now shifts to short-term rental activity. The county's appeal as a vacation destination has resulted in a substantial number of housing units being used for seasonal and recreational purposes. Many homeowners have recognized the potential benefits of listing their second homes on popular short-term rental platforms. By capitalizing on the growing demand for vacation rentals, property owners can generate additional income and maximize the occupancy of their second home. In this section, we examine the rise in STR activity in SLO CAL using data provided by AirDNA, which includes comprehensive coverage of vacation rentals from both Airbnb and Vrbo. We also supplement the analysis using data from Granicus, which monitors STR compliance.

THE COUNTY LANDSCAPE

The County of San Luis Obispo has experienced a steady rise in short-term rental activity over the past decade. There is a strong seasonal pattern across most indicators related to short-term rental activity, with July marking the most active period and February the low point. As a result, data has been adjusted here and throughout the report for seasonal fluctuations to make longer-term trends more discernable.

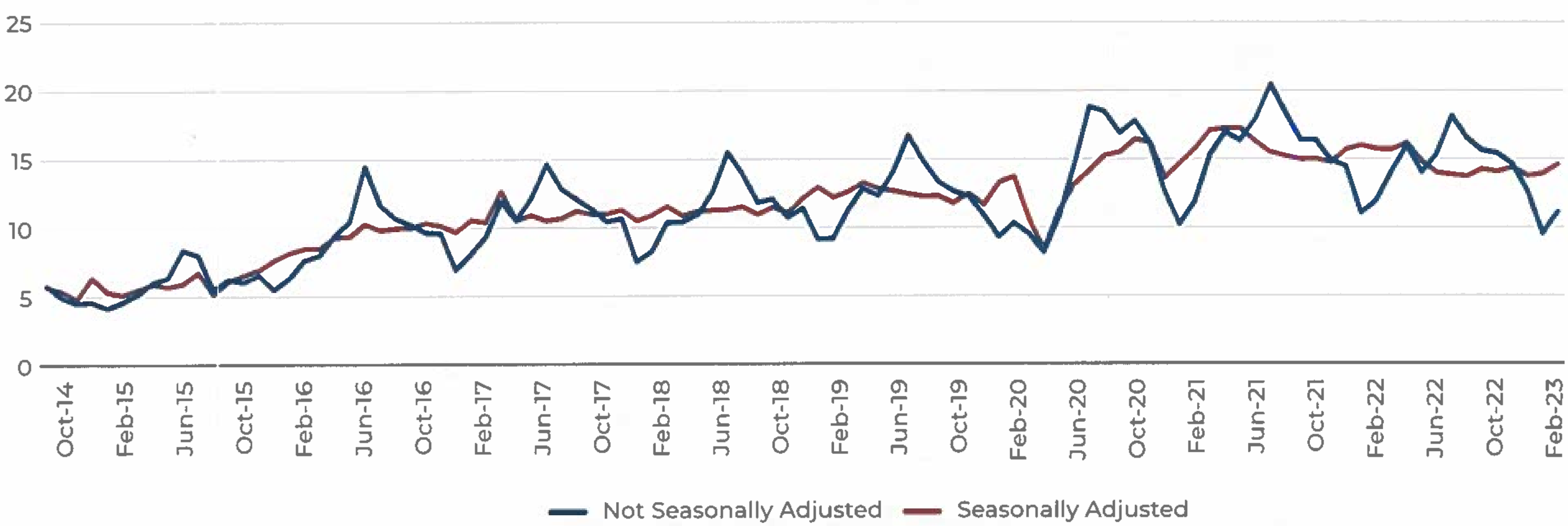
Across the county, the total number of reservation days has grown markedly. The number of reservation days (i.e., the number of calendar days when reservations occurred) reached more than 40,000 by late 2022, on a seasonally adjusted basis. Although the market took a sizable hit during the pandemic, the total number of reserved nights in SLO CAL has doubled since the trough of the pandemic-induced recession. We can also understand the sense of the scale by dividing the total number of reservation days by the active [6] count of properties in each month. The average STR property in the County of San Luis Obispo is reserved for nearly 15 days per month. As was shown earlier, hotel occupancy rates have remained stable over the last decade, which suggests that STRs are not reducing activity in the hotel industry but are instead affording the tourism industry in SLO CAL more capacity to grow.

[6] Throughout this report, 'active' properties are those that had at least one calendar day classified as reserved or available during a given month. Unless otherwise noted, all figures refer to active properties. Proportions of housing stock reflect listings for the entire unit.

Total STR Reservation Days in San Luis Obispo County

Source: AirDNA; Analysis by Beacon Economics

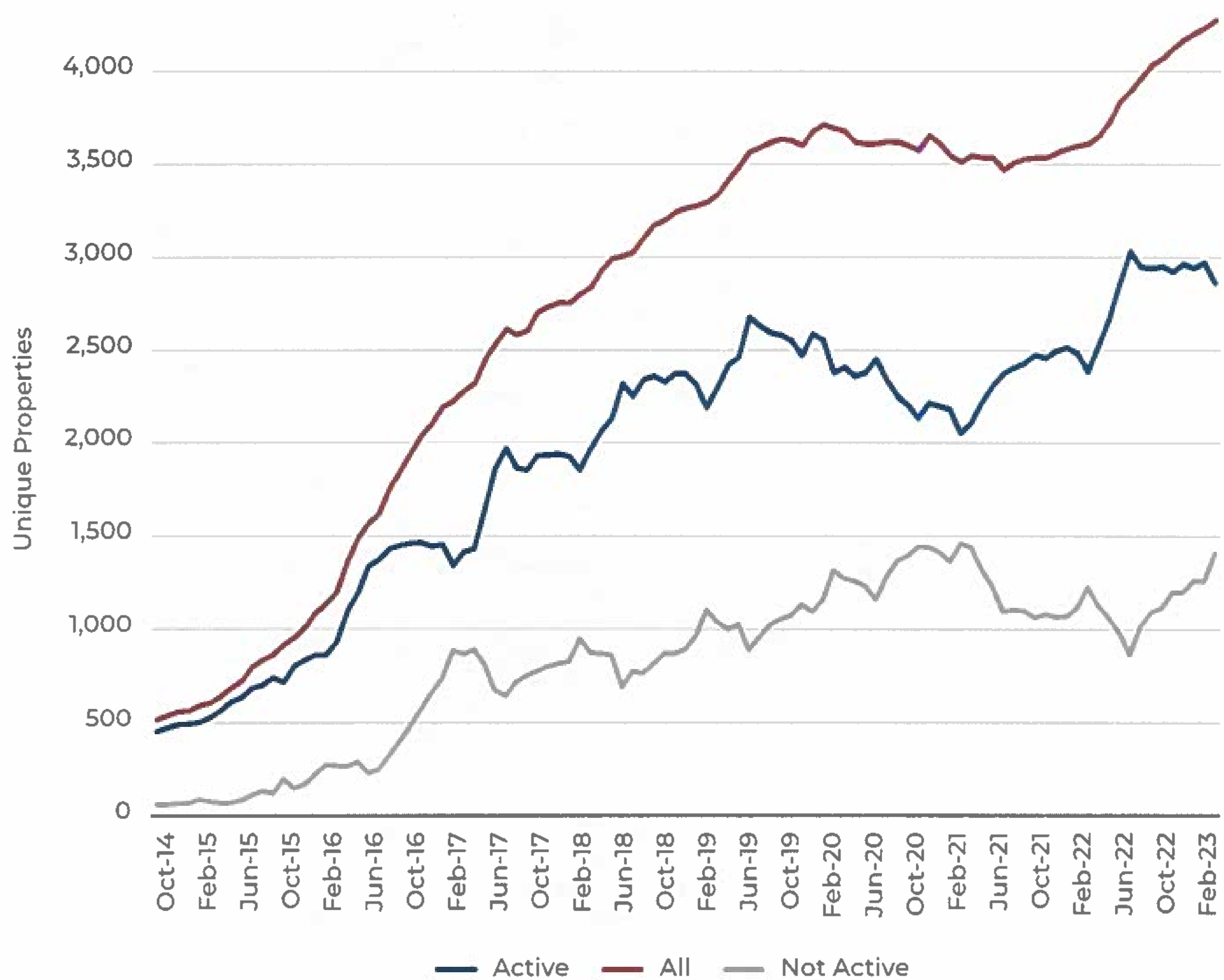
STR Reservation Days per Active Property in San Luis Obispo County



Source: AirDNA; Analysis by Beacon Economics

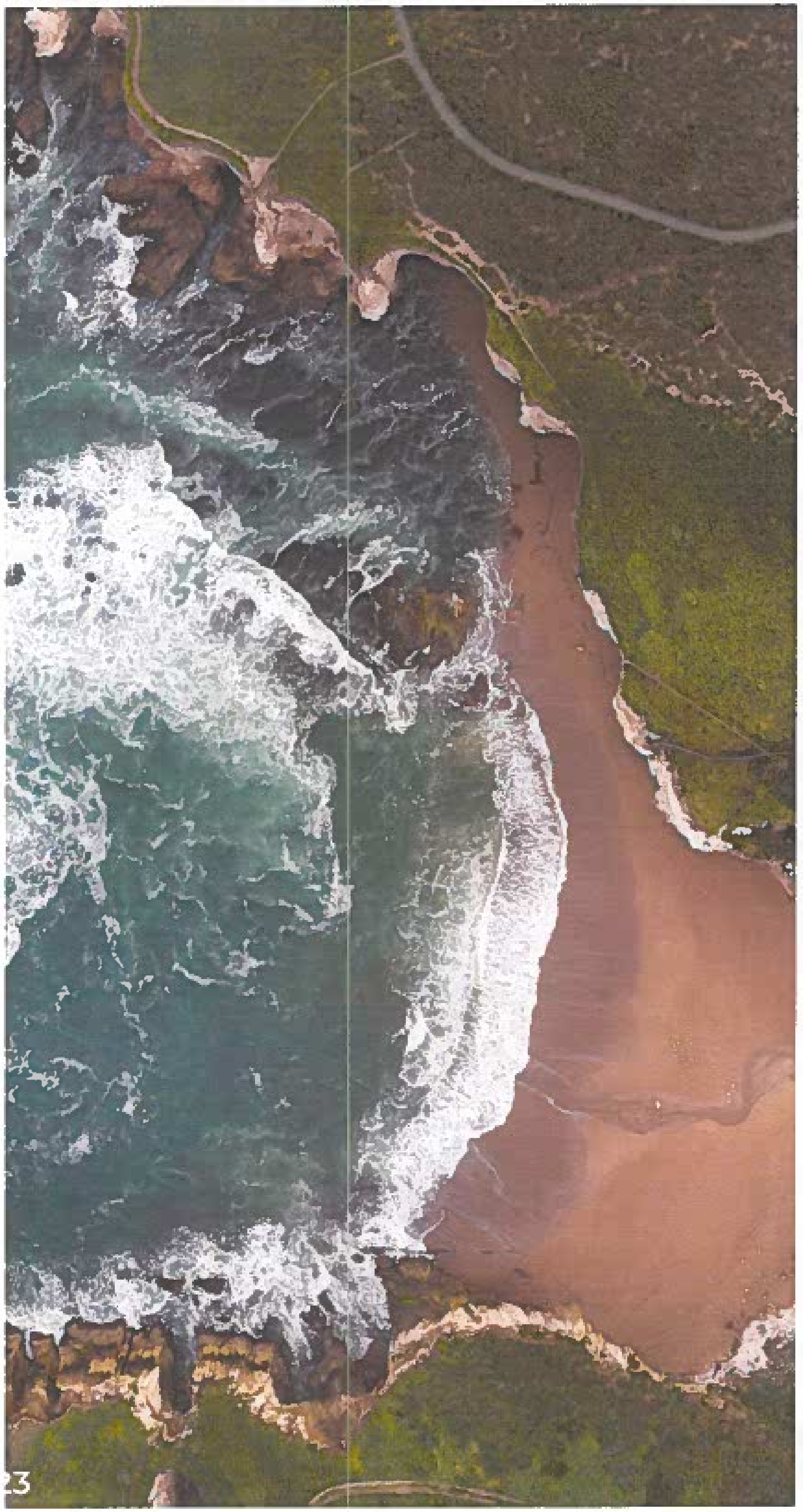
There has been a sizable uptick in the number of listed properties on STR platforms. This has given visitors to SLO CAL a wider range of options, catering to different preferences and budgets. Since late 2014, the total number of properties listed as STRs has increased eightfold to more than 4,000.[7] However, many of the properties listed are not active. As noted in footnote six, active properties are those that had at least one calendar day classified as reserved or available during a given month. In other words, while there are a lot of properties listed, roughly one-third of those listings are not available for booking in any given month. As of February 2023 (the latest available data point at the time of writing) there were 2,859 unique properties on the market for booking.[8]

Total STR Properties in San Luis Obispo County



Source: AirDNA; Analysis by Beacon Economics

[7] City and community level estimates are provided later in the report.
[8] The property listing data are not seasonally adjusted.



Unlike traditional hotels, which have a finite number of rooms, short-term rentals offer a wide range of property types, providing visitors with a broad array of options. Perhaps unsurprisingly, single-family homes are the most common property type in SLO CAL, accounting for roughly 51% of active properties. The next most common is guesthouses, which account for roughly one in every thirteen properties listed in the county. The majority of properties listed on the short-term rental market are for the entire property. As of February 2023, roughly 86% of active properties listed were for the entire unit, while the remainder were for single rooms. In other words, few multi-family properties are listed as short-term rentals.

San Luis Obispo County STRs by Property Type

	Active Properties	Percent Total
Home	1,454	50.9
Guesthouse	219	7.7
Guest suite	170	5.9
Condo	159	5.6
Other[9]	145	5.1
Rental unit	139	4.9
Cottage	99	3.5
Farm stay	91	3.2
Camper/RV	61	2.1
Room in hotel	61	2.1
Bungalow	52	1.8
Room in boutique hotel	49	1.7
Townhouse	45	1.6
Villa	42	1.5
Bed and breakfast	40	1.4
Tiny home	33	1.2

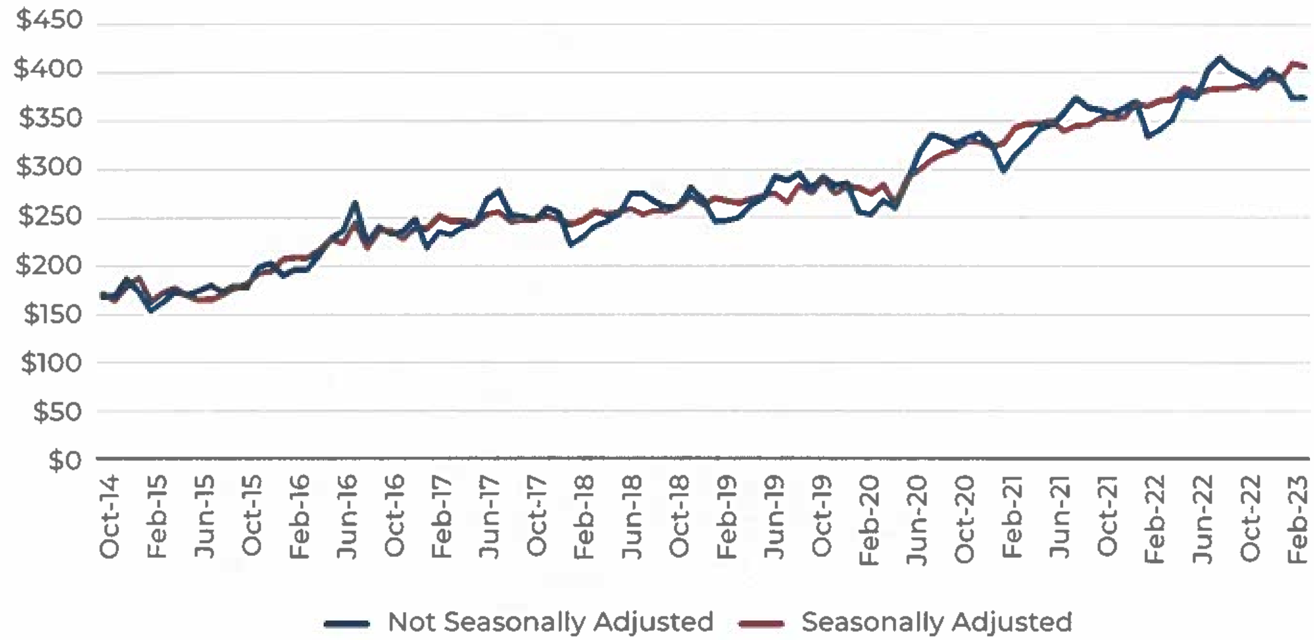
Source: AirDNA (Feb.2023); Analysis by Beacon Economics

[9] 'Other' is an aggregation of less common home types in SLO CAL such as campsites, tents, yurts, boats, domes, and religious buildings.

As reported earlier, strong demand for tourism to the region has led to a significant upturn in STR activity. The average daily rate (ADR) for short-term rentals in considerably higher than the ADR for hotels in San Luis Obispo County. In the post-pandemic period, the average rate for hotels in the county was under $200 per night, while the average daily rate for STRs has steadily increased to over $400 per night. However, there are key differences between the two types of accommodations. Typically, more people can stay in a short-term rental than a hotel room. This would imply that STRs potentially cater to a separate market compared to hotels but are also important for the generation of TOT. The size of STRs has also increased markedly over time. On average, short-term rentals in SLO CAL have 2.2 bedrooms and have averaged above two rooms since late 2018.

Although STRs have higher average daily rates, they also tend to have lower occupancy rates overall. Prior to the pandemic, the occupancy rate for short-term rentals stood below 50%. Since then, the rate has rebounded and has now settled around 55%. This compares to hotels, where occupancy rates were closer to 70% prior to the pandemic and have reverted to this figure since the depths of the pandemic. In short, STRs have not caused any harm to the SLO CAL hotel industry, but rather have expanded the options available to visitors.

San Luis Obispo County Average Daily Rate for STRs



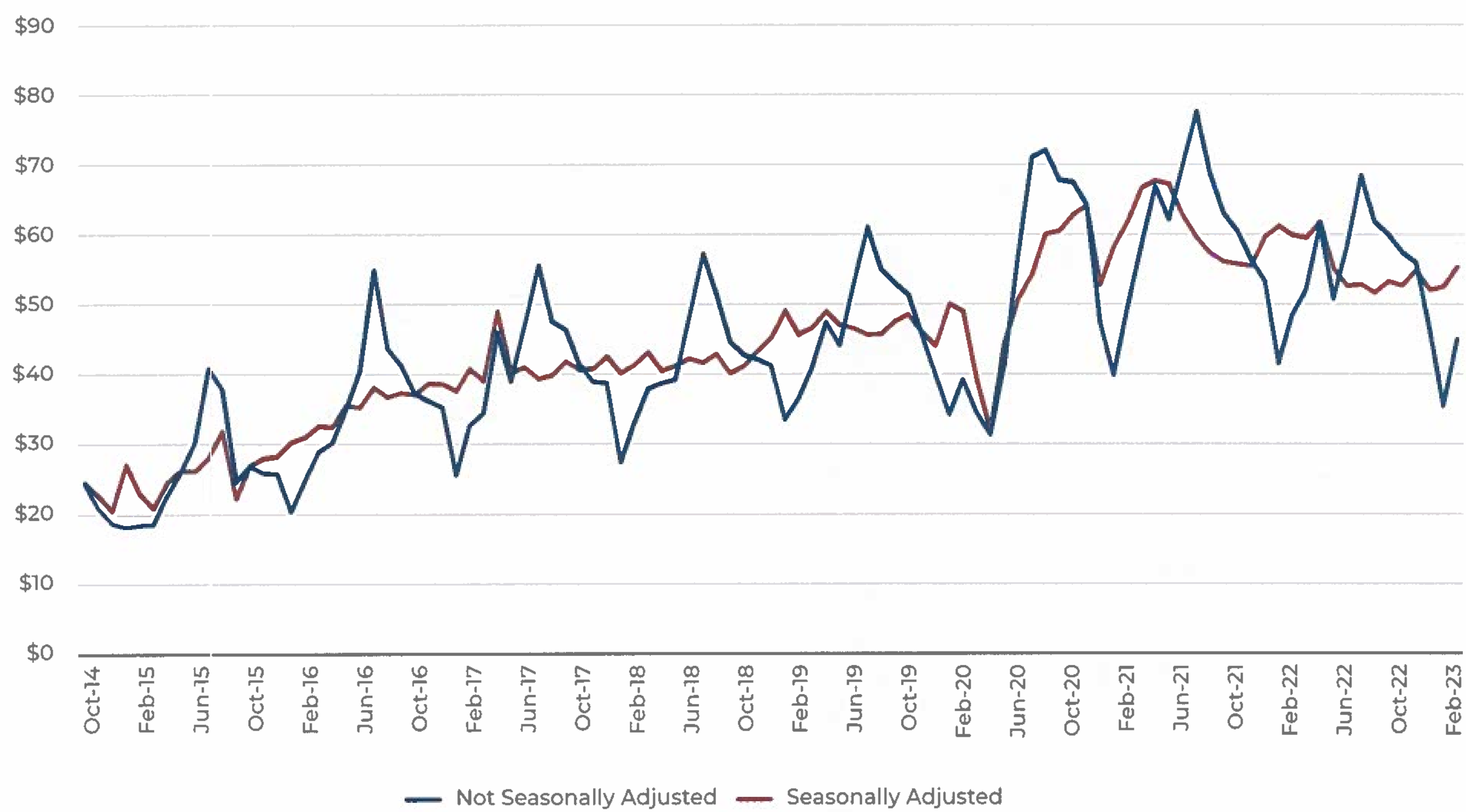
Source: AirDNA; Analysis by Beacon Economics

San Luis Obispo County Average Number of Bedrooms for STRs

Source: AirDNA; Analysis by Beacon Economics

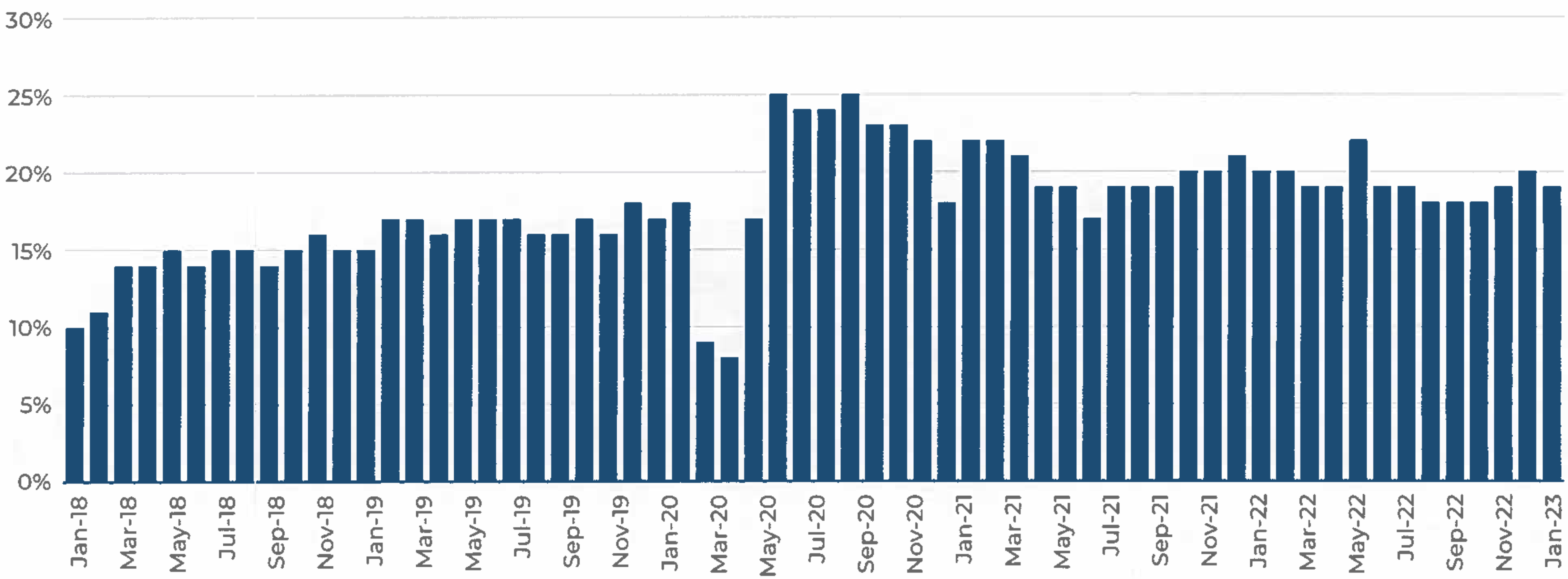
Short-term rentals continue to contribute an increasing share of TOT revenue in SLO CAL. In fact, short-term rentals comprised 19.5% ($12.2 million) of the total TOT ($62.7 million) collected in 2022. Prior to the pandemic, short-term rentals accounted for around 15% of the county's total TOT but have comprised on average around 19% in the post-pandemic period.

San Luis Obispo County Average Daily Rate for STRs



Source: AirDNA; Analysis by Beacon Economics

San Luis Obispo County STRs Share of TOT



Source: Tourism Economics, Visit SLO CAL ; Analysis by Beacon Economics

SHORT-TERM RENTAL ACTIVITY ACROSS COMMUNITIES

The County of San Luis Obispo is home to seven incorporated cities and several unincorporated communities. San Luis Obispo and Paso Robles are the two largest cities (by population), and roughly one in four residents reside in these cities. The unincorporated portion of the county is also large, accounting for more than half of the county's population. According to data from AirDNA, Paso Robles accounts for the most STR activity, comprising one-quarter of all short-term rentals, even though it accounts for less than 10% of the county's housing stock. This count is based on a city identifier provided by AirDNA. Many unincorporated areas have a mailing address indicating the name of an incorporated city, even though they are physically beyond the city limits. This can inflate counts in incorporated cities and suppress unincorporated short-term rental figures, as shown in the table below. Matching the properties based on their approximate coordinates suggests Paso Robles comprises 12.4% of active properties, while the City of San Luis Obispo amounts to roughly 6.5%. Interestingly, the City of San Luis Obispo, the largest incorporated city in terms of population, has an insignificant share of overall short-term rentals. The primary reason for this is likely the type of housing that is available in the City of San Luis Obispo.

In most communities, single-family housing is the most prominent housing unit type. For example, in Paso Robles, three in four housing units are single-family, while the remainder is split between group quarters and multifamily housing. In the City of San Luis Obispo, single-family homes account for less than 54% of total housing units.

Active STR Properties in San Luis Obispo County (2,859 Units)

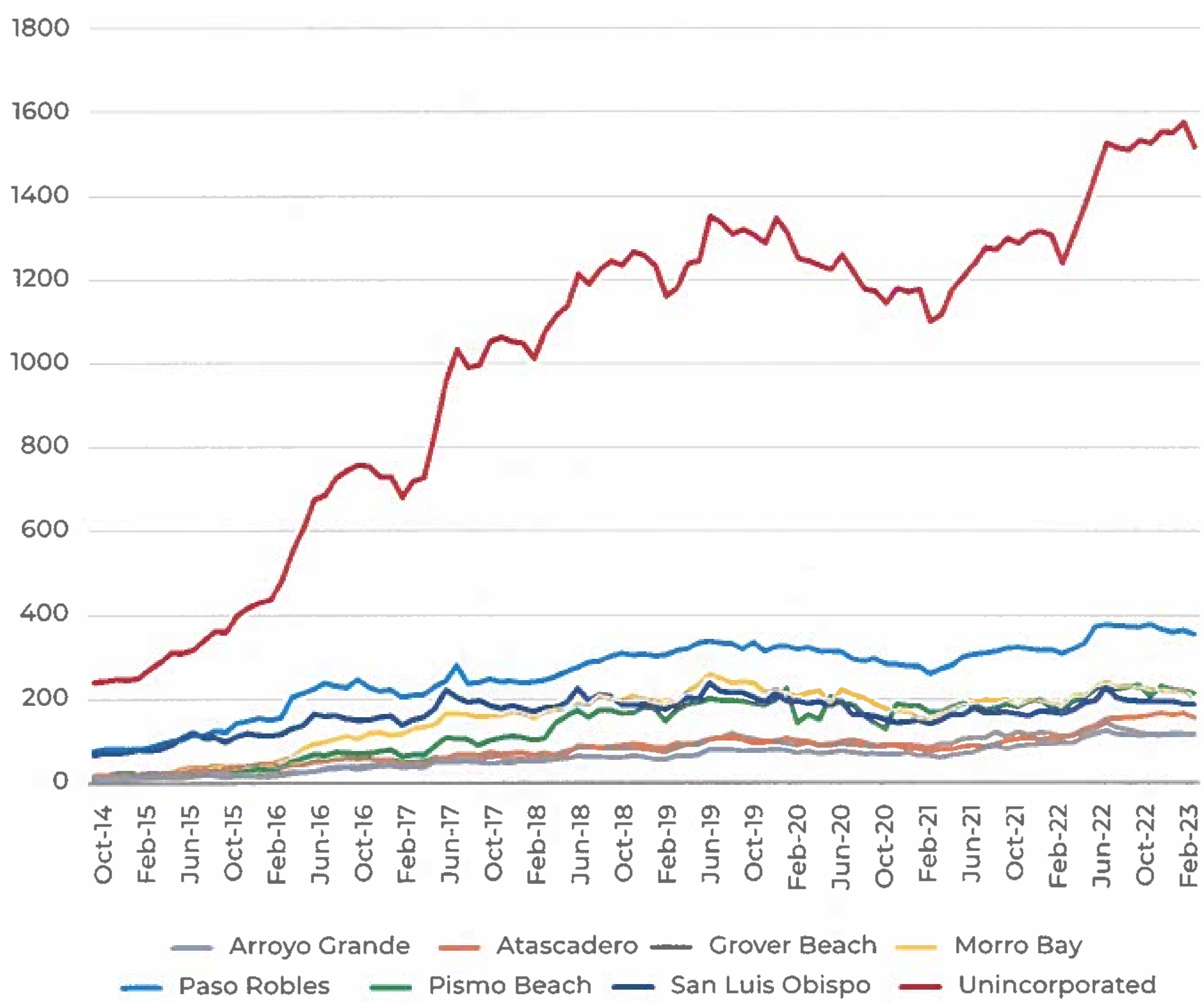
City/Community	Spatial Match	AirDNA field	City/Community	Spatial Match	AirDNA field
Arroyo Grande	116	242	Morro Bay	201	205
Atascadero	156	187	Nipomo	35	49
Avila Beach	4	N/A	Oceano	121	133
Blacklake	5	N/A	Paso Robles	354	715
California Polytechnic State University	1	N/A	Pismo Beach	214	220
Callender	10	N/A	San Luis Obispo	187	289
Cambria	179	201	San Miguel	7	58
Cayucos	151	154	San Simeon	9	10
Creston	1	10	Santa Margarita	6	27
Edna	5	N/A	Shandon	1	2
Grover Beach	115	114	Templeton	89	152
Lake Nacimiento	4	N/A	Unincorporated	777	N/A
Los Berros	8	N/A	Whitley Gardens	2	N/A
Los Osos	90	91	Woodlands	2	N/A
Los Ranchos	9	N/A	Harmony	N/A	N/A

Source: AirDNA (Data as of Feb 2023); Analysis by Beacon Economics

The unincorporated portion of San Luis Obispo County accounts for nearly one-third of all STR activity in the county. Using spatially matched properties, the unincorporated portion of San Luis Obispo County accounts for nearly 60% of all STR activity in the county. Eight out of ten housing units in unincorporated areas are single-family. Unincorporated communities also account for 45% of total single-family units in San Luis Obispo County. Cities and communities with a larger number of single-family homes also tend to have a larger number of short-term rentals.[10]

The following chart displays the growth of short-term rentals by community. The biggest growth in recent years has occurred in Paso Robles and the unincorporated parts of the county. In the unincorporated areas, the sharpest rise has occurred in coastal communities such as Cambria, Cayucos and Oceano.

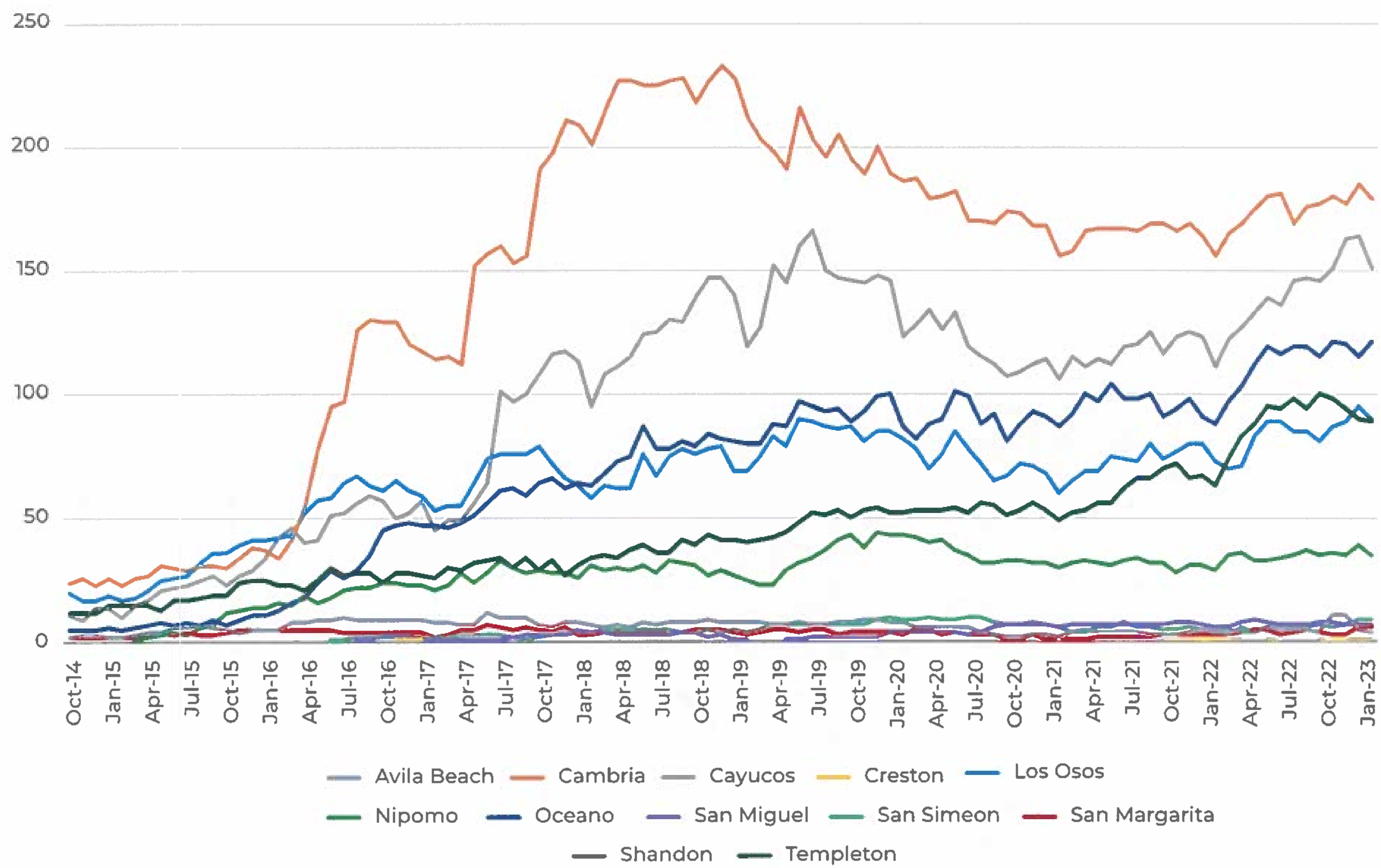
Active STRs by Incorporated City (Spatial Match)



Source: AirDNA; Analysis by Beacon Economics

[10] Active properties are not necessarily licensed. Licensed, compliant STR properties in each community are addressed later in this report.

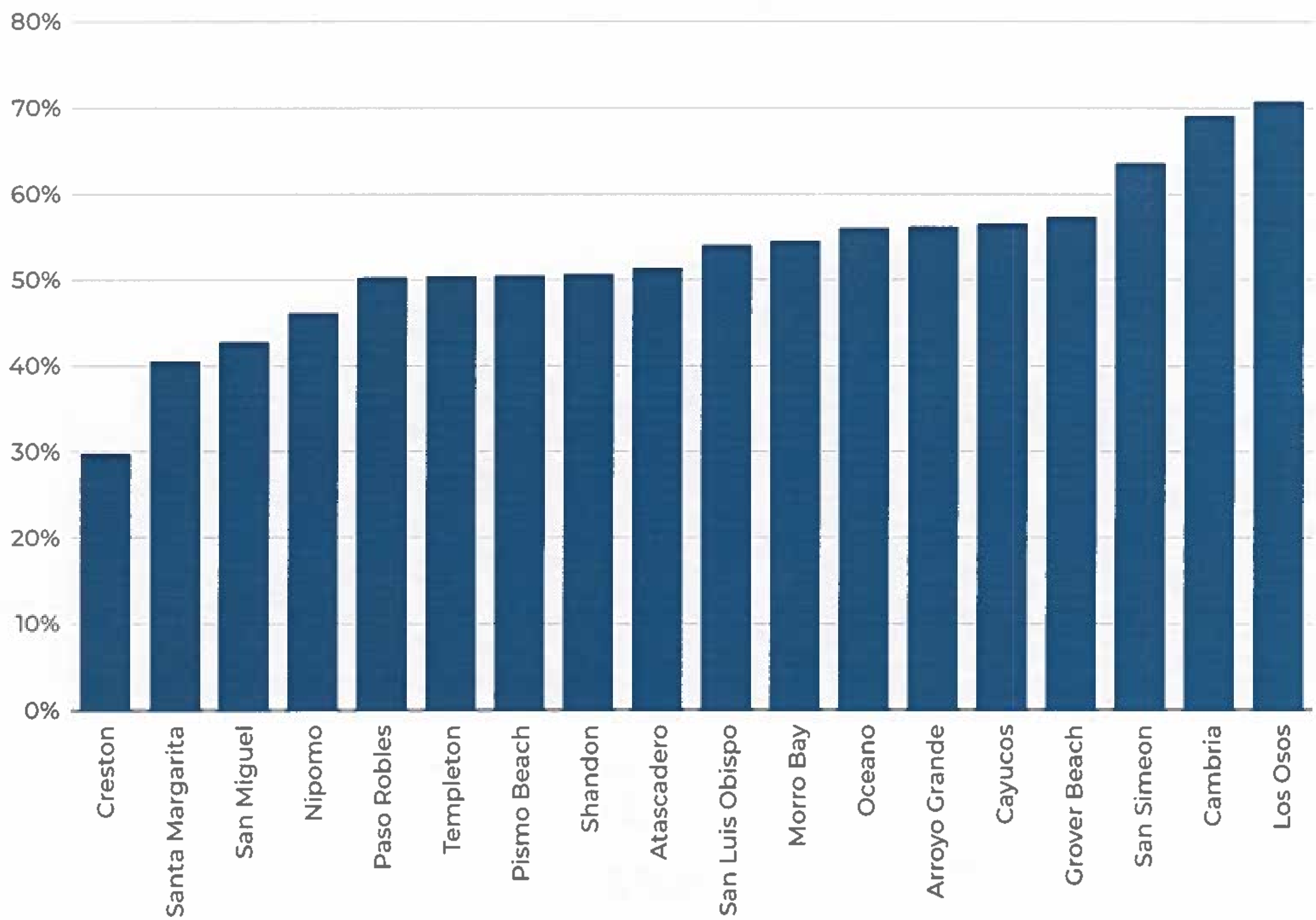
Active STRs by select Community (Spatial Match)



Source: AirDNA; Analysis by Beacon Economics

Measured by occupancy rate, Cambria and Los Osos are among the most sought-after communities, with occupancy rates for short-term rentals of 70.6% and 69% respectively. Paso Robles has more short-term rentals than any other community, but short-term rentals there have close to a 50% occupancy rate. Even the most actively booked communities tend to have lower vacancy rates than the average hotel in the county.

STR Occupancy Rates by City/Community for the Last 12 Months (Ending February 2023)



Source: AirDNA ; Analysis by Beacon Economics

COMPLIANCE STATUS WITH SHORT-TERM RENTALS

One of the issues raised in the regional community of San Luis Obispo is compliance regarding short-term rentals. Throughout the county, regulations for short-term rentals vary depending on the specific jurisdiction. Cities and unincorporated areas in the county have established their own rules and guidelines to govern STRs. In unincorporated areas of San Luis Obispo County, for example, all lodging businesses (including private home vacation rentals) must register for an annual county business license and must collect TOT. In Pismo Beach, short-term rentals are only permitted in detached single-family homes in select zones.

Illegal STR Listings in San Luis Obispo County

City/Community	Illegal Listings*
Arroyo Grande	N/A
Atascadero	N/A
Avila	29
Greater Lake Nacimiento	22
Cambria	48
Cayucos	34
Creston	5
Grover Beach	0
Harmony	N/A
Los Osos	31
Morro Bay	N/A
Nipomo	16
Oceano	68
Other Unincorporated	276
Paso Robles	23
Pismo Beach	N/A
San Luis Obispo	99
San Miguel	22
San Simeon	5
Santa Margarita	11
Santa Maria	2
Templeton	80

Source: Host Compliance; Analysis by Beacon Economics
* Meets STR definition and is advertised

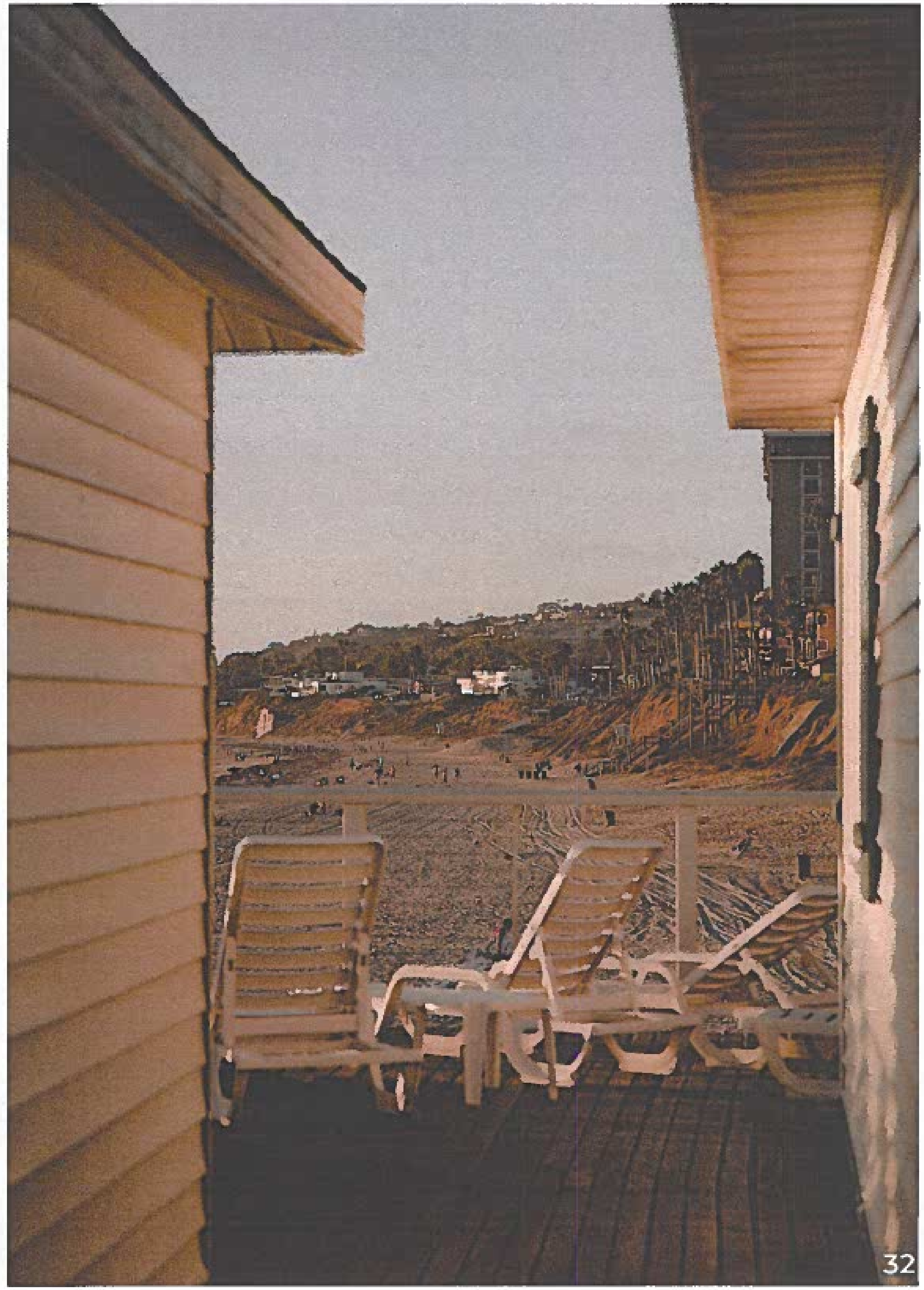
Host Compliance data from Granicus provides an overview of compliant and non-compliant short-term listings. Illegal Airbnb listings have been a recurring issue not just in SLO CAL, but throughout the state.

In the City of Grover Beach, 17 short-term rentals had a compliance status that was not yet determined, but none were found to be non-compliant. Arroyo Grande passed a short-term rental ordinance last year, establishing a cap on the number of vacation rentals that can be permitted and increasing the distance between any two rentals from 300 feet to 500 feet. On June 6, 2023, The Pismo Beach City Council adopted an ordinance (O-2023-003) extending a moratorium on the issuance of short-term rental licenses. The city is currently not accepting applications and no new permits will be issued until further notice.

Compliance is also a major issue in both the unincorporated areas of San Luis Obispo County and the City of San Luis Obispo. Data from Host Compliance suggests that 649 listings[11] in unincorporated parts of the county were found to be non-compliant, while in the City of San Luis Obispo, 99 listings were found to be non-compliant. Cambria, Cayucos, and Oceano have all imposed ordinances to reduce vacation rentals over the past few years but still have illegal listings. Clearly, enforcement is a concern in these communities. In the City of Paso Robles, 23 (nearly 7%) of listings were found to be non-compliant.

Non-compliance shapes residents' views on how STRs affect their communities. Airbnb and other platforms have taken steps to address concerns by implementing stricter host verification processes and collaborating with communities that have a contract with Airbnb to ensure compliance with regulations. To combat non-compliance, local governments must crack down on illegal listings, implement stricter enforcement measures, and impose fines on violators.

[11] Those advertised and short-term rentals.



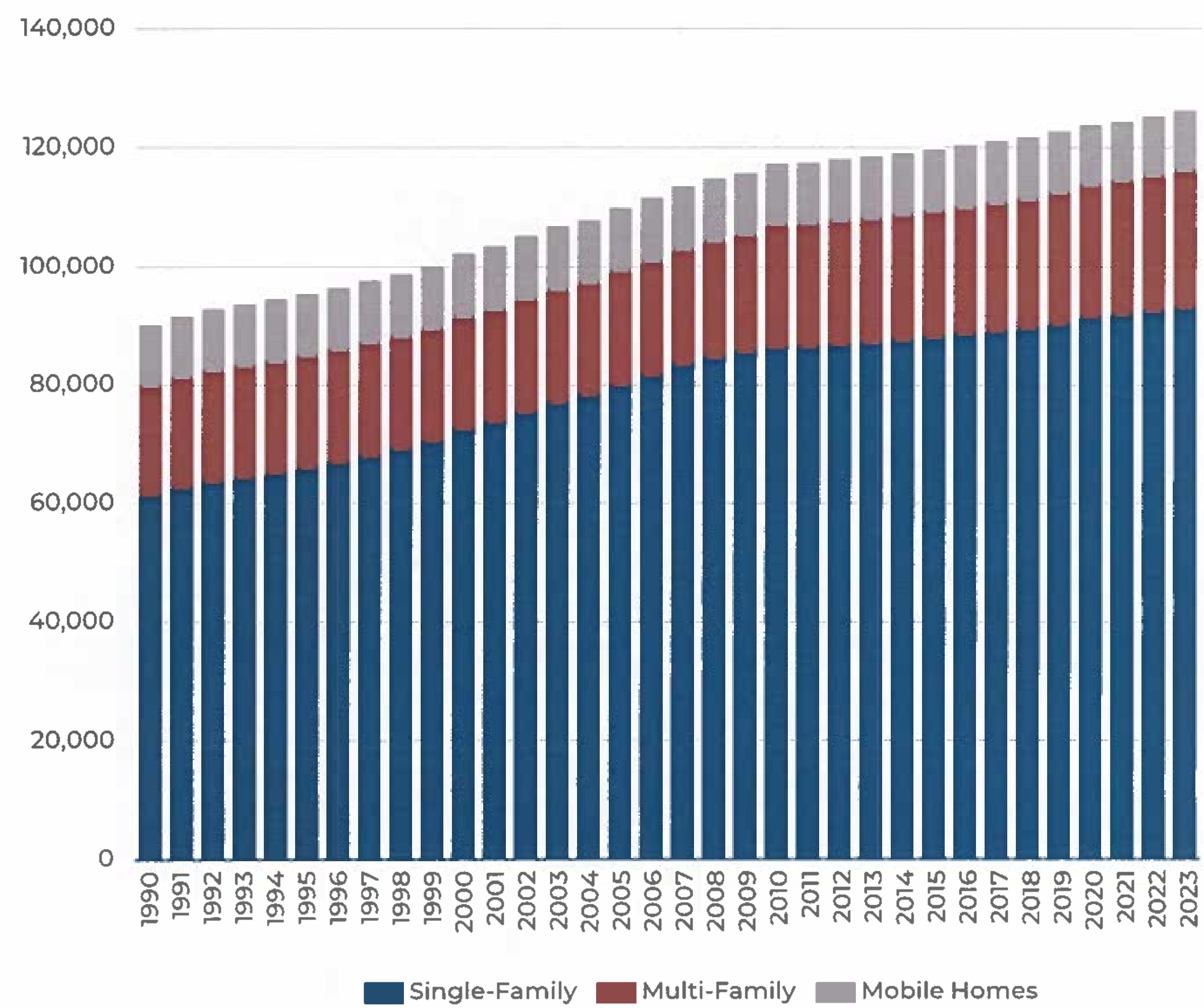
PART 3: HOUSING MARKET ANALYSIS IN SAN LUIS OBISPO COUNTY (SLO CAL)

Situated halfway between the Bay Area and Los Angeles, San Luis Obispo has long been a prime destination for tourists and permanent residents looking for a more relaxed lifestyle. This has affected the local housing market in several ways. First, the region's housing stock has a higher percentage of second homes than many other parts of California. Second, with a year-round Mediterranean-like climate, a world-class university, and access to local amenities there is strong demand for housing in the region, which has pushed housing costs up. And third, lower-income workers have put pressure on the region's already limited multi-family real estate market. These topics are discussed in more detail below.

HOUSING STOCK

San Luis Obispo, like much of California, has seen limited growth in its housing stock over the last decade, adding just 7,796 units from 2013 to 2023, a 6.6% increase. This growth is on par with California, which saw a 6.7% increase over the same period.

San Luis Obispo County Housing Stock



Source: California Department of Finance; Analysis by Beacon Economics

At the local level, unincorporated parts of the county led growth with 2,968 units added between 2013 and 2023, accounting for 38% of units permitted in the county during this period. These figures confirm that coastal areas of the county have increased housing stocks at a slower pace than inland areas.

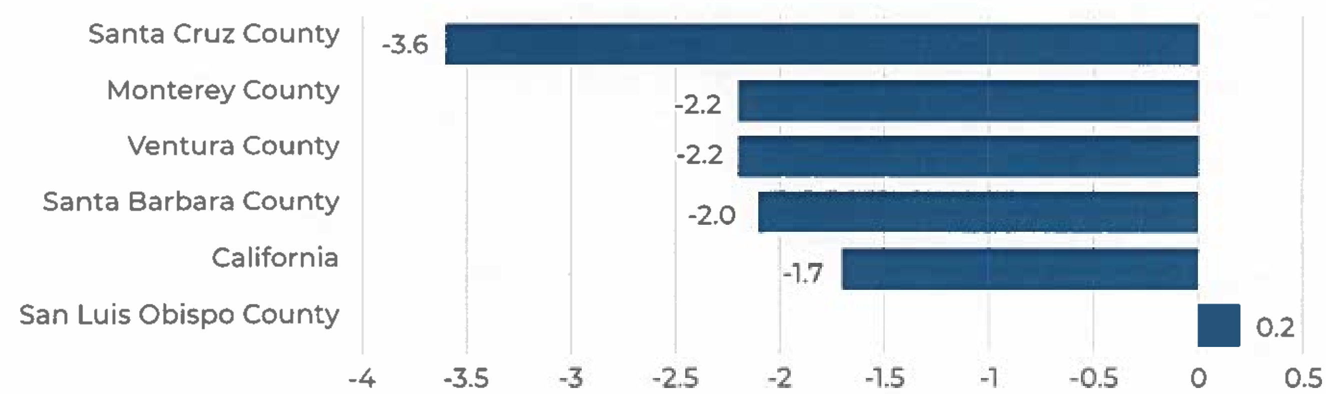
While other parts of California have seen population declines since the start of the pandemic, San Luis Obispo County's population has expanded. From 2019 to 2023, the county's population expanded by just 0.2%. While this is modest growth, California saw its population contract by 1.7% over the same period. San Luis Obispo County has also been a standout on the Central Coast, with the counties of Santa Barbara (-1.7%), Ventura (-2.2%), Monterey (-2.2%), and Santa Cruz (-3.6%) all posting significant population declines over this period.

Housing Unit Growth: 2013 to 2023

City	Housing Units	Change (#)	Change (%)
San Luis Obispo	22,845	2,148	10.4
Atascadero	12,434	844	7.3
Paso Robles	12,431	799	6.9
Unincorporated	52,087	2,968	6.0
Arroyo Grande	8,086	414	5.4
Pismo Beach	5,861	246	4.4
Morro Bay	6,567	211	3.3
Grover Beach	5,923	166	2.9
County Total	126,234	7,796	6.6

Source: California Department of Finance; Analysis by Beacon Economics

Percent Change in Population (2019-2023)



Source: California Department of Finance; Analysis by Beacon Economics

San Luis Obispo County Population Growth by City: 2019 to 2023

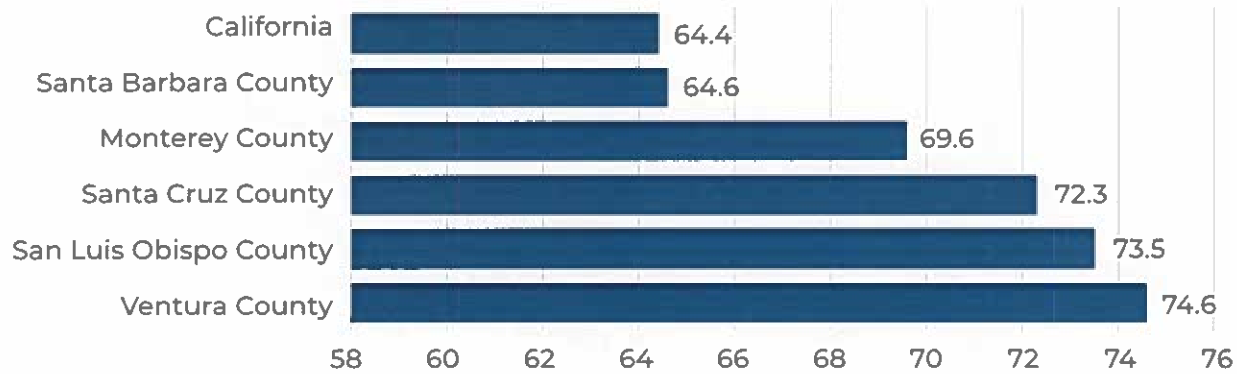
City	Population (2023)	Change from 2019 (#)	Change from 2019 (%)
San Luis Obispo City	47,788	1,816	4.0
Unincorporated	121,133	272	0.2
Arroyo Grande	17,922	165	0.9
Morro Bay	10,275	40	0.4
Atascadero	30,206	-94	-0.3
Pismo Beach	7,865	-407	-4.9
Paso Robles	30,692	-457	-1.5
Grover Beach	12,467	-837	-6.3
County Total	278,348	498	0.2

Source: California Department of Finance; Analysis by Beacon Economics

In 2023, 73.6% of San Luis Obispo County's housing units were single-family, a lower share than Ventura County (74.6%), but higher than California (64.4%) and the counties of Santa Cruz (72.3%), Monterey (69.6%), and Santa Barbara (64.6%). The limited inventory of multi-family housing in the region has created high demand and pushed up costs in the rental market.

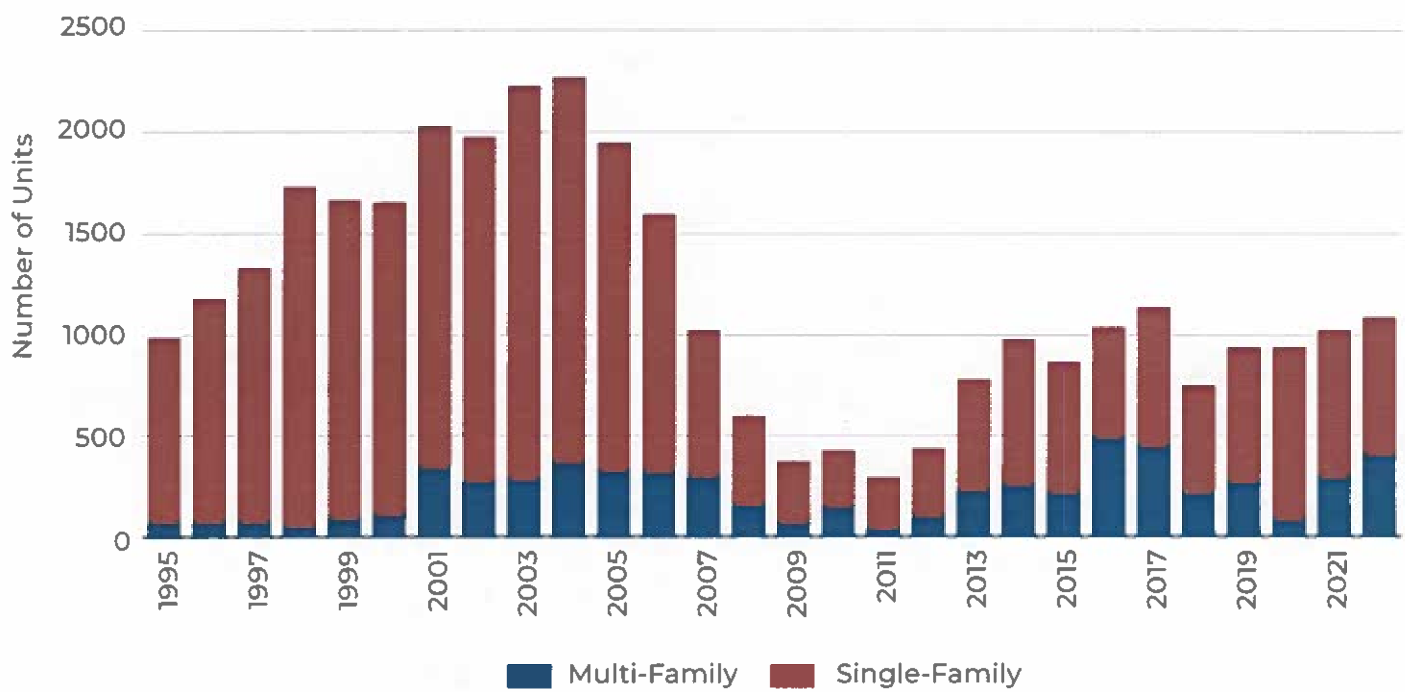
Developers have begun to take notice of the demand for multi-family units in San Luis Obispo County. In 2022, multi-family units accounted for 37.1% of housing units permitted. Over the last ten years, multi-family permits have accounted for 29.9% of housing units permitted. This is a significant increase from 2001 to 2010, when multi-family permits accounted for just 17.5% of housing units permitted. While SLO CAL has increased its multi-family housing stock in recent years, additional permitting is essential for continued growth and for maintaining and expanding the region's workforce.

Single-Famiy Share of Housing Stock (%)



Source: California Department of Finance; Analysis by Beacon Economics

San Luis Obispo County Building Permits



Source: Construction Industry Research Board; Analysis by Beacon Economics

In 2023, 40.4% of the City of San Luis Obispo's housing stock was multi-family, the largest share in the county. This was followed by Grover Beach (24.7%), Paso Robles (21.3%), Atascadero (21.3%), Pismo Beach (17.6%), Arroyo Grande (15.8%), Morro Bay (15.4%), and the unincorporated parts of the county (7.1%). For comparison, multi-family units account for 31.9% of California's housing stock.

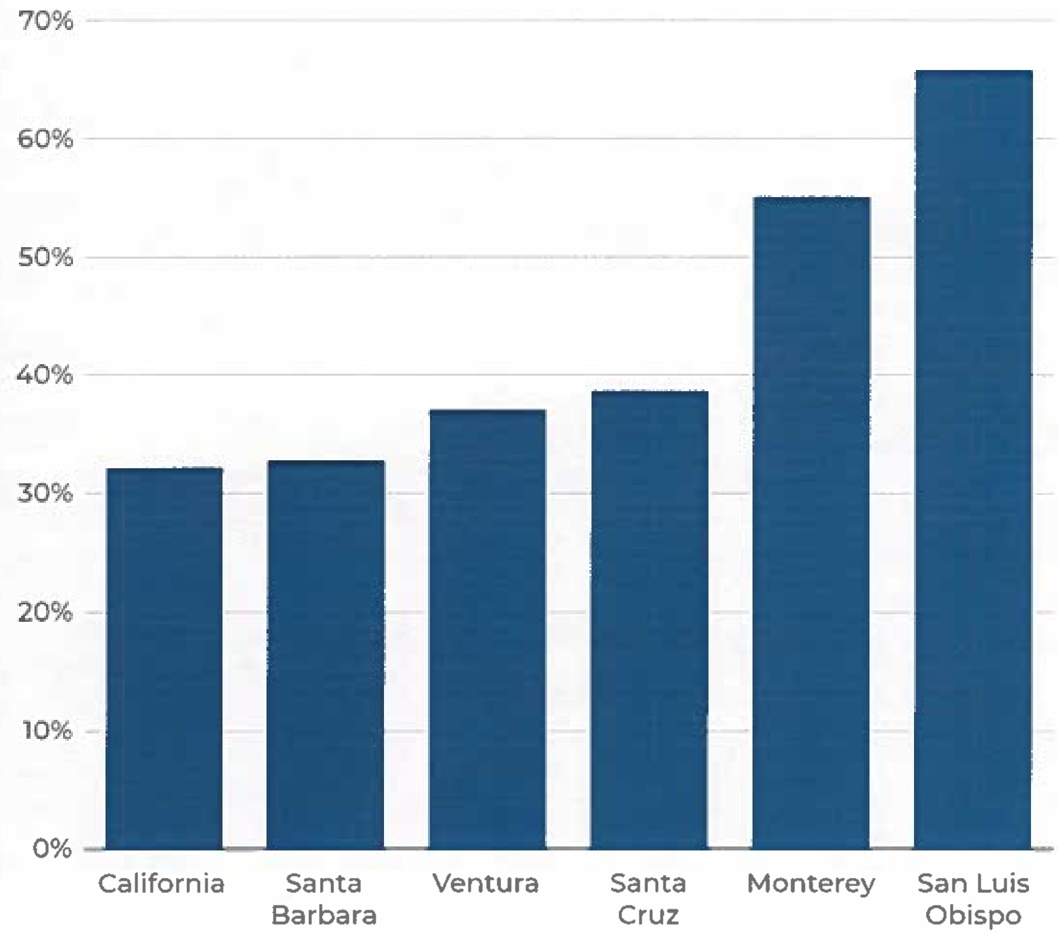
San Luis Obispo County Housing Units by Type and by City (2023)

City	Housing Units	Single Family	Multi Family	Mobile Homes	Multi Family Share of Total
San Luis Obispo	22,845	12,210	9,226	1,409	40.4
Grover Beach	5,923	4,264	1,461	198	24.7
Atascadero	12,434	9,272	2,653	509	21.3
Paso Robles	12,431	9,496	2,652	283	21.3
Pismo Beach	5,861	4,105	1,031	725	17.6
Arroyo Grande	8,086	6,233	1,279	574	15.8
Morro Bay	6,567	5,091	1,009	467	15.4
Unincorporated	52,087	42,153	3,695	6,239	7.1
County Total	126,234	92,824	23,006	10,404	18.2

Source: California Department of Finance; Analysis by Beacon Economics

Home vacancy rates are higher in San Luis Obispo County than in California overall. These rates are mostly driven up by the number of second homes in the region.

Second Homes Share of Vacant Units



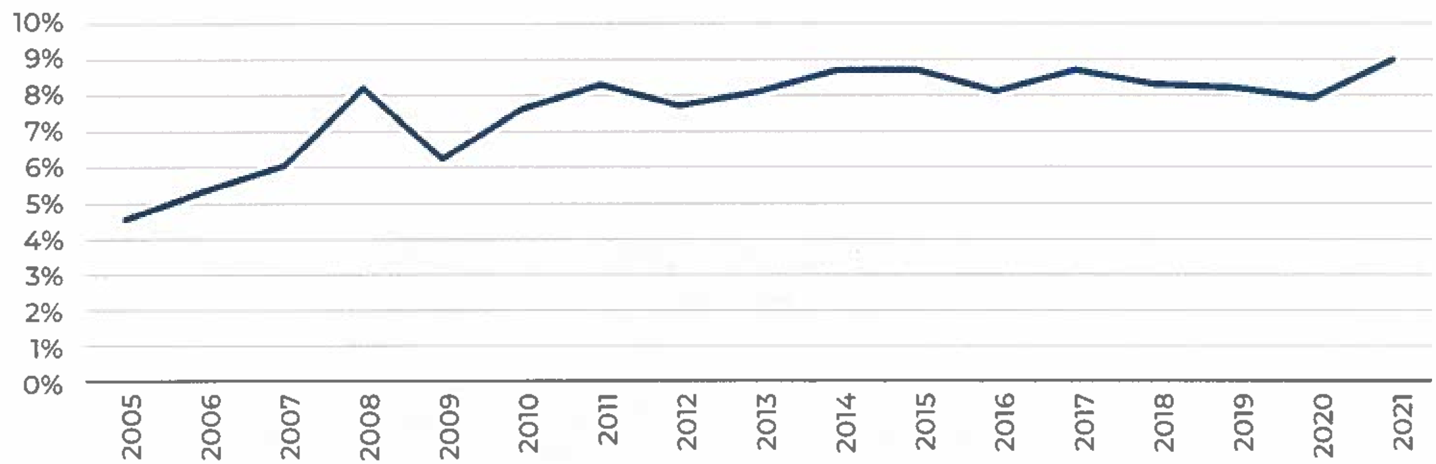
Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

In 2023, 12.9% of homes were vacant in San Luis Obispo County, significantly higher than the 6.6% vacancy rate in California. However, most vacant properties in the county are second homes. In 2021, second homes accounted for 65.7% of vacant units in San Luis Obispo County, as compared to just 32.1% in California. Removing second homes from the vacancy rate tally brings San Luis Obispo County in line with California.

Second homes account for 9.0% of SLO CAL's total housing stock, compared to just 2.4% in California.

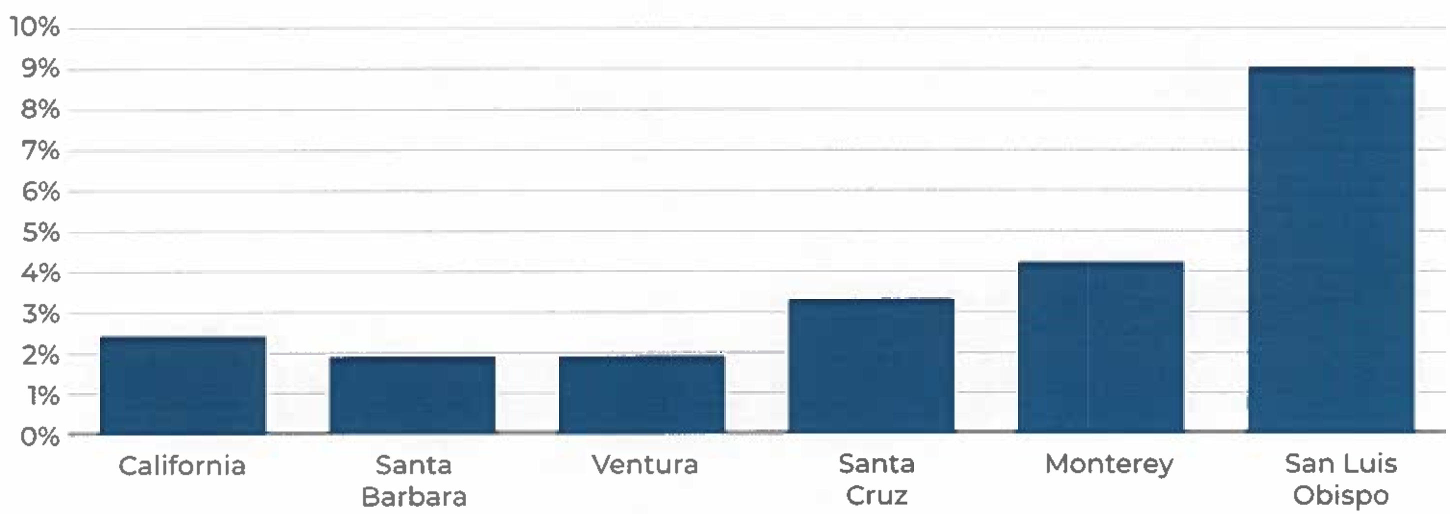
San Luis Obispo County also has a larger share of housing stock devoted to second homes than its Central Coast neighbors: Monterey (4.2%), Santa Cruz (3.3%), Ventura (1.9%) and Santa Barbara (1.9%). While the pandemic increased demand for second homes in 2021, the high proportion of second homes in San Luis Obispo County is not a recent development.

San Luis Obispo County Second Homes as a Percent of Housing Stock



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

Second Homes Share of Total Units

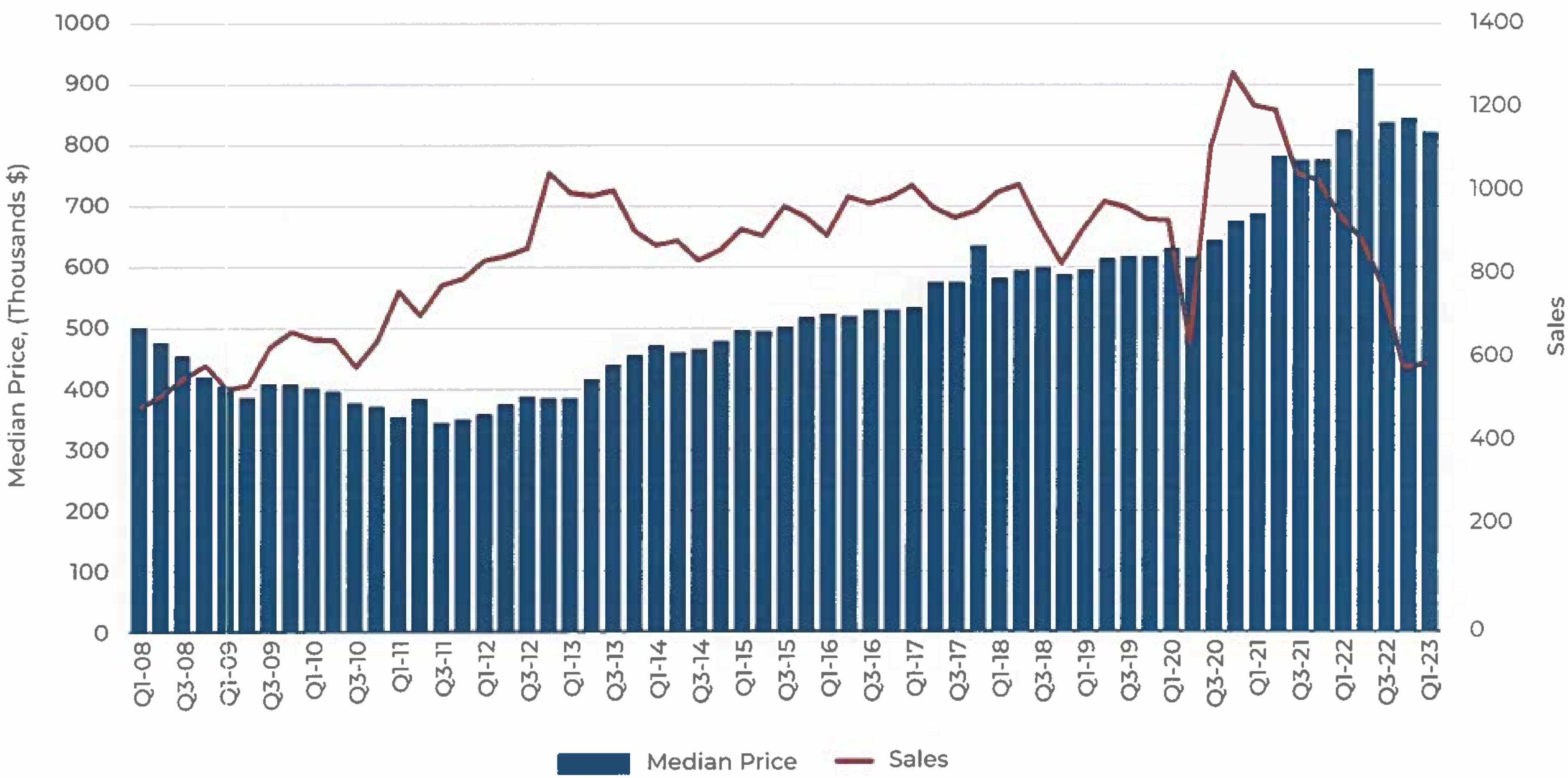


Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

AFFORDABILITY

With strong demand and limited inventory, house prices have risen significantly in San Luis Obispo County in recent years. From the first quarter of 2018 to the first quarter of 2023, the median price for an existing single-family home grew 41.4% to $821,400. Home prices in SLO CAL were just 1.8% below California overall in the first quarter of 2023. At the city level, in the first quarter of 2023, the median price for an existing single-family home reached $953,000 in Arroyo Grande, $646,100 in Paso Robles, and $908,500 in the City of San Luis Obispo.

San Luis Obispo County Existing Home Prices and Sales



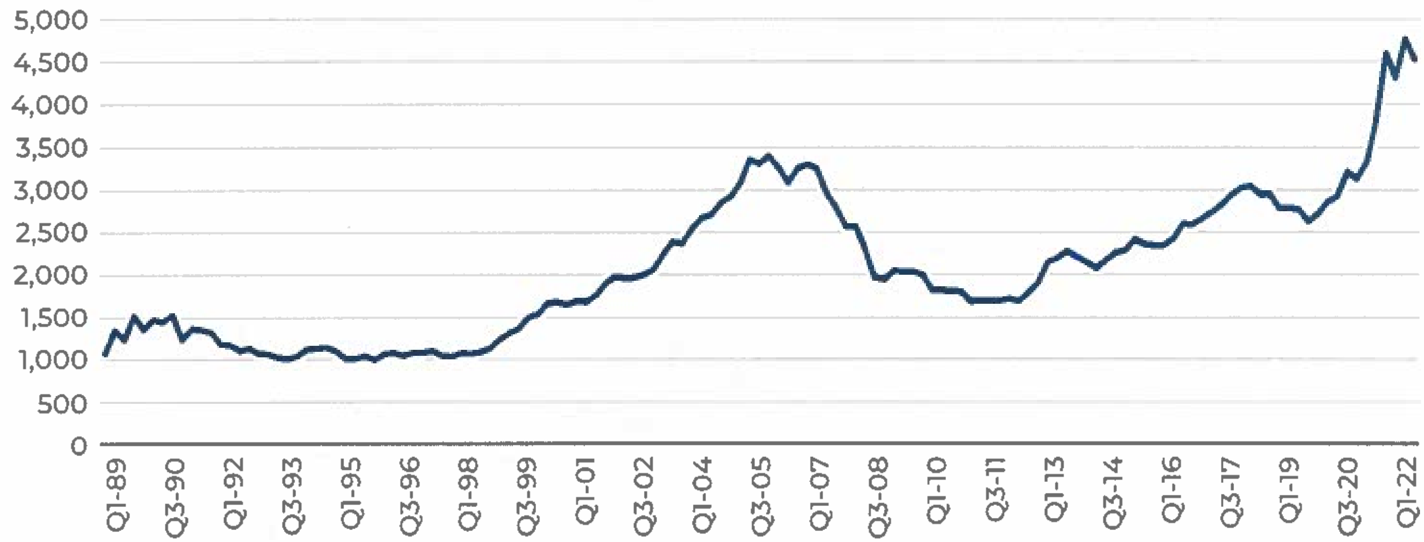
Source: CoreLogic; Analysis by Beacon Economics

Rising prices are not the only factor in increasing housing costs for San Luis Obispo County households; higher interest rates are also hiking monthly mortgage payments. The typical mortgage cost for an existing single-family home rose 60.5% from the first quarter of 2018 to the first quarter of 2023, reaching $4,527 per month, outpacing the 41.4% increase in home prices over this period by a wide margin.

Increased prices and higher interest rates have significantly reduced the number of buyers who can afford a home in San Luis Obispo County. In the first quarter of 2023, just 12% of households could afford a single-family home in the county. San Luis Obispo County is among the least affordable areas in the state, where 19.5% of households can afford a single-family home. In terms of housing affordability, SLO CAL and California both fall well behind the U.S., where 40% of households can afford a single-family home.

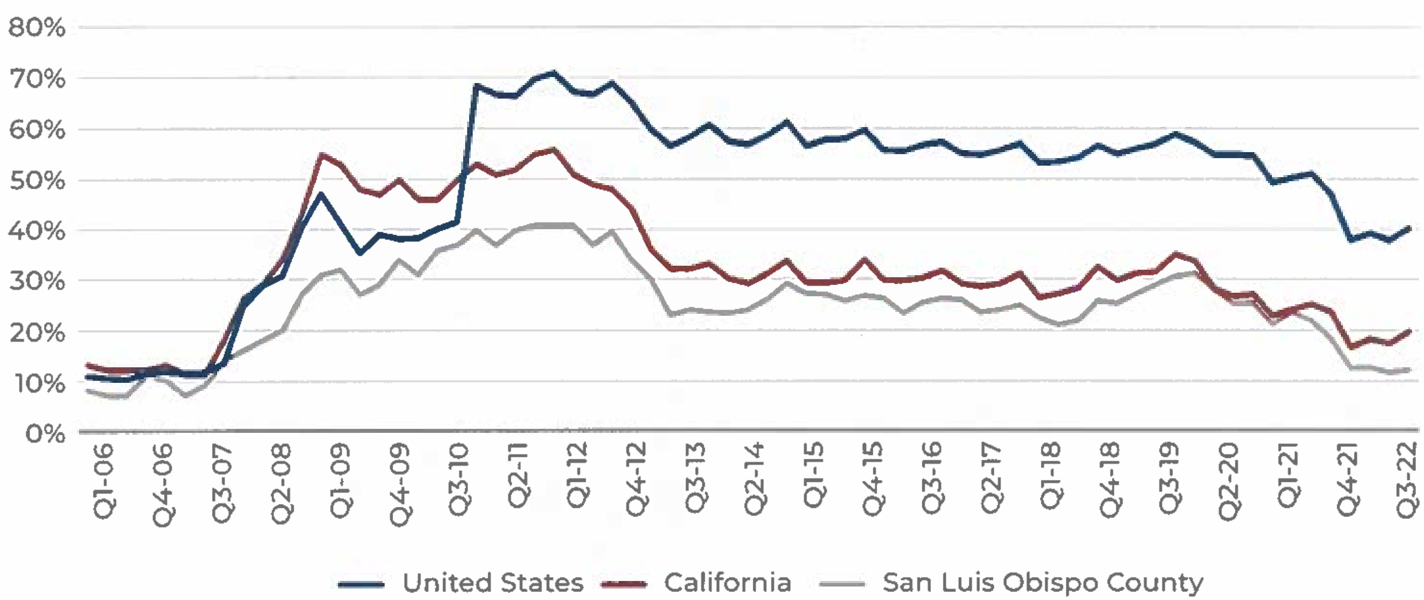
Affordability is not a recent trend in either the county or California, however. In the first quarter of 2013, 34% of households could afford a single-family home in SLO CAL compared to 44% in California and 65% in the U.S. overall.

San Luis Obispo County Monthly Mortgage Cost for Existing Single-Family Homes



Source: CoreLogic; Analysis by Beacon Economics

Traditional Housing Affordability Index

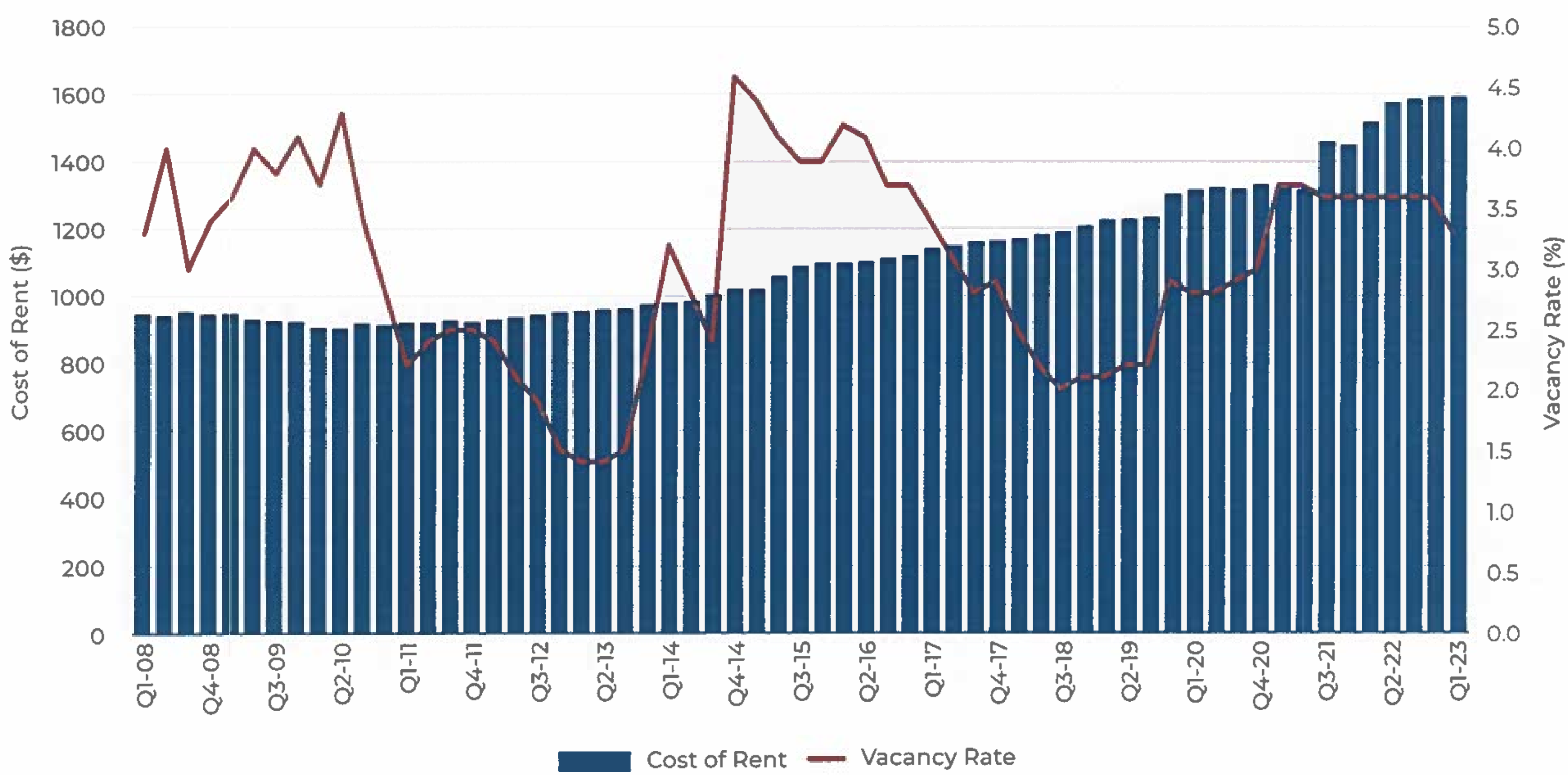


Source: California Association of Realtors; Analysis by Beacon Economics

Rents have also risen significantly across the county over the last decade, but not as rapidly as home prices or mortgage costs. From the first quarter of 2018 to the first quarter of 2023, the rent for an average apartment grew 35.8%, reaching $1,589. While home prices are significantly above the U.S. average, apartment rents in SLO CAL are 10.7% below the United States average. Additionally, vacancy rates in San Luis Obispo County were just 3.3% in the first quarter of 2023, well below the U.S. average of 4.9%.

With more people being priced out of the local housing market, demand should remain strong for the multi-family market in the coming years.

Apartment Market in San Luis Obispo County



Source: REIS (Moody's Analytics); Analysis by Beacon Economics

WORKFORCE HOUSING

High housing costs in San Luis Obispo County have disproportionately hit lower-income households who must now either devote a significant portion of their income to housing, move to areas further away from job centers, or move to lower-cost areas of the state or country.

Unsurprisingly, lower-income households are more likely to live in rented accommodation than higher-income households. San Luis Obispo County sees a higher share of households in owner-occupied housing compared to other parts of California. In 2021, 86% of households earning $150,000 or more lived in owner-occupied housing, a higher share compared to the 76.5% in California. For households earning less than $25,000, 44.3% live in owner-occupied housing in San Luis Obispo, compared to 34.2% in California.

Housing Tenure by Income

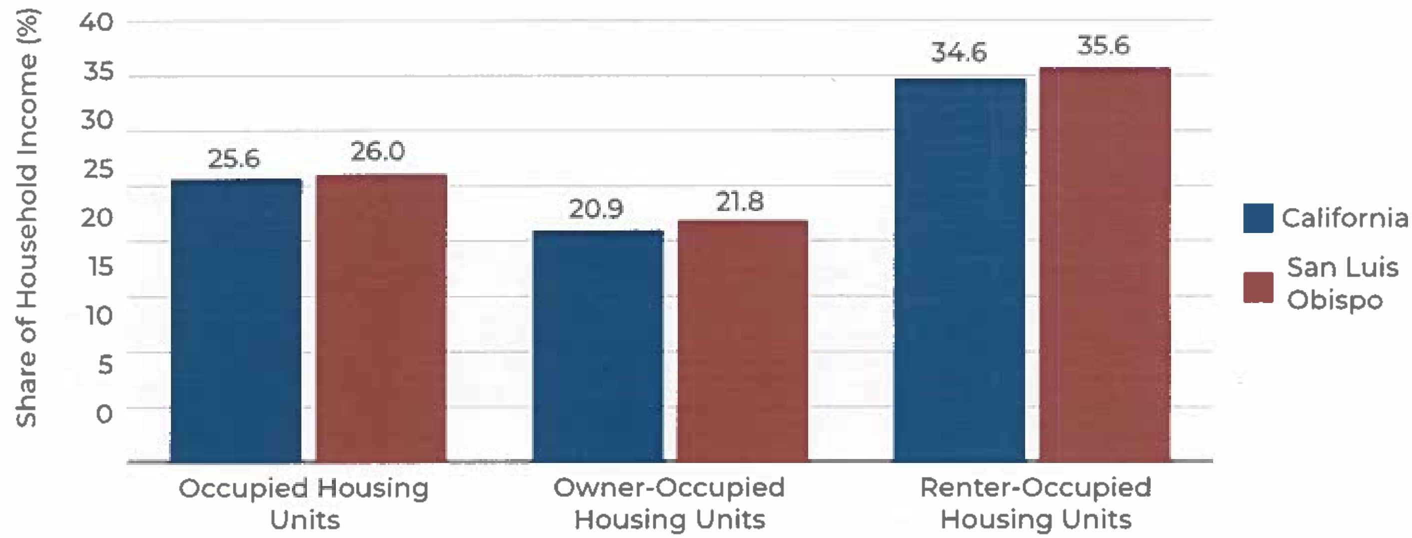
Income	San Luis Obispo County		California	
	Owner-Occupied Housing Units	Renter-Occupied Housing Units	Owner-Occupied Housing Units	Renter-Occupied Housing Units
Less than $25,000	44.3	55.7	34.2	65.8
$25,000 to $49,999	54.0	46.0	42.0	58.0
$50,000 to $74,999	54.9	45.1	48.1	51.9
$75,000 to $99,999	57.4	42.6	54.9	45.1
$100,000 to $149,999	69.8	30.2	63.5	36.5
$150,000 or more	86.0	14.0	76.5	23.5

Source: U.S. Census Bureau American Community Survey, Analysis by Beacon Economics

San Luis Obispo County households spend a higher share of their incomes on housing compared to other parts of California. In 2021, the average household in San Luis Obispo County paid 26.0% of their income on housing, just above the 25.6% average for California. Households in owner-occupied housing in San Luis Obispo County spent 21.8% of their incomes on housing, compared to 20.9% in California. Households in renter-occupied housing in San Luis Obispo County spent 35.6% of their incomes on housing, compared to 34.6% in California.

While San Luis Obispo County households spend a higher share of their income on housing than those other parts of California, there are fewer households burdened by high housing costs than in much of the state overall because of a greater rate of homeownership. In 2021, 40.5% of households in San Luis Obispo County spent over 30% of their income on housing, as opposed to 41.7% in California. Renter households were more likely to be housing-cost burdened, with 57.1% of renter households in San Luis Obispo County spending over 30% of their income on housing, as opposed to just 31.3% for owner-occupied housing units.

Housing Costs



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

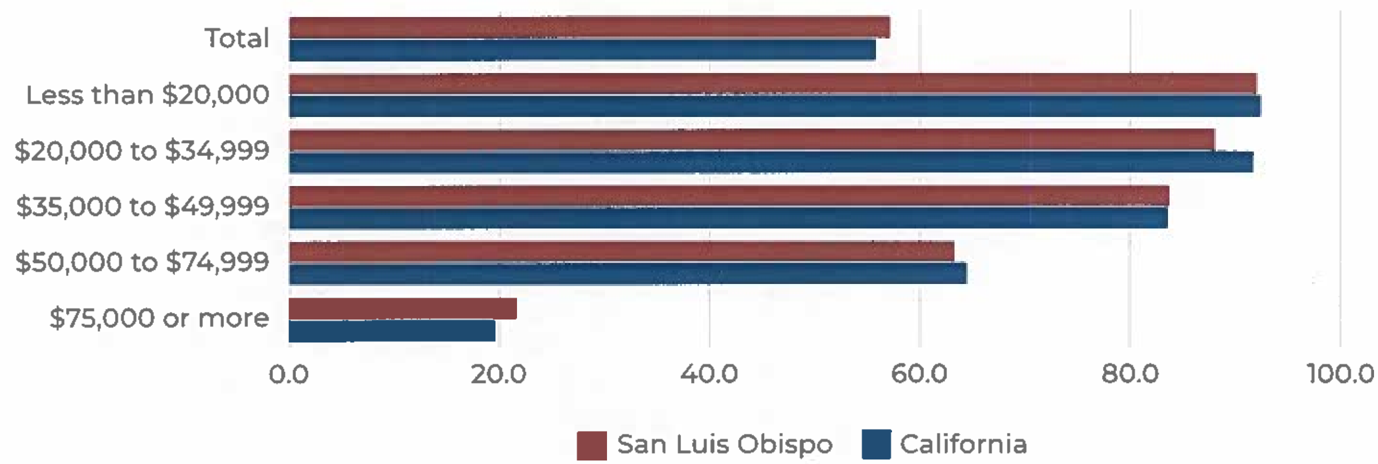
Housing Costs Burden by Tenure

Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

In San Luis Obispo County, 92% of households earning less than $20,000 are rent burdened, meaning they spend over 30% of their household income on housing. Similarly, 92.4% of households in California earning less than $20,000 are rent burdened. In contrast, just 21.6% of households earning over $75,000 faced housing costs that exceeded 30% of their income. This compares to 19.6% in California.

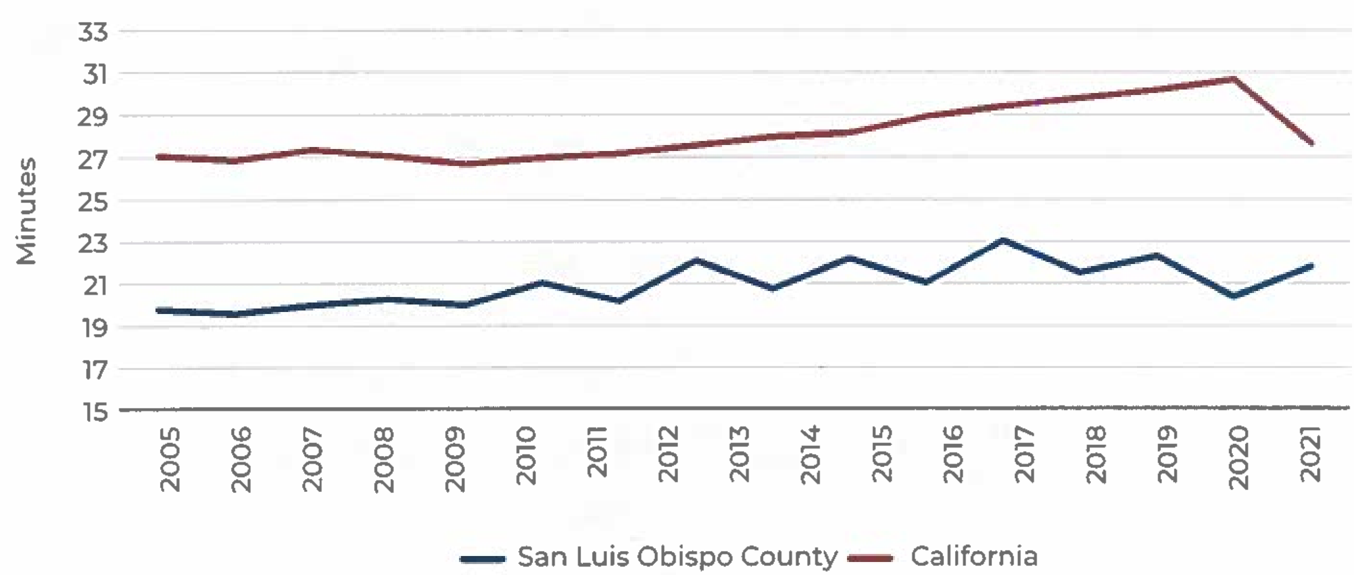
In 2021, despite high housing costs, 89.3% of San Luis Obispo County workers lived and worked in the county. This is slightly higher than the 86.1% figure for the state as a whole. With more people working in the county, commute times are shorter. In 2021, the average commute to work for San Luis Obispo County residents was just 21.8 minutes, well below the statewide average of 27.6 minutes. Assuming a five-day work week, this amounts to a time saving of nearly one hour per week for SLO CAL residents compared to California overall.

Rent Burdened Households by Income



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

Average Commute Time to Work



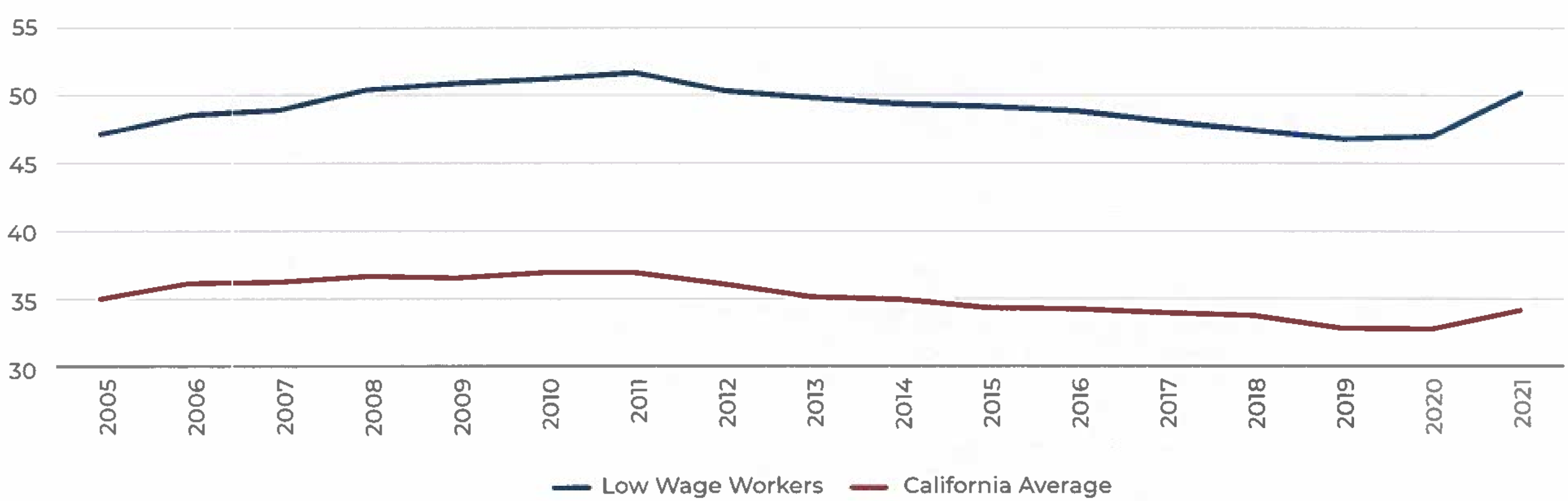
Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

PART 4: SHORT-TERM RENTAL ACTIVITY AND THE HOUSING MARKET IN SAN LUIS OBISPO COUNTY

Following the rapid rise of short-term rentals, local governments throughout the U.S. have wrestled with how to best to regulate them. This report is primarily concerned with the notion that short-term rentals accentuate concerns over housing affordability and that STRs particularly burden and remove housing for low-income households. The final part of this analysis considers the extent to which short-term rentals affect the local housing market and low-income households in particular.

As the housing market analysis demonstrates, communities throughout San Luis Obispo County are in the midst of a long-term housing affordability crisis, which considerably pre-dates the emergence of STR platforms like Airbnb and Vrbo. California's affordability crisis has implications for most households except the very wealthiest. Low-income households are especially burdened. The chart below shows housing costs as a percentage of household income. For the lowest 20% of earners in the state, housing costs make up more than 50% of their income. Households are widely considered to be cost-burdened if they spend more than 30% of their income on housing.

Housing Cost as a Percentage of Household Income in San Luis Obispo County



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

For STRs to affect housing affordability in a community, two things should be true:

1) STR activity should reduce the supply of housing in that community.
2) STR activity should specifically remove from the market the type of housing in which lower-income households reside.

The following analysis considers each of these aspects of STR activity.

SHORT-TERM RENTAL HOUSING AND HOUSING SUPPLY

Only 2.7% of San Luis Obispo County's existing housing stock is devoted to STR activity (this includes both legal and illegal listings). These figures vary by community, as shown in the table on the right. STR listings as a share of the housing stock is highest in Creston (29.3%), although this is a community with only 41 housing units. However, using spatial matching, short-term rentals account for only 2.4% of housing stock. In most other communities, less than 5% of housing units contain STR activity. Theoretically then, converting all STR housing to long-term rentals could increase the county's housing supply by around 2%-3% on average.

Share of Housing by City/Community

Community	Housing Units (2021)	STR % of Housing[12]	STR % of Housing (Spatial Match)
Arroyo Grande	8,035	2.7	1.2
Atascadero	12,170	1.2	0.9
Avila Beach	1,031	N/A	0.4
Cambria	4,139	4.6	3.9
Cayucos	2,467	7.4	7.3
Creston	41	29.3	2.4
Grover Beach Harmony	5,913	2.1	2.2
Los Osos	6,605	1.2	1.2
Morro Bay	6,304	3.1	2.9
Nipomo	6,057	0.6	0.4
Oceano	3,451	3.9	3.3
Paso Robles	12,556	4.9	2.6
Pismo Beach	6,040	4.1	3.9
San Luis Obispo	21,032	1.3	0.9
San Miguel	853	4.5	0.8
San Simeon	307	3.3	2.0
Santa Margarita	543	3.7	0.6
Shandon	372	0.3	N/A
Templeton	3,303	4.2	2.0

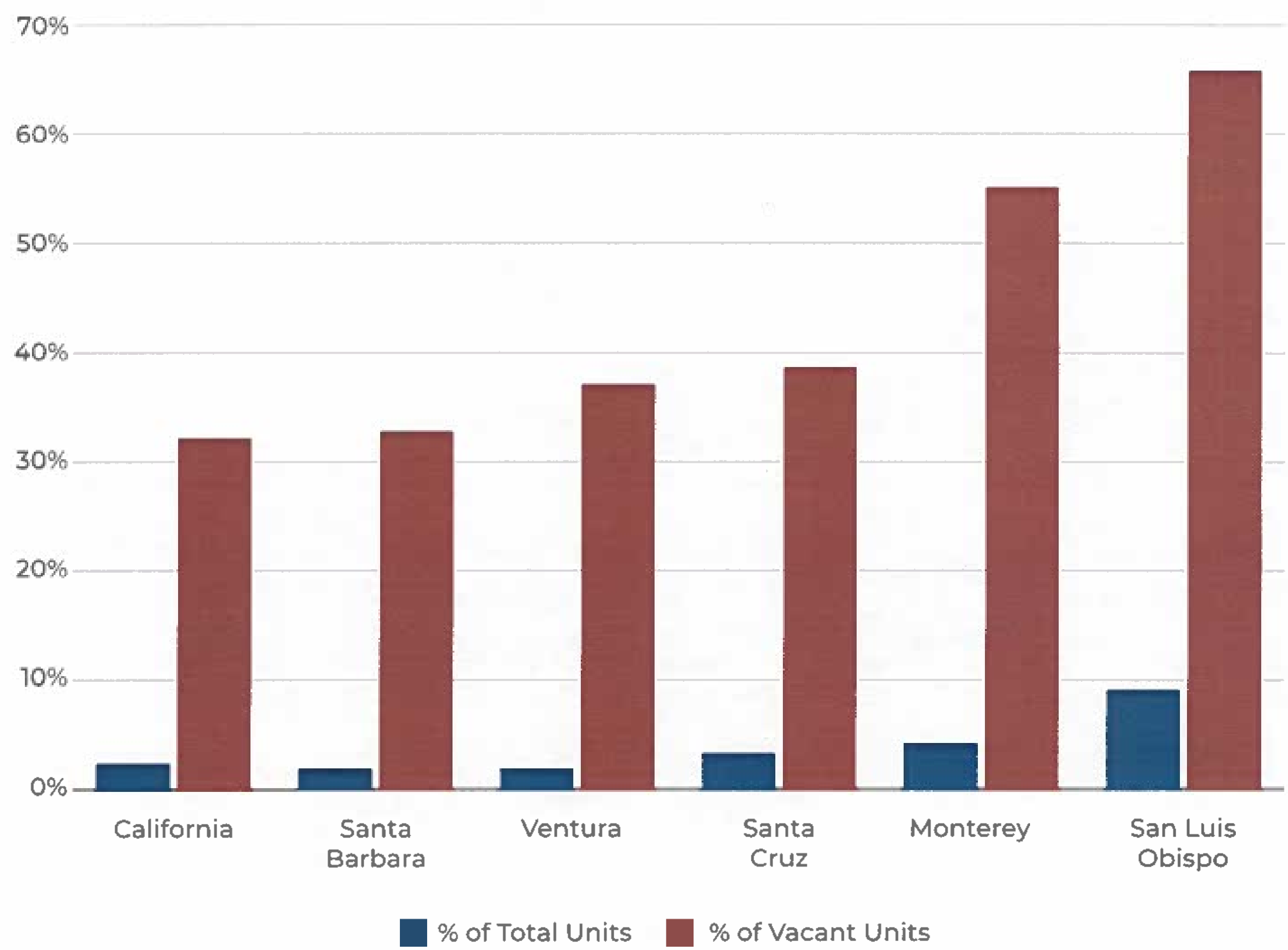
Source: US Census Bureau, AirDNA; Analysis by Beacon Economics
*Applies to properties listed as entire unit. Excludes non-housing and non-active properties. Also excludes listings such as buses, campsites, boats, barns, tents, yurts, and religious buildings.

[12] The percentage of STRs in the total housing mix does not address licensed or unlicensed STRs, but total active units. The percentage of STRs could be lower if licensed and illegal STRs were removed.

It is unlikely that all housing currently devoted to STR activity would be converted to long-term rentals, and therefore increase local housing supply, since a relatively large share of housing units in communities across the county (9%) are second homes (i.e., not the homeowner's primary residence). This compares to 2.4% in California as a whole and is more than double the rate in similar neighboring communities such as Santa Cruz, Monterey, and Santa Barbara. The rate of second homes in SLO CAL has doubled over the past 15 years.

A proportion of the STR properties in the community are second homes, although it is not possible to measure exactly how many. Therefore, removing all STR activity would not necessarily lead to a 2-3% increase in housing supply since it is likely that many of these units would remain vacation homes for property owners. Furthermore, if local leaders seek to increase the supply of housing in their communities, there are more direct ways to achieve this by zoning for more housing.

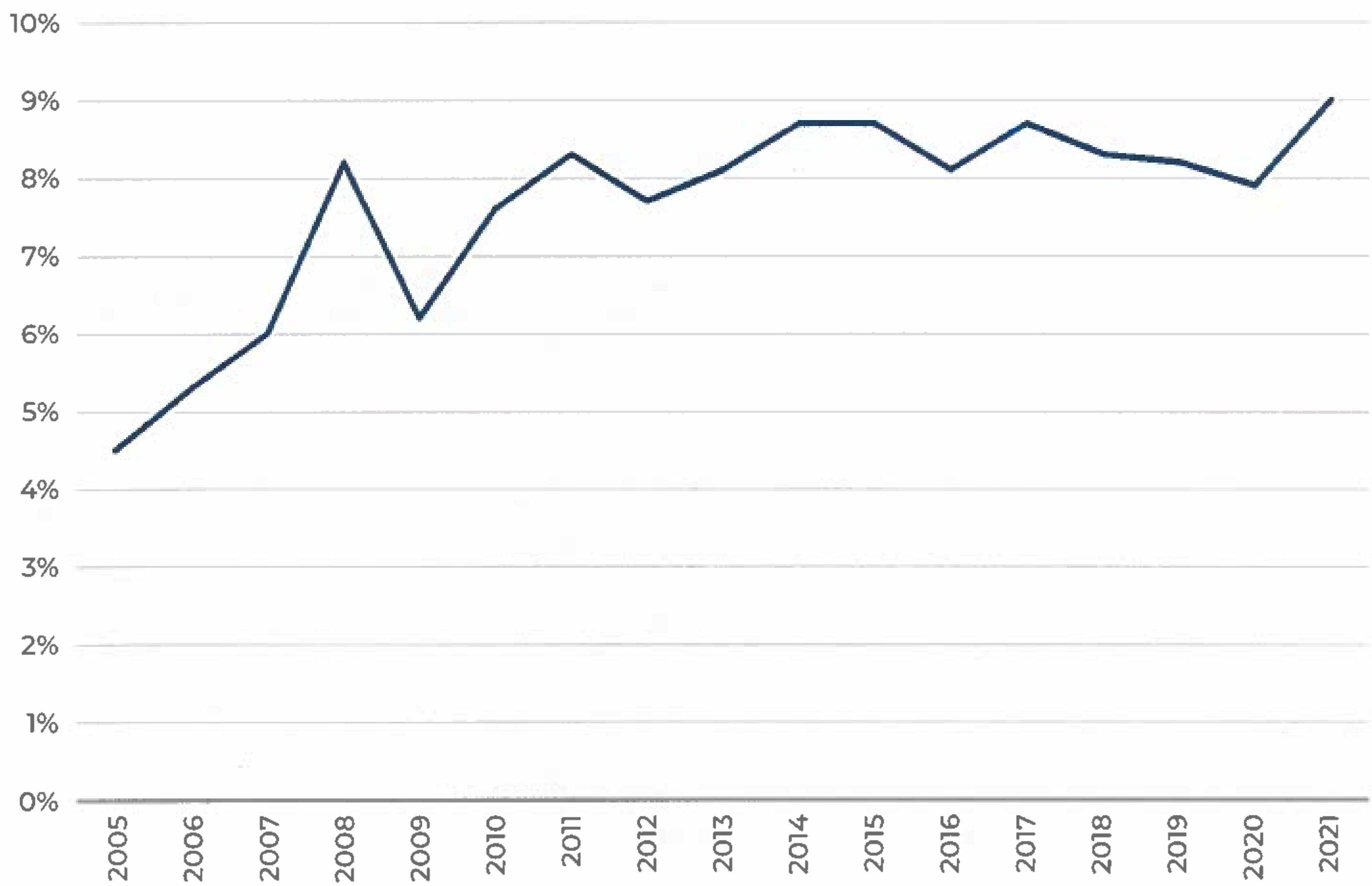
Second Homes by County as a Percent of Stock



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

Assuming the removal of STR activity would increase the long-term housing supply in the community by 2-3%, what impact would that have on housing costs?[13] A recent report by the Federal Reserve finds that increasing the housing supply by 1% reduces rents in a neighborhood by 0.07%, on average. The table below shows by how much housing costs might fall in communities if all STRs were converted to long-term rentals.[14] The table displays the average, maximum, and minimum price change that could occur for each community. The maximum and minimum values represent the largest and smallest changes that could occur, based on the estimates in the Federal Reserve's study (apart from Creston where the numbers are skewed due to the community's small size). In all other communities, converting STRs to long-term rentals would lead housing costs to drop by less than 0.5%. These estimates are inflated, however, because not all properties would be converted to long-term rentals.

San Luis Obispo County Second Homes as a Percent of Housing Stock



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

[13] Anenberg, Elliot, and Edward Kung. "Can more housing supply solve the affordability crisis? Evidence from a neighborhood choice model." Regional Science and Urban Economics 80 (2020): 103363.
[14] Please see the appendix for spatially matched versions of the short-term rental tables in this section."

Short-Term Rental Characteristics and Elasticity Effects from Conversion to Housing

City/Community	Poverty Rate (%)	PP Change from 2012	Housing Units	Active STRs*	STR % of Housing	Elasticity Effect*		
						Average	Max	Min
Arroyo Grande	5.6	-1.6	8,035	213	2.65	-0.18	-0.27	-0.13
Atascadero	8.8	-2.0	12,170	147	1.21	-0.08	-0.12	-0.06
Avila Beach	8.6	N/A	1,031	N/A	N/A	N/A	N/A	N/A
Cambria	N/A	3.3	4,139	190	4.59	-0.31	-0.46	-0.23
Cayucos	18.7	2.9	2,467	183	7.42	-0.50	-0.74	-0.37
Creston**	N/A	N/A	41	12	29.27	-1.99	-2.93	-1.46
Grover Beach	9.4	-4.3	5,913	127	2.15	-0.15	-0.21	-0.11
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	10.0	1.9	6,605	79	1.20	-0.08	-0.12	-0.06
Morro Bay	7.9	-4.5	6,304	197	3.13	-0.21	-0.31	-0.16
Nipomo	9.6	-0.1	6,057	38	0.63	-0.04	-0.06	-0.03
Oceano	11.3	-5.0	3,451	133	3.85	-0.26	-0.39	-0.19
Paso Robles	9.2	-3.1	12,556	611	4.87	-0.33	-0.49	-0.24
Pismo Beach	6.8	2.0	6,040	246	4.07	-0.28	-0.41	-0.20
San Luis Obispo	29.6	-0.9	21,032	274	1.30	-0.09	-0.13	-0.07
San Miguel	30.0	9.7	853	38	4.45	-0.30	-0.45	-0.22
San Simeon	6.4	6.4	307	10	3.26	-0.22	-0.33	-0.16
Santa Margarita	8.5	-11.5	543	20	3.68	-0.25	-0.37	-0.18
Shandon	6.4	-10.7	372	1	0.27	-0.02	-0.03	-0.01
Templeton	4.4	-2.4	3,303	138	4.18	-0.28	-0.42	-0.21

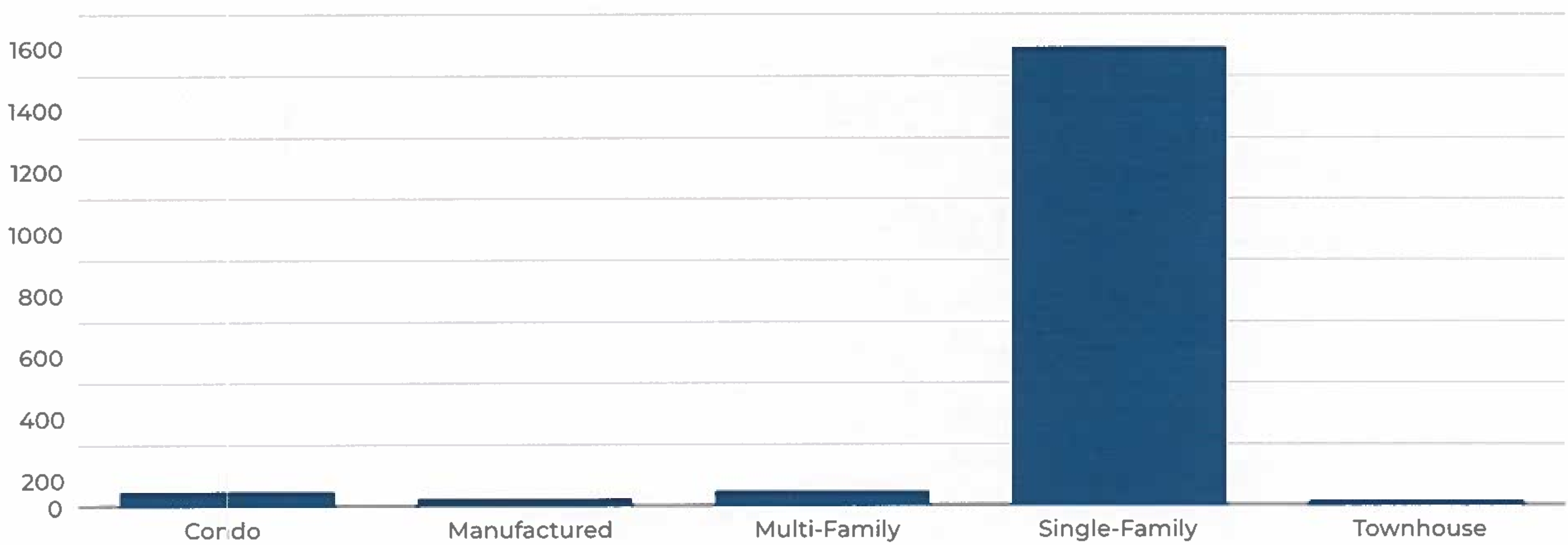
Source: AirDNA, US Census Bureau, Kung et. al 2021. Data as of 2021. ; Analysis by Beacon Economics
*Entire Unit. Excludes non-housing. ** 2020 Decennial Census

THE NATURE OF SHORT-TERM RENTAL HOUSING IN SAN LUIS OBISPO COUNTY

As Part 2, Tracking STR Activity, reveals, short-term vacation rental activity in SLO CAL is concentrated in certain types of housing. It is also concentrated in certain communities within the county. Part 2 displayed the types of housing devoted to STR activity using Airbnb's definition of housing units. These data revealed that the majority of STR housing is comprised of non-multi-family housing.

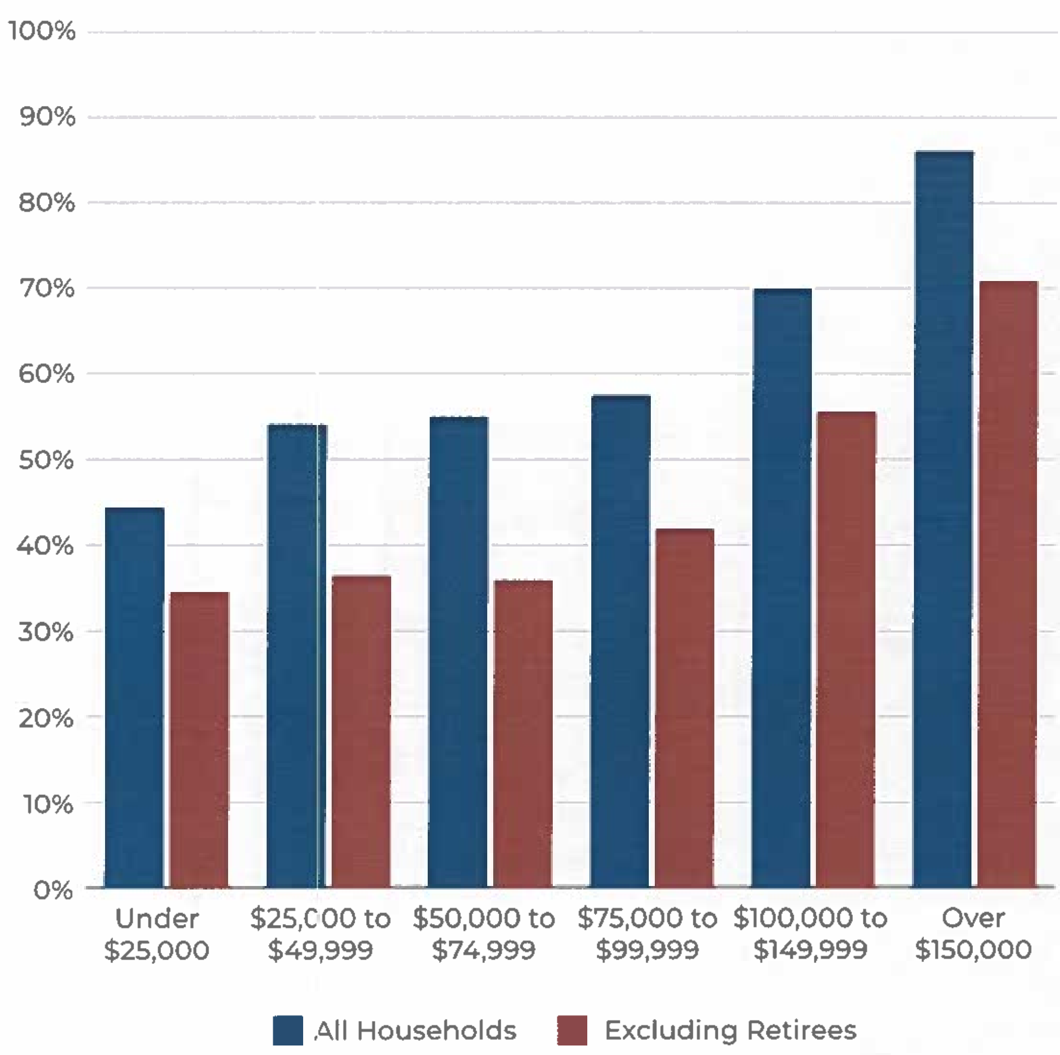
Data provided by Granicus can be matched to property-level data provided by Zillow. Granicus monitors short-term rental activity and provides physical addresses for all short-term rentals in a jurisdiction. This data can then be matched to Zillow's property database, which contains information on 104 million homes across the country, where property-level estimates are available. In some cases, STRs such as yurts, buses, religious buildings, and so on are not properties that have a rent or home value estimate. The Granicus data reveal that 92% of STRs across San Luis Obispo County are single-family homes. This fact immediately suggests that STR activity is not removing housing from low-income residents in the community. As the chart on the next page shows, homeownership rates are low for lower-income households.

Count of Property Types for STRs in San Luis Obispo County

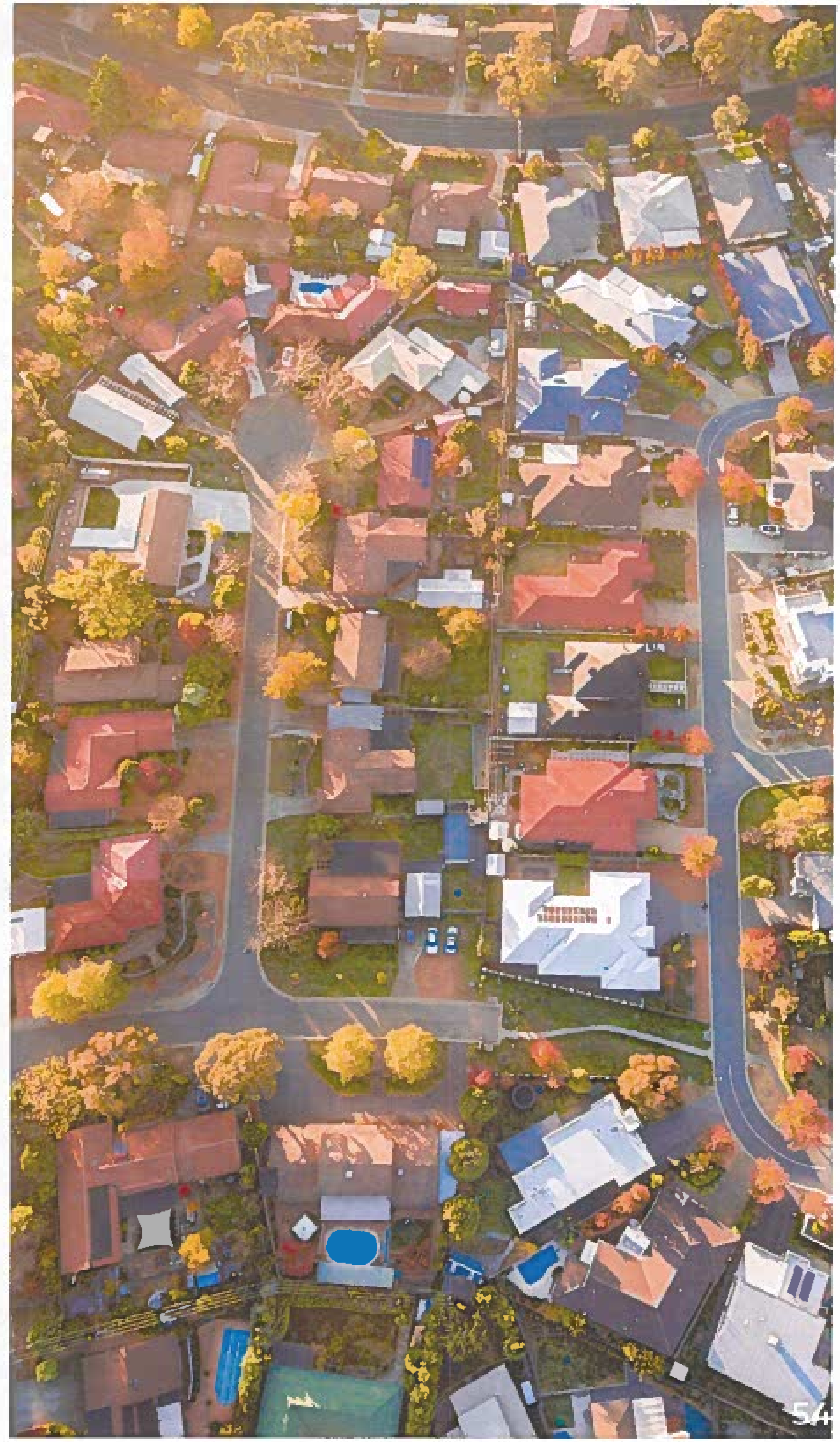


Source: Granicus/Zillow; Analysis by Beacon Economics

Home Ownership Rates by Income in San Luis Obispo County

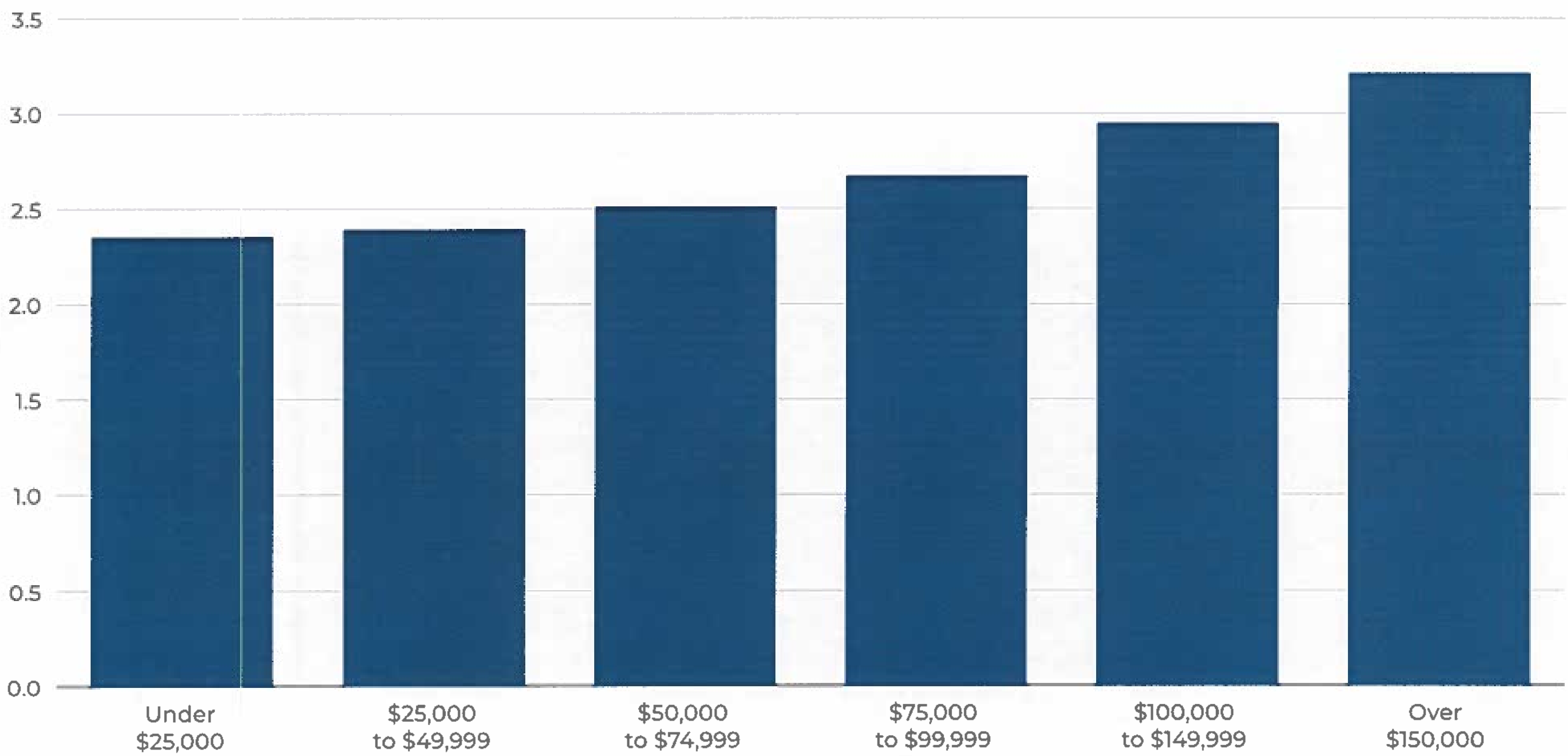


Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics



The Granicus-Zillow data reveals that STR properties are typically larger than those in which lower-income households reside. The average STR property contains 3.4 bedrooms, while lower-income households typically live in much smaller properties (2.2 bedrooms).

Average Number of Bedrooms by Household Income in San Luis Obispo County



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

Furthermore, STR properties in San Luis Obispo County have an average value of more than $1.2 million, far out of the reach of lower income households, and higher than the median home value across most communities in the county. The following table summarizes the characteristics of SLO CAL communities along with their related STR activity.

Housing Characteristics by City/Community

City/Community	Median Household Income	Housing Units	Poverty Rate (%)	PP Change from 2012	Active STRs*	STR % of Housing	Share of STRs in County
Arroyo Grande	$90,405	8,035	5.6	-1.6	213	2.65	8.0%
Atascadero	$82,777	12,170	8.8	-2.0	147	1.21	5.5%
Avila Beach	$113,704	1,031	8.6	N/A	N/A	N/A	N/A
Cambria	$87,744	4,139	9.2	3.3	190	4.59	7.2%
Cayucos	$77,963	2,467	18.7	2.9	183	7.42	6.9%
Creston**	N/A	41	N/A	N/A	12	29.27	0.5%
Grover Beach	$77,637	5,913	9.4	-4.3	127	2.15	4.8%
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	$82,894	6,605	10.0	1.9	79	1.20	3.0%
Morro Bay	$80,808	6,304	7.9	-4.5	197	3.13	7.4%
Nipomo	$88,525	6,057	9.6	-0.1	38	0.63	1.4%
Oceano	$68,495	3,451	11.3	-5.0	133	3.85	5.0%
Paso Robles	$75,569	12,556	9.2	-3.1	611	4.87	23.0%
Pismo Beach	$94,268	6,040	6.8	2.0	246	4.07	9.3%
San Luis Obispo	$61,862	21,032	29.6	-0.9	274	1.30	10.3%
San Miguel	$66,496	853	30.0	9.7	38	4.45	1.4%
San Simeon	$50,486	307	6.4	6.4	10	3.26	0.4%
Santa Margarita	N/A	543	8.5	-11.5	20	3.68	0.8%
Shandon	$77,734	372	6.4	-10.7	1	0.27	0.0%
Templeton	$104,340	3,303	4.4	-2.4	138	4.18	5.2%

Source: AirDNA, US Census Bureau (Data as of 2021); Analysis by Beacon Economics
*Entire Unit. Excludes non-housing. ** 2020 Decennial Census

Many of the more affordable parts of the county are inland, away from major job centers. Shandon is one of the most affordable communities and the only one where the average home value is below $500K. However, virtually no short-term rental activity takes place in Shandon. The Granicus data suggests there were at most seven short-term rental properties, but only three were listed.

Some communities have a high proportion of short-term rentals. Cambria and Cayucos has a comparatively large share of housing units devoted to STR activity. In Cambria, for example, 4.6% of housing units were short-term rentals. However, Cambria is also largely an ocean-front community with million-dollar homes. The same is true for Cayucos, where nearly half of all housing units are second homes, but only 7.4% are short-term rentals.

As the findings in this report reveal, San Luis Obispo County has become increasingly unaffordable for lower-income households. For ease of analysis, STR activity in the community is collapsed into two groups. One group contains 85% of the STR activity in the county, the other group contains the rest. Areas of the county with the highest prevalence of STR activity are less affordable than the rest of the county. Within high frequency STR communities, home values are around 6% higher than in the communities that contain 15% of STR properties.

Housing Characteristics by Major ZCTA Grouping

Group	Short-Term Rentals	Share of County STRs	Home Value	Housing Units	STRs % of Housing	Second Home Share of Total
Top 10	2422	85%	$888,288	86,653	2.8%	8.4%
Bottom	436	15%	$833,837	34,628	1.3%	5.1%

Source: AirDNA, Zillow, US Census Bureau; Analysis by Beacon Economics
* Active properties as of Feb 2023. Zillow Home value as of May 2023.

Furthermore, STR activity is occurring in wealthier communities. Median household incomes are 15% higher in the communities that contain 85% of STR activity, and these communities are home to fewer households with incomes below $30,000 per year.

Income Characteristics by Major ZCTA Grouping, 2021

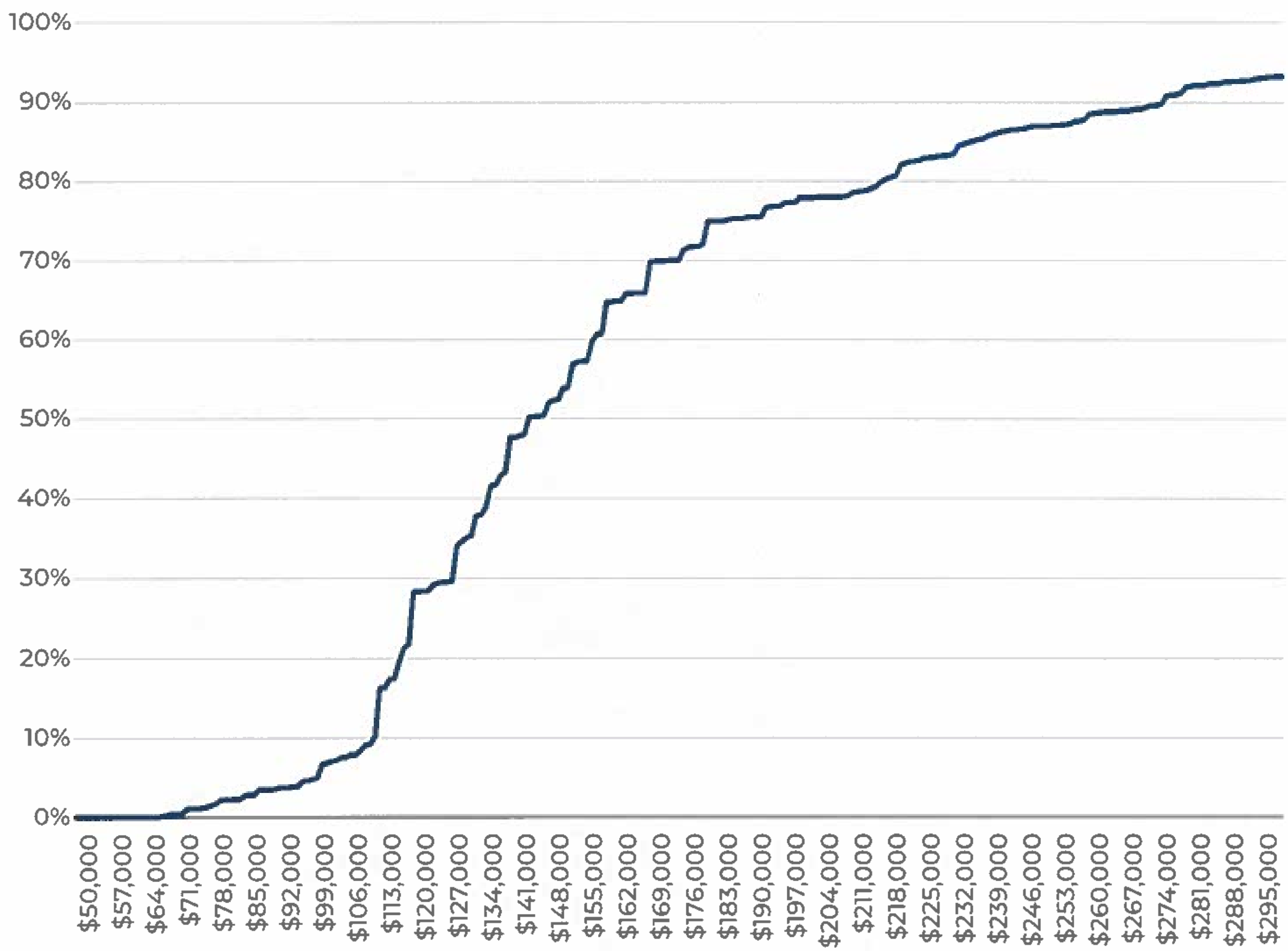
	Percent Households: Less $30,000 Income	PP Change (from 2012)	Percent Households: More than $200,000 Income	PP Change (from 2012)	Median HH Income	% Change (From 2012)
Top 10	12.1	-6.3	12.62	7.6	$86,329	36.4
Bottom	14.5	-5.4	9.12	5.3	$74,900	44.4

Source: US Census Bureau; Analysis by Beacon Economics

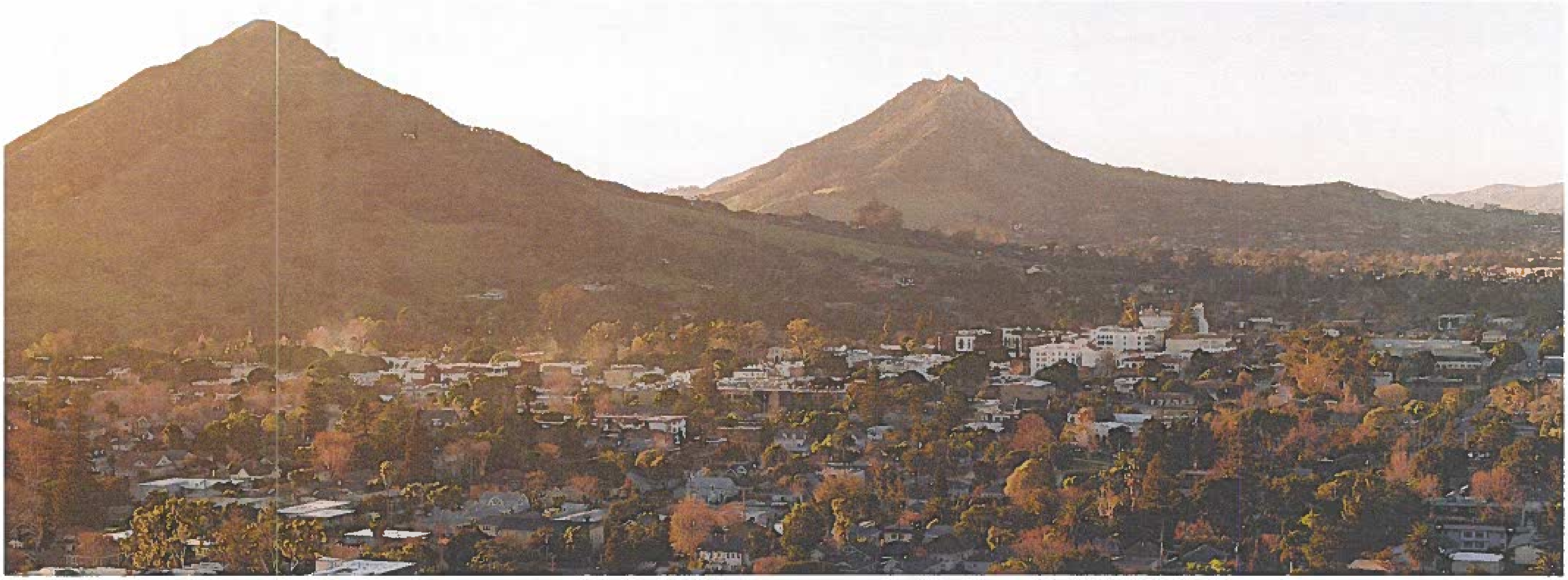
Overall, STR activity is occurring in the wealthiest, least affordable parts of the county, which are home to fewer low-income households. To further illustrate this point, consider the following chart which displays the affordability of STR properties by income. Housing is deemed unaffordable if it accounts for more than 30% of a household's income. If STR properties were converted to long-term rentals, based on prevailing market prices, households earning $100,000 would only be able to afford 5% of the properties listed as STRs.

In summary, if STR properties in San Luis Obispo County were converted to long-term rentals, they would not provide accessible and affordable housing options for lower-income residents.

Income Level and Percent of Short-Term Rentals That Would be Affordable for Renters in San Luis Obispo County



Source: Granicus/Zillow; Analysis by Beacon Economics



CONCLUSION

As has been the case throughout the U.S. over the past ten years, the number of properties listed as short-term rentals in SLO CAL communities has risen sharply. STRs have provided greater accommodation choices for visitors to the region, and data reveals that STR activity has complimented, rather than replaced hotel occupancy.

Communities nationwide are, like those in SLO CAL, grappling with the rise of short-term rentals. Inherently, these communities are weighing the benefits that short-term rentals bring against the perceived costs they generate. In particular, opponents assert that short-term rentals have a negative effect on local housing markets – that STRS create housing shortages and are driving up rents and house prices.

The analysis in this report reveals that housing affordability issues are not new to SLO CAL, and long pre-date the rise in STR activity. Like so many others in California, SLO CAL communities have failed to build sufficient multi-family housing for decades. STR activity is occurring in the least affordable parts of the community, and even if all STR activity were converted to long-term rentals, it would do very little to improve housing affordability.

If there are concerns that STR activity reduces community housing supplies, there are more direct ways to increase those supplies through zoning reform.

APPENDIX

Active STRs by City/Community (2,859 Units) [15]

	Properties	Percent(%)
Paso Robles	715	25.01
San Luis Obispo	289	10.11
Arroyo Grande	242	8.46
Pismo Beach	220	7.69
Morro Bay	205	7.17
Cambria	201	7.03
Atascadero	187	6.54
Cayucos	154	5.39
Templeton	152	5.32
Oceano	133	4.65
Grover Beach	114	3.99
Los Osos	91	3.18
San Miguel	58	2.03
Nipomo	49	1.71
Santa Margarita	27	0.94
Creston	10	0.35
San Simeon	10	0.35
Shandon	2	0.07

Source: AirDNA (Feb.2023); Analysis by Beacon Economics

[15] Based on a city identifier provided by AirDNA.

ZCTA Groupings

Zip Code	Grouping
93446	**TOP**
93420	**TOP**
93449	**TOP**
93401	**TOP**
93442	**TOP**
93428	**TOP**
93422	**TOP**
93430	**TOP**
93465	**TOP**
93445	**TOP**
93433	**BOTTOM**
93402	**BOTTOM**
93405	**BOTTOM**
93451	**BOTTOM**
93444	**BOTTOM**
93453	**BOTTOM**
93432	**BOTTOM**
93452	**BOTTOM**
93461	**BOTTOM**

Short-Term Rental Characteristics and Elasticity Effects from Conversion to Housing (Spatially Matched)

City/Community	Poverty Rate (%)	PP Change from 2012	Housing Units	Active STRs*	STR % of Housing	Elasticity Effect*		
						Average	Max	Min
Arroyo Grande	5.6	-1.6	8,035	97	1.21	-0.08	-0.12	-0.06
Atascadero	8.8	-2.0	12,170	115	0.94	-0.06	-0.09	-0.05
Avila Beach	8.6	N/A	1,031	4	0.4	N/A	N/A	N/A
Cambria	9.2	3.3	4,139	163	3.94	-0.27	-0.39	-0.20
Cayucos	18.7	2.9	2,467	181	7.34	-0.50	-0.73	-0.37
Creston**	N/A	N/A	41	1	2.44	-0.17	-0.24	-0.12
Grover Beach	9.4	-4.3	5,913	128	2.16	-0.15	-0.22	-0.11
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	10.0	1.9	6,605	77	1.17	-0.08	-0.12	-0.06
Morro Bay	7.9	-4.5	6,304	185	2.93	-0.20	-0.29	-0.15
Nipomo	9.6	-0.1	6,057	23	0.38	-0.03	-0.04	-0.02
Oceano	11.3	-5.0	3,451	114	3.30	-0.22	-0.33	-0.17
Paso Robles	9.2	-3.1	12,556	323	2.57	-0.17	-0.26	-0.13
Pismo Beach	6.8	2.0	6,040	238	3.94	-0.27	-0.39	-0.20
San Luis Obispo	29.6	-0.9	21,032	182	0.87	-0.06	-0.09	-0.04
San Miguel	30.0	9.7	853	7	0.82	-0.06	-0.08	-0.04
San Simeon	6.4	6.4	307	6	1.95	-0.13	-0.20	-0.10
Santa Margarita	8.5	-11.5	543	3	0.55	-0.04	-0.06	-0.03
Shandon	6.4	-10.7	372	0	-	N/A	N/A	N/A
Templeton	4.4	-2.4	3,303	67	2.03	-0.14	-0.20	-0.10

Source: AirDNA, US Census Bureau, Kung et. al 2021. Data as of 2021. ; Analysis by Beacon Economics
* Entire Unit. Excludes non-housing. ** 2020 Decennial Census

Housing Characteristics by City/Community (Spatially Matched)

City/Community	Median Household Income	Housing Units	Poverty Rate (%)	PP Change from 2012	Active STRs*	STR % of Housing	Share of STRs in County
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Avila Beach	$113,704	1,031	8.6	N/A	4	0.4	N/A
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Morro Bay	$80,808	6,304	7.9	-4.5	185	2.93	7.0%
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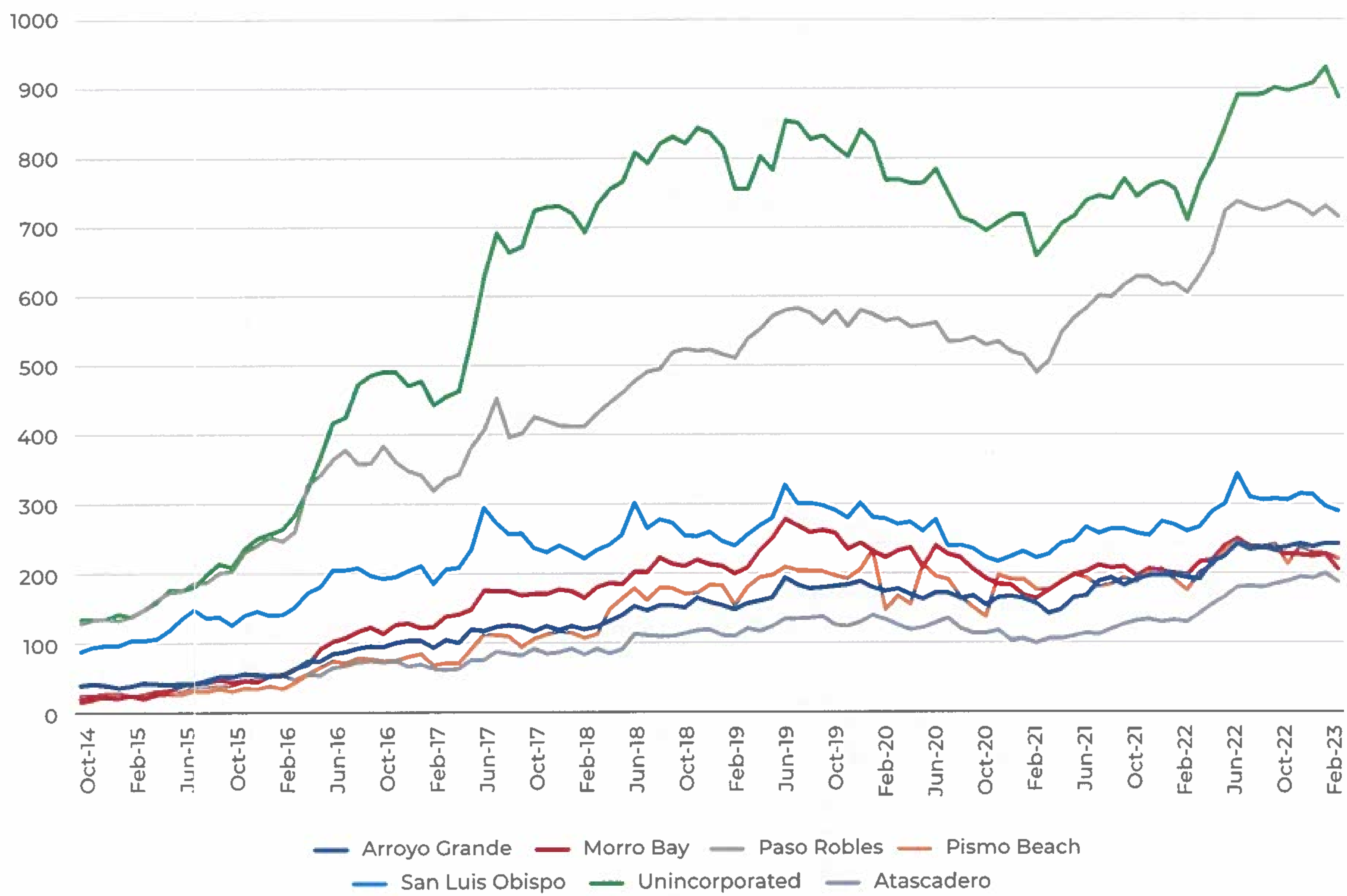
Templeton	$104,340	3,303	4.4	-2.4	67	2.03	2.5%

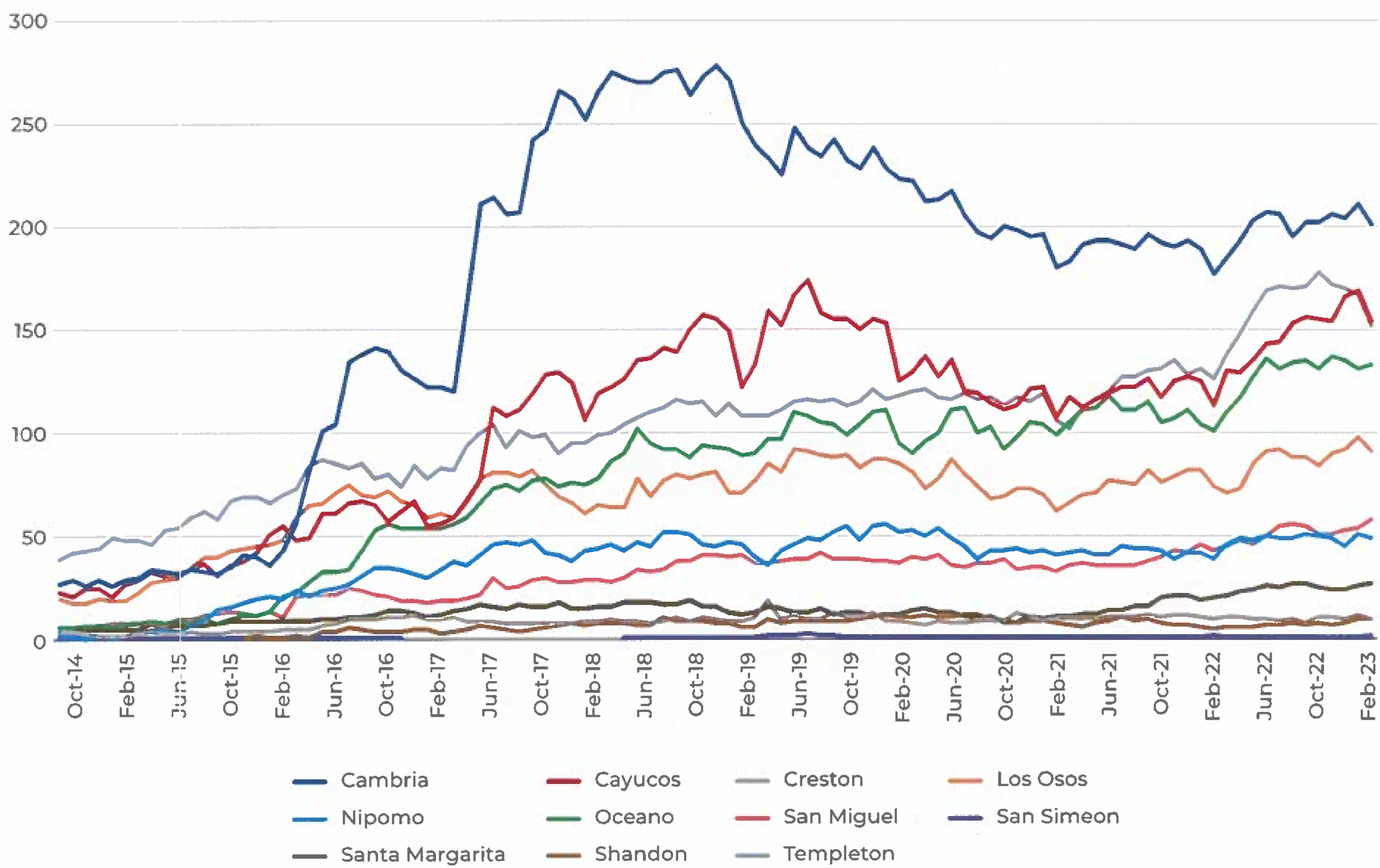
Source: AirDNA, US Census Bureau, Kung et. al 2021. Data as of 2021; Analysis by Beacon Economics
* Entire Unit. Excludes non-housing. ** 2020 Decennial Census

Active STRs by Incorporated City (AirDNA Field)



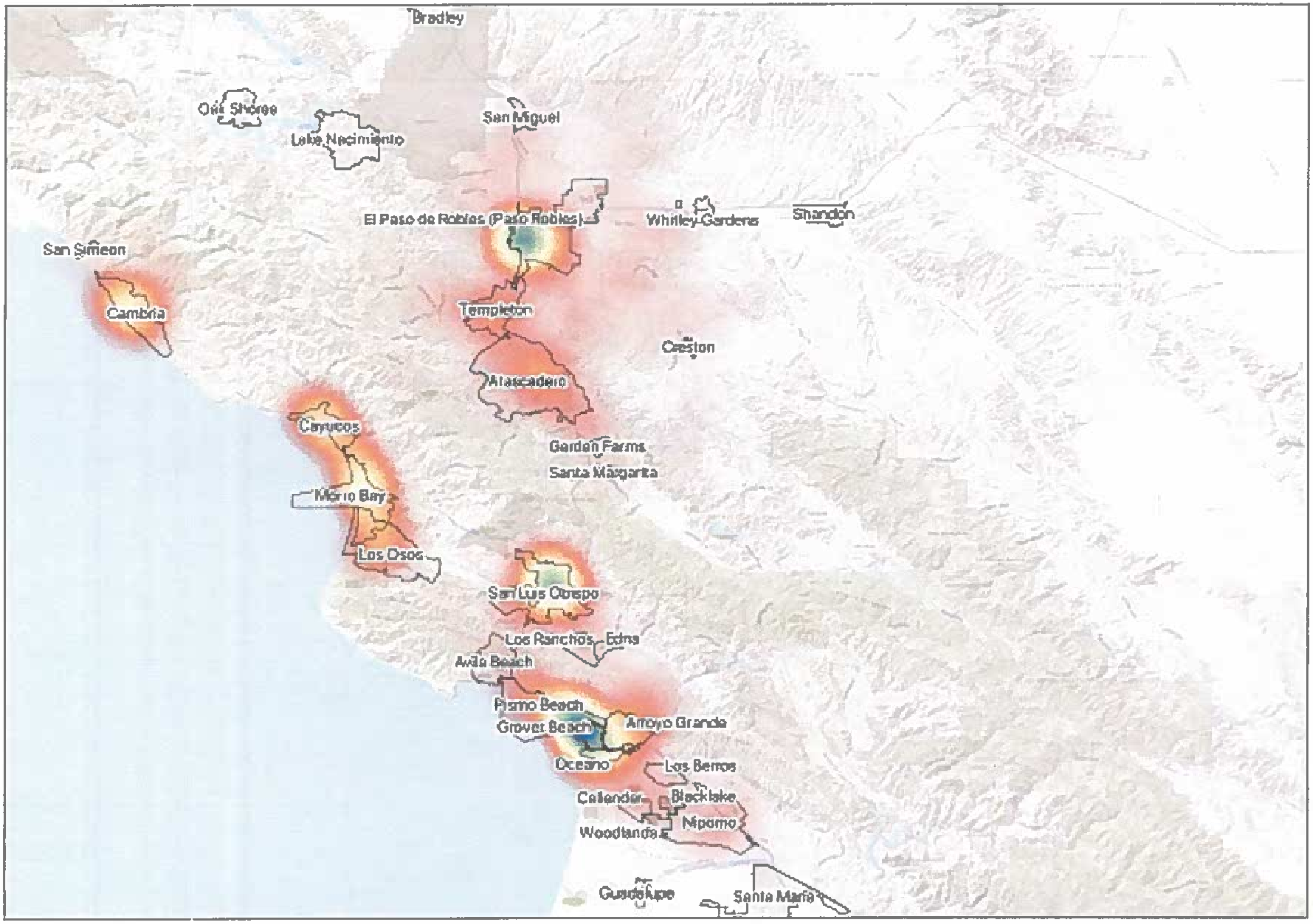
Source: AirDNA; Analysis by Beacon Economics

Active STRs by Unincorporated Community (AirDNA Field)



Source: AirDNA; Analysis by Beacon Economics

Map: Hot Spots of Short-Term Rentals in San Luis Obispo County



BEACON ECONOMICS

About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis required to understand the significance of on-the-ground realities and to make informed business and policy decisions.

Learn more at www.BeaconEcon.com

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VISIT
SLO CAL®
BEACON ECONOMICS

October 16, 2024

Morgan Dobbins
Membership Manager & Government Affairs
Building North Central Washington
2201 N Wenatchee Ave
Wenatchee, Washington 98801

Dear Planning Commissioners,

I am writing to you on behalf of Building North Central Washington, a local regional non-profit organization that was built on the vision of a community where people want to live and small businesses thrive. Building NCW promotes and protects the North Central Washington building industry for the preservation and growth of the local economy, small business and quality of life. We are in the heart of the Wenatchee Valley and represent hundreds of voices in this valley and the surrounding area. As a representative of this organization, I regularly attend Chelan County Commissioner meetings and specifically listen to Community Development Departmental updates by the Director. As a result, I have sat in on the recent STR workshop and would like to submit the following viewpoints.

Building NCW would first like to reinforce our stance on citizen's **property rights**. Property rights include the right to use, to enjoy, to exclude, and to dispose of their property. Individuals have the right to use their property as they deem fit in a lawful manner. In addition, tourism is a major driving economic factor in Chelan County. We ask you to protect and uphold the rights of individuals to run legal small businesses on their own property. We ask that you carefully consider the code revisions regarding the facts and not through any personal bias. Facts such as 1. Permitted STRs in Chelan County cause minimal nuisance issues and 2. STRs are small businesses that aid the flourishing of our heavy tourist driven economic environment in places such as Leavenworth and Chelan that depend on out-of-town visitors. We are in support of the success of small businesses, many of which depend on the tourism our region has cultivated and would be greatly affected by the increase or decrease of STRs.

We want to voice our support of *permitted* and *properly* run STRs in Chelan County. This is made possible by a clear, concise, and fair code. As a result of permitted and properly run STRs, Building NCW Members and other businesses benefit economically. Building NCW is in support of increasing the cap and/or the removal of the zip code and sub area designation and making the cap county wide. This will allow fair treatment of Chelan County property owners as well as the simplification of the code. This will support the growth of permitted STRs where they might be economically needed while holding the owners accountable to the code. We are in hopes that the code will be fair to the owners as individuals and business owners and allow the growth of small business by local individuals within their property rights.

Building NCW is grateful to the Planning Commission for their hard work and consideration. We would also like to voice our appreciation to Community Development and to the Board of Chelan County Commissioners for their work on the STR code. We understand working on a code takes the diligence to consider many factors and outcomes and we recognize the difficulties that all entities involved must work with. We appreciate your time in reading this and ask if you need clarification, please reach out to my email at morgan@buildingncw.org.

Gratefully,

Morgan Dobbins,
Membership Manager & Government Affairs
Building North Central Washington