



## Legislation Text

**File #:** 21-0524, **Version:** 2

Planning and Building Department, Tahoe Stormwater and Planning Division, recommending the Board receive a presentation on options to address Vacation Home Rental clusters in the Tahoe Basin and provide direction to staff. (Cont. 4/6/2021, Item 42)

**FUNDING:** N/A

### **DISCUSSION / BACKGROUND**

At the February 9, 2021 meeting of the Board of Supervisors, the Board directed staff to return to the Board within 30-60 days with the following analysis including the estimated cost to implement the buffers and the economic development benefits of each:

- 1) 300 foot buffer around existing VHRs (no other VHRs allowed) with a 1,000 foot buffer around large VHRs with 12 or more occupants (no other large VHRs allowed); and
- 2) 500 foot buffer around existing VHRs (no other VHRs allowed) with a 1,000 foot buffer around large VHRs with 12 or more occupants (no other large VHRs allowed).

Staff will utilize spatial tools to present an analysis on both 300 and 500 foot buffers around existing VHRs, coupled with a 1,000 foot buffer around large homes, where no other VHRs would be allowed for the Board to consider.

### **Policy Implications**

While the clustering policy is primarily targeted at retaining neighborhood character, the different buffering options also do place a cap on total VHRs, although it is difficult to determine exactly what that cap would be due to the multitude of permutations that come with different VHR and parcel size scenarios. Therefore, the VHR Maximum number in the following table is an estimate and does not take into account that current eligible lots are not evenly distributed. The following table illustrates how the different buffers impact the VHR numbers.

| Buffer Distance (ft) | Existing in place or Pending | Candidate (Developed Residential Potential) | Potential (Vacant Residential Buildable) | Eligible (Existing + Candidate + Potential) | Avg. Impact (Eligible lots removed per buffer) | Maximum (Estimated VHR total) |
|----------------------|------------------------------|---|--|---|--|-------------------------------|
| No Buffer            | 753                          | 7,987                                       | 1,031                                    | 9,771                                       | -  | 9,771                         |
| 150ft                | 753                          | 4,086                                       | 470                                      | 5,309                                       | 6  | 1,649                         |
| 300ft                | 753                          | 2,259                                       | 225                                      | 3,237                                       | 9  | 1,126                         |

|       |     |       |    |       |    |     |
|-------|-----|-------|----|-------|----|-----|
| 500ft | 753 | 1,364 | 99 | 2,216 | 10 | 974 |
|-------|-----|-------|----|-------|----|-----|

With the 300 foot buffer applied, adding in the 1,000 foot buffer around large VHRs means that 1,651 parcels could have a large VHR and 833 parcels would be excluded from having a large VHR. And, with the 500 foot buffer applied, adding in the 1,000 foot buffer around large VHRs means that 1,169 parcels could have a large VHR and 294 parcels would be excluded from having a large VHR.

It is important to note that if the Board ultimately selects and implements a preferred buffering option, existing VHRs will phase out through attrition and will not automatically lose a VHR permit if they are within a buffer.

### **Economic Considerations**

The Board has requested information regarding the economic implications of each policy decision. Staff has included information regarding the multiple considerations on this topic, as well as a best attempt at quantifying the impacts to Transient Occupancy Tax revenue.

VHRs present potential economic benefits, directly through taxes and indirectly through increased tourist spending. Those in favor of VHRs argue that rentals bring significant benefits to those who operate them, as well as their visitors. In El Dorado County, many VHR owners attribute rentals as allowing them to own and maintain a vacation home, while preventing the home from sitting vacant when not in use by the owner or their friends and family. Many hosts have used short-term rentals as a way to help afford their own homes. Given the affordability challenges occurring in the region, VHRs may help to offset the housing cost burden.

Airbnb, the largest home-sharing platform, recently published statistics claiming nearly 23% of their hosts reported that the extra income helped prevent them from losing their home to foreclosure or eviction. This potential for generating revenue may also increase the property value of a home. Vacation Home Rentals make efficient use of a space by hosting guests in a home that might otherwise go unused. Also, in El Dorado County in particular, VHRs provide an option for accommodations in areas where there are few other lodging options. Besides the direct money coming from the short-term rentals, visitors can provide spin-off benefits to the local business community.

One potential economic consideration is that intensive clusters of VHRs effectively result in the commercialization of residential neighborhoods. Residents may feel their neighborhood character is compromised as the home next door evolves into a "hotel", as its demand as a short-term rental increases. Some neighbors of VHRs feel that these activities have resulted in the loss of stable residential character as their long-term neighbors are increasingly replaced by short-term guests. This may negatively impact property values, as prospective buyers may seek out areas that are not impacted by tourism in this way.

There is also the wider-reaching concern regarding the potential impact of short-term rentals on the housing stock. Although VHRs allow the owner to continue to use their vacation home while generating some income from short-term renters, this leads to a higher vacancy rate for homes and a lack of long-term rental housing. It should be noted that some members of the public have expressed that should they not be able to rent their homes out on a short-term basis, they would simply let them

sit vacant, since a long-term rental would preclude the owner's use of the home as a vacation home for their own use. The U.S. Census Bureau reports that the vacancy rate in the South Lake Tahoe area of the County is approximately 55% due to the abundance of vacation homes. Technology has allowed for the easy pairing of hosts and guests, leading to a situation where long-term rents are under pressure as the regular rental market increasingly competes with the short-term market.

Regulation of the short-term rental market could have a substantial impact on the collection of transient occupancy tax (TOT). This 10% tax applies to both hosted rentals and non-hosted VHRs, which supply tax revenue to El Dorado County annually. With an increase in the number of VHRs, TOT revenue has also increased.

Note that impacts to TOT revenues are somewhat difficult to estimate due to the reality that not all owners are able to get a permit for a VHR due to the cap, and not all owners would want to rent out their homes. A buffer may have no effect on a given VHR's surroundings if no owners in the area are interested in a VHR permit, or the neighborhood could be very popular with tourists and the buffer could preclude dozens of potential VHRs. Also, there is likely wide variation in the cost per night and number of rental days for each VHR, so restricting the location of a given VHR due to a buffer could preclude a high-grossing VHR to locate in a neighborhood, or it could be a family vacation home that is seldom rented and yields very little rental income.

In 2020, VHRs generated approximately \$4.5 million per year in TOT and there were approximately 753 VHRs in the Tahoe Basin. This is approximately 96% of all VHRs in the County. The average (mean) VHR generates approximately \$5,200 of TOT every year for the County. A 300 foot buffer around a sample possible VHR shows two existing VHRs within the buffer - which represents the potential loss of approximately \$10,400 in TOT revenue every year (see attached slides). A 500 foot buffer around a sample possible VHR shows five existing VHRs within the buffer - which in turn eliminates \$26,000 in TOT revenue every year. Although these numbers will vary considerably, these figures represent staff's best estimate of the potential effects of a VHR buffer requirement.

### **Implementation Costs**

The additional costs to implement a VHR clustering policy from a technical standpoint are estimated to be low at this time. County staff are currently investigating switching database programs to increase VHR permit administration efficiency. This database change is estimated to be a relatively nominal cost and can be absorbed in the current fiscal year's budget. The County Surveyor office has built a beta version of a pre-screening tool to determine if future VHR applicants are within a buffer or not. It is estimated to take 40 hours of additional staff time to make that tool operational, if the Board decides to adopt a clustering policy.

Additional staffing resources to administer and enforce the VHR program will be needed, but are already accounted for. At its March 30, 2021 TOT Workshop, the Board committed to add VHR resources as part of its TOT policy change to help offset impacts from tourism. Those resource additions were a Senior Development Technician to assist with administering the program and a Code Enforcement Officer to assist with enforcement of the program. No additional staff resource needs are forecasted at this time.

Staff is seeking direction from the Board on which of the presented options, or an alternate option not presented, the Board prefers.

## **ALTERNATIVES**

The Board could choose to retain the current ordinance, direct staff to bring back a final recommendation on one of the alternatives presented, or make additional recommendations.

## **OTHER DEPARTMENT / AGENCY INVOLVEMENT**

Treasurer-Tax Collector, Chief Administrative Office, County Counsel, Surveyor, Sheriff's Office, Fire Districts

## **CAO RECOMMENDATION**

Provide direction to staff as recommended.

## **FINANCIAL IMPACT**

There are no immediate financial impacts associated with this item. Ultimately, the limit on permits due to clustering may result in a decrease in permit revenue, however, since the 'cap' is above the current number of permits in effect this is not anticipated to result in substantial financial impact. Total costs of permitting and enforcement are continually monitored and analyzed. In a future item, staff will provide the Board with recommendations for additional cost recovery, which may include increasing permit fees.

## **CLERK OF THE BOARD FOLLOW UP ACTIONS**

N/A

## **STRATEGIC PLAN COMPONENT**

Good Governance

## **CONTACT**

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