

Talking Points in Support of The Regulation of Short Term Rentals

Reasons why STRs are HARMLESS

1) STRs represent an insignificant percentage of the total housing supply, and therefore it is impossible for the problems associated with STRs to be as large as the opponents of STRs claim they are

- a) There are ~2,550 STRs in SB City & County, and there are 147,368 total housing units in SB City & County. Therefore, STRs represent 1.7% of the total housing supply
- b) In statistical analysis, 1.7% is considered insignificant.
- c) Even if every STR caused a shortage of housing, or caused excessive nuisances, normal analysis would not consider them a significant cause of those problems.
- d) Source: http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Housing_051216.pdf

2) A recent study by Santa Barbara's most reputable local economist shows that STR properties do not create more nuisances than other Residential properties

- a) Nuisance reporting rates for STRs are slightly less (to significantly less) than the nuisance reporting rates for ALL residential properties
 - i) Source: http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Neighborhoods_062816.pdf
- b) For most STR properties, guests are thoroughly screened prior to accepting their reservation, and they pay a large security deposit in case they become a nuisance.
- c) Because of this, STR guests are typically quieter and cause fewer problems than long-term tenants.

3) A recent study by Santa Barbara's most reputable local economist shows that STR properties have an insignificant effect on the price & supply of Long Term Housing

- a) An increase of 1/10th of 1% in the long-term rental supply is created by prohibition of STRs, and does not represent a significant number of housing

units that would be converted from STR use to a longer term supply of housing for purchase or rent.

- b) For the very few STR properties that could potentially be rented out long-term, only half or less would even be considered “affordable housing”
- c) Source: [http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR Effect on Housing 051216.pdf](http://www.strsantabarbara.org/wordpress/wp-content/uploads/2015/09/STR_Effect_on_Housing_051216.pdf)
- d) Homeowners rent short-term because they either occupy the space full time, or they come and go as they please throughout the year.
 - i) Because of the regular owner usage, these properties would never be offered as long term year-round housing.
- e) It is almost always more profitable for an investor property owner to rent long-term vs. short-term. This is due to the following reasons:
 - i) STRs have a higher average vacancy rate. Average STR vacancy rate is 30-50%, average LTR vacancy rate is 5-10%.
 - ii) STRs have higher management fees. STR management fees are 20%+, LTR management fees are 6-8%.
 - iii) STR owners pay all utilities incl. cable/internet
 - iv) STR owners pay to have the property fully furnished
 - v) The only reason there are STR's is because of the owner-use component of the property, otherwise it would be rented out long-term as the owner would make more money that way.
 - vi) This analysis shows most all units which would be long-term rentals are already that way.

4) STRs do not have a significant effect on Hotel occupancy because approximately 80% of STRs stays do not compete directly with Hotels

- a) The average stay of STR guests in Santa Barbara is 5 nights. This is over double the average stay of Hotel guests (2 nights).
- b) Most professionally-managed STRs have a minimum stay of 3-nights
- c) STR guests are traveling families looking for an affordable lodging option with no services required, and is a different demographic than most hotel guests

5) STR's are NOT a change in land-use from long-term rentals, and should not be considered a zoning issue

- a) Inflammatory and false rhetoric about STR's being "commercial use", or turning homes into "hotels" is 100% untrue; this language only serves as a weapon of misplaced fear by STR opponents.

- b) Guests use the residential property in exactly the same way as a long-term tenant or an owner-occupant.
 - i) They park their car in the driveway, walk in the house, turn on the TV and go to the fridge, the same as any other resident.
- c) The use of the property does NOT change, the length of the tenancy is completely unrelated to the type of use of the property.

6) There will be little (or no) additional cost to draft and implement an STR Fair Regulation Ordinance

- a) All the “hard work” has been done by the County staff during their work to prepare a draft ordinance for large AG-II properties
- b) Existing ordinances can be emulated such as the ones created for the City of Goleta and the City of Ventura
- c) Enforcement costs will be less than the cost of enforcing a STR Ban because they will be funded through TOT revenues

Reasons Why STRs are BENEFICIAL

7) Short-Term Rentals (STRs) are a major source of revenue for the City and County of Santa Barbara, generating ~\$470 million in economic activity, and ~5,000 jobs

- a) Source: Santa Barbara Independent:
<http://www.independent.com/news/2016/feb/18/report-says-vacation-rentals-generate-470-million/>) .
- b) The economic impact of STRs is so large because STR visitors use all the resources in our community (ex. grocery stores, auto repair shops, etc.), not just the tourism-based resources.
- c) STR activity is spread equally throughout the City & County, and is not concentrated in just the tourist-specific areas
- d) STR guests create “word of mouth” advertising for local hotels, restaurants, and other local businesses

8) With Fair Regulation, the Transient Occupancy Tax (TOT) revenues from STRs would triple to ~\$3.6 million per year to the City of Santa Barbara, and quadruple to ~\$5.6 million per year to the County of Santa Barbara. This is only the direct tax revenue from STR's.

- a) Over 10 years, the ~\$36 million to the City and ~\$56 million to the County in unrestricted TOT revenues could help solve ongoing infrastructure & budget problems
- b) Any of the following services could be supported with just the directly-related Transient Occupancy Tax provided by STR's:
 - i) Affordable housing solutions could be implemented with these revenues
 - ii) 30 new SB City Police Officers could be hired
 - iii) The SB County Sheriff \$2.2m deficit could be eliminated
 - iv) Parks & Recreation budgets could be increased
 - v) The County budget reserve deficit for 2016 could be eliminated
 - vi) Department of Alcohol, Drug, & Mental Health Services \$4.6m deficit could be greatly reduced
 - vii) There are many other important programs that can be financed or expanded through these increased revenues
 - viii) An even distribution of the TOT revenues could benefit many programs equally

9) Other real tax revenue generated to the County includes the local share of increased sales tax revenue due to spending by STR visitors.

- a) Furthermore, the increased local-share sales tax receipts have a multiplier effect due to the increased number of jobs as a result of STR's, and the spending by these new employees.

10) STRs provide property owners with a way to generate income to help support the affordability of their home, while also having the ability to enjoy the home throughout the year.

- a) Having to (or wanting to) rent some or all of your home part-time is not something to be made fun of or mocked as a failure of the homeowner, as many opponents of STR's have done.
 - i) For STR owners whose circumstances have changed such that supplementing income is necessary now, shame on anyone who judges or mocks someone else's misfortune and dismisses the value of STR's for this reason.
- b) This decision by many STR owners was an allowed, legitimate and strategic move based on the County rules at the time.

- i) It would be radical, disruptive and blatantly unfair for the County to pull the rug out from people who made very important economic decisions based on a set of rules, to now have the rules change.
- c) Those who have already put in place STR's should be grandfathered in and allowed to continue, for this reason alone.

11) STRs provide important local short-term housing needs:

- a) Temporary housing for workers, professors, medical personnel, & families relocating for employment.
- b) Executive housing, insurance claim temporary housing, housing needed during remodels, people looking to move to our area.
- c) Visitors who come to town for medical procedures, and for their family attending with them

12) STR's provide affordable & authentic accommodations for visitors

- a) Families who cannot afford multiple hotel rooms have an affordable option by renting a multi-bedroom home
- b) Guests can "live like a local" in a residential neighborhood, and learn & appreciate the local lifestyle
- c) Allowing STRs in a community promotes a "welcoming" attitude towards visitors

13) STR properties are well-maintained, have excellent "street appeal", and sustain if not increase property values in neighborhoods

- a) An STR home is constantly having routine maintenance and landscaping in order to create a beautiful vacation home for guests.

14) STRs can help protect the environment from over-development by eliminating some of the pressure for new hotel development

- a) STRs provide an efficient use of existing already developed spaces

Reasons why STR Prohibition would be HARMFUL

15) We would lose all the benefits currently provided by STRs

- a) \$470m in overall economic activity will be lost every year
- b) 5,000 jobs will be lost

- i) If someone is worried about affordable housing, how can a worker who has lost their job afford their housing?
- c) TOT revenues will be lost, as well additional sales tax revenues from STR visitor spending, plus the sales tax multiplier effect from new STR-related employees who are spending their income
 - i) A potential \$5.6m to the County (and \$3.6m to the City) in TOT revenues will be lost, plus potentially many times more in the loss of local-share sales tax revenue
 - ii) Under-funded government programs will have to seek funding elsewhere
- d) Property owners will lose a way to support the affordability of their home
- e) An important local short-term housing solution for residents will be lost
- f) Families will no longer have an affordable alternative to Hotel stays
 - i) Families will not choose hotels if STRs are not available; it is not a trade-off of revenue dollars, it is revenue that is lost
- g) STR properties that are converted to long-term rental properties will lose their street appeal, and the neighborhood will be less desirable

16) The CA Coastal Commission (CCC) has declared that the prohibition of STRs is a violation of the Coastal Act, and local governments may be sued if they vote to prohibit STRs

- a) The CCC has written strongly-worded letters to local governments informing them that STR prohibition is in violation of the Coastal Act
- b) Lawsuits are beginning to be seen in CA against local governments who have voted to prohibit STRs

17) Taking a "sledgehammer" approach to a ban of STR's rather than a more incremental and regulated approach inadvertently exposes local governments to potential very expensive legal challenges :

- a) **Property Rights Challenge #1:** Property owners who bought a property in Santa Barbara County with an expectation of property use that was allowed at the time of property purchase, now are facing the possibility of the use being changed through no fault of their own.
- b) **Property Rights Challenge #2** The ability of an owner to rent to who they want, when they want and how they want (subject to tenants obeying all laws), is a fundamental right of property ownership; any diminishment of this right will diminish the value of an owner's real estate, once again while

doing nothing wrong.

- c) **Civil Rights Challenge #1** A tenant would have fewer rights simply because of the length of their tenancy (29 days vs. 31 days in an extreme case), and not related to their behavior or anything else; short-term and long-term tenants have different rights.
- d) **Civil Rights Challenge #2** People would have less freedom to go where they want and stay where they want in Santa Barbara County; consider this aspect as it is a negative for any resident of our County who wishes to vacation locally in a short-term rental.

18) While there is no way to say for sure, it is possible that some STR activity will go “underground” and will have no regulation or accountability

19) STR Prohibition may create a reduction in long-term housing

- a) This is because regular, repeat users of STRs will rent a home for the entire year and use it throughout the year, thus taking a long-term unit off the market
- b) At the same time, the unit they are prohibited from renting short-term does not become a long-term rental since that owner will be still be using it part-time.
- c) As a result, there could well be a net LOSS of long-term housing units.

20) A prohibition on STR's will end the renowned and respected residential destination tourism industry in Santa Barbara County.

- a) The Board of Supervisors wisely realized 3 years ago that ending Special Events in the County was misguided and without merit.
- b) An STR prohibition reverses that decision of 3 years ago, as just one of the many very harmful side effects of an STR ban.
- c) The residential destination tourism industry by itself is estimated to add \$50M-\$100M every year to the County's economy
- d) This important aspect of our County's current economy is also considered a gateway of goodwill ambassadorship, as many visitors coming here for a special event are seeing and appreciating our County for the 1st time.

21) Santa Barbara will present an “un-welcoming” message about how our community feels towards STR visitors

- a) This cannot easily be “undone”, and will have ramifications for many years into the future.
- b) Alternatively, a more balanced approach to regulating STR's will not risk this mistake that cannot easily be reversed, in terms of its negative impacts on the County for many years.
 - i) Even if corrective legislative action is taken soon after, the perception would be out there to the world about an anti-tourism attitude in the Santa Barbara County, an attitude that could take years to reverse.
- c) Please take a more incremental approach to avoid this risk!

22) It has been proven in Kauai, HI & Palm Desert, CA that prohibition of short-term rentals does not work.

- a) Those areas have reversed their prohibitions, implemented fair and simple short-term rental regulations, and are now considered successes