



City of Sebastopol Staff Report

Meeting Date: April 26, 2022
Agenda Item: 6A
To: Planning Commission
From: Kari Svanstrom, Planning Director
Subject: Vacation Rental Policy Update
Recommendation: Receive report and provide input to staff

Background:

Staff and the Planning Commission were requested by City Council to review and provide recommendations for updates to the City's Vacation Rental ordinance/policies to address the conversion of housing units to non-hosted short term rentals. The Commission held two discussions in late 2019 (interrupted by COVID, which included a year-long shut down of short term rentals due to covid restrictions) regarding this:

- Defining 'non-hosted' for multifamily (per unit, so an apartment building with 5 units could not have
- How to limit non-hosted rentals (by number of nights, cap on total number of permits, % of housing stock restricting to primary residency, limiting corporations from buying/renting any and/or multiple units, etc.)

One issue discussed was how any of these limits would be enforced, as some would be more problematic than others.

The Commission also identified other issues to be discussed as part of an update, including the following:

- Thresholds for 'over-concentration' regardless of hosted or non-hosted
- Definition of 'hosted' for single family with ADUs (currently the city considers these hosted as long as the resident resides on one of the units, but requires a Use Permit for ADUs created after 2017, when impact fees and setbacks were reduced for ADUs).

Since then, staff has heard or identified other issues to be considered as well:

- "Pacaso" type developments (multiple owners who share the home, similar to a time share, but the multiple owners own the home)
- Review parking regulations

The City has since engaged a Consultant, Allen Atamer, from Harmari, the firm that is contracted to review and monitor short term rental compliance for the City.

In this meeting, the Consultant will introduce the update process, receive feedback and respond to questions from Commissioner and the public.

Public Comment:

No public comments have been received as of the writing of this staff report.

Recommendation:

Receive report and provide input to staff.

Attachments:

Current Vacation Rental Ordinance

Prior staff reports and minutes (8/17 and 8/27/19) and prior comments receive (2019)

17.260.060 Vacation rentals.

A. *Criteria.*

1. *Site Design and Parking.*

- a. The site design, architecture, and any improvements shall be compatible with the neighborhood in terms of landscaping, scale, and architectural character. The operation of the use, and any physical improvements related to it, shall be harmonious and compatible with the existing uses within the neighborhood.
- b. *Parking.*
 - i. *Hosted Rental.* One parking space shall be provided on site for a hosted vacation rental in addition to the on-site parking required under Chapter 17.110 SMC.
 - ii. *Nonhosted Rental.* One on-site parking space shall be provided for each sleeping room or guest bedroom in the vacation rental. If a garage is used to meet the parking requirement for the sleeping rooms or guest bedrooms, the garage shall be accessible to guests of the vacation rental.
- c. Excessive amounts of paving shall not be allowed. Tire strips and permeable travel surfaces shall be encouraged. Areas devoted to parking and paving shall not be disproportionate to the site size.
- d. Pools, hot tubs, and outside gathering areas shall be adequately screened from adjacent properties to minimize noise and lighting impacts and shall have the hours of operation clearly posted adjacent to the facility.

2. *Noise Limits.*

- a. Outdoor amplified sound is prohibited.
- b. All activities associated with the vacation rental use shall meet the noise standards identified at Chapter 8.25 SMC. Quiet hours shall be from 10:00 p.m. to 7:00 a.m. The property owner shall ensure that the quiet hours are included in rental agreements and in all online advertisements and listings.
- c. Nuisance noise by unattended pets is prohibited.

3. The maximum overnight occupancy for vacation rentals shall be up to two persons per sleeping room or guest bedroom, plus two additional persons per property, up to a maximum total of 10 persons per vacation rental.

4. Guest stays shall be limited to a maximum of 30 days, with a seven-day period between stays.

5. *Owner and Authorized Agent Availability and Responsiveness.*

- a. The owner (for a hosted vacation rental) or the authorized agent (for a nonhosted vacation rental) shall be available by telephone at all times when the vacation rental is rented, 24 hours per day.

b. The owner (for a hosted vacation rental) or the authorized agent (for a nonhosted vacation rental) must be on the premises of the vacation rental unit within one hour of being notified by a renter, by the Planning Director, or law enforcement officer that there is a need for the owner or the authorized agent (to address an issue of permit compliance or the health, safety, or welfare of the public or the renter).

6. A business license is required.

7. The vacation rental shall be subject to the transient occupancy tax (Chapter 3.12 SMC).

8. Vacation rentals shall be in permitted dwellings and shall not be permitted in nonhabitable structures or in tents, recreational vehicles, or other features or provisions intended for temporary occupancy.

9. For each hosted vacation rental:

a. The owner must reside at the vacation rental, and the owner must sleep at the vacation rental unit while it is being rented.

b. The owner must reside in a bedroom that is not rented to any renter.

c. No more than two bedrooms may be rented for transient occupancy uses.

10. *Posting and Neighbor Notification of Permit and Standards.* Once a vacation rental permit has been approved, a copy of the permit listing all applicable standards and limits and identifying contact information for the owner or authorized agent, including a phone number at which the owner or authorized agent can be reached 24 hours per day, shall be posted within the vacation rental property. These standards shall be posted in a prominent place within six feet of the front door of the vacation rental, and shall be included as part of all rental agreements. At the permit holder's expense, the City shall provide mailed notice of permit issuance to property owners and immediate neighbors of the vacation rental unit using a 300-foot property radius owner mailing list.

11. *Requirements for All Advertisements and Listings.* All advertisements and/or listings for the vacation rental shall include the following:

a. Maximum occupancy;

b. Maximum number of vehicles;

c. Notification that quiet hours must be observed between 10:00 p.m. and 7:00 a.m.;

d. Notification that no outdoor amplified sound is allowed; and

e. The transient occupancy tax certificate number for that particular property.

B. *Permit Requirements.*

1. A vacation rental must receive either an administrative permit or conditional use permit, as shown in Table 17.260-1 below.

Table 17.260-1. Vacation Rental Permit Requirements

Unit Type	Number of Guest Occupancy Days per Year	
	30 days or less per year	31 days or more per year
Hosted vacation rental	Administrative permit	Administrative permit
Nonhosted vacation rental	Administrative permit	Conditional use permit
Accessory dwelling unit (hosted or nonhosted)	Conditional use permit	Conditional use permit
Accessory dwelling unit (hosted or nonhosted) that is 840 sq. ft. or less and built prior to July 1, 2017	Administrative permit	Administrative permit

2. Each conditional use permit issued pursuant to this section shall be subject to an annual permit review and extension. No later than one year after the effective date of the permit, the owner or authorized agent shall submit to the Planning Director the annual review fee, established by City Council resolution, along with the permit review form established by the Planning Director. The owner shall document compliance with all requirements of this section and shall also document each date on which the vacation rental was rented during the previous term of the permit.

C. Complaint and Enforcement Process.

1. Initial complaints on vacation rentals shall be directed to the owner or authorized agent identified in the administrative permit or conditional use permit, as applicable. The owner or authorized agent shall be available by phone 24 hours during all times when the property is rented. Should a problem arise and be reported to the owner or authorized agent, the owner or authorized agent shall be responsible for contacting the tenant to correct the problem within 60 minutes, including visiting the site if necessary to ensure that the issue has been corrected.

The owner or authorized agent shall document the complaint, and their resolution or attempted resolution(s), to the Planning Director within 72 hours of the occurrence.

Failure to respond to complaints or report them to the Planning Director shall be considered a violation of this section, and shall be cause for revocation of the vacation rental permit.

If the issue reoccurs, the complaint will be addressed by the Planning Director or code enforcement officer who may conduct an investigation to determine whether there was a violation of a zoning standard or conditional use permit condition. Police reports, online searches, citations, or neighbor documentation consisting of photos, sound recordings and video may constitute proof of a violation. If the Planning Director verifies that a zoning or conditional use permit condition violation has occurred, a notice of violation may be issued and a penalty may be imposed in accordance with Chapter 1.04 SMC. At the discretion of the Planning

Director, the administrative permit or conditional use permit may be scheduled for a revocation hearing with the Planning Commission. If the permit is revoked, an administrative permit or conditional use permit for a vacation rental on that particular property may not be reapplied for or issued for a period of at least one year.

2. A vacation rental that is determined to be operating without the necessary permit required under this section shall be subject to a penalty of three times the normal application fee.

3. Upon receipt of any combination of three administrative citations or Planning Director determinations of violation of any of the permit requirements or performance standards issued to the owner or occupants at the property within a two-year period, the vacation rental administrative permit or conditional use permit is summarily revoked, subject to prior notice and to appeal, if appeal is requested pursuant to the appeals section of the Zoning Ordinance. Should such a revocation occur, an application to reestablish a vacation rental at the subject property shall not be accepted for a minimum period of two years.

D. *Findings.* The decision-making body may approve a permit for a vacation rental, with or without conditions, if all of the following findings are made:

1. The proposed vacation rental is consistent with the standards established by this section and will not detrimentally affect the health, safety, or welfare of the surrounding neighborhood or area.

2. Approval of the vacation rental will not result in an over concentration of such uses in a neighborhood.

3. There is adequate parking for all guests and operators to park on the subject property in accordance with Chapter 17.110 SMC.

4. Approval of the vacation rental will result in the preservation of the residential design and scale of the structures on the property and will maintain the residential character of the neighborhood.

5. The architectural or historic character of the structure proposed to house the vacation rental is appropriate for the use.

6. For accessory dwelling units, the approval of the permit would not result in a reduction to the City's affordable housing stock. (Ord. 1111, 2018)

The Sebastopol Municipal Code is current through Ordinance 1123, passed May 7, 2019.

Disclaimer: The City Clerk's Office has the official version of the Sebastopol Municipal Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

City Website: www.ci.sebastopol.ca.us

Code Publishing Company

ATTACHMENTS: AUGUST 13, 2019 PLANNING COMMISSION REPORT

City Council

Mayor Neysa Hinton
Vice Mayor Patrick Slayter
Michael Carnacchi
Una Glass
Sarah Glade Gurney



Planning Director

Kari Svanstrom

Senior Administrative Assistant

Rebecca Mansour

City of Sebastopol Planning Commission Staff Report

Meeting Date: August 13, 2019
Agenda Item: 9A
To: Planning Commission
From: Kari Svanstrom, Planning Director
Subject: Vacation Rental Policy Discussion

Introduction:

At its August 6, 2019, meeting, the City Council adopted Ordinance 1126, imposing a moratorium on non-hosted vacation rentals of more than 30 days per year. These uses would normally require a Conditional Use Permit (CUP) however, in light of the housing shortage, and the recent denial of a CUP for a non-hosted vacation rental due to inconsistencies with the Housing Element policies of preserving and protecting existing housing stock, staff is seeking recommendations from the Planning Commission on the items discussed in this report.

The initial moratorium will be in effect for 45 days, with the ability to extend it, which will likely be needed. Council also reviewed a number of items and confirmed that they wished to have the Planning Commission review all of the items and provide recommendations to staff. They also requested some additional information, such as economic impacts of short-term rentals on long-term rents, and differences in rental rates (i.e. potential income) between vacation rentals and long-term rentals. The Council was also open to hiring a consultant to assist with the City's process.

While staff does not have answers to these questions, we would like to begin discussion of the various items with the Planning Commission to get preliminary discussions on the various items raised by staff in its report to Council, and also identify any other concerns or issues the Planning Commission has on this topic as the process moves forward.

Discussion:

- *How to handle currently registered non-hosted rentals over time*

Staff recommends that these legal uses which are registered with the City and have been paying TOT for their rentals, be grandfathered in as allowed uses (considered to have a CUP) and allowed to continue to operate with only the Business License. However, as the City develops new regulations, staff recommends that a change in ownership would require a new owner to be subject to whatever rules are in place at that time. They would need to procure a new permit or, if not allowed based on the City's regulations, would need to be occupied by a long-term resident. This would ensure the existing non-hosted rentals comply with future

regulations in the event the property is sold and would encourage any future homeowners to buy the unit for their own primary residency rather than artificially inflate the price of these units as investment properties as vacation rentals.

Alternatively, the City Council could treat these as non-conforming uses, with a future expiration date that allow the owners to transition the properties to long-term tenants or some other disposition.

- *What type of non-hosted vacation rentals would be "approvable" in the future.*

Staff has been advising potential applicants that non—hosted rentals would only likely be approved if the dwelling unit has a primary resident. This would include hosted rentals, and non-hosted rentals less than 30 days/year; it could also include special circumstances where the dwelling unit has a primary/permanent resident who is away for an extended period and wishes to rent for more than 30 days/year, but less than full time. Examples of this might include where a unit is being rented by a student, but vacant during summer months; or a professor on sabbatical for 6 months, but returning to the unit; or, an individual who has an extensive stay for medical care, but will return to the home when recuperated. These would not include "second homes" where the unit is not the primary residence of the owner.

Staff's recommendation as a potential policy direction that would allow certain non-hosted vacation rentals greater than 30 days/year would be to outline residency requirements such that an owner would need to demonstrate that the unit is their primary residence, or that the unit is rented to someone as their primary residence. How this would be determined would be discussed by the Planning Commission, however many municipalities base this on voter registration, property tax homeowner exemption, or other metrics that prove residency.

- *How to treat multi-unit properties (single family homes with ADUs and apartment buildings)*

Currently, a property with a single-family home with an ADU is considered a 'hosted' rental as long as the owner lives in one of the units. This means an owner could live in the ADU and rent the main home or, for properties with ADUs built prior to July 1, 2017, they could live in either of the units and rent the other. Currently staff is aware of a couple of properties where this is being done (mainly, living in the ADU and renting the main home). While this could be seen as a reduction in housing stock, generally the ADUs are being built with this purpose in mind as a way to afford to own a home in Sebastopol, and changes to this policy could negatively affect these owners, and / or reduce the number of ADUs being built in the future by those looking to do the same. Since most of these units are done through adding to the housing stock, staff believes this is compliant with the Housing Element Goal B -2 of preserving housing stock, as the units are generally being created through adding new units to the housing stock. Additionally, while these properties may not be increasing the housing stock in the short run, these properties could transition to two long-term dwelling units in the future, thus adding to the housing stock over time.

Staff does, however, have concerns about extending the definition of 'hosted' to other multi-unit properties (i.e. apartment buildings), most of which account for existing long-term housing. If an owner were to move into one unit, and convert multiple other units to vacation rentals, this could result in a significant loss of housing stock and would not be consistent with the Housing Element goals of preserving and maintaining existing housing.

Staff does not feel the policies for homes with ADUs need to be revisited, but that the policies should clarify that each unit in multi-family properties is considered separately (not the entire site) when determining whether a unit is 'hosted' or 'non-hosted' to ensure better protection of these housing units.

- *How to regulate non-hosted vacation rentals in commercial zoning districts*

While transient uses in a commercial zone would likely have less disruption to neighborhood uses in commercial areas, conversion of existing housing units to transient housing has similar issues related to consistency with the Housing Element Goal related to protection of existing housing stock. There are a number of residential dwellings (single family and multi-family) in the commercial zones which could be put at risk if non-hosted vacation rentals were allowed in this zone. Therefore, the issues related to compliance with the Housing Element Goal B -2 and protection of existing housing stock remain. Additionally, tenants in these zones deserve equal protection against properties being converted to short term/transient uses.

Of note, currently hotels less than 50 rooms are allowed without a use permit in the Downtown Commercial zoning district, which could allow for conversion of a multi-family dwelling use to a hotel. Staff recommends that this be clarified during this process to either require a Use Permit (where this issue, plus any others associated with hotels could be reviewed), or otherwise prohibit the conversion of permanent dwelling units to transient residential uses. While this may not have been a major concern when the ordinance was formulated, major hotel chains have begun to show interest in purchasing residential properties for such transient or semi-transient uses to compete with AirBNB and other similar platforms (See ATTACHMENT 1 articles).

There may be some scenarios where non-hosted vacation rentals in commercial areas might be allowed, such as:

- Where a single dwelling unit exists in a commercial zone, and the owner wishes to add vacation rental units (as new units, not conversion of existing housing units);
 - Other developments which do not diminish the City's housing stock for long-term residents
- *Any other areas the Commission feels need to be considered*

City Comparisons

Sebastopol is not the first City to struggle with this issue; see below for how other communities in the area have handled vacation rentals. Staff will be following up with some of these jurisdictions, particularly those with policies that have been in place for a period of time, to see how they are working, impacts on housing and neighborhoods, etc.

What are other jurisdictions doing regarding vacation rentals?

- Petaluma limits non-hosted rentals to no more than 90 days of paid-occupancy per year.

- Healdsburg only permits vacation rentals in the downtown commercial district, and then only with a conditional use permit.
- Rohnert Park does not allow more than one bedroom to be rented in a primary residence, and prohibits rentals of ADUs (effectively banning non-hosted rentals).
- Following a 2016 moratorium on vacation rentals, the City of Sonoma now limits vacation rentals to only historic houses. Sonoma has 55 vacation rental permits (population 11,000)
- The City of Napa (population 78,000) has limited the number of non-hosted rentals to 41 permits. Past regulations did not allow any non-hosted rental permits to be transferred if the property was sold.
- San Francisco limits whole house rentals to 90 days per year total (no limit on total number of whole house vacation rentals throughout City).
- Sonoma County has created exclusion zones – certain districts or areas do not allow non-hosted rentals. These zones are based on neighborhood/area interest, with most of these in eastern Sonoma County (the Fifth District does not have any exclusion zones).

Short Term Rental Compliance

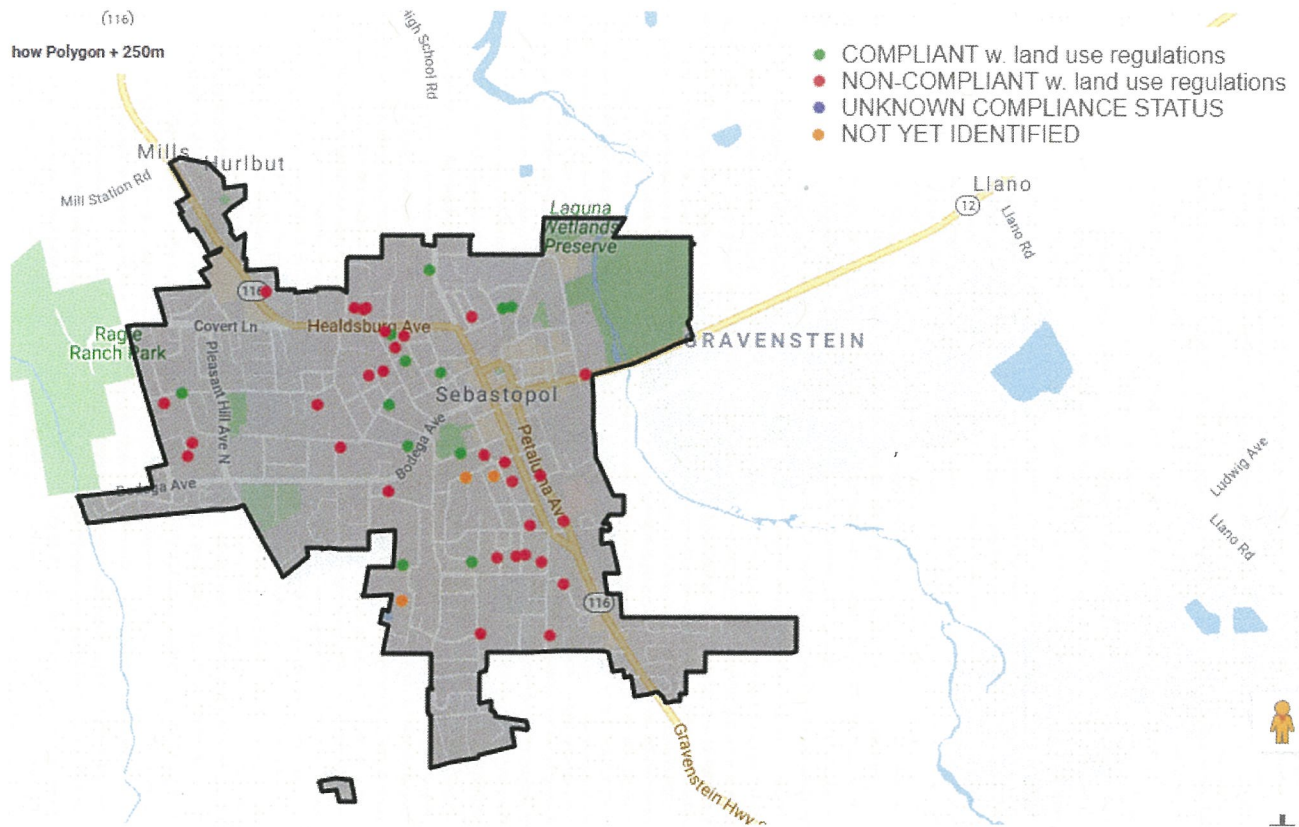
Common questions raised when discussing vacation rentals include: “what are you doing about non-compliant rentals?” and “don’t people just rent their unit without registering?”

To date, unregistered/illegal rentals have been addressed only when the City receives a complaint (often from a neighbor due to parking issues, noise issues, etc.). However, the Planning Department recently executed an agreement with a company called Host Compliance, which assists cities and counties with tracking and identifying unregistered rentals, as well as assisting in gaining compliance through communications with the property owners. Host Compliance is utilized by several surrounding communities, including Sonoma (city), Healdsburg, and Petaluma.

Staff has initiated the identification component of this service to better understand the rental patterns in the City and identify unregistered vacation rentals. The initial assessment found approximately 44 -48 vacation rentals within the City limits that are currently active (advertised within the last few months). Of these, 13 are registered with the City, or approximately 30% compliance rate; 60% have been confirmed to be ‘non-compliant’ (unregistered/illegal) rentals:

Of the current listings:

- 18 are “whole house/apartment” rentals (‘non-hosted rentals’, of which 1-2 are likely in the ‘less than 30 days/year’); of these,
 - 5 of the “non-hosted” rentals are compliant (i.e. currently registered with the City)
 - 12 are non-compliant
- 26 vacation rentals in the City are ‘hosted’; of these,
 - 8 were complaint
 - 18 were non-compliant
- 2-4 units have yet to be identified (and confirmed if in the City or not)
 - 2 of these are likely outside city limits
 - 2 of these are likely in city limits, and compliant



As a next step, staff will be proceeding with contacting the unregistered vacation rentals with compliance letters, informing them of the City’s regulations and, for those that are hosted or otherwise eligible for registration, work with them to get them registered (assuming they meet the City’s requirements). Those that would not be eligible due to the moratorium (non-hosted rentals more than 30 days/year) would be requested to cease operations. Staff recommends they be given 30-45 days to cease operations to allow for any current reservations to be honored (but be subject to TOT for the rentals during that time period).

Public Comment:

Staff has received several comments prior to and at the City Council hearing; comments are attached as part of ATTACHMENT 1.

Attachments:

1. Staff report and public comments received prior to or at the 8/6/19 City Council mtg
2. Ordinance 1126 (Moratorium adopted 8/6/2019)
3. Current Zoning Ordinance provisions for Vacation Rentals (SMC 17.260.060)

Agenda Report Reviewed by:
City Manager 

CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM

Meeting Date: August 6, 2019
To: Honorable Mayor and City Councilmembers
From: Kari Svanstrom, Planning Director
Subject: Public Hearing to Consider a Moratorium on Non-hosted Vacation Rentals
Recommendation: Receive Staff Report and hold a Public Hearing, Adopt the Moratorium, and provide direction to staff
Funding: Currently Budgeted: _____ Yes _____ No N/A
Net General Fund Cost: _____
Amount: \$

INTRODUCTION:

At its May 21, 2019 meeting, the City Council heard and upheld an appeal to deny a Use Permit for a non-hosted vacation rental (also known as short-term rentals or STRs). The Council found that the conversion of a dwelling unit to a transient use (vacation rental) was not consistent with the City’s adopted Housing Element, which states the City should take measures to protect its existing housing stock for permanent residents.

At that time, the Council also requested staff develop a moratorium of any new non-hosted vacation rentals in the City, in an effort to preserve the City’s existing housing stock for long-term rentals. A non-hosted rental is where the property owner does not live on the site while it is being rented, and therefore most do not have a permanent resident living in the unit, unlike a “hosted rental”, where the owner lives at the property while it is being rented (often this type of rental is where an owner lives in a larger home and rents 1-2 rooms). Hosted rentals do not, therefore, reduce the housing available for permanent residents in the way non-hosted rentals do.

This agenda item presents an Ordinance for the Council’s consideration that would impose a moratorium on any new non-hosted rentals of more than 30 days a year, as well as requests the Council provide direction to staff as it develops more detailed policy recommendations with the Planning Commission.

BACKGROUND:

Prior to the Zoning Ordinance update in November 2018, a home owner was permitted to rent up to two rooms in their house (or their entire house, if it consisted of only two bedrooms) as a vacation rental. This only required the approval of a City Business License. Short term rentals of more than two bedrooms were considered a Bed and Breakfast use and required Conditional Use Permit (CUP) approval to operate, in addition to a City Business License.

Under the new Zoning Ordinance regulations all vacation rentals require approval of either an Administrative Permit or CUP. Vacation rentals are classified into two categories: hosted and non-hosted.

As noted above, the City has different regulations for “hosted” rentals (a vacation rental business for which the owner resides and stays overnight at the site while the rental is being rented, and no more than two bedrooms are rented for transient occupancy) and “non-hosted” rentals (a vacation rental business for which the owner or authorized agent does not reside at the vacation rental site/is not on site during rentals). Whether or not a vacation rental qualifies for an Administrative Permit or CUP is dependent on the type of vacation rental proposed (hosted or non-hosted), and the total number of days the unit is proposed to be rented per year:

- Hosted Vacation Rental – Administrative Permit
- Non-Hosted Vacation Rental (30 days or less per year) – Administrative Permit
- Non-Hosted Vacation Rental (31 days or more per year) – Conditional Use Permit (CUP)
- Accessory Dwelling Unit, Hosted or Non-Hosted (built prior to July 1, 2017) – Administrative Permit
- Accessory Dwelling Unit, Hosted or Non-Hosted (built after July 1, 2017) – Conditional Use Permit (CUP)

While the new Zoning Ordinance tightened the regulations related to vacation rentals, the recent CUP application and subsequent discussions related to the Housing Element Goals, there is a need to clarify the criteria for approval of a Use Permit for non-hosted vacation rentals. The Council has requested a moratorium on new non-hosted vacation rentals of more than 30 days/year (aka “full time” non-hosted vacation rentals) while these discussions take place; this would prohibit any new applications for such uses; under State law, the initial moratorium would be in place for 45 days, with the ability to extend this time if needed.

DISCUSSION:

While a non-hosted vacation rental of more than 30 days per year requires a Conditional Use Permit (which is a discretionary permit), it became clear in reviewing the first CUP for a non-hosted vacation rental that there was a need for clearer criteria on when a non-hosted rental might be found consistent with the General Plan, which is one of the criterion for approval of a CUP.

Moratorium

The moratorium as written would prohibit any new Conditional Use Permit (CUP) applications for whole house rentals of more than 30 days, but continue to allow non-hosted rentals less than 30 days/year, with an administrative permit. As noted above, non-hosted vacation rentals of more than 30 days a year requires approval of a Conditional Use Permit (CUP) by the Planning Commission, while non-hosted vacation rentals of less than 30 days is allowed with an Administrative Permit. This allows full-time residents to rent their home for a short amount of time, either in blocks or at once, while they are on vacation or out-of-town, but the limited number of days is low enough that generally the home will still be used by the permanent resident.

Additionally, non-hosted vacation rentals that are currently registered with the City (all of which would have been approved prior to December 2018) will be “grandfathered” in and allowed to continue as though they had a use permit. Most of these rentals currently do not have permanent residents. (See below discussion on how to address these non-hosted rentals in the long-term.)

Further, staff recommends that any unregistered/unlicensed rentals be treated the same as new rentals, and be subject to the moratorium if a non-hosted rental of more than 30 days/year, or subject to registration/permitting if a hosted rental, or non-hosted rental less than 30 days/year. This is typically how the Planning Department handles illegal uses (they are not granted ‘grandfathering’ or ‘non-conforming’ status as that would reward, and potentially encourage, this type of activity. This would apply to all vacation rentals that have been operating “under the radar” - meaning they do not have a business license/registration with the City, and may not be paying transient occupancy taxes (TOTs)).

In summary, the moratorium would not apply to:

- Non-hosted vacation rentals that are currently registered with the City.
- Non-hosted vacation rentals of less than 30 days per year.
- Hosted vacation rentals of any length in time (both existing registered rentals and new applications for hosted rentals). As expressed at the May 21, 2019 hearing, the Council was not concerned with these rentals, as they maintain the long-term residential use.

Additional Policy Discussion

In addition to considering the moratorium for non-hosted rentals, staff is requesting that Council provide direction to staff as the Planning Commission reviews and develops revisions to the current vacation rental policies on the following:

- *How to handle currently registered non-hosted rentals over time*

Staff recommends that these legal uses, which are registered with the City and have been paying TOT for their rentals, be grandfathered in as allowed uses (considered to have a CUP) and allowed to continue to operate with only the Business License. However, as the City develops new regulations, staff recommends that a change in ownership would require a new owner to be subject to whatever rules are in place at that time. They would need to procure a new permit or,

if not allowed based on the City's regulation, would need to be occupied by a long-term resident. This would ensure the existing non-hosted rentals comply with future regulations in the event the property is sold, and would encourage any future homeowners to buy the unit for their own primary residency rather than artificially inflate the price of these units as investment properties as vacation rentals.

Alternatively, the City Council could treat these as non-conforming uses, with a future expiration date that allow the owners to transition the properties to long-term tenants or some other disposition.

- *Provide direction to staff as the Planning Commission reviews and develops on what type of non-hosted vacation rentals would be "approvable" in the future.*

Staff has been advising potential applicants that non-hosted rentals would only likely be approved if the dwelling unit has a primary resident. This would include hosted rentals, and non-hosted rentals less than 30-days/year; it could also include special circumstances where the dwelling unit has a primary/permanent resident who is away for an extended period and wishes to rent for more than 30 days/year, but less than full-time. Examples of this might include where a unit is being rented by a student, but vacant during summer months; or a professor on sabbatical for 6 months, but returning to the unit; or, an individual who has an extensive stay for medical care, but will return to the home when recuperated. These would not include "second homes" where the unit is not the primary residence of the owner.

Staff's recommendation as a potential policy direction that would allow certain non-hosted vacation rentals greater than 30 days/year would be to outline residency requirements such that an owner would need to demonstrate that the unit is their primary residence, or that the unit is rented to someone as their primary residence. How this would be determined would be discussed by the Planning Commission, however many municipalities base this on voter registration, property tax homeowner exemption, or other metrics that prove residency.

- *How to treat multi-unit properties (single family homes with ADUs and apartment buildings)*

Currently, a property with a single-family home with an ADU is considered a 'hosted' rental as long as the owner lives in one of the units. This means an owner could live in the ADU and rent the main home or, for properties with ADUs built prior to July 1 2017, they could live in either of the units and rent the other. Currently staff is aware of a couple of properties where this is being done (mainly, living in the ADU and renting the main home). While this could be seen as a reduction in housing stock, generally the ADUs are being built with this purpose in mind as a way to afford to own a home in Sebastopol, and changes to this policy could negatively affect these owners, and / or reduce the number of ADUs being built in the future by those looking to do the same. Since most of these units are done through adding to the housing stock, staff believes this is compliant with the Housing Element Goal B-2 of preserving housing stock, as the units are generally being created through adding new units to the housing stock. Additionally, while these properties may not be increasing the housing stock in the short run, these properties could

transition to two long-term dwelling units in the future, thus adding to the housing stock over time.

Staff does, however, have concerns about extending the definition of 'hosted' to other multi-unit properties (i.e. apartment buildings), most of which account for existing long-term housing. If an owner were to move into one unit, and convert multiple other units to vacation rentals, this could result in a significant loss of housing stock and would not be consistent with the Housing Element goals of preserving and maintaining existing housing.

Staff does not feel the policies for homes with ADUs need to be revisited, but that the policies should clarify that each unit in multi-family properties is considered separately (not the entire site) when determining whether a unit is 'hosted' or 'non-hosted' to ensure better protection of these housing units.

- *How to regulate non-hosted vacation rentals in commercial zoning districts*

While transient uses in a commercial zone would likely have less disruption to neighborhood uses in commercial areas, conversion of existing housing units to transient housing has similar issues related to consistency with the Housing Element Goal related to protection of existing housing stock. There are a number of residential dwellings (single family and multi-family) in the commercial zones which could be put at risk if non-hosted vacation rentals were allowed in this zone. Therefore, the issues related to compliance with the Housing Element Goal B-2 and protection of existing housing stock remain. Additionally, tenants in these zones deserve equal protection against properties being converted to short term/transient uses.

Of note, currently hotels less than 50 rooms are allowed without a use permit in the Downtown Commercial zoning district, which could allow for conversion of a multi-family dwelling use to a hotel. Staff recommends that this be clarified during this process to either require a Use Permit (where this issue, plus any others associated with hotels could be reviewed), or otherwise prohibit the conversion of permanent dwelling units to transient residential uses. While this may not have been a major concern when the ordinance was formulated, major hotel chains have begun to show interest in purchasing residential properties for such transient or semi-transient uses to compete with AirBNB and other platforms (See Attachment 2).

There may be some scenarios where non-hosted vacation rentals in commercial areas might be allowed, such as:

- Where a single dwelling unit exists in a commercial zone, and the owner wishes to add vacation rental units (as new units, not conversion of existing housing units);
- Other developments which do not diminish the City's housing stock for long-term residents

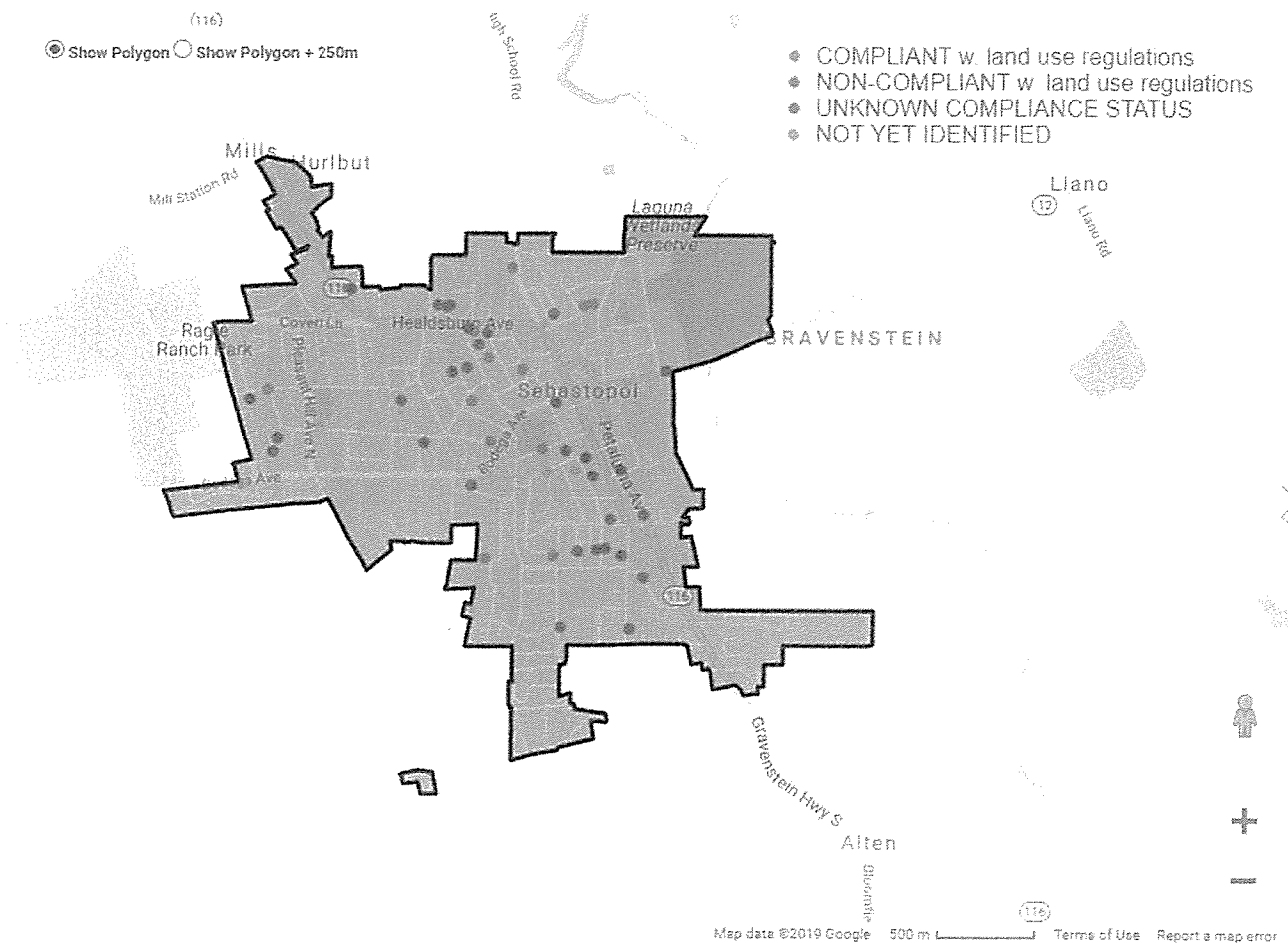
- *Any other direction the Council may wish to provide to the Planning Commission and staff.*

Short Term Rental Compliance

Common questions raised when discussing vacation rentals include: “what are you doing about non-compliant rentals?” and “Won’t people just rent their unit without registering?”

To date, unregistered/illegal rentals have been addressed only when the City receives a complaint (often from a neighbor due to parking issues, noise issues, etc.). However, the Planning Department recently executed an agreement with a company called Host Compliance, which assists cities and counties with tracking and identifying unregistered rentals, as well as assisting in gaining compliance through communications with the property owners. Host Compliance is utilized by several surrounding communities, including Sonoma (city), Healdsburg, and Petaluma.

Staff has initiated the identification component of this service to better understand the rental patterns in the City and identify unregistered vacation rentals. The initial assessment found approximately 44-48 vacation rentals within the City limits that are currently active (advertised within the last few months). Of these, 13 are registered with the City, or approximately 30% compliance rate; 60% have been confirmed to be ‘non-compliant’ (unregistered/illegal) rentals:



Of the current listings:

- 18 are “whole house/apartment” rentals (‘non-hosted rentals’, of which 1-2 are likely in the ‘less than 30 days/year’); of these,
 - 5 of the “non-hosted” rentals are compliant (i.e. currently registered with the City)
 - 12 are non-compliant
- 26 vacation rentals in the City are ‘hosted’; of these,
 - 8 were complaint
 - 18 were non-compliant
- 2-4 units have yet to be identified (and confirmed if in the City or not)
 - 2 of these are likely outside city limits
 - 2 of these are likely in city limits, and compliant

As a next step, staff would like to proceed with contacting the unregistered vacation rentals with compliance letters, informing them of the City’s regulations and, for those that are hosted or otherwise eligible for registration, work with them to get them registered (assuming they meet the City’s requirements). Those that would not be eligible due to the moratorium (non-hosted rentals more than 30 days/year) would be requested to cease operations. Staff recommends they be given 30-45 days to cease operations to allow for any current reservations to be honored (but be subject to TOT for the rentals during that time period).

FISCAL IMPACT:

The City receives Transient Occupancy Tax (TOT) from vacation rentals that are registered with the City. In 2018, this amounted to \$87,000 in TOT from vacation rentals (not including established hotels). If the City Council adopts the moratorium as written, which allows existing, registered non-hosted rentals to continue, no loss of TOTs would be expected. It is unclear whether, and to what extent unregistered rentals pay TOTs.

Additionally, since only 30% of current rentals are registered, if additional rentals are registered, the TOT collected from vacation rentals would likely increase (AirBNB collects TOT for its users, but does not confirm if they are registered or not, so it is unknown what portion of their remittance is from registered vs unregistered rentals; other platforms, such as VRBO, do not collect taxes, these additional TOTs would be collected once registered).

RECOMMENDATION:

Receive presentation, hold a public hearing, and adopt the proposed Ordinance; and, provide policy guidance to staff for development of future regulations.

ATTACHMENTS:

1. Draft Ordinance
2. News articles related to short term rentals
3. Public Comments

ATTACHMENTS: AUGUST 13, 2019 PLANNING COMMISSION MINUTES



City of Sebastopol
Incorporated 1902
Planning Department
7120 Bodega Avenue
Sebastopol, CA 95472
707-823-6167
707-823-1135 (Fax)

www.ci.sebastopol.ca.us

Email: kvanstrom@cityofsebastopol.org

PLANNING COMMISSION
MEETING OF: August 13, 2019
SEBASTOPOL YOUTH ANNEX
425 MORRIS STREET

APPROVED MINUTES

PLANNING COMMISSION
CITY OF SEBASTOPOL
MINUTES OF August 13, 2019

SEBASTOPOL YOUTH ANNEX
425 MORRIS STREET

PLANNING COMMISSION:

The notice of the meeting was posted on August 08, 2019.

1. CALL TO ORDER: Chair Wilson called the meeting to order at 7:00 p.m.

2. ROLL CALL:

Present: Chair Wilson, Vice Chair Doyle, and Commissioners
Glaser, Kelley, Oetinger and Fernandez
Absent: Commissioners Douch and Fritz
Staff: Kari Svanstrom, Planning Director

3. APPROVAL OF PLANNING COMMISSION MINUTES: (none)

4. COMMENTS FROM THE PUBLIC ON ITEMS NOT ON AGENDA: (none)

5. STATEMENTS OF CONFLICTS OF INTEREST:

Commissioner Fritz was absent due to a conflict.

6. PLANNING DIRECTOR'S REPORT (Update on Future Agendas, Action of Other
Boards and City Council)

Director Svanstrom provided the following updates:

- The City Council approved the Planning Commission's workplan at their meeting on August 6th.

- The City Council also approved the 45-day moratorium on any new applications for non-hosted rentals of more than 30 days per year.

7. CONSENT CALENDAR (PUBLIC HEARING IF REQUESTED): (none)

8. PUBLIC HEARING: (none)

9. DISCUSSION:

A. NON-HOSTED VACATION RENTAL POLICY DISCUSSION

Director Svanstrom commented that Commissioner Oetinger was the Planning Commission liaison at the last City Council meeting and presented the staff report. After presentation of the staff report, Director Svanstrom provided a brief overview of Council comments.

A member of the public interjected and said that she never received a public hearing notice.

Director Svanstrom responded that the Commission was not currently taking public comments but that she would be happy to talk to her about the issue after the meeting.

Director Svanstrom asked Commissioner Oetinger if she wished to add anything.

Commissioner Oetinger added the following:

- Vice Mayor Slayter mentioned that the City is not radical in that other Cities are looking at this issue as well.
- Councilmember Carnacchi expressed support for hitting pause to allow the Commission the time they need to look at this issue. In addition, he expressed support for involving a consultant to advise the City.
- The economic differences are something to look at.

Hearing nothing further, Chair Wilson asked for questions of Director Svanstrom.

Comments and questions included:

- It would be helpful if the City could know the number of days that a unit has been rented for through collection of the TOT.
- Asked if the permit goes with the property or with the property owner and the property?
- Due to confusion over the definitions; a member of the Commission commented that if a stay is intended to be less than 30 days it is considered 'transient'.
- In terms of definitions; unsure why we have 'transient' and 'semi-transient' as separate definitions. Less than, or more than 30 days is what determines the difference between the types.
- An 'authorized agent' is somebody authorized by the property owner to serve in that capacity.
- The definitions of 'hosted vacation rental' and 'nonhosted vacation rental' may need to be clarified in terms of what is meant by the statement that reads, 'reside at the vacation rental unit,' when referencing the owner or authorized agent.
- Curious to know the number of residential units that are in commercial zoning districts, especially if they're situated in a neighborhood of other residences.
- The City has not received complaints on permitted rentals however, the City has received complaints on a couple of unpermitted rentals.

- Recalled a program, other than SHARE Sonoma County, that was passed some years back that was designed to encourage folks to stay in people's homes rather than staying outside of town. Recalled that it was passed by Sebastopol but that it was part of a broader effort for the west county area and asked staff to look into it.

At the request of Chair Wilson, Director Svanstrom provided an update on the Hotel Sebastopol project.

Chair Wilson opened the public hearing.

Jacob Rich, a resident of Sebastopol, commented:

- Thanked the Commission for discussing this important issue.
- Spoke on his memories of growing up in Sebastopol.
- Spoke on the housing crisis and the cost of living in Sebastopol.
- Spoke on vacation rentals and their impact on the community.
- Spoke on articles on vacation rentals that were published in the Press Democrat as well as the Sonoma West Times & News.
- Suggested that the City of Sebastopol consider the vacation rental exclusion zone effort that has been done in Healdsburg and other places in the Sonoma valley.
- Spoke on Sebastopol's character.
- Thanked the Commission for their time.

Pete Anderson, a resident of Sebastopol, commented:

- Spoke on behalf of Charles Metz.
- Read a prepared statement from Mr. Metz.

Chair Wilson granted Mr. Anderson additional time to read the prepared statement from Mr. Metz.

Mr. Anderson continued:

- Thanked Chair Wilson for allowing him additional time.
- Continued to read the prepared statement from Mr. Metz.
- Thanked the Commission for the opportunity to speak.

A woman named Mary commented:

- It feels like Sebastopol has already decided to transition towards tourism in a commercial sense.
- Vacation rentals seem to be more in keeping with Sebastopol's values than having one or two huge corporate hotels that make all of the money.

Gretchen Chertov, North Main Street, commented:

- As a 68-year-old woman, she has been living in her house for 31 years and has been renting out a back room that she converted to an Airbnb to help support herself in retirement. She also has an ADU that she rents out as a long-term rental.
- As somebody who provides a hosted rental this discussion doesn't apply to her directly, however, she is always thinking of what may happen in the future and how her ability to support herself may be impacted.
- Surprised to hear how many people are not in compliance.
- Agreed with the prior speaker on Sebastopol heading towards a tourist economy.
- Would like to have options in the future to use her property in the way that would best suit her.

Commissioners asked clarifying questions of Ms. Chertov.

Megan Finaly, Eleanor Avenue, commented:

- Read a written statement that she had previously submitted into the public record.
- Thanked the Commission for their time.

Randy Knight, lives in the unincorporated part of Sebastopol, commented:

- Owns a vacation rental management company with his wife and works as a realtor.
- Has lived in the area for more than twenty years.
- Challenges the premise of this in that he does not believe there is a housing crisis/shortage.
- Spoke on current property listings and on the slowness of the housing market at this time.
- Spoke on the number of hosted and non-hosted rentals he found on airbnb.com.
- Understands concern about changing the character of Sebastopol.
- Reached out to quite a few businesses and they overwhelmingly stated that they need tourism to survive, now more than ever.
- Most people aren't getting rich off this.
- Many people could not afford to live here if not for their ability to do this.
- Does not want property owners' options to be limited when it comes to their ability to use their property as a vacation rental.
- Thanked the Commission for their time.

A woman named Kathy who lives in Sebastopol commented:

- Interested in promoting vacation rentals.
- Requests to be allowed to email additional information to staff and the Commission/Council during the 45-day period for the moratorium.
- Airbnb has a lot of data and statistics on the benefits of allowing vacation rentals.
- There are a lot of ordinary people like housekeepers and gardeners that are making a living off vacation rentals too.
- Thanked the Commission for their time.

ila Benavidez-Heaster, Bodega Avenue, commented:

- Supports the moratorium.
- Sebastopol is pretty built out, there isn't a lot of space.
- Respects the need for individuals and families to earn money, but it comes at a price.
- Spoke on gentrification.
- Sees the struggle on this topic.
- Our culture is about using and discarding.
- It's time to reinforce the need for community.
- We don't want to have a ghost town.
- Discernment is required here.
- Thanked the Commission for their town.

Mr. Knight asked if it would be possible for him, and possibly others, to give a presentation to the Commission on their position with regards to vacation rentals.

Chair Wilson responded that that could be done and suggested that he work with Director Svanstrom to coordinate.

Chair Wilson closed the public hearing.

Commissioner Oetinger asked Director Svanstrom about whether she wanted the Commission to provide initial thoughts or save their deliberations for when the consultant is present.

Director Svanstrom requested that the Commission provide their initial thoughts, by category, at this time. Depending on where the discussion goes, the Council has expressed being amenable to hiring a consultant, however, that would need to be approved by Council and would only occur if it was determined to be a need.

Chair Wilson commented:

- The primary focus here is non-hosted but the definition of hosted is quite narrow which means that clarification may be needed.
- A hosted rental is a rental where the owner or authorized agent resides on site.
 - In theory, because the owner or authorized agent resides on site there are fewer problems.

Commissioner Glaser commented:

- Four members of the Commission as it stands today were involved with the original crafting of this ordinance.
- The Commission was trying to ensure that a corporate influx wouldn't occur.
- Sebastopol has a lot in the way of businesses and amenities for a small city thanks to its vacation economy.
- The vacation economy can be supported while protecting its residents at the same time.
- If we want more housing to become available, the City needs to look at its zoning and focusing on getting workman housing available.
- The units that are being used as vacation rentals probably wouldn't fit in the category of being workman housing.
- Disappointed with what the Council did by upholding the appeal because the Commission approved it as an exception in a place that seemed right.
- Wants to support zoning that will allow residents of Sebastopol to support their community in this way, this would apply to hosted and non-hosted vacation rentals.

Chair Wilson responded:

- If people are occupying a short-term rental that could potentially be rented out as a long-term rental for people who want to work here, where will long-term renters be able to live.

Commissioner Glaser commented:

- This can be structured in a way that supports community members that want to invest in our community.
- In doing so, the city is less likely to lose a lot of its housing stock to short-term renters.

Chair Wilson responded:

- Hard to regulate who the purchaser is and what they can or cannot do based on that.

Commissioner Glaser commented:

- Could stipulate that the owner of the facility can only own a certain number of units, and that number could be as low as one or two.
- Regulating based on the number of bedrooms is probably not the best way.

- Suggested regulating based on the number of units.
- Agreed with the goal of getting housing so that people can afford to live here, does not agree with the means.
- People having more income will help with a person's ability to afford to live here.

Commissioner Fernandez commented:

- If a family wants to go on vacation and allow a family to rent their home during that time it should be considered a 'hosted rental' as the family is simply away on vacation. In this case he did not believe it should be considered a 'non-hosted rental'.

Chair Wilson stated:

- Under current code, a non-hosted rental of 30 days or fewer is permissible through an Administrative Permit.

Director Svanstrom responded in the affirmative and commented:

- Families or individuals can do a house exchange, so long as funds are not be exchanged, without the need for City review as it would not be considered a rental.

Commissioner Fernandez commented:

- Supports hosted rentals and wants to make the process of having one as easy as possible.
- Has spoke to people in the community that feel like the current process to have a hosted rental is too onerous and not worth the hassle.

Commissioner Oetinger commented:

- Referred to 17.260.060 A. Criteria 3. which reads, 'The maximum overnight occupancy for vacation rentals shall be up to two persons per sleeping room or guest bedroom, plus two additional persons per property, up to a maximum total of 10 persons per vacation rental.' and commented that the maximum total of 10 persons per vacation rental does not make sense given the City's limitation to two bedrooms.

Commissioner Glaser responded:

- The two-bedroom limitation is for hosted rentals not non-hosted vacation rentals.

Vice Chair Doyle commented:

- Has seen the exact same wording Commissioner Oetinger referred to in other ordinances.
- Doesn't seem the Commission has a whole lot to talk about as there aren't a whole lot of changes proposed for hosted rentals.
- Read the definition of, 'hosted vacation rental' and commented that the reference to the owner or authorized agent residing at the vacation rental unit should be clarified in that the actual practice is for the owner or authorized agent to not necessarily be residing in the vacation rental unit (in the case of an ADU being on the property, etc.).
- Aside from the above, he doesn't see other issues in need of discussion when it comes to hosted rentals.

Director Svanstrom asked Vice Chair Doyle if he would suggest that the definition of 'hosted vacation rental' be revised to read that the owner or authorized agent must live 'at the vacation rental property' rather than 'at the vacation rental unit'.

Vice Chair Doyle responded in the affirmative.

The Commission concurred.

Vice Chair Doyle commented that the revised language wouldn't necessarily work for multi-unit properties.

Director Svanstrom commented that the Commission needs to determine how they want to handle multiple unit properties and also whether this is any difference between single-family, ADUs, duplexes, and properties with more than two units in the case of hosted rentals.

Commissioner Glaser commented:

- Wants to ensure that Sebastopol residents can take advantage of the properties that they own.
- The definition of hosted rentals could be expanded to say that a Sebastopol resident who has a property that they're renting as a vacation rental, and who owns a limited number of properties, could still be considered a hosted rental.
- This would allow a resident to live in a townhouse and rent out a townhouse as hosted, even though they're two separate properties.
- Would like to make the process programmatic in terms of discerning between hosted and non-hosted rentals.

Commissioner Oetinger commented:

- The difference between hosted and non-hosted in her mind is that if hosted, somebody lives onsite.
- Hosted would not be the case where the property owner lives in a townhome and rents out a neighboring townhome which is on a separate property.
- Hosted would not be the case when a house is sitting vacant and is being rented out as a commercial entity.

Commissioner Glaser commented:

- Does not see why two townhouses owned by the same person and a property with a primary dwelling and accessory dwelling on it should be treated differently.

Vice Chair Doyle responded:

- The difference is that the townhouses are on different properties, meaning they can be sold individually. A primary dwelling and an accessory dwelling unit that are situated on one property are integral and cannot be broken up in that way.
- Revising the definition of 'hosted vacation rental' to read that the owner or authorized agent must live 'at the vacation rental property' rather than 'at the vacation rental unit' would work for him.

Director Svanstrom added:

- The difference is also between a property that the homeowner owns versus an investment property where the owner does not live there.

Vice Chair Doyle concurred.

Commissioner Glaser commented:

- Knows of situations where people own their family home here but can't afford to live in it so they use it as a vacation rental until they can afford to move into it. In the meantime, they're living elsewhere in town. We want to make sure that people

in this situation can continue to do so to allow themselves the opportunity to eventually be able to afford to live in their family home.

Chair Wilson asked if a duplex would be considered hosted in the case where the owner lives in one of the units.

Director Svanstrom responded in the affirmative.

The Commission agreed that discussion was needed on the two-bedroom limitation.

Vice Doyle responded:

- The two-bedroom limitation may have arisen from a desire to keep the density down due to State law changing in a way that eliminated the City's ability to require a bunch of things that they used to be able to require such as parking.

Director Svanstrom responded:

- With regards to hosted rentals, the City requires one parking space for the host and one for each bedroom.
- Sebastopol doesn't have a lot of properties with more than three bedrooms.

Commissioner Oetinger commented:

- Asked how overconcentration would be determined.
- Concerned that a lot of our streets are inside the city, but they extend outside to County properties where there are no regulations.
- Asked if adjacent uses outside our city limits should be considered when determining overconcentration?

Director Svanstrom responded:

- Would recommend that it be limited to within city limits as that is what the City can control.

Vice Chair Doyle asked if an analysis of overconcentration was being done for hosted rentals currently.

Director Svanstrom responded:

- An analysis of overconcentration was not being done for hosted rentals currently.
- The Council is supportive of hosted rentals as a way for community members to welcome in folks to the community to supplement their income.
- Agreed that the definition of 'hosted vacation rental' should be clarified.
- The Council's issue with 'non hosted vacation rentals' is taking housing units and converting them to a short-term rental when we have a housing crisis and need to preserve our housing stock for long-term occupants.
- Given the Council's direction for multi-family properties she expressed a concern over allowing a tenant to serve as a manager while converting the other two units to short-term rentals on a full-time basis in the case of a triplex.
- Would like direction from the Commission on the above as she did not believe that would be consistent with the Housing Element on prudent preservation of our existing housing stock.

Commissioner Fernandez commented:

- The other issue to discuss is the two-bedroom limitation.

Vice Chair Doyle commented:

- Suggested changing references from bedroom to, 'entities'.

Commissioner Glaser commented:

- The language should be changed to, 'rental units' as that is more widely recognized and referred to.

Director Svanstrom responded:

- Right now, for hosted rentals, an Administrative Permit is required so long as the host is on-site.
- Changing the word to, 'property' makes sense.
- The Commission could increase it from two-bedrooms to three-bedrooms.
- Historically, the City has considered renting out more than two bedrooms as a Bed and Breakfast which requires a Conditional Use Permit.
- The process for a larger rental is more cumbersome but there are more impacts from them too.
- Changing it from two-bedrooms to three-bedrooms would mean that the more onerous requirements would be triggered for rentals of four-bedrooms or more due to the impacts.
- An ADU and a three-bedroom house would be considered a hosted rental and would not require a Use Permit.

Commissioner Oetinger commented:

- The Use Permit is important in order to determine what kind of parking is available.

Vice Chair Doyle commented:

- The two-bedroom limitation is fine the way it is.

Commissioner Kelley commented:

- The two-bedroom limitation is fine.
- Expressed a concern over impacts to the neighbors.
- Anything more than two-bedrooms would require a Conditional Use Permit.

The Commission was in consensus on leaving the two-bedroom limitation on hosted rentals.

The Commission made the following comments on non-hosted vacation rentals.

Commissioner Oetinger commented:

- If setting limits is being looked at, she suggested that the Commission consider setting different standards for different areas.
- The main reason for doing that would be to protect the character of the neighborhoods and reduce overconcentration.

Director Svanstrom asked Commissioner Oetinger if she was considering overall limits on hosted and non-hosted rentals.

Commissioner Oetinger responded:

- Ideally, she would like to see hosted and non-hosted rentals limited in the interest of preserving community character and the effect vacation rentals of any kind can have on housing.
- Others have done this.

- We should come up with a number and see how that works before we consider increasing the limit.

Commissioner Glaser commented:

- In the case of hosted rentals, he agreed with Commissioner Oetinger in their possibly considering limiting the number of them because a Conditional Use Permit is not currently required.
- In the case of non-hosted rentals, the requirement for a Conditional Use Permit is in place so the community, and the Commission which represents the community, can measure whether the concentration is overly intense. Given this, a finite number should not be assigned.

Commissioner Oetinger commented:

- Understands about the Conditional Use Permit process and the discretion it provides.
- The goal in terms of planning, the General Plan, and Zoning Ordinance is to be proactive and to create what we want.
- What we want is to preserve our neighborhoods, the nature of residential neighborhoods, and the cost of housing so it's not always competing with speculation.
- One way to do that is to come up with some finite numbers so people in the industry know where they stand.

Commissioner Fernandez responded:

- Establishing a finite number can cause artificial demand because people don't want to miss out on the opportunity.

Commissioner Oetinger concurred.

Vice Chair Doyle commented:

- Some of the views that are being expressed feel over regulatory and over complicated.
- Does not support a quota.
- If the process gets too convoluted nobody will participate and everyone will choose to operate under the radar.
- Non-hosted rentals should have a cap on them in terms of the number of days that they can be rented, and they should be reviewed administratively.
- The administrative approval will get them registered, acknowledged and informed of all the rules.
- Establishing a number that is low enough will encourage speculator (someone who is buying the property to maximize their revenue) to rent out units full-time for more revenue and less management hassle when compared to a non-hosted rental that is limited to a finite number of days.
- The above suggestion would require the least administration and would give homeowners the most flexibility.
- They key is to determine the more appropriate cap to discourage speculators from doing an Airbnb and instead, encouraging them to rent their unit out to a full-time tenant.
- That cap could be 120 days, or even 90 days. Petaluma and San Francisco have a cap of 90 days.

Commissioner Glaser commented:

- Likes Vice Chair Doyle's approach.
- Supports the idea of allowing Sebastopol residents that have a second property in town to rent out their second property as well.
- Likes the idea of setting a day limit but wants to allow more time for Sebastopol residents who need the income to pay their mortgage.

Vice Chair Doyle responded:

- The day limit will encourage those people to get a long-term tenant.
- Based on Council direction, the City is trying to encourage full-time residents.
- His suggestion would keep the regulation minimal and will aid in keeping the speculators for short-term vacation rentals out.

Director Svanstrom commented:

- Vice Chair Doyle seems to be heading in the right direction.
- Commissioner Glaser's scenario of the local property owner that has a local investment property is almost the Use Permit that went before Council and was denied on appeal.

Commissioner Kelley commented:

- The applicant in the Use Permit that went to Council on appeal did not live in Sebastopol city limits.

Director Svanstrom commented:

- The applicant lived two blocks out of city limits.
- Does not believe the fact that the applicant lived outside city limits was a deciding factor for Council.

Chair Wilson asked if an Administrative Permit can be subject to appeal.

Director Svanstrom responded:

- An Administrative Permit can be appealed, however, the grounds for appeal if the applicant meets all the requirements is less (usually limited to an administrative error or something along those lines).

Chair Wilson commented:

- Agreed with Vice Chair Doyle on non-hosted in that he is leaning toward administrative review, long as it is capped at 90 days.
- That seems to accomplish the goal while giving flexibility.
- A speculator wouldn't find the above suggestion as advantageous and would look instead for a long-term tenant.
- We want to encourage compliance.

Commissioner Fernandez asked if there is a way to allow and applicant to appeal for more than the allowed number of days due to their own extenuation circumstances.

Director Svanstrom responded:

- The City of Los Angeles or another organization does allow for, on top of their initial permit requirement which requires proof of permanent residency, a permit to extend the number of days due to a special circumstance.

Commissioner Fernandez commented that he would be in support of doing something like that.

Commissioner Oetinger commented:

- If 30-days is considered full-time, a person can have a month-to-month lease.
- Likes the 30-day limit.
- 30 days is a long time if you think about it.

Vice Chair Doyle commented:

- Believes it will be more successful if the process is simplified and streamlined.

Commissioner Oetinger commented:

- Could see allowing people to apply for a permit which could allow them to exceed the 30-day limit in the case of special circumstances where they'll be away from their primary dwelling unit for longer than that.

Vice Chair Doyle asked Commissioner Oetinger if the permit would be administrative or if it would require discretionary review and approval by the Planning Commission.

Commissioner Oetinger responded that it could be administrative.

Vice Chair Doyle commented that that feels discretionary for a staff level review.

Chair Wilson commented:

- Reiterated his support for Vice Chair Doyle's suggestion.
- Expressed appreciation for the simplicity of allowing non-hosted for up to 90 days per year period without the need for discretionary review.
- The more complicated we make it the more difficult it will become administratively, and the more unfair people will think we are when we deviate.

Vice Chair Doyle commented:

- If the process is too onerous and complicated people will choose not to comply.

Commissioner Fernandez commented:

- There are other mechanisms in place for people to complain if issues (such as the noise ordinance).

Vice Chair Doyle concurred.

Commissioner Oetinger commented:

- Still feels there should be a cap for non-hosted rentals.
- Could support different caps for different areas such as commercial and residential.
- If developing or redeveloping an existing property that has dwelling unit(s) on it in a commercial area, the City could stipulate the need to replace the dwelling unit(s) when adding rental units to said property.
- This would require developers to maintain an equal or great number of existing homes.
- This could encourage more housing development if the City were to allow the developer to building some short-term rentals into their project when building more dense urban housing in commercial areas.

Commissioner Glaser asked Commissioner Oetinger if the same could be achieved by having different caps in different areas.

Commissioner Oetinger responded:

- Yes, that could be a good start and could help protect residential areas.

- Residential and commercial properties are different types of investments.

Commissioner Kelley commented:

- Doesn't want to treat commercial property differently than residential neighborhood property if there are residential uses in the area such as on Main Street.
- The Commission just turned down a cannabis delivery service because it was a commercial property with residential uses around it and the neighborhood didn't feel they could deal with the impact.
- Commercial and non-commercial should be treated the same unless there is a designation that states that it's not a residential neighborhood.
- Likes keeping the limit at 30-days.
- Could support increasing the limit to 60-days if that was the consensus of the Commission.
- In terms of a cap; she likes the idea but would need more information before being able to determine what the appropriate number might be.

Vice Chair Doyle commented:

- Would like to let the ordinance play out for several years in order to see what direction it's going.
- If saturation becomes an issue the ordinance can be revised.

Commissioner Kelley commented:

- The City is trying to be proactive.
- We know there is interest in having non-hosted rentals.
- We must be very forward-looking.
- We are lacking specifics.
- When we talk about people who own more than one property, we're forgetting the people who cannot even afford to own one home.
- The lack of affordability to own just one home is a huge concern to her.
- Understands need to find a balance.
- Wages do not meet up with the cost to own a home.

Commissioner Fernandez commented:

- Understands and shares Commissioner Kelley's concerns on the affordability of owning just one home and with catering to those who live locally and own an investment property or properties.
- It's important to keep in mind that families look for a short-term vacation rental as a more affordable way to visit an area when comparing to the cost of a hotel.
- We need to ensure that long-term rentals aren't being replaced with short-term ones.
- We want to provide people of lesser means to visit the area economically as well.

Vice Chair Doyle commented:

- Both hotels in Sebastopol require a two-night minimum on weekends and near holidays.
- When his family would come to visit, they wouldn't stay because they didn't want to have to stay two nights.
- Perhaps they would have considered staying in an Airbnb.
- Has stayed in many Airbnb's over the years and has had some nice experiences.

Chair Wilson commented:

- Supports grandfathering in registered non-hosted units.

- At minimum, a change in ownership would trigger complying with the new rules.
- Would like to see people complying with the City's current rules as quickly as possible, especially with something like this.

Vice Chair Doyle commented:

- Currently, the City doesn't allow new ADUs to be used as hosted rentals.
- Read the following paragraph from the staff report, "Currently, a property owner with a single-family home with an ADU is considered a 'hosted' rental as long as the owner lives in one of the units. This means an owner could live in the ADU and rent the main home or, for properties with ADUs building prior to July 1, 2017, they could live in either of the units and rent the other. Currently staff is aware of a couple of properties where this is being done (mainly, living in the ADU and renting the main home). While this could be seen as a reduction in housing stock, generally the ADUs are being built with this purpose in mind as a way to afford to own a home in Sebastopol, and changes to this policy could negatively affect these owners, and / or reduce the number of ADUs being built in the future by those looking to do the same. Since most of these units are done through adding to the housing stock, staff believes this is compliant with the Housing Element Goal B -2 of preserving housing stock, as the units are generally being created through adding new units to the housing stock. Additionally, while these properties may not be increasing the housing stock in the short run, these properties could transition to two long -term dwelling units in the future, thus adding to the housing stock over time."
- Agreed with the above statement.
- The above is an argument for not having that restriction on new ADUs because this is acknowledging a loophole that only people who have two-bedroom houses can take advantage of.
- If the above is okay, it should be okay for all ADUs.

Commissioner Kelley commented:

- The City implemented that due to the rules that changed the City's ability to control ADUs.
- Part of that is that the City is losing some of the impact fees.

Vice Chair Doyle commented:

- The intent was for new ADUs to not be able to be used as a short-term rental.
- Questioned the practical difference of allowing a property owner to stay in their ADU while renting out their primary dwelling as a short-term rental in terms of impact.

Director Svanstrom responded:

- The ADU has lesser setback requirements than the primary dwelling so having the property owner stay in the ADU may have less of an impact on the neighbors for that reason.
- The question is, has the City been interpreting the hosted vacation rental definition incorrectly where it is really meant to be the unit so that if you're creating an ADU you still have to rent the main house although that could be long-term.

Vice Chair Doyle responded that the question on interpretation of the hosted vacation rental definition may be worth additional discussion as well.

Commissioner Glaser commented:

- During a prior discussion Vice Chair Doyle commented on the Commission's concern that ADUs would be built and used for short-term rentals and that the Commission wanted to make sure that ADUs would be used as workforce housing for local folks.

Commissioner Oetinger commented:

- A councilmember suggested taking back the grants and requiring the fees to be paid for ADUs.

Director Svanstrom responded:

- People don't get grants for ADUs.
- Under State law for ADUs, the City can prohibit short-term rentals.
- Under State law for ADUs, the City can't require sewer or water connection fees, fire sprinklers if the main home doesn't have fire sprinklers, etc.
- The last time State law changed, which is reflected in the City's ordinance, the City doesn't require parking for an ADU.
- Under State law an existing structure that is non-conforming in terms of setback can be converted to an ADU. In addition, a second story can be added to it as long as it is setback 5' from the property line.
- The above could have significant neighborhood impacts and under State law the neighbors don't have the opportunity to comment on it, the process is ministerial, and the City must grant it.
- Suspects that State law may move towards prohibition of using ADUs for short-term rentals.

Vice Chair Doyle commented:

- Thanked Director Svanstrom for the explanation.
- Conditional Use Permits usually go with the property without a time constraint.

Director Svanstrom responded:

- A Conditional Use Permit can be limited to a set period.

Chair Wilson asked Director Svanstrom if she'd like direction on multi-unit properties.

Director Svanstrom responded:

- Would like direction on multi-unit properties.
- The Commission will meet on August 27, 2019, one item is on that agenda.
- This discussion could be continued to that meeting.

The Commission expressed being in support of continuing this discussion to their next meeting.

Vice Chair Doyle commented that he would be out of town for the next meeting.

Director Svanstrom commented:

- If there's anything the Commission would like staff to research prior to their next meeting on multi-unit rentals it would be great to hear them now.

Chair Wilson commented:

- Not in favor of multi-units being turned over to short-term rentals.

Commissioners Oetinger and Fernandez concurred with Chair Wilson.

Director Svanstrom asked if the Commission would feel the same about a property with two single-family dwelling units on it, and commented:

- For hotels, her preference would be to require a Conditional Use Permit.

Members of the Commission concurred.

Commissioner Fernandez commented:

- Properties with two units should be treated the same regardless of how they're situated.

Vice Chair Doyle concurred with Commissioner Fernandez.

Commissioner Oetinger commented:

- A duplex, by nature, would be a little more affordable than a single-family unit on a property with another single-family unit on it.

Vice Chair Doyle commented:

- Doesn't want to make the ordinance too long and convoluted.
- Doing so would make enforcement more difficult as well.

Commissioner Oetinger commented:

- Calling out duplexes doesn't feel complicated.

Chair Wilson suggested continuing further discussion of any loose ends at the next meeting.

Director Svanstrom commented:

- If not the next meeting, this discussion could be continued to the first meeting in September.
- Looks like multi-family residential may not be clearly defined, this would be a good time to add that definition.
- The definition of ADU should also be added.

10. WRITTEN COMMUNICATIONS:

A. 2019-20 CAPITAL IMPROVEMENT PLAN PARKS UPDATE

The Commission asked questions of Director Svanstrom.

11. ADJOURNMENT: Chair Wilson adjourned the meeting at 10:15 p.m. The next regularly scheduled Planning Commission meeting will take place on Tuesday, August 27, 2019, at 7:00 p.m. at the Sebastopol Youth Annex, 425 Morris Street, Sebastopol, CA 95472

Respectfully Submitted By:

Kari Svanstrom
Planning Director

ATTACHMENTS: AUGUST 27, 2019 PLANNING COMMISSION REPORT

City Council
Mayor Neysa Hinton
Vice Mayor Patrick Slayter
Michael Carnacchi
Una Glass
Sarah Glade Gurney



Planning Director
Kari Svanstrom

Senior Administrative Assistant
Rebecca Mansour

**City of Sebastopol
Planning Commission Staff Report**

Meeting Date: August 27, 2019
Agenda Item: 9A
To: Planning Commission
From: Kari Svanstrom, Planning Director *KS*
Subject: Vacation Rental Policy Discussion

Introduction:

This is a continuation of the August 13, 2019 Planning Commission discussion on non-hosted vacation rentals. Staff has summarized the direction of the Planning Commission on various items that were resolved, issues remaining, and items which require further research from staff and/or a consultant.

At its August 13, 2019, meeting, the Planning Commission began discussions for updates to the City's regulations for vacation rentals. The focus of the discussion was modifications to the existing regulations on non-hosted vacation rentals.

These uses would normally require a Conditional Use Permit (CUP) however, in light of the housing shortage, and the recent denial of a CUP for a non-hosted vacation rental due to inconsistencies with the Housing Element policies of preserving and protecting existing housing stock, staff is seeking recommendations from the Planning Commission on the items discussed in this report.

The initial moratorium will be in effect for 45 days, with the ability to extend it, which will likely be needed.

While staff does not have answers to these questions, we would like to begin discussion of the various items with the Planning Commission to get preliminary discussions on the various items raised by staff in its report to Council, and also identify any other concerns or issues the Planning Commission has on this topic as the process moves forward.

Discussion:

The following summarizes the general direction on various items from the Planning Commission's August 13, 2019 discussion:

- *How to handle currently registered non-hosted rentals over time*

There was discussion and agreement from some Commission members that these uses should be subject to new regulations upon change in property ownership, at a minimum.

- *What type of non -hosted vacation rentals would be "approvable" in the future.*

The Commission's discussion centered around the desire to provide some flexibility to local residents/property owners; discouraging conversion of permanent residential uses to transient uses; and, preventing corporate investors and/or out of town investors from being able to convert residential uses to transient use.

The general direction was to consider raising the number of days a non-hosted rental could be done with an administrative permit from 30 days/year, but to have the number of days be low enough such that full-time non-hosted rentals were discouraged or prevented. Staff will be researching and assessing other communities who have such policies to determine how effective such a regulation is in limiting conversion of long-term residences to short-term rentals, as well as how effective such a program is to administer/monitor.

There was also some discussion of potentially allowing a non-hosted rental greater than the 'number of day limit'

Lastly, there was some discussion regarding how to assess overconcentration of vacation rentals (both hosted and non-hosted) in neighborhoods, with a sense that commercial areas might have a higher threshold for such rentals than residential neighborhoods. However, there was not consensus on whether a numeric limit (cap) was needed at this time.

Staff will be researching the above elements and bring further information on best practices, implement-ability, and lessons learned from other communities back to the Commission at a future meeting.

- *How to regulate multi-unit properties and review of the definition of 'hosted' rentals*

The Commission recommended modifying the Definition of "Hosted" rentals (see below) to recognize a single-family residence with an accessory dwelling unit (ADU) as a single property, and classify these as 'hosted rentals' given the single ownership and inability to sell the units separately.

The Commission concurred that single family homes with ADUs should be considered 'hosted' rentals if the owner/agent lives in one of the units.

There was not support for extending this consideration to multi-family properties, as this could result in multiple tenants being displaced/units being lost to vacation rentals. Staff will develop language in the ordinance that clarifies the definition of a 'hosted' rental and distinguishes between these two types of properties.

17.08 Definitions:

"Vacation rental" means any transient occupancy use of 30 days or less of a dwelling unit or accessory dwelling unit for which the City has issued a vacation rental permit pursuant to this

section. The term “vacation rental” shall be used to include all hosted vacation rentals and all nonhosted vacation rentals.

1. **“Hosted vacation rental”** means a vacation rental business for which the owner or authorized agent resides at the vacation rental unit and stays overnight at the vacation rental unit while it is being rented, and no more than two bedrooms are rented for transient occupancy pursuant to this section.
2. **“Nonhosted vacation rental”** means a vacation rental business for which the owner or authorized agent is not required to reside at the vacation rental unit which is rented for transient occupancy pursuant to this section.

The Commission also discussed whether it would be appropriate to increase the number of bedrooms allowed for a hosted rental without a Use Permit from two bedrooms to three bedrooms, although there was not consensus on this given the potential neighborhood impacts. Currently, a hosted rental of more than two bedrooms is possible, but requires a Conditional Use Permit to ensure that these potential impacts (parking, noise from additional guests, etc.) are adequately addressed on the site. (Of note, a three bedroom hosted rental would require 4 parking spaces, one for each bedroom, plus one for the host).

- *How to regulate non -hosted vacation rentals in commercial zoning districts*

There was also consensus from the Commission to modify Hotels to require a Conditional Use Permit regardless of number of rooms. This will ensure the City has the ability to prevent conversion of permanent residential uses to hotel transient uses, as well as review such uses for community compatibility.

How to handle other properties within commercial zones was briefly discussed, with further information requested in relation to the character of different commercial areas. Additional discussion and direction to staff on this topic would be helpful.

Next Steps:

Following this discussion, staff will move forward with researching the various items requested by the Commission. Staff will either bring this to the Commission at the same time as a formal hearing on a draft ordinance, or as an additional discussion item if needed.

Public Comment:

Comments received as of this staff report and since the August 13, 2019 Planning Commission meeting are included as Attachment 1.

Attachments:

1. Public Comments

ATTACHMENTS: AUGUST 27, 2019 PLANNING COMMISSION MINUTES



City of Sebastopol
Incorporated 1902
Planning Department
7120 Bodega Avenue
Sebastopol, CA 95472
707-823-6167
707-823-1135 (Fax)

www.ci.sebastopol.ca.us

Email: kvanstrom@cityofsebastopol.org

PLANNING COMMISSION
MEETING OF: August 27, 2019
SEBASTOPOL YOUTH ANNEX
425 MORRIS STREET

APPROVED MINUTES

PLANNING COMMISSION
CITY OF SEBASTOPOL
MINUTES OF August 27, 2019

SEBASTOPOL YOUTH ANNEX
425 MORRIS STREET

PLANNING COMMISSION:

The notice of the meeting was posted on August 22, 2019.

1. CALL TO ORDER: Chair Wilson called the meeting to order at 7:00 p.m.

2. ROLL CALL:

Present: Chair Wilson, and Commissioners Glaser, Kelley, Oetinger, Douch, Fritz and Fernandez
Absent: Vice Chair Doyle (excused)
Staff: Kari Svanstrom, Planning Director
Aaron Hollister, Contract Planner

3. APPROVAL OF PLANNING COMMISSION MINUTES: July 23, 2019 and August 13, 2019

Members of the Commission amended the minutes of July 23, 2019.

Commissioner Douch made a motion to approve the minutes of July 23, 2019 as amended.

Commissioner Fritz seconded the motion.

AYES: Chair Wilson, and Commissioners Glaser, Douch, Fritz, and Fernandez
NOES: None
ABSTAIN: Commissioners Oetinger and Kelley

Commissioner Glaser made a motion to approve the application as submitted with the following:

- COA #31 shall be revised to read, "Visiting hours shall be limited to between 8 a.m. and 9 p.m. daily. Visitors that are deemed to be under the influence of alcohol or illegal substances shall not be admitted to the premise."
- COA #45 shall be revised to read, "The Use Permit shall be in effect unless the facility is abandoned or closed for 12 months or longer."

Commissioner Glaser commented:

- The nursing home next door is noisy.
- If the neighboring nursing home doesn't bother the neighbors, he doubts this use will.

Commissioner Douch seconded the motion.

Hearing no further discussion, the Commission voted on the motion as follows:

AYES: Chair Wilson, and Commissioners Glaser, Douch, Fritz, Oetinger, Kelley, and Fernandez
NOES: None
ABSTAIN: None
ABSENT: Vice Chair Doyle

9. DISCUSSION:

B. NON-HOSTED VACATION RENTAL POLICY DISCUSSION (CONTINUED) – This is a continuation of the discussion item from the August 13, 2019 Planning Commission meeting.

Commissioner Fritz departed the meeting.

Director Svanstrom presented the staff report.

Chair Wilson asked if the Commission was okay with reopening the public comment period.

The Commission responded in the affirmative.

Chair Wilson reopened the public comment period.

Amy White, a resident of Sebastopol, commented:

- Operates a hosted rental and is in compliance.
- Has been an Airbnb host within Sebastopol city limits for 4 years.
- Spoke about personal experiences.
- Was initially scared about having strangers on her property but they have all been lovely.
- Has hosted hundreds of guests from all over the world.
- Through Airbnb's Open Homes Program, she has hosted victims of the 2017 Santa Rosa fires, the 2018 Paradise fires, and the 2019 floods, for free.
- Spoke on the power of community.
- Spoke on the role of vacation rentals during the construction and reassessment phases after the 2017 fires.
- Serves as an ambassador for the City of Sebastopol and its local businesses.

- Urged the Commission to consider a restriction on the number of houses available to be used as short-term rentals, not on the number of nights any one house can be rented on a short-term basis.
- Thanked the Commission for their time.

Susan Mornister, a homeowner in Sebastopol, commented:

- She and her husband bought their home in Sebastopol in 2012 with a plan of retiring here within 3 years.
- Unfortunately plans changed and that have not yet been able to move into their home in Sebastopol.
- Renting their house in Sebastopol on a short-term basis has allowed them, as well as their adult children, to return to Sebastopol every few months to forge friendships and to deepen their relationship with this extraordinary community.
- They are active in their neighborhood association, belong to local organizations, and have also provided a place to stay for fire victims at no cost.
- Looks forward to living in their home in Sebastopol full-time, and expects that to happen sometime within the next 5 years.
- Until then, using their home as a vacation rental allows them to make significant economic contributions to our local economy.
- Their visitors support local businesses.
- They provide highly paid employment to their property manager who is an individual, not a corporation. This applied to their cleaning staff and gardeners as well.
- As a permitted vacation rental, they pay thousands of dollars each year in transient occupancy tax to the County.
- She and her family take great pride in offering their guests a warm and welcoming home base that provides an ideal introduction to the beauty and abundance of Sebastopol and Sonoma County.
- Short-term rentals provide visitors with the comfort and slice of life experience that cannot be attained in a hotel.
- Many of their guests return annually and several have purchased homes in Sebastopol.
- She and her husband purchased their home after spending only one weekend at a vacation rental here in Sebastopol.
- Thanked the Commission for their time.

Chair Wilson thanked Ms. Mornister for her comments and asked if her property was located within Sebastopol city limits.

Ms. Mornister responded that her property is off of Graton Road, which is within the 95472-zip code, but outside Sebastopol city limits.

Chair Wilson asked Ms. Mornister if they rent their home out as a non-hosted short-term rental.

Ms. Mornister responded in the affirmative.

Chair Wilson thanked Ms. Mornister for her responses.

Lawrence Jaffe, a resident of Sebastopol, commented:

- Holds a business license to operate a non-hosted vacation rental in Sebastopol.
- Well-regulated vacation rentals are an important part of the ecosystem here in Sebastopol.

- As a landlord, he rents several houses to area residents.
- In addition, he has one non-hosted vacation rental.
- Is sensitive to the fact that the people who belong (people who work and who have children in our schools) here should be able to stay here.
- Was on the Sebastopol Union School Board last year and has seen the decline in the number of children.
- The City made a choice to not support the Specific Plan that would have put housing in The Barlow, this meant that Sebastopol would have a more tourist-oriented economy.
- Through his one-bedroom with a kitchen vacation rental he has discovered that a large percentage of his renters are parents who are coming into town for their children to receive medical treatment. Another large percentage of his guests are parents who are visiting their children and grandchildren.
- He is providing a different, non-hotel experience with a kitchen for children who are seeking medical care and have dietary restrictions.
- Spoke on the rental market.
- A ban on short-term vacation rentals is certain to put houses on the market for long-term renters, however, most will probably have to ask market rate in order to pay their mortgage.

With his 3-minutes up, Mr. Jaffee requested an additional minute to speak.

Chair Wilson responded in the affirmative.

Mr. Jaffe comments continued:

- Suggested that the City consider a limit on the number of units that can be used for non-hosted short-term rentals, rather than the number of days.
- Right now, the City is at less than 1% of registered units.
- Suggested a cap on the number of the various types of vacation rentals the City wishes to allow.
- Limiting the number of days will be difficult to regulate and relying on the honor system isn't ideal.
- Reiterated that well-regulated vacation rentals are a benefit to our community.
- Thanked the Commission for their time.

Chair Wilson asked Mr. Jaffe if he had a specific number in mind.

Mr. Jaffe responded:

- His math indicates that hosted and non-hosted rental units are 1% of our total units.
- If you assume that 54% of our units are rental units, as the Census says, a 2% cap on total units would seem reasonable.
- Sebastopol has had open rules and isn't flooded with conforming hosted and non-hosted vacation rentals.
- Reevaluation can always occur if issues arise.

Megan Finaly, a resident of Sebastopol, approached the lectern and:

- Played an audio file from a Mary Jansen who could not attend tonight's meeting.
- Ms. Jansen's comments included:
 - Is an Airbnb host and a realtor at Better Homes and Gardens Real Estate in Sebastopol.
 - Proud of both her careers.

- Wants people to come to decisions based on empowerment and positive relationships rather than coming from a position of fear.
- Airbnb hosts are offering a home to out of towners.
- Spoke on the reasons people become Airbnb hosts.
- Ms. Finaly stated that she provided a link to the full video to staff via email.
- Thanked the Commission for their time.

Randy Knight, a resident of Sebastopol, commented:

- In his experience managing vacation rentals for owners, the least popular rentals that he manages do between 120-130 nights per year.
- If the limit was 90 nights per year, a lot of people wouldn't do it because it wouldn't be feasible.
- There isn't an effective way of managing and enforcing a limit on the number of nights either.
- Any policy that doesn't make practical sense won't be effective.
- Everyone has different needs, and everyone needs options.
- The vacation rental market is not flooded right now.
- Urges an open mind.
- Suggested that the policy include language which states that this issue can be revisited down the road if it becomes issue.
- Doesn't see a need to be strict on the vacation rental policies at this time.
- Reaching a total of 2% of non-hosted rentals would probably take years and years.
- A lot of people are being helped by their ability to operate a vacation rental.
- It doesn't seem like people are being hurt by the City's vacation rental allowances.
- If these houses are no longer vacation rentals, they probably aren't going to become affordable housing for long-term renters.
- Thanked the Commission for their time.

ila Benavidez-Heaster, Bodega Avenue, commented:

- The only people that are commenting are those that want short-term vacation rentals.
- Look at what has happened in Healdsburg.
- It's important to keep a balance.
- Has heard some good recommendations.
- Knows the Commission is looking at this through a lens of genuinely caring about the people in our community.
- The Commission is aware of what's been happening across the Country in terms of gentrification.
- Trusts the Commission to make the best decision for the community.
- Expressed concern because all voices are not being represented during public comment.
- Thanked the Commission for their time.

Steven Pierce, a resident of Sebastopol, commented:

- Supports having an ordinance that addresses this issue.
- Unsure on the 2% number that has been suggested in terms of it being a workable solution.
- Concerned over any long-term rental units that may be taken off the market and turned into a vacation rental.
- Owns rental units and can make more money if he rents them out as an Airbnb.
- Because he wants to provide long-term housing, he chooses not to rent out his units as vacation rentals.
- Sebastopol has a critical need for permanent housing for people.

- If we end up pulling rental units, or units that would otherwise have been rental units, off the market and they become non-hosted vacation rentals we may potentially end up driving up rents and people will have to drive further to be able to afford their rents.
- Sebastopol already has the highest vehicle miles driven in the County.
- We cannot predict what will happen in the future with regards to these vacation rental units and their impact on our long-term rental market.
- We need to be concerned about keeping our rental stock.
- Thanked the Commission for their time.

Hearing nothing further, Chair Wilson closed the public comment period.

Chair Wilson discussed process; his comments included:

- The Commission will not be deciding on this matter.
- The Commission's discussion will ultimately lead to a recommendation being made to the City Council.
- The City Council will be the ultimate deciding body.
- Encouraged interested members of the public to speak during the public hearing when this item goes before the City Council if they wish to do.

Chair Wilson asked for Commission deliberation and highlighted the following topics for discussion per the staff report:

- Airbnb type rentals in commercial districts.
- Allowing Airbnb type rentals in multi-unit facilities.

Commissioner Glaser commented:

- The definition of hosted and non-hosted rentals is problematic, and he'd like to look at that issue by itself.
- One of the arguments that the Commission has heard is that the City needs more housing.
- The definitions of "hosted" and "non-hosted" rentals are arbitrary.
- Agrees on the need for more housing.
- Controlling hosted and non-hosted short-term rentals will not solve our housing crisis.
- The only way to solve a housing crisis is by adding more housing.
- Spoke on his experience in Sunnyvale.
- Spoke on his experience staying in hotels as well as various types of vacation rentals in Sebastopol during his move up here.
- The existing ordinance includes some holes and some bad wording.
- A main discussion point during the Commission's previous discussion of this ordinance had to do with a concern about a large commercial entity coming in and taking housing off the market with the purpose of renting these houses out as short-term vacation rentals.
- The members of the public that have spoken are talking about supplementing their income through using their home(s) as a vacation rental.
- Sebastopol has the amenities it does because it serves a larger community, part of that is the hosted and non-hosted visitors that we have.
- We need to be careful about cutting out a vital part of our economy.
- Rents out his house in Sunnyvale.
 - If he could only rent it out for 90 days, it wouldn't be feasible for him to keep his house.
- Agrees with members of the public who oppose restricting the number of days.

- Controlling the number of overall units that can be used as vacation rentals and/or the number of units that any one person can own and operate is probably the simplest way to manage it.
- 2% of rental units seems like a large number.
- Would support establishing a cap on the total number of units.
- Suspects enforcement will be an issue if capping the number of nights.
- Expressed economic concerns over the viability of a person being able to operate a short-term rental if the number of nights is capped.
- The Commission should focus on finding the flaws in what they worked on last year in terms of vacation rentals.
- Reiterated his belief that short-term vacation rentals are important for the economy of Sebastopol.
- Believes the Commission acted appropriately when approving an application for a short-term vacation rental some months back because it fit the required criteria and was disappointed when the Council upheld the appeal that was filed against their ruling.

Commissioner Douch commented:

- Concurs with Commissioner Glaser.
- The Commission looked at this issue in considerable detail a year or so ago and came up with a pretty good ordinance.
- There were some issues that he recalled being unhappy over during their prior review.
- Believes placing a percentage cap on the total number of units, rather than a limit on the number of days, would be a better approach.
- Open to discussion on what the appropriate percentage may be.
- Believes that vacation rentals are an important part of the economy in our community.
- The City no longer allows newly constructed ADUs to be used as hosted vacation rentals, which he does not agree with.
- There should be strong safeguards against corporate entities removing homes from the market and turning them into vacation rentals.
- Appreciates many of the discussions and arguments in favor of the moratorium.
- Understands the impulse to wish to protect housing stock for residents.
- A member of the public made a good point about the Specific Plan and choices that have been made over the years.
- While the concerns are real, believes there is room for a good ordinance that can accommodate this use in a way that will not impact the types and availability of housing.
- This ordinance isn't contributing to solving our housing crisis, the best way to do that in large part is to build housing.
- Understands the controversy because the amount that can be charged for a short-term rental is higher than what a long-term rental can go for.
- Without knowing the technicalities of something like this, he suggested a different type of transient occupancy tax for this type of unit that could support an affordable housing program in a meaningful way in our community.
- The City's existing affordable housing program doesn't generate enough revenue to be effective.
- This could be a way to financially support affordable housing initiatives through some mechanism associated with fees from hosted and non-hosted rentals.

Commissioner Oetinger commented:

- Appreciates comments and has learned a lot through this process.

- Concerned about housing issues.
- Prefers hosted rentals because it means that the person with the home is living in the community and can use it as any other home-based business.
- Spoke on her own experience working out of her home.
- Concerned over the potential for overconcentration of vacation rentals.
- Hasn't looked over the current ordinance in its entirety.
- Would like to see some language regarding overconcentration.
- Would like staff to provide clear guidance on what "overconcentration" is.
- Would like language so that overconcentration can be evaluated when a Use Permit comes before the Commission.
 - Would like discretion when it comes to overconcentration.
- Concerned with non-hosted rentals because nobody lives onsite.
- Feels strongly on wanting to have a cap on the number of non-hosted rentals.
 - This could help to reduce the instinct for large corporations to invest in many homes.
 - It could also help prevent the destruction of neighborhoods where there are so many homes that don't have people living there that the people who do live on the street no longer have the ambiance of community and neighbors.
- Would like to see more information on the differences in the rental class and how rents are being affected overall.
- Would support grandfathering hosted and non-hosted vacation rentals for ADUs on single-family residential properties until such time when the property changes hands, at which point she would not want the ADU to be allowed to continue to be used as a non-hosted vacation rental.
 - That would be one way for the Council to look at preserving affordable housing in the future.

Commissioner Glaser spoke on past Commission discussion having to do with preservation of ADUs for affordable housing and agreed on it being a strong issue in need of further discussion.

Commissioner Oetinger comments continued:

- Requested more information on the economics of placing a cap on the number of days that a unit can be used as a short-term rental.
- The effect on the neighborhood when a house sits empty and has strangers staying in it for many months of the year is important to consider.
- Reiterated the importance of looking at overconcentration.
- May want to keep the 30-day limit for the non-hosted for the person that is traveling for work, has a family illness, or has to be away from their home and wants to rent out their home.
- If these rentals are longer than a certain period, they could be rented as a month-to-month long-term lease rather than a vacation rental.
- Suggested that the Planning Department look at establishing a residency and perhaps establishing a need to do that in order to grant exceptions in the case where one may be warranted.
 - Doing so would provide a mechanism without having to change the rules for everybody else.
- Likes the language that requires residency in the unit for a rental to be considered hosted and wants it to remain.
- For multi-family residential, the owner or agent should have to reside in the unit for it to be considered hosted.
- In looking at other Cities, she saw caps of .05% but she was not sure on how that may have been broken down in terms of hosted and non-hosted.

- Would want to consider an overall cap, but her primary concern is with placing a cap on non-hosted rentals to protect the housing that we have for people who want to live here and be part of the community.
- Doesn't like the argument that larger, trophy-type homes aren't affordable just because they're large.
 - It is possible for larger, trophy-type homes to become affordable for people by way of individual rooms being rented out at an affordable rate.
- Developers are constructing homes with multiple master bedrooms and bathrooms with a shared living area and kitchen.
 - Believes something like this could work in Sebastopol.

Commissioner Fernandez commented:

- ADU stands for accessory dwelling unit, they used to be called granny units.
- Shares concerns regarding housing and wants to come up with solutions.
- Also has concerns about over-regulation of property.
- Believe hosted and non-hosted rentals have their place in the community.
- Has talked to a lot of people who operate a vacation rental and most express having a very pleasant experience with the person(s) that rent from them.
- Neither the owners nor guests want to cause problems.
- Airbnb has a rating system and being negatively rated can create problems for future rentals.
- Airbnb's allow people and families to travel and stay places that they may not otherwise be able to afford given the costs of staying in a hotel.
- Short-term rentals support our local businesses, economy.
- Short-term renters, long-term renters and property owners can all be the cause of disturbances from a party or other activity.
- Believes most renters, whether short-term or long are considerate and respectful.
- Spoke on vacant units be available to help in emergency situations such as floods and fires.
- Supports a percentage approach rather than assigning an arbitrary limit on the number of days.
- Understands concern over protecting neighborhoods.
- Could be nice to have a place for your friends and family to stay in the neighborhood if you don't have the capacity to house them yourself.
- Doesn't want to leave it wide-open either.
- Reiterated his belief that hosted and non-hosted rentals have their place in the community.

Commissioner Kelley commented:

- Yesterday she received an email from the League of California Cities which stated that the Ninth Circuit declined to reconsider challenge to Santa Monica's short-term vacation rental ordinance.
 - Shared excerpts from the article and from Santa Monica's short-term vacation rental ordinance.
- When searching for a rental for a friend on craigslist.com she came across a listing for a short or long-term rental located at 361 Johnson Street, this is the address that was recently denied a conditional use permit for their short-term vacation rental.
 - This unit is listed at \$2,700 per month.
 - The person that owns this property is a real estate investor who lives just outside of town.
 - Happy to see that it seems like this unit will be rented out to a family, or someone on a long-term basis, which is what the City wanted.

- Interested in clarifying the definition of a short-term rental in Sebastopol.

Director Svanstrom responded:

- The City defines a short-term rental as 30 days or less.
 - Under State law, more than that is not considered a vacation rental and is not subject to the requirements that a vacation rental is.
- With regards to the unit on Johnson Street; anyone in the City can rent their house for more than 30 days without Planning approval required.
 - If less than 30 days, it would be subject to Planning review and approval.
- Even at a hotel, if you stay there for more than 30 days transient occupancy taxes are not collected.

Commissioner Kelley commented:

- Supports 30 days per year (or less) with the possibility for more in the case of extenuating circumstances for non-hosted rentals.
- Comments from the last meeting continue to be relevant as the Commission continues their discussion on these matters.

Chair Wilson commented:

- Believes we have a lack of long-term rentals in the city.
- If short-term rentals take away from our supply of long-term rentals rents will go up.
- Doesn't want to wait to regulate this until it becomes a problem which will likely result in a bunch of legal non-conforming rentals for years to come.
- The idea behind a limit of 90-days for non-hosted rentals was to address people who may be away on sabbatical or on a long-term vacation but who would otherwise occupy the house.
 - Vice Chair Doyle suggested that the City not require proof that it's their primary residence and just limit it to whatever the appropriate number may be (90, 60 or 30 days), which he endorsed.
 - Some members of the public have commented that a limit of 90 days wouldn't be feasible for rentals where it is not the owner's primary residence, which is the point, because the City wants to encourage and support long-term rentals over short.
- Open to, but somewhat uncomfortable with, the idea of limiting the number of these rentals, rather than the number of nights.
- Concerned over the impacts of living next to one of the short-term rentals that can be rented for any number of days, which if rented out for 300 or more days per year, could be like living next to a hotel.
- Feels like there should be a cap on the number of days regardless, caps are very common for non-hosted rentals.
- If someone has a residence within a commercial zoning district, perhaps greater flexibility on the number of nights could be obtained through a conditional use permit, rather than an administrative permit.
 - The expectation if you live in a commercial zone is different than if you live in a residential zone.
- Feels negatively about allowing non-hosted rentals in a multi-unit property especially in the case of a common entrance due to safety concerns.

Commissioner Glaser commented:

- Part of the Commissions discussion on short-term rentals at their last meeting had to do with concerns on the impact and nature of the neighborhood, and on available housing.

- The City should explore the following:
 - Limiting the overall number of units which could be reviewed and updated as needed

Commissioner Kelley requested that Commissioner Glaser limit his comments to the items raised by the Chair per the staff report.

Commissioner Glaser continued:

- Concentration should be addressed and identified by zoning
- Suggested that newly constructed ADUs be required to remain an ADU and not a vacation rental for at least 3-years
- The issue of existing ADUs needs to be addressed as well
- Suggested a limit on the number of non-hosted rental units that a person can have in town
- The definition for hosted and non-hosted should be more specific
- The City needs to look at the language on vacation rentals and on ADUs as part of this process.

Commissioner Douch commented:

- Agrees on being cautious when it comes to multi-unit properties and their appropriateness for being used as short-term rentals.
- For commercial, agrees on the potential for some leniency in terms of density and/or cap on the number of days once the framework of the ordinance is in place.

Commissioner Kelley commented:

- ADUs can be much more impactful on a neighborhood than the main house.
- Because Sebastopol has residential areas that are commercially zoned (e.g. Main Street) she does not support assigning a different density and/or cap on the number of days in residential and commercial areas.

Commissioner Glaser commented that the areas should be rezoned in that case.

Commissioner Kelley commented:

- Non-hosted short-term rentals shouldn't be allowed in multi-unit properties.

Commissioner Fernandez commented:

- Agrees with the restrictions on multi-unit properties that others had mentioned.
- Commissioner Kelley's comment on not assigning a different density and/or cap on the number of days in residential and commercial areas due to the makeup of Sebastopol.
- Agrees with Commissioner Glaser on the definition of hosted and non-hosted and on whether they work as intended.

Commissioner Oetinger commented:

- "Hosted" means that somebody lives on the property.
- In the case of a commercially zoned property with an existing house, if redevelopment were to occur, a residency should be required meaning any additional unit would be considered a hosted rental.
- Interested in maintaining housing.

Chair Wilson commented:

- If the Council wanted to go the path of limiting the number of units rather than the number of nights, the number should start low and be moved up with time.

- If we start high and then reduce the allowance, we would be left with a bunch of legal non-conforming uses.

Commissioner Oetinger commented:

- The allowed number should be related to the number of units being created each year.

Director Svanstrom commented:

- In the last four years, on average, the City has created 12-14 units per year.

Commissioner Oetinger commented:

- The allowed number should be based on a small percentage of the number of units created per year.

Director Svanstrom commented:

- She will be reaching out to consultants to discuss.
- Expects a draft ordinance to return to the Commission before going to Council.
- The urgency ordinance will be before the Council for consideration of an extension at their meeting next week.

Commissioner Fernandez commented:

- Requested that staff provide updates to the Commission as they have them on some of the questions that had come up in terms of economics, etc. rather than waiting until right before the meeting in which the item will be on the agenda for.

Director Svanstrom responded in the affirmative.

Mr. Knight asked for the opportunity to respond to some of the concerns of the Commission.

Chair Wilson asked Mr. Knight to address his comments to Planning staff outside of this meeting as the public hearing had been closed.

10. WRITTEN COMMUNICATIONS: (none)

11. ADJOURNMENT: Chair Wilson adjourned the meeting at 9:34 p.m. The next regularly scheduled Planning Commission meeting will take place on Tuesday, September 10, 2019, at 7:00 p.m. at the Sebastopol Youth Annex, 425 Morris Street, Sebastopol, CA 95472

Respectfully Submitted By:

Kari Svanstrom
Planning Director



Sonoma County
Coalition of Hosts

Dear Mayor Neysa Hinton and Sebastopol Town Council Members:

I am a local Windsor resident, vacation rental owner, and member of the Sonoma County Coalition of Hosts. I urge you to support home sharing as another way to encourage and sustain economic growth in the city of Sebastopol.

My children and family live a great distance from Windsor. I have them visit as much as time permits. They specifically recommended to me to share my home when they aren't able to be here. They also encouraged the option of supplemental income to keep my home in good repair so they are able to visit when opportunities arise. This is a good balanced use of my home for myself, my neighborhood and the county through paid TOT tax and all the businesses we support throughout Sonoma County communities

Simple, easy to understand rules, not convoluted or impossible to follow restrictions, will allow hosts and their guests to enjoy choosing Sebastopol as their center for activities while here in Sonoma County.

Convoluted, hard to understand, or impossible to follow rules may lead hosts to go "underground" and electing, by your recommendations, "not to comply". I ask you to establish clear, simple rules and educate new hosts and residents about the "current" laws that exist. Use Transient Occupancy Tax revenues to hire increased enforcement.

My rental contract states "quiet times" and "parking rules". Airbnb provides me with reviews of potential guests. I accept only positively reviewed guests. My surrounding neighbors wish our other neighbors nearby would be as quiet and polite as my guests and family.

My guests return often and use my home to visit Windsor's shops, restaurants, breweries, wineries and many diverse service providers including cleaning services and local tradesmen. You have a group of potential visitors to Sebastopol who wish to live like locals, and support local businesses. Airbnb states these guests spend more time in town than hotel guests, spend more money locally and can be a source for building future residency in Sebastopol.

Please encourage responsible home sharing.

My rental house offered shelter to local displaced residents after our firestorms in October of 2017. Becoming creative in these housing times of need should be our goal. Not closing doors.

I contacted Airbnb and asked that they list my rental as a home to which displaced Sonoma County residents could find a "turnkey" shelter. All vacation rentals are furnished and equipped to house anyone immediately, be it current residents, displaced residents, first responders or service providers.

My vacation rental took in a burned out couple from Mark West Springs Rd. and their 2 children. The following week the rental provided shelter for Service Pro employees from Portland, Oregon. The next week a retired couple from Mark West Springs who lost their home became full time renters living in the vacation rental for 6 months. They called me "their angel". This flexibility is an asset to our community and should be supported.

If Sebastopol denies short term vacation rentals it would be an economic loss to its businesses and potential employees that we as rental owners employ. Sebastopol would merely give up the potential Transient Occupancy Tax it could collect and transfer those gains to other cities and county municipalities that encourage home sharing. An economic loss to the community of Sebastopol.

If Sebastopol wishes to provide more housing there needs to be an emergency plan to attract building single family homes. The small numbers of individuals renting out their homes would not be realistic in providing the housing needed in today market.

Please encourage responsible home sharing.

Thank you.

Sincerely Submitted,

Michael Robison

Windsor, CA

Sonoma County Coalition of Hosts

Greetings Esteemed Sebastopol City Council Members,

I wish to express my opposition of an ordinance imposing a moratorium on new non-hosted vacation rentals of more than 30 days per year. Airbnb has been in operation since 2008, VRBO since 1995 and vacation rentals have been in Sonoma County for over a century, yet in that span of time, Sebastopol only has 18 non-hosted vacation rentals operating more than 30 days. Doesn't seem to be a big rush to rent out short-term. This figure means that 99.5% of the available housing stock (3,408 households - U.S. Census 2017) in Sebastopol are traditional long-term housing, while only half of one percent (0.5%) are vacation rentals purposed for more than 30 days a year. If the proposed moratorium were to go into effect, the 5 remaining legal vacation rentals will amount to 0.1% of the housing stock.

I am pleased to support the Staff Report's assertion that *"ADUs are being built... as a way to afford to own a home in Sebastopol, and changes to this policy could negatively affect these owners,..."*. I would also add, placing a moratorium on vacation rentals of more than 30 days per year, could negatively affect these folks as well. One never knows when some life changing event will happen in their life (whether it be loss off a job, care of a loved one, divorce or death of a spouse) and they find themselves in a situation where they need to earn extra income and offering a home or room on a shot-term basis is the only way to make ends meet.

Most short term rental properties are someone's 2nd home. They may have hopes of retiring and living in it permanently one day, but while working -- they can't afford two homes, two mortgages, two insurance policies or pay taxes on two properties. The only way average folks can retain use and still afford a retirement home is to offer it short term until they pay off the property in 10 to 15 years, at which time, they can retire and live in it permanently.

The ability to earn short term income on the property is what makes that ownership affordable — allowing middle income folks to afford a 2nd home. The circumstances include properties inherited from parents where children prefer to share ownership and use, or folks who work in the bay area who can't afford housing there but want to begin building equity themselves (and enjoy a weekend home) while continuing to work/rent down south. Without the option to earn extra income through flexible short term rentals, siblings might have to sell the inherited family home, and only the uber-rich who can afford to maintain a vacant home during their own absences will be purchasing (as has happened in Sonoma and Healdsburg).

Sebastopol's housing problem arises from the fact that 51.4% of the current long-term housing are rentals while 48.6% are owner occupied. (U.S. Census 2017). If a city doesn't build more affordable housing as it grows, you just end up with older homes that cost more to purchase or rent. Supporting & providing encouragement to projects that provide real, large-scale solutions (such as encouraging development of multi-family housing and/or projects that

provide a moderate/low income component) are better steps towards adding housing than restricting the property rights of the very folks who are grappling with making ends meet.

Some have expressed there is an economic incentive to rent out short term, this overlooks the fact that operating a vacation rental requires extra time and expense for the homeowner because vacation rentals have the added expense of furnishings, cleaning service, gardening, management and TOT. Most owners opt for the traditional rental model and simply prefer renters who will take care of their property. Vacation rentals also have the added benefit of providing a living wage job to house cleaners / maids / landscapers / managers and other service personnel who wish to go into business for themselves. The average hourly price for a housecleaner is around \$30-\$40. Who at a hotel makes a living wage...maybe the general manager?

In addition to providing living wage jobs, vacation rentals can also offer an economical housing option in many more "typical" short-term (less than 30 day) situations such as traveling medical professionals (doctors, nurses, x-ray tech's, etc.), medical students, students attending continuing education programs, winery interns, and others seeking temporary housing -- as it's often easier to book a vacation rental than to find a temporary apartment.

During times of crisis, vacation rentals also offered immediate lodging for individuals who lost their home or sought shelter after the 2017 Tubbs fire and 2019 floods, and many converted to year-round housing to help disaster victims as they made important life decisions about rebuilding or "next steps". They also provided lodging for first responders and relief workers (firefighters, PG&E workers, Insurance Agents etc.) and continue to offer economical accommodations for construction workers and other trade personal during rebuilding as it's cheaper to house a crew in a home - than multiple hotel/motel rooms.

I'd also like to take this opportunity and share what I learned after visiting the Sonoma County PRMD Vacation Rental Desk. Since the County adopted its vacation rental "Three Strikes Penalty" guidelines, no Vacation Rental (Yes...whole house Vacation Rental) in Sonoma County has ever received even 1 verified "strike"- let alone 3. I think this shows hosts, of all types, are responsible and sincerely care about their neighbors.

Instead of placing a moratorium, I would recommend the City Council restrict corporate vacation rental ownership but allow private individuals the option to purpose a home as a vacation rental more than 30 days per year. This seems a more measured and appropriate next step given the reasons mention above and the low percentage of vacation rentals in Sebastopol.

Charles Metz

Kari Svanstrom

From: Toni Kiely <kielykids@gmail.com>
Sent: Tuesday, August 13, 2019 4:10 PM
To: Kari Svanstrom
Subject: Please don't limit vacation rentals!

I want to express my concerns about the possible limiting of vacation rentals in Sebastopol. When visitors stay in a neighborhood home, they patronize the local businesses - places they can actually walk to!!! Owners always tell their guests about the best local things to do, their favorite local restaurants, and things to see or experience that visitors might not know of otherwise. This gives small businesses a real boost!

Property owners are often older people too, and the additional income *really* helps them when their income or social security is not enough to make ends meet.

I own a second home in Forestville and when we're not using it I rent it to guests. I'm retired now, but when I was working that house helped me put my 2 daughters through college so they could graduate with the crushing student debt so many thousands of young people are currently struggling with.

Please, continue to allow people who can really use the extra income to rent out their homes! It can make all the difference in their lives and the lives of those who depend on them.

Thank you for your time.

Toni K.

August 13, 2019

Mr. Patrick Slayter, Vice Mayor
City of Sebastopol
7120 Bodega Ave.
Sebastopol, CA 95473



Dear Patrick-

I wish that I could attend the city meetings this month regarding short term vacation rentals in Sebastopol, but unfortunately I have a prior commitment on Tuesdays. I did want to share a letter in favor of continuing to have non-owner hosted vacation rentals.

I work in San Francisco and I have an owner-occupied vacation rental on Bodega Ave., this is my fifth year in business. I purchased my home in late 2013 with the specific intent of renting the larger home out as a vacation rental and living in the smaller. I have no desire to be a landlord or to share my property 24/7, 365 days a year. Hosting a vacation rental is the perfect fit for my lifestyle and goals.

I come from a hospitality background and I love being in a business where I can meet people from around the world and share my community with them. I take great pride in promoting Sebastopol online, in print and in person.

I also own a vacation rental in Guerneville, and I put just as much effort into promoting the offerings of the Russian River area for those guests, as I do in Sebastopol. I may not be able to meet everyone that stays there, but the feeling of warmth and community is evident and I am happy to say I have a 5-star rating in each location.

I believe that non-owner occupied vacation rentals in Sebastopol, like mine in Guerneville, are helping support tourism in our area. With the influx of beer/cider/wine tasting rooms, the large annual attractions like the Sonoma County Fair, the Heirloom Festival and Ironman, plus our own events like the Sebastopol Documentary Film Festival and the Gravenstein Apple Fair, we are a destination. A destination that doesn't have adequate hotel space for our guests. Even when the new hotel is built, we will still be accommodation deficient for the number of people that want to stay.

Vacation rentals, owner occupied or not, provide additional accommodations to people that are coming to visit us. They can provide a more comfortable and cost effective space for families or larger groups. A family of six visiting for a wedding can't necessarily afford \$300 a night for guest rooms and may not choose to stay at all. Vacation rentals help bring, and keep people in the area. People that spend money not only at "attractions", but also at the everyday businesses.

I have guests that stay multiple times a year for a week-plus each time. They live here, making use of the grocery stores, dry-cleaners, auto shops and pharmacies. They go to the movies, taquerias and the pool. They enjoy Peacetown in the summer and the Farmer's Market year-round. One family visits every year from Illinois, staying 2-3 weeks each visit, their hope is to purchase a home and retire in Sebastopol.

I understand wanting to retain the sense of community and not "gutting" our neighborhoods, but isn't there a better solution than to ban more vacation rentals?

Other counties have come up with solutions that we could consider. Limit the amount of vacation rentals allowed on any given street/neighborhood or come up with a vacation rental cap, X% of homes in Sebastopol can be vacation rentals.

I truly believe there is a way to preserve our neighborhoods, support new vacation rental owners and the guests that want to come and stay without banning future vacation rentals.

Best regards-

A handwritten signature in cursive script that reads "Lori Solomon".

Lori Solomon
lori@charmantproperties.com
vrbo.com/572902

Rebecca Mansour

From: Megan Finaly <mfinaly@gmail.com>
Sent: Tuesday, August 13, 2019 11:02 AM
To: Patrick Slayter; Rebecca Mansour; Kari Svanstrom
Subject: Rentals in Sebastopol and how homes are being leveraged
Attachments: Sonoma Vacation Rental Permit.pdf; Sonoma County Code for Vacation Rentals.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

I am a single Mom living in Sebastopol. One of the reasons I moved to Sebastopol is because of its unique charm and because of its charter schools. My son attends the Reach School. His Dad lives in Occidental. During the first two years after moving to Sebastopol I did not have a full-time job. I was forced to find work out of town. Being able to rent my primary residence while doing contract work out of town, allows me to not only stay relevant in the work world, it allows me to earn a living and most importantly allows me to maintain my primary residence and not sell my house. Under the proposed moratorium, I would not be allowed to do that. I think that single Moms with school-age kids should be able to afford to live here. I do not believe that, by renting out my house short term, it will diminish or affect the character of the neighborhood. Wherever I have lived, I have maintained excellent communication with my neighbors. Due diligence, communication and respect are essential. In fact, I have had some of the most interesting people come to stay with me or rent my house in the past few years. I have met people from all over the world. I have also met locals that simply needed a place to stay short term.

I would like to kindly recommend that the number of days one is able to rent out their primary residence extend up to 120 days. The reason being that many standard work contracts are between three to six months, with the initial three months usually requiring the contractor to work on-site. This is a win-win situation as it saves time, money, and spares the air.

For the same reasons above, I also support hosted rentals.

I have attached the Sonoma County Vacation Rental Program as a useful and current reference for how other locales are dealing with this issue. I believe we have the same values, are concerned about homelessness and need to work together on these issues (my son and I recently volunteered at the Redwood Empire Food Bank).

With kind regards,

Megan



COUNTY OF SONOMA

Vacation Rental Permit

Vacation rentals are the rental of a private residence for periods of 30 days or less. Vacation Rentals do not include Bed and Breakfast Inns or hosted rentals permitted in accordance with the Sonoma County Code for ¹ B&Bs¹ and hosted rentals¹, or occasional home exchanges that are not otherwise subject to Transient Occupancy Tax (TOT)². Vacation rentals must have a Certified Vacation Property Manager³ and meet Performance Standards to ensure compatibility with surrounding residential uses.

Coastal Zone: The Vacation Rentals Ordinance⁴ has not been adopted for the Sonoma coast (e.g. Sea Ranch, Bodega Bay) and is not applicable to rentals in those communities. However, the owners of Coastal Zone vacation rentals **must** register to pay Transient Occupancy Tax⁵.

Vacation Rentals vs. Hosted Rentals

Find out which situation applies to your property.

[Compare](#)⁶ »

Where are Vacation Rentals Allowed?

Vacation rentals are allowed (with permit) in the following locations:

- In homes in single-family residential zoning districts (AR, RR, and R1)
- In **existing** single-family residences in the LC zoning district
- Agricultural and resource zones including LEA, DA, and RRD (except for lands within an Agricultural Preserve that is subject to a Land Conservation Act (Williamson Act) Contract)

Vacation rentals are **not** allowed in the following locations:

- Higher-density residential districts (R2, R3, PC)
- Lands within an Agricultural Preserve that is subject to a Land Conservation Act (Williamson Act) Contract
- Land Intensive Agriculture (LIA) zoned properties
- Accessory Dwelling Units (previously known as Second Dwelling Units)
- Farm Family, Agricultural Employee, or Farmworker housing units
- Non-habitable structures
- Areas designated (e.g. the Exclusion (X) Combining District⁷)

If you are unsure of what your zoning is, please consult Permit Sonoma's Official Zoning Database⁸.

Permit Type Required

A Zoning Permit or Use Permit is required for all vacation rentals. Vacation rentals with up to five (5) guest rooms require a Zoning Permit. Vacation rentals with five (5) or fewer guest rooms do not require a Building Permit for change of occupancy, but still require a Zoning Permit from Permit Sonoma (PRMD) and compliance with all Transient Occupancy Tax (TOT) registration and payment requirements. Vacation rentals with six (6) or more guest rooms require a Use Permit.

Apply for a Vacation Rental Permit

Vacation Rental Permit Application Package

The following **must be submitted in person**. They are **not** accepted by mail.

1. **Vacation Rental Zoning Permit Fee** (as of July 5, 2017 through June 30, 2018):
Up to \$849.00 (includes the first year Annual Monitoring Fee (prorated by quarter) and the Tech Enhancement Fee)
 2. **Certified Property Manager Requirement**
All new vacation rental permits are required to provide the 24 hour contact information of a property manager⁹ who has already passed the property manager certification exam and paid the fee.
 3. **Vacation Rental Application Forms**
All forms listed must be completed prior to bringing to the Permit Sonoma office.
 - Transient Occupancy Tax (TOT) Registration Form¹⁰ (PDF: 310 [kB](#))
 - PJR-001 - Planning Application¹¹ (PDF: 82 [kB](#))
 - PJR-011 - Indemnification Agreement¹² (PDF: 61 [kB](#))
 - PJR-096 - Vacation Rentals Application¹³ (PDF: 56 [kB](#))
 - PJR-119 - Property Report Checklist¹⁴ (PDF: 151 [kB](#))
-

Additional Vacation Rental Permit Fees

(as of July 5, 2017 through June 30, 2018)

- Annual Monitoring Fee: \$216.00
Recurring fee paid by the vacation rental owner per property
 - Property Manager Certification: \$65.00
One-time fee paid by the Property Manager when obtaining certification¹⁵ from Permit Sonoma
 - Noticing Fee: \$85.00
Paid by the vacation rental owner when changing the Property Manager¹⁶ for a vacation rental property (for notifying neighbors of the change)
-

Cessation of Vacation Rental Use

Vacation Rental Zoning Permits and Hosted Rental Zoning Permits expire automatically upon the sale or transfer of a vacation rental or hosted rental property. Property owners who have sold their property should also let Permit Sonoma know as soon as possible in order to not be held liable for any vacation rental or hosted rental use of the property once it has been sold.

This form should be completed and submitted in all cases where the home is no longer being used as a vacation rental or hosted rental.

Fill out the Affidavit of Cessation of Vacation Rental or Hosted Rental Use¹⁷ (PDF: 158 [kB](#)) and follow the instructions on the form for submission.

Contact Information

Vacation Rentals¹⁸
Permit & Resource Management
Department¹⁹
County of Sonoma²⁰

Email: PRMD-
VacationRentals@Sonoma-

County.org

Business Hours

Monday – Friday

10:30 AM to 12:30 PM and 1:30
PM to 3:30 PM

Holiday Closure Calendar²¹ »

Contact us by Phone

Phone: (707) 565-1932

Address

Permit Sonoma

2550 Ventura Avenue
Santa Rosa, CA 95403

Links

1. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-and-Hosted-Rentals/Code-for-B-and-Bs-and-Hosted-Rentals/>
2. <http://www.sonoma-county.org/tax/tot/index.htm>
3. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Property-Manager-Certification-Test/>
4. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rentals-Ordinance/>
5. <http://www.sonoma-county.org/tax/tot/>
6. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-Rentals/#comparison>
7. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-and-Hosted-Rentals/Exclusion-Combining-District/>
8. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Zoning-Information/>
9. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-and-Hosted-Rentals/Property-Managers/>
10. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//WorkArea/DownloadAsset.aspx?id=2147555083>
11. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//WorkArea/DownloadAsset.aspx?id=2147543810>
12. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//WorkArea/DownloadAsset.aspx?id=2147543824>
13. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//WorkArea/DownloadAsset.aspx?id=2147553830>
14. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//WorkArea/DownloadAsset.aspx?id=2147554281>
15. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-and-Hosted-Rentals/Property-Managers/#certification>
16. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-and-Hosted-Rentals/Property-Managers/#update-manager>
17. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//WorkArea/DownloadAsset.aspx?id=2147555084>
18. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit//PRMD/Regulations/Vacation-Rentals/>

19. <http://www.PermitSonoma.org/>
 20. <http://sonomacounty.ca.gov/>
 21. https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Vacation-Rental-Permit/_templates_portal/Page.aspx?id=2147503046
-



COUNTY OF SONOMA

Sonoma County Code for Vacation Rentals

Section 26-88-120

- a. **Purpose.** This section provides requirements and standards for the operation of vacation rentals. These standards are intended to ensure that vacation rentals are compatible with and do not adversely impact surrounding residential and agricultural uses.
- b. **Applicability.** The provisions of the section shall apply to all vacation rentals except where there is a primary owner in residence. This section does not apply to legally established Hosted Rentals or Bed and Breakfast Inns, which are regulated by Section 26-88-118. As used in this section, "primary owner" does not include residences or condominiums owned as a timeshare, limited liability partnership or corporation, or fractional ownership of six (6) or more interests. Vacation rentals shall not be permitted in non-habitable structures, nor on parcels where the AH Combining Zone or the X Combining Zone have been placed. Vacation rentals shall also not be permitted within second dwelling units, nor in structures or dwellings with County covenants or agreements restricting their use including but not limited to affordable housing units, agricultural employee units, farmworker housing, farm family units, or on lands under a Williamson Act Contract. Tents, yurts, RVs, and other provisions intended for temporary occupancy are not allowed as a part of a vacation rental.
- c. **Permits Required.** Vacation rentals that meet the standards outlined in this section shall be allowed as provided by the underlying zone, subject to issuance of a zoning permit. Vacation rentals that do not meet the standards in this section may be permitted, subject to the granting of a use permit.
- d. **Term of Permit.** Zoning permits shall run with the landowner and shall automatically expire upon sale or transfer of the property. Use permits shall run with the land but may be issued for limited term, as specified by the decision-maker. Both types of permits may be revoked for failure to comply with adopted standards, subject to the administrative and revocation procedures of Article 92 unless otherwise specified by this section.
- e. **Permit Requirements.**
 1. **Maximum Number of Guestrooms.** Vacation rentals may have a maximum of five (5) guestrooms or sleeping rooms. Vacation rentals with more than five (5) guestrooms or sleeping rooms may only be allowed if adequate sewage disposal capacity exists and neighborhood compatibility can be demonstrated, subject to the granting of a use permit. For purposes of determining the appropriate level of permit required, the actual number of bedrooms in the structure plus any additional rooms intended or used for sleeping shall be used.
 2. **Maximum Overnight Occupancy.** Maximum overnight occupancy for vacation rentals shall be up to a maximum of two (2) persons per sleeping room or guestroom, plus two (2) additional persons per property, up to a maximum of twelve (12) persons, excluding children under three (3) years of age. Vacation rentals with larger overnight occupancies may only be allowed subject to the granting of a use permit. For homes on a conditional or non-standard septic system, or those with capacity limited by a voluntary repair, the maximum overnight occupancy for vacation rentals shall be equal to the design load of the septic system. The property owner shall ensure that all contracts and online listings and advertisements clearly set forth the maximum number of overnight guests permitted at the property.
 3. **Maximum Number of Guests and Daytime Visitors.** The maximum number of total guests and visitors allowed at any time in a single vacation rental shall not exceed the maximum overnight occupancy plus six (6) additional persons per property during the daytime, or eighteen (18) persons, whichever is less, excluding children under three (3) years of age. Daytime visitors shall not be on the property during quiet hours. Vacation rentals with larger numbers of guests and visitors may only be allowed subject to the granting of a use permit. Notwithstanding, maximum guest limits may be exceeded on the following national holidays: Easter, Memorial Day, 4th of July, Labor Day, Thanksgiving, Christmas Eve and Christmas, so long as the holiday event does not otherwise trigger the requirement for a special or cultural events permit.
 4. **Limit on Number of Residences or Structures per Parcel.** Only a single family residence, and a legally established guest house meeting current standards shall be used as a vacation rental. Only one (1) tenant shall be allowed on-site at any given time: Only one transient rental is allowed per parcel. Parcels containing multiple residences or habitable structures may only be used as vacation rentals subject to the granting of a use permit, except that two (2) residences or structures may be used when the total number of guestrooms does not exceed five (5).

5. **Parking.** Parking shall be provided as follows: a minimum of one (1) on-site parking space for a vacation rental with up to two (2) guestrooms or sleeping rooms; two (2) on-site parking spaces for a three (3) or four (4) guestroom vacation rental. Larger vacation rentals must demonstrate adequate parking with a minimum of three (3) spaces. On-street parking may be considered for up to one (1) of the required parking spaces; otherwise, the number of vehicles allowed for overnight guests shall be limited to the off-street parking available, as demonstrated by the application materials and the property checklist, but shall not exceed one vehicle per bedroom. This maximum number of vehicles permitted for guests shall be clearly set forth in all rental agreements and in all online advertisements and listings.

f. Performance Standards

1. **Noise Limits.** All activities associated with the vacation rental shall meet the general plan noise standards contained below. Quiet hours shall be from 10:00 p.m. to 7:00 a.m. The property owner shall ensure that the quiet hours and limits on outdoor activities are included in rental agreements and in all online advertisements and listings.

Hourly Noise Metric ¹ , A-Weighted Decibels (dBA)	Activity Hours 7AM to 10PM	Quiet Hours 10PM to 7AM
L50 (30 minutes in any hour)	50	45
L25 (15 minutes in any hour)	55	50
L08 (5 minutes in any hour)	60	55
L02 (1 minute in any hour)	65	60

¹ The sound level exceeded n% of the time in any hour. For example, the L50 is the value exceeded 50% of the time or 30 minutes in any hour; this is the median noise level. The L02 is the sound level exceeded 1 minute in any hour.

If the ambient noise level exceeds the standards above, adjust the standard to equal the ambient level, up to a maximum of 5dBA above the standard, provided that no measurable increase (i.e. 1.5 dBA or more) shall be allowed.

Reduce the applicable standards above by 5 dBA for simple tone noises, noises consisting primarily of speech or music, or for recurring impulsive noises, such as dog barking.

2. **Amplified Sound.** Outdoor amplified sound shall not be allowed at any time associated with a vacation rental.
3. **Pets.** Pets, if allowed by owner, shall be secured on the property at all times. Continual nuisance barking by unattended pets is prohibited.
4. **Trash and Recycling Facilities.** Recycling and refuse storage bins shall not be stored within public view unless in compliance with neighborhood standards. Recycling and trash receptacles shall be returned to screened storage areas within 24 hours of trash pick-up.
5. **Outdoor Fire Areas.** Outdoor fire areas, when not prohibited by state or local fire bans, may be allowed but shall be limited to 3 feet in diameter, shall be located on a non-combustible surface, shall be covered by a fire screen, and shall be extinguished as soon as it is no longer in use or by 10:00 p.m., whichever is earlier. No fire or fire area shall be located within 25 feet of a structure or combustible material.
6. **Septic Systems and Sewer Connections.** The owner shall maintain a properly functioning septic system or sewer connection. In some cases, a per-room sewer fee may be applied.
7. **Transient Occupancy Tax.** The vacation rental owner or authorized agent shall maintain a transient occupancy tax certificate and remain current on all required reports and payments. Owner or authorized agent shall include the certificate number on all contracts or rental agreements, and in any advertising or websites.
8. **Certified 24-hour Property Manager.** All vacation rentals operating within unincorporated Sonoma County must have a certified property manager who is available 24 hours per days, 7 days per week during all times that the property is rented or used on a transient basis. Certified property managers may be professional property managers, realtors, property owners, or other designated person provided that the individual has successfully completed a training course and achieved a qualifying score on a county-administered certification test. Certification shall be granted by the County and may be revoked by the County. Once certified, a property manager must continue to comply with all provisions set forth in this Section, including timely reporting of all complains and their resolutions, in order to remain certified. Certified property managers must be located within a 30 mile radius of the vacation rental and must be available to respond to complaints at all times during the rental period. Any requested change to the certified property manager for a vacation rental property shall be made through submittal of a new Vacation Supplemental Application or similar form provided by the Department, and shall include the signature of the certified

property manager and the desired effective date of the change. In no case may a vacation rental operate without a current certified property manager. Operation of a vacation rental without a valid certified property manager shall be considered a violation of this Section. The name and 24 hour contact information of the certified property manager shall be provided to any interested party upon request.

9. **Emergency Access.** The owner of any vacation rental located behind a locked gate or within a gated community shall provide gate code or a lockbox with keys ("Knox Box" or similar) for exclusive use by the sheriff and emergency or fire services departments.
10. **Posting and Neighbor Notification of Permit and Standards.** Once a vacation rental permit has been approved, a copy of the permit listing all applicable standards and limits shall be posted within the vacation rental property. The owner shall post these standards in a prominent place within 6 feet of the front door of the vacation rental, and include them as part of all rental agreements. At the permit holder's expense, the County shall provide mailed notice of permit issuance to property owners and immediate neighbors of the vacation rental unit using the standard 300' property owner mailing list. All advertising handouts, flyers, internet listings, or any other information provided for vacation rentals shall conform to the approved occupancy limits and standards as stated on the vacation rental permit. Advertising may only be conducted for properties operating under a valid permit. Advertising for a particular property inconsistent with the approvals for that property shall be considered a violation of these performance standards
11. **Requirements for All Internet Advertisements and Listings.** All online advertisements and/or listings for the vacation rental property shall include the following:
 - a. Maximum occupancy, not including children under 3;
 - b. Maximum number of vehicles;
 - c. Notification that quiet hours must be observed between 10:00 p.m. and 7:00 a.m.;
 - d. Notification that no outdoor amplified sound is allowed; and
 - e. The Transient Occupancy Tax Certificate number for that particular property.

g. Enforcement Process.

1. **Initial complaints** on vacation rentals shall be directed to the certified property manager identified in the zoning permit or use permit, as applicable. The certified property manager shall be available 24 hours during all times when the property is rented, and shall be available by phone during these hours. Should a problem or arise and be reported to the certified property manager, the certified property manager shall be responsible for contacting the tenant to correct the problem within 60 minutes, or within 30 minutes if during quiet hours, including visiting the site if necessary to ensure that the issue has been corrected. The certified property manager shall complete the online reporting form to report any such complaints, and their resolution or attempted resolution(s), to PRMD within 24 hours of the occurrence. Failure to respond to complaints or report them to PRMD shall be considered a violation of this section, and shall be cause for revocation of certification status.

If the issue reoccurs, the complaint will be addressed by PRMD code enforcement section who may conduct an investigation to determine whether there was a violation of a zoning or use permit condition. Sheriff reports, online searches, citations or neighbor documentation consisting of photos, sound recordings and video may constitute proof of a violation. If code enforcement verifies that a zoning or use permit condition violation has occurred, a notice of violation may be issued and a penalty may be imposed in accordance with Chapter 1 of the Sonoma County Code.

At the discretion of the code enforcement officer or the Director, the zoning permit or use permit may be scheduled for a revocation hearing with the board of zoning adjustments. If the permit is revoked, a zoning or use permit for a vacation rental may not be reapplied for or issued for a period of at least one (1) year.

2. **Enhanced penalty for non-permitted rentals.** A vacation rental that is determined to be operating without the necessary permit required under this Section shall be subject to a penalty of ten times the normal application fee.
3. **Three Strikes Penalty.** Upon receipt of any combination of three administrative citations, verified violations, or hearing officer determinations of violation of any of the permit requirements or performance standards issued to the owner or occupants at the property within a two year period, the vacation rental zoning permit is summarily revoked, subject to prior notice and to appeal, if requested within 10 days. Should such a revocation occur, an application to reestablish a vacation rental at the subject property shall not be accepted for a minimum period of two years.
4. **Violation of Performance Standards – Administrative Citations.** In addition to all other legal remedies, criminal or civil, which may be pursued by the County to address any violation of the County Code, this subsection provides for Administrative Citations.
 - a. Use of Administrative Citations shall be at the sole discretion of the County.

- b. This subsection is adopted pursuant to the authority conferred by the Government Code, including Section 53069.4.
- c. Violations of the following permit requirements and performance standards may be deemed infractions for the purposes of this subsection, and are subject to administrative citation:
 1. Conduct of a cultural event, special event, party, wedding or other similar activity exceeding the allowable maximum occupancy;
 2. Exceeding the maximum permitted occupancy, not including children under 3 years of age;
 3. Noise violations, as set forth in (f), above, including the use of outdoor amplified sound;
 4. Violations of quiet hours (10:00 PM – 7:00 AM);
 5. Exceeding maximum number of vehicles;
 6. Exceeding fire limits, including lighting fires during bans;
 7. Unsecured pets and/or nuisance barking;
 8. Operation of a vacation rental without a certified property manager;
 9. Failure of the property owner to include the specified limits in rental agreements and online listings or advertisements;
 10. Failure to include the individual property's Transient Occupancy Tax Certificate number in all contracts, advertising and online listings;
 11. Failure of the property owner to maintain current Transient Occupancy Tax status.

h. Monitoring and Enforcement Fee.

1. An annual fee may be adopted by the board of supervisors and collected by PRMD or the county tax collector to pay for monitoring and enforcement of vacation rentals.

Contact Information

Vacation Rentals¹

Permit & Resource Management
Department²
County of Sonoma³

Email: PRMD-
VacationRentals@Sonoma-
County.org

Business Hours

Monday – Friday

10:30 AM to 12:30 PM and 1:30
PM to 3:30 PM

[Holiday Closure Calendar⁴ »](#)

Contact us by Phone

Phone: (707) 565-1932

Address

Permit Sonoma
2550 Ventura Avenue
Santa Rosa, CA 95403

Links

1. <https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Code-for-Vacation-Rentals//PRMD/Regulations/Vacation-Rentals/>
2. <http://www.PermitSonoma.org/>

3. <http://sonomacounty.ca.gov/>
 4. https://sonomacounty.ca.gov/PRMD/Regulations/Vacation-and-Hosted-Rentals/Code-for-Vacation-Rentals/_templates_portal/Page.aspx?id=2147503046
-

Kari Svanstrom

From: Steven Pierce <stevepierce@sbcglobal.net>
Sent: Friday, August 23, 2019 5:29 PM
To: Neysa Hinton; Patrick Slayter; Sarah Gurney; Michael Carnacchi; Kari Svanstrom; Una J. M. Glass
Subject: Endorsement of a Local Ordinance on Non-Hosted Vacation Rentals

Sebastopol Climate Action Endorsement of a Local Ordinance on Non-Hosted Vacation Rentals

8/17/2019

Sebastopol Climate Action endorses the Sebastopol City Council's August 6th adoption of a 45 day moratorium on on non-hosted vacation rentals. We encourage the city to adopt an ordinance limiting non-hosted vacation rentals to thirty days occupancy per year.

We strongly support keeping rental housing open to long-term residents. We see it as both an equity issue and an environmental issue.

Non-hosted vacation rentals can adversely impact housing availability which drives up rents and pushes commutes to farther away locations. According to the Regional Climate Protection Authority 2015 Climate Action Plan update, the residents of Sebastopol already drive more than any other city in Sonoma County.

While we recognize that tourism plays an important part in our local economy, we are concerned by the fact that tourism accounts for an estimated 8 percent of greenhouse gas emissions. The impact on the climate from tourism is expected to grow due to emerging parts of the world that are catching up to the US in tourism demand. According to Arunima Malik, author of a study from the University of Sydney, Australia, "Growth in tourism-related expenditure is a stronger accelerator of emissions than growth in manufacturing, construction or service provision" [Impacts of Tourism on Climate](#)

To help Sebastopol meet the multiple goals of housing availability for local residents, a balanced local economy and environmental action, Sebastopol Climate Action requests that the City of Sebastopol adopt an ordinance limiting non-hosted vacation rentals to thirty days per year.

Thank You,
Sebastopol Climate Action
Steve Pierce

August 24, 2019

To: Michael Carnacchi, Una Glass, Sarah Gurney, Neysa Hinton, Patrick Slayter
Cc: Mary Gourley, Kari Svanstrom

Re: Support - Adopting and extending Ordinance imposing a moratorium on the establishment of non-hosted vacation rentals of more than 30 days per year.

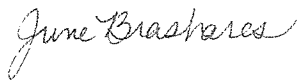
Dear Sebastopol City Council,

I support the 45-day moratorium on granting new permits to non-hosted vacation rentals and encourage you to please move forward to pass a permanent ordinance banning non-hosted short-term vacation rentals (limiting non-hosted vacation rentals to thirty days per year).

I am greatly concerned about the lack of affordable housing in our region. It is important to keep rental housing available for long-term residents and not to exacerbate the pressures driving up rents and displacement.

I appreciate you doing all that you can so the people who work in Sebastopol will have access to housing here and not be forced to commute long distances. As we face a climate crisis, we need to reduce long commutes and the associated greenhouse gas emissions, and our local economy should not be oriented toward dependence on tourism.

Respectfully,

A handwritten signature in cursive script that reads "June Brashares".

June Brashares
7760 Dos Palos Lane
Sebastopol, CA 95472

Kari Svanstrom

From: Julee <julee13@comcast.net>
Sent: Monday, August 26, 2019 10:36 AM
To: Kari Svanstrom
Subject: Airbnb permits

We would like to state for the record that we are absolutely opposed to non-hosted Airbnb permits for the city of Sebastopol!!

We are from Sebastopol, and are so saddened that many of our friends that we grew up with can't afford or find housing in their hometown!! We have a 5 acre property in the country (in Sebastopol)and moved to town 7 years ago after my father's death....because it was easier for my 89-year-old mother to be close to everything, also Analy high which my son rides his bike to, and lves park where my other son is on the swim team. We got new neighbors who moved in and then moved out a few years later, instead of selling or renting they have an Airbnb (posted without a permit!!) as was confirmed by the city of Sebastopol. We have notified Airbnb but they have done nothing about it. We are definitely unhappy by how it is affecting our family/life (our children 14 and 7, my husband who is a public school teacher and has to get up very early, my mom and our dogs(who are barking much more due to the strange cars and noise!!

We want to live in a neighborhood where we know who our neighbors, not where there they're constantly strangers coming in and out partying and being loud!!

And as I mentioned so many friends in the need of housing!!

We hope you take this into consideration to not allow any further airbnb permits!! Thank you for your time.

Julee Fraenkle and family

Sent from my iPhone

Kari Svanstrom

From: Kate Russell <katin76@yahoo.com>
Sent: Tuesday, August 13, 2019 12:22 PM
To: Michael Carnacchi; Neysa Hinton; Sarah Gurney; Patrick; Una Glass; Mary Gourley; Kari Svanstrom
Subject: unhosted vacation rentals in Seb

Dear Members of the Council and Planning Director Svanstrom,

Thank you very much for engaging with the conflict of vacation rentals and the rental housing shortage in our part of West County. I support an ongoing moratorium on unhosted vacation rentals. I would like to also see a condition in the ordinance that states that the homeowner can only rent the house out for 30 days a year if they are the ones living in it the rest of the time...i.e., that they do not rent it out to tenants for 11 months and boot them out for 30 days of vacation rental/ year. I would also like to see consideration on concentration of ADU's and rooms being rented to short term visitors when issuing new permits.

Upon arriving to live in Sebastopol almost 12 years ago, our family rented 3 different single family homes in town over about 6 years. In 2 of the rentals, we were asked to move out after about 1.5- 2 years so that the owner could sell the property (in the other, it was because the landlady wanted to move in). We were lucky to find another house in town to rent each time...and each time we needed it, there was only one rental available that had 2 or 3 bedrooms. The last rental we lived in became a 3 bd/ 2 ba vacation rental. Luckily, we had help from my in-laws and could purchase a house here in town before the selling prices became out of reach for us. They would be now. We have many friends that have been stressed by the rental market here and in the surrounding area....some have moved away, not finding adequate housing within their middle class price range. It has made me feel sad to lose friends and feel like we are among the few to "luck out." I don't want to live in an exclusive town....which is why I felt so pleased and proud to tell my 15 year old son about your deliberations and decision to engage with the vacation rental issue in Sebastopol the way that you have.

Thank you. I support you and will try to attend tonight's meeting, as well.

Respectfully,
Kate Thompson
7821 Anthony St.

Kari Svanstrom

From: Miles Burgin <burgin.miles@gmail.com>
Sent: Monday, August 12, 2019 10:38 AM
To: Kari Svanstrom
Subject: Re: Public Comment on non-Hosted Airbnbs - Planning Commission 8/13/19
Attachments: economic impact of short term rentals.pdf; State of Working Sonoma 2018_Final Report-2.pdf

Hi Kari,

I'm so sorry... I think I accidentally attached them as a drive link instead as PDFs. I've reattached here as PDFs and accepted your request for access. Sorry again, and thanks for taking my public comments!

Cheers,

Miles Burgin
(707) 548-3306

On Mon, Aug 12, 2019 at 9:30 AM Kari Svanstrom <ksvanstrom@cityofsebastopol.org> wrote:

Hi Miles,

Thank you for your comments and thoughts, I found them extremely helpful. I will be including in the comments to the Commissioners and the record.

However, when trying to download the two studies, I was not able to download the attachments (you should have a request from kari.swanstream@gmail.com – can you approve so I can download for our Planning Commission?

Kari Svanstrom, AICP, Architect

Planning Director

City of Sebastopol | Planning Department

7120 Bodega Avenue | Sebastopol, CA 95472

(707) 823-6167 phone | (707) 823-1135 fax

www.cityofsebastopol.org



City offices are open Monday – Thursday, 7:00 am – 5:30 pm, Closed every Friday/and holidays

From: Mary Gourley <mgourley@cityofsebastopol.org>

Sent: Monday, August 12, 2019 7:38 AM

To: Lawrence McLaughlin <lmclaughlin@cityofsebastopol.org>; Kari Svanstrom <ksvanstrom@cityofsebastopol.org>; Michael Carnacchi <mcarnacchi@cityofsebastopol.org>; Neysa Hinton <neysacouncil@gmail.com>; Patrick Slayter <ps.sebcc@gmail.com> <ps.sebcc@gmail.com>; sarahgurney.seb@gmail.com; Una Glass <una.glass.seb@sonic.net>

Subject: FW: Public Comment on non-Hosted Airbnbs - Planning Commission 8/13/19

Please see email below.

Please feel free to contact me with any questions. Thank you

Mary C. Gourley, Assistant City Manager/City Clerk, MMC

City of Sebastopol, 7120 Bodega Avenue, Sebastopol, CA 95472, Email: mgourley@cityofsebastopol.org

Phone: 707-823-1153; Fax: 707-823-1135

City of Sebastopol records, including emails, are subject to the California Public Records Act. Unless exemptions apply, this email, any attachments and any replies are subject to disclosure on request, and neither the sender nor any recipients should have any expectation of privacy regarding the contents of such communications.



City offices are open Monday – Thursday, 7:00 am – 5:30 pm

Closed every Friday/and holidays

In Case of Emergency please contact the Sebastopol Police Department at 707-829-4400.

From: Miles Burgin <burgin.miles@gmail.com>
Sent: Friday, August 09, 2019 4:19 PM
To: Mary Gourley <mgourley@cityofsebastopol.org>
Subject: Public Comment on non-Hosted Airbnbs - Planning Commission 8/13/19

Ms Gourley,

I would like to submit public comment on the non-hosted Airbnb discussion set to take place before the planning commission on August 13th, and was hoping you could forward the following comments to the commissioners cc'ing the city council. I looked to see if there was a single email address where the commissioners could be reached, but was unable to find one. I've also attached two studies that I'd like entered into the record for the conversation. Thanks in advance, and please let me know if you need anything else from me.

Members of the Planning Commission,

I wanted to offer public comment on the issue of non-hosted short-term rentals in Sebastopol, but as I'm unable to attend in person I'm submitting my comments via email. First, I want to submit a study by the Economic Policy Institute on the economic effects of vacation rentals into the public record, and second I'd like to speak to my personal experience with them having grown up and currently working in Sonoma Valley.

I've attached the EPI study to this email so you can read it in full, but the highlights are as follows:

- "The economic costs Airbnb imposes likely outweigh the benefits"
- "Evidence suggests that the presence of Airbnb raises local housing costs"
 - "AirBnB introduction and expansion in New York City may have raised averaged rents by nearly \$400"
- "The potential benefit of increased tourism supporting city economies is much smaller than commonly advertised"
 - "Two surveys indicate that only 2 to 4 percent of those using Airbnb say they would not have taken the trip were Airbnb rentals unavailable"

- “The shift from traditional hotels to Airbnb lodging leads to less-reliable tax payments to cities”
- The existence of short-term rentals also has significant equity implications. While long term renters in Sonoma County are disproportionately people of color, and lower income, the report found that “the beneficiaries [of Airbnb’s] are disproportionately white and high-wealth households”.

In essence, the report finds that while there is undeniably some economic benefit to non-hosted vacation rentals in a community like Sebastopol, that benefit is shown to be outweighed by the economic impacts of decreased tax revenue through inconsistent TOT collection and higher rents for residents. When Sonoma County is in the midst of a crippling housing crisis it’s important that we preserve the existing rental housing stock for residents instead of tourists.

I would also like to provide some personal experience I’ve had growing up and now working in the Sonoma Valley which has a significantly higher rate of short-term rentals than Sebastopol does. I grew up in Boyes Hot Springs in what was then a blue-collar, working-class neighborhood full of young families and first-time homeowners. Now the five parcels who share a fence line with my childhood home are all either full-time Airbnbs or second homes which are rented out on the short-term market for a majority of the year. Similarly working in the wine industry in Glen Ellen I’ve seen first-hand what an oversaturation of vacation rentals does to a community. Over the last decade of vacation rental growth, home prices in the valley have skyrocketed. Where middle income and working class families were once able to buy a home, gain economic stability, and build inter-generational wealth, we now see the market dominated by investors, speculators, and Bay Area elites gobbling up all of the housing. A personal friend of mine who owns four vacation rentals in Glen Ellen once remarked that her monthly revenue from short term rentals is between 150%-200% of what she’d be able to make leasing those same homes to permanent residents. The vacation rental income is, in fact, a driving factor of increased housing prices in Sonoma Valley. When Airbnb turns our housing stock into a lucrative investment opportunity it puts upward pressure on the real estate market and makes homeownership unattainable for so many of our residents.

Additionally, the existence of vacation rentals has serious implications to the local economy. I’m one of the co-founders of the Glen Ellen Small Business Association (now a part of the Glen Ellen Forum) and what we’ve seen is that while vacation rentals are a benefit for the tourism industry – and remember, according to the EPI report between 96% and 98% of trips would still happen if Airbnbs were unavailable – the displacement and decrease of full-time residents caused by vacation rentals can cripple other small, local businesses. How is someone supposed to open an auto shop, or be a family physician’s practice, or a veterinary clinic, or any of the other numerous non-tourism facing businesses without full time residents. What my experience in Glen Ellen has shown me is that while wineries, restaurants, and bars stand to gain, this gain comes at the expense of business diversity, entrepreneurship, and economic mobility.

This shift in the types of viable businesses caused, in part, by vacation rentals have significant impact on the earning potential of our county’s workers. North Bay Jobs with Justice’s “State of Working Sonoma 2018” report (attached) shows that the majority of new jobs due to be created in the county over the next decades are expected to be in the service and retail sectors. These service and retail jobs are among the lowest paying jobs in our economy – the majority of which currently pay less than \$15/hour at a time when a family of four must have two full time earners making at least \$23/hour each in order to afford basic necessities without relying on government assistance. In short vacation rentals fuel the hollowing of the middle class and worsen income inequality through their impacts on traditional middle-class jobs in the county.

Another negative impact I’ve witnessed from vacation rentals is in education. Glen Ellen’s high volume of part-time residences and vacation rentals has caused enrollment in the local to plummet to the point where Dunbar School is struggling to survive. Enrollment is a key factor in local education funding, and with increased housing prices – caused in part by vacation rentals – pushing families out of our community, our schools suffer as a result.

With all of that said, how do I think the Planning Commission should proceed? I would suggest the following:

1. Do not allow any new non-hosted vacation rentals within city limits.

2. Ensure hosted vacation rentals are defined in such a way that eliminates the potential of existing multifamily units being used for vacation rentals, by requiring the hosted requirement to apply to each individual unit within a multifamily development.
3. Set a strong cap on the number of days a non-hosted property can be rented per year. Exceptions for students on vacation, medical leave, teachers on sabbatical, etc. are fine, but please ensure that those exceptions are crafted in a way to disallow weekend homes from being used as Airbnbs while the owners are away.
4. Prioritize the use of ADUs for permanent residents.
5. Classify existing non-hosted vacation rentals as a legal non-conforming use with a defined sunset clause giving property owners the time they need to decide to either rent long-term or sell.
6. Include real enforcement into any ordinance including the ability to levy fines and revoke business licenses for properties found to be in violation.

Thank you for your consideration and please feel free to reach out to me if you have any questions. I'm happy to chat over the phone or in person.

Best Regards,

Miles Burgin

2525 Edgewater Dr, Santa Rosa

(707) 548-3306

Burgin.Miles@gmail.com

Executive Board Member – Wine Country Young Democrats

Board of Directors Member – Sonoma County Conservation Action

Community Advisory Board Member – City of Santa Rosa

Alternate, 5th District – Sonoma County Democratic Party Central Committee

 [economic impact of short term rentals.pdf](#)

 [State of Working Sonoma 2018_Final Report-2.pdf](#)

Cheers,

Miles Burgin

(707) 548-3306

The economic costs and benefits of Airbnb

No reason for local policymakers to let Airbnb bypass tax or regulatory obligations

Report • By [Josh Bivens](#) • January 30, 2019

Summary: Analysis shows that the costs of Airbnb expansion to renters and local jurisdictions likely exceed the benefits to travelers and property owners. Thus there is no reason policymakers should reverse long-standing regulatory decisions simply to accommodate the rise of a single company.

Updated March 26, 2019

Summary

“The sharing economy” refers to a constellation of (mostly) Silicon Valley–based companies that use the internet as their primary interface with consumers as they sell or rent services. Because this term is “vague and may be a marketing strategy” (AP 2019), we refer to these firms less poetically but more precisely as “internet-based service firms” (IBSFs).

Economic policy discussions about IBSFs have become quite heated and are too often engaged at high levels of abstraction. To their proponents, IBSFs are using technological advances to bring needed innovation to stagnant sectors of the economy, increasing the quality of goods and services, and providing typical American families with more options for earning income; these features are often cited as reasons why IBSFs should be excused from the rules and regulations applying to their more traditional competitors. To skeptics, IBSFs mostly represent attempts by rich capital owners and venture capitalists to profit by flouting regulations and disguising their actions as innovation.

The debates about whether and how to regulate IBSFs often involve theories about their economic costs and benefits. This report aims to inform the debate by testing those theories. Specifically, it assesses the potential economic costs and benefits of the expansion of one of the most well-known of the IBSFs: the rental business Airbnb.

Airbnb, founded in 2008, makes money by charging guests and hosts for short-term rental stays in private homes or apartments booked through the Airbnb website. It started in prototype in San Francisco and expanded rapidly, and is now operating in hundreds of cities around the world. Airbnb is frequently depicted as a boon for travelers looking for lower-cost or nontraditional accommodations, and for homeowners looking to expand their income stream. But in many local markets, the arrival and expansion of Airbnb is raising questions about its potential negative impacts on local housing costs, quality

SECTIONS

1. Summary • 1
2. Overview of the economics of Airbnb • 3
3. Potential benefits of Airbnb introduction and expansion in U.S. cities • 6
4. Potential costs of Airbnb introduction and expansion • 13
5. Conclusion: Airbnb should have to play by the same rules as other lodging providers • 19

About the author • 21

Endnotes • 23

References • 24

of life in residential neighborhoods, employment quality in the hospitality industry, and local governments' ability to enforce municipal codes and collect appropriate taxes.

In our cost-benefit analysis, we find:

- **The economic costs Airbnb imposes likely outweigh the benefits.** While the introduction and expansion of Airbnb into U.S. cities and cities around the world carries large potential economic benefits and costs, the costs to renters and local jurisdictions likely exceed the benefits to travelers and property owners.
- **Airbnb might, as claimed, suppress the growth of travel accommodation costs, but these costs are not a first-order problem for American families.** The largest and best-documented potential benefit of Airbnb expansion is the increased supply of travel accommodations, which could benefit travelers by making travel more affordable. There is evidence that Airbnb increases the supply of short-term travel accommodations and slightly lowers prices. But there is little evidence that the high price of travel accommodations is a pressing economic problem in the United States: The price of travel accommodations in the U.S. has not risen particularly fast in recent years, nor are travel costs a significant share of American family budgets.
- **Rising housing costs are a key problem for American families, and evidence suggests that the presence of Airbnb raises local housing costs.** The largest and best-documented potential cost of Airbnb expansion is the reduced supply of housing as properties shift from serving local residents to serving Airbnb travelers, which hurts local residents by raising housing costs. There is evidence this cost is real:
 - Because housing demand is relatively inelastic (people's demand for somewhere to live doesn't decline when prices increase), even small changes in housing supply (like those caused by converting long-term rental properties to Airbnb units) can cause significant price increases. High-quality studies indicate that Airbnb introduction and expansion in New York City, for example, may have raised average rents by nearly \$400 annually for city residents.
 - The rising cost of housing is a key problem for American families. Housing costs have risen significantly faster than overall prices (and the price of short-term travel accommodations) since 2000, and housing accounts for a significant share (more than 15 percent) of overall household consumption expenditures.
- **The potential benefit of increased tourism supporting city economies is much smaller than commonly advertised.** There is little evidence that cities with an increasing supply of short-term Airbnb rental accommodations are seeing a large increase in travelers. Instead, accommodations supplied via Airbnb seem to be a nearly pure substitution for other forms of accommodation. Two surveys indicate that only 2 to 4 percent of those using Airbnb say that they would not have taken the trip were Airbnb rentals unavailable.
 - Studies claiming that Airbnb is supporting a lot of economic activity often vastly overstate the effect because they fail to account for the fact that much of this spending would have been done anyway by travelers staying in hotels or other alternative accommodations absent the Airbnb option.

- **Property owners do benefit from Airbnb’s capacity to lower the transaction costs of operating short-term rentals, but the beneficiaries are disproportionately white and high-wealth households.** Wealth from property ownership is skewed, with higher-wealth and white households holding a disproportionate share of housing wealth overall—and an even more disproportionate share of housing wealth from nonprimary residences because they are much more likely to own nonprimary residential property (such as multi-unit Airbnb rentals).
- **The shift from traditional hotels to Airbnb lodging leads to less-reliable tax payments to cities.** Several large American cities with a large Airbnb presence rely heavily on lodging taxes. Airbnb has largely blocked the ability of these cities to transparently collect lodging taxes on Airbnb rentals that are equivalent to lodging taxes on hotel rooms. One study found that the voluntary agreements Airbnb has struck with state and local governments “[undermine] tax fairness, transparency, and the rule of law.”
- **City residents likely suffer when Airbnb circumvents zoning laws that ban lodging businesses from residential neighborhoods.** The status quo of zoning regulations in cities reflects a broad presumption that short-term travelers likely impose greater externalities on long-term residents than do other long-term residents. Externalities are economic costs that are borne by people not directly engaged in a transaction. In the case of neighbors on a street with short-term renters, externalities include noise and stress on neighborhood infrastructure like trash pickup. These externalities are why hotels are clustered away from residential areas. Many Airbnb rental units are in violation of local zoning regulations, and there is the strong possibility that these units are indeed imposing large costs on neighbors.
- **Because Airbnb is clearly a business competing with hotel lodging, it should be subject to the same taxation regime as hotels.** In regard to zoning regulations, there is no empirical evidence that the net benefits of Airbnb introduction and expansion are so large that policymakers should reverse long-standing regulatory decisions simply to accommodate the rise of a single company.

Overview of the economics of Airbnb

Airbnb runs an online marketplace for short-term lodging rentals. It largely does not own dwellings or real estate of its own; instead, it collects fees by acting as a broker between those with dwellings to rent and those looking to book lodging.

The perception that Airbnb tries to foster is that its “hosts” are relatively typical households looking to earn supplementary income by renting out rooms in their homes or by renting out their entire residence when they’re away. Critics argue that Airbnb bookings have become increasingly concentrated among a relatively small number of “hosts” that are essentially miniature hotel companies.¹

Potential economic benefits

At a broad level, the potential economic benefits and costs of Airbnb are relatively straightforward.²

The key potential benefit is that property owners can **diversify the potential streams of revenue** they generate from owning homes. Say, for example, that before Airbnb arrived in a city, property owners setting up residential rental properties faced transaction costs so high that it only made economic sense to secure relatively long-term leases. These transaction costs incurred by property owners could include advertising for and screening of tenants and finding alternative accommodations for themselves if they were renting their own dwellings. But if the rise of internet-based service firms reduced these transaction costs and made short-term rentals logistically feasible and affordable for the first time, it could allow these property owners to diversify into short-term rentals as well as long-term rentals.

Another potential benefit is the **increased supply (and variety) of short-term rentals** available to travelers. This increased supply can restrain price growth for short-term rentals and make traveling more affordable.

Finally, one well-advertised potential benefit of Airbnb is the **extra economic activity that might result** if the rise of Airbnb spurs an increase in visitors to a city or town. Besides the income generated by Airbnb property owners, income might be generated by these visitors as they spend money at restaurants or in grocery stores or on other activities.

Potential costs

The single biggest potential cost imposed by Airbnb comes in the form of **higher housing costs for city residents** if enough properties are converted from long-term housing to short-term accommodations. If property owners take dwellings that *were* available for long-term leases and convert them to short-term Airbnb listings, this increases the supply of short-term rentals (hence driving down their price) but decreases the supply of long-term housing, increasing housing costs for city residents. (We refer to all long-term costs of shelter as “housing,” including rentals and owners’ equivalent rental costs.)

Another large potential city-specific cost of Airbnb expansion is the **loss of tax revenue**. Many cities impose relatively steep taxes on short-term lodging, hoping to obtain revenue from out-of-town travelers to spend on local residents. The most common and straightforward of these revenue raisers is a tax on traditional hotel rooms. If Airbnb expansion comes at the expense of traditional hotels, and if the apparatus for collecting taxes from Airbnb or its hosts is less well-developed than the apparatus for collecting taxes from traditional hotels, this could harm city revenues.

A further potential cost is the **externalities that property rentals (of all kinds) impose** on neighbors, for example, noise and/or use of building facilities. Since hosts are often not on-site with their renters, they do not bear the costs of these externalities and hence may not factor them into rental decisions. Of course, one could argue that such externalities

are also incurred with long-term rentals not arranged through Airbnb. But if the expansion of Airbnb increases total short- and long-term rental activity, or if short-term rentals impose larger externalities than long-term rentals, then Airbnb expansion can increase these externalities.

Finally, if Airbnb expansion comes at the expense of traditional hotels, it could have a **negative impact on employment**. First, since some of the labor of maintaining Airbnb lodgings is performed by the property owners themselves, the shift to Airbnb from traditional hotels would actually reduce employment overall. Second, since the task of cleaning and maintaining rooms and even greeting Airbnb renters is often done by third-party management firms, the shift from the traditional hotel sector to Airbnb rentals could degrade job quality.

The rest of this report evaluates the potential scope of each of these benefits and costs, and ends with an overall assessment of the effect of Airbnb expansion.

Potential benefits of Airbnb introduction and expansion in U.S. cities

This section elaborates on the potential benefits identified in the previous section. For each benefit, it assesses how likely the benefit is to emerge, provides empirical estimates of the magnitude of the benefit, and discusses the likely distribution of the benefit.

Potential benefit one: Property owners can diversify into short-term rentals

The most obvious benefit stemming from the creation and expansion of Airbnb accrues to property owners who have units to rent. Owners of residential property have essentially three options for earning a return on the property: They can live in the residence and hence not have to pay rent elsewhere, they can rent it out to long-term residents, or they can rent it out to short-term visitors.

If the only barrier to renting out residential property to short-term visitors were the associated transaction costs, then in theory the creation and expansion of Airbnb could be reducing these transaction costs and making short-term rental options more viable. It does seem intuitive that transaction costs of screening and booking short-term renters would be higher over the course of a year than such costs for renting to long-term residents (or the costs of maintaining owner-occupied property). However, the potential benefits are only the *difference* between what the property owner earned before the introduction of Airbnb and what the property owners earned from short-term rentals booked through the Airbnb platform.

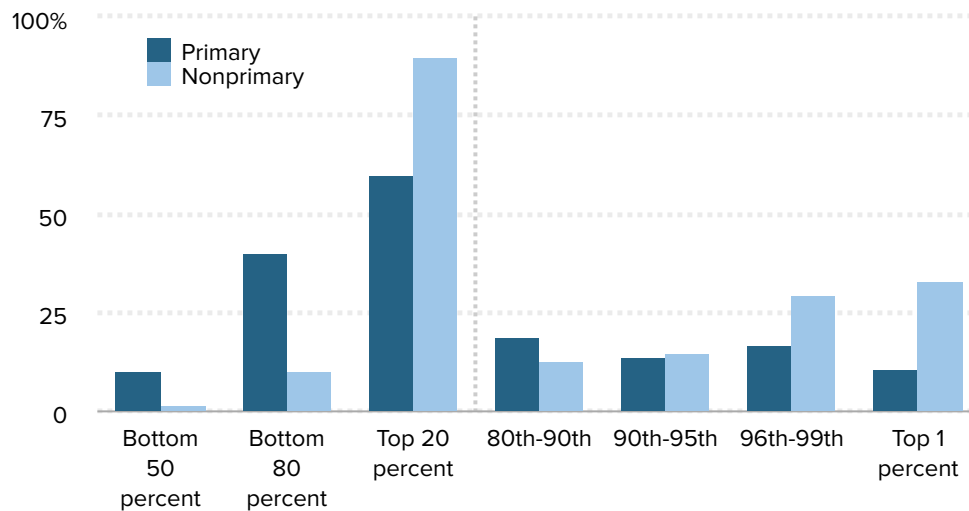
These potential benefits are likely quite skewed to those with more wealth. While housing is more widely held than most other assets, the total value of housing wealth is (like all wealth) quite concentrated among white and high-income households. Further, because of the myriad benefits of owning one's own residence, it is likely that much of the benefit of Airbnb's introduction and expansion accrues to those with more than one property (one for occupying and one or more for renting).³ The distribution of property wealth generated by nonprimary residential real estate is even more concentrated than housing wealth overall. **Figure A** shows, by wealth class, the distribution of housing wealth overall and of housing wealth excluding owner-occupied housing.

This figure shows that the potential benefits of Airbnb introduction and expansion to property owners are highly concentrated. To put it simply, any economic occurrence that provides benefits proportional to owning property is one that will grant these benefits disproportionately to the wealthy. In 2016, for example, 60.0 percent of primary housing wealth (housing wealth in households' primary residences) was held by the top 20 percent

Figure A

Housing wealth—particularly wealth from owning a nonprimary residence—is skewed

Share of total primary and nonprimary household housing wealth in the U.S. economy held by each wealth class, 2016



Note: Primary housing wealth is wealth from owner-occupied housing. Nonprimary housing wealth is wealth from nonowner-occupied housing. The wealth classes depicted overlap, with the top 20 percent broken down into households falling within the 80th to 90th, 90th to 95th, and 96th to 99th percentiles.

Source: Author’s analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

Economic Policy Institute

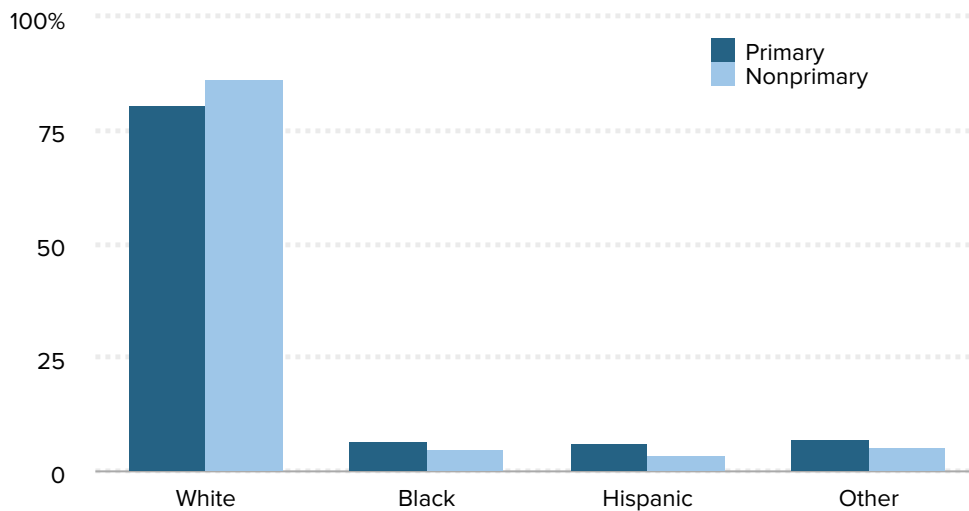
of households. (Not shown in the figure is that this share has increased by 5.4 percentage points since 1989.) As we noted earlier, however, many Airbnb listings are actually owned by households with multiple units to rent. Given this, Figure A also shows the share of housing wealth from nonprimary residences held by various groups. This “nonprimary housing wealth” is far more skewed. For example, the top 20 percent hold 90.1 percent of this type of wealth.

Figure B shows the distribution of housing wealth by race and ethnicity. Across racial groups, more than 80 percent of wealth in one’s primary residence was held by white households. African American households held just 6.5 percent of wealth in primary residences, Hispanic households held 6.0 percent of this type of wealth, while households of other races and ethnicities held 6.9 percent. Not shown is the change in the share of wealth in primary residences held by racial and ethnic groups: Primary housing wealth held by nonwhite households has risen a bit (by roughly 6 percentage points) since 1989. As with the distribution by wealth class, the holdings of nonprimary housing wealth by race and ethnicity are again even more skewed, with white households holding more than 86 percent of this type of wealth. African American households hold just 5.0 percent of nonprimary housing wealth, Hispanic households hold 3.6 percent, and households of other races and ethnicities hold 5.2 percent.

Figure B

White households disproportionately benefit from housing wealth

Share of total primary and nonprimary household housing wealth held, by race and ethnicity



Note: Primary housing wealth is wealth from owner-occupied housing. Nonprimary housing wealth is wealth from nonowner-occupied housing. Hispanic means “Hispanic any race” and the race/ethnicity categories are mutually exclusive.

Source: Author’s analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

Economic Policy Institute

In short, what Figures A and B show is that because wealth from residential properties that can produce rental income is concentrated among the wealthy and white households, giving property owners the unfettered option to choose Airbnb over long-term rental uses of their property means conferring an enhanced option to predominantly wealthy and white owners of housing wealth. (**Appendix Table 1** provides the same analyses shown in Figures A and B for the years 1989, 1998, and 2007, and for the most recent data year, 2016, as well as the change from 1989 to 2016.)

Finally, while Airbnb might make short-term rentals feasible for property owners by reducing transaction costs through the technological efficiencies provided by Airbnb’s internet-based platform, the company might also just make short-term rentals feasible by creating a norm of ignoring regulations that bar short-term rentals. Short-term rentals are effectively banned in many residential neighborhoods in the cities where Airbnb operates, yet they have proliferated after the introduction of Airbnb.⁴ The regulations barring or limiting short-term rentals were established to reduce the externalities associated with commercial operations of certain kinds—including hotel operations—in residential neighborhoods. Airbnb’s business model appears to depend significantly on skirting these regulations and dodging competition from traditional hotel owners who are prohibited from operating in these same neighborhoods. If the regulations banning short-term rentals are baseless and serve no useful purpose, then subverting them could be seen as a

benefit of Airbnb. But allowing large corporations such as Airbnb to simply ignore regulations—rather than trying to change them through democratic processes—is hardly the basis of sound public policy.

Potential benefit two: Increased options and price competition for travelers’ accommodations

Airbnb is essentially a positive supply shock to short-term accommodations. Like all positive supply shocks, it should be expected to lower prices. There is some accumulating evidence that Airbnb does exactly this. Zervas, Proserpio, and Byers (2017) examine the effect of Airbnb expansion across cities in Texas. They find that each 10 percent increase in the size of the Airbnb market results in a 0.4 percent decrease in hotel room revenue. They find that most of this revenue decline is driven by price declines. Evidence of the positive supply shock is particularly evident in the 10 American cities where Airbnb’s presence is largest. Dogru, Mody, and Suess (2019) find a negative correlation between Airbnb expansion and hotels’ average daily rates in the 10 U.S. cities with the largest Airbnb presence.

Besides cost, the introduction and expansion of Airbnb could improve the perceived quality of accommodations available. There is some limited evidence that this is the case: a survey by doctoral candidate Daniel Adams Guttentag (2016) finds that “convenient location” is one of the top reasons given by Airbnb guests when asked why they chose the service. But the Guttentag 2016 survey also identifies “low cost” as the *single most-identified* reason people give when asked why they chose Airbnb.

However, it should be stressed that this potential benefit of Airbnb introduction and expansion is overwhelmingly a *redistribution* of welfare, not an *increase* in economywide welfare. Very few people have claimed that Airbnb’s spread within a given city has led developers to build *more accommodations* in the city overall. Instead, owners or third parties have often turned long-term rental units into short-term lodging via Airbnb.

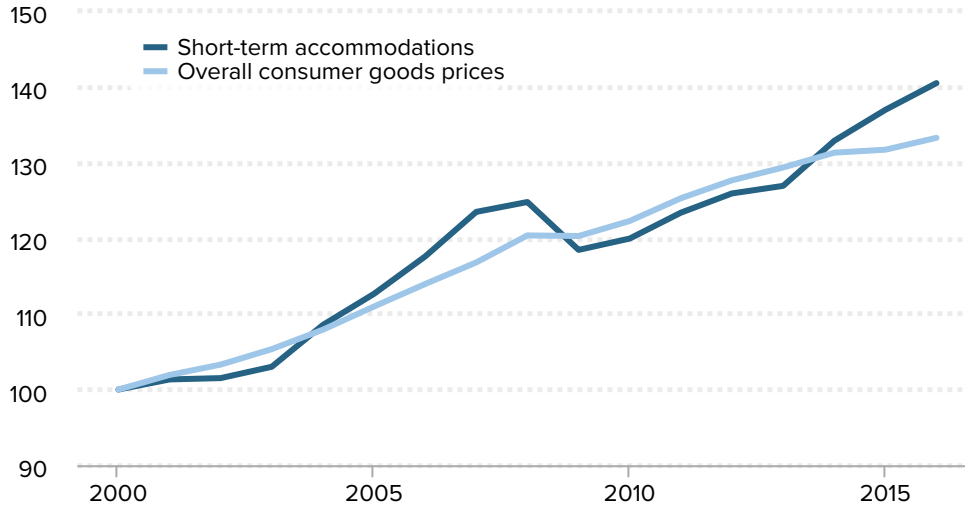
The question then becomes, “Has this redistribution of potential accommodations from the long-term to the short-term market increased economic welfare overall?” One way that Airbnb could be increasing economic welfare overall is if it were helping travelers deal with rising travel accommodation costs.

By looking at trends in prices and spending in the short-term lodging sector, we can get a commonsense check on whether high prices for short-term travel accommodations are a pressing economic problem for ordinary American households. If the price of short-term travel accommodations were rising rapidly, then presumably an increase in supply that restrained price increases would be valuable (or at least more valuable than if these prices were not showing any particularly trend). The two lines in **Figure C** show changes in the consumer price index for travel accommodations compared with changes in the overall price index for personal consumption expenditures (PCE). According to Figure C, in the 2010s, the price of short-term travel accommodations has grown faster than prices overall only since 2014—this is the same year that ushered in the large-scale expansion of Airbnb.

Figure C

The price of short-term travel accommodations has increased slightly faster than prices overall, but only in recent years

Price indices for short-term travel accommodations and overall personal consumption expenditures (PCE), 2000–2016



Source: Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.4.4.

Economic Policy Institute

So it certainly seems that the launch and growth of Airbnb was not solving any preexisting price pressure—because it was operating and expanding well before recent years' price growth. (Further, it is possible that by substituting more strongly for a less-expensive slice of the traditional hotel market—leisure travel as opposed to business travel, for example—that Airbnb introduction might actually be associated with raising measured short-term travel accommodation prices, through a composition effect.)

Potential benefit three: Travelers' spending boosts the economic prospects of cities

The lower prices and greater range of options made available by the introduction and expansion of Airbnb could, in theory, induce a large increase in travel and spark economic growth in destination cities. This is precisely the claim made in a report by NERA Economic Consulting (NERA 2017), which says that Airbnb “supported” 730,000 jobs and \$61 billion in output globally, with roughly a quarter of this economic gain occurring in the United States.

To be blunt about these claims, they are flatly implausible. They rest on the assumption that all money spent by those renting Airbnb units is money that would not have been spent in some alternative accommodations had Airbnb not existed.

Say, for example, that guests at Airbnb properties spent \$10 million in New York City in 2016, including the money spent at restaurants and theaters and other attractions while visiting the city. The rental payment these guests make is included in the NERA numbers, but is expressed as extra income for Airbnb hosts. NERA then takes this entire \$10 million in spending (both nonaccommodation spending by visitors and the extra income going to Airbnb hosts) and runs it through input–output models to generate multiplier effects that yield their final numbers for output and employment supported in each city.

There are a number of problems with the NERA study. First, it is surprisingly opaque. It does not provide overall global and U.S. spending numbers or break these numbers into their components: nonaccommodation spending by Airbnb guests and income generated for Airbnb hosts. It also does not report the assumed size of the multiplier. Rather, it provides final numbers for global and U.S. output and employment that are functions of primary spending flows multiplied by the effects of their input–output model. The study states that it uses the well-known IMPLAN model, but IMPLAN can generate multipliers of varying size: It would be valuable to know just how large NERA is assuming the multiplier effects of this Airbnb-related spending is, just as a plausibility check.

Second, the study seems clearly written to maximize the perceived support Airbnb might provide local economies—both now and into the future. For example, toward the end of the report NERA provides several tables showing projected support for output and employment for years after the study (from 2017 to 2025). These projected *future* contributions to output and employment dwarf the contribution that is apparent in the actual data analyzed by NERA. But these projections rely on overoptimistic assumptions about Airbnb’s future growth. For example, NERA forecasts growth of 75 percent for Airbnb arrivals in 2017,⁵ but another study (Molla 2017) suggests that these arrivals in fact grew by closer to 25–50 percent, with growth rates particularly slowing in the U.S. and the European Union.⁶

What is by far the most important weakness of the NERA analysis is its reliance on the assumption that *all* spending done by travelers staying at Airbnb properties is spending that would not have been done had Airbnb not existed. The possibility that Airbnb visitors would still have visited a city even if Airbnb units were unavailable—by securing alternative accommodations—is completely ruled out by the NERA analysis. This is obviously an incorrect assumption. For example, it assumes that Airbnb and traditional hotels are not seen as potential substitutes for each other in the minds of travelers. But research has shown that they *are* quite close substitutes. Zervas, Proserpio, and Byers (2017) empirically assess the effect of Airbnb’s expansion on the hotel industry in the state of Texas. In their introduction, they write, “Our hypothesis is that some stays with Airbnb serve as a substitute for certain hotel stays, thereby impacting hotel revenue...” In their discussions and conclusions section, they summarize what their empirical investigation has found: “Focusing on the case of Airbnb, a pioneer in shared accommodations, we estimate that its entry into the Texas market has had a quantifiable negative impact on local hotel room revenue.” Put simply, this result is completely inconsistent with the assumption that Airbnb has no potential substitutes for those using its services. This in turn means that at least some of the economic activity “supported” in local economies by spending done by Airbnb guests is activity that would have been supported absent Airbnb, likely by these

same guests staying in traditional hotels or other accommodations.

As discussed in a previous section, Guttentag (2016) reports the findings of a survey of Airbnb users. Among other questions, the survey explicitly asks how substitutable travelers find Airbnb lodgings. The precise question is, “Thinking about your most recent Airbnb stay—If Airbnb and other similar person-to-person paid accommodations services (e.g., VRBO) did not exist, what type of accommodation would you have most likely used?” Only 2 percent of Airbnb users responded to this question with the assertion that they would not have taken the trip. The remaining 98 percent identified other lodging possibilities that they would have used. In a similar survey that included some business travelers, Morgan Stanley Research 2017 reports near-identical findings, with between 2 and 4 percent of respondents saying that they would not have undertaken a trip but for the presence of Airbnb.⁷ In both the Morgan Stanley Research survey and the Guttentag survey, roughly three-fourths of the respondents indicated that Airbnb was substituting for a traditional hotel.

If the Guttentag 2016 and Morgan Stanley Research 2017 findings are correct, this implies that NERA overstates the support Airbnb provides to local economies by somewhere between 96 and 98 percent. It is possible that some flows of spending might support more local spending when associated with Airbnb instead of traditional hotels—for example, one could argue that income accruing to Airbnb hosts is more likely to be spent locally than money paid to large hotel chains. However, the reverse is also true—for example, Airbnb rentals are far more likely to come equipped with a kitchen, and so Airbnb lodgers might be more likely to eat in rather than patronize restaurants.

Additionally, the local spillover spending associated with Airbnb expansion might not be uniform across neighborhoods. Alyakoob and Rahman (2018) document a modest increase in local restaurant spending associated with expanding Airbnb presence. Essentially, restaurants located away from central hotel cores in cities are unlikely to attract many out-of-town tourists. But if Airbnb penetration in outlying neighborhoods increases, restaurants there might now be able to tap some of this tourist market. Alyakoob and Rahman find that every 2 percent rise in Airbnb activity in a given neighborhood increases restaurant employment in that neighborhood by 3 percent. Crucially, Alyakoob and Rahman make no such calculation for potential employment-depressing effects of restaurants closer to traditional hotels. Further, they find that the boost to restaurant employment given by greater Airbnb activity does not occur in areas with a relatively high share of African American residents.

Finally, given that the overwhelming share of jobs “supported” by Airbnb are jobs that would have been supported by guests in some alternative accommodation, it seems likely that even if there is a slight increase in *spending* associated with a slight (about 2 percent) increase in visitors to a city due to Airbnb, there may well be a decline in *jobs*. We have noted previously that it is quite possible that traditional hotels are a more labor-intensive source of accommodation than are Airbnb listings. If, for example, Airbnb operators employ fewer people to provide cleaning and concierge and security services, then each dollar spent on Airbnb accommodations is likely to support less employment than each dollar spent on traditional hotel accommodations.

We can gauge the employment effect with a hypothetical scenario that assumes that the Guttentag 2016 and Morgan Stanley Research 2017 analyses are correct and that only 2 to 4 percent of the spending supported by Airbnb represents net new spending to a locality. In this case, if even half of the overall spending “supported” by Airbnb is a pure expenditure shift away from traditional hotels, and if traditional hotels are even 5 to 10 percent more labor-intensive than Airbnb units, then introducing Airbnb would actually have a *negative* effect on employment.⁸

Even if one grants that 2 to 4 percent of the output supported by Airbnb in host cities is net new spending, this spending is just a redistribution away from other, presumably less-Airbnb-intensive, localities. Given that Airbnb has tended to grow in already rich and desirable cities, it is unclear why inducing the transfer of even more economic activity away from other cities toward thriving cities would ever be viewed as a positive policy outcome.

In short, the results of the NERA study should be ignored by policymakers seeking an accurate sense of the scale of Airbnb expansion costs and benefits.⁹

Potential costs of Airbnb introduction and expansion

This section elaborates on the potential costs highlighted in the overview section. It assesses the likely outcome of these costs, estimates their empirical heft, and assesses the likely distribution of these costs.

Potential cost one: Long-term renters face rising housing costs

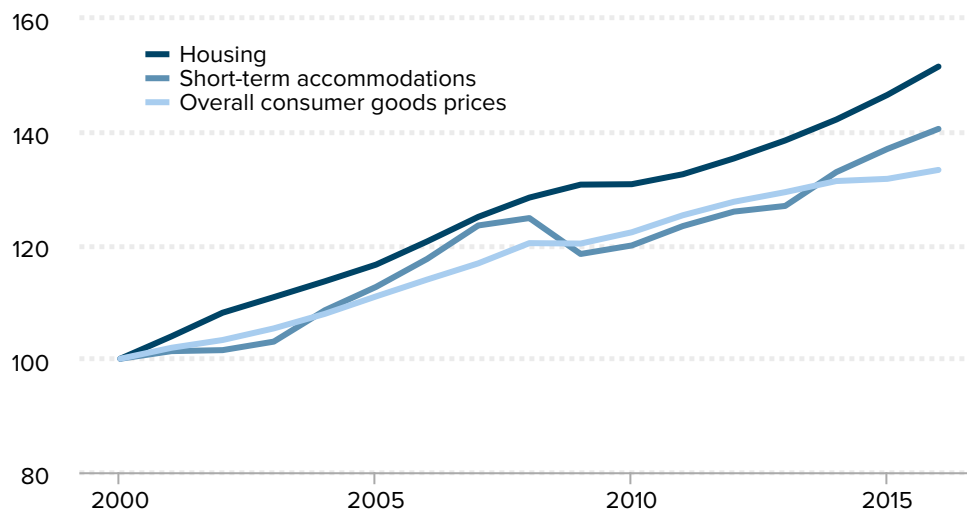
The mirror image of Airbnb’s positive supply shock to short-term travel accommodations is its negative supply shock to long-term housing options. Again, none of the literature reviewed in this paper suggests that the introduction and expansion of Airbnb has spurred more residential construction overall, so as more units become available to Airbnb customers, this means that fewer potential housing units are available to long-term renters or owner-occupiers in a city.

Earlier, we saw that price increases in short-term travel accommodations have been in line with overall consumer price increases in recent years, suggesting that there is no obvious shortage in short-term accommodations. (It is important to note that the tracking of short-term travel accommodation prices and overall prices was tight well before Airbnb was exerting any serious effect one way or the other on prices.) However, national prices of long-term housing are rising faster than overall prices, suggesting a shortage of long-term housing. Because of this above-inflation growth in long-term housing costs, any trend that exacerbates this increase is more damaging than if these prices had been relatively flat in recent years. **Figure D** shows inflation in the price indices for housing (long-term rentals as

Figure D

Housing costs are rising faster than costs of short-term accommodations or overall consumer goods

Price indices for housing, short-term travel accommodations, and overall personal consumption expenditures (PCE), 2000–2016



Note: The housing price index includes both long-term rentals as well as imputed rents for owner-occupied housing.

Source: Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.4.4

Economic Policy Institute

well as imputed rents for owner-occupied housing) and for short-term travel accommodations, and in the overall personal consumption expenditures index. In recent years, long-term housing price growth has clearly outpaced both overall price growth and increases in the price of short-term travel accommodations. This recent rise in the inflation rate of long-term housing, in fact, has become a much-discussed policy challenge that has spurred much commentary and analysis over the past decade.

The fact that the cost of long-term housing has become a prime source of economic stress for typical Americans should be considered when weighing the costs and benefits of Airbnb's introduction and expansion. Crucially, demand for housing is quite inelastic, meaning that households have little ability to forgo housing when it becomes more expensive. When demand is inelastic, even relatively small changes in housing supply can cause significant changes in the cost of housing.¹⁰ This intuition is clearly validated in a number of careful empirical studies looking precisely at the effect of Airbnb introduction and expansion on housing costs.

According to these studies, Airbnb—though relatively new—is already having a measurable effect on long-term housing supply and prices in some of the major cities where it operates. For example, Merante and Horn (2016) examine the impact of Airbnb on rental prices in Boston. The authors construct a rich data set by combining data on weekly

rental listings from online sources and data from Airbnb listings scraped from web pages. They find that each 12 Airbnb listings per census tract leads to an increase in asking rents of 0.4 percent. It is important to note that this is a finding of causation, not just correlation. They put this finding in perspective as follows:

If Airbnb's growth rate in 2015, 24%, continues for the next three years, assuming constant mean rents and total number of housing units, Boston's mean asking rents in January 2019 would be as much as \$178 per month higher than in the absence of Airbnb activity. We further find evidence that Airbnb is increasing asking rents through its suppression of the supply of rental units offered for rent. Specifically, a one standard deviation increase in Airbnb listings [an average of 12 units per census tract] relative to total housing units is correlated with a 5.9% decrease in the number of rental units offered for rent. (Merante and Horn 2016)

Barron, Kung, and Proserpio (2018) undertake a similar exercise with different data. They create a data set that combines Airbnb listings, home prices and rents from the online real estate firm Zillow, and time-varying ZIP code characteristics (like median household income and population) from the American Community Survey (ACS). To account for the fact that rents and Airbnb listings might move together even if there is no causal relationship (for example, if both are driven by the rising popularity of a given city), they construct an instrumental variable to identify the causal effect of rising Airbnb listings on rents. Using this instrument, they find that a 10 percent increase in Airbnb listings in a ZIP code leads to a 0.42 percent increase in ZIP code rental prices and a 0.76 percent increase in house prices. They also find that the increase in rents is larger in ZIP codes with a larger share of nonowner-occupied housing. Finally, like Merante and Horn, they find evidence that Airbnb listings are correlated with a rise in landlords shifting away from long-term and toward short-term rental operations.

Sheppard and Udell (2018) also undertake a similar exercise, looking within neighborhoods of New York City. Their key finding is that a doubling of Airbnb activity within a tight geographic zone surrounding a home sale is associated with a 6 to 11 percent increase in sales prices. Their coefficient values are quite close to those from Barron, Kung, and Proserpio (2018).¹¹

Wachsmuth et al. (2018) apply the regression results identified by Barron, Kung, and Proserpio (2018) to the large increase in Airbnb rentals in New York City. They find a 1.4 percent increase in NYC rents from 2015 to 2017 due to Airbnb's expansion in that city. For the median NYC renter, this implies a \$384 annual increase in rent from 2015 to 2017 due to Airbnb's expansion over that time.

Potential cost two: Local government tax collections fall

For the localities making policy decisions regarding the expansion of Airbnb, perhaps the single biggest consideration is fiscal. Across the United States, total lodging taxes are significant: For the 150 largest cities, the all-in lodging tax rate (including state, county, and

city taxes) averaged more than 13 percent (Hazinski, Davis, and Kremer 2018). The temptation for any given locality to set relatively high lodging tax rates (particularly when compared with overall sales tax rates) seems clear—city residents pay little of the lodging tax but still enjoy the benefits funded by the tax. For a number of cities, the total revenue collected is substantial. In 2016, for example, New York City and Las Vegas each collected well over \$500 million in lodging taxes, and San Francisco collected just under \$400 million.

It seems odd to exclude Airbnb stays from the lodging tax, yet the tax treatment of Airbnb rentals is inconsistent and incomplete. The company has entered into a number of tax agreements with state and local governments and is clearly trying to build the impression that it wants to help these governments collect taxes. Yet a number of tax experts argue that Airbnb's efforts to collect and remit lodging taxes (as well as other taxes) have been wholly insufficient.

A description in Schiller and Davis 2017 of the state of Airbnb's tax agreements as of early 2017 highlights the patchy, voluntary nature of the tax regime that Airbnb faces:

Airbnb, whose operations in some instances may violate traditional local zoning and rental ordinances, has sought to legitimize its business by negotiating agreements with cities under which it will collect local sales and lodging taxes. "Working together, platforms like Airbnb can help governments collect millions of dollars in hotel and tourist tax revenue at little cost to them," the company stated in a "policy tool chest" it offered in late 2016.

Overall, by Airbnb's count, the company is collecting sales, hotel, or other taxes in 26 states and the District of Columbia (DC) as of March 1, 2017. State-level taxes are collected in 18 of those states. Among this group, some or all local-level taxes are also being collected in every state except Connecticut, which lacks local lodging taxes. In the remaining eight states, Airbnb collects a patchwork of local taxes but no state taxes. In three states—Alaska, Maryland, and New Jersey—Airbnb's tax collection is limited to a single locality (Anchorage, Montgomery County, and Jersey City, respectively). The company has dramatically expanded its tax collection practices in recent years and appears poised to continue its expansion in the months and years ahead. Airbnb recently announced that it will soon begin collecting state lodging taxes in Maine, for instance.

Dan Bucks, a former director of the Montana Department of Revenue and former executive director of the Multistate Tax Commission, wrote a report assessing the tax agreements that Airbnb has struck with state and local governments in different parts of the country. His central finding is that these agreements "[undermine] tax fairness, transparency, and the rule of law" (Bucks 2017).

Bucks examines 12 of the Airbnb tax agreements from across the country that had been made public by mid-2017. He describes them as follows:

Airbnb devises and presents to tax agencies what are typically ten to twelve-page documents covering back-tax forgiveness, prospective payments, information

access and multiple other terms that produce, as this report documents, serious negative consequences for society. Airbnb labels these documents as “voluntary collection agreements,” which they most assuredly are not. These Airbnb-drafted documents do not guarantee the proper collection of taxes due. They block tax agencies from verifying the accuracy of Airbnb payments. Airbnb may be seeking to superficially to liken these documents to the high quality “voluntary disclosure agreements” that states use to bring non-compliant taxpayers into full conformity with the law. However, these documents profoundly undermine sound tax administration and the rule of law. For these and other reasons detailed below, we will not use Airbnb’s misleading label for these documents but will refer to them objectively as “Airbnb agreements.” (Bucks 2017)

The most specific criticism Bucks makes is that these agreements have largely been kept secret from the public, in clear contrast to other “voluntary disclosure agreements.” This secrecy, combined with agreements to “cede substantial control of the payment and audit processes to Airbnb,” make it impossible for tax authorities to ensure proper payment of lodging taxes. Bucks also argues that these agreements between Airbnb and state and local governments provide large benefits to third parties (Airbnb hosts) who are not signatories and are not obligated to provide anything in exchange for these benefits.

In 2016, an analysis from AlltheRooms.com forecast that Airbnb’s failure to ensure the full payment of lodging taxes was on track to cost subnational governments a combined \$440 million in revenue unless policymakers moved to guarantee proper payment. Of the total, \$110 million in lost revenue was for New York City alone. In October 2016, shortly after the AlltheRooms.com analysis was released, New York City passed restrictions on Airbnb advertisements for rentals of less than 30 days when an owner is not present. While these restrictions may have stemmed the loss of revenue relative to the AlltheRooms.com projection, the analysis that predated the restrictions highlight how the unregulated expansion of Airbnb, and its cannibalization of traditional hotel business market share, could still have large fiscal implications for New York and other cities.

Finally, even if Airbnb were to fully comply with the local jurisdiction’s tax system on lodgings and pay the same tax rate per dollar earned as traditional hotels, there likely would still be some small fiscal losses stemming from Airbnb’s expansion. The primary appeal of Airbnb to most travelers is lower-price accommodations, so even if the same tax rate were paid on Airbnb rentals as is paid on hotel rooms, the lower Airbnb prices would lead to less tax revenue accruing to local governments.

Potential cost three: Externalities inflicted on neighbors

When owners do not reside in their residential property, this can lead to externalities imposed on the property’s neighbors. If absentee owners, for example, do not face the cost of noise or stress on the neighborhood’s infrastructure (capacity for garbage pickup, for example), then they will have less incentive to make sure that their renters are respectful of neighbors or to prevent an excessive number of people from occupying their

property.

These externalities could be worse when the renters in question are short term. Long-term renters really do have some incentive to care about the neighborhood's long-run comity and infrastructure, whereas short-term renters may have little to no such incentive. Further, some Airbnb hosts are renters themselves who are subletting a long-term rental property to short-term travelers, which may further shield the ultimate property owners from bearing the costs faced by immediate neighbors. In cities where the spread of Airbnb has become a political issue, hundreds (if not thousands) of complaints have been made in this regard.¹²

The potential for such externalities has been broadly recognized for a long time and was a consideration leading to the prevalence of zoning laws that ban short-term travel accommodations in residential neighborhoods. There is a reason, for example, why Times Square in New York City is a cluster of hotels while the Upper East Side is largely a less noisy cluster of residential dwellings. There is of course no reason why such past zoning decisions need to be completely sacrosanct and never changed, but these decisions were made for a reason, and changes to them should be subject to democratic debate.

While researchers have often noted the possibility that Airbnb may impose externalities on the communities surrounding Airbnb units, we know of no empirical estimates of these externalities. If these externalities were powerful enough in degrading the desirability of neighborhoods, they could in theory lead to reduced rents and home prices. From the evidence of the previous section, we know that Airbnb adoption in neighborhoods has actually boosted rental and home prices. But this price boost doesn't mean these externalities don't exist—it simply means that price-depressing externalities are offset by the supply effect of moving properties out of the long-term rental market.

Miller (2016) makes an interesting (if likely too abstract) policy proposal for dealing with the externalities associated with home rental via Airbnb. He proposes creating a market in “transferable sharing rights,” in which, for example, each resident of a neighborhood would be given the right to rent out one housing unit for one night. Most residents in a neighborhood won't want to rent out their home. But those who do want to rent out units using Airbnb would want far more than the right to rent out these properties for just one night. To obtain the right to rent out their properties for more nights, they would need to purchase permits from their neighbors. The price it takes to obtain these permits would provide a good indicator of the true costs of the externalities imposed by Airbnb. A city that experimented with these tradeable sharing rights could provide very useful information.

Potential cost four: Job quantity and quality could suffer

We have noted already that when Airbnb enters and expands in a city, it shifts traveler business from hotels to Airbnb, leading to downward price pressure for hotels. This shift from traditional hotels to Airbnb properties also implies either a shift in jobs or a reduction

in jobs. As an example, take hotel cleaning workers. As more visitors to a city pick Airbnb units over traditional hotel accommodations, the need for cleaning doesn't go away. Instead, it is either foisted on Airbnb proprietors, done by third-party cleaning services, or left unmet and thus implicitly imposing costs on both travelers and the surrounding neighborhood (think of improperly disposed-of trash).

Given that much of the growth of Airbnb in recent years has been driven by hosts with multiple properties (which, when in a single location, are in effect mini hotels), it is not surprising to see an emergence of cleaning services specifically serving Airbnb hosts.¹³ These new cleaning services may be less likely to offer decent wages relative to traditional travel lodging; it may also be more difficult for workers to unionize in this context. For example, in the 10 U.S. cities with a particularly large Airbnb presence (including New York City, Los Angeles, and Chicago), combined unionization rates for maids and cleaners in the hotel industry are nearly double the unionization rates of maids and cleaners in other industries in the economy.¹⁴

In some sense, the shift in cleaning jobs from traditional hotels to cleaning services for Airbnb hosts is likely analogous in its economic effects to what happens when traditional hotels outsource their own cleaning staffs. Dube and Kaplan (2010) demonstrate large negative wage effects stemming from this type of domestic outsourcing for janitors and security guards. Their findings are reinforced by recent analysis of the German labor market by Goldschmidt and Schmieder (2017), who find similar large negative effects of domestic outsourcing on a range of occupations, including cleaners. While these studies do not directly examine the effect of substituting in-house hotel cleaning jobs for Airbnb cleaning jobs, they both track the effect of "fissuring" between the entity that uses and pays for the service and the entity that manages the service providers. This fissuring has been a key and troubling feature of the American labor market in recent decades, and it is hard to see how the substitution of Airbnb for traditional hotels does not potentially constitute another layer of this fissuring.¹⁵

This potential for Airbnb to degrade the quality of cleaning jobs is recognized even by the company itself: Airbnb offers hosts the opportunity to advertise that they have taken the "living wage pledge" by committing to pay a living wage to the cleaners and servicers of their properties. It is not clear how commitment to this pledge is (or can be) enforced, however.

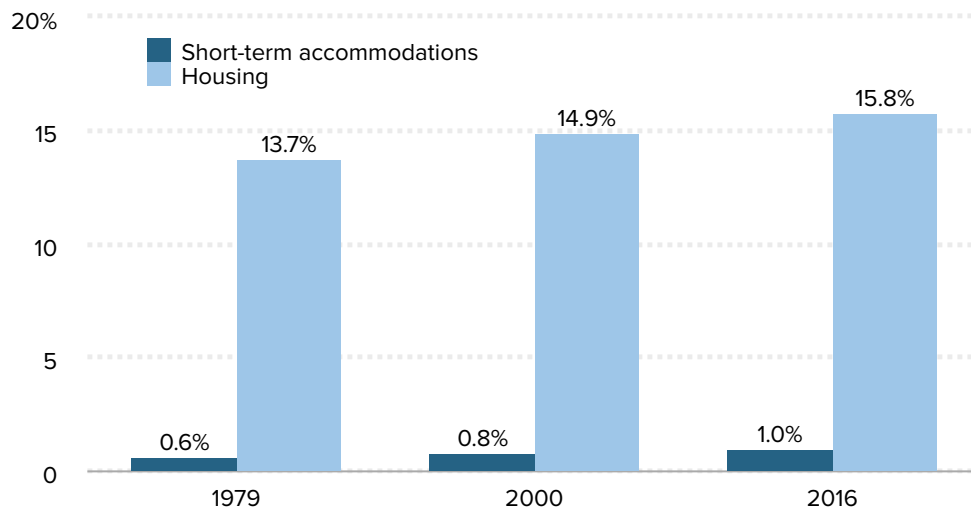
Conclusion: Airbnb should have to play by the same rules as other lodging providers

The current policy debates sparked by the rise of Airbnb have largely concerned tax collections and the emergence of "mini hotels" in residential neighborhoods. At its inception, Airbnb advertised itself as a way for homeowners (or long-term renters) to rent out a room in their primary residence, or as a way for people to rent out their dwellings for

Figure E

Housing costs matter much more to household budgets than short-term lodging costs

Shares of average household personal consumption expenditures devoted to housing vs. short-term travel accommodations, 1979, 2000, and 2016



Note: The housing price index includes both long-term rentals as well as imputed rents for owner-occupied housing.

Source: Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.5.5

Economic Policy Institute

short periods while they themselves are traveling. However, in recent years Airbnb listings and revenues have become dominated by “multi-unit” renters—absentee property owners with multiple dwellings who are essentially running small-scale lodging companies on an ongoing basis.

This evolution of Airbnb into a parallel hotel industry raises questions about the preferential treatment afforded to this rental company. These questions include, “Why isn’t Airbnb required to ensure that lodging taxes are collected, as traditional hotels are?” And, “Why is Airbnb allowed to offer short-term rentals in residential neighborhoods that are not zoned for these uses, while traditional hotels are not allowed in these same neighborhoods?”

While there are plenty of other considerations, the spread of Airbnb seems at its core to be a shift of potential housing supply from the long-term residential housing market to the market for short-term accommodations. This shift of supply can lower prices for travelers but raise housing prices for long-term residents. This seems like a bad trade-off, simply based on the share of long-term housing expenses versus short-term travel expenses in average family budgets. **Figure E** presents the share of total personal consumption expenditures accounted for by housing and by short-term travel accommodations. As the figure shows, housing costs eat up far more of the average household’s budget, and rising housing prices mean that long-term housing has grown more as a share of family budgets

than short-term travel accommodations.

This rising cost of housing has become a major economic stress for many American households. Anything that threatens to exacerbate this stress should face close scrutiny. A reasonable reading of the available evidence suggests that the costs imposed on renters' budgets by Airbnb expansion substantially exceed the benefits to travelers. It is far from clear that any other benefits stemming from the expansion of Airbnb could swamp the costs it imposes on renters' budgets.

There may be plenty wrong with the status quo in cities' zoning decisions. But the proper way to improve local zoning laws is not to simply let well-funded corporations ignore the status quo and do what they want. As this report shows, there is little evidence that the net benefit of accelerated Airbnb expansion is large enough to justify overturning previous considerations that led to the regulatory status quo—in fact, the costs of further Airbnb expansion seem likely to be at least as large, if not larger, than the benefits.

About the author

Josh Bivens joined the Economic Policy Institute in 2002 and is currently EPI's director of research. His primary areas of research include macroeconomics, social insurance, and globalization. He has authored or co-authored three books (including *The State of Working America, 12th Edition*) while working at EPI, has edited another, and has written numerous research papers, including for academic journals. He appears often in media outlets to offer economic commentary and has testified several times before the U.S. Congress. He earned his Ph.D. from The New School for Social Research.

Distribution of housing wealth (primary and nonprimary), by household characteristics

	1989	1998	2007	2016	1989–2016 change
Primary residence					
Bottom 50 percent	9.8%	14.3%	12.7%	10.4%	0.7%
Bottom 80 percent	45.4%	47.5%	44.0%	40.0%	-5.4%
Top 20 percent	54.6%	52.5%	56.0%	60.0%	5.4%
80th–90th percentile	19.9%	17.9%	17.5%	18.6%	-1.3%
90th–95th percentile	12.6%	11.6%	11.0%	13.9%	1.3%
96th–99th percentile	15.6%	15.0%	18.2%	16.8%	1.2%
Top 1 percent	6.5%	8.0%	9.3%	10.7%	4.3%
Nonprimary residential property					
Bottom 50 percent	2.6%	4.3%	2.2%	1.6%	-1.0%
Bottom 80 percent	16.8%	18.1%	13.9%	9.9%	-6.9%
Top 20 percent	83.2%	81.9%	86.1%	90.1%	6.9%
80th–90th percentile	15.2%	16.8%	10.7%	12.6%	-2.7%
90th–95th percentile	20.6%	15.5%	13.9%	14.9%	-5.7%
96th–99th percentile	28.7%	28.7%	34.0%	29.6%	0.9%
Top 1 percent	18.6%	21.0%	27.5%	32.9%	14.3%
Primary residence					
White, non-Hispanic	86.4%	87.5%	82.6%	80.6%	-5.9%
Black, non-Hispanic	4.9%	5.0%	6.2%	6.5%	1.6%
Hispanic, any race	4.1%	3.7%	6.1%	6.0%	2.0%
Other	4.6%	3.7%	5.1%	6.9%	2.3%
Nonprimary residential property					
White, non-Hispanic	87.3%	89.5%	84.2%	86.2%	-1.1%
Black, non-Hispanic	4.3%	4.1%	4.1%	5.0%	0.7%
Hispanic, any race	3.1%	3.4%	6.7%	3.6%	0.5%
Other	5.3%	3.0%	5.0%	5.2%	-0.1%

Note: Per the Survey of Consumer Finances definitions, primary housing wealth is the total value of the primary residence of a household. Nonprimary housing wealth includes the value of all of other residential real estate owned by the household, including one-to-four family structures, timeshares, and vacation homes.

Source: Author's analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

Economic Policy Institute

Endnotes

1. According to a recent report, “a significant—and rapidly growing—portion of Airbnb’s revenue in major U.S. cities is driven by commercial operators who rent out more than one residential property to short-term visitors” (CBRE 2017).
2. Horton and Zeckhauser (2016) provide a deep dive into the economics of internet-based service firms. Slee (2017) provides an excellent popularization of some of the economic issues surrounding IBSFs from a deeply critical perspective.
3. The most obvious benefit to living in housing that one owns is the tax treatment of mortgage interest payments on owner-occupied property, which can be deducted from federal taxes. Another benefit is that the implicit rental income earned by owner-occupiers is not taxed (the money that owner-occupiers are saving by not having to pay rent elsewhere could be viewed as implicit rental income).
4. Wachsmuth et al. (2018), for example, find that just under half of Airbnb listings in New York City had likely taken illegal reservations.
5. “Arrivals” is a term referring to each stay in a unit, regardless of length of stay.
6. For example, Molla (2017) highlights more recent forecasts for 2017 indicating a large slowdown in U.S. Airbnb expansion.
7. The range of 2 to 4 percent represents the range of findings across 2015, 2016, and 2017. The value was 4 percent in 2015, 2 percent in 2016, and 3 percent in 2017.
8. The arithmetic on this is relatively straightforward. The NERA 2017 study asserts that Airbnb supports \$14 billion in spending and 130,000 jobs in the United States. This implies each \$107,690 supports a job. Say that half of this spending is the direct cost of accommodations and that it represents a pure expenditure shift away from traditional hotels. Assume further that traditional hotels are 5 percent more labor-intensive—so each traditional hotel job is supported by \$102,300 in spending (5 percent less than the ratio identified by Airbnb). This shift from traditional hotels to Airbnb hence reduces employment by 3,400 jobs for each \$7 billion in spending. Even if overall spending were to rise by 2 percent due to Airbnb’s expansion, this would increase employment by only roughly 2,600 jobs. The key insight here is that once one allows Airbnb to substitute for other forms of accommodation, the link between output and employment might change significantly.
9. Airbnb itself has commissioned and reported on a number of studies claiming that the share of guests who would not have taken the trip absent Airbnb is as high as 30 percent. Even this number is far larger than the independent assessments of Guttentag (2016) and Morgan Stanley Research (2017), but it does highlight just how outlandish the NERA assumption on this is.
10. In a review of housing markets, Albouy, Ehrlich, and Liu (2016) note that “Housing demand is income and price inelastic.”
11. The geographic unit implicitly being examined by Sheppard and Udell (2018) is not intuitive. Their observation is an individual home sale. They then track Airbnb listings within five different radii of the sale: 150, 300, 500, 1,000, and 2,000 meters. They interact the number of Airbnb listings with categorical variables for each of the five “buffer zones” defined by the radii and use this as an explanatory variable predicting sales prices.

12. See Office of New York State Attorney General 2014.
13. Lawler (2014) notes that Airbnb was testing out dedicated cleaning services for its hosts as early as 2014.
14. Unionization rates derive from the author's analysis of data pooled from 2008–2017 from the Outgoing Rotation Groups (ORG) of the Current Population Survey (CPS). Code and results are available upon request. The 10 cities are Boston, Chicago, Los Angeles, Las Vegas, Miami, New York City, San Diego, San Francisco, Seattle, and Washington, D.C. In these 10 cities, the unionization rate for maids and cleaners was 23.2 percent in the traveler accommodation industry, but 12.1 percent in all other industries.
15. See Weil 2017 for an overview of labor market fissuring.

References

Albouy, David, Gabriel Ehrlich, and Yingyi Liu. 2016. "Housing Demand, Cost-of-Living Inequality, and the Affordability Crisis." National Bureau of Economic Research (NBER) Working Paper no. 22816, November 2016.

AllTheRooms.com. 2016. *Vacation Rental Market Analysis: 440 Million Reasons to Tax Airbnb Vacation Rentals*, October 2016.

Alyakoob, Mohammed, and Mohammed Saifur Rahman. 2018. "Shared Prosperity (or Lack Thereof) in the Sharing Economy." Purdue University working paper, May 2018. <http://dx.doi.org/10.2139/ssrn.3180278>.

Associated Press (AP). 2019. "Question from Washington on Oct. 11, 2016" (search result for "sharing economy"). *AP Stylebook* subscription-based website, accessed January 4, 2019.

Barron, Kyle, Edward Kung, and Davide Proserpio. 2018. "The Sharing Economy and Housing Affordability: Evidence from Airbnb." Working paper, March 2018.

Bucks, Dan R. 2017. *Airbnb Agreements with State and Local Tax Agencies: A Formula for Undermining Tax Fairness, Transparency and the Rule of Law*. March 2017.

Bureau of Economic Analysis. Various years. National Income and Product Accounts (NIPA), Tables 2.4.4 and 2.5.5. Accessed September 2018.

CBRE Hotels' Americas Research (CBRE). 2017. *Hosts with Multiple Units—A Key Driver of Airbnb Growth: A Comprehensive National Review Including a Spotlight on 13 U.S. Markets*. March 2017.

Dogru, Tarik, Mararand Mody, and Courtney Sues. 2019. "Adding Evidence to the Debate: Quantifying Airbnb's Disruptive Impact on Ten Key Hotel Markets." *Tourism Management*, forthcoming June 2019.

Dube, Arindrajit, and Ethan Kaplan. 2010. "Does Outsourcing Reduce Wages in Low-Wage Service Occupations? Evidence from Janitors and Guards." *Industrial and Labor Relations Review* 63, no. 2: 287–306.

Federal Reserve Board. 2016. *Survey of Consumer Finances microdata*. Accessed August 2018.

Goldschmidt, Deborah, and Johannes Schmieder. 2017. "The Rise of Domestic Outsourcing and the

- Evolution of the German Wage Structure.” *Quarterly Journal of Economics* 132, no. 3: 1165–1217. <http://doi.org/10.1093/qje/qjx008>.
- Guttentag, Daniel Adams. 2016. “Why Tourists Choose Airbnb: A Motivation-Based Segmentation Study Underpinned by Innovation Concepts.” PhD diss., University of Waterloo.
- Hazinski, Thomas, Anthony Davis, and Daniel Kremer. 2018. *2018 HVS Lodging Tax Report – USA*. HVS Convention, Sports, and Entertainment Consulting, September 2018.
- Horton, John, and Richard Zeckhauser. 2016. “Owning, Using and Renting: Some Simple Economics of the ‘Sharing Economy.’” National Bureau of Economic Research Working Paper no. 22029, February 2016.
- Lawler, Ryan. 2014. “Airbnb Is Testing Out an Affordable Cleaning Service for Hosts in San Francisco.” Techcrunch.com.
- Merante, Mark, and Keren Mertens Horn. 2016. “Is Home Sharing Driving Up Rents? Evidence from Airbnb in Boston.” University of Massachusetts Boston Department of Economics Working Paper no. 2016-03.
- Miller, Stephen. 2016. “First Principles for Regulating the Sharing Economy.” *Harvard Journal on Legislation* 53: 149–202.
- Molla, Rani. 2017. “Airbnb Is On Track to Rack Up More Than 100 Million Stays This Year—and That’s Only the Beginning of Its Threat to the Hotel Industry: As Long as Regulation Doesn’t Stop It, That Is.” *Recode*, July 19, 2017.
- Morgan Stanley Research. 2017. *Surprising Airbnb Adoption Slowdown in US/EU, and What It Means for Hotels and OTAs*. Report on Global Insight AlphaWise survey, November 2017.
- NERA Economic Consulting (NERA). 2017. *Airbnb’s Global Support to Local Economies: Output and Employment*. Prepared for Airbnb, March 2017.
- Office of New York State Attorney General. 2014. *Airbnb in the City*. Prepared by the Office of the Attorney General of the State of New York’s Research Department and Internet Bureau, October 2014.
- Schiller, Zach, and Carl Davis. 2017. *Taxes and the On-Demand Economy*. Institute on Taxation and Economic Policy, March 2017.
- Sheppard, Stephen, and Andrew Udell. 2018. “Do Airbnb Properties Affect House Prices?” Williams University working paper, January 2018.
- Slee, Tom. 2017. *What’s Yours Is Mine: Against the Sharing Economy*. New York: OR Books.
- Wachsmuth, David, David Chaney, Danielle Kerrigan, Andrea Shillolo, and Robin Basalaev-Binder. 2018. *The High Cost of Short-Term Rentals in New York City*. Urban Politics and Governance research group, School of Urban Planning, McGill University, January 2018.
- Weil, David. 2017. *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It*. Cambridge, Mass.: Harvard Univ. Press.
- Zervas, Georgios, Davide Proserpio, and John W. Byers. 2017. “The Rise of the Sharing Economy: Estimating the Impact of Airbnb on the Hotel Industry.” *Journal of Marketing Research* 54, no. 5: 687–705.

Errata

This report was updated March 26, 2019, to correct errors in the “Bottom 50 percent” rows in Appendix Table 1. These rows had incorrectly shown the numbers for the top 50 percent instead of for the bottom 50 percent.

The State of Working Sonoma

Fall 2018

A Profile of Income & Racial Inequality, Poverty, and Low-Wage Employment



Report prepared by Jesús Guzmán, MPP

Acknowledgements

This report would not be possible without the leadership and vision of North Bay Jobs and Justice. In particular, a special thank you to Board Chair Martin J. Bennett and Executive Director Mara Ventura whose commitment to social and economic justice has led the way towards a more equitable North Bay for all. Lastly, I would also like to offer my deepest debt of gratitude to James Hawkins -- a Goldman School colleague -- for providing invaluable advice and editing.

Table of Contents

INTRODUCTION	5
EXECUTIVE SUMMARY	6
KEY FINDINGS	7
BACKGROUND	9
WORK AND POVERTY	11
Jobs-to-Population Ratio	11
Unemployment Rate	12
Unemployment Rate by Race/Ethnicity	13
Below 200 Percent of Poverty	14
Below 200 Percent of Poverty Race/Ethnicity	15
Working Poor	16
Working Poor by Race/Ethnicity	17
Median Hourly Wage by Education	18
Median Hourly Wage by Education, Race/Ethnicity, and Gender	19
Real Median Household Income	20
Real Median Household Income by Race/Ethnicity	21
Household Income Distribution	22
Household Income Distribution by Race/Ethnicity	23
LOW-WAGE WORK	24
Age Distribution of Low-Wage Work	25
Racial/Ethnic & Gender Distribution of Low-Wage Workers	26
Low-Wage Work by Education	27
INCOME INEQUALITY	28
Real Wage Growth for Full-Time Workers	28
Gini Coefficient, 2005 to 2016	30
Real Household Income Growth by Percentiles	31

FUTURE OF WORK	32
Ten Lowest Paying Occupations, 2017	32
Top Ten Occupations with Most Job Openings by Hourly Wage	33
Projected Job Growth by Wage Level, 2014 to 2024	34
HOUSING COSTS & AFFORDABILITY	35
Median Monthly Housing Burden for Renters	35
Renter Housing Burden by Race/Ethnicity	36
Median Monthly Housing Burden for Homeowners	37
Homeowner Housing Burden by Race/Ethnicity	38
Job Growth as a Ratio of Housing Production	39
Rent-to-Income Ratio	40
COMMUTING TO WORK	41
Inflow & Outflow	41
Top Out-Commuter Destinations for Work	42
Median Commuter Time & Wage	43
Top Commuting Occupations	44
CONCLUSION	45
AUTHOR’S BIOGRAPHY	46
APPENDIX A: DATA & METHODS	47
Data Sources	47
Race & Ethnicity	47
Working Poverty	48
Low-Wage Work	48
Regression Analysis	49

Introduction

Overview

North Bay Jobs with Justice has commissioned this report. Our organization is a community-labor coalition comprised of 20 unions and community-based organizations affiliated with national Jobs with Justice that includes more than 40 chapters in 23 states. Currently, North Bay Jobs with Justice is engaged in numerous campaigns that address structural inequality and working poverty such as: a \$15 an hour citywide minimum wage (by 2020) for numerous cities in the North Bay; support for low-wage workers seeking to form a union in the hospitality, waste management, and food processing industries; opposition to low-wage big box employers such as Wal-Mart; and support for municipal rent control and just cause eviction protections for tenants. Lifting up workers and families that have been left behind in poverty and whose wages are often not enough to pay basic needs should be at the forefront of creating prosperity for all residents of Sonoma County.

Executive Summary

Two Sonoma Counties

Sonoma County's growing, diverse population is a major economic asset that will position the county to compete in the global economy. According to several metrics, Sonoma County is performing well and relatively better than the rest of the state in areas such as unemployment and poverty. However, our county faces significant challenges in the form of racial and economic inequities that, if addressed, could improve economic security for all residents. For example, unemployment levels are currently low, yet the majority of workers' wages, once adjusted for inflation, have either dropped or stagnated over the last four decades, indicating that although people are working they're earning less over time. Furthermore, poverty rates are lower in Sonoma County than in California as a whole, but about one in five residents live in poverty despite living in working families. The median household income, once adjusted for inflation, is actually lower in 2016 than in 2005, which means the median Sonoma County household has yet to fully recover from the Great Recession.

Economic and racial disparities have remained persistent. For example, we estimate that women of color in Sonoma County earn a lower median hourly wage at every educational attainment level than their white counterparts. If all Sonoma County residents are to succeed, women of color should be a priority for improving

economic outcomes. Furthermore, today's low-wage sector disproportionately employs more workers of color, workers with at least some college education, and workers ages 30 and older -- not the teenage workers commonly assumed to be employed in low-wage jobs. Working families, many of whom are headed by women of color, have been stuck in a labor market with limited opportunities to earn a living wage and lift themselves out of poverty. The future of work paints a grim picture for Sonoma County through 2024 not because there won't be jobs, but because those jobs will be woefully inadequate for workers to provide for their families. In other words, job growth is expected to continue reproducing a labor market with a missing middle and fewer and fewer rungs on the ladder for true upward mobility and opportunities for prosperity.

The challenges described in this report are ones already being addressed by community leaders in the public, private, and social sectors with the goal of creating a more equitable and inclusive Sonoma County. Lifting up workers and families that have been left behind in poverty and whose wages are often not enough to cover basic needs should be at the forefront of creating prosperity for all who live here.

Key Findings

Work & Poverty

- The Great Recession's effects on Sonoma County have lingered well through 2014 at a macro-level after having been declared over in 2010, showing that the recovery has yet to arrive for many who have been left behind as high poverty and low wages persist.
- **More than one in four residents live below 200 percent of poverty; many remain unable to afford basic life needs and are vulnerable to sliding into deeper poverty.**
- Almost one in five residents live in poverty despite living in a family with at least one working member. Forty percent of Latinos belong to a family that works and lives in poverty – the highest working poverty rate in Sonoma County.
- **Women of color earn lower median hourly wages at every educational level as compared to their white counterparts.**

Low-Wage Work

- With 33 being the median age of a low-wage worker in 2016 and **three out five low-wage workers being 30 years or older, the average low-wage worker is not a teenager but increasingly older.**
- In 2016, workers of color in Sonoma County accounted for about a third of all workers, yet workers of color constituted a majority of low-wage workers. In particular, **one in three low-wage workers are men of color**, the highest rate of any one group.

- One of two low-wage workers have at least some college education, and more than **one in seven have a bachelor's or advanced degree.**

Future of Work

- The future of work is expected to be dominated by the service-sector with a high share of low-wage jobs and fewer opportunities for upward mobility into middle and higher-paying jobs.
- Analyzing the top ten occupations with the most job openings in Sonoma County from 2014 to 2024, we estimate that about 83 percent of these openings will pay less than \$15 an hour. The median wage is expected to be about \$13.09 an hour.
- **Roughly three-quarters of job growth between 2014 to 2024 is expected to include jobs with median hourly wages below \$20 an hour.**

Income Inequality

- Once adjusted for inflation, the bottom **20 percent have seen their wages drop by double digits** in the last four decades.
- In the middle range of distribution, workers between the 30th and 60th percentile have seen their wages stagnate during that time meaning that wages in 2016 have about the same purchasing power as wages in the late 1970s.

- Wage growth has been concentrated in the upper 30th percentile. In particular, the **top 10 percent of wage-earners in Sonoma County have seen a 26 percent increase in real wages since the late 1970s, once adjusted for inflation.**

Housing Affordability

- About 47 percent of renter-occupied households were rent-burdened and a quarter of renter-occupied households were severely rent-burdened in 2016.
- The incidence of rent-burden was not isolated to lower income-households alone, **as one in three households earning approximately the median household income in 2016 were cost-burdened**, indicating that middle-income households are also feeling the pinch from the housing market.
- **The rent-to-income gap has widened as renter household incomes have increased by 9 percent while rents have increased by 24 percent from 2000 to 2016.**

Commuting to Work

- We estimate an hourly wage premium of about \$4.67 for the average out-commuter as compared to local workers. For the average full-time worker employed at least 35 hours a week commuting out of the county, that **commuter-wage premium translates into an additional \$164 dollars a week, or about \$654 extra a month.**

Background

Geography and Demographics

This report is a profile of the demographic, economic, and educational conditions in the County of Sonoma, as represented on the map below. We begin by situating Sonoma County within its larger regional context. Unless otherwise noted, all data pertain to Sonoma County.

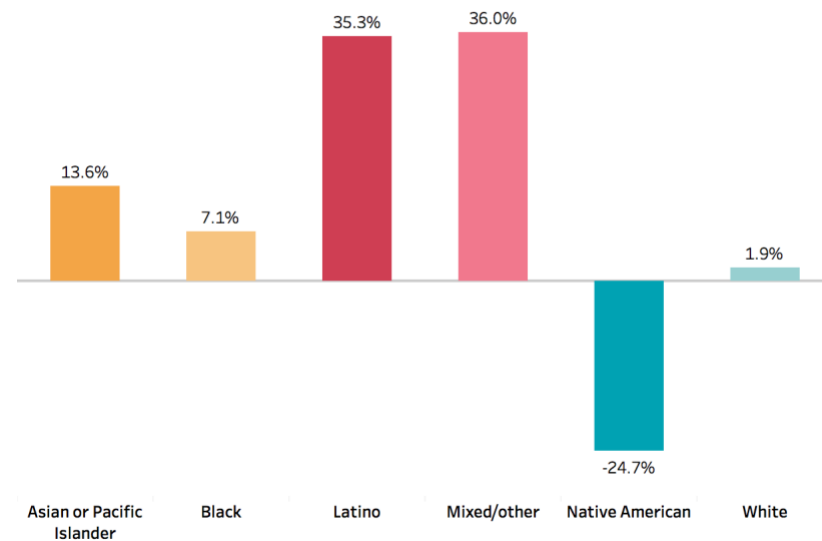
The North Bay is a region located in the northern part of the greater nine-county San Francisco Bay Area and is comprised of four counties: Sonoma, Napa, Marin, and Solano county. At over 1 million acres, Sonoma is the largest county in the Bay Area, with two coasts, the Pacific Ocean and the San Pablo Bay. According to the U.S. Census Bureau, the combined population of the North Bay was 1,327,553 in 2016 with Sonoma County having the largest population in the region with 497,776.



In 2016, white residents comprised almost two-thirds of the population. Since 2005, the white population has seen a slight increase of almost 2 percent. Latinos are the second largest ethnic group in the county at 26 percent of the population. Since 2005, the Latino population has grown by about 35 percent – the second fastest growing group in the county. Though a relatively smaller portion of the overall population, Mixed/other has been the fastest growing group in Sonoma County¹ - a group that has grown at a rate of about 33 percent since 2005. In 2016, Asian/Pacific Islander and Black residents constituted about 4 percent and 1.4 percent of the population respectively with positive growth rates of almost 14 percent and 7 percent since 2005. The number of Native American residents dropped by almost 25 percent since 2005 -- a dramatic and sudden drop in population -- especially since Native Americans constituted less than 1 percent of the population in 2016.

Sonoma County’s industrial diversity has proven to be a strength in today’s global economy. The local economy’s top two industry clusters are health care and social assistance, the largest sector employing almost 32,000 individuals in 2017, followed by manufacturing, retail trade, accommodation and food services, and educational services.² Though agriculture is not amongst the top employing industries, agriculture, in particular viticulture, is one of the signature industries in Sonoma County. Its gross regional

Latino & Mixed/other residents have grown the most since 2005
Growth Rates of Major Racial/Ethnic Groups, 2005 to 2016



Source: Integrated Public Use Microdata Series.

product was estimated to be roughly \$27.3 billion in 2016. Since the Great Recession (herein referred to as “the Recession”) in which the local economy contracted in 2008-2009, Sonoma County has rebounded, posting percentage growth rates year-to-year of 6.8 percent (2012-13), 6.5 percent (2013-14), 8.2 percent (2014-15), and 3.5 percent (2015-16).³

¹ See Data & Methods section for further definitions

² Source: U.S. Census Bureau, Center for Economic Studies, LEHD

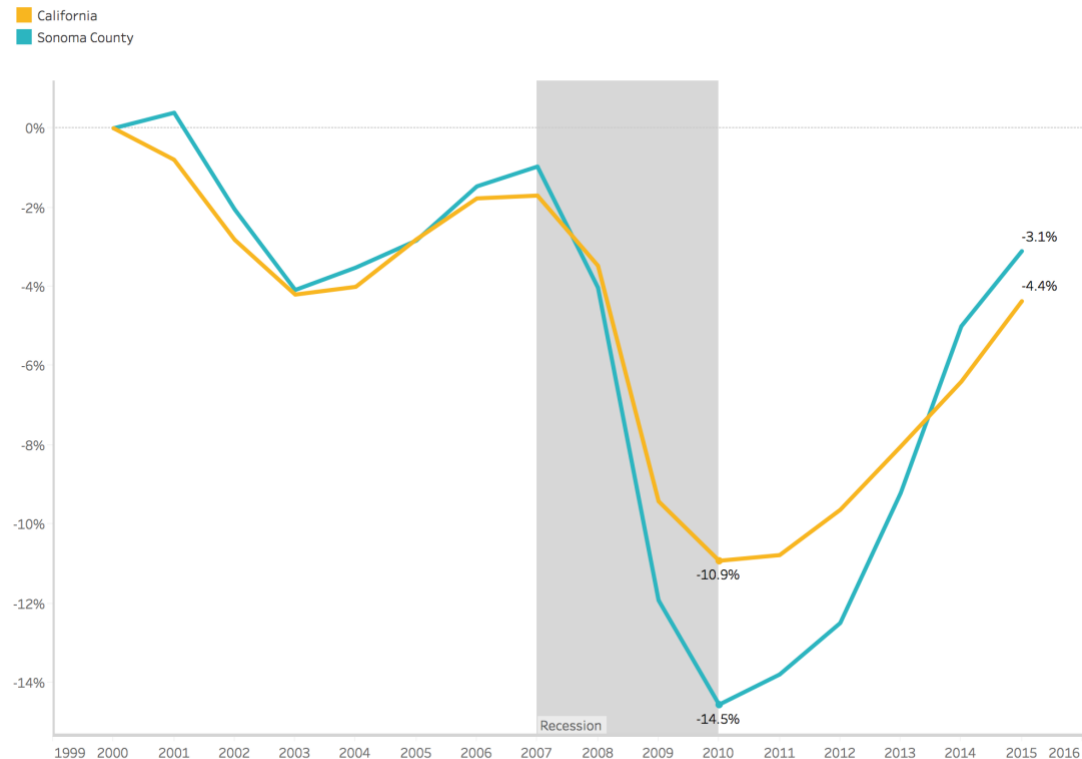
³ Source: U.S. Bureau of Economic Analysis

Work and Poverty

Jobs-to-Population Ratio

Absolute job growth is an important statistic but may be an incomplete one. To further understand job growth, we consider whether jobs have kept pace with population growth in Sonoma County from 2005 to 2016. We provide a look at the State of California for further comparison. The graph below examines the percent change in the job-to-population ratio using 2000 as a benchmark. The results suggest that both Sonoma County and California were severely hit during the Recession as the job-to-population ratio dipped into double-digit figures. Since the Recession, Sonoma County has recovered on pace with the rest of the state. Despite the strong recovery, Sonoma County's current cumulative growth is -3.1%, which remains below the 2005 jobs-to-population ratio.

Job growth relative to population growth has seen strong recovery since Recession
 Cumulative Growth in Jobs-to-Population Ratio, 2000 through 2015

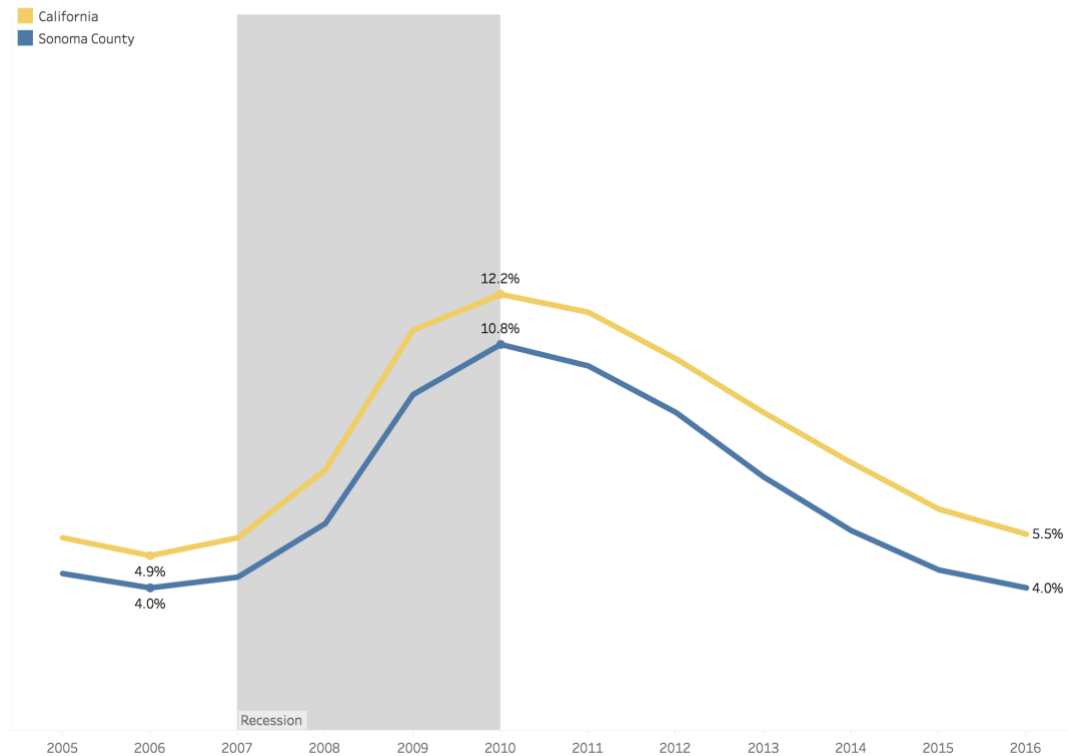


Source: California Department of Finance; California Economic Development Department, Labor Market Information

Unemployment Rate

Unemployment has steadily decreased in Sonoma County since the end of the Great Recession in 2010 returning to pre-recession levels. Since 2005, Sonoma County has trended fairly parallel unemployment rates to California all the while experiencing relatively lower unemployment rates during that time period. Sonoma County has seen a strong recovery since 2010 with unemployment at 4 percent in 2016 -- a rate similar to 2005.

Unemployment in Sonoma County has returned to pre-Great Recession levels
Unemployment, 2005 to 2016



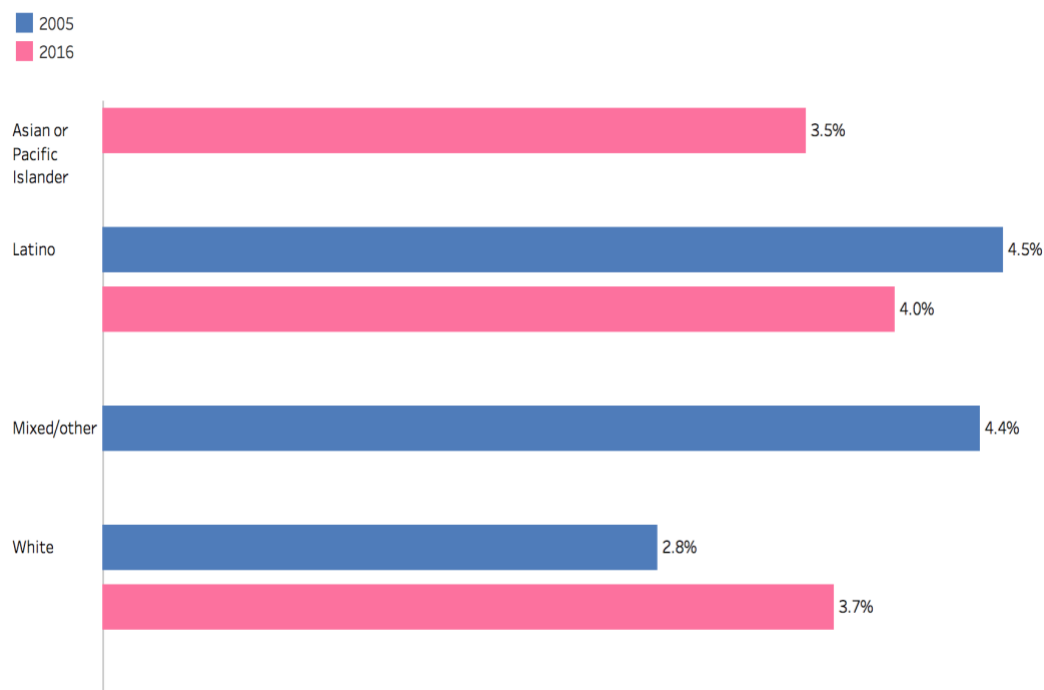
Source: California Economic Development Department, Labor Market Information Division

Unemployment Rate by Race/Ethnicity

Despite some progress, Mixed and other persons post highest unemployment rate while Whites have seen an increase in unemployment since 2005. Mixed/other, the fastest growing demographic group, have a higher unemployment rate relative to other groups in 2016. The unemployment rate, however, has increased for Whites in Sonoma County since 2005. Unemployment rates have decreased for Latinos, the second largest demographic group in Sonoma County, from 4.5 percent in 2005 to 4 percent in 2016.

Unemployment rates relative similar across racial & ethnic groups

Unemployment Rate by Race/Ethnicity, 2005 to 2016

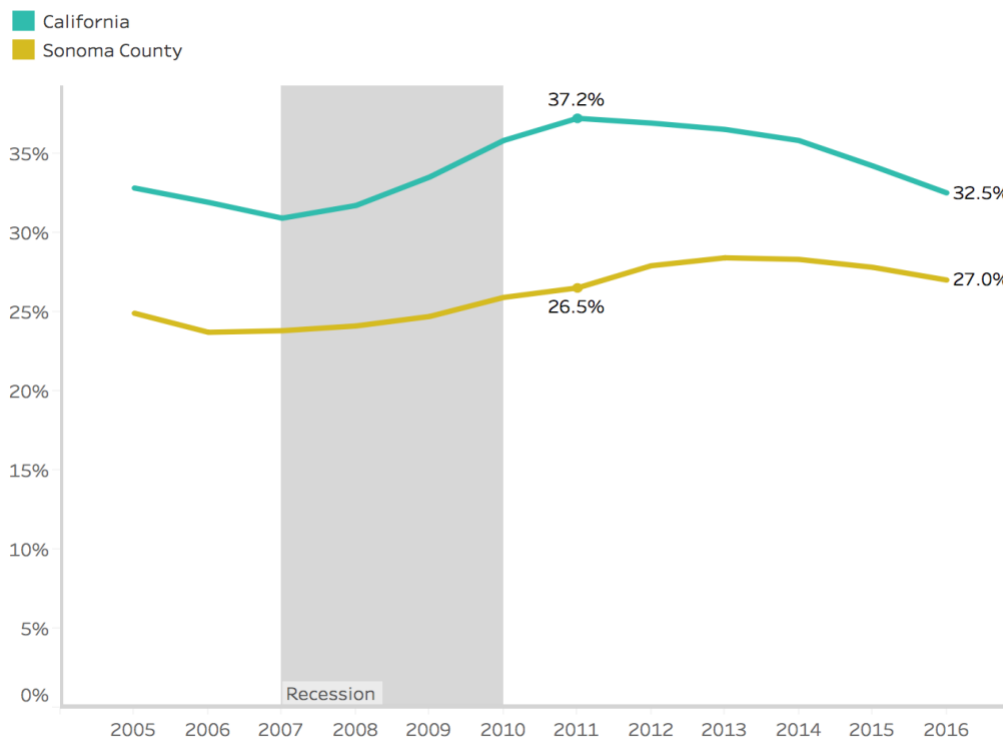


Source: Integrated Public Use Microdata Series. Universe includes the civilian non-institutional population age 25 through 64. Certain groups and years excluded due to small size.

Below 200 Percent of Poverty

We consider the federal poverty threshold to have certain shortcomings as a single metric given that it does not account for geographic variation such as cost of living. As the report notes later on with respect to Sonoma County housing costs, we use the 200 percent poverty threshold to examine the economic insecurity of Sonoma County residents. The 200 percent poverty line is especially useful given that most public assistance programs use this threshold to determine program eligibility. In 2016, the percentage of people living below 200 percent of poverty and therefore economically insecure in Sonoma County was 27 percent. Since 2005, fewer people find themselves below 200 percent of poverty compared to other areas in California.

Recession effects felt years after with recovery seen only recently
 Percentage of People Below 200 Percent of Poverty, 2005 through 2016

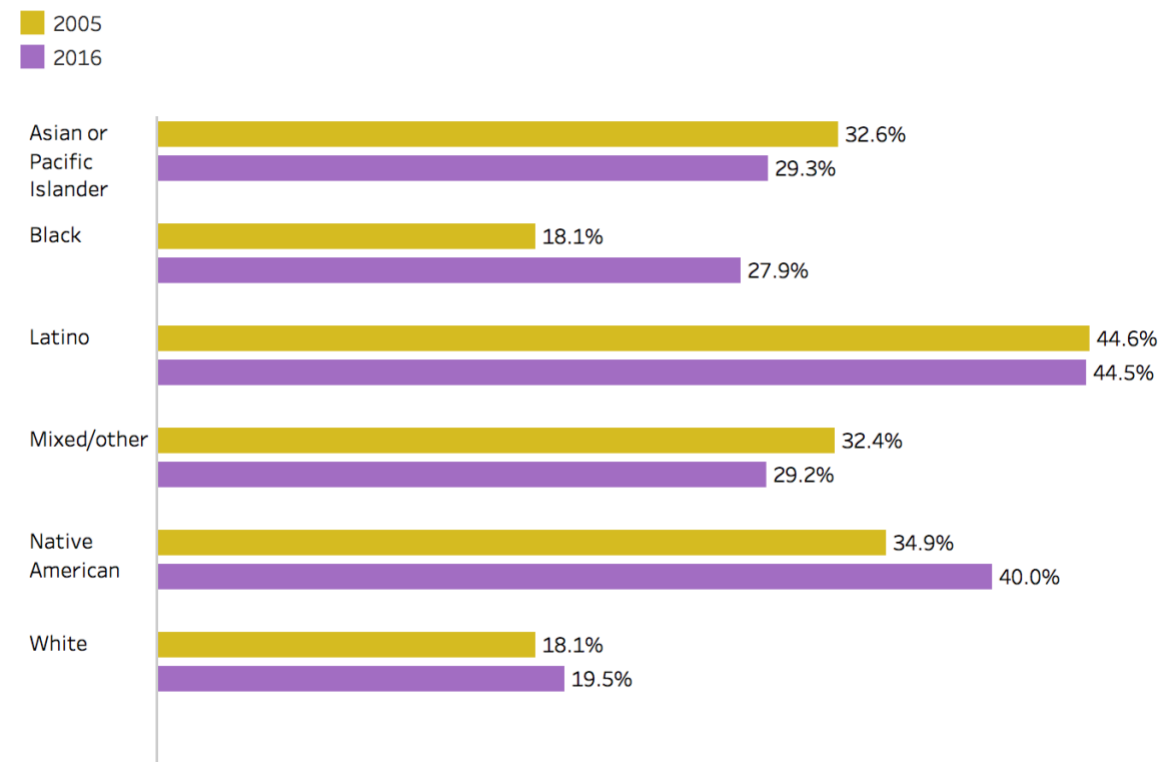


Source: Integrated Public Use Microdata Series. Universe includes all persons not in group quarters.

Below 200 Percent of Poverty Race/Ethnicity

Despite gains for some, Latinos remain the most economically insecure since 2005. In Sonoma County almost half currently live below 200 percent of poverty -- as was the case in 2005 meaning little has improved for Latinos since then to feel more economically secure. Blacks saw the largest increase with an almost 9 percentage point increase since 2005 and a current rate of almost 28 percent living below 200 percent of poverty. Mixed/other and Asian or Pacific Islanders were the only ones to experience a decrease. Whites experienced the lowest rates of people living at or near poverty with about one in five.

Despite gains for some, Latinos remain the most economically insecure since 2005 Percent of People Below 200 Percent of Poverty, 2005 & 2016

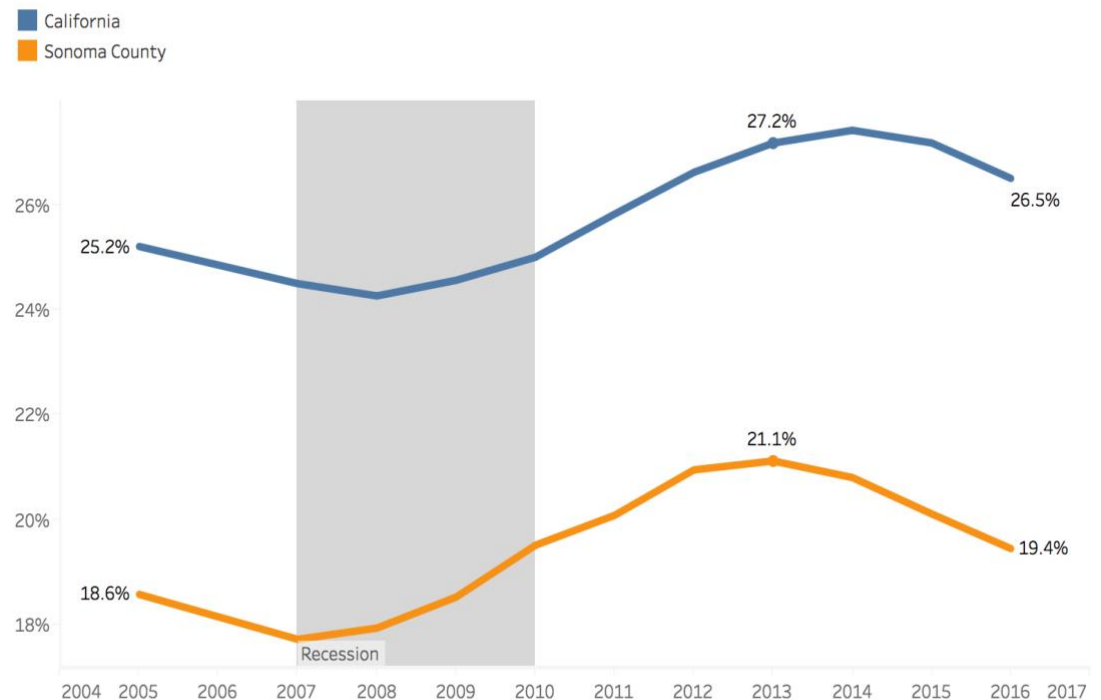


Source: Integrated Public Use Microdata Series. Universe includes all persons not in group quarters.

Working Poor

The common American view of poverty, best represented by the welfare reforms of the 1990s, claims that poverty is most effectively improved through work. Therefore, the measurement of the working poor, defined as people living in families whose income is below 200 percent of the federal poverty threshold⁴ and in which at least one family member aged 18 to 64⁵ was employed, can shed light on whether the labor market provides enough income for families to be lifted out of poverty⁶. Our estimates suggest that almost a fifth of Sonoma County residents in working families live at or near poverty. We find that the share of the working poor increased considerably during the Great Recession and into 2013 in Sonoma County, well after the official end of the Recession. The rate dropped to 19 percent in 2016 from a high of 21 percent in 2014. However, the current rate remains above pre-Recession levels.⁷ Since 2005, the share of Sonoma County's working poor has trended lower than the rest of California. Nonetheless, with about one in five people at or near poverty despite living in working families reveals the extent to which the labor market has failed to lift people out of poverty.

About a fifth of people live in poverty and in families who work Working Poverty Rate, 2005 through 2016



Source: Integrated Public Use Microdata Series. Universe includes all civilian non-institutional persons excluding group quarters with at least one family member ages 18 - 64 who works part-time or part-year.

⁴ The 200 FPL threshold is used to measure poverty in Sonoma County where cost of living and wages are typically higher than other places.

⁵ Work is defined as at least part-time (17 hours a week) or part-year (27 weeks a year).

⁶ Thiede, B.C.; Lichter, D.T.; & Sanders, S.R. (2015). *America's Working Poor: Conceptualization, Measurement, and New Estimates*. Work and Occupations.

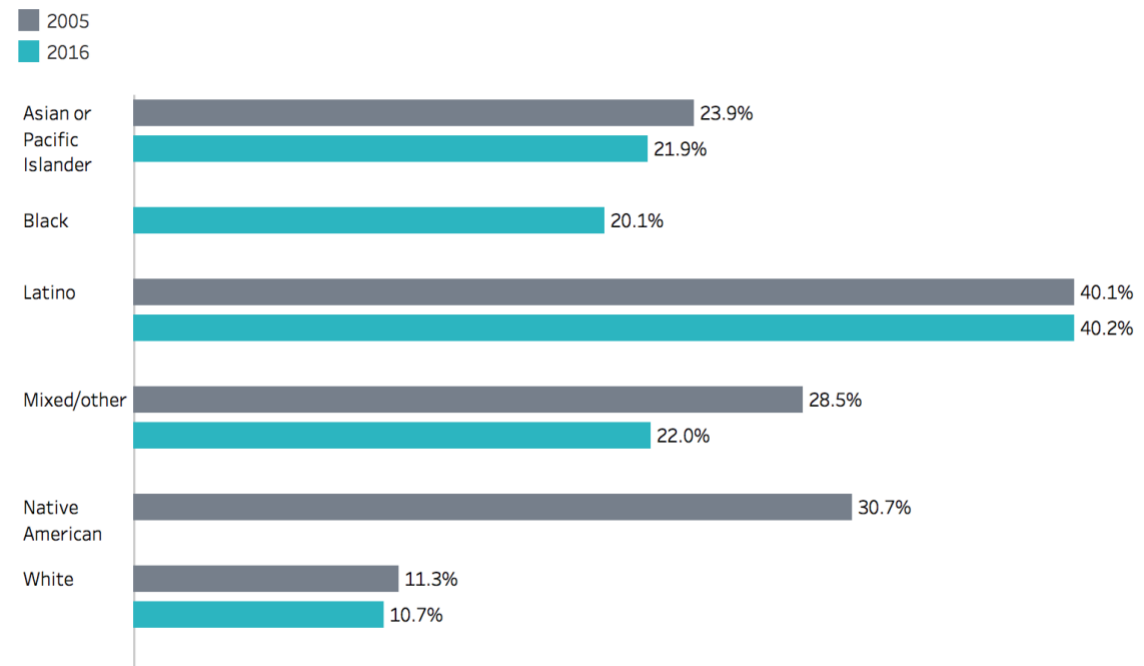
⁷ FPL guidelines: Family of four at 200 percent of poverty would earn below \$50,200 annually

Working Poor by Race/Ethnicity

The data suggest that the share of people living at or near poverty and who belong to a working family is highest among Latinos. In 2016, Latinos had the highest working poor rate in Sonoma County at roughly 40 percent of Latinos belonging to a family that works and lives in poverty. Paired with the prior 200 FPL figure, we estimate that the overwhelming share of Latinos at or near poverty also work yet employment alone appears not be sufficient in lifting Latinos out of poverty. Conversely, Whites had the lowest working poor rate in 2005 and in 2016. We estimate that Whites in 2016 had a working poor rate of 10.7 percent. On the whole, people of color had higher rates of working poor than did Whites.

Working poverty highest among Latinos in 2016 and unchanged since 2005

Working Poverty Rate by Race/Ethnicity, 2005 & 2016



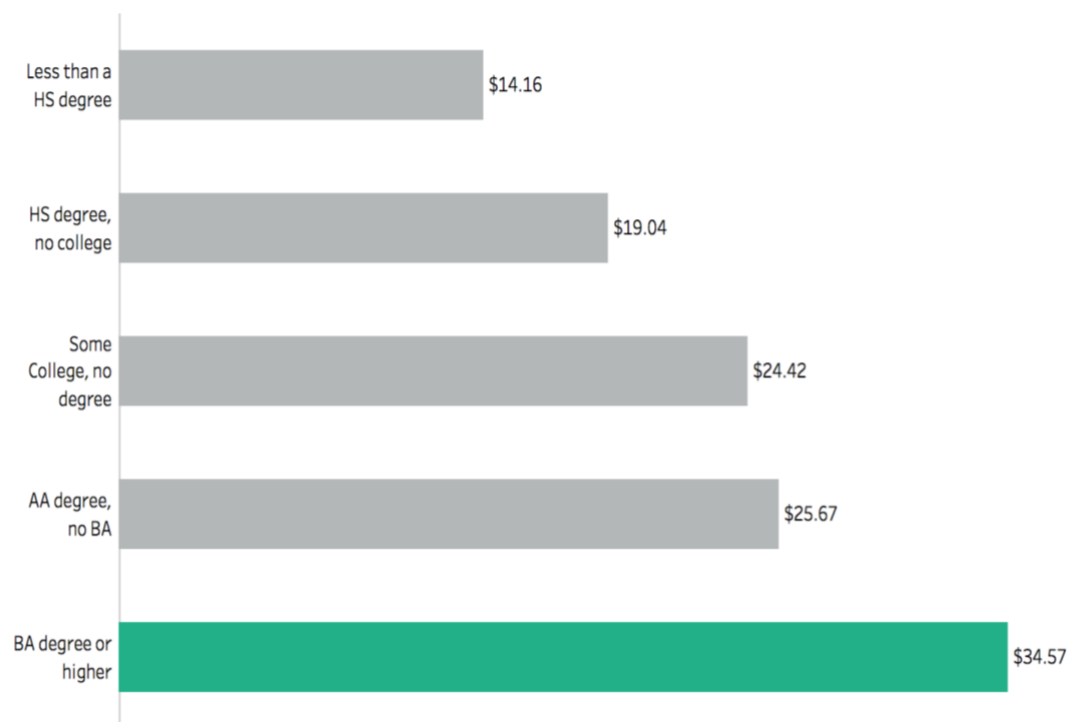
Source: Integrated Public Use Microdata Series. Universe includes all civilian non-institutional persons excluding group quarters with at least one family member ages 18 - 64 who works part-time or part-year. Some groups were excluded due to small sample size.

Median Hourly Wage by Education

The median hourly wage in Sonoma County rises appreciably with each additional level of education attained. The median hourly wage for a worker with no higher than high school is a third that of a worker with a bachelor's degree and above. Workers with at least a bachelor's degree earned the highest wage rate in Sonoma County at about \$35 an hour. A labor market trend since the 1970s, the wage premium for college graduates relative to high school graduates has increased from 30 to 55 percent since that time period.⁸

Returns on education prove to be strong as wages rise at each level of education

Median hourly wages by educational attainment, 2016



Source: Integrated Public Use Microdata Series. Universe includes civilian non-institutional full-time wage and salary workers ages 25 through 64.

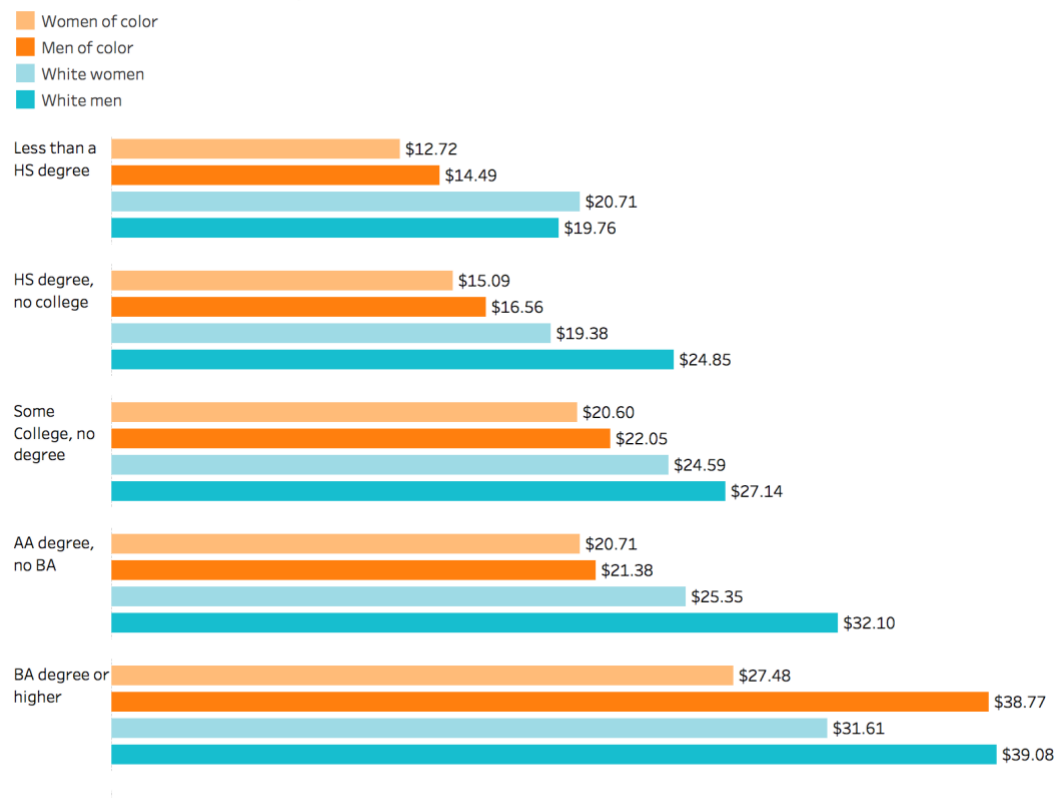
⁸ Valletta, Robert G. 2016. "Recent Flattening in the Higher Education Wage Premium: Polarization, Skill Downgrading, or Both?," Federal Reserve Bank of San Francisco Working Paper 2016-17. Available at <https://doi.org/10.24148/wp2016-17>

Median Hourly Wage by Education, Race/Ethnicity, and Gender

In general, wages rise as educational attainment increases. However, important wage gaps can occur between racial and ethnic groups with similar levels of education. We find that women of color earn lower wages at every educational level than everyone else. Even at the lowest level of education -- lacking a high-school diploma -- women of color earn almost 40 percent less than white women, the highest earners within that educational block. People of color, men and women, earn lower wages than white workers with similar levels of education, except for men of color with a bachelor's degree or more.

Women of color earn lower wages at every educational level

Median hourly wages by race/ethnicity, gender, and education, 2016



Source: Integrated Public Use Microdata Series. Universe includes civilian non-institutional full-time wage and salary workers ages 25 through 64.

Real Median Household Income

Household incomes took a significant hit during the Great Recession as the local economy shed jobs and wages stagnated. From 2005 through 2016, Sonoma County households saw their incomes drop during the Recession and not start to increase until recently. Household incomes appeared to rebound post-Recession a bit more slowly than the rest of the state and have yet to return to 2005 levels.⁹ “The California Budget & Policy Project estimates that in 2017 two working parents employed full-time must each earn \$23 an hour or an annual income of \$81,353 to support a household with two children and cover all basic expenses without relying on public assistance; the 2016 median household income falls significantly below that amount.¹⁰

Real Household Income Is Increasing But Has Not Returned to Pre-Recession Levels in Sonoma County

Real Median Household Income, 2005 to 2016



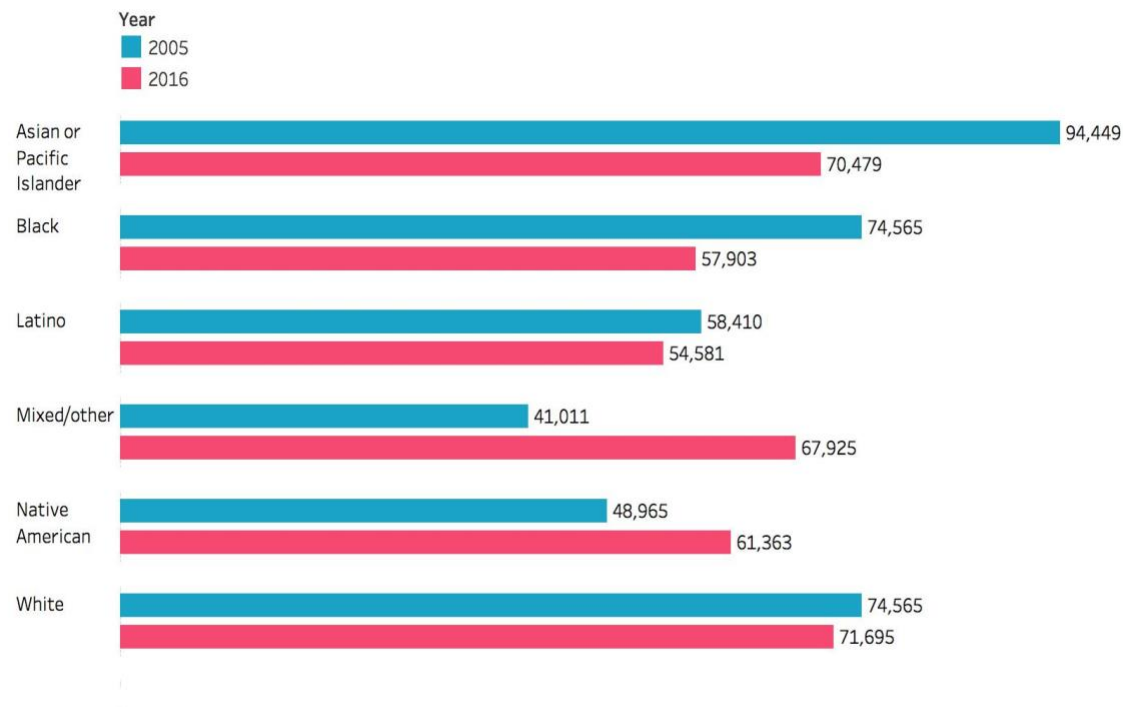
⁹ Household incomes are adjusted for inflation to 2016 dollars.

¹⁰ California Budget & Policy Project (2017). *Making Ends Meet*. http://www.calbudgetcenter.org/wp-content/uploads/Fact-Sheet_Making-Ends-Meet-2017_SonomaCty.pdf

Real Median Household Income by Race/Ethnicity

The real median household income has declined for all racial and ethnic groups except for mixed or other households and Native American households who saw appreciable increases in household incomes from 2005 to 2016. Once adjusted for inflation, incomes dropped for most groups with some of the largest drops experienced by Asian/Pacific Islander and Black households. Latino household income dropped from 2005 to 2016, though by a relatively slimmer margin, leaving Latino households in 2016 with the lowest median household income of any group at roughly \$54,600 annually.

Real household income has declined for all except mixed/other and Native American households
 Real Median Household Income, 2005 & 2016

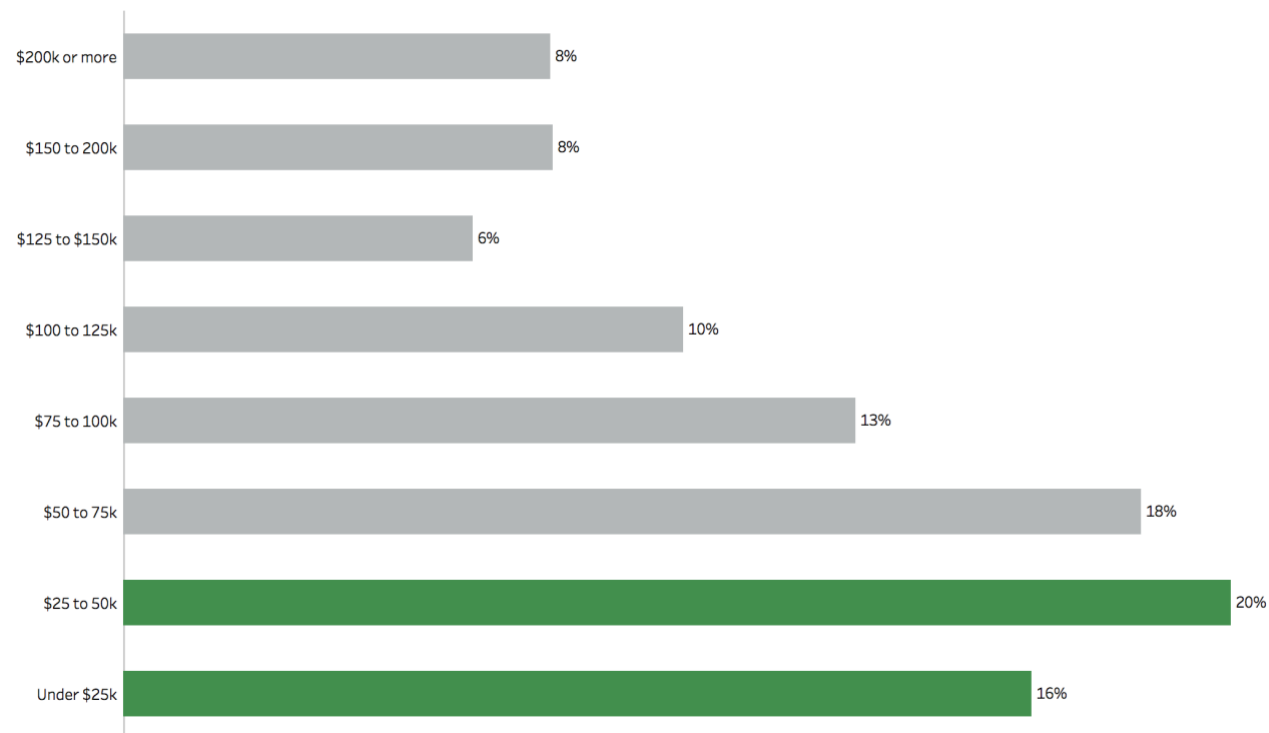


Source: Intergrated Public Use Microdata Series. Universe includes all households and persons not in group quarters.

Household Income Distribution

One in three Sonoma County households earn less than \$50,000 annually. Households earning between \$25,000 to \$50,000 a year proved to have the largest single share at 20 percent of all households earning that amount. More than one in five Sonoma County households earn almost twice the median household income.

One in three households earn less than \$50,000 annually in Sonoma County
Household Income Distribution, 2016

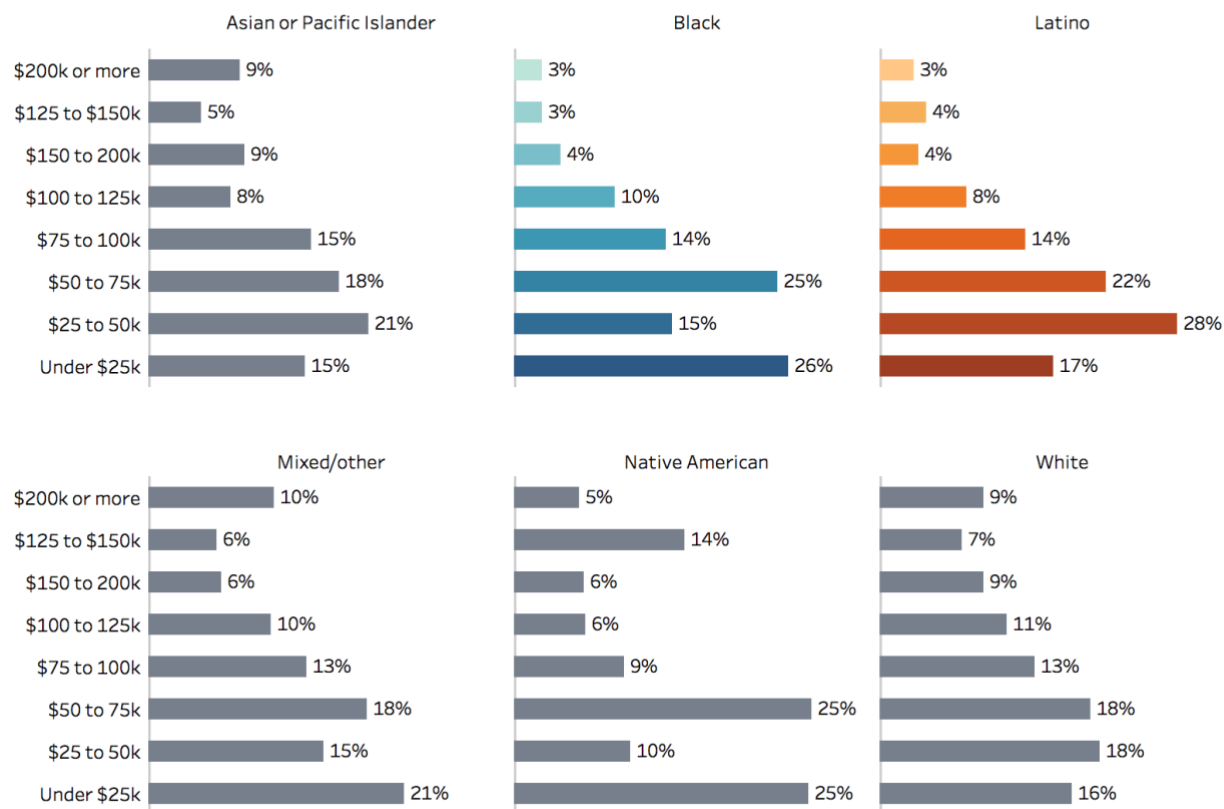


Source: Integrated Public Use Microdata Series. Universe includes all households (excludes group quarters).

Household Income Distribution by Race/Ethnicity

Black and Latino households are estimated to have the greatest share in the bottom half of income distribution. In our analysis, 80 percent or more of Black and Latino households earn less than \$100,000 annually - more than any other racial or ethnic group. The data suggest a strong lower-income skew in the distribution of Black and Latino households. Conversely, White households had the greatest level of parity across the distribution with the narrowest range relative to other groups. Raj Chetty’s research with the Equality of Opportunity Project forces us to reckon with the finding that upward mobility is highly racialized.¹¹ Strikingly, White children born into the bottom fifth are more likely to reach the top fifth than Latino or Black children. The racial implications of inequality have long lasting impacts on future generations.

Black and Latino households have the largest concentration of lower-income households Household Income Distribution by Race/Ethnicity, 2016



Source: Integrated Public Use Microdata Series. Universe includes all households (excludes group quarters).

¹¹ Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner, “Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility,” *American Economic Review*, 2014.

Low-Wage Work

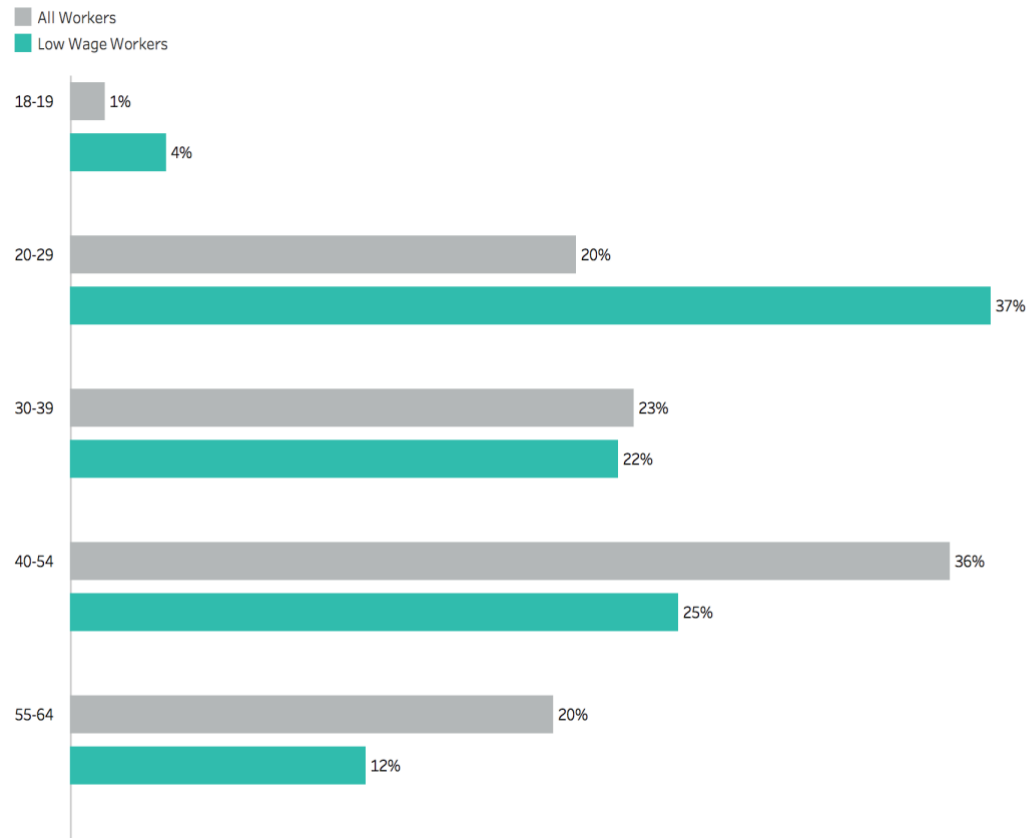
We define low-wage work as earning less than two-thirds of the median hourly wage for a given jurisdiction. In this case, low-wage workers in Sonoma County earn less than \$16.10 an hour, two-thirds of the median hourly wage of \$24.15. We estimate that the percentage of low-wage workers has increased by almost five-percentage points from 28 to 33 percent between 2005 and 2016 - meaning that one in three Sonoma County workers are employed in the low-wage sector.

Age Distribution of Low-Wage Work

A common perception about low-wage work is the image of a teenager flipping burgers after school or on the weekends. In 2016, teenagers accounted for only 4 percent of all low-wage workers in Sonoma County, which is a decrease since the late 1970s when teenagers accounted for almost 10 percent of the low-wage sector. We estimate that in 2016 the majority of low-wage workers -- almost three in five -- were ages 30 and older. In 1979, the median age of a low-wage worker in Sonoma County was 28. In 2016, the median wage of a low-wage worker was 33. A significant share of the increase since the late 1970s can be seen in the rise of low-wage workers ages 40 to 64.

This age distribution also has implications for working families. We estimate that about 23 percent of heads of households, including spouses, are low-wage workers. Despite the perception that low-wage work employs primarily teenagers, the face of low-wage work is an increasingly older one.

Low-wage work is not teenage work. More than three in five low-wage workers are ages 30 and older
 Age Distribution of Sonoma County Workers, 2016

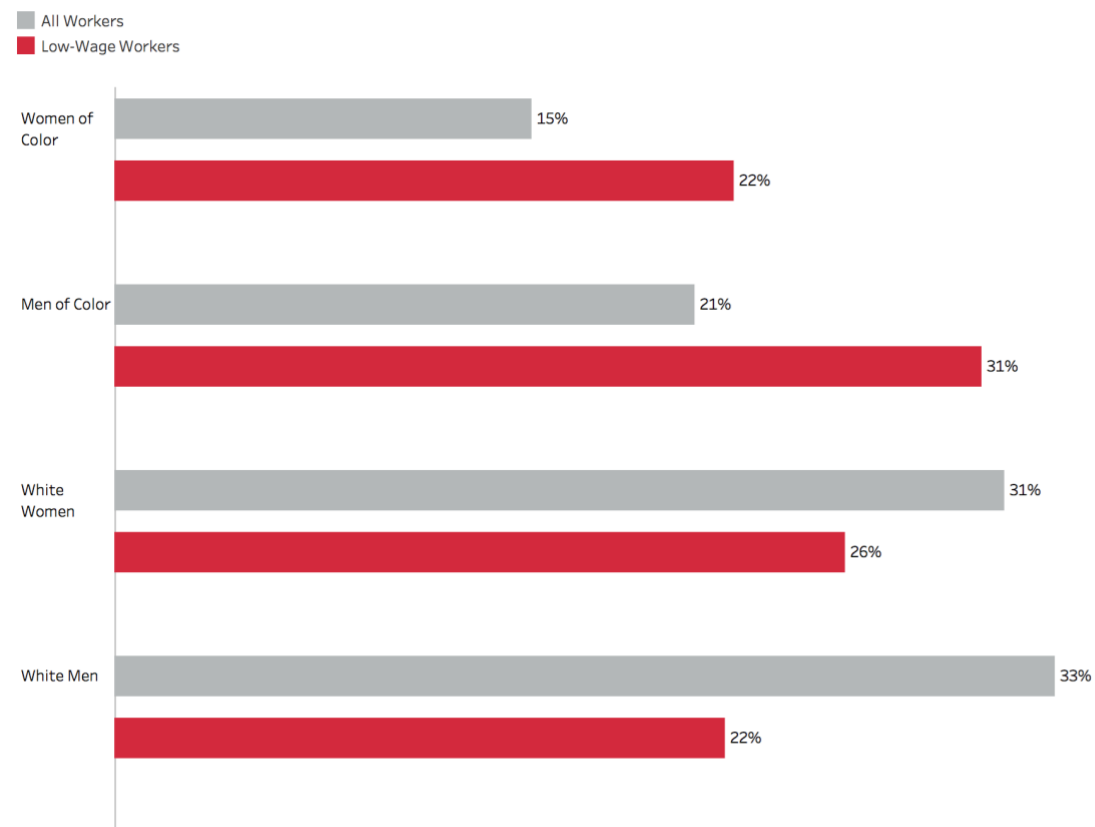


Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).

Racial/Ethnic & Gender Distribution of Low-Wage Workers

In 2016, workers of color in Sonoma County accounted for about a third of all workers. Yet, workers of color constituted a majority of low-wage workers. In particular, one in three low-wage workers are men of color, the highest rate of any one group. By contrast, white men composed a third of all workers yet were only a quarter of all low-wage workers.

People of color constitute a disproportionately larger share of low-wage workers
Race/Ethnicity & Gender Distribution of Sonoma County Workers, 2016



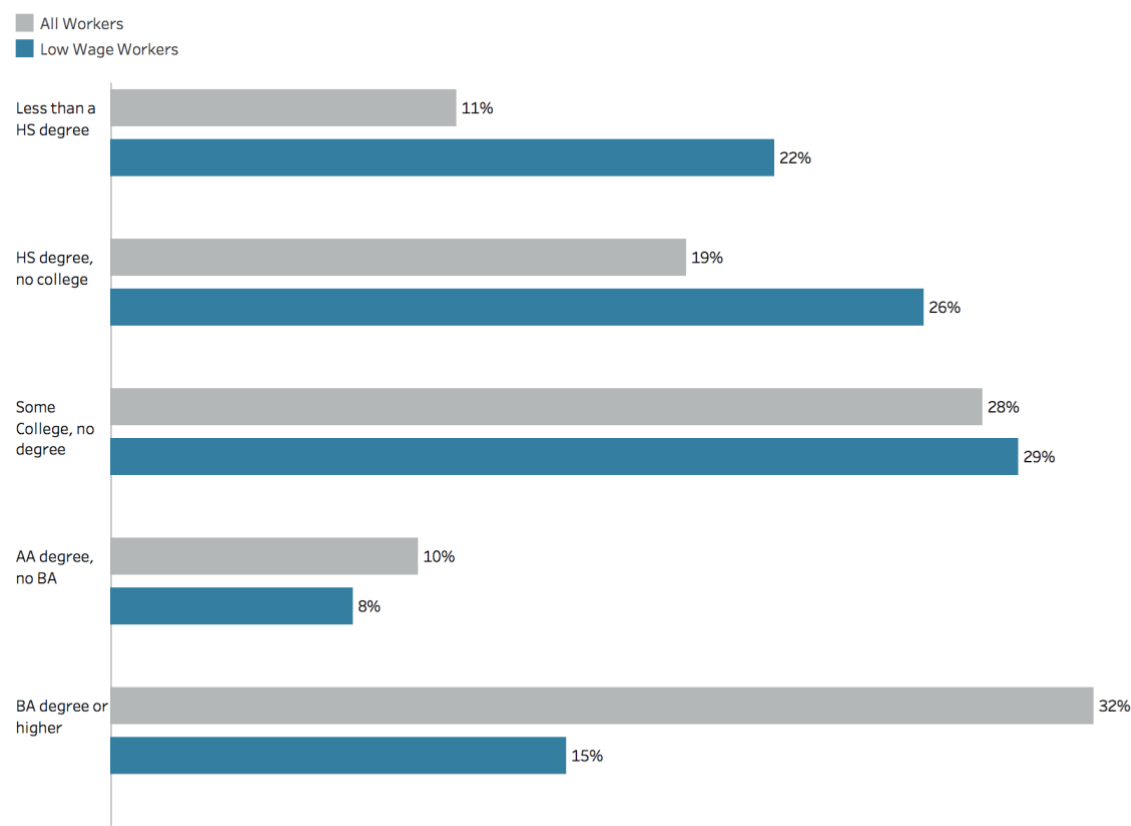
Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).

Low-Wage Work by Education

Sonoma County’s low-wage workers are less educated than the general workforce. However, we estimate that one of every two low-wage workers have at least some college education. Even more distressing, more than one in seven low-wage workers have a bachelor’s or advanced degree. Research from economist Lawrence Mishel finds that low-wage workers today are far more educated than they were in 1968.¹² Mishel points to the decrease of the minimum wage since 1968, adjusted for inflation, as one of the primary reasons for the increase in college-educated low-wage workers.

Majority of low-wage workers have at least some college education

Educational Distribution of Sonoma County Workers, 2016



Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).

¹² Mishel, L. (2014). Low-Wage Workers Have Far More Education Than They Did in 1968, Yet They Make Far Less. Economic Policy Institute.

Income Inequality

Real Wage Growth for Full-Time Workers

The national discussion of income inequality has shed light on the precipitous drop in income for the bottom 50 percent while incomes for the top 1 percent have skyrocketed.¹³ Sonoma County, like the rest of the nation, has seen a widening schism between low and high-wage workers, particularly since the late 1970s. Once adjusted for inflation, the bottom 20 percent have seen their wages drop by double digits in real terms in the last four decades. For the middle of the distribution, workers between the 30th and 60th percentile have seen their wages stagnate during that time, which means that workers' wages in 2016 had about the same purchasing as they did in the late 1970s. In Sonoma County, growth in real wages has been concentrated for those in the upper 30th percentile. In particular, the top 10 percent of wage-earners in Sonoma County have seen a 26 percent increase in wages since the late 1970s.

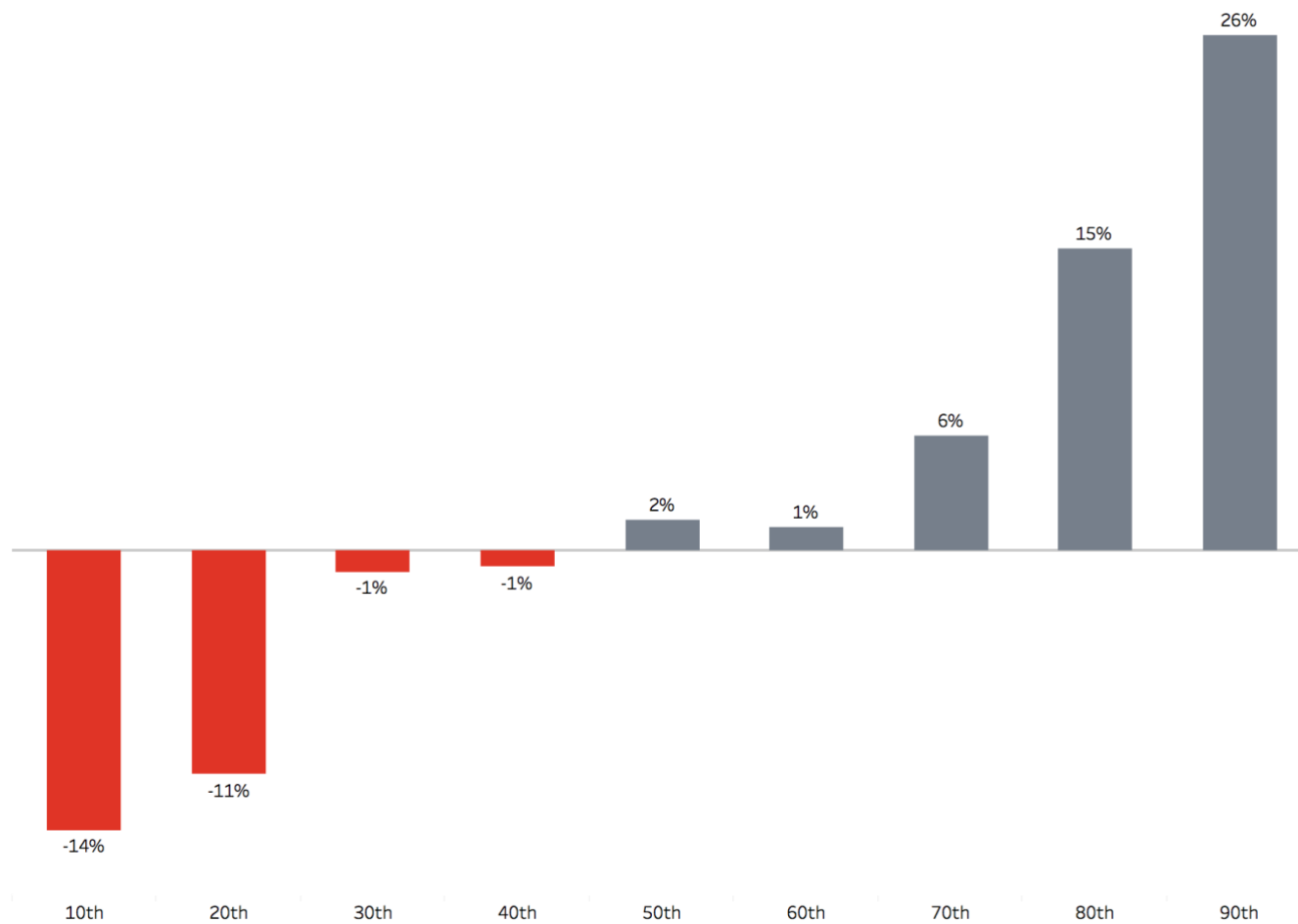
The transition from manufacturing to high-tech (i.e. innovation) -- with the Bay Area serving as a hub for the tech sector

-- has meant a radical and structural shift in the American economy. The rise of the high-tech sector in the wake of the decline of manufacturing as the primary economic driver has exacerbated income inequality. Manufacturing as a sector directly and indirectly produced a significant share of middle-class jobs. Conversely, the high-tech sector directly produces a large number of high-wage jobs while indirectly creating a mix of high and low-wage jobs. Economist Enrico Moretti's research suggests that for every high-tech sector job created, five new jobs are produced with two of those jobs high-wage, such as that of lawyers or doctors, while the remaining three are low-wage jobs such as retail sales representatives and restaurant servers.¹⁴ In other words, America's primary driver of economic growth produces bifurcated job growth between high and low-wage jobs with few middle-wage jobs. The result is a ladder with rungs pulled farther apart making upward mobility much more difficult for Sonoma County workers.

¹³ Stewart, E. (2018). One chart that shows how much worse income inequality is in America than Europe. Vox. <https://www.vox.com/2018/7/29/17627134/income-inequality-chart>

¹⁴ Moretti, E. (2012). *The New Geography of Jobs*. Houghton Mifflin Harcourt Publishing Company.

Wages have declined or stagnated for the bottom 60 percent of workers in Sonoma County Change in Real Wages in Sonoma County, 1979 to 2016



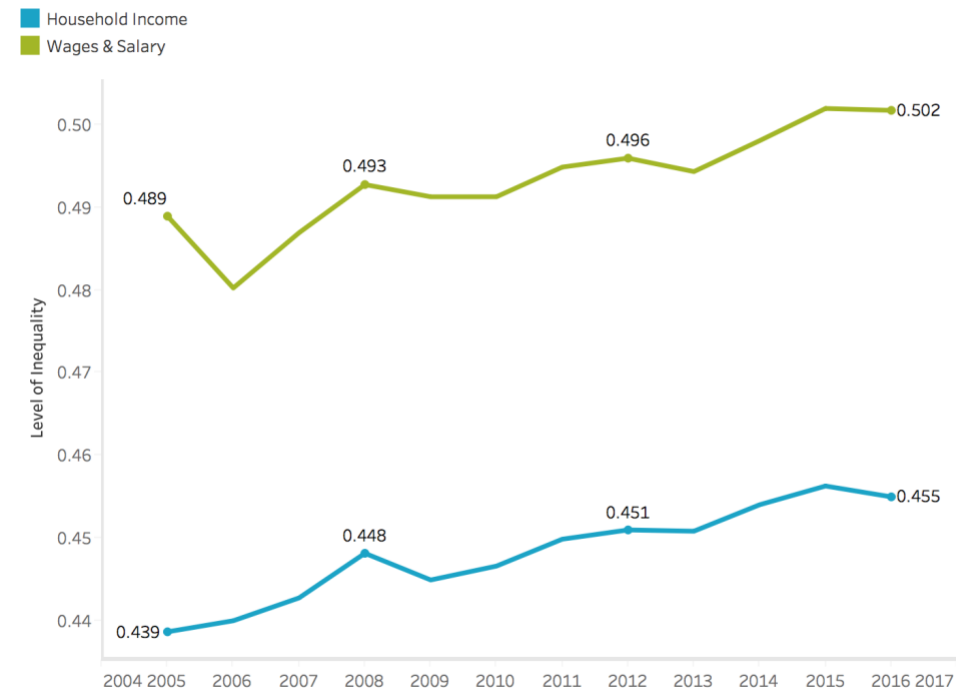
Source: Integrated Public Use Microdata Series. Universe includes all full-time wage and salary workers ages 18 to 64.

Gini Coefficient, 2005 to 2016

We measure income inequality using the conventional statistic known as the Gini coefficient. The Gini coefficient provides a useful one-value statistic that captures the concentration of income, or conversely, the deviation from perfect equality. The statistic ranges from 0 to 1 with 0 being perfect equality and 1 being perfect inequality. The Gini coefficients below provide a glimpse of income inequality by examining both household income and wage/salary inequality for Sonoma County. The results suggest that household income inequality is greater than wage/salary inequality and that household income inequality has been increasing since 2006. During that same ten year period, wage and salary inequality has also increased.

Household and wage/salary income inequality has been increasing since at least 2005

Gini Coefficient, 2005 through 2016



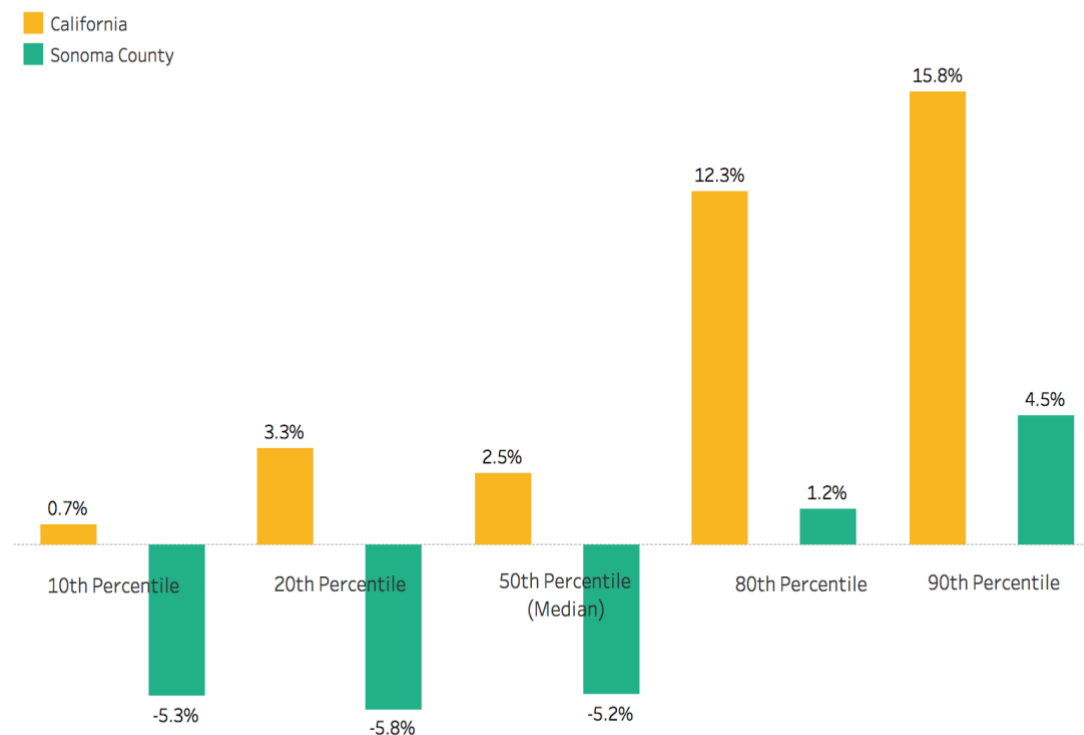
Source: Integrated Public Use Microdata Series. Universe includes all households (no group quarters).

Real Household Income Growth by Percentiles

From 2005 to 2016, household incomes have decreased for the bottom half of households. The recession affected households across income brackets and the data suggest that recovery has been largely unequal as those in the bottom half have struggled to return to pre-recession levels. Higher-income households, on the other hand, appear to have recovered from the recession having made gains in real income of 1.2 percent and 4.5 percent for the top 80th and 90th percentiles of households, respectively. Compared to the rest of the state, households in the bottom half of the income distribution for Sonoma County appear to be behind in real terms. The top 80th and 90th percentile of California households saw their real incomes grow by double digits -- significantly higher than the bottom half -- suggesting that recovery from the recession has been largely unequal across the state and in Sonoma County.

Incomes have declined for the bottom half of households unlike California

Real Household Income Growth, 2005 to 2016



Source: Integrated Public Use Microdata Series. Universe includes all households (not group quarters).

Future of Work

Ten Lowest Paying Occupations, 2017

The ten-lowest paying occupations all have a median wage below \$12 an hour. Fast food workers compose more than a third of the lowest-paying occupations. Cashiers, an occupation that has become increasingly automated, appears to be in relatively strong demand yet remains amongst the lowest-paid. In general, the service-sector plays a large part in paying the lowest wages to workers.

Fast food a dominant player in lowest-paying jobs Ten Lowest Paying Occupations, 2017

Occupation	Number Employed	Median Wage
Ushers, Lobby Attendants, and Ticket Takers	80	\$10.28
Combined Food Preparation and Serving Workers, Including Fast Food	4,200	\$10.34
Hosts, Restaurant, Lounge, & Coffee Shop	530	\$10.50
Cooks, Fast Food	1,180	\$10.52
Gaming Dealers	460	\$11.03
Dining Room & Cafeteria Attendants & Bartender Helpers	1,110	\$11.11
Cashiers	5,840	\$11.12
Telemarketers	80	\$11.26
Parking Lot Attendants	110	\$11.31
Amusement and Recreation Attendants	670	\$11.43

Source: California Economic Development Department, Occupational Employment Statistics

Top Ten Occupations with Most Job Openings by Hourly Wage

Based on the State of California’s projections for occupations with the most job openings, both new and replacement, we find that about 83 percent of the top ten occupations with the most job openings in Sonoma County pay less than \$15 an hour. We estimate that the median wage for the top ten occupations with the most jobs openings was \$13.09.¹⁵ The graph highlights the two occupations with high wages -- general and operations managers and registered nurses -- both of whom would earn close to \$50 an hour. These two occupations supply the remaining 17 percent of job openings. Individuals entering the labor market in Sonoma County can expect a deluge of low-wage occupations awaiting them.

Stark inequality in projected job openings with no middle-wage jobs in Top 10 Occupations with the Most Job Openings by Hourly Wage, 2014 - 2024



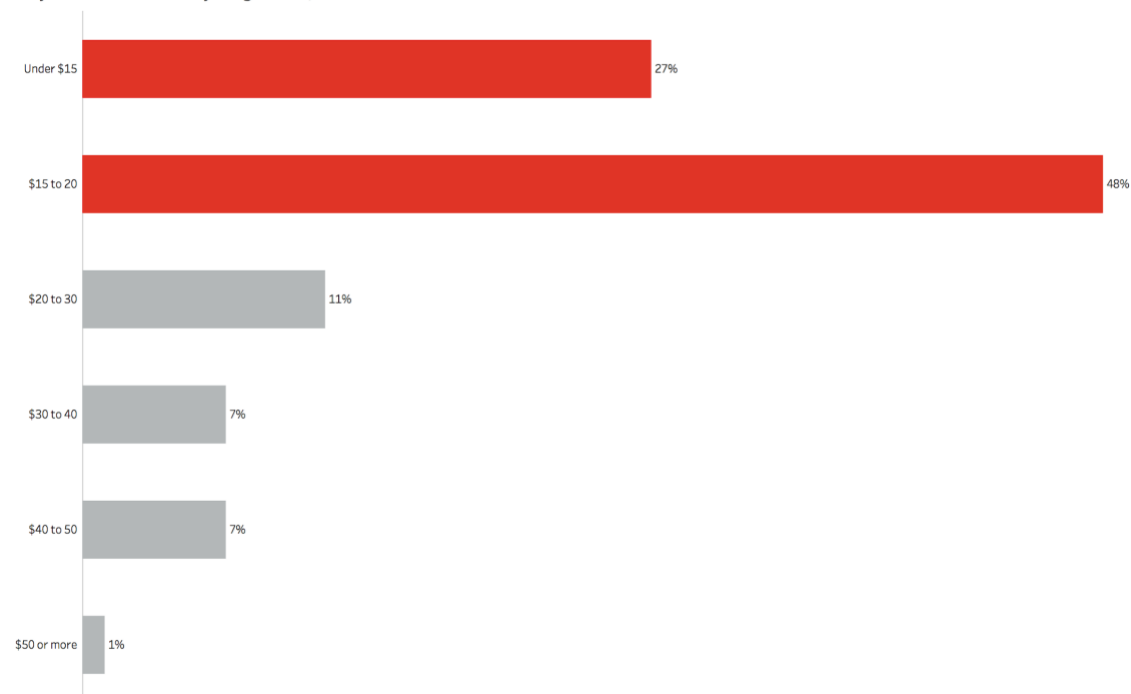
Source: U.S. Bureau of Labor Statistics, California Economic Development Department

¹⁵ Adjusted for inflation to 2018 dollars.

Projected Job Growth by Wage Level, 2014 to 2024

According to the California Economic Development Department, about three-quarters of job growth between 2014 to 2024 is expected to produce jobs -- both new and replacements -- with median hourly wages below \$20 an hour. More than one in four are expected to pay less than \$15 an hour. Given the severe concentration of lower-paying jobs, workers face a labor market with relatively fewer opportunities to secure a middle or higher paying job.

Three out of four jobs will pay less than \$20 an hour
 Projected Job Growth by Wage Level, 2014 to 2024



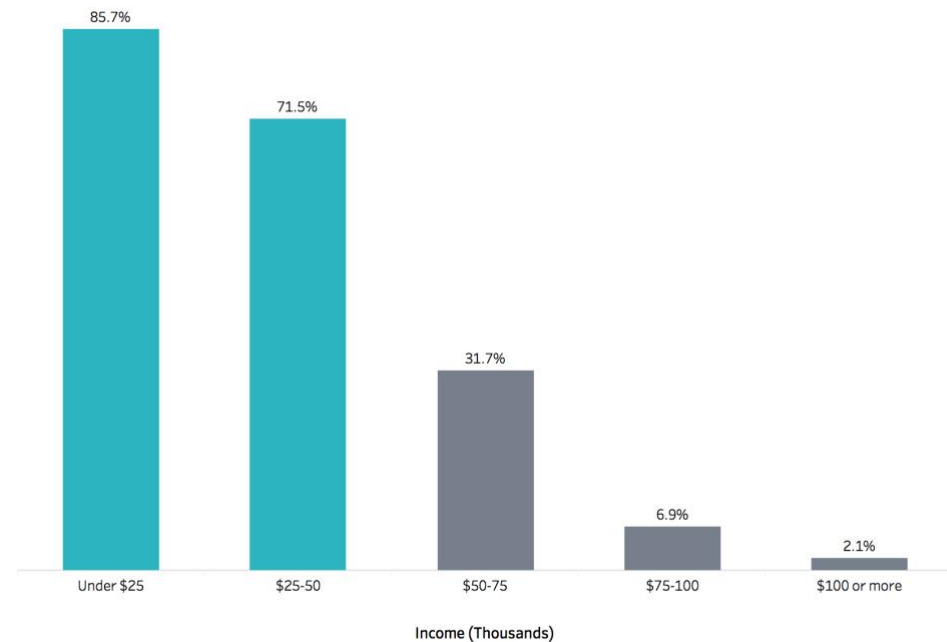
Source: California Economic Development Department, Labor Market Information Division. Values represent total jobs by median hourly wage.

Housing Costs & Affordability

Median Monthly Housing Burden for Renters

We classify a household “burdened” if housing consumes 30 percent or more of income and “severely burdened” if housing costs 50 percent of income. The data suggest that 47 percent of renter-occupied households were rent-burdened and a quarter were severely rent-burdened in 2016. Real median monthly rent burden for renter-occupied households increased by 5.7 percent from 2005 to 2016. In 2005, the median renter-occupied household paid about \$1,166 a month, once adjusted for inflation, and has since increased to an estimated \$1,254 in 2016. We estimate that renter-occupied households earning less than \$50,000 a year are overwhelmingly faced with high housing costs. Up to this point, rent-burden was most acutely experienced by households earning less than \$25,000 a year. However, the incidence of burden was not limited to lower income households alone, as one in three households earning approximately the median household income in 2016 were also burdened with high costs - indicating that a large share of middle income households were also struggling to pay the rent.

Vast majority of rent-burden concentrated in households earning less than \$50,000 a year
Rent Burden by Household Income Level, 2016

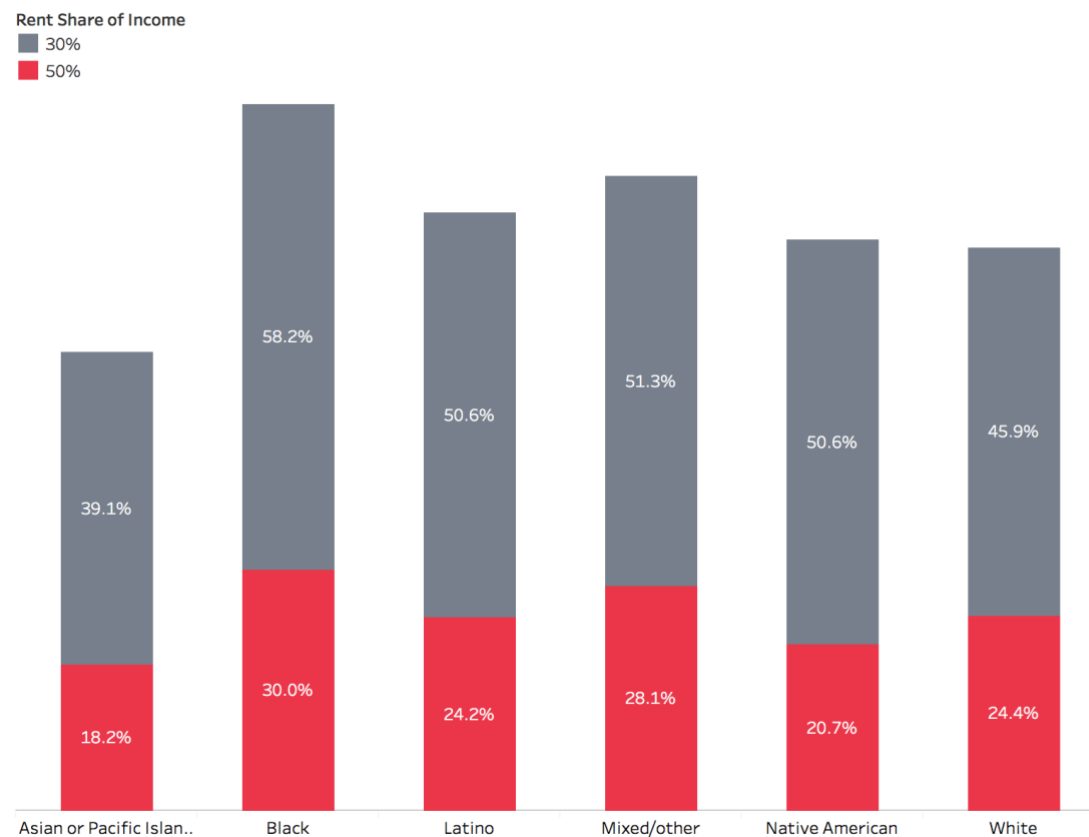


Source: Integrated Public Use Microdata Series. Universe includes renter-occupied households with non-zero monthly contract rents (excludes group quarters).

Renter Housing Burden by Race/Ethnicity

Black households had the largest proportion - almost three in five – who spent more than 30 percent of income on rent. Furthermore, Black households had the largest number experiencing severe cost-burden, with one in three households spending over half of their income on rent. A majority of all racial and ethnic groups, except Asian/Pacific Islander households, could not afford rent. The data indicate that Asian/Pacific Islander households have the smallest share of housing-cost burden at both 30 and 50 percent income levels.

Black households have the highest rates of rent-burden
Rent Burden by Race/Ethnicity, 2016

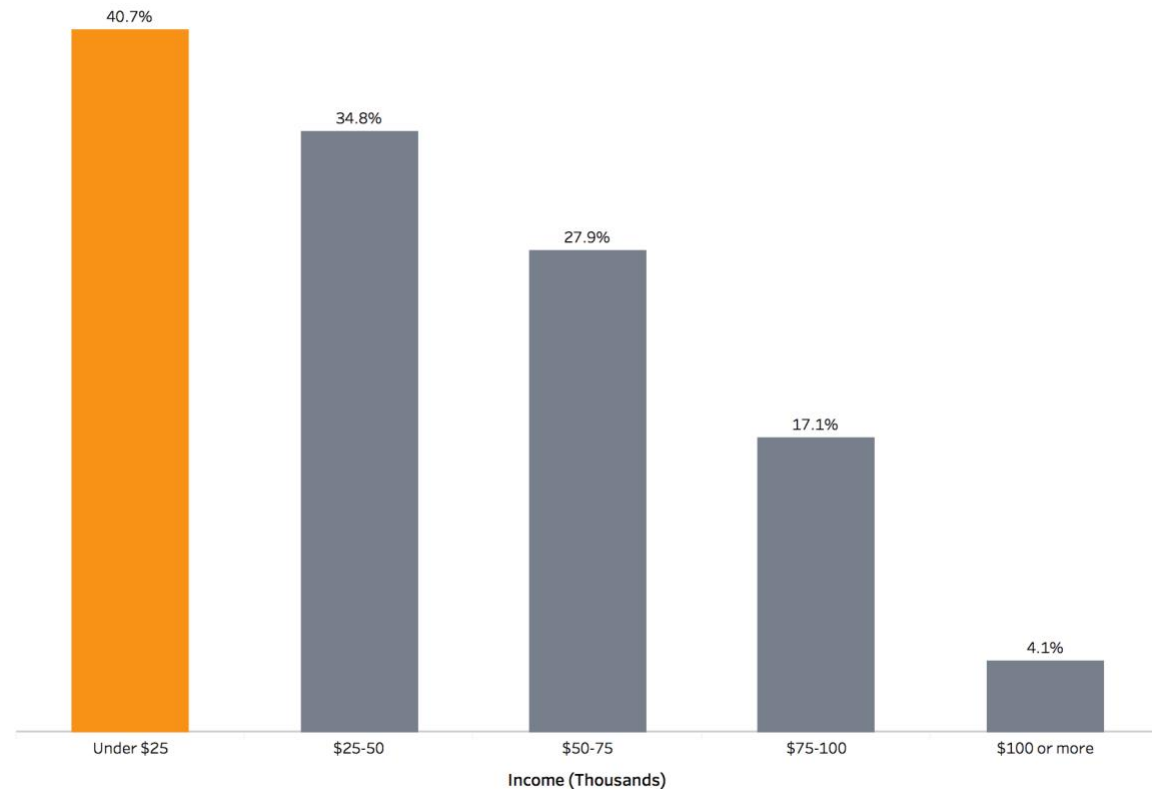


Source: Integrated Public Use Microdata Series. Universe includes renter-occupied households with non-zero monthly contract rents (excludes group quarters).

Median Monthly Housing Burden for Homeowners

In Sonoma County, about 18 percent of owner-occupied households were cost-burdened in 2016. Since 2005, Sonoma County has seen a roughly 6 percent drop in the number of cost-burdened owner-occupied households. The drop coincides with an estimated 20 percent increase in households that own their home free and clear. That rise can be partially explained by an almost 11 percent increase since heads of households aged 65 or older, which in turn contributes to a higher rate of mortgage clearance and consequent drop in cost-burden.

Housing burden is highest among owner-occupied households earning under \$25,000 a year
Homeowner housing burden by income level, 2016



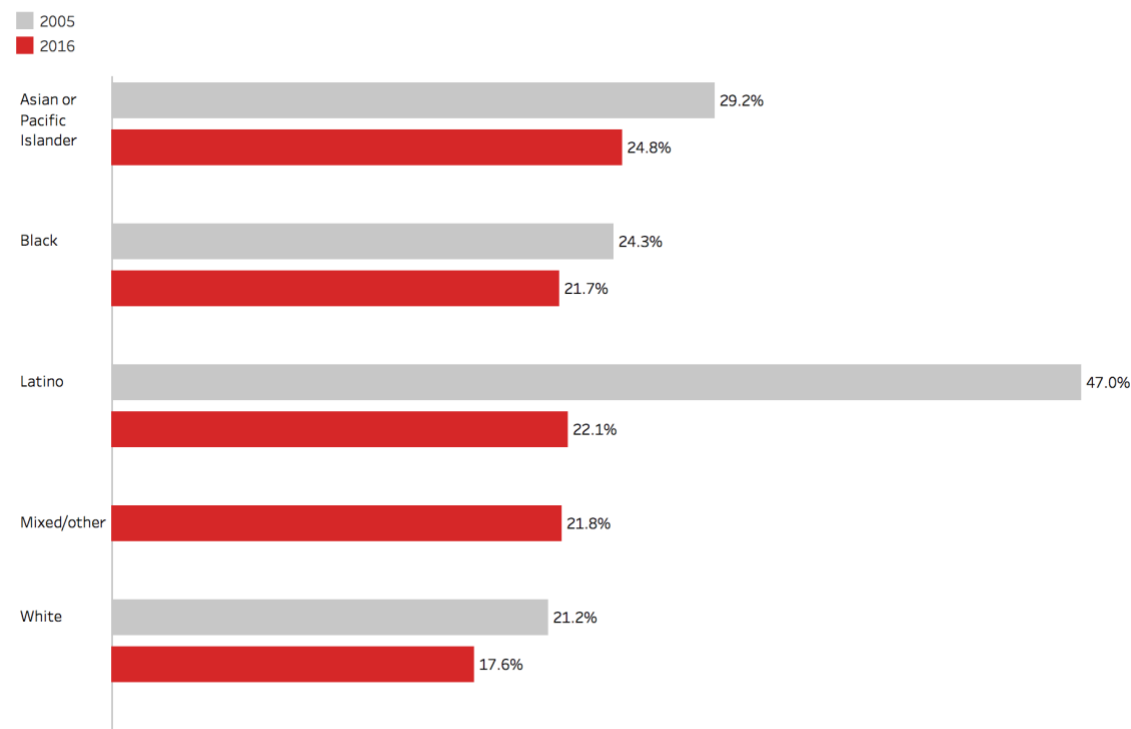
Source: Integrated Public Use Microdata Series. Universe includes all owner-occupied households (excludes group quarters).

Homeowner Housing Burden by Race/Ethnicity

Latinos had the highest housing burden before the recession which decreased by more than half post-recession. Research from economists Ingrid Gould Ellen and Samuel Dastrup suggests that a couple of factors may explain the change: 1) Black and Latino homeownership declined during the recession, and 2) subprime mortgages that targeted neighborhoods of color experienced more defaults by homeowners of color. Presumably, Latino households with subprime mortgages before the recession constituted some of the those who lost their homes during the recession and subsequently became cost-burdened.¹⁶ In general, the data suggest that cost-burden for homeowners has been reduced for all racial and ethnic groups, due partly to an increase in the aging population, as mentioned earlier.

Latinos had the highest housing burden pre-Recession and which after decreased by more than half

Homeowner Housing Burden by Race/Ethnicity, 2005 & 2016



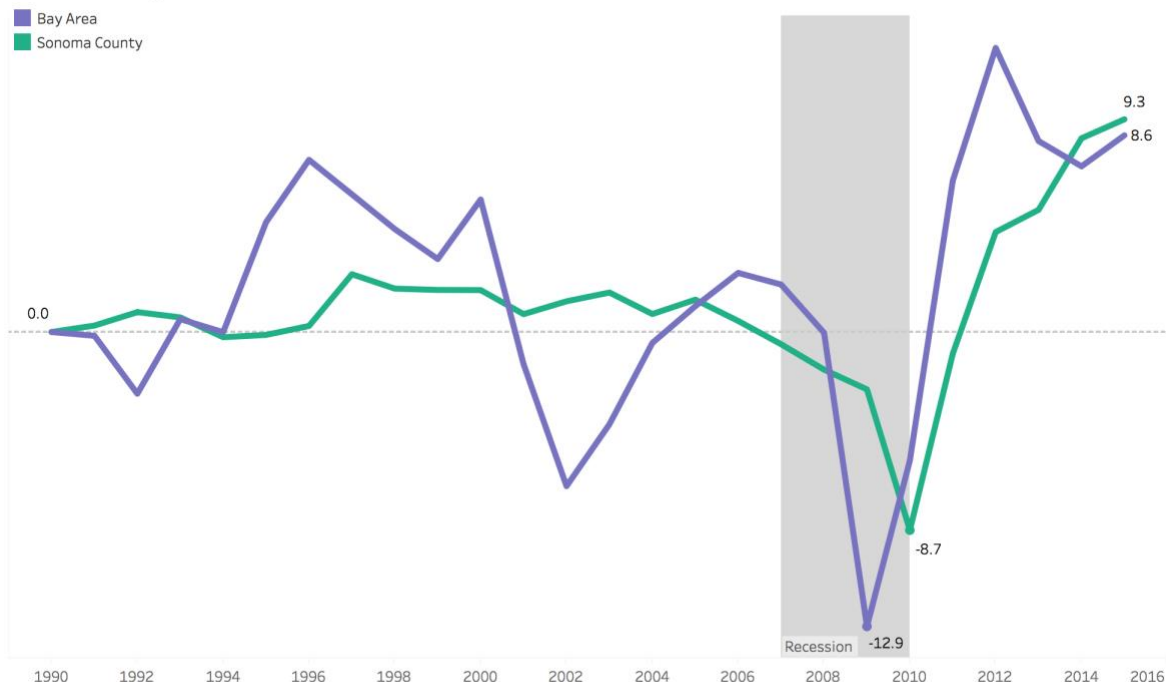
Source: Integrated Public Use Microdata Series. Universe includes all owner-occupied households (excludes group quarters).

¹⁶ Gould Ellen, I.; & Dastrup, S. (2012). Housing and the Great Recession. The Russell Sage Foundation and the Stanford Center on Poverty and Inequality.

Job Growth as a Ratio of Housing Production

Since the Great Recession, job growth has outpaced housing production in both Sonoma County and the larger metro Bay Area. In Sonoma County, the ratio of jobs added for every housing unit built had remained fairly steady at about two to three jobs for every housing unit built. In comparison, the Bay Area’s jobs-to-housing ratio reflected more volatility than Sonoma County’s. However, the increase in jobs compared to housing has been meteoric since the Recession. In 2016, in both the Bay Area and Sonoma County the ratio of jobs to housing was 9 to 1 almost three times that of the highest ratio ever posted from 1990 to 2007. The 2017 fire only further exacerbated an already challenging situation in terms of balancing jobs to housing.

Job growth has far outpaced housing production post-Recession in both Sonoma County & Bay Area
Jobs-to-Housing Production Ratio, 1990 to 2015

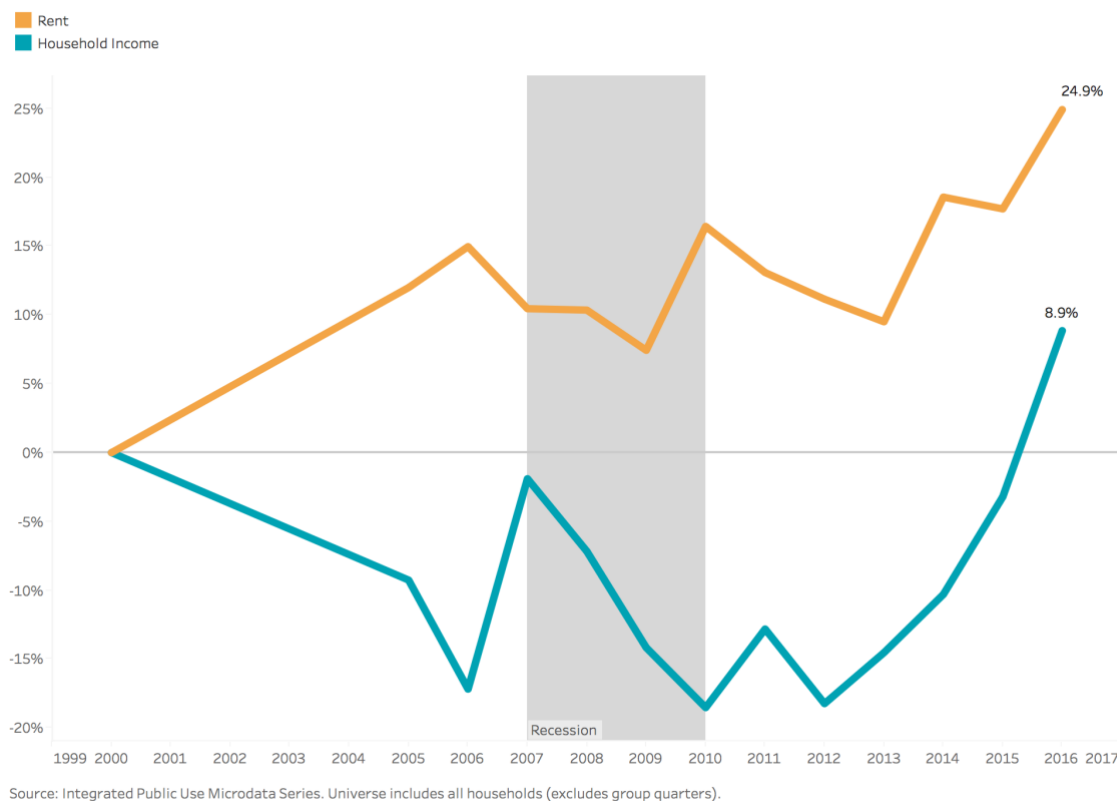


Source: California Department of Finance & California Economic Development Department.

Rent-to-Income Ratio

In 2016 the real median household to income ratio for renters increased by 9 percent, or about \$4,600 annually compared to 2000. During those 16 years, the median rent increased by almost \$260 monthly, or about \$3,120 annually -- a roughly 25 percent increase. Adjusted for inflation, renters in 2016 lost about \$1,550 in purchasing power compared to renters in 2000. However, the 9 percent increase can be misleading given that Sonoma County's renting households experienced negative household income growth from 2000 to 2015, and only in 2016 did households earn above the 2000 level adjusted for inflation. In other words, for over fifteen years renters experienced a widening gap between declining incomes and rising rents. That the gap has begun to narrow since 2016 is a positive development though one that still leaves significant work ahead given the persistent 16 percentage point gap between rent-to-income since 2000. That gap between rent to income has caused a widening jobs-housing mismatch in the county. Low and mid-wage workers must commute further to find affordable housing, particularly since the 2017 Tubbs fire when rents jumped 35 percent, and as a result the county is now facing a crisis of severe displacement service sector and public employees.

Rent-to-income gap has been widening since 2000 as rents continue to rise
 Change in Real Household Income & Rent, 2000 to 2016



Commuting to Work

Inflow & Outflow

Workers from Sonoma County are commuting more and experiencing longer commute times than in years past. From 2005 to 2015, the number of out-commuters from Sonoma County increased by 18 percent for an average of 72,000 commuters daily. During that time period, the number of people who lived and worked in Sonoma County remained largely unchanged at roughly 122,000 workers. However, the number of workers commuting into Sonoma County from elsewhere has increased by roughly 23 percent to about 53,000 daily in-commuters.¹⁷

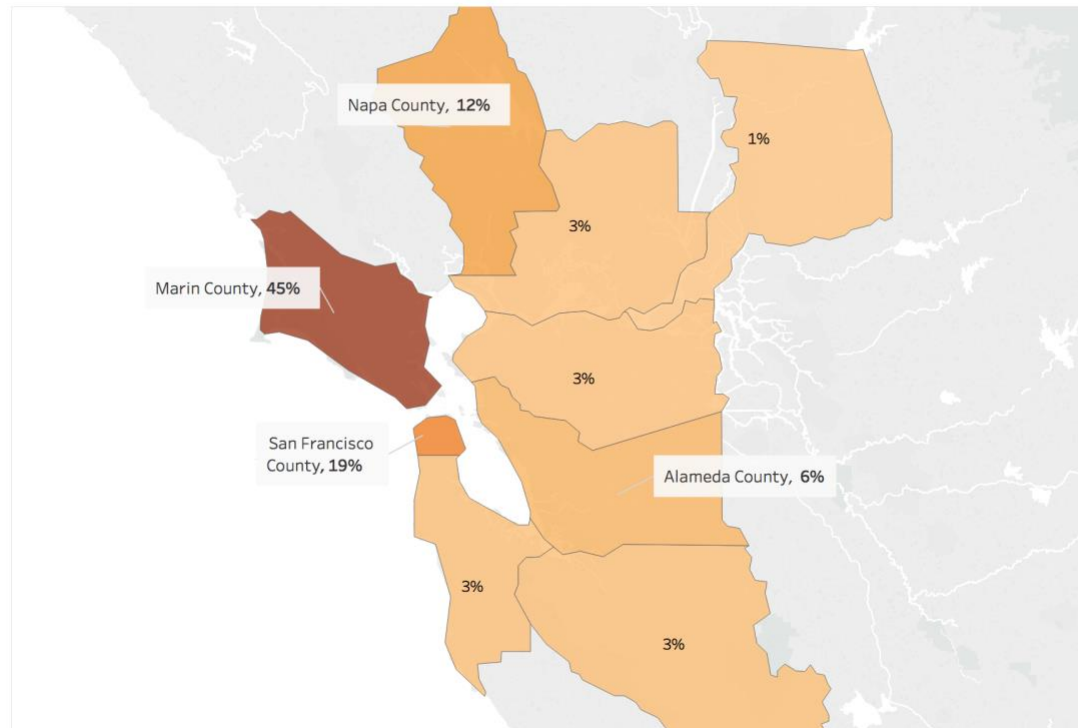
¹⁷ U.S. Census Bureau, LEHD

Top Out-Commuter Destinations for Work

Out-commuting is defined as commuting from home to work elsewhere, in this case, outside Sonoma County. We estimate that in 2016 Marin County was the primary workplace destination for almost half of Sonoma County out-commuting workers. Second was San Francisco County with about one in five Sonoma County outbound commuters working in or around the City. Third was Napa County with about one in eight out-commuters.

Almost half of Sonoma County out-commuters work in Marin County
Out-commuting places of work by Bay Area County, 2016

1%  45%

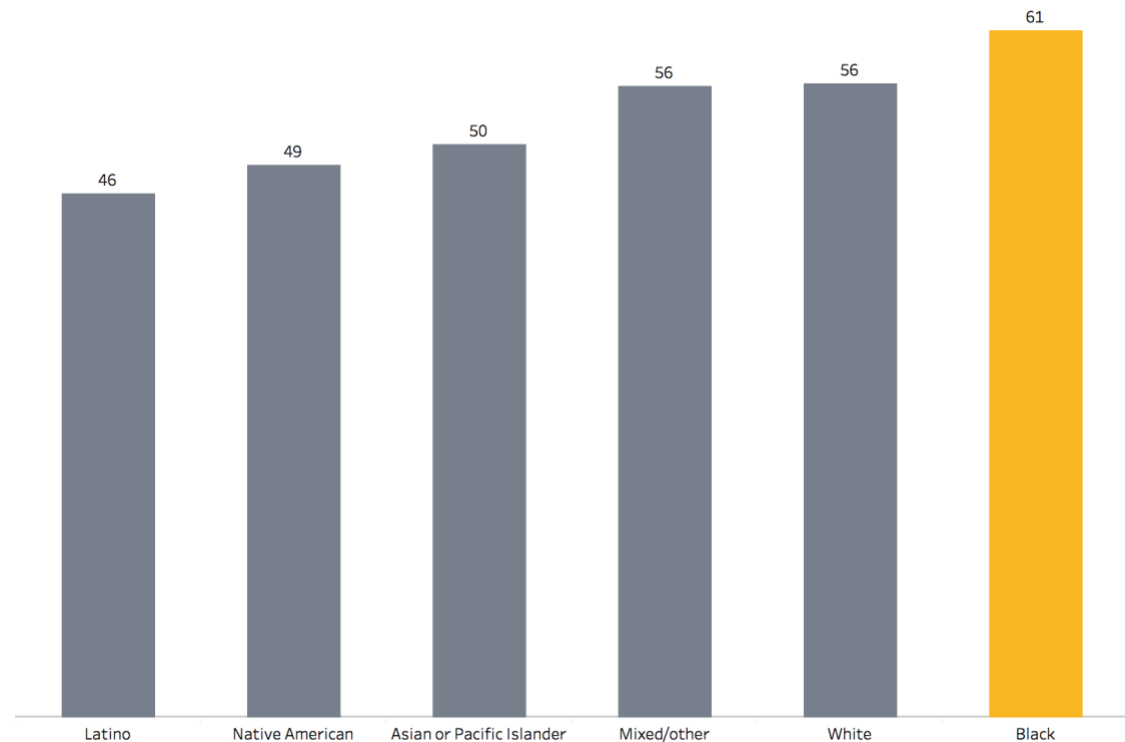


Source: Integrated Public Use Microdata Series. Universe includes all out-commuting workers that reside in Sonoma County (excluding group quarters).

Median Commuter Time & Wage

In 2016, the median transit time for Sonoma County out-commuting workers was roughly 45 minutes from home to work. We conduct a regression analysis to model the relationship between out-commuting and hourly wages for Sonoma County residents.¹⁸ The findings suggest an hourly wage premium of about \$4.67 for the average commuter compared to local workers. For the average full-time out-commuting worker, that commuter-wage premium translates into an additional \$164 dollars a week, or almost \$653 extra a month. Workers doing their own cost-benefit analysis weighing long commutes may ultimately see the commuter-wage premium as the deciding factor that induces workers to secure employment outside of the county in order to afford living in Sonoma County.

Black workers have the longest average transit times
Average Transit Time by Race/Ethnicity, 2016



Source: Integrated Public Use Microdata Series. Universe includes all out-commuters (excluding group quarters).

¹⁸ See Data & Methods for regression results.

Top Commuting Occupations

We assume that inducing a worker to secure employment outside of their home county and bear a commute most commonly arises due to one of two economic conditions: 1) the unemployment rate in the home county is relatively higher than neighboring counties or 2) a worker can secure a wage premium from a job that entails commuting. Given that Sonoma County’s unemployment rate is currently at 4 percent, commonly considered “full employment”, and that a worker can earn an almost \$5 hourly wage premium for jobs outside of Sonoma County, we can conclude that out-commuting is largely explained by the wage-premium. We find that the top occupations for out-commuters have an hourly wage range of \$15.32 to \$55.22. Eight out of ten workers in these top occupations earn more than \$20 an hour; one in two earn more than \$30 an hour.

Registered nurses and general/operations managers amongst the highest paid and most in-demand

Out-commuters by occupation and hourly wage, 2016



Source: Integrated Public Use Microdata Series. Universe includes all out-commuting wage and salary workers (excludes group quarters).

Conclusion

In 2017 after eight years of sustained economic growth and recovery from the Great Recession of 2007-2009 the stock market and after-tax corporate profits surged to record heights. In California, unemployment rates that peaked at 12.2 percent in 2010 dropped below pre-recession levels to 4.5 percent in 2017.

However, as this report demonstrates, the rising tide did not lift all boats. Between 1947-1973 worker compensation and productivity rose together. After the 1973-1974 recession compensation and productivity diverged. In California between 1979-2013, productivity increased by 89 percent, while real median compensation rose by just 3 percent.¹⁹ As a result, the share of national income received by workers has declined to the lowest level, while the share of corporate profits has risen to its highest level since World War II.²⁰

In Sonoma County as elsewhere, soaring inequality, the stagnation of median household income, and the flattening or decline of wages for the bottom sixty percent have occurred simultaneously with the economic expansion that began in 2010.²¹ Moreover, between 2010-2014, 44 percent of the jobs created were low-wage, paying less than \$14/hr. The number of California workers earning such low wages increased from 30 percent in 2000 to 32 percent in 2017.²² Only one in five jobs created after 2010 - 2014 were mid-wage, paying between \$14 and \$20 per hour.²³

The emergence of an hourglass economy with job growth concentrated at the bottom and the top of the labor market while middle-income jobs are shrinking is driving widespread economic insecurity and the dramatic growth of working poor households earning less than \$50,000 a year. One in five families in Sonoma County, and 40 percent of Latino families, are the working poor and receive wages and annual incomes well below self-sufficiency levels.

The failure of wages to rise in tandem with spiraling rents and housing costs, the sharp decline of funding for affordable housing, and the destruction of 5 percent of the county's housing stock during the 2017 Tubbs fire are the root causes of a near catastrophic affordable housing crisis and the displacement of thousands of low income residents.

North Bay Jobs with Justice and other labor, faith and environmental organizations that comprise the Alliance for A Just Recovery have developed a comprehensive policy agenda to address structural inequality and the affordable housing crisis. These recommendations include a region-wide \$15 minimum wage, rent control and just cause eviction protections for tenants, and increasing the real estate transfer tax on the sale of high-end home to fund affordable housing.

¹⁹ Annette Bernhardt, "Low Wage Work in California 2014 Chartbook," *UCB Labor Center* <http://laborcenter.berkeley.edu/lowwageca/>

²⁰ Patricia Cohen, "Pay Checks Lag as Profits Soar", *New York Times*, July 13th 2018

²¹ Arthur MacEwan and John Miller, "The U.S. Economy: What's Going On?" *New Labor Forum*, Vol. 27 Issue 2 Spring 2018

²² Ian Perry, "Low Wage Work in California Data Explorer 2018," *UCB Labor Center*, <http://laborcenter.berkeley.edu/low-wage-work-in-california/#the-numbers>

²³ Michael Evangelist, "The Low Wage Recovery: Industry Employment and Wages Four Years into the Recovery," National Employment Law Project 2014.

Author's Biography

This report was written by Jesús Guzmán in the acting capacity of Principal of Los Arroyos Consulting. Jesús is now the Board Chair of Centro Laboral de Graton and staff with PolicyLink. Jesús brings previous experience providing economic analysis with the Marin Economic Forum and data analysis for the California Public Utilities Commission, Office of Ratepayer Advocates. Jesús also previously served as the Program Director for Centro Laboral de Graton organizing with day laborers and domestic workers. He holds a master's in public policy from the Goldman School of Public Policy at the University of California, Berkeley and a Bachelor of Arts from Sonoma State University.

Appendix A: Data & Methods

Data Sources

Integrated Public Use Microdata Series (IPUMS), American Community Survey (ACS)

- The workhorse data source for this report includes 5-year samples (2012-2016), 3-year samples (2005-2007), and 1-year samples (2005) ranging in years from 2005 to 2016.
- For the job-growth section, in particular, we restrict our data to the IPUMS 5% 1980 Census and the IPUMS ACS 5-year sample 2012-2016.
- California Economic Development Department, Labor Market Information Division
- U.S. Bureau of Economic Analysis

Race & Ethnicity

We begin by acknowledging, as the U.S. Census does, that race and ethnicity are socio-political constructs that have shortcomings since this data may not accurately reflect the identities of all individuals. The data is an accumulation of individual responses based on self-identification within the discrete options given for various census questions. However, the benefit from this tradeoff for using six broad race/ethnicity categories, we believe, is that it allows us to analyze broader social trends among a diverse population that may be useful for further public policy discussions. In our construction, we distill race and ethnicity down to one discrete variable with six broad, distinct, and mutually exclusive categories: White, Black, Asian/Pacific Islander, Mixed/other, Native American, and Latino. In this case, all categories (except Latino) are designated as non-Hispanic (e.g. non-Hispanic White, or non-Hispanic Black). “Latino” refers to people who identify as Hispanic, regardless of racial identification. Lastly, we also use the term “people of color” in reference to individuals who do not identify as non-Hispanic White.

Working Poverty

In our methodology, we use the working poverty definition as put forth by Thiede, Lichter, & Sanders (2015). The sample size is restricted to include Sonoma County residents ages 18 to 64. Workers are defined as having worked in the past year at least part-time (17 hours a week or more) or part-year (27 weeks or more). The ACS includes a unique serial identifier for households but not for families. Since we use the poverty variable measured at the family-level, we construct a unique family unit serial identifier by combining the serial variable and the famunit variable. We then identify unique family units with at least one family member who satisfies the worker definition and measure their levels of poverty for these family units using the poverty variable.

Low-Wage Work

Low-wage is defined as earning less than two-thirds of the median hourly wage. Workers are defined as wage and salary workers between the ages of 18 to 64 who worked in the last year at least part-time (17 hours a week or more) or part-year (27 weeks a year or more). Unless otherwise noted, the standard universe of workers are defined as being age 18 to 64 and having worked at least part-time or part-year. The ACS does not include an hourly wage variable. In constructing the hourly wage variable, we align our methods as recommended by Welsh-Loveman, Perry, & Bernhardt (2014).²⁴ We constructed the hourly wage variable by calculating the annual earnings divided by the product of usual hours worked per week and weeks worked last year.²⁵ In the ACS, the “weeks worked last year” variable is a discrete variable with intervals of weeks worked (such as 14-26 weeks). We transform this variable to a numeric variable by setting the number of weeks worked to the midpoint of each interval.²⁶ For each dataset, we trimmed hourly wage outliers by dropping wages less than \$0.50 or greater than \$100 in 1989 dollars.²⁷ Finally, we adjusted wages from previous years to 2014 dollars using the CPI-U for California.

²⁴ Welsh-Loveman, J.; Perry, I.; and Bernhardt, A.(2014). Data and Methods for Estimating the Impacts of Proposed Local Minimum Wage Laws. UC Berkeley Center on Labor and Employment - The Center on Wage and Employment Dynamics.

²⁵ Since the ACS surveys respondents over the course of the year and asks about earnings in the previous 12 months, we apply the ACS-provided *adjust* variable to convert the reported earnings to real dollars.

²⁶ The ACS annual earnings variable includes wages, salary, commissions, cash bonuses, or tips from all jobs, before tax deductions.

²⁷ This step follows the methodology of The State of Working America, Economic Policy Institute.

Regression Analysis

The data source we use is the 2012-2016 IPUMS ACS 5-year sample. We construct a multivariate linear regression model with hourly wage as the dependent variable (measured in 2016 dollars and cents) and a dummy variable with 1 indicating out-commuter and 0 indicating local worker as the main independent variable of interest. The model includes a set of control variables, namely: education, race/ethnicity & gender, age, and transit time. The results are statistically significant at the 0.001 level and the model indicates an adjusted R-squared of 0.255.

Regression Results

	<i>Dependent variable:</i>	
	Hourly Wages	
	(1)	(2)
Out-Commuters	6.888*** (0.627)	4.670*** (0.679)
White Men	12.922*** (0.652)	4.925*** (0.635)
White Women	7.887*** (0.657)	-1.416** (0.649)
Women of Color	-0.237 (0.786)	-2.927*** (0.717)
Age		0.470*** (0.017)
HS degree, no college		4.673*** (0.813)
Some College, no degree		8.288*** (0.782)
AA degree, no BA		12.401*** (0.951)
BA degree or higher		19.970*** (0.799)
Transit Time		0.005 (0.010)
Constant	19.874*** (0.517)	-4.102*** (0.982)
Observations	8,090	8,090
R ²	0.082	0.256
Adjusted R ²	0.082	0.255
F Statistic	180.999*** (df = 4; 8085)	278.284*** (df = 10; 8079)
Note:	<i>p</i> <0.1; <i>p</i> <0.05; <i>p</i> <0.01	

Kari Svanstrom

From: Evan Wiig <emwiig@yahoo.com>
Sent: Wednesday, September 11, 2019 8:41 AM
To: Michael Carnacchi; Neysa Hinton; Sarah Gurney; Slayter, Patrick; Una Glass; Mary Gourley; Kari Svanstrom
Subject: Re: Moratorium on un-hosted vacation rentals

To the Sebastopol City Council and Planning Commission,

As a local resident and community organizer working to make our home of Sebastopol the best it can be for *everyone* who calls this place home, I am writing to express my strong support of an ongoing moratorium on unhosted vacation rentals. In addition, I urge further restrictions such as limiting the amount of time one can rent out a home in which they live only part-time.

As a young person, as a renter, and as someone who has committed his life to public service via non-profit work and local volunteering—hence a person of limited financial means, I am constantly questioning whether I can remain in this otherwise wonderful town. Time after time during my eight years here I have found myself searching desperately for a rental unit in a market chipped away at by AirBNB and short-term rentals. I'd like to think that the contributions I make to this community outweigh those of tourists.

My story, sadly, is far from unique. The median age in Sebastopol is nearly 50, a whopping 34% higher than the California average. Young people struggle to get a foothold here. Without an influx of young blood, we lose our vibrancy. Without the ability for those who work here to live here, we stratify our society—not to mention grow our carbon footprint with longer commutes. And I'd like to think that even property owners recognize the value in giving their own children the chance to stay or return to their hometown in adulthood.

There exists here in Sebastopol a strong urge to preserve the small-town character of this community, resulting in limits to further development and the creation of new rental units, especially dense affordable housing. If that's true, we must at least counter that by protecting a very finite (and fast depleting!) resource: rental stock for our own community members.

I trust that Sebastopol can evolve and adapt to the 21st century in ways that preserve not just our small-town character, but also our values: equity, opportunity, diversity, sustainability and long-term planning that will maintain the kind of town I truly believe we all want, young and old, renter and property-owner, long-time residents and hardworking transplants like myself who aspire to put down roots and continue giving back without fear of displacement by poorly regulated Silicon Valley tech that fails to share the abundance in the way that any thoughtful and healthy community would.

Sincerely,
Evan Wiig

764 1st Street
Sebastopol, CA 95472
415-710-5692
emwiig@yahoo.com

Marriott Competes Against Airbnb With New Home Rental Venture



Jenna Wang Contributor

Real Estate

I cover urban development and digital disruptions in real estate.



One of the listed rental homes available from Marriott International's new home-sharing venture (Photo Credit: Marriott International) MARRIOTT INTERNATIONAL

Watch out, Airbnb. The hotel companies are knocking at your door.

On April 23, Marriott International and Hostmaker announced a collaboration to introduce a new home rental venture under Marriott's Tribute Portfolio Homes brand.

In the six month pilot, more than 200 curated homes in London will be available to rent on the Tribute Portfolio Homes website. Average rates for the rentals sit at \$280 to \$351 per night for a one- or two-bedroom home, and the listings range from "avant-garde penthouse" to "comfortable flat with corner balcony."

This marks Marriott's first major step into the home-share market, nine years after Brian Chesky founded Airbnb and disrupted the travel industry. Marriott's move comes at a time when Airbnb is attempting to step out of its "alternative travel" image, introducing concepts like Airbnb Plus that offer a more curated travel experience. Meanwhile, other traditional hospitality companies like AccorHotels and Hyatt have also launched recent home rental ventures.



ATTACHMENT 2



A screenshot of the Tribute Portfolio Homes website, where guests can book homes in London (Photo Credit: Marriott International) MARRIOTT INTERNATIONAL

Adam Malamut, chief customer experience officer at Marriott International, said the company had identified a data-backed need among its customers for home rentals, specifically for leisure travelers vacationing in groups or with family.

“The sharing economy is a mega customer trend that we’ve been monitoring for a while,” he said. “Naturally, with competitors traditional and nontraditional getting into the space, it begs the question: Should we do this?”

The answer, of course, was yes. Last summer, Marriott International launched an incubator initiative with 1776 and Accenture Interactive, inviting startups to submit ideas on how the world’s largest hotel company could enhance its customer travel experience.

Hostmaker, a London-based Airbnb management company, emerged at the top of the pack as a lead contender for Marriott’s partner for its newest venture.

“We found the partner in Hostmaker that we thought could help us fulfill the customer need that we discovered, but do it in a way that is aligned to how Marriott would do it,” Malamut said.

Hostmaker was founded in 2014 by CEO Nakul Sharma to provide home

management services to property owners looking to professionally list their homes on Airbnb or other rental websites. Hostmaker offers everything from pricing optimization to interior redesign and concierge services, creating an elevated portfolio of homes of reliable quality.

Tribute Portfolios is thus an even more curated experience, explained Sharma. Hostmaker only accepts half of homeowners that come to them, and of that pool, only a third get selected to be listed on the Tribute website.

With Tribute, customers can expect an elevated and curated experience that blurs the line between rental home and hotel. Guests will receive premium welcome packs upon arrival, toiletries from The Body Shop, and bed linens comparable to those used in four- and five-star hotels. Services available include a 24-hour concierge, in-person welcome upon check-in, Marriott rewards points, and instant booking on the website.

According to Sharma, Marriott was initially hesitant about entering the space, worried about the permanence of the home share industry as well as how Marriott's brand would gel with it. However, extensive data and research by the Marriott team, coupled with the innovation lab, offered a solution.

"We decided to present to them that, look, this is actually a massive opportunity," Sharma said. "This doesn't immediately compete with your hotels because the average rental stay in a hotel is one or two nights, and generally, more skewed towards the business traveler. But in contrast, in our portfolio, the average stay is seven nights or longer and heavily skewed towards leisure travel."

Sharma identified three distinct sets of homeowners who could be expected to be Hostmaker clients and Tribute Portfolio Homes listers: primary residence homeowners, secondary residence homeowners and investors. Primary residence homeowners live in their homes but may have a few weeks every couple months that they are not present. Secondary residence homeowners own multiple properties, often summer or vacation houses, that are empty certain periods of the year. Lastly, investors are people who own property for capital purposes, but may want to put those assets to use instead of simply sitting idle.

On the other end of the equation, Malamut believes that Tribute's primary customers will be the leisure traveler who is seeking an elevated but locally-immersive experience. It might be the same traveler who stays in a Marriott hotel during a business trip, but is looking for a more personal, domestic touch for a family or group vacation.

It is also no coincidence that London is the city that Marriott chose to launch their new venture in. Malamut spoke of holes existing in markets where there is not enough hotel distribution, and London, a city that has notoriously suffered from affordable housing, seems like a prime location for home-sharing to take

Agenda Item Number 8
(08-06-2019 CC Meeting)
Page 14 of 25

root.

While no numbers were available yet, Malamut said the customer reaction to Tribute Portfolio Homes has been “very positive” a month in.

“If things go well, we will absolutely consider other markets,” he said.



Jenna Wang

I am a Forbes contributor writing about urban design, housing, hospitality, and how technology is disrupting the physical world around us. I am also passionate about kee...

Read More

How Marriott, Airbnb turf battle benefits travelers

Marriott product offers Bonvoy points for home stays

Chris McGinnis Updated 1:40 pm PDT, Monday, April 29, 2019

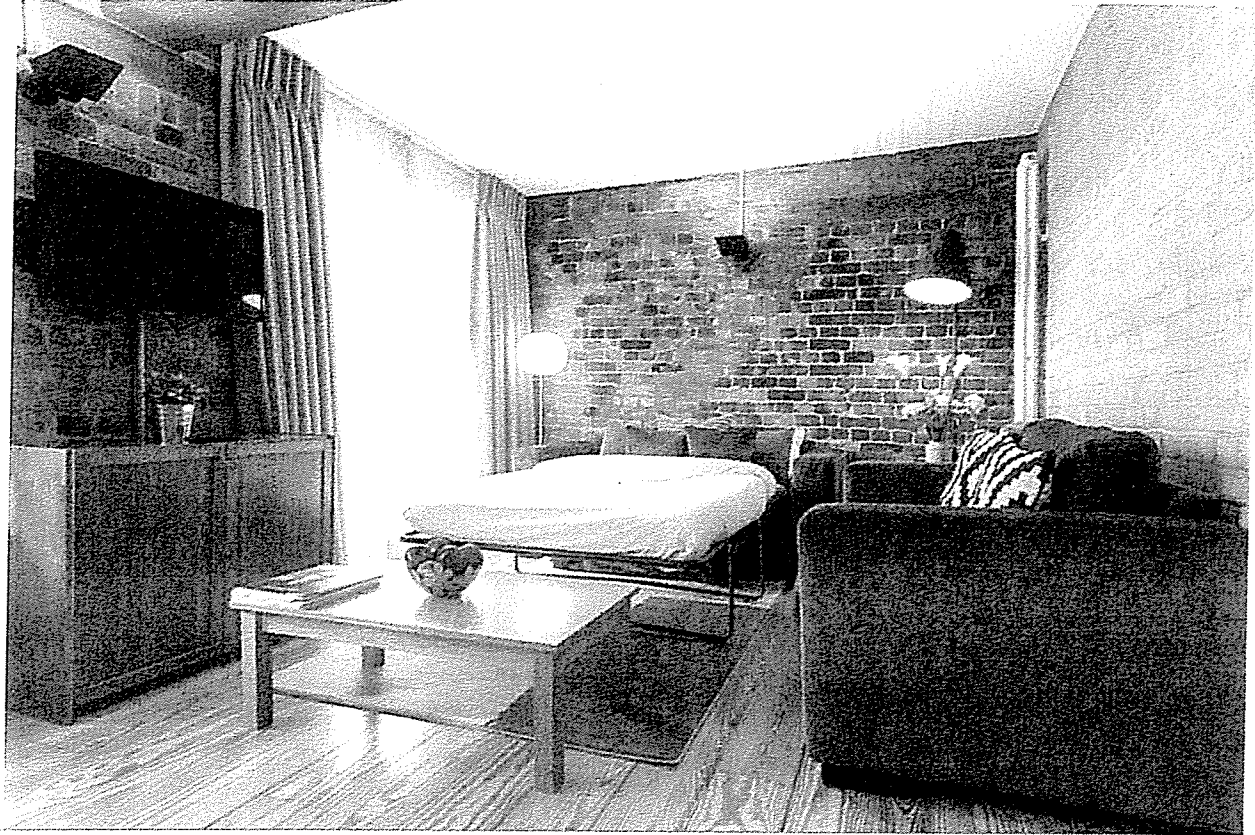


IMAGE 1 OF 8

Stylish and Rustic Converted Apartment from Marriott near London's Tower Bridge goes for \$310 per night in May

**TRAVELSKILLS ON SFGATE IS
BROUGHT TO YOU BY VISA**

VISA

The two 500-pound gorillas in the lodging business have long offered consumers two different types of products and experience, but that is starting to change as Marriott is moving into home rentals in a big way, and Airbnb will start to rent out hotel-style accommodations in one of Marriott's biggest markets – New York City.

After an apparently successful pilot project to rent out private homes in select international markets, Marriott is reportedly planning a big expansion of that business with the creation of a new division called Homes & Villas by Marriott. And customers who rent those homes will get something Airbnb can't match – the benefits of Marriott's giant Bonvoy loyalty program.

"If Marriott plays this right, it can be a really big deal. Letting consumers earn and redeem rewards points for stays at home rentals the same way they do for hotel stays could be an absolute game-changer," said Matt Schulz, Chief Industry Analyst at CompareCards.com.

RECOMMENDED VIDEO

Marriott started testing the waters of home rentals last year in partnership with a U.K.-based management company called Hostmaker. It started with a roster of 200 homes in London and gradually expanded to 340 in London, Rome, Paris, and Lisbon, operating as a sub-brand of Marriott's Tribute Portfolio of independent properties. But now Marriott reportedly plans to expand its home rental business to a couple of thousand properties worldwide, working with more than half a dozen different management companies through its new corporate division.

Marriott will handle bookings through its worldwide reservations system and will incorporate the home rentals into its loyalty program for both point earning and redemptions. The new business wouldn't represent a total assault on Airbnb's customer base, however, because Marriott's rental homes would target the luxury market rather than the mass market. The participating homes will show up along with its hotels on consumer searches of Marriott's website in markets where the homes are available. **See images of Marriott's London home offerings** in the slideshow at the top of this post.

Its experience in the home rental pilot program showed Marriott that almost nine out of 10 customers who booked a rental home were Bonvoy members. They typically booked a two-bedroom property, were traveling for leisure, and stayed an average of 5.1 nights, or about three times longer than hotel guests, according to the travel news website Skift.com.

Airbnb, meanwhile, has announced a new partnership with RXR Realty, a major player in New York City, to convert "portions of iconic NYC commercial properties into a new category of urban lodging, made available exclusively through the Airbnb platform," the companies said.

The first building to offer converted guest rental units will be 75 Rockefeller Plaza in midtown Manhattan. The companies are also examining the possibilities of converting other RXR properties including one building across from the Brooklyn Navy Yard in Brooklyn.

Don't miss a shred of important travel news! Sign up for our FREE bi-weekly email alerts



Photo: Marriott

a "Chic Renovated Apartment on Place de la Bastille" near the Marais in Paris goes for \$267 per night in May

The 75 Rockefeller Plaza conversion will take up 10 floors in the building, and the new guest rental units will all be "apartment-style suites" with fully stocked kitchens, the companies said. The facility will also feature check-in/check-out services, security systems, and concierge services, and guests will have access to a private social club and business center on the top floor as well as "culinary experiences, cultural programming, meeting and event space, collaborative working areas and common areas." RXR will also install a new ground floor restaurant and bar next to the lobby.

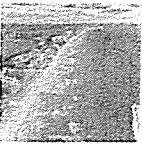
RELATED STORIES



First, business class consolidator discounts: Worth the risk?



How to build a 26-story hotel in 3 months



Expedia: The best time of year to visit Mexico might surprise you [sponsored]



President Obama opens up about travel

"With the lines between business travel and leisure travel becoming increasingly blurred, RXR and Airbnb are offering a travel experience that immerses guests in a dynamic, thriving community in the heart of Rockefeller Center that's vastly different than anything else in the market today," said RXR CEO Scot Rechler.

Airbnb has shown increasing interest recently in offering its customers the option of booking regular hotels as well as home-sharing accommodations. In March, the company said it is **acquiring HotelTonight**, an app that offers short-notice discounted accommodations in scores of cities in the U.S. and abroad.

Read all recent TravelSkills posts [here](#)

Get twice-per-week updates from TravelSkills via email! Sign up [here](#)

Chris McGinnis is the founder of [TravelSkills.com](#). The author is solely responsible for the content above, and it is used here by permission. You can reach Chris at chris@travelskills.com or on Twitter [@ejmcginnis](#).

© 2019 Hearst Communications, Inc.

H E A R S T

Kari Svanstrom

From: Jan Peterson <plumcot@sonic.net>
Sent: Thursday, April 04, 2019 7:48 PM
To: City Council; Kari Svanstrom; Dana Morrison
Subject: Non-hosted Vacation Rentals

To the Sebastopol City Council and the Planning Department:

Recently I learned that the City of Sebastopol allows non-hosted vacation rentals in residential neighborhoods (if a permit is granted by the city). On Johnson St., where I live, a house was recently purchased by a real estate agent who applied for and received a permit for a non-hosted vacation rental from the Sebastopol Planning Commission

According to the City of Sebastopol INFORMATION VACATION RENTALS document that I found on-line, the city's intention is to "promote visitor-serving businesses while preserving the character of residential neighborhoods" and "preserving the supply of permanent housing".

Most of us know that there is a severe shortage of rental housing in our area. If non-hosted short-term rentals to tourists are allowed, obviously there will be even fewer rentals available to long-term residents.

Also, allowing groups of tourists to be frequently moving in and out of homes in residential neighborhoods is not good for the neighborhood. Long-term residents value knowing who lives in each house, often even helping each other out and establishing friendships. Losing even one house on the street to non-residential use can detract from the pleasure and security of living in a real neighborhood.

Neighborhoods like mine near the center of downtown may seem desirable for tourist rentals. But more importantly, they are excellent locations for long-term residents who work at or patronize downtown businesses because no driving is required.

I hope that the Sebastopol City Council and the Planning Commission will take a good look, as soon as possible, at the question of whether non-hosted vacation rentals should be permitted at all. I feel fine about living in a tourist destination, but when it comes to preserving housing and neighborhoods, I think the needs of residents should always be the most important consideration.

Janet Peterson

395 Johnson St.

707-308-8112

May 20, 2019

To: Sebastopol City Council

From: Kathy Oetinger
Sebastopol Planning Commission

Re: Restricting or Prohibiting Non-hosted whole house vacation rentals
during a county-wide housing shortage

I voted to approve the Minor Use Permit for the use of 361 Johnson Street as a non-hosted whole house vacation rental because our Zoning Ordinance permits this use, and because the location seemed appropriate for this use.

In addition to my concern for preserving the character of our residential neighborhoods in our small town, my greater concern is for protecting our available housing during the unprecedented county-wide housing shortage we are experiencing.

Sebastopol could set a limit on the number of non-hosted vacation rentals it will permit over a period of time to slow the instinct for the conversion of residential property to vacation rentals.

Alternately, Sebastopol could take the lead in protecting its housing stock by prohibiting the conversion of residential units to non-hosted vacation rentals, and possibly, other business uses during this crisis.

I hope the Council will take action to restrict non-hosted whole house vacation rentals, or prohibit them outright during this county-wide housing shortage.

Respectfully,

Kathy Oetinger
7315 Fircrest Avenue
Sebastopol, CA 95472
backroad@sonic.net
707 823-9807

Kari Svanstrom

From: Marsha Sue Lustig <mslustig@comcast.net>
Sent: Tuesday, May 21, 2019 11:22 AM
To: Sarah Gurney; Slayter Patrick; Glass Una JM; Michael Carnacchi; Hinton Neysa
Cc: Mary Gourley; Kari Svanstrom
Subject: vacation rentals criteria

Dear Esteemed Councilmembers,

I was recently quite surprised to realize that the Planning Commission was asked to make a decision about vacation rentals without any previously approved criteria. I am speaking about the development of metrics to determine when a use permit is warranted. The kinds of things I would love to see considered are as follows:

- What parts of town should be allowed to have unhosted vacation rentals?
- How many unhosted rentals can our City support before there is a staggering impact on our already critically low supply of workforce housing?
- How many unhosted rentals should be in each neighborhood or each block?
- How many total unhosted vacation rentals will we allow in Sebastopol?
- How many unhosted vacation rentals will we allow to be approved each year?

Granting a temporary use permit was reasonable this one time - although perhaps not to the applicant. But what could the PC do without any criteria?

My suggestion is that you provide some direction and request staff to pull some criteria together for the Planning Commission to review, amend, add to and approve -subject to CC approval, of course. I bet the public would enjoy this discussion.

Personally, I am in support of hosted vacation rentals as a way to keep our homes and get folks thinking about renting rooms to people on a longer term basis - because this could really be a game changer in the world of providing housing to those most in need through no fault of their own.

I applaud the new use permit process for vacation rentals. Now, let's finish the process by developing some meaningful criteria designed to protect our neighborhoods and preserve our housing.

Warm regards,

Marsha Sue Lustig

Kari Svanstrom

From: Linda Marietta <linda@sonic.net>
Sent: Tuesday, July 23, 2019 1:32 PM
To: Kari Svanstrom
Subject: Non-hosted vacation rentals

My name is Linda Marietta and I live on Johnson Street. After attending several meetings re: a non-hosted vacation rental on my street, I am in favor of a moratorium on these type of rentals. Basically a non-hosted rental is a business. Living near the Barlow I am aware of what businesses are there and who is operating them. I know that these business have met certain standards. A non-hosted rental can operate with very little overview once a permit is given, and neighbors may not even know who owns the rental, and who is living there or not on any given day. Currently I know most of my neighbors on Johnson street, and some people are renting. These rentals being close to the Barlow and downtown are excellent candidates for a non-hosted vacation rental, and right now there is nothing to stop its from happening. Sebastopol has a shortage of rental properties, and taking long term rentals out of the market to become vacation rentals will do nothing to help this situation. Please continue to allow hosted vacation rentals, and disallow non-hosted.

Linda Marietta

Sent from [Mail](#) for Windows 10



North Bay Association of REALTORS®
625 Imperial Way, Suite 2 | Napa, CA 94559
475 Aviation Blvd., Suite, 220 | Santa Rosa, CA 95403
(707) 542-1579 | northbayrealtors.org

June 18, 2019

Sebastopol City Council
Mayor Neysa Hinton
7120 Bodega Avenue
Sebastopol, CA 95473

RE: Proposed Moratorium on Short-Term Rentals

Mayor Hinton and Members of the Sebastopol City Council,

Thank you for your commitment to housing availability in the City of Sebastopol. We appreciate your efforts to create opportunities at all levels and tackle the quality of life issues facing those who call Sebastopol home. On behalf of the North Bay Association of REALTORS®, I am writing to offer input on the proposed moratorium on short-term rentals.

The dynamics of short-term rentals (and owners) and our decades-long housing shortage are exceedingly complex – and a one-size-fits-all restriction on housing is an unfitting solution to our shortfall in supply. Many properties are not suitable for long-term rental; many are owner-occupied or second homes (rather than investment properties), or the owner could not make the property available long-term for other reasons.

Furthermore, short-term rentals provide a win-win-win proposition for our county, providing income for residents, attracting visitors to patronize local businesses, and generating needed revenue for public services. When blanket limits are in place, owners are prohibited from earning vital income, visitors and workers have one fewer short-term rental option, and so on.

We support the fundamental rights of owners to realize the highest and best use of their property. Owners should not be prevented from earning income, nor should they be penalized for not wanting or being able to rent full-time. In addition to economic benefits, we urge you to consider of the loss of property rights and also represent the interests of the thousands of responsible owners managing units as good neighbors in Sonoma County.

Thank you for your consideration. We are eager to work in partnership with you on policies that impact housing and homeowners in the City of Sebastopol. Should you have any questions, please contact Lisa Badenfort, Public Affairs Director, at (707) 636-4294, or lisa@northbayrealtors.org.

Respectfully,

Carol Lexa, President Elect
Local Government Relations Committee, Chair

Agenda Item Number 8
(08-06-2019 CC Meeting)
Page 23 of 25

The North Bay Association of REALTORS® is a four-county trade association representing over 3,600 real estate professionals and industry affiliates. We serve as an advocate for housing and homeownership, the preservation of property rights, and a thriving real estate economy. In addition to advocacy, we serve as a collaborator and resource to decision-makers and the public on the persistent quality of life issues facing the North Bay.

Kari Svanstrom

From: Marsha Sue Lustig <mslustig@comcast.net>
Sent: Sunday, July 28, 2019 11:45 AM
To: Mary Gourley
Cc: Sarah Gurney; Michael Carnacchi; Slayter Patrick; Hinton Neysa; Glass Una JM; Kari Svanstrom; Lawrence McLaughlin
Subject: support for moratorium on vacation rentals

For inclusion packet regarding a proposed moratorium on vacation rentals

Dear Esteemed Councilmembers,

I was encouraged to learn that you are willing to consider the true costs of vacation rentals to our rental crisis. The appealing aspect of the moratorium process is that it is divided up into nifty time chunks. These chunks allow you to consider whether an emergency truly exists within the first 45 days. After that, there are only about two years maximum for the community to make a decision.

I strongly support a moratorium on ALL vacation rentals until and unless we can prove that they are not harming our ability to house our working community and the homeless. I think we should study the entire vacation home rental industry because we do not know the unintended consequences of either the hosted or non-hosted vacation rentals. That said, it certainly seems more obvious that the non-hosted vacation rentals have a direct link to raising housing prices and limiting available long-term housing stock.

Here is my list of questions that I consider important in order to decide this issue:

- Who benefits and who doesn't when we regulate the vacation rental industry?
- Are there communities that have regulated the industry that have seen the benefits of regulation? How about a matrix of measures that have been implemented elsewhere?
- What is the impact of allowing hosted vacation rentals on available housing for long-term house-share tenants?

- What locations should be allowed to have vacation rentals?
- How many hosted/non-hosted rentals can our City support before there is a irreversible impact on our already critically low supply of workforce housing?
- How many hosted/non-hosted rentals should be in each neighborhood or each block?
- How many total hosted/non-hosted vacation rentals should we allow in Sebastopol?
- How many hosted/non-hosted vacation rentals should we allow to be approved each year?

During the first 45 days of the moratorium, it would be great if the citizens of Sebastopol could learn how the hosted and non-hosted vacation rentals are impacting or have the ability to impact our community. What data have other cities uncovered or developed that we can learn from?

Thank you for courageously taking on this crisis. This is something you can easily do to help stem the loss of our housing stock to vacationers.

Warm regards,

Marsha Sue Lustig