

Attachment 2
to
Exhibit A

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HOUSING IMPACT DISCUSSION

Do Residential Short-term rentals impact Housing Monterey County?

This document summarizes the research, findings, and recommendations of staff on the topic of potential impacts of short-term rentals on the long-term housing market in Monterey County.

Staff Research: In an attempt to understand the potential impacts, Resource Management Agency staff has considered a number of sources¹. Those sources include:

1. The County of Monterey 2015-2023 Housing Element – <http://www.co.monterey.ca.us/home/showdocument?id=12511>
2. The Impact of Vacation Rentals on Affordable and Workforce Housing in Sonoma County, prepared by Economics & Planning Systems Inc. for the Sonoma County Community Development Commission, July 7, 2015; and
3. The Impact of Short Term Rentals on affordable housing in Oakland, prepared by Desi Mia Carbajal for Community Economics, Inc. and East Bay Housing Organizations, December 2015; and
4. Short Term Rentals and Impact on the Apartment Market, prepared by Rosen Consulting Group, October 2013.

Staff Findings: Short-term rentals will likely have an impact on the long-term housing market. Short-term rentals appear to have little to no impact on affordable housing (very low² and low³, households) given that housing in Monterey County is already unobtainable to these households without some form of assistance. Impacts arise with median income⁴ and moderate or workforce housing (market rate housing)⁵ category due to limited housing stock and low rental vacancy rates in many areas of Monterey County.

Discussion: When options for renters are limited and rental vacancy rates are low, the average cost of rent will go up (supply and demand). Both the popularity of short-term rentals and the population of Monterey County continue to grow while sources of housing (particularly rental housing) struggle to keep pace. New housing projects are constrained due to factors such as land values, environmental protections, land use and zoning limitations, and public controversy. Keeping up with population growth as well as accounting for conversion of existing long-term

¹ The Monterey County Vacation Rental Alliance conducted a survey of short-term rental operators in Monterey County. Staff decided to exclude the survey from its analysis at this time because respondents were from unincorporated and incorporated (within cities) areas and their responses were indistinguishable and the survey questionnaire and methodology were not included with the published survey results.

² Very Low income households earn between 50 and 30 percent of the Area Median Income

³ Low income households earn between 51 and 80 percent of the Area Median Income

⁴ Median income households earn between 81 and 120 percent of the Area Median Income

⁵ Moderate or Workforce households earn greater than 120 percent of the Area Median Income

* Area Median income is \$60,143 per year in Monterey County

housing stock into short-term rentals could limit housing options and drive housing costs higher in Monterey County.

Currently, there are a number of rental options available to households in the moderate and workforce housing economic segments in the County. However, overtime the impacts on the housing and rental markets could grow in severity with changes in circumstances, increases in short term rental units, and increases in population. Housing stock impacts may also increase the gap in affordability of housing between the coastal areas (where short-term rentals are most common and where significant limitations to development exist) and the Salinas Valley (Where much of the growth within the County is occurring or is planned to occur).

Not all short-term rentals are equal in their impacts on housing. For instance, owner-occupied units, rented infrequently, have no impact on housing stock or vacancy rates since these homes would not be offered for long-term rent in the first place. Conversely, short term rentals offered year-round, or nearly year-round, will impact both rental and for sale housing.

If the desire is to minimize the impacts on housing costs and rental vacancy rates in Monterey County, regulations that limit the number or type of frequently available rentals⁶ should be considered.

⁶ Oakland defines frequently rented listings as being offered for rent more than 60 nights per year. As used in this document the term is descriptive and not specific.