

Impacts of Proposed STRO Regulations on TOT Revenue

City Council

Item 330

February 23, 2021



Office of the Independent Budget Analyst



Introduction

IBA Report 20-06

- Council President Campbell requested that our Office endeavor to estimate the fiscal impact of the City adopting the proposed STRO regulations
- Limited information regarding STRO activity in the City is publicly available
- We utilized data from InsideAirbnb.com, City Treasurers Office, and other available information; also had discussions with knowledgeable market participants



Active STRO Listings

Estimate based on CY 2019

Based CY 2019 Data using Online Platform Rental Type Classifications	CY 2019 Avg. Listings	% of total Listings by Location	CY2019 Avg. Rental Rates
Mission Beach	1,667	100%	\$ 405
<i>Entire Home/Apt</i>	1,642	99%	\$ 410
<i>Private Room</i>	25	1%	\$ 89
<i>Shared Room</i>	-	0%	\$ -
Outside Mission Beach	13,046	100%	\$ 209
<i>Entire Home/Apt</i>	9,660	74%	\$ 254
<i>Private Room</i>	3,291	25%	\$ 82
<i>Shared Room</i>	96	1%	\$ 56
Estimated Total	14,713	100%	

Proposed STRO Regulations

Limitations on Whole Home Rentals > 20 Nights (Tier 3 & Tier 4)

- We estimate that Whole Home rental less than 20 nights categories to represent approximately 15-25% of the total number of “Entire Home/Apt” listings

Based CY 2019 Data using Proposed STRO Regulation Categorizations		# of Licenses	<i>Whole Home < 20 Nights as a Percent of "Entire Home/Apt"</i>		
			25%	20%	15%
Mission Beach			1,667	1,667	1,667
<i>Whole Home > 20 Nights</i>	1,081		1,131	1,213	1,295
<i>Whole Home < 20 Nights</i>	<i>Unlimited</i>		411	328	246
<i>Home Share (Duplex/ADU)</i>	<i>Unlimited</i>		101	101	101
<i>Home Share (Private Room)</i>	<i>Unlimited</i>		25	25	25
<i>Home Share (Shared Room)</i>	<i>Unlimited</i>		-	-	-
Outside Mission Beach			13,046	13,046	13,046
<i>Whole Home > 20 Nights</i>	5,364		6,965	7,448	7,931
<i>Whole Home < 20 Nights</i>	<i>Unlimited</i>		2,415	1,932	1,449
<i>Home Share (Duplex/ADU)</i>	<i>Unlimited</i>		280	280	280
<i>Home Share (Private Room)</i>	<i>Unlimited</i>		3,291	3,291	3,291
<i>Home Share (Shared Room)</i>	<i>Unlimited</i>		96	96	96
Citywide Total			14,713	14,713	14,713

Proposed STRO Regulations

Fiscal Impact (CY 2019)

- Estimated number of listings lost ranges between 1,651 and 2,781
- If proposed STRO regulations were in effect in CY 2019, we estimate there would have been a reduction in TOT ranging from \$4.4 million to \$7.3 million (14% to 23% reduction)

Based CY 2019 Data using Proposed STRO Regulation Categorizations	<i>Whole Home < 20 Nights as a Percent of "Entire Home/Apt"</i>		
	25%	20%	15%
Mission Beach			
<i>Tier 4 Licenses</i>	1,081	1,081	1,081
<i>Whole Home > 20 Nights</i>	1,131	1,213	1,295
<i>Listings Lost</i>	(50)	(132)	(214)
<i>Estimated TOT Per Host</i>	\$ 8,910	\$ 8,385	\$ 7,916
<i>Estimated TOT Impact</i>	\$ (448,393)	\$ (1,110,456)	\$ (1,698,358)
Outside Mission Beach			
<i>Tier 3 Licenses</i>	5,364	5,364	5,364
<i>Whole Home > 20 Nights</i>	6,965	7,448	7,931
<i>Listings Lost</i>	(1,601)	(2,084)	(2,567)
<i>Estimated TOT Per Host</i>	\$ 2,438	\$ 2,306	\$ 2,184
<i>Estimated TOT Impact</i>	\$ (3,901,642)	\$ (4,803,281)	\$ (5,604,521)
Total Listings Lost	(1,651)	(2,216)	(2,781)
Total TOT Lost (\$)	\$ (4,350,034)	\$ (5,913,737)	\$ (7,302,879)
Total TOT Lost (%)	-14%	-19%	-23%

Note: Figures may not sum due to rounding.

Proposed STRO Regulations

Fiscal Impacts (FY 2022 and Beyond)

- Fiscal impact on FY 2022 General Fund budget (begins July 1, 2021) estimated to be less than half of the estimated range – something less than \$2.2 million to \$3.6 million
- Full impact of our estimate may be realized in FY 2023 or FY 2024 when there is an expectation that tourism will return to pre-pandemic levels
- A number of factors could increase or decrease our estimated range of TOT lost pursuant to the adoption of the proposed STRO regulations

Proposed STRO Regulations

Other Considerations

- Establishes regulations within the Muni Code for the longstanding, important and previously unregulated short-term vacation rental industry
- Endeavors to protect the integrity or character of existing neighborhoods
- Plans to establish a host fee to cover the cost of administration and ensure enforcement
- Slows conversion of homes to short-term rentals; returns some to the City's housing stock
- Allows for growth in the number of whole home rental units that is proportionate with the growth in the City's housing stock