

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	Whole Home < 20 Nights as a Percent of "Entire Home/Apt"		
			25%	20%	15%
Mission Beach			1,667	1,667	1,667
Whole Home > 20 Nights	1,081		1,131	1,213	1,295
Whole Home < 20 Nights	Unlimited		411	328	246
Home Share (Duplex/ADU)	Unlimited		101	101	101
Home Share (Private Room)	Unlimited		25	25	25
Home Share (Shared Room)	Unlimited		-	-	-
Outside Mission Beach			13,046	13,046	13,046
Whole Home > 20 Nights	5,364		6,965	7,448	7,931
Whole Home < 20 Nights	Unlimited		2,415	1,932	1,449
Home Share (Duplex/ADU)	Unlimited		280	280	280
Home Share (Private Room)	Unlimited		3,291	3,291	3,291
Home Share (Shared Room)	Unlimited		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	Whole Home < 20 Nights as a Percent of "Entire Home/Apt"		
	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