



VACATION RENTAL ANALYSIS OF SISKIYOU COUNTY



October 2022

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Executive Summary

Introduction

Siskiyou County has experienced an increasing demand for vacation homes, and a growing number of property owners have sought to fulfill this demand by converting structures from primary residences to short-term rentals over the last few years. At the same time, it has become increasingly challenging over this period for people who live and work in Siskiyou County to find and afford housing, particularly people who work in the service and tourism industries. County residents and policy makers have observed that the increase in demand for Vacation Rentals has coincided with limited availability of residential units and very low vacancy rates. This is confirmed by nationwide studies that show that neighborhoods with the greatest concentrations of Vacation Rentals have the most dramatic impacts on housing prices and availability.¹

In this report, "Vacation Rentals" are defined as "a single or two-family dwelling which is rented for periods of not more than 30 consecutive days to transient occupants." This is consistent with the definition in the Siskiyou County Code (Section 10-6.3602.194).

Beyond the impacts on the housing market, other neighborhood concerns with short-term rentals may include protection of neighborhood character, commercialization of residential districts, security and safety, impacts to neighborhood cohesion due to an increase in the transient population, limited regulation and enforcement to ensure public health and safety, and unfair competition with hotels and bed and breakfasts.

The purpose of this report is to:

1. Analyze the current Vacation Rental market in relation to the overall long-term rental market in Unincorporated Siskiyou County;
2. Review Siskiyou County's current Vacation Rental ordinance;
3. Review best practices for the regulation of Vacation Rentals; and
4. Recommend revisions to Siskiyou County's current Vacation Rental ordinance.

Current Vacation Rental Market

Data on Vacation Rentals in Unincorporated Siskiyou County was collected by utilizing the two most commonly used web-based search engines for this product type— Airbnb and VRBO. Data was collected on a total of 151 listings, distributed between regions as listed below. More detail about the communities included in each region is found in the Vacation Rental Market, Overview Section of this report.

Dunsmuir/Mt. Shasta	72
McCloud	44
Scott Valley/Fort Jones	13

Klamath River/North Yreka	8
Happy Camp/Seiad Valley	7
Lake Shastina	5
Dorris/Tulelake	2

Table 1 below shows the overall average of all 151 listings. The listings showed weekly rates. The monthly rates were estimated by multiplying the weekly rate by 52 (for the number of weeks in the calendar year) and then dividing that total by 12.

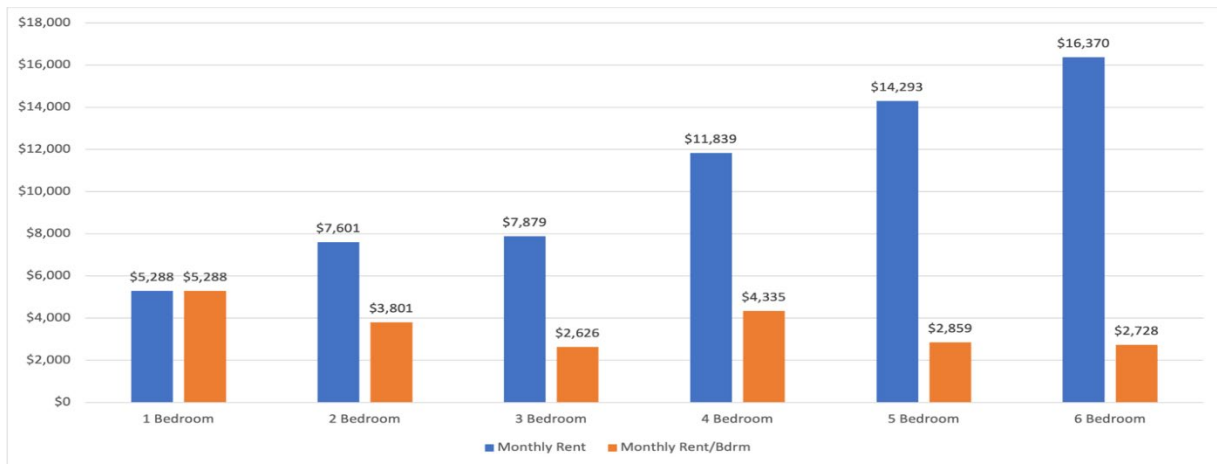
Figure 1: Overall Average of Airbnb and VRBO Listings, Unincorporated Siskiyou County, March 2022

Bedrooms	Bathrooms	Weekly Rent	Weekly Rent Per Bedroom	Monthly Rent	Monthly Rent Per Bedroom
2.63	1.77	\$1,994	\$842	\$8,410	\$3,569

Sources: Airbnb, VRBO (March 14-16, 2022)

The average monthly rents by number of bedrooms in the unit are shown in Figure 4 below. Units with four or more bedrooms command significantly higher average rents than smaller units, from \$11,839 for a four-bedroom to \$16,370 for a six-bedroom. There were 20 four-bedrooms, 7 five-bedrooms, and 4 six-bedrooms surveyed.

Figure 4: Average Rent by Unit Type, Airbnb and VRBO Listings, Unincorporated Siskiyou County, March 2022



Sources: Airbnb, VRBO (March 14-16, 2022)

Comparison to Overall Rental Market

To understand the overall rental market in Siskiyou County, market reports produced by Moody's Analytics REIS reports were analyzed. Reports were reviewed for the Redding and Medford/Klamath Falls regions. The Redding region covers Shasta County. Medford/Klamath Falls covers Jackson County, which includes Medford and Ashland, and Klamath County, which includes Klamath Falls. No REIS reports were available for the Siskiyou County area. In order to approximate rental estimates for Siskiyou County, an average of the Redding and Medford/Klamath Falls Regions was calculated. These averages were comparable to the 2022 Siskiyou County Fair Market Rents, provided by U.S. Department of Housing and Urban Development (HUD).

The average asking rents from the REIS Report overall rental market studies were compared to the average rents from the vacation rentals survey completed for this report, as shown in Figure 15. The average monthly rents for vacation rental units with 4-6 bedrooms are not shown in Figure 15. Monthly rents for these unit types averaged \$11,839 for four-bedroom homes to \$16,370 for six-bedroom homes. A review of this data demonstrates a clear financial incentive for property owners to operate Vacation Rentals. The difference in overall average monthly rent between vacation rentals and long-term rentals is \$7,336. On a per-bedroom basis, the average rents for vacation rentals are \$2,253-\$4,477 higher than the average of long-term rentals.

While Vacation Rentals may be rented for fewer weeks throughout the year than long-term rentals, the Vacation Rentals still have a significantly higher income generating capacity. In addition to added rental income, Vacation Rentals provide property owners with more flexibility as to when units are rented and when they are owner-occupied.

Figure 15: Average Asking Rent for Vacation Rentals and Long-term Rentals by Unit Type

	Vacation Rentals		Long-term Rentals		Difference	
	Monthly Rent	Monthly Rent Per Bedroom	Monthly Rent	Monthly Rent Per Bedroom	Monthly Rent	Monthly Rent Per Bedroom
1 Bedroom	\$5,288	\$5,288	\$811	\$811	\$4,477	\$4,477
2 Bedroom	\$7,601	\$3,801	\$972	\$486	\$6,629	\$3,315
3 Bedroom	\$7,879	\$2,626	\$1,122	\$374	\$6,758	\$2,253
All Units	\$8,410		\$1,074		\$7,336	

Sources: Airbnb and VRBO (March 14-16, 2022), Moody's Analytics REIS Reports (4th Quarter, 2021)

Siskiyou County Regulatory Oversight

Siskiyou County Code regulates the conversion of rental units to Vacation Rentals. The County Code defines "Vacation rentals" in Section 10-6.3602.194 as "single or two-family dwelling which is rented for periods of not more than 30 consecutive days to transient occupants". Section 10-6.1502(h) establishes the conditions and standards under which vacation rentals may be allowed. Below is a summary of key provisions of the vacation rentals conditions and standards.

- Parcel must be 2.5 acres or larger (effective as of September 1, 2021)
- Occupancy limited to a maximum of 10 persons
- Maximum rental period for each occupancy is 30 consecutive days
- One off-street parking space must be provided, plus one additional space for each bedroom
- Must be managed by a County resident or a professional management firm located in Siskiyou County, with 24-hour availability.

Vacation rentals must also meet certain code and inspections standards, such as Uniform Housing Code, State and local water and sewage disposal regulations, and Health and Building Department inspections. Applicants must apply for a use permit to operate a vacation rental, and the application is reviewed by various County Divisions as well as the Planning Commission.

Recommendations

Informed by a review of best practices and case studies, the following types of potential policies for regulating Vacation Rentals were explored, including an assessment of the pros and cons of each with respect to Siskiyou County's circumstances:

- Caps on permits, including:
 - The total number of permits; and
 - The location of permits, such as areas with high concentrations of Vacation Rentals.
- Tax options that would fund affordable housing production, including:
 - Dedication of a portion of the Transient Occupancy Tax;
 - A one-time impact fee charged at the time a use permit is issued; and
 - A Lodger's Tax assessed as a per night charge to Vacation Rental guests.

Based on an analysis of rental market data and a review of regulatory best practices, the following policies are recommended for implementation by Siskiyou County:

1. Remove the requirement that Vacation Rentals must be located on properties that are 2.5 acres or larger in size.
2. Freeze the issuing of new Vacation Rental permits if the number of current Vacation Rental permits is more than two times the estimated number of rental

vacancies in Unincorporated Siskiyou County at the end of the previous calendar year.

3. Place a moratorium on issuing new Vacation Rental permits in the Unincorporated areas around Dunsmuir and Mount Shasta, and in McCloud. The market dynamics in this region could be monitored annually to determine whether the moratorium should be lifted.
4. Implement a licensing and monitoring program, funded by an annual fee of around \$500 to renew a Vacation Rental license. The monitoring program would include an annual inspection of the property by County staff.
5. Implement a \$20 per night flat fee Lodger's Tax that would be paid by Vacation Rental guests to the Vacation Rental owner. This generated revenue would fund the development of affordable rental housing in the Unincorporated County.

Introduction

Siskiyou County has experienced an increasing demand for vacation homes, and a growing number of property owners have sought to fulfill this demand by converting structures from primary residences to short-term rentals over the last few years. At the same time, it has become increasingly challenging over this period for people who live and work in Siskiyou County to find and afford housing, particularly people who work in the service and tourism industries. County residents and policy makers have observed that the increase in demand for Vacation Rentals has coincided with limited availability of residential units and very low vacancy rates.

In this report, "Vacation Rentals" are defined as "a single or two-family dwelling which is rented for periods of not more than 30 consecutive days to transient occupants." This is consistent with the definition in the Siskiyou County Code (Section 10-6.3602.194).

Nationwide studies have shown that neighborhoods with the greatest concentrations of Vacation Rentals have the most dramatic impacts on housing prices and availability. This can result in a ripple effect on adjacent neighborhoods, as residents priced out of high-priced neighborhoods move to nearby areas, driving up rental rates there as well. Home prices are also pushed upward as investors buy up homes to convert to short-term rentals. This in turn can affect the rental market of the city and/or region. The neighborhoods that generate this ripple effect on housing prices are often tourist destinations.² Areas of Unincorporated Siskiyou County that may be experiencing these types of impacts include McCloud, and the areas around Mt. Shasta and Dunsmuir along the I-5 corridor in the southern part of the County. Short-term rentals also remove units from the long-term rental housing stock. This further constrains housing availability for people who live and work in the communities of Siskiyou County.

Beyond the impacts on the housing market, other neighborhood concerns with short-term rentals may include: protection of neighborhood character, commercialization of residential districts, security and safety, impacts to neighborhood cohesion due to an increase in the transient population, limited regulation and enforcement to ensure public health and safety, and unfair competition with hotels and bed and breakfasts.

The purpose of this report is to:

1. analyze the current Vacation Rental market in relation to the overall long-term rental market in Unincorporated Siskiyou County;
2. review Siskiyou County's current Vacation Rental ordinance;
3. review best practices for the regulation of Vacation Rentals; and
4. recommend revisions to Siskiyou County's current Vacation Rental ordinance.

To facilitate this study, data on Vacation Rentals in Unincorporated Siskiyou County has been collected and analyzed. This provided insight on the countywide share of overall rental units that are used for short term vacation rentals, the geographic distribution of short term vacation rentals, and rental prices by region, rental date, and number of bedrooms. This data was then compared to countywide market rents by year, number

of bedrooms, and by year that rental units were built. Vacancy rates over time, and by unit type, were also collected and analyzed.

This data analysis is followed by a description of Siskiyou County's current regulatory oversight and monitoring program for Vacation Rentals. Regulatory oversight best practices from other counties and cities are then explored. The study concludes with recommendations on changes to the County's current Vacation Rental regulations.

Current Vacation Rental Market

Methods

Data on Vacation Rentals in Unincorporated Siskiyou County was collected by utilizing the two most commonly used web-based search engines for this product type— Airbnb and VRBO. Searches on these two search engines were conducted March 14-16, 2022. The following criteria were entered in each search for both of the search engines:

Stay Dates: July 1-8, 2022; January 23-30, 2023

Occupancy: 2 adults; 2 adults, 3 children (for each Stay Date)

Listings were deduplicated so that the same rental was not reported for both Stay Dates. If a listing appeared in both the July 1-8, 2022 and January 23-30, 2023 Stay Date searches, it was entered in the first Stay Date where it appeared (July 1-8, 2022).

Listings were organized by the following regions. Listings were only collected for properties in the Unincorporated county areas that were near listed incorporated jurisdictions.

- Dunsmuir/Mt. Shasta
- McCloud
- Lake Shastina
- Scott Valley/Fort Jones
- Happy Camp/Seiad Valley
- Klamath River/North Yreka
- Dorris/Tulelake

The following characteristics were collected for each listing:

- Region
- Location in relation to nearby towns
- Number of Bedrooms
- Number of Bathrooms
- Weekly rate

The data was entered into a spreadsheet so it could be aggregated and sorted by all of the search criteria, geographic regions, and characteristics listed above.

Overview

Data was collected on a total of 151 listings, distributed between regions as listed below.

Dunsmuir/Mt. Shasta	72
McCloud	44
Scott Valley/Fort Jones	13
Klamath River/North Yreka	8
Happy Camp/Seiad Valley	7
Lake Shastina	5
Dorris/Tulelake	2

The Dunsmuir/Mt. Shasta region includes Unincorporated areas surrounding Dunsmuir, Azalea, Unincorporated areas surrounding Mt. Shasta, and Upton along the I-5 corridor.

The McCloud region includes areas in and around McCloud.

The Scott Valley/Fort Jones region includes Callahan, Scott Valley, Unincorporated areas surrounding Etna, Greenview, and Unincorporated areas surrounding Fort Jones along State Highway 3.

The Klamath River/North Yreka region includes Klamath River and surrounding areas, and Hornbrook.

The Happy Camp/Seiad Valley region includes the areas in and around Happy Camp and Seiad Valley along State Highway 96.

Listings were concentrated in the south-central part of the county just west and south of Mount Shasta. The Dunsmuir/Mt. Shasta region accounted for 48% of all listings and the McCloud region accounted for 29% of all listings. The Scott Valley/Fort Jones region had the next most listings with 13 (9% of all listings).

Table 1 below shows the overall average of all 151 listings. The listings showed weekly rates. The monthly rates were estimated by multiplying the weekly rate by 52 (for the number of weeks in the calendar year) and then dividing that total by 12.

Figure 1: Overall Average of Airbnb and VRBO Listings, Siskiyou County, March 2022

Bedrooms	Bathrooms	Weekly Rent	Weekly Rent Per Bedroom	Monthly Rent	Monthly Rent Per Bedroom
2.63	1.77	\$1,994	\$842	\$8,410	\$3,569

Sources: Airbnb, VRBO (March 14-16, 2022)

Findings by Region

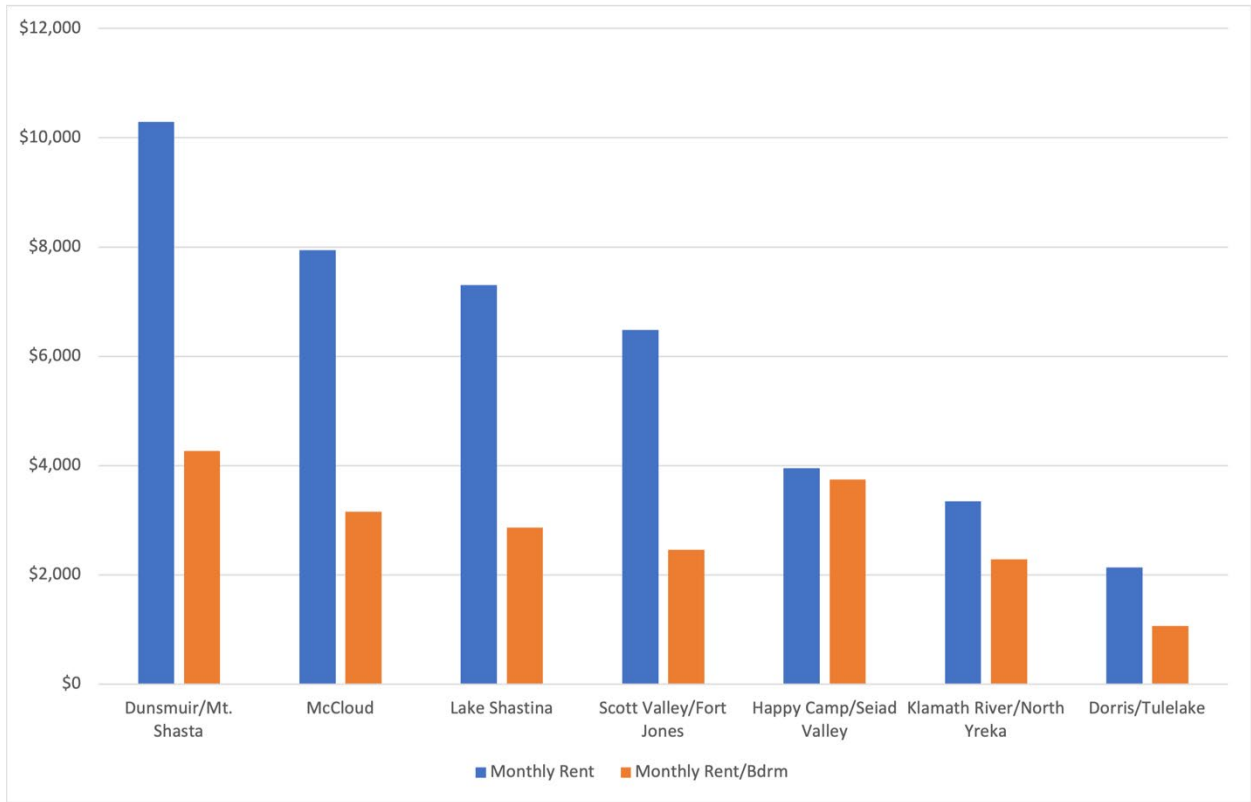
Figures 1 and 2 below show the average monthly rent and average rent per bedroom for the Vacation Rental listings by region. The Dunsmuir/Mt. Shasta region commands significantly higher average rent than the other regions, is more than twice as high as Happy Camp/Seiad Valley and Klamath River/North Yreka, and is almost five times higher than Dorris/Tulelake. Dunsmuir/Mt. Shasta average rents are followed by McCloud, Lake Shastina, and Scott Valley/Fort Jones. The rents in the south part of the county are generally higher than in the north part of the county.

Figure 2: Average Monthly Rent by Region, Airbnb and VRBO Listings, Siskiyou County, March 2022

	Monthly Rent	Monthly Rent Per Bedroom
Dunsmuir/Mt. Shasta	\$10,289	\$4,266
McCloud	\$7,946	\$3,156
Lake Shastina	\$7,307	\$2,866
Scott Valley/Fort Jones	\$6,478	\$2,460
Happy Camp/Seiad Valley	\$3,951	\$3,748
Klamath River/North Yreka	\$3,346	\$2,283
Dorris/Tulelake	\$2,135	\$1,068

Sources: Airbnb, VRBO (March 14-16, 2022)

Figure 3: Average Rent by Region Chart, Airbnb and VRBO Listings, Siskiyou County, March 2022

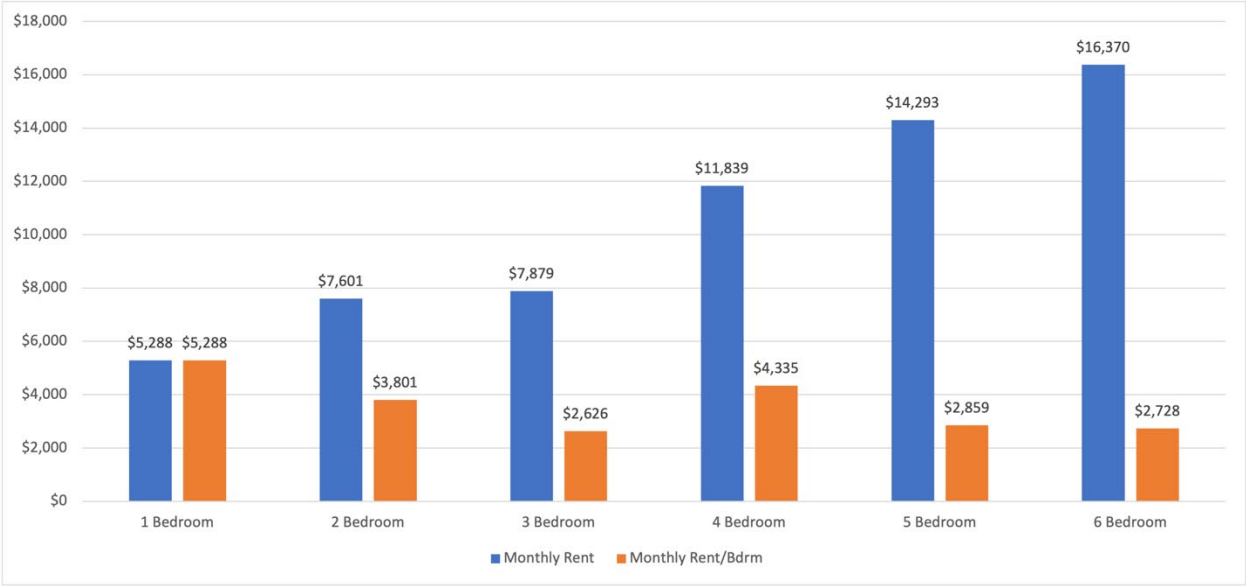


Sources: Airbnb, VRBO (March 14-16, 2022)

The countywide average rents for the two reservation weeks were similar. The average monthly rent for the July 1-8, 2022 week was \$8,109, and the average monthly rent for the January 23-30, 2023 week was slightly higher at \$8,644.

The average monthly rents by number of bedrooms in the unit are shown in Figure 4 below. Units with four or more bedrooms command significantly higher average rents than smaller units, from \$11,839 for a four-bedroom to \$16,370 for a six-bedroom. There were 20 four-bedrooms, 7 five-bedrooms, and 4 six-bedrooms surveyed.

Figure 4: Average Rent by Unit Type, Airbnb and VRBO Listings, Siskiyou County, March 2022



Sources: Airbnb, VRBO (March 14-16, 2022)

Interviews were conducted with a Vacation Rental owner (McCloud Vacation Rentals) and a Vacation Rental leasing agent (Mount Shasta Vacation Rentals) that do business in Siskiyou County on April 26th, 2022. McCloud Vacation Rentals consists of five single-family homes in McCloud. The homes range from 1,100 to 5,000 square feet and average \$150-\$175 per night. This would be on the low end for rents listed on Airbnb and VRBO for McCloud, as shown in Figure 2 above. High season for these Vacation Rentals is Memorial Day weekend through Labor Day, and Thanksgiving Day through mid-February. The leasing agent for Mount Shasta Vacation Rentals has 23 homes in his portfolio that are located north of Mount Shasta and around Shasta Lake. The going rental rate for these homes is \$100-\$500 per night depending on home size and amenities. The typical rate for a three-bedroom, two-bath home in Dunsmuir is \$265 per night. This would be on the low end for rents listed on Airbnb and VRBO for McCloud, as shown in Figure 2 above. Mount Shasta area is the most expensive area for the portfolio. Summer and Christmas holidays are the highest demand parts of the year for these Vacation Rentals.

Comparison to Overall Rental Market

Methods

To understand the overall rental market in Siskiyou County, market reports produced by Moody's Analytics REIS reports were analyzed. Reports were reviewed for the Redding and Medford/Klamath Falls regions. Both reports were generated on March 17, 2022 and included data as of the end of the 4th Quarter of 2021 (December 31, 2021). No

REIS reports were available for the Siskiyou County area. The Redding region covers Shasta County. Medford/Klamath Falls covers Jackson County, which includes Medford and Ashland, and Klamath County, which includes Klamath Falls.

The following metrics were analyzed for both the Redding and Medford/Klamath Falls Regions:

- Overall Average Asking Rent by Year
- Overall Vacancy Rate by Year
- Average Asking Rent by Number of Bedrooms as of 4th Quarter, 2021
- Average Unit Size as of 4th Quarter, 2021
- Average Asking Rent per Square Foot as of 4th Quarter, 2021
- Average Asking Rent by Building Age as of 4th Quarter, 2021

In order to approximate rental estimates for Siskiyou County, an average of the Redding and Medford/Klamath Falls Regions was calculated. These averages were compared to the 2022 Siskiyou County Fair Market Rents, provided by U.S. Department of Housing and Urban Development (HUD). The comparison is shown below. Because the REIS Reports data is from the 4th Quarter of 2021, the 2022 HUD Fair Market Rents were used for comparison, rather than 2021.

Figure 5: Fair Market Rents and REIS Reports Average Asking Rents

	2022 HUD Fair Market Rent (Siskiyou County)	REIS Reports Average Asking Rent (Redding and Medford/Klamath Falls)*	Percent Difference
Studio	\$682	\$640	6.2%
1 Bedroom	\$701	\$811	-15.7%
2 Bedroom	\$922	\$972	-5.4%
3 Bedroom	\$1,310	\$1,122	14.4%

Sources: U.S. Department of Housing and Urban Development (2022), Moody's Analytics REIS Reports (4th Quarter, 2021)

The studios and two-bedroom units compare closely between the two data sources, at less than a 10% difference. There was more divergence between the data sources for the one-bedroom and three-bedroom units, but both unit types showed less than a 20% difference. The 2022 HUD Fair Market Rent for two-bedrooms in Siskiyou County was \$922, and the 4th Quarter, 2021 overall Average Asking Rent averaged between Redding and Medford/Klamath Falls REIS Reports was also \$922.

The REIS Reports average asking rents were also compared with the average asking rents from rental listings on Craigslist. Listings were searched on April 25, 2022. The search resulted in 11 listings, with two one-bedrooms, four two-bedrooms, and five three-bedrooms. In terms of unit location, the search resulted in four in the Scott Valley/Fort Jones, three in Dunsmuir/Mt. Shasta, three in McCloud, and one in Lake Shastina. The Vacation Rental data shows that these are the areas with the highest rents in the County. Properties in regions with lower rents (Happy Camp/Seiad Valley, Klamath River/North Yreka, Dorris/Tulelake) were not found in the Craigslist search. Below is a summary of this comparison.

Figure 6: Craigslist Rental Listings and REIS Reports Average Asking Rents

	Craigslist Rental Listings Average Asking Rent	REIS Reports Average Asking Rent (Redding and Medford/Klamath Falls)	Percent Difference
1 Bedroom	\$800	\$811	-1.4%
2 Bedroom	\$1,250	\$972	22.2%
3 Bedroom	\$1,525	\$1,122	26.4%

Sources: Craigslist (4/25/22), Facebook Siskiyou County Rentals Facebook Group (4/25/22), Moody's Analytics REIS Reports (4th Quarter, 2021)

Interviews

Interviews with long-term rental property managers and realtors that do business in Siskiyou County, including incorporated cities and unincorporated areas, were conducted from April 25th through May 9th, 2022. The interviews revealed that in general, rents are higher and vacancies lower in the south part of the County than in the rest of the County, particularly in the Mount Shasta and McCloud areas. Rents in the incorporated jurisdictions also tend to be higher than in the Unincorporated areas of the County.

A leasing agent that leases about 107 rental units in Yreka, Montague, Hornbrook, and surrounding areas shared that on average, only about one of those units will be vacated every 1-2 months. The current vacancy rate for the leasing agent's portfolio is around 1%. Applicants generally wait for 2-3 months on a waiting list before a unit becomes available. Most of the units in this portfolio are three-bedroom, two-bath homes that rent for \$1,100 to \$1,300 per month on average. One-bedroom apartments average about \$600 (including utilities), and one-bedroom cottages average about \$650 (tenant pays utilities). Two-bedroom, one-bath homes average \$950-\$1,000 with tenant paying utilities. Four-bedroom, two-bath homes average about \$1,600 with tenant paying utilities. These rates are similar to the combined average of the Redding

Region and Medford/Klamath Falls Region REIS reports Average Asking Rents by unit type.

A property manager and realtor that manages about 300 rental properties throughout Siskiyou County shared that vacancies typically lease up within 7-12 days if work does not need to be done on the unit. One-bedroom units in Weed rent for around \$650. Two-bedroom units in Mount Shasta and McCloud rent for \$850-\$995 on average. Three-bedroom, two-bath homes in Mount Shasta and Lake Shastina typically rent for \$1,600-\$2,200. These rates are similar to the combined average of the Redding Region and Medford/Klamath Falls Region REIS reports Average Asking Rents for one-bedroom and two bedroom units, and are significantly higher than the average of the REIS reports for three-bedroom units. This realtor shared that fourplex and eightplex apartment buildings in Weed are currently selling for about \$60,000-\$90,000 per unit. Three-bedroom, two-bath homes in Mount Shasta and Lake Shastina are currently selling for about \$400,000-\$500,000, or \$210-\$240 per square foot.

A realtor that owns one apartment complex in Weed and buys and sells rental properties in South County, shared that his one-bedroom apartments currently rent for \$550-\$695. He generally sees rents of \$700-\$1,000 for one-bedroom units, \$850-\$1,200 for two-bedroom units, and \$1,400-\$1,800 for three-bedroom houses. This realtor reports that rental properties in the South County are currently selling for about \$60,000-\$80,000 per unit.

Interviews were also conducted with two managers of rent-restricted rental complexes subsidized by the U.S. Department of Agriculture Rural Development program—McCloud River Apartments in McCloud and Shasta View Apartments in incorporated Mount Shasta. Each of the complexes have 42 total units, with a mix of one-bedroom, two-bedroom, and three-bedroom units. Rents at both complexes are set at 30% of tenant income, regardless of income. The waiting list for McCloud River Apartments is currently 38 households. The waiting list for Shasta View Apartments currently has an average waiting time of one year for a two-bedroom unit, and two years for a one-bedroom unit. Move-outs and vacancies at both properties are extremely rare.

Long-term Rental Market

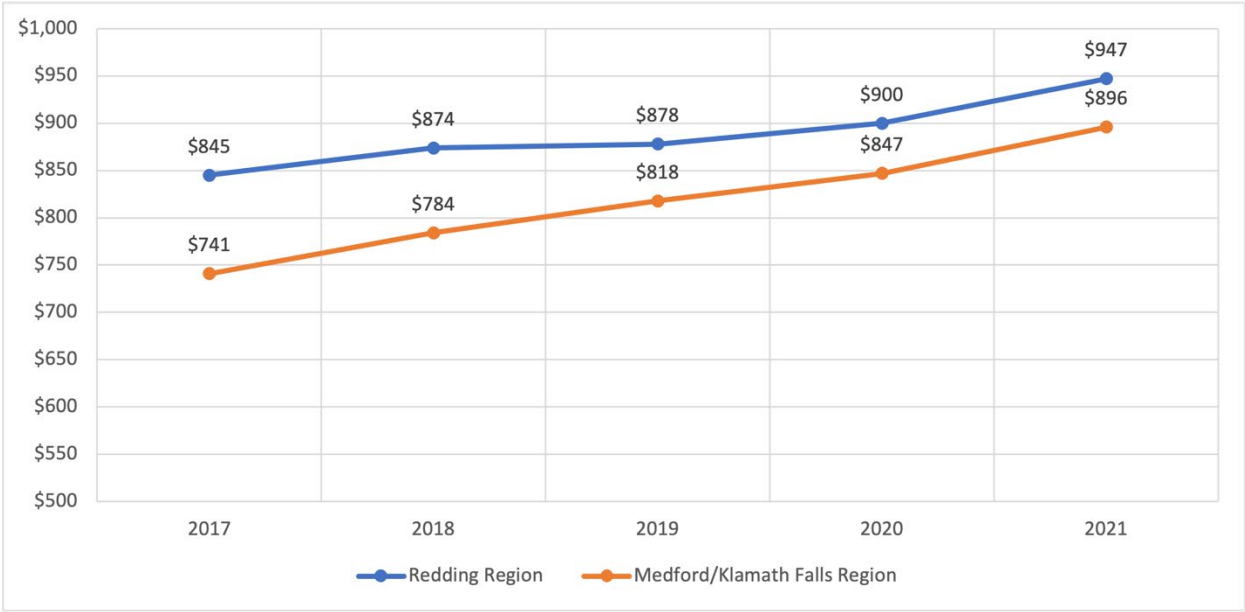
According to the U.S. Census, 2014-2019 American Community Survey, there were an estimated 2,629 renter-occupied residential units and 7,682 owner-occupied residential units in Unincorporated Siskiyou County as of 2019. If the 151 vacation rentals included in the survey are added to the 2,629 estimated renter-occupied units, they would make up 5.4% of all rentals.

Below is an analysis of the 2021 4th Quarter REIS Reports for the Redding and Medford/Klamath Falls regions, with data separated for each region, and also combined and averaged.

Figure 7 below shows the average asking rent over the last five years for the Redding and Medford/Klamath Falls regions. In 2017, the average asking rents for the two

regions varied by \$104, with Redding at \$845 and Medford/Klamath Falls at \$741. Since 2017, the difference in average rent between the two regions converged over time to where it was \$51 in 2021. Average asking rent increased by 12.1% for Redding over this period while it increased by 20.9% for Medford/Klamath Falls.

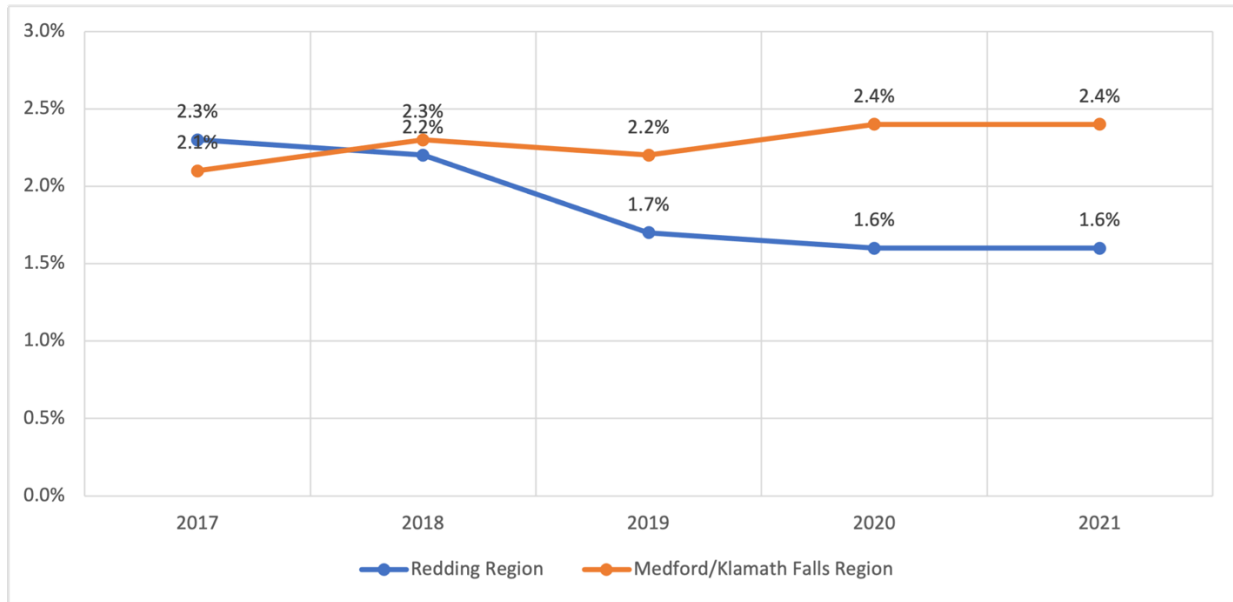
Figure 7: Average Asking Rent, Redding and Medford/Klamath Falls Regions, 2017-2021



Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 8 shows vacancy rates over the last five years for the Redding and Medford/Klamath Falls regions. The vacancy rates between the two regions were very close in 2017 and 2018. After 2018, the vacancy rate for the Redding region fell from 2.2% to 1.7% in 2019 and 1.6% in 2020 and 2021. After 2018, the vacancy rate for the Medford/Klamath Falls region stayed at close to the same level as 2017 and 2018, increasing slightly to 2.4% in 2020 and 2021.

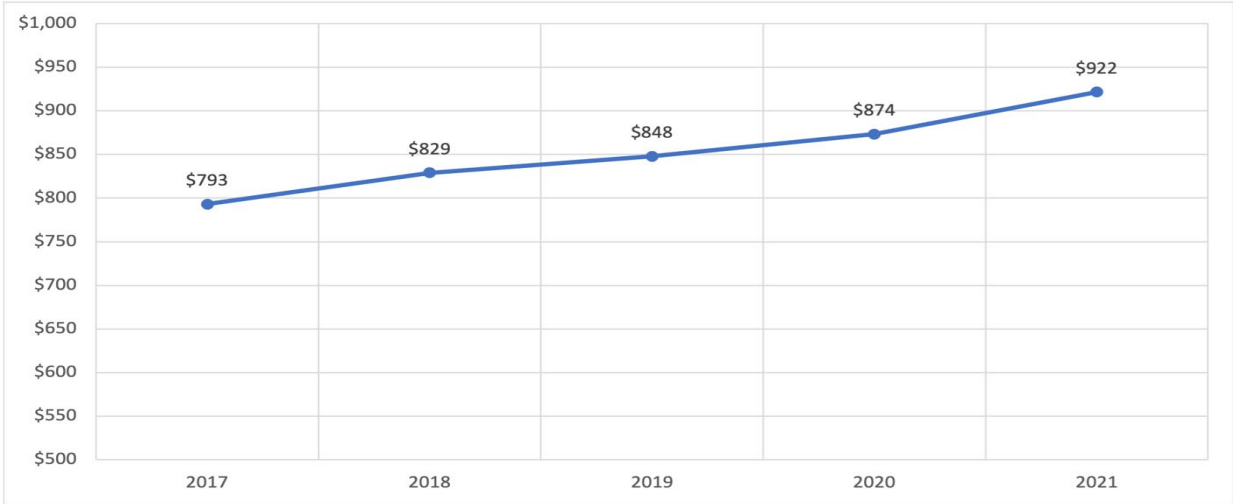
Figure 8: Rental Vacancy Rates, Redding and Medford/Klamath Falls Regions, 2017-2021



Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 9 shows the combined average of average asking rent for the Redding and Medford/Klamath Falls Regions over the last five years. For this data set, the average asking rent increased from \$793 in 2017 to \$922 in 2021, which was an increase of \$129, or 16.2%.

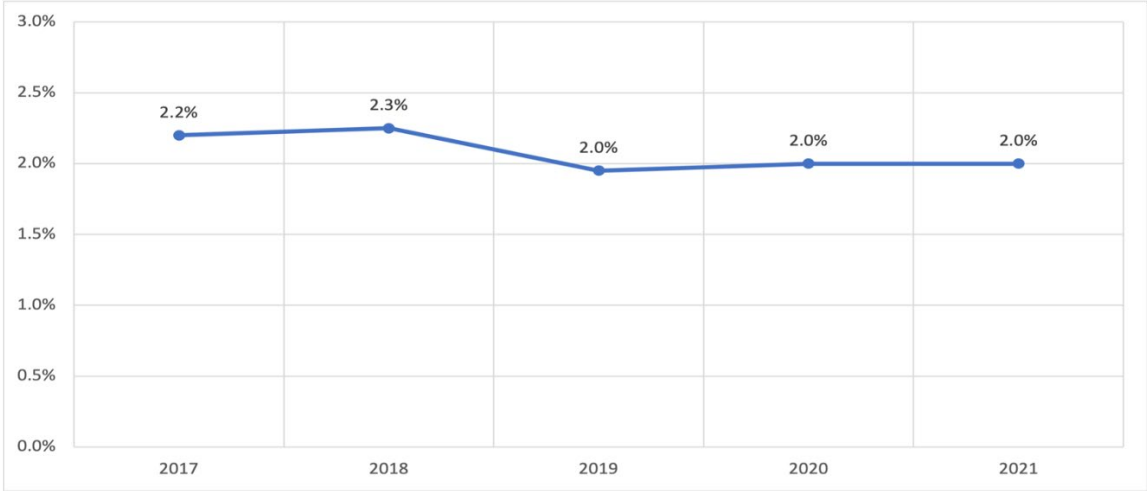
Figure 9: Average Asking Rent, Redding and Medford/Klamath Falls Regions Combined, 2017-2021



Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 10 shows the combined vacancy rate for the Redding and Medford/Klamath Falls Regions over the last five years. For this data set, the vacancy rate declined slightly from a high of 2.3% in 2018 to a steady 2.0% from 2019 through 2021. These vacancy rates are extremely low, as a typical “healthy” rental market with adequate unit availability for renters is about 5.0%.

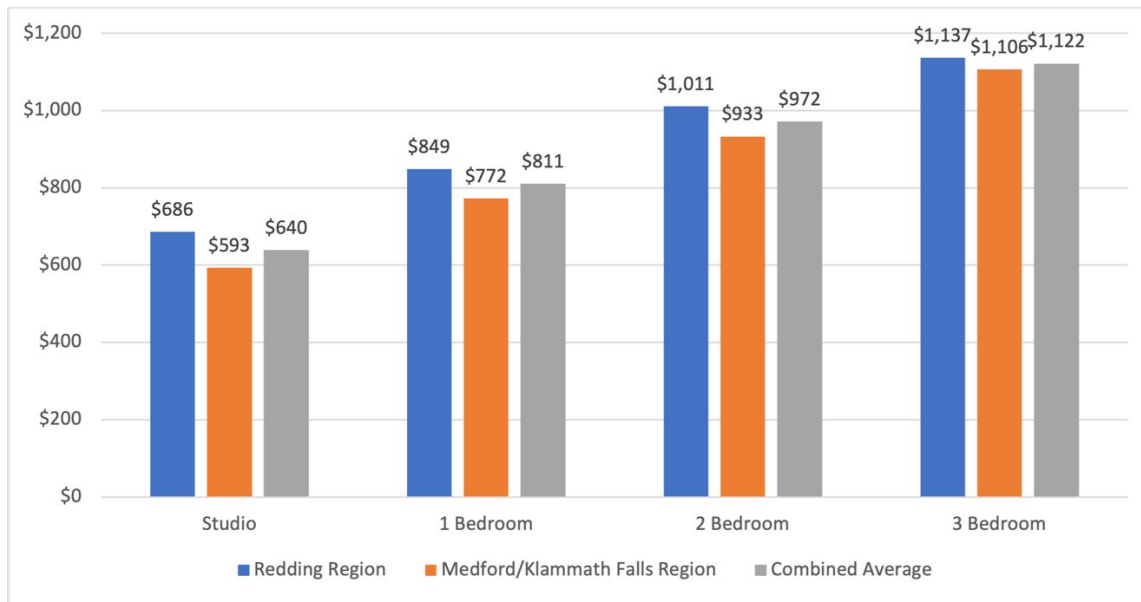
Figure 10: Rental Vacancy Rate, Redding and Medford/Klamath Falls Regions Combined, 2017-2021



Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 11 shows average asking rent by unit type (number of bedrooms) for the Redding and Medford/Klamath Falls regions, and the combined average of both regions, as of the 4th Quarter of 2021.

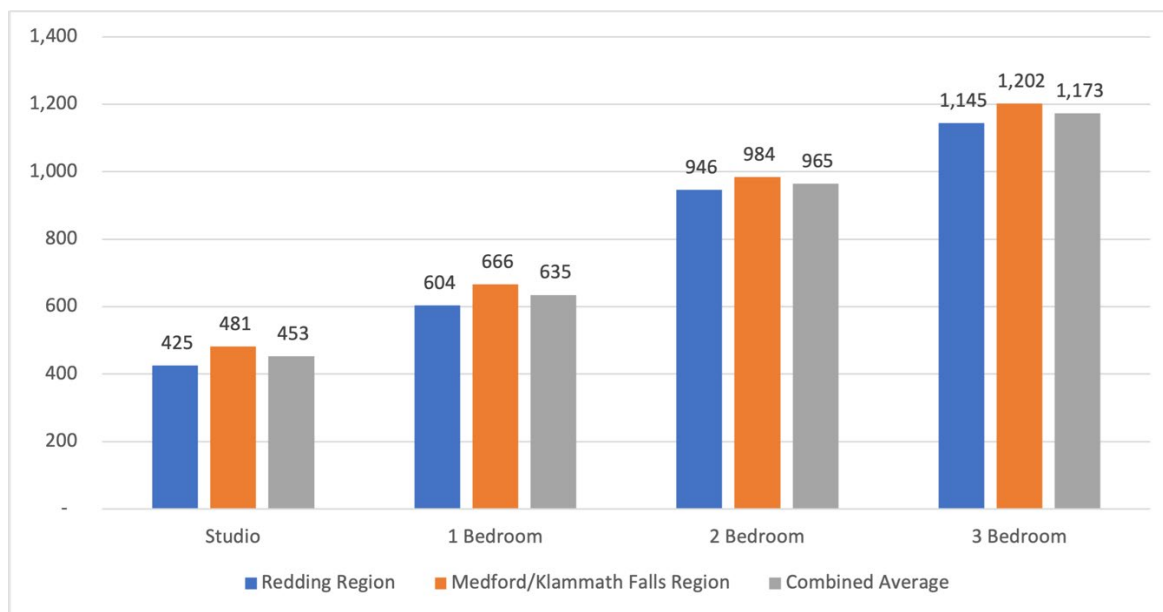
Figure 11: Average Asking Rent by Unit Type, Redding and Medford/Klamath Falls Regions, 2021



Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 12 shows average unit sizes by unit type (number of bedrooms) for the Redding and Medford/Klamath Falls regions, and the combined average of both regions, as of the 4th Quarter of 2021. The Redding average unit sizes are smaller than Medford/Klamath Falls for all unit types.

Figure 12: Average Unit Size by Unit Type, Redding and Medford/Klamath Falls Regions, 2021



Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 13 shows the combined average of the Redding and Medford/Klamath Falls regions for average asking rent, average unit size, and average asking rent per square foot by unit type (number of bedrooms).

Figure 13: Average Asking Rent and Average Unit Size by Unit Type, Redding and Medford/Klamath Falls Regions Combined Average

	Average Asking Rent	Average Size (SF)	Average Asking Rent Per SF
Studio	\$640	453	\$1.41
1 Bedroom	\$811	635	\$1.28
2 Bedroom	\$972	965	\$1.01
3 Bedroom	\$1,122	1,173	\$0.96

Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Figure 14 shows the combined average of the Redding and Medford/Klamath Falls regions for average asking rent, vacancy, and percent of inventory, by time period that units were built, as of the 4th Quarter of 2021. This is not an exhaustive count of all rental

units in the regions, but a description of the units that were included in the REIS Report surveys. Almost one-third of the surveyed inventory was built in the 1970s, with almost one-fifth of the inventory built in each of the following three decades— 1980s, 1990s, and 2000s. About 82% of the inventory surveyed was built between 1970 and 2009. Average asking rent is lower for units built before 1980, but vary by decade after 1980.

Figure 14: Average Asking Rent, Vacancy Rate, and Percent of Inventory by Time Period Unit Was Built, Redding and Medford/Klamath Falls Regions Combined Average

	Average Asking Rent	Vacancy	Percent of Inventory
Before 1970	\$940	1.8%	9%
1970-1979	\$959	2.9%	29%
1980-1989	\$1,113	1.4%	17%
1990-1999	\$1,285	Not Available	19%
2000-2009	\$1,103	2.0%	18%
2010-2019	\$1,092	1.1%	6%
After 2019	\$1,277	5.1%	4%
All	\$1,074	2.0%	100%

Source: Moody's Analytics REIS Reports (4th Quarter, 2021)

Comparison of Vacation Rentals and Long-term Rentals

The average asking rents from the REIS Report overall rental market studies were compared to the average rents from the vacation rentals survey completed for this report, as shown in Figure 15. The average monthly rents for vacation rental units with 4-6 bedrooms are not shown in Figure 15. Monthly rents for these unit types averaged \$11,839 for four-bedroom homes to \$16,370 for six-bedroom homes. A review of this data demonstrates a clear financial incentive for property owners to operate Vacation Rentals. The difference in overall average monthly rent between vacation rentals and long-term rentals is \$7,336. On a per-bedroom basis, the average rents for vacation rentals are \$2,253-\$4,477 higher than the average of long-term rentals.

While Vacation Rentals may be rented for fewer weeks throughout the year than long-term rentals, the Vacation Rentals still have a significantly higher income generating capacity. In addition to added rental income, Vacation Rentals provide property owners with more flexibility as to when units are rented and when they are owner-occupied.

Figure 15: Average Asking Rent for Vacation Rentals and Long-term Rentals by Unit Type

	Vacation Rentals		Long-term Rentals		Difference	
	Monthly Rent	Monthly Rent Per Bedroom	Monthly Rent	Monthly Rent Per Bedroom	Monthly Rent	Monthly Rent Per Bedroom
1 Bedroom	\$5,288	\$5,288	\$811	\$811	\$4,477	\$4,477
2 Bedroom	\$7,601	\$3,801	\$972	\$486	\$6,629	\$3,315
3 Bedroom	\$7,879	\$2,626	\$1,122	\$374	\$6,758	\$2,253
All Units	\$8,410		\$1,074		\$7,336	

Sources: Airbnb and VRBO (March 14-16, 2022), Moody's Analytics REIS Reports (4th Quarter, 2021)

Siskiyou County Regulatory Oversight

Siskiyou County Code regulates the conversion of rental units to Vacation Rentals. The County Code defines "Vacation rentals" in Section 10-6.3602.194 as "single or two-family dwelling which is rented for periods of not more than 30 consecutive days to transient occupants". Section 10-6.1502(h) establishes the conditions and standards under which vacation rentals may be allowed. Below is a summary of key provisions of the vacation rentals conditions and standards.

- Parcel must be 2.5 acres or larger (effective as of September 1, 2021)
- Occupancy limited to a maximum of 10 persons
- Maximum rental period for each occupancy is 30 consecutive days
- One off-street parking space must be provided, plus one additional space for each bedroom
- Must be managed by a County resident or a professional management firm located in Siskiyou County, with 24-hour availability.

Vacation rentals must also meet certain code and inspections standards, such as Uniform Housing Code, State and local water and sewage disposal regulations, and Health and Building Department inspections.

Applicants must apply for a use permit to operate a vacation rental. The use permit is reviewed by the following entities as part of County staff's due diligence process:

County Planning Division	General Plan and Zoning Code consistency, environmental review (usually qualifies for existing facilities exemption for CEQA review)
County Sheriff's Department	Safety impacts
County Code Enforcement Division	General County Code compliance

County Building Division	Building Code compliance
County Environmental Health Division	Management of trash, pool and space facilities, water and sewer services
County Public Works Division	Utilities impact and management
CalFire	Fire protection measures
County Planning Commission	Review of staff recommendation and approval or denial of use permit application

Siskiyou County has maintained a record of properties that have approved vacation rental permits since 2001. Currently, there are 129 use permits on record, with 60 in McCloud, 29 in the Mt. Shasta area, 15 in the Weed area, 7 in the Dunsmuir area, 6 in Lake Shastina, and the rest in other parts of the County. There are an additional 15 properties that are currently pending conditions of approval for use permits. While a use permit may have been approved for a particular property in the past, it does not mean that a property is currently being used as a vacation rental. From 2018-2021, 39 use permit applications were submitted, 28 of which have been granted.

The countywide requirement that parcels are 2.5 acres or larger recently went into effect in September of 2021, so it is anticipated that there will be far fewer applications going forward than there have been over the last few years. Ten applications have been submitted since the ordinance was adopted in August and in effect in September 2021. Of those ten applications, two have been approved by the Planning Commission and issued. Eight are still pending Planning Commission review. The revised ordinance was passed in effect as a moratorium, during which time the County could complete this report and its Housing Element in order to assess whether to modify the ordinance.

For vacation rentals that operate without a use permit, residents regularly report vacation rental operations to the County. The County can then contact the property owner, inform them of the regulations, and place conditions of approval on the property that must be satisfied by the owner to the County's satisfaction prior to release of a use permit.

Regulatory Oversight Best Practices

Regulation Options

Cities and counties across the country have instituted various Vacation Rental regulations. Below is a listing of the most common of these regulations.

Owner Occupancy Requirements— owner must be the primary resident of the rental unit, or if the rental unit is not the primary residence of the owner, the owner must live in the community where it is located

Occupancy Periods— restrictions on the duration of consecutive transient occupancy days, and/or number of days throughout the year for transient occupancy

Occupancy Standards— restrictions on the number of guests that may stay in the rental unit at one time and/or capping the number of bedrooms in the rental unit

Parking Standards— requirements to provide a minimum number of off-street parking spaces, often tied to the number of bedrooms in the rental unit

Caps on Numbers of Units— the number of Vacation Rentals are capped at a defined threshold, which could be a percentage of total rental units in a jurisdiction, a block, neighborhood, or census tract, or prohibiting a new Vacation Rental within 500 feet of an existing Vacation Rental

Notification Requirements— notification to nearby properties that a Vacation Rental has been proposed

Building Codes— requirements that Vacation Rentals meet minimum safety requirements, more stringent commercial building codes, or smoke alarm and carbon monoxide detector standards

Taxes— requirement that Vacation Rental owners to pay a Transient Occupancy Tax, Lodger's Tax, and/or maintain a business license

Posting Requirements— signage notifying guests and neighbors that the rental unit is used as a licensed or permitted short-term rental, which may include the license number

Enforcement Options

Compliance with regulations is often enforced through zoning regulation and/or a use permit. This ties compliance to the property that is used as a Vacation Rental, as is currently the case for Siskiyou County.

Licensing is another common approach to enforcing Vacation Rental regulations. This form of regulation provides rules for business operation and is tied to the operator rather than the land. The license typically requires an annual renewal, allows citations to be administered if the rules for operation are not followed, and also allows for the license to be revoked in response to persistent noncompliance. Some requirements to secure a license can include:

- Proof of ownership
- Documentation of liability insurance
- Documentation of rental information packet, rental agreement, and house rules
- Verification of functioning smoke alarm and carbon monoxide detector
- Tax license identification number

Other enforcement options include:

- Initial and regular ongoing inspections of rental units by a licensed inspector and support staff
- Ability to levy fines, or revoke or suspend licenses, for noncompliance or operation without a permit or license
- Monitoring and tracking of Vacation Rental advertisements
- Online self-reporting
- Publicly available list of licensed or permitted short-term rentals
- Annual review of licenses or use permits through a renewal process

Case Studies

Most of the regulation options listed under the Regulatory Oversight Best Practices heading above have been implemented by Siskiyou County. Two of the options that have not been implemented will be explored here: caps on numbers of units, and taxes and fees. Below are case studies related to these two types of regulatory oversight.

Caps on Numbers of Units and Location Limitations

Sonoma County, California

Limitation on Location of Vacation Rentals

In 2016, Sonoma County adopted an ordinance to limit the geographic areas in which new Vacation Rental permits can be issued. There are four layers of location restrictions associated with this ordinance. Vacation Rentals are not permitted in the following locations:

1. LIA, R2, R3, PC, and Williamson Act zoning districts, which are higher-density residential districts and agricultural zoning districts (Vacation Rentals may be permitted in the RR, AR, R1, LEA, DA, and RRD zoning districts if they are not located in one of the other zoning districts or geographic areas described below.);
2. the Rental Exclusion Combining District (X) (includes parcels in north county and the Sonoma Valley);
3. the Russian River Cap Zone; or
4. areas within the burn zones of the 2017 Sonoma Complex Fire and 2019 Kincade Fire (added in 2020)

Vacation Rental permits are zoning permits (for five or fewer guest rooms) or use permits (for six or more guest rooms) that run with the land and expire upon sale or transfer of a Vacation Rental property. Permits require payment of a permit fee and a quarterly Transient Occupancy Tax.

This year Sonoma County is considering changes to the Vacation Rental ordinance to limit the number of Vacation Rentals allowed to 10% of the total number of single-family

homes in certain neighborhoods. County staff were still in the process of determining which neighborhoods would have additional caps as of the date of this report.

A Sonoma State University study commissioned by Sonoma County estimated that there were an estimated 1,485 short-term rentals in the Unincorporated County in 2021.³

Placer County, California

Limitation on Location of Vacation Rentals

Placer County adopted an updated Vacation Rental ordinance on February 8, 2022. It caps the number of Vacation Rentals allowed in Eastern Placer County, which is the area around the northwest shoreline of Lake Tahoe, and the area immediately south of I-80 from Kingvale to the Nevada border. Effective March 31, 2022, the total number of Vacation Rental permits issued in this area will be capped at 3,900. Renewal permits will be authorized if they are in good standing, and will be given priority in processing. Qualifying new permits will be processed on a first-come, first-serve basis until reaching the cap. Permits terminate with a change in ownership.⁴

San Juan County, Washington

Limitation on Location of Vacation Rentals

On January 13th, 2021, San Juan County enacted a six-month moratorium on Vacation Rentals. On March 9th, 2021, the moratorium was modified to limit Vacation Rental permits to urbanized areas of the County ("Urban Grown Areas", activity centers, and hamlets). The ordinance did not phase out existing permit holders, who must renew their Certificate of Compliance annually, and includes a \$145 fee. New permits require payment of a \$1,000 fee. No new Vacation Rental permits have been issued since the revised ordinance was adopted on March 9th, 2021.⁵

City of South Lake Tahoe, California

Measure T Limitation on Location of Vacation Rentals

Measure T was a ballot measure that amended City regulations on Vacation Rentals that was approved by voters on November 6th, 2018 and went into effect on December 20th, 2018. It passed by an extremely narrow margin, with 50.42% of voters voting in favor of the measure. Measure T prohibits issuance of new Vacation Rental permits in residential zoned areas, and limits issuance of new Vacation Rental permits to the "Tourist Core", which consists of commercial and recreation zoned areas outside of residential areas. It also required the phase-out of all Vacation Rental permits in residential zoned areas over a three-year period, with full implementation complete by December 31st, 2021. The South Lake Tahoe Property Owner's Group filed a lawsuit against the City of South Lake Tahoe challenging the constitutional legitimacy of Measure T immediately as it went into effect in December 2018. The El Dorado County courts upheld Measure T on June 1, 2020.⁶

City of San Diego, California Vacation Rental Cap

On April 6, 2021, the City of San Diego adopted an ordinance restricting the number of Vacation Rental licenses and updating Short-Term Residential Occupancy (STRO) regulations. It was approved by the California Coastal Commission in March of 2022, with a provision to revisit the regulations in seven years to assess their impacts. The ordinance places a cap of Vacation Rental licenses at 1% of the City's housing stock, which as of last year was about 5,400 and represents about 44% of the current estimated number of 12,300 vacation rentals. The cap applies to all of the City's jurisdiction outside the Mission Beach Community Planning Area, plus no more than 30% of total units in the Mission Beach Community Planning Area. Because there will be a hard cap on the number of Vacation Rentals, a lottery system will be set up for applications. If an application is approved, the license fee will be \$1,000 and will be valid for two years.⁷

Taxes and Fees

California Statewide Overview Transient Occupancy Tax (TOT)

A total of 24 of California's 58 counties charge Transient Occupancy Tax (TOT) to Vacation Rentals, including Siskiyou County. In addition, 42 cities in California charge TOT to Vacation Rentals. This tax ranges from 5%-15% of the listing price and is collected from the guest and paid to the government entity by the Vacation Rental owner.⁸

Siskiyou County

Transient Occupancy Tax (TOT) and Tourism Business Improvement District Assessment

Vacation Rentals in Unincorporated Siskiyou County must charge a 12% TOT and a 2% Tourism Business Improvement District Assessment on the amount of rent charged, including any cleaning fees.⁹

City of Oakland, California

Transient Occupancy Tax (TOT)

In 2015, the City of Oakland commissioned a study on the impact of Vacation Rentals on affordable housing. The report demonstrated a nexus between the increase in Vacation Rentals and the shrinking supply of housing stock in the City, and recommended setting aside 11% of the 14% TOT collected from Vacation Rentals to the City's Affordable Housing Trust Fund. The City of Oakland is currently still considering a set-aside of TOT funds to affordable housing.¹⁰

City of San Diego, California

Transient Occupancy Tax (TOT) and Affordable Housing Fee

All Vacation Rentals must obtain a Transient Occupancy Registration Certificate and pay Transient Occupancy and Tourism Marketing District Taxes. The TOT rate is 10.50% and the Tourism Marketing District tax rate 0.55% of the rent charged, which is passed on to renters and paid monthly. (City of San Diego, May 16, 2022) In 2018, the Mayor of San Diego proposed a \$2.76 nightly affordable housing impact fee charged to Vacation Rental guests that would fund affordable housing production in the City. This fee continues to be considered and analyzed but has not yet been implemented.¹¹

City of Santa Fe, New Mexico

Lodger's Tax

Santa Fe charges a Lodgers' Tax of 7% of gross taxable rent on Vacation Rentals, which is passed on to renters and paid monthly. In addition, the State of New Mexico charges about 8% of gross taxable rent as an income tax. The original ordinance included exemptions for Vacation Rentals with fewer than three rooms and longer-term rentals past 30 days, but those exemptions were removed on May 28th, 2021.¹²

Vacation Rentals located in commercially zoned areas do not need a permit and are not charged Lodgers' Tax. Revenues generated from the Vacation Rental Lodgers' Tax increased dramatically from \$465,000 in 2015 to \$1.6 million in 2018, due to an increase in stays and an increase in the number of properties registering and paying the tax.¹³ In 2020, Santa Fe had an estimated population of 87,505 and hosted an estimated 1.2 million visitors. It is expected that the number of visitors will increase with the lifting of pandemic restrictions to close to the 2.1 million visitors in 2019.¹⁴

Recommendations

Menu of Potential Policies

As described in the case studies above, there are two general types of policies to further regulate Vacation Rentals: caps on numbers and locations of units; and taxes and fees.

Descriptions of the two most common types of policies that cap on numbers of units are listed and summarized below.

Overall Cap on Number of Vacation Rentals, which limits the total number that can be permitted or licensed within the jurisdiction. The number of units at which the cap is placed varies, and can be set at a fixed number, or at a percentage of total rental units, or a percentage of total housing units.

Restriction on Location of Vacation Rentals, which limits or suspends new licenses or permits within specific geographic areas of the jurisdiction.

Descriptions of tax options for Vacation Rentals are listed and summarized below.

Business Licenses or Permits and Income Taxes, which requires the Vacation Rental owner to pay an annual fee and/or tax and:

- considers Vacation Rentals as a commercial use;
- may include property inspection requirements;
- may include proof of liability insurance;
- may require that business license number is included in all advertisements as a tracking and enforcement mechanism; and
- may require licensed Vacation Rental owners to collect and pay specific taxes or fees.

Lodger's Tax or Transient Occupancy Tax (TOT), which is a tax that is usually levied on all hotels, motels and bed and breakfasts that:

- may require operators to report their earnings;
- places Vacation Rentals on the same "playing field" as bed and breakfasts and hotels;
- provides income to pay for services that are used by visitors; and
- may include a voluntary collection agreement with Airbnb and VRBO, who collects and remits Lodger's Taxes from its hosts, which Siskiyou County currently has in place; and
- may include an Affordable Housing Fee charged to renters that directly funds the production of affordable housing.

Impact Fees, which are one-time fees charged to a property owner to mitigate the specific impacts of an improvement on the jurisdiction. An Impact Fee on Vacation Rentals may be linked to the impact of the conversion of a residential unit on housing availability and affordability for local residents. An impact fee may be charged at the time a property receives a use permit and is converted from a permanent residential use to a Vacation Rental use.

Analysis of Vacation Rental Caps and Location Restrictions

In order to assess the impact of Vacation Rentals on the availability of permanent housing, the total number of vacation rentals was compared to the total number of housing units overall, the total number of rental units, and the number of rental vacancies throughout Unincorporated Siskiyou County. As shown in Figure 16 below, for Unincorporated Siskiyou County, the estimated number of Vacation Rentals that are leased throughout the year according to this study is 151, while the estimated number of total occupied units is 10,462, consisting of 7,682 owner-occupied units and 2,629 renter-occupied units, according to the U.S. Census 2019 American Community Survey. Another data source, the State of California Department of Finance, estimated the total number of occupied units as of January 1, 2021 at 10,888. The number of estimated Vacation Rental units is 1.4% of all occupied residential units, and 5.3% of all rental units, including permanent and vacation.

Figure 16: Number of Units by Type, Unincorporated Siskiyou County

	Number of Units	Percent of All Rental Units (Permanent and Vacation)	Percent of Total Units
Vacation Rental Units	151	5.3%	1.4%
Occupied Permanent Rental Units	2,629	92.7%	25.0%
Vacant Rental Units	56	2.0%	0.1%
All Rental Units (Permanent and Vacation)	2,836		27.0%
Owner-Occupied Units	7,682		73.0%
Total Units	10,518		

Sources: Airbnb, VRBO (March 14-16, 2022); U.S. Census, 2015-2019 American Community Survey

While the proportion of Vacation Rental units to all occupied residential units in the Unincorporated County is low, the proportion of Vacation Rental units to all rental units is significant given the County's extremely low vacancy rates. As shown in Figure 9, the combined vacancy rate between the Redding and Medford/Klamath Falls Regions stood at just 2.0% at the end of 2021. This would equate to about 56 vacant rental units, using the 2019 U.S. Census and Vacation Rental estimates, if the vacancy rate is multiplied by the total number of renter-occupied units and Vacation Rental units. The number of vacant rental units represents approximately one-third of the estimated of the number of Vacation Rental units in the Unincorporated County. If all Vacation Rentals converted to permanent housing, it would represent a 5.3% increase in the vacancy rate, from 2% to 7.3%. A vacancy rate of around 5% is generally considered a "healthy" rental market where there is adequate housing supply to meet demand while also generating profit for landlords. As a point of reference, the national rental vacancy rate in March 2022 was 5.6%.¹⁵

Most of the Vacation Rentals in Unincorporated Siskiyou County are concentrated around Dunsmuir, Mount Shasta, and McCloud, with 77% of all Vacation Rental units surveyed in that area. In addition, this is the part of the County where demand for housing is strongest as demonstrated by higher market rents. One indication of lower vacancy rates in the southern part of the County is that the Redding Region has a much lower vacancy rate in 2021 than the Medford/Klamath Falls Region, at 1.6% versus 2.4%. Therefore, we can assume that the number of Vacation Rentals relative to vacant units in the Unincorporated areas around Dunsmuir, Mount Shasta, and McCloud is higher than the overall Unincorporated County average.

This analysis points to the following cap or location restriction options for the Siskiyou County:

1. Cap the overall number of Vacation Rental permits in the County at a percentage of total rental units relative to the vacancy rate. The maximum number of Vacation Rental permits allowed could be a percentage of all rental units, set at two times the rental vacancy rate for the previous year. For example, the estimated vacancy rate for 2021, combining the Redding and Medford/Klamath Falls regions, was 2.0%. Therefore, the maximum allowable number of Vacation Rental Permits throughout the 2022 calendar year would be 4.0% of all rental units, or 110 units (4.0% multiplied by 2,780). In this scenario, 111 units is less than the current estimated 151 Vacation Rental units. No new permits would be issued until the vacancy rate rose to higher than 2.7%, where 5.4% of 2,780 units would calculate to 151 units.
2. Place a moratorium on permitting any new Vacation Rental permits in the Unincorporated areas around Dunsmuir and Mount Shasta, and McCloud. The rationale for this policy option would be the high concentration of Vacation Rentals in this region that is contributing to a housing shortage for people that live and work locally. The moratorium would address this problem while still providing homeowners in areas with lower concentrations of vacation homes the option of converting to short-term rentals, providing homeowners an income option in areas with less economic activity.
3. Place a cap on the countywide number of Vacation Rentals, while also placing a moratorium on permitting any new Vacation Rentals in the Unincorporated areas around Dunsmuir and Mount Shasta, and in McCloud. Under this policy, a limited number of new Vacation Rental permits would be allowed, but only in areas outside of the Unincorporated areas around Dunsmuir, Mount Shasta, and McCloud.

Analysis of Tax Options

Taxes may fund activities that address the adverse impacts of Vacation Rentals on the community. Two categories of adverse impacts are outlined below:

- Negative operational impacts, which may include: more people placing strains on local public services than would typically inhabit permanent housing; noise; traffic; and fire and other public safety risks, among others.
- Impacts to the availability of affordable housing, including fewer available units to own or rent, and higher prices for units due to limited supply.

With regard to operational impacts, Siskiyou County has a comprehensive permit review process in place as described in the Siskiyou County Regulatory Oversight section of this study. However, the County does not have a licensing process in place that involves regular inspections. The County currently relies on residents to report permit violations. An annual license fee and/or other tax could fund enforcement of the

Vacation Rental ordinance. An annual license fee of \$500 would generate an estimated \$75,500 for a licensing and monitoring program.

With regard to impacts on the availability of affordable housing, below is a listing of tax and fee options worth exploring to fund the production of affordable housing.

- Dedicate a portion of TOT revenues to an affordable housing trust fund. This has been considered by various jurisdictions, including San Diego, San Francisco, Oakland, and Seattle, but has not yet been implemented in any of these jurisdictions. The City of Oakland has considered dedicating 11% of the 14% TOT on rent charged to affordable housing. Siskiyou County may want to implement a much more modest set-aside, such as 1%-5% of the TOT.
- Charge an impact fee as part of the use permit approval process. This would be a one-time fee that would have a nexus to the affordable housing need created by converting a residential unit to short-term use.
- Charge an Affordable Housing Lodger's Tax that would be a fixed charge per night rented that would direct the revenues to an affordable housing trust fund.

In order to arrive at an appropriate annual funding level for affordable housing, an assessment of housing needs is necessary. Figure 17 below shows the following estimates for Unincorporated Siskiyou County: the number of households earning less than \$35,000 annually, the number of renter households paying greater than 30% of income to housing costs, the number of renter households paying greater than 50% of income to housing costs, and the number of publicly subsidized rent-restricted housing units. Households earning \$35,000 can generally afford rents up to about \$875, assuming that 30% of income is paid to housing costs, which is less than the estimated 2021 average asking rent of \$922 for Siskiyou County. Households earning \$25,000 can generally afford rents up to \$625, which is much less than the estimated 2021 average asking rent of \$922 for Siskiyou County.

Figure 17: Low-Income Households Relative to Publicly Subsidized Rent-Restricted Units, Unincorporated Siskiyou County

	Number of Households
Households Earning < \$35,000	3,226
Renters Paying > 30% of Income to Housing Costs	949
Renters Paying > 50% of Income to Housing Costs	427
Subsidized Housing Units	60
Unmet Need for Households Earning < \$35,000	3,166

Sources: California Department of Housing and Community Development, 6th Cycle Housing Element Data Package, 2021; PolicyMap, 2022; Siskiyou County Health & Human Services Agency, 2022; U.S. Census Bureau, 2015-2019 American Community Survey

The households with the greatest need for below market-rate rents pay greater than half of their income to housing costs, and there are an estimated 427 households in this category in Siskiyou County. In order to provide affordable housing for these households, it would require 427 additional publicly subsidized housing units. California State Law has established eight-year planning periods for General Plan Housing Elements in which each jurisdiction must demonstrate progress in meeting housing production goals. If the eight-year planning period is used as the timeframe for producing the 427 additional publicly subsidized housing units, 53 units would need to be funded each year.

To estimate the cost to support publicly subsidized rent-restricted housing, three projects in northern rural California that are currently in development were analyzed. They included one 49-unit project in Siskiyou County, a 61-unit project in Tehama County, and a 41-unit project in Tehama County. These projects have long-term covenants that keep rents affordable to households earning less than 50% of Area Median Income, which is \$35,100 for a family of three in Siskiyou County.

Based on an analysis of these three projects, the average total development cost is \$460,447 per unit, inclusive of land, construction, capitalized reserves, soft costs, and developer overhead. These three projects require an average of \$115,000 per unit (or 25% of total funding sources) from local and state sources, in what is called “gap financing”. While it varies by project, the funding data from these projects indicate that about 10% of funding comes from local sources and about 15% comes from state sources, on average. The rest of the funding comes from Low Income Housing Tax

Credits, commercial loans, and developer equity. County funding for 53 units, at \$46,000 per unit, would require \$2,438,000 each year.

In order to estimate the revenue generating capacity of Vacation Rentals, annual income was estimated for each of the 151 units that was surveyed. In order to estimate annual income, it was conservatively assumed that the units are leased half of the year, as indicated in interviews with Vacation Rental owners and leasing agents conducted for this study. Based on these assumptions, it is estimated that Vacation Rentals in Unincorporated Siskiyou County receive about \$7,829,000 in rental income annually. The estimated TOT generated from that amount is \$939,480, at 12% of rental income. A dedication of 1%-5% of the TOT revenues directed to an affordable housing trust fund would range from \$9,395 to \$46,974 annually. This amount is far less than what would be required to meet the County's affordable housing needs. In addition, redirecting TOT revenues would create general fund shortfalls for other County services.

Another option for funding affordable housing is charging a flat fee to guests for each night stayed in a Vacation Rental. If the 151 units surveyed averaged 182 nights each year, the total estimated nights stayed would be 27,482. In order to fully meet the need of \$2,438,000 in annual revenue, guests would need to be charged \$88 for each night of stay. A more modest charge of \$20 per night would generate \$549,640 annually. This would fund about 12 affordable units each year, at a subsidy of \$46,000 per unit. Funds could be saved over 2-3 years to support a 20–40-unit development.

Another option for funding affordable housing is charging a one-time impact fee, required to be paid in order to issue a Vacation Rental use permit. County records show that from 2019-2021, 18 Vacation Rental use permits were issued, for an average of six each year. In order to generate the full \$2,438,000 needed for affordable housing, \$406,333 would need to be charged for each permit, which would pose an excessive financial burden on the applicant for just one unit. Even 10% of that amount, or \$40,633, would likely be considered a financial hardship on the applicant.

Policy Recommendations

As described in the Analysis of Vacation Rental Caps and Location Restrictions section above, the number of Vacation Rentals in the Unincorporated County presents a significant impact on the availability of housing. There are about three times more Vacation Rentals than vacant rentals in the market. Conversion of all Vacation Rentals to permanent housing would more than triple the vacancy rate, from 2% to 7.3%. The impact of Vacation Rentals on housing availability is most acutely felt in the unincorporated areas around Dunsmuir and Mount Shasta, and in McCloud.

As described in the Analysis of Tax Options section above, implementation of a Vacation Rental licensing program could help maintain compliance with use permit requirements. The Vacation Rental owner would be required maintain the license to operate, which would require passing an annual inspection and payment of an annual fee. The license fees would support the monitoring and licensing program.

Also described in the Analysis of Tax Options section above is an assessment of means to fund the production of affordable housing through dedication of TOT, an affordable housing lodger's tax, and a one-time impact fee charged at use permit approval. It was determined that the dedication of TOT would not generate adequate revenue to adequately address affordable housing needs, and would divert general funds from other vital County needs. The one-time impact fee would also generate inadequate revenue to meet affordable housing needs, and also place a large financial burden on the applicant. The nightly flat fee lodger's tax is not overly burdensome as it is a small fee passed on to the lodger that would also generate income that significantly addresses the affordable housing shortage.

Based on these findings, the following policies are recommended for implementation by Siskiyou County:

1. Remove the requirement that Vacation Rentals must be located on properties that are 2.5 acres or larger in size.
2. Limit the number of Vacation Rental permits to no more than two times the estimated number of rental vacancies in Unincorporated Siskiyou County at the end of the previous calendar year. (Alternative language to clarify: Freeze the issuing of new Vacation Rental permits if the number of current Vacation Rental permits is more than two times the estimated number of rental vacancies in Unincorporated Siskiyou County at the end of the previous calendar year.) This "Vacation Rental Cap" would be calculated by taking the average combined vacancy rate for the previous calendar year from the Shasta and Medford/Klamath Falls REIS reports, multiplying that percentage by two, and multiplying the resulting percentage by the combined number of renter-occupied units as estimated by the most recent U.S. American Community Survey and the estimated current number of Vacation Rental units. An alternative means to calculate the previous year vacancy rate would be to commission a county-specific market study. Using this formula for 2022 using end of calendar year 2021 data, the Vacation Rental cap would be 111 units, which is 40 fewer units than the current estimated number of Vacation Rental units. If the Vacation Rental Cap is less than the current number of Vacation Rental use permits, no new use permits would be allowed for that calendar year, while currently licensed Vacation Rentals could continue operating. The rental vacancy rate would need to rise higher than 2.7% to increase the allowable number of Vacation Rental permits beyond the currently estimated number of 151 Vacation Rental units.
3. Place a moratorium on issuing new Vacation Rental permits in the Unincorporated areas around Dunsuir and Mount Shasta, and in McCloud. The market dynamics in this region could be monitored annually to determine whether the moratorium should be lifted.

4. Implement a licensing and monitoring program, funded by an annual fee of around \$500 to renew a Vacation Rental license. The monitoring program would include an annual inspection of the property by County staff.
5. Implement a \$20 per night flat fee Lodger's Tax that would be paid by Vacation Rental guests to the Vacation Rental owner. This generated revenue would fund the development of affordable rental housing in the Unincorporated County.

Endnotes

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