January 13, 2023

Siskiyou County Planning Commission
806 S Main Street
Yreka, CA 96097

RE: Resolution PC 2022-025 and Supporting Staff Report

Members of the Planning Commission:

We are submitting our comments today as a unified group of short-term rental (STR) owners and property managers who own and/or manage eighteen homes in the County of Siskiyou jurisdiction, specifically in the McCloud region of the county. All of the homes we own or manage have STR Conditional Use Permits issued by the County of Siskiyou. We all are compliant with our conditions, we maintain our County Business Licenses and pay our TOT and TBID which is a total of 14% of our rental income.

As a group, we have met and discussed and reviewed the Planning Commission's Resolution PC 2022-025 and supporting Staff Report and document entitled "Vacation Rental Analysis of Siskiyou County" (hereafter "Vacation Rental Report"), and are supplying the following input and recommendations based on our collective knowledge and expertise as concerned small business owners and residents of McCloud. We respectfully request that the Commission consider and respond to our comments and recommendations before taking any action on Resolution PC 2022-025.

As STR owners and managers, we know first-hand the importance of tourism in our community. In years past, the town of McCloud thrived, providing jobs with the mills and railroad. When those industries left, the town easily could have been shuttered and abandoned like so many other small towns. Instead, it has earned a reputation as a scenic and charming venue for weddings, festivals, and reunions. We are also the closest town in proximity to Mt. Shasta Ski Park. It is vital for our local economy to provide accommodations for visitors. The town provides a menu of options for guests, and they can book the option that suits them best - boutique hotels, RV camping, B&Bs, and STRs. Guests support other businesses in the community by bringing their dollars to restaurants, recreation, groceries, and gas.

Knowing that the success of our town directly affects the success of the STR business, owners/managers support and contribute to the community. STR owners hire locals to provide services like housekeeping and landscaping and the occasional maintenance, repair or construction project. Due to the nature of the business, STRs are usually well maintained and preserve the historic charm of the town. Being only occupied part-time, these homes demand less local services and resources than full-time rental homes.

Comments on Vacation Rental Report

We all agree that the housing shortage that continues to plague California and many areas across the country is a complex problem with multiple interacting contributing factors. However we do not agree that the existence of STRs has added to this shortage, at least not in this County. We don't see these issues as related in any way.

Underlying the Vacation Rental Report is a clear presumption that STR and long-term rentals are somehow equivalent and interchangeable enterprises, and that by limiting one sector the other will automatically increase. In response to this presumption and what we see as a flawed analysis in the Vacation Rental Report, we offer the following comments:

The Vacation Rental Report's analysis concludes that STRs are far more lucrative for the owners than long-term rentals, based on inaccurate assumptions and data. First, the Report generates its STR income figures by extrapolating advertised weekly rental rates to monthly revenue assuming 100% occupancy with no correction for actual occupancy figures[1]. Not only would 100% occupancy be contrary to the County's ordinance for a STR, but this assumption fails to consider the realities of STR operation nor the reasons for the significant difference between the two types of rentals. For example, the Report does not consider the down time of at least 1-2 days between each guest needed to allow for cleaning and prep of the entire home for the following rental, and longer periods for larger maintenance items and repairs, plus any time that the owners themselves, or their friends or family, spend rent-free at their homes. Furthermore, like all tourism-based businesses, short-term home rentals are subject to the vagaries of tourist demand; tourists primarily book holidays, weekends and days adjoining weekends, which leaves mid-week days frequently unbooked. In addition, certain times of the year will show low or no bookings due to poor weather or inclement conditions. STR business can (and does) dry up when local wildfires lead to smoky air, or when snowfall is lacking during ski season, but these conditions generally do not impact long term rental viability. Any STR that achieves 40% occupancy would be considered *highly* successful in this County, and to our knowledge there are no STRs in McCloud that have consistently reached this level.

Also, the Report focuses solely on revenue without considering expense. There are numerous expenses incurred by STR owners/operators that do not exist or are less frequent among long-term rentals. These include house cleaning and maintenance between guests, property maintenance, snow clearing, utilities, replenishment of consumables such as paper products, certain food staples and cleaning supplies, as well as items such as bed and bath linens, dishes and cookware and furniture needed to keep the home in pristine condition. In long-term rentals such costs either do not exist or are normally borne by the renter. In addition, operating a successful STR business requires continuous promotional expense including fees paid to booking services such as AirBnB or VRBO, and outreach to attract new guests from well outside the County. Rather than the "clear financial incentive" stated in the Vacation Rental Report[2], in our experience the main incentive for operating a STR is to help defray the costs of owning a

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[1] See Oct. 19 2022 Planning Commission Staff Report p. 18-19 of 49
[2] See Oct. 19 2022 Planning Commission Staff Report p. 30 of 49

second home in a beautiful location like McCloud. For a number of reasons which we will not address here, should the operation of STRs become prohibitively costly or inconvenient, none of us would consider converting our homes to long-term rentals.

<u>Response to Vacation Rental Report recommendations</u>

In response to the proposed changes to the STR ordinance, which includes adding a $20 per night Lodger's Tax payable by guests, a new $500 annual license renewal fee, and a proposed cap on new permits based on based on the number of long term rental vacancies in unincorporated areas, please consider the following comments:

We unanimously oppose the $20/night Lodger's Tax. We already are taxed a total of 14% between the TOT and TBID, which in total is already in line with taxation in other jurisdictions considered by the Vacation Rental Report. Using the Report's own figures for average weekly rent per bedroom[3] (divided by 7 to obtain nightly rate), we estimate the Lodger's Tax to add from 5.5% of rental cost for a 3-bedroom home to 8.3% for a 2-bedroom home, which with TOT/TBID would bring total tax to 20% and more. Additionally, the flat fee means that the Lodger's Tax falls disproportionately on those guests who choose lower cost rentals or who may be unable to pay for higher cost rentals. It may be argued that because the tax is paid by the guest it will not affect the owner. This argument ignores the fundamental nature of the business, which is competitive. A higher rate to the guest means STRs will be less competitive to other types of tourist lodging within the County, and to STRs outside the County. Tourists are free to go wherever they wish, and cost of lodging will always be a consideration in their choice. Thus higher STR tax will lead to fewer rentals, hence fewer tourist dollars spent in the County, fewer jobs supporting tourism (especially those supporting STRs), and so on.

Increasing taxation on a single segment of small business to address affordable housing needs in the County is punitive and unjust. As discussed above, the analysis concluding that STR owners can "afford" to pay is seriously flawed, and the premise that this segment of the tourism industry should foot the bill alone for affordable housing has not been justified. With prices of everything from cleaning services, supplies, fuel and wood for heating, specialized STR insurance, and services for snow removal, lawn care and other home maintenance and repairs, we are already struggling to keep up with the costs of running our businesses. We can not keep passing the added costs on to our guests, or they will simply find somewhere more affordable to stay, which would be detrimental to our community as our economy relies on tourism.

In response to the $500 annual inspection fee, while we support the idea of periodic inspections to ensure compliance with terms of STR property permits, we find that $500 annually and annual inspections to be onerous and excessive, especially when the County currently levies no such fees. See below for our alternative recommendation.

Finally, we oppose any cap on new permits being issued, because we feel that natural free market competition, like within any industry, will work out how many rentals an area can sustain.

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[3] See Oct. 19 2022 Planning Commission Staff Report. Figure 1 p. 19 of 49.

We don’t believe that capping any certain type of business in a community is ideal for the local economy.

Alternative recommendations

We respectfully recommend the following alternative measures be implemented, to enable the County to monitor compliance with terms of the STR ordinance, and to generate funds to address affordable housing in a more reasonable manner:

- Instead of a $500 fee and annual inspections, we propose a $100 Renewal Fee to be paid to the County annually, to fund inspections no more frequently than every 3 years on actively rented homes. It is important that the detailed purpose of these inspections be clearly spelled out in any ordinance, and that such inspections focus on each property’s STR Permit conditions *at the time of Permit issuance*. These fees and inspections should also be used to create and maintain a database of active STRs in the County.
- When a home sells that has a Conditional Use Permit for a Short Term Rental, we recommend the County charge a $3,000 Transfer Fee to the buyer in order for the Permit to be transferred to the new owners. If the new owner chooses not to transfer the permit, then it would be removed from the property deed. Such fees may be earmarked for affordable housing initiatives. While such a fee may discourage a few buyers, we believe it would not be considered excessive for prospective buyers wishing to acquire properties for STR operation.
- We recommend adding a fee of $500 to the cost of applying for a new Conditional Use Permit as an Affordable Housing Supplemental Fee. This would mean that the more permits that are issued, the more funds will be raised for affordable housing initiatives.

Questions for the Planning Commission

1. If an annual STR license renewal fee of $500 or any amount were imposed, given that the Conditional Use Permit for any STR is attached to the property’s deed, what would be the consequence of failure to pay a renewal fee, and how would that be enforced?
2. Regarding the proposal to freeze the issuance of new STR permits based on the number of long-term rental vacancies in the prior calendar year, where does data on long-term rental vacancies in the County currently reside, how is it collected, and can it be inspected or audited by the public?
3. Regarding the proposal for continued moratorium on STR permits, what are the “market dynamics” to be monitored, and what specific data and /or circumstances would lead to lifting of the moratorium?
4. Are any other businesses in Siskiyou County going to be levied with additional taxes/fees to help fund the affordable housing projects? If not, then we would like to ask why are STRs the only small business sector being considered with these new additional taxes/fees?

5. Why hasn't the Planning Commission considered redirecting a portion of TOT already being collected to address affordable housing, as the City of Oakland is considering per the Vacation Rental Report case studies?

We thank the Planning Commission for its serious consideration of our comments, and we look forward to working more closely in partnership with the Commissioners to find appropriate balance in supporting the County's economic goals with a vibrant tourism industry, while addressing the serious issue of affordable housing.

Respectfully submitted,

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