

# Revenue Analysis for Non-Coastal Short Term Rental Results

---



matrix#  
consulting group

# Scope of Services

---

- ◆ Calculate the potential revenue impacts should the ballot measure limiting short-term rentals to the coastal and commercial zones be adopted in November on:
  - Transient Occupancy Taxes (TOT)
  - User Fees
- ◆ Project potential revenue impacts should a revenue measure increasing Transient Occupancy Taxes (TOT) be proposed and adopted.



# Introduction

- ◆ The City currently permits Short-Term Rentals (STR) in residential zones in coastal and non-coastal areas.
- ◆ In FY18 the City issued licenses for coastal, commercial, and non-coastal STR's. Starting in FY20, the number of licenses is expected to decrease due to the density limitations:

License Zone	FY18 Licenses	FY19 Licenses	FY20 Licenses
Coastal	74	74	52
Commercial	13	13	10
Non-Coastal	169	169	143

- ◆ A ballot initiative has been proposed for the November ballot that would amend the City's General Plan and Municipal Code, prohibiting STR's in every residential zone outside the coastal zone.



# Impact of Eliminating STR's

- ◆ If the proposed ballot measure passes, it would go into effect in FY21.
- ◆ The City can expect to lose approximately \$1,252,054 in revenue beginning in FY2020 Should the measure pass:

Revenue Category	FY 2021 Revenue Impact
TOT Residential – Non-Coastal Elimination	(\$1,129,731)
User Fees	(\$122,323)
<b>Total Potential Revenue Impact</b>	<b>(\$1,252,054)</b>

- These numbers assume that occupancy rates remain steady.
- Account for a 1% annual economic increase based on the Peninsula CPI.
- This does not take into account impacts to sales tax revenue.



# TOT Revenue Offset - Option 1

- ◆ Along with eliminating STR's in Non-Coastal Zones, the City could try to offset revenue impacts by increasing the TOT.
- ◆ If the City eliminated STR's and adopted a TOT increase of 2% for Commercial and Residential, the impact for FY21 would be:

Revenue Category	FY 2021 Revenue Impact
TOT Residential – Non-Coastal Elimination	(\$1,355,677)
User Fees	(\$122,323)
TOT Increase of 2%	\$931,776
<b>Total Potential Revenue Impact</b>	<b>(\$546,224)</b>

- These numbers assume that occupancy rates remain steady.
- Account for a 1% annual economic increase based on the Peninsula CPI.
- This does not take into account impacts to sales tax revenue.



# TOT Revenue Offset - Option 2

- ◆ Along with eliminating STR's in Non-Coastal Zones, the City could try to offset revenue impacts by increasing the TOT.
- ◆ If the City eliminated STR's and adopted a TOT increase of 2% for Commercial properties, and a 5% increase for Residential properties, the impact for FY21 would be:

Revenue Category	FY 2021 Revenue Impact
TOT Residential – Non-Coastal Elimination	(\$1,694,596)
User Fees	(\$122,323)
TOT Increase of 2%	\$1,085,969
<b>Total Potential Revenue Impact</b>	<b>(\$730,950)</b>

- These numbers assume that occupancy rates remain steady.
- Account for a 1% annual economic increase based on the Peninsula CPI.
- This does not take into account impacts to sales tax revenue.



# Other Possible Impacts

- ◆ Should the November ballot measure pass, and all non-coastal STR's are eliminated, the City could see other revenue impacts:
  - **Reduction in Sales Tax:** There is a significant likelihood that the City would lose sales tax revenue associated with Food, Fuel, Restaurants, and General Consumer Goods.
  - **Increased Enforcement Costs:** In order to ensure that STR limits are being complied with, the City would likely need increase its code enforcement, either through additional staff or by using an outside agency.
- ◆ The exact impacts relating to sales tax revenue loss, or additional code enforcement costs could not be reasonably estimated in this report, as there are too many variables.



# Questions and Comments

---

