

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)
Total Potential Revenue Impact	(\$1,252,054)

- 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
Total Potential Revenue Impact	(\$546,224)

- 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
Total Potential Revenue Impact	(\$730,950)

- 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

