



LAND USE SERVICES DEPARTMENT

# Housing Element Program 4

SHORT-TERM RENTAL STUDY



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# BACKGROUND

- County's Housing Element approved by the Board of Supervisors / certified by the State in Fall 2022
  - 2021-2029 planning period (6<sup>th</sup> cycle update)
  - Address the housing needs of existing and future unincorporated county residents
  - Provide for a variety of housing options affordable to a range of households
  
- Housing Element Program 4 (Short-Term Rentals (STRs)) intended to evaluate whether STRs are negatively affecting the housing market
  - Conduct a study, including community outreach
  - Consider a recommendation for an interim cap by March 2023 as study continues
  - Establish and implement strategies based on the study's findings

# SHORT TERM RENTAL STUDY

TECHNICAL MEMO (PLACEWORKS); STR DATA & HOUSING STUDY (GRANICUS)

- Determine study area (unincorporated Mountain / East Desert communities)
- Identify number/location of STRs
- Research relevant housing trends
- Conduct interviews and community meetings
- Evaluate effects of STR activity on housing market
- Case studies on housing affordability and STR programs
- Additional analysis of six key factors

# KEY FINDINGS

## **COVID-19 Pandemic Impact:**

- Retirees and remote workers gravitated towards lower-cost, rural unincorporated Mountain and East Desert communities during the pandemic.
- Surge in prices attributed to increased demand, historical statewide housing shortage, and inability to expand local housing supply due to lack of sewer infrastructure.

## **STR Dynamics:**

- STR demand and supply increased notably during the pandemic.
- Activity declined in Mountain communities but remained high in the East Desert.

## **Effects on Housing Market:**

- Rise in STR demand and rates elevated the value of second homes for STR purposes over long-term rentals.
- Owners also benefited from seasonal use opportunities.

## **Displacement Considerations:**

- Limited evidence of displacement from STRs in most communities.
- Existing residents potentially replaced by buyers or tenants willing to pay higher prices.

## **Joshua Tree Impact:**

Data and analysis of key factors indicates that STR activity is negatively affecting the long-term ownership and rental housing market in Joshua Tree.

# COMMUNITY OUTREACH

- CONDUCTED FOUR IN-PERSON MEETINGS
  - August 1: Crestline (60)
  - August 3: Twin Peaks (60)
  - August 24: Joshua Tree (130)
  - September 21: Big Bear (50)
- CORRESPONDENCE (200 Emails)
- PARTICIPANT FEEDBACK:
  - Each community is unique.
  - All communities are experiencing ongoing nuisance issues relating to noise, parking, and trash that degrade the neighborhood feel.
  - STR income is needed for some owners to stay in their homes, particularly due to a rise in insurance premiums increasing costs for existing and new homeowners.

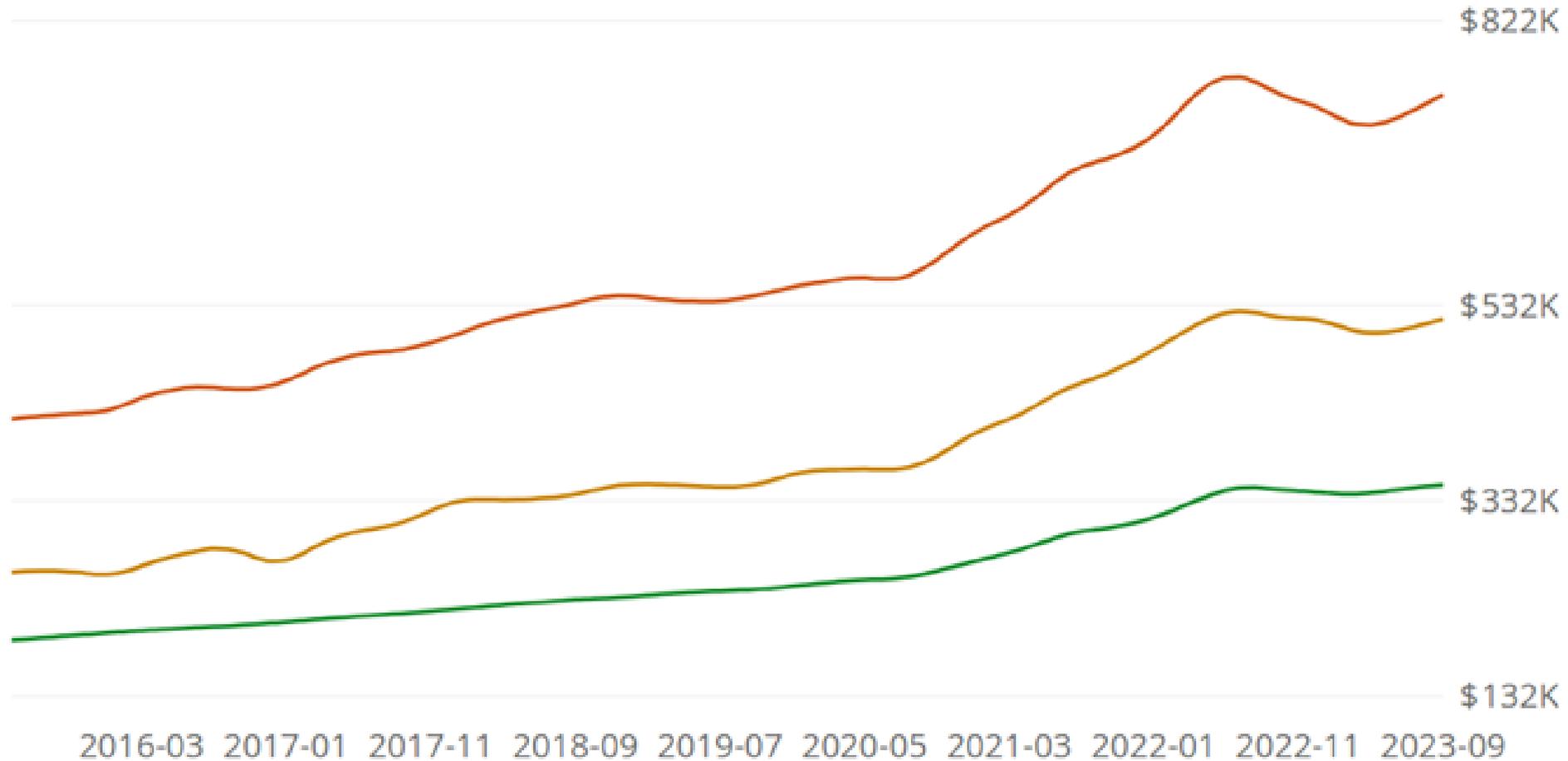


**300**  
TOTAL ATTENDEES

● ● ●

# HOUSING VALUE TRENDS IN CALIFORNIA (2016 - 2023)

United States CA San Bernardino County



# STR ACTIVITY

**2021:** Surged following the end of domestic and international travel restrictions.

**2022:** Peaked in July, with 7,749 units.

**2023:** Signs of slowing, with the latest peak (6,395 as of September), well below 2022 levels.

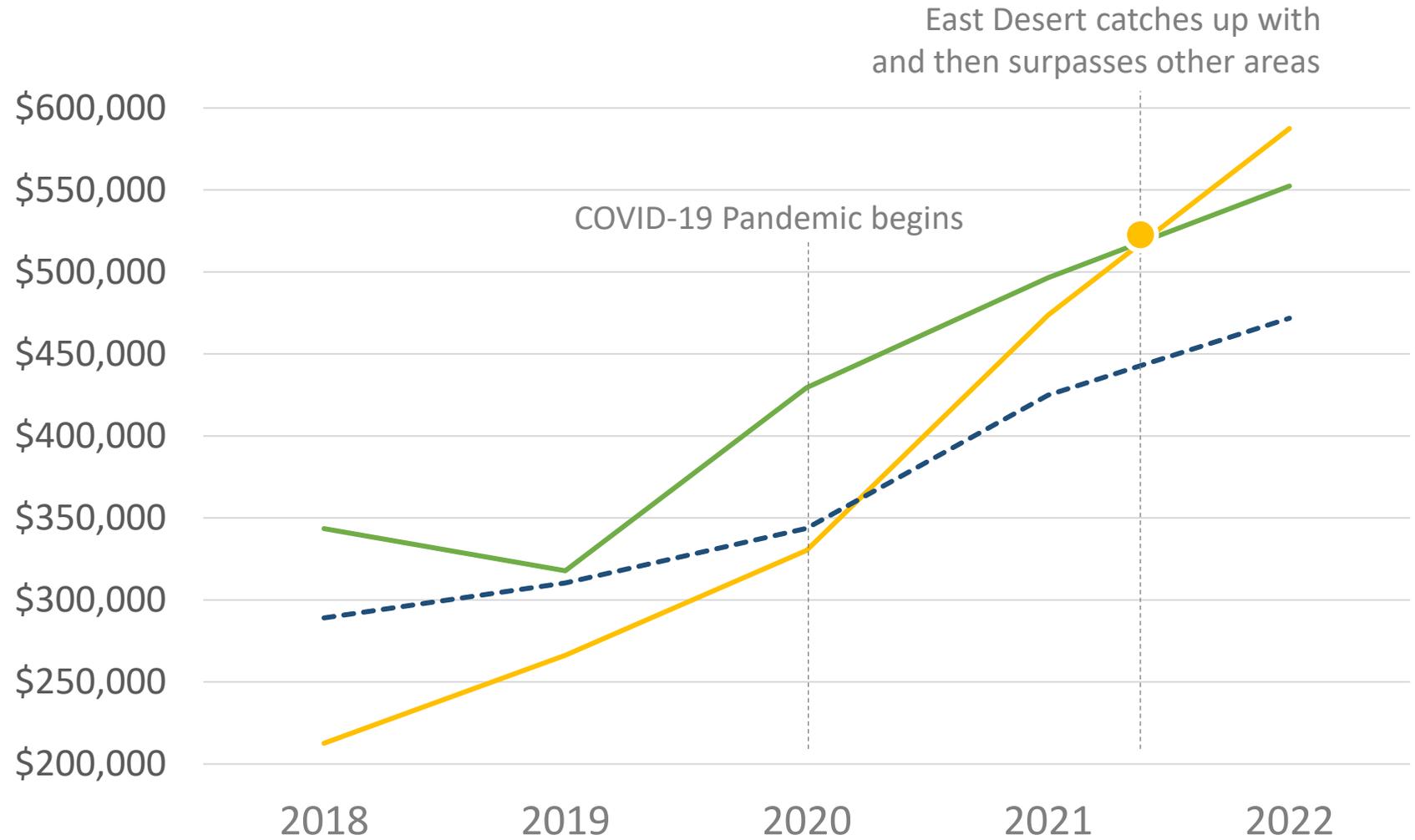


— STR Rental Units

# SALES PRICES OF STRs 2018-2022

- Short-Term Rental (STR) properties generally command higher sale values than other single-family homes (SFHs).
- Attributed to superior condition, larger size, and prime locations of STR properties.

— Mountain STR  
— East Desert STR  
- - - SBC SFH Median



# PERCENTAGE OF MOUNTAIN HOMES BY OCCUPANCY (2010 VS 2022)

Big Bear City

Lake Arrowhead

Crestline

2010

2010

2010



2022

2022

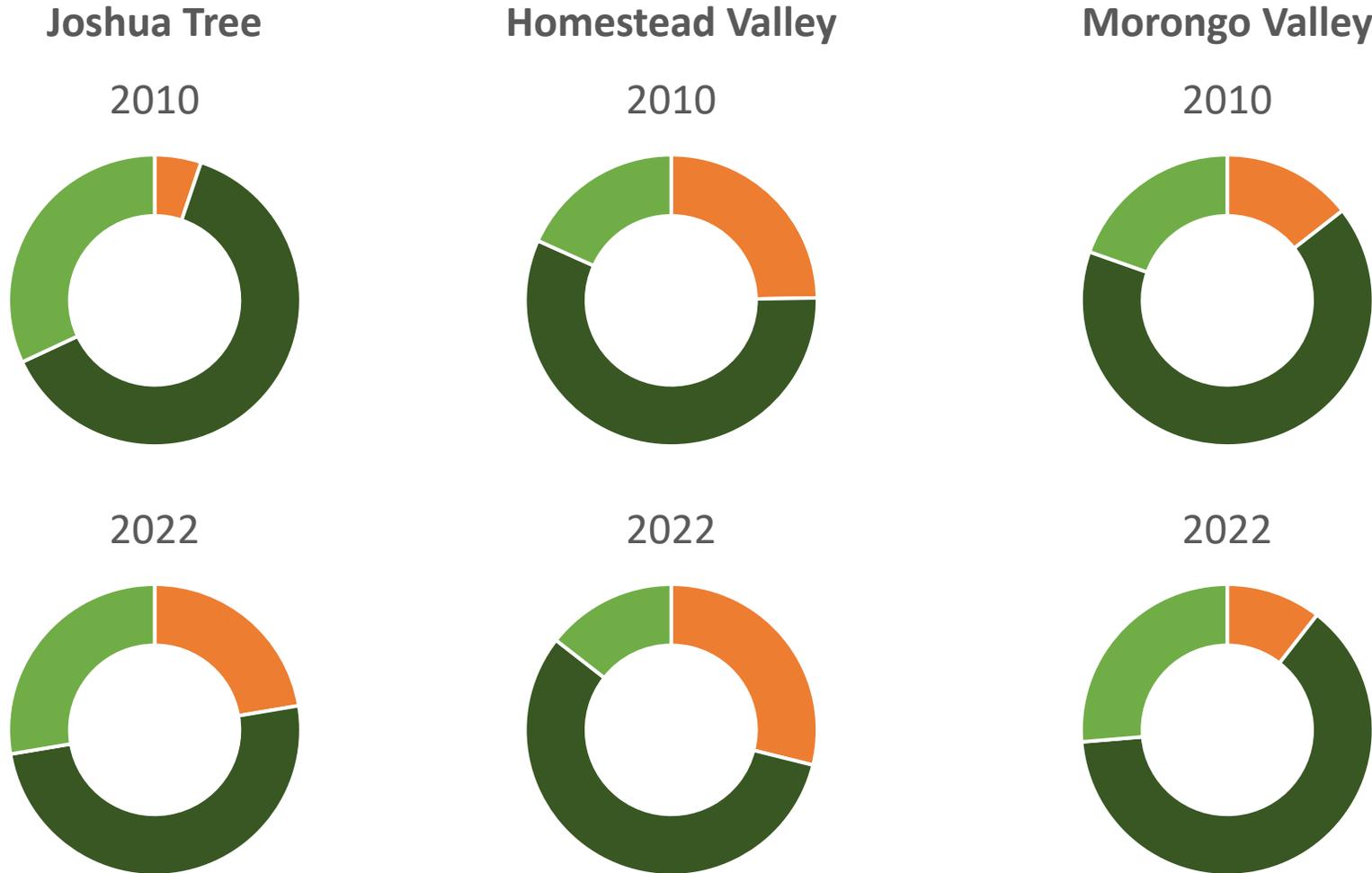
2022



Occupancy patterns in the Mountain region remained stable from 2010 to 2022, with notable changes observed in Crestline and Lake Arrowhead where some vacation/second homes have transitioned into year-round units (both owner and renter).

-  Vacation/2<sup>nd</sup> homes
-  Year-round owner
-  Year-round renter

# PERCENTAGE OF EAST DESERT HOMES BY OCCUPANCY (2010 VS 2022)



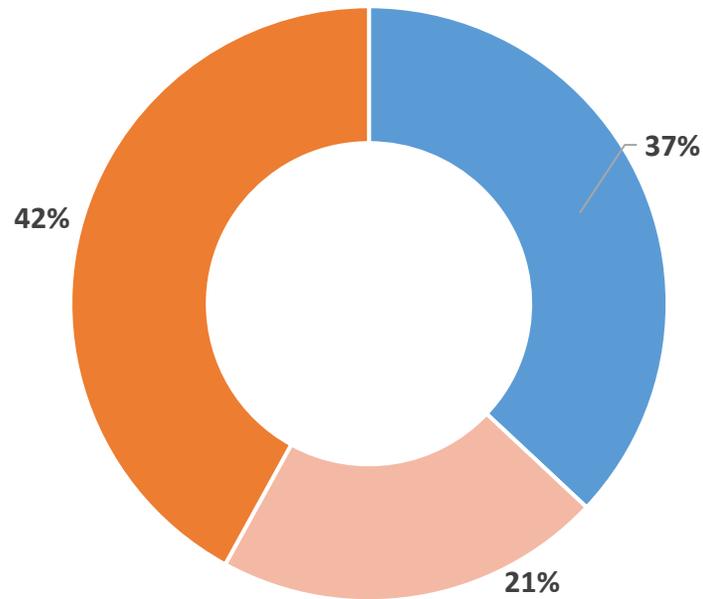
Occupancy trends in the East Desert region remained consistent from 2010 to 2022, except in Joshua Tree where some owner- and renter-occupied units have shifted to vacation/second homes.

-  Vacation/2<sup>nd</sup> homes
-  Year-round owner
-  Year-round renter

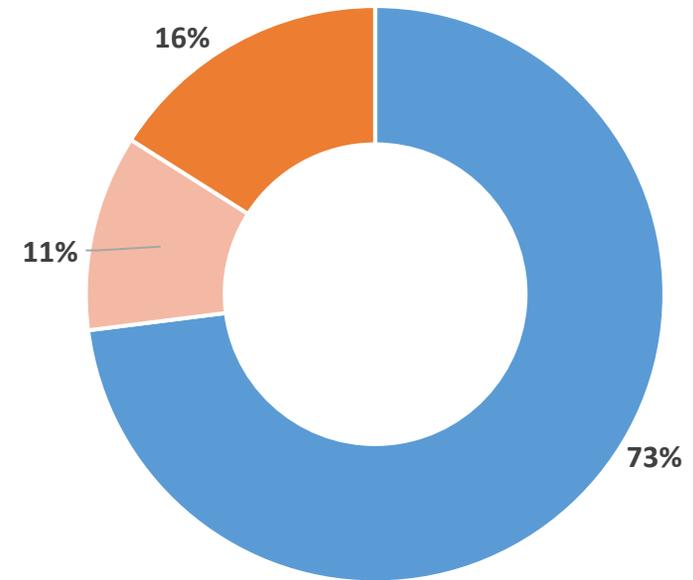
# New Construction and Short-Term Rental Permits

December 2019 – May 2024

Joshua Tree



Other Study Area



STR permit < 6 mo.      STR permit > 6 mo. later      Non-STR

## ADDITIONAL ANALYSIS - SIX KEY FACTORS

Factors indicating where STRs are more likely to negatively impact housing supply and affordability:

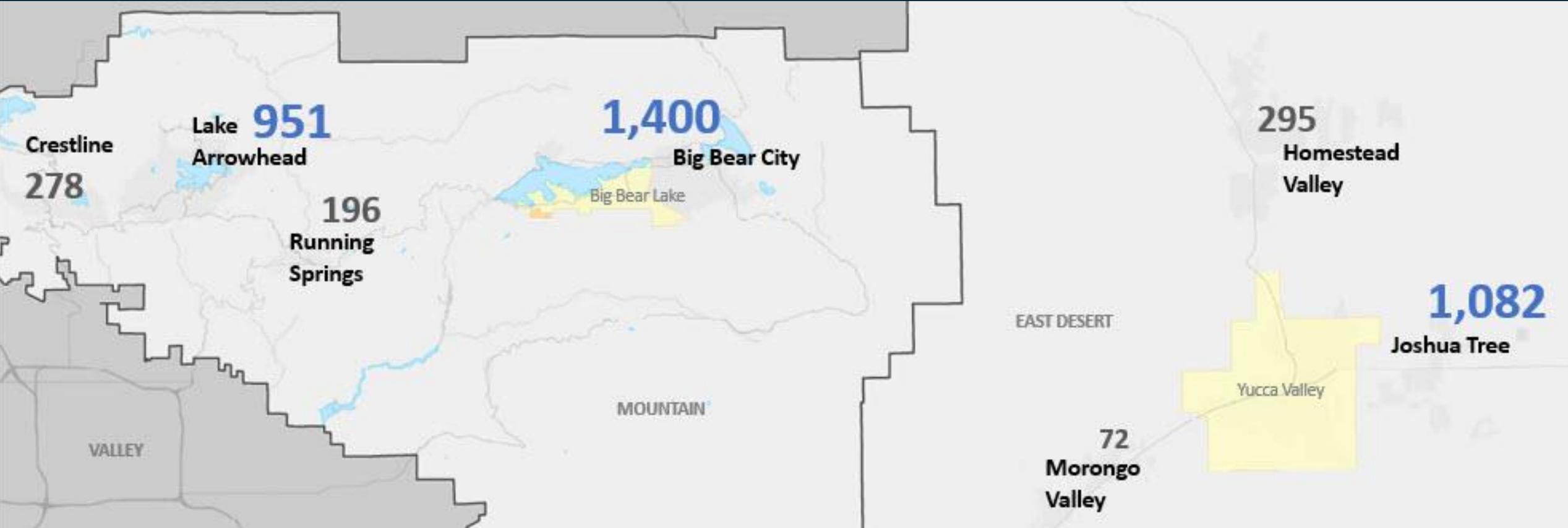
1. **Community History:** Areas with a longstanding year-round community presence.
2. **STR Compared to Overall Housing Supply:** High concentration of STRs, especially in comparison to total housing stock.
3. **Vacation Homes:** Increasing rate of vacation home ownership.
4. **Year-round Renters:** Decline in the number of year-round renters.
5. **Year-round Housing Supply:** Low availability of housing for sale or rent.
6. **Highly-active STRs:** Abundance of STRs rented for 60+ nights per year, offering greater value to homeowners compared to long-term rentals.

# 1. COMMUNITY HISTORY

The influence of STR activity on the housing market is more pronounced in communities lacking a longstanding tradition of seasonal housing.

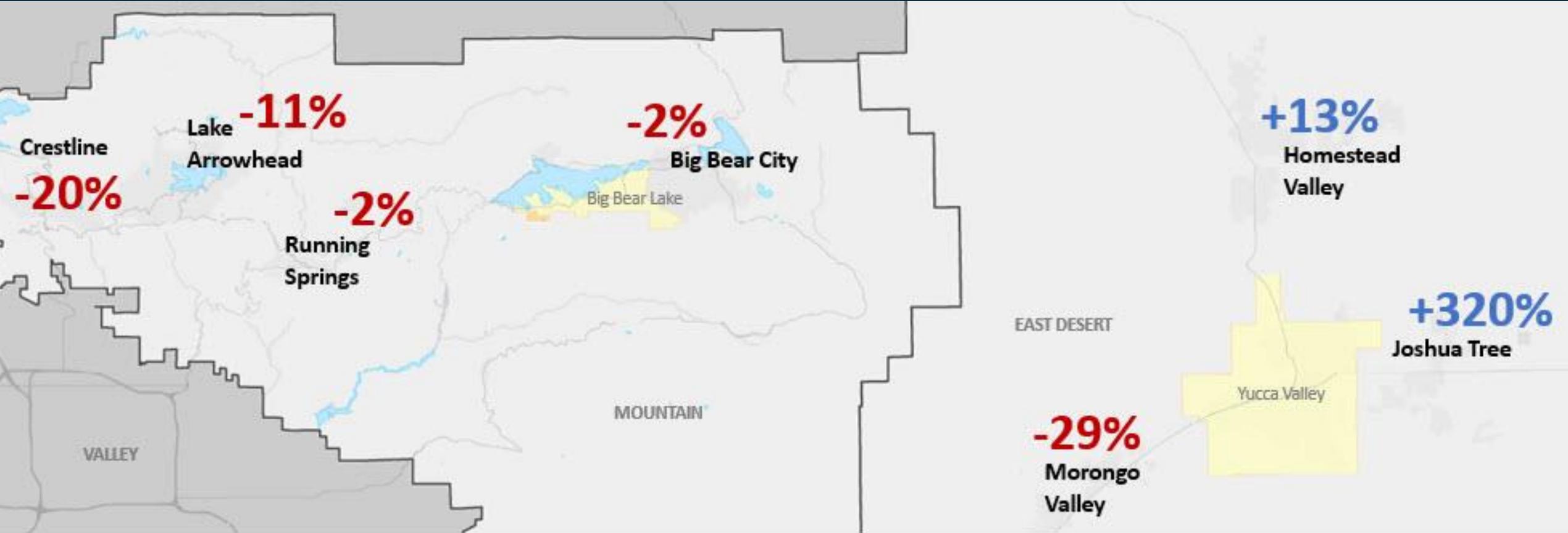
- The Mountain region, established in the early 1900s, primarily serves as a seasonal recreation destination and remains predominantly comprised of second homes and resort properties.
- While certain areas in the East Desert region, such as Pioneertown, began as short-term destinations, the majority evolved into small, remote year-round residential communities, including Joshua Tree.

## 2. STRs COMPARED TO OVERALL HOUSING



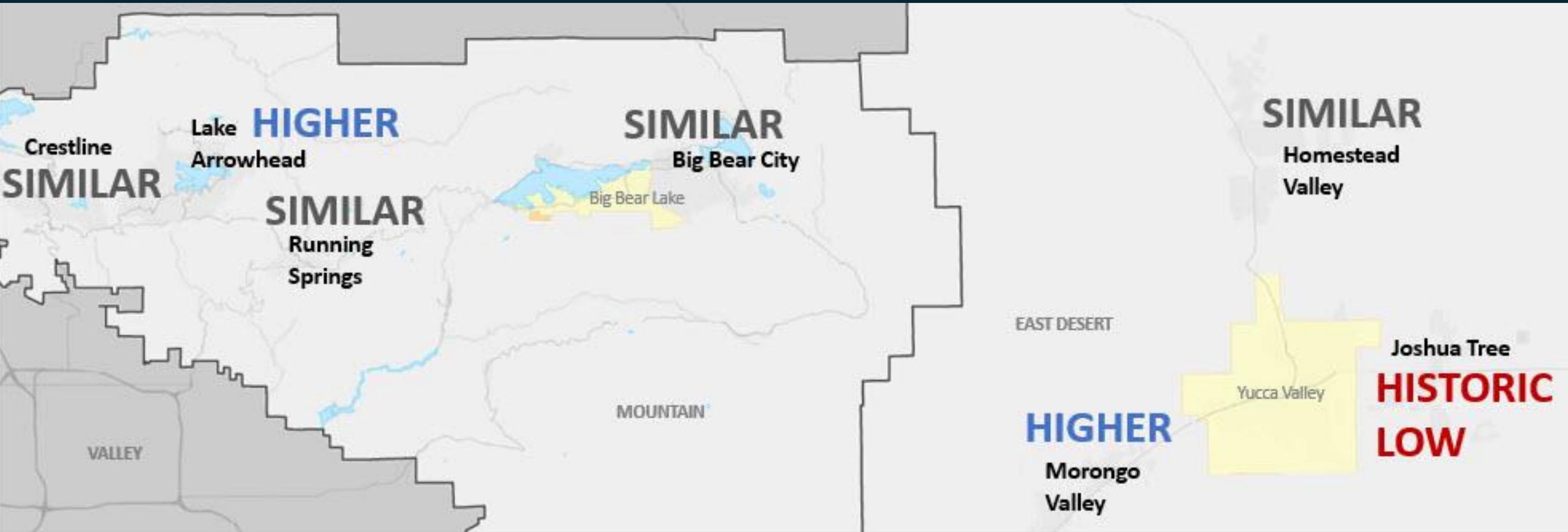
The majority of STRs for the entire unincorporated county are in Big Bear City, Lake Arrowhead, and Joshua Tree. In Joshua Tree, these 1,082 STRs represent nearly one-third of the total housing stock (everywhere else STRs represent 15% or less).

### 3. VACATION HOMES (CHANGE BETWEEN 2010 & 2022)



In Joshua Tree, the proportion of homes used as vacation/2<sup>nd</sup> homes has more than tripled over the past decade, going from 1 in 20 homes in 2010 to more than 1 in 5 homes in 2022. Conversely, nearly every other community has seen a reduction in the percentage of vacation homes.

## 4. YEAR-ROUND RENTERS (TRENDS BETWEEN 2010 & 2022)



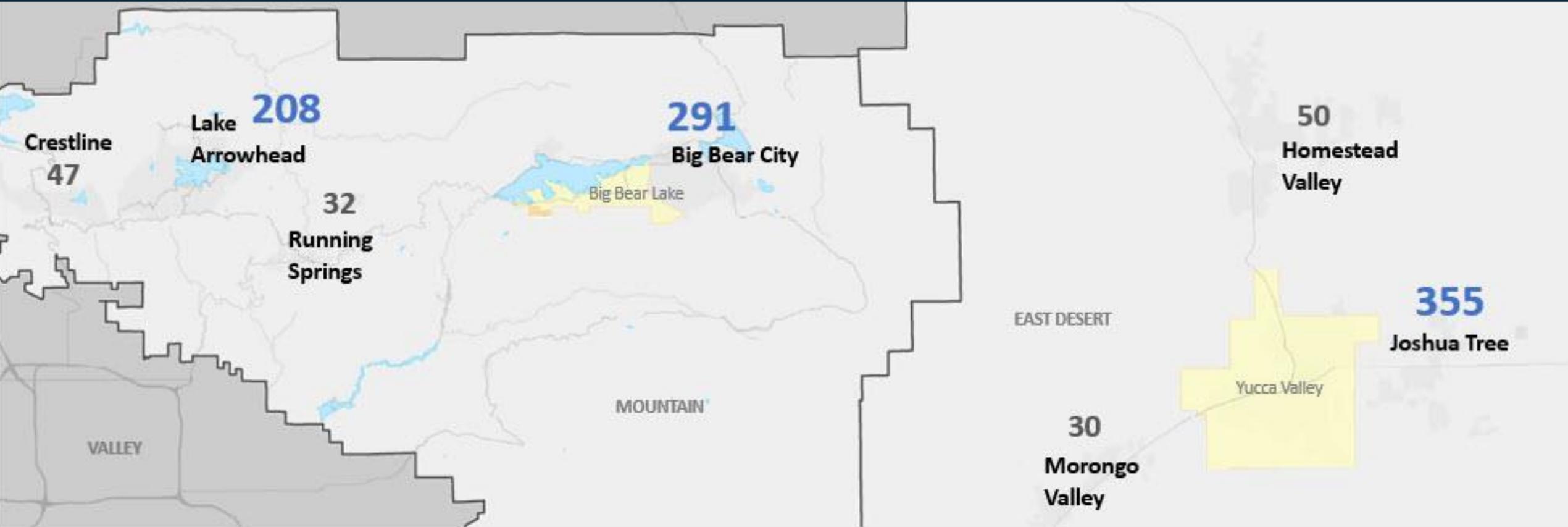
The proportion of homes occupied by long-term renters is similar or higher in 2022 compared to 2010 in every community except Joshua Tree, where rates of rental households have been steadily decreasing and are now reaching historic lows.

# 5. YEAR-ROUND HOUSING SUPPLY (2022)



There is adequate or ample vacant housing available for sale or long-term rent in most of the Mountain communities and in Homestead Valley. Big Bear City and Morongo Valley have very few homes available for long-term rent and Joshua Tree has very few homes available for sale.

## 6. HIGHLY ACTIVE STRs



Joshua Tree has the largest number of STRs that rent for 60+ nights per year – both in the East Desert and across all the unincorporated communities.

# SUMMARY OF KEY FACTORS

| FACTORS                | BIG BEAR CITY | CRESTLINE | LAKE ARROWHEAD | RUNNING SPRINGS | HOMESTEAD VALLEY | JOSHUA TREE | MORONGO VALLEY |
|------------------------|---------------|-----------|----------------|-----------------|------------------|-------------|----------------|
| COMMUNITY HISTORY      | -             | -         | -              | -               | ✓                | ✓           | ✓              |
| STR PRESENCE           | ✓             | -         | -              | -               | ✓                | ✓           | -              |
| SEASONAL HOMEOWNERSHIP | -             | -         | -              | -               | -                | ✓           | -              |
| OCCUPANCY TRENDS       | -             | -         | -              | -               | -                | ✓           | -              |
| NON-SEASONAL VACANCY   | ✓             | -         | -              | -               | -                | ✓           | ✓              |
| HIGHLY ACTIVE STRs     | ✓             | -         | ✓              | -               | -                | ✓           | -              |

✓ Indicates STR activity may be affecting the housing market

- Indicates STR unlikely to be affecting the housing market

# ADDITIONAL CONSIDERATIONS

- Economic Impacts - Region And Constituents
- Case Studies - Housing Affordability and STR Impacts
- Direct Vs. Indirect Strategies to Affect Housing Affordability
- Joshua Tree Specific:
  - Joshua Tree National Park Popularity
  - Limited Local Visitor Accommodations
  - New Builds for STR Purposes
  - Limited Infrastructure
  - Transient Occupancy Tax - Revenue

# CONTINUED STR ENFORCEMENT

- Rapid Response – Allocation of Additional Staff and Resources
- Seek Continual Improvement in Code Enforcement Processes
- Recommend Enforcement Improvements
- Monitor Complaints to Improve Services

# OVERALL CONCLUSIONS

- Empirical data indicated COVID-19 Pandemic was the primary driver of housing costs / supply issues in unincorporated Mountain / East Desert communities.
- There is data to indicate that the sustained high level of STR activity in Joshua Tree is contributing to a lack of affordable housing.
- Staff recognizes the unique character, and ongoing noise, parking, and trash issues associated with STR activity in each Mountain and East Desert community.
- Imposing a cap on STRs may not be a reliable strategy to directly and meaningfully increase the supply of affordable housing.
- To increase housing supply and affordability in Joshua Tree, augment existing affordable housing programs, and establish new affordable housing programs.

# RECOMMENDATIONS

1. Receive Short-Term Rental Study report evaluating the impacts of short-term rentals on the housing supply in the unincorporated areas of San Bernardino County, prepared in accordance with Program 4 of the County's Housing Element Technical Report.
2. Find, based on the results of the Short-Term Rental Study report, that short-term rentals have an impact on the long-term ownership and rental housing market in Joshua Tree.
3. Provide direction to the Land Use Services Department and Community Development and Housing Department to establish and implement the following proposed strategies to reduce the impacts of short-term rentals and return, as needed, to the Board of Supervisors for future action:
  - a. Augment existing affordable housing programs.
  - b. Consider new affordable housing programs.

# RECOMMENDATIONS (Continued)



## AUGMENT EXISTING AFFORDABLE HOUSING PROGRAMS

- Enhance homeownership and rental assistance initiatives.
- Preserve income-restricted housing units.
- Promote the development of Accessory Dwelling Units (ADUs).
- Encourage the use of manufactured homes as affordable housing options.



## CONSIDER NEW AFFORDABLE HOUSING PROGRAMS

- Introduce a Short-Term Rental (STR) "buy-out" program.
- Develop new income-restricted housing in Joshua Tree.
- Implement new income-restricted housing projects through collaboration with 29 Palms/Yucca Valley.



**THANK YOU!**

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