

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

June 11, 2024

FROM

MARK WARDLAW, Director, Land Use Services Department

SUBJECT

Housing Element Program 4 – Short-Term Rental Study

RECOMMENDATION(S)

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.

(Presenter: Mark Wardlaw, Director, 387-4431)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Promote the Countywide Vision.

Create, Maintain and Grow Jobs and Economic Value in the County.

Ensure Development of a Well-Planned, Balanced, and Sustainable County.

Pursue County Goals and Objectives by Working with Other Agencies and Stakeholders.

FINANCIAL IMPACT

This item will not result in the use of Discretionary General Funding (Net County Cost), as receipt of the report is non-financial in nature.

BACKGROUND INFORMATION

On September 27, 2022 (Item No. 85), the Board of Supervisors (Board) adopted an update to the County's Housing Element for the 2021-29 planning period (Housing Element). The Housing Element contains a number of programs to address State Housing Element Law (Government Code section 65580 et al.), including, but not limited to, Program 4 related to short-term rentals (STRs) and addressing their potential effect on adequate sites for a variety and diversity of housing. Program 4 objectives include conducting a public planning process and study to determine the current and projected impact of STRs on the housing supply throughout the County unincorporated areas and on the motel/hotel businesses in the Mountain and Desert regions (STR Study).

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Consistent with the stated timeframe in the Housing Element, the Land Use Services Department (Department) contracted with Granicus and PlaceWorks, Inc. (Consultant) in November 2022 to provide research, analysis, and outreach services to prepare the STR Study related to Program 4. Data analysis began in early 2023 in an effort to identify any direct evidence that would justify a proposal for an interim cap on STR permitting. By February 2023, after reviewing County records, market trends, and Census data, the Department determined that there was insufficient evidence to propose an interim cap. On March 28, 2023 (Item No. 67), the Department presented findings and an outline of future activities to the Board, which included further analysis, community outreach, and completion of the STR Study.

Subsequently, the Department and the Consultant continued research and analysis of housing trends, STR programs, STR units occupied by long-term renters through Assessor and Census data, and an extensive review of other data sources, including, but not limited to, direct communication with property managers, schools, and service providers.

The Department held four public meetings in August and September 2023 to present preliminary findings and gather input from the communities of Big Bear, Crestline, Joshua Tree, and Twin Peaks. All meetings were well-attended and valuable information was provided. The Department's takeaway from the meetings is that each community is unique, yet all communities are experiencing ongoing nuisance issues relating to noise, parking, and trash that diminish 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.

The Department released an initial report on November 9, 2023, and reviewed preliminary results at a virtual outreach meeting on November 16, 2023, with the community. During this meeting, the Department also addressed questions submitted in advance, which generally sought more clarification on the study's preliminary findings and methodology.

The overall conclusion of the initial report was that clear and empirical data was not found indicating that STRs have substantial and distinct impact on the availability of long-term, rental or ownership housing options in most unincorporated Mountain and East Desert communities. The following are key findings of the initial report:

- The COVID-19 pandemic changed the housing landscape, expanding the conventional housing market into rural areas. Retirees and remote workers competed in a housing market where the rate of new construction was at its lowest in nearly 20 years.
- The number of STRs grew in response to the COVID-19 pandemic and the STR market is now showing a downward trend for the overall incorporated County, although STR activity is still high in Big Bear, Lake Arrowhead, and Joshua Tree.
- STR activity makes sense functionally and financially for second homes compared to long-term rentals.
- In most communities, existing residents are likely not being displaced by STR activity, but by buyers and tenants willing to pay higher sales prices and rents in the context of the overall housing market.

The County continued to accept comments and questions from the public, including an extensive comment letter from the Morongo Basin Conservation Association (MBCA) dated December 14, 2023. The MBCA requested additional community-level information and provided

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articles and other information to support refining the study's analysis, methodology, and findings.

Initially, the Department planned to present the November 2023 draft report to the Board in December 2023. However, the Department opted to postpone the presentation to allow time to review key United States Census American Community Survey (ACS) datasets for the year 2022, released on December 7, 2023, and to consider additional public input received during the November virtual outreach meeting and the MBCA's December comment letter.

To address public concerns, the Department collaborated with the Auditor-Controller/Treasurer/Tax Collector's office to acquire a report on Transient Occupancy Tax (TOT) for 2022-23. This report provided detailed insights, differentiating STR TOT from hotel and motel TOT, and identifying TOT by smaller community areas. The 2022 ACS data and TOT report required additional research that was conducted between December 2023 and April 2024. The 2022 ACS data revealed a pattern that, when combined with previous data sets and TOT data, indicated that STR activity may be negatively impacting the Joshua Tree area. The new data did not indicate a different pattern or conclusion in other study area communities. This thorough evaluation was necessary to present comprehensive findings to both the Board and the public.

The additional analysis of six key factors below indicated 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 plus nights per year, offering greater value to homeowners compared to long-term rentals.

In addition to the community focused analysis and input, the Department considered studies of the California housing crisis and STR programs established by cities and counties to limit or cap the number of STRs. To the extent STR activity that affects community housing supply and cost, the Department concluded, based on these additional studies, that there are more direct ways to address these issues through housing affordability and affordable housing programs.

Based on the results of the STR Study and insights gained from outreach meetings, the Department does not recommend imposing a cap on STRs, as it may not be a reliable strategy to directly and meaningfully increase the supply of affordable housing. Instead, the Department is recommending a combination of strategies to augment existing housing programs and establish new affordable housing programs that will more directly address the lack of affordable housing and the impacts of STRs based on the findings of the STR Study. The Department seeks the Board's direction on establishing and implementing strategies and programs to incentivize long-term rentals and enhance housing supply and affordability in Joshua Tree through two proposed initiatives:

1. Augment existing affordable housing programs:
 - a. Enhance homeownership and rental assistance initiatives.
 - b. Preserve income-restricted housing units.
 - c. Promote the development of Accessory Dwelling Units.
 - d. Encourage the use of manufactured homes as affordable housing options.

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2. Consider new affordable housing programs:
 - a. Introduce a STR “buy-out” program.
 - b. Develop new income-restricted housing in Joshua Tree.
 - c. Implement new income-restricted housing projects through collaborations with surrounding jurisdictions – 29 Palms/Yucca Valley.

Implementation of the recommendations above with the Housing Element programs is expected to directly address the issues identified in the STR Study. Based upon direction provided by the Board, the Department, along with the Community Development and Housing Department, will develop and implement the directed items and return to the Board for approval as necessary.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed County Counsel (Jason Searles, Supervising Deputy County Counsel, 387-5455) on June 6, 2024; Finance (Penelope Chang, Administrative Analyst, 387-4886) on May 30, 2024; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on May 31, 2024.

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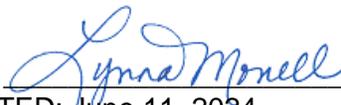
Record of Action of the Board of Supervisors
San Bernardino County

Public Comment: Lori Bloom, Steve Bardwell, Janet Johnston, Tara Antongiorgi, Levon Kazarian, Arthur Kasumyan

APPROVED

Moved: Joe Baca, Jr. Seconded: Jesse Armendarez
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Joe Baca, Jr.
Absent: Curt Hagman

Lynna Monell, CLERK OF THE BOARD

BY  _____
DATED: June 11, 2024



cc: File - Land Use Services Department w/ attachments
JLL 06/17/2024