RURAL COUNTY REPRESENTATIVES OF CALIFORNIA

June 22, 2023

The Honorable Buffy Wicks
Chair, Assembly Committee on Housing and Community Development
1020 N Street, Room 156
Sacramento, CA 95814

RE: Senate Bill 584 (Limón) – OPPOSE
As Amended May 18, 2023

Dear Assembly Member Wicks:

On behalf of the Rural County Representatives of California (RCRC), we oppose Senate Bill 584 (Limón) regarding short-term rentals (STR). RCRC is an association of forty rural California counties and the RCRC Board of Directors is comprised of elected supervisors from each of those member counties.

While we appreciate that the funds from the proposed STR tax would be used toward developing affordable housing, we are concerned with the impact SB 584 will have on the rural tourism industry with such a significant new tax, the redirecting of funds away from the county of origin, and implementation challenges with STR platforms.

As you may be aware, the popularity and number of short-term rentals have grown tremendously with help from electronic platforms that facilitate these rentals. The platforms continuously refuse to provide local taxing and land use authorities with the addresses of the properties they list on their sites. In fact, the platforms withhold addresses on their website, and only provide them after the booking is complete. Platforms withhold this information from local agencies in the name of privacy; that is a moot point if the moment the financial transaction is complete, an address is provided to the guest who has rented the home. It's not about privacy; it's about money.

Many counties in tourist-rich California are struggling to ensure adequate workforce housing and affordable housing for the tourism-centered workforce in their communities. To address these concerns, many local governments have created ordinances that balance the need for both residential housing, and lodging options for visitors. One of the biggest challenges local governments face is the expansion of illegal operators and their impact on local housing stock. For example, Placer County (Tahoe) requires that short-term rental operators register with the County and obtain a permit (of

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which there is a limited number). AirBNB, as an example, will not confirm that the property owner in Placer is operating with a permit before listing the property on its platform. In Monterey County, local ordinance requires that short-term rental operators obtain a discretionary permit and are limited to designated zoning districts. The County continues to see illegal operators listed on sites like AirBNB, operating without a permit.

Local governments can be a partner to the State in trying to curb the speed at which long-term rental stock is lost to the short-term rental market. The State can do so by enacting legislation that compels the platforms to provide the addresses of the rentals to both the State and local governments. This would ensure that the correct taxes are paid at both levels of government and that local agencies have the tools needed to enforce caps and prohibitions on short-term rental activity in their jurisdiction. Until the State acts to compel this information, provisions in SB 584 are all but impossible to implement, and illegal operators impacting housing stock will continue to persist. The California Department of Tax and Fee Administration (CDTFA) is unlikely to have the investigative tools and staff resources to ensure all short-term rentals are known to the State, let alone the ability to know the revenue they are generating.

Another implementation challenge associated with the lack of address disclosure will be the inevitable gaming of platforms to avoid this taxation altogether. If CDTFA relies on the platforms to track, collect, report and remit this revenue (once the $100,000 threshold is met), most savvy property owners will manage their listings on multiple unaffiliated sites to avoid the tax. This is, once again, why the address disclosure to the taxing entities is crucial to the success of the proposal and the management of local housing stock. Language mandating this disclosure is not included in the bill's current version.

In addition, rural counties are concerned that the 15% tax will create enormous downward pressure on Transient Occupancy Tax (TOT) generation for local agencies that already have a robust TOT tax. Rural California is home to many of the most popular destinations for travelers. Counties like Mariposa, "the gateway to Yosemite," receive more money from TOT than property tax. The additional State TOT would bring the total TOT tax rate to 27%. This bill will likely reduce STR utilization, which ultimately harms residents who rely on county public health and safety services since TOT is a vital segment of county General Fund revenues. Many RCRC counties with tourist-driven economies have similar stories to Mariposa; this bill would result in a new TOT tax rate between 25-27%.

As an organization representing California's smallest counties, we are also concerned that the tax will not improve the local housing situation in rural areas. This bill would give the Department of Housing and Community Development (HCD) unilateral authority over the collected funds without guaranteeing that the resources will be reinvested into the community of origin. Rural counties are often unable to compete with Urban counties in grant solicitations, as it is the tendency for grants to be awarded more often to larger jurisdictions. SB 584 is asking rural counties with tourism-based economies to subsidize much larger communities with many more options for generating revenue. Taking funds collected in one community to fund new housing in another community is not equitable, and will ultimately lead to further constraints in the source community, making affordable housing even more scarce. Any funding collected from property-based activities should remain in that community.

Finally, Senate Bill 584 mandates the use of project labor agreements for all construction and rehabilitation work that would take place. This creates a significant hurdle to achieving the housing goals of this bill. With a potential decline in tourism on the horizon, and an expected decline in the jobs and services it provides, this will cause an unnecessary financial strain on rural counties.

In summary, absent the State establishing in law that short-term rental platforms shall report the addresses of properties listed on their site to local and state taxation agencies, and mandating the removal of properties that are operating illegally, the goals of SB 584 will be unrealized even if enacted. In the interim, companies like AirBNB will aggressively avoid local regulations – regulations that exist to address a concern that local agencies share with you: the erosion of long-term housing stock in favor of short-term rentals that then create housing shortages for middle- and low-income Californians facing long-commutes or unaffordable rents.

RCRC recommends re-tooling the approach to SB 584 to empower local jurisdictions to enforce against bad actors operating illegal short-term rentals and to ensure all TOT remains in the county of origin to support housing for local residents. In addition, further discussion is needed over an appropriate tax rate for State property-based assessments.

For these reasons, RCRC respectfully requests your “No” vote when this bill is heard before your committee. If you have any questions, please do not hesitate to contact me at (916) 447-4806 or sdukett@rcrcnet.org.

Sincerely,

SARAH DUKETT
Policy Advocate

cc: The Honorable Monique Limón, Member of the California State Senate
Members of the Assembly Committee on Housing and Community Development
Lisa Engel, Chief Consultant, Assembly Committee on Housing and Community Development
William Weber, Consultant, Assembly Republican Caucus