

MEMORANDUM

DATE:

TO: Brandy McMahon, TRPA Local Government Coordinator

FROM: Emily Setzer, Principal Planner/STR Program Manager

SUBJECT: 2023 STR Guidelines – Performance Review Committee

Purpose

This memo is in response to the TRPA's request for a summary of Placer County's Short-Term Rental (STR) Program and how it aligns with the TRPA Neighborhood Compatibility Guidelines.

Background

North Lake Tahoe has and will always be a vacation destination, and tourism is the main driver of the North Lake Tahoe economy. Most homes in the Tahoe area were initially constructed as vacation cabins and to this day, many homes still serve as vacation homes. It is important to note that Placer County currently lacks the quantity and quality of hotel/motel lodging in its Town and Village Centers, and so STRs in the Tahoe Basin area of Placer County fill a lodging need.

In July 2019 the County Board of Supervisors directed staff to create an STR ordinance and accordingly the County formed a multi-disciplinary STR Team to develop and administer the STR program. This team developed STR operational standards and an STR permitting system. The STR Ordinance was adopted in November 2019 and went into effect in January 2020. Several subsequent ordinance changes have occurred since that time:

- March 30, 2021: The Board adopted minor amendments to the ordinance aimed at clarifying and refining areas of the ordinance.
- July 27, 2021: After hearing concerns from the Tahoe community regarding the decline of workforce housing availability and the preservation of residential neighborhoods in the Tahoe region, the Placer County Board of Supervisors approved an Urgency Ordinance enacting a 45-day moratorium on new STR permits.
- August 31, 2021: Placer County Board of Supervisors extended the moratorium on new STR permits until March 31, 2022 so staff could study STR program best practices, analyze STR impacts on housing and hotel/motel industries, and explore ordinance revisions to restrict STRs in the region

COMMUNITY DEVELOPMENT RESOURCE AGENCY

AUBURN OFFICE - 3091 County Center Drive, Ste.160 / Auburn, California 95603 / (530) 745-3010 / Fax (530) 745-3058

TAHOE OFFICE – 775 North Lake Blvd. / Tahoe City, California 96145 / (530) 581-6200 / Fax (530) 581-6204

Web Site Address: <http://www.placer.ca.gov> Email: codecomp@placer.ca.gov



- January 25, 2022: The Placer County Board of Supervisors introduced an ordinance to repeal and replace the existing short-term rental ordinance, Chapter 9, Article 9.42 of the Placer County Code. The ordinance was adopted on February 8, 2022 and took effect on March 11, 2022. The ordinance was intended to create a balance between short term rental opportunities in a diversity of lodging types to both support opportunities for residential lodging and encourage new or redeveloped lodging in town centers.

Overnight Visitors

The greatest economic engine for our tourist-driven community is driven by the overnight stays, as those visitors are critical to supporting restaurants, retail, and recreation in the region. The Transient Occupancy Tax (TOT) revenue those overnight guests generate is also important to the community because it provides funding for infrastructure, amenities, and local services that benefit visitors and the local community. Without a robust, updated, competitive hotel/motel supply, the 2,171 permitted STRs within the Tahoe Basin portion of Placer County are critical to enabling visitors who choose to spend more time in North Lake Tahoe.

1.5 Million+ visitors to North Lake Tahoe annually:

- 58% of visitors are overnight visitors¹
 - Overnight visitors spent 22,800 visitor days in North Lake Tahoe in 2016
 - 81% of those nights spent in private/vacation homes
 - 9% spent in hotels/motels
- Overnight visitors spend about twice as many dollars per day than a day-visitor (\$250/person/day for overnight visitors, versus \$128/person for day visitors²)
- Overnight visitors stay on average approximately 3.5 days (e.g. \$875/person for their stay) versus the \$128 for a day visitor
- Tourist Accommodations³:
 - 14,000 private and vacation homes
 - 2,000 traditional hotel/motel/B&B lodging units
 - Placer County's hotels/motels/B&Bs were last built in 1960s and are dated

Incentives for New and Renovated Lodging Amenities

¹ The Economic Significance of Travel to the North Lake Tahoe Area, October 2017, prepared by Dean Runyan Associates for the North Lake Tahoe Resort Association.

² The Economic Significance of Travel to the North Lake Tahoe Area, October 2017, prepared by Dean Runyan Associates for the North Lake Tahoe Resort Association.

³ North Lake Tahoe Tourism Master Plan, 2015

No new lodging products have been constructed in the Placer County portion of the basin since the early 1960s. As such, STRs have been widely adopted as a primary lodging type for overnight visitors. To shift visitors from the residential neighborhoods to the town centers, Placer County is working from several angles to spur reinvestment and promotion of mixed-use projects that include lodging in its Town Centers.

In March 2020, Placer County commissioned a study with Bay Area Economics (BAE) to determine why new and renovated lodging projects were not progressing in the North Lake Tahoe basin, and how to incentivize new or renovated lodging products. The study pointed to high costs of development, complex and prescriptive regulatory requirements, and a lack of high-quality lodging examples that would encourage new development. The BAE study determined that additional incentives were needed to help spur development consistent with community and County environmental and economic development goals and to achieve prescribed environmental standards by redeveloping the outdated built environment. Staff revised the existing North Lake Tahoe Economic Development Incentive Program to include a TOT rebate that could be utilized for newly constructed or renovated hotel/motel lodging products. The amendment to that program was adopted in 2020 and further refined in February 2021 after subsequent conversations with hotel developers in the area.

Additionally, staff are finalizing a set of proposed Tahoe Basin Area Plan amendments which staff presented to the TRPA Regional Plan Implementation Committee in December 2022. The amendments are focused on increasing a diversity of housing types and incentivizing deed-restricted achievable housing, as well as facilitating mixed use development with lodging in the town centers. The amendments would allow boutique-sized hotels by right in the town centers, using the TRPA Project Impact Assessment tool to determine the maximum square footage. They also include a policy that would decrease the STR cap by one STR for each new lodging unit developed to try to shift lodging from the neighborhoods to the town centers. As STRs do not require TRPA tourist accommodation units (TAUs), this is the first time STRs have been linked to TAUs in an attempt to think of all types of lodging units holistically. Amendments are anticipated to be adopted Summer 2023. Additionally, a minor STR ordinance amendment proposed for this spring also proposes the decrease in the STR cap by one STR for each new commercial lodging unit developed in East Placer.

Locational Provisions

At this time, the County does not believe that locational STR ordinance provisions geared at shifting STRs toward Town Centers is an effective way to regulate the County's STR program. Instead, the updated North Lake Tahoe Economic Incentives Program that provides a TOT rebate for new or revitalized commercial lodging, as well as the policies in the proposed TBAP and future STR ordinance amendment to reduce the STR cap by one STR for each new commercial lodging unit built, are two key ways the County is trying to shift visitor lodging from the residential neighborhoods to the town centers.

Land Use Best Practices and Regional Plan Alignment

Placer County's Town Centers of Kings Beach and Tahoe City are small, predominantly commercial cores which include very few residential uses. The physical layouts of Placer County's Town Centers are constrained so that they could never support a Town Center locational STR program as there is very limited vacant space to create new residential uses. Furthermore, the community has vocalized its desire to limit residential uses in the town centers, and rather encourage commercial, mixed use, and formal lodging hotel uses in the town centers.

The Tahoe Basin's tourist economy is driven by the amazing natural resources and associated recreation opportunities that our region provides. Placer County's plethora of beaches along the West Shore, around Tahoe City, along Tahoe Vista, and in Kings Beach and Brockway, as well as trailheads and ski resorts scattered throughout the region, are also a huge attraction to tourists who enjoy staying at STRs near those locations.

Placer County worked collaboratively with Tahoe Regional Planning Agency to adopt the Tahoe Basin Area Plan, which includes regulations that encourage and allow for the highest and best uses for these areas continue to focus on retail and lodging uses, with a limited residential component. The County's efforts on incentivizing development of new lodging in the town centers, partnered with the increased transportation and mobility initiatives, are designed to effectively shift lodging to town centers and away from STRs while providing alternative modes of transportation for guests to reach their tourism destinations.

Residential Compatibility

To preserve residential compatibility, Placer County has implemented several components to the STR program. Placer County's updated STR ordinance, which became effective in March 2022, introduced and implemented a maximum cap on STR permits of 3,900 in order to maintain housing supply and attainable housing pricing for the workforce. The ordinance also requires a business license and a TOT certificate for all STR properties. To preserve multifamily developments for long-term rentals, the ordinance limits one STR per multifamily property. The County also initiated a Board-directed stakeholder working group to gauge the efficacy and impacts of the program. Working group sessions have included discussion about potential reductions to the cap, a one-year waiting period, a 500-foot buffering provision, as well as additional clarifications and refinements to the ordinance to better enable enforcement of STRs in violation of the ordinance. Over the next year, staff will continue to monitor the STR program and may work with the stakeholder working group to explore ordinance revisions that would further address residential compatibility.

Transit/Mobility Improvements

Traffic congestion has been one of the most severe tourism impacts experienced by the Lake Tahoe region for decades, an impact which continues to worsen. The County utilizes its North Lake Tahoe Tourism Master Plan as a guideline for planning and funding a variety of transportation, mobility, and recreational amenities that serve visitors and the local community. Placer County continues to address traffic impacts on multiple fronts, addressing both day and overnight visitors, as well as community transportation and mobility needs. The County focuses on transportation and mobility inside and outside of the basin, particularly the connections in East Placer that span from Tahoe City and Kings Beach to ski resorts and Truckee, recognizing that tourism and traffic impacts are regional and not just local. STRs are located throughout the entirety of our neighborhoods as they are a byproduct of how our subdivisions and communities have evolved over the decades – small vacation cabins and scattered throughout the community as opposed to being concentrated in our small, mostly commercial Town Centers. Per the updated STR ordinance, STR owners must describe how many parking spaces are available at their property and limit the number of guest cars. This is enforced by Placer County’s code compliance team. To minimize impacts from congestion, at least in part caused by visitors, the County dedicates significant TOT revenue and staff resources towards these efforts.

- Trails- (FY 21-22, \$2.58 million and FY22-23 funding will go to the Board of Supervisors in Jan. 2023) Funding continues to be dedicated to trail planning and construction. For FY 21-22, \$2.58 million was dedicated to trail planning and construction throughout eastern Placer County- most of which was dedicated to the “Resort Triangle Trail” which will ultimately connect Tahoe City, Kings Beach, and Truckee on a class 1 paved trail.
- Snow Removal on Trails- (\$97,000 in FY 21-22 and budgeted \$100,000 in FY 22-23)- This funds clearing snow from paved trails in the region which allows for recreation as well as multi-modal transportation options in the winter
- Park and Ride Service-(\$63,000 spent in FY21-22 and \$122,000 budgeted for FY22-23. This funds winter service to ski resorts as well as summer service at peak times. Program goals include reducing traffic congestion, reducing vehicle miles traveled or “VMT”, encouraging use of public transit and improving the overall visitor experience to the region.
- Microtransit Service North Lake Tahoe (\$1.9 million in TOT spent in FY21-22 and \$1.95 million budgeted for the service in FY22-23) – On-demand shuttle service for Kings Beach, Tahoe Vista, Dollar Hill, Tahoe City and the West Shore to town-centers has been implemented. There is additional weekend service in the peak seasons between Olympic Valley and Tahoe City and from Northstar to Kings Beach.
- Pedestrian Safety and Traffic Mitigation – (\$140,000 for crossing guards in FY21-22 and \$250,000 budgeted for traffic mitigation and pedestrian safety in FY22-23)- Pedestrian crossing guards are placed at heavily trafficked crossing in Kings Beach and Tahoe City. The goals of this

program include pedestrian safety and reduction in traffic congestion. Additional funding can be utilized for other traffic mitigation programs and signage.

Those highlights are in addition to the regional transit system, Tahoe Area Regional Transit (TART), that Placer County has implemented for almost two decades. Highlights of the operations include:

- \$12.3 Million Annual Operating Budget – including TART Fixed Route service as well as TART Connect on-demand service
- 14 fixed route buses- 11 in daily operation
- 2 paratransit bus – both in daily operation
- 11 TART Connect vans – 8 maximum in operation daily
- 34 budgeted positions for TART Fixed Route service- only 15 filled at this time
- 390,000+ Riders- including TART Fixed Route and TART Connect
- 61, 706 Vehicle Service Hours
- 1, 171, 950 Vehicle Revenue Miles
- Operating Hours: 5:30 AM -12 AM Summer & Winter, 6 AM – 10 PM Fall & Spring – including TART Fixed Route and TART Connect

TART has expanded significantly over the years. In the last five years, TART has accomplished the following:

- Initiation of SR 267 Spring and Fall Service
- Initiation of SR 267 year-round service to Truckee
- Expanded night service to include non-peak season service until 10pm
- Initiation of winter early morning connections to Northstar
- Initiation of year-round 30-minute service on Mainline (Tahoe City – Crystal Bay)
- Implementation of TART website (TahoeTruckeeTransit.com) upgrade offering interactive user experience
- Initiation of winter peak AM & PM winter 30-minute service Hwy 89 (Tahoe City – Squaw Valley)
- Initiation of winter peak AM & PM winter 30-minute service Hwy 267 (Crystal Bay – Northstar)
- Initiation of Park & Ride service in partnership with the Truckee North Tahoe TMA (Hwy. 89 and 267 connections from Truckee, Tahoe City Transit Center, and Tahoe Biltmore/Crystal Bay)
- Partnership with Town of Truckee and Truckee Tahoe Airport to initiate year-round night service connection to Northstar and Squaw Valley from Truckee
- “Free to the Rider” system implemented on TART

Operational Provisions

Placer County understands issues surrounding vacation/second homes and STRs, including nuisance concerns and neighborhood compatibility. Placer County recognizes the need for STRs and strives hard

to create a multi-pronged approach to balance the impacts from tourism to our local community and environment while simultaneously promoting economic development and revitalization.

Per the updated STR ordinance, the STR permit is good for one year and requires annual renewal. The County provides web-based permitting service, permit fees, and inspection fees. The ordinance includes the following operational standards:

- No amplified sound outside or audible from parcel line at any time
- Quiet hours from 9 p.m. to 8 a.m., no sound from STR shall be audible from parcel line during this time
- Maximum daytime and nighttime occupancy by number of bedrooms
- Requirement that parking, trash & occupancy violations must be resolved within one hour
- Requirement for snow removal
- Maximum number of parking spaces, prohibition of on-street parking
- Requirement for bear bin or dumpster before issuance of STR permit
- Increased fire protection standards, including interior fire life safety and exterior defensible space inspections that check for required number of smoke and CO2 detectors as well as fire extinguishers and means of ingress/egress, and limitations on grills, outdoor fireplaces, and enforcement of red flag days
- Increased STR unit postings of the Good Neighbor Flyer containing the contact information for the local contact person and emergency information and operational standards at a minimum pertaining to noise, parking, fire and life safety, occupancy limits, bears and trash, and pets, required to be posted in the STR property's interior and in online STR advertisements
- Exterior STR unit postings showing the STR permit registration number of the unit as well as the Placer County STR Hotline phone number
- Local contact person required

As described above, the county has formed a STR stakeholder working group to evaluate what is and isn't working well in the program and how it could be improved and adaptively managed. Staff are currently coordinating with the working group on potential ordinance amendments that could be brought forward this spring.

Enforcement and Administration

As outlined in Placer's responses to the Short-Term Rental (STR) Neighborhood Compatibility Guidelines, Placer County has established a robust enforcement approach to its STR program. Since adoption of the STR ordinance in November 2019, the County has developed a code compliance team housed out of its Tahoe City office. The County sees the compliance/enforcement arm as a key component to address complaints and ultimately reduce the impacts of STRs and tourism, and views the compliance team as educators about the program and about being a good "guest" neighbor, data gatherers on what is/not

working, and on-the-ground resources to identify new or adapted mitigations that should be implemented (both within the parameters of the STR ordinance and in the County initiatives as a whole). Furthermore, the County has prioritized expansion of the Tahoe CDRA administration and code compliance team, funded by STR permit fees. The STR team and program includes the following elements:

- Tahoe Code/STR Compliance Supervisor
- Five Tahoe Code/STR Compliance officer positions
- Three Tahoe STR administrative staff
- One Tahoe STR program manager
- A 7-day a week Code Compliance presence, including Tahoe CDRA STR nuisance enforcement (with branded STR program vehicles), with schedules adjusted to late night to accommodate holidays, time of year, etc.
- A dedicated 24/7 STR hotline for nuisance complaints as well as an email option (the previous web-based version did not load well in the field as North Lake Tahoe has many locations without wifi access)
- A dedicated STR administration phone line for program assistance
- Promotion/education of STR program and enforcement process, including updates to dedicated webpage, PIO press releases, reporting at community meetings, etc.
- Effective management of enforcement/compliance work program which includes real-time investigation of complaints, issuance of citations, administrative hearings, collection of fines, and suspension/revocation of STR permits
- Data Collection – Complaint data is collected various ways including phone calls, emails, in-person complaints and through software used to identify those who are not complying with the STR ordinance, allowing staff to see trends in reported nuisance types and track outcomes (education, warnings, citations and revocation)

The STR permit requires each application to submit a local contact, as well as the property owner and property manager (if applicable) contact information. The County also has a contract with Deckard Technologies to monitor and identify STRs that do not have STR permits or TOT certificates. The updated ordinance provides the County enhanced enforcement capabilities than the previous ordinance. It utilizes maximum penalties as outlined in SB 60, approved by the California State legislature in September of 2021, which authorizes penalties for short-term rentals to be \$1,500 for a first violation, \$3,000 for a 2nd violation of the same ordinance within one year, and \$5,000 for each additional violation of the same ordinance within one year of the first violation. The ordinance allows the County to revoke permits for a variety of reasons, including three administration citations within a 24-month period and/or unpaid fines or taxes.

This team and program have resulted in many successes, ranging from increased citations to fewer trash complaints. Environmental Health and Code Compliance staff have noticed improvement in trash problem

properties through a new way of enforcing the code and using notice of violations for properties to cure problem in 24 hours. Additionally, Clean Tahoe has seen a decreased quantity of STR-related complaints.

Funding Tourism Mitigation

STRs generate a significant amount of TOT revenue for Placer County, which is then reinvested into the community. Placer County continues to be progressive and aggressive in identifying areas where the County can mitigate the impacts of tourism and improve the region's infrastructure, primarily with TOT funding generated by our region's lodging and creative funding mechanisms that support these improvements and mitigation measures.

A critical step toward this funding is the newly created North Lake Tahoe Tourism Business Improvement District (NLTTBID) that was approved by our Board of Supervisors on March 9, 2021. The NLTTBID is a benefit assessment district that provides specific benefits to payors by creating a revenue stream to fund marketing, promotions, and special events; visitor services and visitor centers operations; business support and advocacy; economic development and transportation; and sustainability and mitigation of tourism impacts programs for certain North Lake Tahoe businesses. Under this program, lodging (including STRs), restaurant, retail, activities and attractions are all assessed to create the revenue source. The NLTTBID is expected to generate approximately \$6 Million on an annual basis for stewardship and promotion of travel and tourism specific to North Lake Tahoe. The NLTTBID has freed up approximately \$4.1 million of County TOT funds each year that previously went towards funding North Lake Tahoe tourism and marketing promotions. Placer County has committed to use that \$4.1 million to fund housing and transportation initiatives throughout the North Lake Tahoe/East Placer region.

Additionally, Placer County continues to invest TOT dollars in transit/transportation and tourism mitigation projects. Our region continues to experience significant impacts related to trash and litter in our town centers and beaches. To mitigate this, Placer County increased the capacity of trash bins and the frequency of trash service in Kings Beach and Tahoe City through a partnership with Clean Tahoe. For example, enhanced litter and trash cleanup service was implemented the past two years, funded by TOT (\$150,000 in FY21-22 and \$150,000 in FY22-23).

Balancing Workforce Housing Needs

One of East Placer's primary challenges is how and where to house our local workforce. Much like the rest of the Tahoe Basin area, Placer County is facing increased challenges of housing affordability as well as housing availability for the workforce. Approximately 80 percent of Placer's housing units are used as second homes or short-term rentals. The region has experienced declining availability in the existing housing supply alongside increasing housing costs due in large part to the purchase of housing for second home or short-term rental use in the Tahoe area. This affects the local workforce and results in negative

impacts to the community, businesses, and tourism. Per Census data, the North Lake Tahoe basin has seen a reduction of 2,000 full-time residents between 2000-2020. Anecdotally, those residents moved to Truckee or Reno/Carson City, or out of the area completely. Many of them would like to move back to North Lake Tahoe: per the Mountain Housing Council 2021 Regional Housing Implementation Plan, 63 percent of those who work in the North Tahoe region and reside outside the region reported that they would prefer to live in the region. Nearly 48 percent of employees who work in the North Lake Tahoe region reported that it was hard to find a home with affordable rent while only 6 percent did not experience any problems finding or securing housing in 2021.

To address the lack of available and affordable housing, Placer County is working closely with the Tahoe Regional Planning Agency, the Tahoe Truckee Workforce Housing Agency, the Mountain Housing Council, and the business community to collaborate, research, and adopt innovative approaches to workforce housing.

In the past year, the county has launched the following programs and initiatives which have proven to be successful in the region:

- Workforce Housing Preservation (\$250,000 TOT dedicated total for FY21-22 and FY22-23)- The program is to provide homebuying assistance for members of the local workforce to deed restrict existing homes for local workforce occupancy. Staff will return to the Board of Supervisors to ask for additional funding in February 2023.
- Lease to Locals (\$500,000 TOT in FY22-23)- Funding for this program goes to incentivize homeowners to convert vacation homes to long-term rentals for members of the local workforce.

Additionally, Placer County's proposed Tahoe Basin Area Plan amendments are targeted at housing and economic sustainability of the town centers. The amendments are focused on streamlining and increasing a diversity of housing types by allowing development of deed-restricted achievable housing by right in many zone districts. This would alleviate potentially hundreds of thousands of dollars in entitlement, permitting, and environmental review costs from housing developments targeted at the local workforce. Per TRPA and County data, the vehicle miles traveled and other environmental impacts from local workforce housing are minimal. Therefore, amendments include by-right allowances to incentivize and streamline development of workforce housing.

Between now and 2040, East Placer County anticipates a demand for between 300 and 600 single family units and between 700 and 1,700 multifamily units⁴, depending on a low growth or high growth scenario.

⁴ Placer County Housing Strategy & Development Plan, BAE, 2018.

Therefore, Placer County is dependent on the annual residential allocations to accommodate development of a variety of housing types, including privately funded and publicly funded projects. One project the County has been working on for a few years, Dollar Creek Crossing, is currently undergoing environmental review. The project would include up to 150 units of rental housing and for-sale housing targeted to meet regional housing needs.

Ongoing Community Engagement

An important part of the County's integrated approach to mitigating the impacts of tourism and STRs in the Tahoe area includes the best practice of regularly engaging the community. The STR stakeholder working group was formed at the direction of the County's Board of Supervisors to adaptively manage the STR program overtime. The stakeholder working group consists of business owners, homeowners, property managers, fire department staff, community members and representatives from our permitting platform. The purpose of the stakeholder working group was to learn what is working in the current STR ordinance and share trends from other STR programs. Additionally, the intention of the stakeholder working group is to brainstorm ideas that would improve the STR ordinance. The stakeholder working group has met twice and is scheduled to meet quarterly. With the goal of adaptively managing the STR program, ordinance amendments will be going to the Board of Supervisors March 2023.

Conclusion

STRs are a crucial component of the tourism economy of North Lake Tahoe. Placer County has and is going to great lengths to ensure that STRs and visitors to the area strike a balance between the basin's economic, environment and community needs. Placer County's STR operational and enforcement components of the STR program, as well as the multi-faceted approach to fund and implement tourism mitigation and transit/mobility improvements, encourage proximity of STRs to recreational amenities, encourage and incentivize workforce housing and new and renovated lodging products, as well as conduct ongoing community engagement all are designed to achieve a balanced solution to a lodging product type that is crucial to our economy.