

Addressing Vacation Rentals in Eureka City Code
Submitted by the Eureka Planning Commission to the Eureka City Council
February 8, 2024

Background/summary

For the past two years, Eureka's Planning Commission meetings have generally been non-controversial. One exception has been vacation rental use applications, which have generated some heated debate. (These applications come to the Planning Commission only if there is no proprietor on site, and only if a neighbor requests a hearing.¹) Of greater concern: they have caused disharmony in Eureka neighborhoods and, for that reason, we wanted to bring this item to the City Council.

To be clear, there are advantages and drawbacks to vacation rentals. Items on the good side of vacation rentals include providing choice for tourists that can be more economical or work better logistically, and their contributions to transient occupancy tax (TOT) funds. The potential downsides include loss of housing stock for residents, conflict with neighbors and unwanted changes of neighborhood character. We should also note that vacation rentals vary greatly in degree of benefit/harm from a proprietor on site renting a room or two in an occupied historical home to help pay for maintenance of the property, to expressions that resemble a boutique hotel and may not be staffed on site, and have unresponsive, out-of-area ownership.

To study the issue, Planning Commission Chair Meredith Maier appointed Commissioners Steven Lazar and Michael Kraft to a subcommittee. Together with Development Services Director Cristin Kenyon, this group found and reviewed statistics, reviewed code and gathered ideas. The Planning Commission took those up at its November meeting and is now providing this input to the City Council.

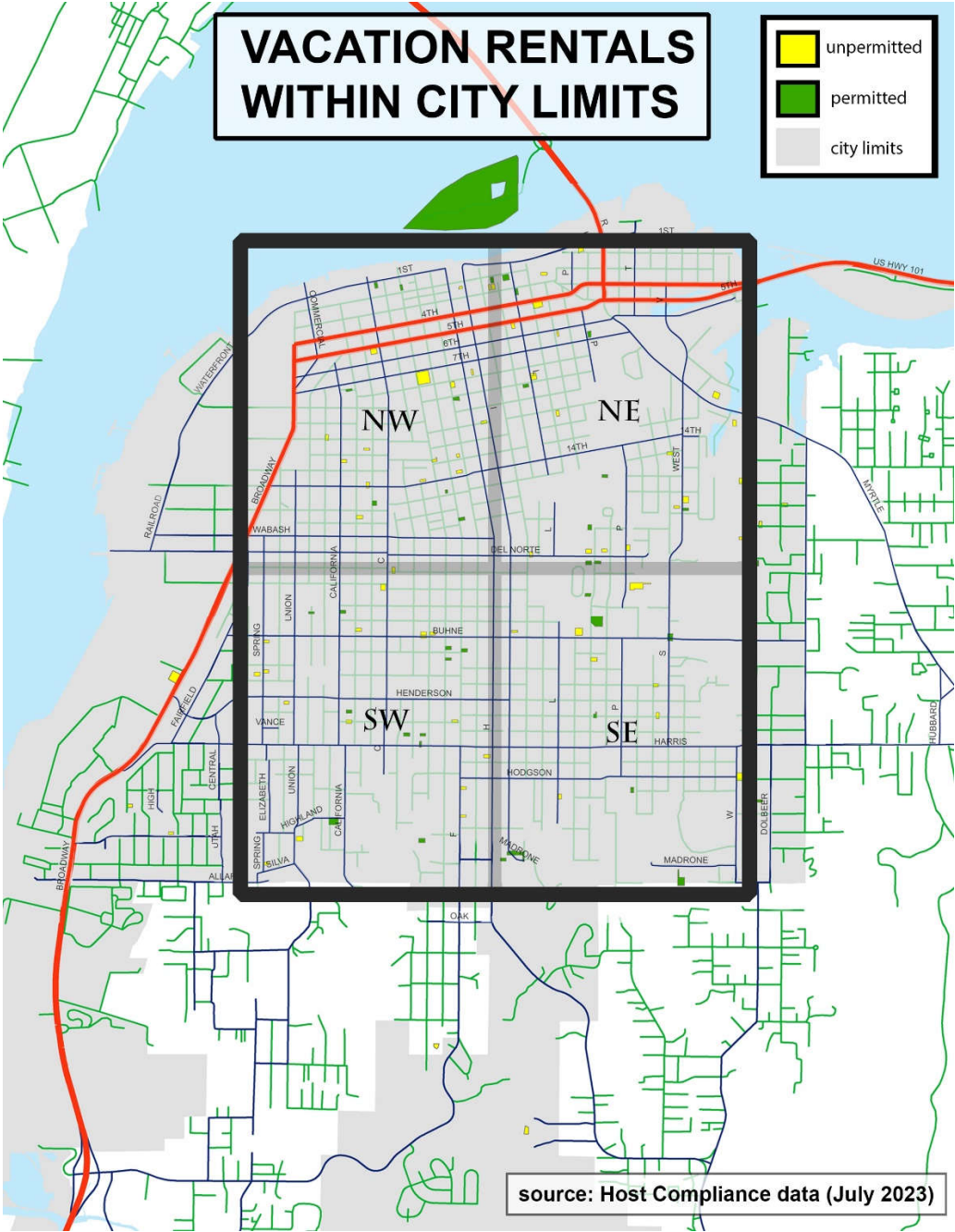
Our ask of the Council is to make this item a priority for city staff in 2024. The current vacation rental compliance drive should be completed and the universe of rentals still operating at the end of the drive should be analyzed to inform future regulatory changes. Staff time should also be allocated to reviewing regulatory models from other cities and potentially recommending amendments to the city code for 2025.

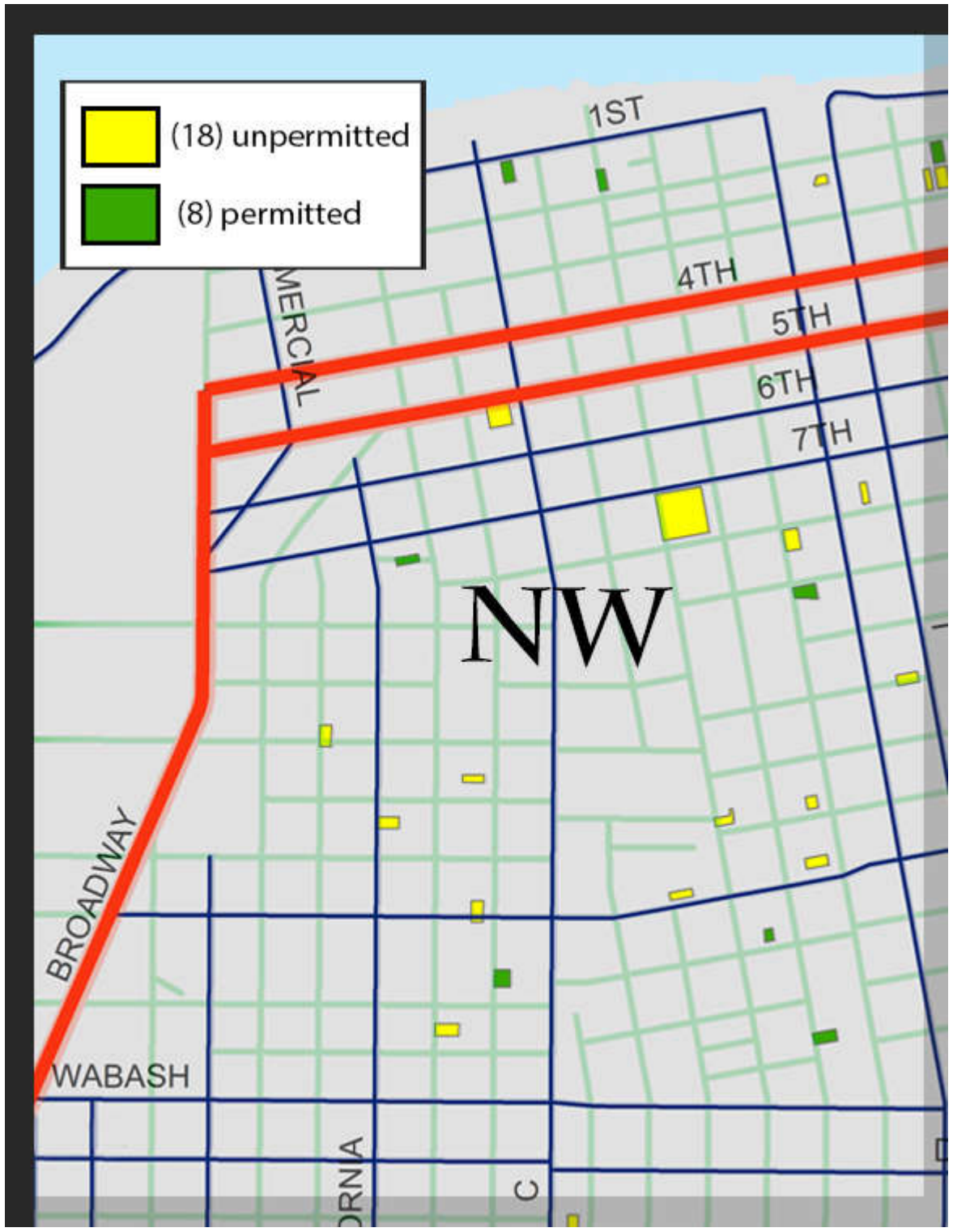
Current situation

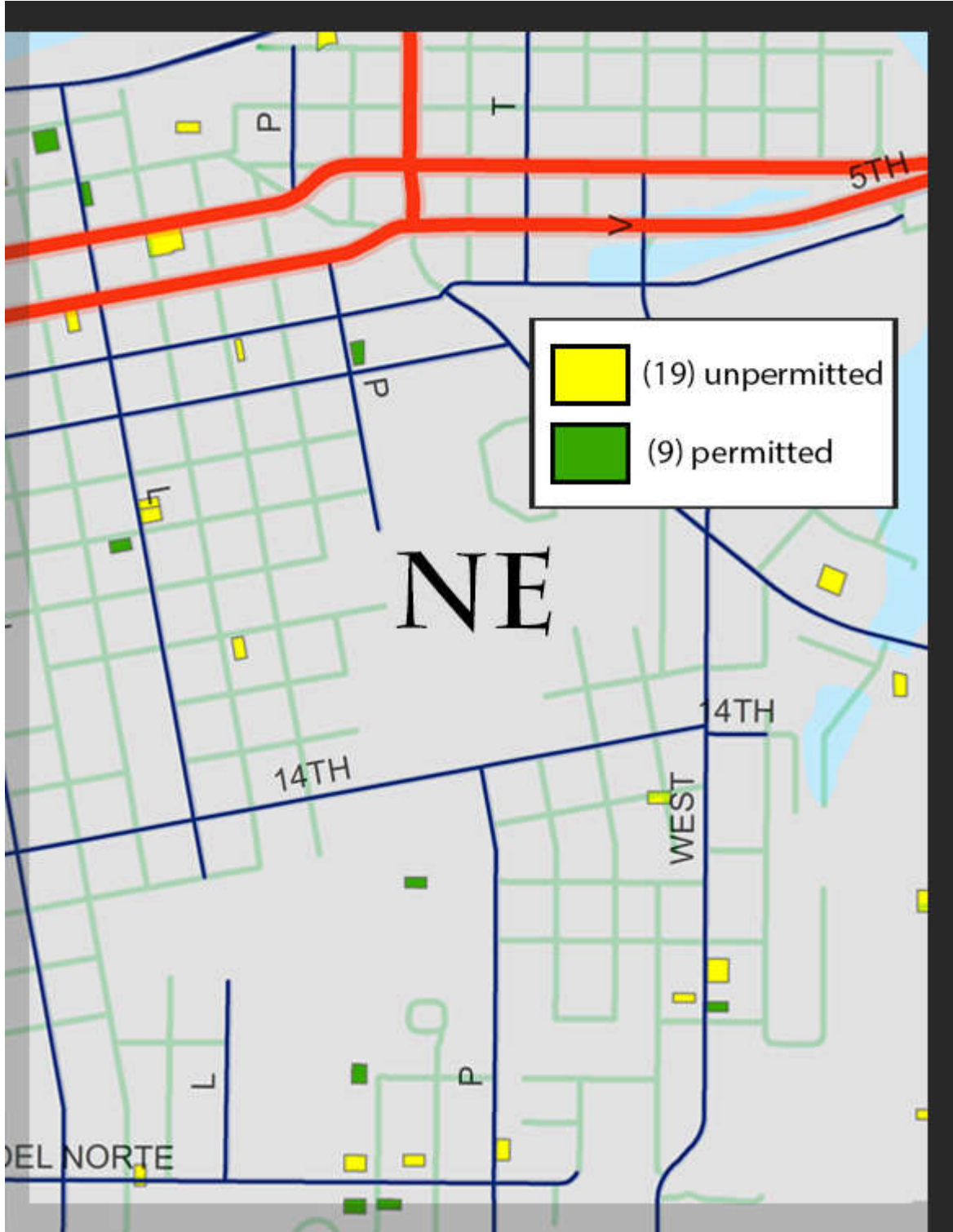
As of late 2023, Eureka had approximately 142 units being advertised in Eureka that were wholly or in part dedicated to short term, or vacation, rental, with 98 separate properties mapped by Host Compliance. This estimate includes both permitted and unpermitted short-term rentals. There is some clustering of these units now, and more can be envisioned in the future (for example, in neighborhoods near the waterfront or the increasingly popular zoo). The maps on the following pages show this.

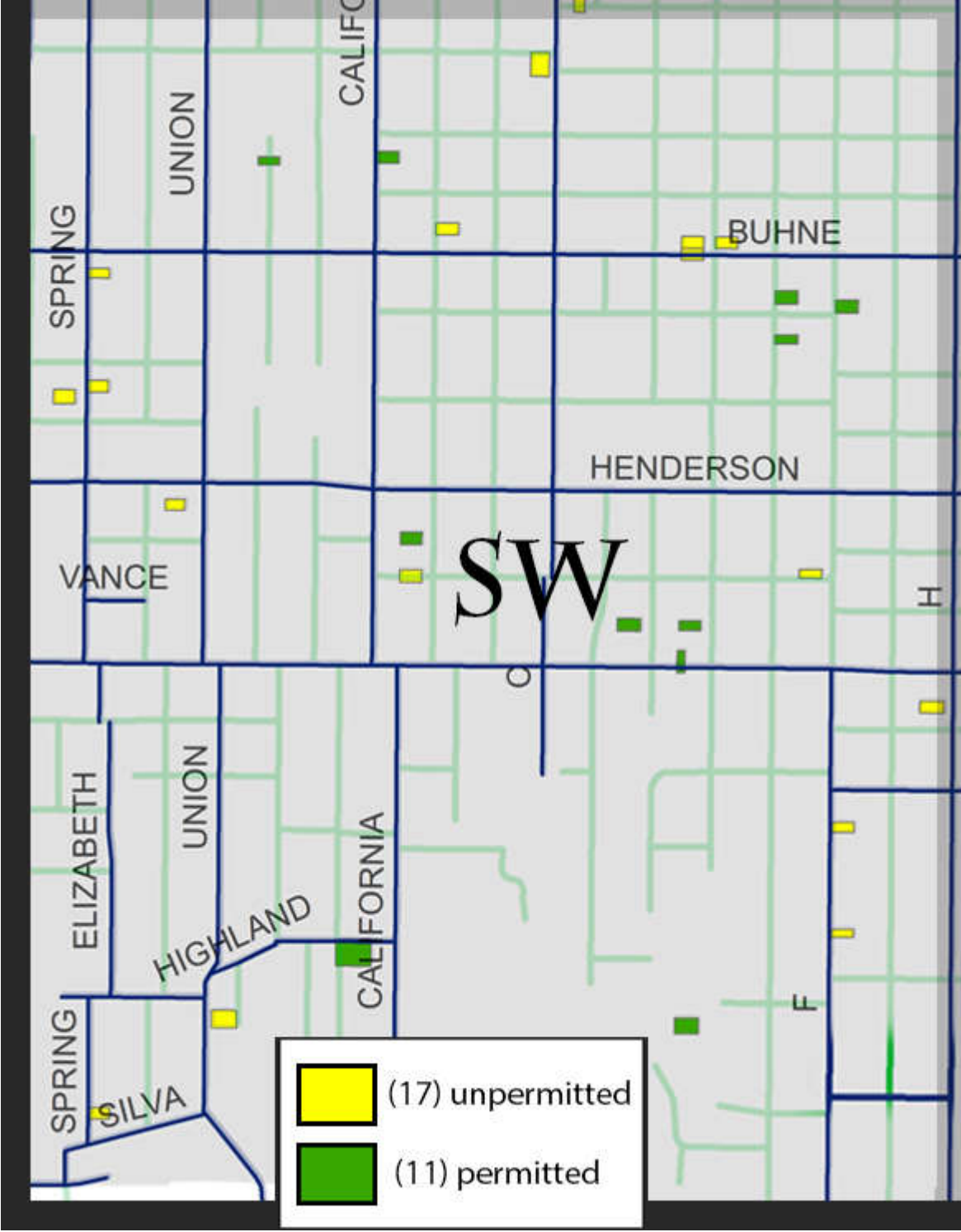
The maps are structured so that there is an overview of the more impacted parts of the city which shows four quadrants, and then individual maps of each quadrant. As indicated in the legend, green signifies permitted vacation rentals and yellow shows those that were in operation last July and were unpermitted at that time. When viewing the maps, it's useful to think of two primary issues:

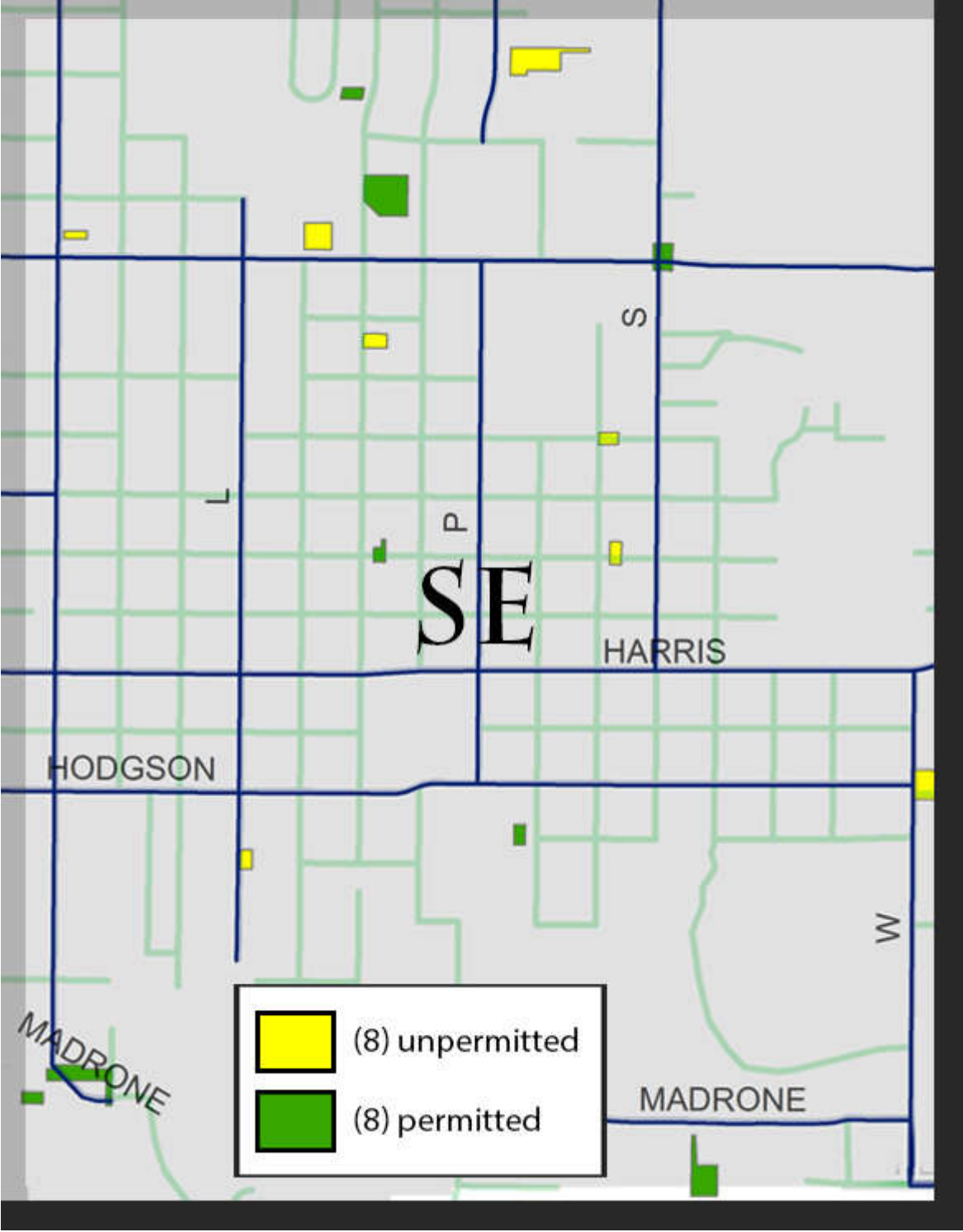
- 1. The overall percentage of properties in the city used for vacation rentals
- 2. The density of those properties on blocks and in neighborhoods











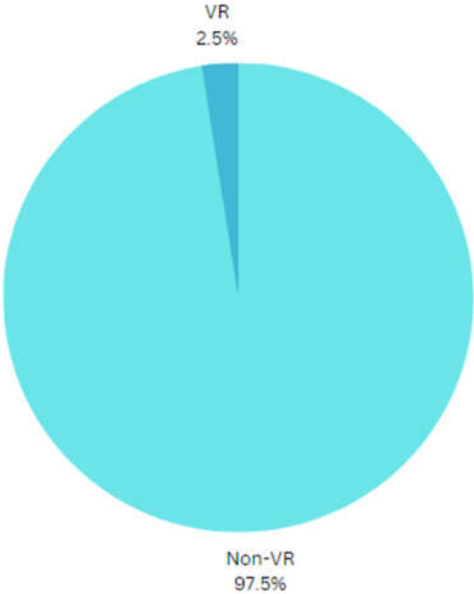
We spent some time searching for local statistics and national research on vacation rentals. We were especially interested in the interaction of short-term rentals and housing stock pressure.

Some of the highlights we found include:

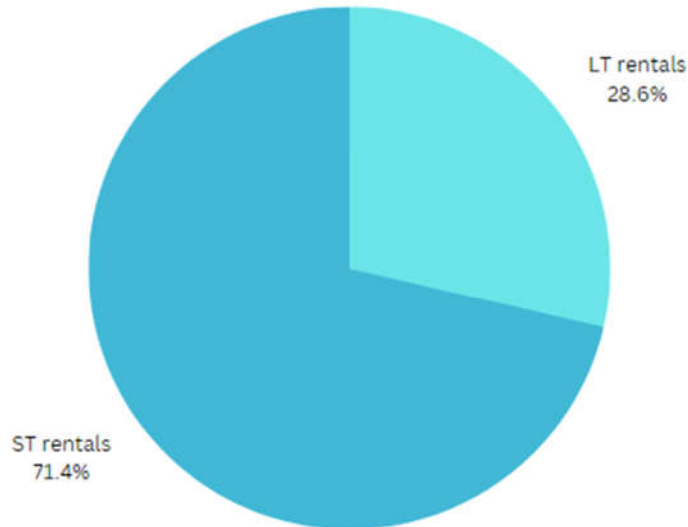
- The traditional yardstick is that housing cost should be 1/3 or less of total income
- Median household income in Eureka is \$43,200 per year (US Census)
- The Average rent in August 2023 for a 3 bedroom/2 bath rental house in Eureka is \$2200 (Rentor)
- Yearly family income to afford the average 3/2 rental home in Eureka would be about \$79,000 per year
- Average rent in August for a 2/1 rental unit in Eureka is \$1373 (Rentor)
- Yearly family income to afford the average 2/1 rental unit would be approximately \$49,400 per year
- Countywide vacancy rates of Humboldt rental units were 1% (Rentor)
- July time-on-market for rental units was about 3 weeks (Rentor)

All of the above show a tight rental market, with little availability, and real affordability issues.

Eureka has an estimated 5,685 units of rental housing overall (Census). The portion of rental housing used for vacation rentals is approximately 2.5%. Viewed that way, vacation rentals do not seem like a high percentage.



However, it is widely accepted that there is a significant local housing shortage. The statistics provided above bear that out. It's also the lived experience of most people seeking rental housing now. Planning Commissioner Craig Benson had posed the question "what percentage of rental housing on the market now is vacation rental?" The chart below seeks to answer that question and shows the Eureka properties being marketed for rent in July 2023.



The chart above captures the reality of someone seeking rental housing in Eureka; there are more vacation rentals active on the market than homes available for long term rental. (This is not entirely an apples-to-apples comparison, in that vacation rentals are generally more continuously marketed, while long term rentals are generally only marketed when there's a vacancy.)

We couldn't find a way to secure any local statistics on the effects of short-term rentals on rents and property values. However, a paper by researchers at USC, UCLA and the National Bureau of Economic Research concluded that each 10% increase in Airbnb listings was associated with an increase in rents of .42%, along with a .76% increase in housing values.² This might seem negligible at first glance. Still, if one extrapolates from local data, a doubling of vacation rentals to 284 units in town--a 100% increase, which one could easily envision over time--would result in a 4.2% increase in rent, an increase of \$92 a month for an average 3/2 unit and a \$58 a month increase for a 2/1 unit, adding to affordability problems.

Where might we be headed?

While this mix may change with additional information and input, there are a few key items the Planning Commission believes are likely needed changes to the code:

- Planning Commissioners support changing permitting of short-term rentals to be a license that is renewable rather than an approval that runs with the land (currently,

these approvals are use permits that run with the land in perpetuity), has a term of a year or two, with a use it or lose it component.

- Clear objective standards for approving or denying vacation rental applications would be an improvement. (Example: approve short term rental applications that are not within a certain distance of existing short-term rental properties and deny or require a use permit for those within such a distance.)
- We found ourselves talking about several different profiles of people who would have VRBOs. Permitting could be tailored to enable a local person living in their house an easier path than an out-of-area corporation seeking a quasi-hotel.
- Criteria could also be designed to limit the number of vacation rentals one entity or person would be allowed to have permitted.
- The city's existing code allows for a cap on short-term rentals and members of the Planning Commission believe that some type of cap structure is likely to be a good idea, but don't see implementing one prior to 2025 at the earliest.
 - A cap is envisioned in current code for inland residential zones
 - Once the coastal zone code is updated, the cap could be extended to the coastal zone
 - Staff workload is a consideration, and implementing a cap immediately, or implementing one that is close to the number of current rentals would potentially cause a rush to city hall and a bump in workload
 - Compliance work underway by the Finance Department needs to be completed to fully understand the current situation

Recommended steps/timeline

City staff complete compliance drive	June 30, 2024
City Planning staff conduct research and provide report to Planning Commission on potential regulatory changes	July 31, 2024
Planning Commission provides recommendations to City Council	August 31, 2024
City Council updates code, for implementation in 2025	September 30, 2024

Footnotes:

¹In the City's inland residential districts, anyone wanting to use their property for a vacation rental without a proprietor onsite requires a Minor Use Permit. City staff sends out a notice of intent to approve the Minor Use Permit to neighbors within 300 feet of the subject property, giving the neighbors a 15-day period to request a hearing with the Planning Commission before the approval becomes final. The Planning Commission only acts on Minor Use Permits when there has been a request for a hearing, typically by an unhappy neighbor.

²*The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb*

March 4, 2020

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Sources:

City of Eureka staff

US Census

Rentor (Rentor is a property management firm. The local operation is owned by Darus Trutna. They manage approximately 5% of Humboldt County rental properties, with a higher concentration in Eureka. While not a perfect reflection of the overall Eureka rental market, we found the company's [Rental Market Report](#) to be on target and the best proxy we could find.)