

TOWN COUNCIL STAFF REPORT

Title: Staff Report on STR Study Report regarding temporary moratorium on new STR certificates.docx

Meeting Date: November 15, 2023

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RECOMMENDATION:

Approve the draft Short-Term Rental Study Report and direct staff to issue the report on behalf of the Town.

BACKGROUND:

Status of Moratorium on Short Term Rentals in designated Zoning Districts

The Town Council adopted Ordinance 23-10 imposing a moratorium on the issuance of new Short-Term Rental (STR) certificates in defined zoning areas within the Town of Mammoth Lakes on October 18, 2023. The action was taken as an urgency ordinance making the moratorium effective for 45 days, which will expire on December 2, 2023. The Town Council has the option to extend the moratorium for up to an additional 10 months and 15 days. The Town Council appointed an STR Advisory Committee on November 1, 2023, to provide recommendations to the Town Council. The first committee meeting is scheduled for November 13, 2023. The Town Council will consider the adoption of the proposed extension at a special meeting on November 29, 2023. If the Town Council acts to extend the moratorium, staff recommends considering the initial extension to be effective through May 31, 2024, or approximately 6 additional months. This provides time for recommendations to be made, acted on by the Town Council and implemented. The moratorium may be extended once more up to an additional 12 months or terminated as soon as updates to management plans and municipal codes are implemented.

The temporary urgency ordinance establishing the 45-day moratorium on the issuance of new STR certificates was adopted in response to the significant and increasing shortage of housing that is affordable to the local workforce and the need to protect the health, safety and welfare that results from the lack of available safe and affordable housing to the local workforce and residents. Staff has also been working on the implementation of a “certified property” program to address enhanced management and quality of life issues related to Short Term Rentals (STRs).

This report is issued pursuant to California Government Code Section 65858(d), which requires that at least 10 days prior to expiration or extension of the moratorium, the Town Council must issue a report describing the measures taken to alleviate the conditions which led to the adoption of the moratorium ordinance. The Town is undertaking a review and study of the Town's STR program including the overall management of the program and the relationship of STRs to the community housing market. This will inform the Town Council's further consideration of whether or not to make changes to the STR program, management practices and other steps related to the many impacts that STRs may have on the availability of housing for the local workforce.

ANALYSIS:

Housing Need

A housing needs assessment was completed in July 2017, entitled "[Mammoth Lakes Community Housing Action Plan Part 1 – Housing Needs, Accomplishments and Challenges](#)". The findings from this study were used in the development of the [Mammoth Lakes Community Housing Action Plan – Live, Work, Thrive](#), published in November 2017. Follow the links to review the referenced documents. The outlook of the study was for the five-year period 2018-2022.

A few key take aways from these reports include the following on near-term housing needs:

- Rental needs for those making less than 80% of the Area Median Income (AMI) and ownership needs for those making up to 200% of the AMI (i.e., missing middle income households) – are two areas of need not being met by the current market forces. The Town's Housing Element, noted below, defines the "missing middle" as being households earning between 80% to 150% of AMI. Information on current AMI income levels is attached.
- The housing needs assessment identified a need for 595 housing units through 2022, including 275 for ownership and 320 for rental. The ownership level represents an effort to maintain current home ownership rates within the community. An estimated 180 ownership units should be provided at an affordable rate for households making less than 150% of AMI. For rental units, approximately 160 units were identified as a goal to be priced below market rents.
- The targeted number of units to be produced over the five-year period was 200-300 housing units completed or permitted.
- The reports recognize that there is no one single strategy or funding sources that will fix all our housing needs.

Affordable housing is generally defined as housing costs that are 30% - 35% or less of a household's gross income.

The following quote is from the 2018 MAMMOTH LAKES & MONO COUNTY BUSINESS RETENTION AND EXPANSION SURVEY EXECUTIVE SUMMARY.

“Housing is seen as the greatest barrier to workforce maintenance, with 79% attributing affordability or availability of housing as a barrier. Fifty percent also mention a lack of candidates with adequate training, while 40% admit to the seasonal nature of the work is a barrier. Housing is most critical for seasonal front-line employees, mentioned by 62%, however nearly as many (59%) mention housing for year round frontline employees. Thirty-eight percent of businesses surveyed attempt to address this by offering some employee housing, but only 34% of those say the amount their business can provide is adequate.”

(Survey sponsored by Mammoth Lakes Chamber of Commerce and Mono County Economic Development.)

The Town continues to hear from local businesses and workers how the lack of housing is limiting worker availability. This includes public agencies as well such as the Town, County, USFS, schools, the hospital, and others. Several agencies and local businesses (as noted above) have implemented housing programs to assist employees, but still face challenges due to affordable housing being a barrier to recruiting and retaining employees.

2019-2027 Housing Element

The [2019-2027 Housing Element Update \(HEU\)](#) assesses current and future housing needs, identifies constraints in meeting those housing needs, and establishes housing goals, policies, and actions. As recommended by the State, the HEU builds off the [2014-2019 Housing Element](#), reflects new statutory requirements, includes an analysis of existing housing programs and progress of those programs, and identifies new programs and adjustments to existing programs to be more effective. Follow the links provided to view the referenced documents. A complete list of housing programs is included in Chapter 5 of the Housing Element Update. The HEU was adopted in August 2019. In describing the community context for the housing element, the following was included (page 1-2):

Mammoth Lakes has a total housing stock of around 9,700 units. Based on the 2016 American Community Survey (ACS), an estimated 59.4 percent of the entire housing stock is dedicated to seasonal, recreational, or occasional use (see Table 2-20), reflecting the popularity of the Town as a location for second-home ownership. This trend also has an impact on housing affordability, since housing prices are driven by relatively affluent second-home buyers; the rental market is also affected by the higher prices commanded for seasonal and nightly rentals of homes and condominiums. Meanwhile, many local residents work in the service sector, creating a considerable gap between housing affordability and housing costs. In addition, Mammoth Lakes has a large seasonal workforce who service the

ski area and support businesses (restaurants, lodging, retail, etc.) and associated influx of visitors, and summer construction labor. This context creates a number of housing issues that must be addressed through the Housing Element including: meeting demands for housing by ensuring adequate sites are available and

- Allowing for a range of housing types at a variety of affordability levels, particularly housing for the local workforce and seasonal employees.
- Preserving existing affordable housing units and improving the condition of other units.
- Removing governmental and other constraints to affordable housing.
- Promoting fair and equitable housing opportunities.

Housing Production

The State process in reviewing housing needs incorporates a “Regional Housing Needs Allocation” or “RHNA” for each county and city. The RHNA sets the target for how many units at the various income levels the Town needs to plan and issue permits for and is intended to identify the number of units that are needed at various income levels to satisfy the minimum housing demand in 2027 based on projected population and the number of existing housing units (*The RHNA is set for a specific time period that coincides with the Housing Element cycles. The Town is currently within the 6th Housing Element cycle which spans from 2019-2027*). For the sixth cycle, the Town is required to plan for 155 units spread across various income levels. For the Town of Mammoth Lakes this includes:

RHNA – Mammoth Lakes (2019 – 2027)					
	Extremely Low	Very Low	Low	Moderate	Above Moderate
RHNA 2019-2027	10	16	30	34	65

The production of housing for the current housing element time horizon includes:

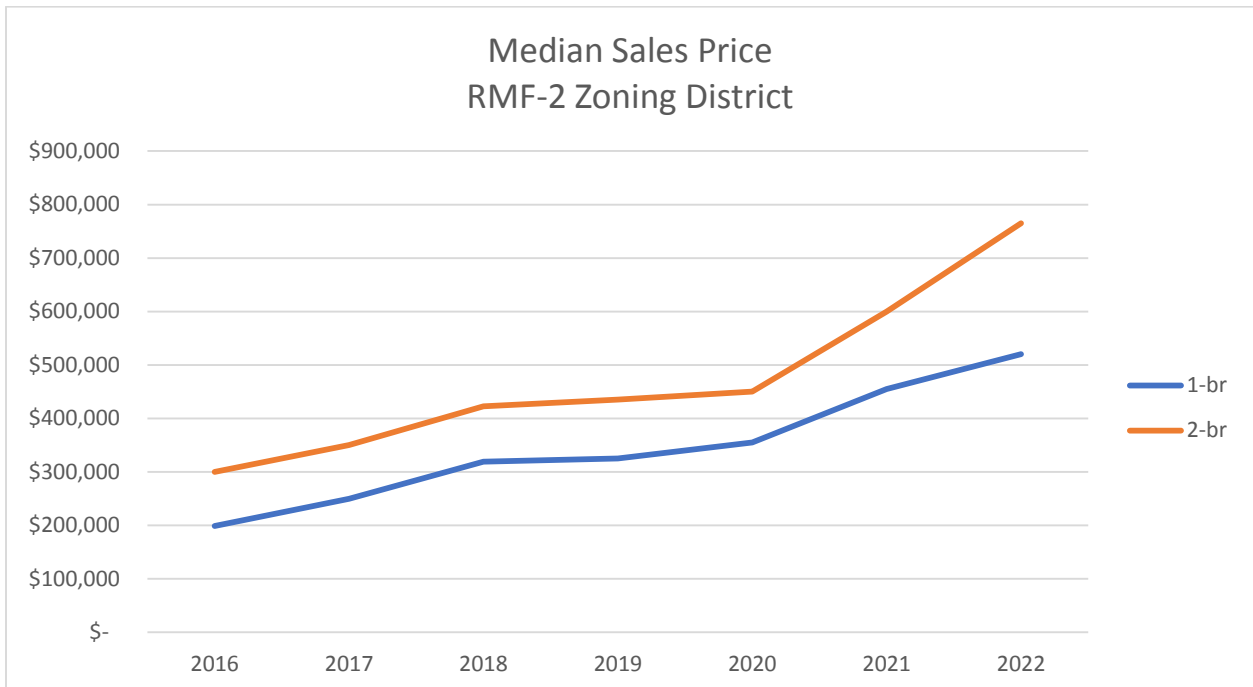
RHNA Progress (2019 – 2023)					
Year Permit Issued ^{1:2}	Extremely Low (≤ 30%)	Very Low (31%-50%)	Low (51%-80%)	Moderate (81%-120%)	Above Moderate (≥ 120%)
RHNA 2019-2027	10	16	30	34	65
2019	0	0	0	0	23
2020	0	0	0	0	61
2021	0	0	0	0	42
2022	8	8	64	0	46
2023	2	0	13	0	<i>TBD</i>

Total	10	8	77	0	>172
<i>Total Remaining by Income Level</i>	0	8	0 (47 units over the allocation)	34	0 (107 units over the allocation)
¹ The State implemented the current method of tracking housing development from entitlement through occupancy in 2018 and the purpose is to better inform policy decisions at both the local level and the State level and determine whether there are issues or barriers at the various points in the development cycle that are preventing, or causing delays to, the development of affordable housing. ² The projects that make up the units counted for incomes less than 80% will be completed and occupied in early 2024.					

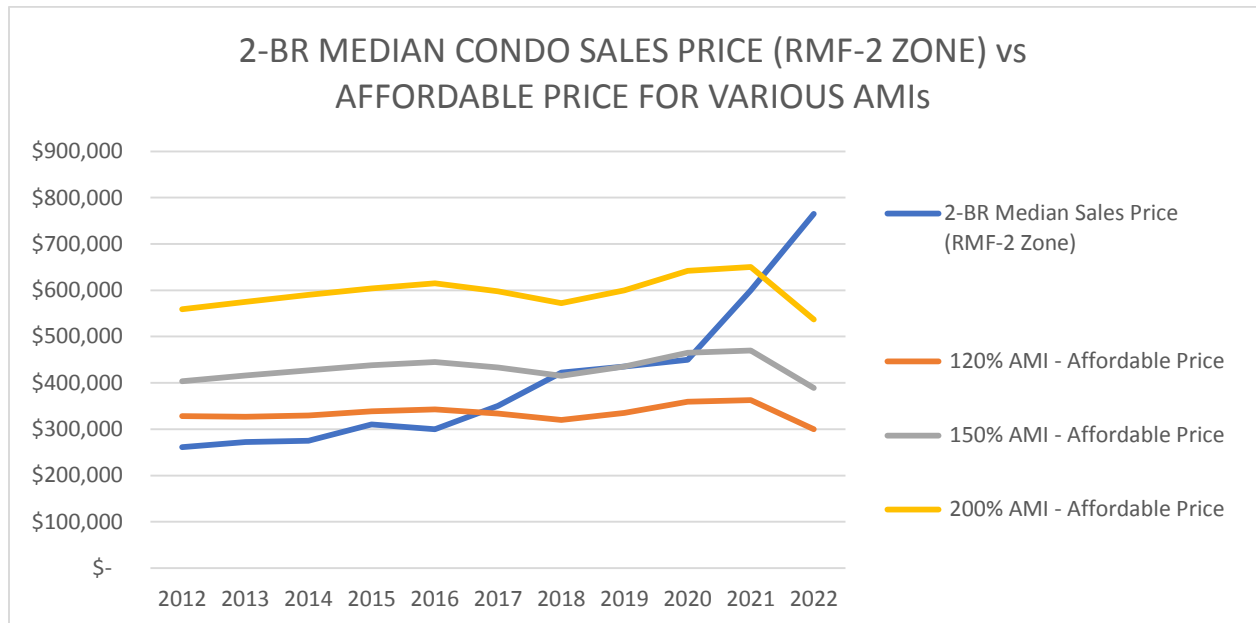
The Town is meeting the baseline requirements of the State in all categories except for the very low income level of 31% to 50% and the moderate income level of 80% to 120%. It is anticipated that the very low income needs will be met through the Parcel development. The largest gap is in the moderate income level which represents the lower portion of the missing middle income households. The overall production of housing is still below community needs as discussed above.

Housing Costs and Sales Information – RMF-2 Zone

A snapshot of housing sales data from 2017 through 2022 for one- and two- bedroom condo units in the RMF-2 zoning district show continued strong price increases, while the number of sales within that zone has stayed relatively consistent (average of 61 one-bedroom and 91 two-bedroom sales /year). The number of new units constructed was also limited during this time period with only 16 new units constructed in the RMF-2 zone.



The median sales price of these units has moved out of the price range for moderate income households to purchase. The following table and chart demonstrate what a three-person household at various AMI levels could afford to pay for a 2-bedroom condo based on a consistent set of assumptions and spending 35% of their gross income on housing costs (excluding utilities).



Assumptions: Annual income at 120%, 150%, and 200% of AMI, 10% downpayment, \$400 HOA, property tax at 1.5% of purchase price, property insurance at 0.35% of purchase price, private mortgage Insurance at 1% of purchase price, and average interest rate for that year.

The RMF-2 Zone represents housing options that in previous years represented greater options for middle income households to acquire units. The operating cost of many of these units has increased above the modeled number used in the above chart, most notably for HOA fees and special assessments. The high costs further limit the opportunity for households to afford to purchase housing units. The is a diverse Zoning District with different types of developed projects throughout the community. One of the factors to be considered in the analysis on STRs is whether to bifurcate this zoning district to better reflect the underlying purpose for much of the development and current level of uses for short term rental, long-term rental, owner occupied housing or strictly for second homeowner usage.

Town of Mammoth Lakes Housing NOW! Initiative

The Town has implemented additional housing programs under the Housing NOW! Initiative. The Town has invested in assisting households during emergencies. The Town has and is working with Eastern Sierria Community Housing (formerly Mammoth Lakes Housing) on housing projects. The Town has committed over \$30 million in General Fund resources to housing projects between FY17-18 and FY22-23. The Town has participated in securing several State grants over this time frame including \$20M for the Parcel

Infrastructure, different Community Development Block Grants (CDGB), HOME Grants, use of housing in-lieu fees, and other non-general fund sources of revenue.

An overview of the various programs and projects undertaken or supported by the Town is provided in the attached recent presentation on the Hosing NOW! Initiative. A summary of these programs and others follows.

The first phase of the Parcel (The Sawyer) is an 80-unit affordable housing project, plus 1 manager unit. The project includes a new childcare facility and will house the preschool program being relocated from the Mammoth High School site. The facility includes a community space and dedicates 8+ units and space for County behavioral health programs and services, which provided a project to utilize \$2M in restricted grant funds allocated to the County.

The project managing leasing company (Buckingham) has received interest in the project from over 475 households. Those expressing an interest in the project have not yet been income qualified. The project is designed to achieve an average AMI of 60%, with a maximum AMI of 80%. The project is anticipated to be opened March/April 2024.

Phase 2 (The Kingfisher Apartments) of the Parcel includes 148 units including 2 manager units. This portion of the project has been broken into Phase 2.1 and 2.2. The Town has committed \$9,032,000 to the project as a long-term loan including the property value, Town impact fees and cash contribution. The developer has applied for tax credit funding for Phase 2.2 (76 units) and is anticipated to hear on December 8, 2023, whether they will be awarded the funding. The project will have similar income restrictions.

The Town and Eastern Sierra Community Housing (ESCH) secured a Homekey Grant of \$4.4M for the Innsbruck Lodge conversion project, along with contributions of \$1.4M from the Town, with additional funding from Mono County and other sources. The project will provide 15 low-income apartments with 1 manager's unit. The project is anticipated to be completed in early 2024.

The Town has one small site development under construction. The project located at 60 Joaquin Road includes 4 units in two duplexes. This \$2.7 million project will be a for sale project targeting "missing middle income" households. The project will be completed in 2024.

The Town "Bridge Program" is focused on helping local households bridge the financial gap from renting to home ownership. The program purchases existing housing units at market prices and works with qualified buyers and subsidizes the purchase price down to a viable level based on the income levels. The program targets households in the 150%+-AMI range. The homes are deed restricted to maintain affordability into the future. In some cases, the Town may provide additional loan funds. The Town has acquired 6 units under the program and placed 5 households in the units. The 6th unit is in the process of being sold. The Town is currently looking to secure another 4-6 units for this program in 2024.

The Town has committed \$1.5M to assist ESCH to rehabilitate property located at 238 Sierra Manor Road into 11 affordable units. The Access Apartments project has secured loans and other funding but is not yet fully funded and has a projected \$2.8M+/- funding gap.

The Town is working with other partners and has identified a potential site to develop a safe parking area for employees who have chosen or are forced to utilize their vehicle for housing. The concept is to have an area close to Mammoth Lakes that can provide basic sanitation (water, sewer, trash) services and have users feel safe and secure. The details, partnerships and scope of the project are in the very early stages of potential development.

The Town and ESCH continue to partner on retaining deed restricted units. This includes the purchase and resale of existing deed restricted units. If a qualified buyer is not secured by the current owner, funds provided by the Town and/or Mono County are used to acquire the units and work to qualify a new buyer is undertaken. This program also uses grant funds or other resources to assist with down payments through loan program, which requires repayment upon future sale of the unit. Additional first-time homebuyer grant funds are available for low-income households. However, finding housing units in a price range that households can afford even under the programs outlined here is difficult. Increasing housing prices for units that may have previously been attainable under the subsidy programs are quickly being priced beyond the reach of households even with substantial financial assistance and subsidies.

Demand for Affordable Housing

The above projects are predominantly focused on low-income households (income levels at 80% AMI and below). As demonstrated in the Housing needs study and current housing “waitlist” the demand for both affordable low-income and “missing middle” income housing continues in the community. The recent report from ESCH identified a rental waitlist of 196 households of 1, 2, or 3 members with 47% of the households with incomes below 50% AMI. The homeowner waitlist has 20 households with incomes ranging from 80% (6), 120% (7) and 150% (7). Income verification is pending on 10 of the households.

The turnover of affordable rental units tracked by ESCH is generally below 1% and with regular reports often showing no unit turnover.

Next Steps / Future Options

Current data suggests the community is falling further behind in providing a mix of housing for a significant portion of the local workforce. The Mammoth Unified School District is looking at options to build housing to secure teachers and support staff. Mammoth Hospital has invested in the purchase of several units to support employees. The Town owns 7 units used to assist employees. The Mammoth Community Water District owns units and has a program to assist employees to purchase housing. Several local businesses have secured limited employee housing. Mammoth Mountain Ski Area manages a substantial number of

housing units in the Town and has secured additional seasonal housing units in the City of Bishop.

The Town has initiated conversations with the Inyo National Forest on the option to build housing units on existing administrative sites. This is a very long process, and the Town would need to secure funding to build the units. To our knowledge only one national forest has completed the process to allow for the construction of units on national forest land. The Town has looked to purchase land in the Crowley Lake area but was only able to secure a second position in the offer to purchase. The Town has purchased a small parcel on Manzanita and will look to duplicate a similar small site development to the one currently under construction on the Joaquin site.

The Town has presented housing concepts on Town owned land and potential partnerships with other landowners. These proposals represent longer-term housing opportunities.

The above discussion is not inclusive of every effort or program being considered by the Town, other agencies, partners, or the private sector. The totality of the efforts is still not adequate to address housing needs for the workforce. As noted in the Housing Needs Study, there is no single strategy or funding source that will address all our housing needs.

STR Management and Housing Policies

The management and even the limiting of housing units being used for STRs in several cities in California and across the nation has been implemented as one tool to address housing needs and quality of life issues raised by local communities. Attached information compiled by the Town of Truckee in October 2021 and a recent study completed by the Colorado Association of Ski Towns (CAST) identifies several actions that have been taken to manage STRs. A copy of the 2023 Workforce Housing Report created by the Northwest Colorado Council of Governments and CAST is available at: [Workforce-Housing-Report-2023_Final.pdf \(coskitowns.com\)](https://coskitowns.com/Workforce-Housing-Report-2023_Final.pdf)

Mammoth Lakes has adopted a quality of life ordinance to assist in the management of STRs. The Town has developed an enforcement program for the quality of life ordinance and to ensure STR activities are being conducted legally. While these efforts are making a difference, the Town consistently finds STR operators acting illegally without a proper Business Tax Certificate (BTC) and Transient Occupancy Certificate or operating in an area that is not zoned to allow STRs.

The enforcement efforts are led by the Town's Finance Department's revenue team. The team is working on the development of a "certified property" program to enhance enforcement efforts and establish a greater level of responsibility of owners and engagement with the Town. The program will address concerns that have been identified under the current moratorium on the issuance of new STR transient certificates (TC) related to the management and ownership of the BTC and the TC.

The number of quality of life complaints regarding parking, trash and noise have diminished over the past few years. Complaints from over occupancy continue, often accompanied by noise and parking concerns. More recently complaints related to unpermitted construction work have increased. As part of the Certified Property program, it is anticipated that stronger rules, requirements, and penalties will be recommended for these types of violations.

The Town has received several comments and information in response to imposing the temporary moratorium on the issuance of new STR certificates in the defined zoning districts as provided for in the moratorium ordinance. The Town has addressed some of the concerns raised as the moratorium was implemented. The application of the moratorium to primarily multi-family units (i.e., condos), raised comments on costs and functionality of units to be used for long-term housing.

Information presented by realtors and STR owners during this process raised concerns and anecdotal data demonstrated that the current cost of owning a STR requires and/or is supported by the ability to have additional income from the short term rental of the property. This allows owners to use the property and enjoy the Mammoth and Eastern Sierra area. Costs include mortgage, taxes, HOA dues, special assessments, and other costs of ownership. Increased costs were highlighted with the impacts from the 2023 winter storms.

The public discussion will need to balance competing and complementary policy values. This includes balancing the importance of the tourism economy with the economic sustainability of the Mammoth Lake community with the impacts that the STR industry is having on the availability and affordability of workforce housing and the negative impact the lack of workforce housing has on the sustainability of the community. These policy discussions may be framed around the following topics as part of the study to be undertaken.

- Need for Tourist Accommodations - The community is heavily reliant on the tourism economy and, due to the community's remote location, maintaining a steady stream of visitor spending requires an adequate and diversified inventory of overnight visitor accommodations in the form of hotel/motel rooms and STR units.
- STRs Influence Second Home Buy/Hold Decisions – The primary distortion in the housing market that disconnects home prices from workforce household incomes is demand from the second home market. Some second home buyers often rely on income from short-term renting to afford their property. Restricting the ability to generate income can influence the decision of some second home buyers to purchase a property and of some owners to long-term rent or sell their property. Some second home buyers/owners may be unaffected. Without the ability to limit second home ownership, STR regulation remains one of the only tools available to

local governments to influence purchase and hold decisions in the second home market.

- **Availability of Workforce Housing Impacts Economic Sustainability** – As most in the community are aware, the availability and affordability of workforce housing impacts the ability to effectively run businesses, to provide a high-quality consumer experience, and to provide critical public services (e.g., fire and emergency medical services, snow clearing, police protection, education, and public administration, etc.).
- **Regulation Allows for Management of the Tourist Accommodations Inventory** – Many peer communities have experienced renewed reinvestment in the hotel/motel inventory following restriction of the STR inventory. STR regulation, therefore, can be an effective tool for managing the tourist accommodations inventory, promoting desired forms of reinvestment, and enhancing the consumer experience. Regulation can also limit competition for individuals who already hold permits.

The Town has engaged BAE Urban Economics to assist with the economic analysis of the STR program in Mammoth Lakes and the relationship to the policy discussion areas noted above. Additional data will be gathered as part of the overall analysis.

SUMMARY

The Town of Mammoth Lakes is taking a proactive approach to addressing workforce housing concerns in the community. The Town, working with local partners, has developed, and implemented local housing programs under the Housing NOW! Initiative. The programs include direct Town funding and continued leveraging of state and federal funded grant programs. The cost of housing and construction in the Town has placed additional constraints, as has the availability of land for housing projects. The majority of funding is restricted and targeted for low-income housing projects. Current programs to address this segment of the workforce are proceeding and will have a significant impact on closing the housing gap. These programs are primarily directed at creating rental housing units.

The ability to address the missing middle-income households, those with incomes from 80% of AMI to 200% AMI, presents a much greater challenge for the community. Current efforts rely on investment by local businesses and agencies to provide housing. The Town continues to provide funding to support housing programs for this segment of the community. The availability of current housing inventory at a price point and overall cost that is economically viable for ownership or rental is limited. The cost of new construction is high. Addressing this segment of the workforce will require creative means and funding outside of traditional state and federal grant programs. As with other communities, one market segment that has been looked at as a source of housing units is limiting the

availability or incentivizing the transition of units used for STR rentals back to the long-term housing market for ownership and rental housing options.

Are there policy options within Mammoth Lakes to be considered in managing STRs as an additional strategy for increasing community workforce housing opportunities and improving the overall quality of life for residents and visitors to Mammoth Lakes?

The STR Advisory Committee will be tasked with assisting the Town to study options, analyze data, outline policy options, and provide recommendations for Town Council consideration regarding the management of STRs. The committee's work program is aggressive, and the members and Town staff are committed to working expeditiously to bring recommendations forward. The first meeting of the STR Advisory Committee is scheduled for November 13, 2023, and an update from the committee meeting will be provided to Town Council as part of this report.

Attachments

Town of Mammoth Lakes Ordinance 23-10

STR Management Framework Research prepared by Town of Truckee in Oct. 2022

Government Code 66300 Authority to limit STRs in Residential Zones

TOML Housing Program Presentation 10-17-23

Area Median Income (AMI) Chart for 2023