

## **TOWN COUNCIL STAFF REPORT**

Title: Receive information and provide direction on STR Advisory Committee Recommendations.

Meeting Date: February 7, 2024

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### **RECOMMENDATION:**

Consider the STR Advisory Committee recommendations and provide direction regarding next steps on implementation and program design related to:

- 1) Ballot Tax Measure to fund housing programs.
- 2) Rental subsidy programs.
- 3) Housing Down Payment Purchase Program.
- 4) Continue review of possible zoning changes to the RMF 2 zoning designation.

### **BACKGROUND:**

The Council appointed Short Term Rental (STR) Advisory Committee has completed its work in reviewing the Town's STR Program, the relationship of STRs to housing, options to incentivize the use of STRs for workforce housing (rental and ownership), and funding options to support recommended programs. The STR Advisory Committee recommends five action items and priorities for implementation.

The Committee recommends the Council proceed with the implementation of the Certified Property Program, which is presented as a separate agenda item for Council consideration. The implementation of this program requires amendments to the Town Code, which requires an ordinance to be adopted by the Council. Concurrently with this action, it is recommended that an ordinance terminating the STR Moratorium limiting the issuance of new STR Certificates be adopted.

The Committee recognized a funding mechanism is required to incentivize the transition of STRs to assist in meeting workforce housing demand. The priority action item is for the Council to provide directions on a preferred funding source. Two alternatives are presented below.

Recognizing the need for workforce housing now, the Committee supports the implementation of rental subsidy program(s). A few options were discussed and are presented below. The implementation of a pilot program under the Town's Housing Now! Initiative sooner than later is recommended. This will require the allocation of current Town funds. The design and implementation of the program(s) will take some time. A

priority target for this program are households (includes individuals) that are often referred to as those with incomes that are above the limits set for traditional grant funded housing projects (i.e. The Parcel, Aspen Village, etc.) which are not adequate to secure local market rate housing. This is generally incomes that are in the 80% - 150% of the Area Median Income (AMI) tied to household size, with amounts set by the State and Federal Government. The program is not limited only to the “missing middle”, but this provides a targeted expressed need in the community.

Proving long-term, secure housing for the workforce was also determined to be a need in the community. Due to the high cost of purchasing a home, a Down Payment Assistance program is recommended. The program has a similar targeted audience of the “missing middle” households but would look at incomes up to 200% of AMI. The subsidy and down payment assistance program design and guidelines will take time to develop.

The fourth area discussed was a review of the Town’s zoning structure within the current RMF 2 zoning areas. The concept was to consider a split of this zoning district. This will take a substantial amount of staff work. This will amend the current Town Zoning Code and Land Use Plan. The process includes working through the Planning and Economic Development Commission (PEDC), prior to final consideration by the Council. This was a low priority for the STR Committee. Staff still recommend that this work be considered; however, due to the current workload and the time required for this effort, staff agree this should be a low priority item.

An economic analysis and review of related information was also completed by BAE Economics. A copy of the report is attached.

### **ANALYSIS:**

The following information was presented to the STR Advisory Committee at their last meeting on January 30, 2024.

### **OPTIONS ANALYSIS**

#### **1) A Ballot Tax Measure to fund housing programs**

The STR (Short Term Rental) Advisory Committee recognizes the need for a stable funding source to support local housing options. To be successful in working with current owners of STRs (or others) there is a need for adequate funding to be able to compete in the rental market or in the purchase of units. The goal of the proposed housing programs is to be added to the Town’s and other agency programs directed at providing affordable, available, community workforce housing. Current housing programs are highly reliant on State and Federal Grant programs that primarily target lower income households (generally at or below 80% of area median income - AMI). Very few housing programs supporting what is referred to as the “missing middle” are available. While the Town has initiated some limited programs the need for households earning from 80% to 200% of AMI is not being met by current grant programs or the general market. The establishment of a dedicated tax was also one of the recommendations of the Community Housing Action Plan.

One revenue source is to increase the Transient Occupancy Tax (TOT) rate by 2%. The rate could generate between \$4.5 million and \$3.1 million depending on the amount of TOT used to estimate the amount to be collected. The assumptions looked at a record year of \$29.5 million and low of \$20 million. The average would be \$3.8 million.

A gross receipts tax on Short Term Rentals (all Certified Properties) was discussed. If this funding source is pursued the recommendation was to look at a tax on gross receipts (to be defined) on Short Term Rentals at a rate not to exceed 1.5%. A lower rate may be considered. Depending on what is included in Gross Receipts (i.e., only rental income) the estimated annual revenue based on current activity and all revenues sources ranges from \$1.8 million to \$2.7 million (average of \$2.25 million annually).

Either revenue source will need to be approved by the voters. In preparing a tax measure there is the option to do a general or special tax. The general tax requires a 50% +1 voter approval, and the revenues are part of the Town's General Fund and are committed by Town Council action. For example, over the five year period from FY17-18 through FY22-23 the Town Council committed over \$30 million to housing programs and projects. A special tax requires a 2/3s voter approval and use of the tax revenue is strictly tied to the purpose(s) provided for in the ballot measure. Other elements may include a sunset provision, oversight requirements, or other conditions.

**Options Discussion.** The Committee recommended that the Council look at both alternatives, but to only move forward with one tax measure. The leaning of the Committee was for the TOT rate increase of up to 2%. Council will need to set the final rate. If the gross receipts tax on STRs is preferred, a rate not to exceed 1.5% is recommended with the final rate to be set by Council.

To bring a tax measure forward for the November 2024 general election a final ballot measure would need to be completed for submission to the County Clerk prior to August 9<sup>th</sup>. This will be a tight, but doable process. To meet this time frame, staff recommend that a single revenue source ultimately be pursued by the Town Council.

## 2) Rental subsidy programs

Two similar near term rental program subsidy programs were presented. The Committee is recommending that a near term subsidy program be considered. A long-term program will need additional funding commitments. The overall concept is in line with the rental subsidy program that was presented at a recent Chamber of Commerce Power Lunch by Placemates. The program has been launched in a few communities including Truckee, CA representing a comparable program for Mammoth Lakes. The program is referred to as "Lease to Locals". The program uses the same basic premise of providing subsidy incentives for current owners to rent to locals. The program is based on lease term, number of individuals, bedrooms, other restrictions to qualify, and has an income restriction. The program details will need to be reviewed and refined to fit the Town of Mammoth Lakes. A copy of the power point presentation is attached. The first year budget estimate is

\$400,000. The Committee liked the fact that the program is ready to go but requested that the Town explore other options for managing the program. This would slow down the implementation.

An initial rental program presented to the STR Advisory Committee also focused on providing an annual (monthly) subsidy to STR owners to rent long term. The program would set a maximum monthly rent (i.e., \$2,500 per month or as adjusted for unit size etc.) and an annual subsidy (i.e., \$20,000), which could be a shorter term monthly based subsidy (i.e. 6 or 9 months). The program has flexibility in the actual rent, subsidy amount, and term of the lease. Program details will need to be refined.

Subcommittee 3 provided an outline for a longer-term rental subsidy program looking at a 5 year to 10 year commitment from owners who consider renting units currently used or eligible for short-term rental (STR). The concept looked at providing a monthly or annual subsidy based on the terms of the agreement. The focus was on securing longer-term workforce housing and was a hybrid of programs used by other communities to purchase permanent deed restrictions on units to be leased by local workforce members. Program details will need to be refined. Detailed information was presented at a previous STR Advisory Committee Meeting. If the Council supports this program going forward as a priority, staff will bring forward additional details and program guidelines.

**Options Discussion.** Implementation of a near term rental subsidy program was a high priority for the Committee. Pending funding, the simplest program is to do a one year pilot with Placemates. The other option is to work with local partners (i.e., Town, Chamber, ESCH, others) to implement a program at the local level but this will take longer to implement.

### 3) Housing Down Payment Purchase Program

The STR Advisory Committee expressed support for the creation of a Down Payment Assistance program. The program is targeted to households with incomes in the upper missing middle area median income (AMI) range (i.e. up to 200% AMI). The program is designed to compete in the marketplace to assist households purchasing housing units with a focus on transitioning units from STR use to ownership community workforce members. The program is modeled after similar programs from other communities. The program aids in the purchase of units at an affordable level for the buyer. The program allows for the reimbursement of the Town's assistance (all or part) and to share in any appreciation in value. The re-use of funds extends out the life of the program. The details, parameters, and overall guidelines will need to be developed. While like the current Town Bridge program, some differences were recommended for consideration. This includes targeting a higher AMI level (current target is 150%), shared appreciation in value, return of downpayment assistance vs. selling units at a reduced price, and less or no deed restrictions on the future sale. A cap would be placed on the dollar value for any single purchase as well as a percentage of the total purchase price. For example, the program may provide up to 49% of the purchase price and may not exceed \$400,000. The final structure and guidelines will need to be directed and approved by Council.

If the program moves forward, it would be an added alternative program for home ownership options under the Town's Housing Now! Initiative. Funding for any single purchase will depend on final program guidelines, purchase price of the home, and qualifications of the buyer.

**Options Discussion.** The program is not currently funded. However, pending availability of housing related funding, a pilot program may be recommended. This would follow completion of the program structure and requirement for participation of both buyers and sellers. A pilot program may be created to target a couple of sales pending available funding to allow the program to be refined. The program may be designed with implementation pending securing a funding source.

#### 4. Continue review of possible zoning changes to the RMF 2 zoning designation.

The concept for changing the RMF-2 zoning came about during the discussions related to the imposition of the STR moratorium and were based on the numerous comments made that the multi-family complexes in the vicinity of the Ski Portals were developed to directly serve the ski area and provide a critical mass of units/sleeping accommodations intended for transient occupancy (i.e., stays less than 31 days).

The proposal that has come out of the STR Committee is to consider a split of the RMF-2 properties into 2 zones:

- The RMF-R (or RMF-3) zone would be an area for the development of multiple-family development and other lodging types uses where transient occupancy use is emphasized and encouraged. The proposed boundaries for the new RMF-R zone include the existing RMF-2 properties located northwest of Lake Mary Road and Minaret Road and the existing RMF-2 properties on the west end of Meridian Boulevard near Eagle Lodge (see attached map).
- The RMF-2 zone would retain the same description and allowed uses as are currently allowed and would be an area for the development of primarily multiple-family developments, where Transient Rentals, Bed and Breakfasts, and Hotels and Motels are permissible. The proposed boundaries for the existing RMF-2 zone would be the existing RMF-2 zoned properties not described above (see attached map). Key attributes of the zones are:
  - Transient rentals will continue to be allowed in both zones.
  - One option under consideration is to offer incentives (e.g., rental subsidy, down-payment assistance) with a focus on the RMF-2 zone.
  - Owners in both zones would continue to have the option to short-term rent, live in the unit full-time or part-time, or rent the unit on a long-term basis.

**Options Discussion.** The Committee set this item as low priority. Staff agrees and at this point, this item is a **Low Priority** work program item that may be analyzed and considered at a later date.

#### **Attachments**

Placemate Presentation  
Zoning Map  
BAE Economic Analysis