



@better\_LA  
betterneighborsla.org

March 3, 2023  
Via Electronic Mail  
California Coastal Commission  
45 Fremont Street #2000  
San Francisco, CA 94105  
Email: NorthCentralCoast@coastal.ca.gov

Re: City of Half Moon Bay LCP-2-HMB-21-0078-2 (Short Term Rentals and Home Occupations)

Dear Honorable Chair Brownsey and Commissioners,

Better Neighbors Los Angeles (“BNLA”) writes to request that the Commissioners (1) support the City of Half Moon Bay’s proposed Local Coastal Plan Amendment, which includes a primary residence requirement, allows for unlimited hosted short-term rentals (“STRs”), and limits unhosted STRs to 60- nights per year; and (2) direct Staff to provide a consistent analysis for STRs. Unhosted STRs are some of the most expensive accommodations, reserved for only the wealthiest travelers. While hosted STRs are typically operated by residents, and cost much less than unsupervised stays. Primary residence and hosted rental requirements protect local housing units and ensure that housing units are not purchased and maintained for sole use as temporary accommodations. For these reasons, we do not support an unhosted rental cap of 180 days, which prevents a residential unit from being used primarily for residential purposes. A cap of between 60 nights per year per unit is more protective of coastal access and the City’s limited housing stock.

**(1) The City of Half Moon Bay’s proposed LCP Amendment, which limits unhosted STRs, appropriately balances protecting coastal access and housing uses as required by the City’s Land Use Plan.**

The Commission should limit unhosted STRs to further the priorities of the Land Use Plan (“LUP”), which requires “prioritiz[ing] lower-cost visitor-serving accommodations over higher-cost lodging,” “safeguarding existing housing stock,” and ensuring that “[s]hort-term rental uses [be] subordinate to primary residential uses such that resident units continue to be used for long-term residential occupancy.” (LUP Policies 5-70, 2-7, 2-76). The Staff Report provides no quantitative analysis that unhosted STRs create more affordable access to our coast, yet the City has provided evidence of neighborhood complaints and of its current housing crisis (City of Half Moon Bay Comment Letter, 12/14/2022, see Attachment 2; City of Half Moon Bay Comment Letter, 10/22/2022, Exhibit 1.) Indeed, the Staff Report agrees that “rental rates for whole house STRs can be quite high...” (p. 19) The Staff Report goes on to describe the quantity and cost of hotel rooms in Half Moon Bay but does not give short term rentals units the same treatment. Moreover, the quantity of existing overnight accommodations does not factor into the need to steal from the City’s housing supply to create more.

Better Neighbors analyzed data from both Airbnb and Expedia.com to compare the average nightly rate between short-term rentals and hotels in HMB. In HMB, the average short-term rental costs

\$464 per night while the average hotel room costs only \$288 per night, which indicates that the average hotel room is more affordable than the average short-term rental listing. Staff argues that short-term rentals provide a unique accommodation option for larger groups. However, data from AirDNA indicates that more than 50% of the STRs in Half Moon Bay contain only one or two beds. STRs with four or more beds comprise less than one-quarter of the HMB's STR market.

Unhosted STRs do not necessarily provide affordable access to the coast, but they necessarily take away from a city's housing stock. Half Moon Bay's tight housing market is reflected in the City's recently assigned Cycle 6 Regional Housing Need Allocation (RHNA). The California Department of Housing and Community Development (HCD) develops each jurisdiction's RHNA number, based on projected housing needs for various income categories.<sup>1</sup> In the previous cycle (2015-2022), the City was tasked with building 240 new units, in the new cycle (2023-2031) this figure doubled to 480 units.<sup>2</sup> While building new housing units is essential to addressing HMB's housing needs, preserving pre-existing housing units for residential use is equally important. As discussed in the memorandum attached to this letter, if vacancy rate and the number of STRs as percentage of the housing stock in HMB remain constant over the next 5 years, the average rent could increase by an additional \$793 due to the impact of STRs alone.

**(2) The Commission should direct staff to provide consistent analyses regarding the affordability of STRs and their impact on housing in the Coastal Zone.**

Just like in the Staff Report for the City of Trinidad's STR LCP Amendment, this Staff Report fails to consider the affordability of STRs offered in Half Moon Bay and does not evaluate the need for additional overnight accommodations in light of existing overnight accommodations. This type of balanced analysis should be required when the new overnight accommodations being considered detract from a city's existing housing supply. There is also no analysis relevant to STRs impact on limited housing stock, rental prices, or residential character.

**(3) Recommendations**

Based on the data, our recommendations are:

- Support the City of Half Moon Bay's proposed LCP Amendment, which leaves the primary residence requirement in place, allows for unlimited hosted STRS, and limits unhosted STRs to between 60 nights per year.
- Direct staff to include data that (i) analyzes the cost of STRs as compared to existing low cost overnight accommodation, (ii) assesses the need for additional overnight accommodations when such accommodations take from the housing supply; and (iii) approximates the impact of a STR policy on housing costs and availability for persons with low to moderate income.

Our organization can provide the Commission with research and resources in developing its metrics as they pertain to STRs and housing and have attached a report to support the data herein. Please reach out to Randy Renick at [rrr@betterneighborsla.com](mailto:rrr@betterneighborsla.com) to arrange a meeting with our research analysts.

Sincerely,

/s/ Randy Renick

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<sup>1</sup> <https://www.half-moon-bay.ca.us/775/Housing-Element-Update-2023-2031>

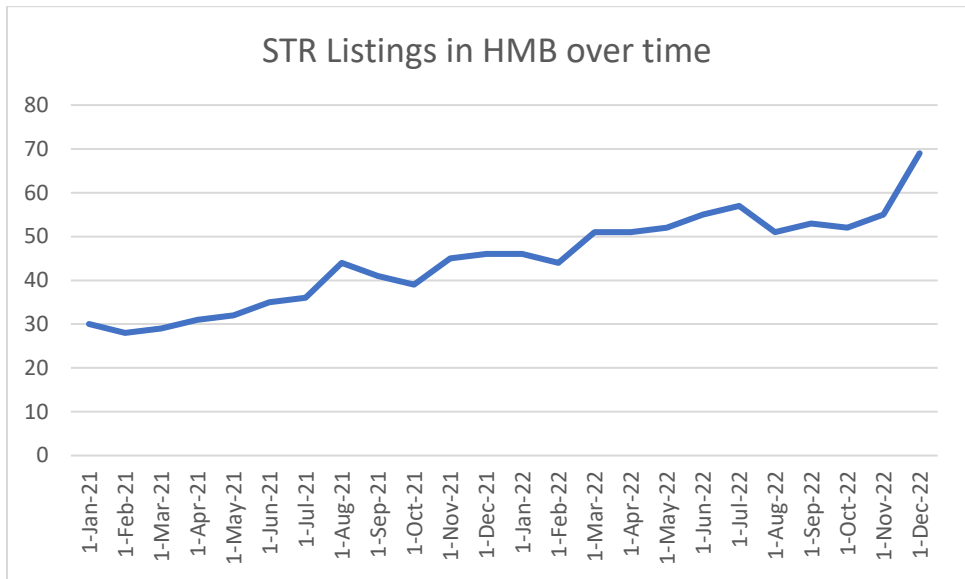
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To: California Coastal Commission  
From: Tori Funk, Research Analyst, Better Neighbors Los Angeles  
Re: Data supporting BNLA Comment Letter in City of Half Moon Bay LCP-2-HMB-21-0078-2 (Short Term Rentals and Home Occupations)

### The Staff Report Inadequately Describes the City of Half Moon Bay’s Short Term Rental Market

Coastal Staff’s February 2023 report that indicates there are 46 registered short-term rentals in Half Moon Bay. BNLA scraped Airbnb for all listings in Half Moon Bay and identified 43 short-term rental listings. Of these 43 listings on Airbnb, 39 were whole home listings and only 4 were hosted short-term rentals. But Airbnb is not the only platform that lists short term rentals. AirDNA, the leading provider of data and analytics for short-term rental industry which captures data from Vrbo in addition to Airbnb, reports that there are 89 short-term rentals operating in HMB.<sup>1</sup> While 89 short-term rentals may appear modest, it represents 1.9% of the City’s housing stock, a ratio more than sufficient to materially impact available housing. By comparison, in the City of Los Angeles only .2% of the housing stock is dedicated to short-term rental use.<sup>2</sup>



<sup>1</sup> <https://www.airdna.co/vacation-rental-data/app/us/california/half-moon-bay/half-moon-bay/overview>

<sup>2</sup> Wachsmuth, D. (2022). The Economic Impacts of Short-Term Rentals in Los Angeles. Report commissioned by Better Neighbors Los Angeles

AirDNA's data shows that the STR market in HMB has been steadily growing, the number of listings in the City more than doubled in the last two years. This data provides important context for the Commission. Staff argues that the "small STR market" does not justify the measures proposed by the City. However, the number of STRs has been consistently growing. A jurisdiction should be able to plan for future problems, and the Staff Report does not acknowledge this.

The negative externalities of STRs is certain to increase along with the number of rentals. For instance, documentation submitted by the City to Coastal Staff reflects twelve complaints in 2022<sup>3</sup>. The proposed night cap on unhosted rentals will help to mitigate the increased impact on communities.

### **Short-term Rentals Do Not Necessarily Create Affordable Access to the Coast**

In recent hearings, Coastal Commission Staff have stated that STRs are crucial to achieving the Coastal Act's goal of maximizing access to the coastline. In support of this claim, Staff argues that STRs serve as more affordable alternative to hotel rooms especially for those traveling in large groups. A close examination of the data, however, makes clear that STR's are no more affordable than alternative accommodations already available in HMB.

Better Neighbors analyzed data from both Airbnb and Expedia.com to compare the average nightly rate between short-term rentals and hotels in HMB. In HMB, the average short-term rental costs \$464 per night while the average hotel room costs only \$288 per night. On average each STRs in HMB can accommodate 4 people, and on average each hotel room accommodates 3 people. Thus, the STR per person cost amounts to \$116 per person, and the hotel room per person costs amounts to \$96. These findings demonstrate that the average hotel room is more affordable than the average short-term rental listing.

Staff also emphasizes that short-term rentals provide a unique accommodation option, especially for larger groups than hotels. This, however, is not necessarily accurate for HMB. Indeed, our scrape of Expedia suggested a significant number of HMB hotels cater to families providing rooms and suites that accommodate four persons. Furthermore, data from AirDNA indicates more than half of the STRs in Half Moon Bay only have one or two beds. STRs with four or more beds comprise less than one-quarter of the HMB's STR market.

Another important factor that needs to be taken in account when comparing the affordability of short-term rentals to hotels are nightly minimums. Short-term rental platforms allow hosts to impose nightly minimums on guests, while hotels typically have no such requirements. Short-term rental listings in Half Moon Bay typically require guests to book a minimum of two nights per a stay, with many showing three-night minimums. Therefore, those hoping to book a short-term rental in HMB will pay \$928 on average ( $\$464 \times 2$ ) for their accommodations. Some families may only be able to afford a one-night trip in HMB, and therefore would be excluded from staying in a short-term rental. Overall, this data indicates that short-term rentals are significantly less affordable than hotel rooms in HMB, and due to nightly minimums, they are also less accessible.

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<sup>3</sup> Page 51 of the City of HMB's December 14, 2022, correspondence to Staff.

### **Short-Term Rentals Have a Negative Impact on Housing Affordability**

Staff's report contends that the City of HMB had not provided adequate data to illustrate that STRs were adversely impacting the City's housing stock. Staff also questioned how STRs could impact housing affordability given the small size of HMB's STR market.

Half Moon Bay's tight housing market is reflected in the City's recently assigned Cycle 6 Regional Housing Need Allocation (RHNA). The California Department of Housing and Community Development (HCD) develops each jurisdiction's RHNA number, based on projected housing needs for various income categories.<sup>4</sup> In the previous cycle (2015-2022), the City was tasked with building 240 new units, in the new cycle (2023-2031) this figure doubled to 480 units.<sup>5</sup> While building new housing units is essential to addressing HMB's housing needs, preserving pre-existing housing units for residential use is equally important.

Several studies indicate that the short-term rentals impact housing affordability by converting long-term to housing to tourist accommodations.<sup>6</sup> One useful method to measure the impact of STRs on housing affordability is comparing the percentage of housing units in a city that are used as STRs to the local rental vacancy rate.<sup>7</sup> In housing markets with near zero vacancy rates, any reduction in the supply of housing causes a significant increase in rents. This increase occurs because neither the private nor public sector can quickly respond by adding more units to the market.

Using Air DNA's estimate of 89 listings, approximately 1.9% of the housing stock in HMB is now dedicated to short-term rentals. Comparatively, the vacancy rate in HMB is a miniscule 1.7%.<sup>8</sup> Since HMB's vacancy rate is near zero, the removal of 1.9% of the City's housing stock, which is nearly equivalent to the vacancy rate, constitutes a supply shock. The price effect of this supply shock is most likely compounded by increasing demand for housing. Yet, even under a simple economic model that holds demand constant against a relatively flat supply curve, with a price-elasticity of supply coefficient of .36, each 1% decrease in supply would lead to a .36% rent increase.<sup>9</sup> Accordingly, the rent on a \$1,946 one-bedroom apartment in HMB (the current median rent)<sup>10</sup> would increase by an additional \$13.23 per month or \$158 per a year from the reduction in housing supply caused by STRs. If the vacancy rate and the

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<sup>4</sup> <https://www.half-moon-bay.ca.us/775/Housing-Element-Update-2023-2031>

<sup>5</sup> [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.coastsidebuzz.com/wp-content/uploads/2022/08/STAFF\\_REPORT-16.pdf](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.coastsidebuzz.com/wp-content/uploads/2022/08/STAFF_REPORT-16.pdf)

<sup>6</sup> Barron, K., Kung, E., & Proserpio, D. (2019). When Airbnb listings in a city increase, so do rent prices. *Harvard Business Review*, April, 17.; Wachsmuth, D. (2022). The Economic Impacts of Short-Term Rentals in Los Angeles. Report commissioned by Better Neighbors Los Angeles.

<sup>7</sup> Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harv. L. & Pol'y Rev.*, 10, 229.; Combs, J., Kerrigan, D., & Wachsmuth, D. (2020). Short-term rentals in Canada. *Canadian Journal of Urban Research*, 29(1), 119-134.

<sup>8</sup> [https://www.rate.com/research/half\\_moon\\_bay-ca-94019#population](https://www.rate.com/research/half_moon_bay-ca-94019#population)

<sup>9</sup> John M. Quigley & Steven Raphael, Regulation and the High Cost of Housing in California 26 (Berkeley Program on Housing & Urban Policy, Working Paper No. W04008, 2004) (finding that the price elasticity coefficient to supply is .360 for non-rent controlled rental markets in California). A regression analysis would be needed to specifically determine the HMB's housing market's price elasticity.

<sup>10</sup> [https://www.rate.com/research/half\\_moon\\_bay-ca-94019#population](https://www.rate.com/research/half_moon_bay-ca-94019#population)

number of STRs as percentage of the housing stock in HMB remain constant over the next 5 years, the average rent could increase by an additional \$793 due to the impact of STRs alone.

The table below displays the relative rent increases imposed by STR supply shocks using the City of HMB, BNLA, and AirDNA's estimate of the total number of STRs in the City.

Number of STRs	Number of STRs as % of the housing stock	Monthly rent increase	Yearly rent increase	5-year rent increase
Air DNA: 89	1.9%	\$13.23	\$158	\$793
HMB: 46	1.02%	\$8.40	\$100.80	\$504
BNLA: 43	.91%	\$6.36	\$80.76	\$381.80

This analysis indicates that despite the small size of HMB's short-term rental market, STRs can still have considerable impact on housing affordability overtime. If strong STR regulations are not passed in the City of HMB, and the number of short-term rentals grow as a percentage of the housing supply, this affect will have an even more dramatic effect on housing affordability.

**Conclusion:**

Our analysis shows that there is a significant number of whole house short term rentals in Half Moon Bay and those rentals are less affordable and potentially less accessible than alternative accommodations. BNLA's analysis also demonstrates that although the number of STRs appears small at 89, due to the limited number of housing units and the City's low vacancy rate, this removal of housing supply is likely causing a decline in housing availability and affordability. HMB's proposed regulations address these issues by allowing for an unlimited number of hosted STRs - the most affordable STRs available to tourists - to operate year-round. This modest limitation protects the local housing supply by imposing a primary residence requirement and limits impact on residential communities by capping the number of stays for unhosted STRs. Accordingly, the Coastal Commission should approve HMB's proposed amendment.

Sincerely,

/s/

Randy Renick