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betternighborsla.org

December 8, 2023

**VIA EMAIL**

California Coastal Commission  
45 Fremont Street #2000  
San Francisco, CA 94105  
[ExecutiveStaff@coastal.ca.gov](mailto:ExecutiveStaff@coastal.ca.gov)

RE: Public Comment on December 14, 2023, Thursday Agenda Item 5 Informational Briefing on Housing

Dear Honorable Chair Brownsey and Commissioners,

Better Neighbors is a coalition of hosts, tenants, housing activists, hotel workers and community members. We conduct data analysis and research on the short-term rental industry, including the industry's impact on coastal communities. In addition, Better Neighbors works to promote true home-sharing through hosted only short-term rental policies, which ensures persons of low to moderate income can access both affordable overnight accommodations and housing in the Coastal Zone. We believe Agenda Item 5 Informational Briefing on Housing ("agenda item") illustrates the Commission's commitment to robustly addressing the housing affordability crisis along the California coast, home to 68.5% of the state's population.<sup>1</sup> To support this commitment, Better Neighbors urges the Commission to recognize the impact unhosted short-term rentals have on long-term housing, how pre-Mello Act Commission policies may have prevented such impacts, and that any future statewide legislation affirmatively allow the Commission and municipalities to prohibit unhosted short-term rentals without running afoul of Chapter 3.

**Short-Term Rentals Remove Housing Stock and Increase Costs**

At Better Neighbors, we know that unhosted short-term rentals are exacerbating the housing affordability crisis. In a forthcoming report, Nick DiRago of the University of California Los Angeles preliminarily finds that unhosted short-term rentals make up 95% of the short-term rentals within the Coastal Zone and take up between 5.6 and 5.9 times more of the housing stock on average compared to outside the Coastal Zone.<sup>2</sup> In addition, DiRago reports that the majority

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<sup>1</sup><https://coast.noaa.gov/states/california.html#:~:text=Of%20the%20total%20population%20of.coastal%20portions%20of%20the%20state.>

<sup>2</sup> Draft on file with Better Neighbors LA.

of unhosted short-term rentals would not be considered low-cost coastal accommodations according to the 75% Average Daily Rate benchmark used by the Commission.<sup>3</sup> These findings illustrate that unhosted short-term rentals are having a large-scale impact on the housing stock within the Coastal Zone while ineffectively meeting the public access mandate of the Coastal Act.

These findings are not unique and follow past research that identifies the impacts short-term rentals have on access to housing and cost of housing in California. For example, according to Professor David Wachsmuth of McGill University, short-term rentals have contributed to an increase in rents by \$810 per year and 5,000 additional people experiencing homelessness each night in the City of Los Angeles.<sup>4</sup> In the City of Irvine, a study published this year in the American Real Estate and Urban Economics Association journal found that a ban on short-term rentals coupled with strong enforcement resulted in a 3% decrease on average of long-term rents.<sup>5</sup> As cities and counties throughout the Coastal Zone look to regulate or refine current regulations on short-term rentals, it is critical the Commission consider the ways in which access to housing may be impacted, especially for persons of low to moderate income.

### **The Commission's Pre-Mello Act Authority Would Likely Have Provided More Guardrails on Short-Term Rentals**

As the governing body of the Coastal Zone, Better Neighbors believes it is important the Commission fully consider how its pre-Mello Act authority on housing would have likely curbed the cannibalization of the housing market by short-term rentals. From 1976-1981, the California Coastal Act explicitly required that housing opportunities for persons of low to moderate income be protected, encouraged, and where feasible provided. To this end, the Commission adopted a series of Interpretative Guidelines (“Guidelines”) that were interim interpretative guidelines to be used prior to adoption of LCPs by local governments and certification by the Commission.<sup>6</sup> The Guidelines are instructive about how the Commission and its staff once approached housing in the Coastal Zone, and allow us to imagine how it might approach short-term rentals today had it continued to be protective of housing in the coastal zone.

From 1976-1981, “coastal access” as it was defined in Chapter 3 included ensuring that the coast did not become an exclusive enclave where only the affluent could afford to live. Generally, the pre-Mello Act Guidelines interpreting Chapter 3 provided for the protection of existing low- and moderate-income housing by prohibiting demolition for anything other than health and safety reasons, treated any type of rental unit as an affordable unit, and scrutinized the conversion of rental units to for sale units. The guidelines also gave priority to new development that included affordable housing opportunities. For example, the Guidelines required that larger projects provide approximately 25% affordable units on site. The Guidelines also recognized that

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<sup>3</sup> Draft on file with Better Neighbors LA.

<sup>4</sup> [https://upgo.lab.mcgill.ca/publication/strs-in-los-angeles-2022/Wachsmuth\\_LA\\_2022.pdf](https://upgo.lab.mcgill.ca/publication/strs-in-los-angeles-2022/Wachsmuth_LA_2022.pdf)

<sup>5</sup> [Airbnb or not Airbnb? That is the question: How Airbnb bans disrupt rental markets \(wiley.com\)](https://www.wiley.com/doi/10.1111/jbr.12111)

<sup>6</sup> The Guidelines referenced include: Housing Guidelines, October 4, 1977; Letter re: Use of Housing Elements Local Coastal Programs, October 10, 1979; Guidelines for New Construction of Housing, May 7, 1981; Interpretive Guidelines on Condominium Conversions, July 16, 1976.

Section 30213 implied an affordable housing requirement because Coastal Act policies encourage visitor-serving development, which require tourism jobs, traditionally held by persons of low to moderate income. If such workers were unable to find housing in the Coastal Zone, the viability of such Coastal Act policies would have been threatened. The pre-Mello Act Guidelines also recognized that the commutes of tourism workers impacted coastal access routes and air quality.

The pre-Mello Act Chapter 3 and associated Guidelines would have been hostile to the proliferation of unhosted short term rentals as we see them today. For example, prior to the Mello Act, the Commission would intervene in the conversion of rental units to for sale units to ensure that those for sale units would continue to be available at a price accessible to persons of low-to-moderate income. In contrast, presently, we see staff recommendations that allow landlords to take whole rental units off the housing market to use as a hotel at many times the price of normal tenancy rents.

Low-to-moderately priced condominiums were given similar scrutiny, developers building low or moderately priced for sale units were required to enter into an agreement that subsequent sales would be at a price affordable to households earning substantially the same percentage of the median income as the initial purchasers. Presently, when municipalities try to limit the use of their for-sale units as unhosted short term rentals, we see staff recommendations striking down such policies, even though the use of housing as vacation rental investments skews property values and the corollary depletion of housing stock significantly raises rents for persons of low-to-moderate income.

### **Conclusion**

As the Commission considers their approach to protecting housing under the Coastal Act, Better Neighbors encourages the Commission to consider how regulations permitting unhosted short-term rentals contribute to the unavailability of housing stock within the Coastal Zone. Any legislative solution to the Coastal Zone's housing issues must explicitly allow for municipalities to limit or ban unhosted short term rentals. Until that time, Better Neighbors has enclosed a set of guiding principles we hope will serve as a resource for the Commission when analyzing short-term rental regulations (Attachment 1). Should you have any questions or would like to receive any data or other research, please contact [rebecca@betterneighborsla.org](mailto:rebecca@betterneighborsla.org).

Sincerely,

/s/

Randy Renick