

MEMO

To: City of Huntington Beach
From: Lisa Wise Consulting, Inc. (LWC)
Date: October 12, 2020
Subject: Short-Term Rental Fiscal Impact Analysis

On September 21, 2020 LWC presented research and outreach findings, various approaches, and fiscal impact estimates for potential short-term rental (STR) regulatory frameworks to the Huntington Beach City Council. During this City Council discussion, errors were discovered in the fiscal impact analysis, and this memorandum corrects those errors.

Methodology

The data used for the fiscal impact analysis was provided by Host Compliance, a software, and data consultant for the STR market and subconsultant to LWC. Host Compliance compiles data on a weekly basis across the world's 50 top STR listing sites. The raw data provided by Host Compliance represents a snapshot of the STR market in Huntington Beach from May 2019 through April 2020 (Attachment 1). To the extent that the months of February, March, and April of 2020 were negatively impacted by COVID-19, this estimate of projected revenues should be viewed as a conservative estimate. Host Compliance's data includes the number of STRs, type of STR (i.e., entire unit, shared unit, shared room), and estimated last 12 months of revenue for each STR.

To spatially analyze fiscal implications of STRs, LWC geocoded Host Compliance's rental unit data to determine each STR's location, and based on that evaluation, attributed each unit to one of three subareas: 1) Sunset Beach, 2) Downtown, and 3) the rest of Huntington Beach (Attachment 2).

The prior analysis contained a calculation error that projected total annual revenues based on estimated average monthly revenues. The issue has been addressed in this revised analysis, which now uses the estimated last 12 months revenue from Host Compliance instead of estimating annual revenues from monthly figures.

Fiscal Impact Analysis

LWC analyzed estimated STR expenditures and corresponding annual City revenues. STRs in Huntington Beach are estimated to generate a total of \$8,738,294 in expenditures (i.e., revenue for STR operators). Applying the Transient Occupancy Tax (TOT) rate of 10% and the City's 1% share of the Tourism Business Improvement District (TBID) assessment, the City would receive \$873,829 in TOT revenue and \$3,495 in TBID revenue annually. The tables below summarize the STR fiscal impact analysis.

The following table summarizes the distribution of expenditures and corresponding City revenue by subarea.

Table 1: City STR Revenue by Subarea

	Total Expenditures	TOT <i>10%</i>	TBID <i>4%</i>	TBID (City Share) <i>1% of TBID</i>
Sunset Beach	\$1,484,977	\$148,498	\$59,399	\$594
Downtown	\$3,615,687	\$361,569	\$144,627	\$1,446
Rest of City	\$3,637,630	\$363,763	\$145,505	\$1,455
Total	\$8,738,294	\$873,829	\$349,532	\$3,495

The following table summarizes the expenditures and corresponding City revenue by STR type.

Table 2: City STR Revenue by Rental Type

	Total Expenditures	TOT <i>10%</i>	TBID <i>4%</i>	TBID (City Share) <i>1% of TBID</i>
Entire Unit	\$7,846,779	\$784,678	\$313,871	\$3,139
Private Room	\$891,345	\$89,134	\$35,654	\$357
Shared Room	\$170	\$17	\$7	\$0
Total	\$8,738,294	\$873,829	\$349,532	\$3,495

The following table summarizes the expenditures and corresponding City revenue by STR type for the Sunset Beach subarea only.

Table 3: STR Revenue from Sunset Beach by Rental Type

	Total Expenditures	TOT <i>10%</i>	TBID <i>4%</i>	TBID (City Share) <i>1% of TBID</i>
Entire Unit	\$1,430,142	\$143,014	\$57,206	\$572
Private Room	\$54,834	\$5,483	\$2,193	\$22
Shared Room	\$0	\$0	\$0	\$0
Total	\$1,484,977	\$148,498	\$59,399	\$594

Finally, the City Council's direction on September 21st was to prepare a STR ordinance that would allow all types of STRs (i.e., entire unit, private room, and shared room) in the Sunset Beach subarea, but limit STRs elsewhere in the city to hosted rentals (i.e., private rooms and shared rooms). The following table summarizes the estimated expenditures and corresponding City revenue for this program.



Table 4: STR Revenue from Council-Recommended Program

	Total Expenditures*	TOT <i>10%</i>	TBID <i>4%</i>	TBID (City Share) <i>1% of TBID</i>
City-wide: Private Rooms	\$836,510	\$83,651	\$33,460	\$335
City-wide: Shared Rooms	\$170	\$17	\$7	\$0
Sunset Beach: All Rental Types	\$1,484,977	\$148,498	\$59,399	\$594
Total	\$2,321,657	\$232,166	\$92,866	\$929

**The subtotals for City-wide and Sunset Beach are mutually exclusive. Sunset Beach expenditures are not included in City-wide expenditures.*

Attachment 1: Host Compliance data

Attachment 2: Host Compliance data by Subarea per LWC analysis