From: khalupka@frontier.com
To: CD STRComment; Bob Bugert; cflorea@cityofleavenworth.com
Subject: USING STRS TO SUPPORT AFFORDABLE HOUSING
Date: Thursday, September 3, 2020 9:08:16 AM

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Please review this 2019 model of using STRs to support affordable housing. Overall, the implementation of this fee schedule may not only increase the density of affordable housing, but decrease the need to dramatically increase property taxes in Chelan County.

In response to growing community concern and the expansion of the STR market, the City of New Orleans ("the City") is evaluating how to effectively regulate STRs. The City is considering a range of regulations (e.g. bans on non-owner occupied STRs in residential neighborhoods, licensing of STR operators and platforms, etc.) and new taxes and fees. Three different tax or fee policies have been proposed: • Increasing the STR tax rate from 9.45% to 16.20%, to be directed towards infrastructure investments and tourism; • Increasing permitting fees in varying degrees, to be directed towards regulatory enforcement activities; and • Implementing policies to support affordable housing.

The Study evaluates each of the City's proposed policies to support affordable housing. The study does not evaluate policies—such as a citywide cap on the concentration of STRs—that do not have a direct effect on affordable housing. 1. Nightly Impact Fee: a fixed fee charged for each night of STR occupancy. This fee is currently charged a at a rate of $1 per occupied night and goes towards the Neighborhood Housing Investment Fund. The City has proposed an increase in fees to levels of $5, $8, or $10 per occupied night. Recommendation: The City should apply a $10 nightly fee for commercial STRs, the highest fee proposed. The proposed $10 fee would be one of the largest STR impact fees dedicated to affordable housing in the nation. Together, a $10 commercial fee and a $5 residential fee would generate $6.7 million annually. The key benefits of the nightly impact fee policy are that it is straightforward to implement and enforce, applicable to all operators, and easy to adjust. The fee applies evenly to all STR units regardless of status and location, which limits the ability of operators to find loopholes to avoid the fee. Additionally, the fee level itself can be adjusted in the future, as appropriate. Alternatively, the City could layer the nightly impact fee with a one-time upfront conversion fee of $2,500 per unit for all residential units converting to STRs. a reduced fee of $8 per night is recommended to compensate for the upfront cost. The conversion fee would not apply to units that are newly constructed or renovated that were approved for development as STRs. This fee would serve to disincentivize conversions of existing residential units to STRs, which directly impact the residential housing market by removing units available to residents.

The City has proposed several taxes and fees as updates to its set of existing STR policies. Each affects the financial feasibility of STRs.

Occupancy Taxes

Generate revenues for infrastructure investment

Occupancy Tax

9.45%	16.2%
current	*proposed*

Permitting Fees

Generate revenue for administration and enforcement of STR regulations*

Commercial Permits**

Owners		Operators	
$500	**$5K**	**$0**	**$1K**
current	*proposed*	*current*	*proposed*

Housing Requirements

Generate revenue for affordable housing

current	**$1/night impact fee**
proposed	**additional fee and unit requirements**

*In addition to commercial permit fees, the City has also proposed additional residential permit and platform permit fees.
**The proposed owner permit fees would be required for each unit, while the proposed operator permit fee would apply to each operator entity.

Inline image

https://www.nola.gov/nola/media/City-Planning/HRA_New-Orleans-Short-Term-Rental-Housing-Study-FINAL-8-1-19.pdf

Thank-you for your willingness to review this information.

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