

NAPA VALLEY VACATION RENTAL ALLIANCE (NVVRA)
A Coalition of Napa County Stakeholders

TABLE OF CONTENTS

- I. NVVRA Statement Of Purpose**

- II. Background**

- III. Codifying Vacation Rentals Is Common-Sense Public Policy
When Millions Are At Stake**

- IV. NVVRA Findings and Conclusions**
 - With Respect To Protecting County Prosperity**

 - With Respect To Protecting Agriculture**

 - With Respect To Protecting Tourism**

 - With Respect To The General Plan**

- V. Summary**

- VI. References and Appendices**

*Prepared for Napa County Jan. 2010 by Napa Valley Vacation Rental Alliance (NVVRA)
napavra@gmail.com*

NAPA VALLEY VACATION RENTAL ALLIANCE (NVVRA)
A Coalition of Napa County Stakeholders

NVVRA ~ Statement Of Purpose

The Napa Valley Vacation Rental Alliance [NVVRA], in response to a request by the Napa County Board of Supervisors, has been working collaboratively with stakeholders and the County to analyze the impact that existing short-term vacation rentals currently have on our local tourist/agriculture economy. Based on a detailed review of existing conditions, NVVRA believes there is evidence sufficient to persuade the Board of Supervisors:

1) To recognize that the vacation rental business is a thriving industry that is a significant contributor to our local economy, 2) To recognize that vacation rentals support the Ag Preserve, and the economic goals of the County as expressed in the General Plan, 3) To recognize that vacation rentals are essential to wine tourism and help maintain Napa Valley's prestige as a destination, 4) To establish a process for regulating short term vacation rentals, and 5) To start collecting Transient Occupancy Tax on these rentals, as the County does on hotels and B&Bs.

Vacation rentals are a desirable lodging option that complements traditional visitor accommodations, and attracts visitors who stay longer and spend more. The tens of millions of dollars spent annually by these visitors support our wineries, restaurants, retail stores, caterers, limousine services, and a host of other businesses that provide needed local jobs. The capital investment related to vacation rentals contributes to the local economy, jobs, quality and ambiance of Napa Valley. By denying this industry, Napa County has been turning its back on millions of dollars in TOT revenue -- visitor dollars that would benefit locals.

Residential Vacation Rentals are defined as furnished, private, residential dwelling units let to guests for duration of less than 30 days at a time.

Because they are occupied some of the time by their owners, they are unavailable as workforce housing stock. Rather than sitting vacant at unabsorbed expense of their owners, offering them to visitors short term creates lodging with the least environmental impact and the greatest flexibility and desirability, and helps sustain Napa Valley as a world-class wine, food and wellness destination.

February, 2010

napavra@gmail.com

**CODIFYING VACATION RENTALS NOW IS COMMON-SENSE PUBLIC
POLICY WHEN MILLIONS ARE AT STAKE**

*Prepared for Napa County Feb. 2010 by Napa Valley Vacation Rental Alliance (NVVRA)
napavra@gmail.com*

BACKGROUND:

Excerpted from Napa County General Plan - Economic Element:

The wine industry as a whole—including jobs related to grape growing, wine-making, hospitality and tourism, and tax revenues—contributes a total of \$9.5 billion to the county’s economy, including sales, wages, and activity in other sectors related to wine. . . and constitutes almost half of the County’s total employment . . . and produces more than \$800 million in taxes, part of which (primarily in the form of property, sales, and transient occupancy taxes) stays within Napa County to support local needs.”

Excerpted also from the General Plan - Napa County Visitor Profile Study & Napa County Economic Impact Study - A Series of Executive Reports:

“There are a total of 197 separate industries in Napa County that feel the economic impact of visitors...”

“Almost \$221 million worth of tax revenues are generated due to tourism in Napa County...”

“As such, these taxes represent the true tax impact of visitors to the county who paid almost \$124 million in taxes both directly and through indirect taxes generated through the enhanced economic activity, which is about \$925 for every resident of the county...”

“There are about 84,000 people employed out of a population of 130,000 in Napa County. Of those employed either full or part-time, about 17,500 are employed as a result of tourism. This represents almost 21% of the total work force...”

“Tourism impacts almost every segment of Napa’s economy in a significant way with almost one billion dollars in direct spending and \$1.3 billion in total impact. Over 17,000 jobs are created which provide nearly half a billion dollars in income to residents...”

“Each resident of the county sees the benefits of almost \$1,000 in indirect business taxes pumped into the community by the visitors and utilized to improve the quality of life for residents and visitors alike.”

From 2008 Economic Impact Of The Napa Valley Wine Industry by Napa Valley Vintners:

Tourism provides as many jobs (10,210) as wineries and vineyards combined (10,364).

FINDINGS & CONCLUSIONS:

..... *With Regard To Protection Of County Prosperity*

1. WHY PERMITTING VACATION RENTALS IS FOR THE GREATER GOOD

The existing local vacation rental industry is benign, yet has a fiscal impact on the entire community as significant as Napa Valley’s top two or three hotel contributors to the tourism economy. Vacation rentals are a major pillar of support for the tourism that is so critical to the success of our core industry, wine. The upside of permitting, regulating and taxing vacation rentals now, and the downside of enforcing a ban on them now, suggest the time is now to fix things.

2. WHY COUNTY REGULATION OF VACTION RENTALS NOW IS FISCALLY RESPONSIBLE

Because the Napa vacation rental industry has made such a measurably large economic impact for so long, and because it has done so without negative impact, and because it is tested to some degree, and because the traveling public demands it, and because our County’s competition would benefit if we banned it, and because our community is suffering stagnation and elimination of a decade of collective wealth, it is time to structure this industry to benefit all. It is time for government to help citizens prosper, protect them and their neighbors, help create some security, and nurture, not impede responsible use of resources. Codifying, regulating, and taxing this industry makes far more sense than destroying it. Failing to seize this opportunity for the greater good would be irresponsible.

3. WHY VACATION RENTAL MONEY STAYS IN THE LOCAL ECONOMY

Napa Valley hotels are, for the most part, owned by non-local companies. Profits from most local resorts and hotels leave the County. That is fair, since their investment here benefits us all. But rent paid to local vacation rentals owners stays in Napa County. It is re-spent by the owner on their property, and to support their living and working here. Additionally, TOT tax, if collected, would be paid here and remain here.

4. WHY COLLECTING VACATION RENTAL TOT MATTERS NOW

The County is facing unprecedented revenue shortfalls, property values are collapsing, tax rolls are lower, personal and business bankruptcies are doubling, overall spending and sales tax collected are lower than forecast, and competition is pressuring Napa Valley hotel and wine prices and thus collectable taxes. Collecting TOT from vacation rentals can immediately help balance this shortfall.

5. WHY PERMITTING VACATION RENTALS CREATES WORLD CLASS, DIVERSE TOURISM

What would Tuscany be without villas to rent? Loire Valley without chateaus? Kauai without beach houses? High-value frequent travelers demand extraordinary experiences and abhor sameness. Their first visit might be to a conventional hotel, but to lure repeat visits a destination must offer variety, and best-of-class accommodations. The vacation renter is almost always a group in which one or several has already visited Napa Valley, and decided to return for a deeper destination experience. Staying at ranches, farms, on lakes, in vineyards, on ridge tops, in century-old Victorians, lofts, pool houses and water towers is all part of the experience frequent travelers want, and will pay to get. *If Napa County only offers conventional lodging, over time it will lose more and more high-value repeat visitors.* These varied lodging experiences can be had in other wine country destinations. To compete, we must provide them here, too. *** See PhoCusWright Vacation Rental Industry Market Research & Intelligence 2009.

6. WHY VACATION RENTAL GUEST SPENDING IS CRUCIAL TO THE LOCAL ECONOMY

Every dollar spent by a tourist recirculates, and its purchasing power is thought to create \$1.42 dollars in resulting commerce.*** Money visitors spend on lodging, dining, entertainment, wine or other purchases circulates through the local economy creating jobs, prosperity and tax revenue. This 1.42 X multiplier effect means that if vacation rentals collect \$10,000,000 rent money for lodging, then \$14,200,000 in total spending locally is generated. Further, it means that if overnight guests of vacation rentals spend \$200 per day per person on expenses other than lodging, then that expenditure has the impact of \$284 per person per day. **NVVRA best estimates of the number of existing vacation rentals, and their guests' expenditures, easily puts values of local circulating dollars in the range upward of \$45,000,000.** Local dollars are hard to come by when people buy online, or spend their money at national banks, national retailers, and corporate giants. Local goods and services are good as gold. Better. These numbers cannot be ignored.

7. WHY LOCAL ECONOMICS OF VACATION RENTALS MATTERS NOW

Unemployment is the highest it has been in 15 years; capital is unavailable to businesses to cope with the recession; the cost of doing business is higher now, and families and businesses are suffering. The non-profit sector is feeling the belt-tightening, which affects quality of life for all. Any reduction of prosperity is felt throughout the County. If the vacation rental industry is responsible for \$45,000,000 circulating dollars locally.*** it would have an enormous impact to deliver a \$45,000,000 shock to our local economy. That would be the effect of enforcing a ban on vacation rentals now.

8. WHY VACATION RENTALS MEAN GOOD-PAYING JOBS

Janitorial, pool service, drycleaning, upholstery, catering, taxi and limo, restaurant, winery, tasting room, retail, grocery, home repair and improvement, nursery and landscaping, household supplies and soft goods are all essential to residential vacation rentals. Vendors and suppliers of these essentials rely on this business and would feel it if it disappeared. The individual workers' jobs are many of Napa County's best employment options. Certainly the business owners of all these establishments are Napa County's best job creators. There is no business today that has too much business. And any job is a good job in a double-digit underemployment climate. Add to that, *tourists who rent homes are significant wine consumers, supporting our number-one industry through the long-term wine buying relationships established while vacationing here.* This means jobs, all good jobs.

9. WHY VACATION RENTAL REVENUE IS IMPORTANT TO COUNTY NOW, AND WILL BECOME MORE SO AS TRENDS CONTINUE

Due to the recession County income is down and need for public services is up, and this is not expected to recover, indeed the changing demographics of the County and finite business growth are expected to leave a growing gap. Every circulating local dollar will become more important in the years ahead, since we do not desire growth as seen in other Counties. We'll have to work smarter. Getting more economic benefit out of existing residential, business and agricultural development is the way to do that. Further, to ignore worldwide growth of vacation rental visitors' preference over conventional lodging is folly since our local economy relies completely on agritourism. This growing segment of affluent consumer is too valuable to turn away. They are our bread and butter. Important too is property tax revenue to the County--- if owners who cannot carry the total expense of their residences without additional income sell into this collapsed price market, comparables will go down, banks will not lend because properties do not appraise, prices will fall even more, and downward reassessments will follow, causing County property tax receipts to decline. Price pressure, foreclosure and bankruptcy rates, and loss of lending are already placing the County in the squeeze it is in, and banning vacation rentals would surely exacerbate this.

10. WHY NAPA CITIZENS WHO ARE NOT VACATION RENTAL OWNERS SHOULD CARE

If you have a business or need your job or love the Napa Valley or pay taxes you should care. Banning vacation rentals would eliminate overnight a significant industry that has operated harmlessly for years and brought millions and millions to the County. There is no precedent for dismantling an industry and banning business of this scale and economic impact. None. And the economic consequences of dismantling it could easily reach you or members of your family, right away.

..... *With Regard To Protection Of Agriculture*

11. WHY VACATION RENTALS ARE NOT COMMERCIAL ENCROACHMENT INTO AG OR RESIDENTIAL

Residential Vacation Rentals should properly be designated a non-commercial use. It is customary to consider rental for duration less than 30 days as “commercial” in order to collect Transient Occupancy Tax. Hotels and B&Bs are called “commercial” lodging, and collect “bed tax.” But Residential Vacation Rentals ought to be designated differently because they are different. Long-term residential rental is a commercial transaction, but is specifically allowed in all zones. Short-term residential rental is no different, other than the number of days. In the case of Residential Vacation Rentals, the artificial distinction between long-term rental and short-term rental should be abandoned. Residential Vacation Rentals should be defined as: Furnished, private, residential dwelling units let to guests for duration less than 30 days at a time. Private, non-corporate, ownership of Residential Vacation Rentals supports the idea that they should not be considered commercial. Transient occupancy supports the idea that they should collect Transient Occupancy Tax. Residential Vacation Rentals do not require signs, bright lights, big parking lots, or any of the usual characteristics of a commercial enterprise. Whether owners live in the dwelling unit, or their guests, or tenants, the use is residential occupancy, and residential occupancy is not a commercial use, nor is it a new use, nor is it an urban use. The ordinance should specifically recognize this. For these reasons, Residential Vacation Rentals are not “commercial” in the usual sense, and should be designated “non-commercial” in the ordinance. It is an irony that many of the large rural parcels whose vacation rentals are at issue would be allowed to become wineries with commercial events if an owner sought a use permit for that. Why not for vacation rentals?

12. WHY GUEST OCCUPANCY OF RESIDENTIAL DWELLINGS IS NEITHER DEVELOPMENT, NOR A NEW USE, BUT IS A HOME-BASED BUSINESS

Residential Vacation Rentals are not being proposed on land not already zoned to allow dwelling units. Rezoning will not be necessary. The General Plan provides for residential use, not just agriculture, in lands designated AWOS and AR. Residential Vacation Rentals should qualify under these same provisions. Whether owners live in the dwelling unit, or their guests, or tenants, the use is residential occupancy. Residential Vacation Rentals are a kind of home-based business, which are specifically encouraged by the General Plan. The General Plan allows other businesses on AR and AWOS lands: residential care facilities, family daycare centers, farm worker housing, kennels, veterinary facilities, feed lots, horse boarding, and vineyard management company shops and offices. The impact of residential vacation rentals on agriculture is similar to these businesses, i.e., negligible negative impact while providing a supportive function. Residential Vacation Rentals are wholly contained within already approved dwellings, and thus constitute neither growth, nor sprawl, nor encroachment into the AR or AWOS. No additional building will be sought or permitted because owners occasionally rent to visitors. No development pressure comes from this issue.

13. WHY VACATION RENTALS ARE NOT “COMMERCIAL”

For “commercial” property, a typical layman’s definition is useful: property that derives its income from non-residential sources, such as offices, retail space and industrial tenants. Appraisers and lenders consider buildings to be commercial property if they are bought and sold strictly for their ability to produce income and not as a potential personal residence for the owner/investor. Even apartment buildings are recognized as residential properties, not commercial ones. Collecting rent does not make short-term residential occupancy “commercial” any more than it does longer-term occupancy. Rent money changing hands is a normal part of residential occupancy, regardless of the length of stay, and is not grounds for labeling this activity “commercial”. This is true whether a dwelling is in a rural location or an urban location. Residential Vacation Rentals are neither commercial property, nor commercial activity—they are residential property and residential use.

14. WHY VACATION RENTALS ARE DISTINCT FROM CORPORATE ENTITIES

Vacation Rentals are, by definition, *private*, with respect to ownership, and, *residential*. An estate built to be vacation lodging full-time, with never long-term occupancy by owner, is not a residence, but is a commercial inn, or clubhouse, or hotel—it is not a vacation rental. The distinction between a vacation rental guest cottage with no kitchen, and a B&B, is the food service offered in one and not the other. It is clearly possible to discern development that is not by rights residential. No ownership or financing scheme can be mistaken for private ownership and true residential purpose. Further, part-time vacation rental income of legitimate residences cannot support development of new homes expressly for such purpose—the financials do not make sense. Future homes will or will not be permitted predicated on zoning, and have nothing to do with the vacation rental issue. And non-residential, commercial lodging is different and distinct from Residential Vacation Rentals.

15. WHY VACATION RENTALS ARE NOT A THREAT TO RURAL/AG NAPA

The Right to Farm is already protected wherever rural residences are, and this does not change with duration of occupancy, or in case they are vacation rentals. Agriculture is not negatively impacted by the departure of one guest and the arrival of another. However, the guests of Napa County’s current vacation rentals visit many wineries and purchase millions of dollars worth of wine there, and at restaurants, grocery and liquor stores. Their wine buying constitutes a positive impact on agriculture. The significant reduction of those wine purchases caused by a vacation rental ban would have a negative impact on agriculture. Visitors occupying residences in the Ag Preserve and Ag/Watershed areas have no greater impact on the rural farm setting than owners occupying their own properties. Most vacation rentals are second homes, or second dwelling units, that would be unoccupied much of the time if not used as vacation rentals. The low occupancy rate of vacation rentals keeps their impacts lower than were

anticipated when their Single-Family Residence building permits were issued. Certainly, visitors who choose rentals in the Ag areas do so because of the vineyards, proximity to wineries, and because of their appreciation for agriculture and the scenery-- they treasure our rural atmosphere, and outdoor lifestyle. They come to buy wines, and do so at a level above what residents do. They make a point to buy and try costly wines, ship them home, join wine clubs, and return to Napa Valley for more. They make reservations at local restaurants with fine wine lists, and consume it heartily. Instead of a threat to Ag, vacation renters become Ag's very best, loyal customers, and often consume more than locals.

16. WHY PERMITTING VACATION RENTALS SUSTAINS THE AG PRESERVE

Vacation rentals are not new lodging-- they are homes belonging to locals who let them to guests for less than 30 days. Those guests are patrons of Napa Valley agriculture. Vacation rentals provide the authentic, land-based, enhanced wine experience these visitors crave, and that leads most of them to return again and again. Vacation rentals thus help foster educated, loyal customers and the establishment of long-term buying relationships that sustain our agricultural economy. Surveys indicate that vacation renters stay longer, buy more wine than other visitors, host new visitors, and come back more often. Vacation rental guests are appreciative of the Ag Preserve, understand the importance of it, and they support it. Many are affluent, participating in Napa Valley fundraising events around wine. They patronize the wineries, are interested in the wine making and grape growing practices, and enjoy making an attachment to Napa as a grape growing and winemaking territory. They are our best customers. In 2009 wine buyers spent \$10,000,000 on vacation rentals in Napa Valley so they could consume wine and food the way they are most comfortable, in a shared home setting. They spent that much again on other products and services that support our agricultural economy, including our world-class restaurants, tours and attractions. The success of our Ag Preserve depends on attracting, *and keeping*, customers like these. Because of their dispersed locations, and kitchens, vacation rental lodging is the most direct connection possible between the farm producer and the knowledgeable "trade-up" end user who consumes wine with food.

17. WHY VACATION RENTALS ARE BUFFER AGAINST DEVELOPMENT

Allowing short-term rental of existing homes is merely better utilization of existing development. The homes are already there, mostly second homes or guest units occupied part time by their owners. Many owners of property in the current vacation rental pool are dependent on their rental income, even if for a limited period of time. Without rental income, a portion of those homeowners would be forced to sell-- they would be unable to afford their property on a sustained basis, or just unable to bridge a temporary gap in their financial situation. Since many of these properties are rural, turnover to new owners who might seek entitlements more aggressively would increase development in the rural areas of the County.

18. WHY VACATION RENTALS ARE BENEFICIAL TO WINE INDUSTRY

Vacation rental visitors buy wine and bring it back to the rental to enjoy with food prepared in their own kitchen. This style of consumption means more trial, more educated purchase, and more brand loyalty. These visitors go to the tasting rooms and wineries and enjoy the vineyards—and eat at the restaurants with good wine lists. They are educated, appreciative consumers in search of more of what our Valley offers. There is no better way to “sell them” on Napa wine than to let them enjoy it at their leisure, and with food, amidst the rural environment, and take away memories of what they call “the Napa Valley lifestyle.” This is the real “halo effect” vacation rentals have on the marketing of wine. And there is no bigger “bang for the buck” than when they advertise Napa Valley by word of mouth as they serve Napa wines back home to friends and colleagues.

..... *With Regard To Protection Of Tourism*

19. WHY VACATION RENTALS ARE BENEFICIAL TO TOURISM INDUSTRY

Throughout the world, some travelers prefer private dwellings to hotels. For instance, those traveling as a family or group of friends often want spacious accommodations and kitchens. This market segment will not substitute conventional lodging if vacation rentals are not provided, they will simply go elsewhere. Thus, by eliminating vacation rentals, Napa County would deter a substantial number of visitors who currently spend on restaurants, wine, attractions and services and who would instead spend for leisure outside our County. Around the world vacation rentals accommodate people with more money to spend, and who stay more days than hotel guests do—this is the “better” visitor that Napa County tourism is seeking. And, these guests spend as much or more on food and wine and retail than they do on their lodging. The vacation rental guest is not the business traveler, who is usually best served by excellent hotel accommodations. The vacation rental traveler has usually visited Napa Valley before, stayed in conventional lodging, had a good experience, and is seeking a different experience, and has different needs. Many vacation renters report that they “won’t travel any other way anymore” when arranging leisure travel accommodations. These are Napa County’s most informed, repeat visitors, who plan to spend more time than they did their first visit. Or, they are traveling to Napa for a family event such as a wedding, holiday or other celebration, and simply need a private home, to lodge more people in a residential-type space together. These “occasion” attendees use the hotels (and hotel restaurants) for events, but cannot be made comfortable in them overnight, for a host of personal reasons.

20. WHY VACATION RENTAL TOT WOULD HELP TOURISM

We propose that TOT collected from vacation rentals go into the County General Fund, just as with all other County TOT, but we encourage the Board of Supervisors to allocate a significant portion of the vacation rentals “new” TOT to The Napa Valley Destination Council, for much-needed funding of destination marketing and promotion.

21. WHY PERMITTING VACATION RENTALS DISPERSES TOURISM

Napa has a concentration of visitor-serving businesses along Hwy 29, and, the Silverado Trail, but it has vast scenic areas over many more acres. Throughout the County, residences are already built, and their occupancy by guests disperses visitors all over, changing their concentration along the two North/South byways. This offloads traffic, shows visitors a truer picture of Napa County, and disperses spending nearer some agricultural areas that would otherwise be too remote for visitors to discover. Thus, tourists see more of what makes our County unique compared to competing destinations. Housing some visitors in residential lodging, if it is their choice, is a way of absorbing their presence in Napa Valley that does not aggregate them away from wineries and force them into traffic patterns to get to wineries, thus increasing visitor satisfaction.

22. WHY VACATION RENTALS FACILITATE LOW IMPACT TOURISM

Napa visitors are already out in the country where they want to jog, ride bikes, sightsee, if their lodging is a rural residence. They are near the vineyards and wineries, with fewer miles to drive to get to them. Tourists spend more time spending money and enjoying themselves and less time in their cars if their lodging is dispersed throughout the County in the location of their choosing. To minimize its carbon footprint, Napa County should lodge its tourists as close as possible to the attractions that bring them here.

23. WHY VACATION RENTALS DO NOT THREATEN HOTEL, B&B INDUSTRY

The vacation rental visitor is a different customer than the hotel or B&B guest. Research exists to show who these visitors are and why they choose vacation rentals. *** (See Appendix: Napa Vacation Rental Guest Survey.) It shows they will not substitute hotel or B&B accommodations if vacation rentals are unavailable, instead they will not come, or they may make a day trip to Napa but spend most of their time and money staying overnights in Sonoma. They need the gathering space, privacy from the public, kitchen, outdoors or other amenities they find in private residences and cannot find in hotels. They may visit hotel restaurants and bars, and attend weddings and conferences at the hotels, but they need different accommodations. (The City of Napa Mayor Techel has commented that the allowed vacation rentals within the City do not seem to impact the hotels or B&Bs in any way. ***) Regulating and taxing vacation rentals would put all lodging on the same footing “leveling the playing field,” and if the lodging industry contributes BIA assessments then vacation rentals should pay their fair share to promote tourism. TOT taxes collected from vacation rentals could go a long way toward funding promotion of Napa Valley tourism, and provide the County a war chest to help market this destination competitively. It is said, “a rising tide raises all boats”—this TOT “new money” would benefit all. Most California destinations allow vacation rentals to exist as a synergistic complement to other lodging types, and hotels in those places are unharmed.

24. WHY VACATION RENTALS ARE NECESSARY LODGING ALTERNATIVE

~Some travelers have already had numerous luxury hotel experiences in Napa Valley and want a different experience, most likely a rural one.

~Some travelers planning a major business meeting or wedding rent a private home as a complementary accommodation—a home base of operations—in support of all the festivities planned elsewhere at public venues.

~Some travelers need to bring their dog along in order to get away, and, be able to let it run.

~Some travelers have small children or infants, or several of them, who cannot be quiet.

~Some travelers are recovering from surgery, or have personal needs related to medical conditions, and seek comfortable respite.

~Some travelers are old or young and need to sleep or rest at hours that are not easy to accommodate.

~Some travelers want to cook or barbeque or entertain.

~Some travelers want to work on a project for prolonged time, days at a time, with no interruption or without having to dress and go out for meals.

~Some travelers, celebrities, or dignitaries want to be incognito, out of sight of the public.

~Some travelers want to sleep several in a room together, comfortably, as a way of being together.

~Some travelers want to repay favors by hosting others in a residential setting.

~Some travelers want to have a wood fire or Christmas tree or place to go out the door and hike or ride a bike or jog or some other pleasure that is found in a residential setting.

~Some travelers frequently cannot justify several nights' stay at a hotel of their desired caliber on an impulse, but can visit Napa Valley more often if they stay several people together in one house.

~Some travelers want to paint or test recipes or play a piano or do yoga or meditate or any number of activities and they want to do it in a residential setting.

25. WHY VACATION RENTAL OWNERS ARE AN ALLY OF TOURISM

Vacation rental owners guide tourists to a more satisfactory experience, thereby benefiting other businesses. Often asked, vacation rental owners send guests to establishments that enhance the visitor experience, and save visitors' time and frustration figuring it out on their own. Vacation rental owners help visitors discover lesser-known wineries, or help match visitor preferences to the wide range of winery experiences. Vacation rental owners reinforce Napa Valley's finest restaurant reputations and help visitors discover reputed as well as lesser known dining options. They help visitors navigate, and spend their time to optimize satisfaction.

26. WHY PERMITTING VACATION RENTALS WILL BRING BACK GUESTS DIVERTED TO SONOMA

Villa and vacation rental agents and directories around the world, wedding planners, realtors and others provide data showing that travelers who inquire about vacation rentals in Napa County get steered by the dozens every single day to neighboring Sonoma County where vacations rentals are permitted. These people want to visit Napa, inquire about lodging in Napa, but are diverted to Sonoma because they cannot or will not substitute hotel or B&B lodging for private homes. These visitors will stop being diverted to Sonoma County by these information sources, and their total travel dollar will stay in Napa County. And on the flip side, if the word spreads that vacation rentals are banned in Napa, this existing industry revenue will immediately remove to Sonoma County or elsewhere, and jobs in many sectors of Napa's economy will be lost. One can only guess, but if a ban on vacation rentals were enforced, perhaps 80% of this industry revenue would leave the local Napa County economy; and perhaps 20% would remain, as remnants of the industry continue, only more hidden. Sonoma County would probably be the greatest beneficiary of that.

27. WHY WE MUST COMPETE WITH WINE DESTINATIONS THAT WELCOME THE VACATION RENTAL CUSTOMER

We have to stay competitive, and offering vacation rentals is part of being competitive as a tourist destination. We cannot be aloof and expect to enjoy a premier wine reputation and the jobs and income that come with it, yet not house the tourists. Not only are other California Counties our competitors for the wine tourist who requires vacation rental accommodations, so are far-flung wine regions. Every wine region understands, ***"The grape and wine industry is an economic engine, and wine is the ultimate value-added product."-- a quote by James Trezise, president of New York's statewide wine industry trade group. In 2008 New York's wine tourism grew 20.6% in dollars spent, and number of wine-related tourists; while related jobs, taxes, and charitable contributions swelled accordingly. 2008 New York State and local taxes from wine-related business grew 6.5% in a recessionary year. These 2008 figures show gains at the expense of somewhere or something competing for those dollars. Further, 277 new wineries opened in New York in 2009 and are not included in these growth estimates. In 2009 Long Island ranked #9 on TripAdvisor's Top Ten North American wine destinations. If Napa Valley does not deliver in every way, the wine tourist will fall into open arms elsewhere. Napa vacation rental owners report that visitors from Canada and New York are among their most frequent guests. If Napa does not provide vacation rental homes, it will be our loss.

..... *With Regard To The General Plan*

28. WHY VACATION RENTALS ARE NOT WORKFORCE HOUSING STOCK

Most vacation rentals are second homes or second dwelling units, fully furnished, and occupied part of the time by owners. They are not, and never would be, available as full time rental housing. Many of these vacation rentals are on large parcels, or are up market in terms of amenities, thus their market value is higher than normal workforce housing, even if they were to be available long-term.

29. WHY UNREGULATED RENTAL INDUSTRY DEVELOPED IN COUNTY

Some property owners are ignorant of the difference between Napa County and most others in the State. Some were not advised by realtors. Some believed that vacation rentals were regulated in the City but not in the County. Some looked for the regulation and could not find it (some still cannot). Some inquired, and believed the official County response was leniency, since the industry appeared unenforced. Some operated for years without receiving any notification that the practice was illegal. Some got only one piece of “junk” mass mail they did not take seriously, considering the large number of active vacation rentals advertised. Almost no enforcement has taken place, so owners knew of none. Economic need and human nature to want to use rather than waste valuable resources led to the industry growing up under all of our noses. Also, the internet age made it easy, and, blurred the means by which owners could reach renters for 30 days or more (allowed long-term rentals) or for shorter stays. Simultaneously, Napa Valley’s reputation as a destination grew. Many visitors have traveled here several times before. Repeat visitors began using the internet, seeking residential rentals as a new and different experience. Through visitor demand and use match of property, private and public actions or inaction, the industry has grown up and thrived.

30. WHY THE VACATION RENTAL COMMUNITY IS AN IMPORTANT STAKEHOLDER GROUP

Vacation rental owners are residential property owners who pay the property taxes that benefit all, including those who do not own property. Most are business professionals or owners who create jobs or create demand for other businesses that create jobs and pay taxes here. Vacation rental owners are entrepreneurial, constructive citizens who manifest the shared values of our community by “putting their money where their mouth is” and paying for property here in this expensive County. They are stewards of this place, and Napa Valley brand ambassadors to their paying guests. Many are the County’s best advocates, and generous contributors to the non-profit sector. They are typical Napa Valley good folks who care to protect this beautiful community. And they have built an industry that currently contributes several tens of millions annually to our local economy. Neither they, nor their guests, are undesirables. Most owners personally manage their

rental. Others employ responsible agents, always taking care to protect their property and neighborhood from irresponsible renters. Rental income does not begin to cover the expense of the property, and to that extent, vacation rental owners subsidize tourism. They act as hosts, and refer visitors to restaurants, wineries, golf courses, shops and visitor services whenever asked. Vacation rental guests have a memorable visit, and associate it positively with their rental host. Some return to the same vacation rental, bringing new visitors with them. The extent of this word-of-mouth advertising is unknowable, but definitely positive, and its ripple effect benefits the Napa Valley destination community powerfully. To understand the role vacation rental owners play, see *** “Them and Us and Ag—An Anecdotal Tale Told by NVVRA.”

31. WHY PROPPING UP FALLING PROPERTY VALUES MATTERS NOW

A decade of property value at every price point has been lost in this decline. Properties valued over \$1 million are selling only by the handful, and take months or even years on the market to sell. Huge numbers of property tax payers are underwater, or facing foreclosure. Every property owner in Napa County relies on the equity in his real property. To do anything to reduce its value, increase unsold inventory on the market, or increase its net cost of ownership would impose an onerous burden on the taxpaying public. Every government entity in the nation is working to keep this from happening, and for Napa County to now enforce a ban on earning income from private property in this way would be very damaging. Government should first do no harm.

32. WHY PROPERTY RIGHTS SHOULD ALLOW USE FOR OWNERS' BENEFIT

Zoning is for the planning and protection of communities and the reconciling of private rights and community needs. To the extent that guest occupancy of a private residential dwelling unit does not impinge on anyone else's rights or needs, we believe it should be allowed. We believe that the mechanics of permitting and regulating it should be provided, so that owners are not forced to *waste* their property whenever they are not occupying it. Most residential owners have no other income possible from their property, and they should be allowed to seek some if it does not harm the community. The means by which to accomplish this are at issue. Again, it is *only a matter of allowing a shorter duration of what is already their right to rent.*

33. WHY MOST CALIFORNIA COUNTIES PERMIT, REGULATE AND TAX VACATION RENTALS

Other rural or scenic California Counties, including all with significant winegrape growing and winery production, permit vacation rentals. These Counties make vacation rentals tax-paying contributors to the overall visitor industry that ensures jobs, and creates a synergistic economic impact with agriculture. These Counties all regulate and tax vacation rentals, and enjoy TOT revenue in the millions. (***)See Appendix for

Sonoma, Lake, Mendocino, Monterey, San Luis Obispo, Santa Barbara and Amador County.) These Counties report vacation rental TOT revenue that is a significant proportion of their overall lodging TOT revenue (from conventional lodging and other categories of accommodation such as campgrounds, etc.). Each of these Counties is a wine destination, with agricultural traditions and assets that need protecting. Each of these is a competing destination for the traveler interested in wine and vineyards, and food. A vacation planner could as easily take a house in either of these locales as Napa County, and spend their entire vacation budget there instead. As estimated, Napa County stands to collect TOT in excess of \$1,140,000 annually on current business from already existing, currently unregulated short-term rentals. In Sonoma County, regulated vacation rentals remit more than \$2,000,000 and make up 20% of the total TOT for a county where there are many more vacation rentals that are operating even without permits. Sonoma County is getting hold of the problem, and the opportunity.

34. WHY VACATION RENTALS SHOULD BE ALLOWED ACROSS ZONING

Every property is unique. Regulations to protect quality of life and neighbors' needs should be crafted, as they have been by other Counties and destinations. These may be indexed to things such as dwelling size, number of bedrooms, parcel size, and available parking. Doing so will tend to allow permitted vacation rentals where they belong, and not where they do not belong. This way real concerns can be satisfied without arbitrary or unfair generalized mapping of allowed and disallowed areas. Areas beyond Napa Valley such as Pope Valley, Wooden Valley, and others, are rural areas where legitimate visitor appreciation could benefit agriculture, with no adverse impact. If the total number of permits in the County, or the rate of their award, or their term must be specified, then any such limits should apply Countywide and not by zoning. The underlying principle is that the industry is and should be good for the County, including all rural and agricultural parts of it, and regulation can keep impacts benign or positive. Another underlying principle is that vacation rental use is not different than owner use of a dwelling unit, and it can and should be regulated or restricted to ensure that.

35. WHY VACATION RENTALS ARE NOT WEDDING INDUSTRY, EVENT INDUSTRY, TIMESHARE, DESTINATION CLUB OR PARTY HOUSES

Allowing vacation rentals does not mean allowing weddings or other large events. Regulations that index to size of residence or number of bedrooms, prohibiting amplified music and porta-potties, and limiting parking will preclude this misuse of the vacation rental industry. Normal residential uses would take place, but number of cars and overnighters would be managed by regulations. Neighbors would have recourse and vacation rental permits would be revocable. *The only thing altered by allowing vacation rentals is minimum duration of guest rental to less than 30 days.*

36. WHY ALLOWING AND REGULATING VACATION RENTALS WILL NOT CAUSE THEIR PROLIFERATION

Simply allowing vacation rentals will not mean their numbers will greatly increase. Only so many homeowners ever have the circumstances, usually temporary, that leave furnished dwelling units vacant part of the time. And of those, few have property with the attributes to serve as a vacation rental. Also, occupancy of vacation rentals is low and much more absorption of demand could occur. Units leave the vacation rental pool just as others come into it, as owner circumstances change. Because of the high cost of ownership of property, and the amount of attention and maintenance for operation, vacation rentals are not likely to proliferate. The present unregulated number of vacation rentals will likely remain the number once licenses, conditions of use, and taxes, are regulated, should that occur.

37. WHY “IF IT AINT BROKE, DON’T FIX IT!”

Because tourism and the wine industry are inextricably intertwined, we must continue to market competitively Napa Valley as a destination in order to preserve our agriculture legacy. To succeed, we must provide the accommodations the highest quality visitors want. And a growing global trend in that market is toward vacation rentals. Rooting out existing, high-value customers suddenly, by implementing a ban on vacation rentals, has not been studied, quantified, or ever even communicated to our market audience. The effect of “advertising” that vacation rentals will not be tolerated will send a loud signal, and not a good one. Doing this now has unknown serious consequences. Another saying, “do not bite the hand that feeds” comes to mind. It is much wiser to *preserve this existing good business* and regulate and tax it for the overall good.

38. WHY ECONOMIC DIVERSITY GOALS OF THE GENERAL PLAN ARE MET BY VACATION RENTAL INDUSTRY

The Economic Element specifically calls for diversity. It says, “Although the county’s economy is based primarily on agriculture, the County recognizes the need to diversify the types of industries and jobs available—so long as these new jobs do not adversely affect the agricultural sector. . . . The County also recognizes the need to expand the number of local jobs for workers in Napa County (particularly middle income workers) who must now commute to jobs in other counties. . . . “ See Goal E-1 and 2 and Policies E-1 through E-6 except E-5.

39. WHY THE VACATION RENTAL INDUSTRY SUPPORTS THE GOALS OF THE GENERAL PLAN

The use of dwellings as accommodations has become integral with the tourism globally, the Napa Valley destination, our agricultural economy, and Napa County's economy overall. The General Plan contains policies that direct the County to promote development concepts that support the economic viability of agriculture, and supporting industries to ensure the preservation of agricultural lands. The County recognizes that tourism contributes to the economic viability of agriculture in Napa County and is the foundation of the County's overall economy and jobs. To maintain and enhance the economic viability of agriculture, the County recognizes the ongoing relationship between tourism, the making and marketing of wine, and the value of the Napa County agriculture. Wine and grape-based agriculture is the county's #1 industry, supported by tourism/hospitality. *The existing Residential Vacation Rental industry has been serving the County well, without negative impact, and without added development, and should be recognized as a useful concept in service of governing documents, and regulated and taxed.* (See AG/LU Goal, Policies AG/LU-1,23,12,22,23,33, Action Item 33.1 and Policies E1,2).

In the many ways described in the above document items 1 through 39, the NVVRA respectfully submits that the General Plan GOALS AND POLICIES are directly served by the Residential Vacation Rental industry-- in general the Objectives, and specifically the Agricultural / Land Use Element, Economic Development Element, Recreation Element, and Circulation Element.

SUMMARY follows:

SUMMARY:

DOING NOTHING ABOUT VACATION RENTALS IS DOING SOMETHING REALLY BIG.

Delivering "legendary guest services" includes delivering vacation rentals as a lodging option. Enforcement of a ban, would have enormous consequences:

IN UNKNOWN BUT SIGNIFICANT AMOUNTS, THE FOLLOWING LOSSES WOULD BE FELT:

Loss of TOT revenue,
loss of jobs,
loss of dispersed job opportunity,
loss of diversity of industries and jobs
loss of capital investment,
loss of wine customer loyalty,
loss of revenues to wineries and restaurants,
loss of income and taxes in nearly 200 business sectors,
loss of property values and property tax revenue,
loss of charitable giving,
loss of The Napa Valley brand value, and just possibly one day,
loss of our position as the premiere destination for wine, food and wellness.

INSTEAD, REGULATED VACATION RENTALS AND THEIR TOT COULD BENEFIT THE AG, WINE, TOURISM, AND EVERY COUNTY RESIDENT.

We propose that TOT collected from vacation rentals go into the County General Fund, just as with all other County TOT, but we encourage the Board of Supervisors to allocate a significant portion of the new money from vacation rentals to funding the Napa Valley Destination Council and other tourism promotion projects.

REFERENCES AND APPENDICES

*** Citation: Two sources, the Purdue and the MKF Research studies, are data referred to in the Napa County General Plan Economic Element

http://www.co.napa.ca.us/GOV/Departments/8/Forms/11_Economic%20Development%20Element_06.23.09.pdf

*** Citation: MKF Research 2005 study commissioned by Napa Valley Vintners Association

“Economic Impact of Wine and Vineyards in Napa County”

*** Citation: Multiplier established by 2006 Purdue study:

“The output multiplier is 1.42 meaning that for each dollar of spending by visitors, \$1.42 of output is generated by businesses in the county.”

Napa County Visitor Profile Study &
Napa County Economic Impact Study
A Series of Executive Reports

http://204.17.36.204/docs/cats/1%20Napa%20County%20Visitor%20Profile_%20Economic%20Impact%20Reports.pdf

*** Citation: The Economic Impact of the Napa Valley Wine Industry 2008 by Napa Valley Vintners

*** Citation: NVVRA industry model prepared 1/2010, available separately

*** Citation: Appendix: Napa Vacation Rental Guest Survey, available separately

*** Citation: Appendix: Why Some Visitors Cannot Be Accommodated By Hotels And Seek Vacation Rentals

*** Citation: Verbal comment asked of Mayor Techel on 1/6/10 by NVVRA workgroup.

*** Citation: Appendix: TOT Reported By Some California Cities and Counties

*** Citation:

<http://www.bizjournals.com/buffalo/stories/2010/01/11/daily21.html?ana=tt324>

Studies by California-based Stonebridge Research Group LLC and reported by the New York Wine & Grape Foundation

January 12, 2010 Buffalo BUSINESS FIRST Journal of Western New York
“Grape Biz Keeps Growing In New York”

*** Citation:

Them and Us and Ag . . . An Anecdotal Tale

Told by Napa Valley Vacation Rental Alliance (NVVRA)

*** Citation:

PhosCusWright^R Market Research/Industry Intelligence: Vacation Rental Marketplace:
Poised For Change, January 2009 (major travel industry research report for sale)

“Large, . . . long understudied and definitely underestimated, the U.S. vacation rental market is poised for change. Vacation rentals represent a more than . . . one fifth of all hotel room revenue and 8% of the total U.S. travel market. And vacation rental consumers are a market to covet. They’re well off, well educated, and they travel – a lot. Nine in 10 take at least four leisure trips a year. ”

*** Citation:

City Of Napa Vacation Rental Guest Survey Feedback

Partial Survey, Conducted by Napa Valley Vacation Rental Alliance (NVVRA)

