

## **IT IS GOOD PUBLIC POLICY TO ALLOW AND TAX VACATION RENTALS**

*NVVRA (Napa Valley Vacation Rental Alliance)*

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

### **1. 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.

### **2. COUNTY REGULATION OF VACATION RENTALS NOW IS FISCALLY RESPONSIBLE**

Because the 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 regulate this industry to benefit all.

### **3. VACATION RENTAL MONEY STAYS IN THE LOCAL ECONOMY**

Napa Valley hotels are, for the most part, owned by non-local companies. 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. COLLECTING VACATION RENTAL TOT MATTERS NOW**

The County is facing unprecedented revenue shortfalls, property values, 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. PERMITTING VACATION RENTALS CREATES WORLD CLASS, DIVERSE TOURISM**

High-value frequent travelers demand extraordinary experiences and abhor sameness. 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. 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.

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

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.

7. VACATION RENTALS MATTERS NOW IN TIME OF TEETERING ECONOMY

The effect of enforcing a ban on vacation rentals now would be to deliver a \$45,000,000 shock to our local economy. Any reduction of prosperity would be felt Countywide.

8. VACATION RENTAL REVENUE IS IMPORTANT, AND TRENDING MORE SO

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 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.

9. CITIZENS WHO ARE NOT VACATION RENTAL OWNERS 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 or banning business of this scale and impact.

10. VACATION RENTALS ARE NOT "COMMERCIAL"

Occupancy of a private, dwelling is not a new use or an urban use, and renting for less than 30 days is not a commercial activity. It is a residential activity, residential use of residential property. Collecting rent does not make short-term residential occupancy "commercial" any more than it does longer-term occupancy. And residential property is not commercial property. Transient occupancy (tax) does not equate to "commercial."

11. VACATION RENTALS ARE NOT NEW USE ENCROACHING INTO AG

Only the duration of tenant occupancy of residential dwellings is at issue, i.e. less than 30 days. Whether owner, family, guest, or long or short-term tenant residential use, there is no encroachment into Ag. Vacation rentals are private ownership and residential use of residential property, not new use. They are home-based businesses, which are encouraged in the General Plan. Many non-farm businesses are allowed in AR /AWOS.

12. GUEST OCCUPANCY OF RESIDENTIAL DWELLINGS IS NOT DEVELOPMENT

Whether owners occupy or guests occupy a residence, no additional dwellings are allowed because of their rental occupancy. No additional building will be permitted whether or not owners rent to visitors. No development pressure comes from this.

13. VACATION RENTALS ARE NOT A THREAT TO RURAL/AG

Visitor-tenants occupying rural residences have no greater impact on the setting than owners occupying their own properties. The Right To Farm is already protected there. 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 impact lower than anticipated by their building permits.

#### 14. PERMITTING VACATION RENTALS SUSTAINS THE AG PRESERVE

Vacation rentals are not new lodging. Vacation renters stay longer, buy more wine than other visitors, host new visitors, and come back more often. They enjoy making an attachment to Napa as a grape growing and winemaking territory. They are our best customers. 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.

#### 15. VACATION RENTALS MEAN GOOD-PAYING JOBS

Janitorial, pool service, dry-cleaning, 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. *Add to that, these wine consumers support our number-one industry through the long-term wine buying relationships established while vacationing here.*

#### 16. VACATION RENTALS ARE BUFFER AGAINST DEVELOPMENT

Allowing short-term rental of existing homes is merely better utilization of existing development. Many owners of property in the vacation rental pool are dependent on rental income, even if for a limited period of time. Without it, a portion of them would be forced to sell. Since many of these properties are rural, turnover to new owners who might seek entitlements more aggressively would increase rural development.

#### 17. WHY VACATION RENTALS ARE BENEFICIAL TO WINE INDUSTRY

Vacation rental visitors buy wine and bring it back to the rental to enjoy with food. 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. 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.

#### 18. VACATION RENTALS ARE BENEFICIAL TO TOURISM INDUSTRY

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. Many vacation renters report that they “won’t travel any other way anymore” when arranging leisure travel accommodations.

#### 19. 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. This offloads traffic, shows visitors a truer picture of Napa County, and disperses spending nearer some areas that would otherwise remain undiscovered.

#### 20. 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 in the location of their choosing.

#### 21. VACATION RENTALS DO NOT THREATEN HOTEL, B&B INDUSTRY

The vacation rental visitor is a different customer than the hotel or B&B guest. They will not substitute hotel or B&B accommodations if vacation rentals are unavailable, instead they will not come. They need the gathering space, privacy, kitchen, outdoors or other amenities they cannot find in hotels. TOT taxes collected from vacation rentals could go a long way toward funding promotion of Napa Valley tourism. Most destinations allow vacation rentals as synergistic lodging, and hotels are unharmed.

#### 22. 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.

#### 23. PERMITTING VACATION RENTALS WILL BRING BACK SONOMA GUESTS

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 to neighboring Sonoma County where vacations rentals are permitted. These visitor dollars will stop being diverted by these information sources.

#### 24. VACATION RENTAL OWNERS ARE AN ALLY OF TOURISM

Vacation rental owners regularly guide tourists to a more satisfactory experience, thereby benefiting other businesses. Often asked, they help visitors navigate, and spend their time, to optimize satisfaction.

#### 25. 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. If Napa Valley does not deliver in every way, the wine tourist will fall into open arms elsewhere. If Napa does not provide vacation rentals, it is our loss.

#### 26. VACATION RENTALS DO NOT REDUCE WORKFORCE HOUSING STOCK

Most vacation rentals are occupied part-time by owners and are not, and never would be, available as full-time housing. Many are on large parcels, or are have up market amenities, thus their value is higher than workforce housing, even if available.

#### 27. SIGNIFICANT UNREGULATED RENTAL INDUSTRY GREW OVER TIME

Most vacation rental owners believed the official County response was leniency, since the industry appeared unenforced. Almost no enforcement has taken place, so owners

knew of none. Also, the internet age blurred the means by which owners could reach renters for 30 days or more (allowed rentals) or for shorter stays.

#### 28. THE VACATION RENTAL STAKEHOLDER GROUP IS VERY IMPORTANT

Vacation rental owners are residential property owners who pay the property taxes that benefit all, including those who do not own property. They are stewards of this place, and Napa Valley brand ambassadors. They have built an industry that contributes several tens of millions annually to our local economy. Neither they, nor their guests, are undesirables.

#### 29. PROPPING UP FALLING PROPERTY VALUES MATTERS NOW

A decade of property value at every price point has been lost in this decline. To do anything to reduce value, increase unsold inventory on the market, or increase net cost of ownership would impose an onerous burden on the taxpayers. To now enforce a ban on earning income from private property in this way would be very damaging.

#### 30. PROPERTY RIGHTS SHOULD ALLOW USE FOR OWNERS' BENEFIT

To the extent that guest occupancy does not impinge on anyone else's rights or needs, it should be allowed. Owners should not be forced to waste property when they are not occupying it. Most residential owners have no other income possible from their property, and should be allowed to seek some if it does not harm the community. It is only a matter of allowing a shorter duration of what is already their right to rent.

#### 31. ALL OTHER CALIFORNIA WINE COUNTIES INVITE VACATION RENTERS

Other rural or scenic California Counties, and all with significant winegrape and winery production, permit vacation rentals. Each of these Counties is a competing wine destination, with agricultural traditions and assets that need protecting. Napa County stands to collect TOT in excess of \$1,140,000 annually. In Sonoma County, regulated vacation rentals remit \$2,000,000 and 20% of the total TOT.

#### 32. VACATION RENTALS SHOULD BE REGULATED ACROSS ZONING

Every property is unique. Regulations will tend to allow permitted vacation rentals where they belong. 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 should be regulated to ensure that.

#### 33. VACATION RENTALS ARE NOT WEDDING, EVENT, TIMESHARE, DESTINATION CLUB OR PARTY HOUSES

Regulations that index to size of residence or number of bedrooms, prohibit amplified music and porta-potties, and limit parking will preclude misuse. Only normal residential use would occur, and only duration of rental less than 30 days would change.

#### 34. ALLOWING VACATION RENTALS WILL NOT CAUSE PROLIFERATION

The present unregulated number of vacation rentals will likely remain the number once licenses, conditions of use, and taxes, are regulated, should that occur.

35. VACATION RENTALS ARE NECESSARY LODGING ALTERNATIVE

Some travelers need to bring their dog, have small children, have personal needs or medical conditions, need to sleep or rest at all hours, want to cook or barbeque or entertain, want to work without having to go out, want to be incognito, stay several people together in one space, or do activities possible only in a residential setting.

36. "IF IT AINT BROKE, DON'T FIX IT!"

Because tourism and the wine industry are inextricably intertwined, we must provide the accommodations the highest quality visitors want. Do not bite the hand that feeds. It is wiser to preserve this existing good business and regulate and tax it for the overall good.

37. 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. . . . "

37. THE LETTER AND SPIRIT OF THE GENERAL PLAN IS SERVED BY VACATION RENTALS

The stated Objectives, Goals, and Policies of The General Plan Agriculture/Land Use Element, Economic Element, Recreation, and Circulation Element are specifically met by vacation rentals in a whole host of ways.

**SUMMARY:**

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