

# Chelan County Short-Term Rentals FACT SHEET

## **CURRENT STATUS:**

Total Number of Permitted STRs in 2023 — 666 active permits, 42 pending

Number of Tier 1 -- 98

Number of Tier 2 -- 545

Number of Tier 3 -- 23

Percentage Owned by Chelan County Residents – 37%

Percentage Owned by Others Outside of Chelan County – 63%

Estimated Number of STRs operating without permits – 96 confirmed illegal and have live advertisements, 543 that previously operated and currently do not have live advertisements but their status is unknown.

## **BACKGROUND:**

Process for Adoption of Short-Term Rental (STR) Code: The County's existing short-term rental (STR) code was the result of a two- year process involving numerous research reports prepared by Berk Consulting, hundreds of hours by Community Development staff, well over 1,000 public comment letters, and multiple public hearings. The code is based on factual information and the result of a thorough vetting process.

2013—First STR code adopted which applied only to the Manson UGA

August 2019—Public hearing held on first draft of code before Planning Commission; it was subsequently withdrawn and the County decided to hire a consultant.

Early 2020—Berk Consulting hired to provide expertise and guidance on adoption of the code. Numerous reports and studies were prepared.

August 25, 2020—County enacted first moratorium on construction or remodeling of STRs.

2020—In addition to numerous hearings before the Planning Commission, the BOCC held workshops and public hearings on October 28, November 3, 10, 16 and, 24, and December 1, 8 and 22.

January 2021—BOCC decided to establish a Task Force consisting of 3 STR owners, 3 residents, and 3 members of the Planning Commission.

May 2021—Task Force issued its final report which contained a consensus recommendation on the most contentious issues.

July 2021—Revised STR code released and public hearings held on July 13 and 27.

September 2021—Final Code adopted by BOCC.

September 29, 2021—Community Lodging Operators of Chelan County filed an appeal to the Growth Management Hearings Board.

March 24, 2023—Growth Management Hearings Board upheld the code with the exception of one minor administrative error which the BOCC subsequently corrected.

## **IMPACTS OF SHORT-TERM RENTALS ON COMMUNITIES:**

### **A. Housing Availability and Costs**

Adequate, affordable housing is key to ensuring stable, healthy communities and a high quality of life for residents. Housing is the top need identified by residents in our community. The region's housing crisis has impacted all socio-economic groups in one way or another. In many cases, people are paying significantly more for housing than they can afford.

When homes are removed from the available overall housing inventory through conversion into second homes for non-residents or into STRs, the local market for home purchase or long-term rentals is narrowed unless this loss is compensated for by new construction. Prior to the adoption of the County's STR code, conversion of homes to STRs was far outpacing new construction.

The housing situation in Chelan County is compounded by the fact that it is a sought after location for second homes in which the purchaser does not intend to operate a rental. Census data on the vacancy rate indicates that in 2019, 41% of the homes were classified as vacant (i.e., seasonal use homes). Some of these may be short-term rentals and some may be second homes that are not rented out. In either case, the result is that homes available for purchase or long term rental are only 59% of the available inventory (in the Chelan, Manson, and Leavenworth census tract areas this is even worse at closer to 50%). This fact makes a strong argument for placing strict limits on the number of STRs in our communities.

The option to convert a single-family residence into a short-term rental increases the sales price of a home in the touristed areas of Chelan County by \$100,000 or more. With the average rate for an overnight rental in Chelan County being \$362 per day, owners can not only cover their expenses but realize a positive income stream. For many buyers, they get two benefits, a positive income flow and the opportunity to use their house for weekend getaways and vacations. The accelerating home prices in Manson and the cities of Leavenworth and Chelan are congruent with the findings in numerous international studies that show that housing costs rise faster in communities with STRs than in communities without STRs.

### **B. Economic Benefits and Costs**

While proponents assert that short-term vacation rentals have positive economic impacts in communities, they actually negatively impact those economies. Owners and proponents of the industry cite increases in sales tax revenue from short-term tenants. Yet, the evidence demonstrates that spending by full-time residents on food and

beverages, entertainment, and other retail exceeds spending by short-term visitors. Modeling from the San Francisco Office of Economic Analysis calculated that removing a single housing unit from the market (so that it can become an STR) would have a total negative economic impact on San Francisco's economy of approximately -\$250,000 to -\$300,000 per year. The study notes that this greatly exceeds the annual total economic benefit from visitor spending, host income, and hotel tax, given prevailing short-term rental rates.

Further, studies done by pro-STR groups imply that all of the estimated dollars of spending by tenants of STRs would be lost to the local economy if the STRs did not exist. However, some studies indicate that only 2 to 4 percent of those using Airbnb say that they would not have taken the trip were Airbnb rentals unavailable. This supports the conclusion that STRs are merely substitute accommodations for hotels. If STRs did not exist, hotels would be built to satisfy the lodging demand. Hotels, unlike STRs, are located in commercial zones precisely to isolate their impacts from residential communities. Furthermore, STR guests contribute less to the local economy than do hotel guests. STRs have kitchens and are often distant from restaurants. Hotel visitors eat out. In Hawaii, it was found that travelers staying in STRs contributed 20% fewer dollars to the local economy than did travelers staying in hotels.

Thus, it is a fallacy to suggest that STRs contribute to local economies IF those STRs reduce the available local housing stock for permanent residents. A high percentage of STRs in communities not only exacerbates the cost and availability of housing especially in the highly touristed areas of Chelan County but also negatively impacts businesses. In Manson, and the cities of Chelan and Leavenworth, local employers such as restaurants, shops, hospitals and schools are increasingly challenged to find and keep workers. Proponents' argument that STRs create local jobs is false if businesses cannot hire the workers, in part because short-term rentals have priced local residents out of the local housing market and converted otherwise long-term rentals into vacation rentals.

#### C. Effects on Community Cohesion

The networks of relationships among people who live and work in a particular community enable it to function effectively. These relationships and the contributions made by individuals to the betterment of their community are often referred to as social capital. Social capital is closely linked to the nonprofit sector in communities. This includes charities and voluntary groups, such as Rotary. This sector delivers essential services, helps to improve people's well-being, and contributes to economic growth. It plays a vital role in supporting communities at a local level. It also has economic value. The U.S. Census estimated that volunteer activity contributed \$167 billion in economic value in 2017.

It is hard to imagine life in Chelan County without the contributions of residents to volunteer fire departments, youth sports and recreation, environmental protection, senior centers, and social safety nets such as local food banks. Social capital is built through hundreds of actions, large and small, that residents take every day. Communities that have strong social capital have better children's welfare, stronger education systems, and more economic prosperity. In sum, they are healthier, more vibrant, and more resilient.

The ability to convert residential homes into short-term rentals coupled with the high percentage of second homes, especially in the 98826 and 98831 zip codes, has a direct negative impact on the health of our communities.

**CONCLUSION:**

STRs have both positive and negative economic impacts in communities. Owners and proponents of the industry point to increased sales and lodging tax revenue, jobs, and increased diversity of tourist accommodations. However, there are also significant costs including loss of community cohesion, disruption of neighborhoods, upward pressure on housing costs, and increasing tourist congestion.

When the impacts, positive and negative, of STRs are examined in a comprehensive manner, the conclusions are undeniable. Increasing numbers of STRs in residential neighborhoods leads to declining social capital and less healthy communities; reduction of available housing for Chelan County residents; overtourism resulting in declining quality of life for residents and a declining quality of experience for tourists; and environmental degradation due to overuse of natural amenities such as hiking trails and beaches. From a purely economic perspective, the balance sheet is also negative. Increased tourist spending does not make up for loss of spending by displaced residents, the increased costs to locals in terms of higher housing costs, and loss of volunteer contributions of labor and dollars to the community.

*September 18, 2024*