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To: Board of Supervisors

From: Dallin Kimble, County Administrative Officer
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Subject: Housing Priorities and Trends

The Mariposa County Strategic Plan calls for “the development of a range of workforce, multi-family, multi-use and multi-generational housing and neighborhoods” (MSP 5.2). Likewise, the Mariposa County Housing Element to the General Plan, adopted in the summer of 2019, establishes ten key policies, listed below, that direct the work of County housing efforts. This memo is intended to inform the Board of changes in the world of housing development, the County’s role and programs, progress toward the direction that has been given, and the challenges and opportunities that still lie ahead of the County’s housing goals.

Housing Policies

The Mariposa County Housing Element (8.6.03) states that the Board of Supervisors will make every effort possible to achieve the following:

A. An adequate number of housing units to meet the needs of its citizens.

B. Housing that is affordable to all economic segments of the community.

C. Adequate facilities available to support future housing needs.

D. Housing units available to serve persons with special housing needs.

E. Rehabilitation of housing stock and replacement of housing units in need of replacement.

F. Promoting regular maintenance of housing as a means of conserving existing housing stock.

G. Strategies and actions to increase homeownership opportunities through economic development.

H. Assistance to citizens in need of short-term emergency housing.

I. Prevention of discrimination in housing.

J. Citizen participation as part of the housing element preparation and revision process and maintenance of consistency between all policies of the General Plan.

K. Collaboration with the National Park Service, it's partners and its concessioners—major providers and consumers of the County's public and private housing stock—to address mutual housing challenges and opportunities.

Local Housing Market Analysis

Mariposa County's housing inventory is lower than market demand, leading to increasing rental values and home prices. These conditions, which also exist outside of Mariposa County, are contributing to a growing debt burden for workers and fewer available workers overall. New construction is not meeting the increased demand resulting in a net loss in population.

Median home sales price provides an illustrative example of changes in the larger housing market. Data from the California Real Estate Multiple Listing Service (MLS) shows that the median home sale price in Mariposa County has risen 36 percent (36%) in just the last three years.

Year of Sale	Average home sale CRMLS	Median home sale CRMLS	Listings
2014	$289,692	$217,000	139
2015	$286,836	$232,000	162
2016	$278,561	$238,000	231
2017	$297,723	$240,000	202
2018	$344,799	$293,000	170
2019	$337,641	$300,000	189
2020	$381,134	$340,000	217
2021	$490,661	$408,450	178

According to a 2019 data from the California Department of Finance, the average Mariposa resident can afford a home purchase cost up to $284,000. This is to say that homeownership was already out of reach for the average Mariposan in 2019 when 44.6 percent (44.6%) of County renters and 26 percent (26%) of homeowners spent more than 30 percent (30%) of their income on housing. This debt burden has only increased since 2019, threatening some households' ability to meet basic needs and forcing others to leave the community or become homeless.

The shortage of available housing has a domino effect on other aspects of the economy. Local employers increasingly cite a lack of housing as a primary challenge in their ability to recruit and retain employees from dishwashers to doctors and park rangers to probation officers. Investors and prospective employers have expressed concerns or hesitancy to invest in Mariposa because they cannot find or house workers. The County itself has lost several qualified candidates due to a lack of affordable housing and some employers have had to reduce services or permanently close because of staffing shortages related to housing issues.

Many factors are contributing to the rapid growth in local home values. Remote work, lower home values than other parts of California, generational changes in values, low interest rates, limited new development and growing interest in vacation rentals as investment properties are pronounced in Mariposa, but dramatic changes in home prices are occurring around the country and the world. The same factors are contributing to something bigger than a local housing spike: the nationalization and globalization of our housing market.

In the past, house prices and rental rates were determined by the supply, the turnover of residents moving in and out, and local wages or the ability of local workers to pay. Today, a worker desiring to live in a rural setting near Yosemite can bring their wage and work remotely. Investors across the globe can buy properties as investments without leaving home. In essence, there's no such thing as a local housing market—all markets are national or even international. According to Mark Haggerty at the Center for American Progress, home prices are decoupling from the local economy as global wealth increases and rural property values being captured elsewhere.

Development of new homes is similarly divided. New development is complicated by residential building codes and fire safe regulations, a lack of available infrastructure, rising building material costs, a shortage of skilled labor, and few flat or easily developed properties. The average Mariposan is unable to afford the costs associated with a new home, so it is no surprise that the County's Regional Housing Needs Assessment Annual Progress report shows very few homes built for households making 30% to 120% of our average monthly income (AMI). What is being constructed is either heavily subsidized, like the handful of homes built by the County's Habitat for Humanity affiliate,or built by those with higher incomes often as second homes or vacation rentals that are unavailable to meet community needs.

While global investors are gobbling up available inventory, residential turnover nationwide is slowing. Baby boomer retirees aren't selling and downsizing as previous generations have. Instinctively, amid the pandemic threat, fewer people are willing to leave home or move away from family and familiarity. Millennials are starting to have families and look for homes in suburban and rural areas still occupied by prior generations. All of these trends existed prior to the pandemic, but each has accelerated in the last two years and their confluence is resulting in rapidly increasing rental rates and home prices.

The County's Role in Housing Development

Mariposa County is not a housing developer. Staff have been assigned to assist private developers and facilitate development within established regulations; to oversee programs to assist owners and renters; to lobby for legislative changes; to help secure funds for nonprofit housing developers; and to maintain available infrastructure. State law requires that Mariposa County provide adequately zoned sites for development of housing as well.

Progress Toward Housing Goals

Staff has continued or begun several programs to achieve the Board direction outlined in the above policies. These include the following:

Low Income Housing Development
The Creekside Terrace project is an example of how partnerships with nonprofits and leveraging state and federal grants can jumpstart the County's housing stock. This project was able to leverage over five million dollars ($5,000,000) in grant funds. The 42

additional housing units targeted for households making 60% or less of Mariposa's average monthly income (AMI) represent the end of a 24-year dry spell in the development of affordable multi-family housing.

There is still room for growth in the County's low-income market. Currently all subsidized housing units are full with waiting lists, which does not allow for the use of Section 8 Housing Choice Vouchers (subsidies) that are available to the community.

As noted in the 2018 Comprehensive Housing Programs Implementation Study and the 2019 Housing Element, nonprofit partnerships will continue to be an important strategy as long as housing remains a priority in state and federal budgets. Grant funds are often targeted to serve households up to 80% AMI, which includes 49% of Mariposans. These partnerships expand the housing market, bring down rental rates, develop surrounding infrastructure, provide housing for workers, and contribute to other community economic, public safety and environmental goals.

Integrated Homeless Housing
Housing units that provide temporary shelter for those who have lost housing coupled with rapid rehousing services have proved effective means to keep residents connected to the community fabric. Permanent supportive units can provide long-term support for County residents needing assistance with physical, behavioral or mental health needs. When these permanent supportive units are integrated into the social strata there is a higher success rate for disadvantaged residents to overcome social integration challenges and provide financial incentives that can be leveraged into the larger capital cost of development.

The Creekside Terrace was able to leverage over two million dollars ($2,000,000) in a No Place Like Home Grant to establish eleven (11) units within the housing development that serve the homeless population. Funding for housing solutions that address the homeless population has become a state priority and significant grant and other funding opportunities are on the horizon.

The County is also actively pursuing an HDAP (Housing, Disability Advocacy Program) grant and a Homekey project that will provide capital improvement funds to rehabilitate housing for the most vulnerable community members.

Upward Mobility Grant Opportunities
In 2021, First Time Homebuyer Assistance grant funds were awarded to the County through the California Home Investment Partnership Program (HOME) and Community Development Block Grants (CDBG). The County committed funding to support Habitat for Humanity of Mariposa County. HOME and CDBG funds have also been awarded to the County for an owner-occupied housing rehabilitation program. Beyond the obvious benefits of these programs, gap financing for first-time homebuyers and funding repairs for homeowners on fixed incomes contributes to a foundation for multi-generational stability and prosperity in the community.

Secondary and Accessory Dwelling Units
For decades, Mariposa County's Zoning codes have allowed secondary dwelling units on most parcels throughout the county. These codes do not restrict the size of a secondary dwelling unit or establish occupancy requirements. A secondary dwelling unit is subject to all current residential building codes.

The County Development Services departments are dedicated in interpreting and implementing more recent California Accessory Dwelling Unit (ADU) legislation. Building and Planning Department staff have been instrumental in assisting residents in the construction of ADUs, which are a second dwelling unit on a parcel, but afforded some relaxation in current residential codes. ADUs must be used for residential occupancy and cannot be used for transient or commercial lodging.

Additionally, the County is forming a partnership with Nevada, Amador and Calaveras Counties to develop an ADU workbook for the Mother Lode region. This workbook will be an outreach and educational tool as well as a step-by-step guide to ADU construction.

Infrastructure Planning
The County is engaged in several planning efforts that will assess infrastructure enhancements for our community. The primary effort is the cooperative LAFCo expansion and Municipal Service Review(MSR) with the Mariposa Public Utility District (MPUD). This will align the MPUD service boundary to be co-terminus with the town planning area boundary and expand the MPUD sphere of influence.

The Integrated Mobility and Housing Strategies study is assessing housing and transportation related to Yosemite National Park and will provide development recommendations for workforce housing.

The Mariposa Creek Parkway Phase IV special plan will be a community engagement planning effort to develop a specific plan for 187 acres, colloquially called the “Pfremmer property,” located along the west side of Mariposa Creek within the Town Planning Area (TPA). This plan will provide environmental, infrastructure, land use and finance guidance as the County continues to develop the Mariposa Creek Parkway.

County broadband and cellular service are also a critical piece of the infrastructure needed to make the county attractive and a great place to live. The County is currently involved in regional broadband planning, the Golden State Connect joint powers authority seeking resources for rural county broadband efforts, and a grant submitted to develop a broadband plan. Staff are also connected with cellular service providers and encouraging additional connectivity and quality of services in Mariposa.

Challenges and Opportunities

With such dramatic changes in the housing market, many of the opportunities and challenges the County will face in the next five or ten years are still evolving. This memorandum will detail four high priorities here: the changing way people decide where to live, the need for infrastructure, local community housing finance, and the rapid growth of short-term rentals.

How We Decide Where to Live
It used to be that people would go wherever they could find work. Workers would live their entire lives wherever they could find employment in their youth. For communities, attracting new employers was a great way to grow—infrastructure, population and housing always followed.

That model is obsolete today. From millennials to baby boomers, most people today are deciding to live in communities based on local amenities rather than employment opportunities. Employers are following the workforce, choosing to locate in communities where prospective workers have settled, rather than the other way around. Communities grow first because they are great places to visit, then because they are great places to stay, and finally because people can make it work to live there.

Mariposa County is home to world-class destinations and receives more than four million annual visitors. This opportunity for growth includes an increased demand for housing, increased interest in short-term or vacation housing, changing expectations for services, and the challenge and opportunity to seek or develop medical, recreation, and other services—leveraging visitor traffic to serve the local residents—to ensure Mariposa County remains and improves as a great place to live, work and play.

The Need for Infrastructure
Just as employers are increasingly following their workforce—even into the cloud and remote work—employers and home builders typically seek to build on "shovel-ready" sites with completed grading, roads, water, sewer, power, parks and broadband. In the first place, there is competition for new housing and many other communities have such sites prepared to help defray a builder's cost; but also, rising costs of supplies and regulations often mean that projects that are not shovel ready are likewise not economically viable.

Relatively few Mariposa County residents can walk to a park or trail. Less than one percent (1%) of the land area of the county is serviced by public water and/or sewer (6,411 acres). Where these amenities overlap, few properties remain where a new home, duplex or apartment building could be constructed.

Local Community Housing Finance
To finance or subsidize housing development in support of workers, many resort communities are forming flexible housing trust funds. Local jurisdictions, joint powers authorities and nonprofits can establish parameters for such a fund that makes sense for their community. Revenues are typically generated through development impact fees, business development agreements, dedicated shares of transient occupancy taxes, or more general contributions. Local funds are often used to match and leverage outside funding. This is an opportunity Mariposa County could consider for the future.

Short Term Rental Growth
The Housing Element (Program 4.2) requires periodic review of short-term rental growth to "evaluate any potential nexus between the reduction in the County's supply of housing and the conversion of units to vacation rental units". Where a nexus is found "for any economic segment of the community," staff is directed to "consider appropriate measures to mitigate impacts."

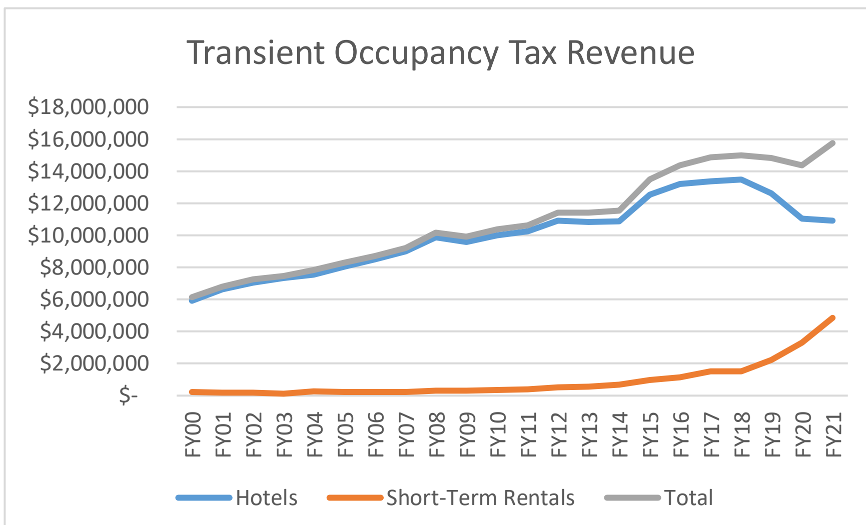
A preliminary review of data related to short-term rentals does appear to show a nexus between the growth in short-term rentals and the County's supply of housing. Short-term rentals are a growing segment of the local economy and conversions of housing to short-term rentals are growing faster than new housing is being constructed. Though demand for these rentals remains high, conversions are no longer growing the economy overall but rather shifting business from other local businesses. In addition, short-term rentals are increasingly impacting local neighborhoods and requiring County services.

Unsustainable growth in short-term rentals is outpacing new construction. From 2000 – 2009, the County approved 243 new short-term rentals. The County added 247 short-term rentals from 2010 – 2015 and had 720 total short-term rentals at the end of 2021. Homes that would be long-term (month to month) rentals for workers are among the most likely to be converted for short-term (less than 30 days) rental uses.

Over the same period, housing grew approximately two percent *every five years*, or by an average of about 40 homes per year. Of the 9,760 housing units in Mariposa County, 7.3 percent (7.3%) are now short-term rentals.

Year	**Number of New Short-Term Rentals (STRs)**	**Number of New Dwelling Permits**	**Net Change in Available Housing (New STRs – New Dwellings)**	**Number of Certificates of Occupancy**
2014	35	49	14	
2015	66	54	-12	
2016	74	47	-27	47
2017	64	37	-27	37
2018	72	56	-16	48
2019	71	56	-8	60
2020	39	56	17	29
2021	35			Numbers Forthcoming

It is worth noting that the recent slowdown may be more an indication of the effects of the pandemic and related to restrictions in Yosemite National Park than a change in the pace of conversions. It is also worth noting that a typical Holiday Inn Express hotel has between 60 and 80 rooms, meaning that the County added the equivalent of a new hotel each year from 2015 – 2019.



Ironically, the new hotel equivalencies have come at the expense of actual hotels, which have collectively had static or declining revenues since 2016. The County doesn't have a stated preference for short-term rentals or hotels, but should recognize that all areas are not equally ideal for tourism. Through a robust planning process, hotels have intentionally been located in denser areas close to highways, restaurants, retail, and public services like utilities and emergency response. Short-term rentals tend to be in neighborhoods, are approved with a less robust process that doesn't require mitigations for noise and other impacts, direct more visitors onto county roads with longer emergency response times, and tend to attract visitors who are more likely to bring their food and other supplies with them rather than supporting local businesses. Stated simply, short-term rentals have higher impacts and public expenses per dollar of tax revenue than the average hotel.

The opportunities and challenges related to short-term rentals are not unique to Mariposa County and many other destination locations have responded with regulatory action. A list of some of these actions is included in Appendix A.

Citizen initiatives like South Lake Tahoe's Measure T and Pacific Grove's Measure M, both passed in 2018, have also played a role in phasing short-term rentals out of residential areas, requiring rentals to be co-located with the owner's primary residence, and putting limits on how many days a property could be rented. Both of these measures were challenged in court as violations of an owner's property rights; and in both cases, legal challenges have lost in superior court and again on appeal.

Because the issues around short-term rentals are complex, many communities considering regulatory action begin with a moratorium to allow for further study and public discussion. Outside consultants are sometimes used to speed up the process. Recommendations for discussion and possible action are then developed and considered in open meetings so the public can comment and provide additional input.

Conclusion

As local housing markets are increasingly influenced by national and international forces, prices are decoupling from local conditions and increasingly out of reach for the average Mariposa household. Significant progress is being made where partnerships provide the needed financial support: primarily in construction of housing for homeless and low-income individuals and families.

Demand for new housing in Mariposa County is strong. Additional infrastructure and financial investments, like a housing trust fund, could help open the door to housing development that will help meet that demand. It could help employers to find workers and give people who like visiting Mariposa a way to stay here and contribute to our community.

Staff is seeking direction now to confirm whether actions to date are meeting Board intentions and understand whether there are any other actions the Board is interested in pursuing at this time. Specifically, staff is seeking direction with regard to the following:

- Should staff continue to dedicate time and resources to assisting with low-income housing development, market rate housing development, integrated homeless housing, upward mobility grant opportunities like housing rehabilitation and first-time homebuyer loans, secondary and ADU planning and infrastructure planning?

- Does the Board have priorities where staff should focus time and attention?

- Is the Board interested in pursuit of a housing trust fund or other flexible local housing finance mechanisms?

- Is the Board interested in further study of short-term rentals, possibly including a moratorium on new conversions while that study is underway?

Appendix A – Short-Term Rental (STR) Regulations

Community	No. of STRs	Date of Action(s)	Description
Alpine County	35+	7/1/2021	Limited to 35 STRs on East Slope Kirkwood Tri-County Special Area exempt
Amador County	80	6/11/2019	Drafted STR regulatory ordinance but abandoned in favor of a nuisance ordinance. Currently updating their Housing Element and evaluating the effect of short-term rentals.
Arcata		7/13/2021	Limit of 100 short-term rentals in the city
Bar Harbor, Maine (Acadia NP)		11/1/2021	Voters set STR cap at 9% of housing stock and must be rented for a minimum of four days. Primary resident operators are exempt.
Berkeley			Operators must be primary residents, 60-day annual cap, and must provide $1,000,000 in liability insurance. 14% TOT and 2% enforcement fee.
Carmel		12/9/2019	No new STR's unless the builder also builds three new market rate long-term rentals. Existing short-term rentals are grandfathered.
Emeryville			Operators must be primary residents, 90-day limit of non-hosted nights. 14% TOT.
Fresno		9/19/2019	Unanimously voted to adopt an ordinance mandating annual registration and taxation of STR's. As well consequences for nuisance violations.
Honolulu/all of Oahu		10/1/2020	Limits permits to 1,715 island-wide, and only in designated zones. Fines begin at $1,000 can escalate to $10,000 a day
Las Vegas, NV		7/12/1905	Allowed in primary residence; this was a loosening of a prior prohibition on STRs.
Los Angeles		7/1/2019	Operators must be primary residents. Rental limits 120 days. $500 per day for violation
Mono County		3/8/2018	Emergency moratorium on new permits led to development of transient overlay district that regulates permits and an additional housing mitigation charge to STR operators.

Oakland			Banned in residential zones, allowed in designated zones. 14% TOT.
Pacific Grove		11/1/2018	Measure M prohibits STR'sin residential areas. No grandfather clause. STR's allowed only in Coastal Resort zone
Redwood City			Operators must be primary residents. Non-hosted limit of 120 days, hosted no annual limits.
San Francisco		2/1/2015	Operators must be primary residents. Rental limits 90 days. $484 per day for violation.
San Jose		2012 Ordinance	Operators must be primary residents, 180-day annual cap. TOT 10%.
San Luis Obispo			Lottery to reduce STRs to goal
Santa Cruz County	473	1/26/2021	Concluded a moratorium enacted previously to analyze effects of STRs. Set a cap on the number of short-term rentals allowed by community. Grandfathered in compliant rentals active prior to April 2011.
Sonora	36	4/8/2021	Passed a moratorium on new short-term rentals; working on ordinance to limit rentals to operators' primary residence for no more than 120 days
South Lake Tahoe		7/10/1905	Citizen initiative (Measure T) prohibits short-term rentals in residential areas unless operator's primary residence. Cap of 30 days per year. No grandfather clause. Effective January 1, 2020.
Sunnyvale		7/10/1905	Operators must be primary residents. 12.5% TOT.
Truckee		1/1/2021	Moratorium on new STRs. No new permits will be issued and a non-transferable $400 housing mitigation fee is applied to short-term rental application fees and TOT collections. Measure K went into effect, which increases TOT for housing, trails and open space.
Washington County, Utah (Zion NP)		10/1/2021	Moratorium on new STRs in May 2021. Require STRs to be hosted, grandfathered existing STRs, and conducting an impact analysis for further action.