

Sophia Cassam

From: Linda Bannerman <lindaj@teleport.com>
Sent: Monday, April 4, 2022 9:30 AM
To: Vacation Rental Comments
Subject: Letter addressing comments made by Ms. Wolf about vacation rentals on 3/8/22
Attachments: Letter to Council 4322 Refutation to Ms. Wolf's comments pdf.pdf

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Please post this letter in the public comments section regarding vacation rentals. Council members, please read.

The greatest perk, among countless others, that comes from loving someone right now, just exactly as they are, instead of waiting for them to change, is that you get to love someone right now.

Linda Bannerman
Orcas Island
Sea Forever Guest House
360-261-4434
lindaj@teleport.com

San Juan County Council
P.O. Box 947
Friday Harbor, WA 98250

April 3, 2022

Dear Ms. Minnie, Ms. Wolf and Mr. Stephens,

I write in specific response to arguments made by Ms. Wolf in the discussion portion of the council meeting on March 8, 2022, regarding proposed CAPS on vacation rentals in San Juan County.

During this discussion, Ms. Wolf argued in favor of tight CAPs because, in part, the “Comp Plan charged us (the council) to create housing at all different income levels.” I urge council to reject Ms. Wolf’s arguments for several reasons:

Indeed, if council is to act upon the Comp Plan’s directive to create housing at all different income levels, council should be ENCOURAGING vacation rental permits rather than setting CAPS. Council has heard repeated testimony from constituents that being able to use one’s property as a short term rental is what has allowed these “missing middle” (as Ms. Wolf aptly describes them) to be able to afford to live here. These are not the wealthy who leave their homes vacant except for occasional visits to our islands. They are our neighbors who use their property to keep a family home or to finally retire here or to keep their home should some emergency, perhaps a family emergency, pull them off island for a year or two. I urge council to study the demographics of our vacation rental owners in our county rather than to apply “data” from studies of cities nothing like our home. **Vacation rentals insure there is a diversity of income here.** Study what has happened in communities where vacation rentals have been CAPed and you will see that such a move actually drastically increased the income divide as then only the wealthy can afford to buy those homes the missing middle could no longer afford.

Ms. Wolf further argued that vacation rentals “drive up housing costs” and cited Sandy Friel’s factually unsupported testimony during public comment as “evidence.” Ms. Wolf claimed there was a “misconception” that there was a “lack of data” to support council’s proposal to set CAPs in response to this problem and insisted that there is data, citing Forbes and the Harvard Law Review as data that short term rentals drive rises in housing prices. There are several problems with this argument.

Both Forbes and Harvard Law Review cite studies guilty of the common research error of confusing correlation with causation. The methodologies of the studies simply pinpoint cities where there has been an increase in short term rentals and then examine housing values as presented in Zillow and show that both increase. But this does not mean the increase in short term rentals *caused* the increase in housing prices. Indeed, housing prices are rising *everywhere*, including areas where there are few or no short term rentals.

And while Forbes and Harvard Review do present concerns based upon studies funded by a threatened hotel industry and often qualified by terms like “seems,” “suggests,” and “may,” here are concluding remarks in the very articles Ms. Wolff has relied upon:

“Researchers acknowledged more research is needed. . . . Countless families depend on Airbnb to pay their rent and stay in their homes which has become even more important amidst the current crisis. “

and from Forbes:

“ Whilst it’s easy to slay Airbnb as the cause of rising prices and lack of rental stock in popular cities, one can’t help but wonder if they aren’t merely the backdoor escape for landlords that have been cornered into an impossible scenario, with everything from scrapped tenant fee bans to zero mortgage relief, to a list of compliancy legislation so lengthy that it’s near impossible to self-manage a property, counting against them. Perhaps Airbnb is just the tip of the iceberg, where an unforgiving approach to landlords and a lack of government capacity to deliver on their house-building promises are the bulk of the problem that’s propping up Airbnb as the visible, easily targeted problem.”
(<https://www.forbes.com/sites/garybarker/2020/02/21/the-airbnb-effect-on-housing-and-rent/?sh=6ac8aa422226>)

Forbes further states that *cities* are most affected by what they coin the “Airbnb affect.” And it is important to notice that such studies, including Forbes, did base their studies on *cities* and often even in other countries, so different from our islands. They studied Amsterdam, Barcelona, Edinburg, LA, and mostly cities in the UK like London or Cologne, Germany. Those populations are very different from our own and investors see lucrative potentials there whereas they shy away from communities like our own where the cost of one house is so high it just doesn’t make good economic sense to turn such homes into short term rentals. Thus, applying the suggestions from Forbes and Harvard Review violates another basic principle of quality research: you must only compare populations with like populations.

So what DOES cause staggering increases in home prices we have seen in San Juan County and all across the nation if not short term rentals?

Just Google: “What causes home prices to increase?”

You will find no mention of an increase in short term rentals. You will find, instead, the very things we see so much of in our own San Juan County.

It is that supply is low and demand is high. Why is supply low?

Ask Laurie Goodman, VP at the Urban Institute, or Yale Law Professor David Schlucher who wrote *Stuck! The Law and Economics of Residential Stagnation*, or Thomas Wade of the American Action Forum, all experts in the field:

1. High construction costs. Have you been to a lumber yard lately? Just buying the lumber for a raised bed is shockingly higher than before the pandemic. We all know construction costs are much higher here.
2. Labor shortage. Yep. No labor? Houses can’t be built at a speed to meet demand without labor.
3. Onerous restrictive local zoning. Few houses can be built when local regulations restrict options.
4. The pandemic has meant homeowners who might put homes on the market have been afraid to show their homes. Homes have been pulled off the market and homes that would have gone on the market didn’t.

And why is demand high?

5. Flight from urban areas to more rural areas believed to be safer from the pandemic. Sound familiar? Demand here is high for that very reason.

6. The pandemic and technology combined to mean 37% of the work force can now do their work from home, further driving families to places like our own and causing a spike on demand. Homes in San Juan county have certainly experienced this.
7. Low mortgage rates at exactly the same time that millennials have reached their prime home buying years as their families begin to grow has had a profound impact. According to the National Bureau of Economic Research, if you wanted to buy a \$200,000 home in 1991, a buyer would buy at a 10% interest rate. The real cost of that home was \$577,000. Now? Probably about a 3% interest rate and the real cost of that home is \$314,000 for a whopping \$263,000 savings. So, tech savvy millennials buy up the inventory without even seeing the homes except through virtual tours. They buy up the inventory.

Demand is high. Supply is low. That is what is driving the rise in housing prices.

So if council takes issue with Ms. Wolf's claims, such caution is backed by the research.

You will hear many more reasons to vote against CAPs in letters and comments from the "other half" of our community who oppose CAPs. These arguments say that your considered policy to CAP short term rentals will do very little if anything, to address our affordable housing crisis, that the proposed policy will cost the county literally millions in lodging and sales tax revenues, that the proposed policy will cause much "pain" to those employed by short term rental owners and to businesses like restaurants and other shops that rely on tourist revenue, that our own local court has ruled that an individual who just doesn't like a short term rental as a neighbor cannot cause that neighbor to lose their property right to use their property to leverage wealth as long as regulations are in place to address complaints, that the other neighbors might even really like a neighborhood with interesting people from other places, that short term rentals do no more to damage to our environment, use no more water, and cause no more loss of community than long term rentals or homeowners with family or friends or guests.

You are about to make a very important decision, one that will affect many more lives than the relatively small number of vocal people who simply don't like tourists. But you represent all of us and are elected to make policy that is best for our entire community.

Please make an informed policy and don't ignore the facts.

Respectfully,
Linda Bannerman
Orcas Island
Sea Forever Guest House