



**CITY COUNCIL AGENDA**

**July 8, 2019**

**Regular meeting 6:30PM**

CITY COUNCIL CHAMBERS, CITY HALL  
 29592 ELLENSBURG AVE  
 GOLD BEACH OR 97444

Call to order:            Time: \_\_\_\_\_

- 1.     **The pledge of allegiance**
- 2.     **Roll Call:**

	Present	Absent
Mayor Karl Popoff		
Council Position #1 Summer Matteson		
Council Position #2 Larry Brennan		
Council Position #3 Anthony Pagano		
<b>Council Position #4 Becky Campbell BEGINNING VOTE</b>		
Council Position #5 Tamie Kaufman		
City Administrator Jodi Fritts		
Student Liaison Vacant		

- 3.     **Special Orders of Business:**  
       *None Scheduled*
  
- 4.     **Consent Calendar:**  
       *None Scheduled*
  
- 5.     **Citizens Comments**  
       *As presented to the Mayor at the beginning of the meeting*
  
- 6.     **Public Hearing**
  - a.     Proposed FY1920 water/sewer utility rates
  
- 7.     **Citizen Requested Agenda Items**
  - a.     Request to be able to serve alcohol in park during annual Disc Golf event
  
- 8.     **Public Contracts and Purchasing**  
       *None Scheduled*
  
- 9.     **Ordinances & Resolutions**
  - a.     Resolution R1920-01 setting water & sewer utility rates for FY1920
  
- 10.    **Miscellaneous Items (including policy discussions and determinations)**

*The City of Gold Beach is dedicated to enhancing quality of life, while promoting health, safety, and welfare of our citizens, businesses, and visitors in the most fiscally responsible manner. In doing this, the City will respect the past, respond to current concerns, and plan for the future, while maintaining environmental sensitivity in our beach oriented community*

- a. Monthly report to Council from GBMS Coordinator, Ariel Kane
- b. DRAFT Proposed Short Term Rental provisions from Councilor Kaufman
- c. DRAFT Digital/EMC sign request application

**11. City Administrator’s Report**

*To be presented at meeting*

**12. Mayor and Council Member Comments**

- a. Mayor Karl Popoff
- b. Councilors
  - 1) Summer Matteson
  - 2) Larry Brennan
  - 3) Anthony Pagano
  - 4) Becky Campbell
  - 5) Tamie Kaufman

**13. Citizens Comments**

*As permitted by the Mayor*

**14. Executive Session**

*The Council met in executive session prior to the regular meeting.*

The next regularly scheduled City Council meeting is **Monday, August 12, 2019 at 6:30PM** in the Council Chambers of City Hall, 29592 Ellensburg Avenue, Gold Beach, Oregon.

**15. Adjourn Time: \_\_\_\_\_**

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# **PUBLIC HEARING**



SECTION 6. Public Hearing  
SECTION 9. Ordinances & Resolutions

**GOLD BEACH CITY COUNCIL AGENDA REPORT**

Agenda Item No. 6. & 9. a.  
Council Meeting Date: July 8, 2019

**TITLE: Annual Water/Sewer Rate Adjustment  
R1920-01 Resolution Setting Water & Sewer Rates for FY1920**

**PUBLIC HEARING SUMMARY AND BACKGROUND:**

This matter is first in the Public Hearing portion of the meeting and then in the Ordinances & Resolutions section. The report has been provided in both locations to more easily locate the pages during the meeting.

This is the annual rate adjustment based on the Municipal Cost Index for the base water and sewer rates. For the year May 2018 to May 2019 the MCI change was 1.29%. However the 2019 January-May average was slightly more than 1.78%. Info about the MCI is attached to this report. Staff has proposed a 1.75% increase to base rates and a \$1 increase in the Water Reserve per account charge. The proposed changes to the base rates are:

USER TYPE	CURRENT	PROPOSED	CHANGE
<b>WATER RATES</b>			
Inside City Residential Base	\$22.64	\$23.04	\$0.40
Inside City Commercial Base	\$33.37	\$33.95	\$0.58
Outside City Residential Base	\$24.51	\$24.94	\$0.43
Outside City Commercial Base	\$36.28	\$36.91	\$0.63
<b>Base Sewer Rate</b>	\$23.98	\$24.40	\$0.42

Prior to the proposed changes a public hearing is scheduled. Based on the outcome of the public hearing a resolution is prepared for adoption during Section 9 of the agenda.

**REPORT ATTACHMENTS**

- Proposed resolution amending water and sewer utility rates with exhibits
- Municipal Cost Index (MCI) information

**END**

# More about the Municipal Cost Index

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[C americancityandcounty.com/more-about-the-municipal-cost-index](http://americancityandcounty.com/more-about-the-municipal-cost-index)

The Municipal Cost Index (MCI) made its first appearance in *American City & County* in September 1978. It was designed to determine the rate of inflation of municipal cost — the cost of providing services to residents of our cities and counties.

The index is useful to local government managers in at least four ways:

- To dramatize, justify or illustrate increased expenditures attributable to inflation when submitting annual budgets;
- To provide the manager with "a feel" for price trends which may affect the city or a particular department allowing time to minimize the effects of a budget shortfall;
- To help control price increases for commodities purchased by a city or county through monitoring of price levels for commodities purchased in quantity, thus making inflationary price jumps more visible;
- To measure the inroads of inflation on city expenditures over time.

The Municipal Cost Index developed by *American City & County* is designed to show the effects of inflation on the cost of providing municipal services. The MCI draws on the monthly statistical data collected by the U.S. Departments of Commerce and Labor as well as independently compiled data to project a composite cost picture for the municipal budget officer or operating department manager.

The composite index is adjusted by changes in the cost of materials and supplies, wages and contracted-for services. It is a weighted average of the more detailed price indexes measuring consumer cost fluctuations, industrial commodity wholesale prices, and construction contract costs. The weighting factors used were determined specifically for *American City & County* and reflect the composition of local government purchases in the base year of the MCI, established as 1967. In April 1988, *American City & County* switched to a base year of 1982. It is a fixed-weighted type of index, reflecting only changes in price over specific periods of time at the national level.

Costs of labor, materials and contract services are all factored into the composite MCI. Major indicators of these items used for the MCI include the Consumer Price Index, the Wholesale Price Index for Industrial Commodities (now known as the Producer Price Index) and the construction cost indexes published by the U.S. Department of Commerce, respectively.

The Consumer Price Index (CPI) is used in the composition of the MCI to measure the upward pressure expected on municipal wage rates. Over 8.5 million workers are covered by collective bargaining contracts which provide for increases in wage rates based on

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increases in the CPI, according to the U.S. Department of Labor. And the number of such clauses is on the increase. During 1976, DOL reported, escalator provisions were added to 51 contracts covering 281,000 workers.

The CPI also measures other municipal cost pressures, however. Many health and welfare program transfer payments paid out of local budgets are tied to this index.

The CPI is a statistical measure of change in the prices of goods and services in major expenditure groups such as food, housing, clothing, transportation, and health and recreation for urban consumers. It measures the purchasing power of the consumer dollar by comparing the cost of a "market basket" of goods and services over time.

There are actually two CPIs compiled and reported by the Department of Labor each month: a CPI for Urban Wage Earners and Clerical Workers and a CPI for All Urban Consumers. Since these separate indices were started in January 1978, there has been little difference between them. The MCI calculation uses the CPI for All Urban Consumers (CPI-U).

The Producer Price Index (PPI) for Industrial Commodities is incorporated into the MCI to measure cost fluctuations in goods and materials. Purchases of materials and supplies total about 20 percent of the typical municipal budget.

The PPI was designed by the DOL to show the rate and direction of price movement for individual commodities and groups of commodities. The index measures "real" price changes — changes not influenced by differences in quality, quantity or terms of sale. All systematic production of goods and materials are included in the PPI except for farm products and foods. Items which would be so individualistic in nature as to be separately priced are not included in the index.

Commodities included range from chemicals to motor vehicles, from construction machinery to fuels, from footwear to metal products. Values cranked into the PPI are f.o.b. production point and exclude excise taxes. Goods sold at retail directly from the factory are also excluded when calculating this index.

Contract services from janitorial contracts to construction costs take about 30 percent out of municipal treasuries. The most significant portion of this cost is that amount spent on capital construction, and for this reason, the construction cost indexes of the Department of Commerce are used to track the changes in the cost of contract services in the MCI.

The construction cost index reflects changes in the costs of materials, skilled labor, and unskilled labor in both general construction and building construction. The Department of Commerce composite construction index is derived from separate indexes for commercial facilities, residential housing construction, utility construction, highway and general

construction and many other contract construction indexes. We have selected those indexes most reflective of the types of construction expected in the municipal area for the development of the MCI.

No single price index will provide inflation relief to every community across the country. The Municipal Cost Index, however, will provide a yardstick against which locally developed indexes can be gauged.

To determine the cost change over time in percent from one period to another, simply obtain the difference between the two points and divide by the earlier index level. For instance, the percent increase in the cost of doing municipal business from 1967 through 1977 (using the average MCI for 1977 or 199.5) is calculated:

$$((199.5 - 100.0)/100.0) \times 100 = 99.5\%$$

*Visit the main [Municipal Cost Index](#) page for current and historical data.*

# Municipal Cost Index

[americancityandcounty.com/municipal-cost-index](http://americancityandcounty.com/municipal-cost-index)

The **Municipal Cost Index (MCI)**, developed exclusively by *American City & County*, is designed to show the effects of inflation on the cost of providing municipal services. State and local government officials rely on *American City & County's* Municipal Cost Index to stay on top of price trends, monitor price increases for commodities, make informed government contract decisions and plan budgets intelligently. Since 1978, readers have loyally referred to the Municipal Cost Index to determine the cost of inflation and, hence, the rising cost of doing business as a local government.

On this page, Municipal Cost Index data for the current year and the year-to-year percentage change in the index compared to that month last year are displayed. Additionally, related data for the three indices that comprise the Municipal Cost Index are also shown. Scroll down to find historical data for the Municipal Cost Index and its component indices dating back to 1978.

Month (2019)	Municipal Cost Index (MCI)	MCI Yr-Yr % Change	Construction Cost Index (CCI)	CCI Yr-Yr % Change	Consumer Price Index (CPI)	CPI Yr-Yr % Change	Producer Price Index (PPI)	PPI Yr-Yr % Change
Jan	251.43	1.92%	287.42	3.05%	252.67	1.38%	198.60	0.40%
Feb	251.66	1.73%	287.56	2.97%	253.11	1.40%	198.70	-0.30%
Mar	252.78	2.01%	287.86	2.56%	254.15	1.88%	201.10	1.11%
Apr	253.32	1.97%	287.86	2.41%	254.96	1.98%	202.10	1.05%
May	253.24	1.29%	287.92	1.97%	255.16	1.84%	201.50	-0.84%
Jun								
Jul								
Aug								
Sept								
Oct								
Nov								
Dec								

*(Note: the consumer and producer price indexes are published monthly by the U.S. Department of Labor's Bureau of Labor Statistics. The PPI figure used is the number for all commodities. The municipal cost index incorporates the construction cost index, the consumer price index and the production price index.)*

## **About the Municipal Cost Index**

Learn more [about the Municipal Cost Index](#), including its history and the factors included in its monthly calculation.

## **Municipal Cost Index Archives**

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View historical Municipal Cost Indexes:

# 2018 Municipal Cost Index Archive

[americancityandcounty.com/2018-municipal-cost-index-archive](http://americancityandcounty.com/2018-municipal-cost-index-archive)

The *Municipal Cost Index*, developed exclusively by American City & County, is designed to show the effects of inflation on the cost of providing municipal services. This archive of 2015 Municipal Cost Index data includes monthly data from the Cost Construction Index, Consumer Price Index and Producer Price Index.

Learn more [about the Municipal Cost Index](#), including its history and the factors included in its monthly calculation. The consumer and producer price indexes are published monthly by the U.S. Department of Labor's Bureau of Labor Statistics.

## Abbreviations

MCI = Municipal Cost Index

CCI = Construction Cost Index

CPI = Consumer Price Index

PPI = Producer Price Index

Month (2018)	Municipal Cost Index (MCI)	MCI Yr-Yr % Change	Construction Cost Index (CCI)	CCI Yr-Yr % Change	Consumer Price Index (CPI)	CPI Yr-Yr % Change	Producer Price Index (PPI)	PPI Yr-Yr % Change
Jan	246.71	3.03%	278.91	3.34%	249.25	2.08%	197.80	3.78%
Feb	247.39	4.00%	279.26	5.25%	249.62	2.11%	199.30	4.29%
Mar	247.79	4.47%	280.67	6.30%	249.46	2.34%	198.90	3.97%
Apr	248.43	2.82%	281.07	2.72%	250.01	2.40%	200.00	3.63%
May	250.02	3.45%	282.37	3.02%	250.54	2.74%	203.20	5.34%
Jun	250.86	3.68%	283.53	3.37%	250.86	2.90%	204.20	5.42%
Jul	251.69	3.68%	284.92	3.14%	251.29	2.97%	204.70	5.84%
Aug	251.55	3.25%	285.29	2.83%	251.85	2.78%	203.00	4.80%
Sept	252.10	3.24%	286.42	3.31%	251.99	2.28%	203.20	4.47%
Oct	252.83	3.49%	286.81	3.52%	252.83	2.51%	204.30	4.88%
Nov	252.07	2.68%	286.83	2.99%	252.88	2.13%	201.50	2.86%
Dec	252.27	2.63%	287.02	3.00%	252.73	1.92%	202.10	2.90%

**PROPOSED MCI 1.75% INCREASE BY WATER USE TIER**

<b>RESIDENTIAL RATES</b>							
<b>INSIDE CITY RESIDENTIAL</b>				<b>OUTSIDE CITY RESIDENTIAL</b>			
<b>TIERS</b>	<b>1819 RATE</b>	<b>1.75%</b>	<b>1920 PROPOSED</b>	<b>TIERS</b>	<b>1819 RATE</b>	<b>1.75%</b>	<b>1920 PROPOSED</b>
<i>BASE</i>	\$ 22.64	\$ 0.40	\$ 23.04	<i>BASE</i>	\$ 24.51	\$ 0.43	\$ 24.94
<i>TIER I</i>	\$ 1.05	\$ 0.02	\$ 1.07	<i>TIER I</i>	\$ 1.11	\$ 0.02	\$ 1.13
<i>II</i>	\$ 2.10	\$ 0.04	\$ 2.14	<i>II</i>	\$ 2.21	\$ 0.04	\$ 2.25
<i>III</i>	\$ 2.89	\$ 0.05	\$ 2.94	<i>III</i>	\$ 3.04	\$ 0.05	\$ 3.09
<b>COMMERCIAL RATES</b>							
<b>INSIDE CITY COMMERCIAL</b>				<b>OUTSIDE CITY COMMERCIAL</b>			
<b>TIERS</b>	<b>1819 RATE</b>	<b>1.75%</b>	<b>1920 PROPOSED</b>	<b>TIERS</b>	<b>RATE</b>	<b>1.75%</b>	<b>1920 PROPOSED</b>
<i>BASE</i>	\$ 33.37	\$ 0.58	\$ 33.95	<i>BASE</i>	\$ 36.28	\$ 0.63	\$ 36.91
<i>TIER I</i>	\$ 1.05	\$ 0.02	\$ 1.07	<i>TIER I</i>	\$ 1.11	\$ 0.02	\$ 1.13
<i>II</i>	\$ 2.10	\$ 0.04	\$ 2.14	<i>II</i>	\$ 2.21	\$ 0.04	\$ 2.25
<i>III</i>	\$ 2.89	\$ 0.05	\$ 2.94	<i>III</i>	\$ 3.04	\$ 0.05	\$ 3.09

**RESOLUTION R1920-01**

**A RESOLUTION SETTING WATER & SEWER RATES AND IMPLEMENTING AN ANNUAL INFLATION ADJUSTMENT RATE AND REPEALING RESOLUTION R1819-04 AND ANY OTHER RESOLUTIONS THAT MAY BE IN CONFLICT**

**WHEREAS**, The City of Gold Beach provides water and sewer utility services for businesses, agencies, and private residents within the Gold Beach city limits, and water service within the Urban Growth Boundary; and

**WHEREAS**, the City of Gold Beach Utility Code Sections 3.125 & 3.400 grant the City Council exclusive control over and regulation of water and sewer use charges, including the authority to review, and by resolution, to set or change charges; and

**WHEREAS**, the City Council has determined that annual rate adjustments are necessary to keep pace with inflation and maintain financially sustainable water and sewer utility systems. Inflation adjustments are based on the Municipal Cost Index published by American City and County. The published inflation rate for January-May 2018 to 2019 was slightly more than 1.78%. The Council proposes a 1.75% increase. Base Water and Sewer rates will be adjusted according to this factor. A hearing on the proposed rate increase will be held annually prior to the rate adjustment.

**THEREFORE BE IT RESOLVED** the City Council of the City of Gold Beach, Oregon, adopts the consolidated utility rate schedule attached to this resolution as EXHIBIT A to go into effect for the July 2019 utility billing cycle, and hereby repeals Resolution R1819-04 and any other resolutions that may be in conflict.

**PASSED BY THE CITY COUNCIL OF THE CITY OF GOLD BEACH, COUNTY OF CURRY, STATE OF OREGON, AND EFFECTIVE THIS 8<sup>th</sup> DAY OF JULY, 2019.**

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Karl Popoff, Mayor

ATTEST:

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Jodi Fritts, City Administrator

**EXHIBIT A TO RESOLUTION R1920-01  
FY 2019-2020 WATER RATES**

WATER RATES						
RESIDENTIAL RATES				COMMERCIAL RATES		
INSIDE CITY RESIDENTIAL				INSIDE CITY COMMERCIAL		
PER 1K GALLONS	TIERS			PER 1K GALLONS	TIERS	
1,500 BASE MINIMUM	\$	23.04	<i>BASE</i>	1,000 BASE MINIMUM	\$	33.95
1,501-5,000	\$	1.07	<i>TIER I</i>	1,001-7,000	\$	1.07
5,001-15,000	\$	2.14	<i>II</i>	7,001-83,000	\$	2.14
15,001 +	\$	2.94	<i>III</i>	83,001 +	\$	2.94
WATER RESERVE PER ACCT		\$6.00		WATER RESERVE PER ACCT		\$6.00
OUTSIDE CITY RESIDENTIAL				OUTSIDE CITY COMMERCIAL		
PER 1K GALLONS	TIERS			PER 1K GALLONS	TIERS	
1,500 BASE MINIMUM	\$	24.94	<i>BASE</i>	1,000 BASE MINIMUM	\$	36.91
1,501-5,000	\$	1.13	<i>TIER I</i>	1,001-7,000	\$	1.13
5,001-15,000	\$	2.25	<i>II</i>	7,001-83,000	\$	2.25
15,001 +	\$	3.09	<i>III</i>	83,001 +	\$	3.09
WATER RESERVE PER ACCT		\$6.00		WATER RESERVE PER ACCT		\$6.00
FOR INACTIVE USERS (all types) MINIMUM SERVICE CHARGES APPLY						
Monthly maintenance rate per Code Section 3.190(2)	Base User Rate + Water Reserve			Monthly maintenance rate per Code Section 3.190(2)	Base User Rate + Water Reserve	

*Residential rates apply to single-family and duplex residences  
Commerical rates apply to multi-family residential, mobile home and RV parks, government, non-residential users, and all business/commercial related uses*

**EXHIBIT A TO RESOLUTION R1920-01  
FY 2019-2020 SEWER RATES**

<b>ACTIVE REGULAR USER SEWER RATES</b>			
<b>\$53.40 Monthly Base Sewer Rate consists of 4 charges:</b>			
<b>Sewer Utility</b>	<b>\$ 24.40</b>	Per EDU/ERU	Monthly sewer usage fee
<b>Sewer Reserve</b>	<b>\$ 3.00</b>	Per Account	Reserve fund for Sewer maintenance
<b>WWTP Debt Service</b>	<b>\$ 20.00</b>	PER EDU/ERU	Debt service for WWTP plant
<b>Sewer Line 101 Debt Service</b>	<b>\$ 6.00</b>	PER EDU/ERU	Debt service for Hwy 101 main sewer line improvements completed in 2005
<b><i>INACTIVE SERVICES: minimum service charges apply:</i></b>			
<b>Monthly Inactive Maintenance Rate</b>	<b>\$ 53.40</b>	INCLUDES Reserve and Debt Service	<i>Pursuant to City Code Section 3.440(2)</i>



# **CITIZEN REQUESTED AGENDA ITEMS**

# GOLD BEACH CITY COUNCIL AGENDA REPORT



Agenda Item No. 7. a.  
Council Hearing Date: July 8, 2019

## **TITLE: Request to consume/serve alcohol in the park**

### **SUMMARY AND BACKGROUND:**

City Code Section 5.705 requires written permission from the City Council to sell or consume alcoholic beverages in the City Park.

(23) Alcoholic Beverages. No alcoholic beverages shall be sold or consumed in the park without written permission from the City Council.

#### **5.705 Application for Written Permission.**

Any person required to obtain written permission from the City Council for any activity in a city park as described in Section 5.700 of this Code shall submit a request for said permission to the City Administrator and the City Administrator shall place said item on the agenda of the City Council for its next regularly scheduled Council meeting.

A written request has been made by Luke Martinez of the Gold Beach Disc Golf Club to allow serving/sales/consuming of alcohol at Buffington Park during the upcoming annual Fisk Disc Golf Tournament at the park.

### **REQUESTED MOTION/ACTION:**

**Approve/deny the request to consume alcohol in the park**

### **Suggested Motion:**

**I make the motion that the Council APPROVE / DENY the request by the Gold Beach Disc Golf Club to allow serving/sales/consumption of alcohol in the park during the 2019 Fisk Disc Golf Tournament on *INSERT DATE*, 2019.**



# **ORDINANCES & RESOLUTIONS**



SECTION 6. Public Hearing  
SECTION 9. Ordinances & Resolutions

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## GOLD BEACH CITY COUNCIL AGENDA REPORT

Agenda Item No. **6. & 9. a.**  
Council Meeting Date: July 8, 2019

**TITLE: Annual Water/Sewer Rate Adjustment**  
***R1920-01 Resolution Setting Water & Sewer Rates for FY1920***

**PUBLIC HEARING SUMMARY AND BACKGROUND:**

This matter is first in the Public Hearing portion of the meeting and then in the Ordinances & Resolutions section. The report has been provided in both locations to more easily locate the pages during the meeting.

This is the annual rate adjustment based on the Municipal Cost Index for the base water and sewer rates. For the year May 2018 to May 2019 the MCI change was 1.29%. However the 2019 January-May average was slightly more than 1.78%. Info about the MCI is attached to this report. Staff has proposed a 1.75% increase to base rates and a \$1 increase in the Water Reserve per account charge. The proposed changes to the base rates are:

USER TYPE	CURRENT	PROPOSED	CHANGE
<b>WATER RATES</b>			
Inside City Residential Base	\$22.64	\$23.04	\$0.40
Inside City Commercial Base	\$33.37	\$33.95	\$0.58
Outside City Residential Base	\$24.51	\$24.94	\$0.43
Outside City Commercial Base	\$36.28	\$36.91	\$0.63
<b>Base Sewer Rate</b>	\$23.98	\$24.40	\$0.42

Prior to the proposed changes a public hearing is scheduled. Based on the outcome of the public hearing a resolution is prepared for adoption during Section 9 of the agenda.

**REPORT ATTACHMENTS**

- Proposed resolution amending water and sewer utility rates with exhibits
- Municipal Cost Index (MCI) information



**SECTION 6. Public Hearing**  
**SECTION 9. Ordinances & Resolutions**

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**SUGGESTED MOTION**

**I make the motion that the Council adopt Resolution R1920-01, a resolution setting water and sewer rates and implementing an annual inflation adjustment rate and repealing resolution R1819-04 and any other resolutions that may be in conflict.**

**END**

**RESOLUTION R1920-01**

**A RESOLUTION SETTING WATER & SEWER RATES AND IMPLEMENTING AN ANNUAL INFLATION ADJUSTMENT RATE AND REPEALING RESOLUTION R1819-04 AND ANY OTHER RESOLUTIONS THAT MAY BE IN CONFLICT**

**WHEREAS**, The City of Gold Beach provides water and sewer utility services for businesses, agencies, and private residents within the Gold Beach city limits, and water service within the Urban Growth Boundary; and

**WHEREAS**, the City of Gold Beach Utility Code Sections 3.125 & 3.400 grant the City Council exclusive control over and regulation of water and sewer use charges, including the authority to review, and by resolution, to set or change charges; and

**WHEREAS**, the City Council has determined that annual rate adjustments are necessary to keep pace with inflation and maintain financially sustainable water and sewer utility systems. Inflation adjustments are based on the Municipal Cost Index published by American City and County. The published inflation rate for January-May 2018 to 2019 was slightly more than 1.78%. The Council proposes a 1.75% increase. Base Water and Sewer rates will be adjusted according to this factor. A hearing on the proposed rate increase will be held annually prior to the rate adjustment.

**THEREFORE BE IT RESOLVED** the City Council of the City of Gold Beach, Oregon, adopts the consolidated utility rate schedule attached to this resolution as EXHIBIT A to go into effect for the July 2019 utility billing cycle, and hereby repeals Resolution R1819-04 and any other resolutions that may be in conflict.

**PASSED BY THE CITY COUNCIL OF THE CITY OF GOLD BEACH, COUNTY OF CURRY, STATE OF OREGON, AND EFFECTIVE THIS 8<sup>th</sup> DAY OF JULY, 2019.**

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Karl Popoff, Mayor

ATTEST:

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Jodi Fritts, City Administrator

**EXHIBIT A TO RESOLUTION R1920-01  
FY 2019-2020 WATER RATES**

WATER RATES						
RESIDENTIAL RATES				COMMERCIAL RATES		
INSIDE CITY RESIDENTIAL				INSIDE CITY COMMERCIAL		
PER 1K GALLONS	TIERS			PER 1K GALLONS	TIERS	
1,500 BASE MINIMUM	\$	23.04	<i>BASE</i>	1,000 BASE MINIMUM	\$	33.95
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5,001-15,000	\$	2.14	<i>II</i>	7,001-83,000	\$	2.14
15,001 +	\$	2.94	<i>III</i>	83,001 +	\$	2.94
<b>WATER RESERVE PER ACCT</b>	<b>\$6.00</b>			<b>WATER RESERVE PER ACCT</b>	<b>\$6.00</b>	
OUTSIDE CITY RESIDENTIAL				OUTSIDE CITY COMMERCIAL		
PER 1K GALLONS	TIERS			PER 1K GALLONS	TIERS	
1,500 BASE MINIMUM	\$	24.94	<i>BASE</i>	1,000 BASE MINIMUM	\$	36.91
1,501-5,000	\$	1.13	<i>TIER I</i>	1,001-7,000	\$	1.13
5,001-15,000	\$	2.25	<i>II</i>	7,001-83,000	\$	2.25
15,001 +	\$	3.09	<i>III</i>	83,001 +	\$	3.09
<b>WATER RESERVE PER ACCT</b>	<b>\$6.00</b>			<b>WATER RESERVE PER ACCT</b>	<b>\$6.00</b>	
<b>FOR INACTIVE USERS (all types) MINIMUM SERVICE CHARGES APPLY</b>						
<i>Monthly maintenance rate per Code Section 3.190(2)</i>	Base User Rate + Water Reserve			<i>Monthly maintenance rate per Code Section 3.190(2)</i>	Base User Rate + Water Reserve	

*Residential rates apply to single-family and duplex residences  
Commerical rates apply to multi-family residential, mobile home and RV parks, government, non-residential users, and all business/commercial related uses*

**EXHIBIT A TO RESOLUTION R1920-01  
FY 2019-2020 SEWER RATES**

<b>ACTIVE REGULAR USER SEWER RATES</b>			
<b>\$53.40 Monthly Base Sewer Rate consists of 4 charges:</b>			
<b>Sewer Utility</b>	<b>\$ 24.40</b>	Per EDU/ERU	Monthly sewer usage fee
<b>Sewer Reserve</b>	<b>\$ 3.00</b>	Per Account	Reserve fund for Sewer maintenance
<b>WWTP Debt Service</b>	<b>\$ 20.00</b>	PER EDU/ERU	Debt service for WWTP plant
<b>Sewer Line 101 Debt Service</b>	<b>\$ 6.00</b>	PER EDU/ERU	Debt service for Hwy 101 main sewer line improvements completed in 2005
<b><i>INACTIVE SERVICES: minimum service charges apply:</i></b>			
<b>Monthly Inactive Maintenance Rate</b>	<b>\$ 53.40</b>	INCLUDES Reserve and Debt Service	<i>Pursuant to City Code Section 3.440(2)</i>



# **MISC. ITEMS**

**(Including policy discussions and determinations)**

# Memorandum

**To:** City of Gold Beach, City Council  
**From:** Ariel Kane, Community Coordinator  
**Date:** 7/6/2019  
**Re:** Gold Beach Main Street, Year in Review

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The purpose of this memo is to quantify the contributions made to and by the organization Gold Beach Main Street from September 2018 to July 2019, the term of service of the 2018-19 Resource Assistance for Rural Environments (RARE) Americorps participant. Accompanying this memo is a presentation. The presentation can be viewed in full at this link: <https://prezi.com/view/ZemqFHPlE4hrC1jXlxM7/>. The City of Gold Beach Urban Renewal Agency funded a significant portion of their service year and receives regular updates from them. This will be the last report by the 2018-19 RARE participant to the City of Gold Beach. The next RARE participant is scheduled to arrive September 9<sup>th</sup>, 2019 and will continue to report to the Council and Urban Renewal Agency.

## Money Matters

The following is the total organization income and expenditures for the fiscal year of June 2018 to June 2019.

<b>Total Income:</b>	\$37,696.80
<b>Total Expenditures:</b>	\$32,648.81

- **Grants**

The following are grants awarded. Grants Awarded are grants that have been applied to but not necessarily been received but have received notification of award.

<b>Grantors</b>	<b>\$ Amount</b>
The Ford Family Foundation	\$ 23,967
State Historic Preservation Office	\$ 637
Urban Renewal Agency	\$ 13,500
Gold Beach Community Foundation	\$ 2,500
FreeGeek	\$ 420
SOLVE	\$ 100
Gold Beach Community Fund	\$ 2,475
Oregon Parks and Recreation, Oregon Heritage	\$ 166,695
<b>TOTAL:</b>	<b>\$ 207,794</b>

The following are pending grants. Grants Pending are grants that have been applied for but that we have not yet received notification of award or denial.

<b>Grantors</b>	<b>\$ Amount</b>
Oregon Coast Visitor's Association, Travel Oregon	\$ 22,000
Travel Oregon	\$ 9,000
Reser Small Community Initiatives	\$ 40,000
Gold Beach Rotary Club	\$ 500
Wild Rivers Coast Alliance	\$ 20,000
Oregon Community Foundation	\$ 21,000
<b>TOTAL:</b>	<b>\$ 112,500</b>

- Donations**

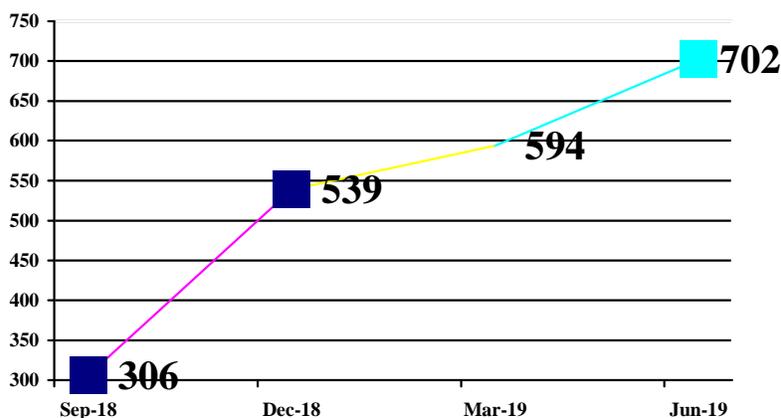
<b>Donations</b>	<b>\$ Amount</b>
<b>Unrestricted donations:</b>	\$ 1,875
<b>Donations to Projects:</b>	
Birthday Trees GoFundMe:	\$2,025
Annual Christmas Lights Competition	\$1,250
<b>Total:</b>	<b>\$5,150</b>

**Outreach**

Outreach is an important aspect of any nonprofits volunteer management, engagement and recruitment as well as community engagement and education. GBMS utilizes several tools for outreach including phone banking, social media (Facebook), E-newsletters and a website.

- Facebook**

The GBMS Facebook has been active since 2017, and in September 2017 had 72 Facebook Followers, by September 2018, this had increased to 306 followers. Now, the Facebook page, the organizations most active outreach tool has reached 702 followers.



- **E-newsletter**

The RARE participant was tasked with starting an E-Newsletter as a secondary form of outreach to the community and volunteers, particularly those who may not be engaged on social media. The first E-newsletter was published and sent in December 2018, with regular E-Newsletters sent every 2-3 months.

E-Newsletter	1 <sup>st</sup> Dec 2018	2 <sup>nd</sup> Feb 2019	3 <sup>rd</sup> May 2019	(4 <sup>th</sup> Sep 2019)	Non-Profit Averages
# of Subscribers	96	126	127	(152)	
Open Rate	64%, 61	55%, 64	55%, 66		24.11%
Views (online)	438	227	248		
Inbox Click Rate	29%, 15	29%, 18	27%, 18		2.57%
Total Click Rate	20%, 88	26%, 60	26%, 64		

According to MailChimp’s Email Marketing Benchmarks, the Non-Profit open-rate for email marketing is 24.11% and the average Click Rate is 2.57%. On average, GBMS E-newsletter is performing 2 times higher than the average nonprofit for open-rate and 10 times higher for the average click-rate.

Mailchimp. (2019). *Email Marketing Benchmarks | Mailchimp*. [online] Available at: <https://mailchimp.com/resources/email-marketing-benchmarks/> [Accessed 1 Jul. 2019].

- **Website**

In September 2018, the website was not yet active. The [website, https://www.goldbeachmainstreet.org](https://www.goldbeachmainstreet.org) was completed and made live at the end of November 2018. In January 2019, the website appeared on the 4<sup>th</sup> page of a google search of the organizations name “gold beach main street” by May it was on the 1<sup>st</sup> page and appeared as the 5<sup>th</sup> listing. As of now, the organizations website is listed on the 1<sup>st</sup> page, as the 1<sup>st</sup> listing, this will increase traffic to the website and the impact of the website as a resource for the organization and the community.

- **Press**

Since September 2018 there have been 9 news articles or mentions in the two local newspapers, The Reporter and the Curry Coastal Pilot. Additionally, the Oregon Coast Visitors Association featured Gold Beach Main Street in their [June Tourism Update Newsletter](#).

### **Volunteers**

Since January 2019, totals have been recorded for volunteer and board hourly contributions. The Resource Assistance for Rural Environments (RARE) Americorps participants service hours have been recorded and calculated since the service start date in September. The State of Oregon counts volunteer hours at a worth of \$22.75/hour.

	<b>Hours</b>	<b>\$ Value</b>
Community Members	430	\$9,782.5.
Board Members	380	\$8,645
RARE Community Coordinator	1106.8	\$25,179.7
RARE Community Coordinator (before January)	618.75	\$14,077
<b>TOTAL</b>	<b>2,535.55</b>	<b>\$57,684</b>

As expressed in the hours section, volunteers are an invaluable asset to the organization. We can assign a monetary value to their contribution, but their contribution is so much more. Volunteers are the backbone of the organization, with all-volunteer board, the all-volunteer committees and the Americorps Volunteer through the RARE program. More than 42 recurring volunteers have been engaged since the Committee Orientation in January 2019 There have been 238 unique attendees at public events, volunteer work parties and committee meetings.

<b># of event</b>	<b>Type of Event</b>	<b># of attendees</b>
2	committee orientations	70 attendees
20	committee meetings	26 Committee members
1	small business forum	25 attendees
1	community celebration	160 attendees

<b>Committee</b>	<b># of members</b>
Design	12
Economic Vitality	6
Promotion	6
Outreach	2
Worker Bees	16

## Projects

- **Committees, current # of projects: 9**
  - DESIGN COMMITTEE GOALS: Develop a unified and attractive streetscape that is inviting, walkable and user-friendly. Board Liaisons: Laurie VanZante, Debra Treinen, Cherie McNair
    - Projects: Adopt A Plot, Urban Renewal Benches, Mini-Pocket-Parks, Art Flurry
  - ECONOMIC VITALITY GOALS: Collect and provide information to support businesses. Encourage development of vacant buildings. Board Liaisons: Renee Kolen.
    - Projects: Vacant Building Inventory, Business Needs Interviews

- PROMOTION COMMITTEE GOALS: Increase awareness of Gold Beach's natural and community resource. Educate and promote area history and heritage. Promote and increase community events and activities. Board Liaisons: Michele Fritch and Ariel Kane.
  - Projects: Seasonal Events Calendar and Map
- OUTREACH COMMITTEE GOALS: Engage community and businesses in improving and enhancing Gold Beach. Develop and leverage funding to support goals. Board Liaisons: Kim Wykoff
  - Projects: Main Street Business Spotlight Social Media Campaign, volunteer recruitment
- **Board and RARE Community Coordinator**
  - GBMS Bylaw Revisions
  - Mission Revision
  - Website Complete
  - Small Business Forum
  - Listen to Learn Focus Groups
  - Committee Formations
  - Community Celebration
  - 3 E-newsletters
  - 12 Urban Renewal Benches
  - Historic Ellensburg Avenue Exterior Preservation Project

## What's Next

- **Ongoing Projects:**
  - Art Flurry
    - Pole Sign Banners
    - Sea Debris Art
    - Oregon is Magic! Mural
  - Mini-pocket-parks

- **Resource Assistance for Rural Environments, R.A.R.E.**

Incoming RARE participant will come September 9<sup>th</sup>. Interviews to fill the position will be held July 15<sup>th</sup>-19<sup>th</sup>. Included in this packet is the initial work plan for the incoming RARE participant.

### SECTION III: RARE AmeriCorps 2019-2020 SCOPE OF WORK

Project	Need Being Addressed	Major Activities & Tasks to be Performed	Skills, Ability & Knowledge Needed	Expected Outcomes and/or Deliverables	% of time
<b>Sustainable Fundraising Plan</b>	Sustainable fundraising and plan for organization	Identify and implement fundraising across multiple platforms. Continually identifying and securing sustainable income both locally and statewide. Identify annual funding available through community partners.	Research, fundraising, conflict resolution	Always be working towards partnerships that will help GBMS qualify, attain, and retain funding. The culmination of this project should be a funding plan adopted by the board.	20% (340hrs)
<b>Art Flurry Grant Management</b>	Manage grants if awarded: Wild Rivers Coast Alliance, Travel Oregon, Oregon Coast Visitors Association	2018-19 RARE helped the organization apply for several grants targeting art and design elements in town. If awarded, the RARE will be the primary grant contact and will work with the Design committee to oversee	Event planning, creativity, computer skills, desktop publishing, computer research, communication, report writing, grant writing, public speaking, delegation	1 Trash Art (see Washed Ashore) Sculpture placed 1 Oregon Is Magic Mural placed Banner program and 30 banners placed	15% (255 hrs)
<b>Media and community relations</b>	Improve management of media and community relations	Support board and committee members in maintaining and updating website and social media outlets and campaigns. Engage, maintain contact, share information and meet with community and regional partners.	Working knowledge of social media and web-based applications, Marketing, organization, communication, computer skills, website design	We would like the RARE participant to work with the board and Outreach Committee to develop policies regarding comm. and media. As a group, policies will be used to delegate responsibilities to engaged community members, committee members, and board members.	10% (170 hrs)

### SECTION III: RARE AmeriCorps 2019-2020 SCOPE OF WORK

<p><b>Committee and Volunteer Support</b></p>	<p>As our committees grow both in size and scale of projects, so does our visibility and 'buy in' from the community.</p>	<p>We are hopeful that our next RARE coordinator can continue as our facilitator, until such time as each committee identifies an appropriate leader. Before this transition, we plan as a board to continue committee training along with our new RARE participant. We see the RARE's coordinator role as overseeing our growing committees of volunteers, and monthly goals.</p>	<p>Familiarity or willingness to become familiar with Main Street Four Point Approach. Facilitation, time management, attention to detail, volunteer management and delegation, nonprofit management, conflict resolution</p>	<p>Organize and lead newly formed committees:</p> <ol style="list-style-type: none"> <li>1. Outreach Committee</li> <li>2. Promotion Committee</li> <li>3. Design Committee</li> <li>4. Economic Vitality</li> </ol> <p>Guide data research &amp; assessments. When projects need support, workshops may be coordinated and facilitated by coordinator, to help projects reach completion. When applicable, will be involved in helping to identify and apply for grants to support projects or support committee and board members in applying for grants.</p>	<p>20% (340 hrs)</p>
<p><b>Historic Ellensburg Exterior Preservation Project Grant Management</b></p>	<p>GBMS committed to managing the OMS Revitalization Grant and coordinating with property owners to meet SHPO Standards of Rehabilitation</p>	<p>RARE will oversee project of OMS Revitalization Grant for the Historic Ellensburg Exterior Preservation Project.</p>	<p>Planning and implementation, time management, detail oriented, computer research, communication, report writing, grant writing</p>	<p>Project Completion by Fall 2020</p>	<p>15% (255 hrs)</p>
<p><b>Urban Renewal and Business Engagement</b></p>	<p>Need for organization to expand the scope of work beyond Design goals and do outreach and work with businesses</p>	<p>Develop a formalized strategy for engaging and supporting businesses within the Main Street 4-Point Approach. Coordinate with the City of Gold Beach, and the Urban Renewal Agency to identify, plan, and implement projects and improvements. Become familiar with scope of adopted Urban Renewal Plan, and how it relates to UR/MS interface</p>	<p>Planning and implementation, time management, detail oriented, computer research, communication, report writing, grant writing, public speaking, conflict resolution</p>	<p>The RARE participant may be asked to present a proposal to the URA asking for funds to use as leverage, or matching funds to apply for grants. RARE will attend Urban Renewal and city council meetings, and give monthly updates on progress as it relates to UR, build consensus for a plan of action and engage stakeholders to sustain partnerships over time.</p>	<p>20% (340 hrs)</p>



**SECTION 10.**

**MISC. ITEMS (including policy discussions and determinations)**

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**GOLD BEACH CITY COUNCIL AGENDA REPORT**

Agenda Item No. **10. b.**

Council Meeting Date: July 8, 2019

**TITLE: DRAFT Proposed Short Term Rental Restrictions**

**SUMMARY AND BACKGROUND:**

We have briefly discussed the concern about the increase in local vacation rentals and the possible adverse effects to the local rental housing market. Councilor Kaufman has prepared a DRAFT proposed amendment related to restrictions on short-term rentals to begin the discussion.

Staff made a quick internet search on the topic, and provided 3 articles of varying lengths regarding the issue for reference only.

## Short Term Rental Ordinance – 1<sup>st</sup> Draft

Short-Term Rentals also known as Vacation Rentals are a popular and growing business enterprise throughout the world. Coastal communities are highly desirable for this type of business. However, the cost of this business model reduces the availability of long-term housing where people can live as they are the housing structures.

**The purpose of this ordinance is to reduce the impact of the short-term rental business on work force housing.**

All residential zones in the City of Gold Beach, 1R, 2R and 3R including the R1, R2 and R3 prior county zoning codes short-term rental housing will be limited to a maximum of ten units (10). Current conditional use holders are counted first, new applications will be held until the next opening arises.

Commercially zoned dwelling units do not need a conditional use permit but do need to register their business with the City and collect the bed taxes.

### **Exceptions**

Dwelling units that are over 3500 square feet will not count towards the maximum number of units.

Dwelling units that are owner occupied and are only renting out “bedrooms” and not the full living space. These units must meet the conditional use standards including one additional off-street parking space for each bedroom rented. (Current code requires two parking spaces per dwelling).

### **Penalty for noncompliance –**

An unpermitted short-term rental advertised will result in a compliance letter, the operator must cease business immediately and take down all advertising. Reservations on the books further than thirty days from the notice must be terminated. Reservations less than thirty days will be temporarily allowed, but bed tax must be collected and reported, and operator must apply for conditional use within thirty days of notice.

A second notice any time after the first thirty-day notice to the same owner or operator will result in a second letter, a fine of \$200.00 per day the violation continues. Unpaid fines will be sent to collections and a lien will be put on the property.

A third notice of violation to the same owner an operator will result in a final warning letter, the City will take action to remove the water meter and will post that the property is operating an illegal business. Costs of all enforcement including attorney fees, preparing letters, research for advertising, reporting to the vendors like AirBnB and VRBO, postage and the like will be assessed in addition to the daily fines.

If the business does not cease operation, the City may remove the water meter at the owner’s expense and replacement to be at the normal listed fees.

# The Airbnb Effect: It's Not Just Rising Home Prices

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 [citylab.com/equity/2019/02/study-airbnb-cities-rising-home-prices-tax/581590](https://citylab.com/equity/2019/02/study-airbnb-cities-rising-home-prices-tax/581590)

January 31,  
2019

Issei Kato/Reuters

Feb 1, 2019

A new Economic Policy Institute study finds that Airbnb contributes to rising home prices in cities, yet often escapes comprehensive regulation.

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D.C. is restricting it. Florida might stop investing in it. New Orleans is trying to ban it completely. Across the country, legislators are not happy with Airbnb.

Since it was founded in 2008, the short-term rental platform has been the subject of several critical research papers that have blamed it for raising housing prices, changing employment dynamics, and taking chunks out of city tax revenue. A new analysis from the Economic Policy Institute attempts to more comprehensively catalog these local impacts—and measure what, if anything, cities get out of the deal. To better align the costs and benefits, the study's author Josh Bivens argues, cities need to start treating Airbnb like any other hotel business, and regulate it accordingly.

"It becomes a straight conflict between whose interests you care more about: long-term residents of the city, or those that visit it," Bivens said.

## What renters lose

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Since Airbnb helps homeowners take existing housing stock and turns some of it into short-term units, its biggest measured effect so far has been on housing prices—by repurposing units that might otherwise be long-term housing, it's straining an already supply-short market. Rents rise in the process. The cities researchers have analyzed happen to be already-pricy coastal metros, meaning Airbnb is just one of many factors at play. But, researchers say it's a powerful one. "I was surprised at how early in the process of Airbnb expanding into cities that it has measurable impacts on housing costs," said Bivens.

In Boston, one working paper from the University of Massachusetts Boston Department of Economics found a causal relationship between Airbnb proliferation and housing prices: with every 12 Airbnb listings per census tract, asking rents increased by 0.4 percent. These findings were reinforced at the national level in another working paper in SSRN, which used American Community Survey data to find that with each 10 percent increase in Airbnb

1/4

listings in a U.S. ZIP code, there was a .42 percent increase in rental prices, and a .76 percent increase in house prices. Then, using that working paper's same regression model, [David Wachsmuth](#), a professor of Urban Planning at McGill University, found that in New York City, Airbnb was associated with a 1.4 percent increase in NYC rents from 2015 to 2017.

Parsing just how much of those bumps were natural growth and how much was Airbnb-related has proven difficult. In Boston, "a one standard deviation increase in Airbnb listings ... relative to total housing units is correlated with a 5.9 percent decrease in the number of rental units offered for rent," University of Massachusetts researchers wrote, which they say then translates into the price changes outlined above. But take the Brooklyn neighborhoods Bushwick and Bedford-Stuyvesant, which observed a 41 percent jump in the number of Airbnb listings from 2012 to 2016, for example: While rents there leapt an average of about \$131 per year, [according to the SSRN working paper](#), only about \$27 of it can be attributed to Airbnb.

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Airbnb did not respond to CityLab's request for comment on these findings.

## What employees lose

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Something else happens when Airbnb enters a city: People rent Airbnbs, not hotel rooms. "Part of what Airbnb is doing, especially at the beginning of its expansion, is it's displacing regular payroll jobs that are now being done by Airbnb owners," said Bivens. Hosts are doing the renting, but they're also often doing the cleaning or other service work that hotels hire for. If not, hosts may hire third-party cleaning services, which aren't mandated to offer the same employment benefits as hotel staff. "It's a form of this kind of fissuring of the economy," Bivens said. "Spinning off jobs that used to be part of a big corporation ... into a more insecure part of the economy."

Airbnb itself acknowledges this potential consequence, the study observes: "Airbnb offers hosts the opportunity to advertise that they have taken the "living wage pledge" by committing to pay a living wage to the cleaners and servicers of their properties. It is not clear how commitment to this pledge is (or can be) enforced, however."

## Recommended

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Large hotel chains are doing similar outsourcing themselves, though—some of it to technology, which was a central complaint of Marriott hotel workers who [went on strike in 2018](#). Workers' [new contracts](#), negotiated by the labor union Unite Here stipulate that union representatives have to be part of the discussion behind how and when to implement new technologies in the workplace. Marriott also agreed to a raise, and more protections from sexual harassment.

That's a bargaining capability contractors working at Airbnbs don't have. According to Bivens, "combined unionization rates for maids and cleaners in the hotel industry are nearly double the unionization rates of maids and cleaners in other industries in the economy" in the 10 U.S. cities with a particularly large Airbnb presence, including New York City, Los Angeles, and Chicago.

## What cities lose

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While Airbnb is said to increase tourism revenue—a NERA Economic Consulting study found that Airbnb supported 730,000 jobs and \$61 billion in global output—Bivens cited two surveys that found only 2 to 4 percent of respondents wouldn't have gone on trips if Airbnbs weren't available. So, while Airbnb guests do participate in local economies, as the NERA study showed, Airbnb isn't necessarily facilitating that spending more than other short-term rental options might. "It really seems to be almost a pure substitution of hotels," he said.

And cities with less stringent Airbnb regulations might also be losing out on a lot of tax revenue. Traditional lodging entities (when combining city, state, and county taxes), are taxed at an average rate of 13 percent in the 150 largest cities. But Airbnb is treated differently in different jurisdictions, and is trusted to self-report its own occupancy and revenue data. Per a 2017 paper from the Institute on Taxation and Economic Policy:

Overall, by Airbnb's count, the company is collecting sales, hotel, or other taxes in 26 states and the District of Columbia (DC) as of March 1, 2017. State-level taxes are collected in 18 of those states. Among this group, some or all local-level taxes are also being collected in every state except Connecticut, which lacks local lodging taxes. In the remaining eight states, Airbnb collects a patchwork of local taxes but no state taxes. In three states—Alaska, Maryland, and New Jersey—Airbnb's tax collection is limited to a single locality (Anchorage, Montgomery County, and Jersey City, respectively).

To be clear, Airbnb is paying taxes. But, Bivens says, it could be paying more. One analysis by AlltheRooms.com estimated that in 2016, incomplete accounting—and illegal rentals—could have cost local and state governments \$440 million in lodging taxes, \$110 million of it from New York City's budget alone. Since then, New York City has established some of the strongest Airbnb regulations in the country: It's cracked down on illegal listings, and advanced legislation to require Airbnb to submit monthly revenue reports, and on hosts and their addresses.

"So far, it seems like a lot of the Airbnb tax relationships with cities is very much a negotiated, city-by-city kind of thing, where there's not a lot of transparency," said Bivens. "I think the number one thing would be for cities to step up, make transactions with Airbnb transparent to the public, and demand actual data from Airbnb."

## So who wins?

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For vacationers who want more options, at cheaper prices, Airbnb is great: Studies show that Airbnb expansion is correlated with lowered local hotel rates. And for renters who want to make an extra buck, it's a welcome side hustle—Airbnb told USA Today that a proposed “whole home” short-term rental ban (requiring that owners be present and not rent the entire home) in New Orleans would “devastate” homeowners who depend on the platform. But even those benefits aren't distributed equally, Bivens says. Airbnb “landlords” who own multiple properties (one for occupying and at least one for renting) likely have an advantage on the platform, he argues, because “any economic occurrence that provides benefits proportional to owning property is one that will grant these benefits disproportionately to the wealthy.”

Since 60 percent of the property wealth in homeowners' primary household is concentrated in the top 20 percent of households—and more than 80 percent of the wealth is held by white households—it stands to reason, Bivens says, that the ones who stand to make the most from Airbnb are already the wealthiest, and the whitest.

There are some cities that have tried to level the playing field. D.C.'s new Airbnb restrictions prohibit property owners from using Airbnb (or other short-term rental platforms) to rent out their second homes, according to the *Washington Post*, and limits the number of days any primary residence can be rented out when owners are out of town. Airbnb objected to the bill, saying it favored hotels; as did some city councilors who warned the measure could cost as much as \$96 million over four years in lost taxes—D.C. taxes Airbnb rentals at a steep 14.5 percent.

Not all renters are multiple-home-owning landlords of mini-hotels. Not all cities exempt Airbnb from traditional taxes. But, the report concludes, “there is little evidence that the net benefit of accelerated Airbnb expansion is large enough to justify overturning previous considerations that led to the regulatory status quo.”

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## Short-term rentals and the housing market: Quasi-experimental evidence from Airbnb in Los Angeles

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**Hans Koster, Jos van Ommeren, Nicolas Volhausen** 20 December 2018

Short-term rental platforms such as Airbnb have grown spectacularly in recent years, and local governments around the globe have responded differently in regulating such rentals. This column analyses the effects of a policy change in several cities of Los Angeles County that restricted short-term rentals of entire homes and apartments. Airbnb has led to an increase in house prices that is particularly pronounced in popular tourist areas, and homeowners in these areas lose out from the regulation. Renters, on the other hand, benefit from the regulation.

Short-term rental platforms such as Airbnb have grown spectacularly in recent years. Since its launch in 2007, Airbnb has grown into a multibillion-dollar business, now offering more than 4.5 million listings in over 190 countries worldwide. Airbnb allows individuals to list their spare room or entire apartment for a self-established price to potential guests from all over the world. Particularly in heated housing markets, the new business model developed into an attractive opportunity for generating alternative income streams. However, the surge in popularity of these platforms has also led to substantial opposition because of decreasing housing affordability (Samaan 2015, Sheppard and Udell 2016), illegal 'hotelisation' and unfair competition (CBRE 2017), and other negative effects such as noise disturbance or overcrowding within and around buildings (Newling 2016).

Local governments around the globe have responded differently towards regulating short-term rentals. Most cities have not significantly regulated these platforms, but a limited number have put severe restrictions in place. Berlin, for instance, requires short-term-rental hosts to occupy the property for at least 50% of the time (O'Sullivan 2016). San Francisco imposes a cap of a maximum 90 rental days per year and a 14% hotel tax (i.e. Transient Occupancy Tax) (Fishman 2015), while Amsterdam will impose a 30-rental-days cap from 2019 onwards.

The effect of such regulations appears straightforward: basic economic theory tells us that in the absence of negative externalities, such regulation induces a reduction in housing prices (and rents) by restricting the most efficient use of housing. This reduction will be particularly pronounced in locations that are attractive to tourists. However, the presence of substantial negative externalities may lead to the exact opposite: regulation may induce

prices (and rents) to increase because the reduction in negative external costs due to regulation will increase residential demand. Hence, the net effects of short-term rentals on the housing market are still unknown.

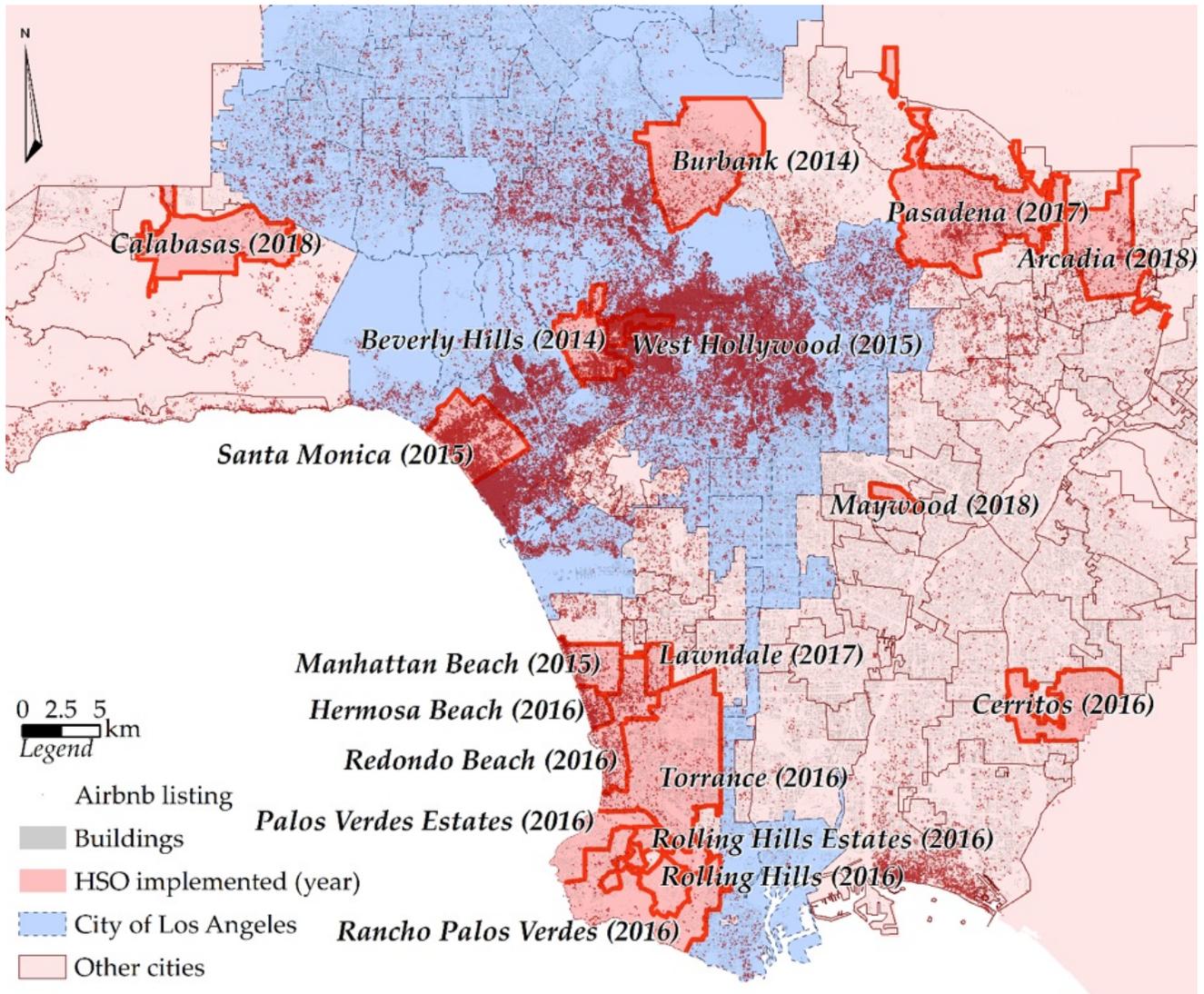
## The case of Los Angeles

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There are numerous reports indicating a strong positive relationship between property values and the intensity of short-term rentals. However, calling out Airbnb as the culprit of rising housing prices and rents is problematic, since many cities have become increasingly popular among both locals and tourists in recent years, leading to higher housing prices and a higher number of Airbnb listings. In our paper (Koster et al. 2018), we overcome this challenge by relying on a quasi-experimental research design for Los Angeles County.

Similar to other cities, Airbnb rapidly grew in a decade from just a handful of listings to close to 40,000 properties in Los Angeles County (Inside Airbnb 2018). While many municipalities still struggle with putting up regulatory measures to curb the surge of short-term rentals, 18 out of 88 incorporated cities in Los Angeles County have severely restricted short-term rentals of entire homes and apartments by adopting home sharing ordinances (HSOs). These HSOs essentially banned informal short-term rentals: hosts renting out entire properties became subject to the same formal regulations as hotels and bed and breakfasts. Home-sharing through Airbnb (as well as long-term renting) is not prohibited but restricted.

**Figure 1** Airbnb in Los Angeles County



There are several reasons why we focus on Los Angeles County. First, it is the most populous county in the US and its main locality, the City of Los Angeles, has not yet formally regulated short-term rentals or enforced a comprehensive regulation (see Figure 1). This enables us to focus on changes in the number of Airbnb listings as well as housing prices close to the HSO-regulated places. We use micro-data on Airbnb listings and housing prices between 2014 and 2018.

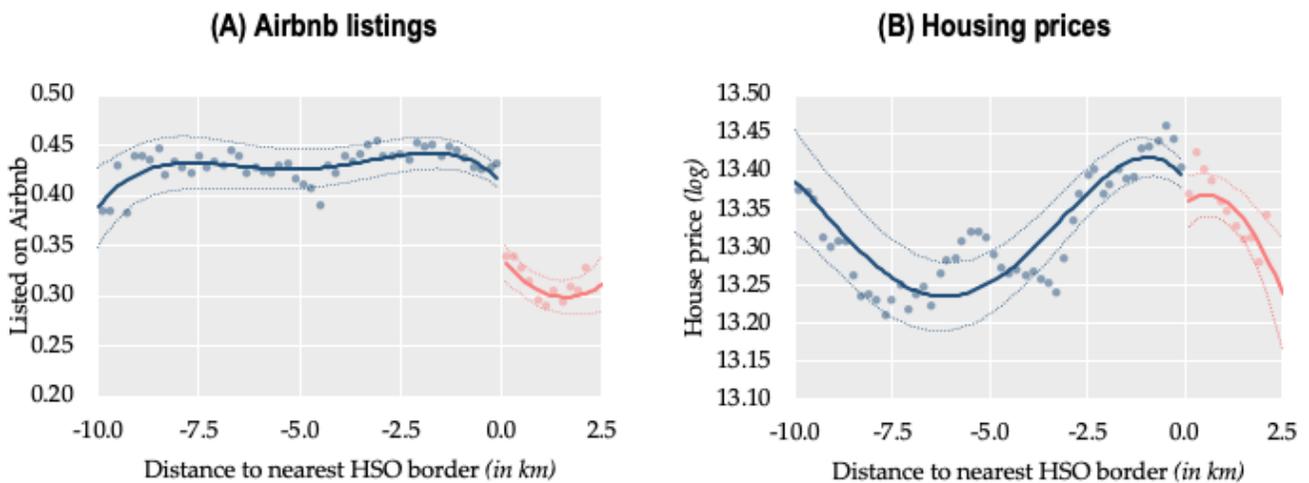
Our data allow us to distinguish between effects on different types of listings (home-sharing, entire properties), as well as on the prices of different types of housing (apartments, single-family homes). We also extend the results to include effects on rents.

Our empirical approach relies on a panel regression discontinuity design, where we compare listings that were affected by HSOs (treatment group) with nearby listings that remained unaffected by the legislation (comparison group). The borders of the HSO-affected cities serve as a geographic cut-off point, which assigns listings into either the treatment or comparison group. This quasi-experimental research design enables us to measure the causal effect of the HSO on Airbnb listings and housing prices.

# Measuring the causal effect of Airbnb on the housing market

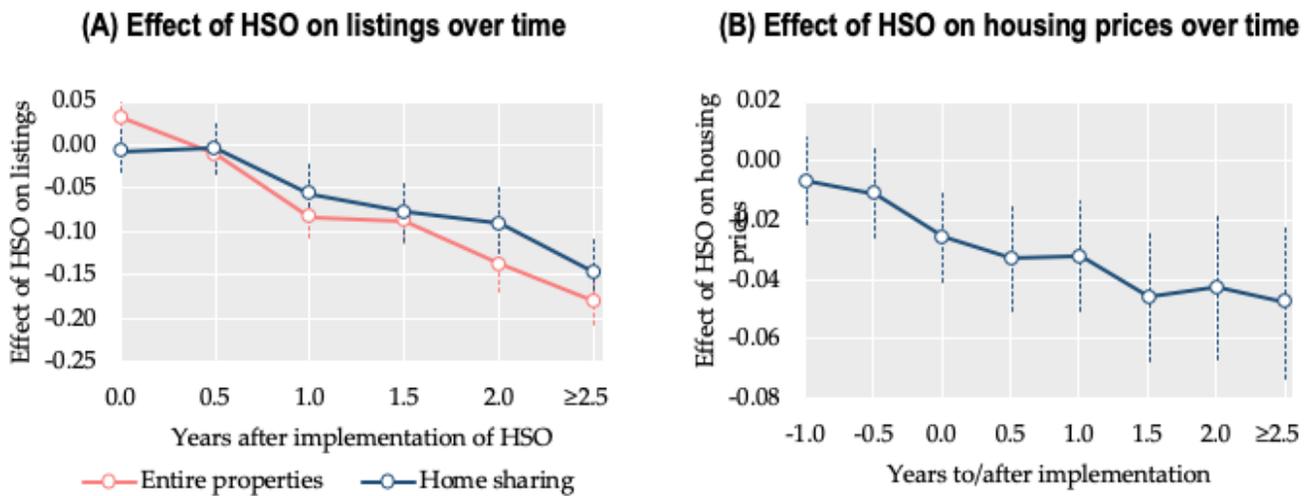
First, we estimate the effect of HSOs on a property's probability of being listed on Airbnb. In Figure 2A, we plot this probability. We observe a sizable drop in listings in HSO-affected areas. Given an average probability of being listed of about 30%, the ordinance strongly reduces the number of Airbnb listings by around 30%. We plot the effect over time in Figure 3A and show that the reduction in listings is about 50–60% in the long run. Hence, in line with anecdotal evidence, this suggests that HSOs are very effective in reducing short-term rentals.

**Figure 2** Airbnb listings and housing prices: Variation near the HSO borders



Note: Negative distances indicate areas outside HSO areas, and areas inside HSO areas before treatment. The dots are conditional averages at every 200-metre interval. The dotted lines denote 95% confidence intervals.

**Figure 3** The effect of the HSO on listings and housing prices over time



Note: The dotted lines denote 95% confidence intervals.

One expects a negative effect of the HSO on housing prices (except when negative externalities are substantial). We now compare changes in housing prices near the HSO borders. Figure 2B suggests that housing prices have been reduced by about 3%. The effect turns out to be highly significant statistically and although we examine effects at a very local level (within one kilometre of the border), we show with more elaborate statistical techniques that the estimated effect is very robust to the choice of the geographic focus. This effect becomes more pronounced over time (see Figure 3B). We also analyse the impact of HSOs on rents and show that the effects are essentially the same.

Using these estimates, we estimate the overall impact of Airbnb on property values and show that the effect can be large. For example, in areas within five kilometres of Los Angeles's central business district, the price increase is 14%. Within 2.5 kilometres of beaches, the price increase due to Airbnb is almost 10%. Hence, in areas that are attractive to tourists, prices are substantially higher, while in areas without much tourist demand (e.g. Pasadena), effects are small.

## Policy implications

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What can we say about the distributional and welfare effects of Airbnb regulation? Using a back-of-the-envelope calculation, we show that regulating Airbnb has stark distributional implications. A regulation implies losses for homeowners, which are substantial for individuals who live in areas popular with tourists. The opposite holds for households who typically rent, who can only gain from such a regulation. Given the average housing price in HSO cities and given our assumptions, this therefore implies an annual welfare loss due to HSOs of about \$680 per property. The intuition for such a substantial loss is that the investors' willingness to pay is much higher than the willingness of the incumbent households being priced out of the market.

There are clear distributional implications of the HSO. We show that rents will decrease due to the HSO, so the average renter will gain. Because of the HSOs, homeowners lose, while renters tend to gain. This offers a plausible explanation as to why cities around the world that have heavily restricted short-term rentals typically have a high share of renters.

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# The economic costs and benefits of Airbnb No reason for local policymakers to let Airbnb bypass tax or regulatory obligations

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**EPI** [epi.org/publication/the-economic-costs-and-benefits-of-airbnb-no-reason-for-local-policymakers-to-let-airbnb-bypass-tax-or-regulatory-obligations](https://epi.org/publication/the-economic-costs-and-benefits-of-airbnb-no-reason-for-local-policymakers-to-let-airbnb-bypass-tax-or-regulatory-obligations)

*Updated March 26, 2019*

## Summary

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“The sharing economy” refers to a constellation of (mostly) Silicon Valley–based companies that use the internet as their primary interface with consumers as they sell or rent services. Because this term is “vague and may be a marketing strategy” (AP 2019), we refer to these firms less poetically but more precisely as “internet-based service firms” (IBSFs).

Economic policy discussions about IBSFs have become quite heated and are too often engaged at high levels of abstraction. To their proponents, IBSFs are using technological advances to bring needed innovation to stagnant sectors of the economy, increasing the quality of goods and services, and providing typical American families with more options for earning income; these features are often cited as reasons why IBSFs should be excused from the rules and regulations applying to their more traditional competitors. To skeptics, IBSFs mostly represent attempts by rich capital owners and venture capitalists to profit by flouting regulations and disguising their actions as innovation.

The debates about whether and how to regulate IBSFs often involve theories about their economic costs and benefits. This report aims to inform the debate by testing those theories. Specifically, it assesses the potential economic costs and benefits of the expansion of one of the most well-known of the IBSFs: the rental business Airbnb.

Airbnb, founded in 2008, makes money by charging guests and hosts for short-term rental stays in private homes or apartments booked through the Airbnb website. It started in prototype in San Francisco and expanded rapidly, and is now operating in hundreds of cities around the world. Airbnb is frequently depicted as a boon for travelers looking for lower-cost or nontraditional accommodations, and for homeowners looking to expand their income stream. But in many local markets, the arrival and expansion of Airbnb is raising questions about its potential negative impacts on local housing costs, quality of life in residential neighborhoods, employment quality in the hospitality industry, and local governments’ ability to enforce municipal codes and collect appropriate taxes.

In our cost-benefit analysis, we find:

- **The economic costs Airbnb imposes likely outweigh the benefits.** While the

introduction and expansion of Airbnb into U.S. cities and cities around the world carries large potential economic benefits and costs, the costs to renters and local jurisdictions likely exceed the benefits to travelers and property owners.

- **Airbnb might, as claimed, suppress the growth of travel accommodation costs, but these costs are not a first-order problem for American families.** The largest and best-documented potential benefit of Airbnb expansion is the increased supply of travel accommodations, which could benefit travelers by making travel more affordable. There is evidence that Airbnb increases the supply of short-term travel accommodations and slightly lowers prices. But there is little evidence that the high price of travel accommodations is a pressing economic problem in the United States: The price of travel accommodations in the U.S. has not risen particularly fast in recent years, nor are travel costs a significant share of American family budgets.
- **Rising housing costs are a key problem for American families, and evidence suggests that the presence of Airbnb raises local housing costs.** The largest and best-documented potential cost of Airbnb expansion is the reduced supply of housing as properties shift from serving local residents to serving Airbnb travelers, which hurts local residents by raising housing costs. There is evidence this cost is real:
  - Because housing demand is relatively inelastic (people's demand for somewhere to live doesn't decline when prices increase), even small changes in housing supply (like those caused by converting long-term rental properties to Airbnb units) can cause significant price increases. High-quality studies indicate that Airbnb introduction and expansion in New York City, for example, may have raised average rents by nearly \$400 annually for city residents.
  - The rising cost of housing is a key problem for American families. Housing costs have risen significantly faster than overall prices (and the price of short-term travel accommodations) since 2000, and housing accounts for a significant share (more than 15 percent) of overall household consumption expenditures.
- **The potential benefit of increased tourism supporting city economies is much smaller than commonly advertised.** There is little evidence that cities with an increasing supply of short-term Airbnb rental accommodations are seeing a large increase in travelers. Instead, accommodations supplied via Airbnb seem to be a nearly pure substitution for other forms of accommodation. Two surveys indicate that only 2 to 4 percent of those using Airbnb say that they would not have taken the trip were Airbnb rentals unavailable.

Studies claiming that Airbnb is supporting a lot of economic activity often vastly overstate the effect because they fail to account for the fact that much of this spending would have been done anyway by travelers staying in hotels or other alternative accommodations absent the Airbnb option.
- **Property owners do benefit from Airbnb's capacity to lower the transaction costs of operating short-term rentals, but the beneficiaries are disproportionately white and high-wealth households.** Wealth from property

ownership is skewed, with higher-wealth and white households holding a disproportionate share of housing wealth overall—and an even more disproportionate share of housing wealth from nonprimary residences because they are much more likely to own nonprimary residential property (such as multi-unit Airbnb rentals).

- **The shift from traditional hotels to Airbnb lodging leads to less-reliable tax payments to cities.** Several large American cities with a large Airbnb presence rely heavily on lodging taxes. Airbnb has largely blocked the ability of these cities to transparently collect lodging taxes on Airbnb rentals that are equivalent to lodging taxes on hotel rooms. One study found that the voluntary agreements Airbnb has struck with state and local governments “[undermine] tax fairness, transparency, and the rule of law.”
- **City residents likely suffer when Airbnb circumvents zoning laws that ban lodging businesses from residential neighborhoods.** The status quo of zoning regulations in cities reflects a broad presumption that short-term travelers likely impose greater externalities on long-term residents than do other long-term residents. Externalities are economic costs that are borne by people not directly engaged in a transaction. In the case of neighbors on a street with short-term renters, externalities include noise and stress on neighborhood infrastructure like trash pickup. These externalities are why hotels are clustered away from residential areas. Many Airbnb rental units are in violation of local zoning regulations, and there is the strong possibility that these units are indeed imposing large costs on neighbors.
- **Because Airbnb is clearly a business competing with hotel lodging, it should be subject to the same taxation regime as hotels.** In regard to zoning regulations, there is no empirical evidence that the net benefits of Airbnb introduction and expansion are so large that policymakers should reverse long-standing regulatory decisions simply to accommodate the rise of a single company.

## Overview of the economics of Airbnb

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Airbnb runs an online marketplace for short-term lodging rentals. It largely does not own dwellings or real estate of its own; instead, it collects fees by acting as a broker between those with dwellings to rent and those looking to book lodging.

The perception that Airbnb tries to foster is that its “hosts” are relatively typical households looking to earn supplementary income by renting out rooms in their homes or by renting out their entire residence when they’re away. Critics argue that Airbnb bookings have become increasingly concentrated among a relatively small number of “hosts” that are essentially miniature hotel companies.

## Potential economic benefits

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At a broad level, the potential economic benefits and costs of Airbnb are relatively straightforward.

The key potential benefit is that property owners can **diversify the potential streams of revenue** they generate from owning homes. Say, for example, that before Airbnb arrived in a city, property owners setting up residential rental properties faced transaction costs so high that it only made economic sense to secure relatively long-term leases. These transaction costs incurred by property owners could include advertising for and screening of tenants and finding alternative accommodations for themselves if they were renting their own dwellings. But if the rise of internet-based service firms reduced these transaction costs and made short-term rentals logistically feasible and affordable for the first time, it could allow these property owners to diversify into short-term rentals as well as long-term rentals.

Another potential benefit is the **increased supply (and variety) of short-term rentals** available to travelers. This increased supply can restrain price growth for short-term rentals and make traveling more affordable.

Finally, one well-advertised potential benefit of Airbnb is the **extra economic activity that might result** if the rise of Airbnb spurs an increase in visitors to a city or town. Besides the income generated by Airbnb property owners, income might be generated by these visitors as they spend money at restaurants or in grocery stores or on other activities.

## Potential costs

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The single biggest potential cost imposed by Airbnb comes in the form of **higher housing costs for city residents** if enough properties are converted from long-term housing to short-term accommodations. If property owners take dwellings that *were* available for long-term leases and convert them to short-term Airbnb listings, this increases the supply of short-term rentals (hence driving down their price) but decreases the supply of long-term housing, increasing housing costs for city residents. (We refer to all long-term costs of shelter as “housing,” including rentals and owners’ equivalent rental costs.)

Another large potential city-specific cost of Airbnb expansion is the **loss of tax revenue**. Many cities impose relatively steep taxes on short-term lodging, hoping to obtain revenue from out-of-town travelers to spend on local residents. The most common and straightforward of these revenue raisers is a tax on traditional hotel rooms. If Airbnb expansion comes at the expense of traditional hotels, and if the apparatus for collecting taxes from Airbnb or its hosts is less well-developed than the apparatus for collecting taxes from traditional hotels, this could harm city revenues.

A further potential cost is the **externalities that property rentals (of all kinds) impose** on neighbors, for example, noise and/or use of building facilities. Since hosts are often not on-site with their renters, they do not bear the costs of these externalities and hence may not

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factor them into rental decisions. Of course, one could argue that such externalities are also incurred with long-term rentals not arranged through Airbnb. But if the expansion of Airbnb increases total short- and long-term rental activity, or if short-term rentals impose larger externalities than long-term rentals, then Airbnb expansion can increase these externalities.

Finally, if Airbnb expansion comes at the expense of traditional hotels, it could have a **negative impact on employment**. First, since some of the labor of maintaining Airbnb lodgings is performed by the property owners themselves, the shift to Airbnb from traditional hotels would actually reduce employment overall. Second, since the task of cleaning and maintaining rooms and even greeting Airbnb renters is often done by third-party management firms, the shift from the traditional hotel sector to Airbnb rentals could degrade job quality.

The rest of this report evaluates the potential scope of each of these benefits and costs, and ends with an overall assessment of the effect of Airbnb expansion.

## Potential benefits of Airbnb introduction and expansion in U.S. cities

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This section elaborates on the potential benefits identified in the previous section. For each benefit, it assesses how likely the benefit is to emerge, provides empirical estimates of the magnitude of the benefit, and discusses the likely distribution of the benefit.

### Potential benefit one: Property owners can diversify into short-term rentals

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The most obvious benefit stemming from the creation and expansion of Airbnb accrues to property owners who have units to rent. Owners of residential property have essentially three options for earning a return on the property: They can live in the residence and hence not have to pay rent elsewhere, they can rent it out to long-term residents, or they can rent it out to short-term visitors.

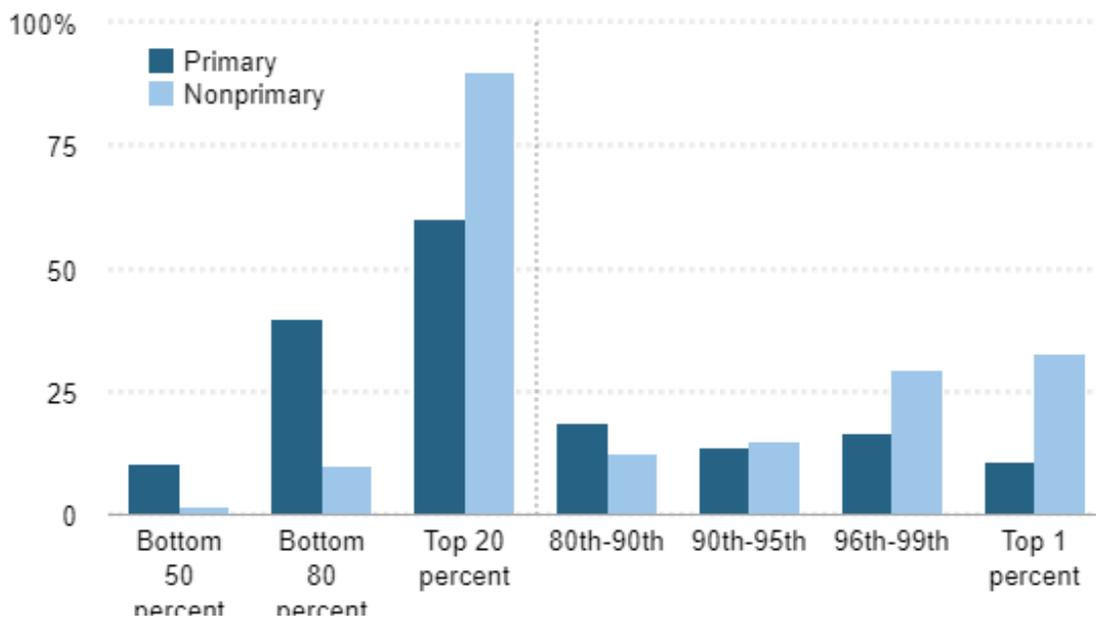
If the only barrier to renting out residential property to short-term visitors were the associated transaction costs, then in theory the creation and expansion of Airbnb could be reducing these transaction costs and making short-term rental options more viable. It does seem intuitive that transaction costs of screening and booking short-term renters would be higher over the course of a year than such costs for renting to long-term residents (or the costs of maintaining owner-occupied property). However, the potential benefits are only the *difference* between what the property owner earned before the introduction of Airbnb and what the property owners earned from short-term rentals booked through the Airbnb platform.

These potential benefits are likely quite skewed to those with more wealth. While housing is more widely held than most other assets, the total value of housing wealth is (like all wealth) quite concentrated among white and high-income households. Further, because of the myriad benefits of owning one’s own residence, it is likely that much of the benefit of Airbnb’s introduction and expansion accrues to those with more than one property (one for occupying and one or more for renting). The distribution of property wealth generated by nonprimary residential real estate is even more concentrated than housing wealth overall. **Figure A** shows, by wealth class, the distribution of housing wealth overall and of housing wealth excluding owner-occupied housing.

Figure A

Housing wealth—particularly wealth from owning a nonprimary residence—is skewed. Share of total primary and nonprimary household housing wealth in the U.S. economy held by each wealth class, 2016

<b>Bottom 50 percent</b>	10.4%	1.6%
<b>Bottom 80 percent</b>	40.0%	9.9%
<b>Top 20 percent</b>	60.0%	90.1%
<b>80th–90th</b>	18.6%	12.6%
<b>90th–95th</b>	13.9%	14.9%
<b>96th–99th</b>	16.8%	29.6%
<b>Top 1 percent</b>	10.7%	32.9%



ChartData

**Note:** Primary housing wealth is wealth from owner-occupied housing. Nonprimary housing wealth is wealth from nonowner-occupied housing. The wealth classes depicted overlap, with the top 20 percent broken down into households falling within the 80th to 90th, 90th to 95th, and 96th to 99th percentiles.

**Source:** Author’s analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

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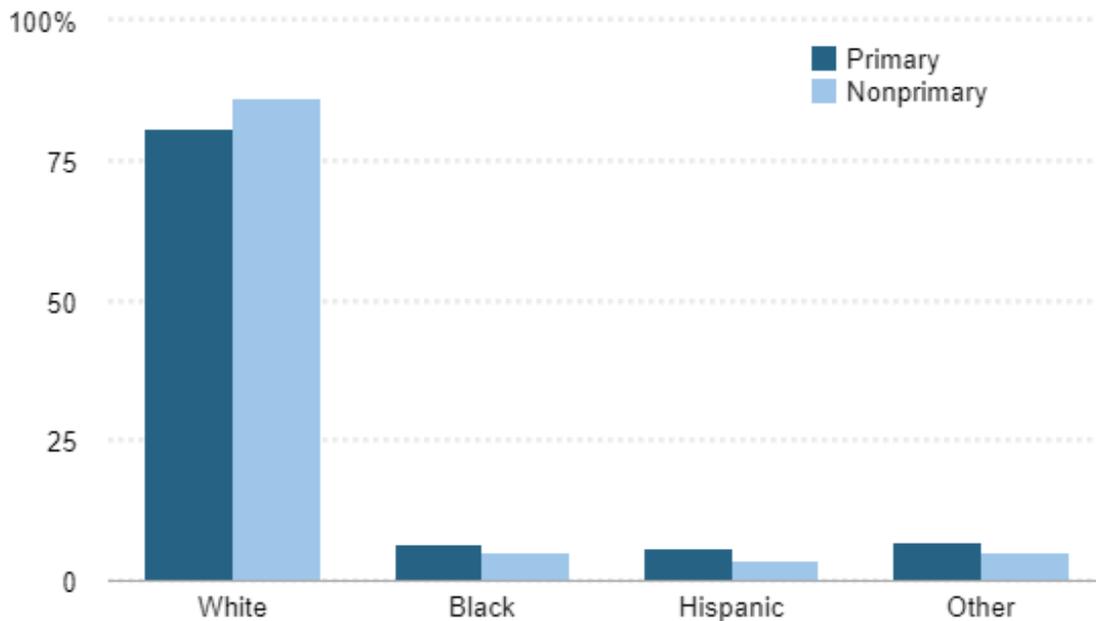
This figure shows that the potential benefits of Airbnb introduction and expansion to property owners are highly concentrated. To put it simply, any economic occurrence that provides benefits proportional to owning property is one that will grant these benefits disproportionately to the wealthy. In 2016, for example, 60.0 percent of primary housing wealth (housing wealth in households’ primary residences) was held by the top 20 percent of households. (Not shown in the figure is that this share has increased by 5.4 percentage points since 1989.) As we noted earlier, however, many Airbnb listings are actually owned by households with multiple units to rent. Given this, Figure A also shows the share of housing wealth from nonprimary residences held by various groups. This “nonprimary housing wealth” is far more skewed. For example, the top 20 percent hold 90.1 percent of this type of wealth.

**Figure B** shows the distribution of housing wealth by race and ethnicity. Across racial groups, more than 80 percent of wealth in one’s primary residence was held by white households. African American households held just 6.5 percent of wealth in primary residences, Hispanic households held 6.0 percent of this type of wealth, while households of other races and ethnicities held 6.9 percent. Not shown is the change in the share of wealth in primary residences held by racial and ethnic groups: Primary housing wealth held by nonwhite households has risen a bit (by roughly 6 percentage points) since 1989. As with the distribution by wealth class, the holdings of nonprimary housing wealth by race and ethnicity are again even more skewed, with white households holding more than 86 percent of this type of wealth. African American households hold just 5.0 percent of nonprimary housing wealth, Hispanic households hold 3.6 percent, and households of other races and ethnicities hold 5.2 percent.

Figure B

White households disproportionately benefit from housing wealth Share of total primary and nonprimary household housing wealth held, by race and ethnicity

<b>White</b>	80.6%	86.2%
<b>Black</b>	6.5%	5.0%
<b>Hispanic</b>	6.0%	3.6%
<b>Other</b>	6.9%	5.2%



ChartData

**Note:** Primary housing wealth is wealth from owner-occupied housing. Nonprimary housing wealth is wealth from nonowner-occupied housing. Hispanic means “Hispanic any race” and the race/ethnicity categories are mutually exclusive.

**Source:** Author’s analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

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In short, what Figures A and B show is that because wealth from residential properties that can produce rental income is concentrated among the wealthy and white households, giving property owners the unfettered option to choose Airbnb over long-term rental uses of their property means conferring an enhanced option to predominantly wealthy and white

owners of housing wealth. (**Appendix Table 1** provides the same analyses shown in Figures A and B for the years 1989, 1998, and 2007, and for the most recent data year, 2016, as well as the change from 1989 to 2016.)

Finally, while Airbnb might make short-term rentals feasible for property owners by reducing transaction costs through the technological efficiencies provided by Airbnb's internet-based platform, the company might also just make short-term rentals feasible by creating a norm of ignoring regulations that bar short-term rentals. Short-term rentals are effectively banned in many residential neighborhoods in the cities where Airbnb operates, yet they have proliferated after the introduction of Airbnb. The regulations barring or limiting short-term rentals were established to reduce the externalities associated with commercial operations of certain kinds—including hotel operations—in residential neighborhoods. Airbnb's business model appears to depend significantly on skirting these regulations and dodging competition from traditional hotel owners who are prohibited from operating in these same neighborhoods. If the regulations banning short-term rentals are baseless and serve no useful purpose, then subverting them could be seen as a benefit of Airbnb. But allowing large corporations such as Airbnb to simply ignore regulations—rather than trying to change them through democratic processes—is hardly the basis of sound public policy.

## Potential benefit two: Increased options and price competition for travelers' accommodations

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Airbnb is essentially a positive supply shock to short-term accommodations. Like all positive supply shocks, it should be expected to lower prices. There is some accumulating evidence that Airbnb does exactly this. Zervas, Proserpio, and Byers (2017) examine the effect of Airbnb expansion across cities in Texas. They find that each 10 percent increase in the size of the Airbnb market results in a 0.4 percent decrease in hotel room revenue. They find that most of this revenue decline is driven by price declines. Evidence of the positive supply shock is particularly evident in the 10 American cities where Airbnb's presence is largest. Dogru, Mody, and Suess (2019) find a negative correlation between Airbnb expansion and hotels' average daily rates in the 10 U.S. cities with the largest Airbnb presence.

Besides cost, the introduction and expansion of Airbnb could improve the perceived quality of accommodations available. There is some limited evidence that this is the case: a survey by doctoral candidate Daniel Adams Guttentag (2016) finds that "convenient location" is one of the top reasons given by Airbnb guests when asked why they chose the service. But the Guttentag 2016 survey also identifies "low cost" as the *single most-identified* reason people give when asked why they chose Airbnb.

However, it should be stressed that this potential benefit of Airbnb introduction and expansion is overwhelmingly a *redistribution* of welfare, not an *increase* in economywide welfare. Very few people have claimed that Airbnb’s spread within a given city has led developers to build *more accommodations* in the city overall. Instead, owners or third parties have often turned long-term rental units into short-term lodging via Airbnb.

The question then becomes, “Has this redistribution of potential accommodations from the long-term to the short-term market increased economic welfare overall?” One way that Airbnb could be increasing economic welfare overall is if it were helping travelers deal with rising travel accommodation costs.

By looking at trends in prices and spending in the short-term lodging sector, we can get a commonsense check on whether high prices for short-term travel accommodations are a pressing economic problem for ordinary American households. If the price of short-term travel accommodations were rising rapidly, then presumably an increase in supply that restrained price increases would be valuable (or at least more valuable than if these prices were not showing any particularly trend). The two lines in **Figure C** show changes in the consumer price index for travel accommodations compared with changes in the overall price index for personal consumption expenditures (PCE). According to Figure C, in the 2010s, the price of short-term travel accommodations has grown faster than prices overall only since 2014—this is the same year that ushered in the large-scale expansion of Airbnb. So it certainly seems that the launch and growth of Airbnb was not solving any preexisting price pressure—because it was operating and expanding well before recent years’ price growth. (Further, it is possible that by substituting more strongly for a less-expensive slice of the traditional hotel market—leisure travel as opposed to business travel, for example—that Airbnb introduction might actually be associated with raising measured short-term travel accommodation prices, through a composition effect.)

Figure C

The price of short-term travel accommodations has increased slightly faster than prices overall, but only in recent years Price indices for short-term travel accommodations and overall personal consumption expenditures (PCE), 2000–2016

<b>2000</b>	100	100
<b>2001</b>	101.9307	101.3374
<b>2002</b>	103.2984	101.5139
<b>2003</b>	105.3422	103.0112
<b>2004</b>	107.9056	108.5361

<b>2005</b>	110.9827	112.6608
<b>2006</b>	113.9515	117.591
<b>2007</b>	116.806	123.4831
<b>2008</b>	120.3703	124.785
<b>2009</b>	120.2921	118.4581
<b>2010</b>	122.2805	119.9578
<b>2011</b>	125.283	123.3742
<b>2012</b>	127.6551	125.921
<b>2013</b>	129.3525	126.922
<b>2014</b>	131.3072	132.8804
<b>2015</b>	131.697	136.9684
<b>2016</b>	133.2704	140.5032



ChartData

**Source:** Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.4.4.

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## Potential benefit three: Travelers' spending boosts the economic prospects of cities

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The lower prices and greater range of options made available by the introduction and expansion of Airbnb could, in theory, induce a large increase in travel and spark economic growth in destination cities. This is precisely the claim made in a report by NERA Economic Consulting (NERA 2017), which says that Airbnb “supported” 730,000 jobs and \$61 billion in output globally, with roughly a quarter of this economic gain occurring in the United States.

To be blunt about these claims, they are flatly implausible. They rest on the assumption that all money spent by those renting Airbnb units is money that would not have been spent in some alternative accommodations had Airbnb not existed.

Say, for example, that guests at Airbnb properties spent \$10 million in New York City in 2016, including the money spent at restaurants and theaters and other attractions while visiting the city. The rental payment these guests make is included in the NERA numbers, but is expressed as extra income for Airbnb hosts. NERA then takes this entire \$10 million in spending (both nonaccommodation spending by visitors and the extra income going to Airbnb hosts) and runs it through input-output models to generate multiplier effects that yield their final numbers for output and employment supported in each city.

There are a number of problems with the NERA study. First, it is surprisingly opaque. It does not provide overall global and U.S. spending numbers or break these numbers into their components: nonaccommodation spending by Airbnb guests and income generated for Airbnb hosts. It also does not report the assumed size of the multiplier. Rather, it provides final numbers for global and U.S. output and employment that are functions of primary spending flows multiplied by the effects of their input-output model. The study states that it uses the well-known IMPLAN model, but IMPLAN can generate multipliers of varying size: It would be valuable to know just how large NERA is assuming the multiplier effects of this Airbnb-related spending is, just as a plausibility check.

Second, the study seems clearly written to maximize the perceived support Airbnb might provide local economies—both now and into the future. For example, toward the end of the report NERA provides several tables showing projected support for output and employment for years after the study (from 2017 to 2025). These projected *future* contributions to output and employment dwarf the contribution that is apparent in the actual data analyzed by NERA. But these projections rely on overoptimistic assumptions about Airbnb's future growth. For example, NERA forecasts growth of 75 percent for Airbnb arrivals in 2017,<sup>5</sup> but another study (Molla 2017) suggests that these arrivals in fact grew by closer to 25–50 percent, with growth rates particularly slowing in the U.S. and the European Union.<sup>6</sup>

What is by far the most important weakness of the NERA analysis is its reliance on the assumption that *all* spending done by travelers staying at Airbnb properties is spending that would not have been done had Airbnb not existed. The possibility that Airbnb visitors would still have visited a city even if Airbnb units were unavailable—by securing alternative accommodations—is completely ruled out by the NERA analysis. This is obviously an incorrect assumption. For example, it assumes that Airbnb and traditional hotels are not seen as potential substitutes for each other in the minds of travelers. But research has shown that they *are* quite close substitutes. Zervas, Proserpio, and Byers (2017) empirically assess the effect of Airbnb’s expansion on the hotel industry in the state of Texas. In their introduction, they write, “Our hypothesis is that some stays with Airbnb serve as a substitute for certain hotel stays, thereby impacting hotel revenue....” In their discussions and conclusions section, they summarize what their empirical investigation has found: “Focusing on the case of Airbnb, a pioneer in shared accommodations, we estimate that its entry into the Texas market has had a quantifiable negative impact on local hotel room revenue.” Put simply, this result is completely inconsistent with the assumption that Airbnb has no potential substitutes for those using its services. This in turn means that at least some of the economic activity “supported” in local economies by spending done by Airbnb guests is activity that would have been supported absent Airbnb, likely by these same guests staying in traditional hotels or other accommodations.

As discussed in a previous section, Guttentag (2016) reports the findings of a survey of Airbnb users. Among other questions, the survey explicitly asks how substitutable travelers find Airbnb lodgings. The precise question is, “Thinking about your most recent Airbnb stay —If Airbnb and other similar person-to-person paid accommodations services (e.g., VRBO) did not exist, what type of accommodation would you have most likely used?” Only 2 percent of Airbnb users responded to this question with the assertion that they would not have taken the trip. The remaining 98 percent identified other lodging possibilities that they would have used. In a similar survey that included some business travelers, Morgan Stanley Research 2017 reports near-identical findings, with between 2 and 4 percent of respondents saying that they would not have undertaken a trip but for the presence of Airbnb. In both the Morgan Stanley Research survey and the Guttentag survey, roughly three-fourths of the respondents indicated that Airbnb was substituting for a traditional hotel.

If the Guttentag 2016 and Morgan Stanley Research 2017 findings are correct, this implies that NERA overstates the support Airbnb provides to local economies by somewhere between 96 and 98 percent. It is possible that some flows of spending might support more local spending when associated with Airbnb instead of traditional hotels—for example, one could argue that income accruing to Airbnb hosts is more likely to be spent locally than money paid to large hotel chains. However, the reverse is also true—for example, Airbnb rentals are far more likely to come equipped with a kitchen, and so Airbnb lodgers might be more likely to eat in rather than patronize restaurants.

Additionally, the local spillover spending associated with Airbnb expansion might not be uniform across neighborhoods. Alyakoob and Rahman (2018) document a modest increase in local restaurant spending associated with expanding Airbnb presence. Essentially, restaurants located away from central hotel cores in cities are unlikely to attract many out-of-town tourists. But if Airbnb penetration in outlying neighborhoods increases, restaurants there might now be able to tap some of this tourist market. Alyakoob and Rahman find that every 2 percent rise in Airbnb activity in a given neighborhood increases restaurant employment in that neighborhood by 3 percent. Crucially, Alyakoob and Rahman make no such calculation for potential employment-depressing effects of restaurants closer to traditional hotels. Further, they find that the boost to restaurant employment given by greater Airbnb activity does not occur in areas with a relatively high share of African American residents.

Finally, given that the overwhelming share of jobs “supported” by Airbnb are jobs that would have been supported by guests in some alternative accommodation, it seems likely that even if there is a slight increase in *spending* associated with a slight (about 2 percent) increase in visitors to a city due to Airbnb, there may well be a decline in *jobs*. We have noted previously that it is quite possible that traditional hotels are a more labor-intensive source of accommodation than are Airbnb listings. If, for example, Airbnb operators employ fewer people to provide cleaning and concierge and security services, then each dollar spent on Airbnb accommodations is likely to support less employment than each dollar spent on traditional hotel accommodations.

We can gauge the employment effect with a hypothetical scenario that assumes that the Guttentag 2016 and Morgan Stanley Research 2017 analyses are correct and that only 2 to 4 percent of the spending supported by Airbnb represents net new spending to a locality. In this case, if even half of the overall spending “supported” by Airbnb is a pure expenditure shift away from traditional hotels, and if traditional hotels are even 5 to 10 percent more labor-intensive than Airbnb units, then introducing Airbnb would actually have a *negative* effect on employment.

Even if one grants that 2 to 4 percent of the output supported by Airbnb in host cities is net new spending, this spending is just a redistribution away from other, presumably less-Airbnb-intensive, localities. Given that Airbnb has tended to grow in already rich and desirable cities, it is unclear why inducing the transfer of even more economic activity away from other cities toward thriving cities would ever be viewed as a positive policy outcome.

In short, the results of the NERA study should be ignored by policymakers seeking an accurate sense of the scale of Airbnb expansion costs and benefits.

## Potential costs of Airbnb introduction and expansion

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This section elaborates on the potential costs highlighted in the overview section. It assesses

the likely outcome of these costs, estimates their empirical heft, and assesses the likely distribution of these costs.

## Potential cost one: Long-term renters face rising housing costs

The mirror image of Airbnb’s positive supply shock to short-term travel accommodations is its negative supply shock to long-term housing options. Again, none of the literature reviewed in this paper suggests that the introduction and expansion of Airbnb has spurred more residential construction overall, so as more units become available to Airbnb customers, this means that fewer potential housing units are available to long-term renters or owner-occupiers in a city.

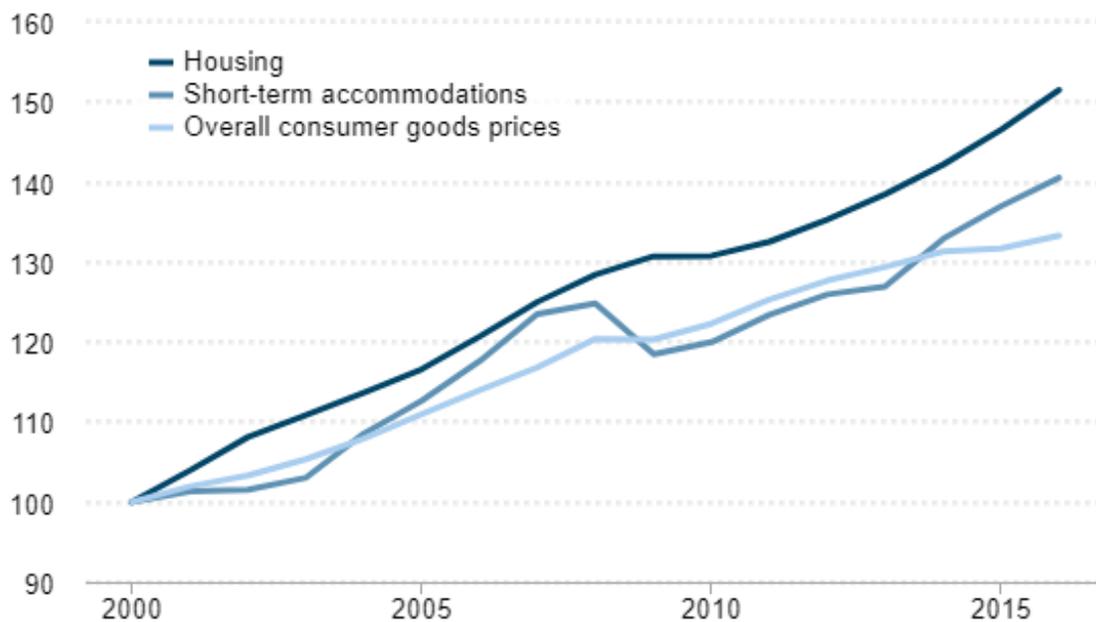
Earlier, we saw that price increases in short-term travel accommodations have been in line with overall consumer price increases in recent years, suggesting that there is no obvious shortage in short-term accommodations. (It is important to note that the tracking of short-term travel accommodation prices and overall prices was tight well before Airbnb was exerting any serious effect one way or the other on prices.) However, national prices of long-term housing are rising faster than overall prices, suggesting a shortage of long-term housing. Because of this above-inflation growth in long-term housing costs, any trend that exacerbates this increase is more damaging than if these prices had been relatively flat in recent years. **Figure D** shows inflation in the price indices for housing (long-term rentals as well as imputed rents for owner-occupied housing) and for short-term travel accommodations, and in the overall personal consumption expenditures index. In recent years, long-term housing price growth has clearly outpaced both overall price growth and increases in the price of short-term travel accommodations. This recent rise in the inflation rate of long-term housing, in fact, has become a much-discussed policy challenge that has spurred much commentary and analysis over the past decade.

Figure D

Housing costs are rising faster than costs of short-term accommodations or overall consumer goods  
 Price indices for housing, short-term travel accommodations, and overall personal consumption expenditures (PCE), 2000–2016

<b>2000</b>	100	100	100
<b>2001</b>	101.9307	101.3374	103.9452
<b>2002</b>	103.2984	101.5139	108.1099
<b>2003</b>	105.3422	103.0112	110.8515
<b>2004</b>	107.9056	108.5361	113.6441

<b>2005</b>	110.9827	112.6608	116.583
<b>2006</b>	113.9515	117.591	120.6693
<b>2007</b>	116.806	123.4831	124.9987
<b>2008</b>	120.3703	124.785	128.395
<b>2009</b>	120.2921	118.4581	130.678
<b>2010</b>	122.2805	119.9578	130.7538
<b>2011</b>	125.283	123.3742	132.5061
<b>2012</b>	127.6551	125.921	135.2922
<b>2013</b>	129.3525	126.922	138.4624
<b>2014</b>	131.3072	132.8804	142.1436
<b>2015</b>	131.697	136.9684	146.4913
<b>2016</b>	133.2704	140.5032	151.4806



#### ChartData

**Note:** The housing price index includes both long-term rentals as well as imputed rents for owner-occupied housing.

**Source:** Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.4.4

[Embed Download image](#)

The fact that the cost of long-term housing has become a prime source of economic stress for typical Americans should be considered when weighing the costs and benefits of Airbnb's introduction and expansion. Crucially, demand for housing is quite inelastic, meaning that households have little ability to forgo housing when it becomes more expensive. When demand is inelastic, even relatively small changes in housing supply can cause significant changes in the cost of housing. This intuition is clearly validated in a number of careful empirical studies looking precisely at the effect of Airbnb introduction and expansion on housing costs.

According to these studies, Airbnb—though relatively new—is already having a measurable effect on long-term housing supply and prices in some of the major cities where it operates. For example, Merante and Horn (2016) examine the impact of Airbnb on rental prices in Boston. The authors construct a rich data set by combining data on weekly rental listings from online sources and data from Airbnb listings scraped from web pages. They find that each 12 Airbnb listings per census tract leads to an increase in asking rents of 0.4 percent. It is important to note that this is a finding of causation, not just correlation. They put this finding in perspective as follows:

If Airbnb's growth rate in 2015, 24%, continues for the next three years, assuming constant mean rents and total number of housing units, Boston's mean asking rents in January 2019 would be as much as \$178 per month higher than in the absence of Airbnb activity. We further find evidence that Airbnb is increasing asking rents through its suppression of the supply of rental units offered for rent. Specifically, a one standard deviation increase in Airbnb listings [an average of 12 units per census tract] relative to total housing units is correlated with a 5.9% decrease in the number of rental units offered for rent. (Merante and Horn 2016)

Barron, Kung, and Proserpio (2018) undertake a similar exercise with different data. They create a data set that combines Airbnb listings, home prices and rents from the online real estate firm Zillow, and time-varying ZIP code characteristics (like median household income and population) from the American Community Survey (ACS). To account for the fact that rents and Airbnb listings might move together even if there is no causal relationship (for example, if both are driven by the rising popularity of a given city), they construct an instrumental variable to identify the causal effect of rising Airbnb listings on rents. Using this instrument, they find that a 10 percent increase in Airbnb listings in a ZIP code leads to a 0.42 percent increase in ZIP code rental prices and a 0.76 percent increase in house prices. They also find that the increase in rents is larger in ZIP codes with a larger share of nonowner-occupied housing. Finally, like Merante and Horn, they find evidence that Airbnb listings are correlated with a rise in landlords shifting away from long-term and toward short-term rental operations.

Sheppard and Udell (2018) also undertake a similar exercise, looking within neighborhoods of New York City. Their key finding is that a doubling of Airbnb activity within a tight geographic zone surrounding a home sale is associated with a 6 to 11 percent increase in sales prices. Their coefficient values are quite close to those from Barron, Kung, and Proserpio (2018).

Wachsmuth et al. (2018) apply the regression results identified by Barron, Kung, and Proserpio (2018) to the large increase in Airbnb rentals in New York City. They find a 1.4 percent increase in NYC rents from 2015 to 2017 due to Airbnb's expansion in that city. For the median NYC renter, this implies a \$384 annual increase in rent from 2015 to 2017 due to Airbnb's expansion over that time.

## Potential cost two: Local government tax collections fall

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For the localities making policy decisions regarding the expansion of Airbnb, perhaps the single biggest consideration is fiscal. Across the United States, total lodging taxes are significant: For the 150 largest cities, the all-in lodging tax rate (including state, county, and city taxes) averaged more than 13 percent (Hazinski, Davis, and Kremer 2018). The temptation for any given locality to set relatively high lodging tax rates (particularly when compared with overall sales tax rates) seems clear—city residents pay little of the lodging tax but still enjoy the benefits funded by the tax. For a number of cities, the total revenue collected is substantial. In 2016, for example, New York City and Las Vegas each collected well over \$500 million in lodging taxes, and San Francisco collected just under \$400 million.

It seems odd to exclude Airbnb stays from the lodging tax, yet the tax treatment of Airbnb rentals is inconsistent and incomplete. The company has entered into a number of tax agreements with state and local governments and is clearly trying to build the impression that it wants to help these governments collect taxes. Yet a number of tax experts argue that Airbnb's efforts to collect and remit lodging taxes (as well as other taxes) have been wholly insufficient.

A description in Schiller and Davis 2017 of the state of Airbnb's tax agreements as of early 2017 highlights the patchy, voluntary nature of the tax regime that Airbnb faces:

Airbnb, whose operations in some instances may violate traditional local zoning and rental ordinances, has sought to legitimize its business by negotiating agreements with cities under which it will collect local sales and lodging taxes. “Working together, platforms like Airbnb can help governments collect millions of dollars in hotel and tourist tax revenue at little cost to them,” the company stated in a “policy tool chest” it offered in late 2016.

Overall, by Airbnb’s count, the company is collecting sales, hotel, or other taxes in 26 states and the District of Columbia (DC) as of March 1, 2017. State-level taxes are collected in 18 of those states. Among this group, some or all local-level taxes are also being collected in every state except Connecticut, which lacks local lodging taxes. In the remaining eight states, Airbnb collects a patchwork of local taxes but no state taxes. In three states—Alaska, Maryland, and New Jersey—Airbnb’s tax collection is limited to a single locality (Anchorage, Montgomery County, and Jersey City, respectively). The company has dramatically expanded its tax collection practices in recent years and appears poised to continue its expansion in the months and years ahead. Airbnb recently announced that it will soon begin collecting state lodging taxes in Maine, for instance.

Dan Bucks, a former director of the Montana Department of Revenue and former executive director of the Multistate Tax Commission, wrote a report assessing the tax agreements that Airbnb has struck with state and local governments in different parts of the country. His central finding is that these agreements “[undermine] tax fairness, transparency, and the rule of law” (Bucks 2017).

Bucks examines 12 of the Airbnb tax agreements from across the country that had been made public by mid-2017. He describes them as follows:

Airbnb devises and presents to tax agencies what are typically ten to twelve-page documents covering back-tax forgiveness, prospective payments, information access and multiple other terms that produce, as this report documents, serious negative consequences for society. Airbnb labels these documents as “voluntary collection agreements,” which they most assuredly are not. These Airbnb-drafted documents do not guarantee the proper collection of taxes due. They block tax agencies from verifying the accuracy of Airbnb payments. Airbnb may be seeking to superficially to liken these documents to the high quality “voluntary disclosure agreements” that states use to bring non-compliant taxpayers into full conformity with the law. However, these documents profoundly undermine sound tax administration and the rule of law. For these and other reasons detailed below, we will not use Airbnb’s misleading label for these documents but will refer to them objectively as “Airbnb agreements.” (Bucks 2017)

The most specific criticism Bucks makes is that these agreements have largely been kept secret from the public, in clear contrast to other “voluntary disclosure agreements.” This secrecy, combined with agreements to “cede substantial control of the payment and audit processes to Airbnb,” make it impossible for tax authorities to ensure proper payment of

lodging taxes. Bucks also argues that these agreements between Airbnb and state and local governments provide large benefits to third parties (Airbnb hosts) who are not signatories and are not obligated to provide anything in exchange for these benefits.

In 2016, an analysis from AlltheRooms.com forecast that Airbnb's failure to ensure the full payment of lodging taxes was on track to cost subnational governments a combined \$440 million in revenue unless policymakers moved to guarantee proper payment. Of the total, \$110 million in lost revenue was for New York City alone. In October 2016, shortly after the AlltheRooms.com analysis was released, New York City passed restrictions on Airbnb advertisements for rentals of less than 30 days when an owner is not present. While these restrictions may have stemmed the loss of revenue relative to the AlltheRooms.com projection, the analysis that predated the restrictions highlight how the unregulated expansion of Airbnb, and its cannibalization of traditional hotel business market share, could still have large fiscal implications for New York and other cities.

Finally, even if Airbnb were to fully comply with the local jurisdiction's tax system on lodgings and pay the same tax rate per dollar earned as traditional hotels, there likely would still be some small fiscal losses stemming from Airbnb's expansion. The primary appeal of Airbnb to most travelers is lower-price accommodations, so even if the same tax rate were paid on Airbnb rentals as is paid on hotel rooms, the lower Airbnb prices would lead to less tax revenue accruing to local governments.

## Potential cost three: Externalities inflicted on neighbors

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When owners do not reside in their residential property, this can lead to externalities imposed on the property's neighbors. If absentee owners, for example, do not face the cost of noise or stress on the neighborhood's infrastructure (capacity for garbage pickup, for example), then they will have less incentive to make sure that their renters are respectful of neighbors or to prevent an excessive number of people from occupying their property.

These externalities could be worse when the renters in question are short term. Long-term renters really do have some incentive to care about the neighborhood's long-run comity and infrastructure, whereas short-term renters may have little to no such incentive. Further, some Airbnb hosts are renters themselves who are subletting a long-term rental property to short-term travelers, which may further shield the ultimate property owners from bearing the costs faced by immediate neighbors. In cities where the spread of Airbnb has become a political issue, hundreds (if not thousands) of complaints have been made in this regard.

The potential for such externalities has been broadly recognized for a long time and was a consideration leading to the prevalence of zoning laws that ban short-term travel accommodations in residential neighborhoods. There is a reason, for example, why Times Square in New York City is a cluster of hotels while the Upper East Side is largely a less noisy

cluster of residential dwellings. There is of course no reason why such past zoning decisions need to be completely sacrosanct and never changed, but these decisions were made for a reason, and changes to them should be subject to democratic debate.

While researchers have often noted the possibility that Airbnb may impose externalities on the communities surrounding Airbnb units, we know of no empirical estimates of these externalities. If these externalities were powerful enough in degrading the desirability of neighborhoods, they could in theory lead to reduced rents and home prices. From the evidence of the previous section, we know that Airbnb adoption in neighborhoods has actually boosted rental and home prices. But this price boost doesn't mean these externalities don't exist—it simply means that price-depressing externalities are offset by the supply effect of moving properties out of the long-term rental market.

Miller (2016) makes an interesting (if likely too abstract) policy proposal for dealing with the externalities associated with home rental via Airbnb. He proposes creating a market in “transferable sharing rights,” in which, for example, each resident of a neighborhood would be given the right to rent out one housing unit for one night. Most residents in a neighborhood won't want to rent out their home. But those who do want to rent out units using Airbnb would want far more than the right to rent out these properties for just one night. To obtain the right to rent out their properties for more nights, they would need to purchase permits from their neighbors. The price it takes to obtain these permits would provide a good indicator of the true costs of the externalities imposed by Airbnb. A city that experimented with these tradeable sharing rights could provide very useful information.

## Potential cost four: Job quantity and quality could suffer

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We have noted already that when Airbnb enters and expands in a city, it shifts traveler business from hotels to Airbnb, leading to downward price pressure for hotels. This shift from traditional hotels to Airbnb properties also implies either a shift in jobs or a reduction in jobs. As an example, take hotel cleaning workers. As more visitors to a city pick Airbnb units over traditional hotel accommodations, the need for cleaning doesn't go away. Instead, it is either foisted on Airbnb proprietors, done by third-party cleaning services, or left unmet and thus implicitly imposing costs on both travelers and the surrounding neighborhood (think of improperly disposed-of trash).

Given that much of the growth of Airbnb in recent years has been driven by hosts with multiple properties (which, when in a single location, are in effect mini hotels), it is not surprising to see an emergence of cleaning services specifically serving Airbnb hosts.<sup>13</sup> These new cleaning services may be less likely to offer decent wages relative to traditional travel lodging; it may also be more difficult for workers to unionize in this context. For example, in the 10 U.S. cities with a particularly large Airbnb presence (including New York

City, Los Angeles, and Chicago), combined unionization rates for maids and cleaners in the hotel industry are nearly double the unionization rates of maids and cleaners in other industries in the economy.<sup>14</sup>

In some sense, the shift in cleaning jobs from traditional hotels to cleaning services for Airbnb hosts is likely analogous in its economic effects to what happens when traditional hotels outsource their own cleaning staffs. Dube and Kaplan (2010) demonstrate large negative wage effects stemming from this type of domestic outsourcing for janitors and security guards. Their findings are reinforced by recent analysis of the German labor market by Goldschmidt and Schmieder (2017), who find similar large negative effects of domestic outsourcing on a range of occupations, including cleaners. While these studies do not directly examine the effect of substituting in-house hotel cleaning jobs for Airbnb cleaning jobs, they both track the effect of “fissuring” between the entity that uses and pays for the service and the entity that manages the service providers. This fissuring has been a key and troubling feature of the American labor market in recent decades, and it is hard to see how the substitution of Airbnb for traditional hotels does not potentially constitute another layer of this fissuring.

This potential for Airbnb to degrade the quality of cleaning jobs is recognized even by the company itself: Airbnb offers hosts the opportunity to advertise that they have taken the “living wage pledge” by committing to pay a living wage to the cleaners and servicers of their properties. It is not clear how commitment to this pledge is (or can be) enforced, however.

## Conclusion: Airbnb should have to play by the same rules as other lodging providers

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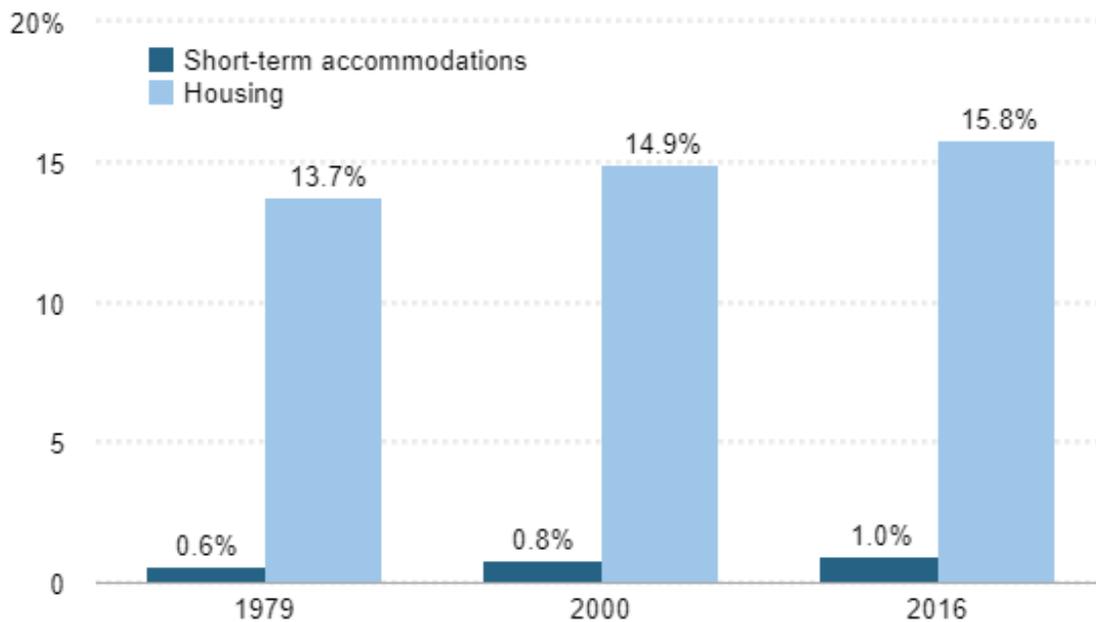
The current policy debates sparked by the rise of Airbnb have largely concerned tax collections and the emergence of “mini hotels” in residential neighborhoods. At its inception, Airbnb advertised itself as a way for homeowners (or long-term renters) to rent out a room in their primary residence, or as a way for people to rent out their dwellings for short periods while they themselves are traveling. However, in recent years Airbnb listings and revenues have become dominated by “multi-unit” renters—absentee property owners with multiple dwellings who are essentially running small-scale lodging companies on an ongoing basis.

This evolution of Airbnb into a parallel hotel industry raises questions about the preferential treatment afforded to this rental company. These questions include, “Why isn’t Airbnb required to ensure that lodging taxes are collected, as traditional hotels are?” And, “Why is Airbnb allowed to offer short-term rentals in residential neighborhoods that are not zoned for these uses, while traditional hotels are not allowed in these same neighborhoods?”

Figure E

Housing costs matter much more to household budgets than short-term lodging costs. Shares of average household personal consumption expenditures devoted to housing vs. short-term travel accommodations, 1979, 2000, and 2016

<b>1979</b>	0.59%	13.72%
<b>2000</b>	0.81%	14.88%
<b>2016</b>	0.95%	15.75%



ChartData

**Note:** The housing price index includes both long-term rentals as well as imputed rents for owner-occupied housing.

**Source:** Author’s analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.5.5

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While there are plenty of other considerations, the spread of Airbnb seems at its core to be a shift of potential housing supply from the long-term residential housing market to the market for short-term accommodations. This shift of supply can lower prices for travelers but raise housing prices for long-term residents. This seems like a bad trade-off, simply based on the share of long-term housing expenses versus short-term travel expenses in average family budgets. **Figure E** presents the share of total personal consumption

expenditures accounted for by housing and by short-term travel accommodations. As the figure shows, housing costs eat up far more of the average household’s budget, and rising housing prices mean that long-term housing has grown more as a share of family budgets than short-term travel accommodations.

This rising cost of housing has become a major economic stress for many American households. Anything that threatens to exacerbate this stress should face close scrutiny. A reasonable reading of the available evidence suggests that the costs imposed on renters’ budgets by Airbnb expansion substantially exceed the benefits to travelers. It is far from clear that any other benefits stemming from the expansion of Airbnb could swamp the costs it imposes on renters’ budgets.

There may be plenty wrong with the status quo in cities’ zoning decisions. But the proper way to improve local zoning laws is not to simply let well-funded corporations ignore the status quo and do what they want. As this report shows, there is little evidence that the net benefit of accelerated Airbnb expansion is large enough to justify overturning previous considerations that led to the regulatory status quo—in fact, the costs of further Airbnb expansion seem likely to be at least as large, if not larger, than the benefits.

## About the author

**Josh Bivens** joined the Economic Policy Institute in 2002 and is currently EPI’s director of research. His primary areas of research include macroeconomics, social insurance, and globalization. He has authored or co-authored three books (including *The State of Working America, 12th Edition*) while working at EPI, has edited another, and has written numerous research papers, including for academic journals. He appears often in media outlets to offer economic commentary and has testified several times before the U.S. Congress. He earned his Ph.D. from The New School for Social Research.

### Appendix Table 1

#### Distribution of housing wealth (primary and nonprimary), by household characteristics

	Primary residence				
<b>Bottom 50 percent</b>	9.8%	14.3%	12.7%	10.4%	0.7%
<b>Bottom 80 percent</b>	45.4%	47.5%	44.0%	40.0%	-5.4%
<b>Top 20 percent</b>	54.6%	52.5%	56.0%	60.0%	5.4%
<b>80th–90th percentile</b>	19.9%	17.9%	17.5%	18.6%	-1.3%
<b>90th–95th percentile</b>	12.6%	11.6%	11.0%	12.0%	1.2%

<b>90th-95th percentile</b>	12.6%	11.6%	11.0%	13.9%	1.3%
<b>96th-99th percentile</b>	15.6%	15.0%	18.2%	16.8%	1.2%
<b>Top 1 percent</b>	6.5%	8.0%	9.3%	10.7%	4.3%
<b>Nonprimary residential property</b>					
<b>Bottom 50 percent</b>	2.6%	4.3%	2.2%	1.6%	-1.0%
<b>Bottom 80 percent</b>	16.8%	18.1%	13.9%	9.9%	-6.9%
<b>Top 20 percent</b>	83.2%	81.9%	86.1%	90.1%	6.9%
<b>80th-90th percentile</b>	15.2%	16.8%	10.7%	12.6%	-2.7%
<b>90th-95th percentile</b>	20.6%	15.5%	13.9%	14.9%	-5.7%
<b>96th-99th percentile</b>	28.7%	28.7%	34.0%	29.6%	0.9%
<b>Top 1 percent</b>	18.6%	21.0%	27.5%	32.9%	14.3%
<b>Primary residence</b>					
<b>White, non-Hispanic</b>	86.4%	87.5%	82.6%	80.6%	-5.9%
<b>Black, non-Hispanic</b>	4.9%	5.0%	6.2%	6.5%	1.6%
<b>Hispanic, any race</b>	4.1%	3.7%	6.1%	6.0%	2.0%
<b>Other</b>	4.6%	3.7%	5.1%	6.9%	2.3%
<b>Nonprimary residential property</b>					
<b>White, non-Hispanic</b>	87.3%	89.5%	84.2%	86.2%	-1.1%
<b>Black, non-Hispanic</b>	4.3%	4.1%	4.1%	5.0%	0.7%
<b>Hispanic, any race</b>	3.1%	3.4%	6.7%	3.6%	0.5%
<b>Other</b>	5.3%	3.0%	5.0%	5.2%	-0.1%

**Note:** Per the Survey of Consumer Finances definitions, primary housing wealth is the total value of the primary residence of a household. Nonprimary housing wealth includes the value of all of other residential real estate owned by the household, including one-to-four family structures, timeshares, and vacation homes.

**Source:** Author's analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

[Embed Download image](#)

## Endnotes

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According to a recent report, “a significant—and rapidly growing—portion of Airbnb’s revenue in major U.S. cities is driven by commercial operators who rent out more than one residential property to short-term visitors” (CBRE 2017).

Horton and Zeckhauser (2016) provide a deep dive into the economics of internet-based service firms. Slee (2017) provides an excellent popularization of some of the economic issues surrounding IBSFs from a deeply critical perspective.

The most obvious benefit to living in housing that one owns is the tax treatment of mortgage interest payments on owner-occupied property, which can be deducted from federal taxes. Another benefit is that the implicit rental income earned by owner-occupiers is not taxed (the money that owner-occupiers are saving by not having to pay rent elsewhere could be viewed as implicit rental income).

Wachsmuth et al. (2018), for example, find that just under half of Airbnb listings in New York City had likely taken illegal reservations.

“Arrivals” is a term referring to each stay in a unit, regardless of length of stay.

For example, Molla (2017) highlights more recent forecasts for 2017 indicating a large slowdown in U.S. Airbnb expansion.

The range of 2 to 4 percent represents the range of findings across 2015, 2016, and 2017. The value was 4 percent in 2015, 2 percent in 2016, and 3 percent in 2017.

The arithmetic on this is relatively straightforward. The NERA 2017 study asserts that Airbnb supports \$14 billion in spending and 130,000 jobs in the United States. This implies each \$107,690 supports a job. Say that half of this spending is the direct cost of accommodations and that it represents a pure expenditure shift away from traditional hotels. Assume further that traditional hotels are 5 percent more labor-intensive—so each traditional hotel job is supported by \$102,300 in spending (5 percent less than the ratio identified by Airbnb). This shift from traditional hotels to Airbnb hence reduces employment by 3,400 jobs for each \$7 billion in spending. Even if overall spending were to rise by 2 percent due to Airbnb’s expansion, this would increase employment by only roughly 2,600 jobs. The key insight here is that once one allows Airbnb to substitute for other forms of accommodation, the link between output and employment might change significantly.

Airbnb itself has commissioned and reported on a number of studies claiming that the share of guests who would not have taken the trip absent Airbnb is as high as 30 percent. Even this number is far larger than the independent assessments of Guttentag (2016) and 26/29

Morgan Stanley Research (2017), but it does highlight just how outlandish the NERA assumption on this is.

In a review of housing markets, Albouy, Ehrlich, and Liu (2016) note that “Housing demand is income and price inelastic.”

The geographic unit implicitly being examined by Sheppard and Udell (2018) is not intuitive. Their observation is an individual home sale. They then track Airbnb listings within five different radii of the sale: 150, 300, 500, 1,000, and 2,000 meters. They interact the number of Airbnb listings with categorical variables for each of the five “buffer zones” defined by the radii and use this as an explanatory variable predicting sales prices.

See Office of New York State Attorney General 2014.

Lawler (2014) notes that Airbnb was testing out dedicated cleaning services for its hosts as early as 2014.

Unionization rates derive from the author’s analysis of data pooled from 2008–2017 from the Outgoing Rotation Groups (ORG) of the Current Population Survey (CPS). Code and results are available upon request. The 10 cities are Boston, Chicago, Los Angeles, Las Vegas, Miami, New York City, San Diego, San Francisco, Seattle, and Washington, D.C. In these 10 cities, the unionization rate for maids and cleaners was 23.2 percent in the traveler accommodation industry, but 12.1 percent in all other industries.

See Weil 2017 for an overview of labor market fissuring.

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## Errata

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This report was updated March 26, 2019, to correct errors in the "Bottom 50 percent" rows in Appendix Table 1. These rows had incorrectly shown the numbers for the top 50 percent instead of for the bottom 50 percent.



**SECTION 10.**

**MISC. ITEMS (including policy discussions and determinations)**

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**GOLD BEACH CITY COUNCIL AGENDA REPORT**

Agenda Item No. **10. c.**

Council Meeting Date: July 8, 2019

**TITLE: Draft Digital/EMC Sign Request Application**

**SUMMARY AND BACKGROUND:**

The Council adopted Ordinance 669 in June which amended a portion of the Sign Code to provide provisions for digital/EMC signs. Attached is a DRAFT of sign request application. This is based on a version we use for land use conditional use permits, and is meant to provide the applicant with a fairly easy one-stop application form. Please review and make any suggested changes/additions/deletions.



# Digital/Electronic Message Center (EMC) Sign Request

For Office Use Only: FILE #

FEE:

## Requests for Digital/EMC signs require a public hearing before the City Council

Digital/Electronic Message Center (EMC) Sign. A digital/EMC sign is an on-premise sign with a bright digital screen display, which may utilize incandescent lamps, LEDs, LCDs, plasma, or a flipper matrix. They can display computer generated video or multimedia content and is updated remotely by computer or playback device.

**Applicant** (print name): \_\_\_\_\_

Mailing address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

*\*\*I hereby certify that the information provided on this application is correct to the best of my knowledge and understand that any false information may result in the rejection of the application and forfeiture of all fees submitted.*

Applicant Signature: \_\_\_\_\_

**Agent** (print name): \_\_\_\_\_

Mailing address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Agent Signature\*\* : \_\_\_\_\_

### Land Owner (IF DIFFERENT THAN APPLICANT)

(Print name): \_\_\_\_\_

Mailing address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

*By submission of this application I authorize the City of Gold Beach Planning Director and/or designee to enter upon the property subject of the application to conduct a site visit, if necessary, for processing the requested application. The City shall contact the Land Owner prior to the site visit to arrange an appropriate time for the site visit.*

Land Owner Signature\*\* : \_\_\_\_\_



## Digital/Electronic Message Center (EMC) Sign Request

### Property Information

#### Assessor Map and Tax Lot

Township - Range - Section - Taxlot

Site address

### SUBMISSION REQUIREMENTS

Please submit the following items at least one week prior to the Council meeting (the Council meets the 2<sup>nd</sup> Monday of each month) you wish your sign request to be consider:

- This completed form
- Site plan meeting City standards (a sample will be provided to assist you)
- Renderings of your proposed sign
- Required application fee: **FEE SET BY THE COUNCIL**

If you have any questions about this application, please contact:

Jodi Fritts, City Administrator/Planning Director

[jfritts@goldbeachoregon.gov](mailto:jfritts@goldbeachoregon.gov) 541-247-7029

**Applicant: Please fill out the following form and submit with your other supporting documents for your digital/EMC sign request. The items listed below are the decision criteria from the Sign Code section of the Gold Beach Business Code as revised by Ordinance 669. Please answer the items with as much detail as possible. Your sign request will be a public hearing before the City Council, these answers, and your other supporting documents, will largely determine whether your request is approved or denied.**

**YOU MAY SUBMIT SUPPLEMENTAL PAGES IF YOU NEED ADDITIONAL SPACE TO ADDRESS THE ORDINACE CRITERIA.**



# Digital/Electronic Message Center (EMC) Sign Request

## Review Standards adopted in Ordinance 669:

*Only one sign per property may feature a digital/EMC display sign. The standards of Section 4.365 for total allowable property signage are also applicable.*

**IF YOU CURRENTLY HAVE A DIGITAL/EMC DISPLAY SIGN YOUR PROPERTY IS NOT ELIGIBLE FOR MORE THAN ONE AT ANY ONE TIME.**

**PLEASE DESCRIBE WHAT THE TOTAL CURRENT REGULAR SIGNAGE IS ON THE SUBJECT PROPERTY.**


*The size of the digital/EMC sign may not exceed forty (40) square feet in size. This measurement of allowable area is the actual sign face. Support structure and other equipment necessary to safely mount the sign is not included or counted toward the maximum 40 square feet.*

**WHAT IS THE SQUARE FOOTAGE OF YOUR PROPOSED SIGN?**


*Digital/EMC signs are only permitted on pole signs as defined in this code.*

Pole signs are defined as:

**(13) Pole Sign. A sign on a frame, pole, or other support structure which is not attached to any building and is a sign wholly supported by a sign structure in the ground.**



**HOW IS YOUR SIGN PROPOSED TO BE MOUNTED AT YOUR LOCATION?**


*Only one continuous digital display is allowed on a sign face at a time.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**


*The image or message on the digital display may not change more often than once every ten (10) seconds.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**




## Digital/Electronic Message Center (EMC) Sign Request

*The images on the digital display must be static and the transition from one static display to another must be completed within two (2) seconds.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**


*The digital display may not be illuminated to a degree of brightness greater than is necessary for visibility. All digital/EMC display signs shall be equipped with a light sensor that automatically adjusts the intensity of the sign according to the amount of ambient light.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**


*Digital/EMC illumination limits: the difference between the off and solid-message measurements using the EMC measurement criteria shall not exceed 0.3 foot candles at night.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**




## Digital/Electronic Message Center (EMC) Sign Request


*All permitted digital/EMC signs shall be equipped with a sensor or other device that automatically determines the ambient illumination and programmed to automatically dim according to ambient light conditions, or that can be adjusted to comply with the 0.3 foot candles measurements.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**


*Digital/EMC display signs must turn off, freeze the image or message in one static position, or show a full black screen if a malfunction in the sign occurs.*

**PLEASE DESCRIBE HOW YOU WILL ENSURE COMPLIANCE WITH THIS STANDARD.**




## Digital/Electronic Message Center (EMC) Sign Request

*Digital/EMC display signs operation and illumination is prohibited between the hours of 9pm to 6am.*

**IF THE COUNCIL APPROVES YOUR REQUEST, A CONDITIONAL OF APPROVAL WILL REQUIRE YOUR COMPLIANCE WITH THE HOURS OF OPERATIONS STANDARD. PLEASE ACKNOWLEDGE THAT YOU UNDERSTAND AND ACCEPT THIS STANDARD:**

I ACKNOWLEDGE AND ACCEPT THE 9PM-6AM HOURS OF OPERATION STANDARD

SIGNATURE OF APPLICANT OR AUTHORIZED AGENT OF LAND OWNER

*Once a completed application and appropriate fee is received for a digital/EMC display sign, the City Official shall schedule the review of the application at the next regular City Council meeting.*

*A decision rendered by the City Council on a digital/EMC sign application is final. Any appeal or further review of a proposal will require reapplication.*