



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Annie Campbell Washington
Councilmember - District 4
e-mail: ACampbell-Washington@oaklandnet.com
www.oaklandnet.com

(510) 238-7004
FAX (510) 238-6910
TDD (510) 839-6451

January 29, 2016

RESOLUTION ALLOCATING FROM THE GENERAL PURPOSE FUND TO THE AFFORDABLE HOUSING TRUST FUND \$350,000 OF THE TRANSIENT OCCUPANCY TAX REVENUE RECEIVED FROM TRANSIENT RESIDENTIAL HOSTING PLATFORMS OVER AND ABOVE THE AMOUNT BUDGETED IN THE FISCAL YEAR 2015-17 ADOPTED BUDGET, ANNUALLY IN EACH YEAR OF THE FISCAL YEAR 2015-17 ADOPTED BUDGET.

Dear Fellow City Council Members,

The City of Oakland is experiencing a housing crisis that is severely impacting the availability of affordable housing. We currently have one of the lowest rental vacancy rates in the nation with some of the highest rental increases. Oakland rents have risen dramatically in the last few years, making it one of the top five most expensive rental markets in the country.

Simultaneously, State and Federal funding for affordable housing has severely decreased over the last several decades. With the dissolution of state redevelopment funds, the exhaustion of the State's Proposition 1C funds and major cuts to federal funding for affordable housing, there are fewer funds available to address this crisis. As a result, the City of Oakland must act to create remedies and find resources to mitigate this local and regional housing crisis, curbing the loss of what makes Oakland great: its people.

In the midst of all this a new type of commercial activity has developed, taking place on what the State refers to as Transient Residential Hosting Platforms (TRHPs). Using TRHPs, homeowners and renters are paid for use of their living space on a short-term basis. The most commonly known TRHP is Airbnb, however there are many similar TRHPs on the market, such as VRBO, Flipkey, and HomeAway.¹

Addressing the Need

Residents and housing advocates are concerned that the number of landlords pursuing this commercial activity on TRHPs will increase, removing long-term rental housing stock from the market and quicken the affordability crisis already underway. To address the anticipated increase in short term rentals of residential property through TRHPs and reduction of long-term rental housing stock, this resolution requests that the City of Oakland allocate a portion (\$350,000) of the 11% Transient Occupancy Tax (TOT) imposed under OMC section 4.24.030, collected from TRHPs, to the Affordable Housing Trust Fund annually in FY 2015-17.

¹ The Impact of Short Term Rentals on Affordable Housing in Oakland: A Report and Recommendations, December 2105, p.5.
http://www.ebho.org/images/Research_and_Reports/EBHO%20Short%20Term%20Rental%20Impact%20Report.pdf

This resolution does not request any portion of the first \$500,000 in TOT revenue received by the City of Oakland from TRHPs for each year of FY 2015-2017. The initial \$500,000 received each year has already been allocated to other activities or programs. Instead, this resolution requests \$350,000 of any additional TOT collected from TRHPs during this two year budget cycle. The \$350,000 will be set aside at the end of each fiscal year to ensure that this revenue is actually received over and above the first \$500,000 before committing it to the Affordable Housing Trust fund.

Calculating TOT Revenue

The exact amount the City of Oakland will receive from TRHPs is at this point in time uncertain. The City Administrator has projected at least \$500,000 in new tax revenue from TRHPs and has included that amount in each year of the FY 2015-17 adopted budget. However, based upon a recent analysis of increasing platform use in the City of Oakland, it appears this number may fall somewhere between \$688,000 and \$2.32 million in TOT annually.

The City of Oakland collects a 14% TOT, from hotels and motels. Oaklanders voted for Measure C in 2009 allocating 3% of TOT income to cultural arts programs, leaving 11% for the general fund. This resolution requests funds from the 11% TOT collected from TRHPs which would otherwise be allocated to the general fund only.

Connection to Affordable Housing

Research suggests there is a link, or nexus, between the increased use of TRHPs and the affordable housing crisis. The majority of Airbnb's listings are located in North Oakland neighborhoods; communities we know have particularly high rents. Reductions in the supply of housing stock may be contributing to the rapidly increasing cost of housing in these areas. Rents in North Oakland's Temescal neighborhood, for example, rose by 20% in 2014. In this same neighborhood, a landlord may earn as much as \$3,690 a month renting out their entire unit on Airbnb, 14% more than that landlord would earn renting to a local resident on a long-term basis.

To mitigate the logical repercussions of the financial incentive that lies here, I propose increased investment in the Affordable Housing Trust Fund. Oakland Municipal Code Section 15.68.100 states that "Funds deposited into the Affordable Housing Trust Fund, and all interest and investment earnings thereon, shall be used to **increase, improve, and preserve the supply of affordable housing** in the City, with priority given to housing for very low income households."

I strongly urge my Fellow Councilmembers to pass this resolution to counter the potential decrease in housing stock caused by increased commercial activity of this nature. Please join me in allocating \$350,000 of any TOT revenue received from TRHPs, beyond the \$500,000 already allocated in the budget, to the Affordable Housing Trust Fund to increase, improve, and preserve the supply of affordable housing in our City.

Respectfully,



Annie Campbell Washington
City of Oakland Councilmember, District 4