

Exhibit A: Scope of Work

The County of Sonoma is seeking a report to consider how vacation rentals may affect housing markets in Sonoma County. Some considerations include:

- The demography and growth of vacation rentals in Sonoma County (housing mix by type, pricing, location, etc.) over the last three years (2018-2020) minimum (prefer 10 years);
- The evolution of the housing market in Sonoma County since 2016, given the fires in 2017 and loss of housing units and how total housing units have evolved; and
- Model the data on key variables that help determine Sonoma County housing market median home prices and the variables that explain the variation in price.

The main hypothesis to be tested is as follows. **Do homes purchased or shifted from long-term rentals primarily for vacation rental use change housing market dynamics in ways that reduce affordability more than other variables that help determine home prices?** When a vacation rental is born from a single-family home, it is not born equally. In some cases, it is the conversion of a home by a local family due to a second home being purchased somewhere else; in some cases, it will be a portion of a home or a second unit on a property that is rented; in some cases, it will be an outside buyer purchasing a new or existing home explicitly to enter the vacation rental market. **In this study, we would look at whole-home vacation rentals only.** To consider vacation homes as all affecting the housing market equally is a mistake, but it is true that a home used for a vacation rental is a home not available to a buyer for primary residence use.

Some data exists to describe vacation homes in Sonoma County and their demographic information (location, price trends, etc.). Some questions to answer include: What are the trends in short term rentals with regard to location and housing costs? Are rentals trending towards expensive or inexpensive housing stock? Are some markets becoming saturated? The County of Sonoma tracks permits for vacation homes for vacation homes on the market. Sonoma County Tourism (SCT) has data on vacation rentals prices and trends by city and unincorporated parts of Sonoma County, in the major cities and areas of Sonoma County for comparison and contrast.

EFA would need to access these data and have data available over time to do a true comparative study. Public databases, such as Realtor.com and Zillow™ Research, provide data on housing prices, sales volume and listing prices at the median level by county. Interest rate and employment data are also available to describe macroeconomic conditions in terms of other variables that may influence home prices. Rental availability and pricing are also a factor, and data are available on rental prices from the Census Bureau and other data sources.

The approach would be to consider how changes in vacation rentals that are true single-family homes available for travelers, may or may not influence housing prices otherwise based on the data we have. A statistical approach to “decompose” the effects of vacation rentals on home prices versus other factors provide a way to consider how a percentage change in vacation rentals annually would change housing price affordability and potentially spill over into rental markets.

Deliverable

A narrative report providing background, brief literature overview, methodology, analysis, and conclusions with a data appendix.