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Vacancy Tax Options Analysis

Prepared for the Town of Truckee and County of Nevada

July 18, 2023



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Dear Ms. Callaway and Mr. Polt:

We are pleased to provide final copy of the *Truckee-Nevada County Vacancy Tax Options Analysis*. As always, please do not hesitate to contact me if you have any questions.

Best regards,



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INTRODUCTION

With the recent passage and implementation of new taxation measures aimed at vacant residential and commercial real estate holdings in places like Oakland, Berkeley, San Francisco, and Vancouver, many communities throughout California are considering the benefits and trade-offs associated with implementing similar tax measures. There is particular interest being expressed by stakeholders in many visitor serving economies, like those in the greater Lake Tahoe region, which feature large inventories of second-homes and investor-owned properties, as well as under-performing commercial assets, which are vacant for large portions of the year. Jurisdictions like the City of South Lake Tahoe, and now the Town of Truckee and Nevada County, are looking to tools like vacancy tax measures in an effort to incentivize the improved utilization of existing land use resources, both residential and non, as well as to generate funds that can be used to support community priorities, like public transit.

In early 2023, BAE presented findings from an analysis of potential local funding options for the City of South Lake Tahoe, which included an overview of vacancy tax measures being implemented in other communities and estimated the potential revenue that may be generated to the City as a result of implementing a similar vacancy tax measure. That analysis was relatively high-level and intended to illustrate the potential order of magnitude of the revenue that may be generated to the City on an annual basis, and which may be used to fund high-priority housing programs. While the City's primary objective in considering a vacancy tax was revenue generation, such tax measures also have the potential to incentivize the owners and buyers of real property to change the way(s) in which they use their property, such as potentially making otherwise vacant homes available for full-time occupancy, or taking steps to re-tenant or redevelopment otherwise vacant commercial properties. However, depending on how the tax is structured, it may be more or less likely to have the desired secondary effects.

Recognizing the many ways to potentially structure a vacancy tax measure, the Town of Truckee and Nevada County commissioned an evaluation of different vacancy tax policy options. The following analysis is divided into three main sections. The first section summarizes the ways in which imposition of a vacancy tax may theoretically impact the behavior of private market actors, such as owners of second-homes and vacant non-residential properties, as well as how such a measure may impact the market more broadly. The second section reviews five different categories of real property that represent possible targets for taxation, including seasonally vacant single-family properties, seasonal vacant multifamily properties, short-term rentals, accessory dwelling units, and vacant non-residential properties, though some of these categories likely overlap. The third and final section provides high-level estimates of the potential revenue that may be generated through imposition of a new vacancy tax measure, or measures, on different types of property and at various rate levels based on preliminary scenarios identified by the Town of Truckee and Nevada County.

FACTORS INFLUENCING MARKET BEHAVIOR

There is insufficient data available to accurately or reliably project the number of residential units, or the amount of non-residential square footage, that the Town or County may reasonably expect to become occupied as a direct result of imposing a vacancy tax. The Oakland, Berkeley, and San Francisco vacancy taxes are relatively new and very little data exist regarding their impacts on the market. While the City of Vancouver, British Columbia, has reported impacts associated with its adopted vacancy tax, the market context and drivers of residential vacancy are sufficiently different that the data should be used only with extreme caution to project anticipated impacts associated with imposition of a vacancy tax within the Town of Truckee and Nevada County markets. Nonetheless, economic theory and professional practice indicate that such measures will impact the market to some extent.

Factors Influencing Residential Market Behavior

Within the residential market, imposition of a vacancy tax measure is likely to increase the relative cost associated with owning and maintaining a qualifying property. For high-income and/or high-wealth owners of second-home properties, imposition of a vacancy tax may not impact the way in which the property is used, either in terms of increased utilization or a forced sale or rental of the property to a full-time occupant. Nonetheless, property owners that are less well positioned to absorb the additional costs imposed by the vacancy tax may theoretically change their behavior in response to the new tax. This may reasonably include increasing the owner's personal use of the property, including increasing secondary use by friends and family. It may also provide an additional incentive for some property owners to short-term rent their property, regardless of whether or not they are able to secure the necessary permit. In some cases, property owners may be induced to long-term rent their property, assuming that they need to offset the additional cost, while others may be induced to put the property up for sale. In the event of a sale, it is unknown whether the property would be sold to someone looking to occupy the property full-time, or if it would sell to an investor or second-home owner who is able to absorb the additional tax burden.

The impact of a residential vacancy tax measure is likely contingent upon the details of the vacancy tax measure in question, the effective rate in place at any given time, and the way in which that rate is calculated, as well as the relative enforceability of the vacancy tax, including the ways in which occupancy is determined and enforced. In addition, the propensity of any given property owner to make any particular response to imposition of a vacancy tax measure is contingent upon the owner's unique personal and household financial position and tax liability (e.g., do they have adequate discretionary income or wealth to offset the cost increase without undue burden; was the unit purchased on a 1031 exchange), their cost basis in the property (e.g., property tax base), their annual cost profile (e.g., maintenance and utility costs), their anticipated level of personal use of the property (e.g., do they use it often or only occasionally), and their long-term plans (e.g., do they plan to move into the unit in retirement).

Factors Influencing Non-Residential Market Behavior

Similar to the residential market, imposition of a vacancy tax measure is likely to increase the relative cost associated with owning, maintaining, and leasing a qualifying property. Depending on how the vacancy tax measure is structured and the effective tax rate is imposed, a vacancy tax measure may have the effect of providing an additional inducement to tenant existing vacant non-residential property through reduced rents or other concessions to lessees. Depending on the owner's relative cost basis in a given property, there is sometimes little incentive for property owners to consider reduced rents or concessions in cases where the comparative holding costs associated with maintaining a vacant property are relatively low compared to the opportunity cost of signing a low-cost lease. Imposition of a vacancy tax increases the opportunity cost associated with keeping the space vacant. Similarly, in the case of properties that are heavily depreciated and in need of significant repair and/or redevelopment, imposition of a vacancy tax can also theoretically increase the opportunity cost associated with letting the property sit vacant and can, in some cases, induce the property owner to either enact the repairs or demolish existing dilapidated buildings, further preparing the property for possible redevelopment. In cases where the vacancy tax applies to vacant land, the measure can also provide inducement to initiate new construction.

Impacts on Value for Property in Commercial Use

In cases where properties are experiencing sustained long-term vacancy due to adverse market conditions (i.e., lack of tenant demand) and the vacancy tax is high enough to constitute a financial burden, the imposition of a vacancy tax measure may induce some property owners to sell their property, including at a reduced price. The imposition of a vacancy tax adds an additional element of risk to the ownership of investment property, including for both residential and non-residential property intended for lease (long-term or short-term) as opposed to owner occupancy. Increased risk typically reduces a prospective property owner's willingness to pay for a given asset. As a result, imposition of a vacancy tax may also have the effect of tempering speculative investment activity.

Economic theory generally indicates that lower-income and lower-wealth property owners are more susceptible being compelled to action by a new tax. Owners of lower-quality properties that are less well positioned towards the local market are more likely to be negatively impacted as their prospects for leasing or selling the property and avoiding the tax are more limited, as are the resources available to them to reinvest in the property to match the market.

In response to the potential to impact property values, particularly for lower-wealth property owners, most vacancy tax measures, including those oriented towards both residential and non-residential property, currently in place or under consideration in California include a variety of exemptions or postponements that are available to property owners that are making a good faith effort to tenant or otherwise occupy the property, with imposition of a vacancy tax representing a more severe penalty for bad faith actors unwilling to take other necessary steps to occupy the property in a way that is more in line with the jurisdiction's land use objectives.

IDENTIFY SUBJECT PROPERTIES

One of the defining challenges associated with implementing a taxation scheme based on occupancy or vacancy status is the difficulty of accurately and reliably identifying properties that would be subject to the tax. For ease of implementation, the Town of Truckee and Nevada County may consider a process similar to that being used in the City of Oakland, whereby the City makes an initial determination of possible vacancy and notifies property owners who are then given the opportunity to petition the vacancy determination.

The initial determination of vacancy could be made using a variety of different approaches; however the method that may be most readily achievable may be to leverage data from the Nevada County Assessor to identify properties subject to a homeowner's property tax exemption. All properties not subject to the homeowner's property tax exemption would then be assumed vacant and the owners notified. The property owner or manager would then be offered the opportunity to provide documentation substantiating occupancy of the property for at least a minimum number of days per year, such as by providing a copy of a fully executed lease agreement, or information pertaining to the use of the property as a short-term rental.

Both the Town and the County will want to closely evaluate the minimum occupancy period that would be part of any potential vacancy tax measure. By establishing a minimum, the jurisdiction provides some room for properties to be held vacant for various legitimate purposes, including putting the property up for sale or for lease, or in order to complete needed repairs. Having a vacancy term that is too short may unfairly penalize property owners that are holding a property vacant for justifiable reasons, where having a vacancy term that is too long may reduce the number of properties that are reasonably subject to the tax. The vacancy term that is right for the community will vary based on market conditions and community priorities. For example, properties in both San Francisco and Berkeley can be held vacant for up to six months, but in Oakland may be vacant no more than 49 days per year.

Recognizing the many ways in which a jurisdiction may structure a potential vacancy tax measure, this analysis aims to provide illustrative estimates of the number of vacant housing units that may be subject to the tax under different tax structures. The analysis begins with identification of the number of parcels with residential units that claim the California homeowners' tax exemption as of the 2022 tax year. The analysis then shifts to discuss the number of housing units in each jurisdiction that were identified as vacant as of the 2020 Decennial Census. BAE then leverages the available Census data to generate estimates of the number of units held vacant for seasonal and occasional use by unit type, as of 2020. Lastly, the section also summarizes the available data on the number of short-term rentals (STRs) and accessory dwelling units (ADUs) that exist within each jurisdiction, recognizing that these may represent unique subsets of units that could be subject to a potential vacancy tax. The section also summarizes the current inventory of vacant non-residential space.

Homeowners' Exemption Status

Based on the most recent parcel database available from Nevada County, there were around 12,120 parcels in the Town of Truckee and 28,550 parcels in unincorporated Nevada County that could be identified as hosting residential units (i.e., parcels with reported units, a guest house, bedrooms, or homeowners' property tax exemption). Around 3,260 parcels (~27 percent) within the Town of Truckee were subject to the California homeowners' property tax exemption, along with another nearly 17,400 parcels (~61 percent) in unincorporated Nevada County. This would leave approximately 8,860 parcels in the Town of Truckee and 11,190 parcels in unincorporated Nevada County with residential units that were not subject to a homeowners' property tax exemption. In both jurisdictions, the number of parcels with residential units not subject to a homeowners' property tax exemption is larger than the number of units estimated to be vacant by the 2020 Decennial Census, as discussed below.

Residential Vacancy by Type

Table 1 reports the number of housing units that were determined to be vacant as of the 2010 and 2020 Decennial Census. While additional estimates are available through the 2021 Five-Year American Community Survey (ACS), detailed review indicate those estimates to have relatively high margins of error. Also, the ACS estimates cover a five-year survey period, where the 2020 Decennial Census represent point-in-time figures for a single year.

Total Countywide Vacancy

Based on the Data provided in Table 1, there were a total of 10,853 vacant housing units throughout all of Nevada County as of the 2020 Decennial Census. This included 8,467 that were vacant for seasonal or occasional uses, as well as another 980 that were vacant for other reasons.¹ From a practical standpoint, it is likely that units that are actively being listed for sale or lease, which have been leased or sold but not yet reoccupied, and housing units that are vacant in order to accommodate seasonal migrant workers would be exempt from any potential future vacancy tax measure. Units that are vacant for seasonal and occasional use, as well as some units identified as "other vacant" likely represent the pool of housing units that would most likely be subject to a potential vacancy tax measure under most scenarios. These units represent approximately 18 percent of the total housing stock, which is roughly consistent with the total share of seasonal and "other vacant" units as of 2010.

¹ According to Census Bureau definitions, "other vacant" units include year-round units that were vacant for reasons other than those mentioned above, such as settlement of an estate or foreclosure, held for personal or family reasons, preparing to rent or sell, held for storage of household furniture, needs or is being repaired, extended absence (i.e., vacant for 6-months or more due to extended work or military assignment, temporarily out of country, or in jail or other type of detention), etc.

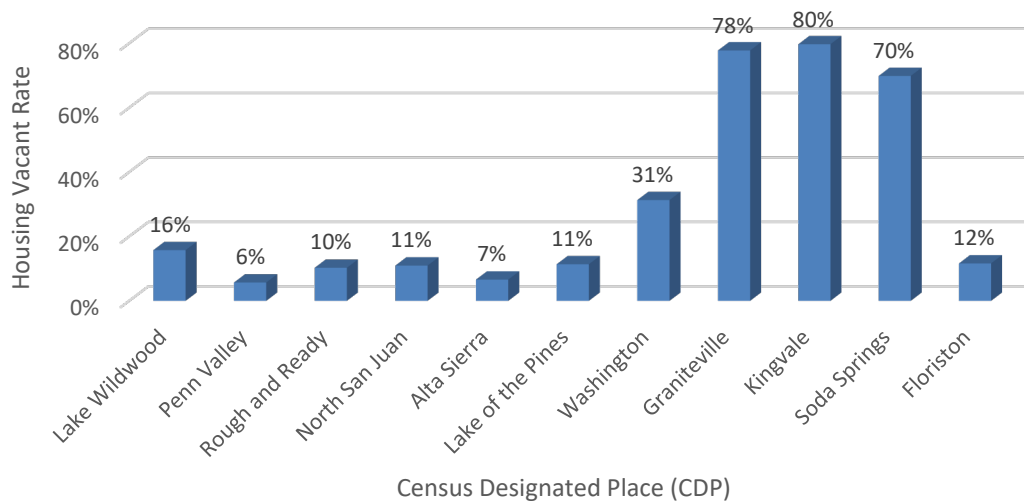
In the Town and Unincorporated County

The Census Bureau estimates that there were a total of 6,426 seasonally vacant units in Truckee as of 2020, plus another 135 units in the “other vacant” category. This represented approximately 48 percent of the total housing stock, which was roughly consistent with the estimated 2010 vacancy rate for seasonal and “other vacant” units. While the number of seasonal and “other vacant” units went up between 2010 and 2020, so did the total number of units in the Town. In unincorporated Nevada County, including both the eastern and western areas, there were 2,041 seasonally vacant units and 684 units in the “other vacant” category. This represented approximately 31 percent of the total housing stock, which represents a slight increase from 30 percent as of the 2010 Decennial Census.

By Census Designated Place

Table 2 and Figure 1 both show residential vacancy for all Census Designated Places (CDPs) located in unincorporated Nevada County. The CDPs are organized from west to east (left to right). The data indicate that both total and seasonal vacancy increases in the CDPs that are located further east. While the communities of Lake Wildwood and Lake of the Pines have relatively large numbers of seasonally vacant and “other vacant” units, these represent a relatively small share of the total housing inventory in those areas. The communities of Washington, Graniteville, Kingvale, Soda Springs, and Floriston have relatively high seasonal vacancy rates by comparison. Nevada County should, therefore, consider applying a potential vacancy tax measure towards the eastern county only versus as a countywide initiative.

Figure 1: Vacant Housing Units, Census Designated Places (West to East), 2020



Sources: U.S. Census Bureau, 2020 Decennial Census Table H1 and H5; BAE, 2023.

Table 1: Vacancy Status by Type of Vacancy, Incorporated and Unincorporated Nevada County, 2010 and 2020 Decennial Census (Page 1 of 2)

2010 Decennial Census

Type of Vacancy	Incorporated Cities/Towns			Incorporated County	Unincorporated County	Nevada County
	Grass Valley	Nevada City	Truckee			
Occupied Units	6,077	1,356	6,343	13,776	27,751	41,527
Vacant Units	560	154	6,460	7,174	3,889	11,063
<i>For rent</i>	266	29	175	470	305	775
<i>Rented, not</i>	15	3	39	57	44	101
<i>For sale only</i>	101	31	147	279	512	791
<i>Sold, not occupied</i>	22	5	16	43	104	147
<i>For seasonal use</i>	55	52	5,989	6,096	2,237	8,333
<i>For migrant workers</i>	0	0	3	3	9	12
<i>Other vacant</i>	101	34	91	226	678	904
Total, All Units	6,637	1,510	12,803	20,950	31,640	52,590

2020 Decennial Census

Type of Vacancy	Incorporated Cities/Towns			Incorporated County	Unincorporated County	Nevada County
	Grass Valley	Nevada City	Truckee			
Occupied Units	6,301	1,465	6,606	14,372	28,402	42,774
Vacant Units	415	158	6,768	7,341	3,512	10,853
<i>For rent</i>	143	11	206	360	263	623
<i>Rented, not</i>	13	8	44	65	64	129
<i>For sale only</i>	56	9	81	146	366	512
<i>Sold, not occupied</i>	16	6	23	45	92	137
<i>For seasonal use</i>	78	69	6,279	6,426	2,041	8,467
<i>For migrant workers</i>	3	0	0	3	2	5
<i>Other vacant</i>	106	55	135	296	684	980
Total, All Units	6,716	1,623	13,374	21,713	31,914	53,627

Sources: U.S. Census Bureau, 2010 and 2020 Decennial Census Table H1 and H5; BAE, 2023.

Table 1: Vacancy Status by Type of Vacancy, Incorporated and Unincorporated Nevada County, 2010 and 2020 Decennial Census (Page 2 of 2)

2010 Decennial Census

Type of Vacancy	Incorporated Cities/Towns			Incorporated County	Unincorporated County	Nevada County
	Grass Valley	Nevada City	Truckee			
Occupied Units	92%	90%	50%	66%	88%	79%
Vacant Units	8%	10%	50%	34%	12%	21%
<i>For rent</i>	4%	2%	1%	2%	1%	1%
<i>Rented, not occupied</i>	0%	0%	0%	0%	0%	0%
<i>For sale only</i>	2%	2%	1%	1%	2%	2%
<i>Sold, not occupied</i>	0%	0%	0%	0%	0%	0%
<i>For seasonal use</i>	1%	3%	47%	29%	7%	16%
<i>For migrant workers</i>	0%	0%	0%	0%	0%	0%
<i>Other vacant</i>	2%	2%	1%	1%	2%	2%
Total, All Units	100%	100%	100%	100%	100%	100%

2020 Decennial Census

Type of Vacancy	Incorporated Cities/Towns			Incorporated County	Unincorporated County	Nevada County
	Grass Valley	Nevada City	Truckee			
Occupied Units	94%	90%	49%	66%	89%	80%
Vacant Units	6%	10%	51%	34%	11%	20%
<i>For rent</i>	2%	1%	2%	2%	1%	1%
<i>Rented, not occupied</i>	0%	0%	0%	0%	0%	0%
<i>For sale only</i>	1%	1%	1%	1%	1%	1%
<i>Sold, not occupied</i>	0%	0%	0%	0%	0%	0%
<i>For seasonal use</i>	1%	4%	47%	30%	6%	16%
<i>For migrant workers</i>	0%	0%	0%	0%	0%	0%
<i>Other vacant</i>	2%	3%	1%	1%	2%	2%
Total, All Units	100%	100%	100%	100%	100%	100%

Sources: U.S. Census Bureau, 2010 and 2020 Decennial Census Table H1 and H5; BAE, 2023.

Table 2: Vacancy Status by Type of Vacancy, Nevada County Census Designated Places, 2010 and 2020 Decennial Census (Page 1 of 2)

2010 Decennial Census

	Census Designated Places (CDPs)										
	Lake Wildwood	Penn Valley	Rough and Ready	North San Juan	Alta Sierra	Lake of the Pines	Washington	Graniteville	Kingvale	Soda Springs	Floriston
Type of Vacancy											
Occupied Units	2,225	628	428	130	2,830	1,567	90	8	69	41	38
Vacant Units	416	38	49	16	200	201	41	28	271	95	5
For rent	27	5	11	0	23	8	1	0	0	1	2
Rented, not	2	2	1	1	4	2	0	0	4	0	0
For sale only	61	13	4	1	59	41	0	0	6	1	0
Sold, not occupied	7	2	2	0	7	10	0	0	0	0	0
For seasonal use	281	8	18	6	50	115	38	27	254	92	1
For migrant workers	0	0	0	1	0	0	0	0	1	0	0
Other vacant	38	8	13	7	57	25	2	1	6	1	2
Total, All Units	2641	666	477	146	3,030	1768	131	36	340	136	43

2020 Decennial Census

	Census Designated Places (CDPs)										
	Lake Wildwood	Penn Valley	Rough and Ready	North San Juan	Alta Sierra	Lake of the Pines	Washington	Graniteville	Kingvale	Soda Springs	Floriston
Type of Vacancy											
Occupied Units	2,274	624	399	120	2,947	1,825	53	4	67	43	35
Vacant Units	383	41	58	21	118	219	39	29	247	88	8
For rent	11	11	5	4	11	22	0	0	0	0	0
Rented, not	0	1	3	2	7	3	0	0	0	0	0
For sale only	64	16	0	0	33	31	0	0	3	4	0
Sold, not occupied	16	2	1	0	6	4	0	0	0	0	0
For seasonal use	263	1	13	8	40	136	38	29	242	84	8
For migrant workers	0	0	0	1	0	0	0	0	0	0	0
Other vacant	29	10	36	6	21	23	1	0	2	0	0
Total, All Units	2,657	665	457	141	3,065	2,044	92	33	314	131	43

Sources: U.S. Census Bureau, 2010 and 2020 Decennial Census Table H1 and H5; BAE, 2023.

Table 2: Vacancy Status by Type of Vacancy, Nevada County Census Designated Places, 2010 and 2020 Decennial Census (Page 2 of 2)

2010 Decennial Census

Type of Vacancy	Census Designated Places (CDPs)										
	Lake Wildwood	Penn Valley	Rough and Ready	North San Juan	Alta Sierra	Lake of the Pines	Washington	Graniteville	Kingvale	Soda Springs	Floriston
Occupied Units	84%	94%	90%	89%	93%	89%	69%	22%	20%	30%	88%
Vacant Units	16%	6%	10%	11%	7%	11%	31%	78%	80%	70%	12%
For rent	1%	1%	2%	0%	1%	0%	1%	0%	0%	1%	5%
Rented, not	0%	0%	0%	1%	0%	0%	0%	0%	1%	0%	0%
For sale only	2%	2%	1%	1%	2%	2%	0%	0%	2%	1%	0%
Sold, not occupied	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
For seasonal use	11%	1%	4%	4%	2%	7%	29%	75%	75%	68%	2%
For migrant workers	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%
Other vacant	1%	1%	3%	5%	2%	1%	2%	3%	2%	1%	5%
Total, All Units	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

2020 Decennial Census

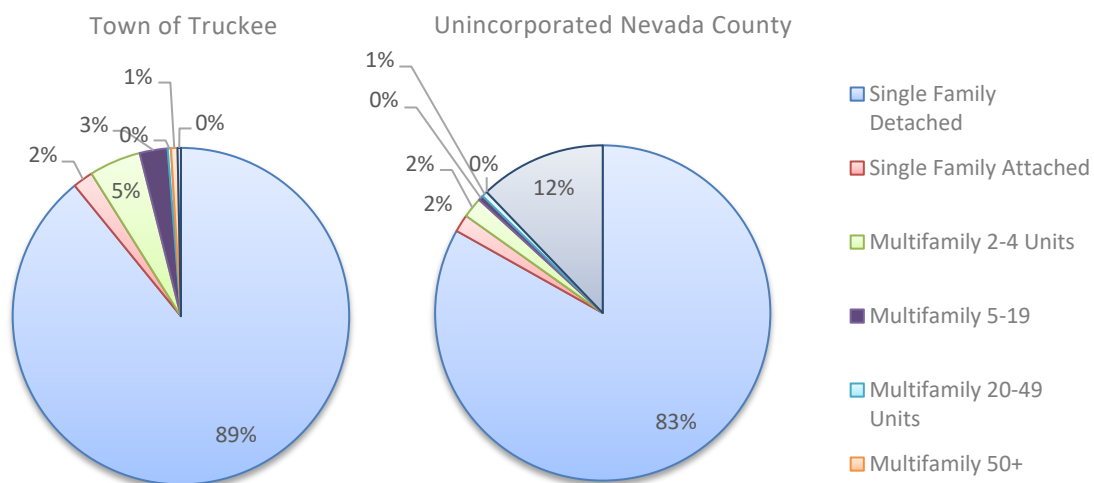
Type of Vacancy	Census Designated Places (CDPs)										
	Lake Wildwood	Penn Valley	Rough and Ready	North San Juan	Alta Sierra	Lake of the Pines	Washington	Graniteville	Kingvale	Soda Springs	Floriston
Occupied Units	86%	94%	87%	85%	96%	89%	58%	12%	21%	33%	81%
Vacant Units	14%	6%	13%	15%	4%	11%	42%	88%	79%	67%	19%
For rent	0%	2%	1%	3%	0%	1%	0%	0%	0%	0%	0%
Rented, not	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%
For sale only	2%	2%	0%	0%	1%	2%	0%	0%	1%	3%	0%
Sold, not occupied	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
For seasonal use	10%	0%	3%	6%	1%	7%	41%	88%	77%	64%	19%
For migrant workers	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%
Other vacant	1%	2%	8%	4%	1%	1%	1%	0%	1%	0%	0%
Total, All Units	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Sources: U.S. Census Bureau, 2010 and 2020 Decennial Census Table H1 and H5; BAE, 2023.

Seasonal Vacancy by Units in Structure

Figure 2 illustrates the distribution of vacancy housing units by units in structure from the 2021 Five Year ACS for the Town of Truckee and unincorporated Nevada County. Additional detail is provided in Appendix A. According to this data, 91 percent of all vacant housing units in Truckee and 85 percent in unincorporated Nevada County were single-family homes (both attached and detached). Nine percent and three percent, respectively, were multifamily units.

Figure 2: Total Vacancy by Units in Structure, 2021 Five-Year Sample Data



Sources: U.S. Census Bureau, American Community Survey 2016-2021 five-year sample data, Table B25024 and B25032; BAE, 2023.

Combining the data from Table 1 and Figure 2, and assuming that the distribution of housing units by units in structure is consistent between the total vacant housing inventory and the seasonal vacant housing inventory, BAE estimates that there were approximately 5,338 single-family homes (both attached and detached) held for seasonal use in Truckee as of 2020, with another 81 single-family units falling into the “other vacant” category. In addition, there were 514 seasonal housing units located in multifamily structures with more than two units, along with another eight units defined as “other vacant.” The data also suggest that nearly 20 seasonal housing units in Truckee may have been mobile homes. In unincorporated Nevada County, the data indicate that there were 1,898 single-family homes held for seasonal use, along with another 575 single-family homes in the “other vacant” category. This is compared to 67 seasonally occupied units and 20 “other vacant” units in multifamily structures. Lastly, the data suggest that approximately 335 seasonal or “other vacant” units were mobile or manufactured homes. To the extent that the true distribution of seasonal and other vacancy differs from the overall distribution of vacancy by building type, the true figures may vary. For a detailed summary of the above figures, please refer to Table 3 on the following page.

Table 3: Estimated Distribution of Seasonal and Other Vacant Housing Units by Units in Structure, 2020

Units in Structure (a)	Town of Truckee		Unincorporated Nevada County	
	Seasonal	Other Vacant	Seasonal	Other Vacant
Single Family Detached	5,338	81	1,860	564
Single Family Attached	117	2	38	11
Multifamily 2-4 Units	297	5	44	13
Multifamily 5-19	161	2	11	3
Multifamily 20-49 Units	19	0	12	4
Multifamily 50+	37	1	0	0
Mobile Home/Other	19	0	272	83
Total, All Vacant (b)	5,989	91	2,237	678

Notes:

(a) The distribution of vacant housing units by units in structure is based on the distribution for all vacant housing as reported in the

2016-2021 Five-Year American Community Survey (ACS).

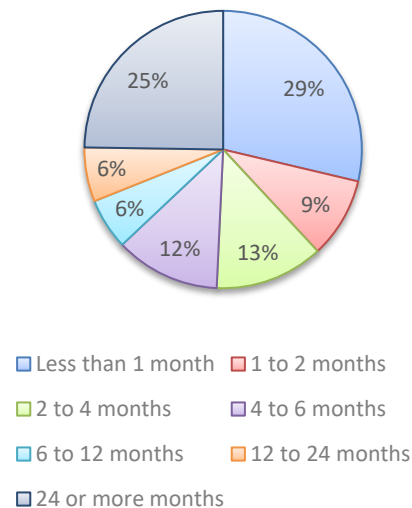
(b) The total number of housing units held vacant for seasonal and occasional use and "other vacant" housing units are as reported in the 2020 Decennial Census.

Sources: U.S. Census Bureau, 2010 and 2020 Decennial Census Table H1 and H5; U.S. Census Bureau, American Community Survey 2016-2021 five-year sample data, Table B25024 and B25032; BAE, 2023.

Vacancy Duration

Little information is currently available regarding the number of days per year that seasonal or "other vacant" housing units are occupied each year. This is relevant to the analysis in that a vacancy tax measure must establish a minimum number of days per year that the unit would need to sit unoccupied in order to be subject to the tax. As of the 2021 Five-Year ACS, the Census Bureau began publishing county-level data on the estimated duration that housing units are held vacant. Note that these figures reflect all types of vacant units and not just those held vacant for seasonal or occasional use or those in the "other vacant category.

Figure 3: Vacancy Duration, All Vacant Units, Nevada County, 2021 One-Year Sample Data



Sources: U.S. Census Bureau, American Community Survey 2018-2021 Five-Year Sample Data, Table B25131; BAE, 2023.

According to the data Figure 3, roughly 25 percent of all vacant units in Nevada County were vacant for 24 months or more, while 37 percent were vacant more than 6 months.

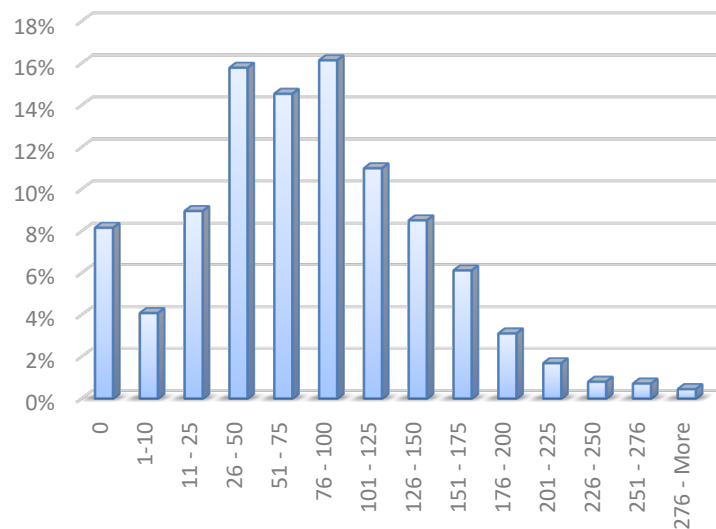
Short-Term Rental Properties

According to data from the Town of Truckee and Nevada County, a minority of registered short-term rentals (STRs) are primary residences, or rooms within primary residences, which are rented out periodically as availability allows. This means that a majority of registered STRs are likely to represent one of a number of potential cohorts of housing units that could be subject to a potential vacancy tax measure. One benefit of including STRs in the vacancy tax cohort is that both jurisdictions already collect information on STR occupancy. Little to no data is currently available on homeowner occupancy for second-homes or investment properties.

Town of Truckee STRs

According to the Town of Truckee, there were 1,128 registered STRs that were active for the full 2021 calendar year. An additional 61 registered STRs were active in the first part of the year, but were inactive as of mid-year, and another 69 that registered toward the end of the year. Registered STRs that were active all year averaged 80 occupied nights, with a median of 72. This implies that these units were either vacant or available for use by the owner from 285 to 293 nights per year. There is no data currently available to identify the average number of days that registered STR units are occupied by the owner or their guests. For additional data on the distribution of year-round active STRs by number of nights rented, please refer to Figure 4.

Figure 4: Percent of Registered STRs by Nights Rented, Active Year-Round Permits, Town of Truckee, 2021



Sources: Town of Truckee, Short-Term Rental (STR) Permits Dataset; BAE, 2023.

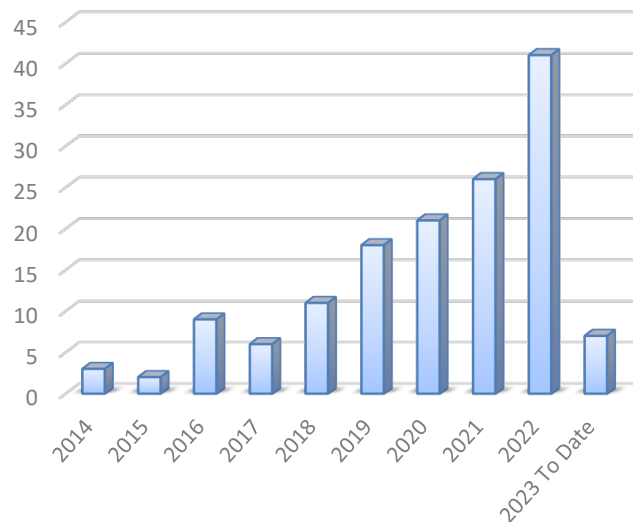
Unincorporated Nevada County STRs

According to Nevada County, there were a total of 268 registered STRs in the unincorporated county as of 2022. The average number of nights rented was 111 compared to a median of 31. This data implies that a small number of units are rented for most of the year, which drives up the average compared to the median figure.

Accessory Dwelling Units

Another possible cohort of housing units that could be subject to a potential vacancy tax measure are accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs).^{2 3} One reason to consider making ADUs and JADUs eligible for a vacancy tax measure is that one of the reasons for recent loosening of regulations regarding these types of units is that they represent smaller housing units that would be appropriately sized for, and naturally more affordable to, many existing workforce households. However, both the town and county are working to incentivize construction of new ADUs and JADUs, and are also working to formalize and document existing non-conforming units (particularly JADUs). Making such units subject to a potential vacancy tax may discourage some owners or prospective builders from creating the units, or from formalizing the existence of non-conforming units. However, given that both jurisdictions are trying to encourage the use of such units for affordable and workforce housing, subjecting them to a vacancy tax measure could induce owners of existing formalized units, and maybe a few builders, to make the units available for full-time occupancy.

Figure 5: ADU and JADU Building Permit Applications, Town of Truckee, 2014 to April 2023



Sources: Town of Truckee, Building Permits Dataset; BAE, 2023.

Data on the existence of ADUs and JADUs in both the Town of Truckee and unincorporated Nevada County is inconsistent at best. As of April 2023, the Town of Truckee reports receiving applications for 144 building permits for ADUs and JADUs, as shown in Figure 5. This represents an average of 15 building permit applications per year from 2014 to 2022, or 23 building permit applications per year from 2018 to 2022. Please note that this includes only those permits with ADU, JADU, or Junior ADU in the permit title. Nevada County, by comparison, reports having a total of 105 permitted ADUs and JADUs, with no data provided regarding the number of such units that are permitted each year on average.

² An **Accessory Dwelling Unit (ADU)** is defined as an attached or detached residential dwelling which provides complete independent living facilities for one or more persons on the same parcel as a single-family or multifamily residence, including provision of facilities for living, sleeping, eating, cooking, and sanitation.

³ A **Junior Accessory Dwelling Unit (JADU)** is defined as a dwelling unit of no more than 500 square feet within or attached to the living space of a single-family structure, which includes cooking facilities, food preparation space, and storage of reasonable size in relation to the living area and may have independent sanitation facilities or may rely on those located within the primary structure.

Non-Residential Properties

In addition to taxes on vacant residential units, Oakland and San Francisco also levy vacancy taxes on vacant ground floor commercial and non-residential uses. The uses are levied on either a flat fee per parcel basis or per linear foot of frontage. Oakland also levies a tax on undeveloped parcels. Due to the nature of non-residential development in Nevada County, both jurisdictions agreed to assess the potential applicability of a non-residential vacancy tax on a square footage basis. This aligns with the type of information that is readily available from local multiple listing services (MLS) and private data vendors regarding vacant space.

Town of Truckee

According to CoStar, a private data vendor, there was a total inventory of nearly 2.1 million square feet of non-residential (i.e., industrial and commercial) space in Truckee as of the second quarter of 2023. CoStar reported a vacancy rate of just 1.1, which equaled a total vacant inventory of nearly 22,100 square feet of space. Information collected by Town of Truckee staff identified a total of 32 listings of vacant non-residential real estate, which equaled a total of 60,593 square feet of space (for a full inventory, please refer to Table 4 on the following page). Interviews with local real estate professionals indicate that the observed vacancy rate in the market is more likely to be between 3.5 and 4.0 percent. Assuming that the total non-residential inventory as reported by CoStar is more or less accurate, the input received from the local real estate community appears to confirm the Town's estimate of the total amount of non-residential vacancy in the Truckee market, though the Town's estimate may still exclude some smaller spaces that are vacant within larger buildings and some persistently vacant spaces that aren't being actively marketed. The local real estate community reports that a majority of the reported inventory represents functional vacancies which are expected to be leased and occupied within a relatively short period of time (e.g., one or two months). Therefore, this estimate represents a high-level estimate of the amount of space that a vacancy tax may apply too, with an expectation that the actual amount of space that a vacancy tax may apply to would likely be substantially less than otherwise estimated.

Nevada County

Data on non-residential vacancies in unincorporated Nevada County is quite limited, though the amount of non-residential space in the unincorporated county is general quite small. According to CoStar there was an estimated 10,857 square feet of vacant non-residential space in unincorporated Nevada County as of the second quarter of 2023. The majority of this space was documented because it was being actively marketed for lease and would therefore likely be exempted from a potential vacancy tax for the purposes of not penalizing functional vacancies that are being marketed for occupancy in good faith.

Table 4: Vacant Non-Residential Space, Town of Truckee, April 2023

Vacant Address	APN	Square Footage
13406 Donner Pass Road	018-363-011	312
10232 Donner Pass Road	019-080-025	180
10046 Donner Pass Road	019-100-015	2,740
11429 Donner Pass Road Ste 2	018-570-017	1,656
11429 Donner Pass Road Ste 3	018-570-017	2,004
10116 Jibboom St.	019-102-009	157
10800 Donner Pass Rd Ste A-104	019-650-001	890
10069 W River St	019-090-025	1,142
11253 Brockway Road Bldg E Suite 202	019-950-028	2,200
11209 Brockway Road	019-950-026	1,134
11177 Brockway Road	019-950-034	850
12277 Soaring Way Ste C	019-620-042	432
12277 Soaring Way Ste J	019-620-042	540
12277 Soaring Way Ste I	019-620-042	265
11375A Deerfield Drive	018-740-019	1,100
11375-B Deerfield Dr	018-740-019	660
11357-A Deerfield Dr	018-740-020	1,800
11310 DONNER PASS ROAD #1	018-570-033	960
11200 Donner Pass Rd #5	018-570-042	2,800
10775 Pioneer Trail Ste 214	019-670-015	750
11025 Pioneer Trail	019-670-012	600
10969 INDUSTRIAL WAY Ste A	019-700-006	11,438
10969 INDUSTRIAL WAY Ste B	019-700-006	16,802
11020 TRAILS END CT	019-920-017	525
12030 Donner Pass Rd #5	018-500-049	896
15695 DONNER PASS RD	017-460-018	926
15720 Donner Pass Road	017-160-006	737
10412 Donner Pass Road	019-120-013	1,080
10192 Donner Pass Road	019-090-009	1,674
10153 W River St	019-090-035	1,052
15600 Donner Pass Road	017-170-044	1,541
12030 Donner Pass Rd	018-500-049	750
TOTAL SF:		60,593

Sources: Town of Truckee; BAE, 2023.

ESTIMATED REVENUE GENERATION POTENTIAL

Funding Objectives

Precise funding objectives associated with a potential vacancy tax measure have not been established by either the Town of Truckee or Nevada County. Nonetheless, the Town has expressed interest in applying revenue from a potential vacancy tax measure to a variety of local priorities, such as making the Tahoe Truckee Area Regional Transportation (TART) Connect pilot a permanent regional transportation program. Town staff expect that making the TART Connect program permanent would require approximately three million dollars per year in dedicated funding. This includes approximately \$2.6 million in operations costs, as well as funding for administration and a 20 percent local match for capital rolling stock investments.⁴ The Town may also identify additional funding objectives beyond the TART Connect program. Nevada County has not yet articulated priorities for vacancy tax revenue.

Revenue Potential

The revenue generating potential of imposing a vacancy tax is contingent upon the details of the vacancy tax measure in question, the effective tax rate that is applied, the way that the tax rate is calculated (i.e., which properties are subject to the tax, and the relative enforceability of the vacancy tax, including the ways in which occupancy is determined and enforced.

From Residential Properties

Tables 5 and 6 provide high-end estimates of the revenue that may be generated under a variety of possible scenarios. On the vertical axis, the table lists different types of properties that may be subject to a vacancy tax measure, as well as the estimated number of vacant units that fall into each category. At the request of the Town and the County, the residential use categories are further subdivided based on square footage, with alternative revenue estimates provided for units under 2,500 square feet and 2,500 square feet or more in size, so that the Town and the County could consider a tiered assessment structure, based on unit size. On the horizontal axis, the table identifies five different vacancy tax rates. At the request of the Town and the County, the rates included in the tables are flat rates and would be applied on a per unit basis. One alternative rate structure would be to apply the rate(s) on a per square foot basis. The purpose of this structure is to provide policy makers with the information necessary to evaluate a variety of potential vacancy tax structures.

As shown in Tables 5 and 6, the revenue generating potential associated with imposition of a vacancy tax measure in either the Town of Truckee and/or Nevada County may be significant. Due to the comparatively large numbers of vacant single-family homes in each area, the revenue generating potential of a tax on vacant single-family homes is significant. For

⁴ LSC Transportation Consultants, Inc. (March 8, 2023). *Truckee Microtransit Study*. Town of Truckee.

example, under the modelled scenarios, a \$1,000 annual flat tax on vacant single-family homes would generate up to approximately \$5.46 million per year in the Town of Truckee and/or approximately \$1.90 million per year in unincorporated Nevada County.

Due to the smaller number of multifamily units present in both areas, the potential revenue generated through a vacancy tax on multifamily units is much smaller, but could still be significant depending on the tax rate applied. For example, the potential revenue associated with a \$1,000 annual flat tax on multifamily units could equal more than \$500,000 per year in Truckee, or just under \$70,000 per year in Nevada County. Similarly, there are relatively few ADUs within each jurisdiction, so the revenue generating potential of a vacancy tax on ADUs is likely to be limited; plus there are the concerns discussed previously about how a vacancy tax may conflict with other policy objectives put in place by the Town and County. For example, a \$1,000 flat tax on vacant ADUs could potentially generate up to a maximum of \$144,000 per year in Truckee or \$105,000 per year in unincorporated Nevada County, assuming all existing permitted ADUs are determined to be vacant, which is unlikely.

Recognizing that, for the most part, STRs represent a subset of the vacant single-family inventory, the impact of exempting registered STRs from the vacancy tax could potentially be significant. For example, applying a \$1,000 per unit flat tax for properties with registered STR permits, assuming they aren't exempt under a different provision of the vacancy tax, such as a person's primary residence that is being short-term rented, a vacancy tax on STRs could generate up to \$1.28 million per year in Truckee and just under \$270,000 per year in unincorporated Nevada County. Including STRs as an exempt category under a potential vacancy tax measure may effectively reduce the revenue generated by vacant single-family units by a significant margin, though not exempting STRs could also send mixed signals to the market regarding the desirability of STRs as an allowed use of residential property.

From Non-Residential Properties

Table 7 reports the estimated revenue generating potential of a tax on vacant non-residential square footage in the Town of Truckee and Nevada County. Note, however, that the reported square footages represent the full inventory of vacant space and have not been adjusted to account for the amount of space that is being marketed in good faith versus properties that are being persistently held vacant despite market opportunities. Therefore, the likely revenue that could be generated through a non-residential vacancy tax is likely significantly less than is reported in Table 7. Even so, at the high end, the revenue generating potential of a non-residential vacancy tax is relatively small. For example, the Town of Truckee reports a total of nearly 60,600 square feet of vacant non-residential space. Assuming a vacancy tax of \$1.00 per square foot, the revenue generation potential would equal a maximum of almost \$60,600 per year. In Nevada County, the estimated amount of vacant non-residential space is much smaller and a \$1.00 per square foot tax would generate only around \$10,900 per year.

Table 5: Estimated Revenue Generation Potential, Residential Vacancy Tax, Town of Truckee

Type of Unit	Number of Units (a)	Revenue Generation by Tax Rate (b)				
		\$1,000	\$2,500	\$5,000	\$7,500	\$10,000
Single-Family Units (c)	5,455	\$5,455,287	\$13,638,217	\$27,276,435	\$40,914,652	\$54,552,869
Under 2,500 Sq. Ft.	4,364	\$4,364,230	\$10,910,574	\$21,821,148	\$32,731,722	\$43,642,296
2,500 Sq. Ft. or more	1,091	\$1,091,057	\$2,727,643	\$5,455,287	\$8,182,930	\$10,910,574
Multifamily Units (d)	514	\$514,422	\$1,286,056	\$2,572,111	\$3,858,167	\$5,144,222
Under 2,500 Sq. Ft.	514	\$514,422	\$1,286,056	\$2,572,111	\$3,858,167	\$5,144,222
2,500 Sq. Ft. or more	0	\$0	\$0	\$0	\$0	\$0
All Vacant Units	5,970	\$5,969,709	\$14,924,273	\$29,848,546	\$44,772,819	\$59,697,092
Under 2,500 Sq. Ft.	4,879	\$4,878,652	\$12,196,629	\$24,393,259	\$36,589,888	\$48,786,518
2,500 Sq. Ft. or more	1,091	\$1,091,057	\$2,727,643	\$5,455,287	\$8,182,930	\$10,910,574
Accessory Dwelling Units (e)	144	\$144,000	\$360,000	\$720,000	\$1,080,000	\$1,440,000
Under 2,500 Sq. Ft.	144	\$144,000	\$360,000	\$720,000	\$1,080,000	\$1,440,000
2,500 Sq. Ft. or more	0	\$0	\$0	\$0	\$0	\$0
Short-Term Rentals (f)	1,128	\$1,128,000	\$2,820,000	\$5,640,000	\$8,460,000	\$11,280,000
Under 2,500 Sq. Ft.	902	\$902,400	\$2,256,000	\$4,512,000	\$6,768,000	\$9,024,000
2,500 Sq. Ft. or more	226	\$225,600	\$564,000	\$1,128,000	\$1,692,000	\$2,256,000

Notes:

- (a) Based on the number of units identified as vacant for seasonal and occasional use in Table 3.
- (b) The reported tax rates are intended to be representative only. Additional analysis and community outreach may be necessary prior to identifying the proposed tax rate associated with any potential future ballot measure.
- (c) Vacant single-family homes are assumed to reflect the general distribution of single-family homes by unit size wherein roughly 80 percent of units are less than 2,500 square feet in size and the remaining 20 percent are more than 2,500 square feet in size, as documented in the Nevada County parcel inventory.
- (d) According to CoStar, all multifamily units in Truckee are assumed to be less than 2,500 square feet in size.
- (e) All accessory dwelling units (ADUs) units are assumed to be less than 2,500 square feet in size per the Town Code.
- (f) To identify the distribution of short-term rentals (STRs) by unit size, the assessor's parcel number of each registered STR was matched with the Placer County parcel inventory to identify the reported square footage. For STRs in the Town of Truckee, the distribution roughly mirrored the distribution of the larger housing stock with 84 percent of all STR units being less than 2,500 square feet and 16 percent being 2,500 square feet or larger.

Sources: Town of Truckee; BAE, 2023.

Table 6: Estimated Revenue Generation Potential, Residential Vacancy Tax, Nevada County

Type of Unit	Number of Units (a)	Revenue Generation by Tax Rate (b)				
		\$1,000	\$2,500	\$5,000	\$7,500	\$10,000
Single-Family Units (c)	1,898	\$1,897,869	\$4,744,673	\$9,489,346	\$14,234,018	\$18,978,691
Under 2,500 Sq. Ft.	1,518	\$1,518,295	\$3,795,738	\$7,591,476	\$11,387,215	\$15,182,953
2,500 Sq. Ft. or more	380	\$379,574	\$948,935	\$1,897,869	\$2,846,804	\$3,795,738
Multifamily Units (d)	67	\$66,878	\$167,196	\$334,391	\$501,587	\$668,783
Under 2,500 Sq. Ft.	67	\$66,878	\$167,196	\$334,391	\$501,587	\$668,783
2,500 Sq. Ft. or more	0	\$0	\$0	\$0	\$0	\$0
All Vacant Units	1,965	\$1,964,747	\$4,911,869	\$9,823,737	\$14,735,606	\$19,647,474
Under 2,500 Sq. Ft.	1,585	\$1,585,174	\$3,962,934	\$7,925,868	\$11,888,802	\$15,851,736
2,500 Sq. Ft. or more	380	\$379,574	\$948,935	\$1,897,869	\$2,846,804	\$3,795,738
Accessory Dwelling Units (e)	105	\$105,000	\$262,500	\$525,000	\$787,500	\$1,050,000
Under 2,500 Sq. Ft.	105	\$105,000	\$262,500	\$525,000	\$787,500	\$1,050,000
2,500 Sq. Ft. or more	0	\$0	\$0	\$0	\$0	\$0
Short-Term Rentals (f)	268	\$268,000	\$670,000	\$1,340,000	\$2,010,000	\$2,680,000
Under 2,500 Sq. Ft.	214	\$214,400	\$536,000	\$1,072,000	\$1,608,000	\$2,144,000
2,500 Sq. Ft. or more	54	\$53,600	\$134,000	\$268,000	\$402,000	\$536,000

Notes:

- (a) Based on the number of units identified as vacant for seasonal and occasional use in Table 3.
- (b) The reported tax rates are intended to be representative only. Additional analysis and community outreach may be necessary prior to identifying the proposed tax rate associated with any potential future ballot measure.
- (c) Vacant single-family homes are assumed to reflect the general distribution of single-family homes by unit size wherein roughly 80 percent of units are less than 2,500 square feet in size and the remaining 20 percent area more than 2,500 square feet in size, as documented in the Placer County parcel inventory.
- (d) According to CoStar, all multifamily units in Nevada County are assumed to be less than 2,500 square feet in size.
- (e) All accessory dwelling units (ADUs) units are assumed to be less than 2,500 square feet in size per the Town Code.
- (f) The distribution of short-term rentals (STRs) by unit size, is based on the distribution identified in Truckee which generally mirrored the distribution of the larger housing stock with 84 percent of all STR units being less than 2,500 square feet and 16 percent being 2,500 square feet or larger.

Sources: Town of Truckee; Nevada County; BAE, 2023.

Table 7: Estimated Revenue Generation Potential, Non-Residential Vacancy Tax, Town of Truckee and Nevada County

Location	Vacant Non-Res. Sq. Ft. (a)	Revenue Generation by Tax Rate (Per Sq. Ft.) (b)				
		\$1.00	\$2.50	\$5.00	\$7.50	\$10.00
Town of Truckee	60,593	\$60,593	\$151,483	\$302,965	\$454,448	\$605,930
Uninc. Nevada County	10,857	\$10,857	\$27,143	\$54,285	\$81,428	\$108,570

Notes:

- (a) Based on the total vacant non-residential square footage reported in Table 4.
- (b) The reported tax rates are intended to be representative only. Additional analysis and community outreach may be necessary prior to identifying the proposed tax rate associated with any potential future ballot measure.

Sources: Town of Truckee; Nevada County; BAE, 2023.