

STRS WILL REDUCE THE DEFICIT

By Stephen Pepe, President EconAlliance, a non-profit that supports economic development and innovation in the North County.

www.econalliance.org .

The County faces a growing budget deficit of about \$ 35 million. There is no upside to blaming the County employees' pension agreements. When you make a deal, good, bad or ugly, you live up to your agreement. Similarly, proposing to cut programs should be the last resort. Instead, we should view the glass as half full and increase revenue. Can we? Sure.

In generating revenue, the County is at the bottom of the barrel. In sales tax, per capita revenue, Buellton is at \$385, Solvang and Santa Barbara are \$205 and \$209 respectively while the County is the lowest at \$65. The returns from the Tax on Transients ("TOT" or bed tax) is similar. The incorporated cities generate \$44 million a year in bed tax while the County generates \$8.9 million with less than \$4 million coming from the agricultural North County.

At last year's Supervisors' meeting on Short Term Rentals ("STRs") it was noted STRs produce about \$1.5 million in bed tax. Only about 50% of the actual STRs operating are paying the bed tax. Allowing these folks to be lawful will be at least a \$1.5 million increase. While there are no figures on sales tax generated by STRs, it is significant.

There are many positive reasons to encourage and allow STRs on agricultural land:

- STRs permit farmers to supplement their income, especially in years where drought or excessive rains result in lost production.
- In "normal" years STRs provide farmers with a regular supplement to their income which reduces the need for short term financing while waiting for the sale of their crops.
- Consumers who reside on farm land for a couple of days will develop a greater affinity for that farm's products and will be more loyal customers.
- The "farm to table" and organic movement is growing each year and the ability of city dwellers to spend

several days on a farm will enhance their appreciation of farming.

- There is a false narrative that commercial activity on agricultural land is somehow illegal, immoral or unamerican. That is wrong historically and factually. The State and County Right to Farm Ordinances permit farmers to sell their crops directly to consumers. This commercial activity enables farmers to receive a higher price for their crops and facilitates consumers developing a personal relationship with farmers. Our neighbors to the North in San Luis Obispo County, permit STRs, hotels, bed and breakfasts and restaurants on farm land. Farmers with extra space in their coolers rent it to other farmers. Thoroughbred stud farms on Highway 246 and in Happy Canyon, as well as the horse hospital on Alamo Pintado are big buck commercial activities on agricultural land.
- In many grape growing countries, such as Italy, for example, the government provides low cost loans to farmers to erect STR facilities on their farms to keep the small farmer in business. This is known as Agritourism.

None of the correct noise and parking criticisms of STRs that have been the subject of much debate in the incorporated areas exist for STRs on farm land:

- Noise will not be a problem since the minimum parcel size will be 5 acres with most in the 20+ acre range. Besides there are already existing regulations to deal with such issues.
- Neither parking nor traffic is an issue on agriculture land.

For all the above reasons, the Board of Supervisors should permit STRs on farm land.

Will this solve the County's deficit? Not by itself, but it is a long overdue right step in the right direction. It will lead to increased revenue, instead of playing the divisive zero-sum game of cutting services.

