CO-OWNERSHIP IN CALIFORNIA:

Examining an Innovative Housing Model and its Implications for the State's Affordability Crisis

MARCH 2025

INTRODUCTION

California's housing market is facing an intractable challenge. The combination of high demand—particularly in the state's coastal economic hubs—and limited housing inventory has created an untenable situation for would-be homebuyers. Median home values in many California markets are well above $1 million, and housing costs across the state are much higher than national averages.

As such, housing affordability is almost always the top reason cited by households that leave for other states. Adding new units to the housing supply would be the most logical remedy to the housing crisis, and lawmakers have responded with numerous pieces of legislation that streamline the approvals of residential development.

However, housing production remains tepid in California—and across the nation—as high labor and materials costs, relatively high interest rates compared to a few years ago, and complex regulations continue to stymy homebuilders.

With no end to the state's housing affordability challenge in sight, private companies have stepped in and created housing market innovations to make housing more affordable and homeownership more inclusive. One of the most notable innovations is the rise of accessory dwelling units (ADUs), which maximize the use of a home's footprint and available land. Platforms now exist to facilitate more efficient use of the state's existing house stock, bridging the gap between high housing costs and what households can afford.

EXECUTIVE SUMMARY

This paper aims to explore innovative models to combat California's ongoing housing affordability crisis, with a particular focus on co-ownership as one viable solution. We examine how these models can not only reduce financial barriers but also contribute to local economies and long-term community investment. Key findings include:

The Rise of Alternative Homeownership Models:

- Innovative housing models, such as **co-ownership, shared equity homeownership, housing cooperatives, and rent-to-own arrangements**, are emerging to reduce financial barriers by **allowing buyers to share costs and risks**, making homeownership more accessible.
- Notable platforms facilitating these models include:
    - **Pacaso** – Enables co-ownership of second homes in vacation markets.
    - **CoBuy** – Helps groups of buyers pool resources for home purchases.
    - **Nesterly** – Matches older homeowners with younger renters.
    - **HomeRoom** – Facilitates roommate matching for affordable rentals.
- **14% of homebuyers** purchased with a friend in 2024, up from 4% in 2022.
- Google searches for **co-ownership increased by 63%** over the past decade.
- **30% of U.S. home sales in recent years** involved co-owners.
- **44% of home loan applications in California** now include a co-applicant**, up from 37%** a decade ago.
- Co-ownership differs from STRs by offering **long-term community investment, ensuring higher property use**, and **prohibiting short-term renting**. And unlike timeshares, it grants **true ownership, equity growth,** and **flexible scheduling**.

Tax Benefits and Optimizing Supply:

- **Pacaso homes are utilized 89% of the year**, compared to 53% for short-term rentals and 39% for second homes.
- Higher occupancy leads to **more local spending and tax revenue:**
    - **Pacaso owners spend $42,555 per year locally,** compared to $18,645 for traditional second-home owners.
    - This generates an additional **$1,233 in local tax revenue and $1,076 in state tax revenue per property,** or a **128% increase**.
- When high-income buyers opt for co-ownership, more single-family homes are made available for middle-income buyers.

Policy Recommendations:

- **Avoid Regulatory Barriers:** Local governments should recognize co-ownership as a distinct housing model rather than classifying it under restrictive short-term rental laws.
- **Define Co-Ownership in State Laws:** States should clearly differentiate co-ownership from timeshares and STRs to provide regulatory clarity.
- **Incentivize Co-Ownership for Primary Residences:** Tax credits or reduced regulatory barriers could expand the model beyond vacation markets, making homeownership more accessible.
- **Leverage Co-Ownership for Downtown Revitalization:** Cities facing office vacancies could convert commercial properties into co-owned residential units, boosting urban economies and struggling downtowns.
- **Streamline Housing Development Approvals:** Broader zoning and permitting reforms, similar to those supporting ADUs, could facilitate greater adoption of co-ownership models.

1. HOUSING MARKET INNOVATIONS

From co-ownership platforms to shared equity homeownership, community land trusts (CLTs), housing cooperatives, rent-to-own arrangements, and fractional ownership schemes, alternative models provide innovative pathways to housing access and affordability, often tailored to specific household needs and markets. Some examples of new models of housing innovation include:

- **Nestment**, which advises clients on alternative homebuying options, such as purchasing a duplex and renting out the other unit, co-ownership, and investing in a rental property.
- **Pacaso**, which facilitates the co-ownership of second homes in vacation markets and offers co-buying services to primary homeowners.
- **HomeRoom**, a platform that matches roommates to their ideal rental units.
- **CoBuy**, a platform that allows friends and family to pool resources to increase their purchasing power and share expenses.
- **Placemate**, which provides property owners cash incentives to convert their units into new long-term rentals for local employees.
- **Nesterly**, a platform matching older homeowners with younger renters seeking affordable housing.
- **Verbhouse**, which offers lease-to-purchase services and allows renters to build equity while paying a fixed rental rate.

This report will focus specifically on **co-ownership**, examining its growing role in the housing market. We define co-ownership as *any legal structure under which multiple owners have ownership and occupancy rights over a single property.*

Differing from other shared ownership models, such as tenancies-in-common, the co-ownership model has the added benefit of consolidating multiple owners into a single housing unit, which can reduce demand pressure on the overall housing market.

This report utilizes data from the Pacaso platform to provide quantitative metrics and a case study for how co-ownership can create housing stock efficiencies and accessibility for middle-income buyers. The data is also used to highlight the overall implications for housing supply, affordability, resident spending, tax benefits, and equity.

The Pacaso Model

Pacaso is a real estate platform that facilitates the co-ownership of second homes, allowing multiple buyers to purchase a share (typically 1/8 to 1/4) in a property, thereby making second-home ownership more attainable without the full financial and maintenance burdens. Pacaso's most popular California markets include Tahoe, Napa, Sonoma, and Palm Springs, and the majority of Pacaso owners in California live within driving distance of their Pacaso home. Nearly half of Pacaso owners have children, reflecting a strong desire by owners to strengthen nuclear and intergenerational family connections through convenient vacation properties that accommodate flexible lifestyles in a hybrid work environment.

Via the case study of the Pacaso model and accompanying data, we explore how co-ownership models are reshaping the housing market in California's most sought-after locations. These alternative ownership structures offer an innovative solution to growing demand and tight supply, providing benefits that the traditional model cannot—such as increased flexibility, shared financial responsibility, and more efficient use of the limited housing stock.

2. TRENDS IN CO-LIVING AND MORTGAGE LENDING

Co-living arrangements, in which multiple individuals or families jointly live in a single property, have seen growing interest across the U.S. Recent studies have highlighted the growing prevalence of co-living and co-ownership:

- According to Zillow, 14% of homebuyers who purchased their homes with another party bought their home with friends—a significant increase from just 4% in 2022.[1]
- Between 2014 and 2024, Google search activity related to home co-ownership increased by 63%.[2]
- Recent research from CoBuy has found that 30% of all recent U.S. home sales were to co-owners.[3]
- According to Pew Research, one in four Americans between the ages of 25 and 34 now lives in a multi-generational home.[4] Financial reasons are a major factor.

By allowing parties to share costs and living space, co-ownership substantially reduces the financial barriers to homeownership, making it particularly appealing in high-cost housing markets. The rise in co-ownership reflects economic pressures like increasing home prices and high interest rates, which make solo homebuying more difficult. Millennials are particularly drawn to co-ownership, as they delay marriage and parenthood while seeking the benefits of homeownership. Fortune referred to co-buying as 'carpooling for homes' – as more millennials partner with non-romantic co-buyers due to the state of the housing market.[5]

Nearly 15% of Americans have co-purchased a home with someone other than their romantic partner, while an additional 48% would be open to the idea.[6]

Recent analyses suggest this trend is particularly prominent among first-time homebuyers, who, according to one lending platform, now constitute 73% of home purchase offers in California, second only to New York among states where the largest share of mortgage offers go to first-time buyers.[7]

While co-ownership is gaining traction as a solution for modern housing challenges, the underlying concept is not new. Legal structures such as LLCs and trusts—often used to facilitate shared property ownership—have been around for generations, demonstrating the enduring viability of joint ownership arrangements.

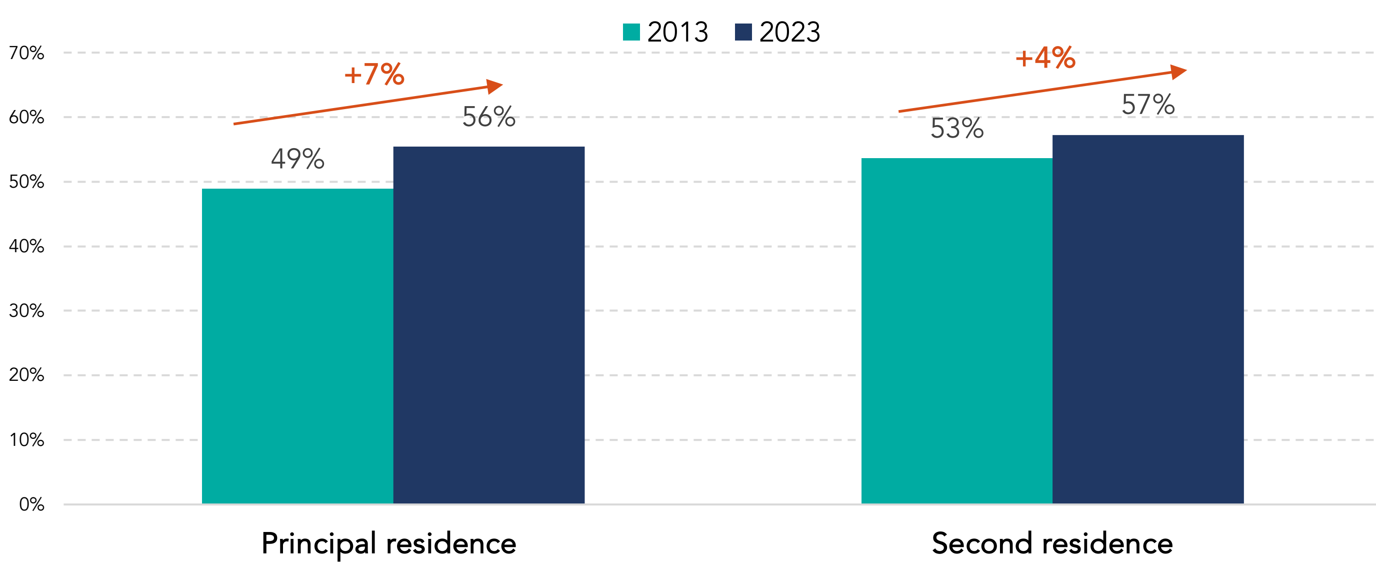
[1] Garcia, Manny. "Buyers Housing Trends Report 2024." Zillow Research, October 1, 2024. https://www.zillow.com/research/buyers-housing-trends-report-2024-34383/.
[2] Google Trends. Data for keyword "co-ownership" (all spelling variations). Accessed January 14, 2025.
[3] Holmes, Matt and Hughes, Pam. "Co-buying & Co-owning a Home." CoBuy, January 5, 2025. https://www.cobuy.io/blog/cobuying-coowning-home-2025-report
[4] Pew Research Center. "Financial Issues Top the List of Reasons U.S. Adults Live in Multigenerational Homes." Pew Research Center, March 24, 2022. https://pewrsr.ch/3JF7h2K
[5] Lake, Sydney. "Millennials Are Co-Buying with Non-Romantic Partners to Survive the Disastrous Housing Market," Fortune, January 10, 2024, https://fortune.com/2024/01/10/millennials-co-buying-non-romantic-co-buyers-disastrous-housing-market
[6] Weisbrot, Eric. "Home Buying Redefined: The Rise of Non-Romantic Co-Ownership in America." JW Surety, January 2, 2024. https://www.jwsuretybonds.com/blog/co-buying-homes-new-american-dream
[7] LendingTree. "First-Time Homebuyers Study." LendingTree Research, 2025. https://www.lendingtree.com/home/mortgage/first-time-homebuyers-study/.

In California, lending data from the Home Mortgage Disclosure Act (HMDA) illustrate how trends have continued to shift toward co-application. **Figure 1** illustrates a 7 percentage point increase in the share of originated mortgages with at least one co-applicant for primary homes and a 4 percentage point increase for secondary home loans. Originated loans also have higher shares of co-applicancy than applications overall: 44% of home purchase applications in California include at least one co-applicant, whereas 56% of originations include a co-applicant, suggesting that lenders are more likely to approve loans with co-applicants due to the added financial stability and greater borrower capacity that co-applicants provide.

This shift reflects broader affordability challenges, including low housing inventory and rising costs, which have pushed buyers to explore creative solutions like co-buying. Limited housing production has driven home prices to astronomical levels: the median price for a single-family home in the San Francisco metro area exceeds $1.3 million, and Los Angeles slightly below $1 million – compared to $800,000 in Seattle, and $482,000 in Austin.[8] The growing popularity of co-ownership models underscores how buyers are adjusting to severe affordability constraints and the state's historically tight housing market.

Figure 1. The share of mortgages for both primary and vacation homes that had at least one co-applicant have increased over the last decade

Originated Mortgages for First-Lien, Home-Purchase Loans in California with at least one Co-Applicant



Source: CFPB Home Mortgage Disclosure Act, 2013 and 2023 LAR. **Analysis:** Bay Area Council Economic Institute

[8] National Association of Realtors. Research and Statistics. Chicago: National Association of Realtors. https://www.nar.realtor/research-and-statistics.

Consolidating Demand to Optimize Supply

By consolidating multiple co-owners to share a single property, the Pacaso model reduces competition for individual home purchases, decreasing the number of buyers purchasing separate properties **(Figure 2)**. As a result, Pacaso's operations efficiently utilize housing stock without contributing to broader housing market pressures or exacerbating affordability issues in primary residential markets.

When households transition to higher-tier markets with co-ownership arrangements, housing stock at lower tiers is often freed up. This consolidates multiple homeowners into fewer, higher-value properties, and reduces competition in the traditional single-family market, stabilizing prices for middle-income buyers.[9] This cascading supply chain keeps housing more affordable for middle-income families due to supply and demand effects. With broader application of the co-ownership model to primary residences, each co-owned home simultaneously:

- Creates new ownership opportunities for households that might not otherwise be able to afford a purchase.
- Optimizes the allocation of housing in supply constrained markets.

Figure 2. The benefits of consolidating demand through co-ownership
Traditional homeownership model vs co-ownership model

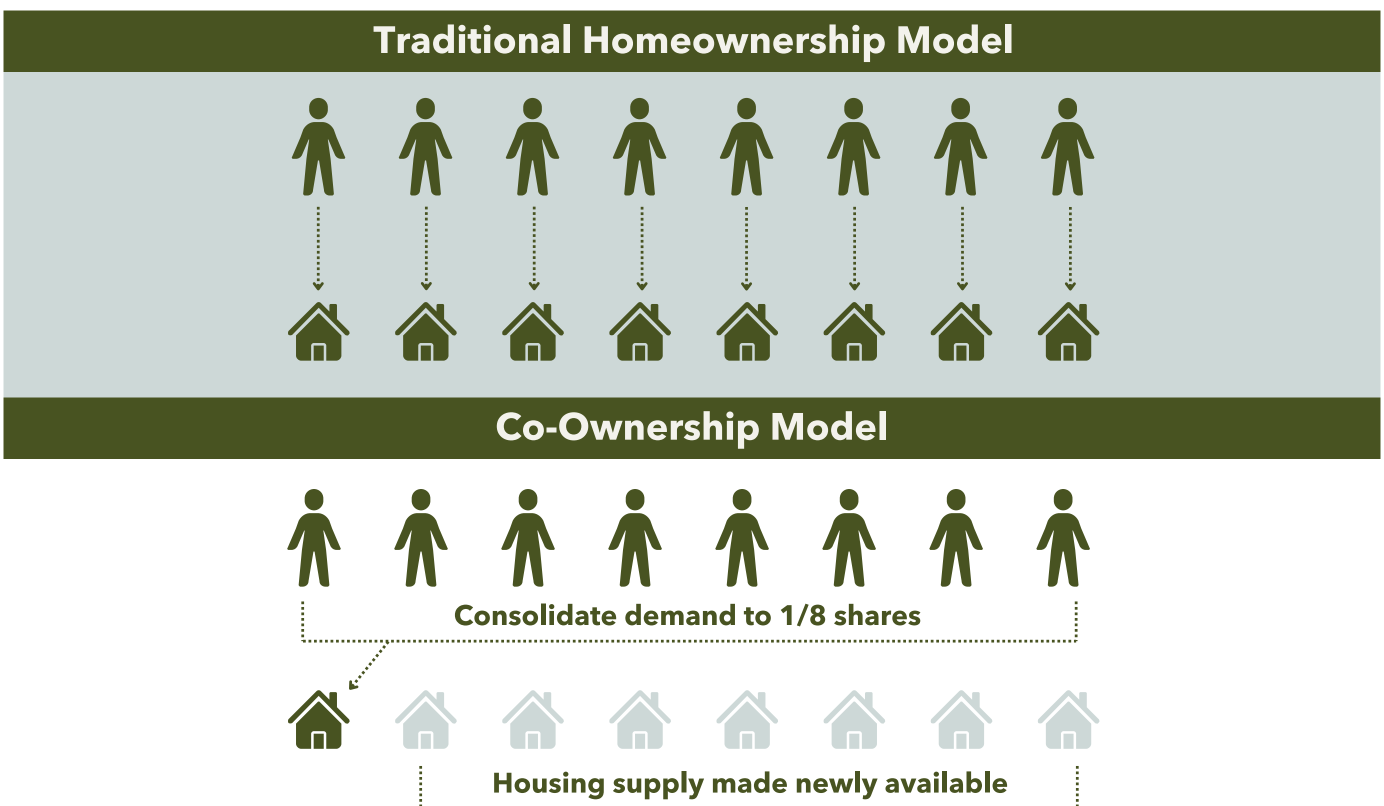


Chart: Bay Area Council Economic Institute

[9] Millerd, Peter, and Clare Johnson. "Co-Ownership Models in Housing." Upjohn Institute Working Paper no. 307. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, July 1, 2019. https://research.upjohn.org/up_workingpapers/307/.

How is co-ownership different from other models?

SHORT-TERM RENTALS

Unlike co-ownership, short-term-rentals (STRs) do not involve equity stakes in the property for the occupants. With less responsibility over the use of the property and relationships to the neighborhood, there is less accountability among owners. Equity stakes through co-ownership incentivize higher attitudes of responsibility with long-term care of the property and better relationships with the surrounding community. Additionally, co-ownership enforces strict sets of rules regarding parking, noise, and parties.

Platforms like Pacaso prohibit co-owners from listing properties on STR platforms, such as Airbnb, VRBO, and Booking.com, which address concerns about transient use impacting neighborhoods. While co-owners do not pay transient-occupancy taxes, their properties contribute consistently to property taxes and local economies. STRs often are used inconsistently, while co-owned homes maintain higher utilization rates, translating into greater economic benefits.

TIMESHARES

Timeshares involve buying usage rights without equity ownership. Timeshares tend to have more rigid scheduling compared to the flexibility in co-ownership models like Pacaso. Timeshares can be owned by hundreds of buyers for the same property, requiring scheduling to be performed far in advance, and with a point system.

Co-ownership involves true ownership of the underlying asset rather than simply leasing time at a property. This allows co-owners to benefit from property value appreciation, offers flexible scheduling tailored to owner needs, and ensures equitable decision-making among all parties.

Timeshares are often associated with higher marketing costs and limited flexibility, making them less attractive as long-term investments. Because of the incongruous relationship between price and value, re-selling timeshares can range from difficult to impossible.

Insurance Benefits to Co-Ownership in California

With wildfires posing an ever-growing risk in California, the state's insurance market is experiencing tremendous upheaval. In response to rising weather and natural disaster-related risks, many insurance companies are no longer writing new home insurance policies in California while others are canceling coverage altogether. As a result, many primary and secondary homes in California are no longer eligible for insurance. This poses major financial risk to homeowners and puts financial pressure on the state, which acts as the insurer-of-last-resort through the FAIR Plan.

Co-ownership can offer benefits when it comes to securing insurance, particularly in high-risk areas. Pacaso, for example, offers co-owners a comprehensive corporate umbrella insurance policy and as a result can insure homes throughout California regardless of the risk. This provides a distinct advantage to co-owners purchasing a home through the Pacaso platform when compared to the traditional market, where insurance could otherwise be cost prohibitive or unavailable in high risk areas. This insurance coverage provides a dual benefit to the state – which does not need to take on additional risk – and the local housing market – by supporting a healthy housing market via insurance availability.

3. ANALYZING THE BENEFITS OF CO-OWNERSHIP

Within this section, we utilize data from Pacaso—a real estate platform that facilitates co-ownership—to highlight how co-ownership can provide economic benefits to communities while consolidating housing demand, which can have positive effects on overall housing affordability.

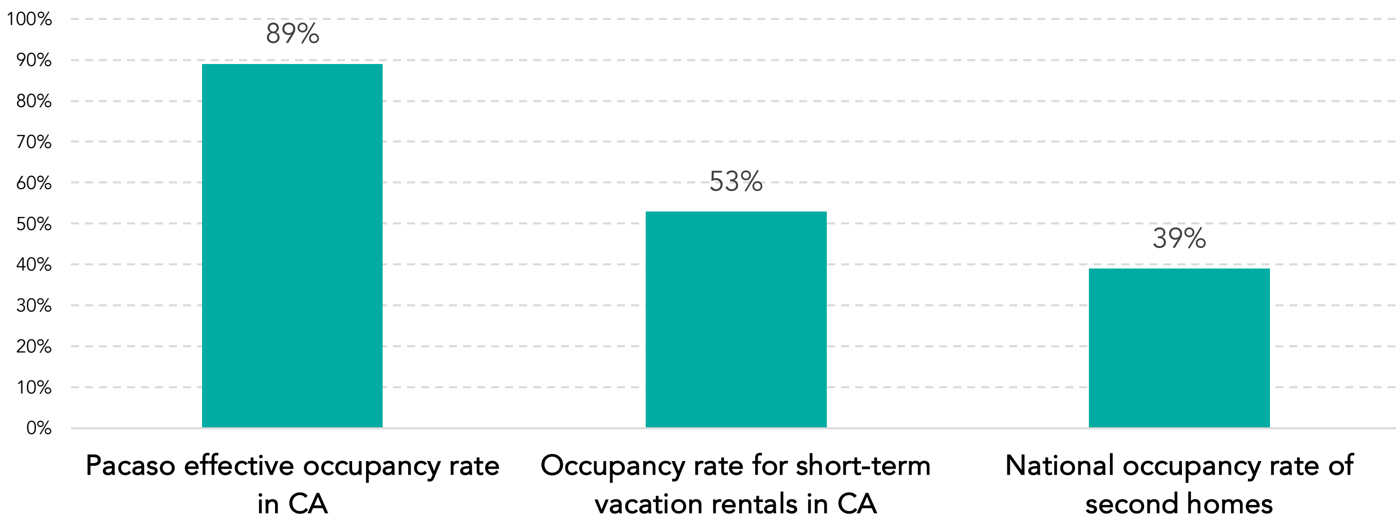
Enhanced Tax and Economic Benefits

Pacaso's current business model focuses on co-ownership of second homes in vacation markets. Nationwide, 20% of owners spend seven nights or less in their second home. This model transforms traditionally underutilized properties into dynamic economic assets. Second homes are typically occupied less than 40% of the year, with short-term rental occupancy rates closer to 53% in California. Co-ownership models can increase utilization in the California vacation market to nearly 90% **(Figure 3).**

These homes generate consistent property tax revenue while driving substantial local consumer spending, ensuring that properties contribute meaningfully to local economies year-round. By distributing ownership and maximizing property utilization, these homes create multiple streams of local tax revenue and more frequent economic engagement with community businesses.

Figure 3. Pacaso's utilization rates are significantly higher than national or state averages for second homes or short-term rentals

Utilization rates for second homes and short term rentals



Source: Pacaso 2024 survey data, weighted by reservation night across submarkets, American Housing Survey 2023, AirDNA Mar 2023 - Feb 2024 trailing average, Visit California. **Analysis:** Bay Area Council Economic Institute. **Note:** Effective occupancy considers the amount of rent collected. Airbnb occupancy rate takes into account booked nights as a share of total available nights. Occupancy rate of vacation homes illustrates if a seasonal/occasional use home is typically occupied each month, averaged by year. Excludes properties occupied year-round. Assumes a full month of occupancy if month is considered typically occupied.

Comparing Pacaso utilization rates to the national average second home occupancy rate, co-owned vacation properties generate significantly more economic activity. The higher utilization of Pacaso homes leads to more frequent visits, driving greater spending on local goods and services, including dining, retail, and recreation.

The increased visitor spending—$42,555 per year on average for Pacaso homes compared to $18,645 for the average second home in California—translates into higher sales tax revenues for local and state governments. Specifically, local tax revenue grows by $1,233 and state tax revenue by $1,076 annually per co-owned home.

Co-ownership maximizes the economic potential of properties by encouraging continuous use and supporting local economies, particularly in areas dependent on tourism and visitor spending. This model demonstrates the value of optimizing home occupancy for regional economic growth.

Pacaso homes also cater exclusively to the luxury segment, with a median property price of $4.5 million—four times higher than the average second home in California, and over five times higher than overall median home price. In some markets, median prices for Pacaso homes exceed $5 million. This significant price difference means that Pacaso has no material impact on the availability or affordability of non-luxury housing.

Figure 4. More utilization drives more annual visitor spending, which further drives local and state sales tax revenue

Spending and tax revenue per average second home and average Pacaso home in California. Annual figures based on 2023 data

	Annual visitor spending	Local tax revenue	State tax revenue
Average second home (assumes 39% year-round occupancy)	$18,645	$957	$835
Average Pacaso home (assumes 89% year-round occupancy)	$42,555	$2,190	$1,911
Increase	**128%** (+$23,910)	**129%** (+$1,233)	**129%** (+$1,076)

Source: Pacaso, Visit California's Economic Impact of Travel (2023), American Housing Survey (2023). **Analysis**: Bay Area Council Economic Institute **Note:** See Methodological Appendix for more detailed information on calculations.

CASE STUDY: LAKE TAHOE

Lake Tahoe's housing market is increasingly out of reach for local workers due to soaring prices and limited inventory. With median home prices surpassing $1 million in some areas and minimal new housing development, many low- and middle-income workers are unable to find housing near their jobs.[10] Over-tourism—when excessive visitor numbers strain local communities, infrastructure, and housing availability—has worsened the crisis.[11] Redirecting second-home demand to alternative models could help ease this pressure.

South Lake Tahoe, which relies heavily on tourism revenue, has attempted to regulate short-term rentals (STRs) in response to housing pressures. In 2017, the city capped permits, increased fines, and added enforcement officers, but tensions remained high. In 2019, Measure T passed by just 58 votes, banning most STRs in residential areas while allowing limited rentals for full-time residents. However, the measure ultimately did little to improve affordability—home values remained high, and former STRs largely remained second homes rather than workforce housing.

Efforts to address the housing crisis are making progress through regional collaboration and innovative solutions. The Tahoe Regional Planning Agency (TRPA), alongside groups like the Mountain Housing Council and Tahoe Prosperity Center, is working to expand workforce housing by adjusting policies to encourage smaller, multi-unit developments. Local governments are also implementing programs like Lease to Locals and homebuyer assistance. TRPA's bonus unit system is catalyzing affordable housing projects, including Sugar Pine Village and deed-restricted homes.[12]

Co-ownership models, such as those facilitated by Pacaso, offer a potential middle ground. Pacaso helps redirect second home demand into fewer, higher-priced homes, freeing up more affordable inventory for primary residents and the local workforce. Unlike short-term vacation rentals, Pacaso owners make a long-term investment in the community. Pacaso owners tend to behave more like residents, frequenting local businesses, attending community events, and integrating into the social fabric of the region. These co-owned properties maintain higher utilization rates while avoiding the disruptive churn of transient guests, leading to greater economic benefits:

> ***Pacaso owners in Tahoe spent an average of $21,943 in the local economy in 2023 —more than double the $9,615 spent by visitors staying in traditional second homes.[13]***

As Lake Tahoe navigates its future, solutions that balance economic vitality with long-term livability will be crucial. Co-ownership represents one such approach, ensuring that the region remains both a world-class destination and a viable place to live and work.

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[10] Redfin Housing Market Report, January 2025.

[11] United Nations World Tourism Organization. Overtourism? Understanding and Managing Urban Tourism Growth Beyond Perceptions, Volume 1. 2018

[12] Tahoe Regional Planning Agency. "Housing Solutions to Make Tahoe More Livable." February 16, 2023

[13] Based on figures calculated by the Bay Area Council Economic Institute. See Methodological Appendix, Section 3 for details on visitor spending calculations.

4. LOOKING AHEAD

As California continues to grapple with its housing crisis, innovative approaches to maximizing the use of existing housing stock, such as co-ownership, offer valuable opportunities to address inventory shortages. While the state faces significant zoning and regulatory hurdles, efficient utilization of housing through models like co-ownership, co-living, or the production of accessory dwelling units (ADUs) can alleviate some of the pressure on the housing market.[14,15] While co-ownership is not a silver bullet for the complex housing affordability issues in the state, it presents a practical solution that balances flexibility, shared financial responsibility, and optimal property use.

To capitalize on these benefits and address housing affordability challenges, it is important to consider policies that promote co-ownership alongside broader housing reforms. Policy considerations should focus on scaling such models while supporting a range of new housing options, from affordable to market-rate, to create a more resilient and accessible housing market.

1. Local Governments Should Not Create Barriers to Innovation in Housing Markets

Local government authorities should avoid creating unnecessary barriers to innovation in the housing market, as restrictive policies can stifle creative solutions to affordability and accessibility challenges. Cities like Miami Beach and Palm Springs have regulated co-ownership separate from other housing models, which has provided a strong model for the future of co-ownership. Miami Beach recognized co-ownership and placed certain registration, tax, and oversight requirements on platforms that facilitate co-ownership. This light touch regulation allows local government and businesses to collaborate to address the application of co-ownership. In Palm Springs, co-ownership has been capped to 30 units, but the recognition of the model has still allowed for the certainty that co-ownership platforms need to make investments in the market. This proactive approach is essential for companies to test new models and to push the needle forward in the housing space by encouraging diverse and flexible housing options that meet the evolving needs of residents.

2. State Governments Should Define Co-Ownership Apart from Other Housing Models

States should take the initiative to define co-ownership within their regulatory frameworks to ensure it is not improperly categorized under other models, such as short-term rentals or time shares. Co-ownership involves multiple, independent buyers sharing ownership of a single property, requiring specific legal and financial considerations. Without clear regulations, co-ownership risks being miscategorized in local ordinances, creating uncertainty for platforms and limiting the model's potential as a viable housing solution. Utah has taken this approach through SB 271—passed in 2023—which prohibits a county or municipal legislative body from adopting or enforcing a land use regulation that regulates co-owned homes differently from other residential units.

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[14] Ari Chazanas. "The Rise of Co-Living in the U.S." Forbes, February 27, 2023.

[15] Schuetz, Jenny and Devens, Eve. "ADUs Could Expand the Affordable Housing Toolkit If Local Governments Can Work Through Some Growing Pains." Brookings Institution, February 2023.

3. Encourage the Expansion of Co-Ownership to Ease Housing Market Pressure

Co-ownership should be actively encouraged as a tool for increasing ownership of primary homes, particularly for high-demand, high-cost markets. Policymakers should consider incentives such as tax credits for co-owners or reduced regulatory barriers for co-ownership platforms, allowing more first-time buyers to access properties they otherwise could not afford. Given the wealth-building potential of home ownership, co-ownership can provide a path to building equity in an asset that might otherwise not be accessible under traditional ownership structures. Co-ownership models can also be used by existing homeowners to "sell down" their homes to co-owners as a method of accessing equity while maintaining partial ownership. Sell downs are another way that co-ownership can consolidate demand and promote greater property utilization.

4. Utilize Co-Ownership as a Means for Downtown Revitalization

With downtown areas across the country struggling with high office vacancy rates because of the increased prevalence of remote work, many city leaders have been pursuing policies that would make it more attractive to convert office space into housing. By adding more residents to downtown areas, cities can address the slowdown in foot traffic and activity, a challenge faced by places like San Francisco, Los Angeles, Seattle, and Denver—all of which have struggled to fully recover to pre-pandemic levels of economic activity. The expansion of the co-ownership model into dense urban areas has the potential to alleviate empty space issues while creating new opportunities for homeownership.

5. Streamline Permitting

Reforming California's zoning and permitting processes is crucial to addressing the state's housing crisis at all levels. Simplifying permitting, removing excessive regulatory hurdles, and creating standardized processes across jurisdictions can significantly reduce costs and delays, accelerating housing production for both market-rate and affordable developments.

While accessory dwelling units (ADUs) have been an effective way to increase the state's housing supply, policies must be expanded to include reforms that address all types of housing, like "by-right" housing approvals and expedited review for projects meeting certain criteria.[16] Aligning zoning laws with current housing needs can help meet the demand for diverse housing options across the state.

[16] National Multifamily Housing Council. By-Right Development Tools. Washington, DC: National Multifamily Housing Council, April 2019. https://housingtoolkit.nmhc.org/wp-content/uploads/2019/04/F2_NMHC_PDF-Sections_Tools_By-Right-Dev_PG-63-TO-73.pdf.

METHODOLOGICAL APPENDIX

This analysis incorporates multiple data sources to provide a comprehensive view of housing utilization and economic impacts in California. The following methodology outlines the approach, data sources, and assumptions used in this study:

1. **Pacaso Utilization and Tax Data:** Reservation nights and usage patterns across submarkets were weighted to reflect overall utilization in California. This measure excludes system or maintenance days to better reflect actual property usage. This refinement ensures more accurate comparisons between co-ownership models like Pacaso and traditional second-home or STR utilization rates. Additionally, proprietary data from Pacaso on property taxes was utilized, which includes both first and second payments for the following types of taxes: Secured, Supplemental, Unsecured, Escape Tax Bill, Secured Supplemental, and Unsecured Supplemental.
2. **American Housing Survey (AHS)**: The 2023 AHS data was utilized to provide insights into housing market characteristics, such as occupancy rates and property utilization trends. Because full utilization figures are capped (the upper bound of the VACRESDAYS variable indicating the number of days an owner spent at their second home is limited to a maximum of 8 days), we employed an alternative approach.

   We relied on monthly estimates (OCCJANUR – OCCDECEM) that identified whether a unit was "typically occupied" during each month for Usual Residence Elsewhere (URE) properties. Our 39% occupancy figure for second homes was a result of averaging these shares and excluding rental properties and properties occupied year-round.
3. **Visit California Economic Impact Data:** To generate our tax and spending estimates, we used visitor spending data from Visit California's Economic Impact of Travel data from 2023.[17] In 2023, statewide travel spending reached $150.4 billion, a 5.6% increase from the prior year, with travel-related tax revenues totaling $12.7 billion.
   - Our figures assume a $131 dollar per day expenditure based on second home visitor spending, a $6.5 billion in statewide spending, and an estimate of 348,628 second homes in California based on Redfin estimates.
   - For Tahoe figures, we use county estimates for El Dorado and Placer counties – assuming a $68 dollar per day expenditure based on second home visitor spending, $297 million in spending in the region, and 30,888 second homes based on 2023 Census data.
4. **AirDNA Data**: Trailing averages for Airbnb and short-term rental (STR) performance, including booked nights and rental revenues, were analyzed to assess STR impacts and compare utilization rates.

[17] https://industry.visitcalifornia.com/research/economic-impact

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