

**DATE:** March 6, 2023

**TO:** Chair Ledell and Planning Commission Members

**CC:** Rebecca Kennedy, Deputy Director, Community Development Department

**FROM:** Jason Nortz, Development Review Manager, Community Development Department  
Becky Coutinho, Associate Long Range Planner, Community Development Department

**RE:** **Proposed Short-Term Rentals Regulations and Text Amendments- March 14 Workshop**

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**Intent**

This workshop is intended to provide the Planning Commission with an update on efforts to develop new regulations for short-term rentals (STRs) in the City of Vancouver, including draft proposed regulations for your review and feedback.

**Background**

A short-term rental is defined as a residential property or portion of a residential property (room, guesthouse, ADU, etc.) that is available to rent for stays of less than 30 days. This includes rentals available on sites such as Airbnb and VRBO. Within the last decade, the popularity of STRs has increased dramatically as a substitute for (or preferred option to) traditional lodging like hotel room across many jurisdictions in the county. This increase has not been as dramatic in Vancouver as other cities, but the number of STRs here has risen over time.

Currently, the City’s Land Use and Development Code, VMC Title 20, does not allow STRs in residential zones except as expressly authorized under the bed-and-breakfast provisions of VMC 20.830. A bed-and-breakfast also provides an alternative form of lodging for visitors who prefer a residential setting. The Development Code considers bed-and-breakfast establishments as Commercial and Transient Lodging, which includes uses such as hotels, motels, and homeless shelters where stays are typically less than 30 days. Bed-and-breakfast establishments, which envision a host in residence with guests and the provision of food in conjunction with lodging, don’t capture the typical Airbnb-type STR arrangement that has emerged in recent years. Staff believes creating separate short-term rental regulations is required to properly govern this type of land use.

Staff previously provided an update to the Planning Commission on September 13, 2022, and to City Council on June 27, 2022 and, as part of the Housing Code Changes Workshop, on September 9, 2021. Council directed staff to develop a regulatory response that could allow STRs as a permitted use in residential zones subject to a defined permit process. Planning Commission raised concerns regarding the concentration of short-term rentals in one area of the city, the importance of ongoing compliance monitoring and enforcement of regulations, and for staff to continue tracking the total number of STRs Citywide. Throughout this process staff has conducted

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best practice research looking at regulations in comparable jurisdictions, including several in Washington, and conducted thorough outreach with local short-term rental owners and operators, short-term rental users, those living near short-term rentals, various stakeholders including the tourism industry, hotel industry, real estate agents, and housing advocates.

### Financial Implications of Short-Term Rentals

Any owner of an STR in Washington State is required to obtain a state business license and to register with the Washington Department of Revenue. Per RCW 64.37.020, STR operators must remit all applicable local, state, and federal taxes unless the platform does this on the operator's behalf. This includes occupancy, sales, lodging, and other taxes, fees, and assessments to which an owner or operator of a hotel or bed and breakfast is subject in the jurisdiction in which the STR is located. If the STR platform collects an occupancy, sales, lodging, and other tax, fee, or assessment to which an STR operator is subject on behalf of such operator, the platform must remit such tax to the appropriate authorities. Locally, the City of Vancouver requires businesses generating more than \$12,000 in annual revenue to obtain a business license. Data provided by the City Department of Financial and Management Services indicates that approximately 40 business license holders operating STRs paid lodging tax in 2021, and in 2022 The City received approximately \$140k from short-term rental taxes. While short-term rentals are not an expressly allowed land use in the City of Vancouver, STR platforms are collecting the tax and remitting to the State which in turn remits back to the City.

The City has exercised its full authority to implement lodging taxes through [VMC 5.99](#). The tax rate is set at 4%, which consists of the base 2% rate that is a credit against the state tax pursuant to [RCW 67.28.180-.1801](#) and the special/additional 2% rate that is authorized by [RCW 67.28.181](#). One additional lodging related revenue item that is under discussion is seeking an increase to the local tourism promotion fee authorized by RCW 35.101 from \$2 to \$4-5 per room per night. However, this would only apply to businesses with 40 or more rooms (i.e., more traditional hotels/motels) and would likely not implicate Airbnb.

### Vancouver Short-Term Rental Data

The overview of the short-term rental landscape as of February 2023 includes the following data:

- There are approximately 358 STR units in the City of Vancouver
- Short-term rentals represent approximately 0.4% of Vancouver's approximately 83,900 residential units
- 85% of STRs are in single family homes, 14% in multi-family homes, with the remaining 1% undetermined
- 87% of STRs rent out an entire home, rather than a room or portion of an occupied home
- 30% of STRs are 3-bedroom rentals, 30% are 2-bedroom rentals, 24% are 1-bedroom rentals, 6% are 5 or more-bedroom rentals, and 10% are unknown
- The median nightly rental rate is \$118
- Geographically, STRs are spread throughout the City with a modest concentration in downtown and west side neighborhoods
- Approximately 75% of STRs are advertised through Airbnb with the remaining quarter listed through Expedia/VRBO and other platforms

The City continues to monitor the number of short-term rental units through the online platform HostCompliance, provided by the project consultant Granicus. Host Compliance is an industry leader in STR monitoring and compliance and was able to provide a comprehensive list of all current STRs located in the City,

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including parcel and owner information. In addition, Host Compliance now provides the City with ongoing monthly updates on the current number of rentals in the City, including location, property type, room type, average duration of stay and rental platform(s) used.

### Outreach

In February 2022, the City began communicating with owners of known STRs to advise them of the existing restrictions and to invite their participation in a broader community engagement process around STRs. The intent of the City's outreach was to alert operators to the current situation of noncompliance with existing code, bring awareness to the City's efforts to determine the extent to which STRs should be regulated, and invite existing STR operators into that process. Between March and June 2022, the project team engaged in an extensive outreach campaign consisting of two community-wide surveys and several small group conversations. The specific intent of this effort was to learn more about community experiences, attitudes, concerns, and ideas related to STRs in Vancouver.

The City conducted an online community survey from February 3 to March 6, 2022 using the City's BeHeard Vancouver website. A total of 783 community members took the STR survey. The responses were varied, with most respondents being in favor of allowing short-term rentals with regulations, including a majority of respondents (55.8%) saying they would like to see the City allow STRs with regulations. 23.6% said that they would like to see the City allow STRs with no regulations; 19.4% said that they would like to see STRs banned in all circumstances. Respondents were allowed to choose more than one answer and were asked where STRs should be allowed, 70% of community responses would allow STRs in single-family homes; 69.5% would allow in Accessory Dwelling Units (ADUs); 36.30% would allow in apartments, 40.70% would allow in mobile or manufactured homes; 56.72% would allow in townhomes; 53.75% in condominiums. 18.48% of respondents said that STRs should not be allowed anywhere.

Since March 2022, 51 community members have also shared their thoughts about STRs through an online comment box on the City's BeHeard Vancouver website. The responses received are both in favor and against of regulations STRs.

The City also conducted an online survey of STR hosts from February 3 to March 6, 2022. City staff shared a link to the survey with 300 STR hosts using direct mail. A total of 85 STR hosts completed the survey. 79.73% of respondents operate one STR; 10.81% operate two STRs; a small number of respondents 5.41% operate 5 or more STRs. STR operators were asked what they would do if they were no longer legally allowed to operate a STR. 45.95% responded they would rent to a long-term tenant; 45.95 would sell the property; 27.03% would keep it vacant and maintain ownership as an investment property; 16.22% would invite a friend or family member to move in; and 14.86% would make the property their primary residence. Respondents were allowed to choose more than one option.

The City also conducted small group conversations with housing advocates, short-term rental hosts and operators, hotel and tourism industry professionals, small business owners, real estate agents, and housing advocates including Evergreen Habitat for Humanity, Council for the Homeless, and Fourth Plain Forward. The housing advocates noted that STRs pose a real threat by removing housing stock from the market. While the City may not have thousands of units, any unit being taken of the market for a vacation home instead of a permanent residence is exacerbating the affordable housing crisis. The hotel and tourism industry felt STRs should be required to have the same inspections and regulations as hotels, including requirements related to the

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federal Occupational Safety and Health Administration (OSHA), fire life and safety inspections, electrical, plumbing, ADA, and the state tourism office. Participants expressed concern that allowing too many STRs in any given neighborhood could have a lasting impact on the community, citing the potential impacts of a transition from a fully residential neighborhood to one that has businesses operating in it. Short-term rental hosts offered why they chose to operate a STR, including many who said it provided supplemental income that is used to pay for mortgages, provide retirement income, pay medical bills and other monthly expenses, and in general increases disposable income. Hosts shared that they feel STRs bring a value, asset, and benefit to the City & local economy.

### Regulatory Environment

Government regulations of short-term rentals overall are still evolving. The Washington Municipal Research Service Center lists the cities of Seattle, Tacoma, Kirkland, Spokane, Bellingham, Leavenworth, Olympia, Ilwaco, Poulsbo, Clyde Hill, Walla Walla, and Westport as having or developing STR regulations as of 2017. Cities have cited collection of taxes, mitigation of traffic, parking and noise, and compliance with safety standards faced by other lodging as reasons for implementing STR regulations. Larger cities have also cited the need to retain more housing stock for long-term rental opportunities to address affordability concerns.

Please refer to Attachment E for additional information on how other Washington cities are currently regulating STRs.

### Key Regulatory considerations

While creating the draft regulations, staff considered key policy issues raised by City Council and Planning Commission. The below chart serves as a summary of these topics and how staff responded.

<b>Policy Consideration</b>	<b>Council &amp; PC comments</b>	<b>Staff Response</b>	<b>Code Regulation</b>
Owner occupancy requirement	Mixed support and opposition of such a requirement	Considered having owner occupancy requirement if renting one room in the home but did not to include due to challenges with monitoring, enforcement, and legal concerns	Not included in draft code
Lodging tax collection	Want to ensure that lodging taxes are being collected and remitted to the City	The City received approximately \$140k in short term rental taxes in 2022. City lodging tax is set at 4%	No action needed
Life/Safety inspection standards	Council brought up concern at June workshop, want standards without being over burdensome	Mirroring building code regulations – not suggesting specific building inspections for short-term rentals	Addressed in code by requiring STRs to meet state and local health, safety, and building code regulations
Impacts to housing availability	City Council and Planning Commission both expressed	Current impact to Vancouver housing supply small, however	Not included in draft code fully, but code

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	concerns regarding STRs impact to the housing stock in Vancouver	if number of STRs continues to grow could be an issue. Staff will continue to monitor numbers. City goals support significantly increase in housing stock, which will mitigate negative impacts from STRs	does exclude STRs in units receiving the Multi-Family Tax Exemption
Changes to Bed & Breakfast regulations	Update bed & breakfast regulations to ensure clarity and fairness with any STR regulations	Staff will examine during the upcoming Comprehensive Plan and Title 20 Update	Not included in draft code

### Draft Code

Following direction from City Council and Planning Commission as well as community feedback and comparative jurisdiction research, staff has compiled draft code language to regulate short-term rentals. The regulations allow short-term rentals in all residential and commercial zones, and in industrial zones OCI and ECX as a limited use that must follow regulations in new code section 20.835. STRs must register with the Washington State Department of Revenue and obtain a City of Vancouver business license if the business license annual revenue threshold is met. The regulations create a short-term rental permit with a onetime \$250 fee. In order to obtain a permit an applicant would need to provide and affidavit showing proof of mailing of letter of notification to property owners abutting and adjacent to the proposed short-term rental, copy of liability insurance for the rental property, and a signed acknowledgement by the owner stating that the short-term rental will comply with the required standards in 20.835.050 VMC and allowing the City to inspect the premises as needed.

Please refer to Attachments A and B for the full proposed code language. In addition to the development of regulations, staff has created an updated FAQ and good neighbor factsheet that will be made available to the public (see Attachments C and D). The FAQ is meant to serve as a resource to educate the public on the City's policies and how to handle issues. The good neighbor factsheet is a resource for short-term rental operators, hosts, and guests, outlining the regulations around noise, parking, fire safety, garbage, and overall guest responsibilities.

### Review Criteria

Any proposed text changes shall be reviewed by the Planning Commission as outlined in the review criteria below.

Vancouver Municipal Code 20.285.070 provides the approval criteria for comprehensive plan or zoning code text amendments:

- A. Text amendments to the comprehensive plan or VMC Title 20 zoning standards shall demonstrate the following:
  1. The proposal is consistent with applicable policies of the Vancouver strategic plan and comprehensive plan; and
  2. The proposal is necessary to further the public interest based on present needs and conditions.

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### Next Steps

Following the March 14, 2023, Planning Commission workshop and April 3, 2023 City Council workshop, the project team will review and integrate feedback and implement any changes to the draft regulations. Staff will then conduct further outreach to the community and stakeholders with the proposed code language. A Planning Commission public hearing is tentatively scheduled for April 11, 2023. A City Council public hearing has not yet been scheduled.

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### Attachment(s):

- A. Draft Short-Term Rental Regulations
- B. Title 20 Amendments
- C. Good Neighbor Handout
- D. Short-Term Rental FAQs
- E. Washington Short-Term Rental Comparisons



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