

MEMORANDUM

DATE: June 13, 2022

TO: Eric Holmes, City Manager

CC: Chad Eiken, CDD Director

FROM: Jason Nortz, Development Review Manager, CDD

RE: Update on Short-Term Rentals

This memo is to serve as an update to the City Council on the current short-term rental market in the City of Vancouver. Staff previously provided an update to City Council on this subject as part of the Housing Code Workshop on September 9, 2021.

Background on Status as an Allowed Use

A short-term rental (STR) 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 even a preferred option to) traditional lodging like hotel rooms.

Currently, the City's Land Use and Development Code, [VMC Chapter 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 provides an alternative form of lodging for visitors who prefer a residential setting. The City's Land Use and 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. The individual or family operating the bed and breakfast must live at the house and it must be their primary residence. The house must also have been used as a residence for at least a total of five years prior to filing the application for approved use as a bed-and-breakfast establishment. A 1-2 bedroom bed-and-breakfast establishment is allowed under current City code as a limited use in the lower density residential districts. A 3-6 bedroom bed-and-breakfast establishment is allowed with a conditional use permit in lower density residential districts. According to City permit records, there is only one permitted bed-and-breakfast currently operating in the City.

This definition of a bed-and-breakfast establishment, which envisions a host in residence with guests and the provision of food in conjunction with lodging, doesn't capture the typical Airbnb-type STR arrangement that has emerged in recent years. Given that Airbnb-style short-term lodging arrangements are allowed in many cities, most people are under the assumption that they are allowed in Vancouver, but the City's Land Use and Development Code hasn't been updated to provide specific authorization for short-term rentals except under the bed-and-breakfast provisions in VMC 20.830. Additionally, Washington State law distinguishes bed-and-breakfast operations

from STRs in [Chapter 64.37 RCW](#) and regulation of transient accommodations under [Chapter 246-360 WAC](#), specifically in the definitions provided by [WAC 246-360-010](#).

As with other activities, enforcement of existing STRs in Vancouver is complaint-driven. Staff estimates that the City has received fewer than six inquiries about STR's. The City has received feedback about noise, trash, and parties in regard to specific properties. At least two community members mentioned calling VPD, most likely regarding parties or noise. Most of the concerns from the public have focused less on impacts from existing STR's than on their impact on supply of housing and the potential for future problems in the face of continued growth and investment.

As previously mentioned, staff provided the City Council with an overview of the current STR market as part of the September 9, 2021 Housing Code Workshop. The overview included the following data:

- There are approximately 250-300 existing STR units in the City of Vancouver out of approximately 72,500 households
- The number of Vancouver STR units has increased 165% from 2016
- 80% of STRs are in single family homes, 18% in multi-family homes, with the remainder undetermined
- 71% of STRs rent out an entire home, rather than a room or portion of an occupied home
- 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

While these types of businesses are not illegal under state or federal law, they are not currently allowed to operate in the City of Vancouver, except as an approved Bed and Breakfast establishment. The City is aware that there are roughly 300 STRs operating in Vancouver, and it is possible that many of these property owners do not realize they are operating out of compliance with current code requirements.

At the September workshop, staff presented four options for the City Council to consider:

- **Increase enforcement.** All existing listings would be contacted and advised that they are not in compliance with current standards unless located in a commercial zone.
- **Maintain the status quo.** STRs would continue to be considered commercial and transient lodging uses and prohibited in residential zoning districts, but enforced only on a complaint-driven basis.
- **Monitor and report back.** Staff would more closely track local STRs and any related complaints and report back in six months to a year. If needed, regulatory options consistent with the scale of local activities could also be provided.
- **Develop an immediate regulatory response.** Staff would develop recommendations in the short term for Council consideration.

City Council advised staff to continue to monitor the situation and provide an update within a year.

In October of 2021 the City enlisted the services of Host Compliance, a platform of Granicus. Host Compliance is an industry leader in STR monitoring and compliance and was able to provide the City a comprehensive list of all current STRs in the City of Vancouver, 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. Please refer to Attachment A for more information.

In February 2022, the City began reaching out to 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 communication was to alert operators that there is an issue of noncompliance, and to 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. An example of Owner/Operator letters is provided as Attachment B.

Outreach Efforts

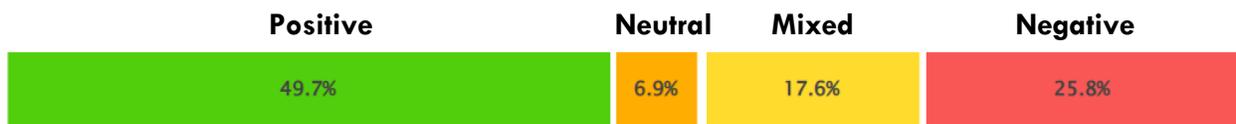
City staff have conducted two surveys and several small-group conversations to learn more about community experiences, attitudes, concerns and ideas related to STRs in Vancouver. Staff plan to conduct additional community engagement in the coming months, based on City Council feedback.

Community Survey

The City conducted an online community survey from February 3 to March 6, 2022 using the City's Be Heard Vancouver website. A total of 783 community members took the survey.

Participants and Overall Sentiment

- 81.5% of respondents were homeowners and 9.6% were renters. While renters were significantly underrepresented in the survey, they were more likely than the average respondent to support allowing STRs in Vancouver. Additional engagement with renters is needed to better understand the views of this group.
- A plurality of respondents (49.7%) expressed positive sentiments toward STRs, while 6.9% were neutral, 17.6% expressed mixed feelings and 25.8% were negative.



Key Survey Themes

- The majority of respondents (55.8%) said that 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.
- Community support was significantly higher for allowing STRs in single-family homes (70%) and Accessory Dwelling Units (ADUs) (69.5%) than apartments (36.30%) and mobile or manufactured homes (40.70%). Majorities of respondents voiced support for allowing STRs in townhouses (56.72%) and condominiums (53.75%). 18.48% of respondents said that STRs should not be allowed anywhere.
- 66% of respondents said that they have not had negative experiences with STRs. Among those expressing negative experiences, the most common concerns were:

- Parking shortages or other parking problems
- Excessive noise
- Increased traffic
- Respondents were also asked their thoughts about potential regulations. More detailed feedback on these questions is available through the community survey [response report](#).

Among those who expressed **positive sentiments**, participants mentioned:

- The view that STRs can provide an important source of income for homeowners, in particular homeowners who are retired, low-income, have lost a job during the pandemic or are financially supporting family members (in college or dealing with an illness).
- Belief that STRs help to support tourism in Vancouver and contribute to the City’s service economy.
- Many spoke about positive personal experiences using STRs in other cities
 - Respondents expressed appreciation for the flexibility that STRs provide, when compared to hotels, including specific amenities, such as a kitchen, larger living space, multiple bedrooms for families, etc.
 - When visiting another city, respondents said that they appreciate the chance to get to know a neighborhood or the community from a more residential setting.
- Multiple respondents also spoke to the role that STRs play in providing accommodations for a range of uses, including:
 - Business travelers, including travelling nurses, people who are looking for a home, visiting for a job interview, attending a funeral, taking care of family, etc.
- Some respondents wrote about a belief that homeowners should have a right to use their home how they want.

Among those who expressed **neutral sentiments**, participants mentioned:

- No opinion or indifference on STRs
- Factual statements about the nature of STRs

Among those who expressed **mixed feelings**, participants mentioned:

- Many respondents spoke about the potential benefits of STRs, such as tourism or extra income for rental hosts, while expressing concern about potential downsides, such as noise, parking or trash.
- Several respondents also spoke about their personal positive experiences with STRs, but expressed mixed feelings about having an STR near their home. This mixed sentiment is consistent with [past research](#).
- Some community members offered conditional responses, noting that they would support STRs if certain regulations were in place, such as registration, taxation or residency requirements.

Among those who expressed **negative sentiments**, participants mentioned:

- Belief that STRs reduce the amount of housing available to rent or own, thereby reducing supply and increasing housing costs.
- Concern that STRs encourage speculative real estate investing and purchases from outside the community.
- Multiple respondents spoke to negative experiences living near an STR, including:
 - Negative parking impacts, noise, trash or litter, concern about people “coming and going” and disruptive parties.

- Belief that businesses of any type should not be allowed in residential areas.
- Multiple respondents expressed concern about an incident in June 2020, when someone shot at a property being rented through VRBO in the First Place neighborhood.

STR Host Survey

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.

Key Findings

- Most respondents operate a single STR property:
 - 79.73 percent of respondents operate one STR
 - 10.81 percent operate two STRs
 - A small number of respondents (5.41%) operate 5 or more STRs
- If they were no longer allowed to operate an STR, respondents indicated that they would:
 - Rent to a long-term tenant (45.95%)
 - Sell the property (45.95%)
 - Keep it vacant – maintain ownership as an investment property (27.03%)
 - Invite a friend or family member to move in (16.22%)
 - Make the property their primary residence (14.86%)
- Additional feedback is available through the rental host survey [response report](#).

Themes from Open-Ended Responses

Feedback from the rental host survey was consistent with comments made by those voicing support for STRs as part of the larger community survey. Respondents spoke about:

- Positive experiences operating an STR.
- Personal benefits to themselves or their family, including the role that rental income plays in helping hosts to afford monthly mortgage payments or other expenses.
- Belief that STRs positively contribute to Vancouver’s economy, through tourism, taxation and support for local businesses.

Online Comment Box

Since March 2022, 51 community members have also shared their thoughts about STRs through an online comment box on the City’s [Be Heard Vancouver](#) website.

- 37.3% of respondents have voiced opposition to STRs. Their concerns include housing affordability, negative impacts on the city’s housing stock, noise, parking availability, parties, people “coming and going,” and issues generated by specific properties in their neighborhoods.
- 35.3% of respondents have voiced support for STRs. They suggest that STRs generate valuable income for homeowners, offer accommodations for those whose needs might not be met by a hotel, while contributing to the local economy through tourism. Responding rental hosts also mentioned the effort they put into enforcing “house rules,” as a way to reduce negative experiences with STR guests.
- 23.5% of respondents have offered mixed feedback. These respondents, including some STR hosts, have voiced support for allowing STRs with certain regulations, such as licensing of taxation.
- 3.9% have offered neutral comments, such as questions or requests for more information.

Small-Group Conversations

Over the past several months staff have also conducted several small-group conversations with a variety of stakeholders. These groups include hotel and tourism professionals, STR hosts, realtors, neighborhood associations and housing advocates. This information supplements information gathered through online surveys and comment box.

Housing Advocates

The housing advocates interviewed were community focused organizations including Fourth Plain Forward, Council for the Homeless, and Evergreen Habitat for Humanity. From their view, 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 vacation home instead of a permanent residence is exacerbating the affordable housing crisis. As STRs grow in popularity, there is an incentive to build units specifically for STRs versus long-term rentals. This disincentivizes building long-term rental units. In response to arguments for STRs helping build wealth is often not true for low-middle income families. There is a large barrier to entry to buying an additional property or renting out a spare room. Allowing STRs can pose a gentrification risk and displace people from the area. If not an outright ban, the group would like to see vulnerable populations living in the city protected by not allowing STRs in those neighborhoods. It's important to put in place safeguards so our low-income communities don't get left behind. One housing advocate had a more positive view, that STRs can be a benefit to the community. One example being STRs have been used to house refugees, specifically from Afghanistan. They agreed any policy created should consider outcomes to vulnerable populations.

STR Hosts

City staff held four virtual one-hour conversations with a total of 28 STR owners and operators. Most hosts owned one to two STRs and have lived in Vancouver for at least five years. Each conversation group was asked a series of questions. When asked what their reason was to own or operate an STR include having a supplemental income, often to pay for mortgage payments, retirement, medical bills, other monthly expenses, and in general increases disposable income. Running their unit as an STR vs long-term rental was less hassle. Some hosts felt owning an STR was a way to meet people and to give back to the community. Some make operating STRs their primary income. As far as the type of guests that would typically stay at the rental were people in the area for work such as traveling nurses, people scoping out the area before the move, families who need a different setup than a traditional hotel room, people undergoing medical procedures, people having work done on their house, and people that need a place to stay in between housing situations. To address issues that can come up from STRs, hosts are requiring additional screening, requiring guests to disclose the reason for their stay—if the reason is a party, the host will decline—limiting the number of guests, making sure surrounding neighbors know they are operating an STR, implementing quiet hours, installing noise-monitoring technology, and using security cameras.

STR hosts were asked to share any additional thoughts and to identify any misconceptions that they believe community members may have about STRs. Host shared that they feel STRs bring a value, asset, and benefit to the City & local economy. In Vancouver a lot of the owners and hosts are long-time community members, who live in the neighborhood and care about these neighborhoods. A reason people are STR hosts is because they are making more money than long-term rentals. When people buy properties to convert into an STR, they are investing in properties and raising property values. To address the point that STRs are taking housing units off the market, this is a misconception because STRs are second homes or vacation homes that would not be getting used otherwise. STRs

were a benefit during Covid which helped other small businesses like restaurants. One host had someone book STRs for a domestic abuse victim and a homeless individual. Overall STRs promote tourism and generates revenue for the City and provides jobs to those who work in the communities that support this use (e.g., housekeepers, landscapers, etc..).

Hotel and Tourism Professionals

Staff spoke with several hotel industry professionals during a small group conversation. The group felt strongly that STRs should be required to have the same inspections and regulations as hotels, including requirements related to OSHA, fire 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 change from fully residential to having business operating in the area. This same principle could lower home values. The group informed that smaller hotels are listing on STR sites. Strong HOAs could have the authority to push out STRs. Hotels are offering monthly rates that are competitive to STR rates. There is precedence in other Cities to require parking and annual operation fees to cover inspection costs. A majority of hotel operators believe STRs should be beholden to the same regulations as hotels.

Ongoing Outreach

Staff will continue to engage in small-group conversations in the coming months. Stakeholders include: local employers (Peace Health, Vancouver Clinic), neighborhood associations, STR platforms (VRBO, Airbnb), the Tenants Union of Washington State, and affordable housing advocates.

SUMMARY OF LOCAL GOVERNMENT ISSUES/CONCERNS

Generally, local government concerns about STRs fall into at least one of the following categories:

- Collection of lodging and sales tax on STR stays
- Mitigation of traffic, parking, noise and other impacts on the surrounding neighborhood
- Compliance with life/safety standards that are commonly applied to other types of lodging establishments (such as hotels, motels and bed-and-breakfasts)

Another issue of increasing concern is the impact of STRs on a community's affordable housing supply. In this case, the concern isn't necessarily about a homeowner renting out a room or backyard cottage to help with monthly mortgage payments. Instead, local governments fear that property owners will purchase residential units and rent them out on a short-term basis to out-of-town visitors, thereby taking them out of the year-round rental housing supply.

Regulatory Environment

Government regulations overall are still evolving. The Washington Municipal Research Service Center lists the cities of Seattle, Tacoma, Kirkland, Spokane, Bellingham, Leavenworth, Ilwaco, Poulsbo, Clyde Hill, Walla Walla, and Westport as having or developing STR regulations as of 2017. Please refer to Attachment C for additional information. 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.

Locally, City of Vancouver staff believes that STR's do not meet existing Vancouver Municipal Code definitions of residential uses and are considered commercial uses. As previously mentioned, STRs are not allowed in residential zones, however they are allowed in a majority of our commercial zones as a Commercial and Transient Lodging use (e.g., hotel/motel). 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 and remits 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 collect and remit such tax to the appropriate authorities. Locally, the City of Vancouver requires businesses generating more than \$12,000 annually to obtain a business license. Data provided by our Department of Financial and Management Services indicates that approximately 40 business license holders operating STRs paid lodging tax in 2021.

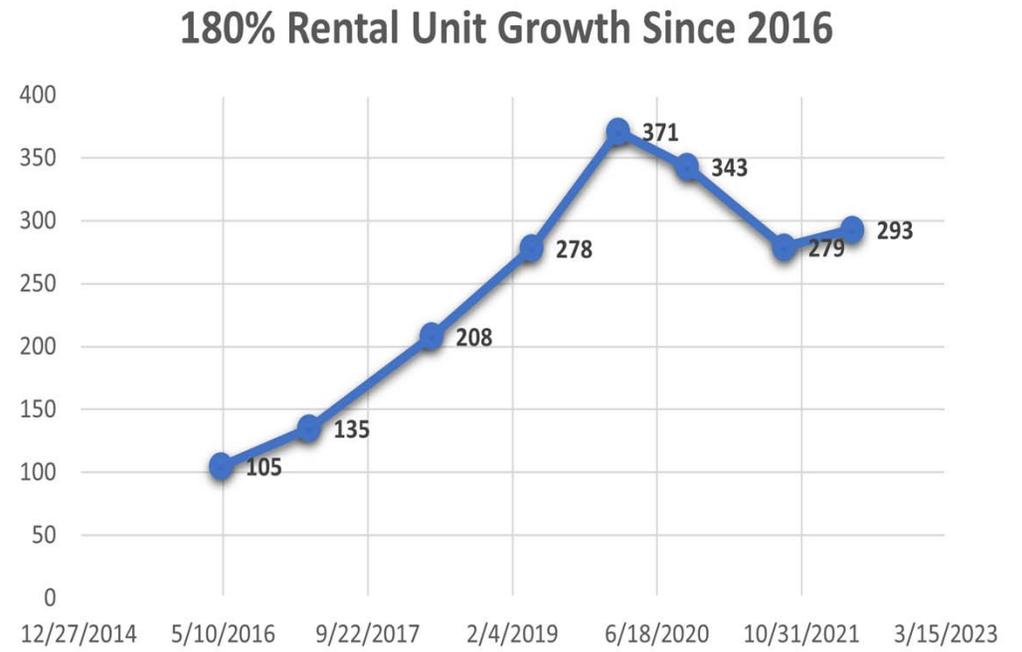
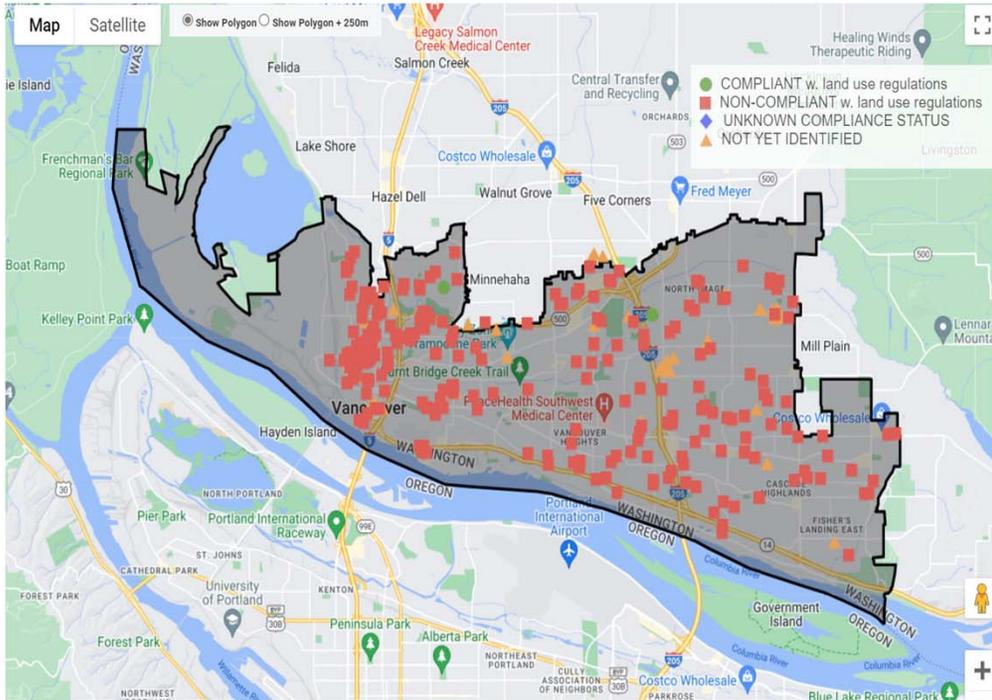
Next Steps

While the number of STRs in Vancouver represent a very small percentage of total households (roughly 0.4%), operating STRs in single-family homes and multi-family units is increasingly popular. Staff is recommending returning to Council in the Fall, as part of a workshop to discuss regulatory options for Council to consider.

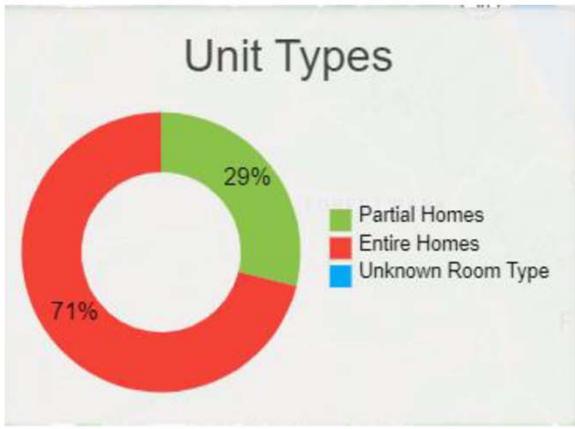
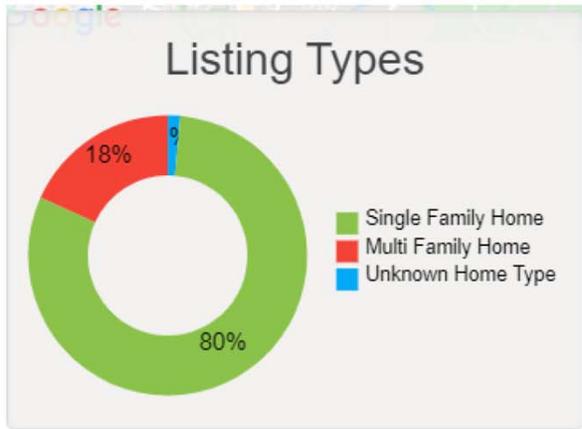
Attachment(s):

- A. Host Compliance Data/Charts
- B. Owner Compliance Letters
- C. WA Cities STR Table

Vancouver STR Market Details

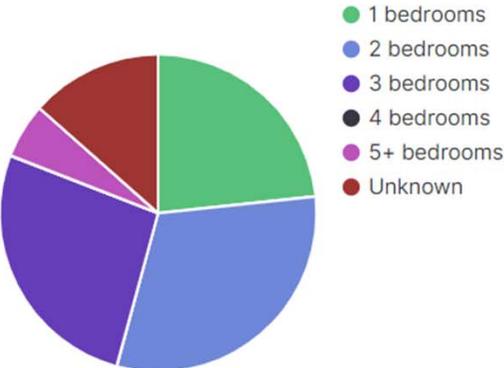


Vancouver STR Market Details



Attachment A

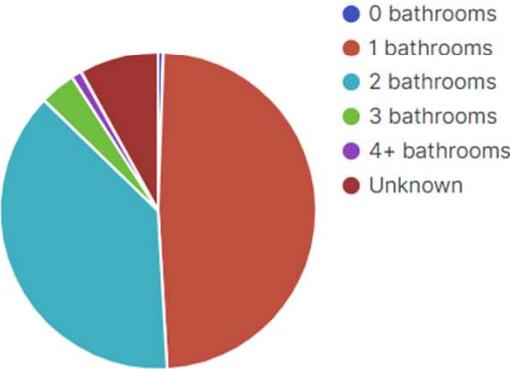
Bedrooms ⓘ



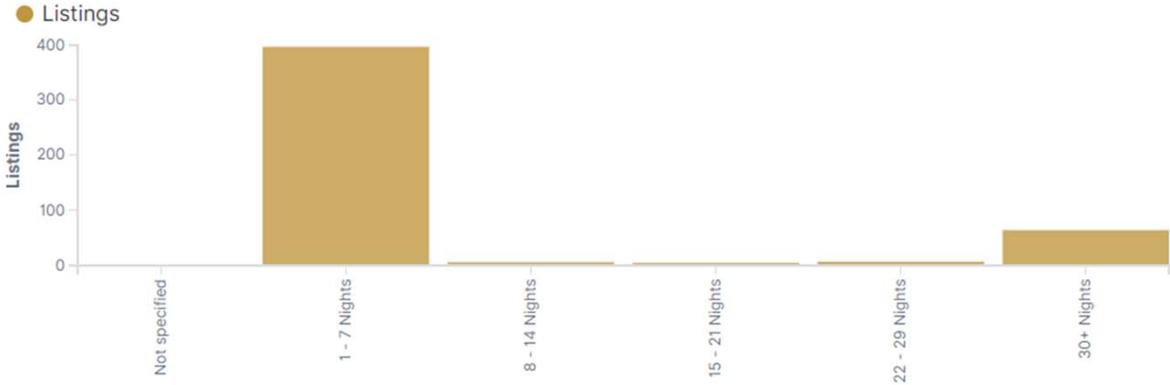
Rental Units and Listings Over Time ⓘ



Bathrooms ⓘ



Minimum Nights Stay ⓘ



REVISED
2.4.22



Dear City of Vancouver Property Owner,

An earlier draft of this letter was sent in error. At this time, the City of Vancouver is NOT asking short-term rentals to cease operations. We would like to apologize for the confusion and assure all hosts that any changes to short-term rental policy will occur through a public engagement process, with ample opportunity for input and concerns to be shared.

We encourage you to share your thoughts by taking the city's short-term rental host survey and to sign up for email updates using the links below. We also invite you to contact the project team to share your perspective. Below is the letter that was intended to go out to hosts. We again apologize for the confusion that the previous letter may have caused.

It has come to our attention that a short-term rental is being operated at one or more of your properties located in Vancouver, Washington. Currently, City code does not allow short-term rentals in a residential zone per the City's Land Use and Development Code, VMC Chapter 20.

We realize that you may not have known until just now that short-term rentals are not currently allowed in Vancouver, or you may not be directly involved in this commercial activity at your property, which is why we're reaching out to you with this information. If a tenant is operating the short-term rental at your property without your knowledge, you are still accountable as the property owner.

The Vancouver City Council will be considering changes to the City's Land Use and Development Code to possibly allow short-term rentals. Before the City Council takes action, the City wants to hear from you. Please share your thoughts, ideas, and experiences by taking our online short-term rental host survey at: cityofvancouver.us/hostsurvey.

This survey will be available through February 28, 2022 and is designed specifically to gather feedback from short-term rental hosts. If you would like to participate in an upcoming conversation with the City and other short-term rental hosts, please share your email as part of the survey or contact Jason Nortz using the contact information below.

If you have any questions about this letter or the possible code changes, please email me at jason.nortz@cityofvancouver.us. You may also visit beheardvancouver.org/short-term-rentals for more information or to contact the project team.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Nortz".

Jason Nortz
Development Review Manager
City of Vancouver
(360) 487-7844

C: Chad Eiken, Director, Community Development Department