



## MEMORANDUM

**DATE:** September 13, 2022

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

**FROM:** Jason Nortz, Development Review Manager, Community Development Department

**RE:** **Update on Short-Term Rentals**

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This memo is to serve as an update to the Planning Commission on the current short-term rental (STR) market in the City of Vancouver. Staff previously provided an update to City Council on June 27, 2022 and also as part of the Housing Code Workshop on September 9, 2021. Council directed staff to develop an immediate regulatory response that could allow STRs as a permitted use in residential zones subject to a defined permit process.

### 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 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

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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 STRs. 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 City Council meeting. The overview included the following data:

- There are approximately 250-300 existing STR units in the City of Vancouver out of approximately 83,900 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 2021 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 the June 13, 2022 City Council Memo on STRs and associated attachments- referred to as Attachment A of this memo- for charts summarizing current STR 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 part of Attachment A.

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 intent of the outreach was to learn more about community experiences, attitudes, concerns and ideas related to STRs in Vancouver. Staff will continue to engage in small-group conversations in the coming months specifically focusing on the regulatory direction provided by City Council. For a comprehensive summary of all outreach efforts to date please refer to Attachment A.

At the June 27, 2022 workshop staff provided City Council with an extensive overview of the current short-term rental market in the City. The overview included:

- The current rules for STRs
- The existing STR market conditions
- Stakeholder outreach efforts
- Possible regulatory options for consideration

Staff asked City Council to consider the following options for next steps:

1. **Develop an immediate regulatory response/amend the code to allow STRs.** Given the minimal amount of STRs (currently 0.4% of total households) one option would be to allow STRs to operate in residential zones but develop a permit process so the City has more control, can track revenues (business license, lodging tax) and conduct basic life safety inspections (smoke/carbon monoxide detectors, egress, etc...). This could be run as a pilot program for a year or longer at which point staff could review if changes to the current rules are required. Amendments to the land use and development code would

be required for this option. Any amendment to the land use and development code would go to the Planning Commission for a recommendation to Council.

2. **Maintain the status quo/begin proactive code enforcement.** This requires continued investment of staff time, and resources for technical (software) support to review and verify online listings, and enforcement of the municipal code. Updates to the land use and development code would also be required to explicitly prohibit STRs in all residential zones. Additional resources would likely be needed to effectively engage in proactive enforcement.

City Council directed staff to consider option #1 and develop an immediate regulatory response that could allow STRs as a permitted use in residential zones subject to a defined permit process. Council also asked staff take a closer look at implementing regulations that pay specific attention to:

- An owner occupancy requirement
- Lodging tax collection
- Life/Safety inspection standards
- Impacts to housing availability

## **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 last chart in Attachment B for additional information on how other WA cities are currently regulating STRs. 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 STRs 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.

## **Review Criteria**

As previously mentioned, 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](#). 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.

## **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 requests the Planning Commission discuss options for a regulatory framework that would allow STRs in residential zones through a defined permitted process. Examples of other Washington Cities STR regulations are provided as Attachment B. Staff would return to the Planning Commission as another workshop item at a future date to review the proposed regulations and potential text amendments.

## **Attachment(s):**

- A. June 13 Briefing Memo and Attachments
- B. Example Regulations