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Short-Term Rentals: Issues and Considerations

For Presentation at the March 10, 2020 Board Work Session

Issue

Washington County has received numerous comments from community members on the topic of short-term rentals (STRs) in urban unincorporated areas. The County does not currently define or regulate STRs.

Most comments have been from community members who live near active STRs in single-family urban unincorporated neighborhoods. Community member concerns about STRs include potential or observed increases in noise, on-street parking, litter, traffic and other impacts on community character, and many of the comments included requests that the County adopt regulations to protect citizens from perceived negative impacts of STRs. The adopted 2019-20 Long Range Planning (LRP) Work Program identified preparation of an STR issue paper as a Tier 1 (top priority) task.

Staff Recommendation

Direct staff to develop STR regulations and a requirement for STR approval through a registration or license. This option represents a way to limit potential negative impacts of STRs on neighborhood livability by placing some limits on their operation. It also allows for development of enforcement and revocation processes that could be applied to “problem” STR properties, while still allowing a path forward for STRs.

To be effective, STR regulations must be based upon clearly stated policy objectives. Staff believes that, at a minimum, STR regulations for the unincorporated County should be based on these two policy objectives:

1. Minimize the likelihood of community impacts, including “party houses,” noise, parking and trash problems for neighbors.
2. Increase the accountability of STR owner/operators and provide a path to “close down” problem STRs.

Background

Home-sharing has been commonplace for as long as dwellings have had spare rooms, and as long as people have owned second homes. In the past, home-sharing opportunities were local, limited in nature and advertised by word-of-mouth, newspaper ads or flyers on community

bulletin boards. In the last decade, online STR booking platforms such as Airbnb and Vrbo have allowed people to advertise and rent homes and spare bedrooms to strangers via the internet. As a result, the number of homes listed for short-term rental has grown rapidly. STRs, also known as transient rentals or vacation rentals in some jurisdictions, are now operating in neighborhoods across the country.

Although there is no official federal or state definition of STRs, they are often defined by local jurisdictions as housing units or portions of housing units that are rented or leased for less than 30 days. STRs are typically used as temporary lodging for vacationers or visitors to an area, but may also be used by business travelers and new or relocating households that are between permanent residences.

STRs can have potential positive and/or negative effects on the communities in which they are located. Potential positive effects of STRs include:

- Providing homeowners or long-term renters with supplemental income they can use to meet rent or mortgage payments or keep up with property maintenance.
- Positively contributing to an area's economy by promoting tourism and bolstering lodging tax revenues.
- Providing additional lodging options for visitors.

Potential negative effects of STRs include:

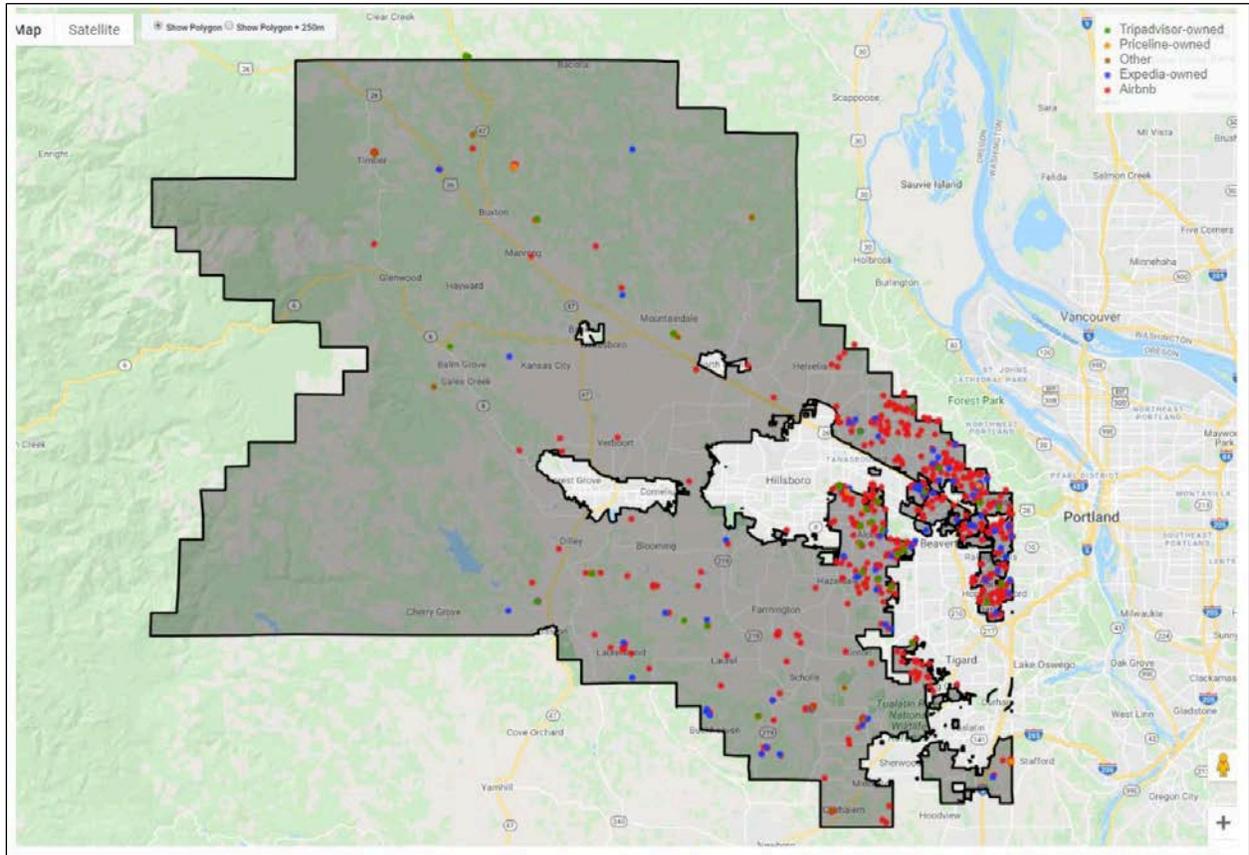
- Neighborhood impacts, such as excessive noise and on-street parking conflicts, if STRs are operated in a manner that is not respectful of residential neighbors.
- Increasing a community's housing costs due to removal of housing from the long-term rental or owner-occupancy market.

STRs in the Unincorporated County

Host Compliance, a private company offering STR monitoring and enforcement services to local governments, provided staff with a complimentary snapshot of the number, types and general locations of STR listings in the unincorporated County on Feb. 19, 2020. The snapshot found that online booking platforms were listing about 567 STRs in the unincorporated County as of that date, with a median nightly rental rate of \$96. Most listings were located in the urban unincorporated area, with a much smaller number scattered throughout the rural area.

The snapshot's STR location map, Figure 1, indicates that STRs in the unincorporated urban area are primarily concentrated at the County's east side, closer to Portland. The snapshot total of 567 STRs represents a very small portion (about 0.3%) of the more than 200,000 housing units in the unincorporated County. However, the snapshot indicated that the 567-unit total represented a 24% growth in STRs from this time in 2019. In addition, the quantity of STR listings typically changes day-to-day and varies by season. Since Oregon receives more visitors in the summer, it is likely that a summer snapshot of listings in the unincorporated County would show a larger number of STRs than on Feb. 19.

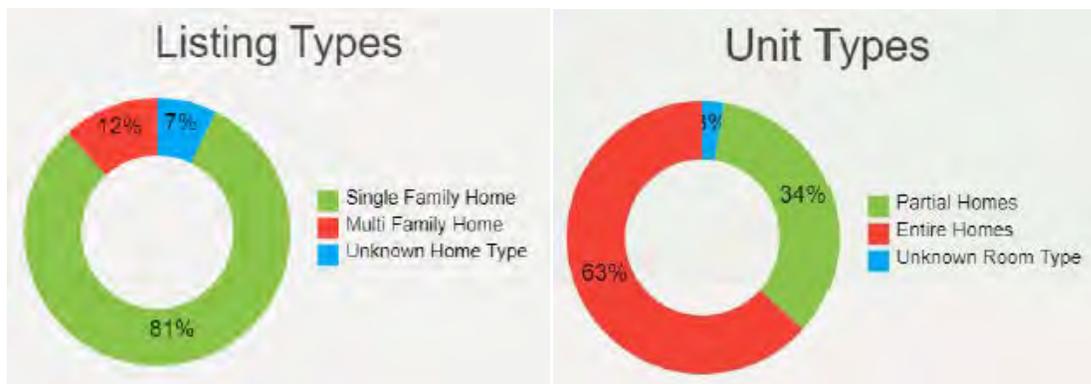
Figure 1: STRs in Unincorporated Washington County (Feb. 19, 2020)



Courtesy of Host Compliance

The Host Compliance snapshot also included information on the types of dwellings being rented as STRs in the unincorporated County, and whether listings were for entire homes or portions of homes. Figure 2 is a graphic summary of this information. The vast majority of STR listings (81%) were in single-family homes, while 12% were in multifamily homes and 7% were in unknown home types. The majority of STR listings (63%) represented entire home rentals, while 34% represented partial home rentals and 3% represented an unknown room type.

Figure 2: STR Listing and Unit Types (Feb. 19, 2020)



Courtesy of Host Compliance

Current County Regulation

Because STRs rented through online platforms¹ are a relatively recent phenomenon, they are not specifically addressed by the County's Community Development Code (CDC). The Current Planning section estimates they receive several inquiries a week about whether the County allows STRs from community members who wish to rent all or part of their dwellings as STRs. Land Use Code Enforcement receives community complaints about specific STRs relatively infrequently, with about three to four complaints submitted in 2019. Over the last five years, Long Range Planning and the Board of Commissioners (Board) have received community comments about STRs from a combined total of approximately 45 residents, with most comments focused on the negative neighborhood impacts of fewer than 10 operating STRs. Most comments included requests that the County either prohibit STRs or establish regulations to limit their negative impacts. The specific nature of community members' STR complaints is described in more detail later in the *Background* section (see page 6).

To date, the response to all parties has been that the County does not regulate STRs. The CDC allows dwellings in all urban and rural residential districts, and does not differentiate among dwellings occupied by owners, long-term renters, or short-term renters.

The use of some rural dwelling types as STRs, however, may constitute a land use violation, particularly in the rural resource districts. Certain rural dwelling types are established through land use approvals that authorize them for use by specific occupants: for example, a farm help dwelling for a relative of a farm operator. The use of such a dwelling as an STR would be a violation of its conditions of approval.

STRs and Transient Lodging Tax

The Washington County Code of Ordinances (County Code), Title 3 (Revenue and Finance) requires transient lodging operators to remit a 9% transient lodging tax (TLT) for lodging countywide (whether in cities or the unincorporated area). Transient lodging is defined as "...*hotel, motel and inn dwelling units located inside Washington County that are designed for temporary overnight human occupancy, and includes spaces designed for parking recreational vehicles during periods of human occupancy of those vehicles.*"² STRs have been determined to qualify as transient lodging under this definition and are subject to payment of the TLT. The transient lodging definition is currently being amended by ordinance to include "...*any other housing, including but not limited to, a private home, cabin, vacation rental or like facilities...*" which clarifies that STRs are included in this category.

The County's Finance Division (Finance) administers the collection of TLT from transient lodging operators throughout the county. According to the Transient Lodging Tax webpage on the County website,³ TLT revenue is distributed as follows: 28% to the Washington County

¹ STR online booking platforms include, but are not limited to: Airbnb, Vrbo/HomeAway, Vacasa and Booking.com.

² Washington County Code of Ordinances, Chapter 3.08 (Transient Lodging Tax)

³ Washington County Transient Lodging Tax webpage:

https://www.co.washington.or.us/Support_Services/Finance/transient-room-tax.cfm

General Fund, 26% to the Washington County Visitors Association, 11% to the Washington County Fair Complex, 7% to the Event Center and 28% split among the cities within Washington County.

Currently, STR operators listing dwellings through online platforms such as Airbnb pay TLT through those companies. The online booking platforms then route the TLT payments to the County on behalf of the STR operators. Airbnb has been routing monthly TLT payments to Finance since July 1, 2016, per a signed Voluntary Collection Agreement between Airbnb and the County. Airbnb is the only STR online booking platform for which the County has a Voluntary Collection Agreement related to the TLT.

In July 2018, Oregon House Bill (HB) 4120 became effective. HB 4120 makes explicit that all booking intermediaries for transient lodging, including online booking platforms, must remit transient lodging taxes to local governments. Once HB 4120 became effective, Finance began receiving monthly TLT payments from a variety of other online STR booking platforms such as Vacasa and HomeAway/Vrbo.

Finance itemizes TLT revenue submitted by Airbnb separately from TLT revenue submitted by the other online STR booking platforms. Table 1 below shows the average monthly TLT payments received from Airbnb and from all other online STR booking platforms during the past three fiscal years. The average monthly TLT payments from both sources have steadily increased over this time period.

Table 1: Average Monthly TLT Payments from STR Booking Platforms

TLT PAYMENT SOURCE	AVERAGE MONTHLY TLT PAYMENT		
	Fiscal year 2017-18	Fiscal year 2018-19	Fiscal year 2019-20 ⁴
Airbnb	\$26,090	\$35,622	\$37,265
All other STR online booking platforms	\$2,830	\$4,512	\$9,704
<i>TOTAL per month</i>	<i>\$28,920</i>	<i>\$40,134</i>	<i>\$46,969</i>

Although the online booking platforms submit TLT payments on behalf of STR operators, the platforms do not provide the County with information about the quantity or location of STRs, or the number of nights STRs are being rented. As a result, Finance lacks the data to verify whether the submitted TLT payments cover all of the STRs being booked through online platforms, as well as any that do not use these platforms.

Title 3 of the County Code requires transient lodging operators countywide to register with Finance within 15 days of commencing business. Finance relies on STR operators to self-register, and registration is accomplished through submittal of a one-page form in which the operator provides their contact information (email address, mailing address and phone number).

⁴ Covers the fiscal year period from July through December 2019.

The number of registered STRs in the unincorporated County has gradually increased over time to a current total of 29, although this number fluctuates as STR listings come and go. Based on the Host Compliance snapshot total of 567 unique STR listings in the unincorporated County as of Feb. 19, 2020, it appears the majority of STR operators in the unincorporated County have not registered with Finance.

Community Requests to Add STRs to the Long Range Planning Work Program

Between late 2014 and early 2015, six community members submitted comments requesting that regulation of STRs be added as a 2015 LRP Work Program task. Their comments described several concerns about STRs, including the potential for more noise and traffic associated with parties and events, parking issues, strangers in neighborhoods, too many people occupying STRs, and assertions that STRs represent a commercial use in a residential area and reduce adjacent property values. The letters requested that the County prohibit STRs in residential areas, or develop STR regulations and permit requirements. As a result of the community comments received, exploration of issues related to STRs was added to the adopted 2015-16 Work Program as a Tier 3 (low priority) task.

Due to the pressing nature of other Long Range Planning tasks, consideration of issues relating to STRs remained a Tier 3 task on the adopted 2016-17, 2017-18 and 2018-19 Work Programs. In October 2018, six community members provided oral and written testimony about currently operating STRs at several Board meetings during the oral communication periods. Their testimony outlined numerous concerns, including the neighborhood impacts noted above. The testimony requested development of STR regulations, including limits on group size, prohibition of large outdoor events like weddings, enforcement of regulations with written warnings followed by monetary fines, and prohibiting homes from being used as STRs if violations of adopted regulations continue.

Between late fall 2018 and early spring 2019, about 33 community members submitted letters requesting that STRs be elevated to a Tier 1 task on the 2019-20 Draft Work Program. Some of these letters expressed the same concerns with STRs as those voiced by community members in previous years. The Board was sympathetic to the experiences of these community members and included preparation of an issue paper on STRs as a Tier 1 task in the adopted 2019-20 Work Program. This issue paper was drafted to address that task.

Analysis

This section examines the potential implications of regulating STRs, outlines considerations for STR regulations, provides an overview of other jurisdictions' regulations, outlines enforcement considerations and identifies potential next steps.

Potential Implications of Regulating STRs

As noted in the *Background* section, the County does not currently regulate STRs. A foundational question is whether the County *should* regulate STRs. Published articles and studies on STRs, as well as feedback from other jurisdictions, have identified both opportunities and challenges with regulating them.

Opportunities associated with regulating STRs include:

1. Providing a mechanism for maximizing retention of affordable long-term rental and owner-occupied housing by regulating which properties can and cannot be used as STRs.
2. Providing a mechanism to prevent or reduce potential negative impacts on neighborhood livability by regulating how STRs are operated.
3. Facilitating safe operation of STRs by requiring demonstration of compliance with fire and life-safety standards.
4. Allowing for development of a process to enforce violations of noise and other regulations and revoke permits on problem properties.
5. Providing a way to monitor payment of appropriate taxes.

Challenges with regulating STRs include:

1. A potentially contentious process for establishing standards, since the variety of stakeholders do not always agree on how STRs should be regulated.
2. Ensuring compliance with regulations.
3. Addressing STR operators that are bad actors (due to noise, parking, trash, “party house” issues), given the County’s existing limited enforcement resources.

STR Impacts on Housing Supply and Affordability

One of the debates around STRs is whether they impact the supply of housing available for long-term renters. Removal of housing from the long-term rental market could lead to an increase in housing costs, which could make long-term rental housing less affordable. The findings of some national studies⁵ and studies focused on large U.S. cities^{6,7} have linked increases in STR listings to increased housing prices and rents.

A central question is whether homeowners who list their homes on an STR platform would otherwise rent them out for longer terms. In a 2016 report, ECONorthwest found that city of Portland homeowners were not likely to do so; and even if they were, many of the homes would be unaffordable to long-term renters making between 60% and 80% of the Portland region’s median family income.

⁵ Kyle Barron, Edward Kung and Davide Proserpio, “The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb,” SSRN, Jan. 22, 2020: <https://ssrn.com/abstract=3006832>

⁶ Stephen Sheppard and Andrew Udell, “Do Airbnb properties affect house prices?,” Williams College Department of Economics, Jan. 1, 2018: https://pdfs.semanticscholar.org/c41a/555192f8b8a63413cfd461f4295b95123e6f.pdf?_ga=2.1525041.1044339924.1566438551-620960455.1566438551

⁷ Roy Samaan, “Airbnb, rising rent, and the housing crisis in Los Angeles,” LAANE, March 2015: <https://www.laane.org/wp-content/uploads/2015/03/AirBnB-Final.pdf>

The ECONorthwest report “Housing Affordability Impacts of Airbnb in Portland,”⁸ commissioned by Airbnb, found that at the time of writing:

- Entire homes rented out full-time (more than 270 nights per year) comprised less than 0.03% of Portland’s housing units.
- Portland had 2,976 Airbnb entire-home listings, which represented 1.1% of Portland’s housing units. The majority of these were rented “infrequently,” with 87% being rented 180 nights or less. Of those, 42% were rented for less than 30 nights per year.
- Few Airbnb listings are permanently on the STR market. The report found that of the active listings in January 2015, only 47% were still active in September 2016 (53% were deactivated).
- Many units created for STR use (for example, accessory dwelling units) will eventually convert to long-term rental use, adding to the city’s total housing stock.

The report concluded that STRs have a negligible impact on housing affordability in Portland. The report asserted that the primary drivers of the housing market and pricing in the Portland region are demand for housing (which is outpacing growth of the housing supply), zoned capacity for new development, land availability and rising construction costs.

Studies on whether STRs lead to higher rents and housing costs have produced conflicting results, with several concluding that STRs are connected with higher rents for long-term rentals. The ECONorthwest report, notable for its specific focus on the city of Portland, reaches the opposite conclusion. Assuming the report’s conclusions can be extrapolated to Washington County, they suggest that STR impacts on local housing supply and affordability may be minimal at this time.

STR Regulation – Considerations and Typical Requirements

Host Compliance recommends that jurisdictions carefully consider the type of STR regulations they wish to adopt. They outline the following considerations for STR regulation:⁹

- *Local STR regulations should be based on explicit policy objectives.* Before starting to write new STR regulations, a local government should first agree on a specific list of objectives that the proposed STR regulations are intended to address. Regulations should be tailored to address the specific negative STR side effect(s) that the local government is concerned about, and should reflect the community’s larger strategic objectives.
- *STR policy objectives will vary from one jurisdiction to another.* A local government’s STR policy objectives will depend on the specific characteristics of its community. For example, an affluent residential community in an attractive location will likely have different STR objectives than an urban community with a shortage of affordable housing, a working-class

⁸ Mike Wilkerson et al., “Housing Affordability Impacts of Airbnb in Portland,” ECONorthwest, Sept. 2016: <http://media.oregonlive.com/front-porch/other/PDXAirbnbAffordability.pdf>

⁹ Ulrik Binzer, “A Practical Guide to Effectively Regulating Short-Term Rentals on the Local Government Level,” Host Compliance, 2016: <https://hostcompliance.com/resources-gallery/a-practical-guide-to-effectively-regulating-short-term-rentals-on-the-local-government-level>

suburban community with ample housing availability and a struggling downtown, or a resort community with a large stock of traditional vacation rentals.

Examples of STR policy objectives include the following:

- Decrease the likelihood that STRs will function as “party houses.”
- Decrease potential parking problems for neighbors.
- Promote the physical safety of short-term renters.
- Ensure that long-term rental properties are not converted to STRs.
- Ensure that speculators cannot purchase homes for exclusive use as STRs.
- Increase an STR owner/operator’s accountability to the residents in his/her neighborhood.
- Decrease public safety risks and possible noise and trash problems.
- Ensure that regulation of STRs does not create any unexpected negative side effects.

The question of which policy objectives are most appropriate for Washington County is addressed later in this paper, in the *Options for Board Consideration* subsection.

The following section describes the STR regulations that other local governments have adopted to address many of these policy objectives.

Other Jurisdictions’ STR Approaches

Staff has compared the County’s approach to STRs with that of 15 other Oregon jurisdictions, summarized in Table 2 on the next page. Staff selected 11 jurisdictions located within or near the County (Beaverton, Hillsboro, Tigard, Portland, Lake Oswego, Milwaukie, Multnomah County, Yamhill County, Clatsop County, Tillamook County and Clackamas County) and supplemented this list with four additional jurisdictions in the state that have addressed STRs in some manner (Eugene, Bend, Hood River and Hood River County).

Six of the surveyed jurisdictions (40%) do not have STR-specific regulations. Of these, one jurisdiction, Eugene, is similar to Washington County in that it considers STRs to be residential uses and does not regulate them. The other five jurisdictions consider STRs under a “bed and breakfast,” “commercial lodging,” or “home occupation” land use category that requires land use approval and is limited to higher-density residential and/or commercial zones. Planning staff from four of these jurisdictions (Beaverton, Hillsboro, Tigard and Multnomah County) have indicated they intend to examine STR issues and the potential for STR-specific regulations at some point in the future.

Nine of the surveyed jurisdictions (60%) have STR-specific regulations. Several of these jurisdictions are located in geographic areas that are vacation destinations: the Oregon coast, the Columbia River Gorge, mountain ski areas, and the state’s largest metropolitan area. These jurisdictions chose to adopt STR-specific regulations to accomplish various objectives:

- Manage the rapid growth of STRs in their communities and address neighborhood livability concerns raised by community members.

- Respond to community member requests to explicitly permit STRs, as well as community member concerns about negative neighborhood livability impacts (Lake Oswego, Milwaukie).
- Address concerns that rapid growth of STRs would reduce the number of long-term rental housing units and negatively impact housing affordability in their communities (City of Hood River, Portland).

Table 2: STR Approaches – Washington County and Other Jurisdictions

JURISDICTION	NO STR-SPECIFIC REGULATIONS		STR-SPECIFIC REGULATIONS
	Not regulated; considered residential use	STRs considered a type of Bed & Breakfast, Lodging or Home Occupation	
Washington County	X		
City of Eugene	X		
Multnomah County		X	
Yamhill County		X	
City of Beaverton		X	
City of Hillsboro		X	
City of Tigard		X	
Clackamas County ¹⁰			X
Clatsop County			X
Hood River County			X
Tillamook County			X
City of Bend			X
City of Hood River			X
City of Lake Oswego			X
City of Milwaukie			X
City of Portland			X

The majority of the jurisdictions reviewed have STR-specific regulations. The requirements below are found in the STR regulations of most of those jurisdictions. Many of the requirements are intended to promote the policy objectives of *neighborhood compatibility* and *guest safety*. These requirements have the potential to address several STR operational issues that have concerned some community members in Washington County, including noise, group events, parking, maximum occupancy and trash management.

- a) *Quiet Hours / Limits on Noise*. STR quiet hours, typically from 10 p.m. to 7 a.m., are required by most of the reviewed jurisdictions.

¹⁰ As of this writing, Clackamas County’s regulations are under development and not yet adopted.

- b) *Group Events*. Group events at STRs, such as weddings, are limited or prohibited by several of the reviewed jurisdictions in order to minimize neighborhood noise and parking conflicts.
- c) *Minimum Parking*. A minimum quantity of on-site parking is a common requirement, which can be a set number of spaces or can be based on the number of bedrooms (for example, one space per bedroom). In addition, most jurisdictions' regulations include strong statements to the effect that STR guests' vehicles shall not block access for emergency vehicles.
- d) *Maximum Occupancy*. Limits on the number of allowed persons per bedroom are commonly required to promote safety and minimize noise and parking conflicts. Maximum occupancy limits, which are typically 2 to 3 persons per bedroom, may be difficult to enforce since local government staff cannot visit STRs in the middle of the night to count bedroom occupants. However, a stated limit for maximum occupancy may discourage overcrowding of STRs, and could help with enforcement via online comparison of stated capacity versus number of bedrooms.
- e) *Trash Management*. Evidence that the property has weekly garbage pickup service and covered garbage receptacles is a common requirement to ensure that garbage will not accumulate on a property hosting an STR.
- f) *Primary Residency*. This standard requires an STR owner/operator to provide evidence that the dwelling in which the STR is housed is the operator's "primary residence." It is intended to achieve one or more of the following objectives:
- Reduce the number of pure investment properties being used as STRs.
 - Limit the overall number of STRs.
 - Make the owner/operator more accountable to neighbors because they are living in the neighborhood at least part of the time.

Required evidence typically amounts to a valid Oregon driver's license, voter registration and/or income tax return document showing the STR address as the address of record for the STR owner/operator. The "primary residence" requirement typically does not require the STR operator to be present on the property when the dwelling is being rented as an STR, and typically does allow the entire home to be used as an STR for at least a portion of the year.

The adopted STR regulations of five reviewed jurisdictions contain a primary residency requirement (Portland, Milwaukie, Lake Oswego, Hood River and Hood River County), and Clackamas County is considering this requirement for STRs located in its urban unincorporated area.

- g) *Inspections*. Inspection of the STR for availability of fire and life-safety features such as fire extinguishers, carbon monoxide alarms/sensors and smoke detectors is required by several of the reviewed jurisdictions to promote the safety of STR guests. However, per

the County Building Official, Building Services inspectors have state authorization to inspect new construction only; staff are not authorized to inspect existing dwellings with previously-obtained occupancy permits. Therefore, a County requirement for STR building inspections of *existing* dwellings would necessitate creating a new program with new staff, or possibly contracting with a third-party provider.

As an alternative, verification of STR safety features could be handled through a self-reporting affidavit system, similar to the state requirement that a landlord of a regular “long-term” rental unit provide signed documents about the operability and functionality of smoke detectors, lead paint disclosures, etc. Clackamas County, which is currently developing its own STR regulations and has similar inspection limitations, is proposing to utilize such a self-reporting approach.

- h) *Renewal*. Most of the reviewed jurisdictions with STR-specific regulations require STR approvals to be periodically renewed, with renewal intervals ranging from annually to every five years.
- i) *Eligible Dwelling Types*. STR-specific regulations often specify the dwelling types that may or may not be used as STRs. Single-family dwellings are typically allowed to be used as STRs, and some jurisdictions allow all legal dwelling types to be used as STRs. Accessory dwelling units (ADUs) may either be explicitly allowed or explicitly prohibited from being operated as STRs, depending on a jurisdiction’s policy objectives.
- j) *Additional STR Requirements in Rural Land Use Districts*. Similar to Washington County, Clackamas and Hood River counties contain significant amounts of rural land. Their regulations include requirements that are specific to rural STRs.

Clackamas County’s proposed regulations allow STRs to be approved in all rural land use districts, though they limit the dwelling types in which STRs may be operated. The draft regulations specify that STRs may only be operated within legally established, permanent dwelling units, and may not be located within dwelling units established through a land use approval process that specifically limited their use, occupancy or duration of existence, such as accessory farmworker dwellings, caretaker dwellings or temporary dwellings for care. The draft regulations also state that temporary sleeping accommodations such as tents and recreational vehicles are not considered dwelling units under the county’s zoning and development ordinance and may not be used as STRs.

Hood River County’s adopted regulations allow for STR approvals in rural *residential* districts. However, their regulations do not permit STRs in rural *resource* districts, such as exclusive farm use and forest conservation districts, except in very limited cases. In those limited cases, an STR requires a Type II land use review in which the applicant must demonstrate the STR will not adversely affect surrounding neighbors’ ability to farm. Where rural STRs are allowed, they may only be operated within the property’s primary dwelling, and may not be located within farmworker housing, accessory dwelling units, or other lawful dwellings on the property, or within agricultural buildings

or tiny homes. The regulations do not allow recreational vehicles, travel trailers, tents, parked vehicles, or other temporary shelters to be used and/or occupied in conjunction with an STR.

These two counties have taken different positions on whether STRs should be allowed to operate in exclusive farm use and forest conservation districts. Staff has not yet fully examined this issue and has not formed an opinion on whether STRs should be allowed in Washington County’s exclusive farm use and forest conservation districts.

STR Approval Process Options

As shown in Table 3 below, the STR approval processes used by the jurisdictions with STR-specific regulations fall into one of two categories: 1) license, permit or registration, or 2) land use approval.

Table 3: Other Jurisdictions’ STR Approval Processes

JURISDICTION	STR-SPECIFIC REGULATIONS	
	License, permit or registration required	Land use approval required
Clackamas County ¹¹	X	
Clatsop County	X	
Tillamook County	X	
City of Hood River	X	
City of Lake Oswego	X	
Hood River County		X
City of Portland		X
City of Bend	X	X
City of Milwaukie	X	X

A slight majority of the reviewed jurisdictions that regulate STRs use a license, permit or registration process, rather than a land use approval process. This approach typically requires placing STR regulations in the jurisdiction’s municipal or county code, rather than (or in addition to) their development or zoning code. The license, permit or registration process does not include notification of surrounding neighbors when the application is submitted. However, several jurisdictions notify nearby neighbors when the license, permit or registration is issued. The notification typically includes the STR operator’s phone number and email, so neighbors have the ability to contact the operator directly about an issue before alerting the jurisdiction.

The implications of reviewing STRs through a license, permit or registration process include:

- The process is generally more straightforward and easier to administer than an STR land use approval process.

¹¹ As of this writing, Clackamas County’s regulations are under development and not yet adopted.

- The more straightforward nature of the process can encourage more owner/operators to obtain STR approvals. The city of Hood River approves STRs through a licensing process, and in a phone interview, the Assistant City Manager indicated this was the primary reason the city chose that process type. Furthermore, the city has found that when owner/operators have obtained STR approvals, they are then motivated to comply with the city's STR regulations to maintain those approvals.
- The process allows for some flexibility in assigning the department to administer the program. The STR approval process was managed in some jurisdictions by the planning department, and in others by either the assessment & taxation or finance department. If managed by a department other than planning, a Land Use Compatibility Statement from the planning department is often used to verify compliance with land use requirements.
- The process does not include public notice of application receipt. As a result, there is low opportunity for public input prior to the decision on the STR license, permit or registration.

The second approach, used by a smaller number of the reviewed jurisdictions, is to require STRs to obtain land use approval or some combination of licensing and land use approval.

Implications of reviewing STRs through a land use approval process include the following:

- Identification of STRs as a distinct land use type and adoption of new STR-specific regulations into the CDC would likely cause preexisting STRs to become nonconforming land uses. Under this scenario, preexisting STRs would have the option to continue operating as nonconforming uses for some length of time, perhaps indefinitely, before being subject to new STR regulations. This scenario would not address community member complaints with negative neighborhood livability impacts of preexisting STRs.
- The land use approval process would likely be lengthier and require more staff time and administrative costs than a license, permit or registration process. This could lead to higher permit costs for STR operators. Longer processing times and higher permit costs may discourage STR operators from obtaining approvals.
- The land use approval process may include a public notice of application receipt. As a result, there is higher opportunity for public input prior to the decision on the STR. However, the land use approval process may create false expectations from neighbors that they can stop STRs through the process. The process typically results in approval, as long as applicants can demonstrate that compliance is feasible.

If the County adopts STR-specific regulations that would apply to both new and preexisting STRs, the most straightforward approach would be to place STR regulations in the County Code of Ordinances, and require STR approval through a license or registration process rather than a land use permit process.

Enforcement Issues Associated with STRs

As noted previously, during the past five years Long Range Planning has received community member requests for the development of STR-specific regulations, based on concerns about how specific STRs are being operated. Most concerns have focused on noise and parking impacts associated with STR events and parties. A few concerns have focused on trash disposal at STRs.

The County's existing noise, parking and trash disposal regulations are briefly summarized below, along with the County departments responsible for enforcing these requirements.

- *Noise.* The County's noise control ordinance¹² is enforced by Code Enforcement staff of the Department of Health and Human Services' (HHS) Solid Waste and Recycling Division during standard weekday working hours of 8 a.m. to 5 p.m., and by the Sheriff's Office (SO) during evenings and weekends.
 - HHS representatives have noted the County's noise control regulations are less stringent and prescriptive than those of most Washington County cities and lack specified decibel limits and measurement standards. The lack of regulatory specificity requires HHS and SO staff to rely on subjective considerations, which can complicate enforcement.
 - The noise control regulations list the types of noises that represent violations. Noise complaints about STR guests are either not a violation of the noise control regulations (slamming car doors) or only violations when they occur between 10 p.m. and 7 a.m. (amplified music and shouting). HHS Code Enforcement staff are off-duty during these times, therefore, these types of noise violations would be enforced by the SO.
 - If STR-specific regulations are developed, it is assumed the SO would continue to be responsible for enforcement of noise violations occurring between 10 p.m. and 7 a.m. when associated with STRs.
- *Trash disposal.* Compliance with the County's solid waste (garbage) requirements is addressed by Code Enforcement staff of the HHS Solid Waste and Recycling Division. For residential properties, County Code Chapter 8.20, Nuisances, applies.
 - HHS staff note the language of Section 8.20.030 represents a high threshold for what constitutes a residential solid waste (i.e., garbage accumulation) violation. Section 8.20.030 reads, "*It shall be unlawful for any owner or person in charge of property to maintain or allow to exist, the following ... conditions on his property ... accumulation, collection, storage or disposal of solid waste ... garbage ... rubbish ... if any of the aforementioned materials are offensive to the public health and safety.*"
 - HHS has received a resident complaint about an STR where the trash container was left out in the street for several days. However, leaving a trash container in the street, even for an extended period, does not represent a County Code violation. On the other hand, placement of a trash container so that it blocks the sidewalk is a violation.
 - The County Code does not require residents to have regular garbage collection service. However, if the Board directs the development of STR-specific regulations, HHS staff noted it may make sense for regulations to require STRs to have regular garbage collection service.
- *Parking.* Compliance with on-street parking regulations is addressed by SO staff. The parking regulations are contained in the County's Prohibited Parking Ordinance (Ordinance No. 737) and Appendix A of the County Code, Enhanced Sheriff's Patrol District (ESPD): Ordinance No. 2 – Regulating Enhanced Parking and Towing in ESPD Areas.

¹² Washington County Code of Ordinances, Chapter 8.24 (Noise Control)

- SO representatives note a vehicle parked on the street is in violation of the parking regulations and may be towed if it blocks a driveway or fire hydrant; is within ten feet of a mailbox; lacks a current vehicle registration; and/or has deflated tire(s).
- Large numbers of vehicles parked along a street in conjunction with a house party or event do not represent a parking violation, unless one of the above-noted circumstances applies to one or more parked vehicles. However, if the Board directs development of STR-specific regulations, they could potentially include a prohibition on holding group events at STRs. Such a prohibition would likely minimize the cases in which large numbers of vehicles parked along a street are associated with STRs.
- If STR-specific regulations are developed, it is assumed the SO would continue to be responsible for enforcement of any parking violations associated with STRs.

Several local governments that have STR-specific regulations use a “neighbor enforcement” approach to give neighbors the ability to contact an STR operator directly about a concern before alerting the jurisdiction. For example, Clatsop and Tillamook counties require STR operators to post a placard on the property with their contact information and provide surrounding neighbors with their direct phone number so that STR operators can be the first point of contact for compliants about noise or other issues.

Host Compliance recommends that local governments only adopt STR regulations that can and will be enforced. Their website provides examples of some California cities that have adopted unenforceable regulations:

- The city of Tiburon adopted a complete ban on STRs, but failed to budget any funding to enforce this ban, and failed to adopt monetary fines large enough to deter violators. As a result, the number of STR listings remained virtually unchanged after the ban was enacted.
- The city of Mill Valley adopted an STR registration requirement that was unenforceable because city staff did not have the technical expertise, time or budget to track down STR operators who failed to register. The city has had to rely on STR operators to self-report, and compliance has been low.

The Host Compliance snapshot for Washington County notes that most local governments lack the staff expertise or sophisticated software needed to cost-effectively monitor STR compliance and conduct enforcement, for the following reasons:

- STR listings are spread across more than 50 online booking platforms, with Airbnb representing only a portion of the total market.
- Manually monitoring a number of STR listings across numerous online platforms is difficult and may not be possible without elaborate databases, as listings are constantly being added, changed or removed.
- Most STR online booking platforms do not provide street addresses for their listings, making identification of specific properties and owners time-consuming or impossible for local government staff. Such information can only be acquired through the use of sophisticated technology and tedious detective work.

- There is no manual way to precisely identify how often individual STRs are rented or the cost per rental, making it difficult for local governments to determine the amount of transient lodging tax owed by each STR operator.

Given the STR compliance monitoring issues described above, if the Board directs staff to develop STR-specific regulations, it may be prudent to contract with Host Compliance or a similar company to monitor STR compliance. Alternatively, funds could be allocated to develop in-house staff expertise in STR compliance oversight, but this option could be less efficient and more expensive overall.

Host Compliance's STR Tracking and Compliance Services

The Feb. 19, 2020 Host Compliance snapshot of unincorporated County STR locations and quantity included a menu of their services. Their foundational service is providing STR address identification to local governments. Based on automated monitoring of more than 50 STR online booking platforms, they can provide an online dashboard complete with STR street addresses and screenshots of all identifiable STR listings within the local government's boundaries.

Host Compliance can also provide these additional services:

- *STR compliance monitoring.* Ongoing monitoring of STRs for zoning and permit compliance, coupled with outreach to operators of noncompliant STRs.
- *STR rental activity monitoring and tax calculation support.* Ongoing monitoring of the local government's STR listings for signs of rental activity to enable data-informed transient lodging tax compliance.
- *Mobile-enabled STR registration and tax collection.* Mobile/web forms and back-end systems for streamlining registration and transient lodging tax collection processes, with electronic capturing of required documentation, signatures and payments .
- *Dedicated STR hotline.* A 24/7-staffed telephone hotline and online platform for neighbors to report nonemergency STR problems, submit evidence and initiate automatic follow-up activities.

Host Compliance currently provides STR monitoring and compliance services to several Oregon jurisdictions. Staff contacted representatives from two of these jurisdictions, the city of Hood River and Hood River County, to better understand how they utilize Host Compliance's services.

Hood River adopted STR-specific regulations in 2016. In a December 2019 phone interview, the Assistant City Manager stated the city's contract with Host Compliance began shortly after its STR regulations took effect. Host Compliance supplies the city with data on the street address and property ownership of all STRs within city limits and automatically generates monthly warning letters to all STR operators that are not included in the city database of licensed STRs. During the initial months of Hood River's contract with Host Compliance, numerous warning letters were mailed. The city now has an STR license compliance rate of 95%, and mails only one or two warning letters per month. In the Assistant City Manager's opinion, Hood River's STR enforcement program would not be successful or even possible without the Host Compliance contract.

Hood River County adopted STR-specific regulations in 2017, and began a service contract with Host Compliance in July 2019. In a February 2020 phone interview, the county's Compliance Planner stated the county receives the base level address identification package, which provides access to a dashboard and Google Maps data for all county STR listings. To date, the county has sent two batches of letters using the Host Compliance dashboard: an initial violation letter and a second administrative penalty letter. The dashboard allows the county to track letters sent and whether compliance is achieved, and provides evidence for enforcement.

Public Input

Staff believes a decision on whether to develop STR regulations – and if so, what the regulations should entail – will benefit from additional stakeholder input, including surrounding community members and STR operators. To obtain more feedback, staff provided briefings on the topic of STRs at Community Participation Organization (CPO) meetings held this past winter. To date, staff has given STR briefings to CPOs 1 (Bonny Slope West, Cedar Hills, Cedar Mill), 4B (Bull Mountain and Tigard), 4K (King City and vicinity) and 7 (Bethany, Rock Creek, Sunset West). The CPO 4K and 7 meetings were attended primarily by community members, but the CPO 1 and 4B meetings were attended by both residents and STR operators who identified themselves as members of a local STR operator trade group, Host2Host.

At the CPO meetings to date, some community members expressed concerns about STRs that echoed those submitted to Long Range Planning and the Board over the last five years (e.g., community character, noise, parking issues and trash), and supported regulating STRs to limit such impacts.

The STR operators at these CPO meetings reacted with concern and dismay to community members' accounts of negative STR impacts. The operators emphasized the care they took to operate their own STRs in a considerate manner that respected surrounding neighborhoods. They expressed guarded support for some degree of STR regulation, but urged the County not to move toward overly restrictive regulations.

The public comment period for this issue paper represents another opportunity for stakeholder input. It will be posted on the County website for public review and comment, and a link to the issue paper will be emailed to individuals on the STR issue paper notification list as well as the LUT general mailing list. The issue paper notification list is comprised of community members who submitted STR comments during the past five years' Long Range Planning Draft Work Programs, and community members and STR operators who attended the recent winter CPO meetings and requested issue paper notification. The list now includes about 67 email addresses. Additional public comments about STRs are likely to be submitted in response to the issue paper's webpage posting and email notification.

Summary

Washington County does not currently regulate short-term rentals. Over the last five years, community residents have submitted requests for the development of STR regulations, citing concerns about potential or actual STR impacts, including noise, on-street parking, traffic and litter. STR regulations are a tool used by some local governments to achieve specific STR policy

objectives such as promoting guest safety or increasing STR compatibility with residential neighborhoods.

When considering whether to regulate STRs, staff believes the County should take the following factors into account:

- *Resident comments to date have focused on a relatively limited number of “problem” STRs in the urban unincorporated area.*
 - During the past five years, community member comments submitted to Long Range Planning and the Board have indicated that STRs are creating negative neighborhood impacts in at least some cases. Most comments submitted to date have focused on the negative impacts of fewer than 10 operating STRs.
 - Although the Host Compliance STR snapshot identified STR listings in the County’s rural area as well, to date County staff has received minimal resident complaints about rural STRs. This could be due to the larger parcel sizes in the rural area, with more generous separation distances between dwellings.
- *It is unclear whether the comments submitted to date are representative of broader community perspectives and concerns about STRs.*
 - As noted above, community feedback to date has been somewhat limited, and Long Range Planning has received very few comments from other stakeholders, such as STR operators and booking companies.
- *It is unclear whether STRs should be allowed to operate in the County’s exclusive farm use and forest conservation districts.*
 - State administrative rules and statutes applicable to these districts are generally focused on protecting property owners’ ability to conduct accepted farm and forest practices.
 - Staff has not yet examined whether STRs in exclusive farm use and forest conservation districts have the potential to adversely affect surrounding neighbors’ ability to conduct accepted farm or forest practices.
 - Other counties have taken differing positions, with at least one county prohibiting and another county allowing STRs in these districts.
 - If the Board directs staff to develop STR regulations, staff will need to evaluate whether STRs should be allowed to operate in these districts.
- *There are numerous STRs currently operating in unincorporated Washington County. However, they represent only a small fraction of the County’s total number of dwellings.*
 - The Host Compliance Feb. 19, 2020 snapshot found there were 567 identifiable STR listings in the unincorporated County as of that date.
 - To date, a very small portion of these STRs (fewer than 10 or less than 2%) have been the focus of community members’ written comments. This suggests that negative impacts are associated with a relatively limited number of “problem” STRs and that most STRs in the County are operating in a manner that does not cause significant neighborhood concerns.

- The 567 STR listings represent about 0.2% of the more than 200,000 dwellings in the unincorporated County. They are not especially prevalent in the County at this time.
- *Most STRs are not currently registered with the County and it is unknown how many are paying TLT.*
 - If the County moves toward developing STR regulations, the regulations could require operators to submit proof that their STRs are registered with Finance. This could allow Finance to more accurately track and collect TLT from STR operators and potentially provide funding for monitoring and enforcement.
- *If the County develops STR regulations, implementation will require technical expertise and assistance with monitoring and enforcement.*
 - County staff lack the technical expertise and software needed to locate the corresponding street addresses of online STR listings, or to monitor listings across multiple platforms.
 - Without the assistance of a private STR monitoring company, staff lacks the ability to identify operating STRs and ensure they have obtained the necessary County approvals.
 - A private STR monitoring company can also assist with the monitoring and enforcement of STR regulations.

Options for Board Consideration

Staff has identified the following options, ordered from least to most restrictive, for Board consideration.

- Option 1:* Maintain the status quo, which is that STRs are not regulated. This lack of regulation allows any legal dwelling in the urban and rural residential districts to be operated as an STR.
- Option 2:* Maintain the status quo with regard to STR regulation, but strengthen the County's noise control and parking regulations and enforcement to address residents' primary concerns about STRs.
- Option 3:* Adopt STR regulations with a requirement for STR approval through a registration or license (not a land use action).
- Option 4:* Adopt STR regulations and a requirement for STR approval through the land use permitting process.
- Option 5:* Prohibit STRs in certain land use districts, such as the urban and rural residential districts where they are now effectively allowed.

Each is described further, along with a summary of strengths and weaknesses, in Table 4.

Recommendation

Staff recommends Option 3: Adopt STR regulations with a requirement for STR approval through a registration or license. This option would establish a mechanism to reduce the potential negative impacts of STRs on neighborhood livability by placing some limits on their operation, and allows for development of an enforcement and revocation process that could be applied to “problem” STR properties.

This option involves not only crafting STR regulations, but also exploring and developing an optimum way to implement such regulations, which may involve several County departments. If the Board directs staff to explore this option, staff believes the County should also explore a contract with Host Compliance or a similar company to assist with STR tracking and/or enforcement of an STR registration requirement and associated regulations.

To be effective, STR regulations must be enforceable and based upon clearly stated STR policy objectives. Should the Board direct staff to develop STR regulations, staff recommends the regulations be based upon the following policy objectives, due to concerns expressed by community members about STRs:

Policy Objective 1: Minimize the likelihood of community impacts, including “party houses,” noise, parking and trash problems for neighbors.

Policy Objective 2: Increase the accountability of STR owner/operators and provide a path to “close down” problem STRs.

Staff requests Board direction on whether the following policy objective should also be included as a foundation for STR regulations. If so, additional elements would be included in the regulations to address this objective:

Policy Objective 3: Ensure that long-term rental properties are not converted to STRs.

Next Steps

Staff will present the Issue Paper for Board consideration at the March 10 Work Session. Direction would be given as part of the 2020-21 LRP Work Program in early April unless the Board requests further public input prior to making a decision. If the Board directs development of regulations to address STRs, staff would return with proposed language and public hearings would be held prior to adoption.

TABLE 4: SHORT-TERM RENTAL REGULATORY OPTIONS

	1	2	3	4	5
	Status quo	Strengthen existing regulations and enforcement	Require STR registration/license	Require STR land use permit	Prohibit STRs in certain areas
Description	Any legal dwelling can be used as an owner-occupied dwelling, a long-term rental or an STR.	Strengthen noise control, parking regulations and associated enforcement to address primary neighbor concerns.	Adopt STR regulations into the County Code of Ordinances (possibly in Title 5, Business Licenses and Regulations) and require STR registration or licensing. Could include mailed notice to neighbors upon license issuance. Decision may be appealed by applicant only.	Adopt STR regulations into the Community Development Code and require STR approval through a land use permit. Type I and II permits have differing notice requirements, but decisions may be appealed by the applicant or neighbors.	Prohibit STRs in certain land use districts, such as urban and rural residential districts, where they are now allowed. This would result in STR locations being limited to commercial districts that allow lodging as a use.
Strengths	No additional County costs or staff time associated with staffing and administering a new STR regulation and approval program. Allows free market to determine supply without interference.	Focuses on noise and parking, the two STR impacts that residents have expressed most concern about to date. No additional County costs or staff time associated with developing and administering a new STR regulation and approval program.	Regulations could be tailored to help reduce negative neighborhood impacts. Registration requirement could include providing STR operator contact for neighbors. STR approvals can be issued or revoked relatively quickly and easily. A simpler, quicker process can encourage compliance. Registration/licensing fees could provide an income stream for STR regulation enforcement.	Regulations could be tailored to help reduce negative neighborhood impacts, similar to Option 3. Permit requirement could include providing STR operator contact for neighbors. Greatest opportunity for public input prior to decision.	Compliance with prohibition could significantly reduce neighborhood impacts associated with STRs.
Weaknesses	Would not address negative neighborhood impacts reported by residents. Without additional regulation, the County lacks ability to enforce STR operation conditions to reduce negative neighborhood impacts or require an STR with negative impacts to cease operations.	Noise control and parking regulations apply to <u>all</u> land uses countywide. Amending these regulations could trigger the need to address countywide policy issues. There would be additional County costs and staff time associated with developing amendments to these regulations. These issues are enforced by HHS (noise) and Sheriff (parking, noise). Amended regulations and enforcement requirements could result in increased costs, resources and staff time for HHS and Sheriff. Strengthening these regulations may not lead to more or better enforcement if the number of Sheriff's deputies on patrol remains the same.	County cannot know whether all STR operators are obtaining required STR approvals unless County contracts with a private STR monitoring company. Would still require neighbors to report noise or parking issues, although permit requirements could reduce issues through ready access to operator contact information for resolution of complaints and license revocation or nonrenewal if STR requirements are not met. Could result in need for additional enforcement resources or staffing. Fees may need to cover any such costs. May create additional costs for STR operators (not as high as Option 4). Low opportunity for public input prior to decision.	May cause preexisting STRs to become nonconforming uses that are not subject to new STR regulations. Could require more staff time, administrative costs; higher costs for STR operators. Land use permit process could be lengthier, which may discourage STR operators from obtaining approvals. County cannot know whether all STR operators are obtaining approval unless County contracts with a private STR monitoring company. Would still require neighbors to report noise or parking issues, although permit requirements could reduce issues through ready access to operator contact information for resolution of complaints and license revocation or nonrenewal if STR requirements not met. May create false expectations from neighbors that they can block STRs through land use review. The process will typically result in approval if applicants can demonstrate compliance is feasible. Could result in need for additional enforcement resources or staffing. Fees may need to cover any such costs.	Would prohibit a use currently allowed in residential districts, which may give rise to Measure 49 (takings) claims. County residents lose the ability to make extra income from their homes. STRs may continue to operate "under the radar." The County cannot know about compliance with prohibition unless County contracts with a private STR monitoring company. If prohibition is implemented through land use regulations, may cause preexisting STRs to become nonconforming uses exempt from new STR prohibition.
Ability to address community impacts					
Noise	LOW	LOW to MEDIUM	MEDIUM to HIGH	MEDIUM to HIGH	HIGH?
Parking	LOW	LOW to MEDIUM	MEDIUM to HIGH	MEDIUM to HIGH	HIGH?
Trash	LOW	LOW	MEDIUM to HIGH	MEDIUM to HIGH	HIGH? (in prohibited areas)