



TO: Planning Commission

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Planning and Building Services

SUBJECT: Short Term Rentals Work Session #1 (PP 17-0004)

DATE: April 27, 2017 **MEETING DATE:** May 8, 2017

ACTION

During the 2017 Planning Commission goal-setting process, comments were submitted encouraging the City to permit short-term rentals, and the City Council then directed the Planning Commission to develop standards for this use in Lake Oswego.

The purpose of Work Session #1 is to review background on short-term rentals and for the Planning Commission to provide initial input to City Council on the scope of potential land use regulations addressing this use in residential zones. The City Council is scheduled to hold a study session on the topic June 20 where staff will seek direction regarding any code amendment to be brought forward.

BACKGROUND

In Lake Oswego, short-term rental of rooms or homes to overnight guests is permitted only as a hotel or motel use, which is allowed in five of the city's commercial and mixed-use zones (GC, HC, EC, MC and FMU). The use is not allowed in residential zones. The definition of "Hotel" in the Transient Lodging Tax section of the City Code (LOC 24.02) includes any transient occupancy of less than 30 days:

"Hotel - means any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for thirty (30) days or less for dwelling, lodging, or sleeping purposes. This includes any hotel, inn, tourist home or house, motel, studio hotel, bed and breakfast, bachelor hotel, lodging house, rooming house, apartment house, public or private dormitory, public or private club, and also means space in mobile home or trailer parks, or similar structure or space so occupied, provided such occupancy is for less than a thirty (30) day period."

In the last decade, the market for short-term rentals (STRs) has grown, led by the online platform Airbnb, which provides an advertising and booking platform for residents and homeowners to rent their entire home or room/s within their homes. In response, cities have amended their codes to mitigate the impacts of STRs on neighborhood livability, housing, and other concerns.

DISCUSSION

About Short-Term Rentals

Hosts of STRs are motivated to share their home for a variety of reasons, from providing supplemental income to support mortgage/rent payments or pay for travel costs while away, to providing companionship and the pleasure of hosting guests. Renting a home or room short-term provides hosts with flexibility to use their homes and have guests on a very limited basis, and to set rental dates around personal schedules. For guests, staying in short-term rentals typically provides an opportunity to stay in residential neighborhoods and experience cities from a local perspective. Airbnb notes that 90% of their listing are outside of hotel corridors. Staying in a STR can be an attractive alternative to hotels for long vacations, visiting family, relocating, medical-related stays, or extended business travel. They can also provide additional space desirable for families or groups, opportunities for lower cost travel accommodation, and for interaction with hosts enthusiastic to share their home and city.

Entire home vs. room rentals

Short-term rentals can be divided into two main categories. Entire home rentals, also called vacation homes, are rented out in their entirety while the primary resident is either off-site or staying in another dwelling unit on the property (e.g. rental of a detached accessory dwelling unit while still residing in the primary dwelling). These may include detached single-family homes, apartments, condos, or even houseboats. The owner or primary resident may rent the home while traveling or residing in a secondary location of residence, as a full-time vacation rental, or in the case of renting an accessory dwelling unit, as a source of income.

Private short-term room rentals, also called home sharing, are the rental of one or more rooms in a dwelling while the primary resident is on-site. This category of STRs have flourished through the Airbnb platform as a way for people to offset housing costs, host travelers, and share unused space. On Airbnb, room rentals are differentiated between a private sleeping room with some shared common space (such as shared kitchen), and a shared sleeping room such as a bunk room.

Lake Oswego STRs

In Lake Oswego, code enforcement occurs on a complaint-based system, and the City has received very limited requests for enforcement of short-term rentals. While the City has become aware that STRs exist in the community, it has not sought out listings. Airbnb is the online platform with the majority of local listings, and has shared the following summary data on its listings as of April 1, 2017:

- **Active Hosts:** 72
- **Inbound Guests:** 3,000
- **Nights Rented for Typical Listing:** 64
- **Typical Host Earnings:** \$8,500
- **Host Demographics:** Avg. Age: 49; 76% women
- **Type of Accommodation:** 2/3 "entire home" v 1/3 "private room"
- **Guest Demographics:** Avg. Age: 41, Avg. Group Size: 2.4, Avg. Stay: 5 nights
- **Outbound Guests:** 2,000

Other online platforms are VRBO, HomeAway, and VacationRentals.com, which are partner websites all owned by Expedia, specializing in entire home vacation rentals and which have a smaller number of local listings. It is also common for hosts to advertise through multiple online platforms, and there may be crossover with Airbnb listings.

Regulatory Components

Cities use a variety of approaches to address livability, licensing and taxation of STR activity. Below is brief overview of potential impacts from STRs, and typical strategies for addressing them. Staff is seeking the Planning Commission's input on the types of impacts that would be of greatest concern to Lake Oswego. Following additional direction from City Council, staff will return with options for addressing STRs through amendments to the Community Development Code (CDC). Other regulations may need to be formulated, as well, to address licensing and taxation, however these would fall outside the Planning Commission's purview.

Impacts Addressed by Development Code Standards

Short-Term Rentals by definition have shorter "stays" or tenancy than houses that may operate as rental properties (for 30 days or longer). This increased activity from people arriving and departing, even if not moving their belongings into the house, can be disruptive to neighborhood livability, and may raise concerns such as noise, parking, crime, and housing supply/affordability for residents, particularly in cities with high levels of tourism and a significant share of housing units used for vacation rental properties. Land use regulations are one way of addressing these concerns.

Some cities have adopted land use regulations for STRs that limit the zones where the use is permitted. Others have established standards, such as a cap on the number of STRs, or minimum spacing between STRs, either citywide or by zone, to address the above concerns. Land use codes may also differentiate between entire-home vs. room rentals, or require that STRs be "accessory" to a permitted residential use, to help ensure consistency with the purpose of residential zones.

The process for "permitting" STRs could be as simple as allowing them by right subject to use-specific standards (and approval of a business license), similar to how home occupations are allowed now. However, if it was not possible to formulate regulations that could be applied through a ministerial process, the minor development procedure would be used. It should be

noted that Airbnb and other companies use online “reviews” and provide other means for customers to report problems with rentals; in this way, some aspects of the STR are “self-regulating.”

Impacts Addressed by Business Licensing

A business licensing process may also be developed for STRs. Requirements may be implemented through the business license process to address non-land use concerns such as availability of contact information and listing numbers, fire safety or trash collection certification. Business licenses must be renewed annually.

Lodging Tax

One of the Council’s interests in regulating STRs is to capture opportunities for transient tax revenue where lodging is permitted. Short-term rentals contribute to the local economy but also benefit from local expenditures on tourism promotion. In July 2015, a new State rule went into effect that requires transient lodging intermediaries or online travel companies that collect fees (such as Airbnb) to collect, remit and report state and local lodging taxes. While Airbnb is currently collecting and remitting the 1.8% State tax for rentals in Lake Oswego, the City is not collecting the local 6% transient lodging tax for these listings, as it does for hotels. The local hotel industry has noted their desire to have an equal playing field with regard to transient lodging in the city. The City may explore mechanisms to collect this lodging tax on STRs, such as through a voluntary collection agreement with Airbnb or partnership with Clackamas County.

CONCLUSION

Staff requests that the Commission identify key issues or concerns related to short-term rentals that should be brought to the City Council, for Council’s June 20 study session. The Commission may also wish to identify information that would be helpful for its next work session, July 24, and provide input on public outreach (see Attachment 1).

ATTACHMENTS

1. Draft Process and Timeline

Draft Process and Timeline

Short-Term Rental Regulations Project



