

## **A Proposal: Yachats Transient Rental License Ordinance**

### **Overview:**

The Yachats Transient Rental (TR) Program has become increasingly popular. On one hand they are very financially attractive to owners, home sales, Vacation Rental businesses, and city tax revenues. On the other their affect on the city and several residential neighborhoods has created regular disturbance, increasing compliance monitoring and legal expenses to achieve resolution.

This plan outlines a set of effective procedures to help create a policy to govern the TR Program and provides several management tools for enforcement.

Currently vested parties include two primary types. The task is to seek equitable balance between the values of each interest:

1. **Value of Re-renting** - by owners, real-estate agents, vacation rental businesses and tax revenues,
2. **Value of City & Neighborhood Character** - protecting or enhancing the existing quality of Yachats 'Village' environment.

In 2011 Council strengthened the TR Program rules to make a clear intent to retain the privilege to re-rent, yet, care for disturbances to residential zones. Those rules were tested during the 2012-13 seasons to see if further action was necessary.

### **Problem Description:**

During 2013 a majority of TR's successfully brought their properties into compliance with the newly adjusted guidelines. However, during the 2013 season it also became clear a small set ~10-15 homes continue to introduce a unsatisfactory level of disturbance to **character of the neighborhood**.

In addition, the city-wide number of TR's grew by 30% introducing a concern to identify a healthy threshold to protect and maintain **character of the city**.

Defining "**Character**" can be subjective, however, in conservative terms there are several universal traits that are assumed as reasonable expectations of dwelling both in a small village and a residential zone such as:

- a. volume of vehicles, people and pets,
- b. volume & frequency of noise: coming-and-going, music, celebrations,
- c. familiarity of neighbors: individuals, lights, vehicles,
- d. expectation of security: guests, cleaners, services.

***Unlike larger towns, Yachats options are uniquely and realistically limited to afford staff and resources to oversee compliance.***

***Therefore it is important to distinguish the small set of properties continuing to be non-conforming; and specifically adjust those guidelines.***

Determining the correct **volume of TR's made available** and making distinction between **specific types of TR's** are important considerations to equitably yet effectively revise the current guidelines.

**There are three basic sub-types of Transient Rentals:**

1. TR's operating in **Commercial Zones**.
2. TR's operating in a **Residential Zone - not generating enough** 'business' to result in a change-of-character through frequency or volume.
3. TR's operating in a **Residential Zone - generating enough** frequency of turn-over and volume use that resembles a 'business,' —and change-of-character.

***Managing City Character:***

The volume of TR's can be effectively managed adjusting the fee-based program based and an annual review. A fee-based license provides funds for administrative costs and to oversee compliance. The fee-based program needs to be *expensive-enough* to introduce the cost-of-license as an incentive to comply with guidelines.

**Fees: \$500 annual license fee includes four approved bedrooms.** The license fee is raised from \$100 to \$500 per year. The owner will offset their TR taxes for the year up to \$400. In other words, the first \$400 are prepaid taxes and would be deducted from the TR taxes owed. Any credit may not be carried over year-to-year.

The first \$400 as prepaid taxes is an investment in doing business and complying with the guidelines. The fee is charged annually and is expensive enough to minimize the attractiveness for potential "placeholder" or purchase-to-hold licenses.

**Annual Data Review (Limits-but-not-cap):** Coupled with a new fee, an annual review and subsequent Council adjustment will provide as many true rental opportunities as feasible. This review introduces a "pause" each year for Council to analyze relevant data gathered during the previous season and revise the limit.

Taxes, infrastructure budget, commercial & residential property volumes, staff time, consultant fees all contribute to determining capacity. The statistics become an objective tool for understanding dynamic changes during the previous year. Those results help Council measure changes and determine an adequate carrying capacity.

**Operating Assumptions:**

1. A city license provides equal opportunity to TR current and future homes.
2. A license allows owners to count on investment potential or future sales value.
3. The license does not affect current conforming TR's.
4. In R-Zones, one license is tied to one property tax lot, even through sale.
5. The license is transferable. (w/\$200 transfer fee & compliance inspection)
6. The license fee is partially deductible for taxes owed.
7. The license fee is an annual cost.
8. The licenses that are not renewed are removed from the program.
9. The Council annually determines an adequate number of new licenses.
10. Owners who participate in the R-Zone TR program must comply with the same TR guidelines during their use periods.

### **How Does it Work:**

*Any adjustments to the TR Program recognize there is a need to care for the existing TR system: home owners, businesses, taxes and expectations —in progress. There is little or no need to change parts of the system working well.*

***The steps outlined below present an initial TR Program 're-set' to determine an equitable starting volume of existing TR's and provides a method to includes all new interested participants.***

***The annual review of seasonal experiences, budgets and volumes will help to determine each subsequent year's "Carrying Capacity."***

1. **Open Period 1**- On January 1, 2015 all current holders of a transient rental license would renew their license for a \$500 fee. Any other home owner will also apply for and purchase a new transient rental license. The open period is 90 days and closes on March 31, 2015.
  
2. **Determination Period** - April 1-30, 2015 - The city verifies the number of licenses that have been issued during the Open Period. Based on the 2015 resources such as: staff time, budget for oversight, legal fees, compliance etc., Council-determines a final capacity for the year. (currently ~120-130)
  
3. **Addition Period** - May 1-30, 2015 - The Council adds (*To-Be-Determined*) 10 additional new licenses for the year for a total of ~130-140 (*TBD*); sold to the next qualified homes on a first-come first-served basis.
  
4. **Open Period 2**- January 1, 2016 only current holders of a transient rental license on 12/31/2015 renew their license for the \$500 annual fee. The open period is 90 days and closes on March 31, 2016.
  
5. **Determination Period** - April 1-30, 2016 - The city verifies the number of licenses that have been issued or relinquished during the Open Period 2. Based on the 2015 season results, number of licenses and 2016 resources (staff time, budget for oversight, legal fees, compliance etc.), Council-determines-capacity for 2016.
  
6. **Addition Period** - May 1-30, 2016 - Council adds ~10 additional new licenses for the year. Any new home owner will also apply for and purchase a new transient rental license, sold to the qualified homes on a first-come first-served basis.
  
7. **Repeat Annually**

### **Managing Neighborhood Character:**

The three types of TR's described above can be effectively managed using both distinct thresholds (volumes) and tools (policies) for each setting.

#### **1. TR's operating in Commercial Zones:**

**Threshold:** No volume limits are necessary.

**Tool:** Current Ordinance provides TR's a 'by-right' use and they are managed by conforming to the existing commercial zone guidelines. There are known expectations for owners purchasing property in a C-zone which acknowledge a mix of business and residential uses as part of the transfer-of-title process.

#### **2. TR's not generating enough 'business' to result in change-of-character:**

**Threshold:** TR's having 4 bedrooms or less.

**Tool:** Purchasing a R-zoned home acknowledges a series of residential density and character expectations as (described in the list above) part of the transfer-of-title process. Current Ordinance recognizes the TR's are a Council approved 'privilege' (not right) of a non-conforming use in a Residential Zone provided they do not affect character of the neighborhood.

#### **3. TR's generating enough frequency & volume it resembles a 'business:'**

**Threshold:** TR's having 5 bedrooms or more.

**Tools:** Purchasing a R-zoned home acknowledges the density and character expectations therefore for this type of larger facility (only) a special, **TR-specific Conditional Use Permit** is required to ensure acknowledgment from surrounding properties and a **TR-specific 'Large facility' Fee Structure** for monitoring and administration is required.

1. **The new TR Specific Conditional Use Permit** will have several simple conditions judging character, different from the current 5-condition, Planning Commission format. This permit is just to determine compatibility with neighbors and adjacent property owners who can agree to over-ride zoning. This mechanism provides equal opportunity for all potentially affected residents to represent their expectations of property value and disturbance. The Planning Commission hearing is not city-wide but specifically includes just those directly-adjacent and near-distance owners who may testify for-or-against the proposed use; yet importantly excludes city-wide property owners or opinions of non-affected parties.
2. **The Large Facility Fee Structure** - TR's having more than four bedrooms and located in R-Zones increase their annual fee \$1000 per bedroom over 4. Their initial annual fee is the same \$500 which includes four bedrooms. The increased fee cares for the city's capacity beyond residential expectations. (traffic, street maintenance, water & sanitary service etc.) Only the initial \$400 credit is contributes to offset the annual TR tax. The maximum number of bedrooms allowed by the city in Residential Zones is eight.