



City of McMinnville
Planning Department
231 NE Fifth Street
McMinnville, OR 97128
(503) 434-7311

www.mcminnvilleoregon.gov

EXHIBIT 1 - STAFF REPORT

DATE: February 15, 2018
TO: McMinnville Planning Commission
FROM: Chuck Darnell, Associate Planner
SUBJECT: G 1-18 – Vacation Home/Short Term Rentals – Zoning Text Amendments

Report in Brief:

This is a public hearing to review and consider proposed zoning text amendments to Chapter 17.06 (Definitions), Chapter 17.12 (R-1 Single-Family Residential Zone), Chapter 17.15 (R-2 Single-Family Residential Zone), Chapter 17.18 (R-3 Two-Family Residential Zone), Chapter 17.21 (R-4 Multiple-Family Residential Zone), Chapter 17.24 (O-R Office/Residential Zone), Chapter 17.30 (C-2 Travel Commercial Zone), Chapter 17.60 (Off-Street Parking and Loading), and Chapter 17.72 (Applications and Review Process) of the McMinnville Zoning Ordinance.

The proposed zoning text amendments are related to the reclassification of vacation home rentals as short term rentals. The amendments will introduce spacing standards for short term rentals located in residential zones and will update the standards that apply to short term rentals in residential zones for better clarification on the required design and operation of these types of uses. The amendments will also address the classification of short term rentals in the commercial zones to better define these types of uses as short term rentals instead of the current classification as boarding houses or lodging houses.

Background:

The Planning Commission discussed VHRs at the September 21, 2017 work session, and also provided an opportunity for public comment on the topic of VHRs at the October 19, 2017 work session. Following the public comment portion of the October work session, the Planning Commission had a brief discussion and directed staff to research other options for the regulation of vacation home rentals in the City of McMinnville. Staff completed additional research into how vacation home rentals are regulated in other cities in Oregon, and presented that information to the Planning Commission at the December 21, 2017 work session. Based on that information and subsequent discussion, the Planning Commission directed staff to explore spacing standards for VHRs and enforcement procedures for short term rentals that are found to be operating without City approval as a VHR.

Staff explored options for spacing standards and enforcement procedures, as well as alternative definitions and operational requirements, for vacation home rentals, and brought additional information back to the Planning Commission for discussion at the January 18, 2018 regular meeting. After discussion and deliberation, the Planning Commission provided guidance to staff and directed staff to

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

bring proposed amendments related to the regulation of vacation home rentals back to the Planning Commission for consideration during a formal public hearing.

Discussion:

Based on the direction provided at the previous Planning Commission meetings, staff has drafted zoning text amendments to update the definitions of vacation home rentals, incorporate a spacing standard for vacation home rentals in residential zones, and update the regulations on the operation of these types of uses. A copy of the draft zoning text amendments are included in the decision document that is attached to this staff report.

The main components of the proposed amendments to the vacation home rental regulations are explained in more detail below:

Definitions:

Staff is proposing to update the definitions of the current “vacation home rental”, “bed and breakfast”, “hotel”, “motel”, and “boardinghouse, lodginghouse, and roominghouse” uses that are currently allowed in residential and commercial zones in the city. Some of these definitions are out dated and do not accurately describe or reflect the type of rental uses that are occurring in the city and are available for short term rental through various third party rental platforms (e.g. Airbnb, VRBO, HomeAway, etc.).

Staff is proposing to add “short term rental” and “resident occupied short term rental” as defined uses in the McMinnville Zoning Ordinance. Staff is also proposing to consolidate and update the current definitions of “hotel” and “motel”, and consolidate those uses in one defined use of “lodging”. Also, staff is proposing to remove the existing defined use of “boardinghouse, lodginghouse, or roominghouse”.

The table below describes the existing uses and the zones that the existing uses are allowed, and then describes the proposed definitions and uses and the zones that those uses would be allowed. Note that the descriptions of each type of use in the table below are simplified descriptions of the actual existing or proposed definitions of those uses.

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

EXISTING USES		
Type	Description	Zones Allowed
Vacation Home Rental	Whole dwelling unit rental for period of less than 21 days	All Residential (R-1, R-2, R-3, R-4), Office-Residential (O-R), C-2 (Travel Commercial), and C-3 (General Commercial)
Bed and Breakfast	Rental of bedrooms within an owner-occupied house for period of less than 7 days	All Residential (R-1, R-2, R-3, R-4) and Office-Residential (O-R)
Bed and Breakfast	A structure designed and occupied as a residence in which sleeping rooms and a meal are provided on a daily or weekly basis for use by travelers for a charge or fee paid for the rental or use of the facilities	Multiple Family Residential (R-4) and Office-Residential (O-R) as Conditional Uses; Travel Commercial (C-2) as Permitted Use
Boardinghouse, Lodging House, or Rooming House	Rental of whole house or individual rooms for an unregulated number of days	Multiple Family Residential (R-4), Office-Residential (O-R), Travel Commercial (C-2) and General Commercial (C-3)
Hotel & Motel	Building used for accommodation of guests or travelers on a temporary basis	Travel Commercial (C-2) and General Commercial (C-3)
PROPOSED USES		
Type	Description	Zones Allowed
Short Term Rental	Whole dwelling unit rental for period of no more than 21 days	All Residential (R-1, R-2, R-3, R-4), Office-Residential (O-R), Travel Commercial (C-2) and General Commercial (C-3)
Short Term Rental, Resident Occupied	Rental of bedrooms within a resident-occupied house for period of no more than 7 days	All Residential (R-1, R-2, R-3, R-4) and Office-Residential (O-R)
Bed and Breakfast	A structure designed and occupied as a residence in which sleeping rooms and a meal are provided on a daily or weekly basis for use by travelers for a charge or fee paid for the rental or use of the facilities	Multiple Family Residential (R-4) and Office-Residential (O-R) as Conditional Uses; Travel Commercial (C-2) as Permitted Use
Lodging	Building or group of buildings designed and used for accommodation of guests on a temporary basis	Travel Commercial (C-2) and General Commercial (C-3)

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

Short Term Rental:

Staff believes that the use of the term “short term rental” is a more common and straightforward definition of the type of use that is currently defined as a vacation home rental in the McMinnville Zoning Ordinance. The use of “short term rental” would continue to be allowed in all of the same zoning districts in which “vacation home rentals” are currently allowed, including residential and commercial zones.

Bed and Breakfast:

The existing use of “bed and breakfast” is currently defined only once in the Definitions chapter (Chapter 17.06), but is treated differently depending on the underlying zoning district. Typical bed and breakfast establishments, in which rooms and meals are provided for a daily or weekly basis, are currently allowed as a permitted use in the C-2 (Travel Commercial) and C-3 (General Commercial) zone and allowed as conditional uses in the O-R (Office-Residential) and R-4 (Multiple-Family Residential) zones. However, the rental of rooms within an owner occupied dwelling unit on a short term basis (no more than 7 days) has previously been classified by the City of McMinnville as a bed and breakfast as well. This type of use is currently allowed in all of the residential zones (R-1, R-2, R-3, and R-4), and has been used to classify one of the rental products (i.e. a room within a home) that is commonly available on third party rental platforms. These types of uses have been subject to a review and licensing process, similar to the review and licensing process that is required of vacation home rentals.

Staff is proposing to introduce another new definition of “short term rental, resident occupied” to replace the type of “bed and breakfast” that has been classified as the short term rental of rooms within an owner occupied dwelling in all of the residential zones. Again, staff believes that this definition is more common and straightforward than treating these types of uses as bed and breakfast establishments. Staff is proposing to keep the existing use and definition of “bed and breakfast” to allow the more traditional and typical bed and breakfast establishment in the R-4 and O-R zones as a conditional use, and in the C-2 and C-3 zones as a permitted use. There are multiple examples of this type of bed and breakfast establishment, being the more traditional form as a lodging option that provides a sleeping room and meals, in the City of McMinnville, including A Tuscan Estate (809 NE Evans Street) and The Victorian on 10th (206 NE 10th Street).

Lodging:

Staff is proposing to remove the existing definition of “boardinghouse, lodginghouse, and roominghouse” from the Zoning Ordinance. This use is somewhat out dated, and does not accurately reflect the type of rental or temporary accommodations that are typically available in the current housing market or hospitality sector. With the establishment of the short term rental and resident occupied short term rental uses, as well as the allowance of short term rentals in commercial zones, staff does not feel that the definition of boardinghouse, lodginghouse, or roominghouse will be applicable in any situation.

To address more traditional lodging uses, staff is also proposing to update the existing definitions of “hotel” and “motel”, which are currently defined slightly differently in terms of the types of guests that they cater to. Since the type of guest staying at a lodging establishment is difficult to truly enforce and does not change the land use impact of these types of uses, staff is proposing to combine these types of uses into one definition of “lodging”. The proposed lodging definition would more simply describe typical hotel or motel uses as “a building, or group of buildings, which is designed, intended, or used for the accommodation of guests on a temporary basis for compensation”.

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

Spacing Standard:

The Planning Commission determined at the December 21, 2017 work session that the number of short term rentals in some areas of the city could be beginning to impact the character of residential neighborhoods, and that the conversion of single family homes into short term rentals is starting to take too many residential units out of the single family housing stock. Other cities in Oregon have had similar concerns about the impacts of short term rentals, which has led to the adoption of locational requirements and caps for short term rentals. As discussed in more detail at the December 21, 2017 work session, the cities of Bend and Ashland both adopted locational requirements for short term rentals, those being spacing requirements and required distances to major roadways, respectively. In the coastal community of Manzanita, a cap on the total number of short term rentals was adopted to limit the conversion of the existing housing stock into short term rentals. Staff had previously explained to the Planning Commission that a cap on the total number of VHRs may not be the best solution in McMinnville, based on the current number of VHRs in McMinnville. The ratio of the housing stock that was converting to short term rentals in Manzanita was much higher than the current situation in McMinnville. Manzanita had experienced a conversion of 17.5% of their housing stock into rentals, whereas McMinnville currently has less than 1% of the single family housing stock being used as VHRs.

To address the primary concerns with short term rentals in residential areas, limit the number of properties transitioning to short term rentals, and better protect residential neighborhoods from larger-scale conversions into short term rentals, staff believes that a spacing standard would be a better tool based on the current situation in the city. This recommendation was provided to the Planning Commission at their January 18, 2018 regular meeting, and there was general consensus that a spacing standard would address the identified concerns with short term rentals. Staff had provided options for spacing standards based on the existing built environment and the number of established short term rentals in residential areas, and the Planning Commission had some general discussion on the distance that should be required between short term rentals.

Recommendation:

There was general consensus that there should be no more than one short term rental per block, and that a spacing standard could then be established based on the typical block length in McMinnville. Staff completed research into the existing built environment, and found that the smallest typical block length in McMinnville is 200 feet in length. Therefore, staff is recommending that the spacing standard be established at 200 feet. This distance would ensure that there would be no more than one short term rental on the smallest blocks in the city, and would also limit the concentration of short term rentals in other areas of the city with larger blocks or areas with larger lots and a more curvilinear street network. Also, the distance of 200 feet would not be so large as to effectively prevent the establishment of any additional short term rentals. Short term rentals do serve a function in McMinnville as a lodging option for tourists, short term rentals for people who are looking to relocate to McMinnville, short term executive rentals, etc., and these types of services are important to the success of our local economy and many of our local businesses.

If this spacing standard was established, a typical 200 foot buffer from existing licensed short term rentals in the areas of town with smaller block lengths would touch and therefore eliminate the potential for the surrounding 30-35 properties to be used as short term rentals. In that small sub-area, that would amount to 2.9 – 3.3% of the housing units in that sub-area being used as short term rentals. This is obviously a very rough example and would vary greatly throughout the city, but it shows that the spacing standard would keep the overall percentage of properties being used as short term rentals at a low amount.

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

In terms of implementation, the separation distance between short term rentals would be measured outwards from the property lines of the subject site, which would be a measurement that can be consistently and fairly applied throughout the city. Staff is also proposing that the separation standard only apply to short term rentals in residential zones (R-1, R-2, R-3, and R-4) and the Office-Residential zone (O-R), but not to resident occupied short term rentals. By definition, resident occupied short term rentals are still dwelling units that are fully occupied by a resident, and therefore do not create a situation where a dwelling sits vacant when not being rented. Staff believes that these uses would have less of an impact on the character of the surrounding residential neighborhood, so is proposing to not have them be subject to the spacing standard.

Attached to the staff report are maps that depict the areas within 200 feet of existing licensed vacation home rentals in the area northwest of downtown and the area northeast of downtown. The properties within 200 feet of existing licensed vacation home rentals, which would now be defined as short term rentals, would become ineligible for the establishment of a new short term rental use.

Other Operational Requirements:

Type of Dwelling Units:

The current standards for vacation home rentals and bed and breakfast establishments include a standard that is not clear in its intention. The language is provided in Section 17.12.010 (N)(1) and Section 17.12.010 (O)(1) as follows:

“That the structure be designed for and occupied as a single family residence. The structure shall retain the characteristics of a single family residence”.

While the above language does not specifically limit the operation of vacation home rentals and bed and breakfast establishments to single family dwelling units, the historical interpretation of the Planning Department has been to only allow them in single family dwelling units based on the fact that the language uses the phrase “retain the characteristics of a single family residence”. Staff presented this discrepancy to the Planning Commission at the January 18, 2018 meeting and requested clarification. Based on that discussion, staff is proposing that the use of short term rentals, as they will be defined if the proposed amendments are approved, be allowed in single family dwellings, common-wall single family dwellings, two-family dwellings (duplexes), and accessory dwelling units (ADUs). Specifically, staff is proposing the following amendments to the standard:

~~That the structure be designed for and occupied as a single family residence.~~ **Short term rentals shall be allowed in single family dwellings, common-wall single family dwellings, two-family dwellings (duplexes), and accessory dwelling units (ADUs).** The structure shall retain the characteristics of a single family residence.

The proposed amendments would apply to both short term rentals and resident occupied short term rentals. Staff believes that the language is clear in the types of dwelling units that these uses are allowed in, while still including the language that the structure retain the characteristics of a residence to ensure that the use is compatible with the surrounding residential area. This language does expand the opportunity for the establishment of short term rentals from the previous Planning Department interpretation, but the spacing standards described above will overall reduce the opportunities for the establishment of new short term rentals.

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

The Planning Commission had discussed the potential of allowing short term rentals in multiple-family dwelling units. After further investigation, staff is recommending that short term rentals not be allowed in multiple-family dwelling units. These types of dwelling units are typically the more affordable housing product available for people that may not be able to obtain financing for more permanent housing. Taking these rental units off the market to allow them to be used for short term rentals could have more of an impact on housing affordability in the city than the use of single family homes as short term rentals. Also, the Planning Commission had discussed potentially not having the spacing standard apply to short term rentals located on multi-family sites. If that was the case, an entire multi-family building could be converted to short term rentals. That scenario would basically create a hotel (commercial use) in a residential area.

Licensing Requirements in Residential Zones:

Staff is proposing to retain the processes for reviewing and licensing short term rentals and resident occupied short term rentals in the residential zones (R-1, R-2, R-3, and R-4) and the Office-Residential zone (O-R). The permitted uses in these zones will be subject to all of the standards in Section 17.12.010(N)(1) and Section 17.12.010(O)(1), which require a land use application to be reviewed by the Planning Director with notification and also include language on operational standards that must be followed. Staff is proposing to not subject short term rentals in the commercial zones (C-2 and C-3) to the standards in Section 17.12.010(N)(1) and Section 17.12.010(O)(1), which is consistent with the previous practice of not requiring review and licensing for these commercial type uses in the commercial zones.

Renewal Requirements:

The existing language requires that licenses for short term rentals and resident occupied short term rentals be renewed each year. Staff is proposing to update this language to confirm that the licenses are renewed annually, beginning one year after the initial approval of the rental. Staff is also proposing to add language that states that failure to renew the short term rental permit will result in the permit becoming void. This will result in the subject property having to re-apply for their short term rental license, which would subject the property to the spacing standard. For the existing short term rentals that don't meet the spacing standard but are allowed to continue as nonconforming uses, failure to renew would effectively eliminate the nonconforming use. As licenses are not renewed, it would also provide an opportunity for other properties in the surrounding area to become eligible for a short term rental license. The City will provide notice of the annual requirement to renew the short term rental license, but it will ultimately be the responsibility of the property owner to ensure that their license is renewed annually.

Parking:

If the proposed amendments are approved and the definitions for short term rentals and lodging establishments are updated, staff is also proposing to update Chapter 17.60 (Off-Street Parking and Loading) to reflect the updated definitions. Staff is not proposing to change the parking standards that had applied to vacation home rentals or lodging uses, but only change the uses themselves to reflect the updated definitions.

Applications and Review Process:

Similar to the proposed changes to Chapter 17.60 (Off-Street Parking and Loading), staff is proposing to also update Chapter 17.72 (Applications and Review Process) to reflect the updated definitions of short term rental and resident occupied short term rental. The proposed amendments to Chapter 17.72 would

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones

not change the application or review process for these types of uses. Short term rental and resident occupied short term rental applications are proposed to still be subject to a Planning Director’s review with property owner notification. Also, staff is proposing to still require neighborhood meeting for short term rentals, as they are currently required for vacation home rentals.

Fiscal Impact:

None.

Commission Options:

- 1) Close the public hearing and recommend that the City Council **APPROVE** the application, per the decision document provided which includes the findings of fact.
- 2) **CONTINUE** the public hearing to a specific date and time.
- 3) Close the public hearing, but **KEEP THE RECORD OPEN** for the receipt of additional written testimony until a specific date and time.
- 4) Close the public hearing and **DENY** the application, providing findings of fact for the denial in the motion to deny.

Recommendation/Suggested Motion:

The Planning Department recommends that the Planning Commission make the following motion recommending approval of G 1-18 to the City Council:

THAT BASED ON THE FINDINGS OF FACT, THE CONCLUSIONARY FINDINGS FOR APPROVAL, AND THE MATERIALS SUBMITTED BY THE CITY OF McMinnville, THE PLANNING COMMISSION RECOMMENDS THAT THE CITY COUNCIL APPROVE G 1-18 AND THE ZONING TEXT AMMENDMENTS AS RECOMMENDED BY STAFF.

CD:sjs

Attachments:

Attachment A: Maps of 200 Foot Spacing Standard Application - Northeast and Northwest of Downtown

Attachment B - Decision, Findings of Fact and Conclusionary Findings for the Approval of Legislative Amendments to Multiple Chapters of the McMinnville Zoning Ordinance to Update Definitions and the Regulation of Short Term Rentals and Lodging Establishments in Residential and Commercial Zones