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## **EXHIBIT 2 - STAFF REPORT**

**DATE:** January 18, 2018  
**TO:** McMinnville Planning Commission  
**FROM:** Chuck Darnell, Associate Planner  
**SUBJECT:** Vacation Home Rentals

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### **Report in Brief:**

The purpose of this discussion item is to review the City of McMinnville's process for regulating vacation home rentals (VHRs), review potential spacing standards for VHRs, and provide direction to staff as to whether any amendments to the City's process should be further analyzed.

### **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.

### **Discussion:**

The information provided below is arranged into three categories addressing spacing standards, enforcement, and clarification on the specific types of structures that are allowed to be used for VHRs.

In the McMinnville City Code, vacation home rentals are defined as dwelling units that are rented out for 21 days or less – often described as short term rentals.

### **Spacing Standards:**

The Planning Commission determined at the December 21, 2017 work session that the number of VHRs 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

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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 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.

If the Planning Commission is interested in limiting the number of VHRs in McMinnville and better protecting residential neighborhoods from larger-scale conversions into VHRs, staff believes that spacing standards could be a better tool based on the current situation in the city. The Planning Commission discussed different options for the spacing standard at the December 21, 2017 work session, which included comments on potentially allowing one VHR per block, looking at different spacing standards in different areas of the city, and requiring a larger spacing standard between VHRs. There seemed to be some consensus that, if a spacing standard were adopted, it would need to be large enough to limit the larger-scale conversion of a neighborhood into VHRs while at the same time it should not be so large that it effectively prevented the establishment of any additional VHRs. VHRs 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 there is a general consensus that there should be no more than one VHR per block, a spacing standard could be established based on the typical block length in McMinnville. The Planning Commission should also acknowledge what type of geography is considered a “block”. In typical urban planning practice, a city “block” is considered the smallest area of property that is completely bounded on four sides by streets. This is further reinforced by the Merriam-Webster dictionary definition of “block”, which includes: “a usually rectangular space (as in a city) enclosed by streets and occupied by or intended for buildings”. However, the Merriam-Webster definition of “block” also includes a sub-definition, which is “the distance along one of the sides of such a block”. Staff would recommend that the city consider a “block” to be the rectangular area bounded on all sides by streets. This obviously fits better in the areas of the city that are developed in a more traditional and historic grid pattern, but the same geographical space could still apply to other areas of the city.

Staff completed research into the existing built environment to develop a basis for a potential spacing standard. Below are examples of typical block lengths in different areas of McMinnville:

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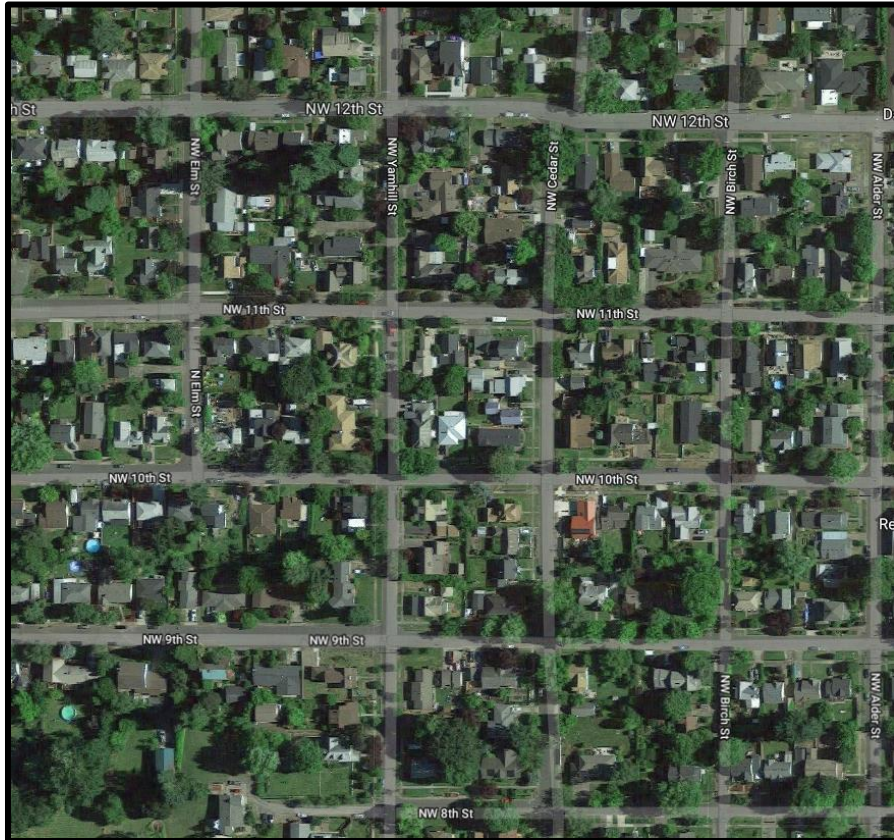
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Northwest of Downtown – Between Adams and Elm Streets  
Typical Block Length of 200 Feet - Some Larger at 240 Feet



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Northeast of Downtown – Between Davis and Hembree Streets  
Typical Block Length of 240 Feet - Some Larger at 340 Feet



Area Further from Downtown – Between Wallace Road and Cottonwood Drive  
Typical Block Lengths Larger and More Variable



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Staff recommends that, if a spacing standard is recommended for adoption, that it be in the form of a buffer of a certain distance from property lines, which is a measurement that can be consistently and fairly applied throughout the city. Based on the actual built form of McMinnville and the length of blocks throughout the City, staff prepared a few examples of spacing standards that could be discussed by the Planning Commission. Attached to this staff report are two sets of maps that show the locations of existing licensed VHRs in the city and different spacing standards that could be adopted. The areas of the city included in the map sets are generally the area northwest of downtown and the area northeast of downtown, where some of the complaints on VHRs have been received.

If the Planning Commission believes that a spacing standard would address the identified concerns with VHRs in residential areas in the city, staff recommends that the spacing standard be 150 feet. The distance of 150 feet, when measured outward from property lines, would reach a distance in both directions of 300 feet. The distance of 300 feet would be larger than the smallest block lengths in the city, but would also ensure coverage of some of the larger block lengths in the city that can range from 240 to 340 feet. Block lengths can sometimes be even larger in the more suburban areas of the city with curvilinear street networks, and the 300 foot distance would provide more separation in these areas as well. If this spacing standard was established, a typical 150 foot buffer from existing licensed VHRs in the areas of town with smaller block lengths would touch and therefore eliminate the potential for the surrounding 15-20 properties to be used as VHRs. In that small sub-area, that would amount to 5-7% of the housing units in that sub-area being used as VHRs. 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 VHRs at a low amount.

The other spacing standards discussed at the December 21, 2017 work session included looking at different spacing standards in different areas of the city and requiring a larger spacing standard between VHRs. Staff analyzed the larger spacing standard suggested of 1,000 feet, but believes that that larger distance would be too restrictive and would basically not allow for the establishment of any new VHRs in the areas of the city where there appears to be a demand for the use. A map of a potential 1,000 foot buffer from existing licensed VHRs is attached to this staff report, and shows the large area that would be excluded from the establishment of additional VHRs. In terms of identifying different areas of the city to apply different spacing standards, there could be some basis for doing that to address the varying built environments that exist throughout the city (i.e. the traditional grid pattern areas vs. the more suburban curvilinear street network). However, the city does not have any existing acknowledged areas of geography that differentiate areas of the city. While those areas could be established for the purpose of enforcing VHRs, staff believes that the application of a standard spacing standard throughout the city that is based on smaller block lengths would address the main concerns identified with the number of VHRs established in any particular area.

### **Enforcement:**

At the December 21, 2017 work session, staff described to the Planning Commission the code enforcement process that is being established by the city. That process will include four levels or categories of violations, and all types of violations of the Zoning Ordinance will be reviewed at some point in the near future and will be assigned by staff to a particular level of violation. Staff believes that VHR violations should be considered in comparison to other types of violations in terms of their egregiousness, rather than setting the VHR violation level without any reference or comparison to the egregiousness of other types of violations (e.g. erecting more temporary signs than allowed, demolishing a historic resource, removing a street tree without approval, etc.). Staff will update the Planning Commission on this process as it progresses.

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In terms of identifying VHRs that are operating without city approval, the city is working with a student group to research and identify properties that are advertising for short term rental use on various short term rental websites. Once that research is complete and specific properties are identified, staff will move forward with notification and enforcement of the violation of the Zoning Ordinance, which would be the operation of a VHR without city approval. Also, staff will investigate and enforce, if necessary, any complaints received on properties that complainants believe may be operating a VHR without city approval.

**Types of Structures Allowed as VHRs:**

At the last work session, staff had provided information on the multiple different types of rental uses in the City of McMinnville that may be found on short term rental websites or listings (e.g., Airbnb, VRBO, etc.). Not all rental units that may be available for short term rental use are actually defined as VHRs in the McMinnville Zoning Ordinance. The City currently allows the following types of rental uses:

| Type   | Description   | Zones Allowed   |
|--|---|---|
| Vacation Home Rental                           | Whole house rental for period of less than 21 days                                      | All Residential (R-1, R-2, R-3, R-4) and Office-Residential (O-R) |
| Bed and Breakfast                              | Rental of bedrooms within an <i>owner-occupied</i> house for period of less than 7 days | All Residential (R-1, R-2, R-3, R-4) and Office-Residential (O-R) |
| Boardinghouse, Lodging House, or Rooming House | Rental of whole house or individual rooms for an unregulated number of days             | Commercial (C-2 and C-3)  |

VHRs, based on the descriptions above, are whole houses located on residentially zoned land that are rented for a short term basis. These houses could be owner-occupied in the times that they are not available or being used as a rental, or they could not be owner-occupied and specifically used as a short term rental property.

Staff would like to verify with the Planning Commission the types of structures that are and will be allowed to be used as VHRs. The current definition of a VHR is: “The use of a dwelling unit by any person or group of person entitled to occupy for rent for a period of less than 21 (twenty-one) consecutive days”. While the VHR definition includes the broad use of “dwelling unit”, there is a standard that is required to be met for VHRs that is 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.”

This standard has historically been interpreted to only allow VHRs to be established when the primary dwelling unit on the subject site is a single family dwelling unit. Staff believes that this was the intent of the original standard language, however, it is somewhat confusing in how it is described in the standard language. If the Planning Commission agrees with the interpretation that a single family dwelling unit be the only type of dwelling unit being allowed to be used as a VHR, staff recommends that the language in the standard be clarified to more specifically state that. Another option would be to consider whether VHRs should be allowed in any type of dwelling unit, such as a duplex unit or multi-family building.

On a similar topic, staff believes that the classification of short term rentals in the residential and commercial zones could also be better clarified. The current classification of these types of uses in the commercial zones as boardinghouse, lodging house, or rooming house is somewhat out-of-date. Also, vacation home rentals are listed as a permitted use in the C-2 and O-R zones, which further complicates the classification of these uses in commercial zones. In the residential zones, the use of vacation home rental could also be updated to more simply describe this type of use, which is basically a short term

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rental. If the Planning Commission directs staff to move forward with drafting amendments to the VHR language in the Zoning Ordinance, staff would recommend that the language on short term rentals in the commercial and residential zones also be more thoroughly reviewed and updated.

**Questions for Planning Commission Consideration**

- Does the Planning Commission believe that a spacing standard could address the identified concerns with VHRs and the number of these types of uses being established in existing residential neighborhoods?
- If a spacing standard is decided to be a tool to address the identified concerns, does the Planning Commission agree with the staff recommendation to create a standardized buffer of 150 feet from property lines?
- Does the Planning Commission agree with the historical interpretation of only allowing VHRs in single family dwelling units in the residential zones?

**Fiscal Impact:**

None.

**Recommendation/Suggested Motion:**

No specific motion is required, but the Planning Commission may provide staff with guidance as to whether to draft zoning text amendments to amend the City’s existing vacation home rental regulations.

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