

Portland, Oregon  
**FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT**  
**For Council Action Items**

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Morgan Tracy		2. Telephone No. (503) 823-6879	3. Bureau/Office/Dept. Planning and Sustainability
4a. To be filed (hearing date):  July 23, 2014	4b. Calendar (Check One)  Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to Commissioner's office and CBO Budget Analyst: July 17, 2014
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

**1) Legislation Title:** Improve land use regulations related to accessory short-term rentals through the Regulatory Improvement Code Amendment Package 6 (RICAP 6) (Ordinance; Amend Title 33, Planning and Zoning, Title 3, Administration, and Title 6, Special Taxes)

**2) Purpose of the Proposed Legislation:** The purpose of the legislation is to amend the existing regulations on Bed and Breakfast Facilities to call them Short-term Rentals, and to provide an alternative permitting process for the renting of 1-2 bedrooms as part of a household living use in a house, attached house, duplex, accessory dwelling unit or manufactured home on its own lot.

**3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?**

- |  |                                    |                                    |                                |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast             | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East  |
| <input type="checkbox"/> Central City                  |                                    |                                    |                                |

**FINANCIAL IMPACT**

**4) Revenue:** Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

The amendments reduce the type of review for a 1-2 bedroom short-term rental. The review changes from a discretionary conditional use review to an administrative permit review. This administrative permit will cost considerably less than a land use review, but incorporates much less staff time to complete. Noticing for the permit is the responsibility of the applicant and there is no report produced. The Bureau of Development Services establishes its fees based on cost recovery for the service provided, therefore these proposals do not affect the net revenue received.

5) **Expense:** What are the costs to the City as a result of this legislation? What is the source of funding for the expense?

The costs for administering this program will be programmed into the fees charged for the services provided. Services will include administrative review and building inspection. There is no increase in net expenditures anticipated as a result of the legislation.

6) **Staffing Requirements:**

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** No. There may be some initial workload pressure during the initial roll out of the permit option since there is anticipated to be a backlog of applicants who wish to receive a permit. This increase will be handled by existing BDS staff.
- **Will positions be created or eliminated in future years as a result of this legislation?** No changes to staffing are anticipated in the future as a result of this legislation.

*(Complete the following section only if an amendment to the budget is proposed.)*

7) **Change in Appropriations**

None.

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- YES: Please proceed to Question #9.  
 NO: Please, explain why below; and proceed to Question #10.

9) If “YES,” please answer the following questions:

**a) What impacts are anticipated in the community from this proposed Council item?** The proposal amends the zoning code for bed and breakfast facilities and creates a more streamlined, administrative review of short-term rentals of 1-2 bedrooms within a house or accessory dwelling unit. Currently there are over 1,000 of these units operating in the city, most illegally without the proper land use review. Generally, these illegal operations have not generated many code compliance cases, as less than 3% of compliance cases in 2013 involved short-term rentals. However, the proposal does make it easier for existing operations to become legal and provides a lower cost barrier of entry than the conditional use process for new short-term rentals of 1-2 bedrooms. Neighborhood concerns for these uses include increases in noise and traffic, and a decrease in security. The intent of these regulatory changes is to treat a 1-2 bedroom short-term rental similarly to other home occupations that include visitors, as these types of accessory occupations would have similar impacts.

**b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?** The short-term rental amendments are part of the workplan for RICAP 6, which was adopted by the Planning and Sustainability Commission after a public hearing on August 13, 2013. Staff began meeting with certain stakeholders including neighborhood land use chairs, the Regional Arts and Culture Commission (RACC) and the Development Review Advisory Council (DRAC) during development of the workplan and initial issue research. A public Discussion Draft was published on January 6, 2014 with a 6 week comment period. Public notice was sent to over 750 recipients, and emails were sent to over 360 people. During this period, staff met with the Design Commission, Historic Landmarks Commission, the Planning and Sustainability Commission, six neighborhood district coalitions, and two neighborhood associations. Staff held a public open house on February 11, 2014 which was attended by approximately 75 people. During this period, staff received over 100 written comments. The vast majority of the interest and comments were on the short-term rental amendments. These comments were reviewed by staff and minor amendments were made to the code proposal.

Notice of the *Proposed Draft* and PSC public hearing was sent to 771 recipients 30 days prior to the public hearing date to provide the public sufficient opportunity to review the proposal and to deliver testimony on the proposed code amendments to the PSC.

On April 22, 2014, the Planning and Sustainability Commission (PSC) held a public hearing with approximately 90 people in attendance. The Commission received 102 written letters and emails and heard oral testimony from 37 attendees. Nearly all of the written and oral testimony was on the short term rental portion of the proposal. The testimony and discussion lasted for nearly four

hours. The PSC recommended the approval of the staff proposed code changes with only minor amendments.

**c) How did public involvement shape the outcome of this Council item?**

Several refinements were made to the proposal through public comments and testimony received during the legislative process. At the PSC hearing, the PSC requested an amendment to the definition of household. In addition, the testimony is expected to lead to additional information that will be included in the permit application form and handouts for the short-term rentals.


**d) Who designed and implemented the public involvement related to this Council item?** The Bureau of Planning & Sustainability staff designed and implement the public involvement process.

**e) Primary contact for more information on this public involvement process (name, title, phone, email):**

Morgan Tracy, City Planner – morgan.tracy@portlandoregon.gov (503) 823-6879

**10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.**

Additional informational materials will be developed to assist the public in understanding and complying with the regulations. However, no additional public outreach is anticipated following adoption.



BPS DIRECTOR, Susan Anderson

## Summary of RICAP 6 Accessory Short-Term Rentals Proposed Regulations

*This handout summarizes the Zoning Code amendments proposed in Exhibit A of the Regulatory Improvement Code Amendment Package 6 (RICAP 6) Accessory Short-term Rentals ordinance, published on July 18, 2014.*

Recently, there has been a dramatic increase in the number of residences being rented informally on a short-term basis through internet sites such as Airbnb and Home Away. In Portland, for example, Airbnb lists over 1600 today, up from 107 in January 2011. The most common listings are from hosts who live on their property and offer a bedroom for rent on a nightly basis in their residence. This is a new way of providing visitor lodging accommodations and many cities are determining how to regulate these short-term rentals.

In Portland, rentals of less than 30 days are considered short-term and renting up to five bedrooms is allowed through the Bed and Breakfast Facility chapter of the Zoning Code. The process requires a Type II Conditional Use Review approval, which is a discretionary decision, costs \$4130, takes approximately eight to ten weeks to process, includes a public notice, and provides the ability to appeal staff's decision to Portland's Hearings Officer.

The recommended amendments offer 1- and 2-bedroom short-term rentals a less expensive and faster process, while ensuring that adjacent neighbors are notified of the activity. The key features of the proposed amendments are:

- Move the regulations in Chapter 33.212, Bed and Breakfast (B&B) Facilities to a new chapter: Chapter 33.207, Accessory Short-Term Rentals.
- Define accessory short-term rentals as one where "an individual or family resides in a dwelling unit and rents bedrooms to overnight guests for fewer than 30 days."
- Distinguish Type A accessory short-term rentals (one- and two-bedroom rentals) from Type B accessory short-term rentals (three to five bedrooms).
- Provide a new by-right (non-discretionary) process and set of standards for Type A accessory short-term rentals, while retaining the existing bed and breakfast (B&B) facilities process (Type II Conditional Use) for the Type B accessory short-term rentals.

City Council is considering making the following amendments to the Planning and Sustainability Commission's recommendations:

- The Bureau of Development Services will inspect the initial application and every 6 years thereafter, or with a change in ownership. The amendment allows for self-certification for the intervening semi-annual renewals.
- Require carbon monoxide alarms, where carbon monoxide sources are present.
- Require that the resident reside in the dwelling unit at least 270 days per year.
- Allow the resident to appoint a designee to operate the short-term rental.
- Require the permit number to be in all advertisements and in the dwelling unit.
- Require Bureau of Planning and Sustainability to return with a monitoring report in September 2016.

# Summary of Chapter 33.207 Accessory Short-Term Rental Regulations

Updated: July 2014

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	<b>Type A (1 and 2 Bedrooms )</b>	<b>Type B (3 to 5 Bedrooms)</b>
<b>1</b> Accessory Use	Allow as accessory to residential (Household Living) use. This means that the individual or family who operate the accessory short-term rental must occupy the unit for a least 270 days each year.	
<b>2</b> Building Type	Allow in houses, attached houses, duplexes, manufactured homes on their own lots and Accessory Dwelling Units (ADUs).	
<b>3</b> Bedroom Requirements	Allow the operator to rent bedrooms that the Bureau of Development Services has verified: <ol style="list-style-type: none"> <li>a. Met the building code requirements for sleeping rooms at the time they were created or converted; and</li> <li>b. Have smoke detectors that are interconnected with smoke detectors in adjacent hallways and carbon monoxide detectors where carbon monoxide sources are present.</li> </ol>	
<b>4</b> Process	Allow 1 and 2 bedroom Accessory Short-Term Rentals by-right with an over-the-counter permit.  Type A Accessory Short-Term Rental Permit: <ul style="list-style-type: none"> <li>- Administrative permit</li> <li>- 1-2 week process</li> <li>- Inspection required (combination of BDS and self-certification)</li> <li>- Renewal required every 2 years</li> <li>- Estimated fee: \$180</li> <li>- May be revoked for failure to comply with the regulations</li> </ul>	Continue to allow 3 to 5 bedroom Accessory Short-Term Rentals through a Conditional Use Review.  Type II Conditional Use Review: <ul style="list-style-type: none"> <li>- Administrative land use decision</li> <li>- Appealable to Hearings Officer</li> <li>- 8-10 week process</li> <li>- Inspection required (BDS)</li> <li>- Fee: \$4130</li> <li>- Approval does not need to be renewed</li> </ul>
<b>5</b> Required Notice	Operator sends a notice, including their contact information, to all recognized organizations and owners of property abutting or across the street from the residence.	Public notice sent to property owners and recognized organizations within 150 feet of the residence for Type II Conditional Uses.
<b>6</b> Posting Permit/ Conditional Use Numbers	Accessory short-term rental permit number must be included in all advertising and posted in the dwelling unit.	Conditional use case file number must be included in all advertising and posted in dwelling unit.
<b>7</b> Number of Guests	Maximum number of occupants is the same as what is currently allowed in a household. Household is defined as "One or more persons related by blood, marriage, domestic partnership, legal adoption or guardianship, plus not more than 5 additional persons, who live together in one dwelling unit..."	No zoning code maximum on number of occupants. Maximum number can be set through the Conditional Use Review.
<b>8</b> Home Occupations	Do not allow in conjunction with a Type B home occupation which allows residents to use their homes as a place of work, and either one employee or up to 8 customers a day can come to the site.	
<b>9</b> Employees	Do not allow nonresident employees.  Allow hired service for normal maintenance of the residence or site, such as yard maintenance and housecleaning.	Continue to allow nonresident employees for activities such as booking rooms and food preparation. Maximum number and activities of nonresident employees can be set through the conditional use process.
<b>10</b> Commercial Meetings	Do not allow commercial meetings.	Continue to allow in multi-dwelling zones through a Type III Conditional Use.  Continue to prohibit in single-dwelling zones.
<b>11</b> Private Social Gatherings	No limit to the number of private social gatherings, consistent with all other residential uses.	