

MINUTES
City of Newport Planning Commission
Work Session
Newport City Hall Conference Room A
May 9, 2016
6:00 p.m.

Planning Commissioners Present: Jim Patrick, Lee Hardy, Rod Croteau, Bill Branigan, Bob Berman, and Jim Hanselman.

Planning Commissioners Absent: Mike Franklin (*excused*).

PC Citizens Advisory Committee Members Absent: Dustin Capri (*excused*).

City Staff Present: Community Development Director (CDD) Derrick Tokos and Executive Assistant Wanda Haney.

1. **Call to Order.** Chair Patrick called the Planning Commission work session to order at 6:02 p.m. Newly-appointed Planning Commissioner Jim Hanselman introduced himself. He explained that he bought property here in 1990 and moved here in 2006 to retire. He said he was always engaged with planning in one way or another; and it's something he enjoys.

2. **Unfinished Business.** No unfinished business to discuss.

3. **New Business.**

A. **Interview applicants for the Planning Commission's Citizen Advisory Committee vacancies.** Robert Heida explained that he originally came here in 1978. He joined the Coast Guard and got married here, and then moved away. They came back here and bought a house in 1983 when he got out of the Coast Guard. They then moved to California in 2000 when he was an electrician, and spent fifteen years there. They came back and are getting involved in Newport again.

Karmen Vanderbeck explained that she has worked in the banking business for 37 years. Her family came out here to visit her in-laws who have lived here since 1984. In 2005, they moved here from Montana. She said that she likes to do things in the community to assist. She's a recent leadership Lincoln graduate. She serves on a couple of boards. She served as the secretary for the Coast Guard Auxiliary for five years. She was on the Lighthouse Board for three years as secretary and vice president. She's served on special committees and event committees. She noted that working in banking, you get familiar with everybody in town and most of the time get aware of their needs as well as topics that are important to them. She said she's also planning and resolving things at the bank every day. She's never served on a planning committee; but she thinks it's an interesting committee to learn about.

Patrick explained that the Planning Commission committee started as an advisory committee about nine years ago because they wanted to re-write the code. The Commission formed the citizen advisory committee to get more input. It broadens the Commission's base a little more. He said it's also served as the Commission's farm team. He noted that probably half of the Commissioners have come up through the advisory committee. Then new members are not coming in blind. Most have sat through a lot of discussions and know what is on the table. Patrick said he thinks it's a valuable way of doing things. He said it's nice to bring issues to the work sessions and get the different perspectives on things. He finds it a useful process. Hardy noted that it also makes it possible for the members to populate other committees.

Croteau asked the applicants what they see as issues that could be addressed by the Planning Commission, or should be, based on their experience in the community. Vanderbeck said that she sees several issues going back to 1984 or 1985 and coming forward. She said there was tourism, but we were much more of a fishing community then. There are issues with tourism and space. Wise decisions have to be made on things like room tax and vacation rentals. She noted that the homeless population is much greater than it was. She sees it in the last few years getting huge. She hears ideas about different ways to work on those. Heida said he sees issues going on right now with the swimming pool; the situation with parking and stabilization of the ground. He sees an issue in the future with the reservoir and how things happen out there. He said over the years you hear about everything and say why didn't somebody say something. He has been at a couple of the meetings; and one of the Commissioners said that's why you have the citizen advisory board and noted that there are openings on them. Heida said that's why he's here.

Croteau asked what the candidates bring from their backgrounds that would help in decision making. Heida said that he's done a lot of things. He has run his own work. For the last twenty-five years he has worked in construction. He had a solid business. He's been in the Coast Guard; and he ran his own station on the east coast. He's just always been interested in small towns. He's lived here off and on for thirty years, and he doesn't really see living anywhere else other than some place like this. So he wants to make it as good as possible for himself and everyone else; at least what he sees as good. Vanderbeck said that she's the assistant manager at the bank, and in that capacity she's making decisions every day for people and staff. Sometimes they are

security issues, but there are several different issues. She thinks it's also important to give back to the community by doing things like serving on committees if you get a chance. She said you want people to brainstorm to come up with a great option. She said the worst thing you could do is not give an opinion if you have a valid one. You listen and learn about what you are studying. She likes to listen to what all the material is and give an opinion and get feedback from everyone else. Through that exercise, you will come to a consensus that is best. She likes that process and is used to it.

Branigan asked the applicants what they saw as the biggest hurdle facing Newport in the next twenty years. Vanderbeck said that she's very concerned about the homeless. That needs to be dealt with in a good way. There does have to be some kind of kickback from them and also us trying to assist them. They also need to be valuable members in the community. Another issue she sees is emergency status; we need to make sure we're on top of that. She's also concerned about the hospital and what we voted to do with the hospital. Heida said that one thing he's noticed being gone for a while is that it didn't seem to change a whole lot. Newport didn't seem to grow much. He said he didn't know if he didn't notice before, but when they came back he saw a graying of the entire community. It seems we need to do something about that. He thinks we need to get Newport growing. There has to be something to attract people to Newport. He likes it here, but not everybody likes the same thing. He tells people if they don't have a job, not to come here. Vanderbeck said that from her point of view, she sees a tremendous shortage of housing. It's not reasonable that 2/3 of Newport workers must live in outlying areas. There are tourism-service people that don't always have income year-round. She knows what Heida is saying about things looking the same after being gone. She thinks there are differences in the growth and there are things that we can take on to promote the community and make it viable. As a community we have to deal with Hatfield's additional college students and teachers. Things like that will be challenging.

Patrick asked for their thoughts on consensus decision making, which is most of the time what the Commission tries to do. Heida said it always seems like the bottom line is to have as many on board a project as possible. At the same time, there's always somebody with opposing opinions. The ultimate goal is to try to fold all opinions into one goal or decision that everybody can support. Vanderbeck agrees with that. She said it's extremely important. Most effective communities will operate that way. Not that you won't have your own opinion; but in consensus you might not get exactly what you want. If you are expressing your opinion and everyone else does the same, you have a very good chance of coming to consensus. She said that's extremely important for communities and on boards.

On a side note, Croteau asked what Heida and Vanderbeck did in their spare time. Vanderbeck said she has served on almost any special event in the community. She served on two boards. She stepped back this last year because her manager was Rotary president and would be out of the office a lot. She said she's always looking for something to do. She enjoys her family. They like to do radius reviewing of Oregon. Having been here almost eleven years, there are still many areas they don't know. She likes to go to the beach. She said she's pretty busy. She jokingly said she directs her husband. Heida jokingly said that he does what his wife tells him. He said when they moved back, they had a problem with leaking in the basement. He started repairing that, which led to another thing, and on and on. Now he's almost getting to remodeling the basement. Hopefully, they will be able to rent it out and not worry about traveling. He said he and his wife both volunteer in town with football and the animal shelter. They just finished the CERT training class. He started fly fishing again. He went to the beach just this morning because it was an extremely low tide.

Providing some more information on the advisory committee, Tokos noted that that committee is involved in the Planning Commission work sessions strictly on legislative matters that could become new city ordinances in regular sessions. The work sessions are from 6:00 to 7:00 p.m. The 7:00 p.m. regular session is where formal action will be taken by the Commission on these matters as opposed to the work session discussions where they get developed. Quasi-judicial matters don't come to work sessions. Those processes require formal public hearings. Listing some of the projects that are coming up, Tokos noted that the community visioning process should be firing up in the fall. A parking study is ongoing right now. We'll be looking at re-tooling the System Development Charges and looking at construction excise tax for affordable housing in conjunction and the interplay between those. The construction excise tax is something that just came out of the Legislature. We would have to give that back as SDC credits or incentives. It's more a shifting of what those fees are collected for. Right now, SDCs are for future infrastructure needs. If we go with a construction excise tax, some of the funds otherwise going to infrastructure will get shifted to affordable housing. It's likely we'll look at a multiple unit property tax exemption. We'll likely pick up annexation in the fall because there are a number of unincorporated parcels in South Beach surrounded by the City, which causes an issue for police and fire. There's a desire by the City Council to potentially compel those properties to annex; but there are some challenges with respect to that. Down the road in the next couple of years, we'll kick off workshops in Agate Beach to figure out infrastructure needs now that there's a new Urban Renewal District in place. Agate Beach is an area that is under-served with respect to public services like infrastructure. There are some street extensions that could be a part of that; and we need to deal with slope instabilities. We'll learn a lot about the storm water and sewage facility plan as part of the discussion. There probably will be some zoning issues; especially in South Beach as we get close to winding down the South Beach Urban Renewal District. There's the hospital expansion and the Hatfield campus expansion. Housing and how we can incentivize that is an issue we're talking about. Patrick said that on the housing issue, there's also the Hatfield Marine Science Center campus expansion for the 500 students and instructors. Tokos said they will be constructing 150 housing units; but that's not enough to deal with it, especially for the professors.

Berman noted that there was a third applicant. It was explained that that was Marvin Straus, who was not able to attend tonight because he is out of town; but several of the Commissioners are familiar with Mr. Straus.

B. Status of vacation rental code modification discussion. Tokos explained that this is more for information sharing than anything else. He wanted to make sure that the Planning Commission saw what the City Council did. Also, it's been a while since the Commission talked about vacation rentals and how the code is working. The Commission spent a lot of time re-tooling the code in 2011-12. In the packet, Tokos included a memo that he gave to the City Council. He said that the catalyst was Councilor Engler who expressed concerns about the impact that vacation rentals are having in the Nye Beach area. She expressed a desire that the City Council put a moratorium in place. The Council first asked for a report from staff, weighed the options, and elected that a moratorium was not appropriate, and the best action was to monitor the growth of vacation rentals in the community. Tokos noted that prior to 2012, the City didn't effectively regulate vacation rentals. If they weren't offering the unit more than ten times a year, they didn't have to even talk to the City. Those wanting to do bed and breakfasts or vacation rentals on a more frequent basis were required to get conditional use permits. At the time the Commission picked this up, there was discussion that we were starting to see more and we don't have a handle on them. Are they paying room tax? Are they as safe as hotel rooms? The criteria didn't make any sense. Every one of them had their own conditions. There were a number of reasons it was felt that this code needed re-tooling. An ad hoc group was put together to look at that. We had a good cross-section at the table. They looked at codes from a variety of locations up and down the coast in Oregon to see how they were handling vacation rentals. They looked at Sisters and out of state, like Durango, Colorado. All were areas where they were dealing with the demand for vacation rentals and bed and breakfasts and how they regulate and strike the right balance. The Commission elected to put in place rules that were designed to make sure vacation rentals were operating in a manner that was safe as hotel rooms, and when they're in residential areas they weren't ripping out the front yard landscaping to park cars. Rules were put in for parking and trash and management provisions. Complaints would be handled through the contacts or the management company before coming to the City. It's not the City's role to babysit those issues, but step in when the first line of contact is nonresponsive. The contact maintains a complaint log. Vacation rentals have to display emergency information like tsunami evacuation routes. An inspection by our Building Official was a big piece of that program to make sure that the structure is sound, that there's adequate fire egress, GFCI outlets are installed, smoke detectors are working, and carbon monoxide detectors are installed in order to afford the same quality of safety as a hotel. There wasn't an effort to restrict them. There is a limit of size; no more than five bedrooms. Over five bedrooms would shift them into the category of a hotel or motel, and they would be allowed only where hotels and motels can go. There's a close relationship to State codes there. They would be under the commercial building code, and egress rules change. Since that time, it took a couple of years to get ramped up and get everybody in the system. We have 149 active vacation rentals. The map provided showed how that ramp-up occurred. One of the reasons the Council felt it should just be monitored was that there was no exponential growth; it's been leveling off. It's a piece of the seasonal housing issue. Tokos said, looking at the census data for Newport, about 14% are seasonal homes. Just 149 are vacation rentals or bed and breakfasts; the balance are strictly second homes. Berman wondered how seasonal is determined. Tokos said he believes they finish a census bureau questionnaire annually. Every 10 years they roll out the survey. Tokos said we are dealing with a small percentage. This is the only data we have. They send out a fairly thorough survey, and responses determine the data. People with second homes would get a survey for their unit here. They would be checking a box that it's a seasonal home. It's only a snapshot; but it's a small percentage. Patrick noted that on their 10-year cycle the census bureau conducts bigger interviews; otherwise it's just updates by mail, and a person doesn't physically check. Tokos said there are probably a few other things that they do to get their entire data. He said, looking at other communities to see where they're at, Lincoln City is at 28%, Cannon Beach is over 50%, and Manzanita is at 80%. Heida wondered if there's data on how many are just investments as opposed to being used by the owner; and Tokos said not really. Hardy wondered why you couldn't look at the water billing data; that could possibly distill it down by indicating out-of-town owners. Tokos said an investment property could be made available through vacation rental to get some money back, or they could rent it long-term. It may be that they're renting just to hold on until five years when they retire. He doesn't know how you'd ferret that out.

Hanselman asked about a home that rents out rooms. Tokos said short-term rentals like Airbnb would be vacation rentals; they are treated the same under the code. If they are rented short-term transient under 30 days, whether they do a room or the whole house, it's considered a vacation rental under the code. Patrick said we may or may not be picking them up. Hanselman said if you go to VRBO for the zip code 97365, there are 151 offered. Tokos said with VRBO it's based on the geographic area display in a box. If 150 shows, it could be picking up some in Beverly Beach or south of the city limits. If you tailor it strictly to Newport city limits, 120 to 125 show up. Hanselman noted that on Craig's List, there's no information about where they're located; you can't identify where they are. Tokos noted that when the Planning Commission and the City Council re-tooled the code, they added a provision that if you're advertising, you're using. He said the City does an annual audit and goes through VRBO and Airbnb; and if they're offering and they don't have a business license endorsement, we will contact them. More often than not, it's just innocent; they didn't know, and they will follow through. We had the experience where some that applied found it too costly to make structural changes so they didn't do the rental. We have picked up quite a bit of structural issues as part of this. We've had some where once the housing market got better, they took it out of the rental market and sold the unit. We had some testimony from Vacasa that most folks that have vacation rental properties are owning them as second homes. They want to use it themselves occasionally so it's more attractive than a month-to-month rental. Hardy said vacation rentals allow them to be able to own the home and pay the property taxes. Tokos said the map shows the geographic areas where vacation rentals are located. It shows that the majority are where there are ocean views, access to the beach, and services. The 1,050 is the total

overnight occupancy; the total number of bedrooms available across everything. If it were a 5-bedroom house, they would be able to have 12 because the code is total overnight occupancy of two per bedroom plus two. With 149 vacation rentals, if all were operating at capacity, you could have 1,050 people staying in vacation rentals and bed and breakfasts overnight. Patrick thought that hotels were about 3,000; and Tokos said something like that. Tokos said obviously, you're never at that number; it's always something below. Patrick asked if we know how much of these things are getting rented; the occupancy rates, and how much revenue is coming in. Tokos said the Finance Department is working on that. They've got a number; but he's not confident on it. Part of it is how room taxes are collected; they could be under a separate liability company or a company like Vacasa collects the taxes and pays. There are 114 registered with Finance, where we have 149 in our department. One entity is making multiple payments. Tokos said the Finance folks are trying to get that information. We have to have confidence in the numbers before we throw them out there. Hardy said that nightly rents vary throughout the year. One she saw went from \$105 to \$340 in the summer. Patrick asked if they don't collect the nightly number of guests. Berman said they have to collect it, but they don't have to show it to anybody but the police department. Tokos said the Council thought it wasn't likely they could justify a moratorium. Usually under State law it's reserved for things like when your water treatment capacity or sewer capacity is exceeded. There are very strict rules we have to follow in the event we do impose a moratorium. The Council felt it wasn't appropriate at this time. With 14% and not seeing an exponential climb in VRDs and B&Bs, it's not appropriate to do anything but monitor them.

Hanselman wondered if there's data on the relationship of the number of VRDs and the cost of homes. Tokos said that most units offered as VRDs would not be affordable to workforce. They're usually units with very good ocean views; the higher-end homes in Newport. An example that Engler brought in was a developer looking at a property at Coast and Olive, which is between \$500,000 and \$600,000. The issue isn't the 13.8% vacation rental rate; that's a small slice. It has more to do with the fact that the larger piece is just the number of second homes. That has an impact on prices; and we're having a hard time expanding our inventory. When we're growing at a small rate with nothing on multi-family in several years and people start to do second homes, that puts a squeeze on it. Hanselman thought that a vacation rental makes it possible for someone to buy a higher-priced home. They can do a vacation rental to recoup some of the cost. Hardy said not if they're getting a bank loan. Hardy said a rental typically subsidizes a portion of the property owner's cost; but sometimes not that much. Other times, it's all over the chart. Hanselman said from his perspective, a smaller house that could be turned into a vacation rental comes up for sale, they might get a higher price because they can find someone that wants to do a vacation rental. Patrick said there are some of those out there. The majority though is because in five to ten years they want to retire here. In the meantime, because they want to come here too and be able to vacation here, they put it up as a vacation rental. He said that's a bad investment; there's no profit in it. They're just trying to cover some of the costs. Some are just happy to get the property taxes out of it. This is convenience on the owner's part. They're not pushing to get the rent up that much. They want to come here whenever they want. Vanderbeck said the upkeep on a vacation rental is high. Hardy agreed, more so than for a long-term rental.

Croteau asked, with regards to the moratorium issue, how are we actually doing with the VRD ordinance; is it working? He said the other thing is that it gets back to workforce housing. Tokos thought that the City Council didn't want to dive into something like what's happening in Lincoln City. Tokos said that Newport's code has been held up as a model. We have had three units where the City had to step in since 2012. He's sure there was a larger number. Vacasa said that they get called, and they try to deal with it. Croteau said that one thing that would help is to expand the zone of notification to more than 200 feet. He said noise travels, and if you have no one to contact other than the police, that's what you do. Tokos said we can possibly look at those things. He said the police department says they haven't had any issues. Hardy said they are obligated to enforce the noise ordinance. Tokos said the planning department would get notified too; and there have been no issues there.

Hanselman said, regarding Vacasa, there's a home in his neighborhood that became a vacation rental. They used to have a path through other people's property. Vacasa said to go ahead and use those paths; but the private property owner was not willing to let that continue. This is one case where he thinks the system broke down. The neighbors attempted to call the police, but the police said they couldn't act on it because they were not the property owner. So they called Vacasa, and they said the same thing. Hanselman said the problem here is that this is an assault to the whole concept of neighborhood. The neighbors can't call because the police and Vacasa won't respond because the neighbors are not the owner. Hardy thought there would be a way to do it. She said file a complaint with the City, which is above the police. Do a neighborhood watch; formally organize. Berman said you don't have to be the owner. We have the code enforcement officer that you can contact directly. If they're in violation of the ordinance, Berman believes that Jim Folmar is obligated to investigate it and report it. So, there is somebody within the City. Hanselman said we have to make sure complaints are acted upon. He hopes in the future that would be reviewed if the code is looked over. Tokos told Hanselman if he had an issue with how somebody is behaving to absolutely bring it up with Vacasa. Most have an owner or other operator. First talk to the point of contact because they want to know. They want to be good neighbors. They don't want to be in the crosshairs. He said that the City has limited enforcement. But, if you have been trying to work with them, and they have been blowing you off and the issue is not getting resolved, the City can step in there. Then the Community Services Officer can do something.

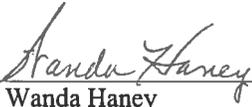
Tokos said it's a function of what's happening in Nye Beach; the success of Nye Beach. He noted that there are no vacation rentals in Wilder. East of 101, you don't see many vacation rentals. The further removed from the ocean, the less number you see. There's not the demand for second homes there. Tokos said there's some concentration on the north end of Nye Beach

where that large condominium development is by Jump Off Joe. Branigan noted that the Embarcadero is another big area. Patrick said looking at the map, he was trying to figure out what those were south of Coast Street and Olive. Tokos said he would have to take a look. They probably tend to be condo units converted to vacation rentals. He noted that with the scale of this map and the size of the stars, they can shift around a little. They're not exact, but just showing location.

Tokos will be providing monitoring to the Council. He's already including a report in the department reports, which is posted to the City's website. If we see any kind of sizeable increase, he will bring it to the Council's attention. Patrick said right now, it's about the same as houses are going. Tokos said Airbnb may start to explode. It could change. Branigan thought that some of Engler's issues go back to the parking issues because of vacation rentals. There are not a lot of driveways. If four people are occupying the VRD, you may have four cars. They do have a parking issue down there. Tokos said that parking is part of it. Engler brought up the city center core. Part of this is a concern on her part where Nye Beach could end up and whether it will be cottage-type commercial and residential or larger massive structures. Steps were taken by the Design Review group to temper the architecture. Vanderbeck asked if the old West Coast Linens lot isn't being a parking area. Tokos said part of it has to be because of environmental issues. The west side is not as bad. The City doesn't enforce environmental condition issues; that's between the owner and DEQ. The owner is looking to do parking on the east side. Croteau said the owner could charge for parking, too.

4. **Adjournment.** Having no further discussion, the meeting adjourned at 7:15 p.m.

Respectfully submitted,



Wanda Haney
Executive Assistant

