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# Vacation rental debate takes root on Oregon coast

By Lori Tobias | For The Oregonian/OregonLive | Posted September 29, 2018 at 09:00 AM

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*(Charlotte Boxer at her Newport restaurant.)*

By **LORI TOBIAS**

**SPECIAL TO THE OREGONIAN/OREGONLIVE**

NEWPORT -- When talk turns to affordable housing and the competition to cash in on coastal tourism, restaurant owner Charlotte Boxer has plenty to share.

There are the homeowners in Agate Beach who put a shipping container in their yard for storage and then used it as a vacation rental. The city's community development director sent them a warning letter this month to cut it out or face up to \$500 a day in fines for violations.

There's the couple dining at her restaurant who celebrated the purchase of a new house and their plans to oust the longtime tenants in favor of offering it as a vacation rental.

"Do you live around here?" Boxer said she asked them. "They said, 'Oh no, we live in New



York, but we'll probably visit once or twice a year."

Boxer sits on an ad hoc city committee to review and rewrite vacation rental regulations, hoping to ease the housing crunch for full-time residents like a cook at her restaurant who's still living in an RV outside of town because she can't find a place to buy or rent.



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*(Charlotte Boxer at her Newport restaurant.)*

Tourism has long been the lifeblood of the Oregon coast, providing a boost to the economy year-round, no longer only during traditional high seasons. Yet that same economic driver brings with it certain burdens — the loss of affordable housing, traffic congestion and trash.

Now, it's behind a growing division in Newport and the source of a lawsuit in Manzanita, where almost \$2 million in fines were levied on a homeowner for an illicit vacation rental.

Affordable housing is increasingly scarce in Lincoln County, particularly in communities that hug the coast. The median price for single-family homes in Lincoln County was \$275,000 for the first half this year, up 10 percent over 2017, according to the county Assessor's Office. The Oregon Employment Department lists the average wage in the county at \$36,730.

Many, like Boxer, blame the increase in vacation rentals for acing out full-time residents looking for a long-term lease in Newport. There are currently 200 licensed vacation rentals in the city of approximately 5,500 dwellings.





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*(Charlotte Boxer's Newport restaurant.)*

Boxer's restaurant, The Deep End Café, thrives with a mix of locals and tourists, but she's considering giving up the business that was her lifelong dream because she can't find workers.

"This is the fifth summer I've been open and it is the worst summer ever for finding people to work," she said. "I won't go through another summer like this. Housing is pretty much at a crisis. It's pushed me to the brink. This is a really serious thing and vacation rentals are part of it. The businesses the tourists want to go to are not going to survive unless something is done."



Two new hospital campuses in Lincoln County — Samaritan Pacific Communities Hospital in Newport and Samaritan North Lincoln Hospital in Lincoln City — are expected to squeeze the housing inventory even further.

Dr. Lesley Ogden, chief executive officer of the hospitals, said the two campuses will attract about 25 new employees, but that number will continue growing. She's also felt the pain of the lack of affordable housing and lost employees because of it.

"When you go out to talk to people who make \$75,000 or less, you can hear stories of struggle," Ogden said. "I was actually sort of floored that someone who makes \$75,000 a year, which I thought was good, would have those struggles."

"What is available tends to be higher end, vacation rentals, that kind of stuff. Even though people might have a good living wage," she said, "it's still not enough because there's not enough housing available."



The Oregonian/OregonLive File

*(The beach with the Yaquina Head lighthouse on the horizon in Newport.)*

Derrick Tokos, Newport director of community development, agrees that the city needs more affordable homes, but doesn't agree that vacation rentals are the main cause of the housing shortage.

Many of the places that attract the majority of out-of-town visitors are million-dollar waterfront homes that hourly-wage workers couldn't afford to buy or rent if they came on the regular market, he said.

The city has created tax incentives for private developers to build lower-cost homes, with at least one project -- 110 units of one-, two- and three-bedroom apartments scheduled for construction next year. A three-bedroom would rent for about \$853 as established under rental limits by the Oregon Housing and Community Services.

There also are other housing projects in the works but at market prices, Tokos said. "There is a wide range of market prices for a three-bedroom unit, with \$1,000 to \$1,200 being on the low end," he said.



While the influx of visitors can have some negative impact -- Newport's population of 10,000 triples during summer months -- others point out that tourism also supports local jobs and brings in millions of dollars in transient lodging taxes from hotel and vacation rentals.

Newport collects about \$3.8 million from transient taxes annually and Lincoln County about \$1.5 million.

A study commissioned in spring by Travel Oregon/Oregon Tourism Commission reported that visitors to Oregon's coast generate \$1.985 billion in economic impact for the region, directly supporting 22,700 jobs for local residents, said Linea Gagliano, director of global communications for the state agency.

### Multi-purpose Building



### Pavilion



Lincoln County Commons master plan

*(Plans for the Lincoln County fairgrounds.)*

But not everyone feels the benefits equally, said Carla Perry, a founding member of CommonSense-Lincoln County.

"The only people making money are the hotels, restaurants, Airbnb's and the city and county in transient taxes," Perry said.

"The residents of the city pay for tourism in our water bills, utility bills, the infrastructure costs that are huge," she said. "We are not getting money from the tourists, but we are on the hook for the costs. We are the people paying for all those extra costs; we're also impacted in the lines in traffic. You'd think there would be a certain cut-off point for encouraging more tourism ... but the mentality is just increase tourism at any cost."

The CommonSense group is fighting plans for a new \$9.8 million exhibition and pavilion hall at the county fairgrounds on 9.5 acres that members believe could be better used to create housing for workers.





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*(The Lincoln County fairgrounds.)*

Perry, who's also part of a county committee to oversee the fairgrounds plans, would like to see the property sold to the Lincoln County School District and used for a new high school. Then existing school property – now adjacent to the fairgrounds — could be used to build housing for workers, she said.

Lincoln County Commissioner Claire Hall said residents have spoken at multiple meetings of their desire for the new fairgrounds buildings and approved a 3 percent increase in 2016 in the transient lodging tax for that purpose. A new high school on the property isn't viable for several reasons, including sinkholes on the property, she said.

Next up, the county is set to meet with consultants who will deliver a completed master plan for the fairgrounds project, with final approval and the hiring of an architect possible by the beginning of the new year.





David Dillon

*(The Manzanita house in question.)*

Ninety-five miles north, the city of Manzanita also is dealing with short-term rental issues, primarily people failing to follow rules established more than two decades ago.

The city has fined one homeowner \$1.8 million for illegally using her house as a vacation rental.

The city found the homeowner in violation of three ordinances: renting without a license, failing to collect the transient lodging tax and advertising the rental without a license.

The first two violations come with fines of \$1,000 a day and the third, \$500 a day.

The homeowner sued the city over the fine.

Kevin O'Connell, a lawyer for the homeowner, said in an email to Manzanita budget committee member David Dillon that his client took in \$21,000 from "friends and relatives" who used the beach house.

The money was requested in "donations for \$50 to \$65 per night to cover the costs of insurance, supplies, as well as recovering utility payments," the email said.

O'Connell called the fines "excessive" and enforced in a manner that "appears arbitrary."

The parties are now in the process of settling the suit, which must be approved by the City Council, said Manzanita city manager Jerry Taylor. Details of the settlement won't be made public until council approves them, he said.

The city relies on short-term rental tax collections to operate because its property tax rate is



relatively low and capped by statewide voter initiatives, Dillon said.



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*(Nehalem Bay, Nehalem Bay State Park and the Manzanita coast.)*

"When I moved here in the early '90s, we had what I heard called the short-term rental wars within the city of Manzanita," Dillon said. "People wanted to rent out their homes and the city wanted to be involved in that."

The city established limits allowing 17.5 percent of houses in certain residential zones to be used for short-term rentals, provided they had a safety inspection and paid tax to the city, he said.

But people find a way around the limit, sometimes through surreptitious online advertising when City Hall isn't monitoring the ad sites, Dillon said.

"Only about 25 percent of the houses here are lived in full-time," he said, noting that the year-round population in 2016 was 639.

"It's not just the city wanting the tax money. It can change the fabric of the neighborhood," he said. "They might bring in a lot of cars, make a lot of noise and then they go home. It does have an impact."

-- Lori Tobias

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