

MINUTES
City of Newport
Vacation Rental Ad-Hoc Committee Meeting #10
City Hall Council Chambers
Wednesday, June 27, 2018

AC Members Present: Carla Perry, Braulio Escobar, Norman Ferber, Jamie Michel, Margaret Dailey, Bill Posner, Don Andre, Charlotte Boxer, Lauri Hines, Bonnie Saxton, Martha Winsor, and Pam McElroy.

AC Members Absent: Don Andre, and Cheryl Connell (*all excused*).

Planning Commission Liaison Present: Jim Hanselman.

City Staff Present: Community Development Director (CDD), Derrick Tokos; and Executive Assistant, Sherri Marineau.

Public Members Present: Bob Berman and Veronica Willemin.

1. **Call to Order.** The meeting was called to order at 1:00 p.m.
2. **Disclosures.** Tokos asked for conflicts of interest. Ferber, Hines, and Michel disclosed they had potential conflicts of interest. Dailey, Hanselman, Perry, Escobar, Posner, Boxer, McElroy, and Winsor stated they had no conflicts.
3. **Approval of Minutes from the June 13, 2018 Meeting.** Tokos asked for input on the minutes. Berman noted minor corrections to the minutes. Perry asked for clarification on if the parking standards had a consensus for a recommendation. Tokos said in the Policy Options it was noted that a Conditional Use (CU) would be a limited option going forward for parking and possibly for separation standards.

MOTION was made by Dailey, seconded by Winsor to approve the June 13, 2018 Vacation Rental Ad-Hoc meeting minutes with minor corrections. The motion carried unanimously in a voice vote.

4. **Review Agenda, and Revise as Needed.** Tokos asked for any adjustments to the agenda. None were heard.
5. **Committee Requests.** Tokos covered the committee request documents that were shared with the Ad-Hoc Committee (AC). He opened a discussion about Escobar's request concerning Nye Beach. Boxer said she looked at the Nelscott area which had certain designations in different areas that included a business district, cottage/residential, and a beach side mixed use. She noted that in the business district, VRDs were an outright use and thought this was where the AC could talk about licenses that transferred. The cottage/residential area in Nelscott had significant restrictions. She wanted the AC to think about Nye Beach being residential mixed with commercial, and look at doing VRDs differently in the arterial districts by looking at residential a little differently. Ferber said the area between Cliff Street and Coast Street in Newport was developed as a commercial district and asked if they should be similarly restricted. Boxer thought that it would fall under the beach side mixed use. She felt some of the housing stock should be reserved there and let VRDs be outright in the areas defined as a business district. A discussion ensued regarding how far to extend restrictions. Ferber said as the area expanded, people looked at doing more rentals for returns on their investments. Boxer felt the residents in the area didn't invest in their properties for the same reasons as VRD owners. She noted the summary that showed that other jurisdictions had a 30 to 90-day maximum rental for VRDs to protect neighborhoods. She said what the AC needed to focus on was the livability while allowing VRDs to operate where they were appropriate. Perry said she wanted to endorse the idea of protecting the neighborhoods from a VRD license being transferred to the new owner. Boxer noted that in most other jurisdictions the permits didn't transfer for residential, but in commercial areas the license did transfer. Escobar asked if Nelscott had proximity and cap issues. Boxer said Lincoln City has cap issues. It took a long time to put together and was a very contentious process for them. She said she brought up this discussion for the AC to consider doing things differently rather than just putting a blanket rule on things. Tokos said this would be discussed later when talking about proximity.

Tokos gave a handout to the AC about STR Helper, a compliance company who Gearhart and Seaside were using. He reported that they were happy with STR Helper's service. Tokos noted that he heard from Hood River and they said they liked Host Compliance. Perry asked if there were other systems who could do compliance for Newport. Tokos said there would be and a bid process would happen to find one for Newport.

Tokos referenced the Cannon Beach handout given to the AC that showed how their tenancy worked. Boxer asked if it was limited to 14 days per year. Tokos said they were allowed one tenancy for a 14-day period. Boxer noted that Cannon Beach also had a five-year unlimited commitment that couldn't be reduced.

Bonnie Saxton enter the meeting at 1:30pm and disclosed a potential conflict.

6. **Options for Amending VRD regulations.** Tokos asked for the AC's thoughts on cap levels. Posner asked how a hard cap number could be determined without having some sort of reasoning for it. Tokos said there were effectively 200 VRDs currently in Newport and the City Council (CC) would be given a recommended cap number which would be subject to their adjustment. Michel thought the Yachats cap was a percentage of the housing stock. Tokos said Yachats correlated to 15 percent of the housing stock. Perry asked what 15 percent would be for Newport. Tokos said there were over 5,000 dwelling units in Newport. Hanselman said Newport was up to four percent currently and thought the AC should keep this in mind because Newport was trying to find a solution for a long-term housing problem. Tokos said five percent would mean a cap of 275. Michel noted that a hard cap didn't address the areas with a density of VRDs were problematic. Tokos said it was valuable to have a discussion about the caps to get a sense of what the overall capacity should be. Boxer said to remember that Yachats, Cannon Beach and Manzanita didn't have a hospital or college campus and Newport needed housing for people working there. She thought instead of a hard cap there should be caps in certain areas. Boxer didn't feel the map exercise the AC had done was scientific and thought it made more sense to her to protect the residential areas.

Ferber said there seemed to be a feeling that VRDs were responsible for a lack of housing when there had always has been a lack of housing in Newport. He said VRDs shouldn't be asked to take a loss to provide housing. Hanselman said that some of the VRD houses had been long term housing beforehand. A discussion ensued regarding the struggles of buying and renting in Newport. Boxer said what they were talking about was single family stock in residential zones that would become VRDs. Ferber noted that the prices of these individual houses had also risen and questioned if someone who made \$20,000 a year could afford to occupy these homes. Tokos said the AC wouldn't be pitching these changes solely because of the impacts to affordable housing. He thought it was valuable to consider cap levels to determine the saturation point and they could dial it in for different areas. For a jurisdiction of our size, he didn't think five percent was a unreasonable place to set a cap. Perry suggested a four percent cap. McElroy noted that four percent was where Newport was currently and people were upset. Hanselman said a lot of residential areas were losing their feel of residential. Perry said when phasing out VRDs of R-1 or R-2 zones this wouldn't be a problem. Hanselman said this would take five to seven years and thought it would be impossible to enforce tenancy limits for VRDs that were second homes. He thought an empty house in a neighborhood would be better than an unknown entity coming into it. Hanselman said he was trying to protect neighborhoods from having hotels in their neighborhoods. Escobar asked if doing a hard cap of four to five percent and a phase out in R-1 & R-2 zones, would it push VRDs into the Nye Beach zone. Tokos said he wanted the AC to know that they were taking it a piece at a time. There would be a discussion about proximity limits and prohibited areas which would be layered onto each other. In many cases, once they were layered, they would take care of themselves. He noted that a four percent cap would be 220 and there were currently around 200.

Boxer asked if the VRDs that were causing all the problems were the ones that were housing had a high residency. Tokos said there were ones that had enforcement issues and others that were raised because of this discussion. He said it couldn't be tracked down to specific units, but was more of a general feeling. Michel suggested at least a five percent cap which was a couple of percentage points over what was current, which wouldn't be set in stone. Then, there would be room to examine all the different layers and revisit and tighten up the cap with other rulings and details. Winsor said if the main thought was to take out all VRDs in R-1 & R-2 zones, the AC should look at a cap that only dealt with housing in R-3, R-4 and Commercial. Tokos said this was only one of the layers. Winsor said it should be recognized that if taking way three quarters of the VRDs, the caps would then be reduced. Hines asked the AC to come up with a cap range to agree on. Hanselman noted the VRD numbers were already at five percent west of Highway 101, which were the neighborhoods that were already upset with VRDs. He thought before expanding caps the AC needed to face the fact that VRDs were over caps in areas where VRDs wanted to be located in. Tokos said four to five percent was around 220 to 275 citywide and there were already around 200 VRDs endorsed. He asked if it was reasonable to go ahead with a four to five percent cap range. The AC was in general agreement with this.

Tokos reviewed 250-foot buffer and street segment maps to the AC. He noted that the buffer maps were structured around Bandon's approach. Tokos felt the approach that seemed to make more sense was the street segment map. He said Bandon's approach wouldn't address Boxer's concerns and noted that the Bandon approach was more complicated. Tokos said that Bandon had a CU process that if they had an extremely long street, they could have a second unit there. Because Newport had a traditional grid layout of streets, the street segment would make more sense. Hines asked how the 250-foot buffer approach would apply to townhouses and condos. Tokos said this would be applied to R1- & R-2 zones only and townhouses and condos wouldn't typically be in those areas.

Boxer asked for clarification on if the AC was talking about phasing out VRDs in R-1 and R-2 zones. Tokos said yes where they exceeded the standard. He said the question they were discussing was when doing phasing and there were two units, who would get amortized out. It could be done by the first VRD who transfers would go, or by saying the most recently endorsed VRD would be amortized. Tokos liked the first approach that as soon as the first VRD didn't have a license, it

went away. Perry asked if there would be phasing out all VRDs in R-1 and R-2 zones, why were they discussing this. Tokos said the discussion was about the units in R-1 and R-2 zones where they were permissible. If there were spacing standards, certain units wouldn't be allowed because of the proximity of each other. Perry thought that the general rule was going to be to phase out all VRDs in R-1 & R-2 zones, and asked why the AC discussing proximities. Tokos said this wasn't a recommendation to phase out all VRDs in R-1 and R-2 but there was a discussion to just phase them out in different areas. A discussion ensued regarding proximity limits in the areas to phased out. Escobar and Hanselman thought that the AC was talking about all VRDs being phased out of R-1 & R-2 zones. Dailey said there was just a discussion about keeping them out of R-1 & R-2 zones. Ferber said it was discussed by the AC but wasn't agreed on. Hines thought the alternative maps established what the AC wanted. Tokos said the maps were done to build an overlay of where VRDs were permissible and put proximity or spacing requirements in where there predominately residential homes. He said the desirability had more to do with location than zone.

Perry wanted to make a recommendation that some of the AC wanted to see VRDs prohibited in R-1 and R-2 zones. Saxton asked what the rationale was for allowing VRDs in R-1 and R-2 zones in the first place. Tokos said they were always allowed in those zones. McElroy said one way to focus on a reason to not allow VRDs in R-1 and R-2 zones would be that the vast majority of complaints were in those areas. Tokos said this was why in part that the AC was discussing proximity limits, which would help to get VRDs dispersed. The mapping exercise was used to determine areas where VRDs should and shouldn't be allowed. Boxer noted that in Durango VRDs were allowed in R-1 and R-2 zones by CU. Tokos said as for as CUs were concerned, there was a challenge with discretionary decisions to determine what standards would be evaluated against to say why a VRD was okay in one area and not in another. Escobar asked if they could use a standard that neighbors objected to the VRD use. Tokos said from a land use perspective, he didn't think a neighborhood vote would stand up as a valid reason. Escobar said they could stop a street vacation if there was a certain percent of neighbors who objected to it. Tokos said this was a statutory process, not land use, and CUs were a land use issue. He said he was asking what the discretionary standard would be for CUs for VRDs. Tokos noted that one of the reasons the Planning Commission (PC) went away from the CU process was because they found there wasn't a rhyme or reason to why one person was given a CU when another wasn't.

Boxer asked for clarification on tenancy limits. Tokos explained it was no more than a certain number of rentals in a calendar year. He noted the city had a hard time attaching who was renting the VRDs. Michel agreed and said sometimes VRDs were blocked out from renting for maintenance or other reasons. Tokos said you could do tenancy limits but it would be an enforcement challenge. Saxton said if they wiped out R-1 and R-2 zones, it forced VRDs into the other zones. Hanselman said you could reduce the caps and he didn't understand why the AC wanted to expand the cap beyond 200 because they were already having problems at the current numbers. Posner said if you had the caps and they didn't meet the proximity standard, they would never get a license. Perry was concerned about Spring Street where she lived because there was such a high concentration of VRDs there. Tokos said this area was mostly R-2. For the caps, there were very few street segments there that weren't already at max and there would be very little growth in the area if a proximity limit was put in place. Perry asked since they were already at 29 percent would it include the transitioning out. Tokos said yes, for those areas where there was more than one VRD on a street section, they would be transitioned out. Boxer said that when owners sold VRDs and their licenses weren't transferred, the proximity issue went away and the VRD couldn't be reestablished at that address. She didn't think this was unreasonable. Tokos suggested putting transferability of licenses to commercial zones so the transferability would be limited to commercial areas and not for residential. Ferber asked if there would be an amortization. Tokos said he didn't think so. Owner's didn't have to sell and could live there and continue to maintain the license. He said what was forcing the change would be they were choosing to sell the VRD. Ferber asked if there would be an argument that there would be a loss of value. Tokos said owners would do a Measure 49 and would need a pre-opposed appraisal. It would be hard to prove the case because they could continue operating a VRD and they would be guessing on the value before they sold the property. Boxer suggested looking at proximity with non-transferability of licenses outside of the commercial areas. Hines asked if licenses would be transferred for the units at the Embarcadero. Tokos said they could say that W-2 zones were a commercial zone. Boxer said it felt like the AC was trying to protect the livability of areas. He noted that some of the areas in R-3 and R-4 zones might have multi-family without transferability and meant some of those units couldn't be used as VRDs.

Boxer asked if condos in Newport have regulations stating how many units could be rentals. Saxton said she hadn't seen anyone doing this. The Landing had rules that very few could be long term. Escobar said there were bylaws that there couldn't be rentals. Dailey reminded the AC that bylaws could be changed by owners. Tokos said he was hearing there was a general agreement to move an option for proximity limits in R-1 and R-2 areas where they were permissible coupled with caps, with the minority saying not to allow VRDs in the R-1 and R-2 zones. Boxer asked if they were talking about the 250-foot buffer or one per street side. Tokos said one per street and there could be two VRDs on the street with one on each side of street. Michel asked about proximity limits for VRDs located behind another. Tokos reminded that a corner lot would wipe out both fronting street segments. A discussion ensued regarding how street faces worked for street segments. Ferber suggested a limit of square footage of lots. Tokos said the analysis showed that per block, it limited it to just a handful of VRDs. Hanselman asked if a 250-foot buffer would mean fewer VRDs. Tokos said no, Bandon didn't have a straight 250-

foot buffer. It was set up as no more than 30 percent of the dwellings that were on properties that were within 250 feet of the subject property could be VRDs

Tokos reviewed the Nye Beach Design Review Overlay map next. Boxer said the C-2 seemed where the predominant commercial was at. She thought there should be some limits to the R-4 properties because there was a lot of residential in that area. Tokos said one way of thinking would be if there was a 240 cap it wouldn't be much higher than what was current. If there was a higher number such as 275 with proximity limits, the VRDs would all be in a particular area. If that happened, then they could frame it to say only a fixed number of VRDs would be allowed in R-4 in the Nye Beach overlay because it was the only areas that had a defined overlay area. Ferber asked if it was relevant to know the percentages of VRDs, shops and residences in the Nye Beach area. He said a lot of the housing in the area was still in transition. Tokos said if the rationale was that it was a C-2 commercial area, the expectation would be that commercial uses would happen in those areas that were in a manner that was different than a residential long term tenancy. Tokos said what was hearing was there was more of a concern for R-4 areas and not so much with commercial. Winsor was concerned about R-4 because there were a lot of retirees and a good place to live for them because of walkability. She wanted to see a serious look at minimizing a migration of VRDs from other areas to the Nye Beach area. Tokos said what he was hearing was that if the policy makers start landing on an alternative that concentrates permissible areas for VRDs in and around Nye Beach, then a cap needed to be put in place for the residential areas in Nye Beach. Boxer said in the C-2 areas they would want businesses there so people visiting Newport would go there. She thought a C-2 should be used for commercial uses with a R-4 having a sub cap, and thought R-4 needed protection. Hanselman said there had been concern in the area to keep residential in the C-2 so it wasn't entirely commercial and to make it feel like a cosmopolitan area. Tokos said there would still be a possibility for a house to pop up where there was commercial before. Boxer said there could be caps in C-2 and a sub cap in R-4 that would protect the residential. Tokos said with four to five percent there would be a 220 to 275 overall cap citywide. He said he what he was hearing was the AC wanted to see a sub cap for the R-4 in the Nye Beach area which would be a higher percentage of the area because it was already at 11 percent.

Winsor asked if there was another method other than density for R-3 and R-4 zones. Tokos said he couldn't think anything other than caps because of the mixed-use nature of it. Hanselman suggested doing street segments. Tokos said this could be done only if they allowed many VRDs per street segment. Ferber asked how that was different from R-1 and R-2 zones. Tokos said many street segments were based on single family dwellings not multi-family. Winsor thought it made sense to set density at 15 percent in C-2 and 10 percent in R-4. Then when the R-2 was determined the cap for the whole city would be a lot lower because they wouldn't be able to replace the VRDs that left from R-1 and R-2s if they set the density for C-2 and R-4 in Nye Beach at approximately what it was currently. Tokos said the only thing that made sense in that area was caps. Boxer thought that if there was a cap overall and then one for Nye Beach it would disperse the VRDs among the different parts of the city. Tokos said if doing caps and looking at what was there currently, 14-15 percent would be comparable. He asked if the AC wanted to see a number as an alternative. The AC was interested in seeing it as an option. Posner suggested a spreadsheet to so different numbers for different alternatives.

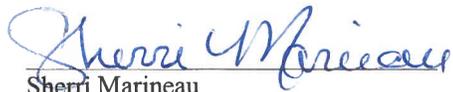
7. **Review Updated Committee Schedule.** Tokos reviewed the updated schedule and asked for comments from the AC about adding additional meetings on July 11th and 25th. Escobar asked if the finalizing of the policy could be pushed into August. Tokos said it could be put in the July meeting. Perry thought the longer they went, the longer they didn't have a policy. Escobar was comfortable with the AC finalizing the policy with a general consensus while he was away.
8. **Public Comment/Questions.** Veronica Willemin addressed the AC and said she felt Ferber had a preference on what he wanted to see happen but didn't understand what he was saying he wanted. Ferber said he was just offering his opinion. Willemin didn't think it was helping to reach consensus. She said she didn't think people were opposed to VRDs, it was more about the numbers and their proximity. Ferber said he didn't have an agenda. Tokos said everyone had an agenda because they cared deeply on the issue one way or the other. He appreciated everything everyone had brought to the table. Willemin said she just wanted the AC to come to a compromise that kept things livable for Newport. Ferber said he was here to represent a different point of view from the one in opposition to VRDs and said it didn't constitute an agenda. He stated he wanted to have an actual conversation.

Bob Berman addressed the AC. He said if there was going to be caps, pointed caps in Nye Beach, and proximity limits, there was no reason to have a prohibitive area.

Hanselman noted that Hines submitted a letter that hadn't been addressed yet with the AC. Hines said in terms of the plus two for occupancy, 80 percent of the time the rentals didn't hit occupancy. Usually the plus two was mostly children. She thought that if the AC could make the exception of the plus two for minor children it would be good. Tokos said it would be one of the alternatives presented. Michel said she agreed that the plus two was mostly children. Ferber said he drew the line for the plus two at around two to five years.

9. **Adjournment.** The meeting adjourned at 3:08 p.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherri Marineau". The signature is written in a cursive style with a large initial 'S'.

Sherri Marineau
Executive Assistant

