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City of Newport Short-Term Rental Code Update Ordinance No. 2144: Summary of Key Changes

Requires Annual Licensing

- Short-Term Rental (STR) operators will be required to annually renew business license endorsements.
- Licensing is expanded to include new requirements, such as proof of liability insurance and the submittal of records showing that a vacation rental unit has been rented at least 30 days in the fiscal year.

Rationale: Annual license will keep short-term rental operators more engaged with City, improving accuracy of designated contact information and ensuring that insurance is in place for guests. Proof of rental requirement is intended to ensure licenses issued under a "license cap" are actually being used.

Creates Different Categories of Short-Term Rentals

- Distinguishes "home shares" where an owner rents rooms in the dwelling unit where they reside, and Bed and Breakfast (B&B) establishments where an owner or manager lives on the premises, from Vacation Rental Dwellings (VRDs) where the entire unit is rented for transient purposes.
- Subjects home shares and B&Bs to annual licensing but exempts them from location and density limits.

Rationale: The presence of a permanent resident does not result in a dwelling unit being removed from the city's supply of long term housing and mitigates potential nuisance issues because someone is present to monitor guests.

Refines Approval Standards

- Establishes STR maximum occupancy as (2) persons per bedroom plus two additional persons per property.
- Limits B&B and VRD rentals to a maximum of five (5) bedrooms and home shares to a maximum of two (2) rented rooms.
- Retains parking standard of one space per bedroom, but require applicants show that spaces are sized such that they meet City parking stall dimensional standards. Allows off-street parking to extend into undeveloped public right-of-way with stipulation that license will be revisited if street is improved.
- Updates safety standards to reflect current building and fire code requirements.
- Maintains requirement that STRs in residential areas maintain 40% of the lot and 50% of the front yard area in landscaping.
- Requires STR operators post a sign, between one (1) and two (2) square feet in size, in plain view of the street identifying the unit as a STR with a phone number of the designated contact.
- Provides that those units relying upon use of shared access and parking areas demonstrate that they possess legal and exclusive right to required off-street parking spaces.
- Prohibits special events that exceed occupancy limits.

Rationale: Changes are intended to address nuisance impacts associated with transient rental uses and to ensure that guest safety in short-term rental units is comparable to that of a hotel or motel.

Establishes License and Density Limits for Vacation Rental Dwellings

- Creates a Vacation Rental Overlay Zone (the “Overlay Zone”) that restricts vacation rental dwellings to areas proximate to the City’s major tourist commercial districts.
- Limits the total number of vacation rentals within the zoning overlay to not more than 200, with a specific cap number to be set by Council resolution. The City Council has asked that 180 be the limit set by resolution.
- Institutes spacing standards (i.e. proximity limits) to avoid concentration of vacation rentals along any given street segment.

Rationale: The transient nature of vacation rentals is akin to hotel/motel uses and should be concentrated in areas where there are significant tourist attractions in order to protect the character of residential neighborhoods more removed from the City’s commercial districts. This is accomplished with the Overlay Zone. The license cap and spacing standards will prevent undue concentration of vacation rentals in residential areas within the overlay, protecting the character of those neighborhoods, and the overall license limit preserves the supply of long-term housing by restricting the number of dwelling units that can be converted to transient use.

Puts in Place Rules for Pre-Existing Short-Term Rentals

- Short-term rentals approved under prior City land use rules are acknowledged as non-conforming, meaning that they can continue to operate under land use requirements in effect when they were licensed, except:
- Non-conforming VRDs located outside of the Overlay Zone may continue until the property is sold or transferred or vacation rental use is voluntarily terminated for a 12 month period.
- Vacation rentals located within the Overlay Zone, that are within or adjacent to a commercial or water-related zone, may continue provided the VRD use is not voluntarily terminated for a 12 month period. These units count toward the license cap that applies within the overlay, but are not otherwise subject to the density limit or wait list provisions.
- All other VRDs within the Overlay Zone count toward the license cap and must comply with the density limit and spacing standards when sold or transferred. Such units must comply with all other land use requirements if vacation rental use is voluntarily terminated for a 12 month period.

Rationale: A phase out of VRDs located outside of the Overlay Zone, at time of sale or transfer, strikes a reasonable balance between the affected operators, who may rely upon transient rental income to recoup investments in the property or as part of a long term plan to retire to Newport, and residents of these neighborhoods that view transient rental use as inherently incompatible in a residential setting. Many VRDs within the Overlay Zone are located in commercial or water-related zones that have a long history of transient rental use, and were built for that express purpose, so it is reasonable they be allowed to continue as non-conforming uses. Other VRDs within the Overlay Zone are in more residential areas where units were converted to transient use. It is appropriate to allow these units to continue as non-conforming under current ownership, with the expectation that upon sale they satisfy the density limit and spacing standards. This will more broadly disperse VRDs in these residential areas over time.

Supplements Enforcement

- Commits the City to making location and contact information for STR operators available online.
- Requires STR operators have a local contact that can respond to the premises in 30 minutes.
- Allows City to require valet trash collection service in cases where trash cans are not being stored out of view.
- Retains progressive enforcement philosophy to achieve “three strikes you are out” within a 12 month period.
- Establishes a two (2) year cooling off period before an individual with a revoked license can reapply.

Rationale: Changes facilitate transparency, responsiveness on behalf of the operator, and provide city staff with additional tools to achieve compliance. Fees will be adjusted, with Resolution No. 3849, to provide additional funds for enforcement.