



CHAIR, NHAN NGUYEN; VICE-CHAIR, DENNIS MARTINEZ; COMMISSIONERS, MIGUEL MAESTAS, SHARON MANN, MIKE HANSEN, LOUISE STRANDER AND HEIDI WATTERS

**PLANNING COMMISSION  
PUBLIC HEARING AGENDA  
JUNE 28, 2018 - 6:30 PM  
TUKWILA CITY HALL COUNCIL CHAMBERS**

- I. CALL THE MEETING TO ORDER
- II. ATTENDANCE
- III. ADOPTION OF 5-24-18 MINUTES
  
- IV. CASE NUMBER: L18-0045 Zoning Code Amendments  
APPLICANT: City of Tukwila  
REQUEST: Hold a public hearing to get community input on short term residential rentals (less than 30 days) and updates to associated regulations for boarding houses, bed and breakfast lodging and residential rental unit licensing.  
  
LOCATION: Citywide
  
- V. DIRECTOR'S REPORT
  - Commissioner Nguyen share APA Conference highlights





## PLANNING COMMISSION PUBLIC HEARING MINUTES

**Date:** May 24, 2018  
**Time:** 6:30 PM  
**Location:** Council Chambers

**Present:** Vice Chair, Dennis Martinez; Commissioners, Miguel Maestas, Mike Hansen, Sharon Mann, Louise Strander, and Heidi Watters

**Absent:** Chair, Nhan Nguyen

**Staff:** Minnie Dhaliwal, Planning Supervisor, and Wynetta Bivens, Planning Commission Secretary

**Adopt Minutes:** **Commissioner Watters** stated that her recollection was that on page 3 of the minutes the applicant said that they would add a conifer tree. The minutes states they were open to the idea.

**Commissioner Hansen** stated he did not remember, and he could not support the adjustment without capturing what happened. Additionally, he said either way there was not a condition.

Staff's review of the 3/8/18 recorded minutes (time 49.54) confirmed that the applicant stated, "they are open to the idea of adding a significant conifer tree to the landscaping for the proposed development." Minutes are approved with no corrections.

**Mia Nivarro**, Community and Engagement Manager, for the City of Tukwila, gave a presentation on the City's Strategic Plan and the 2019-2020 budget. She explained that the City is working on developing the 2019-2020 budget using a different method, called priority-based budgeting. With the new method funds will be allocated based on City programs and services offered. Ms. Nivarro said it is a long and involved process that will take several years to implement fully. The next step in the process is to score the programs and services against a set of strategic goals.

The City is revisiting the Strategic Plan goals from 2012, which has five strategic goals. The City wants to ensure the Strategic Plan still reflects the priority and the value of the community. The City currently has a survey available on-line and in printable form for those interested in providing their feedback on the goals. After the feedback is received from the community and employees, information will be compiled, and any recommended adjustments to the Strategic Plan will go through the City Council approval process. The 2019-2020 budget will be developed based on the amended goals. Also, there will be more community outreach between now and November 2018 when the budget is finalized.

**Vice Chair, Dennis Martinez**, opened the public hearing and swore in those wishing to testify.

**CASE NUMBER:** L18-0032 (Code Amendment)  
**APPLICANT:** Segale Properties LLC  
**REQUEST:** Zoning Code amendments to adopt residential development standards and guidelines for Tukwila South Overly (TSO) zone.  
**LOCATION:** Portion of TSO zone that immediately adjoins land located in the City of SeaTac to the east of Interstate 5

**Minnie Dhaliwal**, Planning Supervisor, Department of Community Development, gave the presentation for staff. She provided background on the project, walked the Commission through the proposed amendments and went over the Development Standards such as setbacks, landscaping and the Multi-Family Design Manual.

She also went over the recreation space and parking requirements for which the Developer requested the City consider adopting standards different than High Density Residential (HDR) zone. There were two options to consider for both.

**RECOMMENDATIONS:**

- For Recreation Space requirements - staff recommended option 2: to adopt standards similar to the City of SeaTac, with a graduated scale depending on the size of the unit: 120 square feet for a studio, 160 square feet for a one-bedroom unit and 200 square feet for 2 plus bedroom units.
- For Parking requirements - Staff recommended option 2: adopt a parking standard similar to the City of SeaTac standard of one stall per studio unit, 1.5 stalls per one-bedroom units and 2 stalls per two or more bedrooms.

Staff answered clarifying questions for the Commission.

**Nancy Rogers**, Landuse Attorney, for the applicant, provided background on the property and the project. She said it is an integrated site that has a jurisdictional boundary line through the property, between the City of Tukwila, zoned Tukwila South Overlay (TSO), and the City of SeaTac, which is zoned High Density Residential (HDR). The Tukwila portion of the project has been reviewed as part of a master plan development agreement process, which allows any number of uses including those allowed in HDR. Ms. Rogers said when the TSO was adopted with the Development Agreement the residential design guidelines and residential standards for residential development in the TSO were not adopted. However, there is a footnote in the codes that states that residential development can happen after residential guidelines and standards are adopted. Therefore, the applicant is requesting approval of the standards and design guidelines similar to those that currently apply in other places in the City and apply them to the two portions of Tukwila South area that immediately abuts the SeaTac property. The applicant is asking that the standards for recreation and parking standards be adapted to make sure they are integrated with SeaTac's standards.

**Commissioner Mann** and **Watters** expressed concern with the small amount of recreation space on the Tukwila portion of the project. The applicant noted, that the project will have open space on both the Tukwila and SeaTac portion of the property, which will exceed market standards and expectations.

**Mike Pruett**, for the applicant, answered clarifying questions and addressed concerns for the Commission.

**Chris Ross**, the developer, for the applicant, also, answered clarifying questions and addressed concerns for the Commission.

There were no public comments.

The public hearing was closed.

**DELIBERATION:**

**Commissioner Watters** stated that she feels the recreation standards should be kept at 400 square feet per unit for the following reasons: to maintain a certain level of canopy; because there aren't other parks nearby; more access for outdoor exercise and mental health for adults.

**Commissioners Strander, Hansen, Maestas, Martinez, and Mann** were all in consensus to support staff's recommendation of option number 2 for recreation space. Commissioner Maestas commented he encourages maximum space utilization for residents. Commissioner Mann commented she hopes the applicant will be accountable and commit to what they have agreed.

**Commissioner Martinez** expressed concerns regarding the parking but said he could probably live with it. Commissioner Mann also expressed concerns with the parking.

## **MOTIONS:**

### **Recreation Space Requirements:**

Commissioner Mann made a motion to approve Case Number L18-0032, Code Amendment with staff's finding, conclusions, and recommendation for option 2. Commissioner Hansen seconded the motion. Five were in favor. Commissioner Watters opposed.

Commission Maestas made a motion to adopt numbers 2, 3, and 4 under TMC 18.14.030 to maintain Recreation Space requirements (These include 50% has to be outdoors and 25% has to be for 5-12 year olds). Commissioner Hansen seconded the motion. All were in favor.

### **Parking Requirements:**

Commissioner Maestas made a motion to approve Case Number L18-0032, Code Amendment with staff's finding, conclusions, and recommendation for option number 2. Commissioner Hansen seconded the motion. Five were in favor. Commissioner Mann opposed.

Commissioner Strander made a motion to adopt the proposed Basic Development Standards and the Multi-Family Design Manual. Commissioner Maestas seconded the motion. All were in favor.

## **DIRECTOR'S REPORT:**

- Commissioner Nguyen will give highlights on the APA Conference he attended in April at the next meeting.
- Staff will provide an update for the Commission on the upcoming agendas.

ADJOURNED: 8:55 PM

Submitted by: Wynetta Bivens  
Planning Commission Secretary





## STAFF REPORT TO THE PLANNING COMMISSION PREPARED JUNE 19, 2018

- FILE NUMBERS: L18-0045 Short Term Rental Code Amendments
- REQUEST: Review and revise Tukwila’s regulations relating to the use of property for the purposes of short term rental, hold a public hearing and make a recommendation to the City Council.
- LOCATION: City wide
- PUBLIC NOTICE: Hearing notice was published in the Seattle Times June 14, 2018. A postcard was mailed to the owners and tenants of LDR Zoned parcels and the owners of MDR and HDR parcels. Emails were sent to the interested parties list, the contacts for Residential Rental Business Licenses and contacts within the short term rental industry.
- STAFF: Nora Gierloff, Deputy DCD Director  
Charlotte Archer, City Attorney
- ATTACHMENTS:
- A. Tukwila and neighboring jurisdictions’ current rental standards
  - B. Policy Brief, City of Seattle Short Term Rental Regulations
  - C. Proposed Amendments to the Tukwila Municipal Code

### BACKGROUND

During the City Council update to accessory dwelling unit (ADU) regulations the Council requested a review of regulation of short-term (defined as a period of less than thirty days) residential rentals. This would not include commercial properties used for the purposes of short-term and extended-stay housing, such as motels, hotels, and extended stay motels. This review was intended to focus on the rental of single-family and multi-family residences, as well as ADUs via an online marketplace such as HomeAway, Vacation Rental By Owner (“VRBO”) or Air BnB. The intention was to assess the impact of the City’s current regulations and determine if new regulations are needed to meet the City’s policy goals.

Tukwila’s current standards for short term rentals<sup>1</sup> include the following:

- Multi-family dwellings shall not be used for a rental tenancy of less than one month. See TMC 18.06.247.
- Dormitories defined as “a residential building or use which provides housing for students attending an affiliated school or housing for members of a religious order.” See TMC 18.06.237.
- Boarding House defined as “a residential building which provides housing on a short-term commercial basis for tenants” is a conditional use in the MDR and HDR zones. See TMC 18.06.073.
- Bed and breakfast facilities defined as “an owner occupied dwelling unit that contains guest rooms where lodging is provided for compensation,” are permitted in the LDR, MDR and HDR zones as conditional uses (for up to twelve guests), and guests shall be limited to a 14-day maximum length of stay. Tukwila has never received an application for a bed and breakfast conditional use permit. See TMC 18.06.063 and Table 18-6 n.5.

There is no restriction on the use of single-family dwellings or mobile homes in mobile home parks as short-term rentals. The draft Accessory Dwelling Unit ordinance currently being considered by the Council prohibits rental of ADUs for less than 30 days.

Tukwila’s Residential Rental Business License and Inspection Program, codified at Chapter 5.06 of the Tukwila Municipal Code (TMC), establishes an annual rental licensure requirement for all “units” intended for rent. Each dwelling unit must be inspected for life safety issues every four years and a Certificate of Compliance is issued by the City for those units that meet all requirements. The code is silent about whether it applies to short-term rentals; in practice, the City has received no rental license applications for short-term rentals.

## DISCUSSION

The issue of whether the use of dwelling units for short-term rental purposes is having a net positive or negative impact on housing affordability and rental stock is currently being debated in many jurisdictions in Washington in light of the dramatic recent growth of the short-term rental industry, as well as the housing crisis in the greater Seattle area. Seattle recently adopted new regulations to prevent property owners from operating large-scale, short-term rentals in a commercial manner, as part of a larger effort to ensure an adequate supply of long-term rental stock for the City’s permanent residents. A table comparing Tukwila’s current rental standards to neighboring jurisdictions is included as Attachment A.

Staff’s research and citizen complaints indicate that there is an existing marketplace for the short-term rental of single- and multi-family dwellings in the City.

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<sup>1</sup> The following are considered outside the scope of this project, as they do not involve the use of a residential dwelling unit for short-term rental purposes: Assisted Living Facilities (TMC 18.06.058); Continuing Care Retirement Communities (TMC 18.06.170); Convalescent/Nursing Homes (TMC 18.06.173); Correctional Institutions, including transitional housing (TMC 18.06.178); Extended-Stay Hotel or Motels (TMC 18.06.287); Hotels (TMC 18.06.440); Motels (TMC 18.06.585); Secure Community Transitional Facilities (TMC 18.06.706); Senior Citizen Housing (TMC 18.06.708); and Shelters (TMC 18.06.743).



From a policy perspective, short-term rentals can bring benefits to those who operate them, their visitors, and the surrounding neighborhood. Some homeowners use short-term rentals to help offset the cost of their home, including renting out a room or the entire home. Kent, for example, adopted regulations to allow the rental of ADUs “[t]o make homeownership more affordable because it will be easier to buy both new and existing homes with the help of an accessory dwelling unit.” SeaTac likewise currently permits the use of ADUs for rent to “increase opportunities for home ownership and allow older homeowners to remain in their homes and obtain extra income, companionship, and security.” Some jurisdictions find that ADUs may increase the supply of affordable rental units and may provide a variety in affordable rental units. Additionally, short-term rentals may provide a greater return on investment for homeowners as short-term rental rates often outpace rates for rentals on a long-term basis. For visitors, short-term rentals may cost less than traditional hotels or motels, which in turn provides a means to bring tourists and their spending power to Tukwila.

Some jurisdictions who have recently studied the rise in the use of rental properties as short-term rentals have concluded that there are negative impacts to communities throughout Washington. For example, Seattle recently studied the impact short-term rentals had on affordable housing within the City and found that the commercial use of short-term rental platforms (by commercial operators, rather than traditional single-family homeowners) has resulted in the removal of houses, condos and apartments from the long-term housing market. See Attachment B. The significant impact of short-term rentals on affordable housing availability was also the subject of a Harvard Law and Policy Review article<sup>2</sup>, which concluded:

So long as a property owner or leaseholder can rent out a room on Airbnb for cheaper than the price of a hotel room, while earning a substantial premium over the residential market or rent-controlled rent, there is an overpowering incentive to list each unit in a building on Airbnb... In tight housing markets with near-zero vacancy rates, a sudden reduction in supply naturally increases rents, particularly because neither the market nor the public sector can swiftly add to the housing stock.

In addition, some jurisdictions have found that some short-term rentals can attract disruptive vacationing visitors to residential areas, which may have a negative impact on property values. A study commissioned by the hotel industry indicated some short-term rentals may have negative impacts on the hotel/motel industry. Short-term commercial rentals are likely subject to the City’s business licensure and tax requirements, but they often do not pay thereby circumventing traditional lodging taxes. There is also some evidence in the aforementioned studies that short-term rentals may also contribute to creating a transient community and create an increased parking demand in residential areas.

## **Policy Options**

### **1. Prohibit the use of residentially-zoned property for short-term rentals.**

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<sup>2</sup> Full article available at [http://harvardlpr.com/wp-content/uploads/2016/02/10.1\\_10\\_Lee.pdf](http://harvardlpr.com/wp-content/uploads/2016/02/10.1_10_Lee.pdf).

The City could expand the prohibition on multi-family rentals to include the short-term rental of entire single-family residences, rooms within owner-occupied single-family residences, ADUs, and mobile and manufactured homes in the Low, Medium and High Density Residential Zones.<sup>3</sup>

**2. Permit the use of residentially-zoned property for short-term rentals, with or without additional restrictions.**

Alternatively, the City could opt to permit the use of residential dwelling units as short-term rental properties. To accomplish this, the City could expressly grant that right to single-family dwellings (either as entire-house rentals, or partial-house rentals), and remove the prohibition on the use of multi-family dwellings for short-term rental purposes.

**A. Require owner-occupancy.**

Some of the negative effects cited by opponents of short term rentals (including but not limited to noise, parking and refuse) may be mitigated by requiring owner-occupancy and prohibiting whole house rentals. This requirement would be similar to the restriction placed on ADUs and would face the same enforcement challenges. This option would prevent units from being removed from the long-term rental market.

**B. Allow a local property manager in lieu of owner occupancy.**

Requiring owner-occupancy would require the prohibition of entire-house short-term rentals so another option would be to allow a local property manager to be designated and available to respond to complaints. Kirkland, for example, requires a property manager located within City-limits at all times the property is being used as a short-term rental.

**C. Place Restrictions on Occupancy, Parking and Quiet Hours.**

A few jurisdictions in Washington have adopted heightened restrictions on the number of occupants, noise (quiet hours), off-street parking, and other issues in order to address concerns raised by existing short-term rentals. For example, San Juan Island County places a cap on the number of renters at no more than three per bedroom, and requires additional off-street parking for properties used as short-term rentals.

To the extent these concerns are documented, the City could utilize these regulations to directly remedy problem-properties utilized as short-term rentals. Ongoing requirements such as additional parking spaces would need to be verified through an inspection process, possibly as part of a licensing procedure.

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<sup>3</sup> It should be noted that any proposed amendments to the TMC pertaining to the City's existing regulations for short-term rentals will need to heed two concerns that would likely necessitate an exemption from any proposed prohibition on transient accommodations. First, adult family homes (AFH) could arguably be considered residential properties used for rental purposes; however, state law prohibits the City from enacting regulations that put up a road-block to the placement of AFHs in all areas zoned for residential purposes. RCW 70.128.010. Second, the same analysis would likely apply to a residence used to house people with disabilities, including the recovery from a drug addiction. See RCW 36.70.990.

Enforcement of occupancy limits would be difficult absent admissions by the properties' owners. Producing evidence to prosecute a violation would require observation by the City's Code Enforcement Officers, likely after-hours. Noise complaints are handled by the Police Department and it may be difficult to enforce stricter regulations than the standards in the existing Noise Ordinance.

**3. Permit the use of residential units in mixed use zones for short term rentals.**

The adjacency of commercial uses may make neighbors in zones such as Neighborhood Commercial Center and Regional Commercial Center less sensitive to noise and parking impacts associated with short term visitors. Any zone that permits hotels and motels would seem to also be appropriate for short term rentals.

**4. Require a License to operate a Short-Term Rental.**

Tukwila requires that businesses, including home occupations, obtain a business license to operate in Tukwila and that landlords obtain an annual rental license for all "units" intended for rent – this is not currently utilized for short-term rental properties. Currently short-term rental operators are not obtaining either license.

Incorporating short-term rentals into the Residential Rental Business License and Inspection Program would allow the City to monitor the use of residential properties for this purpose, and to ensure that the subject properties are adequately addressing life safety issues. However, currently the traditional "roommate" arrangement (e.g., long term rental of a single-room within an owner-occupied dwelling unit) is not subject to the City's Residential Rental Business License and Inspection Program; yet the majority of short-term rentals currently advertised in the City involve the short-term rental of a single-room within an owner-occupied dwelling unit.

It may make more sense to require home occupation business licenses for short term rentals as they are more closely related to operating a business than an ongoing living arrangement. It may be a challenge to enforce this requirement as the City relies on self-reporting of rental properties in order to achieve compliance, and it is difficult to track-down non-compliant properties but for the complaints received from neighbors.

**5. Clean up existing regulations to remove ineffectual provisions.**

Currently, the City has no permitted Bed and Breakfast facilities. The definition of Bed and Breakfast facility appears to be somewhat antiquated and ineffectual, with the rise of AirBnB and other online alternatives. Staff would recommend removing Bed and Breakfast facility and all related regulations from the TMC.

Similarly, the City is aware of a few Boarding Houses within the City and there are ongoing code enforcement complaints relating to un-permitted Boarding Houses in the LDR zoning district (where this use is prohibited). The existing definition of a Boarding House makes this regulation difficult to enforce, given its use of undefined terms like "short-term" and "commercial basis."

Similarly, there is no cap on the number of tenants that may reside in one Boarding House, no requirement that the Boarding House is owner-occupied, and there are no other relevant regulations such as higher parking standards.

Staff would recommend the amendments to the TMC depicted at Attachment C to address these issues.

### **REQUEST**

Hold the public hearing on the proposed changes, review each proposed change, and recommend policy options to the City Council. Staff will incorporate these decisions into a draft ordinance for City Council review.

## ATTACHMENT A

### Neighboring Jurisdictions' Regulation of Short-Term Rentals

| Jurisdiction | Single-Family Residences  | ADUs (Detached or Attached)   | Multi-Family Residences   | Licensure Requirements (if any)   | Relevant Code Citations   |
|--------------|---|---|---|---|---|
| Tacoma       | Permitted: (1) may rent the entire dwelling to one family or a group of up to 6 people in all Residential, Commercial, Mixed-Use, and Downtown Districts; (2) may rent 1-2 guest rooms within an owner-occupied dwelling in all Residential Districts, including single-family districts. | Permitted, up to 4 people in all Residential, Commercial, Mixed-Use, and Downtown Districts | May rent 3-9 guest rooms, after receiving an approved Conditional Use Permit (CUP), in R-3, R-4L, R-4, R-5, RCX, and NRX Districts (these are generally residential districts that allow duplex, triplex, and multifamily dwellings). | Must obtain a Business License; must obtain a Transient Accommodation License if renting 3 or more rooms. | TMC 13.06.575 – Short Term Rentals; TMC 13.06.150.C.7 – Short Term Rental in ADUs; TMC 6B.20 – Annual Business License; TMC 6B.140 – Transient Accommodations |
| SeaTac       | No prohibition, no regulation   | Permitted, owner-occupancy requirement and maximum occupancy restrictions (based on size)   | No prohibition, no regulation   | N/A   | SMC Ch. 15.465  |
| Renton       | No prohibition, no regulation   | Permitted, with conditional use permit and owner-occupancy.                                 |   |   | RMC 4-2-080(A)(7)   |
| Kent         | “Dwelling unit” defined to imply rental of entire unit can be on a weekly, monthly, or longer basis   | Permitted, owner-occupancy requirement for six months every calendar year.                  | No prohibition, no regulation   | Business License Required   | KCC 15.02.130; KCC Ch. 5.14   |

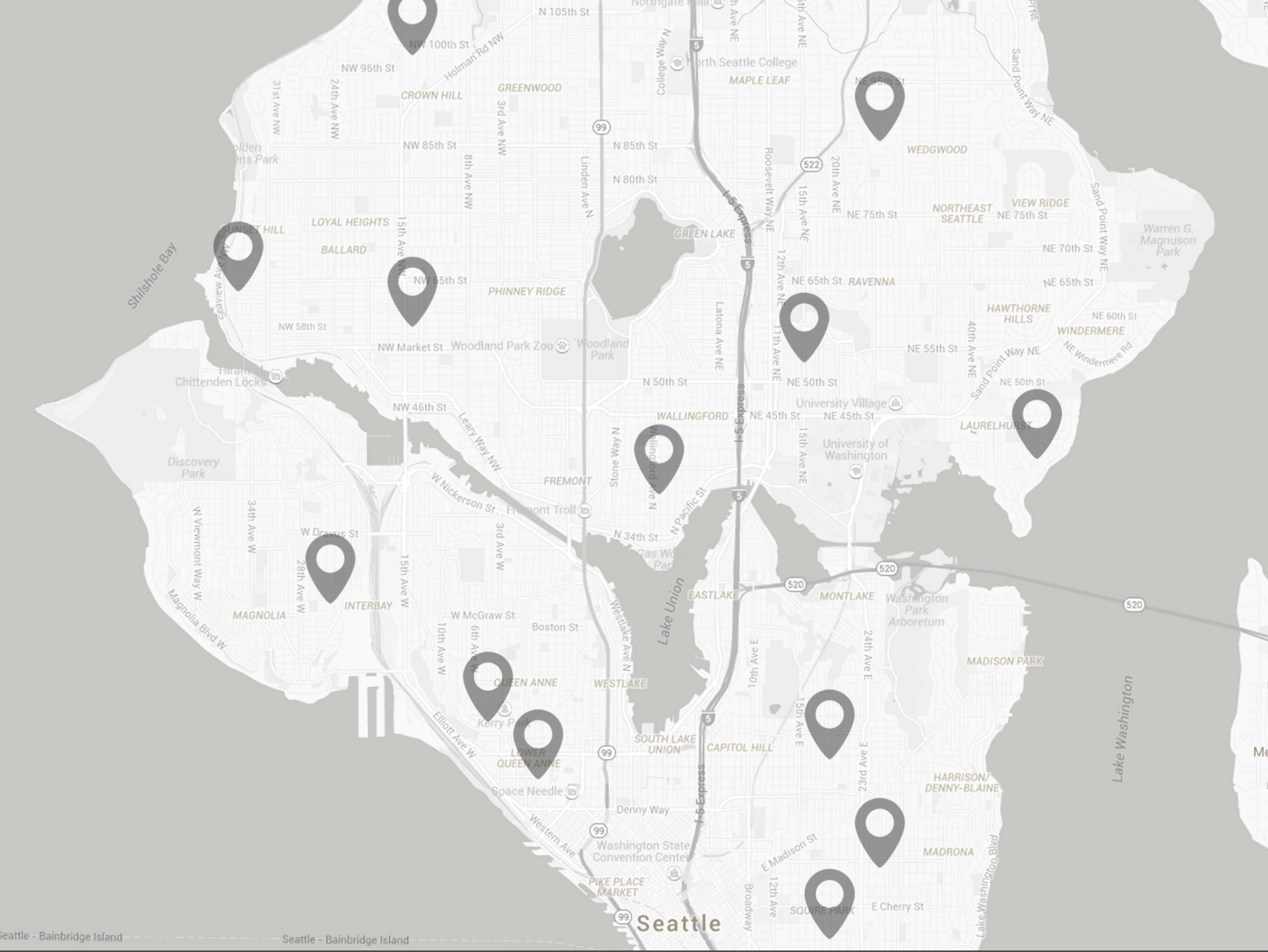
| Jurisdiction    | Single-Family Residences  | ADUs (Detached or Attached)   | Multi-Family Residences           | Licensure Requirements (if any)   | Relevant Code Citations          |
|-----------------|---|---|-----------------------------------|-----------------------------------|----------------------------------|
| Puyallup        | Bed and Breakfast House permitted, subject to owner occupancy and occupant cap with conditional use permit)                           | Permitted, owner-occupancy requirement  |                                   |                                   | PMC 20.20.015; PMC 20.20.010(11) |
| Sumner          | Presumably permitted (no express prohibition, although restriction that dwelling shall be used for "one family")                      | Permitted, owner-occupancy requirement and maximum occupancy restrictions (based on size)                         | No prohibition                    | N/A                               | SJC 18.04.0940; SMC 18.10.030    |
| Bothell         | Bed and Breakfast facilities permitted in most zones, capped at four bedrooms and subject to parking restrictions and owner-occupancy | Permitted, owner-occupancy (for 6 months) required and cap on occupancy   |                                   |                                   | BMC 12.06.110                    |
| Poulsbo         | Permitted   | Prohibited  | Prohibited                        | None                              | PMC 18.70.070                    |
| San Juan County | Permitted, no more than 3 <sup>1</sup> guests per bedroom; parking required   | Permitted (attached only), max 3 guests per bedroom; parking required; owner must occupy ADU or primary residence | Permitted in Commercial zone only | "Vacation Rental Permit" required | SJCC 18.40.270                   |

<sup>1</sup> San Juan County Council is currently considering legislation to reduce this to two guests per bedroom.

| <b>Jurisdiction</b> | <b>Single-Family Residences</b>  | <b>ADUs (Detached or Attached)</b>  | <b>Multi-Family Residences</b>   | <b>Licensure Requirements (if any)</b> | <b>Relevant Code Citations</b> |
|---------------------|--|---|--|--|--------------------------------|
| Clyde Hill          | Permitted, with limits on occupancy, parking, and use (for lodging only, can't be used for events)   | Permitted, with limitations on occupancy, parking, and use (for lodging only, can't be used for events) | Permitted, with limits on occupancy, parking, and use (for lodging only, can't be used for events) | Business License Required              | Ch. 5.20 CHMC                  |
| Ilwaco              | Conditional use in single-family, zones with limits on occupancy and parking.  | Permitted use in certain specified zones  | Permitted use in certain zones   | Business License Required              | Ch. 15.41 IMC                  |
| Leavenworth         | Prohibits use of entire dwellings as vacation rentals; permits short-term rental of a portion of a home when the property owner lives on-site throughout the visitor's stay with appropriate permits, including a business license | Permitted, subject to owner-occupancy requirement and permitting  | Prohibited   | Business License Required              | LMC 18.52.120                  |
| Westport            | Permitted, subject to occupancy cap, parking and other standards   | Permitted, but only 1 vacation rental unit per "property"   | Prohibited   | Business License Required              | Ch. 17.22 WMC                  |







# REGULATING SHORT TERM RENTALS POLICY BRIEF

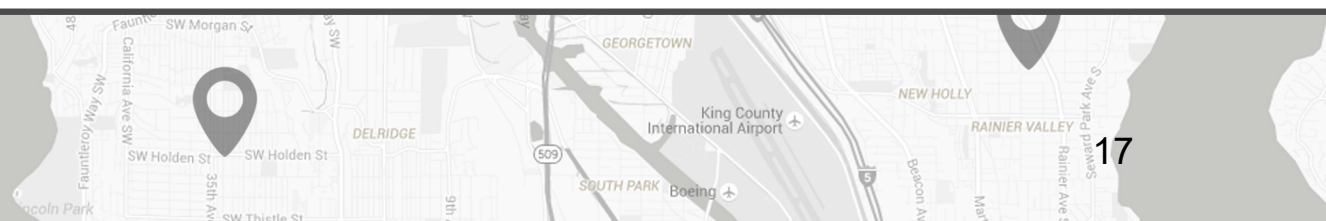
OFFICE OF COUNCILMEMBER TIM BURGESS

 SEATTLE CITY COUNCIL

Please Direct Questions to Seferiana Day / Office of Councilmember Tim Burgess  
seferiana.day@seattle.gov / 206-684-8806 / 600 4th Ave . 2nd Floor . Seattle, WA 98104

**UPDATED APRIL 2017**

**ATTACHMENT B**



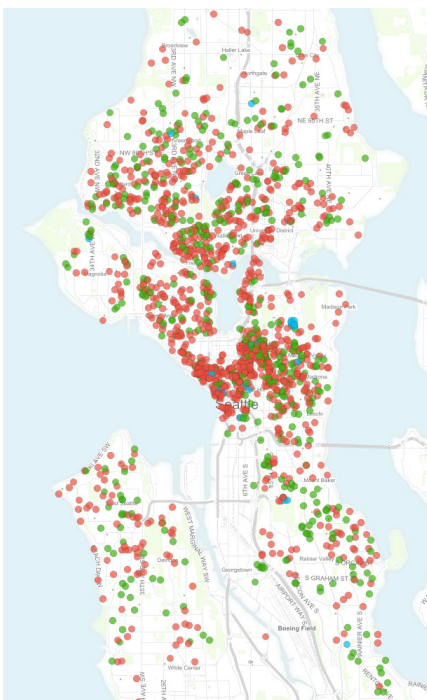
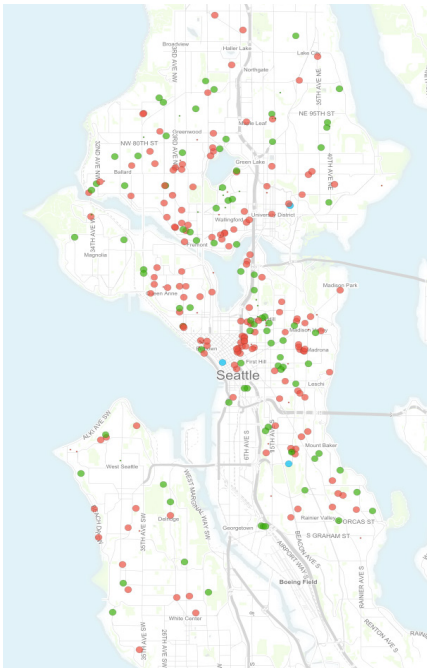
# Introduction

For many years, short term home rentals have been a popular lodging choice for travelers in Europe and certain high volume tourist destinations in the United States. With the advent of technology-based online platforms that facilitate the marketing and booking of short term rentals, this market has rapidly expanded across the globe.

One need only look at the rise of two of the major companies in the short term rental industry to view the incredibly fast pace of growth. Airbnb received its first \$20,000 seed grant in 2009.<sup>1</sup> In December 2015, less than seven years later, the company confirmed a round of \$1.5 billion in venture capital funding, bringing its total valuation up to \$25.5 billion.<sup>2</sup> Its website now touts more than 2 million listings available in 34,000 cities across 191 countries.<sup>3</sup>

HomeAway, another vacation rental company that includes the website VRBO.com (Vacation Rentals by Owner), launched in 2006 and also grew rapidly; the company's website states its annual revenue increased 28.9% in 2014 over the prior year.<sup>4</sup> Previously a publicly traded company on the NASDAQ exchange, Homeaway was acquired by Expedia in late 2015 for \$3.9 billion, a price nearly 20% higher than its market value at that point.<sup>5</sup> It currently offers more than 1 million listings in 190 countries.<sup>6</sup>

No evidence suggests that the growth of this industry in Seattle is any different. While Seattle-specific data has not been made publicly available by major players in the short term rental marketplace, external websites scrub Airbnb listings data and aggregate the information for market analysis. These websites show recent rapid growth in the number of listings.<sup>7</sup> Airbnb states on its website, "The number of guests using Airbnb has grown steadily since 2009, with visitation more than doubling every year."



*Estimated AirBnB rental reviews in Seattle in July 2013 (top) and July 2015 (bottom).  
Data from [insideairbnb.com](http://insideairbnb.com)*

*“My landlord is a nice guy, he has kept the rent relatively reasonable for me and my partner, but he’s recently informed us we will need to leave in a few months because he wants to rent out the property on Airbnb.”*

*-K., Seattle resident*

## Benefits and Challenges of Short Term Rentals

Short term rentals bring numerous benefits to those who operate them, their visitors, and the surrounding neighborhood. Many individuals use short term rentals as a way to help afford their own home, either renting out a basement, a spare room, or the entire home when they are out of town themselves. **In a housing market that presents affordability challenges, there is no doubt short term rentals alleviate the housing burden for the many families that operate them.**

For visitors, short term rentals often offer a more affordable option. Short term rentals bring tourists, wedding parties, visiting family members and their collective spending power to neighborhoods across Seattle. Airbnb recently estimated the economic impact of its visitors in Seattle was \$178 million from August 2014 to July 2015, supporting 1,700 jobs.<sup>8</sup>

**At the same time, the more commercial use of short term rental platforms has taken entire houses, condos and apartments off of the long term housing market.** One external website estimates that roughly one-third of Airbnb’s listings in Seattle are from hosts with multiple listings. These could be multiple rooms in a house or completely separate units; hosts with multiple listings are more likely to be commercial operators not renting portions of their own primary residence.<sup>9</sup> A recent report published by CBRE Hotels’ American Research found that 79 percent of Airbnb’s revenue in Seattle comes from entire home listings and the revenue generated by hosts with multiple entire-home listings increased by 183 percent between 2015 and 2016.<sup>10</sup> **Commercial enterprises utilizing online rental platforms to market multiple units in multiple locations further exacerbate the housing crisis facing Seattle.**

Without regulation, this practice could continue to rapidly expand. As a



*Any strategy the City can pursue to put more units into the long term market is worth examination.*

recent Harvard Law and Policy Review article explains, “So long as a property owner or leaseholder can rent out a room on Airbnb for cheaper than the price of a hotel room, while earning a substantial premium over the residential market or rent-controlled rent, there is an overpowering incentive to list each unit in a building on Airbnb... In tight housing markets with near-zero vacancy rates, a sudden reduction in supply naturally increases rents, particularly because neither the market nor the public sector can swiftly add to the housing stock.”<sup>11</sup>

The extent of Seattle’s housing crisis is well known. Lower income renters are being pushed further from the center city as prices rise; home buyers face an extreme lack of options and strong competition for every purchase offer.

In 2015, Mayor Murray’s Housing Affordability and Livability Agenda (HALA) taskforce put forward recommendations to achieve his goal of 50,000 new units of housing over the next 10 years, with 20,000 of these units designated as affordable. Short term rentals are not the leading cause of the severe shortage of housing (at all levels of affordability), but they have exacerbated an existing crisis. Any strategy the City can pursue to put more units into the long term market is worth examination.

One of the recommendations from the HALA taskforce focused on short term rentals. Specifically, the taskforce recommended that the City pursue collecting taxes on this activity and dedicating those tax dollars to affordable housing. Currently, the City lacks the taxing authority to implement this recommendation. The sales tax is collected by the State and the hotel-motel tax in Washington is revenue carved out from the State’s portion of the sales tax and remitted to local jurisdictions; state law dictates how this revenue can be spent. Facing this lack of options for new taxing authority, we have focused on regulatory actions that would align with the HALA goal of putting more units into the long term market.

*“The only unit I have rented through a short term rental service, Airbnb, has been my primary residence, a single family home located in an SF 5000 zone. I utilize the service for times when I will be on vacation, and my rental days have never exceeded thirty days per year.”*

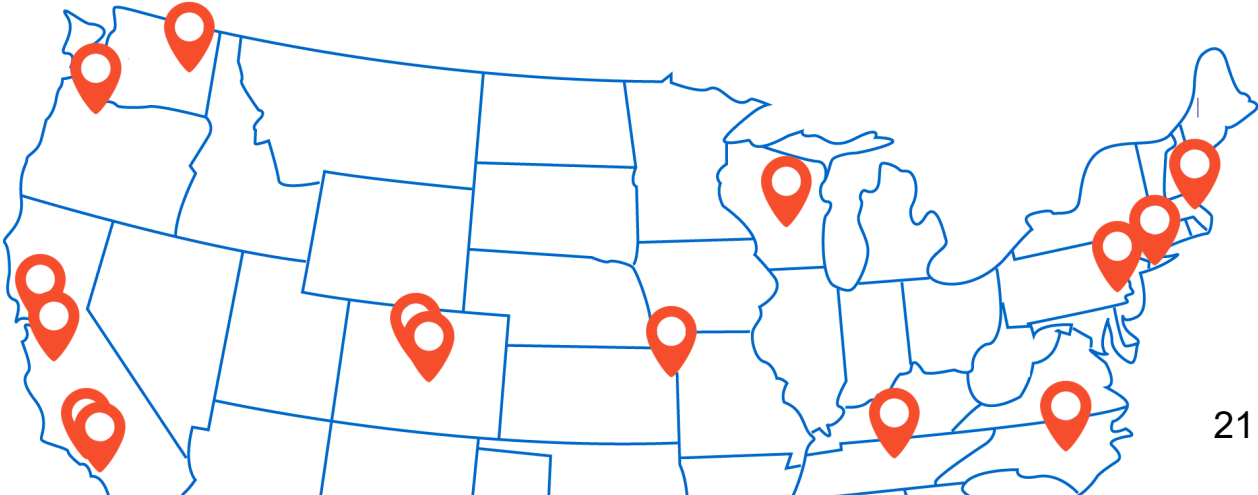
*- G., landlord and AirBnB host*

While secondary to the housing concern, short term rentals also pose challenges to a fair economic playing field in the vacation market as it is unclear how many operators apply for the necessary business license and pay all applicable taxes. Further, many neighbors of units that have been converted to short term rentals raise legitimate questions about neighborhood livability.

## Regulatory Systems in Other Cities

A review of the regulatory approach taken by other jurisdictions reveals a wide range of regulatory responses. On one end of the spectrum, some jurisdictions have focused exclusively on collecting the appropriate taxes that apply to short term rental transactions. On the other end, cities ranging from **New York City** to **Santa Monica** have enforced much stricter regulations; in New York City, apartments cannot be rented out for less than 30 days. Per a new law in Santa Monica, short term rental operators will have to live on the property during any short term rental stay.

Other cities have attempted to find a middle ground. **Philadelphia** allows for short term rentals up to 90 cumulative days a year without a permit, requires a permit and owner occupancy of the unit for rentals from 90-180 cumulative days a year, and prohibits short term rentals for more than 180 cumulative days a year. **San Jose** allows short term rentals of up to 180 days a year without a host present and year-round with a host present. Both cities were cited by Airbnb’s Public Policy Team as positive examples for Seattle to explore.



# Taxation and Regulatory Context in Seattle

Short term rental transactions currently operate outside of a solid regulatory framework in Seattle. Any person providing lodging services is required to collect and remit retail sales tax, meaning that anyone who offers their home or a portion of their home for short term rental should be paying this tax. Airbnb recently announced an agreement with the Washington State Department of Revenue to pay sales tax on behalf of its hosts, but it is unclear how many other owners pay the retail sales tax (9.6% in Seattle) on their units if they are not offering the units through Airbnb's website.

*“Last year a [neighboring townhouse] unit was sold.... One neighbor found that the owner is now renting out all three bedrooms in the house and apparently runs it as an AirBnB.... When I mentioned this to a couple of friends living in other parts of the city two of them said they were aware of similar situations in their areas.”*

*-E., concerned neighbor*

The Convention and Trade Center tax (15.6% when combined with sales tax) only applies to lodging businesses with 60 or more units. The sales tax is the only applicable tax to a short term rental transaction, because the basic hotel/motel tax in Washington State is collected as part of the state's portion of the sales tax and then remitted to local jurisdictions.

The vast majority of short term rental operators do not have business licenses, which are currently required . While most if not all short term rental operators would fall under the Business and Occupation Tax minimum threshold of \$100,000 in gross revenue, they are still required to get a license and report their revenue.

With the exception of Bed and Breakfasts, commercial lodging (hotels and motels) are not allowed in residential zones. In single family zones, bed and breakfasts are allowed with conditions

outlined in Seattle Municipal Code 23.44.051. They must have a business license, adhere to dispersion requirements, establish quiet hours, must be operated by the principal owner and the owner must live on site, must notify neighbors, have limited signage, and meet parking requirements. In multifamily zones, bed and breakfasts have similar but slightly less restrictive requirements (SMC 23.45.545G).

## Regulatory Role for Government

While some elements of the current short term rental market are novel, including the technology and the flexibility it offers, many aspects of this market are simply business operations. The City has always played a regulatory role when it comes to business and determining what level of operations is appropriate in residential areas.

Any City government regulations should support one of these three goals:

- 1 Balance the economic opportunity created by short term rentals with the need to maintain supply of long-term rental housing stock available at a range of prices.
- 2 Ensure a level playing field for individuals and companies in the short term rental market.
- 3 Protect the rights and safety of owners, guests and neighbors of these units.

As explained in the Benefits and Challenges section, the first goal is the most pressing for Seattle City government. The primary elements of the regulatory scheme proposed below were built to address this issue. At the same time, the proposed regulations also either directly or indirectly support the second and third goals.

*Primary goal*  
*Providing economic opportunity while maintaining rental housing stock*



# Proposed Regulations for Seattle Short Term Rental Operators

With any regulation, one must start by defining the activity being regulated. In this case, we are defining short term rentals as any stays of 29 nights or fewer in duration. Stays longer than 29 nights in duration would not be subject to this proposal or be part of any cumulative short term rental stay calculations. We believe any stays of 30 nights or more fill a need in our housing market for households in transition. One benefit of the technology that facilitates the marketing and booking of short term rentals is that it expanded this niche in the housing market.

## Requirements

### Primary Residence

Short term rental operator resides on-site

### Not Primary Residence

Short term rental operator resides off-site

### Business License

Existing Requirement

### Business License

Existing Requirement

### Short Term Rental Operator's License

New Requirement

### Short Term Rental Operator's License

New Requirement

**Limited to 1 dwelling unit in addition to the operator's primary residence located in the City of Seattle**

New Requirement



The basic proposed framework for short term rentals in Seattle would look like this:

You will be :

1. limited to renting your primary residence (including an in-law unit or backyard cottage associated with your primary residence) and a maximum of one additional dwelling unit and
2. required to register with the City and get a new Short Term Rental Operator license as well as a business license, an existing requirement. You will also be subject to a few more standards, including providing:
  - proof that the unit is your primary residence,
  - the license number on any short term rental listing,
  - a local contact number for guests, and
  - a signed declaration that the unit is up to code

This proposed limit on the number of units is designed to meet the goal of maintaining our long term housing supply.

This requirement will impact those who use these platforms commercially, not homeowners trying to make a little extra income on the side. The proposal would allow an exception to the proposed limits for operators of existing short-term rentals located in the Downtown, South Lake Union, and Uptown Urban Centers (areas where many of the City's lodging uses are located) while not allowing this commercial activity to expand.

We also propose leveling the regulatory playing field for traditional bed and breakfasts, which still operate under regulations from the pre-online short term rental era. By lessening some the regulatory burden they currently face, the City can bring traditional bed and breakfasts in line with the new regulations for short term rentals.



*The affected operators will be those who use these platforms commercially, not homeowners trying to make a little extra income on the side.*

## A Summary of New Regulations Facing Operators

| Regulations / requirements  | Operator's primary residence | Operator resides off-site | Applicable policy goal |
|---|------------------------------|---------------------------|------------------------|
| Title 5 Business License (existing requirement)   | x                            | x                         | 1 2                    |
| Pay all applicable taxes (existing requirement)   | x                            | x                         | 1 2                    |
| Prohibit evidence of STR use from exterior for except for signs as permitted by the sign code               | x                            | x                         | 3                      |
| Limit # of units to the primary residence and one additional dwelling unit                                  |                              | x                         | 1                      |
| Provide proof that the dwelling unit offered for short term rental is their primary residence               | x                            | NA                        | 1                      |
| Provide a local contact to all guests   | x                            | x                         | 3                      |
| Require operators declare that the unit meets the requirements of the Housing and Building Maintenance Code | x                            | x                         | 3                      |
| Require posting of basic safety information for guests within rental units                                  | x                            | x                         | 3                      |

# Proposed Regulations for Seattle Short Term Rental Platforms

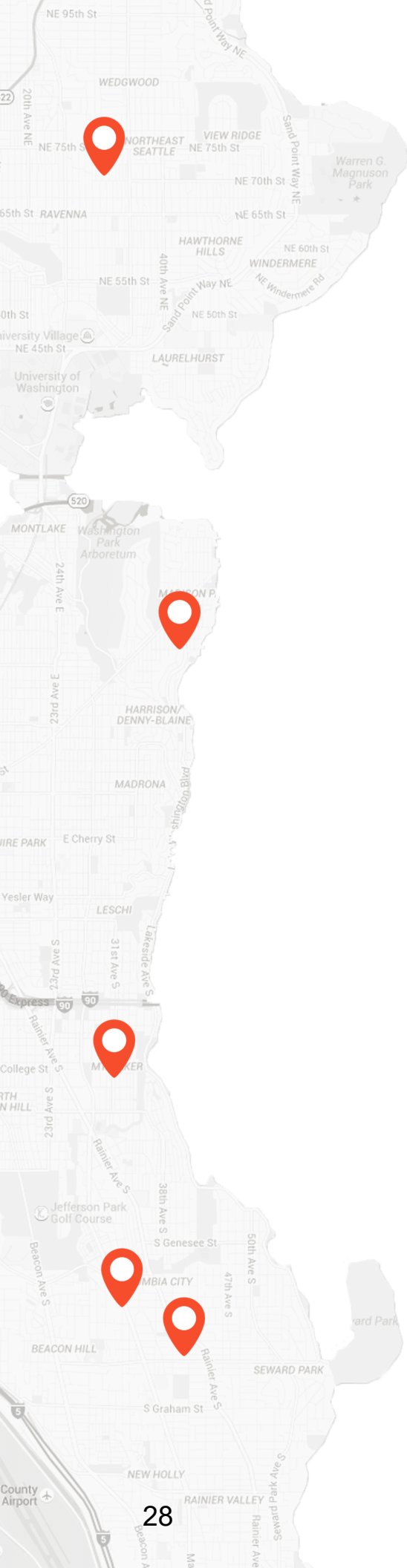
After surveying practices in other jurisdictions, it became clear that receiving data from the online platform companies is vital to an effective enforcement structure. In order to facilitate the enforcement, the City will need to collect basic information from the Short Term Rental Platforms like VRBO or Airbnb. To do so, these companies will need to register for a new regulatory license with the City.

*"I am a residential cleaner and have cleaned for several Airbnb renters and have thought for a very long time that this was severely adding to the housing problem in our city. I find it unfair how people could sit on empty apartments and rent them out for income while my friends, who are willing to pay a monthly rent, can't find an affordable apartment in the city."*

*–S., residential cleaner*

The only requirements for the license will be

- a) to provide information about Seattle's regulations to operators using the platform
- b) to share basic data with the City on a quarterly basis, including the total number of short term rentals listed on the platform and the total number of nights each listing was rented through the short term rental platform and
- c) provide booking services only with operators who have been issued a short-term rental operator's license.



# Concluding Remarks and Comments on Equity

Inevitably, no citywide policy can best meet the individual needs of every short term rental operator. The proposed regulations detailed above attempt to strike a balance that recognizes both the benefits and challenges offered by short term rentals. They also attempt to focus on this issue through an equity-based lens: while there are a variety of stakeholders and interests in this area, those looking for an affordable home in this city are more in need of supportive local government intervention than those offering their second (or third or fourth) homes to out-of-town visitors.

After these regulations are translated into legislation, they will be vetted through the full public process of the City Council, where input is eagerly accepted and further revisions robustly debated.

## Endnotes

<sup>1</sup> <http://techcrunch.com/2009/03/04/y-combinators-airbed-and-breakfast-casts-a-wider-net-for-housing-rentals-as-airbnb/>  
<sup>2</sup> <http://www.wired.com/2015/12/airbnb-confirms-1-5-billion-funding-round-now-valued-at-25-5-billion/>  
<sup>3</sup> <https://www.airbnb.com/about/about-us>  
<sup>4</sup> <https://www.homeaway.com/info/media-center/presskit>  
<sup>5</sup> [http://www.nytimes.com/2015/11/05/business/dealbook/expedia-to-acquire-homeaway-for-3-9-billion.html?\\_r=0](http://www.nytimes.com/2015/11/05/business/dealbook/expedia-to-acquire-homeaway-for-3-9-billion.html?_r=0)  
<sup>6</sup> <https://www.homeaway.com/info/about-us>  
<sup>7</sup> See <https://www.airdna.co/sample/us/washington/seattle> or <http://insideairbnb.com/get-the-data.html>  
<sup>8</sup> <http://blog.airbnb.com/economicimpactsinseattle/>  
<sup>9</sup> <http://insideairbnb.com/seattle/>  
<sup>10</sup> [https://www.ahla.com/sites/default/files/CBRE\\_AirbnbStudy\\_2017.pdf](https://www.ahla.com/sites/default/files/CBRE_AirbnbStudy_2017.pdf)  
<sup>11</sup> [http://harvardlpr.com/wp-content/uploads/2016/02/10.1\\_10\\_Lee.pdf](http://harvardlpr.com/wp-content/uploads/2016/02/10.1_10_Lee.pdf)

## ATTACHMENT C

### Proposed Amendments to the Zoning Code Pertaining to Short-Term Rentals

#### ~~18.06.063 — Bed and Breakfast Lodging~~

~~“Bed and breakfast” means an owner-occupied dwelling unit that contains guest rooms where lodging is provided for compensation.~~

#### **18.06.073 Boarding House**

“Boarding house” means a residential building or use designed to contain one dwelling unit, which provides housing on a short-term commercial basis for more than one tenants, pursuant to more than one Lease Agreement, for compensation. Boarding houses are prohibited in all zones. The following uses are excluded not considered a boarding house: Bed and breakfast facilities, hotels and motels, extended-stay hotels or motels, shelters, and facilities which provide short- or long-term care for tenants suffering from physical, mental or other disabilities, Assisted Living Facilities, Convalescent/Nursing Homes, Correctional Institutions, Diversion Facilities, and Diversion Interim Services Facilities.

#### **18.06.248 Dwelling, Single-Family**

“Single-family dwelling” means a building, modular home or new manufactured home, designed to contain no more than one dwelling unit. A single-family dwelling may include, plus one accessory dwelling unit.

#### **18.06.249 Dwelling Unit**

“Dwelling unit” means the whole of a structure or building, or a portion thereof, providing complete housekeeping facilities for a group of individuals living together as a single residential community, with one kitchen, one or more sleeping rooms, common cooking, eating and bathroom facilities containing a toilet, and a shower and/or bathtub, ~~other than transitory housing or correctional facilities as defined in this code, which is physically separated from any other dwelling units which may be in the same structure.~~

#### ~~18.06.237 — Dormitory~~

~~“Dormitory” means a residential building or use which provides housing for students attending an affiliated school or housing for members of a religious order. Dormitories may include kitchens, cafeterias, meeting rooms, laundry rooms and other accessory facilities to serve the residents of the facility.~~

#### **18.60.XXX Transient accommodations.**

“Transient accommodations” means the rental of any residential building or portion thereof used for the purpose of providing lodging for periods of less than 30 days, for compensation. [Single-family dwellings, accessory dwelling units, and multi-family dwellings shall not be used for transient accommodations.] This prohibition does not apply to Assisted Living Facilities, Convalescent/Nursing Homes, Correctional Institutions, Diversion Facilities, and Diversion Interim Services Facilities, Shelters.

#### **TMC Ch. 18, Table 18-6**

[Pg. 8] ~~5. Bed and breakfast facilities, provided: a. the manager/owner must live on site, b. the maximum number of residents, either permanent or temporary, at any one time is twelve, c. two on-site parking spaces for the owner and permanent residents and one additional on-site parking space is provided for each bedroom rented to customers, d. the maximum length of continuous stay by a guest is 14 days, e. breakfast must be offered on-site to customers, and f. all necessary permits or approvals are obtained from the Health Department.~~