1. Housing Committee Agenda 10-13-16
   1.I. Housing Committee Agenda 10-13-16

      Documents:

         HC AGENDA - 10.13.2016.PDF

2. Review And Accept Minutes Of Previous Meeting Held On September 28, 2016.
   2.I. 9-28-16 Housing Committee Minutes

      Documents:

         01 HC MINUTES - 9.28.16 (AMENDED).PDF

3. Brief Overview Of Shelter Zoning – See Enclosed Memorandum By Jeff Levine
   3.I. HC - Shelter Zoning Memo

      Documents:

         HC - SHELTER ZONING MEMO.PDF

4. Brief Overview Of Corridor Zoning – See Enclosed Memorandum By Jeff Levine
   4.I. HC Memo - Corridor Zoning

      Documents:

         HC MEMO - CORRIDOR ZONING.PDF

5. Brief Overview And Discussion Of Short Term Rentals And Potential Policy Framework
   5.I. HC Memo- Short Term Rental

      Documents:

         HC MEMO - SHORT TERM RENTAL.PDF

      5.I.i. Short Term Rental Presentation

         Documents:

            SHORT TERM RENTALS PRESENTATION 10.13.2016.PDF

HOUSING COMMITTEE

DATE: **October 13, 2016 (Thursday)**
TIME: **7:00 p.m. – 9:00 p.m.**
LOCATION: **City Hall, City Council Chambers**

A G E N D A

1. Review and accept Minutes of previous meeting held on September 28, 2016.

2. Brief overview of shelter zoning – See enclosed memorandum by Jeff Levine, Director of Planning and Urban Development.

3. Brief overview of corridor zoning – See enclosed memorandum by Jeff Levine, Director of Planning and Urban Development.

4. Brief overview and discussion of Short Term Rentals and potential policy framework – See enclosed memorandum by Tyler Norod, Housing Planner.

5. Public comment

6. Housing Committee member discussion and next steps

Councilor Jill Duson, Chair

Next Meeting Date: Wednesday, October 26, 2016, 5:30 PM
Location – City Hall, City Council Chambers

Housing Committee

Minutes of September 28, 2016 Meeting

A meeting of the Portland City Council's Housing Committee (HC) was held on Wednesday, September 28, 2016 at 5:30 p.m. in the City Council Chamber in Portland's City Hall. Councilors present at the meeting included Mayor Ethan Strimling, Councilor John Hinck, Housing Committee Chair Councilor Jill Duson, Vice Chair Councilor David Brenerman, and members Councilor Spencer Thibodeau, Councilor Belinda Ray, and Councilor Nick Mavodones. City staff present included Corporation Council Danielle West-Chuhta; Director of Planning & Urban Development, Jeff Levine; Division Director Mary Davis; HCD Program Manager Kristin Styles; Administrative Officer James Dealaman; and Housing Planner, Tyler Norod.

Item 1: Review and accept Minutes of previous meetings held on August 24, and September 14, 2016.

No comments on minutes. Councilor Ray motioned and Councilor Thibodeau seconded to accept the minutes from August 24th and September 14th Housing Committee meetings, minutes accepted unanimously.

Item 2: Housing Committee Discussion of Housing Insecurity Package for recommendation to the City Council – Please see memorandum from Housing Planner, Tyler Norod. Public comment will be taken as this is an actionable item:

a. Housing Insecurity Overview: Tyler Norod recaps the memos from past meetings that were presented and types of policy solution approaches that will be considered in tonight's meeting (e.g. rent control, rent increase limitations, tenant notification increases, voucher discrimination issues, tenant/landlord mediation, and tenant relocation issues), highlighting that Corporation Council has a chart available for reference outlining the legality of items as they relate to state law.

Item 3: Overview and discussion of Counselor's proposals

Councilor Duson: The goal is to ensure public giving substantive comments

Councilor Brenerman gives an overview of his and Chair Duson's proposal. In addition to the proposal he hopes to discuss the idea of a tenant relocation assistance fund further during debate.

Councilor Brenerman: The best way to influence the cause of housing shortage is to provide and encourage more housing; and housing insecurity proposals must search to meet a test of complying with state law.

Councilor Thibodeau provides overview of his proposal.

Councilor Thibodeau: This proposal talks about the city's most vulnerable tenants, at-will tenants.

Councilor Hinck thanks councilors for the work done on respective proposals, and hopes to understand the analysis of the committee better.

Councilor Duson opens the floor to public comment.

Item 4: Public Comment

Joey Brunnelle: The committee has been meeting for 9 months to review this issue. He is flabbergasted and disappointed that this is all the work the committee has done. He is in favor of increased notifications from 45-65 days for rent increases, outlining rights, educating tenants, and opposed to creating a task force and believes that much of these ideas are still insufficient such as notification of at-will tenancy is more work for land lords and there is no enforcement mechanism built in. Also, the Maine Human Rights prohibitions are shown not be working already. In order for tenants to take advantage of this they need the resources to tap into this. He doesn't know how the taskforce will work and instead hopes for more leadership from the Council.

Wade Feroli: Very concerned about the homeless population. There are many sleeping on the streets. It is very important to provide more housing for this demographic.

Jim Devine: Jim is an advocate for housing justice. He is here voicing other organization members concerns that wouldn't attend tonight's meeting because of being discouraged. Jim Devine praises Councilor Ray for her work on the housing issues, visiting shelters, and believes that the city needs more shelters. Jim wants actions taken for rental security.

Christopher Quint: Reiterates that we (Portland Community Chamber of Commerce) look forward to moving to the new step of creating affordable housing for all incomes.

Tom Watson: Tom is property manager of Port Property who is improving on Portland housing stock. They invest in lower grade houses and turn them into high grade housing while making them energy efficient and affordable. Tom has 50 tenants with an average rent of 25 percent of tenant income. This arrangement works for him. He suggests the possibility of creating a trust for tenants to move in. He looks forward to working with staff on these issues.

E. Williams: Thanks committee for considering the things proposed. Asks why the Mayor's proposal Is not being considered? Challenges the committee to find one tenant in Portland that will feel more secure as a result of the housing security package.

Carl Winslow: Has no problem with proposal number 1 or 2. Recommends Pine Tree Legal's document for the Rights and Responsibilities. Not in favor of an even number of task force members. Praises the work done by Counselor Thibodeau. Asks, how do you mediate the majority of cases being non-payment?

Louis Sebelville: Is disappointed with length of proposals being considered, and believes that none of them will are going to solve a thing.

Counselor Duson: In response to an earlier comment, the items that have been labeled "the Mayor's proposal", have been described to the committee and the floor will be open for deliberations and can only assume that these items will be raised when we go to full Council. The committee is prepared to discuss anything that goes to the floor.

Item 5: Housing Committee member discussion and next steps.

i. Discussion over the Counselor Duson and Brenerman's Proposal:

Counselor Duson asks for questions on the Chairs's Proposal on Item 1

Counselor Thibodeau: Are you anticipating that leased tenants at the end of lease will need 60 days at the end of the lease for a rent increase?

Councilor Brenerman: I would expect that it would need to take place 60 days before the lease expired.

Counselor Brenerman: Currently 45 days under State Law so it would be an increase of 15 days.

Counselor Thibodeau: You list "maybe legal under Maine law" for notices and extensions for rent increases and evictions on your document.

Danielle West-Chuhta: State law has not been challenged yet on the length of notification. This could be challenged/tested. The length of notification on rent increases as well as for eviction has also not been tested. An increase would make it more stringent, which we are entitled to do under state law, but has just not yet been tested for either of these.

Counselor Brenerman: Will making a motion to discuss by topic be helpful?

Counselor Thibodeau: Agreed to discuss by issue.

Counselor Brenerman: Moves to consider Item 1 (Increasing Notification of Rent Increase for at-will tenants from 45 to 60 days) put forward by the chairs proposal.

Counselor Ray: Seconded.

a) Discussion on Item 1 of Chair's Proposal

Counselor Mavodones point out that he doesn't think this committee has spent as much time on all issues that the full Council charged the committee with addressing during goal setting. He is in favor of Item 1 of chair's package.

Counselor Ray is in favor, and suggests 75 days instead of 60?

Counselor Thibodeau is in favor of 75 days and wants to ensure tenant document is signed by both parties, and that the 75 days needs to be assured by landlord. However, tenant refuses to sign, the landlord would not have to.

Counselor Duson: Current it is 45 days, but this allows for another month. Are we talking about lease tenancy as well?

Counselors agree lease tenancy is being considered as well.

Counselor Thibodeau: I think its important to remember that notification preferably wouldn't apply to a tenant with a lease because there not a tenant at-will so once they become a tenant at-will I think that's different conversation we'd have to have.

Counselor Duson reiterates that it would be 75 or 60 days before rent can change before lease expires.

Counselor Ray: Moves to consider 75 day-notice.

Seconded by Counselor Thibodeau

Counselor Mavodones: Interested in Counselor Brenerman's thoughts on 60 days versus 75

Counselor Brenerman: 60 days was thought to be acceptable to councilors.

Counselor Duson: The extra 30 days is important in balancing the bargaining power. I'm okay with 75.

Counselor Mavodones: 60 is reasonable and would like to see 75 having more support, but I'm inclined to support the motion before us.

Counselor Duson is in favor of 75.

Those in favor of motion to change to increase notification for rent increases from 45 to 75 days for at-will tenants

3:2 with Councilors Brenerman and Councilor Mavodones opposed

Vote to forward Item 1 of Chair's proposal (as amended) into proposed package of items to be considered by full Council

5:0 Passed unanimously

b) Discussion on Item 2 of Chair's Proposal

Mayor Strimling: Is this package going straight to the Council from here?

Councilor Duson: The hope is to get this package on the council's agenda for October 17th.

Councilor Duson proceeds with introducing the Chair's second proposed item

Councilor Thibodeau: My suggestion is that we should create some sort of enforcement mechanism. Utility costs are important especially before moving in.

Councilor Thibodeau is in favor of Item 2, but wants an amendment for an enforcement mechanism in order to ensure compliance.

Councilor Thibodeau: This disclosure is important, so if 2 disclosure documents aren't signed or haven't made an attempt to get the documents signed then you can't increase rent. That would be my proposal.

Councilor Brenerman gives reasoning behind this proposal requiring the landlord to check a box, but isn't opposed to considering adding a penalty for non-compliance into the wording as well.

Councilor Thibodeau: Maybe during inspections the at-will tenant's landlords could provide the documentation. Offers that in order to increase rent a disclosure document is needed.

Councilor Duson: I'm not in favor of tying this disclosure to proposed rent increase, but that these are things disclosed routinely at the beginning of the tenancy.

Councilor Mavodones asks for a motion.

Councilor Duson: Motions to offer the paragraphs as a motion.

Councilor Ray: Seconded.

Councilor Mavodones: What if a renter doesn't want to sign it. What is the reasonable effort that landlord must take? Maybe some documentation is needed. I worry that the document might obstruct the process.

Councilor Duson: The landlord just needs to check the box that they provided the disclosure

Councilor Ray is in favor of Item 2 and praises education, but not fully in support of a fine as not every landlord is a large-scale landlord, saying, a fine can be implemented later if needed. She expresses interest in the efficiency disclosure also being included in the registration process.

Councilor Mavodones agrees with Councilor Ray's comments about a fine

Councilor Duson agrees and highlights the additional topic of radon.

Councilor Thibodeau agrees that there shouldn't be a monetary penalty.

Counsilor Duson is in favor if the item

Vote on Item 2 of Chair's proposal

5:0 Passed unanimously.

c) Discussion on Item 3 of Chair's Proposal

Councilor Brenerman explains Item 3, and motions to accept the concept of having that kind of document required, seconded by Councilor Ray

Councilor Duson contributes to discussion reiterating earlier public comment, praising Pine Tree Legal for their thorough versions of documents emphasizing rights.

Vote on Item 3 of Chair's proposal

5:0 Passed unanimously.

d) Discussion on Item 4 of Chair's Proposal

Councilor Duson motions to consider Item 4 of Chair's proposal, seconded by Councilor Ray

Councilor Duson is looking for stronger housing data to develop policy around a Landlord-Tennant Task Force.

Mayor Strimling: Who appoints the members of this committee?

Councilor Duson: We may ask councilors to nominate folks. There are many astute tenants as a resource.

Councilor Mavodones is in favor of Item 4 as long as members are appointed with good representation and balance

Councilor Ray: It might be wise to have an odd number, maybe a Councilor, a seventh member appointed by a mayor.

Councilor Ray motions this to be discussed, and seconded by Councilor Duson.

Councilor Mavodones is against this idea and item and would avoid councilors, tenants, or landlords being on the committee. He suggests a landowner.

Councilor Ray withdraws her idea to consider a Councilor to serve on the committee.

Councilor Duson: Motion is to have a seventh member that is a resident of Portland.

Councilor Ray: Seconded

4:1 Item 4 is amended with Councilor Thibodeau opposed

Jeff Levine (Director of Planning and Urban Development) Comments on the potential for requesting additional resources during next budget for additional staffing needed to for any added administrative requirements.

Councilor Mavodones agrees, providing that the next budget is far off, and if this goes forward he requests that some estimate is given in anticipation of that.

Councilor Ray motions to amend the name of the task force to the Landlord-Tenant Commission to monitor the rental market, seconded by Councilor Mavodones.

Councilor Duson wanted citizen review commission that would only make recommendations and monitor data and have that data available by April.

Councilor Ray withdraws amendment of "Task Force" to "Commission", and puts forth calling it a "committee." Seconded by Councilor Duson.

5:0 Unanimously in favor of changing task-force to committee.

Councilor Duson motions to vote on Item 4 of Chair's proposal as amended, seconded by Councilor Ray

4:1 Passed with Councilor Thibodeau opposed.

e. Discussion on Item 5 of Chair's Proposal

Councilor Brenerman motions to bring Item 5 of Chair's proposal into ordinance, seconded by Councilor Ray.

Councilor Thibodeau asks what is the legal effect to existing State law?

Danielle West-Chuhta: It's redundant but we've done it before in other circumstances. We can have additional enforcement measures with that but we do have to note that the first would have to follow the Maine Human Rights Commission process and go through that as required by State law before we could pursue anything. We have to ensure that happens. The idea of the proposal is reiterating State Law.

Councilor Ray is in favor although there is no change, and praises Item 5 with offering opportunity for more education.

Councilor Duson gives praise for Pine Tree Legal on their filing a complaint services

Councilor Thibodeau: We should consider some sort of requirement that vouchers be a source of income that can't be discriminated against. I would like to see that be included within this discrimination provision since we're on the topic.

Danielle West-Chuhta: Are you talking about making acceptance of vouchers mandatory?

Councilor Thibodeau: Yes

Danielle West-Chuhta: Currently it's voluntary in Maine at the State level and federal level

Councilor Thibodeau offers making acceptance of vouchers mandatory as an amendment to Item 5, seconded by Councilor Ray

Councilor Ray: I seconded for the purposes of discussion. I'm not in favor because it's a voluntary program, I'm not comfortable with mandating it.

Councilor Mavodones agrees

Councilor Duson: Past attempts have failed being made mandatory.

Councilor Brenerman: Was there a decision in Maine law court or Maine Superior Court that landlords don't have to accept Sec. 8 vouchers?

Danielle West-Chuhta: That's correct. We could make a newer stringent statute, offering a different requirement.

Counselor Duson: Making it mandatory doesn't improve the bargaining position of the tenant

Mayor Strimling: I strongly encourage committee to support Item 5. Many places that discriminate (de facto discrimination) exacerbates the housing crisis.

Vote on amended Item 5 of Chair's proposal as amended

4:1 Failed with Councilor Thibodeau opposed

Vote on the Original Item 5 of Chair's proposal

4:1 Passed with Councilor Thibodeau opposed

Councilor Duson asks whether the committee will go on record supporting the tenant assistance relocation fund

Councilor Mavodones: Motion to adopt or support the items for further study as identified in Chair's memo.

Councilor Ray is in favor and wants to see if 50 percent of area median income is the threshold and supports further study

Vote to support a Tenant Assistance Relocation Fund

4:0 Supported unanimously with Councilor Thibodeau absent

Discussion on Items Contained in Councilor Thibodeau's Proposal

Councilor Thibodeau describes the Leeway Program in detail and motions to consider the Leeway Program, Councilor Duson seconds.

Councilor Ray is opposed to removing 30-day at-will tenancy. She thinks 30 day notice is a valuable tool for landlords and also valuable for tenants to move out. She weighs in on comments received earlier in the meeting.

Councilor Ray: One tenant stood before us and told us that 35 people had been given notices to quit from the Ambassador and I checked into that and it's not true. Here's the actual data: 9 tenants were given notices to quit and they were given 45 days. They were at-will tenants given 45 days. Four of them moved out. Five of them didn't, and therefore they went to court. One didn't show. That means an eviction is going on that person's record. For those making their court date mediated agreed to move out on Sept 7. So they were given notices on June 13th, and they didn't move out until Sept 7th – that's way more than 30 days. This person went on to say that 20 more had been given for September. 6 tenants gave notice to leave on their own, 2 tenants left and didn't know why – they keep data of all of this for property management. One resident was given notice to quit September 30th, served on July 19th –far more than 30 days – one resident will be given notice on August 16 and given notice for October 31st. Again way more than 30 days in all of these cases. Then there was the Grant Street one where they were given 63 days initially, and then that was extended by 2 to 3 weeks. By the time it was over it was around 78 days notice. I just want to say, the 30-day notice is a good tool when you need to have a tenant leave. I think 30 days is not the norm. I'm not in favor of doing away with at-will tenancies as their defined by the state of Maine. While we're on data, as recently as Monday, I read a letter to the editor that said something on the recent spike in evictions.

In Portland District Court in fiscal year 12 there were 992, in FY 13, 924, IN FY14, 971, in FY15, 898, and in this FY ending in June 30th, 856. There is not a spike. Anecdote is a great way to show that policy might be needed but policy should be formed on the basis of data. Additionally, we were told during our first housing meeting by Christopher Hebert (Harvard University), who extensively studies the housing affordability issue that is nationwide and he said, “this is a wage issue.” She is in favor of searching other policy solutions that will actually address affordability of the housing situation.

Councilor Thibodeau reminds committee that this program is here to address the underlying issue of housing security for at-will tenants providing, some applications can cost money to look for housing.

Councilor Duson thinks that 30-day is appropriate for at-will arrangements. Also saying, 30-day notice is not an eviction. Increasing the notice can be a hardship for smaller scale landlords.

Mayor Strimling tells the story of women who lived on Allen Avenue that was given a Notice to Quit to vacate her apartment. He reads her vacate letter to Council.

Mayor Strimling: Landlords do evict people in 30-days. If we don’t realize this we are failing. Many of these instances go unreported.

Mayor Strimling supports Councilor Thibodeau’s proposal that 30-days is minimal and that 90 gives the vulnerable tenants relief and moving assistance. He describes it’s humane to give more notice or give tenants some financial assistance in these instances. He encourages the committee to support Councilor Thibodeau’s proposal.

Councilor Duson: Does 30-day notice mean eviction?

Danielle West-Chuhta: The 30-day period doesn’t have the amount of time you have to get out. In my experience most tenancies aren’t terminated within 30 days.

Councilor Duson: The intent of the Rights and Responsibilities document is that tenants will have the awareness of what 30 day notices actually means (not immediate eviction). Rights will be better understood by document.

Councilor Brenerman's understanding is that state law gives 30 days.

Danielle West-Chuhta: This would make it stricter than state law, providing an allowance.

Councilor Brenerman expresses concern that this would have a questionable legal basis. Also for small landlords this can be a hardship, and there are some situations that tenants are harmful to other tenants

Councilor Mavodones is not in favor.

Councilor Thibodeau clarifies that increase in rent notice of 45 to 75 days also landed in questionable basis.

Danielle West-Chuhta: For the same reasons described earlier, yes it hasn't been tested but at-will tenancies are an area I'm a little more concerned about, but still questionable but leaning more towards the no.

Councilor Duson is not in support, and is concerned with the issue with confidentiality on suggested document.

Motion to vote on the Full Leeway proposal:

Voted 4:1 Failed with Councilor Thibodeau in favor

Councilor Duson motions to open discussion on lead disclosure and energy efficiency disclosure to be provided upon signing the tenant/landlord agreement, Councilor Ray seconding.

Councilor Ray: Will Radon be included?

Danielle West-Chuhta: The statute does have provision that talks about radon, but will require further review.

Councilor Duson makes a provisional motion that the mandated disclosures of three topics entailing radon, lead disclosure, and energy efficiency are included in the initial disclosure as required.

Danielle West-Chuhta: Radon disclosure is required.

4:0 Passes unanimously with Councilor Thibodeau absent

Councilor Duson: Asks that the approved package go forward to the council.

Councilor Mavodones motioned that the approved package be forwarded to the council as a recommendation, seconded by Councilor Ray.

Councilor Ray: Why wasn't the Mayor's proposal considered?

Mayor Strimling: The councilors had it in front of them and these are the proposals that they chose to consider.

Voted 5:0 Passed unanimously in favor of approved items housing package

Councilor Ray motions to adjourn, seconded by Councilor Thibodeau.

On a motion made and seconded the meeting was adjourned at 8:10 PM.

Respectfully,

James Dealaman

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Jeff Levine, Director of Planning & Urban Development
Mary Davis, Division Director
Tyler Norod, Housing Planner

DATE: October 6, 2016

SUBJECT: Shelter Zoning Overview

As part of the Housing Committee's public process over the past few months' interest was raised in learning more about zoning related to the City's shelters. Staff has outlined below an overview of current zoning that impacts the location and use of shelters and other similar building uses.

The only place that "Emergency Shelters" are currently permitted is by conditional use in the B-3 zone. The B-3 zone is only located on the Peninsula between the majority of Franklin Street, Cumberland Avenue, High Street, and Commercial Street. An emergency shelter is defined in the Land Use code as a "facility providing temporary overnight shelter to homeless individuals in a dormitory-style or per-bed arrangement."

The Housing First model is another tool for providing shelter for our most at risk populations. There are certain zoning mechanisms for allowing housing first developments such as contract zones and condititional use provisions within existing zones such as the B-2c. Avesta's Florence House was built under a Contract Zone in the B-2 zone in 2008 and the recently approved Bishop Street project was permitted in the B-2c zone.

Staff will be available to answer any questions that the Committee may have.

TO: Councilor Jill C. Duson, Chair
Members of the Housing Committee

FROM: Jeff Levine, Planning & Urban Development Director
Mary Davis, Division Director, Housing & Community Development
Tyler Norod, Housing Planner

DATE: October 13, 2016

SUBJECT: Overview of Recent Land Use & Zoning Amendments Related to Transit Corridors

At the direction of Housing Committee members, staff assembled an overview of recent zoning ordinance amendments related to the development of housing in Portland. The City has been active in recent years revising its zoning ordinance to better reflect Portland's housing needs. The following zones and land use ordinances have been amended since 2013 to encourage the development of housing:

- India Street Neighborhood – Form Based Code
- Division 30 – Inclusionary Zoning
- Housing Replacement Ordinance Amendments
- Downtown Height Overlay Map Amendment
- IR-1 & IR-2 – Accessory Dwelling Unit Amendments for Peaks Island
- R-3 – Accessory Dwelling Unit Amendment
- R-5 – Accessory Dwelling Unit Amendment
- R-6
- R-7
- B-1 and B-1B Neighborhood Business Zones
- B-2, B-2B, and B-2C

Of these zones noted above, the following zoning changes have impacts on the development patterns of some of Portland's most important transportation corridors.

R-6

The majority of the R-6 zone is located within the boundaries of the Peninsula with a few small pockets along the Forest Avenue Corridor and abutting Back Cove. The R-6 is amongst the densest residential zones in the City. In the spring of 2014 the Planning Board proposed an extent of East Bayside to be rezoned from R-6 to R-7 in response to feedback that the R-6, as currently written, was not conducive to most new construction proposals. Staff responded in part by reexamining the R-6 zone to make housing development more feasible.

Amendments to the R-6 residential zone were approved by the Planning Board on March 10, 2015 followed by the City Council's approval in May. The revisions allowed for greater flexibility and higher densities than the existing zoning. The objective of these changes is to allow for a pattern of development that provides for greater housing opportunities, enables infill opportunities on smaller parcels, and to have standards in place that make it possible for new construction to be consistent with the historic pattern of development on the peninsula. Since the zone was amended, approximately 120 units of new housing have been permitted or built in the R-6 zone.

R-6A

In October of 2014, the City Council passed an order creating a new R-6A zone. The purpose of the zone is to encourage neighborhood livability with higher density multi-family housing on large parcels located off the peninsula. The zone was designated appropriate for areas that are along major transportation routes, near service areas, and in redevelopment (underutilized) or infill areas. Residential uses in the R-6A require a minimum of four (4) acres and may have a height up to sixty-five (65) feet on off-peninsula parcels. Further revisions to the R-6A regarding parking requirements and allowable density were approved by the Council in May of 2014. The revisions to the zones parking requirements were intended to increase the potential for housing development by limiting development costs and the inefficient use of land for parking. Since the zone was amended, approximately 58 units of new elderly housing have been permitted or built in the R-6A zone.

R-7

In May of 2014, the City Council passed an order amending the zoning map in the vicinity of Boyd, Oxford, and Mayo Streets in East Bayside from R-6 to R-7 to allow for greater density to allow for future housing development. These changes helped allow for 45 units of new housing which are currently under construction as part of the Bayside Anchor development project.

B-1 and B-1B Neighborhood Business Zones

The B-1 zone plays a critical role in governing the form and function of much of the commercial and mixed-use development in the city. The Neighborhood Business B-1 applies to many of Portland's most successful small-scale, local commercial and mixed-use nodes, from Congress Street in Munjoy Hill and Pine Street in the West End to Rosemont and Stevens Avenue in Deering Center. In the fall of 2014, city staff conducted a review of the existing B-1 zone. The review found that the existing language contained street frontage, setback and other restrictions which effectively precluded it from successfully encouraging the traditional small-scale commercial and mixed-use form so prized in the city's existing neighborhood retail nodes. The purpose of the B-1 zone, as stated in the code, is to:

> "provide limited areas for the location of small-scale commercial establishments intended to serve a local market. As a result, uses shall be complementary, quiet and generally do not disturb the comfort and enjoyment of the adjoining neighborhood environment. Uses shall be designed for the pedestrian scale and will provide convenient access for nearby residents and workers to walk in to purchase goods and services.

Buildings and uses shall be designed with attractive storefronts or similar features, with windows and doors convenient to a public sidewalk" (14-161).

Similar to the B-2 discussed below, the former B-1 had failed to encourage the type of development the zone exists to promote; there has been very little new retail or mixed-use development in the B-1 zone. The analysis resulted in several proposed text amendments, including changes to the dimensional requirements and use tables. The amendments were targeted to encourage a pedestrian-friendly neighborhood scale environment with greater feasibility for residential and mixed-use development. Since the zones were amended, approximately 65 units of new housing have been permitted or built in the B-1 and B-1B zones.

B-2, B-2B, and B-2C

Like the B-1, the B-2 zones provide the framework for shaping much of the mixed-use and commercial corridors of the City. The B-2 zones offer opportunities for larger scale commercial and residential development along the city's major arterials, such as Washington Avenue, Forest Avenue, and outer Congress Street. Many of the city's existing shopping centers, including Northgate, Westgate, and Hannaford's, lie in the B-2 zone.

In the summer of 2014, city staff reviewed the B-2 zone in an effort to address concerns regarding the zone's efficacy in encouraging higher-density housing. The zone was explicitly designed to encourage "moderate to high density housing in urban neighborhoods along arterials" (14-181), and the city had made prior revisions in an effort to stimulate housing development, but that development had not occurred. The review resulted in a set of text amendments, adopted in June of 2014, which increased the permitted housing density, clarified the setback requirements, and provided for lively, urban ground floor uses. One of the key components of the revised language now allows for a minimum lot area per unit of 435 square feet down from a previous minimum lot area of 1,500 square feet. Since the zones were amended, approximately 169 units of new housing have been permitted or built in the B-2 zones.

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Jeff Levine, Planning & Urban Development Director
Tyler Norod, Housing Planner

DATED: October 7, 2016

RE: Short Term Rental (Airbnb) Regulation Framework

There is a growing chorus from cities across the globe expressing concerns about the impact of short term rentals (STR's) on their communities and limited housing stock. The following memo outlines local STR market data, best practices from other cities, and offers a potential strategy tailored to Portland's unique needs for regulating this burgeoning industry.

STR's are facilitated through a range of online platforms connecting hosts with guests. The most commonly used platform is Airbnb. Airbnb was initially intended to be a means for hosts to generate extra money from occasionally renting out space in their primary dwelling unit. However, with the opportunity for STR's to generate profits significantly higher than traditional long term tenants, the economic incentives have expanded to commercial enterprises whose business model is predicated on buying and renting out entire units only to short term renters.

This is not to say that STR's do not to have positive impacts on the local economy and on Portland residents. STR's provide another means of attracting visitors to Portland providing a boost to the local economy. STR's are often more affordable per person than a hotel allowing more money to be spent on locally owned businesses. STR operators and guests often cite the positive interactions and unique experiences distinct to STR's that provide visitors with a positive impression of Portland. Additionally, STR's can allow homeowners to afford and maintain their homes, pay off debt, and are more likely to spend their increased incomes in the local economy.

STR Related Concerns

There are a number of concerns related to the proliferation of STR's within the Portland housing market. To date, governments have struggled to reign in these ever evolving markets to provide certainty, safety, and fairness. Given their quick ascension to prominence there has not been sufficient time for most public entities to develop and enact policies that clarify STR's place within the community. Commonly cited issues related to STR's include the following:

- Conflict with local zoning laws
- Removing housing stock from the market displacing residents and driving up prices
- Disturbances to neighbors
- Disrupts neighborhood character

- Building safety and ADA issues
- Unfair competition for other lodging types such as B&B's
- Unpaid local taxes and fees

Over the past year the City has received significant feedback from both hosts and concerned members of the community. The two most frequent issues cited related to long term units being removed from the housing stock or the potential for STR's to disrupt neighborhood character and become a disturbance for neighbors. While there is some debate about the specifics, in reality most, if not all, STR's in Portland are operating outside of compliance with City and State regulations and requirements. Regulations are needed to address safety and help clarify the rules, expectations, and penalties for being out of compliance with the City's code.

Non-owner occupied STR units have the potential for unfair competition against other legal lodging uses such as hostels, bed and breakfasts, and motels. There lodging types require various inspections and additional code regulations largely being unmet by most STR's. If commercial STR's were ever allowed outside of a primary residence it is unclear what would happen to these existing and conforming uses under Portland's zoning code.

Lodging taxes are collected and governed by the State and, as such, may be better regulated by the State instead of at the local level.

A Growing Problem

A recent search of Airbnb rentals in Portland has shown that in August of 2016 there were 439 listings ranging from shared rooms to entire apartments/houses. Of these listings, 311 were entire housing units (or 70% of all Portland Airbnb listings) with an average rate per night of $235. This time last year only 206 entire units were listed for an average rate per night of $228. This is a 66% increase in the number of units available and a 3% increase in price per night. A recent letter from Airbnb to the City acknowledged that the number of listings in the Portland area have doubled in the past year and guest arrivals are up 124%.

	August 2015	August 2016	Delta (%)
# of Entire Units	206	311	+66%
Price/Unit ($)	$228	$235	+3%

To look at the numbers another way, HUD sets fair market rent (FRM) for a 2 bedroom unit in Portland at $1,109 per month, or $36 per night. According to AirDNA, the average STR renting two rooms in August earned $4,177 and those at the upper echelon earned $6,026. These figures do not include those hosts renting for below the average number of nights per month because they are less likely to be operating their units commercially as full time STR's. At these rates commercial STR's can rent for **more than 5 times** than the average long term unit. These increases demonstrate a hot market that will likely continue to grow, attracting more commercial users, and further aggravating concerns related to short term rentals and disruptions to local neighborhoods.

August 2016	2-Bed FMR/night	STR/Month -2 Rooms	Delta (%)
50th Percentile of Hosts	$1,109	$4,177	+376%
83rd Percentile of Hosts	$1,109	$6,026	+543%

Some hosts may cite that the profits are not as high as described above. According to AirDNA, the lowest month's average daily rate for an STR was $170 per night in February of 2016. The average STR occupancy rate for February 2016 was 35% or approximately 10 days (2016 was a leap year). This would yield approximately $1,700 in revenue. This is still significantly higher than the average long term rental unit in Portland would rent for on the open market.

Earlier this summer, according to the STR data company, AirDNA, there were 61 hosts in Portland with multiple listings out of 359 active hosts within the market. A more recent search in early October showed that there are now 76 hosts with multiple listings in Portland representing an increase of approximately 25% in commercial hosts with more than one listing. Hosts with multiple postings now represent about 21% of all hosts in Portland. This is a fast and alarming trend showing that there is an active and growing market to remove units from the market for use as STR's.

	June 2016	October 2016	Delta (%)
# of Hosts w/Multiple Units	61	76	+25%

Of the 439 active listings, 34.9%, or 153, are rented between 4-12 months of the year suggesting these may be operating primarily as STRs. Large management companies, such as Mainely Property Management, openly advertise on their website as part of their business model to manage STR's for commercial STR owners. Other management companies, such as Apex Rental Properties also advertise short term rentals directly on their website including a 2-bedroom unit in the West End for $4,500 per month. The increasing number of multiple listings by a single host and evolving business model of local management companies further demonstrates the potential for the Portland STR market to support large scale commercial STR operations.

Vacancy Rates

A recent study published at the end of 2015 by the U.S. Department of Housing & Urban Development (HUD) listed a vacancy rate for the Portland market at 2.9% during the third quarter of 2015. The peninsula's vacancy is likely even lower. According to the National Association of Realtors, any time the vacancy rate is below 5% it is considered a landlords market where rents are more likely to increase and landlords can be more selective choosing their tenants. Portland has approximately 32,700 housing units. Given the more than 400 units in Portland -- listed on Airbnb alone—this equates to approximately 1.3% of the City's housing stock involved in STR's. According to AirDNA, this would place

Portland in the upper echelon of cities around the nation whose housing stock is utilized by Airbnb operators.

The peninsula is home to the vast majority of Airbnb listings. Assuming the 153 commercial units estimate above and ever increasing competition, commercial STR units could account for 1.3% of the peninsula's roughly 12,000 housing units. Returning these units to full time residents has the potential to make a significant dent in the vacancy rate. Coupled with the hundreds of new units slated to come on line Portland may even begin to see stabilizing or improving trends in the local housing market.

It should be noted, that the majority of these figures only pertain to data on Airbnb's listings. Given the variety of other online platforms to facilitate STR's, this data only represents a portion of all STR's operating in the Portland market. It is likely that these estimates are conservative and will likely continue to grow based on recent trends if action is not taken by the City.

Impact on Neighborhoods

The City has received a number of complaints from residents of STR's operating in their neighborhood. Often times, these complaints are the result of hosts who actively welcome larger groups of guests such as family gatherings, bachelor parties, and other potentially disruptive uses. Other concerns are related to the potential impact of commercial STR's degrading the sense of community when a growing proportion of units are predominately used for transient guests.

After researching regulations in other communities an emerging best practice is taking form to help address the root of these concerns. A growing number of communities are either prohibiting STR's altogether or limiting STR's to hosts' primary residency. Communities have also begun to limit the number of bedrooms and occupants that STR's may advertise for rent. Hosts are also being required to register with the City and face the potential loss of registration if too many complaints are received about their property. Combined these regulations are aimed at reducing disruptions to neighborhood character and the likelihood of parties or other troublesome behaviors.

Safety, Education, and Compliance with Other City Codes

Most STR's are not registered with the City and therefore are not subject to inspection to ensure that they are in compliance with the necessary safety and building codes. Other communities have required that STR's register with the city, make themselves open to inspections by building code officers, and sign affidavits assuring the city that the unit is up to date with all relevant fire, building, and life safety codes.

Potential Regulatory Frameworks

In an effort to address STR related concerns and modernize Portland's zoning ordinance, staff has developed a regulatory framework outlined in Attachment C for consideration. The framework is tailored specifically to Portland and derived from a growing national best practice to limit STR's to a host's primary residence. Similar regulations have recently been employed by municipalities across the nation including Berkeley, CA; Boulder, CO; and San Francisco, CA.

By registering STR's and limiting them to primary residences the ordinance would intend to return housing units to long term use and reduce the potential for the growing trend of commercial STR's to disrupt neighborhood character. Other cities, like Austin, Texas, have found that owner occupied STR's tend to receive less complaints from surrounding neighbors. Between October, 2012 and October, 2015, the City of Austin received 266 complaints about non-owner occupied properties. Twenty percent of non-owner occupied properties have at least one complaint, with an average of 2.4 complaints. Seventeen percent of the complaints were about over occupancy.

Owner occupied units are less likely to have transient guests as frequently as commercial units and owner occupied units may be more likely to screen out guests who may want to use the property for disruptive behavior such as bachelor parties. By including a mechanism for revoking an STR's registration, the ordinance would also provide a means of intervening in problem STR behavior.

Enforcement

The issue of enforcement is one of the most challenging elements of regulating STR's. Many cities, in pursuit of fairness and compromise, have implemented complicated regulations. This has only made enforcement even more difficult leading to lower compliance rates. The likely key to enforcement is simplicity. For example, following a short grace period, Berlin only allows STR's in a small portion of a host's primary residence and the host must always be home. Anyone found in violation is given a $100,000 fine. As a result, STR's advertisements in Berlin have dropped more than 40% by the end of the grace period. Portland will want to tailor a policy to its unique needs and likely require lower fines but the template of simple rules and high penalties seem to be a growing best practice with real results.

The regulatory model of allowing STR's in primary residences is relatively simple. It can be complicated by expanding that to other units within owner occupied buildings or restricting it to certain zones. It becomes much more difficult to enforce once it has been expanded to allowing non-owner occupied commercial STR units. Currently 21% of Airbnb listings in Portland are by hosts with multiple listings. Restricting STR's to primary residences would significantly shrink the enforcement pool allowing staff to more efficiently pursue enforcement. Coupled with significantly high fines, which may come in the form of liens on the violating property, regulations may effectively disincentivize skirting the law leading to a reasonable potential for effective enforcement.

Creating a system for regulating STR's will have some short term staffing impacts. We estimate that it will take approximately 500 hours of staff time, or about 0.25 FTE for a year. Once a system is up and running, there will still be staffing impacts but they would be at a lower level.

Attachments

Attachment A: STR Regulations in Other Municipalities

Attachment B: "A Practical Guide to Effectively Regulating Short-Term Rentals on the Local Government Level"

Attachment C: Draft STR Regulatory Framework for Portland

Attachment A: STR Regulations in Other Municipalities

Santa Monica, CA

Beginning in June of 2015, Santa Monica began implementing a new STR policy that limits STR's to hosts primary dwelling unit and requires that the host be present for the guest's entire stay. Santa Monica chose to pursue a stricter ordinance governing STR's in an attempt to help relieve stress on their local housing market. The ordinance specifically prohibits STR's that provide the exclusive use of STR's for less than 30 days by transient guests. Violators could be fined up to $500 per day and face criminal prosecution. Hosts must obtain a city business license and pay a 14% transient occupancy tax. There are exemptions available for hosts making less than a certain amount per year in gross receipts. The ordinance allows "residents" to rent out bedrooms, so both owners and long term tenants may partake in hosting STR's. However, there is a provision that stipulates that tenant's leases must allow tenants to rent out rooms as an STR. The ordinance does provide some flexibility in that hosts may rent out their "guest house" if it is on a parcel that is zoned as a single family. This exemption does not apply if the property is zoned as a multi-family.

Boulder, CO

Boulder's City Council voted in June of 2016 to restrict STR's to primary residences where residents live in the unit at least 275 days out of the year. The Council voted 7-1 in favor of this ordinance but there still needs to be final approval in November of an overlapping policy related to taxation of STR's. The ordinance would limit the occupancy of STR's to no more than what is already allowed within each zone. STR's would also not be allowed in deed restricted affordable units. Boulder, a city of approximately 88,000 people, currently has 514 units listed on AirBnB.

Berkeley, CA

The new ordinance passed 7-1 in June of 2015 allowing residents to rent out space in their primary dwelling unit assuming that they live their nine months out of the year. Residents would be allowed to rent out bedrooms in their primary residents for as many nights as they wish as long as they are present during the stays. Accessory Dwelling Units, like backyard cottages, cannot be used as STR's. STR's are defined as rentals not exceeding 14 days. Only bedrooms can be rented out. Libraries, playrooms, living rooms, dining rooms cannot be used as STR's. The hosts would be required to have a valid business license and at least $500,000 in insurance. Hosts would also be required to notify neighbors of their property being used for STR's. Guests would be provided with information on relevant city ordinances related to noise, trash, and parking. When not present, the owner must designate a local contact to handle any complaints or issues that may arise. If three substantiated violations occur within 180 days the license will be forfeited for one year.

Austin, TX

Although significantly larger city than Portland, Austin has been one of the pioneers in terms of regulating STR's. Austin's policy limit the number of unrelated people who can stay in one place at a time to six. It also capped the number of listings in many neighborhoods throughout the city. Austin provides three STR categories that operators must register within. Type I is for owner occupied units. Type II is for non-owner occupied buildings two units or smaller. Type III is for non-owner occupied multi-family buildings wherein one or more unit is being utilized as an STR. Types II and III have caps that do not allow more than a certain percentage of the housing stock within each census district to be used as STR's.

A recent expose in the Washington Post identified significant enforcement issues with Austin's system. Problems were identified related to the number of people staying at STR's, absent landlords renting out property with problem causing guests, and what neighbors referring to as "rogue hotels operating in residential neighborhoods". The article interviewed local residents who did not appear to be concerned about allowing local people to rent out their primary homes but were having issues with properties that were managed in a more commercial manner.

Despite being passed only a few years earlier, Austin has already expressed regret about how it designed its policy. Due to growing concerns over non-owner occupied STR's (Type II), Austin passed (vote 9-2) amendments to their ordinance that will phase out Type II STR's by 2022. Other amendments included limiting the number of guests that can stay in an STR.

Los Angeles, CA

Los Angeles recently passed their "Home-Sharing Ordinance" on May 21, 2016. It is one of the most recent examples of STR regulations and reflects a growing trend of local governments restricting STR's to a host's primary dwelling. Los Angeles sited concerns regarding nuisance activities, change in character of certain neighborhoods, and most importantly, the loss of housing stock for local residents for reasons it decided to only allow STR's in primary residences.

San Francisco, CA

San Francisco only allows STR's if hosts are full time residents, rentals are capped at 90 Days (which is very challenging to enforce), and all hosts must register with the City. The regulations require Airbnb and other platforms to only post rental listings that are registered with the City of face daily fines of up to $1,000. Within a few months of adopting these regulations more than 700 hosts had registered with the City. Airbnb is currently suing the City of San Francisco claiming the fines directed at the online platform operator and not specific hosts violate federal law regulating online businesses.

New York City, NY

Current New York City law only allows a permanent residents to sublet their property for less than 30 days, and then only if they're still residing at the property. New York has engaged in some of the largest legal confrontations to date with Airbnb largely stemming from STR's effects on the local housing market. Airbnb recently began implementing a self-regulated "1:1 policy" which attempts to only allow each hosts to post one unit and remove those hosts who offer more than one residency for commercial use. Airbnb also tries to distinguish allowable uses such as traditional Bed & Breakfasts and allow them to continue advertising on its site. This is an interesting development that should be monitored. It is unclear whether or not Airbnb would be willing or able to offer a similar service to a smaller market like Portland.

Amsterdam, Netherlands

In 2014, Amsterdam became one of the first major cities to regulate short term rentals. Amsterdam and Airbnb signed a Memorandum of Understanding that allowed hosts to operate freely so long as they paid tourist taxes and only rented out their primary dwelling unit for no more than 60 days per year. Rotterdam, The Hague, and Utrecht are considering similar deals.

That said, Amsterdam is now considering not renewing the deal as Airbnb has refused to release data and stop listing to commercial hosts who have violate the rules of the agreement. Similar to what has been found in Portland, a recent look at data from AirDNA shows approximately 25% of Amsterdam hosts list more than one property. There is a chance that Amsterdam may outlaw all STR's if an agreement cannot be reached.

Berlin, Germany

Passed in 2014, Berlin has one of the toughest laws to date. It banned the letting of apartments without a permit. Hosts were given a two year grace period to rent to long term tenants or sell their property. Registered hosts may also rent out may rent out space in their home provided they are present during the guests entire stay and that rooms rented account for no more than 50% of the total floor space of the unit. Hosts who break the law are subject to a €100,000 ($111,770) fine. As a result, Airbnb listings fell by 40% since the start of May returning over 6,700 units to the local housing market. So far the threat of a large fine appears to be one of the most effective enforcement tools to date.

London, United Kingdom

London limits STR's to no more than 3 months per year. Some local Councils for the various neighborhoods are pursuing even tighter restrictions that would only allow a host to rent out their home for no more than 30 days every year. Residents must also register with the City and face fines up to $20,000 for violating the law.

Grand Rapids, Michigan

In 2014, Grand Rapids voted to regulate STR's. New regulations mandate that all units must be owner occupied with only one room per unit with a total of two guests being rented out at any time. Hosts must register for one of 200 available permits and notify neighbors within 300 feet. Fee's of $2,000 have been implemented for advertising an STR without a permit. Permits cost about $300 a year.

Vancouver, British Columbia

In early October Vancouver announced plans to regulate STR's. Like Portland and a number of other cities on this list, Vancouver is currently struggling with housing affordability issues. The proposed ordinance would limit STR's to primary residences and require registration with the City. It will not allow residents to rent out accessory dwelling units or more than one unit in their home. Airbnb recently expressed its initial support for the proposed regulations. It is estimated that approximately 1,000 of the 4,000 listed STR's in Vancouver are commercial STR's showing a similar ratio to Portland's market.

HOST COMPLIANCE

A PRACTICAL GUIDE TO EFFECTIVELY REGULATING SHORT-TERM RENTALS ON THE LOCAL GOVERNMENT LEVEL

Ulrik Binzer, Founder & CEO Host Compliance LLC

HOST COMPLIANCE

Contents

Introduction: The meteoric rise of "home-sharing" and short-term rentals

Sharing our homes has been commonplace for as long as there have been spare rooms and comfortable couches. Whether through word of mouth, ads in newspapers or flyers on community bulletin boards, renters and homeowners alike have always managed to rent out or share rooms in their living spaces. Traditionally these transactions were decidedly analog, local and limited in nature, but with advance of the internet and websites such as Airbnb.com and HomeAway.com it has suddenly become possible for people to advertise and rent out their homes and spare bedrooms to complete strangers from far-away with a few mouse-clicks or taps on a smartphone screen. As a result, the number of homes listed for short-term rent has grown to about 4 million, a 10 fold increase over the last 5 years. With this rapid growth, many communities across the country are for the first time experiencing the many positive and negative consequences of an increased volume of "strangers" in residential communities. While some of these consequences are arguably positive (increased business for local merchants catering to the tourists etc.) there are also many potential issues and negative side-effects that local government leaders may want to try to mitigate by adopting sensible and enforceable regulation.

How to effectively regulate home-sharing and short-term rentals has therefore suddenly become one of the hottest topics among local government leaders across the country. In fact, at the recent National League of Cities conference in Nashville, TN, there were more presentations and work sessions dedicated to this topic than to any other topic. Yet, despite more than 32,000 news articles written on the topic in recent years[i], surprisingly little has been written on how to implement simple, sensible and enforceable local policies that appropriately balances the rights of homeowners with the interests of neighbors and other community members who may only experience the negative side-effects associated with people renting out their homes on a short-term basis. This guide seeks to address this knowledge gap and offer practical advice and concrete examples of short-term rental regulation that actually works.

Why regulate home-sharing and short-term rentals in the first place?

There are many good reasons why local government leaders are focused on finding ways to manage the rapid growth of home-sharing and short-term rental properties in their communities. To name a few:

1. Increased tourist traffic from short-term renters has the potential to slowly transform peaceful residential communities into "communities of transients" where people are less interested in investing in one another's lives, be it in the form of informal friend groups or church, school and other community based organizations.

2. Short-term renters may not always know (or follow) local rules, resulting in public safety risks, noise issues, trash and parking problems for nearby residents.
3. So-called “party houses” i.e. homes that are continuously rented to larger groups of people with the intent to party can severely impact neighbors and drive down nearby home values.
4. Conversion of residential units into short-term rentals can result in less availability of affordable housing options and higher rents for long-term renters in the community.
5. Local service jobs can be jeopardized as unfair competition from unregulated and untaxed short-term rentals reduces demand for local bed & breakfasts, hotels and motels.
6. Towns often lose out on tax revenue (most often referred to as Transient Occupancy Tax / Hotel Tax / Bed Tax or Transaction Privilege Tax) as most short-term landlords fail to remit those taxes even if it is required by law.
7. Lack of proper regulation or limited enforcement of existing ordinances may cause tension or hostility between short-term landlords and their neighbors
8. The existence of “pseudo hotels” in residential neighborhoods (often in violation of local zoning ordinances etc.) may lead to disillusionment with local government officials who may be perceived as ineffective in protecting the interests of local tax-paying citizens.

In short, while it may be very lucrative for private citizens to become part-time innkeepers, most of the negative externalities are borne by the neighbors and surrounding community who may not be getting much in return. The big questions is therefore not whether it makes sense to regulate short-term rentals, but how to do it to preserve as many of the benefits as possible without turning neighbors and other local community members into “innocent bystanders”. In the next sections we will explore how to actually do this in practice.

Effective short-term rentals regulation starts with explicit policy objectives and a clear understanding of what regulatory requirements can be enforced

As with most regulation enacted on the local level, there is no “one size fits all” regulatory approach that will work for all communities. Instead local regulation should be adapted to fit the local circumstances and policy objectives while explicitly factoring in that any regulation is only worth the paper it is written on if it can be enforced in a practical and cost-effective manner.

Start with explicit policy objectives!

As famously stated in Alice in Wonderland: *“If you don't know where you are going, any road will get you there.”* The same can be said about short-term rental regulation, and unfortunately many town and city councils end up regulating the practice without first thinking through the community’s larger strategic objectives and exactly which of the potential negative side effects associated with short-term rentals that the regulation should try to address. As an example, the Town of Tiburon in California recently passed a total ban of short-term rentals without thinking through the severely negative impact of such regulation on its stated strategic policy objective of revitalizing its downtown. Likewise the City of Mill Valley, California recently adopted an ordinance requiring short-term landlords to register with the city, while failing to put in place an effective mechanism to shut-down "party-houses" although there had been several complaints about such properties in the past. Such oversight was clearly unintentional but highlights the fact that the topic of regulating short-term rentals is extremely complicated and it is easy to miss the forest for the trees when it comes time to actually writing the local code. To avoid this pitfall, local government leaders should therefore first agree on a specific list of goals that the new short-term rental regulation should accomplish *before* discussing any of the technical details of how to write and implement the new regulation. Any draft regulation should be evaluated against these specific goals and only code requirements that are specifically designed to address any of those concrete goals should be included in the final ordinance. Below are a few concrete examples of what such lists of concrete policy objective could look like for various types of communities:

Example A: List of short-term rental policy objectives for an affluent residential community in attractive location

- Ensure that traditional residential neighborhoods are not turned into tourist areas to the detriment of long-time residents
- Ensure any regulation of short-term rentals does not negatively affect property values (and property tax revenue)
- Ensure that homes are not turned into pseudo hotels or "party houses"
- Minimize public safety risks and the noise, trash and parking problems often associated with short-term rentals without creating additional work for the local police department
- Give permanent residents the option to occasionally utilize their properties to generate extra income from short-term rentals as long as all of the above mentioned policy objectives are met

Example B: List of short-term rental policy objectives for an urban community with a shortage of affordable housing

- Maximize the availability of affordable housing options by ensuring that no long-term rental properties are converted into short-term rentals
- Ensure that short-term rentals are taxed in the same way as traditional lodging providers to ensure a level playing field and maintain local service jobs
- Ensure that the city does not lose out on hotel tax revenue that could be invested in much needed services for permanent residents

- Minimize public safety risks and the noise, trash and parking problems often associated with short-term rentals without creating additional work for the local police department
- Give citizens the option to utilize their properties to generate extra income from short-term rentals as long as all of the above mentioned policy objectives are met

Example C: List of short-term rental policy objectives for a working-class suburban community with ample housing availability and a struggling downtown

- Give property owners the option to utilize their properties as short-term rentals to help them make ends meet
- Encourage additional tourism to drive more business to downtown stores and restaurants
- Minimize public safety risks and the noise, trash and parking problems often associated with short-term rentals without creating additional work for the local police department
- Ensure that the city does not lose out on tax revenue that could be invested in much needed services for permanent residents

Example D: List of short-term rental policy objectives for beach town with a large stock of traditional vacation rentals

- Ensure any regulation of short-term rentals does not negatively affect the value of second homes (and thereby property tax revenue)
- Encourage increased visitation to local stores and restaurants to increase the overall availability of services and maximize sales tax collections
- Minimize public safety risks and the noise, trash and parking problems associated with existing short-term rentals without creating additional work for the local police department

Once clear and concrete policy objectives have been formulated the next step is to understand what information can be used for code enforcement purposes, so that the adopted short-term rental regulation can be enforced in a cost-effective manner.

Only adopt policy requirements that can and will be enforced!

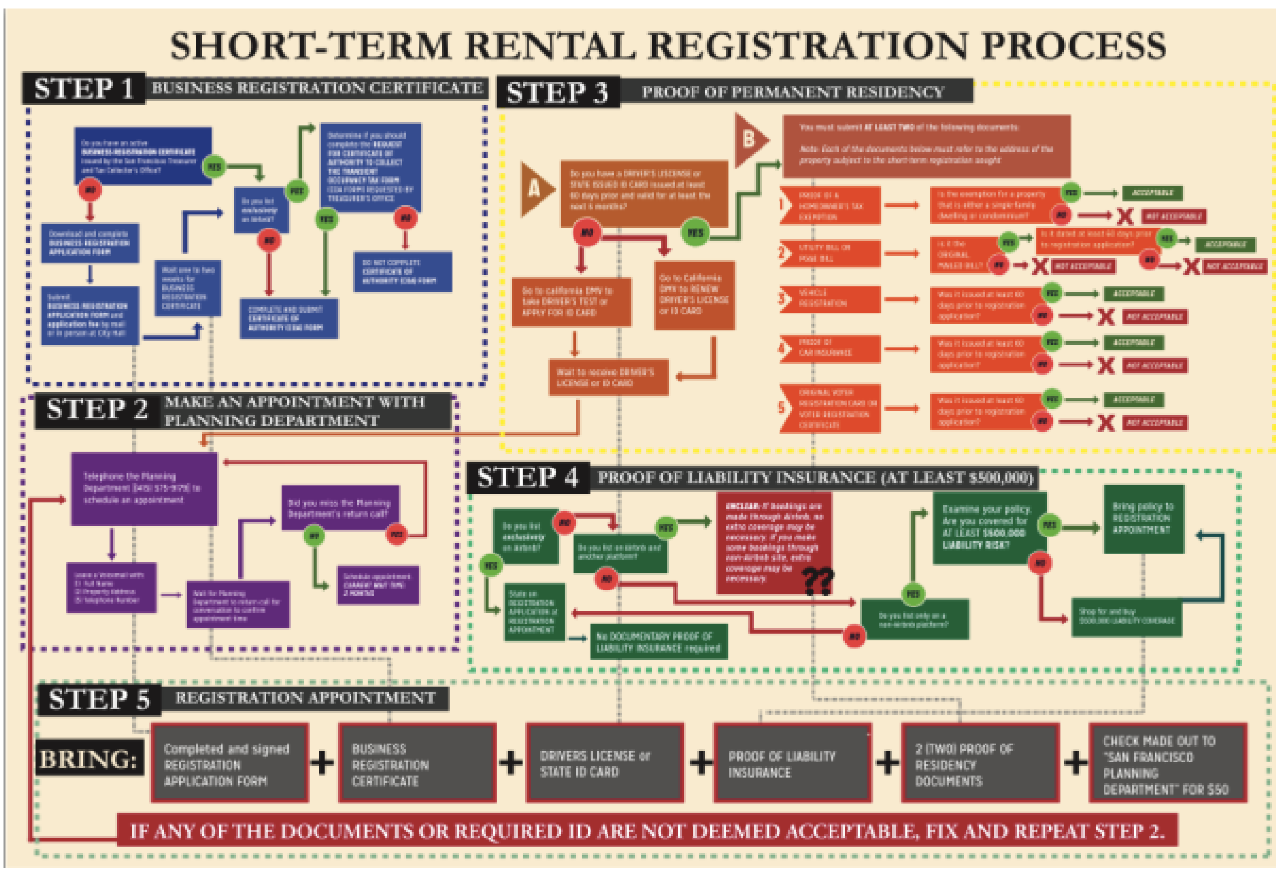
While it may seem obvious that *only enforceable legislation should be adopted*, it is mind-boggling how often this simple principle is ignored. To give a few examples, the two California towns previously mentioned not only failed to adopt regulation consistent with their overall strategic policy objectives, but also ended up adopting completely unenforceable rules. In the case of Tiburon, the town council instituted a complete ban of all short-term rentals within its jurisdiction, but not only failed to allocate any budget to enforce it, but also failed put in place fines large enough to deter any violation of the ban. As a result, the number of properties listed for rent has remained virtually unchanged before and after the ban.

In the case of Mill Valley, the town's registration requirement turned out to be completely unenforceable as the town's personnel had neither the technical expertise, time nor budget to track down short-term landlords that failed to register. As a result, the town has had to rely exclusively on self-reporting, and unsurprisingly the compliance rate has been less than 5%.

As for local governments that require short-term rental property owners to pay tax to the local jurisdiction without allocating budget to enforcing such rules, they have found themselves in similar situations, with compliance rates in the 5% range.

Keep it simple!

Another common mistake is for cities to adopt complicated rules that are hard for citizens to understand and follow and that require large investments in enforcement. As an example, despite setting up a dedicated department to enforce its short-term rental regulation, the City of San Francisco has only achieve a 10-15% compliance rate as its regulation is so complicated and its registration process so agonizing that most people give up before even trying to follow the rules. Below is flow-chart that illustrates San Francisco's cumbersome short-term rental registration process.



While hindsight is 20/20, it is worth noting that the registration requirements were probably well-intended and made logical sense to the council members and staff that adopted them. The problem was therefore not ill-will but a lack of understanding of the practical details as to how the various short-term rental websites actual work. As an example, San Francisco's short-term rental regulation require that property owner's display their permit number on any advertising (including online listings) whereas Airbnb's website has built-in functionality that specifically prevents short-term landlords from doing so and automatically deletes all "permit sounding" information from the listings in most locations. Likewise, San Francisco's legislation bans anyone for renting their homes for more than 90 days per calendar year, while none of the home-sharing websites give code enforcement officers the ability to collect the data necessary to enforce that rule. To make matters worse, the listing websites have refused to share any property specific data with the local authorities and have even gone as far as suing the cities that have been asking for such detailed data. Local government officials should therefore not assume that the listing websites will be collaborative when it comes to sharing data that will make it possible for local code enforcement officers to monitor compliance with complicated short-term rental regulation on the property level. Instead, local government leaders should seek to carefully understand the data limitations before adopting regulation that cannot be practically enforced. To get a quick overview of what information that can be relied on for short-term rental compliance monitoring and enforcement purposes, please see the diagram below that shows which:

1. data is publicly available on the various home-sharing websites
2. information that can be uncovered through the deployment of sophisticated "big data" technology and trained experts (or time-consuming and therefore costly detective work conducted by a town's own staff)
3. property specific details that are practically impossible to obtain despite significant investment of time and money

Publicly available data for majority of properties	Data that can be acquired through the use of sophisticated technology or laborious (costly) detective work	Data that is impossible to obtain for majority of
Interior photos	Address	# of nights rented per month/quarter/year
Listing description	Owner name	Rental revenue per month/quarter/year
Location within half a mile of actual location	Permit information	

So where does that leave local government leaders who want to put in place enforceable short-term rental regulation? In the next section we will explore, describe, and assess the viable regulatory tools available for local government leaders to effectively address the key issues related to taxation, regulation, social equity and economic development.

Viable regulatory approaches to managing short-term rentals

As mentioned earlier, the first step to creating effective short-term rental regulation is to document and get agreement on a set of clear and concrete policy objectives. Once this has been accomplished, putting together the actual regulatory requirements can be simplified by referring to the "cheat sheet" below, which lists the regulatory levers that can be pulled to accomplish those goals in a practical and cost-effective manner while factoring in the data limitations highlighted in the previous section.

Short-term Rental Policy Objectives and the Associated Viable Regulatory Approaches

Policy Objective	Viable Regulatory Approach(es)	Unviable Regulatory Approach(es)
Give ***law abiding and respectful*** citizens the option to utilize their homes as short-term rentals	Adopt a formal annual permitting requirement and a process for revoking permits from "trouble properties". As an example a local government can adopt a "3 strikes rule" whereby a permit is automatically revoked for a number of years in the event the local government receives 3 (substantiated) complaints about a property within a certain time frame (i.e. a 24 month period). Alternatively, a local government can adopt a rule by which a permit is automatically revoked in the event the town receives conclusive evidence (police report, video evidence etc.) that a city ordinance has been violated.	Failing to clearly specify what rules law abiding and respectful short-term landlords and their renters must comply with. Adopting regulation that does not clearly define the criteria and process for revoking a short-term rental permit.
Ensure that speculators do not buy up homes to turn them into pseudo hotels while still giving ***permanent***	Adopt a formal permit requirement and make it a condition that the permit holder verifies residency on an annual	Adopting a permitting process that does **not** formally require short-term rental permit

residents the option to utilize their homes to generate extra income from short-term rentals	basis by submitting the same documentation as is required to verify residency for public school attendance purposes	holders to verify that they are permanent residents of the permitted property
Ensure that homes are **<u>only</u>** occasionally used as short-term rentals (and **<u>not</u>** continuously rented out to new people on a short term basis)	It is unfortunately not practically possible to enforce any formal limits on the number of times or number of days that a particular property is rented on an annual/quarterly/monthly basis, but adopting a permanent residency requirement for short-term rental permit holders (see above) can ensure that there is a practical upper limit to how often most properties are rented out each year (most people can only take a few weeks of vacation each year and they are therefore practically restricted to rent out their homes for those few weeks). There is unfortunately no easy way to deal with the tiny minority of homes where the "permanent resident" owners have the ability to take extended vacations and rent out their home continuously. That said, if the above mentioned "permanent residency requirement" is combined with rules to mitigate noise, parking and trash related issues, the potential problems associated with these few homes should be manageable. Adopting a ""permanent residency requirement" also comes with the additional side benefit that most people don't want to rent out their primary residence to people who may trash it or be a nuisance to the neighbors. The "permanent residency requirement" can therefore also help minimize noise, parking and trash related issues.	A formal limit on the number of times or number of days each property can be rented on an annual/quarterly/monthly basis is not enforceable as occupancy data is simply not available without doing a formal audit of each and every property.

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Ensure homes are **not** turned into "party houses"	Adopt a formal permit requirement and put in place a specific limit on the number of people that are allowed to stay on the property at any given time. The "people limit" can be the same for all permitted properties (i.e. a max of 10 people) or be correlated with the number of bedrooms. In addition, the regulation should formally specify that any advertisement of the property (offline or online) and all rental contracts must contain language that specifies the allowed "people limit" to make it clear to (potential) renters that the home cannot be used for large gatherings. While not bullet-proof, adopting these requirements will deter most abuse. In addition it is possible to proactively enforce this rule as all listing websites require (or allow) hosts to indicate their property's maximum occupancy on the listings.	Adopting any regulation that does not clearly define what types of uses are disallowed will be ineffective and likely result in misinterpretation and/or abuse.
Minimize potential parking problems for the neighbors of short-term rental properties	Adopt a formal permit requirement and put in place a specific limit on the number of motor vehicles that short-term renters are allowed to park on/near the property. The "motor vehicle limit" can be the same for all permitted properties (i.e. a max of 2) or be dependent on the number of permanent parking spots available on the property. In addition, the regulation should formally specify that any advertisement of the property (offline or online) and any rental contract must contain language that specifies the allowed "motor vehicle limit" to make it clear to (potential) renters that bringing more cars is disallowed. As with the "people limit" rule mentioned above,	Adopting any regulation that does not clearly define a specific limit on the number of motor vehicles that short-term renters are allowed to park on/near the property.

	adopting these parking disclosure requirements will deter most abuse. In addition it is easy to proactively enforce this rule as most listing websites require or allow their hosts to describe their property's parking situation on the listing.	
Minimize public safety risks and possible noise and trash problems without creating additional work for the local police department and code enforcement personnel	1. Require that all short-term rental contracts include a copy of the local sound/trash/parking ordinances and/or a "Good Neighbor Brochure" that summarizes the local sound/trash/parking ordinances and what is expected of the renter. 2. Require that short-term rental permit holders list a "local contact" that can be reached 24/7 and immediately take corrective action in the event any non-emergency issues are reported (i.e. deal with suspected noise, trash or parking problems) 3. Establish a 24/7 hotline to allow neighbors and other citizens to easily report non-emergency issues without involving local law/code enforcement officers. Once notified of a potential ordinance violation, the hotline personnel will contact the affected property's "local contact", and only involve the local law and/or code enforcement personnel in the event that the "local contact" is unsuccessful in remedying the situation within a reasonable amount of time (i.e. 20-30 minutes).	Adopting any regulation and enforcement processes that do not explicitly specify how non-emergency problems should be reported and addressed.
Ensure that no long-term rental properties are converted to short-term	Adopt a permanent residency requirement for short-term rental permit holders (see above) to	Adopting a permitting process that does **not** formally require short-

HOST COMPLIANCE

rentals to the detriment of long-term renters in the community	prevent absentee landlords from converting long-term rental properties into short-term rentals.	term rental permit holders to verify that they are permanent residents of the permitted property will be ineffective in preventing absentee landlords from converting their long-term rental properties into short-term rentals.
Ensure that residential neighborhoods are not inadvertently turned into tourist areas to the detriment of permanent residents	Implement one or both of the following regulatory approaches: 1. Adopt a formal permit requirement and set specific quotas on the number of short-term rental permits allowed in any given neighborhood, and/or 2. Adopt the "permanent residency requirement" for short-term rental permit holders (mentioned above) to ensure that there is a practical upper limit to how often any property is rented out each year	Adopting a complete ban on short-term rentals, unless such a ban is heavily enforced.
Ensure any regulation of short-term rentals does not negatively affect property values or create other unexpected negative long-term side-effects	Adopt regulation that automatically expires after a certain amount of time (i.e. 2-5 years) to ensure that the rules and processes that are adopted now are evaluated as the market and technology evolves over time.	Adopt regulation that does not contain a catalyst for evaluating its effectiveness and side-effects down the line.
Ensure the physical safety of short-term renters	Adopt a physical safety inspection requirement as part of the permit approval process. The inspection can be conducted by the municipality's own staff or the local fire/police force and can cover various amounts of potential safety hazards. As a minimum such inspection should ensure that all rentals provide a minimum level of protection to the renters who are sleeping in	Adopting a self-certification process that does not involve an objective 3rd party.

	unfamiliar surroundings and therefore may be disadvantaged if forced to evacuate the structure in the event of an emergency.	

In addition to the above targeted regulatory measures, local governments should adopt requirements for short-term rental permit holders to maintain books and records for a minimum of 3 years so that it is possible to obtain the information necessary to conduct inspections or audits as required. Finally, it is imperative that local governments adopt fine structures that adequately incentivizes short-term landlords to comply with the adopted regulation. Ideally the fines should be proportionate to the economic gains that potential violators can realize from breaking the rules, and fines should be ratcheted up for repeat violators. Below is an example of a fine schedule that will work for most jurisdictions:

<table>
<tr><th></th><th>1st violation</th><th>2nd violation</th><th>3rd violation</th><th>4th violation</th></tr>
<tr><td>Fine for advertising a property for short-term rent (online or offline) without first having obtained a permit or complying with local listing requirements</td><td>$200 per day</td><td>$400 per day</td><td>$650 per day</td><td rowspan="2">Upon the fourth or subsequent violation in any twenty-four month period, the local government may suspend or revoke any permit. The suspension or revocation can be appealed.</td></tr>
<tr><td>Fine for violating any other requirements of the local government’s short-term rental regulation</td><td>$250 per day</td><td>$500 per day</td><td>$750 per day</td></tr>
<tr><td colspan="5">Notes:
(a) Any person found to be in violation of this regulation in a civil case brought by a law enforcement agency shall be ordered to reimburse the local government and other participating law enforcement agencies their full investigative costs, pay all back-owed taxes, and remit all illegally obtained short-term rental revenue proceeds to the local government
(b) Any unpaid fine will be subject to interest from the date on which the fine became due and payable to the local government until the date of payment.
(c) The remedies provided for in this fine schedule are in addition to, and not in lieu of, all other legal remedies, criminal or civil, which may be pursued by the local government to address any violation or other public nuisance.</td></tr>
</table>

Best Practices for Enforcing Short-term Rental Regulation

To implement any type of effective short-term rental regulation, be it a total ban, a permitting requirement, and/or a tax, local governments must expect to invest some level of staff time and/or other resources in compliance monitoring and enforcement. That said, most local governments are neither technically equipped nor large enough to build the true expertise and sophisticated software needed to do this cost-effectively. There are several reason why this is the case:

1. Rental property listings are spread across dozens (or hundreds) of different home sharing websites, with new sites popping up all the time (Airbnb and HomeAway are only a small portion of the total market)
2. Manually monitoring 100s or 1,000s of short-term rental properties within a specific jurisdiction is practically impossible without sophisticated databases as property listings are constantly added, changed or removed
3. Address data is hidden from property listings making it time-consuming or impossible to identify the exact properties and owners based just on the information available on the home-sharing websites
4. The listing websites most often disallow property owners from including permit data on their listings, making it impossible to quickly identify unpermitted properties
5. There is no manual way to find out how often individual properties are rented and for how much, and it is therefore very difficult to precisely calculate the amount of taxes owed by an individual property owner

Luckily, it is possible to cost-effectively outsource most this work to new innovative companies such as Host Compliance that specialize in this area and have developed sophisticated big data technology and deep domain expertise to bring down the compliance monitoring and code enforcement costs to a minimum. In many situations, these companies can even take on all the work associated with managing the enforcement of the short-term rental regulation in return for a percentage of the incremental permitting fees, tax revenue and fine revenue that they help their local government partners collect. ***Adopting short-term rental regulation and outsourcing the administration and enforcement can therefore be net-revenue positive for the local government, while adding no or little additional work to the plates of internal staff. What's more, getting started generally requires no up-front investment, long-term commitment or complicated IT integration.***

That said, while it is good to know that adopting and enforcing short-term regulation can be net revenue positive if done in partnership with an expert firm, it is important to note that the economic benefits are only a small part of the equation and that local government leaders should also factor in the many non-economic benefits associated with managing and monitoring the rapidly growing short-term rental industry in their local communities. These non-economic benefits are often much more important to the local citizens than the incremental tax revenue, so even if the incremental revenue numbers may not seem material in the context of a local government's overall budget, the problems that unregulated and/or unmonitored short-term rentals can cause for the neighbors and other "innocent bystanders" can be quite material and should therefore not be ignored. Or as Jessica C. Neufeld from Austin, TX who suddenly found herself and her family living next to a "party house" reminds us: *"We did not buy our house to be* *living next to a hotel. Would you buy a home if you knew a hotel like this was operating next door, if you wanted to set your life up and raise a family?"[ii]*.

Conclusion

It is the responsibility of local government leaders to ensure that as few people as possible find themselves in the same unfortunate situation as Jessica and her family. In this white-paper we have outlined how to make it happen - in a revenue positive way. To find out more about how we can help your community implement simple, sensible and enforceable short-term rental regulation, feel free to visit us on www.hostcompliance.com or call us for a free consultation on (415) 715-9280. We would also be more than happy to provide you with a complimentary analysis of the short-term rental landscape in your local government's jurisdiction and put together an estimate of the revenue potential associated with adopting (or more actively enforcing) short-term rental regulation in your community.

About the Author

Ulrik Binzer is the Founder and CEO of Host Compliance LLC, the industry leader in short-term rental compliance monitoring and enforcement solutions for local governments.

Ulrik got the idea to found Host Compliance when he was serving on a committee appointed by his local town council to study possible ways to regulate short-term rentals in the local community. In preparation for his work on the committee, Ulrik spent countless hours researching how other municipalities had approached the regulation of short-term rentals, and it became evident that enforcing the regulations and collecting the appropriate taxes without the support of sophisticated technology was virtually impossible. As a result, Ulrik set out to build those tools and make them available to municipalities of all sizes at a fraction of the cost of what it would cost them to build and run such technology internally.

Prior to founding Host Compliance, Ulrik served as Chief Operating Officer of Work4 Labs - an 80 person Venture Capital backed technology company with offices in Silicon Valley and Europe, and Soligent Distribution LLC - the largest distributor of solar equipment to local governments and businesses in the Americas.

Before assuming executive management roles in technology companies, Ulrik served as Vice President of the private equity firm Golden Gate Capital, as a strategy consultant at McKinsey & Company and as an Officer in the Danish Army where he commanded a 42-person Platoon and graduated first in his class from the Danish Army's Lieutenant School.

Ulrik received his M.B.A. from Harvard Business School where he was as a Baker Scholar (top 5% of his class) and earned his Bachelor of Science degree in International Business from Copenhagen Business School and New York University.

Ulrik can be contacted on (415) 715-9280 or binzer@hostcompliance.com. You can follow him and Host Compliance on twitter on @HostCompliance.

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[i] Google News accessed on 1/5/2016

[ii] New York Times article: “New Worry for Home Buyers: A Party House Next Door”, October 10, 2015

Attachment C: Draft STR Regulatory Framework for Portland

1. An STR is a dwelling unit or bedroom in a dwelling unit that rents residential space to transient guests for less than 30 days;
2. All STR's must register annually with the Housing Safety Office;
3. To discourage the removal of units from the local housing stock, all STR's must be owned by the host as their primary dwelling;
    a. If the dwelling unit is owned by an LLC or other corporate entity it will not be considered a primary residence;
4. To reduce the opportunity for disturbance to neighbors, no host can rent out or advertise more than three bedrooms with no more than 2 guests per bedroom;
5. Libraries, playrooms, living rooms, dining rooms, basements, garages, and other non-bedroom space as reflected in the assessor database cannot be used towards the occupancy or bedroom limitations for STR's;
6. STR regulations would not apply to the Islands;
7. STR regulations would not supersede condo bylaws;
8. Escalating penalty for advertising or renting an STR without first registering with the City;
    a. Penalty of $500.00 for first offense;
    b. Penalty of $10,000 for any subsequent offense;
9. Fines may be placed as liens on the violating property;
10. Property management firms found advertising STR's without proper registration may be fined. These fines may be in addition to fines or liens levied against the property owner;
11. All registration fees and penalty fees shall be contributed towards administrative costs and the Housing Trust Fund;
12. Hosts must sign an affidavit that the registered unit is their primary residence and provide copies of documents approved by the City demonstrating compliance with this residency requirement;
13. Hosts must sign an affidavit drafted by the City that the STR unit is up to date on all safety codes including but not limited to having working smoke/CO detectors, proper egress, and access to fire extinguishers;

14. As a condition of registration, STR's must allow on-site inspections, as well as upon request present their registration information, rental history and upcoming reservations;
15. A registration identification number will be given to each host. A valid registration number must be available on-site upon request and be visible in the description of any advertisement;
16. Three strike limit for any violations within a 12 month period leading to a minimum of a 12 month loss of registration;
17. Issuance of a strike may also include the property owner or their authorized agent not adequately responding to inquiries by the City, within a reasonable amount of time;
18. Operating or advertising STR's with a revoked registration is an automatic $10,000 fine.

SHORT TERM RENTALS IN PORTLAND

ANALYSIS AND DRAFT REGULATORY FRAMEWORK

VARIETY OF ONLINE SHORT TERM RENTAL (STRs) PLATFORMS

- HomeAway
- Airbnb
- VRBO
- VacationRentals.com
- Craigslist
- Flipkey
- Homelidays
- Owners Direct
- Travelmob
- HomeExchange
- Homestay
- Couchsurfing
- Love Home Swap
- Bedycasa
- Homelidays
- Homestayin

AIRBNB

- Airbnb is the largest operating platform and its name has become synonymous with STR's
- Initially began in 2008 as a way to share extra space in your home
- It has since grown into a multi-billion dollar industry with over 2,000,000 listings, in 34,000 cities, and 191 countries.
- Current market valuation estimated at $30 billion

BENEFITS OF SHORT TERM RENTALS

- Often more affordable to visitors than traditional hotels
- Additional tourism revenue for the local economy
- Unique interaction between guests and hosts helping to positively market Portland to the outside world
- Provides additional lodging space during peak seasons and holidays
- Additional revenue for local residents to pay debts, maintain their home, or many other positive uses

CONCERNS/ISSUES

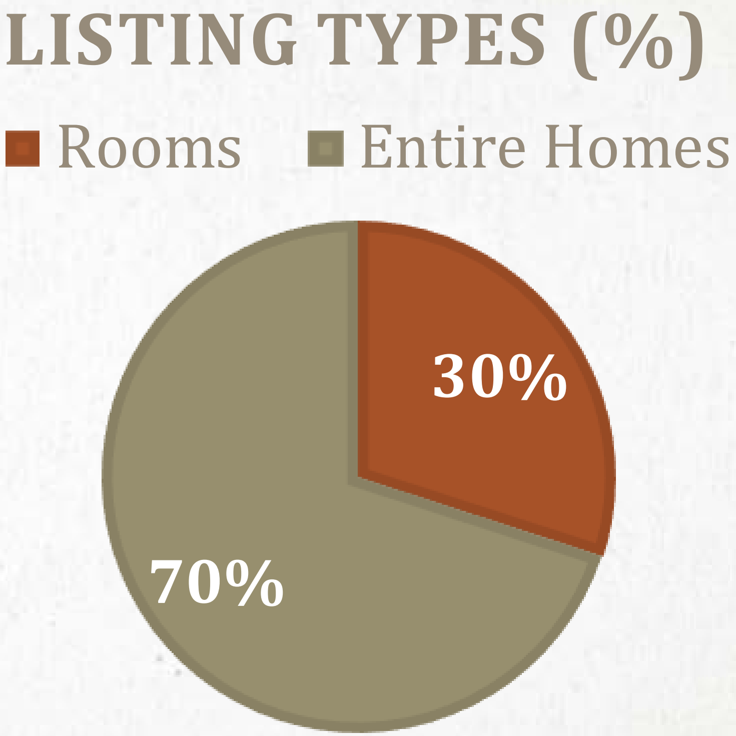
- Conflicts with existing zoning and other regulations
- Removal of housing units from the long term market
- Disruptions to neighborhood character
- Disturbances to other residents
- Building Code/Safety issues
- Unfair competition and regulatory confusion for other lodging types
- Unpaid local lodging taxes

MOST COMMON CONCERNS FOR PORTLAND

- Conflicts with existing zoning and other regulations
- Removal of housing units from the long term market
- Disruptions to neighborhood character/Disturbances to other residents
- Building Code/Safety issues

MARKET DATA

Data Source	# of Active Listings
AirDNA	439
AirBnB	623



MARKET DATA

	August 2015	August 2016	Delta (%)
# of Entire Units	206	311	+66%
Avg. Price/Unit	$228	$235	+3%

MARKET DATA

August 2016	2-Bed FMR/Month	STR/Month – 2 Rooms	Delta (%)
50th Percentile of Hosts	$1,109	$4,177	+376%
83rd Percentile of Hosts	$1,109	$6,026	+543%

MARKET DATA

	June 2016	October 2016	Delta (%)
# Hosts w/Multiple Units	61	76	25%

MARKET DATA

According to AirDNA

- ❑ 35% of hosts rent for 4-12 of the year
- ❑ Equivalent to 153 units
- ❑ Likely operating primarily as STR

MARKET DATA

According to AirBnB

- The majority of hosts are likely only renting their primary residence
- 86% of hosts have only one listing
- Average listing is rented for 44 days a year

MARKET DATA

According to AirBnB

- ❑ 14% of hosts have more than one listing
- ❑ Equivalent to 127 units
- ❑ 44%, or 189 units, rent units for more than 90 days per year

VACANCY RATES

	Landlords Market	Tenants Market	Portland
Vacancy Rate	-5%	+5%	2.9%

VACANCY RATES

	Housing Units on Peninsula	Non-Owner Occupied Units	% of Units on Peninsula
Market Impact	12,000	150	1.3%

IMPACT ON NEIGHBORHOODS

- Disturbances to neighbors – Noise, parties, late arrivals, etc.
- Disruptions to neighborhood character and erosion of sense of community
- Damage to property value of neighboring homes
- Illegal commercial operations in residential zones

REGULATIONS TAILORED TO EACH COMMUNITY

- Different communities have different needs
- Beach communities may need different regulations than urban communities with housing shortages

REGULATIONS IN OTHER CITIES WITH HOUSING SUPPLY SHORTAGES

- Santa Monica, CA
- Boulder, CO
- Portland, OR
- Vancouver, BC
- Madison, WI
- Charlottesville, VA
- Berkeley, CA
- Los Angeles, CA
- Grand Rapids, Michigan
- Denver, CO
- San Francisco, CA
- Austin, TX
- London, UK
- Berlin, Germany
- Seattle, WA (Under Review)
- Raleigh, NC

DRAFT FRAMEWORK – KEY REGULATIONS

- STRs limited to a hosts primary residence
- No more than one unit per host
- Must register with the City
- Three strike policy to control problem properties
- No more than 3 bedrooms/6 people per unit
- Violations include advertising an STR that is out of compliance
- Easy registration process for eligible hosts
- Affidavits confirming building safety and primary residence
- Significant fines after first warning/fine

ENFORCEMENT

- Most challenging aspect of STR regulations
- A complete ban on STRs is unlikely to be effective
- Simplicity, easy registration, and significant fines for violations are key components of effective enforcement

SHORT TERM RENTALS IN PORTLAND

ANALYSIS AND DRAFT REGULATORY FRAMEWORK