MILWAUKIE
Dogwood City of the West

To: **Planning Commission**

From: **Denny Egner, Planning Director**

Date: **February 22, 2016 for February 23, 2016**

Subject: **Supplemental Packet**

Enclosed is the supplemental packet for the February 23rd Planning Commission meeting and includes the materials per Agenda Item below.

5.0 Public Hearing

- 5.2 ZA-2015-003 Short-term Rentals Code Amendments*
  - Attachment 1 Exhibit A.1 – Supplemental Findings in Support of Approval
  - Attachment 3 – February 18, 2016 Email from Philip Nameny, City of Portland

*This item was continued from February 9, 2016. Please see that meeting packet for the staff report and attachments. (http://www.milwaukieoregon.gov/planning/planning-commission-132)

A supplemental e-packet PDF has been posed and can be viewed at http://www.milwaukieoregon.gov/planning/planning-commission-145. If you have trouble accessing the link, feel free to contact Alicia Martin at (503) 786-7600 or martina@milwaukieoregon.gov.

Supplemental Findings in Support of Approval
File ZA-2015-003, Zone Text Amendment for Short Term Rentals, Vacation Rentals, Bed and Breakfasts, and Related Changes

Goal 10 Findings

In a letter submitted on February 9, 2016, Land Housing Advocates expressed concern that the City has not adequately addressed statewide planning goal 10 in its analysis of the proposed code text amendments. In essence, the letter implies that allowing short term rentals and vacation rentals will diminish the supply of housing in Milwaukie by allowing conversion of housing to commercial lodging.

The City's response follows and includes the following findings:

1. Rentals provide income to allow people to afford housing. Anecdotal evidence demonstrates that the rental income that is gained through short term rentals allows individuals to afford to own their homes. On February 9, 2016, two individuals testified before the Planning Commission, that revenue from short-term rentals made their housing affordable. This is a point that is also made in many articles about short-term rentals on the internet.

2. Short-term rentals will have a very small impact on the Milwaukie housing market. In a February 12 email to Milwaukie Planning Director Dennis Egner, Philip Nameny, the City of Portland's planner managing the Portland's short term rental program, estimates that there are approximately 1500 total units being offered as short-term rentals within the Portland city limits. Of the 1500 units, just over 1/3 (about 550) have been processed as legal units (see Attachment 3 of the staff report). The legal units represent less than a fraction of one percent (0.2%) of the total number of housing units in Portland (265,000 dwelling units in 2010). If we assume a similar proportion of legal units in Milwaukie, we can expect to have about 18 legal short term rental properties in Milwaukie based on Milwaukie's 9,138 dwellings (2010 census). This small number is within the margin of error for any housing forecasts that have been done for the City of Milwaukie by Metro (see finding # 5 below).

   Local governments, including Milwaukie, have no control over how many short-term rental operators choose to go through the process of getting the required permits for their rentals. Illegal units will always exist and can only be managed through very labor intensive enforcement. The internet brokers (Airbnb and VRBO) have no incentive to assist local governments in the enforcement of local regulations since they get their payments regardless of whether the operation is legal or not.

3. Vacation rental conversion is likely to be rare and will not impact housing supply significantly. The City's proposal will allow short-term rentals as home occupations for residential dwellings throughout the community. The proposal requires that a resident occupy the home with the short-term rental use for no less than 270 days per year. The proposal also includes provisions for establishing vacation rentals where the owner/occupant is absent or is there for less than 270 days per year. In these cases, an

applicant must go through a conditional use process with a required public hearing before the planning commission and public notice sent to surrounding properties. Given the involved process that would be required for a vacation rental conditional use and the overall expected low demand based on the number of short-term rentals in Portland, the impact of vacation rentals on the Milwaukie housing supply is expected to be minimal.

4. Milwaukie is a small, slowly growing, suburban community with limited growth potential. According to Portland State University population estimate, the City of Milwaukie had a population of 20,485 in 2014. The official year 2000 US census population count for the City was 20,490. Essentially, Milwaukie has seen no population growth for almost 15 years. Over a similar time frame, the number of households in Milwaukie has increased by just over 200 from 8,561 in the year 2000 to 8,764 in 2013. In addition, the number of housing units increased from 8,988 in the year 2000 to 9,095 in 2013 – an increase of only 107 units (Data source: 2000 US Census and the 2013 American Community Survey).

   There are a few reasons for Milwaukie's slow growth over the past 13 to 15 years. These include:

   - The community is built out. For the most part, Milwaukie is built out and the only development that can occur is through infill and redevelopment.
   - The City limits are confined by existing development. Almost all of the land within the City's urban service boundary with Clackamas County is already developed with a full range of urban services including urban levels of water, sewer, park and recreation, and fire protection service provided by special districts. There is no incentive for these properties to annex to the City and redevelop.
   - Opportunities for infill development are limited. The majority of the infill opportunities in the city are through small lot partitions that allow the creation of one or two flag lots in the backyard of an existing single family home.
   - Redevelopment opportunities are constrained by market forces. The City recently conducted the Moving Forward Milwaukie project to reexamine commercial zoning in the downtown and central Milwaukie. As part of that project, an economic feasibility analysis examined five redevelopment sites downtown and two in central Milwaukie. The study found that rents in Milwaukie were too low for properties to redevelop without some form of development assistance.

5. Metro forecasts predict household growth in Milwaukie over the next 25 years. Metro is in the process of updating its forecasts for transportation analysis zones (TAZs). In January 2016, City staff submitted comments to Metro staff regarding preliminary forecasts. Preliminary Metro forecasts for Milwaukie TAZs are included below (note that TAZs do not follow city boundaries exactly):

   - 2010 Milwaukie Households 9,470
   - 2015 Milwaukie Households 9,472
   - 2040 Milwaukie Households 11,068
   - 2015-2040 Change in HHs 1,596

The forecast indicates a 17% increase in housing units over the 25-year period. The Metroscope econometric model allocates households to different jurisdictions around the region based on a number of factors including economic factors and land availability. This forecast assumes an increase of approximately 64 households per year over the time period. Despite the lack of development over the past 15 years, this does not seem like an unrealistic number given the City's proximity to downtown Portland and the close-in commute. The key will be to have a strong redevelopment program that can help bridge the financial gaps identified in the Moving Forward Milwaukie study.

6. The City is preparing a housing needs analysis and updating its comprehensive plan. The background section of housing element of the City of Milwaukie Comprehensive Plan was last update in the late 1990s. It provides little reliable data that can be used to address housing needs in 2016. Recognizing this, the City of Milwaukie is in the process of hiring a consultant to assist the City with a new housing needs analysis that will serve as the basis for updating the housing element of the comprehensive plan. The plan update is envisioned as a three-year process and will include policy analysis and potential map revisions. The upcoming housing needs analysis and corresponding plan amendments will ensure that Milwaukie's diverse housing needs are met well into the future.

7. There are no legal commercial lodging units in Milwaukie. The City has no record of any legal commercial lodging units within the Milwaukie city limits. There are no hotels or motels and no bed and breakfast establishments. Based on testimony from operators of short-term rentals, there is demand for rentals in Milwaukie and the renters who occupy short-term rentals help support the local economy by shopping locally and visiting local restaurants.

Conclusion

The City finds that statewide planning Goal 10 is satisfied by the proposal given that there is relatively low demand in Milwaukie for short term rentals and vacation rentals and that the impact on the housing supply will be small. In addition, the majority of rentals made available for visitors will be short-term rentals rather than vacation rentals and in these cases, the short-term rental will help make the residence more affordable for the owner/occupant. Finally, short-term rentals will have the positive impact of bringing visitors to Milwaukie to spend money in local shops and restaurants.

From: Nameny, Phil <Phil.Nameny@portlandoregon.gov>
Sent: Thursday, February 18, 2016 3:08 PM
To: Burns, Al (Planning and Sustainability)
Cc: Egner, Dennis
Subject: RE: Short Term Rentals

Al & Denny,

I have access to our permitting records, so a review of our permits only takes a few minutes, probably not worth a public records request.

A couple items to keep in mind. The short-term rental code changes, allowing 1-2 bedrooms to be rented through the permit process, went into effect 8/29/14 for single dwelling development and 2/13/15 for multi-dwelling development. In addition, an applicant still had the option to rent 3-5 bedrooms through the Conditional Use process (which had been the only mechanism prior to the changes). The information presented below focuses on the short-term rental permit program, as we generally receive only a couple requests for larger "bed and breakfast" type facilities per year.

The short-term rental permit is a two year permit, so we have not gone through a full cycle into renewals.

Single-dwelling short-term rental permits (since 8/29/14)
528 permits on record
410 permits issued (meaning they passed notification, review and inspection)
20 permits closed/cancelled (withdrawn, voided, business closed)
11 permits violation (generally meaning something about space didn't meet code, or not done with permits)
87 permits application status(either recently submitted or haven't responded to additional request for info)

Multi-dwelling short-term rental permits (since 2/13/15)
25 permits on record
22 permits issued (meaning they passed notification, review and inspection)
2 closed
1 application status

As you may be aware, it can be difficult to estimate the total number of short-term rentals operating in Portland. As we were developing the code in 2014, the estimated numbers were in the 1500 range. However, Air BnB no longer show all listings based on a category/geographic area, but only the top 300. In addition, certain listings considered to be Portland listings may actually be outside of city limits. As we go into a monitoring project later this year, our hope is to be able to update the number of units that may be available. However, it is likely that we have issued licenses to 25% or fewer of the operating businesses.
Hope this helps.

Phil Nameny, AICP
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From: Burns, Al (Planning and Sustainability)
Sent: Thursday, February 18, 2016 12:59 PM
To: Nameny, Phil <Phil.Nameny@portlandoregon.gov>
Cc: Egner, Denny <egnerd@milwaukieoregon.gov>
Subject: Short Term Rentals

Phil,

Denny's planning commission wanted to know an estimate of the total number short term rentals we have, and how many of those have allowed the required inspection to become legal.

He asked our revenue department, but they wanted a public records request to provide the answer.

Would mind giving him approximate numbers, which are good enough for his purpose.

Thanks,

Al

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