



Staff Report

To: Planning Commission
From: Planning Staff
Report: January 12, 2018
Meeting: January 16, 2018
Item: Short Term Rentals (STRs)

General Information

Requested Action: Discuss Options for revising the Short Term Rental (STR) Ordinance and direct staff accordingly
Purpose: To revise Sandpoint City Code Title 3, Chapter 12
Included in Staff Report: 1. STR Policy Objectives 2. Staff Proposed Recommendations
Attached: 1. Maps of existing Permitted Short Term Rentals within the Residential Zones with and without Home Owner Exemptions 2. Housing Census Data (2011-2015 American Community Survey) 3. Recommended Procedures

1. STR Policy Objectives

1. Ensure that Sandpoint’s traditional neighborhoods—highly valued by residents—are not transformed exclusively into tourist areas to the detriment of long-term residents.
2. Minimize public safety risks and negative impacts to neighborhoods.
3. Provide permanent residents an equitable path to occasionally utilize their properties as short-term-rentals.
4. Ensure that the availability of dedicated short-term rental properties are balanced with the need for affordable long-term rental housing options.
5. Ensure that the City is able to collect resort city lodging taxes fairly and equitably.
6. Ensure that any resulting ordinance changes are enforceable so that a level playing field is maintained.
7. Ensure any resulting ordinance changes are in accord with Idaho House Bill 216, which went into effect Jan. 1st, 2018.

Sandpoint Comprehensive Plan Quotes:

“Provide Sandpoint workers with affordable housing options near jobs, public transportation, and non-motorized transportation options.”

“Sandpoint residents value their traditional neighborhoods, including the Downtown and areas such as Sixth Avenue. The community recognizes the need to preserve not just individual historic buildings, but the traditional scale and feeling of the city’s original neighborhoods platted by Farmin.”

“In recent times, Sandpoint’s fortunes have spurred growth and investment in such a way as to compromise affordability. To combat this, residents have become more proactive in a role for themselves and for the City in promoting and encouraging a wide range of housing types, keeping pace with housing demand, and acting to improve other livability factors to bridge the distance between costs of living in Sandpoint with what residents earn.”

2. Staff Recommendations

Based on feedback from the public, Council, Administration and legal as well as research conducted and policy objectives established, staff recommends:

Recommendation 1:
Limit the number of dedicated (non-homeowner occupied) STRs within residential zones (see Table 1).

Owner occupied (permitted)	Where a homeowner rents out rooms or the entire unit but the property remains the owner’s primary residence.
Non-Owner Occupied (restricted)	Where the property is rented on a short-term basis but is not the owner’s primary residence. Method of determination: Homeowner Exemption Status

Table 1 - Types of STRs

Rationale:

The state of Idaho discriminates against non-resident homeowners through the homeowner exemption in the tax code. The staff recommendation is to apply that established policy to the regulation of short-term rentals in order to protect the health, safety, welfare and integrity of the residential neighborhoods.

STRs with owner occupied status allow for better awareness of health, safety and welfare issues related to the unit as well as neighborhood integrity by the very fact that the owners are there a significant portion of the year and neighbors themselves.

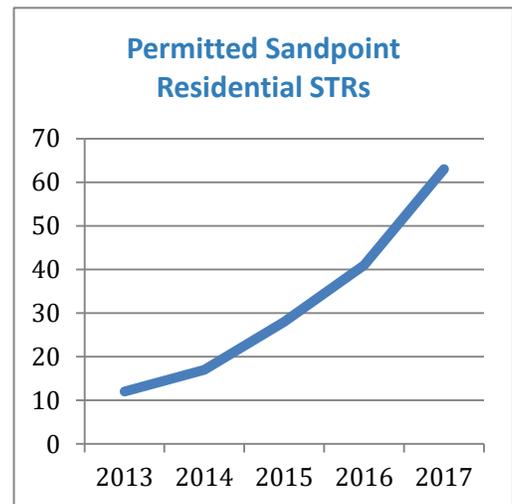


Chart 1 – STRs in Sandpoint

Residentially zoned short-term rentals have also been found to increase long-term rental rates and home prices. Additionally, it has been found that this effect is lessened in areas where there is a larger share of owner-occupiers.¹ The City of Sandpoint has seen a significant increase in permitted STRs since the city first allowed them in 2013 (See Chart 1). Within the same time period, housing unaffordability (where housing costs are 30% or more of household income) has increased 3.4% for renters and 1.7% for homeowners.²

¹ Barron, K., Kung, E., & Proserpio, D. (2017). The sharing economy and housing affordability: evidence from Airbnb. Social Science Research Network. Accessed October 1, 2017 at SSRN: <https://ssrn.com/abstract=3006832>.

² U.S. Census Bureau, 2009-2013 and 2012-2016 American Community Survey

Restricting the number of non-owner occupied STRs supports established policy objectives such as maintaining long-term rental housing stock and preventing neighborhoods from becoming tourist areas exclusively while providing an equitable way to utilize residential properties as STRs.

How many non-owner occupied STRs should be allowed within residential zones?

Option 1: Zero.

Given that all commercial zones within city limits allow for dedicated short term rentals of dwelling units with considerable density (roughly 32 currently permitted in Commercial Zones), the Commission may wish to only grandfather those residentially zoned STRs with existing (non-transferable) permits but prohibit any future STRs in residential zones that are not owner occupied.

Reference City: Bozeman, MT.

Option 2: Current Number of 22

Currently, there is a total number of 22 STRs that do not have the homeowner's tax exemption; most of which (13) are located in South Sandpoint (not including Condo Del Sol which has a total of 18 STRs). Given current housing pressures where over half of residents within Sandpoint live in unaffordable housing, the Commission may wish to limit any more dedicated STRs while providing further opportunity for residing home owners.

Reference City: Durango, CO

Option 3: Based on a percentage of housing units

Census and building permit data indicate that there are roughly 4000 housing units total within City Limits. The Commission could determine a set percentage level according to current info. For Example, at 4% (historic percentage of seasonal occupancy per 2000 census) the total number would be 160 units. If roughly half of those were residentially zoned that would equal 80. If half of those had the homeowner exemption, the total number of allowed dedicated short-term rentals would be 40 (equal to 2% of total housing units and roughly twice as many as currently permitted).

Recommendation 2:

Depending on the number of non-homeowner occupied STRs allowed, the Commission may want to consider adding standards to prevent clustering.

Rationale:

Prevention of STR clustering protects the integrity of the neighborhood by insuring large neighborhood areas do not become emptied of residents—supporting policy objectives 1 and 2.

Option 1: Limit by Street Segment

This could be achieved by limiting dedicated STRs to one per street segment (see Figure 1). Alternatively, depending on the number allowed dividing by residential zone may serve the same purpose without adding complexity. Per the previous example, if the Commission decided 40 total non-owner occupied STRs was appropriate, 20 could be allowed in the RM zone and 20 allowed in the RS zone. Regardless, staff recommends the prevention of multiple STRs per parcel in order to prevent the occurrence of hotels within residential neighborhoods (while retaining certain exemptions for waterfront developments in proximity to the downtown).

Reference Cities: Durango, CO, New Orleans, LA and Coeur d'Alene, ID

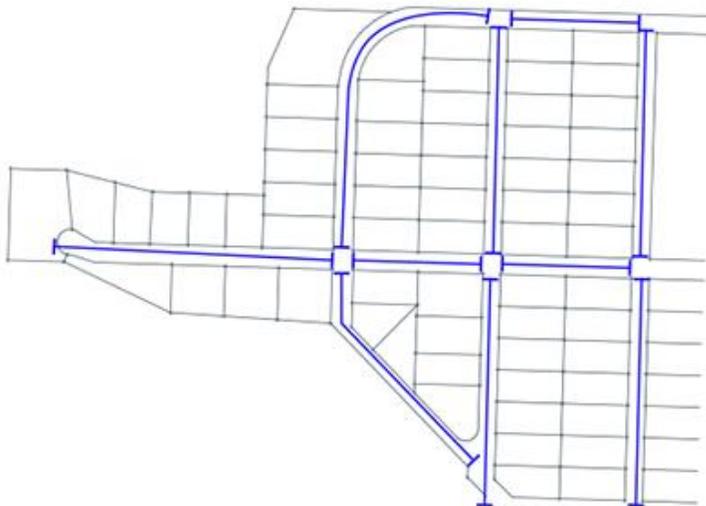


Figure 1 - Street Segment:

a portion of a street, which is located between two intersections, or between an intersection and the end of a cul-de-sac or dead-end. (*City of Durango, Article 7-3*)

NOTE: If an STR is located on a corner parcel, both street segments would be affected; rendering each segment ineligible for an additional dedicated STR.

Option 2: Limit by Zone

Alternatively, depending on the number allowed, dividing by residential zone may serve the same purpose without adding complexity to the ordinance. Per the previous example, if decided 40 total non-owner occupied STRs was appropriate, 20 could be allowed in the RM zone and 20 allowed in the RS zone.