

Chelan County Short-Term Rental Task Force Report and Recommendations

May 7, 2021

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Purpose and Charge

Purpose

A short-term rental refers to a residential dwelling rented out on a nightly basis for less than 30 days to individual guests. It could be a whole home or just part of it. Short-term rentals have increased rapidly since 2014, especially in Leavenworth and Manson areas.

Chelan County has been considering how to best address short-term rentals to allow for property owner income while protecting the character of residential communities across the county. In 2019, Chelan County considered draft regulations, and ultimately did not carry forward a draft at that time. The Board of County Commissioners desired to look at new code options in 2020. Between March and December 2020, the Planning Commission held meetings and hearings and made a recommendation, and the Board also held meetings and a hearing.

Due to the diverging interests of residents and short-term rental operators, the Board of County Commissioners established a Task Force comprised of three neighborhoods residents, three short-term rental operators, and three Planning Commission representatives (two current and one former member). The purpose of the Task Force was set forth in Resolution 2021-17 (See Attachment A) and included:

- a balanced analysis and report to the board as to the likely effectiveness of the proposed code before its adoption and make recommendations for possible further editing of the draft to meet its intended purpose
- meet all the needs of the citizens of Chelan County and is consistent with the county comprehensive plan's goals
- focus ... on select issues surrounding affordable housing, and reducing the number of short term rentals within highly impacted areas of Chelan County with the highest ratios of short term rentals compared to the overall housing inventory in those same areas including such considerations of: zones allowed, lot size minimums, allowing existing short term rentals to continue to operate, regulating the size or occupancy levels of short term rentals, transferability of permits upon sale of properties,

effective permitting processes, and identify a process to allow for new short term rentals and under what conditions and in what places

The versions of the code under review were dated December 8 and 22, 2020 as reviewed by the Board of County Commissioners during their deliberations. Key questions for Task Force dialogue (Attachment B) included in summary:

- In which areas should short-term rentals be allowed?
- In those zones that will allow short term rentals, what are the limitations?
- How do we address the issue of “grandfathering” in existing rentals, and whether we should allow transferability of permits?
- What should be the “cap” on the number or percentage of rentals within a given area?
- How do we get to that cap in the future? How do we get to that cap in the present?
- How do we put a cap on the occupancy levels for Tier 1, 2, and 3 rentals?

Membership, Meetings and Consensus Process

Resolution 2021-17 identified a Task Force made up of nine members and two alternates:

- Three member participants and one alternate who represent the interests of short term rental owners in Chelan County. Participants included: Don MacKenzie, David Donovan, Sean Lynn, and Zeld Holgate (alternate).
- Three member participants and one alternate who represent the interests of residential neighborhoods and housing affordability in Chelan County. Participants included: John Agnew, Ken Longley, Kirvil Skinnarland, and Kari Sorensen (alternate).
- Three current or past members from the Chelan County Planning Commission who participate within the process. These included: Randy Baldwin (2020), Carl Blum (current), and Ed Martinez (current).

The Task Force was created as an Ad Hoc group and non-regulatory body meant to complete its work by April 23, 2021. The Task Force met six times between February 22 and April 19, 2021 (unrecorded Zoom meetings). The Task Force was facilitated by an independent consultant, Mike Nash, who set group rules, operating procedures, and a communications plan. The group was supported by Jim Brown, Chelan County Community Development Director, and technical consultant Lisa Grueter, BERK Consulting, Inc. who provided background information and data.

The Task Force was requested to listen, engage, and seek consensus (Attachment B). Consensus was explained to the members to mean; the group collaboratively develops and agrees to support a decision that helps meet a common goal. While the ideal results of a consensus approach would be full agreement, consensus allows for support of the group’s decision even if having some concerns; it means the members support and can “live with” the overall recommendations.

This report identifies the consensus recommendations of the Task Force. The short term rental owners and the residential neighborhood groups also provided independently created addenda to the consensus report to share some of their particular concerns and clarifications.

Results

Group Consensus Results

Over time, with discussion, proposals were formulated by participants. Short-term rental operators and neighborhood resident representatives developed concepts for regulations. These were shared and vetted by each participant. Each group posed ideas to meet their essential objectives while offering some compromises to get to a consensus. Break-out sessions were held within the Zoom meeting in order to consider options and weigh alternatives, in an effort to close gaps between the proposals. Each group modified their proposals for rank choice voting. Moderators (Mike Nash, Jim Brown, and Lisa Grueter) also developed proposals that would bridge different concepts from all sides. Using a rank choice voting process the Moderator's proposal was ranked as either the first or second choice and ultimately was carried forward. Addenda from each group are described later in summary below.

Allowances – Existing Short-Term Rentals: Existing short-term rentals would be grandfathered if they demonstrate paying for taxes and insurance since July 28, 2019 (the date since Chapter 64.37 RCW was effective). A one-time transfer of ownership for short-term rentals is allowed within five years (with the exceptions of inheritance or divorce). This is meant to address the existing investment in short-term rentals while identifying common rules that short-term rental operators would have had to meet to follow state law at a minimum. Within three months health and safety code requirements would need to be met (immediate safety issues, require immediate compliance), and within a year all the remaining operational standards would have to be met (signing, parking, etc.).

Allowances – New Short-Term Rentals: A cap would be set at a 6%¹ in most zip codes and urban growth areas (UGAs), “unless specified”. If sub-areas are created to break larger size areas into locale specific focus, those sub-area caps would be 6%. However, 9% would be set as a cap in the Manson UGA where a vacation rental program had been established for some years. If the cap is not exceeded in that location new short-term rentals would be allowed provided they meet code requirements.

- The proposal would allow for new Tier 1 homeowner occupied short-term rentals in all zones, without a cap applied.
- New Tier 2 (non-owner-occupied with standard maximum occupancy) would be allowed in most zones if meeting the separation requirements (200 feet between short-term rentals) and minimum lot area per short-term rentals.
- In zones with larger lot sizes, Tier 3 (non-owner-occupied with greater maximum occupancy over the standard 16) could be allowed provided they have highway access and obtain a conditional use permit (CUP).
- All tiers would be allowed in Master Planned Resorts and Planned Unit Developments with notes on face of plat and would not be subject to the cap.

¹ Share of short-term rentals compared to the unincorporated housing stock.

Occupancies – Existing and New Short-Term Rentals: Daytime and nighttime occupancy is based on 2 per bedroom with 8, 12, and 16 the maximum in Tiers 1, 2, and 3, respectively.

- The daytime cap can only be exceeded with a CUP.
- Event venues require a CUP (Place of Public and Private Assembly standards apply) and are only allowed where a Tier 3 is allowed, and must have direct highway access, or be sited in commercial zones.

Table 1. Task Force Consensus Proposal

Question	Task Force Recommendation																								
<p><i>In which areas should short-term rentals (STRs) be allowed?</i></p>	<ul style="list-style-type: none"> ▪ Tier 1 allowed in all zones. ▪ Tier 2 allowed in all zones, subject to lot size and distance between STRs (see chart below). Commercial Ag with Conditional Use Permit (CUP). ▪ Tier 3 excluded from RRR, RW, RV and R2.5. CUP needed for RR20, RR10, RR5. No Tier 3 in Commercial Ag. Highway access required. ▪ Peshastin UGA: Commercial zones only. ▪ Manson UGA: See below. 																								
<p><i>In those zones that will allow short term rentals (STRs), what are the limitations?</i></p> <p>Rural Zones</p>	<ul style="list-style-type: none"> ▪ 1 STR per lot <p>Zone by zone standards</p> <table border="1" data-bbox="630 1129 1328 1625"> <thead> <tr> <th>ZONE</th> <th>TIER 2 [acreage per STR and distance between STRs]</th> <th>TIER 3 [acreage per STR]</th> </tr> </thead> <tbody> <tr> <td>RR20</td> <td>10 & 200 ft from STRs.</td> <td>CUP 10</td> </tr> <tr> <td>RR10</td> <td>10 & 200 ft from STRs.</td> <td>CUP 10</td> </tr> <tr> <td>RR5</td> <td>5 & 200 ft from STRs.</td> <td>CUP 5</td> </tr> <tr> <td>RR2.5</td> <td>2.5 & 200 ft from STRs</td> <td>NA</td> </tr> <tr> <td>RRR</td> <td>.275 & 200 ft from STRs</td> <td>NA</td> </tr> <tr> <td>RW</td> <td>.275 & 200 ft from STRs</td> <td>NA</td> </tr> <tr> <td>RV</td> <td>.275 & 200 ft from STRs</td> <td>NA</td> </tr> </tbody> </table> <p>NA = not applicable/not allowed. CUP= conditional use permit</p>	ZONE	TIER 2 [acreage per STR and distance between STRs]	TIER 3 [acreage per STR]	RR20	10 & 200 ft from STRs.	CUP 10	RR10	10 & 200 ft from STRs.	CUP 10	RR5	5 & 200 ft from STRs.	CUP 5	RR2.5	2.5 & 200 ft from STRs	NA	RRR	.275 & 200 ft from STRs	NA	RW	.275 & 200 ft from STRs	NA	RV	.275 & 200 ft from STRs	NA
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<p>Manson</p>	<table border="1" data-bbox="630 1709 1393 1948"> <thead> <tr> <th>USE/ACTIVITY</th> <th>UR1</th> <th>UR2</th> <th>UR3</th> <th>CT</th> <th>CD</th> <th>MLI</th> <th>UP</th> </tr> </thead> <tbody> <tr> <td><u>Short Term Rentals Tier 1 or Tier 2</u></td> <td>P1</td> <td>P1</td> <td>P1</td> <td>A1</td> <td>A1</td> <td></td> <td></td> </tr> <tr> <td><u>Short Term Rentals Tier 3</u></td> <td></td> <td></td> <td></td> <td>P1</td> <td>P1</td> <td></td> <td></td> </tr> </tbody> </table>	USE/ACTIVITY	UR1	UR2	UR3	CT	CD	MLI	UP	<u>Short Term Rentals Tier 1 or Tier 2</u>	P1	P1	P1	A1	A1			<u>Short Term Rentals Tier 3</u>				P1	P1		
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<u>Short Term Rentals Tier 3</u>				P1	P1																				

Question

Task Force Recommendation

Table Note; P1 = Permitted with Standards

200 ft separation

- Tier 1 P or A use in all zones
- Tier 2 permitted in all zones
- Tier 3 permitted in commercial zones
- Lodge permitted by CUP only in commercial zones

Question	Task Force Recommendation
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<p>How do we address the issue of “grandfathering” in existing rentals (STRs)...</p>	<p>Countywide (except Manson UGA): Established STRs are grandfathered if owner can prove that all taxes² were paid between 7/28/19³ and 8/25/20, even if non-conforming or pending before moratorium. Must comply going forward:</p> <ul style="list-style-type: none"> ▪ Liability insurance ▪ Compliance with all requirements within 1 year (3 months for health and safety issues; immediate for certain issues) <p><i>Facilitator Note to Task Force:</i> Of course, there are nuances here, but it’s not our job to parse those out.</p> <p>Manson UGA: Established STRs are grandfathered if owner can prove that all taxes were paid between 7/28/19 and 8/25/20, even if non-conforming or pending before moratorium.</p> <ul style="list-style-type: none"> • Must have valid STR License as of 8/25/20, OR held an STR License at any time since inception of Licensing process and actually operated as an STR in 2019 or 2020.⁴ • Require the payment of double permit fees for each prior year of rental operation without a STR License within the UGA. <p>Must comply going forward:</p> <ul style="list-style-type: none"> ▪ Liability insurance ▪ Come into compliance with all requirements within 1 year (immediate for health and safety issues)
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<p>...and whether we should allow transferability of permits?</p>	<ul style="list-style-type: none"> ▪ One-time transferability (of existing STRs), if within five years of adoption of new code. ▪ No transferability after that, even after the cap is met, with the exceptions of inheritance or divorce. ▪ New permits are non-transferable. New owner requires a new permit and full code compliance. <p>No transferability at all if not fully code compliant – regarding standards, <u>not</u> lot size, etc. Just the operational rules.</p>
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<p>What should be the “cap” on the number or percentage of rentals within a given area?</p>	<ul style="list-style-type: none"> ▪ Individual Zip Codes, unless specified: 6% ▪ UGAs, unless specified: 6% <ul style="list-style-type: none"> ○ Manson UGA: 9% ▪ Other sub-areas <u>if created</u>, including within 98826 sub-areas: 6% ▪ Master Planned Resorts and Planned Unit Developments with notes on face of plat excluded.
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<p>How do we get to that cap in the future? How do we get to that cap in the present?</p>	<ul style="list-style-type: none"> ▪ Affecting existing short-term rentals and cap: See transferability. ▪ Affecting future short-term rentals and cap: See distance and lot size parameters.
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Question	Task Force Recommendation
<p><i>How do we put a cap on the occupancy levels for Tier 1, 2, and 3 rentals?</i></p>	<p>2 per bedroom, subject to maximums:</p> <ul style="list-style-type: none"> ▪ Tier 1: 8 ▪ Tier 2: 12 ▪ Tier 3: 16 <p>Exceed daytime occupancy only by CUP.</p> <p>Events allowed where Tier 3's are allowed with highway access or in commercial zones.</p>

Summary of Addenda

Short-Term Rental owners/operators identified some topics that were not discussed at the level of detail or scope desired in the Task Force process. This includes regulation of septic loads and considering water efficiency, and a concern for owners/operators being trapped by the moratorium on short-term rentals. Other topics outside the scope but still of concern are simplifying other operating rules to achieve desired compliance. See attachment D-1.

Short-Term Rental neighbors and county residents identified some issues to keep in mind as the ordinance is drafted, particularly: enforcement commitment and capacity, transparency in permit applications and complaints, permit applications and disclosure, immediate compliance for health and safety (e.g. septic), noise, and focusing Tier 2 and 3 short-term rentals in commercial areas. See attachment D-2.

Use of Recommendations

The Board of County Commissioners will receive the Task Force Report by May 7, 2021. The Board will consider the recommendations and decide to, “either finalize a current draft code for final adoption, or amend current draft code for final adoption, or consider other steps needed to draft and adopt a final code within year 2021.” (See Attachment A.) The Board has noted to the Task Force members that the report is considered a set of recommendations, and would not necessarily be incorporated verbatim into the final code. (See Attachment B.) The Board thanked all participants for their diligent and collaborative work to come up with recommendations that may help the County create short-term rental regulations. (See Attachment C.)

² A great deal of discussion centered around this issue. The majority of STRs seemingly were substantially in compliance with state law regarding taxation. For grandfathering-only commissioners may wish to contemplate “what taxes” to consider as triggering compliance.

³ Date RCW Chapter 64.37 (Short-Term Rentals and tax requirements) went into effect.

⁴ Manson grandfathering: This could create a disparity between totally never-permitted versus those who got a permit in early years yet continued to operate “with knowledge” by not renewing again. This issue was intended to be fully addressed by the STR group, but time did not allow full consideration on the last day. Requiring double-fees backwards in time, could be a tool to address.

Attachments

- A. Task Force Resolution
- B. Task Force Instructions
- C. BOCC Letter of Appreciation
- D. Addenda – Short-Term Rental Operators (D-1) and Resident/Neighborhood Representatives (D-2)