

# CITY COUNCIL AGENDA ITEM COVER SHEET

**Meeting Date:** November 7, 2016

**To:** Honorable Mayor and Members of the City Council

**From:** Will Norris, Finance Director / Assistant City Manager

**Subject:** Discussion Item – Short-term Rental Licensing Fees

## **Background:**

Amendments to Title 17 of the Hood River Municipal Code (HRMC) creating new Short-term Rental (STR) regulations were adopted on September 12<sup>th</sup>, 2016. Necessary additions to Title 5 of HRMC establishing application and licensing rules to implement the Title 17 additions are currently under consideration. In the proposed code as written, Planning, Finance, City Recorder, Code Enforcement, and Police are anticipated to have direct roles in STR program administration.

Initial estimates anticipated \$28,000 in ongoing STR administration costs. However, this figure will vary. The largest determinates of cost are the number of STR complaints requiring enforcement, STR operator appeals, and processing time for existing non-conforming applications. Actual costs for STR regulation implementation will be monitored over the next year and fee modifications proposed as needed.

In addition to direct costs, significant resources have been required to develop Short-term Rental regulations over the last year. Additional work will be necessary to finalize application packets, processing procedures, and train staff.

## **STR Charges in other Oregon Communities**

STR licensing fees vary across Oregon. The largest variant in cost is whether conditional land use permits are required. Conditional land use review fees in Ashland, Seaside, and Bend vary from \$430 to \$1,022. Several cities require STR operators to pay a business license fee. Business license fees range from \$75 to \$125 or 2.2% of Net Business Income in Portland. The City of Hood River does not require a Business License or Conditional Land Use permit to operate an STR. All cities require STRs to remit Transient Room Taxes.

## **Proposed Fees**

Below is a summary of proposed STR fees. The typical cost for a new licensee under the proposal would be \$450 initially (application review, first annual fee, & inspection) and \$150 annually thereafter for renewals.

**\$150 License Fee & \$75 Application Fee (\$225 Total)**

Mid-calendar year STR licenses will be prorated to create uniform January renewal dates. Aligning renewal dates for all STR licenses creates efficiencies and reduces the cost of administration. This practice is consistent with Hood River taxi cab license renewal periods. All STR operators will be charged \$75 for initial application review at any time of the year.

**\$225 Inspection Fee / \$100 Re-inspection Fee**

The City's building codes contractor, Clair Company, has submitted a proposal to perform physical inspections of STRs. The contractor will provide an inspection checklist for STR operators to prepare. If re-inspection is required, an additional fee will be charged. All inspection fees are proposed to be collected and retained by the Clair Company. Ongoing inspection of licensed STRs will be on an as needed basis as determined by the Fire Marshal and City Manager. Fees for mid-licensure inspections will be included in the city-wide annual fee resolution this winter.

**\$150 Review to establish existing non-conforming status**

Title 17 of HRMC allows existing non-conforming STR operators to continue prior use for a fixed amortization period. The code states, "*The proponent of the nonconforming use status of a hosted homeshare or vacation home rental has the burden of proving by a preponderance of credible evidence all of the elements of a nonconforming hosted homeshare or vacation home rental.*" This dedicated review fee will offset the cost to evaluate evidence of past STR rentals, which may come in a variety of different forms.

-----

**Hearings Officer / Appeal Fee – In Development**

The appeals fee is separate from the standard STR fees above and will only be charged upon initiation of an appeal of an STR decision by a property owner. The City is exploring a partnership, or cooperative arrangement, with Hood River County for a contract STR Hearings Officer. Jointly sharing an STR Hearings Officer could generate savings. A proposed Appeal Fee will be brought forward after conversations with Hood River County are finalized.

**Staff Recommendation:** Take public comment, discuss and deliberate. Provide direction on the amount of fees to charge for Short-term Rental licensing.

**Suggested Motion:**

I move to direct the City Manager to prepare a Fee Resolution for adoption at the next Regular Council Meeting

**Alternatives**

Continue to discuss and request changes to proposed STR Fee to be brought back on November 14, 2016.

**Fiscal Impact**

STR fees as proposed are expected to generate approximately \$50,000 in Fiscal Year 2016-17. It is anticipated year one will require the most intensive staff work, which will be evaluating and determining the maximum number of nights of transient rental which previously occurred for those properties asserting prior existing use.

Ongoing annual revenue will decline in the next Fiscal Year 2017-18 after existing STRs are first licensed. Charges for physical inspections, and re-inspections when necessary, will be paid directly to a third-party contractor with no net fiscal impact to the City.

The Adopted Fiscal Year 2016-17 Budget included \$30,000 in revenue from STR Fees. This revenue expectation partially offset the addition of an Assistant Planner position in the current year. This budgeted vacancy has been filled.

**Attachment(s):**

None