

September 14, 2017

MEMORANDUM

To: Affordable Housing, Neighborhoods & Finance Committee
From: Aly Pennucci, Central Staff Legislative Analyst
Subject: Short-term Rental Regulations & Tax

On Friday, September 15, 2017, the Affordable Housing, Neighborhoods & Finance Committee (AHFN) will discuss proposed legislation that would establish a regulatory framework for short-term rental activity in the City of Seattle and consider an excise tax on short-term rental businesses. Three council bills have been introduced for the Committee's consideration:

- [CB 119081](#): establishes a regulatory licensing framework for short-term rental platforms and operators, and bed and breakfast operators who utilize short-term rental platforms;
- [CB 119082](#): Defines short term rentals as a type of land use and establishes; and
- [CB 119083](#): Establishes a \$10 per night tax on each short-term rental in the City of Seattle.

The Committee will discuss and may vote on CB 119081 and CB 119083 on January 15. CB 119082 amends the land use code and requires a public hearing with a 30-day public notice. The public hearing will be scheduled in late October or November.

Potential Amendments

This memo includes amendatory language for Committee consideration as described below. Specific amendment language is provided in Attachments 1-4.

CB 119081

1. Technical corrections and language that needed clarification. This includes adding clarifying language to address the concerns raised during the committee discussion that the proposed limit on the number of short-term rentals a person can operate could be easily subverted (Attachment 1).
2. Removes any limits on the number of dwelling units a person can operate as a short-term rental in an Urban Center. A limit would only apply to the number of units a person can operate outside of an Urban Center (Attachment 2).

CB 119082

1. Technical corrections to insert the council bill number in the legislation and to update the definition of a short-term rental operator to be consistent with the definition in CB 119081 (Attachment 3).

CB 119083

1. Extend the effective date to January 1, 2019 (Attachment 4).

Attachments:

1. Amendment 1 to CB 119081: Technical corrections
2. Amendment 2 to CB 119081: Remove limits in urban centers
3. Amendment 1 to CB 119082: Technical corrections
4. Amendment 1 to CB 119083: Effective date

cc: Kirstan Arestad, Central Staff Director
Ketil Freeman, Supervising Analyst

Attachment 1 – Amendment 1 to CB 119081: Technical Corrections

Amendment 1 to CB 119081: Technical corrections and clarifying language

Sponsor: Councilmember Burgess

Note:

- Language proposed to be added by this amendment is shown with a double underline.
- Language proposed to be deleted by this amendment is shown with a ~~double-strikeout~~.

6.600.030 Definitions

* * *

"Owner" means any person who, alone or with others, has title or interest in any building, property, dwelling unit, or portion thereof, with or without accompanying actual possession thereof, and including any person who as agent, or executor, administrator, trustee, or guardian of an estate has charge, care, or control of any building, dwelling unit, or portion thereof. A person whose sole interest in any building, dwelling unit, or portion thereof is solely that of a lessee under a lease agreement shall not be considered an owner.

"Person" means any individual, firm, corporation, association, governmental entity, or partnership and its agents or assigns.

"Principal" means a principal or governing member of any business entity, including but not limited to: LLC member/manager, president, vice president, secretary, treasurer, CEO, director, stockholder, partner, general partner, or limited partner.

* * *

"Short-term rental operator" or "operator" means any person who is the owner of a dwelling unit established under Title 23, or portion thereof, who offers or provides that dwelling unit, or portion thereof, for short-term rental use or a person who is the tenant of a dwelling unit, or portion thereof, who offered or provided a short term rental as set forth in subsection 6.600.040.B.1.

* * *

6.600.050 License applications

* * *

C. Bed and breakfasts. Bed and breakfast licenses are issued by the Director and may be obtained by filing with the Director a ~~platform~~ bed and breakfast operator application in a format determined by the Director.

* * *

6.600.060 Short-term rental platforms general provisions

All platforms operating in Seattle shall comply with the following:

* * *

D. Provide the following information ~~electronically~~ in an electronic format determined by the Director to the City on a quarterly basis:

6.600.065 Summaries of short-term rental regulations

* * *

The Director shall, as soon as practicable after passage of the ordinance introduced as Council ~~_____~~ Bill 119081, and as the Director shall deem necessary thereafter, prepare a summary of this Chapter 6.600 and any other applicable regulations or identified best practices for operating a short-term rental.

6.600.090 License fees

* * *

~~D~~ E. The purpose of any adjustment is to ensure the fees achieve full cost recovery of the Director's administrative, enforcement and other regulatory costs and no more.

~~E~~ F. License fees are non-refundable and non-transferrable.

6.600.100 Enforcement and rulemaking

The Director will adopt rules pursuant to Chapter 3.02 to implement the provisions of this Chapter 6.600. The Director is authorized to enforce, promulgate, revise, or rescind rules and regulations deemed necessary, appropriate, or convenient to administer the provisions of this Chapter 6.600, providing affected entities with due process of law and in conformity with the intent and purpose of this Chapter 6.600. ~~this Chapter 6.600 and to promulgate and adopt rules pursuant to Chapter 3.02 to implement the provisions of this Chapter 6.600.~~

Attachment 2 – Amendment 2 to CB 119081: Remove Limits in Urban Centers

Amendment 2 to CB 119081: Remove any limits on the number of dwelling units a person can operate as a short-term rental in an Urban Center. A limit would only apply to the number of units a person can operate outside of an Urban Center.

Sponsor: *Councilmember Johnson*

Note:

- Language proposed to be added by this amendment is shown with a double underline.
- Language proposed to be deleted by this amendment is shown with a ~~double-strikeout~~.

6.600.030 Definitions

* * *

"Short-term rental operator" or "operator" means any person who is the owner of a dwelling unit established under Title 23, or portion thereof, who offers or provides that dwelling unit, or portion thereof, for short-term rental use or a person who is the tenant of a dwelling unit, or portion thereof, who offered or provided that dwelling unit, or portion thereof, as a short-term rental ~~as set forth in SMC 6.600.040.B.1~~ prior to September 30, 2017.

* * *

6.600.040 License required

A. Platforms. It is unlawful for any person to operate as a platform within Seattle without a valid platform license issued pursuant to this Chapter 6.600.

B. Operators. It is unlawful for any person to operate as a short-term rental operator within the City without a valid short-term rental operator license issued pursuant to this Chapter 6.600. A short-term rental operator license permits an operator to offer or provide ~~a maximum of two dwelling units, or portions thereof, for short term rental use, except for the following:~~

1. A maximum of two dwelling units, or portions thereof, located outside of an Urban Center, as established in the Seattle Comprehensive Plan (2016), for short-term rental use; and

2. Any dwelling unit in an Urban Center.

~~1. An operator who offered or provided a short term rental in the Downtown Urban Center, Uptown Urban Center, or the South Lake Union Urban Center, as established in the Seattle Comprehensive Plan (2016), prior to September 30, 2017, may obtain a short term rental operator license allowing them to continue to operate those units and to offer or provide up to two additional dwelling units for short term rental use, subject to the requirements of subsection 6.600.040.B.3.~~

~~2. An operator who offered or provided a short term rental in any dwelling units within a multifamily building constructed after 2012 that contains no more than five dwelling units established by permit under Title 23 and is located in the First Hill/Capitol Hill Urban Center, as established in the Seattle Comprehensive Plan, prior to September 30, 2017, may obtain a short term rental operator license allowing them to continue to operate those units and to offer or provide up to two additional dwelling units for short term rental use, subject to the requirements of subsection 6.600.040.B.3.~~

~~3. If the license applicant wishes to continue operating a short term rental in a location described in subsections 6.600.040.B.1 or 6.600.040.B.2, the applicant must provide the Director with the following evidence of prior short term rental use:~~

~~a. A business license tax certificate issued by the Department of Finance and Administrative Services for the short term rental use, in effect on prior to September 30, 2017; and~~

~~b. Records demonstrating collection and remittance of all applicable local, state and federal taxes within the 12 month period prior to September 30, 2017; and~~

~~c. A registry identifying the dates the dwelling unit was used as short term rental within the 12 month period prior to September 30, 2017.~~

Attachment 3 – Amendment 1 to CB 119082: Technical Corrections

Amendment 1 to CB 119082: Technical corrections

Sponsor: Councilmember Burgess

Note:

- Language proposed to be added by this amendment is shown with a double underline.
- Language proposed to be deleted by this amendment is shown with a ~~double-strikeout~~.

23.42.060 Short-term rentals

Short-term rental uses are subject to the following provisions:

* * *

G. Notwithstanding Sections 23.42.100, 23.42.102, and 23.42.104, short-term rental uses, as defined in Section 23.84A.024, in existence prior to the effective date of the Ordinance introduced as Council Bill ~~119082~~ shall comply with the requirements of this Chapter 23.42 no later than one year from the effective date of the Ordinance introduced as Council Bill ~~119082~~.

* * *

Section 7. Section 23.84A.036 of the Seattle Municipal Code, last amended by Ordinance 125272, is amended as follows:

23.84A.036 “S”

* * *

“Short-term rental operator” or “operator” means any person who is the owner of a dwelling unit established under Title 23, or portion thereof, who offers or provides that dwelling unit, or portion thereof, for short-term rental use, ~~or a person who is the tenant of a dwelling unit, or portion thereof, who offered or provided a short term rental as set forth in subsection 6.600.040.B.1.~~

Attachment 4: Amendment 1 to CB 119083: Effective Date

Amendment 1 to CB 119083: Effective Date

Sponsor: Councilmember Johnson

This amendment would modify the effective date of the ordinance to allow adequate time for the department to prepare for implementation.

Note:

Language proposed to be added by this amendment is shown with a double underline.

Language proposed to be deleted by this amendment is shown with ~~double strikeout~~.

Section 3. Section 1 of this ordinance shall take effect and be in force on ~~September 30,~~
2018 January 1, 2019, to ensure there is adequate time for rule-making, technology
improvements, and any adjustments in business practices.