

November 30, 2017

#### MEMORANDUM

To: Planning, Land Use and Zoning Committee

From: Aly Pennucci, Central Staff Legislative Analyst

Subject: CB 119081: Short-term Rental Regulations

On Tuesday, December 5, the Planning, Land Use and Zoning Committee (PLUZ) will discuss and may vote on Council Bill (CB) 119081.

#### **CB** 119081 would:

- Define and establishes a regulatory licensing framework for short-term rental platforms and operators, and bed and breakfast operators who utilize short-term rental platforms;
- Establish a cap on the number of dwelling units a person can operate as a short-term rental to two dwelling units;
- Exempt from the cap units lawfully operated as a short-term rental prior to September 30, 2017, within the Downtown, Uptown or South Lake Union Urban Centers, and units in certain building types in the First Hill/Capitol Hill Urban Center; and
- Require that all short-term rental operators, bed and breakfast operators who use short-term rental platforms, and platform companies, have a Title 6 Regulatory License.

This memo describes potential amendments and includes specific amendatory language for the Council's consideration.

#### POTENTIAL AMENDMENTS

Proposed amendments to CB 119081 fall into the following categories: (1) technical and clarifying amendments; (2) amendments that would loosen or further limit the number of dwelling units a person can operate as a short-term rental; (3) modifications to the proposed license fees; and (4) reporting on implementation. See Attachment 1 – Table 1 for more details.

#### **Attachments:**

- 1. Table 1: Potential Amendments to CB 119081
- 2. Amendment 1 to CB 119081: Technical corrections
- 3. Amendment 2 to CB 119081: Recital
- 4. Amendment 3 to CB 119081: Expand exemption
- 5. Amendment 4 to CB 119081: Further restrict STR use for future operators
- 6. Amendment 5 to CB 119081: Reduce area subject to the exemption
- 7. Description & maps illustrating potential limits on the number of STR a person can operate & impacts of amendments 3, 4 and 5
- 8. Amendment 6 to CB 119081: Add a license fee for STR platform companies
- 9. Amendment 7 to CB 119081: Status update on implementation



## Attachment 1

СВ	CB 119081				
Category		Potential Amendment	Sponsor		
A.	Technical and Clarifying Amendments to CB 119081	1. Technical corrections and language that needed clarification. This includes extending the effective date to January 1, 2019. (See Attachment 2 for specific amendment language)	CM Johnson		
		<ol> <li>Add a recital noting the potential disproportionate impact to people of color and low-income residents when long-term housing units are converted to short-term rentals. (See Attachment 3 for specific amendment language)</li> </ol>	CM O'Brien		
В.	Loosen or further limit the number of short-term rentals a person can operate As proposed, an operator could obtain a license to operate up to two dwelling units as short-term rentals, with some exceptions in certain urban villages.	3. Expand the exemption on the number of dwelling units a short-term rental operator can operate to include all existing operators. As proposed, CB 119081 would exempt units being operated as a short-term rental prior to September 30, 2017, that are located within the Downtown, Uptown, or South Lake Union Urban Centers, and units in certain building types in the First Hill/Capitol Hill Urban Center. This amendment would expand the exemption to apply uniformly to all existing operators. (see Attachment 4 for specific amendment language and Attachment 7 for a map and graphic illustrating how the limits apply)	CM Johnson		
	only one could be adopted. In addition, amendments 3 and 5 conflict; only one could be adopted.  (s	<ul> <li>4. Modify the proposed limit on the number of dwelling units a short-term rental operator can operate as follows:</li> <li>Operators who lawfully operated two or more dwelling units as short-term rentals prior to September 30, 2017, could obtain a license to continue to operate up to two dwelling units as short-term rentals.</li> <li>All other operators not operating units prior to September 30, 2017 as a short-term rental could obtain a license to operate their primary residence and up to one additional dwelling unit as a short-term rental.</li> <li>(see Attachment 5 for specific amendment language and Attachment 7 for a map and graphic illustrating how the limits apply)</li> </ul>	CM Herbold & CM O'Brien		
		5. Reduce the area that would be exempt from the proposed limit on the number of dwelling units a short-term rental operator can operate. As proposed, CB 119081 would exempt units being operated as a short-term rental prior to September 30, 2017, that are located within the Downtown, Uptown, or South Lake Union Urban Centers. This amendment would reduce	CM Bagshaw & CM O'Brien		

Attachment 1 2

Category		Potential Amendment S	Sponsor
		that area to apply only within the Downtown Urban Center, south of Olive Way and north of Cherry Street (See Attachment 6 for specific amendment language and Attachment 7 for a map illustrating where the exemption applies)	
C.	Modify proposed license fees As proposed, short-term rental operators would be required to obtain a regulatory license with a \$75 annual fee. Platform companies would also be required to obtain a license but the ordinance as proposed does not impose a license fee for platform companies.		CM O'Brien
D.	Report on status of implementation	(FAS) report to the Council on the implementation of the regulatory license requirements for short-term rentals. (See Attachment 9 for specific amendment language)	CM Johnson & CM O'Brien

Attachment 1: Table 1

#### Amendment 1 to CB 119081

Sponsor: Councilmember Johnson

This amendment would make technical corrections, clarifies language and modifies the effective date to be consistent with CB 119083, and to give FAS adequate time to prepare for implementation.

#### Note:

- Language proposed to be added by this amendment is shown with a <u>double underline</u>.
- Language proposed to be deleted by this amendment is shown with a double\_strikeout.

## 6.600.040 License required

- 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:
- 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.

d. Certification that, if the applicant is a renter, the owner has
authorized the tenant's operation of the dwelling unit as a short-term rental. If requested by the
Director, the applicant shall provide documentation demonstrating that the owner has provided that authorization.

\* \* \*

## 6.600.060 Short-term rental platforms general provisions

All platforms operating in Seattle shall comply with the following:

\* \* \*

- C. Remove any listings for short-term rentals or bed and breakfast units from the platform <u>upon notification if notified</u> by the Department. that: The Director shall develop, by rule, processes and procedures for the removal of any listing.
- 1. The listing is not associated with a valid operator license or bed and breakfast operator license; or
- 2. The license number provided to the platform by the operator or bed and breakfast operator for the listing is not valid; or
- 3. The Department has revoked the operator license or bed and breakfast operator license.
- 4. The platform shall remove the listing within 10 calendar days of the date of the written notification provided by the Department to the platform.

\* \* \*

## 6.600.070 Short-term rental operator general provisions

A. All operators who offer dwelling units, or portions thereof, for short-term rental use in Seattle shall comply with the following:

- 1. Possess no more than one operator license issued pursuant to this Chapter 6.600.
- 2. Be a principal or spouse of a principal in no more than one operator license issued pursuant to this Chapter 6.600.
- <u>3.</u> Offer or provide no more than the maximum number of dwelling units, or portions thereof, as provided in subsection 6.600.040.B.
- Post the Department-issued operator license number for the short-term rental on every listing advertising or offering the dwelling unit, or portion thereof, for use as a short-term rental.
  - 4 <u>5</u>. Comply with all standards provided in Section 23.42.060.
- 5 6. Provide local contact information to all short-term rental guests during a guest's stay. The local contact must reside in King County, Washington and be available to respond to inquiries at the short-term rental during the length of the stay.
- 67. Comply with the requirements of the Housing and Building Maintenance Code in subsection 22.214.050.M and the Rental Registration and Inspection program.
- ₹ 8. Comply with RCW 19.27.530 by ensuring that all dwelling units have working smoke detectors and carbon monoxide alarm(s) in every bedroom and on all habitable floors and a properly maintained and charged fire extinguisher.
- § 9. Post the following information in a conspicuous place within each dwelling unit used as a short-term rental:
- a. Emergency contact information for summoning police, fire, or emergency medical services.;
  - b. Short-term rental street address;

- c. Floor plan indicating fire exits and escape routes;
- d. Information about how a guest can contact The City's Customer Service Bureau to report any concerns or complaints;
  - e. Maximum occupancy limits; and
- f. Contact information for the operator or the designated local contact;
- $9 \underline{10}$ . Maintain liability insurance appropriate to cover the short-term rental use in the aggregate of not less than \$1,000,000 or conduct each short-term rental transaction through a platform that provides equal or greater insurance coverage.
- $\frac{10}{11}$ . Remit all applicable local, state, and federal taxes unless the platform does this on the operator's behalf.
- 44 12. Upon request by the Director, provide documentation and a signed declaration of compliance attesting to compliance with subsections 6.600.070.A.1 through 6.600.070.A.4011.

\* \* \*

## **6.600.090** License fees

A. Short-term rental platform license fees. The fee for a platform license issued pursuant to this Chapter 6.600 shall be a quarterly fee based on the total number of nights booked for short-term rental use through the platform. Platforms shall pay \$0 per night booked. The per night fees shall be calculated and paid on a quarterly basis. If a platform fails to provide complete information as required by subsection 6.600.060. The Director may estimate the quarterly per night license fee.

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 and any adjustments in business practices.

#### Amendment 2 to CB 119081

Sponsor: Councilmember O'Brien

This amendment would add a recital noting that people of color and low-income residents may be disproportionately impacted by removal of long-term rentals from the housing stock.

## 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.
- AN ORDINANCE relating to the regulation of short-term rental businesses; adding a new Chapter 6.600, Short-Term Rentals, to the Seattle Municipal Code.

..body

- WHEREAS, housing vacancy rates are at low levels, making it increasingly difficult for people to locate permanent housing; and
- WHEREAS, removal of residential units from the long-term housing market contributes to low vacancy rates; and
- WHEREAS, the conversion of long-term housing units to short-term rentals could result in the loss of housing for Seattle residents; and
- WHEREAS, the conversion of long-term housing units to short-term rentals could disproportionally impact people of color and low-income residents; and
- WHEREAS, limiting operation of short-term rental properties to property owners will reduce opportunities to convert long-term housing units to short-term rentals; and
- WHEREAS, it is in the public interest that short-term rental uses be regulated in order to conserve limited housing resources; and

#### Amendment 3 to CB 119081

Sponsor: Councilmember Johnson

This amendment would extend the exemption to the proposed limit on the number of dwelling units a short-term rental operator can operate to all existing operators. As proposed, an operator could obtain a license to operate up to two dwelling units as short-term rentals. Units that a short-term rental operator operated prior to September 30, 2017, within the Downtown, Uptown or South Lake Union Urban Centers, and units in certain building types in the First Hill/Capitol Hill Urban Center, would be exempt from this limit. This amendment would apply the exemption uniformly to all existing operators.

#### Note:

- Language proposed to be added by this amendment is shown with a <u>double underline</u>.
- Language proposed to be deleted by this amendment is shown with a double strikeout.

## 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. 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 6.600.040.B.2.
- 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 Scattle 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 5 – Amendment 4 to CB 119081

#### Amendment 4 to CB 119081

Sponsors: Councilmember Herbold and Councilmember O'Brien

As proposed, an operator could obtain a license to operate up to two dwelling units as short-term rentals. Units that a short-term rental operator offers today within the Downtown, Uptown or South Lake Union Urban Centers, and units in certain building types in the First Hill/Capitol Hill Urban Center, would be exempt from this limit. This amendment would modify the proposed limit on the number of dwelling units a short-term rental operator can operate as follows:

- Operators who lawfully operated two or more dwelling units as short-term rentals outside of the
  urban centers listed above, prior to September 30, 2017, could obtain a license to continue to
  operate up to two dwelling units as short-term rentals;
- All other operators not operating units prior to September 30, 2017 as a short-term rental could
  obtain a license to operate their primary residence and up to one additional dwelling unit as a shortterm rental.

#### Note:

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#### **6.600.030 Definitions**

\* \* \*

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

"Primary residence" means a person's usual place of return for housing as documented by motor vehicle registration, driver's license, voter registration, or other such evidence as determined by Director's rule. A person may have only one primary residence.

"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.\frac{1}{2}.

## 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, one dwelling unit, or portion thereof, for short term rental use, or a maximum of two dwelling units if one of the units is the operator's primary residence, except for the following:
- 1. An operator who offered or provided a short-term rental outside of the locations described in subsections 6.600.040.B.2 or 6.600.040.B.3 prior to September 30, 2017, may obtain a short-term rental operator license allowing them to continue to operate up to two dwelling units for short-term rental use, subject to the requirements of subsection 6.600.040.B.4.
- 2. \_\_\_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 one additional dwelling units for short-term rental use, or a maximum of two dwelling

<u>units</u>, if one of the units is the operator's primary residence, subject to the requirements of subsection 6.600.040.B.3 6.600.040.B.4.

- and to offer or provide up to two one additional dwelling units for short-term rental use, or a maximum of two dwelling units, if one of the units is the operator's primary residence, subject to the requirements of subsection 6.600.040.B.3 6.600.040.B.4.
- $\frac{2}{3}$  4. 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, or 6.600.040.B.3, 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.

#### Amendment 5 to CB 119081

Sponsors: Councilmember Bagshaw and Councilmember O'Brien

This amendment would reduce the area that would be exempt from the proposed limit on the number of dwelling units a short-term rental operator can operate. As proposed, an operator could obtain a license to operate up to two dwelling units as short-term rentals. Units that short-term rental operators offer today within the Downtown, Uptown or South Lake Union Urban Centers would be exempt from this limit. This amendment would reduce that area to apply online within the Downtown Urban Center, south of Olive Way and north of Cherry Street.

#### Note:

- Language proposed to be added by this amendment is shown with a <u>double underline</u>.
- Language proposed to be deleted by this amendment is shown with a double strikeout.

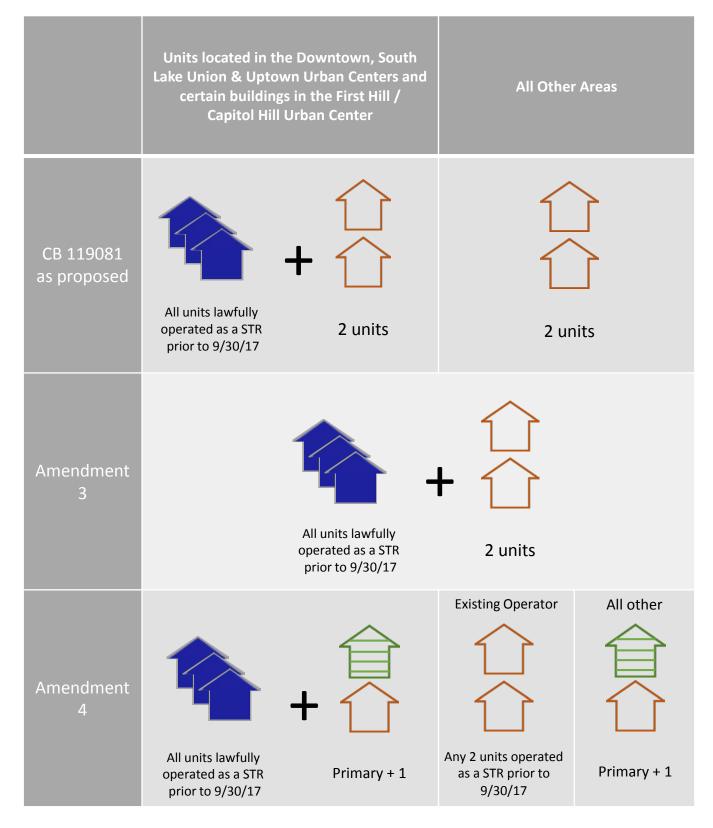
## 6.600.040 License required

- 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. 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 south of Olive Way and north of Cherry Street, 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.

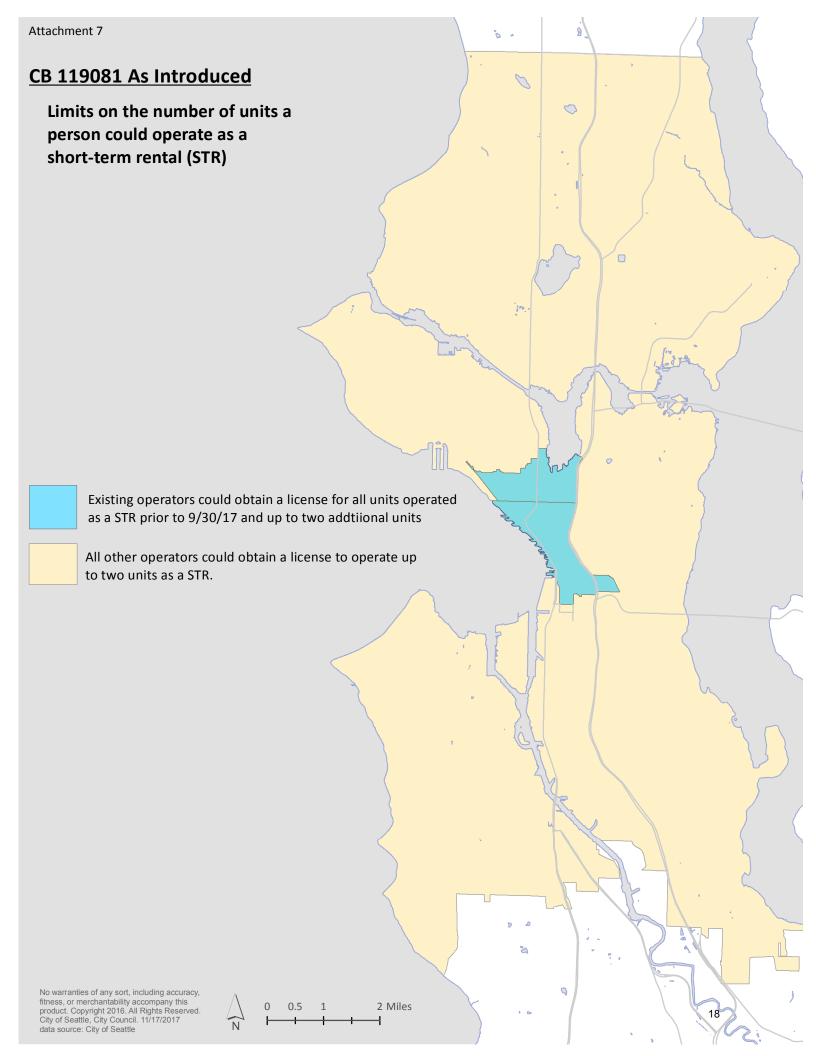
# **Allowable Short-Term Rentals per Operator**

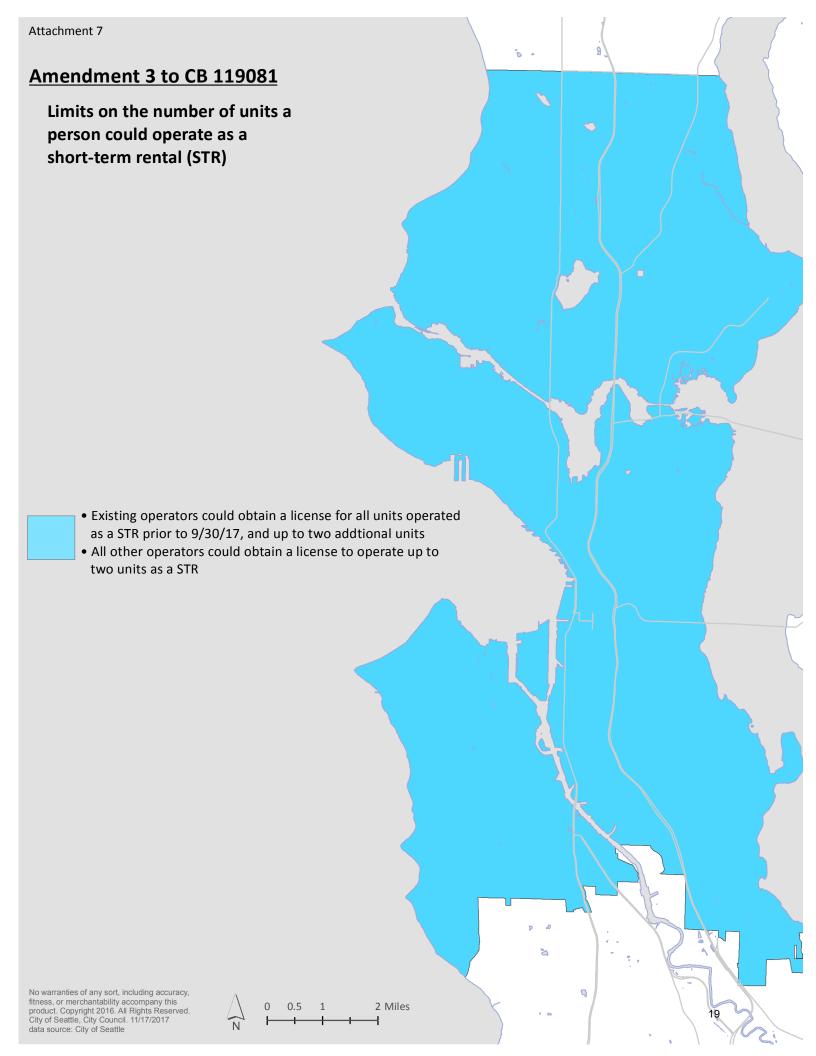


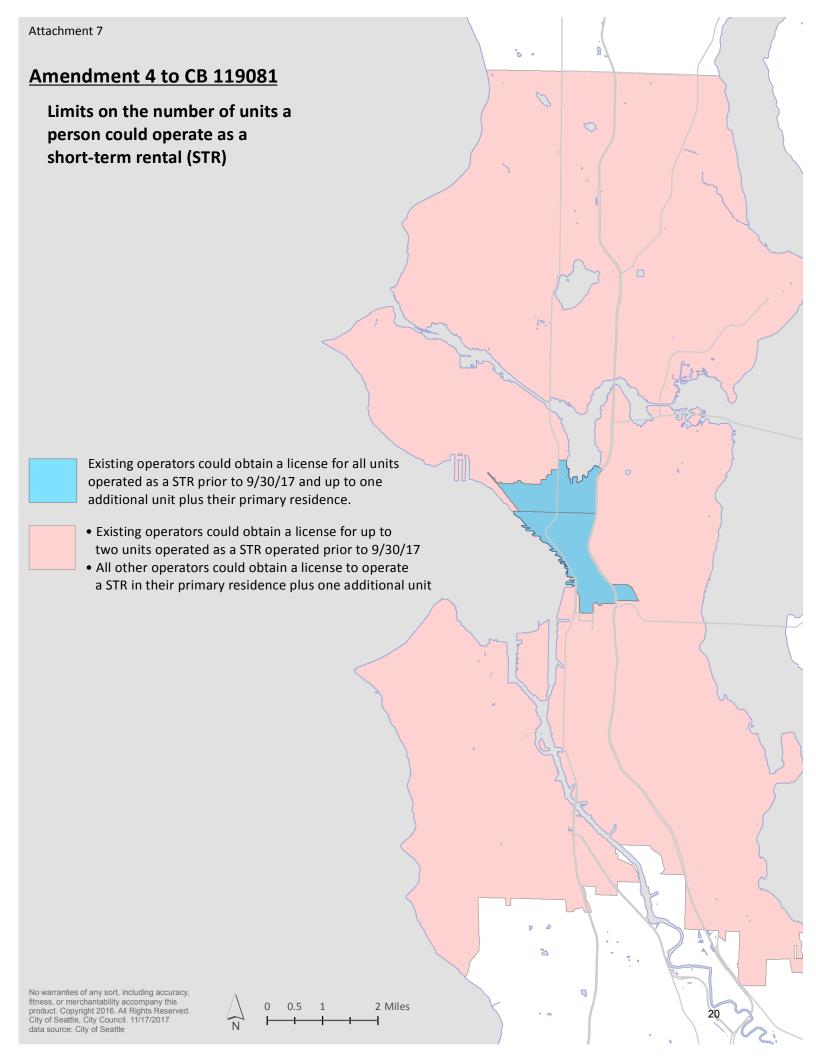


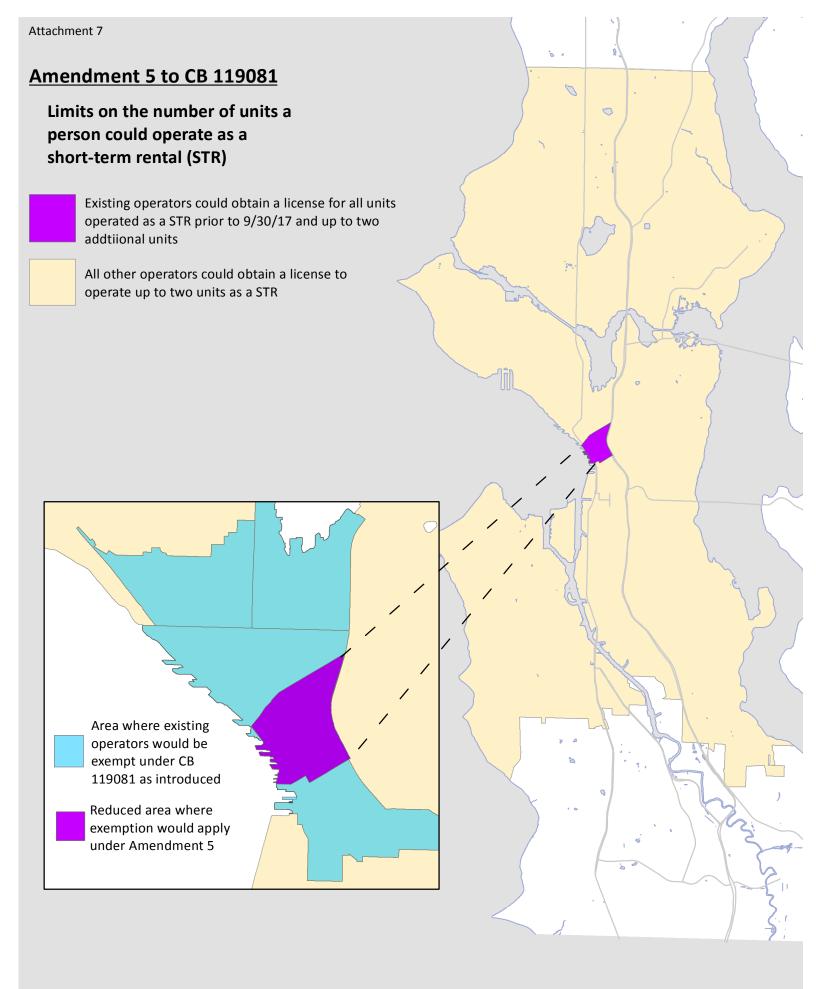












#### Amendment 6 to CB 119081

Sponsor: Councilmember O'Brien

This amendment would introduce a license fee for platform companies based on the total number of nights booked for short-term rental use through the platform. The per night fee would be \$2, calculated and paid on a quarterly basis. The ordinance would allow the Director to adjust fees annually to achieve cost recovery of the Director's administrative, enforcement and other regulatory costs and no more.

#### 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.

## **6.600.090** License fees

- A. Short-term rental platform license fees. The fee for a platform license issued pursuant to this Chapter 6.600 shall be a quarterly fee based on the total number of nights booked for short-term rental use through the platform. Platforms shall pay \$\frac{\\$42}{2}\$ per night booked. The per night fees shall be calculated and paid on a quarterly basis. If a platform fails to provide complete information as required by subsection 6.600.060.C, the Director may estimate the quarterly per night license fee.
- B. Short-term rental operator license fees. The fee for an operator license issued pursuant to this Chapter 6.600 shall be \$75 per dwelling unit annually, paid at the time the application is submitted to the City.
- C. Bed and breakfast operator license fees. The fee for a bed and breakfast operator license issued pursuant to this Chapter 6.600 shall be \$75 per bed and breakfast, paid at the time the application is submitted to the City.
- D. The Director ((may)) shall adjust annually, if necessary, any of the licensing fees in subsections 6.600.090.A, 6.600.090.B and 6.600.090.C in the Director's Rules after consideration of the following factors:

## Attachment 8 – Amendment 6 to CB 119081

- 1. The projected costs and annual budget allotted for administrative, enforcement and regulatory costs across the short-term rental industry;
  - 2. The need for increased enforcement to reduce illegal activity;
- 3. The total number of nights booked in City limits across the short-term rental industry; and
- 4. The administrative burden of issuing additional platform or operator licenses.
- 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.
  - F. License fees are non-refundable and non-transferrable.

#### Amendment 7 to CB 119081

Sponsor: Councilmember Johnson and Councilmember O'Brien

This amendment would require that the Department of Finance and Administrative Services (FAS) report to the Council on the implementation of the regulatory license requirements for short-term rentals.

#### Note:

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

Section 2. Council requests that the Department of Finance and Administrative Services provide a written status update to Council's Planning, Land Use and Zoning Committee by June 1, 2018, on any progress made implementing the short-term rental regulatory license requirements, and the short-term rental tax enacted by the ordinance introduced as Council Bill 119083. This should include updates on: (1) the resources needed for implementing and administering the regulatory license requirements and the tax (including costs already incurred); (2) the status of developing rules, procedures and processes; and, (3) any new data obtained on the anticipated number of short-term rental operators and the estimated number of nights booked for short-term rental use in Seattle through short-term rental platforms.

[Renumber Sections Below]