



## Staff Report

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**TO:** Mayor and City Council

**THROUGH:** Keith Stahley, City Manager

**FROM:** Kristin Retherford, Community Planning and Development Director

**SUBJECT:**

Information regarding the City's Short-term Rental regulations.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Welcoming and Livable Community

**SUMMARY:**

Information regarding the City's Short-Term Rental regulations.

**ISSUE:**

Information Only.

**RECOMMENDATION:**

Information Only.

**FACTS AND FINDINGS:**

This report responds to the City Council motion requesting information about the City's short-term rental regulations, impacts on housing stock, and potential policy changes.

The report covers the following topics:

1. Definitions
2. Zoning Requirements
3. License Requirements

4. Transit Occupancy Tax (TOT)
5. Data on Existing Short-term rentals (STRs) and Accessory short-term rentals (ASTRs)
6. Impact on Housing Stock
7. Neighborhood Concerns
8. Policy Option Considerations

1. Definitions:

Vacation rentals such as those available on AirBNB, VRBO, and Home To Go are classified in two ways: *accessory short-term rentals* (ASTR) and *short-term rentals* (STR). STR fall under the *Lodging* use classification, which includes hotels, motels, and homeless and congregate shelters. For ASTR and STRs, the term “short-term” means that the units are rented for less than 30 consecutive days. Longer than 30 days is classified as *Household Living*, which can include owner-occupied units or long-term rentals (month-to-month, yearly leases, etc.). ASTRs fall under Household Living because the primary use of the dwelling is for permanent housing.

An *Accessory Short-term Rental (ASTR)* is a type of short-term rental that is operated as an *accessory* use to a household living. This can be done in the following ways:

- A resident family can rent their guest house or guest rooms within their dwelling unit when they are present as hosts. There is no maximum number of days that they can rent rooms when they are present as host.
- A resident family can also rent their entire dwelling unit, without being presents as hosts. However, this is limited to 95 days in a calendar year; they can exceed 95 days with a Conditional Use Permit (CUP).

A *Short-term Rental (STR)* is a type of short-term rental that is used exclusively for commercial lodging purposes, where:

- There is no resident family.
- There is no limit on the number of days that the unit can be rented.

2. Zoning Requirements:

*Accessory Short-term Rental (ASTRs)*

ASTRs are allowed more broadly and do not require land use approval in residential zones. ASTRs are permitted as a Special Use in the Residential Agriculture (RA), Single-Family Residential (RS), and Neighborhood Hub (NH) zones. As a Special Use, they are subject to the standards provided in Salem Revised Code (SRC) section 700.006 (**Attachment 1**). Specifically, an ASTR can only be operated as an accessory use to a single-family or two-family use. Other special use standards include:

- The types of buildings where the use may be located
- The number of guest rooms rented and the number of guests allowed per stay

- The length of stay
- The maximum number of days an ASTR may be rented in a year

ASTRs are not permitted in multi-family units (apartments) or Accessory Dwelling Units (ADUs), as the City wants to ensure those units are retained for permanent housing.

As previously mentioned, if someone running an ASTR wants to exceed the limits of the ASTR regulations - such as renting it for more than 90 days when they are away from home - they need to obtain a Conditional Use Permit.

### *Short-term Rental (STRs)*

Currently, STRs are an outright permitted use in commercial, mixed-use, multifamily, and some industrial zones. A Conditional Use Permit is required in the RA, RS, and NH zones.

The CUP allows the City to apply conditions of approval that mitigate impacts that a STR may have on surrounding properties. Common conditions include limits on the number of people in the STR, limits on the number of rooms that can be rented, prohibition on renting to multiple parties as once, and prohibition of events on the property such as parties and weddings. CUPs remain valid on a given property, even if the property is sold, as long as the owner operates the STR in compliance with the conditions of approval in the CUP. A CUP application typically takes 4 to 6 months to process, and the approval process includes notice to neighbors for comments and a public hearing before the Hearings Officer. The decision can also be appealed to the Planning Commission or reviewed by the City Council.

### 3. License Required:

Both ASTR and STR require an annual license to operate, pursuant to SRC Chapter 30.1000 and 30.1010 (**Attachment 2**). Applicants are required to certify that they meet the requirements in the zone, that their property meets the safety standards in SRC Chapter 59 (Housing), that they will maintain a registry log, and that they will display their license in the ad posting. Applicants must also provide a local contact where concerns and complaints can be registered and demonstrate that they have registered to pay the Transit Occupancy Tax (TOT). On applications for renewals, they must submit their registry from the year before, demonstrating how many days they rented the unit. Renting the unit for more days than allowed, or in any manner that is not permitted, can result in denial of the license renewal. The license fee is currently \$292 for a new license and \$171 for annual renewals.

City inspections are required of all licensed ASTRs and STRs. The Multi-Family Housing Inspectors have previously not had capacity to inspect these units. The Multi-Family Housing Inspectors staff increased from one inspector to two a few years ago but have been behind in inspections due to the pandemic. They are now caught up and able to conduct inspections. In 2023, their inspections revealed that most of the licensed units complied with SRC Chapter 59; only a few needed minor repairs.

4. Transit Occupancy Tax (TOT):

Both ASTRs and STRs are subject to the City's Transit Occupancy Tax, which is used to promote Salem's historic and cultural facilities, special events, and tourist attractions. Individuals operating ASTRs and STRs are responsible for registering for TOT. The City has an agreement with AirBNB to collect the tax from their users and send us a check monthly; other online rental platforms have not agreed to the same arrangement, which means the only way the City can ensure we receive the tax is through the licensing process.

5. Data on Existing ASTR and STR in Salem

There are currently 12 licensed ASTRs and 4 licensed STRs as of the date of this staff report. City records indicate that more than 100 additional properties have had licenses in the past, but those licenses have expired and have not been renewed. The City responds to complaints regarding unlicensed ASTRs and STRs but does not proactively pursue enforcement against unlicensed rentals. While available rentals can be viewed on rental platforms, addresses are generally not available until a rental is booked, making it difficult for City staff to investigate unlicensed rentals.

City staff have met with numerous third-party companies that offer services whereby they utilize publicly-available data sources to identify the properties that are listed on each rental platform such as AirBNB. These companies can provide a variety of support to City staff for an annual fee, including creating and continually updating a list of addresses that are provided on the major rental platforms. This would allow City staff to contact each owner with relatively little staff time and request voluntary compliance of annual City licensing and zoning requirements. It would also allow staff to shut down any rentals that are not in compliance with the zoning regulations and send annual reminders of the need to renew licenses, which staff currently do not do.

Based on the information provided by three separate companies (Avenu, Granicus, and All the Rooms), there are approximately 250 to 300 rentals being advertised on the major platforms on any given day. Approximately 94% of the postings are for non-licensed units.

The price for the third-party companies ranges between \$2,500-\$5,000 annually. TOT funds are available to cover the initial cost in FY25 for this service. Ensuring units are appropriately licensed has the potential to increase the amount of TOT tax the City collects from online rental platforms (like AirBNB), including those not currently paying the tax under an existing intermediary agreement with the City. It is expected that license fees would be adjusted to cover the annual third-party vendor fees. The City will issue a Request for Proposals for this service in FY25.

6. Impact on Housing Stock

As mentioned earlier, ASTRs and STRs are not allowed in multi-family units and Accessory Dwelling Units. ASTRs are permitted in single-family dwelling units, guest houses, two-family dwelling units, and condominiums, while STRs are only permitted in single-family dwelling units and condominiums.

According to the 2020 US Census, the City has a total of 67,411 housing units. The combined number of approximately 300 ASTRs and STRs represents a half of a percent of the overall housing inventory. From this standpoint, these rentals do not significantly influence the housing market. Nevertheless, each unused STR that could otherwise be utilized for permanent housing may contribute to the overall housing scarcity in the city. Additionally, ASTRs and STRs has the potential to influence rental unit prices, causing an upward trend.

## 7. Neighborhood Concerns

The primary concerns neighbors raise when homes are proposed for conversion into full-time Short-Term Rentals (STRs) include: the potential loss of housing stock, parking issues, noise disturbances, safety considerations, adverse effects on neighborhood culture, limited ability to know one's neighbors, and potential impacts on property values. Similar concerns have been expressed when STRs are proposed within Residential Historic Districts, with additional worries raised about the deterioration of historic structures and the overall degradation of the district. Initial data from third-party vendors indicates that all neighborhoods in close proximity to downtown exhibit higher numbers of both STRs and ASTRs, not just Residential Historic Districts.

City staff has received fewer concerns about ASTRs compared to STRs, as ASTRs typically occupy less space in a dwelling unit and there remains the ability for residents to know their neighbor and discuss issues directly. In addition, the dwelling unit is still primarily used for permanent housing.

Code Compliance staff report that they do not receive very many code complaints about ASTR or STR uses, with only a handful a year. The majority of these complaints stem from individuals with licenses who express concerns about unlicensed operations. Notably, complaints regarding issues like parties, parking, and noise in locations with approved licenses are nearly non-existent.

## 8. Policy Considerations:

In reviewing regulations from other Oregon cities, it appears that Salem's regulations are comparable. Most cities allow accessory short-term rentals and short-term rentals, though the method of approval varies from a land use approval, a license, a permit, or a Conditional Use Permit. Other cities also have a variety of regulations regarding the number of rooms, number of occupants, and number of days rentals are allowed, and they all charge a Transit Occupancy Tax. Staff did not find any cities that prohibit ASTR or STR in historic districts or properties.

The following are policy options:

- *No changes.*

In lieu of directing staff to make changes to the current regulations, City Council could request that staff return to Council in a year after retaining a third-party vendor. Staff would be able to provide more accurate information on the number of ASTR and STRs units that are currently operating.

- *Amend regulations to prohibit STR in single family areas.*

The City Council could direct staff to initiate a code amendment to prohibit full-time short-term rentals (STRs) in residential areas. A code amendment process takes approximately 9 to 12 months once initiated. It is important to note that even if the zoning code were to be changed, it would not be retroactive; locations that secured a Conditional Use Permit for a STR would be able to continue operation at that location in conformance with their approval.

- *Amend regulations to prohibit STR and/or ASTR in Residential Historic Districts only.*

The City Council can direct staff to initiate a code amendment to prohibit full-time short-term rentals (STRs) and/or accessory short-term rentals (ASTRs) in Residential Historic Districts. As mentioned earlier, even if the zoning code were to be changed, it would not be retroactive; locations that secured a Conditional Use Permit for a STR would be able to continue operation at that location in conformance with their approval.

## **BACKGROUND:**

The City has allowed *accessory short-term rentals* and *short-term rentals* since 2017. In early 2023, the City Council requested information regarding the City's short-term rental regulations, impacts on housing stock, and potential policy changes.

Lisa Anderson-Ogilvie, AICP  
Deputy CPD Director

## **Attachments:**

1. SRC Chapter 700.006 - Special Use Standards
2. SRC Chapter 30 - License Requirements