

## Adam Zack

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**From:** Kyle Loring <kyle@loringadvising.com>  
**Sent:** Wednesday, September 15, 2021 2:44 PM  
**To:** Vacation Rental Comments  
**Cc:** R. Brent Lyles  
**Subject:** Friends of the San Juans comments -- VR ordinance  
**Attachments:** FSJ cmts re vacation rental cap.pdf

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Dear San Juan County Planning Commissioners,

Friends of the San Juans appreciates the County's efforts to find a reasonable balance for our community regarding vacation rentals and offers the attached comments to support those efforts.

Sincerely,  
Kyle Loring

Kyle A Loring (*he/him*)

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By Email

September 15, 2021

San Juan County Planning Commission  
PO Box 947  
Friday Harbor, WA 98250  
VRComments@sanjuanco.com

Re: Vacation Rental Ordinance update

Dear Planning Commissioners,

I'm writing on behalf of Friends of the San Juans ("Friends") to support the proposal to cap the number of vacation rental permits that San Juan County ("County") issues at the number of permits that were active and compliant as of July 31, 2021. This number, tallied at 413 by Department of Community Development ("DCD") staff is reasonable for individual property owners looking to engage in short-term rentals, and would also help to address community concerns about housing affordability, environmental stewardship, and community cohesiveness. Thus, Friends recommends that the cap be added to San Juan County Code 18.40.275 per the proposed draft ordinance.

Friends appreciates that the tourist industry plays a significant role in the San Juan Islands, and that vacation rentals have grown into a significant player in that industry. Friends also appreciates the concerns that many community members have expressed in response to the substantial expansion of vacation rental properties. While vacation rentals can benefit individual property owners and tourism-oriented businesses, recent studies indicate that their costs may outweigh their benefits for the community at large. Consequently, Friends supports the Planning Commission's proposal to cap the total number of vacation rental permits at the number that were active and compliant as of July 31, 2021 for the County and for each individual island. Such a cap is consistent with efforts that other desirable vacation communities have made to address the impacts of vacation rentals.

This letter: (1) provides a brief summary of the results of studies investigating the costs and benefits of vacation rentals; (2) references a couple of caps that have been adopted; and (3) identifies several rationales for vacation rental caps that would serve as suitable recitals in the proposed ordinance.

## A. Vacation Rental Costs and Benefits.

Over the past few years, an increasing number of studies have evaluated the costs and benefits of vacation rentals by studying home-sharing platforms like Airbnb and have concluded that at the scale of the community, the costs of short-term rentals likely outweigh their benefits.<sup>1</sup> At the scale of the individual landlord, however, the financial incentives strongly encourage renting a property short-term rather than long-term in tourist locales – a study of Airbnb listings in lower eastside Manhattan found that average full-time Airbnb properties earned 2-3 times the median long-term rent.<sup>2</sup> As a vacation destination, San Juan County likely follows these trends. For the purposes of this letter, and because a recent search on Airbnb for “San Juan Islands” turned up 300+ stays, we rely on studies of Airbnb effects to apply to the county’s current vacation rental conversation.<sup>3</sup>

An increase in a community’s number of vacation rentals increases the long-term rents and sales prices for properties.<sup>4</sup> The authors of a 2019 article in the *Harvard Business Review* found that due to Airbnb, landlords were shifting properties from long-term rentals to short-term rentals.<sup>5</sup> While the authors acknowledged the difficulty in ascribing to Airbnb any impacts to housing markets affected by multiple factors, like gentrification and economic trends, they controlled for those other factors and found that a 1% increase in Airbnb listings caused a 0.018% increase in rental rates and a 0.026% increase in house prices. The article acknowledges that those numbers may seem small, but should be viewed against Airbnb’s substantial average annual growth of about 44%. In exploring the reason for these increases, the authors found that it was due to the reallocation of housing stock from long-term rental properties to those offered for short-term rental.<sup>6</sup> The authors concluded that one way to address these effects would be to limit the number of homes that can be used for vacation rentals and to continue to allow vacation rental of owner-occupied properties, as the Planning Commission has proposed.

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<sup>1</sup> J. Bivens, Economic Policy Institute, *The economic costs and benefits of Airbnb* (Jan. 30, 2019), available at <https://files.epi.org/pdf/157766.pdf> (last visited Sept. 13, 2021).

<sup>2</sup> D. Wachsmuth, A. Weisler, *Airbnb and the Rent Gap: Gentrification Through the Sharing Economy*, Environment and Planning A, 20 (Feb. 2018), available at [https://www.researchgate.net/publication/318281320\\_Airbnb\\_and\\_the\\_Rent\\_Gap\\_Gentrification\\_Through\\_the\\_Sharing\\_Economy](https://www.researchgate.net/publication/318281320_Airbnb_and_the_Rent_Gap_Gentrification_Through_the_Sharing_Economy) (last visited September 13, 2021).

<sup>3</sup> A similar search on [www.vrbo.com](http://www.vrbo.com) indicated that more than 400 properties in the San Juans are listed on the site.

<sup>4</sup> K. Barron, E. Kung, & D. Proserpio, *Research: When Airbnb Listings in a City Increase, So Do Rent Prices* (April 17, 2019), available at <https://hbr.org/2019/04/research-when-airbnb-listings-in-a-city-increase-so-do-rent-prices> (last visited September 13, 2021).

<sup>5</sup> *Id.*

<sup>6</sup> The study analyzed housing vacancies and determined that they were positively correlated with homes in the short-term rental market and negatively correlated with homes in the long-term rental market. *Id.*

Similarly, a study by the non-partisan Economic Policy Institute concluded that “[t]he economic costs Airbnb imposes likely outweigh the benefits. While the introduction and expansion of Airbnb into U.S. cities and cities around the world carries large potential economic benefits and costs, the costs to renters and local jurisdictions likely exceed the benefits to travelers and property owners.”<sup>7</sup> These costs include rising housing costs and the benefits include visitor spending, which may not increase significantly with vacation rentals because visitors might select other accommodations.

Consistent with these studies, San Juan County’s Comprehensive Plan acknowledges the role that vacation homes play in affecting real estate prices, noting that “Because of the relatively small total number of properties available for sale and development in the county at any one time, it takes only a small change in this specialized market to affect prices in the remainder of the housing market, which must meet the needs of those whose primary income is the wages they make from work in the County.”<sup>8</sup>

In addition to the financial costs of vacation rentals, communities have raised concerns about the impacts that they impose on their social fabric. A study of a small group of residents on Oahu found that they were most worried about damage to their sense of community.<sup>9</sup> These concerns were borne out by a study of Boston neighborhoods that determined that increases in Airbnb listings led to more violence in later years because the creation of transient properties undermined local social dynamics.<sup>10</sup>

## **B. Other Communities Have Adopted Vacation Rental Caps.**

While several methods exist for addressing vacation rental impacts, including an outright prohibition of their use, other communities have adopted caps on the number of vacation rentals that can be operated. For example, the City of Santa Cruz, which had 330 legal short-term rentals as of 2018, capped hosted short-term rentals at 250 and phased out non-hosted

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<sup>7</sup> J. Bivens, Economic Policy Institute, *The economic costs and benefits of Airbnb*.

<sup>8</sup> San Juan County Comprehensive Plan, Housing Element, § 5.1.B.

<sup>9</sup> Prof Daniel Guttentag, BBC, *What Airbnb really does to a neighborhood* (Aug. 30, 2018), available at <https://www.bbc.com/news/business-45083954> (last visited Sept. 13, 2021).

<sup>10</sup> Laiyang Ke, Daniel T. O’Brien, Babak Heydari, *Airbnb and neighborhood crime: The incursion of tourists or the erosion of local social dynamics?* (July 14, 2021), available at <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0253315> (last visited Sept. 14, 2021).

rentals.<sup>11</sup> Santa Cruz had 23,635 dwelling units<sup>12</sup> at that time, and 600 operating short-term rentals, with 71% qualifying as whole house rentals. Closer to home, Chelan County recently adopted a cap of 6% of its housing stock that could be used for short-term rentals, subject to some exceptions.<sup>13</sup>

**C. A Cap Set at the Number of Active and Compliant Vacation Rental Permits as of July 31, 2021 is Reasonable and Consistent with the County’s Comprehensive Plan.**

Friends supports the Planning Commission’s current recommendation to cap vacation rental permits in San Juan County at the number that was active and compliant as of July 31, 2021. While any date could serve as the cut-off for the total number of permits, that date reasonably offers property owners over three (3) years to have obtained a vacation rental permit, and 1-2 years longer since the vacation rental conversation began in San Juan County.

In addition, given the conversion of some portion of long-term rentals into vacation rentals, a cap is consistent with San Juan County Comprehensive Plan provisions that support making housing available to all residents, including:

- Vision – “the supply of affordable housing is adequate to meet the needs of our diverse population” (Basic Human Needs) and “there is housing for people of all incomes.” (Land use)
- Housing Element
  - A significant number of very-low to middle-income households have difficulty finding affordable housing in San Juan County. Comp Plan Housing Element § 5.1.B.
  - “Affordable housing for workers is critical if local businesses, professionals, schools, public agencies and other employers are to have a reliable source of experienced workers to provide the goods and services needed by island residents. Providing affordable housing is therefore important to meeting the county’s goals for a dependable and balanced local economy.” Comp Plan Housing Element § 5.1.B.

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<sup>11</sup> Jondi Gums, Santa Cruz Sentinel, *Santa Cruz vacation rental limits OK’d by Coastal Commission* (April 16, 2018), available at <https://maggiebarr.wordpress.com/2018/04/16/santa-cruz-vacation-rental-limits-okd-by-coastal-commission/> (last visited September 14, 2021).

<sup>12</sup> By comparison, San Juan County is projected to have 10,420 households by 2025. San Juan County Comprehensive Plan, Housing Element, § 5.1.B.

<sup>13</sup> Heidi Groover, Seattle Times, *Vacation hot spot Chelan County limits short-term rentals* (July 27, 2021) available at: <https://www.seattletimes.com/business/real-estate/vacation-hotspot-chelan-county-limits-short-term-rentals/> (last visited Sept. 14, 2021).

- Promote fair and equal access to housing opportunities for all persons. Comp Plan Housing Element § 5.2.C. (General Housing Policy No. 1)

**D. The Ordinance Should Include Background Recitals to Explain the Need for a Vacation Rental Limit.**

Friends proposes the following recitals for the proposed ordinance:

- **WHEREAS**, San Juan County first held a hearing about vacation rental regulations on April 21, 2017 and subsequently adopted Ordinance 2-2018 on March 13, 2018 to implement such regulations.
- **WHEREAS**, as of July 31, 2021, the County issued [number] of permits for vacation rentals and 413 properties were actively using their vacation rental permits;
- **WHEREAS**, the San Juan County Comprehensive Plan acknowledges the difficulty in finding local housing that is affordable for a variety of incomes and establishes a policy to promote fair and equal access to housing opportunities for all persons;
- **WHEREAS**, growth in the number of entire property vacation rentals leads to the conversion of long-term rentals to short-term rentals and an increase in rental and sales prices for properties;
- **WHEREAS**, the use of entire properties for vacation rentals can undermine local social dynamics;
- **WHEREAS**, the high cost of housing in San Juan County has been well documented;
- **WHEREAS**, as of July 31, 2021, a significant number of community members on San Juan Island, Orcas Island, and Lopez Island had already expressed concerns about negative impacts to neighborhood integrity, environmental vitality, and housing availability from vacation rentals that were active and compliant at that time;
- **WHEREAS**, San Juan County recognizes the financial benefits of vacation rentals to individual property owners and wishes to support the owners of all vacation rental properties that were active and compliant as of July 31, 2021;
- **WHEREAS**, this Ordinance strikes a necessary balance between the benefits and burdens associated with short-term rentals in San Juan County.

While these recitals do not comprehensively describe the entire vacation rental situation in the county, they offer a condensed summary of the more salient points.

Friends sincerely appreciates the attention that the Planning Commission has paid to vacation rentals and their effect on the availability of local housing. Friends supports the proposal to cap

the total number of vacation rentals. If you have any questions about this letter, I invite you to contact me at 360-622-8060 or Friends' Executive Director, Brent Lyles, at 360-378-2319.

Sincerely,

  
Kyle A. Loring

Cc: Brent Lyles