

Anacortes Planning Commission Minutes - February 28, 2024

Roll Call

Chairperson Linda Martin called to order the Anacortes Planning Commission meeting of February 28, 2024 at 6:00 p.m. Commissioners Linda Martin, Jim Stoneman, William McCombs, Paul Ryan, and Mike Mills were present. Commissioners Frank Jeretzky and Luke Currier were absent.

Minutes

Minutes of 12.13.2023; 01.10.2024 and 01.24.2024.

The minutes for December 13, 2023 were approved as submitted by Martin, Stoneman, Ryan and McCombs; Mills abstained; the minutes for January 10, 2024 and January 24, 2024 were approved as submitted by Martin, Stoneman, Ryan, McCombs and Mills.

Public Comment

No public comment.

Public Hearings

LEG-2023-03: Draft regulations for short-term rentals in the C, CBD, MMU and CM zones (Public Hearing)

Libby Grage presented a slideshow starting with the background regarding short-term rentals. On March 2, 2023 City Council adopted Ordinance 4046 which enacted the moratorium for short-term rentals in the C, CBD, MMU and CM zones. On May 22, 2023 Council adopted Ordinance 4052 extending the moratorium until March 27, 2024. From June 2023 through December 2023 staff did research and got input from the Council Planning Committee. On January 14th the draft regulations were released. The Planning Commission held a workshop where the draft regulations were discussed. Tonight is the public hearing for the draft regulations.

City Council's reasoning for the moratorium was due to short-term rentals being a subject of community concern and contrary to the city's goals to promote housing for those that work in Anacortes. Some concerns include removal of existing housing from long-term housing stock; increased demand and reduced supply of housing, which results in higher overall housing costs; Comprehensive Plan goals and policies emphasized encouraging additional housing in certain zones, but the new housing units that were achieved under this being converted to STR's is contrary to the housing goals; and concern that allowing new Multi-Family units converted to short-term rentals may impact the community feel and livability of those units. This could mean that there would be empty units during different times of the year, leading to less community.

Ms. Grage reviewed the map of the affected areas. She clarified that in other parts of town, such as R2, Old Town, R3, and R1, STR's were already not allowed. The exception to that are Bed & Breakfast's, which require a CUP and owner occupancy, and there is a limit on the number of rooms that can be rented.

Staff identified 93 listings for STR's representing 82 unique rental units citywide. That data showed that a median nightly rate of \$156.00 in 2021. Single-family homes made up 88% of that number, while 10% were multi-family homes and 86% of these were for renting the entire home short term.

The proposed regulations key goals that were identified were to prevent housing from being taken off the long term housing market; to preserve sense of community in existing and future neighborhoods and allow for economic gain by owners and residents. Other considerations included staff resources to administer and enforce new regulations; the impacts on existing STR owners; consistency with GMA housing requirements and the 2023 Housing Action Plan recommendations.

Libby summarized the proposal as follows: to add new overnight lodging type and definition in AMC for "Short-term Rental"; to prohibit new STR's in the C, CBD, MMU and CM zones; and to allow existing, legally established STR's with current business license to continue operation. She reviewed the definitions of

the various housing types and the addition of STR's in AMC 19.44.050.

Ms. Grage pointed out there are different types of STR's: non-owner occupied and owner occupied STR's. The non-owner occupied is where the owner does not live there and the entire unit is rented, which removes this unit from the long-term housing market. The other STR is where the owner lives there as their principal residence and rents out a spare room, which does not take units from the long-term housing market. Libby reviewed the Commissions questions from the last meeting and staff's responses. (1) How do STR's affect the community and what's the problem with them? Staff found that the primary concern is how STR's impact the long-term housing availability and affordability. (2) Has staff looked at any other method to manage STR's? Staff looked at caps on the number of STR's per neighborhood or city-wide, fees & taxes; or limits on the frequency of rental. Ultimately staff is not recommending any of those. She pointed out that the State Legislature is considering HB 5334 which would allow a City to impose an excise tax on the sale of lodging of STR's up to 10%. (3) Is the STR business license transferable. She said it is. (4) How many units have been established? Staff estimates there are approximately 10-20 units. (5) Do we have data showing the impacts of STR's on housing costs. Staff does not have Anacortes specific data, but there have been multiple studies that show an increase in short-term rentals contributed to higher asking rents for long-term rentals and a reduction in the number of available units for rent. (6) How many dwelling units are in these zones? She clarified that the C zone has 213; CBD has 124; MMU has 77 and CM has 11. (7) Rental registration for existing STR's? She said that existing legally established short-term rental's will have a current business license for such a use. Staff is not recommending establishing a registration requirement. She reviewed a summary of public comment received. Many of them talked about the benefits of STR's to the community, including temporary housing options (temporary workers, relocating families, traveling nurses, and prospective residents); STR's provide an alternative to hotels; short-term rentals benefit the community through increased tourism and taxes; STR's provide a source of income for homeowners/property investors; and existing STR's should be grandfathered in .

Public Hearing Opened

Ron Worthum, Realtors Association, Burlington said this was brought to his attention by the realtor's group. We feel that since Anacortes is a destination city we have a lot of members that deal with people visiting and there are merchants encouraging people to visit, but the hotel capacity is limited, so the overflow will go to other surrounding towns. The Comprehensive Plan includes need for diversity of housing types to meet the community needs. STR's accomplishe this. They recommend allowing STR's and regulating them so that they will be taxed and if there is a problem, they can be shut down. He commented that 90% of the the City already bans short-term rentals and this removes the rest. He doesn't see the problem with STR's.

Josh Blee, Windermere Real Estate Anacortes, gave his personal perspective that when he an his wife came here looking for a place to stay, it was tough to find a place for his entire family (3 kids). Hotels were not the right fit for his needs. He doesn't believe short-term rental's take away from the long-term housing market. He pointed out that there is a market for STR's. There are specific people that will use these, so it doesn't affect those wanting long-term rentals. When there are no rentals in the CBD, it puts pressure on the non-compliant STR's. People will find a place to stay. This will create a compliance issue. There are other economic benefits for the City; such as generating tax revenue, job creation, travelers, helping with downtown revitalization because it allows property owners to use the spaces that are already in Downtown. He agrees that winter is a slower time for STR's, but those could then be rented for longer term, but not the standard 1 year rental.

Horiah Hojimora, Anacortes, read a letter to the Planning Commission. Short-term rentals help visiting tourists and employees. These cater to many peoples needs. These are essential accomodation options that we need to keep. This also generates income for the owners. STR's have positive impacts on the neighborhoods. They also provide for affordable housing projects. She gave the example of a new development that isn't selling that could be rented out short term. She wants a solution to benefit all residents.

Jason Gould, Reality Real Estate and owner of 3 units in Anacortes. He pointed out that the Supreme Court

deemed these as residential in nature, not commercial. He gave a summary of housing in Anacortes which includes 3342 rentals and 1421 vacant homes, which is 12% of the total housing market in Anacortes. Those vacant homes are hurting affordable housing. STR's are 0.06% of the total housing in Anacortes. He does not feel that short-term rentals are the problem; the need for more housing is. Builders need to be able to build. In his experience, the people that rent these types of homes are looking for longer term solutions, this allows them to take the time to find what they are looking for. He reviewed the concerns presented by staff stating that supply and demand will naturally flux. Allowing STR's will enhance the ability for flexible housing. Currently there is a tight market for housing. We need to encourage more building, which is the solution. He feels that there is a sense of community within STR's. They allow for a flexible housing mix. He would like to see short-term rentals in all of Anacortes. He pointed out that there are only 75 Air B&B's in Anacortes. In his opinion, there is no reason to be addressing this.

Kathleen Flannigan, Anacortes said she wrote letter on behalf of Evergreen Highlands in support of this proposal. This is in line with the current housing goals and will allay fears of the community regarding rental units being taken off the long-term rental market. She does not want to see out-of-town owners and guests over run Anacortes. Most of the opposition to this are from realtors, which are specific stake holders. Public Hearing closed.

Planning Commission Discussion

Paul Ryan commented that we want to preserve the neighborhoods. He has considered both sides of this issue. In his opinion, this proposal is not affecting the established neighborhoods. He referenced the letter from Evergreen Highlands and the concerns for safety. In other cities, there are registrations for these units. There are specific minimum codes that need to be maintained. He feels that could help quell citizen concerns. He referenced Cannon Beach, where they have requirements for STR's, such as requiring an operators license, fees for registering, and restrictions listed in the rental unit on do's/dont's. There's a lot of transparency for renters, neighbors, and owners on what's expected. Regarding affordable housing being taken away from workers; he wonders if some of our retail establishments close early because they don't have the ability to have more employees because they cannot afford to live in Anacortes.

Linda Martin clarified that this does not remove the existing short-term rentals; rather it's about new STR's. Jim Stoneman pointed out that there have been some good comments tonight. In looking back at the initial moratorium, he's leaning towards supporting this recommendation.

Mike Mills asked why these 4 zones were not included in the short-term rental ban in 2019 for the residential zones.

Ms. Grage said she did not remember if there was specific discussion about that. It's possible that this was not an issue in these zones back then.

Mr. McCombs stated that there have been good points brought up. He agrees that Anacortes definitely needs affordable housing, but there is a need for STR's too. He understands that we need to provide housing options, but this affects about 20 units. That's 3/10ths of one-percent of the total housing in Anacortes. He understands the benefit to the City for short-term rentals, but does not feel this impacts the long-term affordable housing market significantly. He suggested a different type of control, such as a cap for short-term rentals or owner-occupied requirements. He likes the flexibility for STR's when advantageous to do so.

Mr. Ryan referenced Bellingham, stating they have no cap on housing in their downtown. He prefers setting regulations for short-term rentals in Anacortes. This could make both sides happy.

Linda Martin commented that she remembers the genesis of the moratorium being units that were built as affordable housing but were converted to STR's.

Libby stated that was one reason for community concern. The development regulations allowed for more flexibility in the C and CBD zones to build townhouses to increase the housing supply. There were quite a few of these that were built as townhouses, but converted to short-term rentals.

Ms. Martin said that in general she agrees with the comment that we should allow the market to dictate this, but she also agrees that we need more housing in Anacortes. If a unit is used as STR, it is off the market for

new long term renters. We want to encourage tourism, which is what STR's will do; but on the other hand, we need support those that work here and provide affordable housing for those individuals. Since we're allowing those units that are here now, it makes sense to provide for more opportunities for long-term rentals as opposed to units for visitors.

Paul Ryan wondered if the potential changes coming later this year (during the Comprehensive Plan update) would accommodate the need for affordable housing options for residents of Anacortes. He wants to balance the need for affordable housing along with viable commerce.

Mr. Mills pointed out that we don't have a problem right now, but we're trying to make sure we don't get into one. He expressed concern of conversion of existing properties to STR's, which creates fewer housing units at higher market rates. The priority of providing a variety of housing that supports a wide-range of affordability, which leads him to be concerned about taking units out of the marketplace. He referenced public comment that recommended allowing STR's but capping the number of them, which would be burdensome to staff and hard to regulate.

Jim Stoneman pointed out that the moratorium creates a cap.

William McCombs said he sees this a bit differently. If a STR closes down, there is not a new STR replacing it. If we go thru with this, we will lose those short-term rentals over time. He preferred to use a cap to maintain the existing short-term rentals.

Libby clarified that the proposal would not eliminate new B&B's in these zones. There are requirements for those.

Mr. McCombs reference slide 4 stating that if the unit is owner occupied, it is not taking away a housing unit, but it is also offering the option of a STR. In this case, the owner gets to have an income.

Ms. Martin said the Commissioners might be able to do both. She recommends closing these 4 areas now, but also recommend that we look at the rest of the City to address this.

Jim Stoneman moved to accept the staff recommendation for the 4 zones as presented in packet. Linda Martin seconded.

Vote: Mills, Martin and Stoneman ayes; McCombs and Ryan nay. The motion passes.

William McCombs moved to have the City Council implement regulations to allow for resident occupied STR's in all zones of the city. Mr. Mills seconded.

Mr. Stoneman asked if staff should review this and bring more information back to the Planning Commission.

Libby agreed because this would need to be a separate amendment process with public input.

Vote: Mills, McCombs, Ryan, and Martin ayes; Stoneman nay. The motion passes.

Other Business

2045 Population and Housing Projections

John Coleman presented the Population and Housing Projections for the 2025 Comprehensive Plan update. The Comprehensive Plan takes a snapshot in time for our existing infrastructure and looks at a 20-year projection for growth. GMA requires periodic updates to the Comprehensive Plan. The update is for 2025-2045. We are looking to see how much housing is going to be needed over the next 20 years. It also looks at jobs, growth, etc. It looks to see if we need to annex any of the Urban Growth Area (UGA). These areas are not under City jurisdiction, but is where we plan to grow if needed. The intent is to avoid sprawl.

The GMA has mandatory topics that will be reviewed in the Comprehensive Plan update. Those include population projections, employment projections, available housing options for new residents by AMI, a climate element (new), the UGA and critical areas. There will be a lot of public input on this. We are just at the beginning of the process.

The population projections guide everything. He clarified that the County population projection comes from the Office of Financial Management and our region selected the median number. The OFM median projection has been pretty spot on in the past for our area. He reviewed the Skagit Council of Governments and their review process for growth patterns for the county and each of the jurisdictions. SCOG reviewed

population trends for the last 20, 30, 40+ years to come up with new projections for each of the cities. The last 10 years saw an increase, so we also took that trend into account in the projections. He reviewed the population and employment estimates for this planning period. He pointed out that staff will be looking at how to accommodate that increase. The types of jobs also impacts the type of land needed to accommodate those. For example, industrial employment takes more land, so the number of people per square foot is much less than an office.

Next, John reviewed a slide of trends by housing types. The reality is that we need a mix of housing types. In 2019, most homes were single-family residences. Then changes were made to development regulations to be in line with the 2016 Comprehensive Plan and we saw an increase in multi-family and ADU's. Then in 2021, we saw an increase in cottage housing, townhomes, multi-family and ADU's. By changing the rules, developers followed along which shows the market need. In 2022, we saw an increase in multi-family, ADU's and duplexes. In 2023, we noticed a decrease in the number of permits. We have a good mix of housing types being developed in Anacortes.

Cities are now required to plan on how to accommodate for housing in all income ranges. John reviewed the area median income (AMI) figures. This is used largely to aide in setting the fair market rate (FMR) for rentals, especially for supported housing. We need to look at each AMI band so that we can provide housing for that income level. The 0-50% AMI is supported housing; such as, Anacortes Family Center. These are likely not going to be homeownership. The 51-80% AMI is likely going to be multi-family units. The 81-100% AMI is multi-family, duplex, townhomes, and some homeowners. Then 101-120+% AMI is homeownership. He clarified that this is for new units that are going to be needed over the next 20 years for those that want to live in Anacortes. If you look at what it costs to build a SFR, you can reverse engineer that to determine what income is needed to afford that mortgage, you'll need well above the AMI for Anacortes to afford that home. We currently have approximately 277 units for the 0-50% AMI. It's not the city's responsibility to provide the land for supported housing, but we need to have development regulations that make this variety possible. We have to be able to accomodate all of these types of housing. In order to understand how to accomodate growth, we need to know how much land we have in each zone. This is a parcel by parcel study of land in the city. This will tell us how much land is undeveloped or underdeveloped. Then we can make policies to allow for this growth. We also have to do this with the employment projections to ensure we have the land to accommodate that growth. He reviewed the zoning map and the potential for infill/growth in each zone. He pointed out that the Housing Action Plan has R3A, but we don't actually have that zoning area on our curent map. The Planning Commission could recommend creating this.

Mr. Coleman reviewed the next steps. We have been given a \$125K grant for the Comprehensive Plan update. We contracted with Makers to update much of that. We are waiting on a \$5K climate grant for the techninacal studies and public outreach. We are working on a public participation plan. Our goal is to bring that before the Planning Commission on March 27th if we have it from Makers. The Comprehensive Plan update was due by June 2025, but HB 2296 just passed both the House and Sentate to extend this timeline to December 31, 2025. Having that extra time will allow more public engagement.

Linda Martin said she appreciated the information.

Mike Mills asked if the population, employment and housing forecasts take into the account our unique features, such as being an island. We are limited in the UGA and our forest lands are larger than other communitites. He wonders if these things were taken into account when coming up with the figures.

John clarified that we are doing this to plan to make sure we can accommodate growth. This is based on our historic growth pattern. We need to anticipate it. We can't say we don't want to grow. If we did, we wouldn't be able to handle the growth and we would end up with traffic problems, our housing affordability problems will get worse, and our sewer system won't be able to handle the increase in population. We need to be prepared for the anticipated growth and prepare for it. Our anticipated growth is manly in the Sharpe's Corner area due to other geographical limitations.

Mr. Mills said he was hoping to hear that the geographical constraints for each unique city were considered. John clarified that Burlington has the most natural constraints. Each community has their own growth

concerns that need to be addressed. Anacortes is a desirable city, which is why we see the growth projections to be what they are. The constraints are what draw people here.

Ms. Martin referenced the housing allocations by AMI asking how more than 50% of the growth falls within the 0-50% AMI.

Mr. Coleman pointed out that staff is doing more research on this and it will be brought before the Planning Commission.

William McCombs commented that these are the easiest to accommodate because they are smaller units, that are easier to build and less expensive.

John agreed. He said these are typically multi-family units. Each unit costs less to produce.

Linda asked what the growth projections are for the school districts.

John stated their projections are largely based on our projections. He clarified that school capital facilities are also addressed in our capital facilities element. The same is true for the Hospital and other large businesses.

Adjourned 8:25pm.

Adjournment