

## County Council’s decision allows a significant increase in Vacation Rental permits on Lopez Island

*Chom & Chris Greacen*

The County Council finally approved Vacation Rental caps today. Here is a report of what was discussed leading to the approved cap for Lopez that was 59% higher than that proposed by the Planning Commission, and why we are not happy with it.

Here is a table comparing the current, proposed and approved numbers of VR permits by island.

| VR permits                                       | Lopez       | Orcas       | San Juan | Shaw+Waldron | Others |
|--|-------------|-------------|----------|--------------|--------|
| Active & compliant as of July 2021               | 62          | 196         | 140      | 0            |        |
| Compliant (active & non-active) 2021             | 92          | 341         | 250      | 0            | 3      |
| <b>Proposed caps by Planning Commission</b>      | <b>85</b>   | 334         | 229      | 0            | 2      |
| <b>Approved caps by County Council (5/17/22)</b> | <b>135</b>  | 211         | 377      | 0            | 10     |
| <b>CC's caps compared to Planning Comm's</b>     | <b>+59%</b> | <b>-37%</b> | +65%     |              |        |

### A Lopez-focused recap of the May 17, 2022 County Council meeting on VR caps

The county recorded the meeting which can be viewed here:

<https://media.avcaptureall.cloud/meeting/546054e6-aaf5-4c7a-b91e-d93f96fb4a2a>

The part related to VR caps started off with a presentation by county planner Sophia Cassam. This part was not captured by the recording above and the info that she shared was not posted along with other meeting documents, unfortunately.

### Public comment period

Over a ninety people signed up to comment, requiring about five hours to complete. The vast majority of comments from San Juan spoke against a cap. The vast majority of people from Orcas spoke in favor of a low cap/no increase. There were fewer comments from Lopez but the majority of them also spoke in favor of a low cap or no increase.

Several comments referred to and supported our research and analysis which was sent to the Council Members prior to the meeting. The key findings are that 1) **82% of active & compliant VR owners are registered to out-of-county addresses**; 2) in 2020-2021, **the rate of property purchases with VR permits went up 2.4 times the previous 2 years, with 92% of these ending**

**up in the hands of people outside our community; 3) half of the VR property buyers in 2020-2021 were corporate entities.** (Details are presented below.) This means there is an increasing commercialization trend of the VR ownership and the vast majority of VR profits from Lopez flows to off-island bank accounts while local residents grapple with their impacts.

### **County council deliberations**

The County Council entered deliberation after comments ended. The council decided to set up caps that differed from what the Planning Commission proposed with each Council Member from respective district responsible for their district's cap and rationale.

Of note, Council Member Cindy Wolf heard the concerns of Orcas residents expressed loud and clear (*recording time stamp 3:16:00*) and decided on a cap for Orcas at 211, which is **37% LOWER than that recommended by the Planning Commission**. The rationale she provided for this cap was:

“Because a large majority of signatures to the 720 person petition were associated with Orcas Island, which represents an unusually large number of signatures from Orcas Island for a single issue petition, and because the petition occurred after two years of public input, and because the petition asked for a cap at the number of active and compliant rentals as of July 31, 2021, therefore the number of vacation rental permits for Orcas Island has been set at 211.”

On the contrary, the expressed concerns from Lopez residents about a high VR cap seemed to be dismissed entirely by Council Member Jamie Stephens. He suggested several changes to the draft ordinance (the last item on the drop-down document list at the link above) including:

- DELETING the highlighted part: “Lopez island residents have expressed similar negative impacts from short-term vacation rentals although the number of short-term vacation rental permits on Lopez has not expanded at the same rate as Orcas. Some 240 individuals from Lopez submitted a separate petition to the Planning Commission and the County Council to limit short-term vacation rental permits.” (*Time stamp 3:25:00*)
- ADDING as THE rationale for setting the Lopez RV cap at 135 “Property owners rent their properties short term for a variety of reasons other than a pure business. These include their ability to afford a home or keeping a home in family ownership. There should be some space for an increase in permits on Lopez Island.” (*Time stamp 4:26:00*)

Needless to say, Council Member Stephens's decision was a disappointment to many of us. He not only removed the reference to the large volume of inputs (240) from his Lopez constituents and dismissed our concerns about VR impacts. He also ignored the data that the majority of VR property owners are neither local residents nor non-resident family members or active part-time community members. (More on this below.)

In fact, the research to arrive at the above data was done at the urging of Council Member Stephens. We joined Kai Sanburn in a series of three meetings with him on the VR cap issue. He

had the impression that VRs were primarily owned by local residents while we had the opposite impression. With his suggestion that the VR permit and property ownership databases were publicly available, Chris and I spent many hours combing through data in order to get to the bottom of this, believing that Jamie would make decisions based on facts and data. It was disappointing to learn that he chose to stick to his belief despite the facts to the contrary.

It is also worth noting that Council Member Cindy Wolf stated at the meeting that setting **“lower caps does allow a future council to reset the caps at a higher level if it becomes apparent that that’s necessary without having to go back into a moratorium.”** (Time stamp: 4:29:00) So it is much easier to raise the cap but not the other way around. It is therefore more perplexing why Council Member Stephens opted for a much higher cap (50 more VR permits) than what the Planning Commission proposed (89) when he should have erred on the lower side.

The new cap will go into effect about 10 days from the approved date (5/17).

### **More detailed findings on VR ownership and trends on Lopez**

We have compiled some info and analysis based on publicly available data from the county’s VR permit and property ownership database. Here are the findings:

**1. The vast majority (82%) of property owners with active and compliant VR permits on Lopez have off-island addresses (2021 data).**

| <b>LOPEZ</b>                  | <b>Compliant w/<br/>VR Permit Numbers</b> | <b>Compliant<br/>&amp; Active</b> |
|-------------------------------|---|-----------------------------------|
| Total                         | 92  | 62                                |
| SJC addresses                 | 24  | 11                                |
| % SJC addresses               | 26.1%                                     | 17.7%                             |
| <b>% Off-island addresses</b> | <b>73.9%</b>                              | <b>82.3%</b>                      |

**2. Even including non-primary residents, VR owners who have active ties to the Lopez community through engagement or being part of Lopez long-term families (regardless of whether their primary residences are in the SJ county or not) constitute just a minority among all VR permit holders on Lopez.**

*(We have asked people with many years and deep connections in the community such as David Bill, Faith Van de Putte, Sandy Bishop & Rhea Miller) to help review names of VR property owners to see which and how many of them are recognized as long-timers or active community members (whether they are part- or full-timers) on Lopez. Some categorization is also based on our own internet research. Below is our best attempt to understand the situation of the stats*

and trends. If there are any inaccuracies, the fault is all ours (we'd appreciate corrections so we can update the analysis)

| <b>Lopez</b>  | <b>Compliant w/ VR Permit Number</b> | <b>Compliant &amp; Active</b> |
|---|--------------------------------------|-------------------------------|
| Total   | 92                                   | 62                            |
| Identified as part of long-time families on the island or active contributing community regardless of the primary residence | 39                                   | 29                            |
|   | 42.4%                                | 46.8%                         |

**3. Since covid, there is a clear trend of accelerating purchase of VR property by people outside of our community.**

In 2020-2021, twelve properties with compliant VR permits changed hands, a 2.4 time increase from the 2018-2019 period (five).

*\*Note: the counts only include properties that are transferred through sale but not through subdivisions or other means (unable to find transaction dates for these in the SJC property database).*

**4. The vast majority (92%) of recent VR property purchases fall into the hands of people outside our community.**

Only 1 out of 12 (8%) VR property transactions in 2020-2021 above were purchased by people we recognize as members of the Lopez community. Several of these are transferred from long-time community families/members.

**5. There is an increasing trend of corporate entities owning VR properties.**

Among the list of recent VR owners, we see names such as Original Evergreen Experience LLC (2020), Skyzeek Sidequest LLC (2020), Shatto Properties LLC (2020) Set Properties LLC (2021), and Eat One LLC (2021). These all have addresses out of the county and in some cases outside of Washington State.

**6. It is hard to deny that VRs make properties more financially attractive for property buyers and thus driving up prices and attracting corporate buyers/commercial investments.** Six VR properties on Lopez were sold in 2021 with a median price above \$1 million. VR business owners outcompete people looking to buy homes so they can move here to work and or live here full time, making it challenging for the school, clinic, businesses to recruit qualified people to fill vacant positions. A growth in VR opportunity lubricated by expansion of VR permits on the island inevitably adds pressure on the housing prices and makes housing less affordable for residents, worsening the housing crisis.

**7. Last year (2021) the county spent over \$700k of REET (plus over \$1.1 million donations from the community) to subsidize 6 affordable/medium income rentals (FishBay Cottages) while collecting only 4% lodging tax (around \$1000-2000/VR permit?).** Given the housing crisis, are the economic benefits of additional VRs to the county enough to outweigh the exorbitant costs the county has to invest to address housing affordability?

**Potential solutions:** (These long-term solutions will not affect the newly approved allocation of additional permits up to 135 total. These will take time and sustained advocacy for the County Council to implement).

1. Actively advocate for passing state laws that will: 1) allow lodging tax to be used to address affordable housing problems, 2) allow local counties to require that VR permits do not transfer with the property when it changes hands.

2. To spread the economic benefits of VRs, new VR permits should come with a term limit (7-10 years). Existing VR permits are grandfathered but those that fall out of compliance will need to reapply under the new conditions.

3. To reduce impacts and ensure direct benefits to local residents, consider limiting new VR permits to lived-in residences or ADUs of full-time residents only. There should be no more whole residences converted to VRs to avoid commercialization of Lopez housing stocks.

*We chose to omit some supporting tables of data with lists of names due to privacy concerns (even though the data is publicly available on the internet if you know where to look). But if you're interested in reviewing the data in greater detail, we'd be happy to share them with you. Please email [chomsgreacen@gmail.com](mailto:chomsgreacen@gmail.com).*