



**Kent Taylor Civic Hall
City Council Chambers
200 NE Second Street
McMinnville, OR 97128**

**Special Called City Council Meeting Agenda
Wednesday, March 21, 2018
5:30 PM**

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. SUBCOMMITTEE FOR HOMELESSNESS PRESENTATION
4. PRESENTATION ON VACATION HOME RENTALS
5. DISCUSSION ON SPECIALTY BUSINESS LICENSES
6. ADJOURNMENT

Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702. For TTY services, please dial 711.



CITY OF MCMINNVILLE
Administration
230 NE SECOND STREET
MCMINNVILLE, OR 97128
503-435-5702

www.mcminnvilleoregon.gov

STAFF REPORT

DATE: March 21, 2018
TO: Mayor and City Councilors
FROM: Jeff Towery, City Manager
SUBJECT: Subcommittee for Homelessness Presentation

Background:

Dan Bryant, Pastor at First Christian Church in Eugene will make a presentation discussing the history, context and evolution of the work done in Lane County regarding Opportunity Village.

There will be time for a question and answer session following the presentation.



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STAFF REPORT

DATE: March 21, 2018
TO: Mayor and City Councilors
FROM: Jeff Towery, City Manager
SUBJECT: Vacation Home Rentals

Background:

Portland State University graduate student, Elizabeth Gray, will be presenting her investigation and comparative study titled "Examining and Improving Vacation Rental Tax Compliance in McMinnville".

Examining and Improving Vacation Rental Tax Compliance in McMinnville:

An Investigation and Comparative Study

Prepared by:

Elizabeth Gray, Portland State University MPA '18

March 2018

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Acknowledgements

Several individuals and organizations provided invaluable assistance that contributed to the completion of this project. Special thanks to:

- The elected leadership of McMinnville, for their interest in this issue
- McMinnville City Staff, including but not limited to City Manager Jeff Towery, Finance Director Marcia Baragary, and Planning Director Heather Richards, for their support in designing and carrying out this research
- Visit McMinnville's Jeff Knapp, for his interest in and support of this project
- Professor Philip Cooper of Portland State University, for connecting me with the City in an opportunity to apply personal interests and past work experience in a practical setting
- The staff from Deschutes County, Corvallis, Sisters, Tillamook County, Gearhart, Hood River, and Bend, who were generous with their time and knowledge

Executive Summary

When private homeowners or their representatives operate vacation rentals in traditionally residential areas, their business activity may be much less obvious than that of a signed hotel, motel, RV park, or bed and breakfast. The proliferation of short-term rentals, facilitated by platforms such as Airbnb and VRBO/HomeAway, has led to discussions of privacy, safety, and livability in communities around the state and country, and regulatory challenges in the areas of land use and taxation. This report focuses on the latter.

The City of McMinnville requires transient lodging operators and intermediaries – including approved operators of short-term vacation home rentals – to register with the Finance Department within 15 days of commencing business and remit quarterly transient lodging taxes (TLT) of 10% to the city. This two part investigation seeks to address two types of questions related to TLT collection in McMinnville:

- Of the vacation rentals registered with the Planning and/or Finance Departments, which are actively advertising? Are proprietors advertising vacation home rentals without being registered through the City of McMinnville planning and finance departments, and, if so, where are these properties?
- Second, how do similarly situated communities with local TLT address increasingly complex issues of tax collection?

McMinnville's Planning and Finance departments work together to ensure that tax registration and planning approval is completed. When this project was designed in August 2017, 67 properties and transient lodging intermediaries had registered with McMinnville's finance department to remit TLT, which includes traditional hotels and motels. In February 2018, a list of 21 likely noncompliant rentals was submitted to the Finance Department as a result of an investigating properties listed on major rental platforms during November and December 2017. Staff confirmed that these properties were not accounted for in the currently approved 35 vacation home rentals and 13 bed and breakfast establishments in McMinnville. McMinnville's zoning code amendments, up for approval this month, could clarify some of these land use distinctions. Regardless of that decision, the investigation indicates substantial untaxed rental activity in McMinnville.

In consulting with peer counties and cities, this investigation found a variety of options for improving tax collection that go beyond the manual web site review conducted in this project. These options vary in cost and complexity are all explained in this report; all of the local government staff contacted for this project would be happy to collaborate in finding solutions.

Evolving legislation in Oregon may provide relief from some of the challenges documented here. The 2017 Legislative Assembly passed House Bills 2400 and 3180; when implemented, these will offer local governments the option to contract out the business of lodging tax collection to the

Oregon Department of Revenue, or to share information with the Department of Revenue in order to facilitate tax collection. More information and implementation is expected in 2018.

Additionally, legislation passed in February 2018 could significantly shape the relationship between the rental platforms of the world and local governments by clarifying that any business facilitating the sale of lodging is liable for the lodging tax. According to Wendy Johnson of the League of Oregon Cities, the Department of Revenue has recommended that Governor Brown sign. A signature is expected by April for an effective date this year.

In this context, recommended options for McMinnville include:

- amend code to require that hosts post vacation permit numbers and/or assigned Finance Department ID numbers in all advertisements, which would facilitate easier compliance audits by staff; staff in Deschutes County and Hood River spoke positively of this approach.
- utilize subscription monitoring services such as STR Helper and HostCompliance to assist in monitoring compliance and improving tax collection, according to staff in the cities of Gearhart, Seaside, and Hood River.
- collaborate with the Yamhill County Tax Assessor in an educational campaign to those homes appearing to be second homes.
- subscribe to AirDNA for information regarding Airbnb activity in McMinnville.

While the implementation of these three bills rolls out in 2018, this report offers options to increase the quality of information regarding McMinnville's short term rental market and improve enforcement.

Introduction

The City of McMinnville and destination marketing group Visit McMinnville both seek a better understanding of the vacation rental market operating within the city limits of McMinnville. As understood through conversations with staff, identifying as many operating vacation rentals as possible supports multiple city goals. These goals include:

- Promoting health and safety for overnight visitors to McMinnville properties (via conditional use permit through Planning Department)
- Timely collection of McMinnville’s transient lodging tax (TLT) of 10%, which applies to stays in the city under 30 days.¹
- Having a complete understanding of the vacation rental landscape in the city, which has implications for short and long-term planning and neighborhood livability

The first part of this investigation addresses the questions of how many permitted homes advertise and, more importantly, whether vacation home rentals are operating within city limits without following the City’s permitting and tax requirements.

The second section offers a sampling of experiences from seven peer communities that also collect city or county level TLT, first explaining the method for selecting these communities, and then providing summaries of the conversations. The topics of Airbnb tax collection agreements and state-level policy changes are addressed briefly. The conclusion offers a recap of practices which McMinnville could choose to adopt, either as a city acting alone or in collaboration with partners.

Appendices A, B, and C, submitted to city staff, complement this report and include:

- Appendix A: Spreadsheet of City of McMinnville Finance Department TLT-registered properties as of August 2017, amended with the following information:
 - Date property’s online advertisement was located
 - Whether property is listed on Visit McMinnville site²
 - Major advertising site(s) where property was located (Airbnb, VRBO, Vacasa, etc.)
 - Link to advertisement
 - Taxlot from Yamhill County Assessor Office³ and City of McMinnville GIS⁴

¹ “City of McMinnville. Transient Lodging Tax”. <https://www.mcminnvilleoregon.gov/finance/page/transient-lodging-tax>

² Visit McMinnville. “All Lodging”. <http://visitmcminnville.com/stay/stay-lodging-mcminnville/>. Accessed beginning October 15, 2017.

³ “Property Account Information” <http://www.co.yamhill.or.us/content/pay-your-taxes-online>. As noted in the methodology, the owner addresses are not included in this initial appendix. Owner name and addresses, while available online in several Oregon counties, are not available in Yamhill, and records requests in volumes greater than ~5 require formal records request and payment to County.

⁴ City of McMinnville GIS. <http://gis.ci.mcminnville.or.us/intragis/>. Accessed January 15, 2018

- Appendix B: Spreadsheet of publicly advertised vacation rentals (active late November 2017) that may⁵ be noncompliant with the city's permitting and tax requirements, with the following information:
 - Advertised property name
 - Street Address
 - Taxlot
 - Major advertising site(s) where property was located (Airbnb, VRBO, Vacasa, etc.)
 - Host/property manager name where available
 - Link to advertisement

Properties with an available address are included at the top of the table and those where only an intersection was available are at the bottom.

- Appendix C: Contact information for comparative study participants
- Appendix D: Original project proposal submitted to city staff on 10/3/2017

Discussions concerning the benefits and challenges of short-term vacation rentals and their regulation are alive and well in communities of all sizes across Oregon, the United States, and the world. In explaining the above tasks, this report will reference several key developments relevant to McMinnville, but is limited by time and capacity to examine all of the possible circumstances.

PART ONE: Determine vacation rental activity in McMinnville

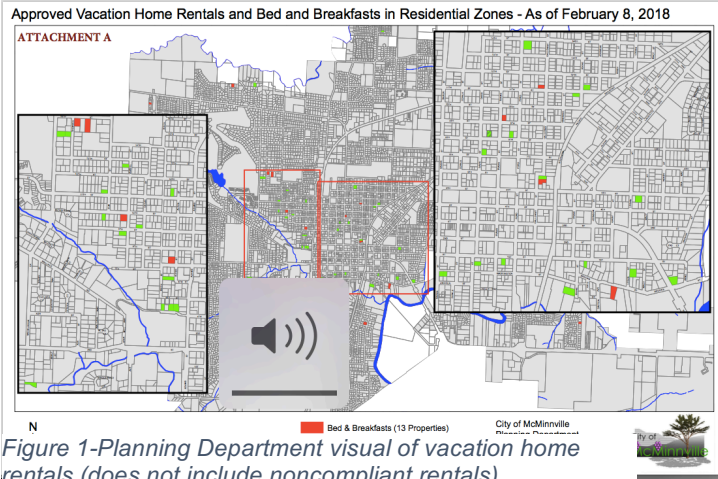
Purpose

The two complementary parts of the property investigation aim to illuminate vacation home rental activity in McMinnville through addressing two questions:

- Of the vacation rentals registered with the Planning and/or Finance Departments, which are actively advertising?
- Of vacation rentals advertised online through sites such as Airbnb, VRBO, etc., approximately how many City of McMinnville properties do not appear to be properly registered with Finance and/or Planning?

Appendices A and B include these answers, and the City can decide how to proceed with this new information. As discussed during the project conception phase, the Community Development and Planning departments plans to use both the advertisement and address data as part of a GIS shapefile to attach to county data layers as in Figure 1 below.

⁵ As will be explained in the Investigation section, listing in the appendix does not constitute a guarantee that the subject property is in violation of City of McMinnville code. Rather, it indicates a property that the Finance and/or Planning Departments may wish to investigate further.



This will provide a visual representation of vacation home rentals in a more sophisticated and visually appealing manner than this investigation can provide. The Finance and Planning Departments may choose to contact property representatives or owners of the suspect properties in Appendix B in order to seek compliance with land use regulations and/or past due taxes.

Methods and Protocol 1.1 How many permitted homes advertise?

This section describes the methodology for locating advertisements for permitted properties and for determining locations of potentially unregistered properties.

Documenting advertising activity for permitted properties is much simpler because several data points are already available:

- an address
- a contact name
- and in most cases, an advertising moniker such as “Oregon Wine Cottage” or “A Tuscan Estate”.

In order to complete this task, labeled as Task 1 in the initial project proposal, the following steps were taken:

- Review property listings on Visit McMinnville website to see if subject property is listed and mark accordingly on spreadsheet. Listings on Visit McMinnville provide the full property address, and on occasion link to a third-party website such as Airbnb or VRBO for reservations.
- Perform search for property address in Google and log any advertising information uncovered (for most properties this did not result in a hit because most vacation home rental operators do not list their full address)
- Perform search for property moniker on Google and through major booking sites (Airbnb, VRBO) and log web addresses for any advertisements.

Overall, these searches found that of the 67 providers registered to remit lodging tax as of August 2017, 56 were advertising online in October 2017. The other properties may have ceased operating as vacation rentals, or advertise through print or word-of-mouth.

Methods and Protocol 1.2 How many advertised homes may be violating McMinnville requirements?

The bulk of the methodology discussion is devoted to the identification of addresses for advertised vacation rentals likely to be noncompliant with City of McMinnville permitting and TLT regulations.

Vacation rental platforms are one group in a constellation of websites and mobile applications that connect individuals looking to trade, sell, or borrow services. These services may have unintended consequences for neighborhoods and for local government regulatory enforcement. In a 2015 Pew Research Center survey, 72% of adult Americans surveyed had used some kind of shared or on-demand service, encompassing the buying and selling of used goods or handmade products, ticket resales, ride-hailing mobile applications, grocery delivery, and hiring someone for an errand, with 11% of American adults having experience using a service such as Airbnb or VRBO to stay in a private residence.⁶ All of these kinds of services have the potential to disrupt traditional regulatory structures. The popularity of these services has grown in McMinnville to the point that residents approached the council in Fall 2017 with concerns about negative community impacts of short-term rentals, even when regulated. This discussion led to the proposed changes in the zoning code which include a requirement of a 200-foot space between vacation home rentals in several areas of McMinnville (approximately one rental per block).

Offering accommodations on a platform like Airbnb or VRBO also has implications for tax collection. 2005's House Bill 2197 clarified that vacation rentals are included as taxable properties like hotels and motels, but these vacation rentals differ from traditional commercial lodgings (hotels, RV parks, bed and breakfasts, etc.) in that a street address is not as accessible; the address is generally not provided until a booking has been confirmed, or in some cases, until a set number of days before a reservation.⁷ Disclosing an address before booking is at the discretion of the property host, who can be contacted through the website's interface. Vacasa is a popular search site that is an exception to this rule, but Vacasa lists very few properties in McMinnville (3 appeared in city limits in a February 2018 search).

The lack of an available address can foil traditional efforts at land use compliance and tax enforcement. Not only do most properties involved in this business activity not have a business sign, but determining the actual street address requires some combination of familiarity, advanced technology, extensive research, or convincing the property host to provide the address. In attempting to uncover these addresses, the following considerations are necessary:

- Determining locations is more difficult using Airbnb than VRBO. VRBO/HomeAway/VacationRental.com properties usually show an arrow pointing to the

⁶ Smith, Aaron. (2016). "Shared, Collaborative and On Demand: The New Digital Economy". *Pew Research Center*, 21, 85. Retrieved from <http://www.pewinternet.org/2016/05/19/the-new-digital-economy/>

⁷ See VRBO policy: "Property addresses are automatically released to travelers 30 days prior to check-in on all confirmed bookings". <https://help.vrbo.com/articles/What-is-the-property-address-release-policy>

intersection of the vacation rental; in contrast, Airbnb properties show the home's location within a several block radius on all sides (see Figures 2 and 3 below). While this researcher encountered the occasional VRBO that used the radius rather than the more specific arrow, this researcher did not encounter any Airbnb properties using anything narrower than a several block radius.

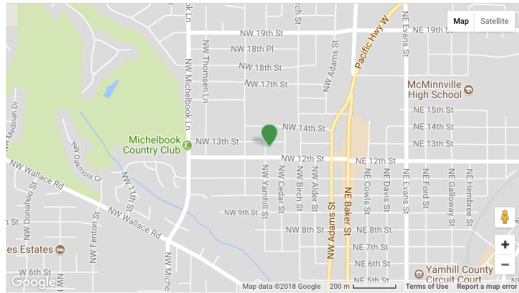


Figure 2 Property A VRBO Map

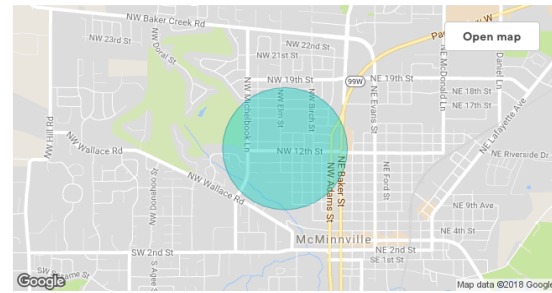


Figure 3 - Property A Airbnb map

- Many properties appear on more than one online site, resulting in duplication when presenting findings. For example, many hosts cross list on Airbnb and VRBO, with some VRBO listings appearing on parent company HomeAway.com as well. Vacasa and FlipKey, a subsidiary of TripAdvisor, are less represented in McMinnville (3 in city limits and 8 in city limits in February 2018). When the consulting group ECONorthwest prepared a report on vacation rentals for Hood River County, the researchers presented their findings using a map rather than a list of properties from each site because there was so much duplication.⁸ In this report, properties are organized by address in both Appendices A and B (registered and suspect properties) and multiple advertisements are included with the property.
- Some property representatives make their location more obvious by including pictures of the rental which include a clearly visible street address. This house number, combined with the intersection or zone above, and other exterior photos such as from Google Maps, and county address data, can make complete address identification possible without having to contact the representative and ask.

The original proposed methodology for identifying suspect properties can be viewed in Appendix D as part of the original project proposal. The adopted methodology, detailed below, follows closely except for one change: no properties were booked and cancelled when an address could not be obtained from the representative. Instead, in these five cases, the intersection provided by the representative was included in the Appendix provided to city staff for further investigation.

⁸ Memo from Beth Goodman (ECONorthwest) to John Roberts (Community Development Director, Hood River)-“Hood River County, Short Term Rentals and Second Homes” accessed from http://hrccd.co.hood-river.or.us/images/uploads/documents/+_Staff_Memo_Issues_Exhibits_4.13.16.pdf, p. 12, (p.30 in packet),

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Revised methodology for identifying noncompliant vacation rentals in McMinnville

<p>1 – Identify subject property across multiple platforms</p> <p>(Conducted November 2017)</p>	<p><u>Airbnb, VRBO (with excess of 50 properties each in McMinnville city limits):</u> Using the “search by price” tool, log vacation properties while searching in 50 dollar increments to ensure that none are missed. When repeat properties appear, note multiple websites in column G of Appendix B</p> <p><u>Vacasa:</u> Search for McMinnville properties and using address, follow step 2 below.</p> <p><u>Craigslist:</u> No properties found</p> <p><u>Booking.com, Expedia.com, HomeAway.com, FlipKey.com:</u> All properties located were also present on Airbnb or VRBO and included above</p> <p><u>All platforms:</u> Log name, contact name, website, and web address</p>
<p>2 – Check for McMinnville compliance</p> <p>(Conducted late December 2017/early January 2018)</p>	<p>Cross-check name, agent, address (if available), and other markers with Finance Department list (Tab 1)</p> <p>If property is identified on list, add advertising information to Finance spreadsheet (Appendix A). If not, proceed.</p>
<p>3 – Search for property</p> <p>Conducted late December 2017/early January 2018</p>	<p>If property address is not on list but address can be identified using identifiers such as pictures, add address and map/taxlot to “suspect properties” spreadsheet (Appendix B)</p> <p>Note in Column I how property was located</p>
<p>4 – If necessary, contact agent</p> <p>Conducted late December 2017/early January 2018</p>	<p>If property address is unclear, attempt contact with agent via booking platform to determine address.</p> <p>Methodology was to send a message of the following types:</p> <p><i>Smaller properties – Studio/1BR options, generally for up to 3-4 persons:</i> “My husband and I are attending a family get-together in February and would like to book a private spot for ourselves close to the others. Could you tell me the address?”</p> <p><i>Larger properties – Two bedroom properties for 4 or more persons:</i></p>

	<p>“My husband and I are attending a family get-together in February and would like to book a place for ourselves and another couple close to the others. Could you tell me your rental's address?”</p> <p><i>If/when address is obtained, proceed as follows:</i> if address is on Finance list, update information. If not on finance list, add information to “suspect properties” list.</p> <p>Note in Column I how address was obtained.</p> <p>If address not provided or intersection provided in lieu of address, log relevant information in Appendix B.</p>
6 - Result	<p>By completion of investigation, all properties that appear to be within city limits of McMinnville and appeared on major booking platforms in November 2017 are logged on Tab 1 or Tab 2.</p>

Findings

Through the online research methods described above, 25 specific property addresses were determined, either from a combination of property photos and mapping software or direct disclosure by the property representative. With one of these being a new hotel that is assumed to be compliant because of its community visibility, and three later determined to have registered with the planning department during 2017, 21 properties remain. These appeared active during the late November internet sweep and were still booking during the late December contact period. While it is possible that other properties join the sites each day, these 21 vacation home rentals alone represent a significant increase above the 35 vacation home rentals and 13 bed and breakfasts known to the city as of February 2018. City staff confirmed in February 2018 that these 21 homes were not yet registered. Therefore, this limited-scope audit seems to indicate a high level of potentially unregulated vacation home rental activity.






For five additional properties, the representative disclosure was not sufficient to determine an address. However, all of these representatives provided the intersection of their property. With that information, and the photos in the listing, it should be possible for a city staff person or another person onsite in McMinnville to locate the property in question.

As a side note, several properties that were investigated included specific references to the August 21, 2017 total solar eclipse and no booking availability in late 2017 or any time in 2018. Because these properties could not be booked, it seems to indicate that the representative may have been attempting to take advantage of a high-traffic weekend and does not participate in a vacation home rental enterprise with any kind of regularity. They are not included in the count of 21 properties.

Reflections for Future Investigations

The methodology described above is understandably time-consuming. The map search across Airbnb and VRBO consumed the majority of time; once a property was located and messages sent to property managers, all but one responded within a matter of hours. However, because the vacation rental platforms do not allow a searcher to exclude properties already viewed, a researcher attempting to revise their findings using these methods would need to sift through many of the same properties.

As of March 2018, the major rental sites indicate the following number of properties available for rent:

Platform	# of properties	Notes
	93	7 properties reference “solar eclipse” in the title (likely not fulltime vacation rentals)
	56	
	54	More properties appear cross-listed with VRBO than in November/December 2017 (possible changes to subscription package for owners/representatives)
	3	
	9	1 mentions “solar eclipse” in the title (likely not fulltime vacation rental)

Various technologies support location of short term rental properties, whether in the aggregate or address-specific. Though a deeper study is beyond the scope of this report, they bear mentioning. The first two are specific to Airbnb, which is the dominant platform in McMinnville and several other markets, including Portland.

- **InsideAirbnb** uses open source technology to comb Airbnb data and produce periodic reports for key US and international metro areas; includes Portland, OR but not yet McMinnville (free; frames Airbnb as “disrupting housing and communities”)⁹
- **AirDNA** sells market analysis targeted to real estate entrepreneurs and hospitality and other industries keeping watch on the Airbnb market, including market summaries dating back to 2014 for MSA, city, or neighborhood level, “Market Minder” reports for occupancy rates, annual revenue, seasonality and top-performing properties (includes McMinnville), and a raw data feed for every Airbnb rental active in the last year¹⁰. This software would provide McMinnville with more data about past activity for the McMinnville market, since searching rental platforms does not allow a researcher to see when rentals were booked in the past.

⁹ Inside Airbnb, <http://insideAirbnb.com/>

¹⁰ AirDNA, “<https://www.airdna.co/services/datafeed>”

- **HostCompliance** and **STR Helper** offer customizable software solutions for local governments to assist with short-term/vacation rental compliance.¹¹ These companies are discussed more below in the comparative study.

This question of how local governments obtain the data they need in order to regulate leads to our comparative study.

PART TWO: Comparative Analysis

Introduction

As described in the initial project proposal, the comparative analysis piece of this project aimed to review a minimum of 3-5 other jurisdictions regarding collection of TLT. The goal of this section is to provide the City with a set of practical options for increased efficiency and success in transient lodging tax collection. Seven jurisdictions participated and all of those interviewed indicated a willingness to engage in further conversation and collaboration with McMinnville staff; their contact information is provided in Appendix C.

Methods and Protocol

The first and obvious qualifier for inclusion as a comparator city for this study's purpose is the presence of a local-level TLT, which could be referred to as a room tax, lodging tax, occupancy tax, or bed tax. Second, the room tax should be applicable to rental situations conducive to the uses of Airbnb and VRBO and peers: the rental of rooms within occupied homes or the rental of entire single family homes. This removes the city of Albany, for example, from being a useful comparator city because Albany has chosen through its city code to exempt from taxation those properties with fewer than six units or bedrooms.¹²

The second criterion for inclusion as a comparator city was a visible presence of rentals on VRBO and Airbnb in the subject (this was required, given that the McMinnville inquiry focuses on these platforms as primary targets).

Other conditions considered in selecting the group were:

- Population: the investigation focused on small to medium sized communities
- Newsworthiness: any recent news stories relevant to lodging tax collection or vacation rental permitting that could be instructive for McMinnville
- Experience with compliance software: Being identified as a customer of a short-term rental identification/management software platform such as HostCompliance or STR Helper.¹³

¹¹ See Host Compliance: <https://hostcompliance.com/> and STR Helper: <https://strhelper.com/>

¹²City of Albany "Transient Room Tax"

https://www.cityofalbany.net/images/stories/municipal_code/Albany03/Albany0314.html

¹³ See Host Compliance: <https://hostcompliance.com/> and STR Helper: <https://strhelper.com/>, where customers are listed

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- Airbnb collection agreement: Airbnb has signed agreements to collect local TLT on behalf of many Oregon jurisdictions. The research aimed to include at least one local government with this arrangement order to better understand its strengths and challenges. These agreements are discussed in more detail after the main comparative study.

This section includes the comparator table of seven jurisdictions and summaries of the conversations in chronological order.

Comparator cities

Jurisdiction	Population (from PSU Population Center)	Rate and frequency of TLT assessment	Requirements beyond registering for tax collection?	Airbnb TLT collection agreement?
Deschutes County (unincorporated)	182,930	8%, monthly	Yes, requires registration and that assigned tax permit # be listed in all advertisements	No
Corvallis (city)	58,735	9%, quarterly	No; enforcement of issues through Corvallis Livability Code	No
Sisters (city)	2,540	8.99%, monthly	Business license and Type I land use review currently required; land use changes pending with Planning Commission	No
Tillamook County (unincorporated) (Incorporated cities that assess their own taxes)	26,175	10%, monthly Manzanita, Nehalem, Rockaway Beach, Bay City, Tillamook, Wheeler and Garibaldi: 1%, monthly	Yes, application followed by neighbor notification, inspection, renewal fee, proof of insurance and garbage service. Yearly fee.	Yes
Gearhart (city)	1,480	7%, quarterly	Yes, rental cap and moratorium on new permits since 2016, requirements for good standing include inspection and local contact person.	No
Hood River (city)	7,955	8%, monthly	Yes, permission levels based on zones and whether is primary residence. Requires safety inspection and permit # to be listed in advertisements. Yearly fee.	No
Bend (city)	86,765	10.4%, monthly	Yes, Type I or II zoning approval based on location and concentration limits. Yearly fee.	Yes

Peer Experiences: Deschutes County

Deschutes County assesses lodging tax in the areas of the county not covered by municipal lodging tax, meaning the areas outside of Bend, Redmond, and Sisters. The county attracted attention for this project due to 2017 press reports quoting County Finance Director Wayne Lowry regarding his department employing part-time staff to “scour listing sites” for potentially noncompliant rentals.¹⁴

Of the roughly 1,000 registered vacation rentals in unincorporated Deschutes County at the time of our conversation, 30-40% of units originate from the “big player” resorts of Sunriver, Black Butte, Cascara, and Eagle Crest; the county expends \$10-12,000 each year and audits these four companies in a rotation.¹⁵ The audits are generally profitable and encourage compliance. With regards to the other properties, the County normally pays a part-time staff person for ten hours per week of searching, depending on the season. At the time of our conversation, the county was looking to fill this role.

When asked about his county’s strategies for improving compliance with tax collection, Mr. Lowry offered two specific suggestions:

- Because Deschutes County code requires that short term rental providers list their Finance Department issued Certificate of Authority in any advertising, the absence of a license number indicates to staff investigating that an operator is either noncompliant or unaware of the obligation to post.¹⁶ In this case, a staff person will send that person a message regarding their obligations.
- Deschutes County also makes use of their property records to proactively encourage compliance with lodging tax requirements. They have collaborated with the Assessor’s Office to send educational material on the lodging tax to addresses where the owner’s mailing address is not the property address, given that these have a higher propensity to operate as vacation rentals (of course this tactic does not address the issue of renting a room within one’s occupied home).

Mr. Lowry expressed concerns about participating in an Airbnb tax collection agreement, because in his understanding that these agreements typically require surrendering the ability to audit. He also cited negative experiences reported by area owners that underscore this concern: in several cases, owners of property in unincorporated Deschutes County (in Sunriver) were inappropriately assessed City of Bend room tax through Bend’s Airbnb collection agreement.

Peer Experiences: Corvallis

The City of Corvallis has emerged from what Financial Services Manager Julian Contreras described as a trying period over the last few years. When 2013’s HB 2656 required online travel companies

¹⁴McLaughlin, Kathleen. “Airbnb brings change to vacation-rental marketplace”. Bend Bulletin. March 19, 2017. Accessed via: <http://www.bendbulletin.com/business/5156940-151/Airbnb-brings-change-to-vacation-rental-marketplace>

¹⁵ Wayne Lowry, Deschutes County Finance Director, telephone interview, September 20, 2017.

¹⁶ Deschutes County Code 4.08.145

(OTCs) such as Expedia to remit lodging tax in taxing jurisdictions, the city worked hard to come to a satisfactory solution with those companies. According to Mr. Contreras, and finance director Nancy Brewer, collection from OTCs has improved.¹⁷ However, the city lacks capacity to seek out individual short term rentals for compliance with Corvallis tax requirements, describing the current environment as an “honor system”. Complaints regarding short term rentals in Corvallis filter through Code Enforcement, and information is generally not shared with Finance.

Mr. Contreras noted that Corvallis is intrigued by House Bill 2400, which would allow local governments to contract with the state for local lodging tax collection.¹⁸ Mr. Contreras said that the city would consider the proposal when more detail was available, and assuming that the administrative fees were similar to marijuana tax collection, the city would likely opt in to this program.

Peer Experiences: Sisters

Julie Pieper explained that because of Sisters’ small size, it is not burdensome for her to manually investigate the 2-3 new properties that she would see appear on Airbnb and VRBO in the average week. She has not encountered issues with tax collection once properties have been identified.

Our conversation happened to take place on the day preceding a Planning Commission meeting focused on the issue of short-term rental regulation in Sisters. Ms. Pieper noted that as community discussions had become heated regarding regulation and the possibility grew that the planning commission might recommend restrictions to the City Council, she had noticed an uptick in registration for the current version of short-term rental permits.¹⁹ Whereas the number had been steady at 39 for some time, it increased to 47. As a result of that November meeting, the planning commission recommended several policy steps to the City Council, including rental caps in residential zones with a maximum of 8% of total housing units overall, vacation rental approval tied to owner and not property, and a more robust safety and licensing program.²⁰ These steps represent a significant regulatory increase over the current requirements for registering vacation home rentals: a Type 1 land use review, neighbor notification, and registering for tax collection.

While Sisters is a small community, Ms. Pieper noted that the Council and commissions are alert to decisions and debates in the neighboring communities of Bend and Redmond; all three serve similar

¹⁷ Julian Contreras, telephone interview, November 16, 2017. This experience is also described in a recent issue of Local Focus from the League of Oregon Cities. See Brewer, Nancy. “Corvallis Navigates the New Model to Enforce Lodging Taxes”. League of Oregon Cities Local Focus July 2016. Retrieved from: <http://www.orcities.org/Portals/17/Publications/localfocus/JulyLF2016web.pdf>

¹⁸“Enrolled House Bill 2400” accessed from: <https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureDocument/HB2400> and League of Oregon Cities, “79th Legislative Session Summary of Bills”, accessed from <https://www.orcities.org/Portals/17/Legislative/2017BillSummaryweb.pdf>

¹⁹ Julie Pieper, City of Sisters, telephone interview, November 16, 2017.

²⁰ Stafford, Sue. “Planning commission recommends caps on vacation rentals”. The Nugget, November 21, 2017. Accessed: <http://www.nuggetnews.com/main.asp?SectionID=7&SubSectionID=88&ArticleID=26656>

leisure travel markets and no one, as she summarized, wants to be the outlier or the unregulated community of the group and absorb the bulk of any trouble.

Peer Experiences: Tillamook County

Tillamook County administers its transient lodging tax through the Community Development Department, keeping the permitting and tax functions working closely together.²¹ The County began its permitting process in 2010 and a countywide transient lodging tax followed in 2014. Tommy Steiber estimates that over that period rental registrations have grown from approximately 500 to 750 rentals, and he spends time online auditing to catch new properties which may be noncompliant. While the county is generally pleased with the collection outcomes of their Airbnb collection agreement, he and the county would much prefer to have address disclosure from Airbnb. While Airbnb is responsible for collecting and remitting the room tax for properties within the city limit, Tillamook County still requires that vacation rental owners/managers provide an accounting of the taxes paid by Airbnb on their behalf. This allows Mr. Steiber to reconcile these numbers with the lump sum payments received from Airbnb. At the time of our conversation, county officials were debating making a request to Airbnb, having been inspired by San Francisco's example of securing more data from Airbnb as part of a legal settlement.²²

Tillamook County is exploring several collaborative forms of enforcement, such as a part-time sheriff's office position that would focus on code enforcement and lodging tax enforcement. Another idea in rotation is a consolidated lodging tax warehouse for the whole county, incorporating the county tax and the taxes of incorporated cities within (see table page 15). Mr. Steiber also interested in learning more about the possibility of an intergovernmental agreement for tax collection via House Bill 2400, which is discussed at the end of this report.

Mr. Steiber also mentioned the county's concern with affordable workforce housing and provided a copy of a consultant report from 2017.²³ Because Tillamook County's lodging tax was passed after 2003, like McMinnville's, the county is required to reserve 70 percent of net revenue from this tax for tourism promotion or tourism-related facilities, with the remaining 30% percent available for the general fund or other uses. Among the policy suggestions from the consultants is to investigate directing some portion of the 70% of the TLT designated for tourism-related spending towards "tourism-oriented workforce housing".

Peer Experiences: Gearhart

Gearhart was asked to be a comparator city because of its well-publicized November 2017 referendum on vacation rental regulation and also because the city is a client of STR (Short Term

²¹ Tommy Steiber, Tillamook County, telephone interview, January 4, 2018

²² Kerr, Dara. "Airbnb settles lawsuit with SF -- big changes are afoot". Cnet, May 1, 2017, <https://www.cnet.com/news/airbnb-settles-lawsuit-with-sf-big-changes-are-afoot/>

²³ CZB, "Creating a Healthy Housing Market for Tillamook County: Findings and Recommendations for the Tillamook County Housing Task Force". March 2017, provided by Tillamook County and accessible at: <https://www.careinc.org/housing-task-force>, 31.

Rental) Helper, one of the software programs for managing short term rental compliance and taxation. City Manager Chad Sweet brings professional experience in the hospitality industry to his position; he noted that he left the field as inventory management software was just taking off and a new era of technology made it possible for both traditional hotels and outfits like Airbnb and VRBO to maximize their revenue through pricing based on demand.²⁴ Though Gearhart is the smallest community in this comparative list, the popularity of the vacation market has led the city to approach the issue with both regulatory and high-tech tools.

By contracting with STR Helper for subscription software, the city has significantly reduced the 10-15 hours of weekly staff time that had been devoted to combing websites for unlicensed rentals. Mr. Sweet spoke very favorably of this solution and explained that STR Helper's software, which runs on the Salesforce client relationship manager platform (CRM), contains all of Gearhart's legacy permit information formerly managed in an Excel spreadsheet and is now their tool for managing every aspect of short term rentals, including tracking tax compliance. The software tracks permits and renewal timelines, can generate form compliance letters, and performs the bulk of the website research staff formerly conducted by staff with enhanced mapping capabilities. On their STR Helper dashboard, staff view an updated daily dashboard of listings scraped from online rental platforms; depending on the site, addresses may be visible, or the STR Helper will indicate from a pin a likely location. Staff can then confirm the site in person and properly place the pin and the software will remember the location.

Because Gearhart requires an in-town contact for each rental, contact information for 89 rentals is also tracked within STR Helper, feeding automatically to a publicly available search function on the City website.²⁵ Gearhart was one of the first to join STR Helper and pays \$2,500 per year for the service based on its population and market size.

Mr. Sweet explained that his city was motivated to take action because of the changing landscape of vacation rentals. He explained that, for better or worse, Gearhart had supported a friends-and-relationships based vacation rental economy for years, where rental information was often passed between residents and contacts through institutions such as Portland's Multnomah Athletic Club. However tangential, there was a degree of connection between the renter and owner. In recent years that dynamic changed with companies, namely Vacasa, sending targeted mailings to Gearhart owners encouraging them to rent out their properties through the Vacasa platform. The influx of unknown renters began to change the dynamics of the town. With a moratorium on new vacation rental applications in residential zones as of December 16, 2016 and the November 2017 election

²⁴ Chad Sweet, City of Gearhart, telephone interview, January 12, 2018

²⁵ "Vacation Rental Dwellings", City of Gearhart, <http://www.cityofgearhart.com/general/page/vacation-rental-dwellings>

affirming vacation rental restrictions in Gearhart, Gearhart now focuses on land use and tax compliance with its existing properties and rooting out rogue operators.²⁶

Peer Experiences: Hood River

Hood River uses another software platform, Host Compliance (HC), to handle the bulk of its land use and tax enforcement needs, as city staff decided that a complaint-based approach could beget vigilantism. The software scans rental platforms and produces reports for staff that include notes on how the rental was identified, which can be a combination of algorithm searches and HC staff effort. Will Norris, Assistant City Manager, explained that the outsourced approach to enforcement has helped in “taking discretion away from staff” in identifying properties and therefore some of the animosity from discussions with potential violators of the land use and tax requirements. While the software produces the reports, the staff has the discretion to select when HC should generate warning letters, which is generally a monthly process. With approximately 170 licensed properties, the city had completed 57 enforcement actions via HC findings as of January 2018. The city paid \$15,000 for a yearly subscription, but Mr. Norris notes that the cost will go down to \$11-12,000 at renewal because the city is eliminating HC’s enforcement hotline service, which was underutilized. The city is discussing the possibility of HC collecting tax payments directly, along with other HC clients, and sharing in the cost for HC to build out its platform for that capability.

Hood River is also interested in the intergovernmental agreement for tax collection via HB 2400. In other suggestions, they noted that a single renewal process each year for vacation rental licenses has streamlined the city’s workload, and staff conduct this renewal concurrently with taxicab license renewal.

The City of Hood River has recently made significant changes to its management of short term rentals. Properties that operated prior to the 2016 policy shift enjoy a seven-year period of exemptions from some the newest restrictions; new prospective operators are now limited by their area within the city, and subject to restrictions such as a requirement of owner occupancy and a maximum of 90 rented days per year.²⁷ In crafting these new restrictions, Hood River’s City Attorney crafted the ordinance so that issues would escalate from the hearings officer to city council and then to state court, all while avoiding the Land Use Board of Appeals (LUBA).

Peer Experiences: Bend

On the financial side, Bend uses a voluntary collection agreement with Airbnb, which accounts for approximately 10-12% of their vacation rental market. Outside of Airbnb, staff estimated 70% of bookings come through hotels/motels/online retailers, 2-3% are from bed and breakfast establishments, and 10-12% from other short term vacation rental sites (such as HomeAway and

²⁶ Marx, R.J. “Gearhart voters reject repeal of vacation rental rules”. The Daily Astorian, November 8, 2017. http://www.dailystorian.com/Local_News/20171107/gearhart-voters-reject-repeal-of-vacation-rental-rules-voters-reject-repeal-of-vacation-rental-rules

²⁷ Will Norris, City of Hood River. Telephone interview, January 16, 2018. More information at http://ci.hood-river.or.us/Short-Term_Rentals

VRBO). They use their tax records to create reports for the local tourism agency. While Airbnb is responsible for collecting and remitting the room tax for properties within the city limit, Bend still requires that vacation rental owners/managers provide an accounting of the taxes paid by Airbnb on their behalf. This allows the city to reconcile these numbers with the lump sum payments received from Airbnb as best they can. As with Deschutes County, Bend staff reported instances of improper collection with Airbnb along jurisdictional boundaries that are still being resolved.

City staff does not currently expend time or resources searching out taxpayers. If a neighbor calls in with a property concern, the address will be checked for permits and licensure by the Code Enforcement team.²⁸ As suggestions to other cities going through these processes, staff suggested designating key staff to become the room tax experts so that there is a central point of contact, and to keep the conversation “open” with the community.

Bend’s new short term vacation rental policy framework of 2015 places more restrictions on properties outside of resort areas and requires both a business license and an operating license from the city.²⁹ As a result, many real estate websites for the Bend area recommend that potential buyers educate themselves on the city’s vacation rental restrictions.

Bend is in the process of transitioning to the Munis software from Tyler Technologies for their Land Use and Community Development permitting which will streamline much of the permitting. Bend’s short term rental licenses renew based on approval date.

²⁸ City of Bend. “Neighbor Resource” <https://www.bendoregon.gov/services/community-development/licenses-and-permits/short-term-rental-program/neighbor-resources>

²⁹ Julie Devoe and Jake Suppah, City of Bend. Telephone interview, January 17, 2018. More information at <https://www.bendoregon.gov/services/community-development/licenses-and-permits/short-term-rental-program> and <https://www.bendoregon.gov/government/departments/finance/other-financial-topics/room-tax>

Summary of options from comparative study

For the reader’s convenience, the strategies discussed above have been summarized below:

Strategy	Entity or group to enact strategy	Source of suggestion	Implemented?
Require vacation home rental operators to list their permit/tax number in online listing	City of McMinnville by amending code	Deschutes County City of Hood River	Yes, currently
Use assessor data to determine likely second homes	City of McMinnville & Yamhill County in cooperation	Deschutes County Hood River County ³⁰	Yes, in past
Devote finance staff time to comb listings	City of McMinnville	City of Sisters Tillamook County	Yes
Hire part-time help to comb listings	City of McMinnville	Deschutes County	Yes
Sign Airbnb Collection Agreement Require Airbnb hosts to submit tax collection information to jurisdiction for validation	City of McMinnville	City of Bend City of Seaside Tillamook County	Yes
Contract with for-profit short term rental platform to enforce compliance	City of McMinnville and choice of vendor	City of Seaside (STR Helper) City of Gearhart (STR Helper) City of Hood River (Host Compliance) *See websites of Host Compliance LLC and STR Helper for additional client names	Yes
Part-time sheriff's office position that would focus on code enforcement and lodging tax enforcement.	City of McMinnville and/or Yamhill County	Tillamook County	No
Consolidated lodging tax warehouse for the whole county	Yamhill County	Tillamook County	No

³⁰ The ECO Northwest report for Hood River County echoes this approach, citing the following criteria for locating second homes in Hood River County: Dwellings that were not owner occupied, based on Hood River County Assessor’s data; Dwellings that were not occupied by a registered voter, based on Hood River County Assessor’s data and Voter Registration database; Dwellings that did not match an address on record with the Department of Motor Vehicles, based on the Hood River County Assessor’s data and the State of Oregon’s Drivers License database; Dwellings that did not match the location of STR’s identified by ECONorthwest

Emergent theme: Airbnb agreements and other arrangements with rental platforms

The research aimed to include at least one local government that has a tax filing agreement with Airbnb and secured two, Bend and Tillamook County. In these agreements, Airbnb collects TLT through its website for the jurisdiction and submits a bulk payment according to the jurisdiction’s payment schedule (usually monthly or quarterly). Jurisdictions do not generally receive an accounting of the specific addresses that account for the tax collected, and the agreement limits the jurisdiction’s ability to conduct audits.

Airbnb touts that it has signed tax collection agreements with over 250 jurisdictions as of May 1, 2017, and that number continues to grow. Within Oregon Airbnb, collects and remits on behalf of the State of Oregon for state lodging tax, five counties (Klamath, Multnomah, Lane, Tillamook, Washington), and 16 cities, including Portland, which was among the first to sign an agreement of this nature.³¹

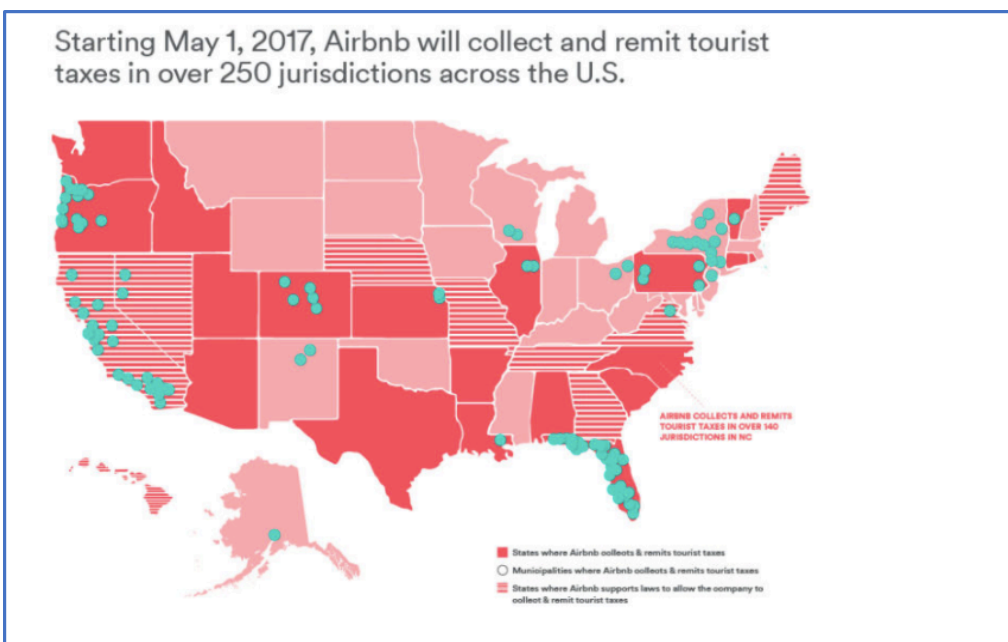


Figure 4 - Airbnb Tax Agreements as of 2017 (number has since increased)

Whether or not to participate in an Airbnb tax collection agreement can be a delicate decision for a city. A major concern as noted above by peer cities, and the League of Oregon Cities, is the issue of voluntary collection agreements not requiring the online platform to divulge the name or address of hosts; Airbnb has asserted that since it does not have to register with the city per current law, it can set the terms of the agreement.³² As of February 2018, this is likely to change (see last

section in this report). Additionally, as noted in the interviews above, Airbnb represents only part of the lodging tax landscape. Even though Airbnb dominates in many markets (McMinnville included), local governments and states that sign agreements with Airbnb must still contend with a myriad of other providers from which to collect in their jurisdiction.

³¹ Airbnb. “In what areas is occupancy tax collection and remittance by Airbnb available?” <https://www.Airbnb.com/help/article/653/in-what-areas-is-occupancy-tax-collection-and-remittance-by-Airbnb-available>

³² League of Oregon Cities. “Legal Guide to Collecting Transient Lodging Tax in Oregon”. <http://www.orcities.org/Portals/17/Library/Model%20TLT%20Guide%20FINAL%204-13-17.pdf>

Most recently in Oregon, the Cannon Beach City Council decided not to pursue the voluntary tax agreement through Airbnb after much debate and press. According to the press, councilors took issue with the fact that the finance department would be prohibited from auditing Airbnb records more often than once every four years.³³ Just up the road, Seaside has signed an agreement; Public Information Officer John Rahl stated that the agreement is an improvement over the previous situation of leaving tax remittance to the host.³⁴ Seaside, like Gearhart has also contracted with STR Helper and Accountant Jackie McCulloch explained that after an initial lengthy setup, the city is able to identify properties very quickly using picture matching and other information gathered by STR Helper.³⁵

VRBO/HomeAway is the other rental platform most active in McMinnville and this company collects tax in comparatively few jurisdictions. As of March 2018, these agreements are active in Washington, D.C., Puerto Rico, Idaho and several municipalities within the state, and Broward County, Florida.³⁶ Most recently, the City of Portland signed a settlement agreement with VRBO in February 2018, in which HomeAway will facilitate registration with the City through its platform, while also collecting and remitting city tax and providing host information and addresses to Portland to enforce as it pleases.³⁷

Tax collection varies across the other booking platforms. For example, Vacasa properties include the McMinnville lodging tax in the overall cost (see Figure 5, below). The City may wish to review records, and, if necessary, reach out to Vacasa to ensure that these funds are being properly remitted to the City.

Quote Breakdown	
▼ Rent (2 nights)	\$600.00
▼ Fees	\$206.60
▼ Taxes	\$95.18
McMinnville Lodging Tax (10%)	\$80.66
Oregon State Tax (1.8%)	\$14.52
TOTAL	\$901.78

Figure 5 - Fees breakdown for sample McMinnville rental on Vacasa (January 2018)

³³ Vissar, Brenda. “Cannon Beach rejects Airbnb tax agreement amid concerns of transparency, auditing”. The Daily Astorian. http://www.dailyastorian.com/Local_News/20180111/cannon-beach-rejects-airbnb-tax-agreement-amid-concerns-of-transparency-auditing

³⁴ Vissar, Brenda, supra note 30.

³⁵ McCulloch, Jackie, City of Seaside. Email communication, January 16, 2018.

³⁶ VRBO/Home Away. “What is lodging tax”. <https://help.vrbo.com/articles/What-is-lodging-tax>

³⁷ Law, Steve. “City tries new softer approach to regulate short-term rental companies”. The Portland Tribune, February 27, 2018, <https://portlandtribune.com/pt/9-news/387932-278421-city-tries-new-softer-approach-to-regulate-short-term-rental-companies->

A changing policy environment

All of the strategies above may shift in relationship with shifts in Oregon’s regulatory landscape. As already mentioned above, 2017’s House Bill 2400 offers local governments the opportunity to contract with the state for lodging tax collection, which could reduce the need for local governments to involve themselves in the technicalities of these discussions. Land use permitting and code enforcement would remain a local government function. House Bill 3180 will allow local governments to request transient lodging tax information from the state. As noted in a recent Clackamas County Tourism Association audit, this kind of agreement will likely require signing a “secrecy certificate” with the Oregon Department of Revenue, and the rule-making in order to implement this information sharing could be completed as early as July 2018³⁸.

The most significant shift could come with House Bill 4120. Per the League of Oregon Cities summary, HB 4120 has the potential to remake the lodging tax collection process; previous legislative efforts to secure tax payments from travel intermediaries included loopholes that have allowed providers such as Airbnb and VRBO to avoid paying local governments directly and this bill addresses those directly by clarifying that any business facilitating the sale of lodging is liable for the lodging tax.³⁹ Clackamas County recently sued Airbnb, HomeAway (operates VRBO), and TripAdvisor (operates FlipKey) to require their registration with the county for TLT collection.⁴⁰ House Bill 4120 would require that registration and much more, by clarifying that all online companies that facilitate homes for rent must “collect, file tax returns, and pay state and local lodging taxes”, according to LOC. The bill was passed in February 2018 and according to Wendy Johnson of the League of Oregon Cities, the Department of Revenue has recommended that Governor Brown sign. A signature is expected by April for an effective date of July 1, 2018.

Recommendations: Options and the “wait and see” approach

The three pieces of legislation discussed above have the potential to significantly change how McMinnville approaches TLT collection. If the City wishes to consider options that could close the information gap and improve enforcement in the meantime, I make the following recommendations, balanced for complexity and cost ranked in order of ease of implementation and with a cost estimate from low to high:

³⁸ Nava, Brian, Clackamas County Internal Auditor. “Clackamas County Tourism and Cultural Affairs: Procurement, contracting and internal revenue code”. November 2017, http://www.clackamas.us/internalaudit/documents/ccta2017_report.pdf, p. 18

³⁹ League of Oregon Cities. “LOC Bulletin February 2, 2018”, <http://www.orcities.org/Portals/17/Publications/Newsletters/Bulletin/Bulletin02-02-18.pdf> and “Transient Lodging Tax Legislative Talking Points” - <http://www.orcities.org/Portals/17/Legislative/TLTWhitePaper2018-Web.pdf>

⁴⁰ Njus, Elliot. “Clackamas County sues 3 vacation rental websites in effort to collect lodging taxes”. The Oregonian, September 11, 2017: http://www.oregonlive.com/business/index.ssf/2017/09/clackamas_county_sues_3_vacati.html

VACATION HOME RENTALS TAX COMPLIANCE IN MCMINNVILLE

Option	Complexity	Cost
Require vacation home rental operators to list their permit/tax number in online listing	Medium (a person will still need to review listings and contact violators to register with Planning and Finance)	Low, requires update to City Code
Contract with for-profit short term rental platform to enhance information gathering and, if desired, maintain database of permits, tax compliance, and local contacts	Low, once implemented	Varies – Gearhart pays \$2,500/year and Hood River pays over \$11,000 per year. City would need to seek a free quote from both companies
Hire part-time help	Low	High
Devote more staff time to combing listings	Low	High (could be mitigated in combination with use of short-term rental software)
Collaborate with Yamhill County to use assessor data to determine likely second homes in McMinnville city limits, conduct TLT educational campaign	Unsure, would require conversation with the County	Low
Subscribe to AirDNA for information regarding Airbnb activity in McMinnville	Low to set up – staff need to review data for any policy decisions	Low – appears to be 14.95/month

Several options are omitted from this table and not recommended at this time:

- While the City could initiate steps to sign a voluntary tax collection agreement with Airbnb, this option is not recommended even though Airbnb is the largest active platform in the McMinnville market. This is because of the reduced ability of the city to audit, and the fact that changing regulation should make these agreements unnecessary since Airbnb will be required to remit anyway.
- The as-yet implemented county wide suggestions of a part-time countywide short term rentals code enforcement officer and lodging tax warehouse are omitted due to highest cost and complexity, and lack of countywide TLT in Yamhill County.

Conclusion

This two-part investigation demonstrates that the short-term vacation rental market is alive in McMinnville. While the process described in this report is replicable, the time required, the technical constraints, and the availability of better options may lead McMinnville and other cities to more efficient solutions.

Conversations with peer cities and counties around tax collection and short term rental challenges showed several approaches to tax compliance:

- Little enforcement due to capacity
- Manual compliance efforts such as in this study
- Regular audits (generally for larger vacation rental markets)
- Combination of Airbnb agreement with mixed compliance efforts for other lodging intermediaries
- Combination of rental compliance software with minimal staff time

As discussed above, the landscape of lodging tax collection in Oregon changed dramatically in 2013 with a legislative mechanism for enforcement with certain online travel providers, and in 2017 with bills that will increase opportunities for local governments to work with the state. The remainder of 2018 looks likely to bring a significant shift with House Bill 4120 by finally closing the loop for all vendors of overnight stays; it appears that platforms like Airbnb and VRBO/HomeAway will be required to interact formally with local governments and remit taxes. No longer will they be able to reserve this privilege for those local governments that make special, and arguably disadvantageous, special arrangements. While the implementation of these three bills rolls out in 2018, this report offers options to increase the quality of information regarding McMinnville's short term rental market and improve enforcement.