RESIDENTS COALITION
of Chelan County

December 4, 2025

City of Chelan - City Council
135 E Johnson Avenue
Chelan, WA 98816

Re: Code Development to Limit Short-Term Rentals in Chelan

Dear Honorable City Council Members:

Residents Coalition of Chelan County (RC_3), along with its predecessor organization Residents United for Neighbors (RUN), was instrumental in helping Chelan County shape its code regulating and limiting the number of short-term rentals (STRs) in the unincorporated portions of the county. Over the roughly two years that it took to develop this code, we conducted extensive research on the impact of STRs on housing costs, livability, and community cohesiveness for residents living nearby.

With this letter, we are proposing that the City of Chelan adopt a cap on the total number of STRs that are allowed to operate within the city. We believe that this is something that may already be in the City's plans, but we are asking that the process be expedited.

The reasons for this proposal are provided below. We hope that by the time you finish reading this letter it will be clear that this is one of the **most impactful things that city council can do now to preserve the livability of the city in the future**. Many other cities and counties in both Washington and Oregon (and throughout the country) have already recognized this and have established appropriate caps on STRs in these areas to protect their communities.

Why Is an STR Cap Needed?

This section could be very long, but we will try to keep it relatively brief. Suffice it to say that many other cities and counties in Washington and Oregon, and throughout the U.S., have already asked this question, reviewed the available data, and concluded that a cap (or in some cases an outright ban) on STRs is needed. These caps are believed to be necessary to, among other reasons, boost the availability and/or the affordability of residential housing.

One of the key attributes of STRs is that they are inherently priced higher than identical dwelling units used only for residential occupation. In Chelan, for example, houses in the Lookout development (which are almost exclusively used as STRs) have historically sold for higher

prices (per square foot) than similar houses that cannot be used as STRs by virtue of their zoning.[1] This is because of the commercial income earning potential of the houses that can be used as STRs. STRs are also easier to sell at these prices because of this income earning potential, which helps to offset the cost of ownership.

This dynamic increases the price of, and reduces the availability of, residential houses for numerous reasons including:

- Builders can charge more to build STRs, since they can sell for a higher price. These higher building costs then get translated into the residential building market. Note that building costs in Chelan have skyrocketed along with the proliferation of STRs (e.g., with the rapid expansion of the Lookout).
- The values of existing residential homes rise because these more-expensive STRs are often used as comparisons ("comps") when making assessments. The Chelan County assessor is actually aware of this issue but has not yet acted to make changes. As a result, the residential homes also pay higher taxes than they otherwise would. Both of these factors contribute to the higher cost of home ownership.
- Developers are more interested in projects that involve the construction of STRs (which are more profitable), rather than residential developments. This reduces the availability of residential housing, which in turn increases the prices of the few residential homes available (supply and demand).

These are some of the negative impacts to housing affordability and availability. A flood of additional STRs would also overwhelm Chelan's infrastructure, further impair access to Lake Chelan and its water quality, make the Chelan Valley's economy even more seasonally cyclical, and destroy the livability of the city.

Chelan currently has over 410 permitted STRs and about 3,000 total dwelling units. This equates to nearly 14 percent of the existing housing stock being STRs. As discussed below, this is a very high percentage, much higher than any other area in Chelan County, including outside of Leavenworth[2] or in Manson[3].

For historical reasons, Chelan has zoned too much of its total acreage allowing for STRs. Chelan has about 4,500 acres of land inside city limits (excluding the commercial airport zone). Of this,

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[1] RC_3 has evidence of this available to anyone who is interested.

[2] STRs are banned within the urban growth area for Leavenworth, but a high density of STRs can be found in the areas outside of the city urban growth area. At the high end, the Lake Wenatchee area has a density of STRs at 11.7% of the housing stock but will eventually trend to six percent due to Chelan County code passed in 2021. Note that Leavenworth does allow bed & breakfast establishments (owner occupied), but they are limited to no more than four percent of the housing stock.

[3] The density of STRs is Manson is currently below the cap of six percent.

over 1,275 acres are areas zoned specifically as some form of "tourist accommodation", which includes STRs (over 28 percent of all of the land within city limits). An additional 730 acres are zoned such that STRs are allowed, some inside the city limits and some outside the city limits, but inside the urban growth area.

Based on current zoning, this land could accommodate thousands of additional STRs and it seems that no one is considering what this could do to Chelan in the future. The percent of available housing stock taken by STRs in Chelan could easily exceed 20 percent, or even 25 percent, in the future if nothing is done to mitigate the growth of STRs.

Because STRs are financially lucrative for their owners, economic pressures push available housing toward becoming STRs instead of residential housing, even though both are allowed in all of these zones. Chelan has seen this play out in recent years - a high percentage of new houses built have been for use as STRs and even some existing residential homes have been converted to STRs. This trend needs to change if Chelan is going to adequately increase the supply of residential housing.

Part of the urgency of this issue is the fact that plans are currently underway to add a significant number of new STRs in Chelan. For example, a comprehensive plan amendment was just submitted to Chelan indicating that the Holiday Hills and adjacent developments on the base of Chelan Butte plan to add 400 new STRs (nearly equal to all currently-existing STRs!). Another developer has also expressed a desire to build an unknown number of STRs further up on Chelan Butte on land that could theoretically accommodate over 1,000 additional STRs. The Hiland development near the municipal golf course will eventually add hundreds of new homes in zoning that allows them to be STRs.

We would also note that new Growth Management Act requirements to improve housing affordability will need to be addressed in the upcoming update to Chelan's Comprehensive Plan. This was discussed by Chelan's consultant Brian Points (Points Consulting) at a recent joint City Council and Planning Commission meeting in early November. Mr. Points specifically called out the issue with STRs and second homes in Chelan, which reduce housing availability. Capping the number of STRs in Chelan to refocus development on residential housing would help to address this issue in the Comprehensive Plan update.

We hope that this discussion is sufficient to demonstrate why the potential proliferation of STRs in Chelan should be addressed as soon as possible. More information can be provided if it is desired.

What Caps Have Other Jurisdictions Implemented?

So, how do we know when the number of STRs is too many?

A 2017 study titled *Assessing and Responding to Short-Term Rentals in Oregon*, published by the University of Oregon Department of Planning, Public Policy, and Management, provides the

following recommendation containing a quantitative threshold for cities looking to potentially regulate STRs (bold font added for emphasis):

> *"Restrict (cap/limit) STRs or incentivize moderate use if STRs account for more than **4% of total housing stock**."*

The basis for the four percent threshold is rooted in the premise that too many STRs in a given housing market will constrain the availability of housing for new residents wishing to live in that community (thus driving up rental rates and housing prices), and the observation using real-world data of the percent of the total housing stock when this begins to be observed. Many municipalities used the four percent figure as a starting point when developing STR caps

In this context, Chelan's percentage of STRs at nearly 14 percent is extremely high.

Chelan County, for example, finalized new STR regulations in 2021 and was aware of the University of Oregon study. Four percent was initially considered as a cap. However, with pushback from the STR industry, and acknowledgement of the number of existing STRs, a cap of six percent of the existing housing stock was eventually promulgated.

Table 1 attached provides a few examples of jurisdictions within Washington and Oregon that have established STR caps based either on percentages or absolute numbers. While the table is not exhaustive, it is certainly representative of the levels that most caps in these two states have been set at.

As can be seen in Table 1, percentage caps in the range of four percent to ten percent have been used, all well below where Chelan is currently.

Numeric caps are easier to track, since the stock of available housing does not need to be continually assessed to determine the denominator in the percentage calculation. Table 1 shows a number of jurisdictions in Washington and Oregon that have utilized numeric caps, along with the populations of those jurisdictions for reference.

Chelan's current pool of approximately 411 STRs for a city with a population less than 5,000 is already an outlier compared to the caps shown in Table 1, representing an STR-to-population ratio much higher than desired by any of these other jurisdictions.

How Could a Cap Be Implemented?

Dozens of cities and counties in Washington and Oregon, and hundreds around the country, have enacted new code to mitigate the proliferation of STRs and the detrimental effects that result from this. The number of STRs in Chelan has grown rapidly over the last decade and it is anticipated that this rapid growth will continue into the foreseeable future if the City takes no action to address it. We believe it is well past time that the impact of STRs on Chelan be considered.

In some jurisdictions, new non-owner occupied STRs are simply not allowed, by virtue of simply not allowing them or by setting caps at or below the current number of STRs. Others have capped STRs at levels above the current number of STRs, allowing for some additional growth. This usually occurs when the current number of STRs is relatively low.

When a jurisdiction announces that it is considering limiting STRs, there is the possibility of a rush of conversions or applications for new STRs in order to get them established before new rules take effect. In the past, jurisdictions have used moratoriums on new STRs to preclude this rush while new rules are being developed. This was done in a number of cases within Washington in the past few years, including when Chelan County was developing its STR code. These moratoriums are allowed by Washington law and have been used for 12 months or more as STR code was being developed.

City council should also be aware that the courts have upheld time and time again that cities and counties have the legal right to regulate and limit STRs in their jurisdictions based on their authority to regulate land use. In fact, Chelan County's STR code was challenged before the Growth Management Hearing Board on multiple fronts and was upheld in all aspects other than one minor technicality.

What Is Right for Chelan?

We propose that Chelan take immediate action to cap the number of STRs within city limits, which also needs to consider the entire urban growth boundary. Since numeric caps are easier to track and require less data to be generated annually, we suggest that this type of cap is most appropriate.

Given how high the number of STRs is already, this cap should be at or near the current number of STRs (for example, somewhere between the current number of permitted STRs and 450). Keep in mind that the cap number can be changed in the future if appropriate, and an STR moratorium can be used to limit STR growth immediately if a cap near the current number of STRs is desired (to prevent a rush of STR applications).

While some may suggest that this could have a negative economic effect, we do not believe this to be the case for a number of reasons, including the following:

- By prioritizing and promoting residential housing, the STR cap will increase opportunities for new residents to move to Chelan (greater availability and affordability). Studies have shown that a dwelling unit used for residential purposes actually produces as much, or more, annual economic activity compared to a dwelling unit used for short-term rental.[4]

[4] RC_3 can provide additional information on this issue if desired.

- Setting a cap at or above the current number of STRs will have no immediate effect on the quantity of tourist accommodations and, therefore, the tourist economy. This gives the City and the business community time to take advantage of this anticipated future economic dynamic.

- A proliferation of STRs can lead to overtourism of an area. In Chelan's case, this increases the costs to the city in terms of the increased infrastructure needed. Additionally, this increases traffic, leads to overcrowding at Lake Chelan access points, and degrades the overall visitor experience. This can discourage visitors from coming to Chelan in the future (i.e., killing the goose that laid the golden egg).

- Overtourism may also cause existing residents to move away as livability of the area decreases. This outflow of residents would have a negative economic impact.

- Further increasing STRs will only increase the seasonality of Chelan's economy, making it even more difficult for restaurants and other similar service businesses to survive. Increasing residential housing, on the other hand, provides for a more stable year-round economy.

Existing STR owners should actually support this proposal. The rapid growth in STRs suggested by recently-declared development has the potential to decrease both occupancy percentages and rental rates of existing STRs. This is particularly true if the broader economy (state and/or national) suffers a recession.

We realize that this is a lot to digest, but hopefully it is clear that now is the time to adopt a cap on STRs in Chelan before the issue becomes even more difficult to mitigate without having to decrease the number of existing STRs (a more problematic situation).

Again, we feel that this is one of the most important issues that city council can undertake at this time to try to preserve the livability of Chelan. We can just about guarantee that the vast majority of local residents will support this proposal.

Please contact us at *info@coalitionofchelancounty.org* with any questions or comments.

Thank you for your time and consideration,

Residents Coalition of Chelan County Board of Directors
(Julie McCoy, Ken Yalowitz, Brian Patterson, Dorothy Johnston, Kathy Branch, Ken Hemberry, Ed Martinez, David Stoller, and Brian Shugrue)

cc: Erin McCardle – Chelan Mayor
John Ajax – Chelan Community Development Director

Table 1. Existing STR Cap Examples in Washington and Oregon

City/County	Short-Term Rental Cap *	City/County Population
Jefferson County, WA	4%	Not relevant for percent cap
Winthrop, WA	10%	Not relevant for percent cap
Chelan County, WA	6%	Not relevant for percent cap
Vancouver, WA	870	~ 200,000
Port Angeles, WA	200	~ 20,000
San Juan County, WA	211 (Orcas Island) 337 (San Juan Island) 135 (Lopez Island)	~ 6,000 ~ 9,100 ~ 3,150
North Bend, OR	64	~ 10,500
Newport, OR	200	~ 10,400
Lincoln City, OR	285	~ 10,100
Cannon Beach, OR	No new STR permits issued (42 currently).	~ 1,600

** Numeric cap is a fixed number of STRs allowed; percent cap is a percent of the available housing stock (number of dwelling units).*