

Balancing Year-Round Housing & Vacation Rentals in Bar Harbor

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INTRODUCTION

The natural beauty of Bar Harbor is what makes the town special to everyone – residents and visitors alike. The town has been a magnet for the wealthy who have purchased second and retirement homes for decades. Over time, this trend has driven up property values and the cost of living beyond local affordability.

As the cost of housing continues to rise at a much faster rate than wages, half of the people who work in Bar Harbor live off-island. For the Jackson Laboratory, it is 66% of the workforce that lives off-island. Consequently, the town struggles with the difficulties of retaining a stable workforce.

Labor and housing are the two main concerns for Bar Harbor employers, while the barriers to employment in Bar Harbor are housing and transportation costs.

The recent notable rise in vacation rental units in Bar Harbor is compounding the housing problem, as it is taking long-term housing options (entire homes and apartments) off the market.

The Town is seeking to find a balance between year-round housing and vacation rentals in Bar Harbor.

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01. Goal

Builds on the FY 2020 Council Vision, Goals and Strategies and on the 2019 Housing Policy Framework.

To develop vacation rental regulations that balance the needs of the Town of Bar Harbor and protect public interests including housing affordability, health and safety, and neighborhood quality, while still allowing for residents to earn supplemental income from vacation rentals.

02. Policy Objectives

Based on housing and vacation rental data and the listening sessions

1. To establish clear definitions, appropriate locations, and minimum length of stay.
2. To classify the types of use (residential or commercial).
3. To maximize the supply and affordability of year-round housing options.
4. To address speculation and conversion from year-round housing to short-term lodging.
5. To prioritize residential use and neighborhood quality.
6. To balance the playing field with transient accommodations, B&Bs, etc.
7. To establish a pathway to successful and consistent enforcement.
8. To ensure guest safety.
9. To identify possible incentives to assist in retaining and creating year-round housing.
10. To develop regulations that are politically acceptable, legally and practically enforceable, and financially affordable.

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03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Examples and requirements: a) VR is a dwelling unit that is rented for less than 30 days. b) VR excludes the short-term rental of RVs, campers, tents, tree houses, etc. c) Permanent residence means the place where an individual has a true, fixed and permanent home and principal establishment to which the individual, whenever absent, has the intention of returning. An individual may only have one permanent residence at a time and, once a permanent residence is established, that residence is presumed to continue until circumstances indicate otherwise. d) Property means a lot or parcel of land together with all structures located thereon.	• Must be a Bar Harbor resident. • A max of 2 registrations per property. • Someone who rents an apartment over the garage and/or a room in the house. • Someone who leaves their permanent residence to go to camp for the summer and rent their house and/or another detached dwelling unit on the lot.	• Includes Bar Harbor property owners in the case where dwelling unit is not the owner's permanent residence. • Includes any dwelling unit that is owned by non-Bar Harbor resident.

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03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Ch. 190 – VR Registration		
Require posting of BH registration # on all advertisement including, but not limited to, online platforms such as Airbnb, HomeAway, etc. Visual clue	YES	YES
Annual registration	YES	YES
Fee[1]	$250/registration	$250/registration
Inspection cycle for life safety standards[2]	Every 3 years by Fire Dept. Annual check-off by owner	Every 3 years by Fire Dept. Annual check-off by owner
Ch. 64 - Disorderly Houses (that would cover problems with large gatherings)	YES - Add VR to the definition of building (to make it clear)	YES - Add VR to the definition of building (to make it clear)
License revocation (based on multiple, recurring and/or significant code	The Council could revoke the license up to 8 months after a public hearing.	The Council could revoke the license up to 12 months after a public hearing.

[1] The fee may need to be re-evaluated to ensure it is commensurate with the work associated with vacation rental registration.
[2] Will need to assess the impacts on staffing.

03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
violations and non-compliance, and in some cases criminal activity)		
Applicant must be current on all taxes, water/sewer/other fees[3]	YES	YES
Require indoor posting of license certificate (to include the physical address of VR and owner/contact information). *This reaffirms existing requirement in 190-3 E., partly.*	YES	YES
Require a one-time notification by the town to immediate abutters (includes across a road/ROW) within 30 days of issuance of VR license[4]	YES	YES
Weekly trash pick up	YES	YES

[3] Will need to assess the impacts on staffing.

[4] Will need to assess the impacts on staffing.

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03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Regulate the max number of people per bedrooms	NO	NO
Regulate the max number of people/septic capacity	NO	NO
Require proof of insurance	NO	NO
Regulate the max number of people on property for special event (i.e. wedding, etc.)	NO – See Disorderly Houses	NO – See Disorderly Houses
Require a VR placard outside	NO	NO
Require posting by the town of all VR licenses (to include location and name of licensee) on town website.	NO	NO

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03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Ch. 125 - Land Use Ordinance		
Grandfather clause *Presently VRs are allowed in 34 of the 40 districts for a period of 5 days or more.* *The six districts where VRs are not allowed are Industrial, Scientific Research, Marine Research, Shoreland Maritime, Stream Protection, and Resource Protection*.	Keep registering your VR annually or lose it! As of _____, 2020, all legally registered VR uses would be grandfathered. This means duly registered VR would be able to continue operating under the current regulations of a minimum of 5-days and in the same districts, regardless of ownership and residency, as long as the VR registration is renewed annually. If the registration is not renewed or transferred, the grandfathering protection expires but if the property is inherited, the grandfathering protection remains as long as the registration is maintained.	

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03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Districts	a) Not allowed in the following six districts: Industrial, Scientific Research, Marine Research, Shoreland Maritime, Stream Protection, and Resource Protection. b) Allowed in the remaining 34 districts.	a) Not allowed in the following six districts: Industrial, Scientific Research, Marine Research, Shoreland Maritime, Stream Protection, and Resource Protection. b) Allowed in the remaining 34 districts.
Length of stay	No minimum length of stay	6 nights minimum[5]
Different length of stay in off season	NO	NO
Cap on number of VR by type/by owner	De facto maximum of 2 registered VR per permanent residence property	NONE

[5] The minimum length of stay for VRII would be increased from 5 days (presently in effect) to 6 nights to reflect the town's long-standing tradition of weekly summer rentals. VRII would not be confined to the 23 districts where lodging is allowed. The length of stay further differentiates VRII from places of lodging which may typically see shorter length of stays.

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	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Town-wide cap	NO	Cap of 175[6] with a 3:1 re-entry ratio until cap is met (i.e. for every three expired licenses one is issued until the cap is met at which time the number of license issued would not exceed the cap)
Parking standards	Remains as is	Remains as is
Residential or commercial use?	Residential use with limited commercial activity	Residential use with 100% Commercial activity
Cap per zone	NO	NO
Cap per neighborhood	NO	NO

[6] 175 represents about 5% of the Bar Harbor Housing Stock. We know that at least 236 of the towns 438 vacation rentals registrations are to non-Bar Harbor addresses. The remaining 202 vacation rental registrations are to Bar-Harbor addresses but this does not imply that these vacation rentals are all taking place on the property of a permanent resident.

03. VR REGULATORY APPROACHES

	VR-I Permanent residence - Maximum of 2 VR on the property	VR-II Non-permanent residence (whole dwelling only)
Require a certain occupancy time of the dwelling prior to using it as VR	NO	NO
Require a lapse of time between the construction of a dwelling unit and it being used as VR	**NO**	**NO**

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04. Context

Public Outreach

Listening Sessions

Three public listening sessions were held at the end of January 2020. In order to focus on year-round Bar Harbor residents, including renters, we did a 3,716-piece direct mailing to postal customers only. About 220 people attended over the course of three nights. Each session started with a 30-minute PowerPoint presentation on the status of housing and vacation rentals in Bar Harbor, followed by public comments.

Of the people that registered, 90% were from Bar Harbor and the majority were from the downtown. Thirty-six (36%) of the registrants were under age 50. According to Engagement Coordinator Nina St. Germain, this is a great turnout of younger people. Close to half of the registrants owned at least one vacation rental. Of the 220 participants, 33% (73 people) provided comments. About 10% of the participants who commented were not from Bar Harbor and just about of all of them were from elsewhere on the island or from the greater Ellsworth area. Of those who spoke, 53% do not own vacation rentals while 47% were vacation rental owners. The combined number of vacation rentals for all commentators was about 51.

Summary of Comments

This is a summary of opinions expressed by speakers during the listening sessions. As a result, some of them conflict with or contradict one another.

Source of Income

Most owners have only one vacation rental. It provides income, allows people to afford to live in Bar Harbor, and/or serves as a retirement plan. Many saw a difference between residents owning vacation rentals to supplement their income and non-residents owning vacation rentals as investments. Several people mentioned that year-round rentals are not as lucrative as vacation rentals and come with their own set of challenges. Some people see a vacation rental as a business, and therefore a commercial use, and believe that it should be treated as such.

Length of Stay

Most vacation rental owners said that they would like the minimum number of days to be reduced, as visitors are looking for shorter stays than the present 5-day (4-night) minimum. It was also said that the small vacation rental places and private rooms are not suited to a 4-night stay. On the other side it was argued that going to one or two nights will effectively turn vacation rentals into transient accommodations and put them in direct competition with TAs, B&Bs, cabins, etc.

Year-round Housing and Community

There was an acknowledgement that living in Bar Harbor is expensive. Many people, born and raised in Bar Harbor, have moved off-island because they cannot afford to live here and/or because it is more affordable to live off-island.

Some believe that the town will never be affordable - it is about supply and demand. It was said that vacation rental regulations would not solve the workforce housing[7]/year-round housing problem. Property rights and free market is the way to go. The short-term rental market is more lucrative than the long-term market and there is less wear and tear. Some remarked that vacation rentals ensure that properties are well maintained and help keep property values high. There would need to be some type of tax break/financial incentive for people to consider year-round rentals.

[7] Definition of Workforce Housing – quality housing in reasonable proximity to the workplace that has a sale price or rental amount that is within the means of the household that earns from about double to two-thirds the median household income.

Some people see vacation rentals as growing the town as a *commodity*, to the detriment of the town as a *community*. There is a feeling that the aging and affluent population is not welcoming to young people. It was said that although it is great that vacation rentals are a vehicle for people to be able to retire in Bar Harbor, we should not forget that many people that work here would also like to be able to afford to live here. They feel overlooked. They feel like they are not part of the community (but they are asking for handouts).

Many feel that there are enough vacation rentals but not enough year-round housing, and that a balance with year-round housing needs to be achieved. There was concern that decreasing the minimum length of stay for vacation rentals (both year-round and in the shoulder season) would keep more vacation rentals on the market. In turn, this would make vacation rentals more valuable and therefore continue to exacerbate the year-round housing problem. Some feel that residential neighborhoods have turned into business districts. Lots of traffic and strangers (does not feel safe) in the peak season and dark homes in the off-season.

There needs to be a year-round population living in Bar Harbor in order to have a community. If we want to have kids in school, we need families; and if we want families, we need workforce housing. Workforce housing availability is the primary hurdle for people wanting to work here and live here. The lack of quality, year-round workforce rentals create stress and anxiety for many people trying to live here. Many renters move every six months. A long-time Bar Harbor business owner said that in her first 10 years in Bar Harbor she moved 21 times. A young woman with a start-up business and school-age children moved six times in three years. An oyster worker moved 12 times in six years. The constant moving requires a significant amount of cash flow for each move. The lack of housing creates insecurity and constant fear of being homeless. People live in substandard rentals and couch surf. People live in cars, in the woods, in

closets, and in Acadia National Park. People deserve stability. They do not deserve to be up-rooted every six months; they deserve a place to live year-round.

Data & Trends[8]

THIS IS A NARRATIVE BASED ON THE POWER POINT PRESENTATION PRESENTED AT THE LISTENING SESSIONS

Town-wide Population & Housing



Between 2010 and 2016, population growth in Bar Harbor was slow. It increased from 5,232 to an estimated 5,356 (an increase of only 2.3 % or 124 persons). In 2016, median age was estimated at 45.3.

In 2016, the town's total housing stock was about 3,505 housing units: 2,410 were occupied by year-round residents, while 830 were seasonally or occasionally occupied (second homes) and 265 were vacant. A vacant housing unit is one that either is for sale or rent or has been sold/rented but people have not yet moved in. It also includes other forms of vacancies.

Between 2010 and 2016, it was estimated that the Bar Harbor housing stock experienced a net loss of about 40 housing units. About 65 year-round occupied housing units were lost – this does not mean that these units were demolished but it assumes that the type of occupation morphed into something else. For example, it was estimated that the town gained 95 seasonal or second homes. Some

[8] Data sources: 2010 U.S. Census; 2016 and 2017 - American Community Census; and affordability data - The Maine State Housing Authority, 2018 Housing Facts and Affordability Index for Hancock County (2017 data).

of the previously year-round occupied units may now be used as second homes. As for vacant housing units, it was estimated that the town had 70 less vacancies than in 2010.

Downtown Population and Housing



The Bar Harbor Census Designated Place (CDP) encompasses 3.2 square miles of land in the downtown area. It is bordered to the northeast by Frenchman Bay, to the west by Paradise Hill, to the south by the Park Loop and Bear Brook, and extends as far north as Hulls Cove.

In 2016, the downtown (CDP) population was 2,329 with a median age 36. Between 2010 and 2016, the CDP experienced an out-migration of about 256 persons. During this 6-year period, there was a net gain of 50 housing units. However, there was a total loss of 189 year-round occupied housing units – 33 were owner-occupied and 156 were renter-occupied.

Workers' Place of Residence

Per the U.S. Census, about half of the Bar Harbor workers live off-island. This ratio is true employees of the Town of Bar Harbor and the Mount Desert Island Hospital. However, the ratio differs for employees of The Jackson Laboratory where about 66% of the workers live off-island.

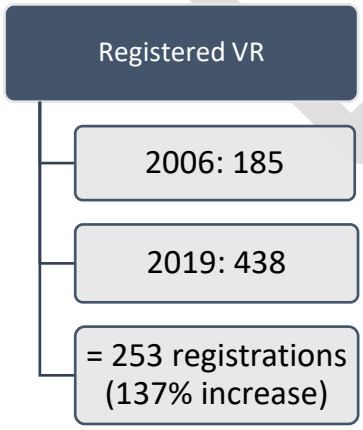
Homes and Rents are Unaffordable

The Bar Harbor Homeownership Affordability Index – the ratio of median income to median home price - is 0.58. An index of less than 1.0 means the area is generally unaffordable. For example, a household earning area median income could not cover the payment (mortgage, insurance, and taxes) on a median priced home using no more than 28% of gross (pre-tax) income.

The relationship between income and housing price is the most significant factor influencing affordability. In 2017, the Bar Harbor median home price was about $317,000 while the median income was $53,000. The income needed to afford a median home price was $91,000. The home price affordable to median income was $185,000.

In 2017, 81% of Bar Harbor households were unable to afford a median-price home. That year 97% of the Bar Harbor homes sold were unattainable. The number of affordable homes sold was one while there were 41 homes sold that were unattainable.
Bar Harbor rents are also unaffordable. In 2017, the renter household median income was $28,000. The median rent was $900 per month. The income needed to afford a median rent was $36,000.

Number of VR per Town Records



Between 2006 and 2019, the number of registered vacation rentals in Bar Harbor increased from 185 to 438 (an increase of 253 vacation rental units or 137% over a 13-year period). Of these, 433 are registered as entire dwelling units while five are registered a portion of a dwelling unit (the latter became legal in November 2019). About 12.5% of the town's housing stock is dedicated intermittently or exclusively to vacation rental. The map on page 22 shows the location of vacation rental registrations in Bar Harbor for 2019.

The assessor's database tracks registered vacation rentals as vacation rental address points (VRAP). Although there are 438 registered vacation rentals in Bar Harbor, there are 411 VRAPs. This means that there are 27 parcels that have more than one vacation rental but these have the same physical address.

Bar Harbor's land and water area (excluding Acadia National Park) encompasses approximately 22 square miles. Vacation rentals are allowed over 90% of the area (about 20 square miles) and prohibited over about 10% (about 2 square miles) of the area.

Vacation Rental and Zoning Districts

AREAS THAT ALLOW FOR LODGING USES

- 23 districts
- 65% of the land area
- 14.4 sq. miles
- 338 VRAP (82%)

AREAS THAT PROHIBIT LODGING USES

- 11 districts
- 25% of the land area
- 5.6 sq. miles
- 73 VRAP (18%)

OTHER AREAS (WHERE VR NOT ALLOWED)

- 6 districts
- 2% of the land area
- 2 sq. miles
- 0 VRAP

Following is a breakdown of vacation rental registrations in areas that allow for lodging uses, areas that prohibit lodging uses, and other areas where vacation rentals are not allowed.

About 82% of the VRAPs are encompassed within 23 (of 40) zoning districts, which cover 65% of the town's area (representing 14.4 square miles). Within these 23 zoning districts, 138 VRAPs (33.5%) are located within eight zoning districts that allow for hotels, motels, B&Bs, and cabins (encompassing about 2.18 square miles, or 10%, of the town's area); 158 VRAPs (38%) are located within ten other zoning districts that allow for TA-2 to TA-8 (4+ rooms), encompassing about 4.32 square miles (or 20%) of the town's area; and 42 VRAPs (10%) are located with five zoning districts that allow for TA-1 (up to 3 rooms) encompassing about 7.88 square miles or 36% of the town's area.

Another 18% of the VRAPs are encompassed within eleven (of 40) zoning districts which covers 25% of the town's area representing 5.6 square miles. These eleven districts do not allow for any form of lodging. In the six remaining zoning districts covering 2% or two square miles of the town's area, vacation rentals are not allowed.

Vacation Rental Registrations Data

According to town records, 56% of the vacation rental registrations are linked to Bar Harbor addresses and 44% of the vacation rental registrations are linked to non-Bar Harbor address (16% are linked to an address somewhere else in Maine while 28% are linked to an out-of-state address).

Overall, 88% of owners (includes LLCs) of vacation rentals have only one vacation rental while 9% of the owners have two vacation rentals to their names, 1.25% each have three vacation rentals and four vacation rentals, and 0.25% each have five vacation rentals and six vacation rentals.

Vacation rental owners with Bar Harbor addresses, proportionally, have the highest percentage of mutli-vacation rental ownership. Of the 65% of vacation rental registration that are linked to Bar Harbor addresses, 85% own one vacation rental while 15% own two or more vacation rentals.

Of the 16% of vacation rental that are linked to address somewhere else in Maine, 91% own one vacation rental while 9% own two or more vacation rentals. In addition, of the 28% of vacation rental linked to an out-of-state address, 92% own one vacation rental while 8% own two or more vacation rentals.

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AirDNA Data

According to AirDNA data (based on data from Airbnb and HomeAway), in August 2019 there were 616 vacation rental listings in Bar Harbor. About 87% of these listing are entire homes while 13% are private rooms.

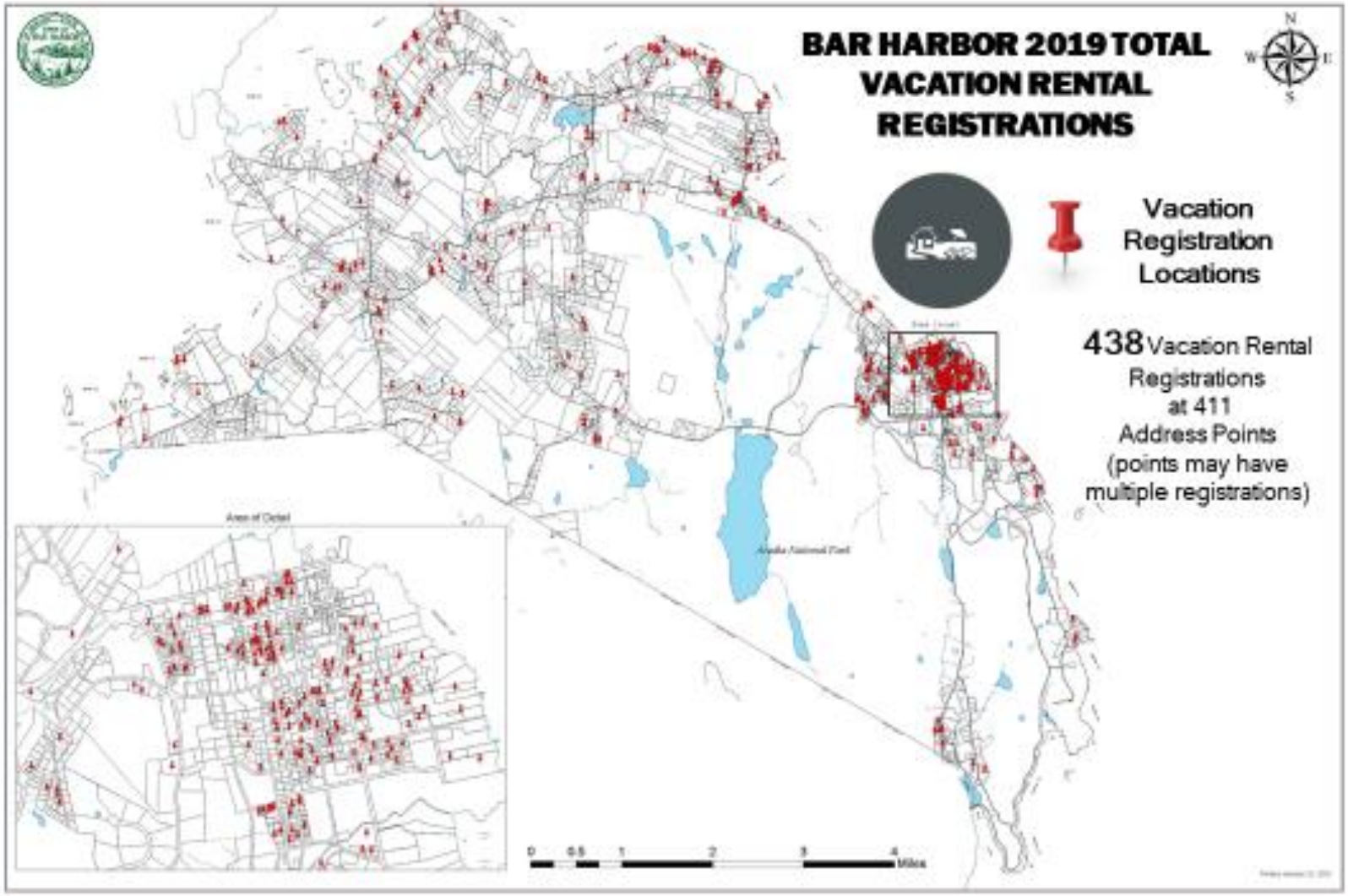
Entire place is defined as a unit where guests have dedicated space to themselves. This usually includes a bedroom, a bathroom, and a kitchen. Private room is defined as a room in which guests have their own private room for sleeping. Other areas could be shared.

From 2014 to 2017, the number of vacation rentals in Bar Harbor for entire place increased slowly and then it took off. Between August 2017 and 2019, the total number of available listing increased by 43%. In August 2017, the total number of available listings was 430 with 404 listed as entire places and 26 as private rooms. In August 2019, the total number of available listings was 616 with 544 listed as entire places and 72 as private rooms.

Occupancy rates are increasing. The summer highs of (80+%) remain steady while the occupancy rates during the off-season are increasing with lows at 40%.

In 2019, 27% of the average bookings were for 1 night, 17% for two nights, 14% for three nights, 25% for four to six nights, and 17% for seven to nine nights.

The overall income from vacation rental in 2017 was about $6.1 million, in 2018 about $13 million, and for the first eight months of 2019 about $12.4 million.


BAR HARBOR 2019 TOTAL VACATION RENTAL REGISTRATIONS
N
W
E
S
Vacation Registration Locations
438 Vacation Rental Registrations at 411 Address Points (points may have multiple registrations)
Acadia National Park
0 0.5 1 2 3 4 Miles