

# Short-term Rentals White Paper

January 3, 2022

Regulating Short-term Rentals (STR) continues to be a significant topic across Colorado resort towns and around the world. Short-term Rentals, or “Vacation rentals”, means the rental of any existing residential building such as a single-family home, apartment, or condominium that is rented for less than thirty (30) days at a time. Myriad issues related to this growing trend exist, ranging from municipalities receiving the correct amounts due for sales and/or lodging taxes, to regulatory issues such as parking on residential streets, to loss of long-term rental units, to changes in community character. As the 2018 Comprehensive Plan states: “Over the decades, debates about Snowmass Village being primarily being a resort or a community have persisted. Through the planning process, we have concluded that this debate is miscalculated: it should not be an “either/ or” debate. Snowmass Village is a community that encompasses a resort. Community and resort are not, and do not need to be mutually exclusive. We are proud of our community and the resort in our community.” Understanding this key finding of the 2018 Comprehensive Plan, the Town is now working to develop tools to manage STR’s that will maintain the correct balance.

The Town currently uses Lodging Rev’s (a subsidiary of our sales tax software) that scour websites, advertisements and any other resources (Craigslist) that advertise short-term rentals in Snowmass Village. We currently have roughly a 98-99% compliance rate for licensing and tax collection. For the remaining 1 to 2%, Lodging Rev’s researches those properties and contacts the owners to bring them into compliance with the Town’s licensing regulations.

Under the Town’s current license program, which was developed to ensure fair and accurate tax collection, we are unable to develop a completely accurate count of the specific number of short-term rental units the community has. If a property owner/operator rents their unit under Airbnb or VRBO, then they are not required (although it is still recommended) to get an individual business license as Airbnb and VRBO are licensed and collect the sales/lodging taxes to remit to the Town on their behalf. Similarly, if a property owner uses a property management company, the property management company remits the sales taxes and holds a single business license on the owner’s behalf. If a homeowner rents the property on their own and NOT through Airbnb, VRBO or a property management company, then they are required to apply for a business license and remit the appropriate amounts of sales and lodging taxes.

While it is difficult for the Town to know exactly how many STR we have in the village, we do maintain a “Build Out Chart” for all units in the Village and undertake a Transient Inventory Study (about every three years) for rental units. The Build Out Chart tracks total unit in the Village and is currently being updated. Currently it shows (+/-) the Village has 966 single family units, 2,820 multifamily units, and 982 lodging units for a total of 4,768 units. The Inventory Study helps the Town (and our partners) determine how many units and pillows are available for rent. Although we know it only captures a part of the lodging inventory because of the way we count some STR, it is one of our best sources of data. The most recent study was completed in 2018 (the next study will be completed in 2022). The 2018 study showed that there are 1,699 units that rent short term. Of those 1,699 units, 880 are hotel rooms, 735 are condos,

and 84 are private homes. The discrepancy in hotel rooms between the Build out Chart and Inventory Study is (likely) due to how condo-hotels are currently classified, other changes such as the purchase of the Snowmass Inn and how employee units in hotels are counted.

Moving forward, if the Town would like to better understand the precise locations of STR units and get an accurate count, the Town should require each unit to be individually registered with the Town through our current permit system.

#### PROBLEM DEFINITION

Because Snowmass Village is different than other municipalities and has different experiences with STR units than other communities, it is important to first determine the objectives and/or outcomes that the Town is hoping to achieve with any new regulations or implementation of best practices regarding STRs. Once the problem has been defined and the objectives determined, then the Town can discuss specific best practices and what works best for our community. Of course, once the Town puts these new best practices into place, the Town will need to be committed to enforcing any new regulations that have been adopted. Enforcements may include increased resources including budget costs, staff time and administrative oversight. Whatever practices/regulations that are being considered, public outreach, input and education will be crucial in the success of the program.

Below, we have identified some of the objectives/outcomes that the Town may opt to achieve, followed by a list of ‘other considerations’, ‘other regulations’ some ‘best practices’ that are used by other entities. Once the Council defines the problem and sets the objectives, then staff will be better able to identify the ‘best practices’ to consider putting in place to achieve the Council’s objectives/goals.

#### FIRST STEP: PROBLEM DEFINITION

Determine Objectives/Issues/What are we trying to solve?

*Do they include the following?*

- ❖ Ensure that residential neighborhoods aren’t turned into tourist areas to the detriment of long-term residents
- ❖ Achieve an accurate count of the number of units and single-family homes that are short-term renting through licensing/registering or permitting each individual unit and requiring individual sales tax returns per unit for tracking purposes
- ❖ Ensure that the Town is receiving sales and lodging tax revenues on all short-term rentals
- ❖ Understand how STR have affected the affordability and availability of long term (employee oriented) leases
- ❖ Understand how STR have affected the affordability and availability of free market (employee oriented) housing
- ❖ Understand how STR have affected community character.
- ❖ Understand how STR have changed residential use to more of a commercial lodging use and by-passed mitigation requirements that would have otherwise been in place for lodging and other business uses
- ❖ Recognize that STR likely increase visitation to local businesses and increase sales tax revenues

- ❖ Ensure that homes are not turned into “party houses” or detriments to a neighborhood
- ❖ Minimize public safety risks including noise, trash, pets and parking problems
- ❖ Allow residents to ‘occasionally’ utilize their properties to generate extra income from short-term rentals
- ❖ Maximize the availability of affordable housing options by ensuring that no more viable long-term rental properties are converted into short-term rentals or that these properties otherwise remain available to the workforce.
- ❖ Ensure that local contact information is available for each short-term rental unit to address complaints/emergencies
- ❖ Decide whether ‘people in units’ vs. ‘units sitting empty’ add to the vitality of the Town
- ❖ Ensure through property inspections that units are safe to rent including emergency plans
- ❖ Ensure parking doesn’t become an issue in neighborhoods or community parking lots (parking permit system for STR’s?)
- ❖ Keep the regulations easy to abide by to increase compliance

## STEP TWO

Once the Goals and outcomes are agreed to, then consider possible regulations/methods/best practices to achieve goals, such as:

- Encourage/support state law changes to shift short-term rental properties from residential taxation to commercial taxation for property taxes.
- Consider changing TOSV tax structure to allow for dedicated marketing tax and lodging tax to be used to build additional workforce housing.
- Work with the Snowmass Home Owners Association to understand how their covenants govern STR and determine if additional regulations are necessary from the Town.
- Resident Only Regulations – only allow owner occupied or fulltime residences to rent short-term, not part-time residences
- Allow for short-term rentals in only some areas of the community.
- Limit the amount of time a dwelling can be rented i.e. number of days per year, or specify months of the year which rentals are allowed.
- Establish zoning districts to determine where STR’s would be allowed
- Establish quotas on the number of rental properties that can be available either within a neighborhood or community-wide (through licensing) through zones/blocks then develop a waiting list?
- Implement incentives to encourage long-term rentals vs. short-term rentals, for work force housing i.e. cash incentives for long-term leases, or possibly the housing department to manage their leases.
- Conduct physical inspections of any rental unit
- Require a local contact person who can respond to complaints and inquiries in real time
- Allow employee housing units (rental or owned) to rent rooms to other/additional employees.

## STEP THREE:

What Best Practices should be put in place to obtain Town objectives?

- 1) Business License Regulations requiring all properties to have an individual business license
  - a. Is there any other information that the Town wants to collect i.e. number of beds? Number of pillows? Occupancy limits?
- 2) Create an additional License Fee for Short-Term Rentals. Fee could be used to mitigate impacts of STR. Consider:
  - a. Align the fee with the impact on the community: the more bedrooms, the more potential guests taxing the resources such as parking, trash and complaints
  - b. Provides a mechanism for better tracking of inventory within the Town for marketing and community planning...
- 3) Require information for Public Safety and Decision-making:
  - a. Emergency Contact Information – license should have a validated local contact for each rental application so that public safety responders can reach someone in the area in case of an emergency.
- 4) Develop Complaint Process:
  - a. Allow for phone or online submission of STR complaint
  - b. Determine process for emergency complaints vs. non-compliant type of complaints (i.e. parking issues)
  - c. Develop variable (ascending) fines based on the numbers of complaints an individual STR or company has in order to determine serial violators
  - d. Determine when an STR license may get revoked based on the severity of the violation or the number of violations.
- 5) Increase the Quantity of Available Workforce Housing
  - a. Create Additional Funding Mechanisms for Additional Workforce Housing: Consider going to the voters in November of 2022 to increase the allowed uses of the existing Lodging Tax and Marketing Sales Tax to allow those revenues to be used to construct more workforce housing.
  - b. Implement programs to encourage, and potentially subsidize, people to rent their additional rooms to workforce housing.
- 6) Determine how STR affect community and/or neighborhood character.
- 7) Work to have residential STR properties, that essentially act more as commercial properties, mitigate their impacts in the same manner as traditional commercial properties.
  - a. Work to change state-law on how these properties are taxed
  - b. As part of increased permitting requirements, adopt appropriate mitigation fees (housing, transportation) to be paid. These proceeds could be earmarked for workforce housing.

## **SUMMARY**

Once the Town Council's goal/objectives are specifically determined, Staff can more fully develop strategies to achieve the goals. As part of the strategy development, we would anticipate public involvement and coordination with other