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Memorandum

TO: Town Council

FROM: Finance Department

DATE: February 15, 2022

SUBJECT: Short-Term Rental Study – Pt. 2

## **I. SUMMARY**

The purpose of this memo is to summarize the information gathered by RRC Associates and Economic & Planning Systems Inc. (EPS) in the next phase of a comprehensive study of the Vail short-term rental (STR) market and provide an opportunity for Council to consider current and future regulations of STRs. Staff has included updates on the current STR regulation enforcement and information about additional regulatory options. Based on Council's feedback, staff will return on March 15<sup>th</sup> with recommendations for potential policy changes for Council's consideration.

## **II. BACKGROUND**

The initial phase of this study provided an analysis of registered STRs units and their impacts to the current housing inventory in Vail as of December 2021. Overall, 31% of housing units in Vail were registered at the end of the year. Housing units and STRs were further analyzed by neighborhood and by business license Zone areas (1 & 2). The council indicated that impacts to affordable housing from STRs in Zone 2 were of particular concern; in 2021, 18% of units in Zone 2 were registered as an STR.

During the first presentation of this study, the council identified several areas for further research which the next phase of the study has focused on. These include:

- Analysis of prior property usage before becoming an STR property
- Identifying STR locations as they relate to the local zoning ordinance
- Home sales data as it relates to STRs
- Deeper analysis on the saturation of STRs in individual neighborhoods and areas
- Deeper analysis on types of housing utilized as STRs; in particular, condo properties
- Census data on property usage and demographics
- Potential approaches toward updated regulation of STRs

### **III. DISCUSSION**

#### **Short-Term Rentals and Prior Property Usages**

During the first phase of this study, the council requested further identification of properties that may have been used as full-time resident housing prior to becoming an STR. While the Town does not track this type of property usage at an individual unit level, the second phase of this study provides a detailed analysis of available data to create an overall understanding of the Vail housing inventory as it relates to this issue.

Three data sources specifically have been identified with primary relevancy to this issue; 2021 real estate sales in Vail from the Multiple Listing Service (MLS) were collated with existing STR registration data, American Community Survey (ACS) information on population and housing trends, and deeper analysis of affordable housing stock utilized as STRs.

#### **American Community Survey and Voter Registration Data**

Another data point that was used to understand prior property usage and overall trends was housing occupancy statistics utilizing census data. A comparison of housing trends from the American Community Survey (ACS) in 2010 and 2019 indicated that the number of vacant homes combined with those used for seasonal, recreational, or occasional uses did not change significantly between the two time periods. These “vacant” properties, which include STRs, represent 69% of the town’s housing stock. This vacancy rate is comparable to many peer, resort communities, however, it is one of the highest rates in the State.

The Colorado Department of Local Affairs (DOLA) also tracks vacancy rates in communities. Their 2020 report shows Vail as having the 8<sup>th</sup> highest occupancy rate out of 375 jurisdictions and areas. Breckenridge and Winter Park were two Colorado peer resort communities with higher vacancies than Vail.

The ACS data also tracks occupied housing with a few notable trends. Between 2010 and 2019 long-term renter-occupied units decreased from 16% to 9%, while owner-occupied long-term units increased from 18% to 22%. Taken together, these represent a net loss of 162 long-term units over 9 years or 2.2% of all housing inventory. With data only available through 2019, it is unknown how these figures have changed since the onset of the Covid-19 pandemic which has increased migration to mountain communities.

In comparison, the most recent voter data suggests that the local full-time population in Vail has increased in this time frame. From 2014 to 2021 voter registrations went up by 10.6% or 424. The demographic composition of voters has also changed with fewer younger (aged 18-34) registered voters and an increasing number of voters over age 75.

Taken all together, an interpretation of the ACS data which shows that long-term rental units in town are decreasing may correlate to decreasing numbers of people under the age of 35, and increased owner-occupied units may correlate to increasing numbers of retirement-aged persons.

## **Short-Term Rentals and Zoning**

The Town of Vail does not currently regulate STRs as a property use through its zoning ordinance but instead has a separate regulatory ordinance that permits such a use.

Vail as a community is similar to other resort towns in that it has many properties which were purpose-built as vacation properties in residential areas. A secondary ordinance was created specifically for regulating STRs in Vail outside of the zoning ordinance. Short-Term Rental properties are by legal definition residential dwelling units. As such 53.3% of STR registrations are in residentially zoned areas. Detailed charts showing the number of STRs in different zoning districts have been included as Exhibit A.

## **Short-Term Rental Condos and Residential Neighborhood Saturation**

To provide a more detailed view of STRs in Vail in varying areas, each registration has been mapped in detailed areas of Town, which correlate to MLS neighborhood areas. Overall, 32% of residential parcels within the town are registered STRs, however, these detailed maps show that this saturation is not equal in all areas and is less pervasive in outlying neighborhoods. For example, in West Vail, south of I-70, 19% of residential parcels are STRs, North of I-70 this number drops to 7%. Sandstone and Lionsridge are higher at 36%, but these areas also contain a large number of registrations at properties that are purpose-built as vacation properties such as Simba Run, Vail Run, and Sandstone Creek Club. These properties have 24/7, on-site management. Excluding registrations at these properties, the saturation rate is 20% in this area. In East Vail, 19% of parcels are registered as STRs, but excluding those with 24/7 front desks reduces the rate to 11%. Comparatively, in business license Zone 1, 51% of parcels are registered for use as an STR.

Exhibit B attached to this memo shows condos registered as STRs by neighborhood and by condo building/development name. This inventory list is useful to assess which developments are more attractive for use as STRs and also provides another layer of granular data on the saturation of STRs in neighborhoods.

## **MLS Home Sales Data**

MLS data indicates that in 2021, 410 real estate sales occurred within the Town of Vail. This represents 5.5% of all housing units within the town, excluding accommodation units. Of these transactions, 33.6% or 138 properties were registered as an STR during 2021, either prior to the sale, after the sale, or both. Comparatively, 31% of all residential parcels in town, or 2,454 units, were utilized as an STR in 2021.

Of the 138 STRs sold during 2021, 29.7% or 41 were in business license Zone 2 areas (East Vail, West Vail, and Sandstone). These properties were sold at an average of \$757 per square foot. Comparatively, the 97 STRs sold in business license Zone 1 (Vail Village, Lionshead, and Cascade Village) were sold at an average of \$1,789 per square foot. Of the 41 STRs sold in Zone 2, 26 were previously registered as STRs and the other 15 properties were registered for the first time in 2021. Six of the new STRs were sold for \$400K to \$900K, 6 were sold for \$1.2M to \$2.0M, and 2 were sold for \$2.6M to \$2.7M. The median price was \$1.75M.

STR registration data lags behind actual STR activity and all 2021 property sales now utilized as STRs may not have been registered at the time of assessment. While this is a limited sample of data, it validates that a portion of home sales in Zone 2 areas are being purchased and registered to become an STR. However, Vail's overall percentage of residential units being used as STRs remains stable at approximately 31% of total inventory.

Attached is the PowerPoint slide presentation of "Part 2" of the STR study. The focus of the second work session is to dive deeper into the types of properties utilized as STRs and assess the Vail context, relative to STR activity and vacation property usage.

### **Summary of Key Data Points Obtained from the STR Study**

- 31% of residential parcels were registered as STRs (a total of 2,454 units)
- 18% of units in Zone 2 were registered as an STR in 2021 with new registrations in Zone 2 occurring at a higher rate since January 2020 than in prior years
- 138 of the 410 properties sold during 2021 were registered as an STR before the sale, after the sale or both
- Vacant homes and those used for seasonal, recreational, or occasional uses represent 69% of the town's housing stock according to the ACS; this did not change significantly between 2010 and 2019
- Saturation of STRs in Zone 2 is significantly lower than the overall rate of 32%. When adjusted for STRs located in developments with 24/7 onsite management, the saturation rate is at or below 20% in these areas.

The data may suggest that the increases in number of STRs Vail has experienced in recent years has had a modest impact on overall owner and renter-occupied housing. At the same time, Vail has one of the highest proportions of vacant housing units in the State. Considering the overall vacancy rate and identifying an ideal proportion of resident and non-resident occupied housing for the community may provide some direction in considering additional regulation of STRs.

An overview of the existing STR ordinance has been included in this memo as Exhibit C.

### **IV. ACTION REQUESTED OF COUNCIL**

Please provide feedback to staff regarding this second phase of data on short-term rentals in Vail. Staff will return to the March 15<sup>th</sup> council meeting to present potential policy changes to the STR ordinance for consideration. This will include:

- Limits on STR activity in Zone 2
- Increases to registration fees to cover, at minimum, administrative costs of the program and explore potential STR mitigation fees based on impacts to the community
- Review current violation fine structure
- Bolster STR registration requirements including health and life safety standards and neighborhood impacts

Are there other short-term rental regulations and policies Council would like to consider?

## STR Registrations by Zoning District and Neighborhood

STRs in Vail are not currently regulated through the Town's zoning ordinance, but are permitted through a separate regulatory ordinance. There is currently no limitation as to where an STR may be located, except that certain deed restricted and employee housing units may not be used for such a purpose. The following charts show the relative number of STRs in various Zoning Districts and neighborhoods.

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	Zoning District	Business License Zone 1				Business License Zone 2		
		Vail Village	Lionshead Village	Cascade Village		West Vail	East Vail	Sandstone
<b>** This is not a comprehensive list of zoning districts, but only those identified with STR registrations located in them.</b>	Commercial Core 1	96						
	Commercial Core 2	22						
	Commercial Core 3					1		
	Commercial Service Center	32						
	Lionshead Mixed Use 1		679					
	Public Accommodation	166						
	Ski Base/Recreation	1						
	Ski Base/Recreation 2	5						
	Low Density Multi-Family (MF) Residential	1				4	98	65
	Medium Density MF Residential		1			4	161	123
	High Density MF Residential	296		52		5	6	115
	Residential Cluster	2		2		64	36	12
	Single-Family Residential						3	2
	Two-Family Primary/Secondary Residential	18	12			85	15	6
	Two-Family Residential	3	2			1	49	1
	Vail Village Townhouse	5						
	Cascade Village Development (not a Zone district)			81				
	<b>Totals</b>	<b>647</b>	<b>694</b>	<b>135</b>		<b>164</b>	<b>368</b>	<b>324</b>

Exhibit B

**Short-Term Rental Condo Registrations by Neighborhood and Building Names**

**Zone 1**

**Vail Village**

<u>Condos without 24/7 Front Desk</u>		<u>Condos with 24/7 Front Desk</u>	
All Seasons	20	Manor Vail	82
Northwoods	18	Mountain Haus	54
9 Vail Rd	16	Lodge at Vail	41
Villa Cortina	16	Apollo Park	40
Rams Horn	13	Solaris	33
Village Core Condos	13	Lodge Tower	30
Scorpio	11	One Willow Bridge	18
Bridge Street Lodge	10	Four Seasons	17
Vail Trails Chalets	9	Riva Ridge South	13
Vail Trails East	9	Sebastian	12
Village Center Condos	9	The Willows	11
Villa Valhalla	8	Christiania	6
Vail Village Plaza Condos	7	The Wren	5
Village Inn Plaza	7	Austria Haus	4
Plaza Lodge	6	Chalets at the Lodge at Vail	4
Alphorn	5	Riva Ridge North	2
Wall Street Building	5	<b>Total</b>	<b>372</b>
Mill Creek Court Condos	4		
Tyrolean	4		
1st Bank	3		
Texas Townhomes	3		
Vorlaufer	3		
Creekside	2		
Edelweiss	2		
Riverhouse	2		
Vail Townhouses	2		
Bell Tower	1		
Bishop Park	1		
Gateway	1		
Gore Creek Plaza	1		
Red Lion Inn Condos	1		
Ski Club Vail	1		
Talisman	1		
<b>Total</b>	<b>214</b>		

**Lionshead**

<u>Condos without 24/7 Front Desk</u>	
Vantage Point	40
Lionshead Arcade	13
Enzian	12
Lionshead Centre	11
Tree Tops	10
Gore Creek Residences	3
<b>Total</b>	<b>89</b>
<u>Condos with 24/7 Front Desk</u>	
Antlers	84
Lion Square Lodge	76
Landmark	59
Arrabelle	43
Ritz-Carlton	41
Lodge at Lionshead	37
Montaneros	37
Vail Spa	37
Vail International	36
Lifthouse	35
The Lion	33
Lion Square Lodge- North	25
Westwind	25
Vail 21	18
Mark Lodge	13
Evergreen Lodge	11
<b>Total</b>	<b>610</b>

**Cascade Village**

<u>Condos without 24/7 Front Desk</u>	
Coldstream	24
Millrace Condos	23
Colorado Mountain Condos	4
<b>Total</b>	<b>51</b>
<u>Condos with 24/7 Front Desk</u>	
Lifside Condos	8
<b>Total</b>	<b>8</b>

# Exhibit B

## Short-Term Rental Condo Registrations by Neighborhood and Building Names

### Zone 2

#### East Vail

<u>Condos without 24/7 Front Desk</u>	
Timber Falls Condos	39
Pitkin Creek Park	38
Vail East Townhouse Condos	15
Vail Golfcourse Townhomes	13
Courtside Townhomes	8
Vail East Lodging	8
Columbine Road Condos	7
Booth Creek Townhouses	6
Altair Vail Inn	5
Mountain Meadow Condos	4
Booth Falls Mountain Homes	3
Columbine West Condo	3
Bald Mountain Townhomes	1
Gore Creek Condos	1
Heather of Vail Condos	1
Riverbend at Vail	1
Spruce Park Estates	1
Sunwood at Vail Condos	1
<b>Total</b>	<b>155</b>
<u>Condos with 24/7 Front Desk</u>	
Vail Racquet Club Condos	81
Fallridge Condos	26
Racquet Club Townhomes Condos	17
Wren House	5
<b>Total</b>	<b>129</b>

#### West Vail

<u>Condos without 24/7 Front Desk</u>	
Meadow Creek Condos	20
Ptarmigan Townhomes	12
Interlochen Condos	10
Chamonix Chalets	7
Casa del Sol Condos	3
Hillside Condos	3
Timber Creek Lodges Condos	3
Brandywine Trace Condos	2
Matterhorn Inn Condos	2
The Valley Condos	2
Vestlandet Condos	2
Buffehr Creek Condos	1
Buffehr Creek West	1
Camelot Townhouses	1
Dome Main Condos	1
Lodges at Timber Creek Condos	1
Meadow Brook Condos	1
Sunlight North Condos	1
Vail Das Schone	1
Vail Heights Condos	1
<b>Total</b>	<b>75</b>

#### Sandstone

<u>Condos without 24/7 Front Desk</u>	
Breakaway West	31
Sun Vail	31
Homestake at Vail	16
Sandstone 70	12
Brooktree Townhomes	10
Potato Patch Club	9
Lions Mane	8
Savoy Villas	8
Snow Lion	8
Snow Fox	5
Potato Patch Drive Condos	3
Aspen Tree	2
Eastern Vallet Condos	1
Eiger Chalets	1
Golden Peak Condos	1
<b>Total</b>	<b>146</b>
<u>Condos with 24/7 Front Desk</u>	
Simba Run	57
<b>Total</b>	<b>57</b>

## **Town of Vail Short-Term Rental Regulations Overview**

### **Short-Term Rental Registration Fees – Adopted by Resolution**

- STR Individual Owner - \$150 per year
- STR Professionally Managed (no on-site manager) - \$10 per year
- STR Professionally Managed (24/7 on-site manager) - \$5 per year

### **Short-Term Rental Policies per Ordinance No. 19, Series 2018**

- ***Deed restricted employee housing units*** are not allowed to short-term rent.
- ***Designation of a local representative that resides within a 60-minute distance*** of the STR property and is available 24/7. The named representative must provide proof of distance through a driver's license, property tax record, or voting record.
- ***Property owners must provide a notarized affidavit that they have specified safety measures in place*** such as smoke detectors, carbon monoxide detectors, fire extinguishers, and that advertised occupancy limits comply with town code. The affidavit also validates the owner's agreement to comply with all town regulations and specifically mentions trash, parking, exterior lights, and noise.
- The property owner must provide proof of written notice to an adjoining residential dwelling unit if the rental is located within a duplex.
- Signed ***acknowledgment of "Good Neighbor Guidelines"***.
- Advertisements of the rental must include the STR registration number immediately following the rental description.
- All sales and lodging taxes must be remitted timely as applicable
- ***Complaints (such as noise, trash, parking, etc.) will be directed to the local agent.*** The agent must resolve the issue within 60 minutes (30 minutes between 11pm and 7am). The town's code enforcement or police may become involved if the property is not registered, or if the complaint is not resolved.
- ***Failure to any complaint may result in a violation and fine issuance*** for that property. Property owners and property managers are held jointly and severely liable for violations. More than three violations received in a year may result in a 2 year revocation of the STR registration.

Violation of any provisions of the STR ordinance is decriminalized, but punishable by the following fine schedule:

First Violation		\$500
Second Violation		\$1,500
Third Violation		\$2,500
Fourth Violation	Registration Revoked for 2 Years	