

TO: Town of Vail Economic Development and Finance Departments

FROM: DestiMetrics and RRC Associates

DATE: Tuesday, April 25, 2017

SUBJECT: Rent by Owner Study, Executive Summary

We are writing to share our results from the RBO Study that began in January 2017. The enclosed document contains three elements. The first part is a summary of the Town of Vail Broader Bed-Base Analysis completed by RRC & Associates. The second part is an Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals. And, the final part is a table of recommendations to discuss with you and your colleagues in preparation for Council on May 2, 2017. Our hope is to share the results with your team and discuss the recommendations that you feel are appropriate for the Town of Vail and the upcoming meeting.

Our findings reveal that the Town of Vail has now established the foundation of a rent-by owner licensing, administration and compliance program, but is conservative when compared to other similar resort town destinations, who have been more proactive.

These efforts still fall short in identifying and quantifying the overall residential short-term rental inventory. A more aggressive set of policies and related programs are being recommended, that adapts the best practices of other destinations and results in a middle-of road program that balances monitoring/measuring overall vacation rental inventory, including both professionally managed and rent-by-owner, without undue Town staff overhead and homeowner push-back.

The table of recommendations at the end of this document are meant to guide our discussion, provide an opportunity to prioritize the recommendations, and categorize them into buckets and phases for completion.

Sincerely,

Ralf Garrison, Chris Cares, and Brumby McLeod

Part I: Analysis of Residential Housing Inventory in the Town of Vail

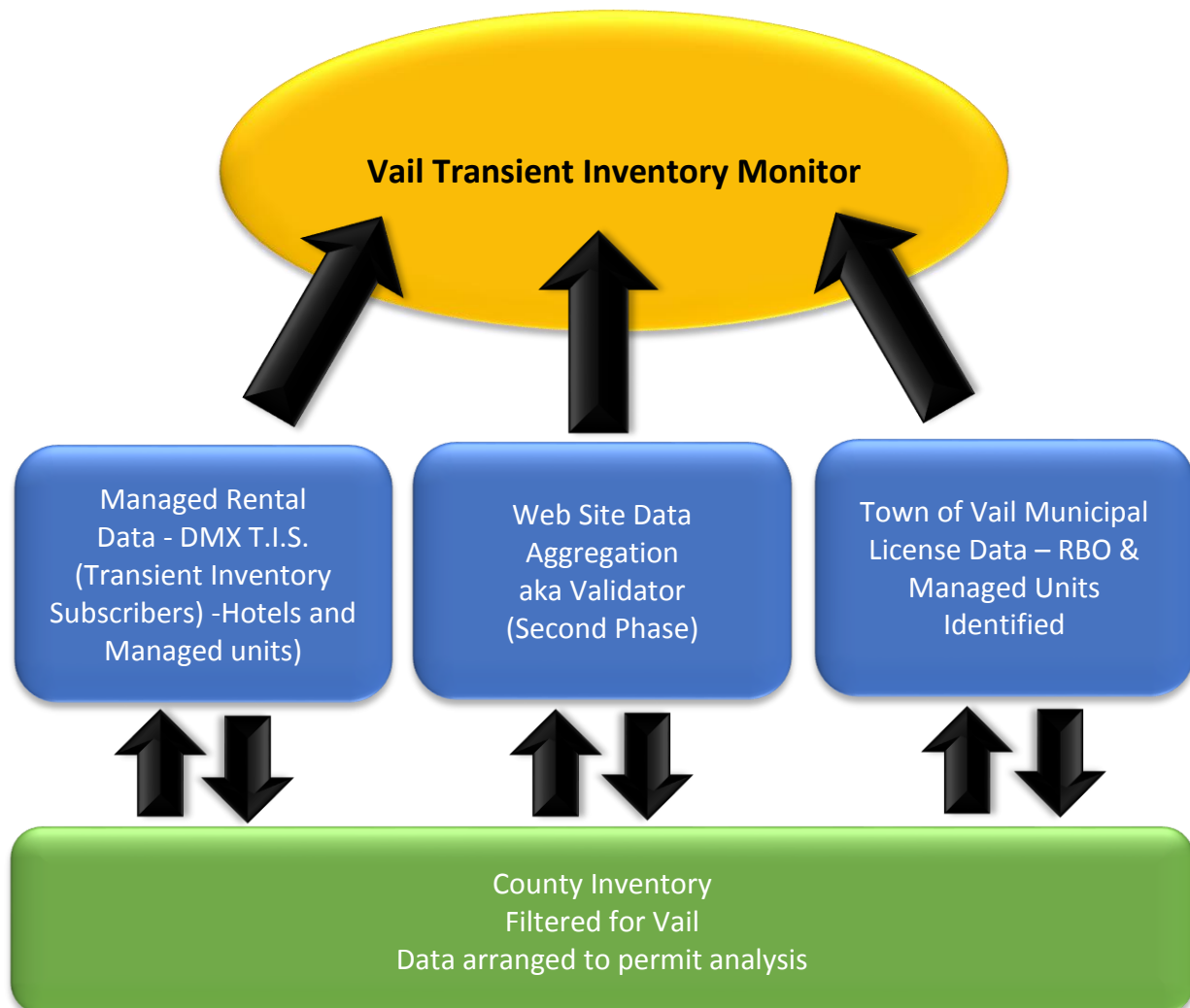
Introduction

The DestiMetrics team analyzed the residential inventory in Vail as a part of the Rent by Owner (RBO) study conducted in early 2017. The residential inventory analysis was designed to create a database representing the “supply” of existing units as a basic building block for the RBO analysis. Specifically, the inventorying of residential units began with the downloading of the Eagle County Assessor’s data base for the county as a whole. Units within the Town of Vail were identified and they were separated from the larger data set of all Eagle County residential units to permit more detailed analysis.

Foundational Framework

The basic concept that underpins the Vail RBO analysis is described by the graphic below (See Figure 1). It illustrates the idea that in order to understand the overall supply of units it is necessary to gather information from several distinct sources, as illustrated.

Figure 1: Vail RBO Analysis Framework



Part I: Town of Vail Bed-Base Housing Inventory Analysis

The Destimetric's approach involved collecting data from multiple sources, then tying the information to the County Inventory and to a customized Vail Transient Inventory Monitor database.

Creating the Transient Inventory involved the following steps:

- Beginning with the Vail residential inventory or census of units. As shown, the County Assessor's data base provides the platform on which the Inventory Monitor is based. In addition, a variety of other variables were collected and organized in a manner that would permit additional analysis. Taken together, the resulting data are designed to provide an inventory or census that permits the existing units to be quantified and described. Further, the uses of the units can then be considered, recognizing that at any given point in time the uses change; for example, units come in and out of the RBO inventory, are sometimes long term rented, or may be taken out of rental stock completely. The Transient Inventory is the foundation for other types of analysis that were anticipated to be performed by the Destimetrics team in order to more fully understand the RBO marketplace in Vail.
- An overview of the illustration. Figure 1 shows the primary data sources that underpin Vail's efforts to understand transient inventory. The primary source of data that forms a foundation for the analysis is the Eagle County Assessor's Database, illustrated in the green rectangle. It was the point of beginning for the Destimetrics quantitative work. The County Inventory represent the starting point for understand the Supply of residential units, both in the County and in the Town of Vail.

This information is then supplemented with additional data from the Destimetrics Transient Inventory that includes an inventory of hotels and lodge units, along with units that are identified to be "managed," shown on the left side of the figure. The right side illustrates the data that is being obtained from Vail's town licensing effort and includes RBO and Managed units that have signed up for the program as required by Code. Finally, in the center of the blue boxes is the data obtained through efforts that have not yet been completed (Phase 2 of the Destimetrics study), to identify and "validate" RBO units that are being advertised on a variety of commercial web sites. These data will be tied to the Inventory and will be used to supplement the information obtained from the other three data sources.

- The Eagle County Database. The Eagle County Assessor's Database was organized to permit a variety of analyses. The first step was to identify those units that exist within the Town of Vail. The database also provides an ability to examine the physical addresses of all residential units in Vail, along with a unique address for the entity (an individual or a corporation, trust, etc.) associated with the physical location of the unit. In some cases, the unit address and the tax payer's address are the same and the owners in these situations were identified as "local residents." A second set of addresses were tagged as "seasonal or second homeowners," that is, properties for which the address of the unit is different than that of the tax payer and the tax payer's address was outside Eagle County. Additionally, units owned by trusts or named

Part I: Town of Vail Bed-Base Housing Inventory Analysis

business interests, as distinct from the names of individuals or couples, were also collected and can be used in analysis.

- A tax I.D. number for each property, as designated by Eagle County, was captured. This number provides a unique identifier for all properties and is a number that is also used by the Town of Vail in their sales tax licensing of residential properties.
- The Neighborhood and Super Neighborhood identifications were included. This is a geographic label that the County uses to describe units in various locations within the Town of Vail.
- The data permit primary/secondary homeowners to be broken down by subdivision. There are 413 identified subdivisions in Vail.
- For the RBO analysis the team examined the number properties and number of units by property type group (Condo/Private Home/Hotel) based on the Destimetrics Transient Inventory study. We also looked at the more narrow property type metric (1B Condo, 2B Condo, 4B Private home, etc.) The team also captured information on the ownership of units (time/fractional ownership vs. non-timeshare/fractional), and also transient units by Location (Vail Village, West Vail, Lionshead, Cascade).

The Vail Inventory Tools

In an effort to create a refined database that would allow the Vail-specific Inventory to be manipulated for analytical purposes, and to be adjusted over time as the number of units changes, the team used a set of commercial software tools produced by Tableau. The results of the analysis are summarized in a series of graphs below. Additionally, the package will be made available in a Tableau “reader” format that permits Town staff to work with the data on a limited but dynamic basis.

As illustrated below, the initial investigation resulted in identifying a combined inventory of units that include all residential units, along with hotel units (See Figure 2). This breakdown includes residential units broken out by whether they are believed to be occupied as second homes or primary (full time) Vail residences. Further, the primary residences include a small subset of deed restricted homes as identified and administered by the Town of Vail. These units are restricted from operating as RBO’s per TOV code. As noted previously, taken together the total set of residential units represent the “supply” of residences and hotel units in Town. The use of these units, particularly the residential units, changes frequently, but the overall supply does not change unless new units are constructed, or are torn down.

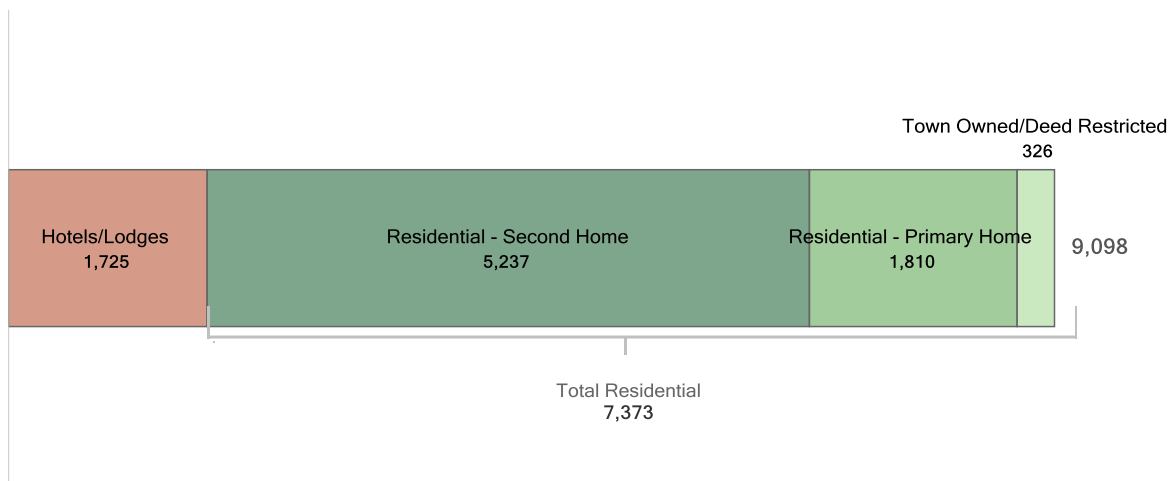
The Tableau tool permits the Residential Inventory to be explored in a variety of ways. The data have been graphed using the Eagle County Super Neighborhood designations, and the information is also mapped using these same geographic codes (See Figure 3). Further, the identified RBO units in the Town of Vail have been mapped and are grouped within the Super Neighborhoods. As additional RBO units are identified and licensed, they can be added to the database and the overall inventory will reflect their growing number. However, the total inventory of residential units will not change (unless new units are constructed and added to

the Assessor's data base). Instead, it is the RBO use that changes and the graphic and analytic tools are designed to portray these "dynamic" use patterns as shown below.

Figure 2: Total Accommodation Units from Commercial and Residential Inventory

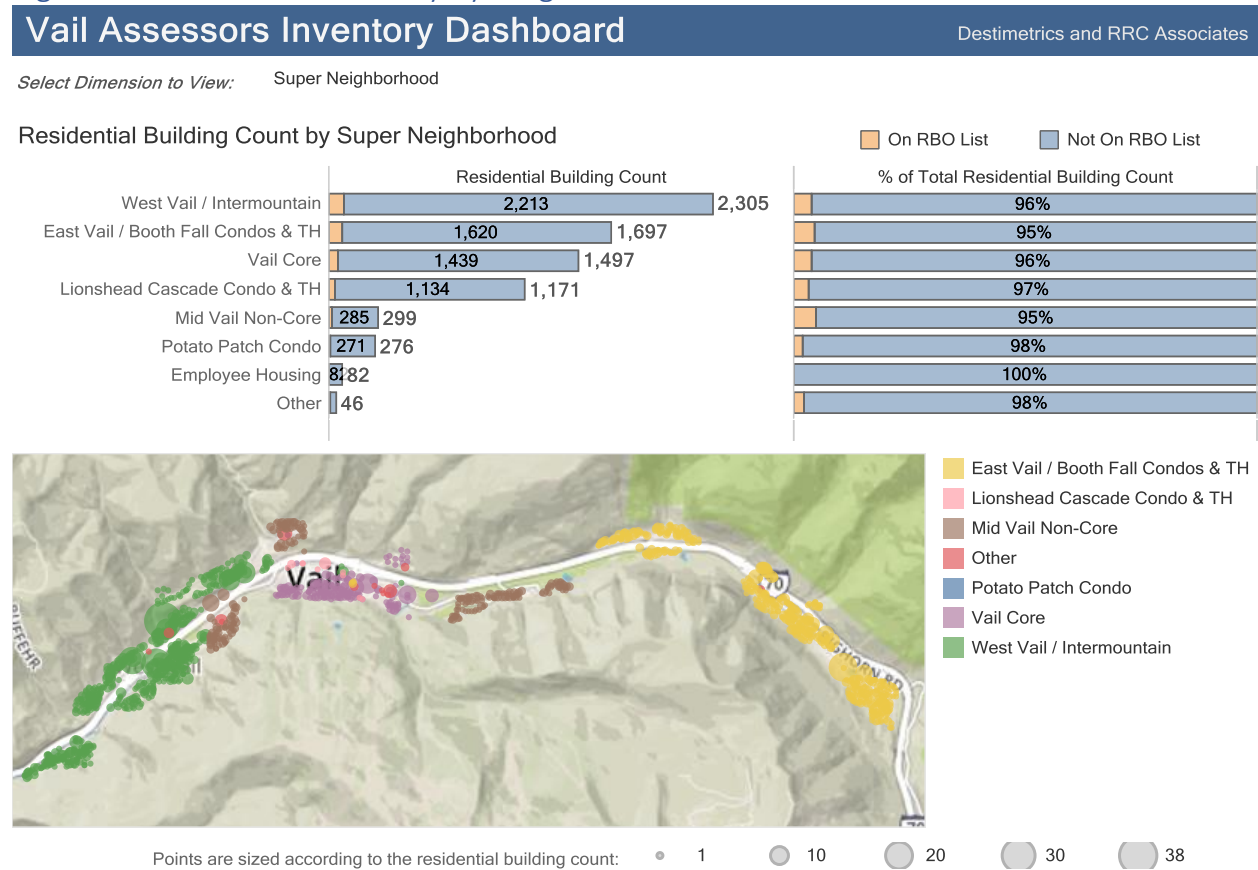
Vail Inventory Analysis Destimetrics and RRC Associates

The Vail Inventory Analysis identified residential units based on the Eagle County Assessor's records, along with hotel/motel data from the Destimetrics Transient Inventory report. There are 9,098 units in Vail: 7,373 residential units and 1,725 hotel units.



Part I: Town of Vail Bed-Base Housing Inventory Analysis

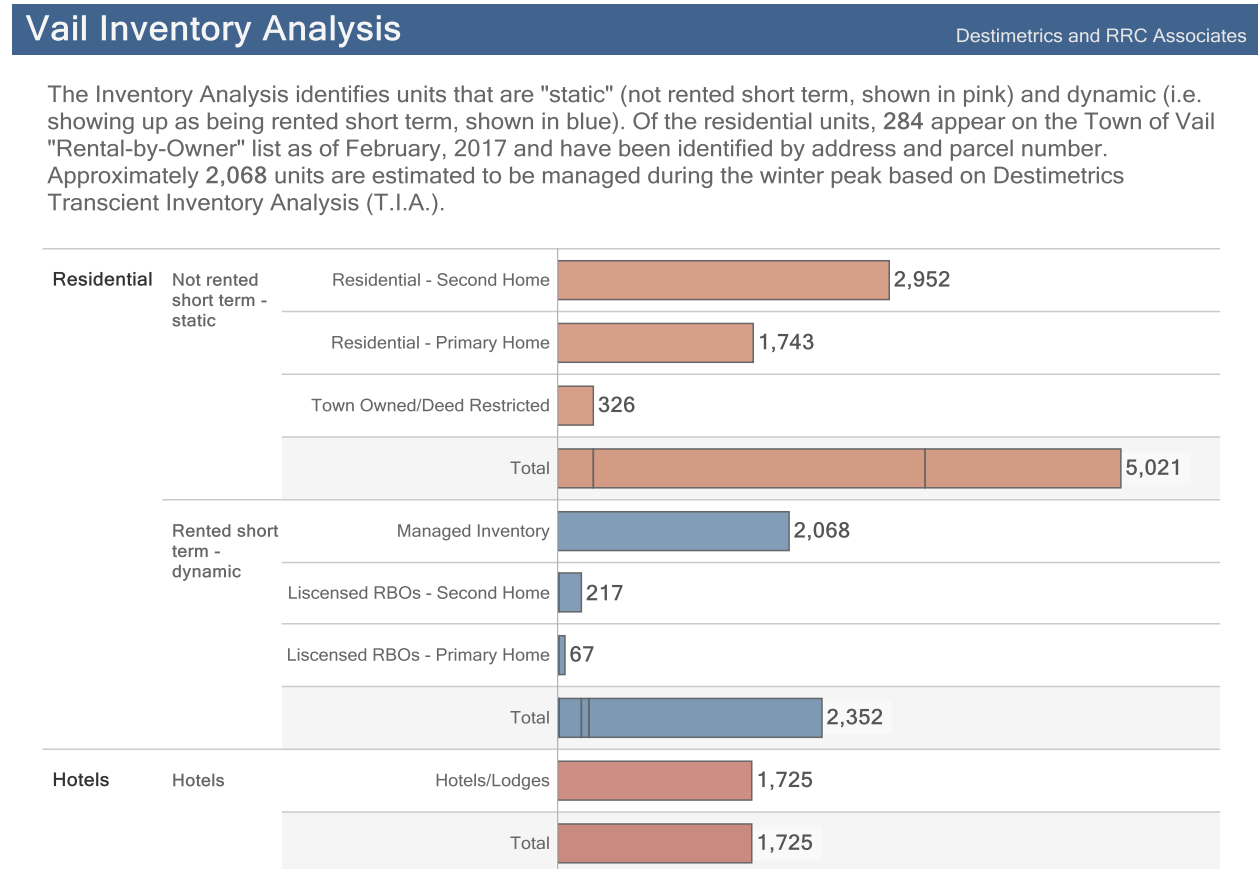
Figure 3: Residential Inventory by Neighborhood



The Dynamic Nature of the Residential Inventory

As illustrated below, the Residential Inventory has been broken into “static” and “dynamic” units (See Figure 4). The dynamic units include a combination of the RBO inventory, as well as the Managed Unit inventory. As the RBO units are identified (and subsequently licensed, if that hasn’t yet occurred) they will be added to the dynamic data set and they will come out of the static inventory (shown as the pink bars at the top of the graph). At present, 290 RBO units have been licensed.

Figure 4: Residential Inventory Sub-Categories

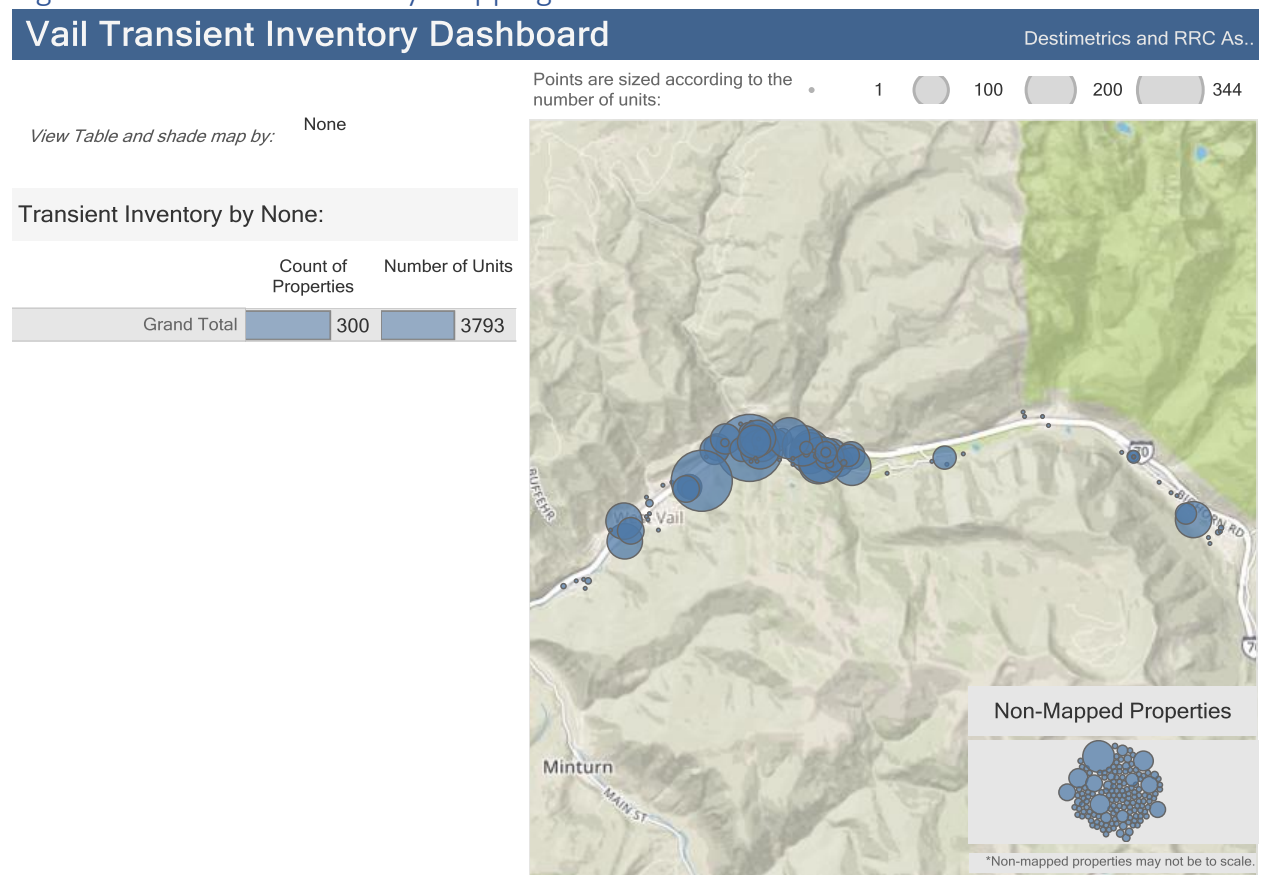


Part I: Town of Vail Bed-Base Housing Inventory Analysis

Additionally, the Destimetrics Transient Inventory data has become a part of the overall database. It has been organized into tabular formats, graphed and mapped, as illustrated below (See Figure 5). Like the other components of the analysis, the data can be updated as new units come online, either as a result of new hotels, or additional managed units, as they become identified.

The RBO analysis has resulted in creating a suite of tools designed to support ongoing analysis of the residential inventory. As more RBO and managed units are identified and licensed, the database can be updated and new data can be tabulated, mapped and tracked from the standpoint of use, life safety, and neighborhood factors.

Figure 5: Transient Inventory Mapping



Part II: Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals

Introduction

Part II provides an executive summary of the assessment completed for the Town of Vail between January and March 2017. The study examined a select group of mountain ski towns and their requirements for operating residential short-term rentals. The 10 jurisdictions for the study included Aspen, Breckenridge, Crested Butte, Durango, Jackson, Park City, South Lake Tahoe, Steamboat Springs, Telluride, and Vail. These municipalities were selected with the assistance of town staff in early January.

The following paragraphs and tables provide a summary of the key findings by requirement categories and jurisdiction as they relate to operating residential short-term rentals. The review focused on municipal requirements related to zoning, life-safety, public notice, homeowner associations, tax requirements, business licensing, permitting, education, quality ratings, and fees. These areas formed the framework for comparison of the municipalities. This document highlights key findings and concludes with recommendations for the Town of Vail. The comprehensive study materials with detailed supporting documents are available upon request via an online password protected folder for Town of Vail Staff. For access, please contact Brumby McLeod via email at bmcleod@destimetrics.com.

Situational Analysis

There are several similarities among the communities as they relate to residential short-term rentals. The conflict between affordable housing and vacation homes is common place. Each of the jurisdictions define residential short-term rentals as housing units that are rented approximately 30-days or less. All the communities included in the study require approval in the form of a license and or permit to rent a residential housing unit on a short-term basis. In addition, each of the communities require a local representative for any immediate issues related to the rental. None of these communities are new to the vacation rental business and all of them are making clear efforts to minimize the negative effects associated with residential short-term rentals such as quality control, licensing, taxation, and zoning.

A summary of the population and housing statistics for each municipality is provided to set the context for the executive summary (See Table 1). The ratio of resident population to residential housing units seems to be more than enough housing for the community. However, further examination of housing units by their general usage reveals a large percentage of homes that are not available for full-time occupancy. These vacant homes represent units used for recreation and part-time usage by their owners and guests. Many of these units are used as residential short-term rentals. This dilemma in housing is the phenomena that makes the residential short-term rentals a key area of concern and attention for mountain ski towns. On the surface, these municipalities have more than enough housing for its residences and workforce until you reveal the actual usage of the homes. Some municipality housing profiles such as Breckenridge, Park City and Vail have vacancy ratios above 60%. Although hundreds of these homes are licensed as residential short-term rentals, even more are seasonal homes with less frequent usage. The following paragraphs will summarize the findings by category and highlight unique treatment, worthy requirements or a suggested best practice.

Part II: Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals

Table 1: Summary of Municipal Population, Housing Units and Usage Classification¹

Municipality	Population	Housing Units	Owner Occupied Units	Renter Occupied Units	Vacant Housing Units	County	State
City of Aspen	7,124	6,364	1,899	1,816	2,649	Pitkin	CO
					41.6%		
Town of Breckenridge	4,619	7,146	1,017	937	5,128	Summit	CO
					71.7%		
Town of Crested Butte	1,498	1,090	372	353	344	Gunnison	CO
					31.6%		
City of Durango	18,435	8,482	3,560	4,046	876	La Plata	CO
					10.3%		
Town of Jackson	9,442	4,758	1,526	2,370	862	Teton	WY
					18.1%		
Park City Municipal Corporation	8,260	10,715	1,835	1,274	7,607	Summit	UT
					71.0%		
City of South Lake Tahoe	23,580	16,602	3,722	6,091	6,789	El Dorado	CA
					40.9%		
City of Steamboat Springs	12,467	10,308	3,386	2,036	4,886	Routt	CO
					47.4%		
Town of Telluride	2,325	2,145	464	616	1,065	San Miguel	CO
					49.6%		
Town of Vail	5,532	7,366	1,223	1,493	4,649	Eagle	CO
					63.1%		

¹ US Census Bureau, Census 2010 Summary with ESRI Housing Profile Projections for 2016. Prepared and provided by Jeffrey B. Jones, Summit County, Utah, February 2017.

Part II: Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals

Zoning

Several communities restrict residential short-term rentals to certain areas of town. Zoning maps detail the areas in which these rentals are allowed or restricted. The most complex zoning comes from Durango in which the entire city is zoned with residential short-term rentals allowed in certain zones. Even more, Durango caps the number of short-term rental units in some zones. Jackson only allows the rentals in two areas of town; these areas are clearly identified on zoning maps. South Lake Tahoe has two zone categories that reflect a residential versus commercial district. The zones require different processes for approval of a short-term rental.

Two communities have requirements related to zoning, but unique in their approach. Breckenridge has a requirement in which all residential transactions are assumed to be vacation rental unless the new purchaser declares otherwise. Failure to complete the *Accommodation Use Form* will result in the receipt of a short-term rental license invoice. Park City has a zoning confirmation sign-off requirement by Zoning & Planning in the application. These restricted zones were brought to the city by HOAs that wished to have the CC&Rs restrictions enforced by the city.

Life-Safety

Four communities had clear Life-Safety inspection elements in their approval process. These municipalities included Durango, Jackson, Park City, and South Lake Tahoe. Jackson publishes a detailed checklist for the annual rental inspection. Park City provides a document about what should be considered to pass the inspection. South Lake Tahoe provides a detailed list of the requirements and charges a fee for the service of \$133 for the first inspection.

Public Notice

Three of the communities with more restrictive short-term rental elements require notification of neighbors. Durango issues a public notice and issues letters to neighbors within 300 feet of the property. Jackson requires applicants to contact neighbors within 300 feet of the property via a standard notification form. And, South Lake Tahoe requires notification of neighbors within 300 feet of the property. Any written objections by the neighbors will result in a public hearing to address the concerns.

HOA

Several communities recognize the homeowner's association's (HOA) rules by requiring acknowledgement in the application. Aspen, Jackson, and Steamboat Springs consider the HOA rules on the short-term rental application. Jackson goes as far as to require a letter from the homeowner's association confirming that residential short-term rentals are permitted in that particular neighborhood or building.

Part II: Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals

Tax

While all the municipalities in the study address taxes in some form on their license application, none of them are comprehensive in their check of required taxes across various levels of government. Many require the confirmation of a Federal ID or a sales tax number from the state. However, the most important as they related to total revenues are taxes related to *transient room taxes*, also known as occupancy taxes or accommodation taxes, and *property taxes*. County property taxes are not addressed in any of the applications. This tax is the largest and most relevant as property taxes often go directly into the municipal and county services such as libraries, schools, transportation, and public safety. The homestead exemption or discount on a primary residence is an important reason to check against county tax records. In addition, homes used for short-term rentals are subject to personal property tax on the furniture and fixtures of the housing unit.

Business License

Business licensing is the primary mechanism that municipalities are using to approve residential short-term rentals. Sales tax license applications were often synonymous with the business license for some jurisdictions. There were many variations among the municipal forms and associated requirements. For instance, South Lake Tahoe does not require a business license for a single-family home managed by the owner but does require a business license for a multi-family dwelling regardless of whether it is owner managed or professionally managed. The difference between a sales tax license application, business application, and permit application were not always clear such as the case for Steamboat Springs. Regardless, these applications were clearly requirements set forth to regulate residential short-term rentals and create a process of review and approval.

Permit

Aspen, Durango, and South Lake Tahoe require a permit for a residential housing unit to be used as a residential short-term rental. The permitting process for Durango appears to be the most comprehensive of the requirements and the most expensive. A permit is specific to the housing unit and its usage as a vacation rental while a business license is specific to the operator of the residential short-term rental. The permitting requirement provides a necessary distinction between the housing unit and the vacation rental operator.

Education

Several communities such as South Lake Tahoe and Durango provide strong resources for understanding the application and approval process for residential short-term rentals. South Lake Tahoe even has a vacation rental help line and a designated vacation rental clerk. Jackson and South Lake Tahoe also provide up-to-date lists of the housing units approved as vacation rentals.

Quality Control

There was no evidence of vacation rental rating systems by municipalities. The Town of Vail staff were interested in this area. Several communities had hotlines for vacation rental issues

Part II: Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals

and periodically received complaints by guests or potential guests, but those were the only elements related to quality.

Fees & Fines

The business license and application fees are the most common across the jurisdictions. Permit and inspection fees also appear in several jurisdictions. Durango has a permit fee of \$750 and South Lake Tahoe has a permit application fee of \$550. Fees to appeal a denied application in South Lake Tahoe are an additional \$1000. Some fees were inclusive of the entire application and approval process, while others had multiple fees at different points in the process. For instance, Jackson charges a separate inspection fee of \$133. All municipalities require annual renewal fees. In addition to fees, several municipalities have stated fines and late fees for operating a residential short-term rental without approval. Details of these fines were sometimes included in the actual application for the license or permit and some even detailed fines for violations related to noise, garbage and occupancy.

Part II: Executive Summary of Ski Town Requirements for Operating Residential Short-term Rentals

Table 2: Summary of Residential Short-term Rental Requirements by Municipality

Municipality	Zoning	Life Safety	Public Notice	HOA	Tax	Business License	Permit	Education	Quality Rating	Fees
City of Aspen				X	X	X	X	X		\$150 +
Town of Breckenridge	X				X	X	X			\$75 +
Town of Crested Butte					X	X				\$10 +
City of Durango	X	X	X		X	X	X	X		\$750 +
Town of Jackson	X	X	X	X	X	X		X		\$37 +
Park City Municipal Corporation	X	X			X	X		X		\$149 +
City of South Lake Tahoe	X	X	X		X	X	X	X		\$545 +
City of Steamboat Springs	X			X	X	X	X			\$500 +
Town of Telluride	X				X	X				\$187 +
Town of Vail					X	X			X	\$162 +

Part III: Recommendations for the Town of Vail

Concluding Remarks

The Town of Vail has taken a lighter, more conservative approach to the regulation of residential short-term rentals in comparison to some of the jurisdictions in the assessment. However, the current state of licensing does not allow for a quick summary or quantification of residential short-term rentals, nor does it provide the ability to quantify, identify, or summarize the licensing data for use by town staff and departments. This is problematic as the town looks to improve upon the licensing program by considering new elements such as life safety and quality. The rent-by-owner versus professionally managed licensing revealed overlaps between the two categories and does not provide a comprehensive list of units. The town does not have an automated or streamlined licensing process and does not conduct any form of life safety inspections on vacation rental units. Other department are also unable to access vacation rental information. A table of recommendations are provided below for the Town of Vail to improve their processes for measuring and monitoring residential short-term rentals.

Table 3: Recommendations for Town of Vail to Consider

Priority	Problem	Recommendation	Category
	The Town of Vail does not have a comprehensive list of vacation rentals by address or in electronic format for staff and departments to utilize.	Create a real-time database of housing units and their addresses that can provide reports on vacation rental housing units and licensing for the Town.	
	The business licensing process is being used to validate the operator of the vacation rental. However, the housing unit itself needs validation for addressing items such as life safety, deed restrictions, parking, zoning and taxation.	Create a separate permitting process for the housing unit that will allow items such as life safety , deed restrictions, parking zoning, taxation and appropriateness as a residential short-term rental to be verified and approved and use business licensing as the tool to license the operator of the unit.	
	Current application is very simplistic and misses the opportunity to collect important information regarding the unit.	Develop a more comprehensive vacation rental application that addresses the concerns outlined in the findings.	
	In Colorado, personal property in a vacation home such as furniture and appliances are taxed when used as a vacation rental.	Collaborate with Eagle County to address the correct property tax assessment and personal property taxes on vacation rentals.	
	Housing affordability and usage is an overall challenge to the community.	Track all housing units to measure and monitor housing usage overall. Add long-term rental permitting and licensing requirements in addition to short-term rental requirements.	
	Town staffing is limited in time and resources.	Streamline the licensing process with online processes and automatic data loading for reporting and records.	
	Housing units can quickly move in and out of the short-term rental pool without following the regulations. There is a need for a measuring and monitoring system for the residential short-term rentals.	Implement a technology that scans the online environment for vacation rental listings and validates them for compliance.	
	There does not appear to be an enforcement mechanism for compliance.	Implement fines and fees related to non-compliance with ordinance and licensing requirements.	
	Difficult to identify the multi-family condominium units	Require an advertised vacation rental unit to list the address for non-hotel inventory	