



Memorandum

TO: Vail Town Council

FROM: Finance Department and Economic Development Department

DATE: May 2, 2017

SUBJECT: Rental by Owner Study Results

I. SUMMARY

The purpose of this memo is to summarize information gathered by DestiMetrics in the first phase of a comprehensive study of the RBO (rent by owner) market and provide an opportunity for Council to consider options for regulation of short-term rentals. Based on Council's feedback, staff will return with additional information and recommendations for potential policy changes.

II. BACKGROUND

The Vacation Rental Industry

Vacation rentals have increased dramatically over the last 20 years. Vail property owners have long rented their homes on a short-term basis to visiting vacationers.

Short-term rental is defined as a residential dwelling rented for the purpose of transient lodging for a period of time not to exceed 30 consecutive days. Short-term rentals fall into several categories, ranging from the rental of a single bedroom, to several bedrooms, to an entire home. Previously, such rentals were sporadic and incidental.

The current "sharing economy" growing out of almost universal internet usage has caused a significant increase in residential short-term rental activity in Vail. This growth has been spurred by the evolution of companies created to facilitate this type of vacation rental, such as Airbnb and VRBO.

Town of Vail's Current Regulations

In the fall of 2015, Council passed an Ordinance requiring an annual business license to be obtained by owners renting units for greater than 14 days per year. Short-term rental establishments or property management companies that rent units within the Town of Vail boundaries are required to obtain a business license regardless of the location of the management office. If an owner is using a property management service then an individual license is not required. The Town of Vail business license for that property management service covers the individual owner, and the manager is also responsible for remitting sales tax on the owner's behalf. However, if the owner advertises and rents the unit independently of rentals through that rental or management service, then a unique business

license is required. All advertisements for short-term rental units must include a Town of Vail sales tax account number.

Currently, there are no land use regulations, building code, or fire life safety requirements affecting short-term rentals of residential properties in Vail. In addition, the Town does not monitor or rate properties for quality of amenities or guest service levels, parking impacts, trash and recycling disposal, or the effect of short-term rental units on the long-term rental market.

Since January 1, 2016 the town has licensed approximately 310 individual “Rental by Owner” businesses and another 620 short-term rental units through local property management companies for a total of 930 licensed short-term rental units. Current research from DestiMetrics shows that there are approximately 2,352 short-term rentals available within the Town, leaving approximately 1,422 unlicensed.

Around the Nation

The Town of Vail is not unique regarding short term rental properties. Many jurisdictions’ reactions to the short-term rental boom have been mixed, ranging from a relatively hands-off approach to permanent moratoriums on their operation. Some municipalities have amended their code to regulate short-term rentals. The regulations intend to address concerns such as the protection of neighborhood character, tax revenues, fair competition with licensed hotels and resorts, and the safety of renters.

Regulations on short-term rentals have included geographic-based or zoning restrictions, quantitative or operational restrictions, and registration / licensing.

Operational regulation standards have included:

- Occupancy Limits
- Parking Requirements
- Emergency Access Requirements
- Fire / Life Safety Requirements
- Designated Local Representative
- Trash and Recycling Facilities

As a part of the RBO Study, DestiMetrics gathered detailed information on the various ways other communities are addressing the RBO market. Please see the below discussion for an analysis of regulations and licensing implemented by competitive resort areas.

III. DISCUSSION

DestiMetrics Report

Attached are the results from the RBO Study that DestiMetrics began in January 2017. The enclosed document contains two elements. The first part is a summary of the Town of Vail Broader Bed-Base Analysis completed by RRC & Associates. This rental by owner inventory analysis was designed to identify the existing supply of residential short-term rental units.

The second part is an Executive Summary of ski town requirements for operating residential short-term rentals. DestiMetrics findings reveal that the Town of Vail has established the foundation of a short-term rental licensing, administration and compliance program, but is conservative when

compared to other similar resort town destinations. DestiMetrics has recommended a set of policies and related programs based on the best practices of other destinations that balances the monitoring and measuring of short-term rental properties with a business-friendly environment.

Considerations

- **Lost Revenue** - With approximately 40% of the identified short-term rentals currently licensed, the Town is missing a significant amount of tax and licensing revenue. Staff does not have an effective way to monitor or track the variable short-term rental market. Numerous software applications are now available that can update on a daily basis the specific properties that are offered for short-term rentals and the number of nights that they are rented.

The current ordinance that allows a property to be exempt from licensing if rented fewer than 14 days is very difficult to audit and monitor. In addition, the majority of property owners who do not have the business license do not remit sales and lodging taxes on the 14 days, as there is no tracking mechanism for the town to verify that rentals transactions are happening.

- **Life Safety** – Currently, there are fire and life safety codes that apply to short term rentals within the town’s adopted fire code, however we do not have a mechanism in place to enforce them. Hotels and resorts are required to abide by numerous life safety regulations, such as maximum occupancy, emergency exiting, fire suppression systems, alarms, and carbon monoxide detectors. Guests have become accustomed to the understanding that these regulations are in place and they travel with the expectation that any property they are going to rent is a safe place for them to stay. If Council was interested in addressing this issue, the town should amend the code to make it more attainable for the rental market.
- **Vail Quality Standards** - Beginning in 1999, all lodging, with the exception of rental by owner units, are currently rated through the Lodging Quality Assurance Program (LQA). The program was put in place to ensure an un-biased and accurate depiction of each lodging property. During the LQA inspection process, every interior detail of a property is inspected and scored. The details are then compiled, and each property is assigned an overall lodging quality score that will fall into one of four levels from platinum to bronze.

The level of management and supervision of short-term rental properties vary. Unlike a hotel or resort, there isn’t a guarantee that someone is available to assist with issues or questions during a stay. Town staff has received complaints from guests that they have called property owners and listing sites with issues during their stay and received no response or assistance.

- **Quality of Life / Community** - Short-term rentals can generate issues by creating commercial activity in residential areas (mini-hotels in neighborhoods). Problems can include noise levels, inadequate parking, onsite trash and recycling disposal, traffic congestion, and overburdened infrastructure intended for residential use. A large area of concern in the community has been the impact to long-term housing for locals.

A lack of property management with RBO units also impacts the neighbors of short-term rental properties. We have received multiple complaints that neighbors don’t know who to contact

regarding noise, trash, or parking violations. Neighbors also complain that a problem ends as one renter leaves and begins again as new renters arrive. The out-of-state property owner may not even be aware of the issues created by their renters or with the constant turnover of the property.

Long-term rentals are not required to be licensed by the Town. Licensing these properties would allow us to track the movement between short and long-term rental base and to require that proper health and safety standards are maintained for these properties as well.

- **Fair Competition** - Concerns have been raised about the fairness of the gap of regulation between hotels, resorts and short-term rentals. Additional standards and regulations may be viewed as a way to level the playing field between short-term rental properties and competing hotels and resorts that are commercially regulated.
- **Enforcement / Fines / Incentives** - There is no enforcement program or fines currently in place for property owners who do not comply with the current short-term rental licensing requirements. Staff will return to Council with a proposal of enforcement options, including penalties and/or incentives for compliance.

IV. REQUEST OF COUNCIL

Upon review of the DestiMetrics RBO Study, staff is requesting feedback on the direction Council would like staff to move forward, or if any of the specific considerations listed above should be considered a priority. Staff will then return to Council with additional information and/or proposed policy changes.