



Memorandum

TO: Vail Town Council

FROM: Finance Department, Economic Development Department

DATE: September 5, 2017

SUBJECT: Short Term Rental Policy Considerations

I. SUMMARY

The purpose of this memo is to provide Council an opportunity to consider options for regulations and compliance of short-term rentals (STRs). Based on Council's feedback, staff will return with potential policy changes in the form of an ordinance.

II. BACKGROUND

On August 1st, RRC & Associates and staff presented the results of public outreach efforts and Council had a high-level discussion of preliminary ideas for future regulation and compliance methods. The town has hosted two public input meetings this summer, with additional public input opportunities during three Council discussions on the topic since May.

III. DISCUSSION

The survey findings and community input sessions reveal that the majority of respondents support the Town of Vail in overseeing the short-term rental market and responding to neighborhood impacts.

The topics that seemed to rise to the top of discussion included:

- enforcement of current regulations
- creation of a fine or penalty structure to assist with that enforcement
- eliminating the 14-day exemption for licensing
- increased education efforts for short term rental owners
- consideration of life safety without being too burdensome for the STR
- a method to track nuisance calls and violations for the purpose of revoking/non-renewal of license to rent

Enforcement of Current Regulations

While the Town of Vail has established the foundation of a short-term rental licensing and administration program, it lacks the tools and polices necessary to create a strong program to monitor compliance and inventory short-term rental properties. With approximately 40% of the identified short-term rentals currently licensed, the Town is missing a significant amount of tax and licensing revenue. Numerous software applications are now available that can provide daily updates on the specific properties that are offered for short-term rentals and the number of nights that they are rented. Utilizing a program like this would provide staff an effective way to monitor STRs and increase compliance.

In addition, 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. 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 rental transactions are happening.

All of our peer communities have fines in place regarding the enforcement of short-term rentals. The fines range from basic tax and licensing penalties to the inability to operate as short-term rental for 2-5 years.

Below are the current fines by community:

Peer Community	Passive	Middle of the Road	Aggressive	Fines:
City of Aspen	x			Penalty and Interest
Town of Breckenridge	x			Penalty and Interest
Town of Crested Butte			x	Ineligible for license to operate for 2 years from discovery of violation
City of Durango	x			Penalty and Interest
Town of Jackson			x	Ineligible for permit to operate for 5 years from discovery of violation
Park City Municipal Corporation		x		Penalty and Interest, Double Fee
City of South Lake Tahoe		x		\$1000, Penalty and Interest
City of Steamboat Springs		x		\$250 1st violation, \$500 2nd violation, \$1000 3rd violation and subsequent violations within 12 month period
Town of Telluride		x		Up to \$1000 per offense

A part-time staff member will join the Finance team in September budget to help track and enforce the current regulations. In addition to the part-time position, staff has identified possible solutions to increase compliance and create an inventory of short-term rental properties:

- **Utilize a STR software program** that monitors listings and nights rented per property
- Create a licensing database to accurately license, monitor, and track violations of properties. **Staff recommends implementing a different sales tax and licensing software based on limitations with the current software and upon learning that we will be required to upgrade platforms on the current system. The timing is appropriate to change systems and enable desired functionality relating to STRs.**
- Revise the current ordinance to remove the 14 day threshold to require a license
- Create a penalty or fine structure for the unlicensed operation of short-term rentals

Staff requests Council's approval on moving forward with gathering information on various systems available, publishing an Request for Quote (RFQ) and selecting a

system/software prior to the end of the year. We do not have cost implications at this time, but would return to Council for authorization of expenditures prior to contracting.

Does Council support the above suggestions for internal process improvements?

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. 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.

The majority of peer communities have increased regulations relating to neighborhoods and residents quality of life. Regulations range from zoning restrictions and caps on the number of nights rented to neighbor notifications, HOA approval letters, and the requirement of a local property contact.

Below are the current "quality of life" requirements by community:

Peer Community	Passive	Middle of the Road	Aggressive	Requirements
City of Aspen	x			HOA Notification, Local Property Contact
Town of Breckenridge		x		Local Property Contact, Parking, Trash, Noise
Town of Crested Butte			x	Zoning, Full-Time Resident Requirements, Cap on Nights Rented
City of Durango			x	Zoning, Neighbor Notification, Local Property Contact, Occupancy, Parking, Trash, Cap on number of STRs
Town of Jackson			x	Zoning, Neighbor Notification, Local Property Contact, HOA Approval Letter
Park City Municipal Corporation		x		Bedroom Counts, Local Property Contact
City of South Lake Tahoe			x	Zoning, Neighbor Notification, Parking, Maximum Occupancy, Multi-Family Unit Restrictions, Leave No Impact Program
City of Steamboat Springs		x		Zoning Approval, Local Property Contact, Neighbor Notification, Owner Statement of Understanding of Property Covenants
Town of Telluride			x	Zoning Approval, Local Property Contact, Parking, Trash, Pets, Cap on Nights Rented

From the list of possible solutions to reduce neighborhood impacts, Council seemed less in favor of HOA Affidavits or zoning solutions due to concerns with "over-involvement" of government in private dealings. The solutions that rose to the top of discussion included:

- Improve the business license application that would require the following:
 - Local Property Contact (within a 30 minute response time)
 - Neighbor Notification of Property Contact
- Create a "Leave No Impact Program" covering the following topics:
 - Noise
 - Trash/Recycling
 - Occupancy
 - Parking
 - Hot Tub/Spa Use

- Citations
- Create a current short-term rental property map online, accessible to the public with local property contact information and a hotline for non-emergency complaints.

Does Council support the above suggestions for policy change?

Life Safety

Currently, there are no policies in place regulating that health and safety standards are maintained for short-term rental properties. Guests travel with the expectation that any property they are going to rent is a safe place for them to stay. Without any standards in place, many short-term properties may not even contain the most basic safety devices, such as smoke alarms, fire extinguishers, and carbon monoxide detectors.

Half of our peer communities have life safety regulations in place. Regulations range from compliance with all building and fire codes to basic requirements such as fire extinguishers and maximum occupancy.

Below are the current regulations by community:

Peer Community	Passive	Middle of the Road	Aggressive	Requirements:
City of Aspen	x			None
Town of Breckenridge	x			None
Town of Crested Butte	x			None
City of Durango		x		Fire Extinguishers, Maximum Occupancy, Minimum SqFt Size
Town of Jackson			x	Compliance with Building and Fire Codes
Park City Municipal Corporation			x	Compliance with Building and Fire Codes, Inspection
				Compliance with Building and Fire Codes, Inspection, Yearly Wood Burning Fireplace/Stove Cleaning, Defensible Space Requirement, Signage
City of South Lake Tahoe			x	
City of Steamboat Springs	x			Maximum Occupancy
Town of Telluride	x			None

Staff has identified possible solutions for life safety compliance:

- Educational handout on safety topics
- Create a self compliance program with random safety audits. Owners sign an affidavit stating that they have the following safety tools in place:
 - Fire Extinguishers
 - Carbon Monoxide Detectors
 - Smoke Alarms
 - Maximum Occupancy
 - Compliance with definition of a “bedroom”

Does Council support drafting additional policies and regulations surrounding life safety?

Effect on Long-Term Housing

Long-term rentals are not required to be licensed by the Town. Licensing these properties at a nominal cost would allow us to track the movement between short and long-term rental base and understand the shifting trend over time. The town would also be able to ensure that life safety requirements are also provided for long-term renters.

Currently, Breckenridge is the only peer community that licenses long-term rental properties.

Staff has identified possible solutions to monitor the effects of short-term rentals on long-term housing:

- Create an incentive program for properties to stay the long-term rental pool
- Require long-term rentals to obtain a license
- Create a self compliance affidavit with random audits to verify compliance that property owners sign stating that they have the following safety tools in place:
 - Fire Extinguishers
 - Carbon Monoxide Detectors
 - Smoke Alarms

Vail Quality Standards / Fair Competition

This topic was not widely supported throughout public input, the survey or during Council discussion on August 1st. None of the peer communities currently regulate quality standards or fair competition.

The majority of responses from the public feel that the market regulates the quality of short-term rentals through online reviews, and that the Town does not need to focus on regulating this aspect of short-term rentals.

Staff is not requesting any further action be taken on this topic at this time. Does Council agree?

IV. REQUEST OF COUNCIL

Based on the feedback from Council and the public, staff is requesting a variety of solutions to begin development of an action plan and potential policies to address through new regulations.

For any future policy changes, staff recommends that ordinance readings begin in October, with an effective date of January 1st. This date should provide adequate time to notify owners and implement internal processes and systems. January 1 also lines up with the annual business license renewal period.

Are there any specific policies that should be drafted into an ordinance for your review? Staff would return in September with draft ordinance wording.