



Report

To: Honorable Mayor Pinkham
Board of Trustees
Town Administrator Lancaster

From: Alison Chilcott, Director
Philip Kleisler, Planner II

Date: August 25, 2015

RE: Review of Draft Recommendation for Vacation Rentals

Objective:

1. Provide an update on the project scope and timeline;
2. Review the results of the housing analysis requested by the Trustees on May 25 to determine if the increasing number of short-term vacation rentals in the Estes Valley is causing a decrease in available long-term rentals; and
3. Review and obtain guidance for refined public policy options prior to hosting a public forum and drafting an ordinance for the Board's consideration.

Present Situation:

As with many mountain communities, the Town of Estes Park is experiencing high demand for visitors that want to stay in homes during their vacation. Earlier this year Town Board directed staff to initiate a public process to amend regulations for vacation home rentals.

The Town hosted a public forum in May, 2015 to hear from the community on this issue; over 90 people were in attendance. Staff has since worked to refine the public policy options to be responsive to public input; these options are now being presented to the Trustees for comment prior to the upcoming public forum on September 11, 2015.

Proposal:

Project Scope and Timeline

The table below outlines the major tasks and milestones associated with this project. As reported in previous meetings, staff intends to finish most of the work this year, barring any unforeseen issues (e.g. different policy direction from the Trustees or Commissioners).

Phase	Date	Description
Initial Project Engagement	April	✓ <u>Project webpage</u> published.
	May 14	✓ <u>Public Forum #1</u> to present project plan and receive initial feedback.
	May 26	✓ <u>Town Board Work Session</u> update on final project scope and timeline.
	June 16	✓ <u>Planning Commission</u> update on final project scope and timeline.
	June 15	✓ <u>County Commissioner Work Session</u> update on project scope and timeline.
Refining the Product	Aug 25	✓ <u>Town Board Study Session</u> to review the refined public policy options.
	Aug 31	<u>County Commissioner Work Session</u> to review the refined public policy options.
	Sept 11	<u>Public Forum #2</u> to receive feedback on refined public policy options.
	Sept 15	<u>Planning Commission Study Session</u> to provide input on land use components of public policy options for elected officials' consideration.
	Oct 13	<u>Joint Town Board/County Commissioner Study Session</u> to review and comment on draft ordinance.
	Oct 20	<u>Planning Commission</u> public hearing and formal recommendation for ordinance package.
	Dec 8	<u>Town Board</u> adopts ordinance package
	Dec 14	<u>County Commissioners</u> adopts ordinance package

Housing Analysis

During the May 26 study session, Trustees asked staff to determine if the increasing number of vacation home rentals in the Estes Valley is causing a decrease in available long-term rentals. In response to this question, staff analyzed two scenarios that are briefly described below.

The results of the two scenarios indicate that vacation rentals play a role in decreasing the long-term rental housing stock; though quantifying the exact amount is difficult.

Staff is providing this initial analysis with the recommendation that other, further reaching measures be considered to address workforce housing (listed below).

Additionally, consultants that specialize in this type of work could likely provide a more precise and statistically valid analysis.

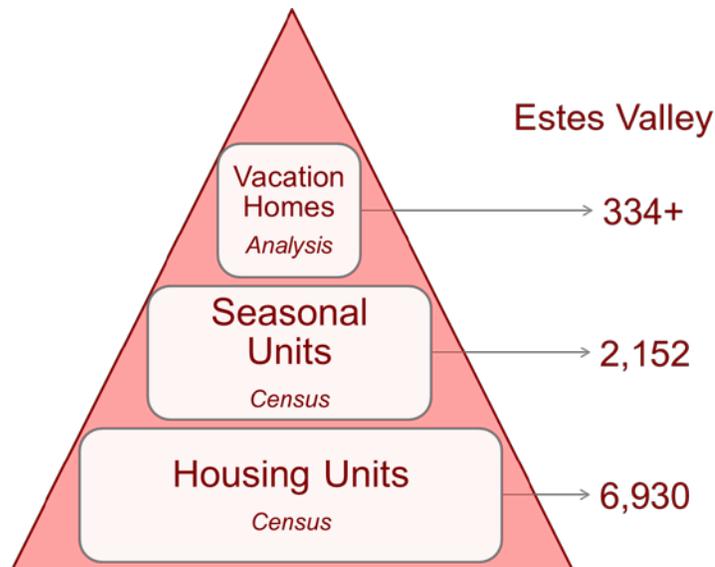
1. Summary of Selected Housing Characteristics

For the purpose of this discussion, three types of household uses are considered:

- Household Units are considered by the Census to be a house, apartment, or group of rooms intended for occupancy.
- Seasonal Units are a subset of Housing Units that are only occupied during a portion of the year (e.g. a summer lake house or winter ski lodge). The Census Definition for Season Units reads in part that “While not currently intended for year-round use, most seasonal units could be used year-round.”
- Vacation Homes are generally considered to be a subset of Seasonal Units. These homes, as defined in the Estes Valley Development Code, are rented for less than 30 days at one time.

Figure 1 below illustrates this relationship and shows that roughly 1/3 of the Housing Units in the Estes Valley are Seasonal. Vacation homes are a relatively small portion of the total Housing Units. By permitting vacation homes in the Estes Valley, the Town is allowing what would otherwise be a vacant Seasonal Unit to be placed on the vacation home market. The exception to this statement is homes that are purchased with the sole intent of being a year-round vacation home.

Figure 1: Selected home uses in the Estes Valley.



When comparing Census counts from 2000 and 2010, the increase in Seasonal Units does not exceed the increase in Housing Units (Figure 2). However, when considering the percentage increase during that same time it is clear that Seasonal Units are increasing at a much faster rate (Figure 3).

2. Scenario 1: Investor Model

The report released this year by the Colorado Association of Ski Towns (CAST) stated that “while concerns over the impacts of the proliferation of VHR’s has had on housing for the workforce, few attempts have been made to quantify the impacts. Evidence is anecdotal but many communities feel loss of units is significant...”

The City and County of San Francisco recently conducted an analysis on how short-term rentals impact the housing market in San Francisco.¹ A major impetus for the study appears to be a recent increase in evictions for the purpose of converting homes into vacation rentals. Staff recreated a component of the San Francisco report by using similar methods and assumptions (more thoroughly outlined in Attachment 1). This limited analysis suggests that the current pool of vacation home rentals takes 26 units (or 9%) of what the Census classifies as Vacant, For Rent properties (2010).

3. Scenario 2: Workforce Housing Model

The second scenario was an attempt to model comments Town staff hear throughout the community: smaller vacation homes are taking long-term rentals off the market. Staff assumes that these types of comments refer to smaller, affordable homes. Therefore, by considering the Median Household Income of Estes Park, an affordable monthly rent is roughly \$1,495. Staff further assumes:

- That \$1,495 could reasonably rent up to a three bedroom home.
- That absent of being rented as a vacation home, the one-, two- and three-bedroom rentals would be suitable, and therefore likely used as, a long-term rental.

Using the mapping data gathered in Scenario 1, this model suggests that upwards of 242 potential long-term rentals are taken off the market as a result of short-term rentals, or 83% of what the Census classified as Vacant, For Rent properties (2010). This final result reflects the number of one-, two- and three-bedroom rentals mapped earlier this year from the website www.VRBO.com.

The most important caveat to both models presented in this report is that some vacation home rentals would never be used as a long-term rental, either because of personal preference or the owner’s desire to visit the home while on vacation.

¹ This report, titled “Analysis of the impact of short-term rentals on housing” is available here: <http://1.usa.gov/1J81ONC>

4. Next Steps

Given the wide ranging results summarized above, staff recommends that the Trustees discuss, at a future date, specific ways to more fully address the lack of workforce housing. Some land use topics to discuss could include:

- Identify and consider rezoning areas in the community that are well suited to workforce housing to R-1 *Residential*. This zone district was specifically established to build workforce housing, but represents less than 1% of current zoning;
- Affordable Housing Impact Fee for development; and
- Permit the long-term rental of Accessory Dwelling Units.

Refined Public Policy Options

Town staff has refined many of the initial policy options to reflect public input received throughout the project up to this point. The topics presented in Attachment 2 have been developed to a point that requires further consideration by the Trustees. Other topics discussed in the white paper, such as license management, is not yet complete.

1. Fee Structure

Staff has concluded a fee structure analysis and is recommending a tiered fee structure, both within town and the unincorporated Valley. The analysis included a review of the CAST Report and specific benchmarking against Steamboat Springs and Breckenridge, who had a high license compliance rate. The fee would be structured as follows:

- \$150: Base Fee
- \$50: Each Additional Room
- \$50: Renting a Single Room While Owner is Present (if the Board pursues the “AirBnb Option” below)

2. Occupancy Limit

A common theme in the public forum was to preserve residential neighborhood character, yet another popular (yet competing) concept was increasing the occupancy limit in rentals. In an attempt to achieve a balanced approach, staff recommends that the Trustees consider requiring a Conditional Use Permit when the occupancy is above the current limit of eight (8) people. This concept allows the Planning Commission to review and neighbors to comment on some rental operations, while still leaving the window open for owners to potentially rent their home.

3. Residential Character

Concerns were expressed during the public forum about the need to ensure vacation rentals do not erode residential neighborhood character. Some communities have

limited the number of rentals in a given area. In Durango for example, only one (1) vacation rental is permitted on a street segment. Additional homes that wish to operate on that street must obtain a Conditional Use Permit.

Staff is bringing an option to the Trustees to establish a limit on the number of vacation rentals per street segment or within a given radius, with additional rentals within that area requiring a Conditional Use Permit. Conditional Use Permits have similar review standards to that of a Special Review, but area reviewed solely by the Planning Commission.

4. “AirBnb Option”

The website www.AirBnb.com has risen in popularity over the years in part by facilitating the rental of single rooms on a short-term basis while the owner remains in the house. The current regulations prohibit this use, which has created a small underground market. Staff is bringing forward an option to the Trustees to permit this type of use in smaller homes, in essence creating a “mini-bed and breakfast” use.

5. Notices and Local Contact

Another popular theme during the public forum was better communication with neighboring properties. To that end, staff is bringing an option to the Trustees to establish some level of communication through mailings and a Town-maintained webmap.

Advantages:

- See the attached tables for advantages of each option.

Disadvantages:

- See attached tables for disadvantages.

Action Recommended:

Staff is requesting direction from Trustees regarding the attached recommendations.

Budget:

N/A

Level of Public Interest

High. The public meeting on May 14 attracted many more people than anticipated. Staff is also receiving consistent written and verbal comments on the topic.

Attachments:

1. Investor Model Methods and Assumptions
2. Public Policy Options

Figure 2: Change in Housing Units and Seasonal Unit Counts (Census)

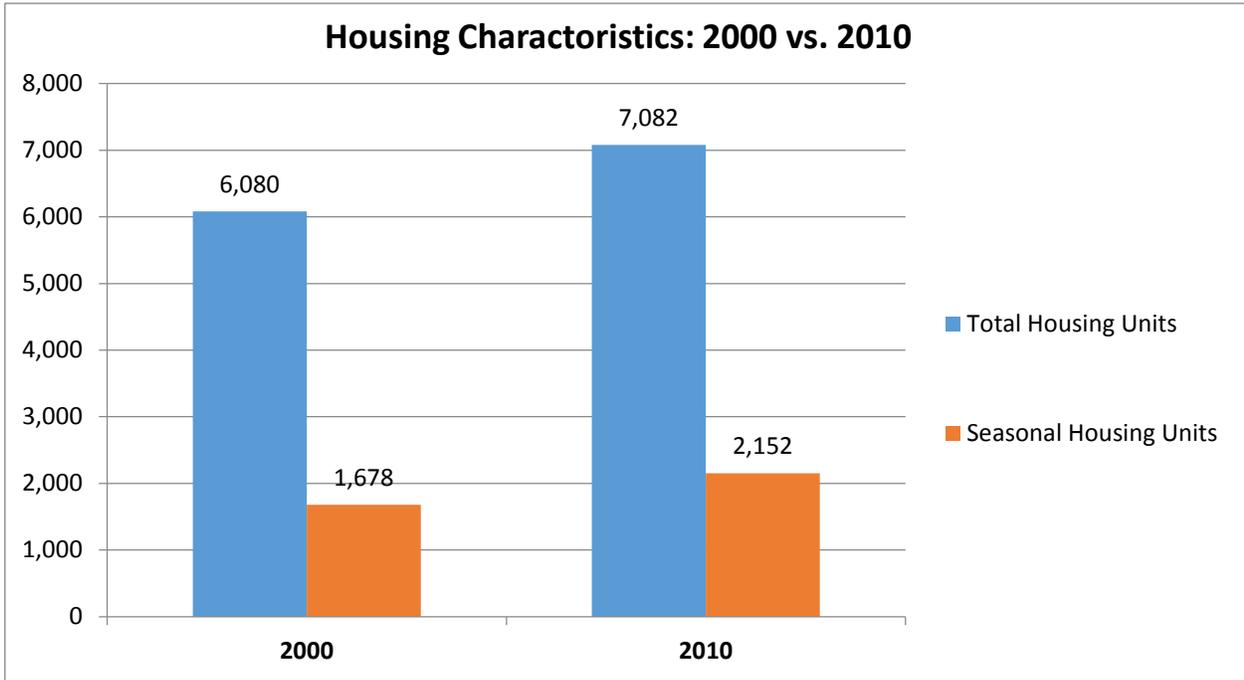
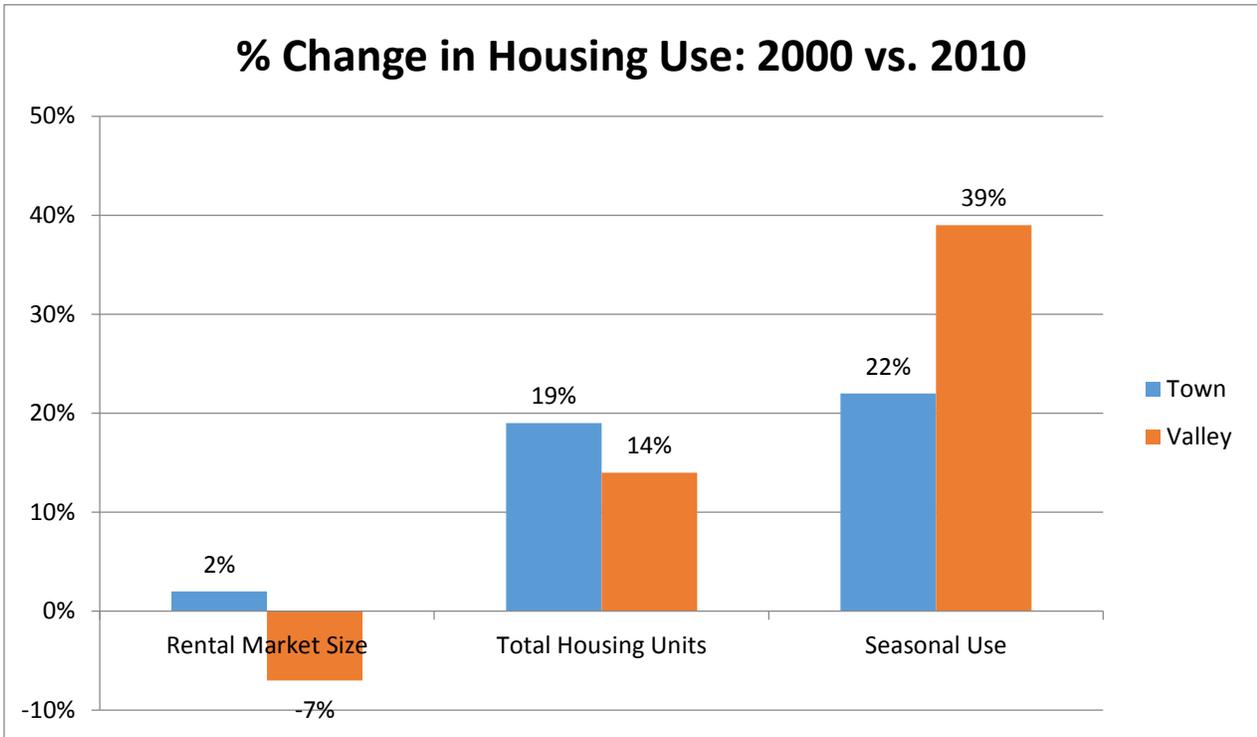


Figure 3: Change in home use in the town and unincorporated Estes Valley (Census)



Attachment 1: Investor Model Methods and Assumptions

Methods

The City and County of San Francisco recently evaluated the potential impact of vacation home rentals to their long-term housing stock. This study began by first distinguishing between hosts who rent out their homes or rooms in their home on an occasional, or casual, basis, and those who rent their homes for the express purpose of renting on the short-term market. As such, the report classified all owners of vacation home rentals as either casual or commercial hosts.

- Casual hosts were defined as those who list their unit for rent a few weekends throughout the year or while on an out-of-town trip (overall, less than 58 nights per year). Casual hosting was assumed to have little or no impact on the long-term rental market because the homes would not become a long-term rental, given that the owner resides in the home most of the year.
- Commercial hosts were assumed to book their vacation home rental more heavily (over 58 nights per year), thus requiring that the owner be away from their house for two or more months each year. Commercial hosting was assumed to reduce the number of homes available for long-term renting. A commercial host is often one that practices short-term renting as a business instead of listing a unit on the long-term rental market.
- Town staff mapped all vacation home rentals listed on the site www.VRBO.com in June, 2015. Specific attribute data was recorded for each listing: the general location, website link, number of bedrooms, listed occupancy limit and number of reviews.
- The San Francisco report assumes that 72% of vacation home guests leave a online reviews after their stay. This assumption is based on a public statement by the AirBnb Co-Founder and CEO. Town staff used this assumption, even though our analysis centered on a different website (VRBO). We then multiplied 72% by the number of reviews to calculate the number of days the rental has been on the market.

Findings

Based on the thresholds described above to distinguish between casual and commercial hosts, Figure 1 below shows the distribution of the 337 VRBO listings from June 2015. As presented in Table 1 below, this analysis assumes 311 casual hosts and 26 commercial hosts.

Table 1. Number of casual and commercial hosts in the Estes Valley.

Host Type	Number of Rentals
Casual Hosts	311
Commercial Hosts	26

Attachment 1: Investor Model Methods and Assumptions

When adding the number of commercial hosts to the number of vacant units, and calculating the percentage of total units potentially for rent, the analysis suggests that commercial hosts represents 9% of the total number of potential units for rent in the Estes Valley (Table 2).

Table 2: Impact on Vacant for Rent Housing of Commercial Short-term Rentals.

Host Type	Rental Market Size <i>Census 2010</i>	Vacancy For Rent <i>Census 2010</i>	Number of Commercial Host	Total Potential Units for Rent <i>Vacant + Commercial Hosts</i>	Commercial Listings as a % of Total Potential for Rent
Commercial	6,930	258	26	284	9%

In summary, this limited analysis suggests that the current pool of vacation home rentals takes 26 units (or 9%) of the total number of units potentially available for rent off the market. However, this number has the potential to increase or decrease due to two important local considerations. First, some owners of vacation home rentals enjoy occasionally using the rental during the off season, which would not be possible if renting the unit on a long-term basis. This factor could therefore lead to the 9% being lowered.

Conversely, the actual number of vacant rentals in the marketplace is likely much less than the Census count of 258. Therefore, one may also assume the 9% could be much higher given the actual (i.e. lower) number of vacant rentals in the Valley.

Attachment 2: Public Policy Options

Fee Structure Fee structure should adequately cover staff time to process and track each home, especially when code violations occur.			
Community Input <ul style="list-style-type: none"> • Increase code compliance with additional fees (highest weighted response to this topic) • Establish fines for violations 			
RECOMMENDED OPTION	Fee Structure	PROS	CONS
<ul style="list-style-type: none"> • Increase the Town fee to be consistent with similar communities and adequately cover staff time associated with compliance. • Establish same fee structure in unincorporated Valley. 	Within Town Limits: <ul style="list-style-type: none"> • \$150 base fee • \$50 for each additional room • \$50 to rent single room (if Board pursues that amendment) Within Unincorporated Valley <ul style="list-style-type: none"> • \$150 base fee • \$50 for each additional room • \$50 to rent single room (if Board pursues that amendment) 	<ul style="list-style-type: none"> • Will fund a seasonal staff member to focus on license compliance and code enforcement. 	<ul style="list-style-type: none"> • None noted.
OTHER OPTIONS	CONSIDERATIONS		
No change alternative	The current fee structure does not allow any additional staff time to be proactive towards license compliance or an increased focus on code compliance. The current fee structure is listed below: Within Town Limits: <ul style="list-style-type: none"> • \$150 fee Within Unincorporated Valley <ul style="list-style-type: none"> • No fee 		

Attachment 2: Public Policy Options

Occupancy Limit
Allow greater flexibility for larger homes to host larger parties.

Community Input

- Relate the occupancy limit to lot size and/or square footage of home, number of bedroom and proximity to neighbors.
- Ensure that infrastructure supports higher number.
- Have reasonable rules that are easy to follow.

RECOMMENDED OPTIONS	PROCESS	OTHER CONSIDERATIONS	PROS	CONS
Increase occupancy limit in some cases.	<p>Allow rentals to host parties greater than eight (8) by obtaining a Conditional Use Permit.</p> <p>The intent of a Conditional Use Permit is to mitigate potential adverse impacts on the neighborhood, environment and public infrastructure. These are reviewed and approved by the Planning Commission.</p> <p>-or-</p> <p>Permit a larger occupancy cap so long as the lot size is 1.33 times the minimum lot size of the zone district. This is one of the current standards for Accessory Dwelling Units and is simple to administer.</p>	Applicant signs an affidavit with application certifying that all bedrooms meet Building Code threshold of a room (e.g. proper egress).	<ul style="list-style-type: none"> • Allows nearby residents to provide input and additional reviewing agencies to comment (e.g. Larimer County Health Department, Fire District). 	<ul style="list-style-type: none"> • Other uses, such as Household and Small Group Homes, will likely need to be increased to ten people for consistency and compliance with the Fair Housing Act.

OTHER OPTIONS	CONSIDERATIONS
No change alternative: maintain current occupancy limit.	The current regulations allow for two people, plus two people per bedroom (not to exceed eight).
Decrease occupancy limit.	Not requested at this time.

Do not require an occupancy limit in any case.	<p>The following list is what was recently available through www.VRBO.com , along with the number of people that would be permitted in a home should this options be pursued.</p> <ul style="list-style-type: none"> 1 Bedroom – 4 people 2 Bedroom - 6 people 3 Bedroom – 8 people 4 Bedroom – 10 people 5 Bedroom – 12 people 6 Bedroom – 14 people 7 Bedroom – 16 people 8 Bedroom – 18 people 9 Bedroom – None in Valley at that time 10 Bedroom – 22 people
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Attachment 2: Public Policy Options

Residential Character
 At times, the number of vacation home rentals in a given area erodes the residential neighborhood character.

Community Input

- Preserve and protect the character of residential neighborhoods (highest weighted response to this topic).
- More code enforcement
- Have caps and lotteries for new licenses

RECOMMENDED OPTIONS	SPACING	ADDITIONAL HOMES	NON-CONFORMING	PROS	CONS
Limit vacation rental homes in specific areas	Establish a limit on the number of rentals per street segment or within a given radius of existing rentals.	Additional vacation rental homes may be allowed with a Conditional Use Permit, reviewed and approved by the Planning Commission. These permits are also revocable through the Planning Commission.	Homes that were legally established prior to this regulation becoming effective may continue in accordance with EVDC Chapter 6 <i>Nonconforming Uses, Structures and Lots</i> .	<ul style="list-style-type: none"> • Helps preserve residential character by limiting vacation rentals in established residential neighborhoods. • Allows impacted neighbors a voice in the decision-making process. • Conditional Use Permits are revocable, should the applicant not comply with permit conditions of approval. 	<ul style="list-style-type: none"> • Will ultimately impact the ability of some rentals to become established. However, this requirement will likely encourage such rentals to relocate to areas more appropriate for accommodation uses (e.g. A-1 <i>Accommodations</i> district).
OTHER OPTIONS	CONSIDERATIONS				
No change alternative	Staff has received numerous comments about too many vacation home rentals in a given area impacting the residential character. The current regulations allow for an unlimited number of rentals in residential districts.				

Attachment 2: Public Policy Options

“AirBnb option”
 The rental of a single room while the owner is also present is prohibited. The prohibition has created an underground market with no fee collection.

Community Input

- No data collected yet.

RECOMMENDED OPTION	Location	NON-CONFORMING	PROS	CONS
Allow rental of room(s) while owner is present.	Allow a homeowner to rent a single room (or rooms) of their home for less than 30 days while remaining on site. This would not apply to Accessory Dwelling Units. Would be permitted in certain residential zone districts. House size should be limited. For example, some municipalities limit the size to 2,500 square feet, which larger homes considered a bed and breakfast.	No units currently being rented in this manner will be considered non-conforming, as this is not currently a permitted use.	<ul style="list-style-type: none"> Provides supplemental income for some Estes Park residents. Property owner is on site and therefore able to quickly address any land use conflicts (e.g. noise, trash, etc.). Addresses what is currently an underground market. Less enforcement would be necessary as the underground market becomes licensed. 	<ul style="list-style-type: none"> Creates a third level of regulations: Bed and Breakfasts, Vacation Homes and these smaller homes.
OTHER OPTIONS	CONSIDERATIONS			
No change alternative	Continue to prohibit this type of use.			

Attachment 2: Public Policy Options

Notices
 Ensure that nearby neighbors have all necessary contact information in the event that vacation home guest become disruptive.

Community Input

- Require notification of neighbors within a 5-home radius

RECOMMENDED OPTION	AUDIENCE	CONTENT	PROS	CONS
The rental owner or local contact shall mail or deliver contact information to surrounding properties.	Neighbors to rental.	<ul style="list-style-type: none"> Notice of a vacation home license issuance and license number. Contact information for owner and local contact. Town contacts. 	<ul style="list-style-type: none"> Strengthens communication between rental owner and direct neighbors. 	<ul style="list-style-type: none"> None noted at this time.
Require informational posting in a conspicuous location inside the rental unit.	Hosted party.	<ul style="list-style-type: none"> Copy of permit. Contact information for local contact and/or owner Location of fire extinguisher Trash and recycling information. 	<ul style="list-style-type: none"> Strengthens communication between owner and rental parties. 	<ul style="list-style-type: none"> None noted at this time.
Require vacation home rental permit number to be displayed on all advertisements and listings.	Town Code Compliance.	<ul style="list-style-type: none"> License or Permit number. 	<ul style="list-style-type: none"> Easier identification for code compliance purposes. 	<ul style="list-style-type: none"> None noted at this time.
Maintain an online map with the general location of vacation home rentals.	Neighbors to rental.	<ul style="list-style-type: none"> General location. Local contact information. 	<ul style="list-style-type: none"> Allows nearby neighbors easier, 24/7 access to contact information. 	<ul style="list-style-type: none"> Privacy concerns due to potentially vacant homes being displayed online. However, the general location of the homes and availability is currently available online through sites like www.VRBO.com.
OTHER OPTIONS	CONSIDERATIONS			
No change alternative	No notice requirements are current in place.			