LARIMER COUNTY | COMMUNITY DEVELOPMENT

P.O. Box 1190, Fort Collins, Colorado 80522-1190

To: Board of County Commissioners

From: Short-term Rental Regulations Team
Lesli Ellis, AICP CEP, Community Development Director

Date: December 22, 2022

Re: Short-Term Vacation Rentals in the Estes Valley and Lodging Tax Impacts

Introduction and Key Findings

As part of work to update the Short-term Rental (STR) and Lodging Regulations in the Land Use Code and amendments and improvements to The Ordinance for Implementation and Enforcement of Short-term Rentals Regulations in the unincorporated part of the Estes Valley and other unincorporated Larimer County, staff has been asked to analyze and respond to questions about tax impacts of Short-term Rentals. This memo provides that analysis.

On December 3, 2022, Estes Valley Short-term Rental Alliance (EVSTRA) issued a white paper entitled: “Tax Impacts of Short-Term Vacation Rentals in the Estes Valley” (noted herein as EVSTRA white paper). The EVSTRA white paper quantifies the economic benefits and tax collections generated by Short-term Rental guests and presents basic information about the potential economic implications of changes to regulations affecting Short-term Rental and Vacation Homes. It pulls data primarily from: “The Economic Impact of Travel,” a report commissioned by Visit Estes Park, the Estes Park Local Marketing District, and prepared on September 6, 2022 by Dean Runyan Associates (noted herein as Visit Estes report). County staff appreciates the work that has been done by these organizations to look at the topic and the opportunity to respond and share additional information.

County staff from Community Development and Finance departments reviewed and analyzed the information in the EVSTRA white paper and Visit Estes report, STR counts and data for Residentially Zoned Areas in the unincorporated Estes Valley, and 2021 County sales tax data to provide the information in this memo.

Some Key Findings

County staff finds many of the base assumptions presented in the Visit Estes report to be plausible and verifiable, including:

- General economic impacts of visitors and growth and spending related to accommodations.
- Growth of lodging tax collections from 2015 to 2021.
- The growth of Vacation Rentals (aka STRS) to account for 39.1% of the lodging tax collected in 2021 generally reconciles with County tax data.
- Lodging tax is a beneficial and sizable source of revenue in the community. With approval of Issue 6E for an additional 3.5% for workforce housing and childcare funding, using 2021 data, the 3.5% increase in lodging tax would have generated an additional $2,386,664, pro forma.

However, County staff finds:

- The claim in the EVSTRA white paper that eliminating STRs in residentially zoned areas of the Estes Valley's unincorporated area would significantly account for a large loss in workforce housing and childcare lodging tax funding is overstated, because there is no proposal to eliminate all residential STRs.
- Even with potential reductions to the number of STRs in residential areas, as is being explored, the economic impact of reducing STRs would far be less significant than presented in the EVSTRA white paper, as described below.

About the STR Regulations Project and Assumptions

For the past half year, Larimer County has been considering changes to its Short-Term Rental regulations in response to concerns about growth and negative impact of STRs in certain neighborhoods, safety, and overall compatibility of commercial activities in residential areas. The County also considers potential benefits of such uses, including tax revenues generated. Land Use Code regulations and zoning address issues of proper locations for land uses and how to mitigate impacts, which is the core charge of the project.

The STR regulations and ordinance review and proposed updates are a work in progress – **options are being analyzed and considered, but no decisions have been made.**

An *Initial Public Discussion Draft of Short-Term Rental and Lodging Regulations* issued October 26, 2022 proposes changes to standards and allowances in Residential Zoning Districts in the Estes Valley, as well as changes in Accommodations Districts, but it does not propose eliminating all STRs in residential areas, nor did it propose changes to the STR cap in Estes

Valley residential areas. Some of the options, such as a proposed STR-Limited type, may not carry forward into the next draft, given feedback heard; and new ideas might be included.

It is important to note that no matter what changes occur in the regulations, legally permitted Vacation Homes and STRs would be allowed to continue their operations – at least until ownership changes, and maybe beyond that depending on license transferability rules. Therefore, any changes or reductions to numbers of STRs and associated lodging tax revenues in the Local Marketing District would occur over time, not abruptly.

By the Numbers – STRs in Estes Valley

The County continues to verify its data and Geographic Information Systems information about locations of STRs in various zoning districts, and the numbers are fluid. As of December 7, 2022 (See Memo **Attachment A**), the numbers for the Estes Valley include:

- A total of 351 Vacation Homes and Short-term Rentals have been approved (260 in residential zoning districts and 91 in Accommodations Zoning Districts).
- 9 applications are currently under review; 7 of those are in residential zoning districts.
- 87 applicant/units are on the waiting list for the Residential Zoning Districts where the cap applies.
- The cap applies to Residential Zoning Districts and allows 266 units. It can be adjusted annually by the Board of County Commissioners, but it has not been adjusted since it was first put in place.
- The County does not have information currently to determine how many of the approved STRs are being used and advertised as STRs or if they are remitting taxes to the state.

In 2021 (the timeframe for this analysis), there were 255 approved STRs and Vacation homes in residential areas and 85 other STRs/VHs.

According to the EVSTRA white paper and Visit Estes report, 41% of all the STRs in the Estes Valley (362) are in the County unincorporated area vs. 59% (515 STRs) in the Town of Estes. Those numbers are very close but not exact per the County's data on STRs, as noted above.

Report and Analysis

Staff reviewed assumptions about the lodging tax and local marketing district as presented in the Visit Estes report and EVSTRA white paper. The EVSTRA white paper delves into local sales taxes, visitor spending, and economic impacts that County staff has not studied nor is planning or able to analyze at this time.

Based on the analysis, County staff does not agree with certain assumptions in the EVSTRA white paper, as follows:

1. There is no proposal to eliminate all the STRs in the residentially zoned parts of the County, therefore the reductions to dedicated lodging tax receipts are overstated.
2. There is no discussion about changes to STRs that might increase in Accommodations and commercial districts, thereby offsetting tax reductions.
3. The sales tax from other spending (non-lodging tax) reported appears to be overstated because it uses a number from page 9 of the DRA report that includes all visitor spending, not just taxable spending.

Deeper Dive into Findings of Lodging Tax Changes Relative to Short-term Rental Regulation Changes

The initial analysis of Local Marketing District revenues indicates a relatively small tax impact from changes to the regulations, based on 2021 revenue, and particularly for the dedicated portion. The following thresholds are examples of what to consider when different STR regulatory options that might result in a reduction in STR units are discussed for residential areas. Again, these calculations represent estimates.

- If STR units in County residential areas **decreased by 5% (13 units), the dedicated amount for childcare and workforce housing would be reduced by $36,207 or approximately 1.5%** of the $2,386,664.
- If residential STR units **decreased by 20% (53 units), the dedicated amount would be reduced by $144,246 or approximately 6.0%**.
- Even if all residential STRs eventually were eliminated (266), the corresponding tax reduction would be $723,900, or 30% of the total dedicated tax – not the full $2,386,664, or 50% of that amount, as suggested in recent opinion pieces. (**See Attachment B**.)

These assumptions do not account for long-term change based on regulatory changes, changes in the market or other market factors, inflation, or growth of STRs or hotels or other lodging types into other areas, such as Accommodations Zoning Districts. For instance, in the 20% residential reduction scenario, if STRs in Accommodations Zoning Districts increased by about 50 units, then the dedicated tax amount may also increase by about 6% to offset the residential tax reduction.

Additionally, while staff recognizes that local communities have begun to study economic impact of STRs on the housing market and corelated cost, this quick study did not explore the question of the cost of converting long-term housing units to STRs. That would be more involved.

Reminder about STR Project Schedule and Next Steps

Staff is available to answer Board of County Commissioner questions about this memo and can discuss it at the first available Community Planning Infrastructure and Resources Work Session. A STR regulations/ordinance work session is scheduled on Jan. 23, 2022. This information will also be available on the project webpage and can be discussed at upcoming community events.

The STR project continues to progress and next steps include:

- Dec. 27 Summary of public comments for discussion draft
- Mid-Jan. STR Regulations and Ordinance - public drafts updated
- Jan. 19 EVPAC reviews drafts and provides recommendations
- Mid-Jan. Further opportunities for public comment and input, Tentatively on Jan. 25 and Jan. 26 for event in Estes and a webinar
- Jan. 30 Public comments due on new drafts
- Jan. 30 Work session with BCC
- Feb. 3 Revised Public Hearing Draft available
- Feb. 8 Work session with Planning Commission and Board of County Commissioners
- Feb. TBD Public hearings start

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MEMORANDUM

TO: Lesli Ellis, Community Development Director

FROM: Amy White, Code Compliance Supervisor

DATE: December 7, 2022

RE: Estes Valley Vacation Home (VH)/Short-term Rental (STR) cap

We just completed our annual review of the cap numbers in the Estes Valley for the Vacation Homes approved by the Town that are now nonconforming, and the STRs approved by the County. As a reminder, the cap for the unincorporated area is 266. Here is what we have:

ACCOMODATIONS ZONING DISTRICTS (not subject to cap):

Non-Conforming Vacation Homes	77
Approved STRs	14
TOTAL	**91**

RESIDENTIAL ZONING DISTRICTS (subject to cap):

Non-Conforming Vacation Homes	247
Approved STRs	13
TOTAL	**260**

The overall total of approved VH/STRs in the unincorporated Estes Valley is **351.**

Further, here are the numbers for the applications that are currently in process. These may or may not get approved depending on how they meet the criteria.

ACCOMODATIONS ZONING DISTRICTS	2
RESIDENTIAL ZONING DISTRICTS	7

Finally, we have approximately 85 applicant/units on the wait list for the residentially zoned districts. To ensure that we do not exceed the cap, staff won't pull any applications off the wait list until the current applications have been completed.

Also, as a reminder, the number of approved vacation homes and short-term rentals as of December 31, 2021 was 255.

Using 2021 revenue, the last complete year of data , the Estes Park Local Marketing District (LMD) received $1,363,808 from a 2% Lodging Tax on Short Tem Vacation Rentals.

STVRs units located in the Town of Estes Park accounted for 59% of the total STVRs in the District, with the remaining 41% located in Unincorporated Larimer County. *

Lodging Tax @ 2%

Estes Park		Larimer County		Totals
Residential	Accommodation	Residential	Accommodation	
322 Units	193 Units	266 Units	96 Units	877 Units
$ 500,736	$ 300,133	$ 413,657	$ 149,282	$ 1,363,808

The voters approved an 5.5% lodging tax with the 3.5% increase being dedicated to workforce housing and childcare funding. Using 2021 data, the 3.5% increase would have generated an additional $2,386,664 dedicated for workforce housing and childcare funding.

Pro Forma
Lodging Tax @ 5.5%

Estes Park		Larimer County			Totals
Residential	Accommodation	Residential	Accommodation		
322 Units	193 Units	266 Units	96 Units		877 Units
1,377,023	825,366	1,137,556	410,527		$ 3,750,472
			Revenue dedicated to workforce housing and childcare funding	3.50%	$ 2,386,664

Reduction of County units scenarios

If the number of units in the County residential zone were reduced by 5% (13 units), the dedicated amount would be reduced by $36,207, or -1.52%.

5% Decrease of LC Residential Units
(Decrease of 13 Units)
Lodging Tax @ 5.5%

Estes Park		Larimer County			Totals
Residential	Accommodation	Residential	Accommodation		
322	193	253	96		864 Units
1,377,027	825,361	1,080,666	410,542		$ 3,693,596
			Base Revenue	2.0%	$ 1,343,139
			Revenue dedicated to workforce housing and childcare funding	3.5%	$ 2,350,457
			Decreased Base Revenue by		$ (20,669)
			Decreased Dedicated Revenue by		$ (36,207)
			Decreased Base Revenue percent by		-1.52%
			Decreased Dedicated Revenue percent by		-1.52%

Reduction of County units scenarios (cont.)

If the number of units in the County residential zone were reduced by 10% (27 units), the dedicated amount would be reduced by $73,490, or -3.08%.

10% Decrease of LC Residential Units
(Decrease of 27 Units)
Lodging Tax @ 5.5%

Estes Park		Larimer County			Totals
Residential	Accommodation	Residential	Accommodation		
322	193	239	96		850 Units
1,377,027	825,361	1,022,079	410,542		$ 3,635,008

Base Revenue	2.0%	$	1,321,834
Revenue dedicated to workforce housing and childcare funding	3.5%	$	2,313,174
Decreased Base Revenue by		$	(41,974)
Decreased Dedicated Revenue by		$	(73,490)
Decreased Base Revenue percent by			-3.08%
Decreased Dedicated Revenue percent by			-3.08%

If the number of units in the County residential zone were reduced by 20% (53 units), the dedicated amount would be reduced by $144,246, or -6.04%.

20% Decrease of LC Residential Units
(Decrease of 53 Units)
Lodging Tax @ 5.5%

Estes Park		Larimer County			Totals
Residential	Accommodation	Residential	Accommodation		
322	193	213	96		824 Units
1,377,027	825,361	910,890	410,542		$ 3,523,820

Base Revenue	2.0%	$	1,281,402
Revenue dedicated to workforce housing and childcare funding	3.5%	$	2,242,418
Decreased Base Revenue by		$	(82,406)
Decreased Dedicated Revenue by		$	(144,246)
Decreased Base Revenue percent by			-6.04%
Decreased Dedicated Revenue percent by			-6.04%