SHORT TERM RENTAL STUDY

Public Meeting (July 25) Follow Up

August 17, 2023

Economic & Planning Systems, Inc.
The Economics of Land Use

730 17th Street, Suite 630 ▪ Denver, CO 80202
303.623.3557 ▪ www.epsys.com

STUDY TEAM AND CONTACTS

Economic & Planning Systems

Denver, CO

- Rachel Shindman, Vice President
- Carson Bryant: Associate
- Brian Duffany: Principal-in-Charge

RRC Associates

Boulder, CO

- David Becher, Director of Research

Town of Telluride

- Scott Robson, Town Manager
- Zoe Dohnal, Deputy Town Manager
- Tiffany Kavanaugh, Town Clerk
- Lindsey Mills, Communications Manager
- Ashley Berard, Assistant Clerk

STUDY AND PRESENTATION OVERVIEW

- Study Purpose
  - Evaluate the role of STRs in the economy
  - Evaluate the potential impacts of STRs on the local's housing market
  - Provide information for Town policymakers to consider in regulating STRs
- Today's Meeting
  - Information to questions and comments at 7/25 meeting
  - STR License Wait List survey results
  - Hear input on policy approaches

BALANCING POLICY ISSUES

Housing

- Affordable/workforce housing has been a challenge in Telluride for decades
- Need housing for a sustainable vibrant community and economy
- Mountain communities are at crisis levels
- Do STRs affect supply of local's housing?

Telluride region economy

- Tourism: STRs accommodate guests which support the local economy

Neighborhoods and Quality of Life

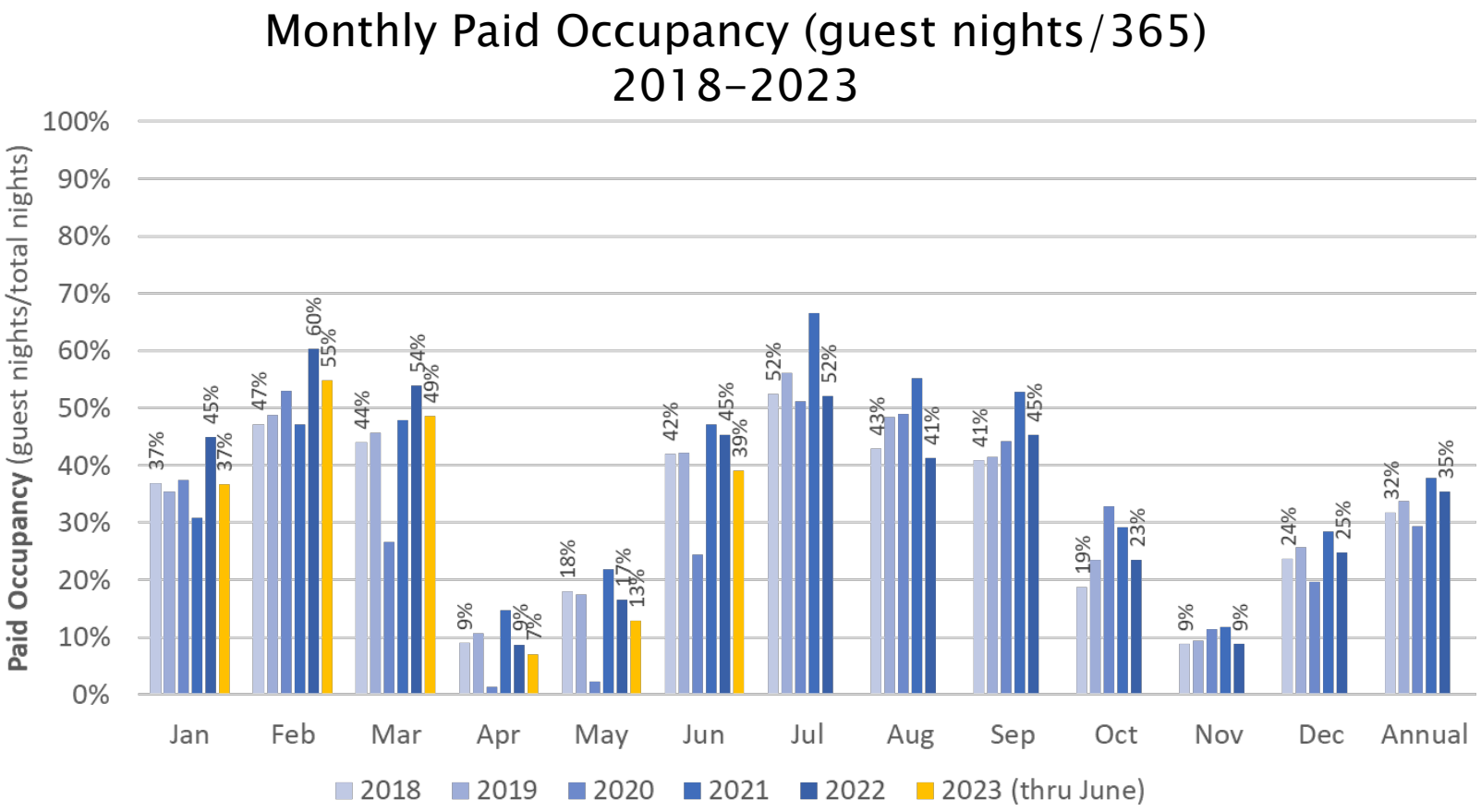
- Guest impacts
- Noise and parking
- Ability of town to handle visitor traffic

DATA UPDATES

OCCUPANCY UPDATE

Clarify trends in STR occupancy

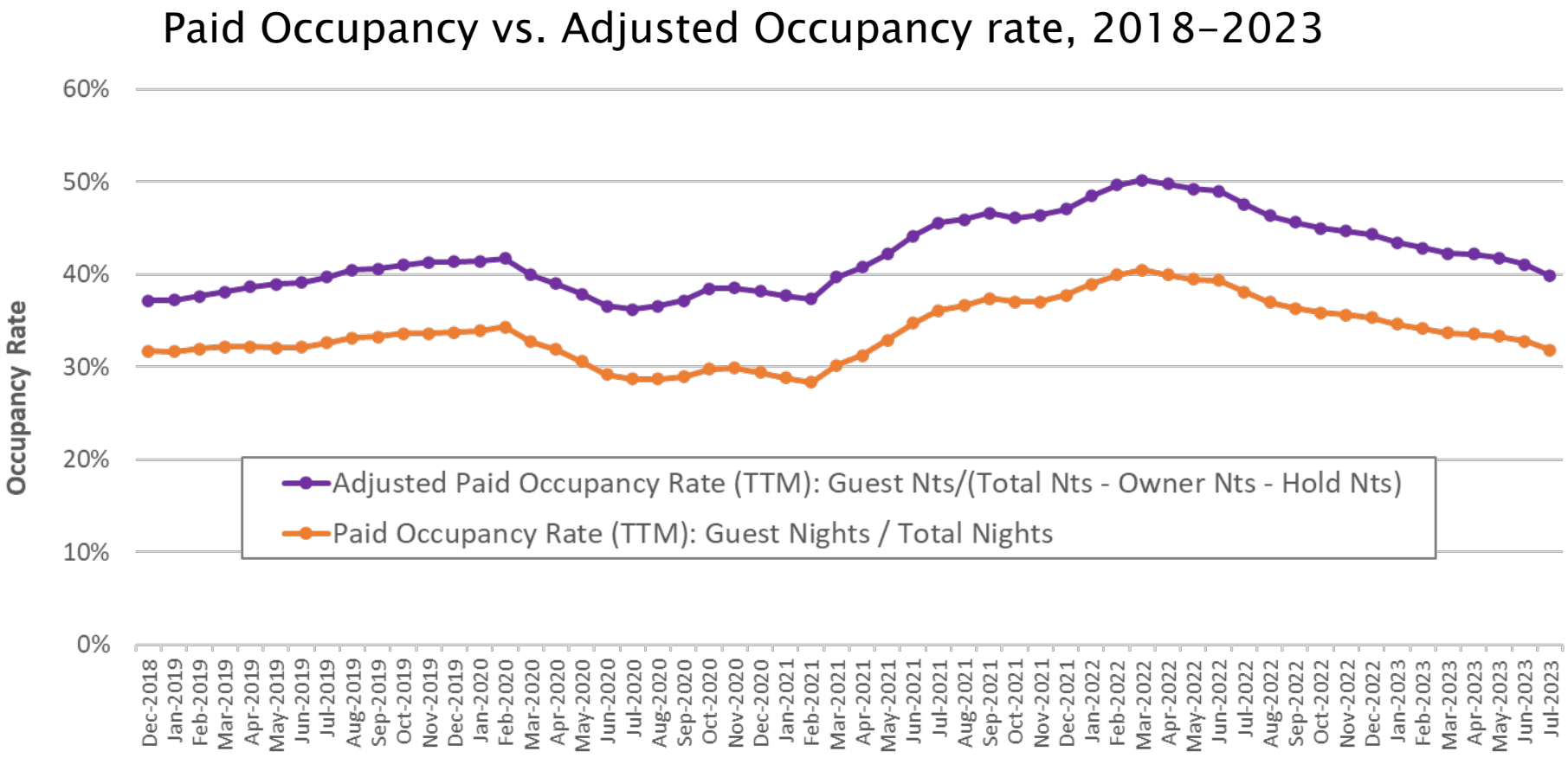
- Trending upward before the pandemic (2018–March 2020)
- 2022 had the highest occupancy rates in recent years:
  - Pent up travel demand after pandemic
  - More international travel
- 2023 occupancy is similar to 2018, 2019, and 2020 pre-pandemic



Source: Key Data, via Telluride Tourism Board. Data reflect a roughly 73% sample of STRs managed by property management firms. STRs managed by individuals are excluded.

OCCUPANCY UPDATE

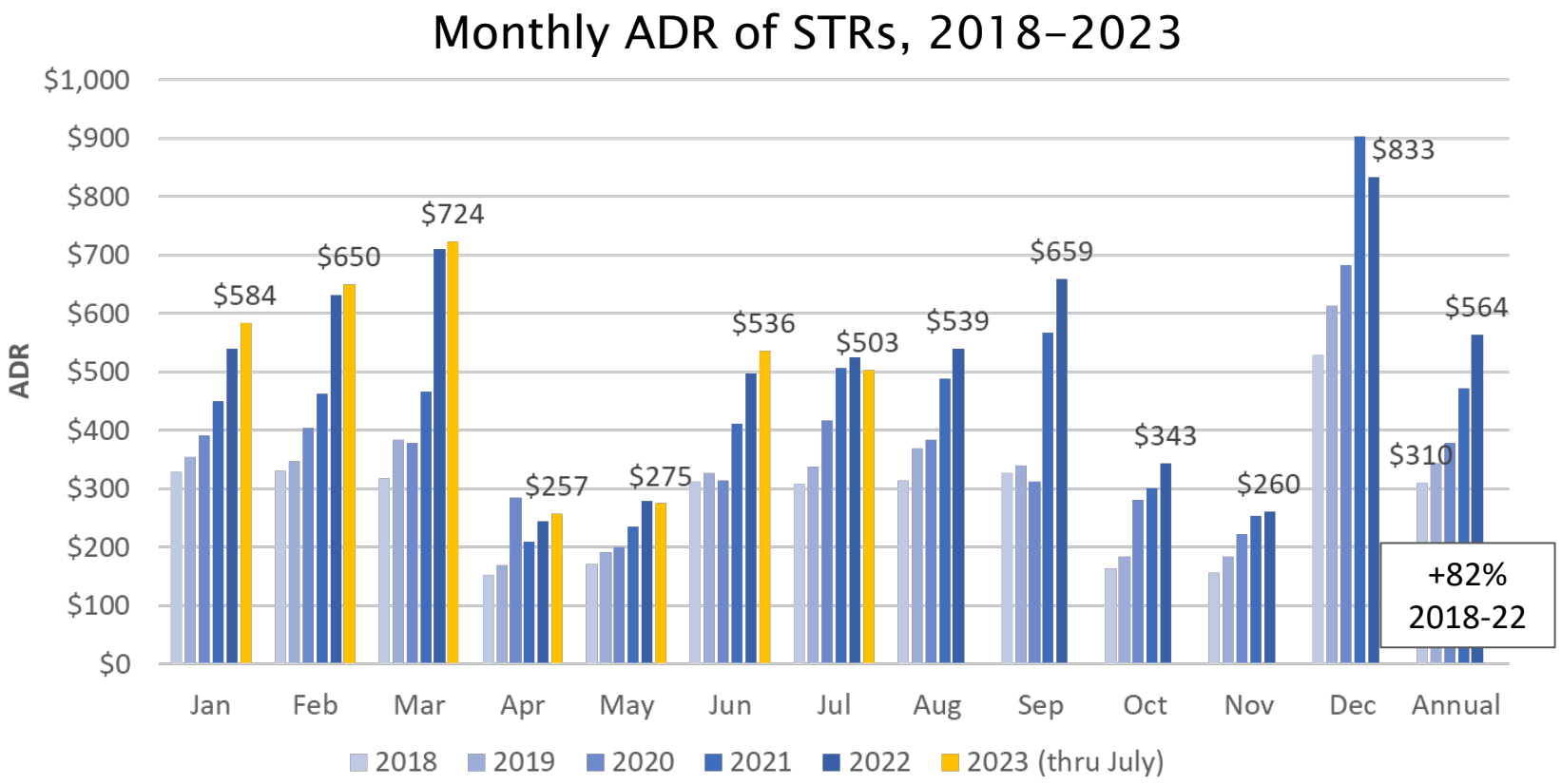
- Paid Occupancy indicates the percentage of nights that STRs are occupied by guests.
- Adjusted Paid Occupancy indicates the percentage guest nights as a share of of the total nights available for guests to book *(factoring out owner nights and hold nights).*
- Both measures show similar trends.



Source: Key Data, via Telluride Tourism Board.

AVERAGE DAILY RATE UPDATE

- Average daily rates have been consistently going up since 2018, especially in the winter season; up 82% from 2018-22
- Peak periods are between $500 and $800 per night
- Much lower in the shoulder seasons
- Given that 2022 was an anomaly, will 2023 rates hold going forward?



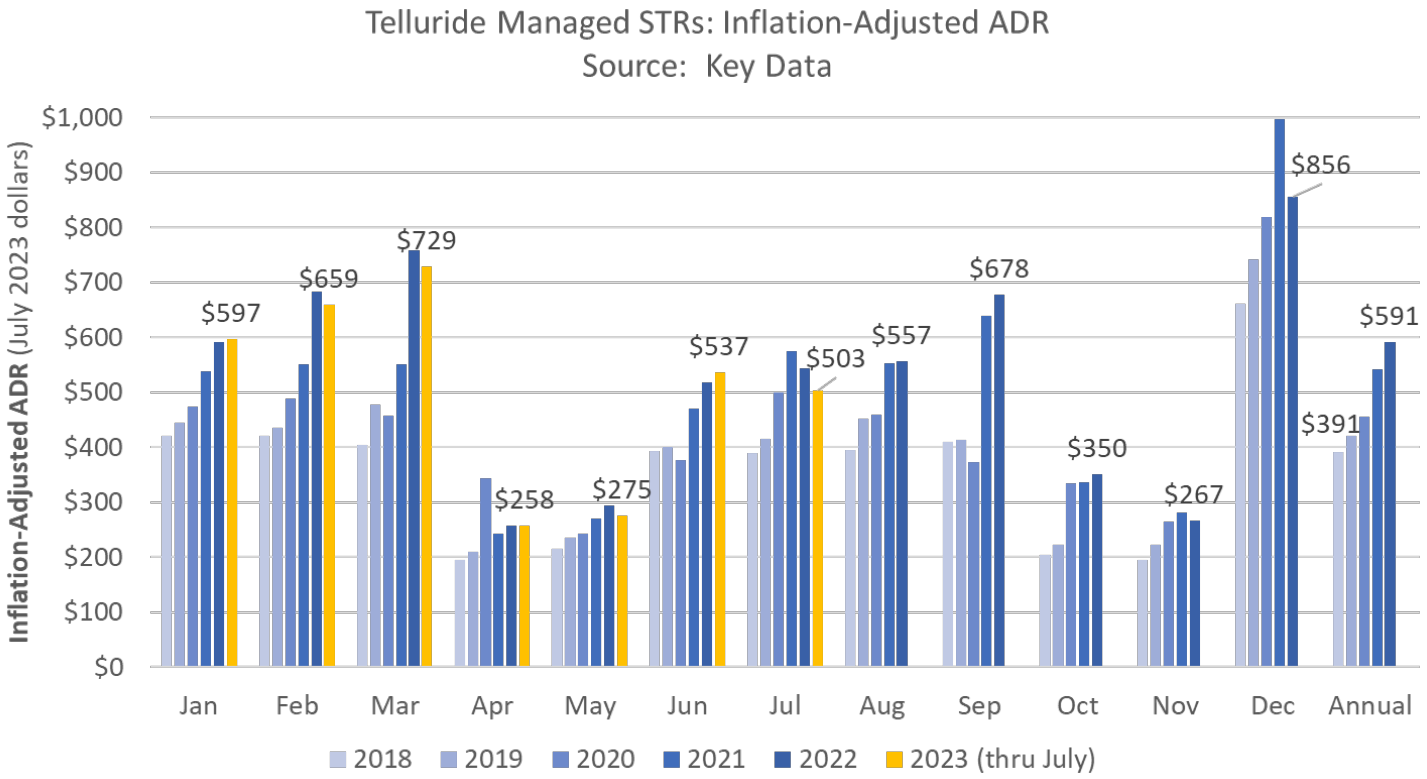
Source: Key Data, via Telluride Tourism Board. Data reflect a roughly 73% sample of STRs managed by property management firms. STRs managed by individuals are excluded.

AVERAGE DAILY RATE UPDATE

What does ADR growth look like when adjusted for inflation?

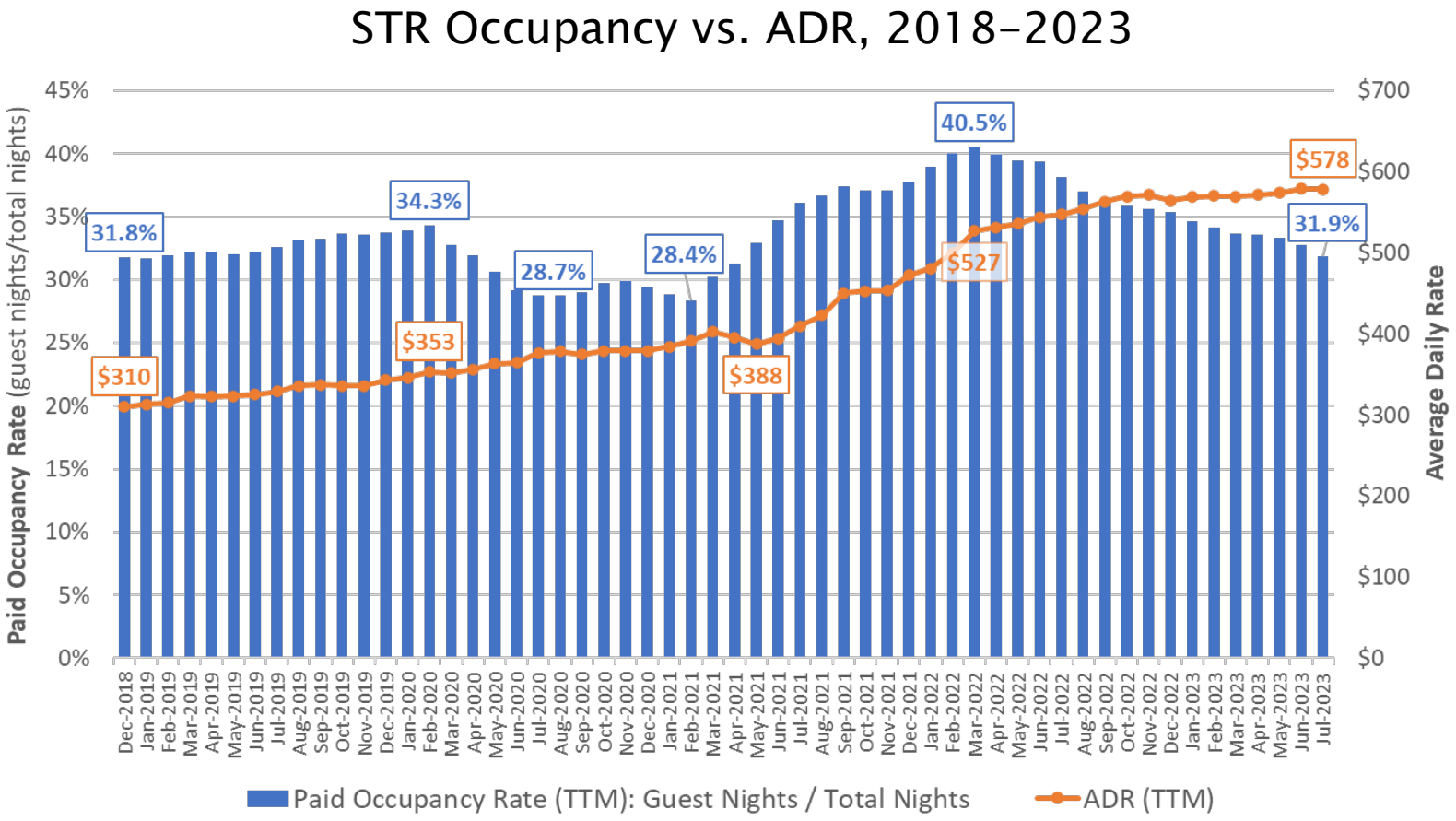
- The Mtn West CPI increased 28.2% from January 2018 to July 2023.
- Telluride STRs' Inflation-adjusted ADR climbed 51%
- STR nightly rates significantly outpaced general inflation
- ~14.8% annual growth in ADR

Inflation-Adjusted Monthly ADR of STRs, 2018-2023



OCCUPANCY VS AVERAGE DAILY RATE

- ADRs generally rise with occupancy rate; not always immediately responsive
- ADR began to surge in June 2021, about three months after paid occupancy began rebounding, and grew rapidly through March 2022.
- ADR has generally flattened out since November 2022 as occupancy has been deceasing.



Source: Key Data, via Telluride Tourism Board.

JOBS IN THE TOURISM ECONOMY

- Tourism impacts are spread across a variety of industry sectors.
- Tourism directly supports approximately 37% of total county jobs.
- When you add the impact of second homes and construction, the share of jobs is 60%

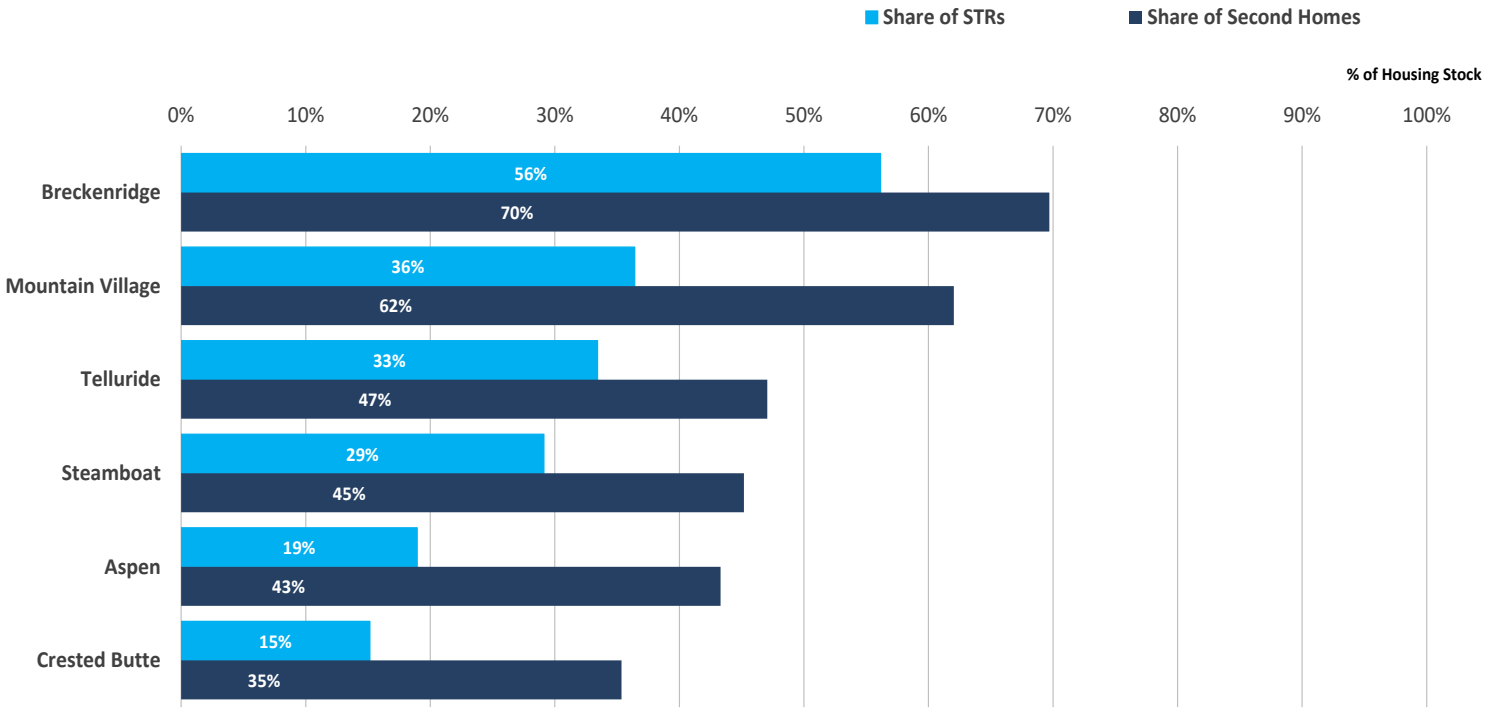
NAICS Sector	Total Jobs	Tourism Jobs	% Tourism Jobs
Arts, entertainment and recreation	851	800	94%
Food services and drinking places	761	685	90%
Accommodation	563	552	98%
Retail trade	622	321	52%
Real estate	697	317	45%
Other services, except public administration	485	135	90%
Transportation and warehousing	77	38	50%
Total - tourist-impacted sectors	**4,056**	**2,848**	**70%**
All other sectors	3,581	0	0%
Total San Miguel County jobs, 2021	**7,637**	**2,848**	**37%**

Source: Colorado State Demography Office – 2021 Base Industry Analysis & Jobs by Sector; RRC. Excludes jobs attributable to construction, operations and sales of second homes, and local government employment attributable to tourism.

SHARE OF STRS AND SECOND HOMES

How does the share of STRs in the housing inventory compare to peer communities?

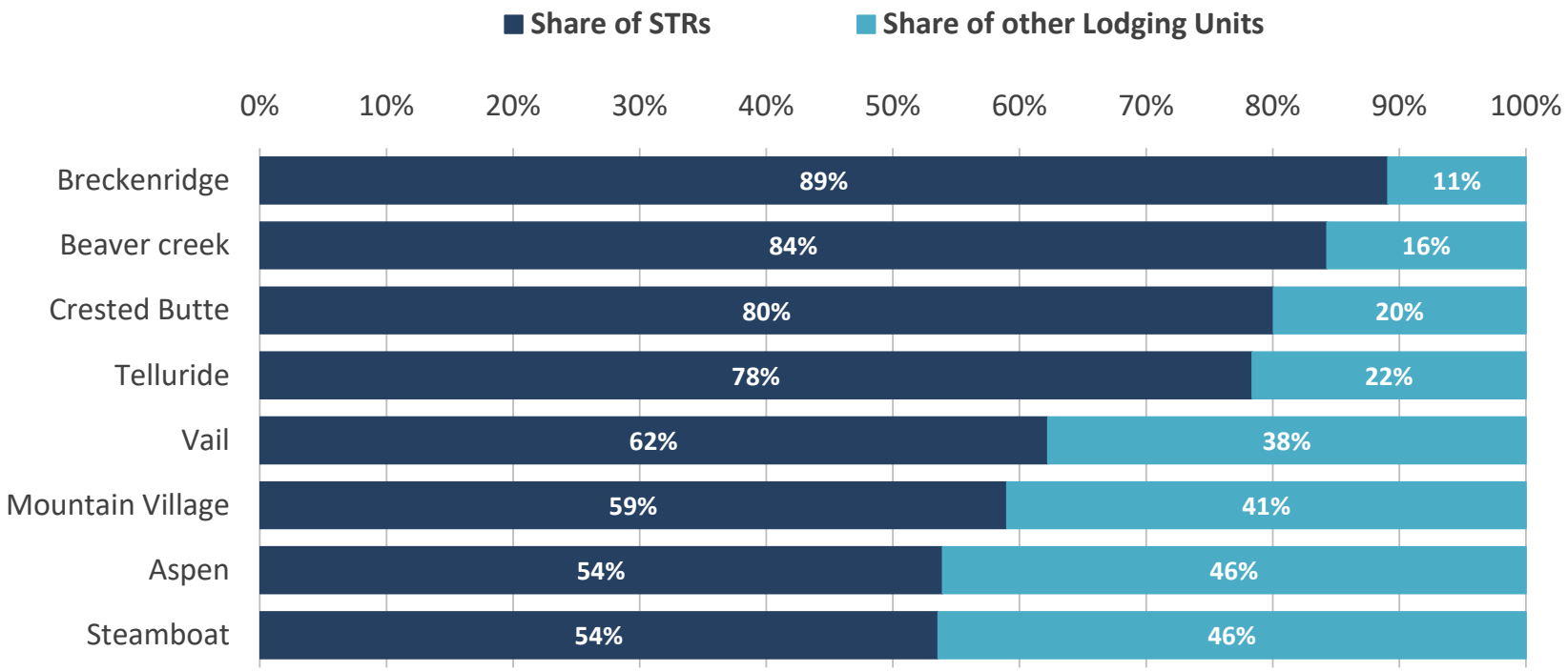
- Gap between STRs and second homes represents 'cold beds' – vacation homes used only occasionally by owners
- Telluride is in the mid-upper range of utilization of housing stock for vacation rentals



Source: Colorado Associations of Ski Towns; Town of Telluride; DOLA; Economic & Planning Systems

STRS AND LODGING INVENTORY

- What is the share of STRs in the lodging inventory in peer communities?
- Comparison is units, not bedrooms
- On a bedrooms basis, STRs will comprise a larger share (86% in Telluride)



Source: Economic & Planning Systems

POLICY APPROACHES

POLICY INPUT

- The goal of this is to gather feedback on four key STR policy areas:
  - License categories
  - Zoning differentiation
  - STR Housing Regulatory Fee
  - STR excise tax

- For each policy area, we will provide an overview, show examples, and ask key questions that you can answer (through Mentimeter)

OVERVIEW OF POLICY APPROACHES

- **Licensing**
  - Caps or limits on the number of STR permits/licenses issued
  - Tightening owner occupancy requirements for STR licenses
  - Limits on rental nights per year
  - Local contact person requirements and nuisance enforcement
- **Zoning**
  - Limits STRs to specific zoning districts or areas
  - Minimum buffers between STRs or limits on STRs per block
  - Can be combined with a license cap approach
- **Regulatory fees or taxes**
  - Annual fee levied on short-term rentals per bedroom or unit; revenue used for housing
  - Additional taxes can be levied specifically on STR stays
  - Programs that incentivize STR to become long-term rentals to locals

STR LICENSE CATEGORIES

- STR licensing could be modified to have categories with different regulations. Possible categories could include:
  - Primary residence STRs
  - Condo-hotel STRs (purpose built for lodging use)
  - General STRs (not primary residence)
  - Deed-restricted STRs (limited rental nights)
- Some categories could have no license cap, others could have an annual cap

Policy Objectives

- Manage the number of total STRs in Telluride, while balancing the need for lodging inventory.
- Differentiate STR licensing based on the characteristics of the property and the owner

EXAMPLES

Aspen

- Three types of STR permits
- Owner occupied (STR-OO)
    - Not limited by number in zones where STRs are allowed
    - Limited to 120 rental nights/year
- Classic (STR-C)
    - Capped in certain zone districts
    - No limit on annual rental nights
- Lodging exempt (STR-LE)
    - Available to properties that meet definition of lodge or condo-hotel
    - Not limited by number in zones where STRs are allowed
    - No limit on annual rental nights

Crested Butte

- Primary occupancy license
    - When the owner lives in the property or long-term rents for 6+ months per year
    - Allowed in all zone districts
    - No cap on licenses issued ($250 per license)
    - Limited to 90 rental nights per year
- Unlimited license
    - Allowed in certain zone districts
    - Limited to two licenses per block face
    - No limit on annual rental nights
    - Capped at 198 licenses ($800 per license)
    - Must rent out for at least 30 nights per year

STR LICENSE CATEGORIES – KEY QUESTIONS

- Should there be a separate license category for STRs in condo-hotels?
  - If so, should this category have a license cap?
- Should there be a separate license category for primary residence STRs?
  - If so, should this category have a license cap?
- Should deed-restricted units be allowed to short-term rent for a limited number of days?
- For all other short-term rentals, should there be a cap on the number of licenses?
- Should the Town consider ways to limit the number of STR licenses held by a single owner/entity?

STR ZONING

- Telluride currently regulates STRs based on zoning: STRs in and NOT in Residential Zone Districts
  - STRs in res. zones can be rented out for up to 3 periods for a total of 29 days annually
- STRs could be regulated differently based on location
  - By zoning district: adding or removing zones
  - Other: neighborhoods, special overlay zones
- STR zones can have different caps on the number of licenses and/or the number of rental nights
  - Can be combined with a license category approach

Policy Objectives

- Manage the number of total STRs in Telluride, while balancing the need for lodging inventory.
- Differentiate STR licensing and regulations based on location/zone

EXAMPLES

Breckenridge

- STR licenses are regulated by zone
  - Resort: 1,816 licenses (all units can be STRs)
  - Zone 1 (tourism zone): 1,680 licenses (92% of units can be STRs)
  - Zone 2 (downtown core): 130 licenses (51% of units can be STRs)
  - Zone 3 (single fam. residential): 390 licenses (10% of units can be STRs)
  - 4,016 available STR licenses (52% of units can be STRs)

Steamboat

- Standard STRs are regulated by zone
  - Zone A (mountain area and downtown): No limit on STRs
  - Zone B: Six subzones, each with specific caps on the number of STRs
  - Zone C: Standard STRs are prohibited

- Caps for zones B and C exclude:
  - Temporary STRs – up to 2 rentals for a max of 30 nights/year of a primary residence
  - Hosted STRs – rental of one guestroom

Avon

- Avon has three STR license categories
  - Full STR License (STR-F): unlimited rental nights
  - Limited STR License (STR-L): rent for up to 42 nights/yr and not subject to licensing caps
  - Resident-Occupied STR License (STR-RO): unlimited rental nights and not subject to caps

- STRs are only allowed within a zoning overlay area
- Within the STR zoning overlay, there is a designated 'town core'
  - Within the town core, there is no cap on licenses
  - Outside of the town core, STR-F licenses are limited to 15% of the total units in a given property (this is rounded up to the nearest whole and cannot be less than one)

Summit County

- STR licenses are unlimited in the Resort Overlay Zone, which includes Keystone, Copper Mtn, Tiger Run, and the base of peak 8 in the uninc. areas near Breckenridge

- STR licenses are capped for STRs in the Neighborhood Overlay Zone ; caps vary by area
  - 550 in lower blue basin, 590 in upper blue basin, 130 in snake river basin, 20 in Ten-Mile Basin
  - Limited to 35 bookings per year
  - Exception for STRs that are primary residences

Short-Term Rental Licenses in Telluride

Legend

- STR not in Residential Zone
- STR in Residential Zone

Zoning

- Residential/Commercial
- Residential
- Commercial
- Historic Residential
- Historic Commercial
- Parks & Open Space
- Accomodations 1 & 2
- Hillside Transitional & Developing

0 0.05 0.1 0.2 Miles

N

STR ZONING- KEY QUESTIONS

- Do you support differentiating STR regulations by zone/area?
- Do you support license caps in residential zones?
- Do you support license caps in non-residential zones (incl. accommodations zones)?
- Do you think there is a need for a new STR zone district (e.g., a resort district)?

HOUSING FEE

HOUSING FEE

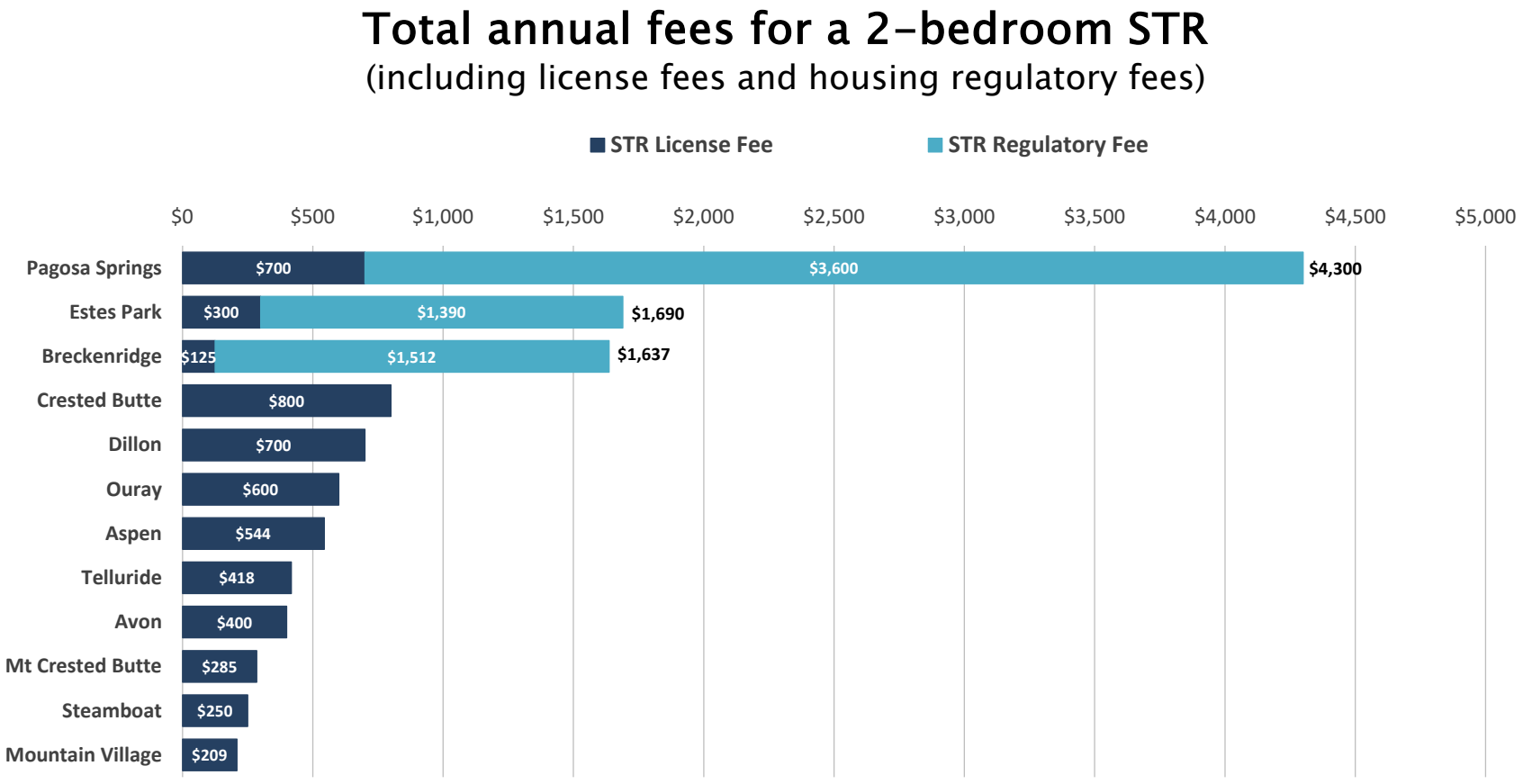
- A large portion of Telluride's economy is based on guests and tourism
  - Guests spend money that supports jobs in retail, food & beverage, recreation, services, and transportation
  - These jobs create housing demand
- A regulatory fee can be charged on STR licenses annually (in addition to the current business license fee) to address the Town's need for local workforce housing

Policy Objectives

- Local workforce benefits from stable, affordable housing in Town
- Local businesses need a dependable workforce to support the customer and guest experience
- Housing for the local workforce is a core policy of the Town, and additional revenue will help support housing programs

EXAMPLES

- Currently, three communities in CO have STR housing regulatory fees:
  - Breckenridge: $756 per bedroom/yr
  - Pagosa Springs: $1,800 per bedroom/yr
  - Estes Park: $1,390 per unit/yr
- Others are considering one
  - Granby
  - Eagle County
  - Winter Park



HOUSING FEE – KEY QUESTION

Should the Town create an additional regulatory fee to charge on STRs annually to address local housing needs?

STR EXCISE TAX

STR EXCISE TAX

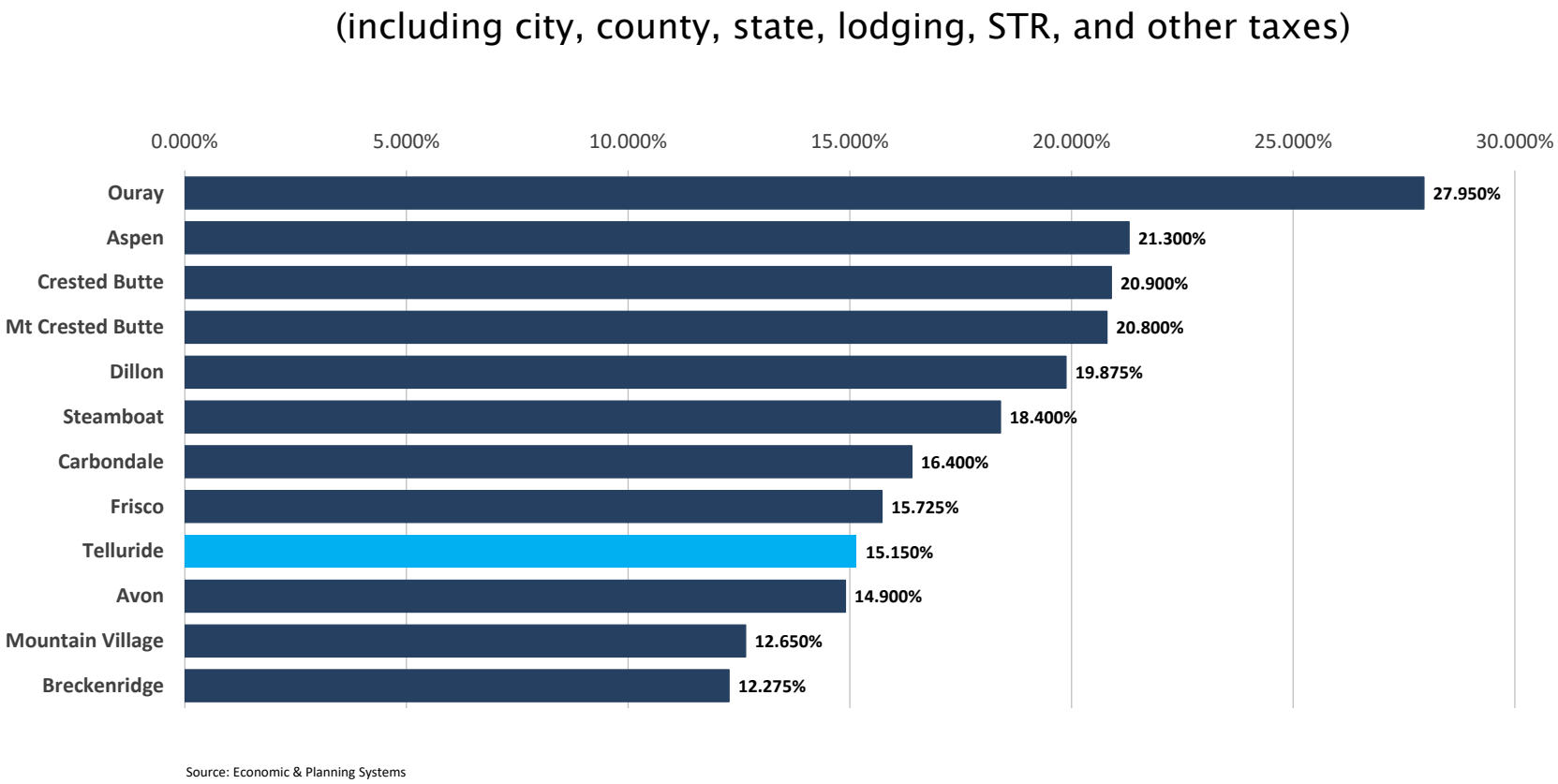
- STRs make up a large portion of Telluride's bed base and therefore drive guest stays in the town.
- A higher excise tax on STR stays could capture additional revenue from guests and visitors.
  - The Town currently levies a 2.5% excise tax on STR stays; total 15.15% tax rate on STR stays with other state + local taxes
  - Revenue ($1.3M in 2022) goes to Town's Affordable Housing Fund
  - Telluride's total STR tax rate is in the middle for Colorado Mountain Towns
- The additional revenue could be used to expand the Affordable Housing Fund.

Policy Objectives

- STRs generate a significant amount of economic activity through guest stays.
- Housing for the local workforce is a core policy of the Town, and additional revenue will help support housing programs

EXAMPLES

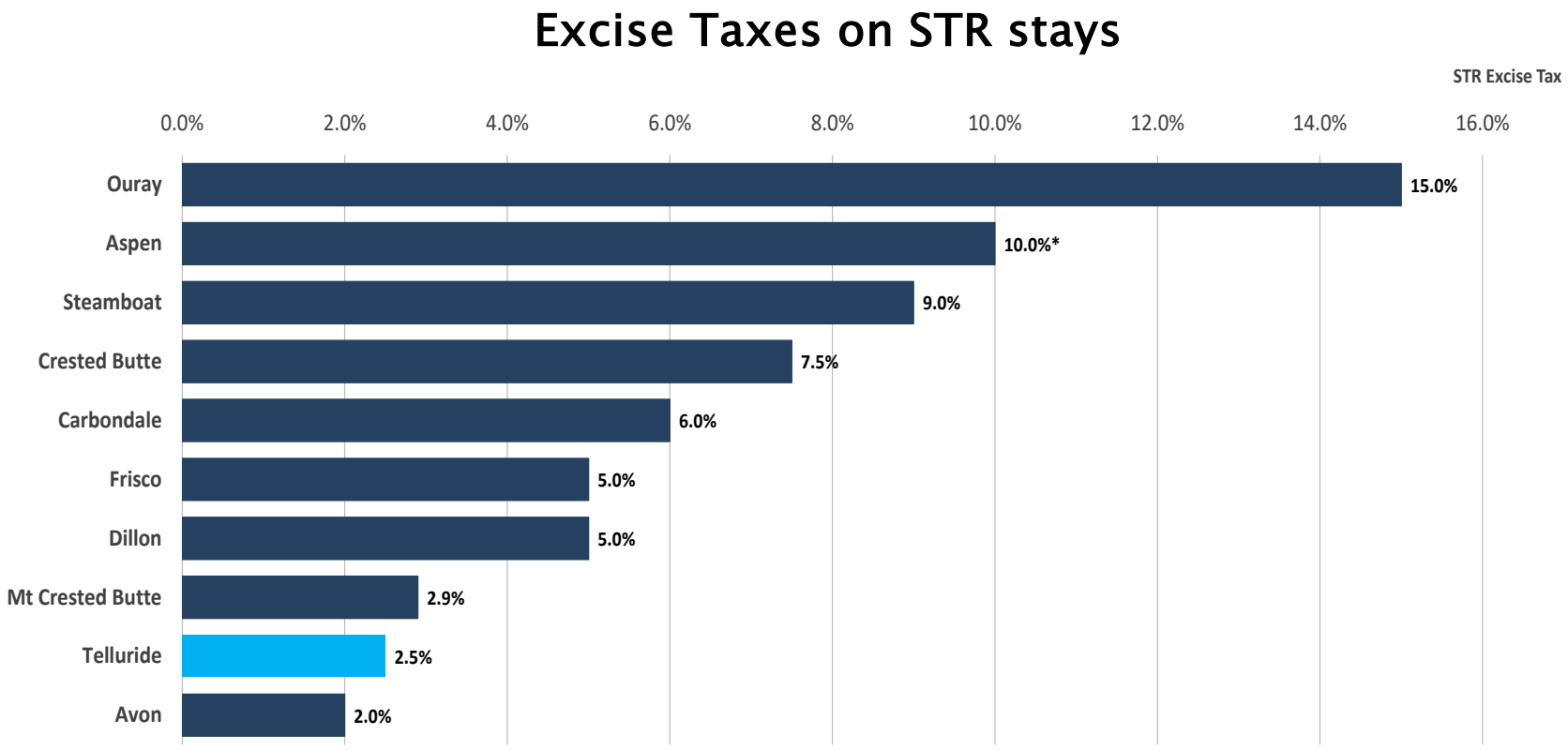
- Total tax rates on short-term rentals vary
  - 27.95% in Ouray, 21.3% in Aspen, 20.9% in Crested Butte on the high end
  - 12.65% in Mtn Village, 12.275% in Breck on the low end
  - Telluride is at 15.15%



EXAMPLES

- Specific excise taxes on STRs also vary –
  - 5%–10% in Aspen, depending on license type
  - 9.0% in Steamboat
  - 7.5% in Crested Butte

- Many of these excise taxes were passed within the last two years



*Ranges from 5% to 10% depending on license type
Source: Economic & Planning Systems

STR EXCISE TAX- KEY QUESTION

Should the current 2.5% excise tax on STR stays be raised? (As a future ballot measure)