

DATE: June 9, 2015

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WORK SESSION ITEM

City Council

SUBJECT FOR DISCUSSION

Short Term Rental Activity.

EXECUTIVE SUMMARY

The purpose of this item is to provide an overview and background information on short term rental (STR) activity, most typically referred to as Vacation Rental by Owner (VRBO) or Airbnb, within Fort Collins. With the arrival and increase in the cyber or sharing economy, communities nationwide are determining if and how to address this use at a local level.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council support defining Short Term Rentals?
2. Does Council support additional public outreach?
3. Are there additional items Council would like staff to pursue?
4. Does Council need any additional information?

BACKGROUND / DISCUSSION

Vacation Rentals by Owner (VRBO) and Airbnb are two companies that cater to the on-line short term rental market. This type of “sharing economy” activity has grown tremendously over the last five years. There are other on-line sites (Homeaway, Flipkey, Rentbyowner), however, VRBO and Airbnb are the most well-known.

Over the last year, short term rental activity has come to the City’s attention through a variety of means, including inquiries on permitting the use, concern regarding sales and lodging tax collection, and neighbor complaints. Based on this interest, staff began researching websites for local listings, contacting operators to ensure appropriate tax collection, tracking complaints, and researching how other communities are addressing this activity.

In Fort Collins many short term rental providers are advertising on both VRBO.com and Airbnb.com. Typically, VRBO is the renting of an entire house while Airbnb is the renting of a bedroom within an owner-occupied house.

It is difficult to determine the total number of short term rentals operating in Fort Collins. In May 2015 there were approximately 171 listings between the two sites. There is significant overlap from operators listing on both sites. There are also some listings that are only available for more than 30 days. The attached map (**Attachment 1**) shows 63 sites that had been noted in mid-2014. Staff is estimating there are 100-120 active short term rentals in Fort Collins.

Concerns/Work to Date

Taxes

Between May 2014 and April 2015 the City collected approximately \$36K in sales tax and \$27K in lodging tax from VRBO/Airbnb use.

In the sales tax section of City Code, *Lodging Services* is defined as:

...the furnishing of rooms or accommodations by any person, partnership, association, corporation, estate or any other combination of individuals by whatever name known to a person who for a consideration uses, possesses or has the right to use or possess any room in a hotel, inn, bed and breakfast residence, apartment hotel, lodging house, motor hotel, guest house, guest ranch, trailer coach, mobile home, auto camp or trailer court, park or similar establishment, for a period of less than thirty (30) days under any concession, permit, right of access, license to use or other agreement or otherwise.

Regardless of whether this use is currently defined elsewhere in City Code or in the Land Use Code, those renting rooms or housing for less than 30 days should be remitting sales and lodging tax. Between July and November 2014, finance staff contacted 64 listings that did not have a sales tax license. Of those, 40 acquired a sales tax license, bringing the total number of VRBO/Airbnbs remitting tax to 54. (**Attachment 2**)

This outreach required extensive research on the VRBO/Airbnb websites, followed by property record research, since the actual addresses are not listed online. Sales tax staff received a variety of follow-up calls. Some were concerned that staff was able to determine their address, some reported that they were not operating a STR, and some felt tax collection was inappropriate since there is not an associated "business" license or permit.

Business Use in a Residential Neighborhood

Neither the Land Use Code (LUC) nor City Code currently define "short term rental." There are definitions for *Bed and Breakfast* and *Lodging*, neither of which accurately captures this relatively new activity.

While there is a perception that short term rentals in a residential home constitutes a business, the rental of rooms from a Land Use perspective is considered a "residential" use and the collection of tax in and of itself does not constitute a business.

Complaints

The tracking of complaints has been somewhat anecdotal. Neighborhood Services reports an upward trend in VRBO/Airbnb related complaints over the last two years. The numbers of complaints are not high (typically about two a month) and they are usually seasonal in nature, with more complaints coming in the spring and summer months. These complaints are typically focused on safety, parking/traffic, and noise concerns. There have also been complaints registered through Access Fort Collins and direct email. These complaints have also focused on traffic and a perception of safety not knowing who is next door.

Homeowners Associations (HOAs) can restrict this use through covenants; however, not every neighborhood has an HOA.

Research

Communities across the nation and locally are grappling with the question of regulating short term-rental activity, and if so, in what manner. Regulation efforts vary and include mitigating neighborhood impacts, avoiding unfair competition with hotel/motels, setting safety standards, and considering housing availability. Enforcement efforts are equally diverse ranging from complaint driven to more costly permitting programs, fees, and enforcement staff. (**Attachment 3**)

Initial Outreach

Prior to the Council work session, staff met separately with both a group of VRBO owners and neighbors who had lodged complaints in an effort to better understand what is happening in the community.

From the owners, staff heard:

- VRBO/Airbnb providing a niche lodging option
- Most renters are visiting family and friends and want a homey environment
- VRBO/Airbnb allows space, ability for family meals and gathering, and typically a yard
- Owners must keep property up and looking good
- All owners present are paying taxes (if less than a 30-day rental)
- All owners present are open to reasonable regulations
- Many rental properties were on the owner’s property (carriage house) or next door

From neighbors, staff heard:

- This a business use that should not be in a residential neighborhood
- It feels unsafe not knowing who is next door
- The rentals bring more car traffic
- Occupancy can be more than 3-unrelated

Staff anticipates conducting a larger public engagement effort and will provide a Public Engagement Summary reflecting the outcome of the June 9, 2015 work session discussion and direction with the follow-up summary.

Next Steps

Based on the work to date, staff recommends:

- Creating a definition for *Short Term Rentals* that will differentiate between the typical Bed and Breakfast operation and other lodging options. This may require modification to the *Bed and Breakfast* definition.
- Conducting public outreach to determine community desire for regulations on VRBO/Airbnb activity.

Additional next steps could include further consideration of any of the following:

Potential Regulation	Outcome	Challenge
No additional regulations	<ul style="list-style-type: none"> • Status quo 	<ul style="list-style-type: none"> • Possible resistance from impacted neighbors
Limit the number or percentage of homes allowed to be used as a STR.	<ul style="list-style-type: none"> • Limits the concentration of this use. 	<ul style="list-style-type: none"> • Need criteria to decide how many and where.
Limit the number of nights per year a STR may be rented and/or require a minimum stay.	<ul style="list-style-type: none"> • Limits the extent. • Decreases incentive to use second homes or acquire investment property for this purpose. 	<ul style="list-style-type: none"> • Difficult to enforce. • Cost to monitor and track.
Require registration or permit.	<ul style="list-style-type: none"> • Allows for tracking and monitoring. • Having owner contact info helps with nuisance code enforcement. 	<ul style="list-style-type: none"> • Staff time and cost. • Enforcement

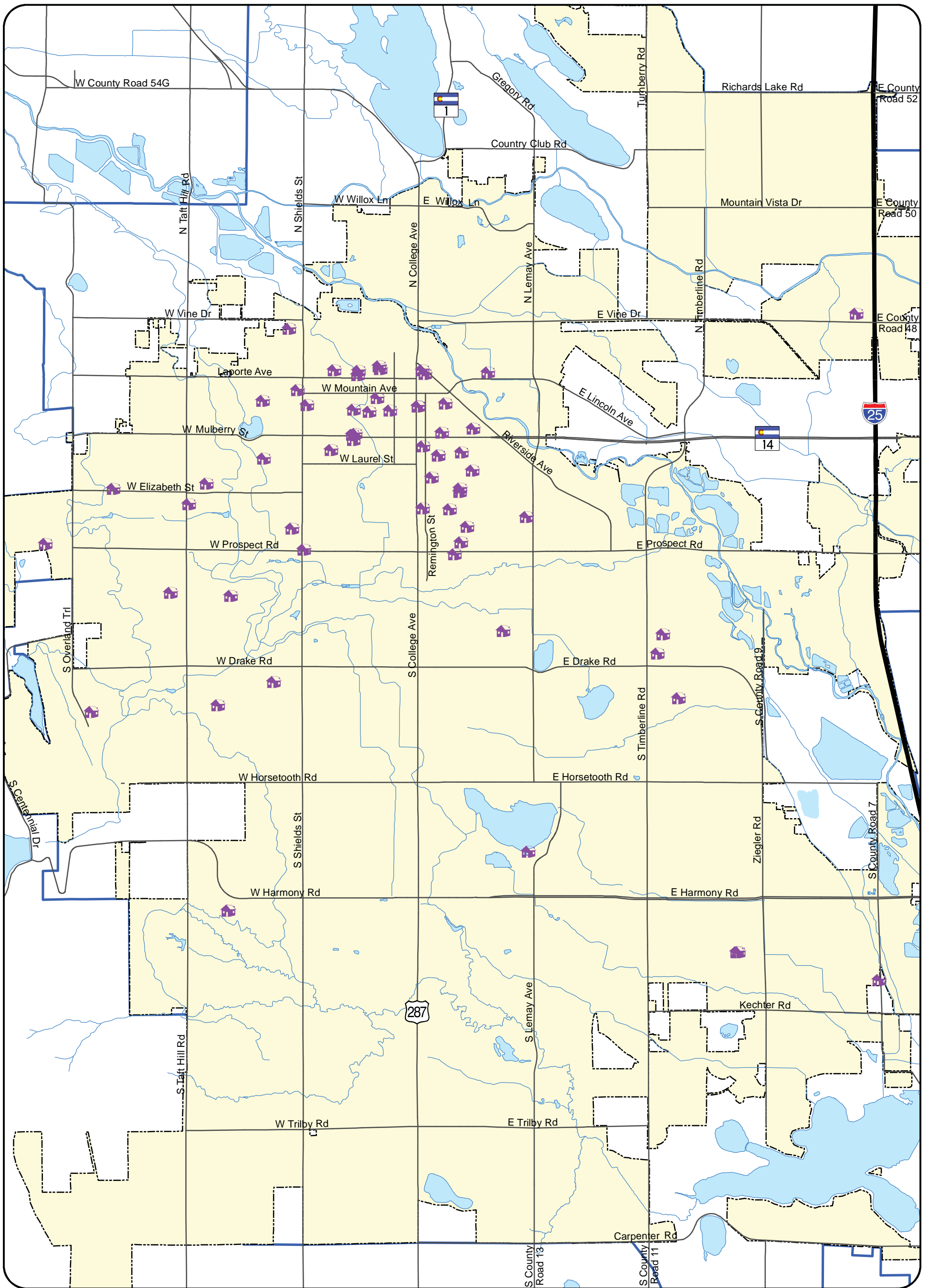
Potential Regulation	Outcome	Challenge
Require any of the following: - Safety inspections - Fee/annual renewal - Parking requirements - Maximum Occupancy limits	<ul style="list-style-type: none">• Limits the extent.• Protect health and safety of renters.• Requirements more similar to other lodging establishments.	<ul style="list-style-type: none">• Staff time and cost.• Possible resistance from STR owners.• Enforcement

ATTACHMENTS

1. ShortTerm Rental Map (PDF)
2. Sales Tax Information (PDF)
3. Research Matrix (PDF)
4. Powerpoint presentation(PDF)

Short Term Rentals

ATTACHMENT 1

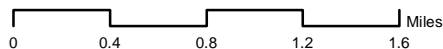


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Printed: May 26, 2015

Short Term Rental Information

- Number of VRBO/AirBnb Listings:
 - 171 active listings within City limits, as of 5/26/2015
- Outreach-between July 2014 and November 2014:
 - 64 letters mailed to VRBO/AirBnb listings not currently remitting tax
 - 40 of these have since obtained a license and are remitting tax
 - There were 5 listings where an address could not be found
- 54 total Short Term Rentals remitting as of 5/26/2015
- 81 total lodging facilities with a sales tax license in the City of Fort Collins
- Revenue from Short Term Lodging:

	Sales Tax Collected	Lodging Tax Collected
2014		
May	805.44	590.71
Jun	1,031.57	803.82
Jul	4,418.81	3,443.23
Aug	1,328.13	1,072.71
Sep	3,581.02	2,790.39
Oct	5,929.45	4,641.95
Nov	4,593.35	1,337.45
Dec	1,435.53	3,282.45
2015		
Jan	4,741.49	3,838.73
Feb	1,608.21	1,069.01
Mar	2,015.25	1,511.83
Apr	4,632.94	3,300.36
Grand Total	36,121.20	27,682.65

- Total revenue for all lodging activity:

	Sales Tax Collected	Lodging Tax Collected
2014		
May	144,390.59	95,229.23
Jun	172,334.57	119,942.18
Jul	223,313.54	156,041.63
Aug	212,994.42	154,477.30
Sep	215,238.30	154,605.84
Oct	185,176.55	126,003.53
Nov	185,695.96	120,733.12
Dec	125,196.92	84,308.08
2015		
Jan	128,708.84	79,067.32
Feb	136,087.17	79,833.45
Mar	124,495.58	82,591.97
Apr	145,172.53	99,507.12
Grand Total	1,998,804.97	1,352,340.79

RESEARCH MATRIX

	Short-Term Rental	License/Permit	Fee	Notes
Ann Arbor, MI				Identified in July 2014 as potential future project.
Asheville, NC		No rental licensing or permit required at this time. Homestay permit exists now.		Staff report April 2014. Not allowed in R-zones but not actively enforced-complaint driven. Held a Council listening session in March 2015 (130 attended.)
Austin, TX	Less than 30-days	Yes. Annual. Requirements. Proof of taxes paid for renewal. Distinguish between owner-occupied and non-owner-occupied.	\$235 and \$50 notification fee.	License may be revoked. Revocation may be appealed. Certain number of licenses per census tract. Grouped with B&B, Hotel, and Boarding House regulations Two Code Enforcement officers and one admin dedicated to VRBO.
Bellevue, WA				
Boulder, CO	Went to Council work session Feb 2015.	It is illegal to rent for less than 30 days in a residential zone.		Proposing adding definitions and regulations through their existing rental licensing code. Suggesting a tax measure to support staffing of enforcement.
Cedar Rapids, IA	Don't define.	All landlords required to have a permit and register their properties		
Denver, CO				No framework in place currently. Sharing Economy Task Force considering \$20 permit available to primary resident (no companies) and change of use to allow.
Eugene, OR				
Gainesville, FL	Don't define.	All landlords required to have a permit.		Game-day rentals a bigger deal. State regulation prevented regulating but that was just repealed.
Olathe, KS				
Palo Alto, CA	Transient Occupancy=less than 31 days (subject to tax.) Currently not allowed in residential zones.			Doing targeted or complaint-based enforcement. Went to Council work session March 2015. Will be studying the issue further. Estimate 300-400 listing a night.

RESEARCH MATRIX

	Short-Term Rental	License/Permit	Fee	Notes
Portland, OR	Only allowed in single-family dwellings. Regulated as bnb since 1990s. Allowed in all zones...conditional use review. 150 foot notice.	\$4,130 for bnb. \$180 for short term rental, includes inspection. Renew every 2 years for \$100 (no inspection)		2014 changes: 2 bedrooms may be rented (3-5 still considered a bnb) Owner must certify unit is primary residence and keep a log. Inspections to ensure safety (smoke detectors). Any number of related guests plus 5 non-related. Host must live in the home at least 270 days/year.
Provo, UT	Less than one month	Yes. All expire on July 31 each year.	\$20-60	Require licensing for ALL rentals.
Santa Barbara, CA				Transient Occupancy Tax.
Steamboat Springs, Co		Permits allowed for vacation rentals and permit # is to be placed on any advertising.		If property found without a permit City sends a certified Notice of Violation letter to the current listed property owner.



Short Term Rental Activity in Fort Collins

(Vacation Rental by Owner/ Airbnb)

City Council Work Session

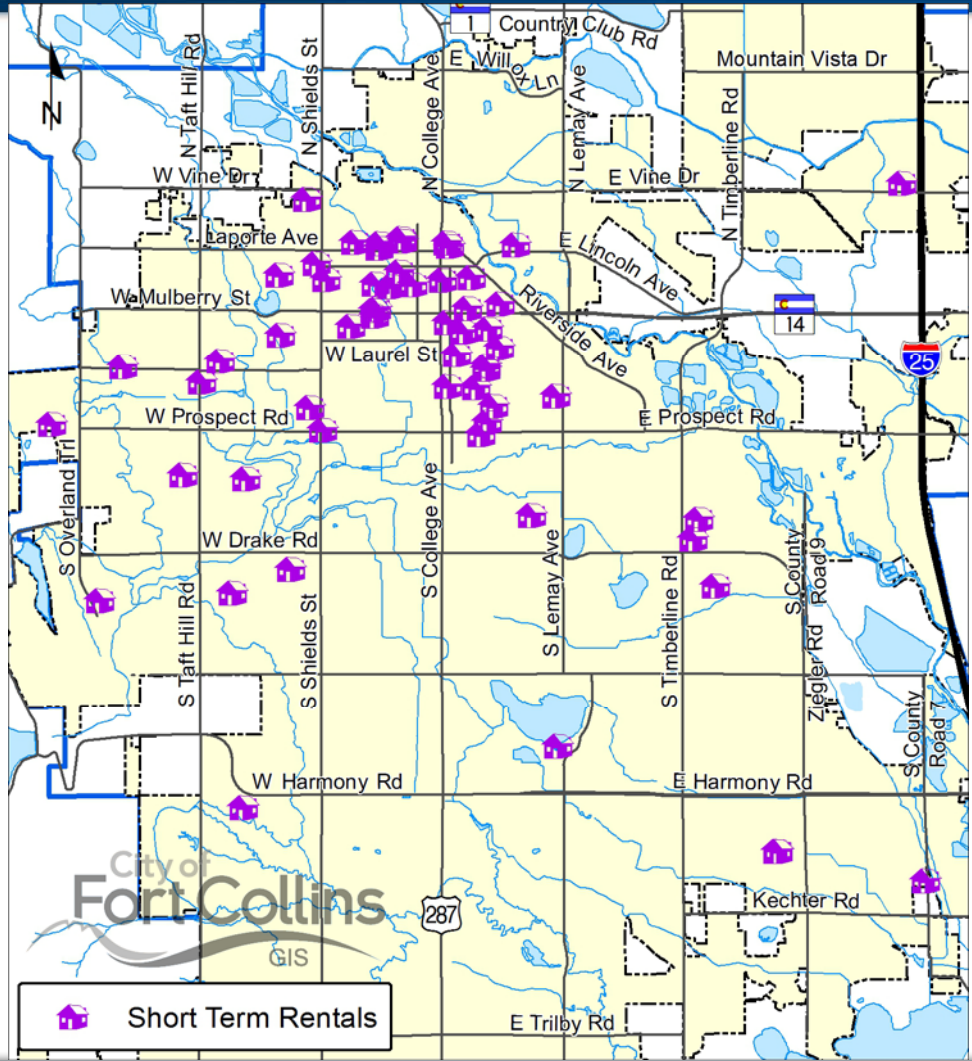
June 9, 2015

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- What are VRBOs?
- What is Airbnb?
- How does it all work?

- VRBO-typically whole house.
- Airbnb-typically a room in a house.
- STRs have become firmly established both nationally and internationally ahead of local regulations.
- Approximately 171 listings between the two websites (includes overlap in listings and some outside of City boundaries.)

Map shows 63 listings.



Nationwide communities starting to consider regulations.
Each community experiencing differing impacts.

- Taxation
- Neighborhood Impacts
- Economic Impact
- Housing Availability

City of Fort Collins Sales Tax requires a sales tax license and remittance of sales and lodging tax for any accommodations provided for less than 30 days.

Currently have 54 listings remitting tax.

From May 2014-April 2015:

\$36K in sales tax

\$27K in lodging tax

City seeing a slight increase in STR-related complaints
(2-3 month in busy/summer season.)

Main complaints:

- Traffic/parking
- High Occupancy
- Not knowing who is next door (perception of safety)
- Business in a neighborhood

Aside from tax remittance economic and housing impacts are anecdotal:

- STR's provide a desired niche market.
- Uncertain if STRs are removing housing from market or allowing extra income to make housing more affordable.

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- Staff supports defining Short Term Rental in the Municipal Code.
- Staff will continue to monitor other comparable communities and their actions related to STRs.

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