



CITY COUNCIL WORK SESSION

448 E. 1st Street, Room 190 Salida, Colorado 81201

Monday, August 16, 2021 - 6:00 PM

AGENDA

Please register for the City Council Work Session

<https://attendee.gotowebinar.com/register/8054749917914710285>

After registering, you will receive a confirmation email containing information about joining the webinar.

DISCUSSION ITEMS

1. Short-term Rental (STR) Policy Options
2. 2022 Requested Budget Presentation



CITY COUNCIL WORK SESSION MEMO

MEETING DATE: August 16th, 2021

AGENDA ITEM: Short-term rental (STR) Policy Options Discussion

FROM: Bill Almquist, Community Development Director

As part of a series of steps to address the current local workforce housing crisis, City Council recently adopted a 90-day emergency moratorium on the issuance of new short-term rental (STR) licenses, with some exceptions for licenses negotiated specifically through planned developments, annexations, and other agreements. Staff has since conducted additional analysis of existing conditions and has been gathering public input to help develop an array of policy options for Council to consider regarding the licensing of such units. Staff notes that STRs fill an obvious demand/need for the community, and the intent of such policy review is in no way meant to vilify them but rather to better understand their impacts on the community as a whole and to attempt to strike an appropriate balance between those uses and other critical community needs and values.

As of today, there are 210 total STR licenses across the city, including 75 spread around the residentially-zoned areas (which are capped at 3.5% of total units in those zones) and 130 in the uncapped commercial and industrial zone districts. (There are also currently 5 STRs in areas that were eligible to receive licenses via previous negotiated agreements). Since 2016, when existing STR policies were implemented, the percentage of STRs in commercial and industrial zones has risen from 9% of the residential stock to approximately 30% today—with the majority of that increase occurring in the Historic Downtown District and immediately surrounding area. This rapid rise in the number of short-term rentals signifies a reduction in the percentage and number of potential long-term housing options. It appears that the profitability of STRs may also be having an impact on the quickly rising sales price of residential units (and the realty industry is quick to note when a property is able to be short-term rented). The recent “Mountain Migration” report by NW Colorado Council of Governments & Colorado Association of Ski Towns discusses the impacts of STRs along these lines, especially in mountain towns similar to Salida.

On a separate but related note, while both STRs and hotels/motels are responsible for paying an Occupational Lodging Tax (OLT) of \$3.66 per room night, they are assessed at very different property rates. Hotel/motel properties are taxed commercially under county tax code while STRs are taxed at a much lower residential rate, creating issues around fiscal equity.

For discussion purposes, staff has proposed a handful of policy alternatives that address the two issues highlighted above: preserving long-term occupancy options, and helping to create a level playing field between STRs and other short-term lodging options. These alternatives are meant to be considered either independently or in combination with others. They have also been devised with a special consideration for keeping the administrative burden on the City Clerk's Office at a reasonable level. Also to note, an online survey was created and sent out on Monday, August 9th to get general feedback on public perception of short-term rentals as well as input on a wide variety of policy options, including those presented below. The survey was made available via various channels, including the City website and Facebook page, as well as via emails to members of the development and business community, affordable housing community, STR license holders, and property management firms, among others. As of Noon on Friday, August 13th, 425 responses had been received.

Options to Help Preserve the Availability of Long-Term Occupancy Units:

1. Apply caps to the number of licenses within *Commercial and Industrial* zone districts.

Staff discussion: Given their popularity and profitability, it is entirely possible that, without any limitations put on them, nearly all residential units within certain areas such as the C-2/Historic Downtown District could soon become short-term rentals. Already almost 50% (70 out of the 141) of the residential units in that area are STRs. Such conversions can certainly have a significant impact on the character and function of neighborhoods. Staff recommends applying individual caps to the four Commercial/Industrial areas listed below in order to ensure that STRs are not overrepresented in any one location. The recommended percentages for STRs Downtown and along the Highway 50 corridor are higher than those for other areas with more residential representation and proximity:

- C-2/Historic Downtown District:
 - Current status: 50% or 70/141 are STRs
Staff recommended cap: 99 STR licenses (70% of existing units)
- Hwy 291 C-1 zone districts north and south of Downtown
 - Current status: 17% or 52/302 are STRs
Staff recommended cap: 106 STR licenses (35% of existing units)
- Industrial zone districts east and west of Downtown:
 - Current status: 18% or 8/45 are STRs
Staff recommended cap: 16 STR licenses (35% of existing units)
- Highway 50 corridor
 - Current status: 0% or 0/50 are STRs
Staff recommended cap: 35 STRs (70% of existing units)

Survey Response: 47% would support caps in commercial and industrial zones; 24% would not; and 29% said maybe but would like to see more details.

2. Limit all new licenses to Chaffee County residents only.

Staff discussion: A number of counties and municipalities require that STR license holders provide proof of primary residency in that county or municipality (often for a minimum length of time) in order to receive an STR license. Such requirements are intended to encourage that money earned from such ventures stays with community members, reduces the influence from outside groups, and potentially allows for greater oversight and attention to the individual properties. Administration of such a program, however, could have some significant challenges and more investigation into other communities' experiences would be informative. Staff recommends more discussion on this potential policy alternative and would appreciate Council's thoughts and direction on such a regulation.

Survey Response: 52% agreed with the idea; 28% disagreed with the idea; and 20% were neutral or had no opinion.

Options to Help Create Fiscal Parity Between Hotels/Motels and STRs:

1. Require that STR properties be taxed at a commercial rate.

Staff discussion: It is unclear at this point if State and County tax code have a mechanism to allow for STR properties to be taxed commercially. Staff will continue to work with the Chaffee County Assessor's Office to determine the feasibility of such a concept.

Survey Response: This question was not specifically asked, however, the tax disparity was noted in the background information and a large number of respondents suggested taxing STRs as commercial in their written suggestions.

2. Standardize the initial application fees for all STR licenses in all zone districts.

Staff discussion: Currently, the initial application fee for STR licenses in Residential and Industrial areas is \$470 while it is only \$270 in Commercial areas. The administrative review and maintenance of such licenses, however, is basically the same regardless of zoning, and more representative of the \$470 fee. Staff recommends that each class of license holder pay the same price of \$470 for initial applications. Renewals are \$270 regardless of zone and therefore no change is recommended at this time.

Survey Response: Though this recommended change is different from the question that was asked, it should be noted that 42% believed that current fees are too low; 26% believed that they are just right; and 9% believed they are too high. (23% had no opinion)

Additional summaries of the survey feedback are attached to this memo. Staff appreciates the input of Council on these potential policy options or others that you would like to see considered.

Attachments: Copy of Survey; Summary of STR Survey Responses Received as of 12:00PM 8/13/21; City of Salida Zoning Map

City of Salida Short-Term Rental (STR) Survey

It is generally accepted that short-term rental units (STRs)—defined as residential units rented for less than 30 consecutive days—have had a notable impact on both housing costs and the availability of housing for our local workforce. Additionally, STR properties are taxed at a lower residential rate, whereas hotel and motel properties are taxed at a higher commercial rate, creating an unequal playing field for such services. In response to these conditions, the City of Salida is considering a variety of updates to its current STR policies. The intention is not to vilify STR license holders but to strike a balance between a specific service that is in demand and other critically important community components, including workforce housing and fairness in commerce. The City seeks your input to help in addressing these issues. Please respond to the following survey, which should take about 5-10 minutes to complete:

* Required

1. Where is your primary residence? *

Mark only one oval.

- Within Salida city limits
- Within Chaffee County or within 50 miles of Salida
- Outside the area but within Colorado
- Outside of Colorado

2. Do you own or rent your primary residence? *

Mark only one oval.

- Own
- Rent

3. Do you currently hold a short-term rental (STR) license within the City of Salida? *

Mark only one oval.

- Yes
- No

4. If you do not currently hold an STR license, do you currently have plans to obtain one in the future?

Mark only one oval.

- Yes
- No
- Maybe
- N/A

5. Are you involved with STRs in any sort of other business fashion (e.g. property management, real estate, development, etc.)? *

Mark only one oval.

- Yes
- No

6. If yes, please explain how you are involved :

7. Generally speaking, how do you view STRs? *

Mark only one oval.

- They play a very valuable role for our community—no complaints here
- They have their upsides and their downsides—the devil’s in the details
- They are very bad for our community—I would have no problem if they didn’t exist

8. Please explain/expand upon your view on STRs

STRs in
Commercial
& Industrial
Zone
Districts

Background: There are currently no caps on the number of STRs allowed in Commercial and Industrial zone districts. The percentage of STRs in those zones has grown from less than 10% of all residential units in 2016 to almost 30% (or 120 licenses) today--with the bulk of them in the Historic Downtown District and 1st Street/Oak Street corridor.

9. What is your view of the current number of STR licenses in COMMERCIAL/INDUSTRIAL zone districts? *

Mark only one oval.

- Too many
- Too few
- Just right
- No opinion

10. Would you support some sort of cap on the number of STR licenses allowed for EXISTING UNITS in COMMERCIAL/INDUSTRIAL zone districts? (assuming existing licenses would be allowed to continue) *

Mark only one oval.

- Yes
- No
- Maybe - I want to see more details

11. If you would support limits on the number of STR licenses allowed for EXISTING UNITS in COMMERCIAL/INDUSTRIAL zone districts, what do you think would be an appropriate percentage cap?

Mark only one oval.

- 0% - 30% of all units allowed to be STRs
- 31% - 60% of all units allowed to be STRs
- 61% - 90% of all units allowed to be STRs
- I do not support any cap

12. Would you support some sort of cap on STRs licenses for NEW BUILD residential projects in COMMERCIAL/INDUSTRIAL zone districts (e.g. only X units out of Y total new units in a particular project can receive an STR license) ? *

Mark only one oval.

- Yes
- No
- Maybe - I want to seem more details

13. If you would support limits on the number of STR licenses allowed for NEW BUILD residential projects in COMMERCIAL/INDUSTRIAL zone districts, what do you think would be an appropriate percentage cap?

Mark only one oval.

- 0% – 25% of all units allowed to be STRs
- 26% - 50% of all units allowed to be STRs
- 51% - 75% of all units allowed to be STRs
- 76% - 99% of all units allowed to be STRs
- I do not support any cap

**STRs in
Residential
Zone
Districts**

Background: Currently, STR licenses in residential zone districts are capped at 3.5% of all units and no more than one license is allowed per block face. There are currently 75 STR licenses permitted in residential zone districts, plus approximately 30 other licenses that have been approved through negotiated Planned Development processes.

14. What is your view of the current number of STR licenses in RESIDENTIAL zone districts? *

Mark only one oval.

- Too many
- Too few
- Just right
- No opinion

15. Please explain your above answer, if you would like.

Four horizontal lines for text input.

16. Any other details you would change about STRs in RESIDENTIAL zone districts?

Four horizontal lines for text input.

Fees and Other Regulatory Options

Background: Currently, the initial application fee is \$470 (within residential and industrial zone districts) and \$270 (within commercial zone districts) with renewals at \$270/year. Also, as mentioned above, STR properties are taxed at a lower residential rate, whereas hotel and motel properties are taxed at a higher commercial rate. Lastly, out-of-County residents account for over 70% of all STR license holders.

17. How do you feel about current fees for STR licenses? *

Mark only one oval.

- Four radio button options: 'They're too low- raise them', 'They're too high- lower them', 'That's just about right', 'No opinion'.

18. Please explain your views on the fees.

Four horizontal lines for text input.

19. How would you feel if only primary residents of Chaffee County were allowed to receive FUTURE licenses? *

Mark only one oval.

- Love it
- Hate it
- Neutral/No opinion

20. How would you feel about licenses being limited to a maximum of 1 per person or LLC for FUTURE licenses? *

Mark only one oval.

- Love it
- Hate it
- Neutral/No opinion

21. Do you have other ideas on how to help reduce the impact of STRs on the availability of workforce housing (i.e. long-term rentals)?

22. What other ways would you suggest to "level the playing field" between hotels/motels and STRs?

23. Any other relevant feedback regarding STR licensing?

Thank you for your participation!

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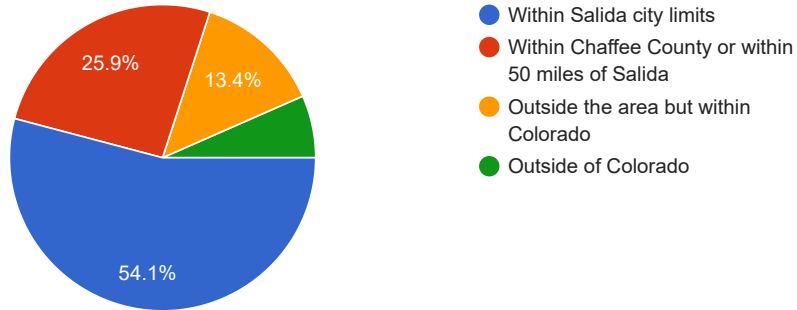
City of Salida Short-Term Rental (STR) Survey

425 responses

[Publish analytics](#)

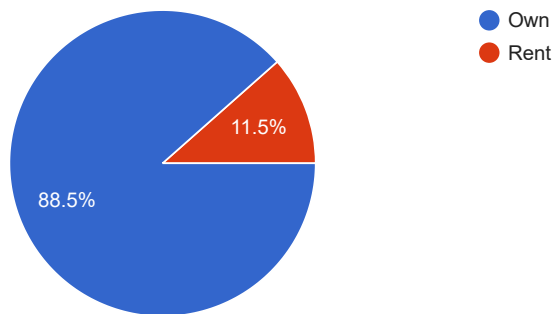
Where is your primary residence?

425 responses



Do you own or rent your primary residence?

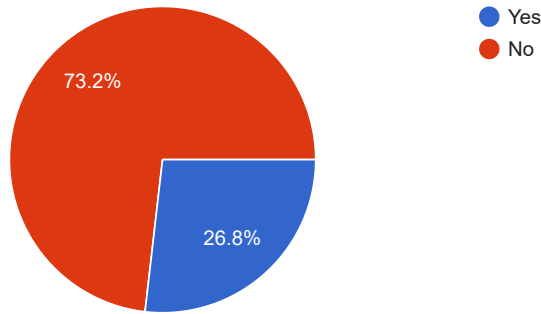
425 responses



Item 1.

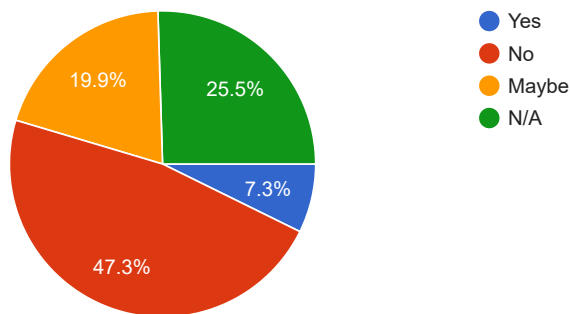
Do you currently hold a short-term rental (STR) license within the City of Salida?

425 responses



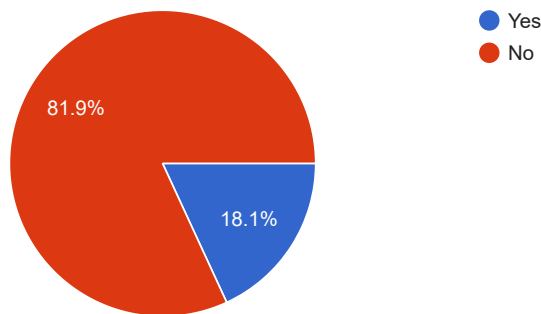
If you do not currently hold an STR license, do you currently have plans to obtain one in the future?

412 responses



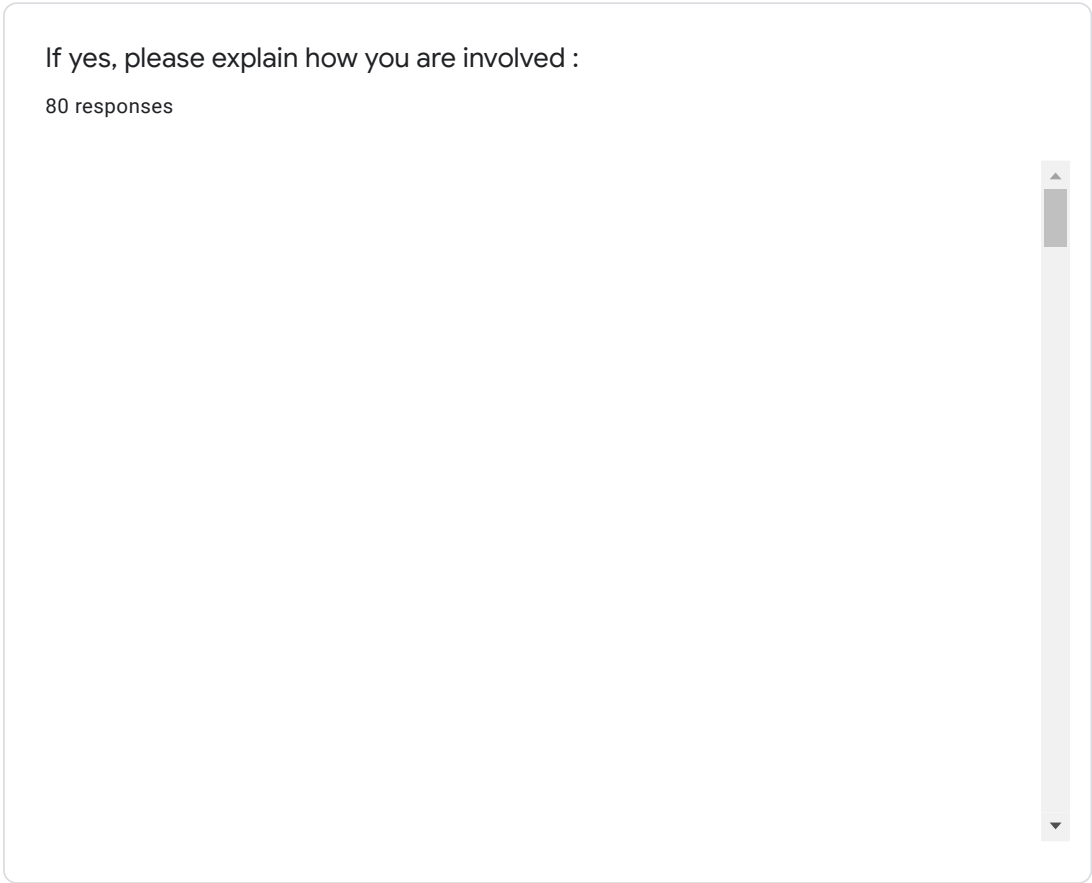
Are you involved with STRs in any sort of other business fashion (e.g. property management, real estate, development, etc.)?

425 responses



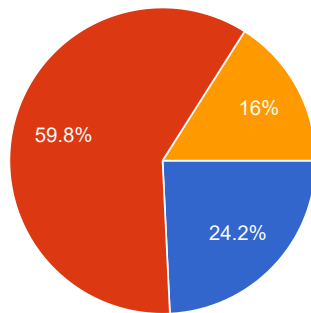
If yes, please explain how you are involved :

80 responses



Generally speaking, how do you view STRs?

425 responses

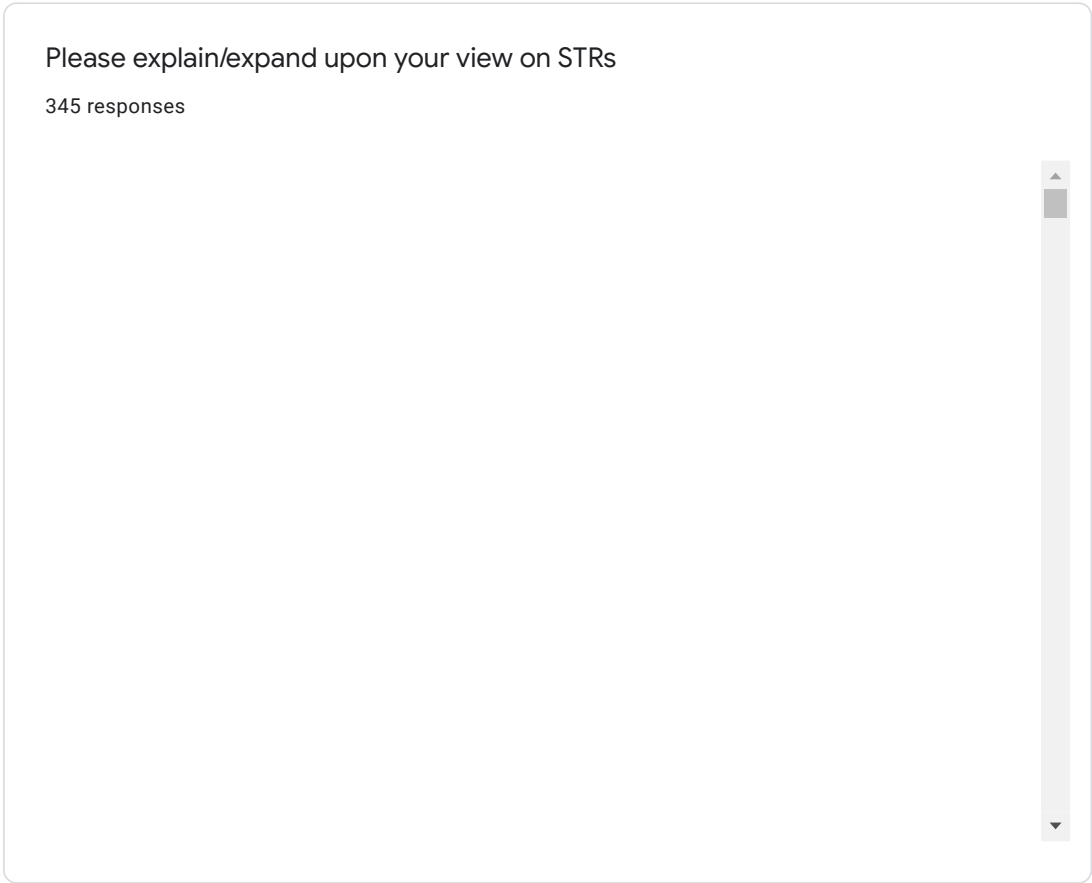


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Please explain/expand upon your view on STRs

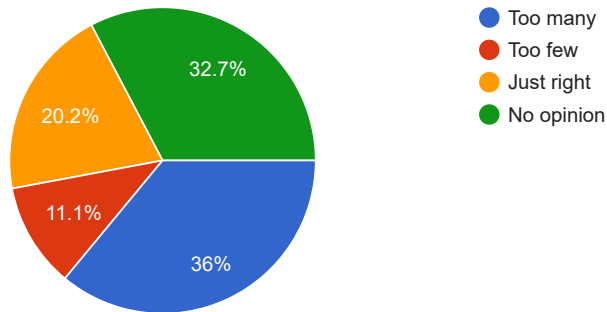
345 responses



STRs in Commercial & Industrial Zone Districts

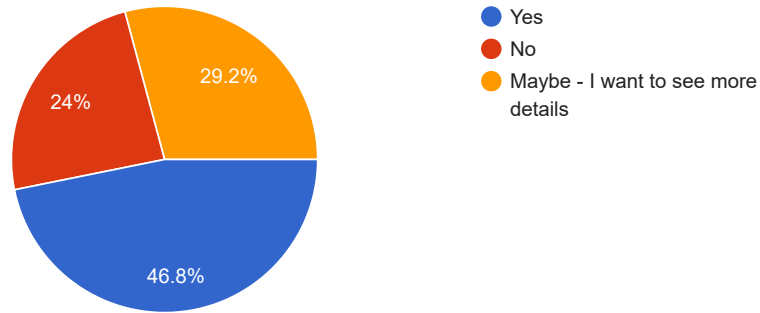
What is your view of the current number of STR licenses in COMMERCIAL/INDUSTRIAL zone districts?

425 responses



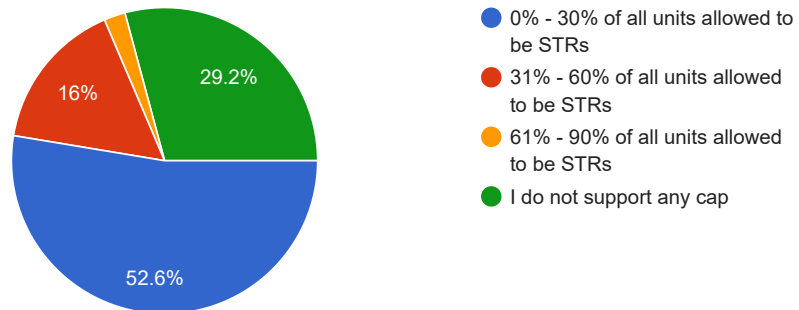
Would you support some sort of cap on the number of STR licenses allowed for EXISTING UNITS in COMMERCIAL/INDUSTRIAL zone districts? (assuming existing licenses would be allowed to continue)

425 responses



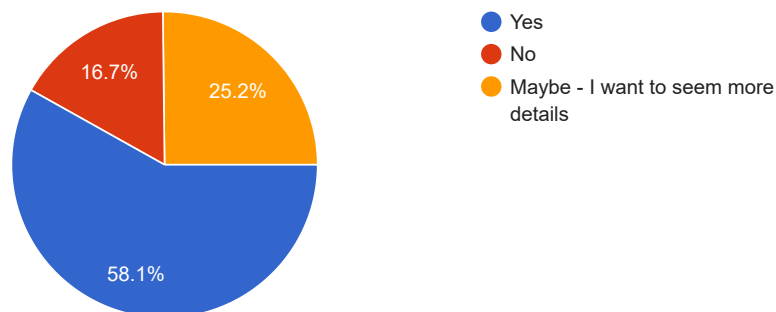
If you would support limits on the number of STR licenses allowed for EXISTING UNITS in COMMERCIAL/INDUSTRIAL zone districts, what do you think would be an appropriate percentage cap?

401 responses



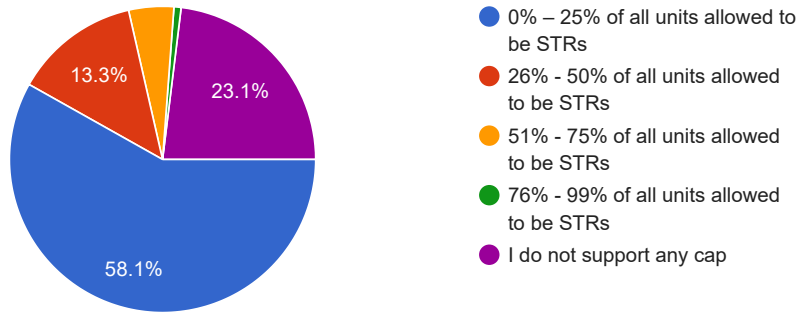
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425 responses



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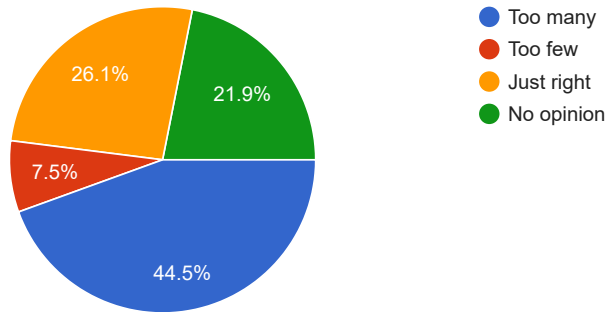
399 responses



STRs in Residential Zone Districts

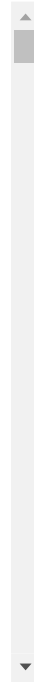
What is your view of the current number of STR licenses in RESIDENTIAL zone districts?

425 responses



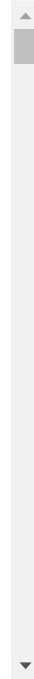
Please explain your above answer, if you would like.

236 responses



Any other details you would change about STRs in RESIDENTIAL zone districts?

162 responses

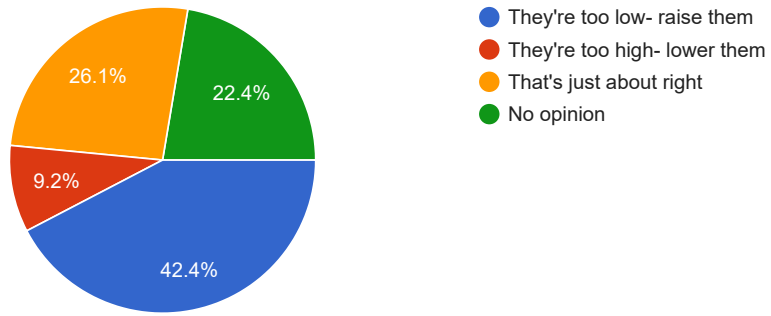


Fees and Other Regulatory Options



How do you feel about current fees for STR licenses?

425 responses



Please explain your views on the fees.

214 responses

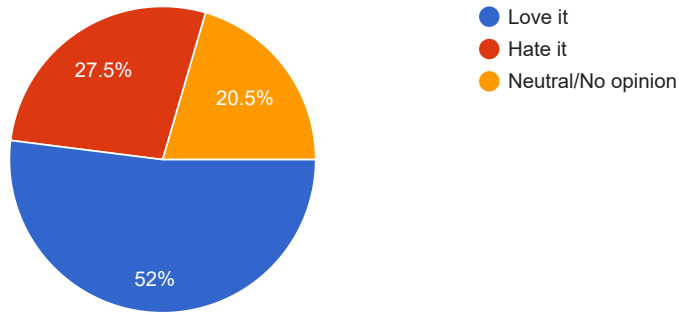
A large, empty text area for providing detailed feedback on the fees. A vertical scrollbar is visible on the right side of the text area.



Item 1.

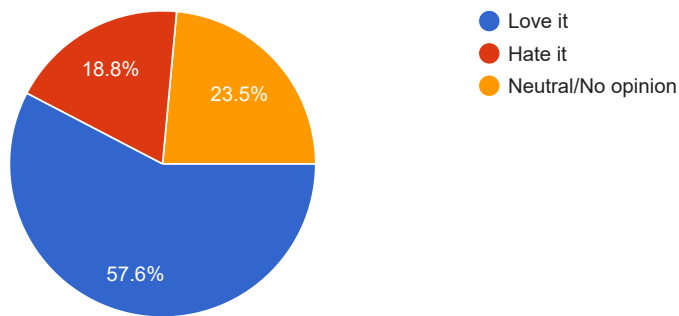
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425 responses



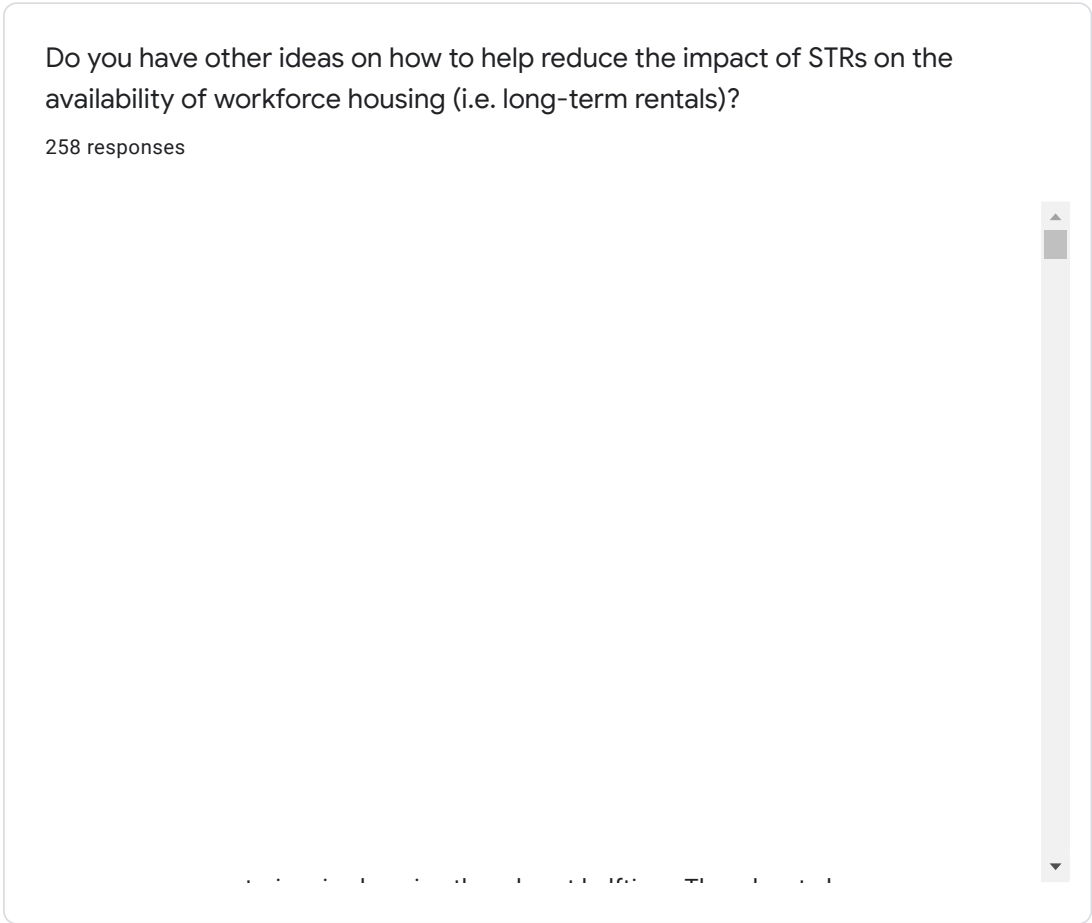
How would you feel about licenses being limited to a maximum of 1 per person or LLC for FUTURE licenses?

425 responses



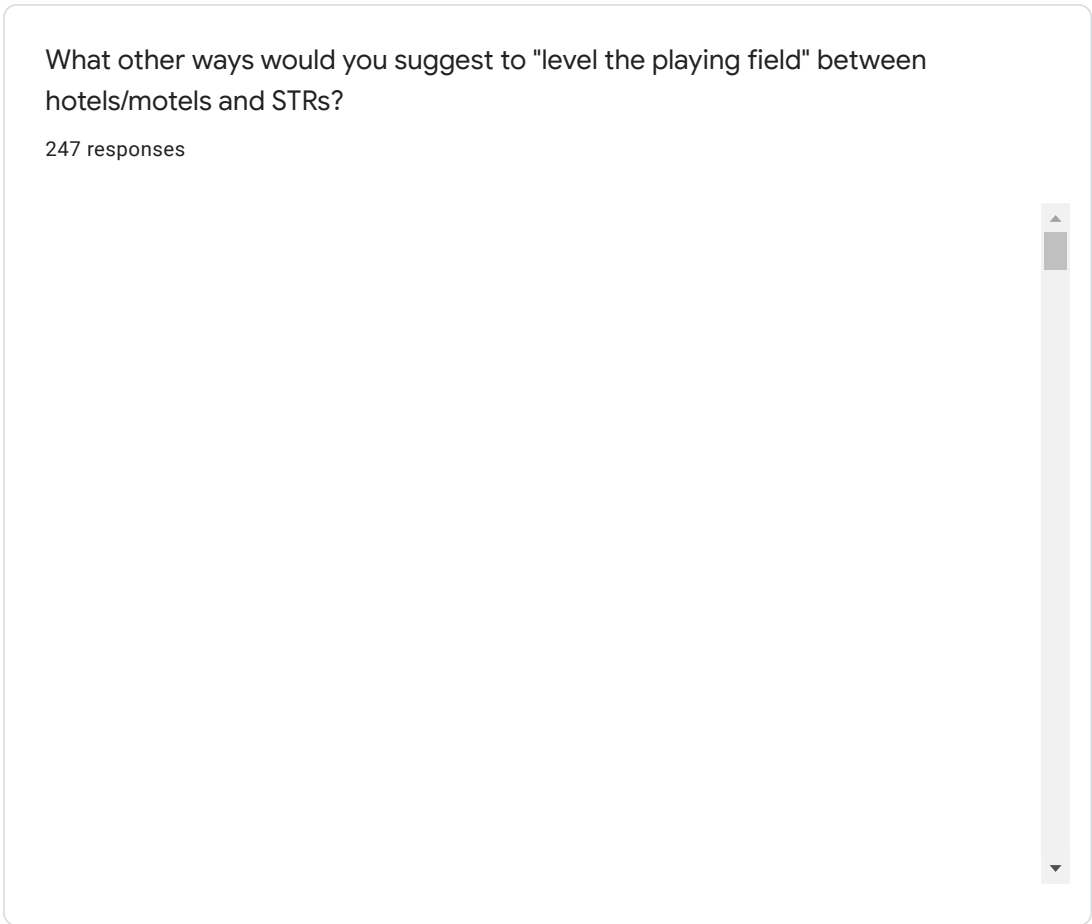
Do you have other ideas on how to help reduce the impact of STRs on the availability of workforce housing (i.e. long-term rentals)?

258 responses



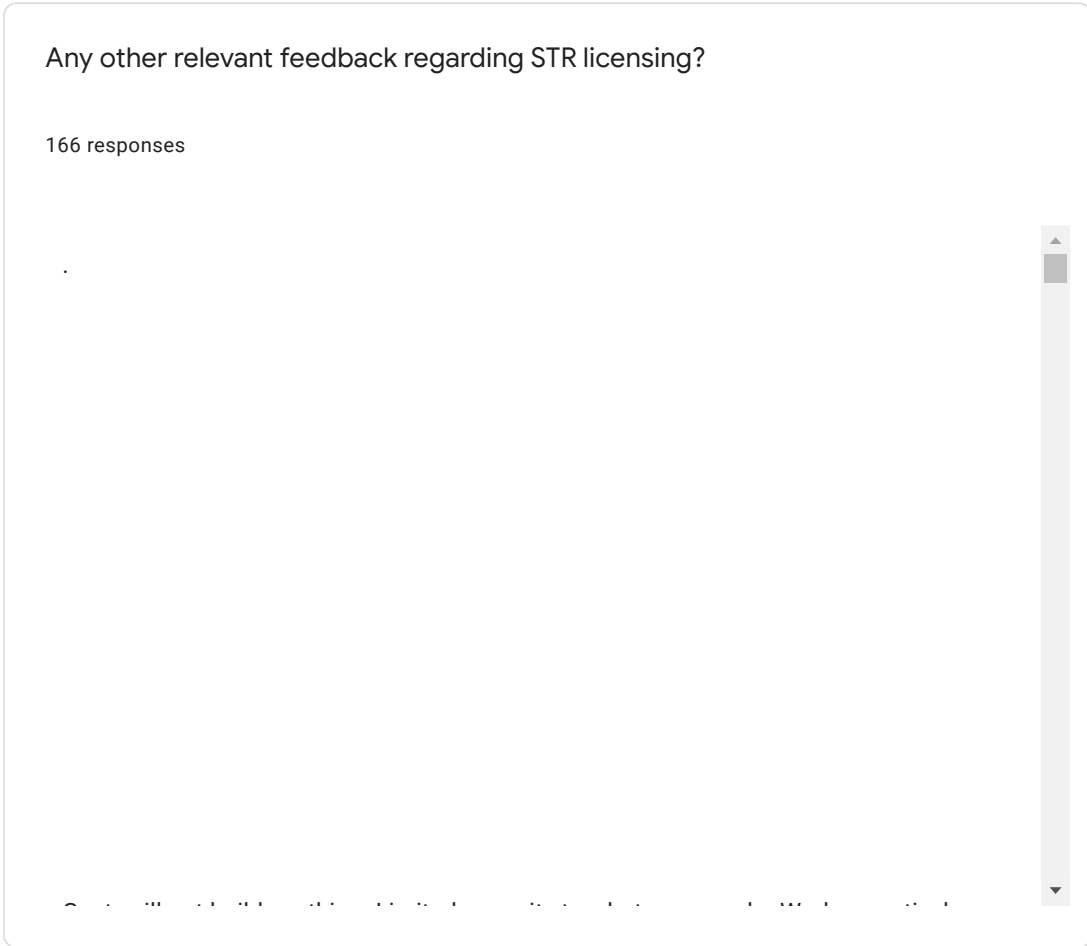
What other ways would you suggest to "level the playing field" between hotels/motels and STRs?

247 responses



Any other relevant feedback regarding STR licensing?

166 responses

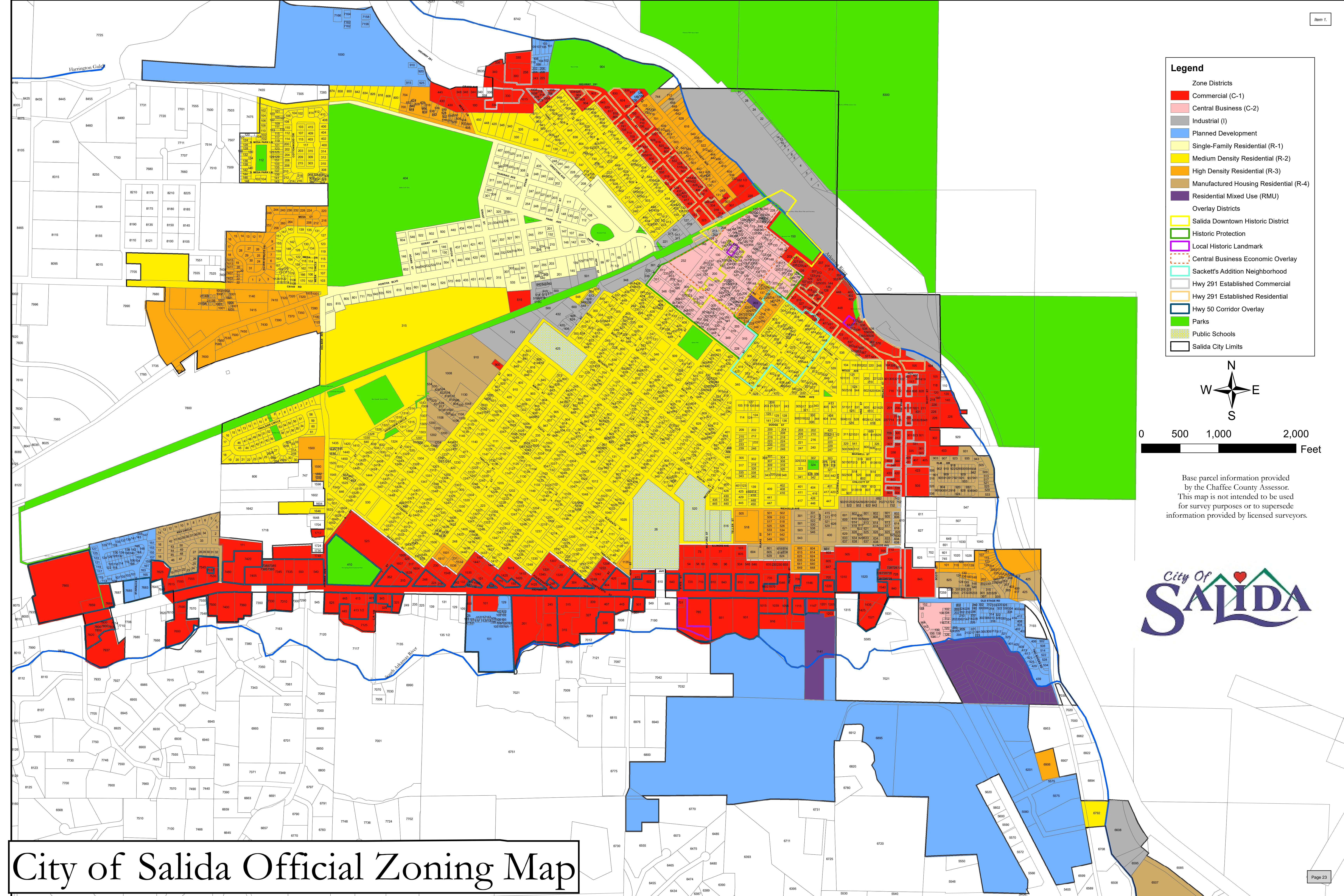


Thank you for your participation!

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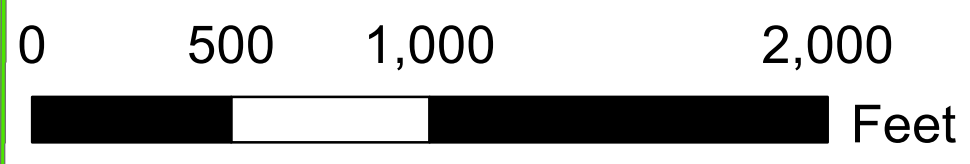
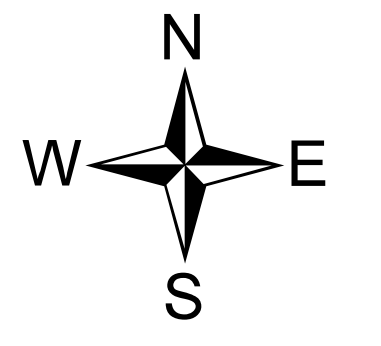
Google Forms





Legend

- Zone Districts
 - Commercial (C-1)
 - Central Business (C-2)
 - Industrial (I)
 - Planned Development
 - Single-Family Residential (R-1)
 - Medium Density Residential (R-2)
 - High Density Residential (R-3)
 - Manufactured Housing Residential (R-4)
 - Residential Mixed Use (RMU)
- Overlay Districts
 - Salida Downtown Historic District
 - Historic Protection
 - Local Historic Landmark
 - Central Business Economic Overlay
 - Sackett's Addition Neighborhood
 - Hwy 291 Established Commercial
 - Hwy 291 Established Residential
 - Hwy 50 Corridor Overlay
- Parks
- Public Schools
- Salida City Limits



Base parcel information provided by the Chaffee County Assessor. This map is not intended to be used for survey purposes or to supersede information provided by licensed surveyors.

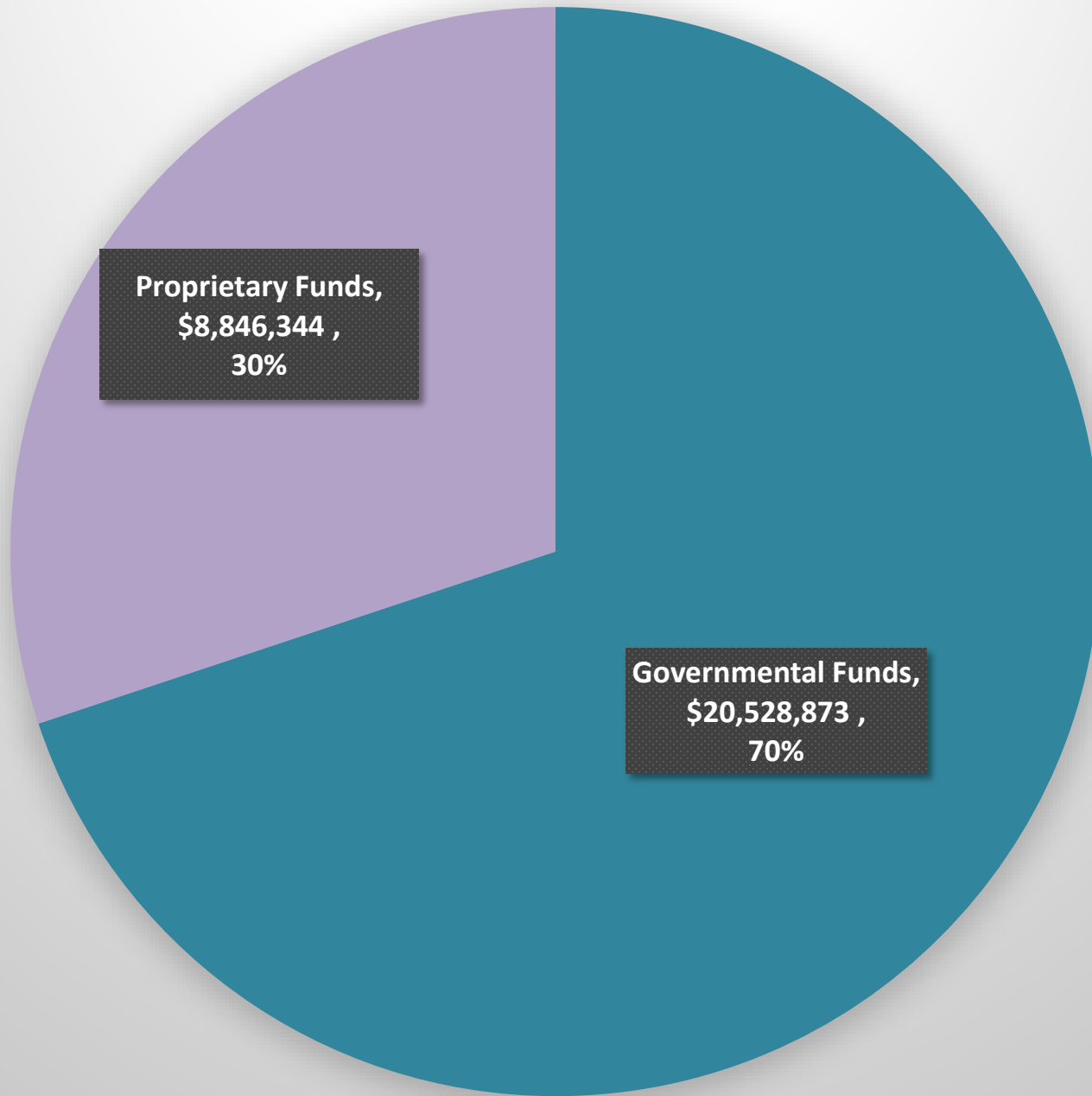


City of Salida Official Zoning Map



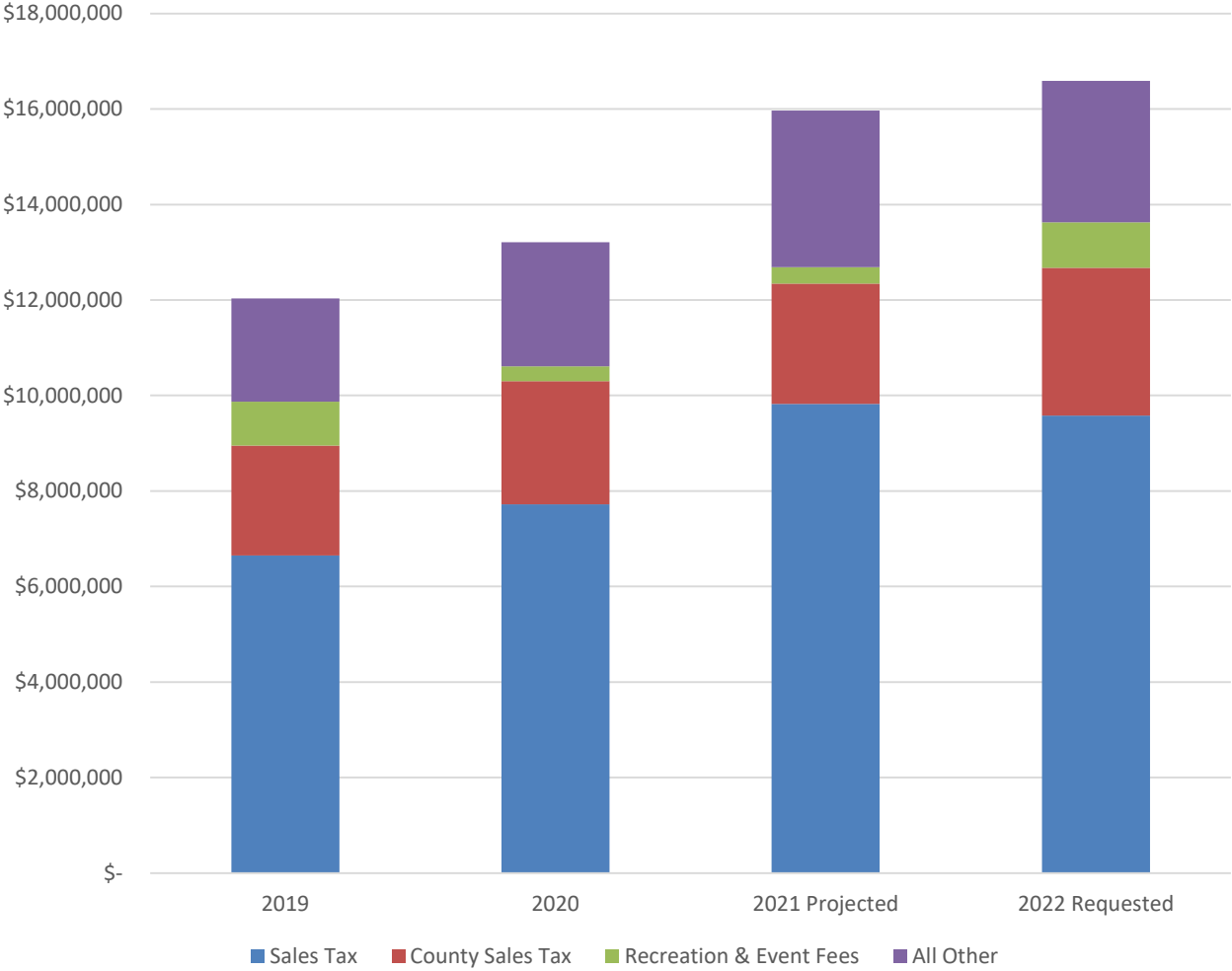
2022 Requested Budget

Brief Overview



Revenue Assumptions

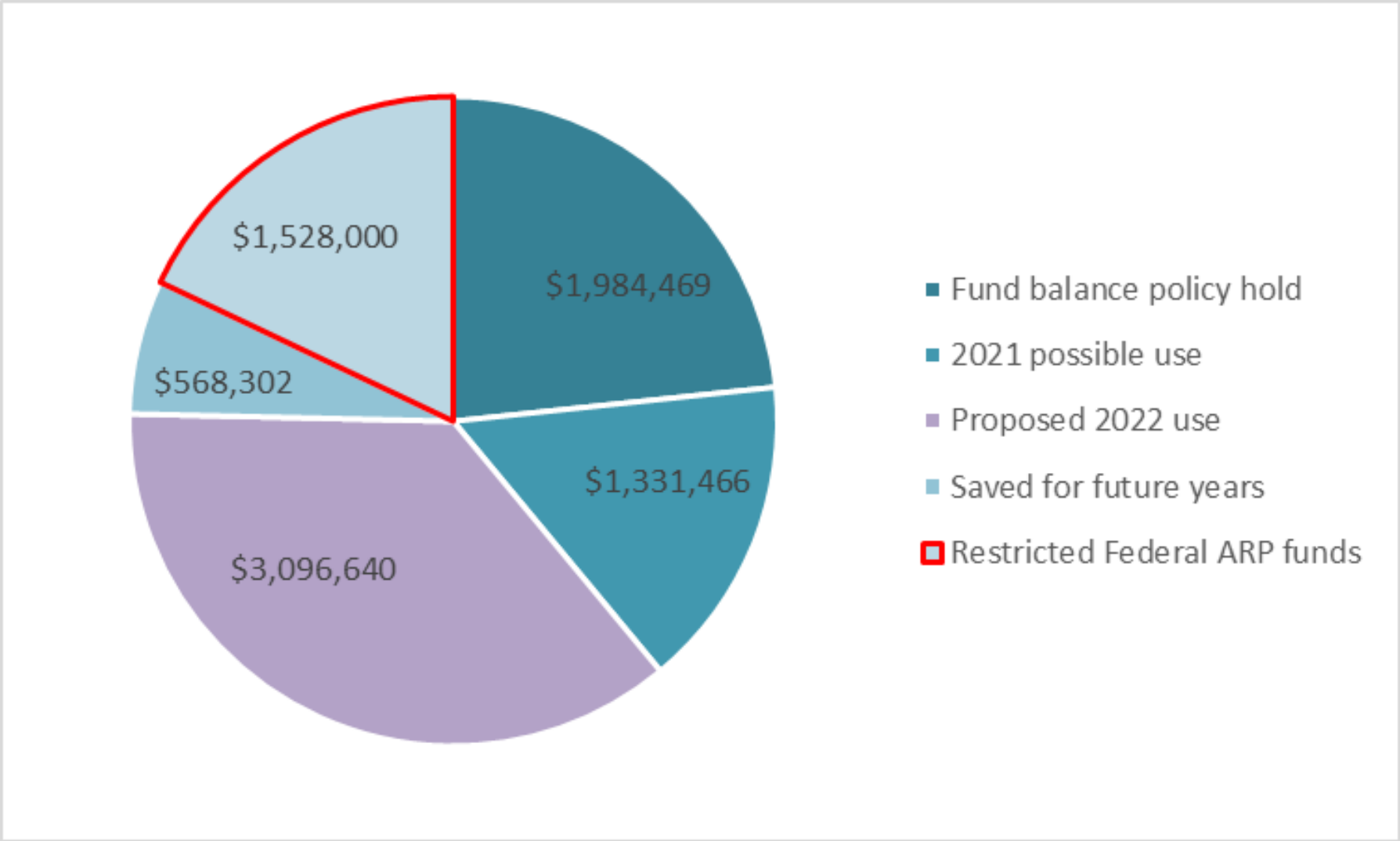
- 2022 Sales tax budgeted at 24% higher than 2020 actual
 - Based on strong collections thus far in 2021—assume 2022 flattens out to equal 2021 level
- Same assumption for County shared sales tax
- Recreation and Event fee revenue returns to 2019 levels.
- All other revenue streams follow normal pattern (relatively flat)



Expenses

Description	Amount
Base Level Funding	\$14,736,000
Requests with ongoing funding commitments (i.e. staffing and pay issues)	\$ 1,042,000
Requests with some ongoing commitments (i.e. new software)	\$ 189,000
Project cost with one time spending demands (i.e. soaking pool construction)	\$ 4,562,000

Fund Balance



Departmental Budget Details

Administration

- New staff member requested, an HR Manager (\$84,000 with benefits)
- 2% COLA anticipated (\$122,000)
- Market adjustments anticipated pending outside consultant study results (\$500,000)
- Software purchases for Project Management, budget document, Lodging tax online forms (\$157,000)
- Carryover of document imaging project (\$54,000)
- Building remodeling needs (\$50,000)
- Security system (surveillance) replacement at Toubert (\$10,000)

Community Development

- Vandaveer Master Plan & Related Professional Services (\$150,000)
- Continuation of Land Use Code Update (\$70,000 with \$35,000 grant offset)
- Address existing housing crisis through identification and implementation of near-term, mid-term, and long-term solutions
- Maintain excellent department communication and public education

Salida Police Department

- Wages caught up with industry – Most important issue for Salida PD
- Two replacement hybrid patrol cars (\$108,000)
- Records moving to PD- Various line items to include addition of records clerk employee, costs offset by reduced contract costs, net cost increase approx. (\$16,000)
- Second speed trailer - Community Requests (\$10,000)
- Bullet Proof Vests – (\$18,000)

Salida Fire Department

- Initial phase of the new firehouse design which includes a floor plan, site plan, elevations, outline specifications, budget and schedule. This will allow us to begin pursuing grant opportunities (\$50,000)
- Conduct site due diligence for the new firehouse to include soil testing, survey, and utility locates (\$15,000)
- Upgrade to a new incident reporting software as our current software is being phased out (\$9,500)

Parks & Recreation – Parks

- Add FTE-Parks & Facilities Worker (\$40,000 net budget impact)
- ADA transition plan (\$80,000)
- Additional buildings and grounds funds (flowers, irrigation, “S” mountain maintenance) (\$35,000)
- Additional tools and mowers (\$33,000)
- Trail upkeep (River Park and Vandaveer) (\$75,000)

Parks & Recreation - Recreation

- Add FTE-Facilitator (\$56,000 net budget impact)
- Professional services (“The Source” site survey, architectural consultation) (\$15,000)
- Dramatic increase in offerings and assistance in Recreation Programs (\$20,000)
- Aquatic facility upgrades (sound system seating, landscaping, inflatable obstacle course) (\$42,000)

Parks and Recreation – Capital Projects

- SHSAC upgrades (new floor, temperature controls, boiler, highway sign) (\$245,000)
- Soaking pools – waiting for proposals to be returned (\$2,000,000)
- Fleet additions (trucks, ATV, bike) (\$75,000)
- Scout wave replacement (\$100,000)
- Splash pad (\$350,000)
- Partial Hot Springs pipeline replacement (\$200,000)

Arts and Culture

- Full-time Event Coordinator to focus on bookings and event execution
 - Allows existing staff to expand on Creative District programming and educational offerings.
 - Budget impact - cost of benefits.

- Audio-visual improvements in facilities
 - Remote meetings/Hybrid meetings (\$20,000)

- Public Art Commission
 - Site development for proposed Plaza (\$100,000)

Public Works – Street Division and Shop

- Operational and Planning
 - Oak Street streetscape design with potential 2023 construction.
 - Illinois/Scott Street design with potential 2023 construction
 - Poncha Blvd Streetscape Planning for future phases
 - Expand and move mechanic shop to Multi-Use Facility in preparation for an Emergency Vehicle Technician in 2022 and Fleet Manager in 2023 (\$100,000 office space + \$104,000 mechanic salary and benefits)
- 2022 Capital Projects
 - Street reconstruction projects – 10th and 12th, paving with ped improvements (\$1,700,000)
 - DOT funded SRTS and other sidewalks (\$1,000,000 with \$800,000 grant offset) (US50 to Walmart, Holman, Stryker, US50 Ped Crossings)
 - Asphalt maintenance and sidewalk/concrete/ADA maintenance projects (\$600,000)
 - Caboose exterior restoration in CIP General Fund budget (\$250,000 with \$100,000 grant offset)

Public Works – Utility Division

- Operational and Planning
 - Harrington Ditch pipe per Source Water and Resiliency plan recommendations
 - Budget and pre-design for Poncha trunk line. Continue to analyze flows.
 - Addition of Municipal Worker for increased workload related to growth along with expansion of utility maintenance programs. (\$50,000)
- 2022 Capital Projects
 - Complete Pasqualle water supply upgrades (\$2,500,000)
 - Complete Gallery line supply updates (underway in 2021) (\$1,900,000)
 - Sanitary Sewer Lining (CIPP) to reduce infiltration and other rehab (\$450,000)
 - Sanitary Sewer Main Replacement related to street projects (\$100,000)
 - Limited in-town water line replacement in 2022 (\$100,000)

All Other Budgets

(CTF Fund, Economic Development Fund, Housing Fund, Lodging Tax)

- Apply \$280,000 accumulated CTF funds to Recreation projects
- \$40,700 “contingency” available to support Economic Development activities if necessary
- Continue to grow funds in the Housing Fund utilizing inclusionary housing fees in lieu collections (\$190,000 fund size expected by year end)
- Our Long term Financial Management Plan prepared with Ehlers Inc. recommends increasing lodging tax to full level approved by citizens (\$120,000 revenue increase)

