



**AGENDA
JOINT GRAND JUNCTION CITY COUNCIL
AND PLANNING COMMISSION**

**THURSDAY, MARCH 8, 2018
11:30 AM**

**GRAND JUNCTION FIRE DEPARTMENT
625 UTE AVENUE, GRAND JUNCTION, CO**

To become the most livable community west of the Rockies by 2025

- 1. Discussion Topics**
 - a. Short Term Rentals (STRs)
- 2. Next Workshop Topics**
- 3. Other Business**



Grand Junction City Council

Workshop Session

Item #1.a.

Meeting Date: March 8, 2018

Presented By: Tamra Allen, Community Development Director, Jodi Romero, Finance Director

Department: Community Development

Submitted By: Tamra Allen, Community Development Director
Jodi Romero, Finance Director

Information

SUBJECT:

Short Term Rentals (STRs)

EXECUTIVE SUMMARY:

Short-term rentals (aka vacation rentals) are widely popular and many exist within the City of Grand Junction. Short term rentals are currently prohibited uses within the City's Zoning and Development Code. Staff recommends discussion of Code revisions to address this use as well as discussing various regulation related to this use such as requiring a permit, geographic restrictions, and establishing standards related to occupancy limits, parking, signage, and inspection. Under the City's Lodging Ordinance any lodging under 30 consecutive days is subject to sales tax and lodging tax. Currently there are over 85 City licensed lodging properties of which 41 are short term rentals in residential properties.

BACKGROUND OR DETAILED INFORMATION:

Over the past several years, short-term rentals (aka vacation rentals) of residential housing units have become widely popular. With the advent of the "sharing economy", websites such as VRBO, FlipKey, Home Away, Craigslist and Airbnb have expanded the choice of nightly accommodations available to travelers through the short-term rental of otherwise single-family or multi-family long-term dwelling units. While the short-term rental of residential properties has been occurring for years, it was previously primarily limited to highly visible tourist destinations and whole units that were managed by property management companies. Additionally, most lodging options traditionally occurred in commercial areas. Today's short-term rentals deviate

greatly from this previous norm. The sharing economy has popularized this market and has allowed property owners in less tourist oriented locations and with less resources available to pay a management company to rent their otherwise typically unused properties or rooms to visitors on a nightly basis. Short-term rentals typically occur in residential neighborhoods, are managed directly by the home owner, and make available entire homes as well as individual bedrooms. Short-term rentals work to diversify the vacation and traveling professional accommodations market and may bring additional visitors to the City. They may also provide a new source of income for homeowners, as well as provide revenues for the City through additional tax collections.

The popularization the sharing economy poses new challenges to governments and communities, however. Specifically, the potential for changing of neighborhood character and/or other potential deleterious effects on residential neighborhoods have caused many communities throughout the Country and Colorado to adopt regulatory provisions that may help assuage such potential effects. However, there is not a “one-size-fits-all” option as communities frequently have opted to add specific controls based on their own community goals and unique values.

In 2011, the National Association of Realtors (NAR) commissioned a white paper on “Short-Term Housing Restrictions”. The definition of a short-term rental within this paper is excerpted below. It is worth noting that while some websites facilitate the rental of individual rooms or even beds within residential units, which also occurs throughout the City, this Memo and below definition addresses only the rental of an entire residential dwelling unit.

The term “short-term rental housing” typically means a dwelling unit that is rented for a period of less than thirty consecutive days. In general, short-term rental housing differs from bed & breakfasts, hotels, motels, and other “lodging” uses by providing complete, independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation. Although bed & breakfasts often are similar in appearance and location to many short-term rentals, they are distinguishable by the presence of the owner/operator onsite. Boarding houses differ from short-term rentals by having multiple rooms or units for rent and common kitchen and dining facilities that are shared by the occupants. Boarding houses also tend to be less transient than short-term rentals. Similarly, hotels and motels are distinguishable from short-term rentals by having separate entrances and an on-site management office. In some communities, short-term rental housing may be referred to as vacation rentals, transient rentals, or resort dwelling units.

While some of the impacts from short-term rentals are easy to understand, the NAR commissioned white paper outlines some of the general impacts and ways in which communities across the country have tried to deal with these impacts. According to the

paper, there are five major impact areas jurisdictions attempt to address through regulation, as outlined below.

1. Protection of Neighborhood Environment - noise, late night parties, trespassing, increased traffic, and visitors generally not being neighborly.
2. Protection of Physical Characteristics – absentee property owners can be less attentive to routine maintenance such as painting, lawn maintenance, tree and shrub pruning and trash removal.
3. Revenue – if the property owner does not obtain a State sales tax license, this can mean loss of both sales tax and lodging tax revenue for the City.
4. Fairer Competition with Licensed Lodging – it has been argued that a lack of regulation for short-term rentals results in unfair competition for hotels, motels and bed and breakfasts that must pay higher taxes and abide by more stringent site development and building codes.
5. Protection of Renter Safety – while commercial establishments must be constructed to comply with the building code regulations for a hotel, residential units for rent are unlikely to have been built to such standards. As a result, health and safety concerns may be present in residential units which are rented like a commercial establishment.

Staff has reviewed the land use codes and zoning ordinances of a variety of jurisdictions throughout Colorado including those within the Grand Valley. A brief summary table of a dozen of the 26 communities surveyed, has been included as an attachment. Of the municipalities in the Grand Valley, both Palisade and Fruita regulate short-term rentals while the use is generally undefined in Mesa County.

The range of regulatory permissiveness among the jurisdictions surveyed generally corresponded with the major types of short-term rental restrictions outlined within the NAR White Paper. According to the Paper, there are four main types of restrictions, as outlined below.

1. Prohibition – None of the jurisdictions (26 in total) reviewed by Staff, prohibit short-term rentals.
2. Geographically-Based Restrictions – Geographically-based restrictions were common among the jurisdictions reviewed by Staff. The majority of these restrictions only allowed short-term rentals in specific zone districts. The City of Glenwood Springs utilizes this form of restriction as does the City of Fruita. Other examples include the use of an overlay zone in the Town of Avon and the use of a minimum lot size of one acre in Jefferson County. As a variation on geographically based restrictions, Boulder

County employs a tiered review system based on lot size and the number of nights per year the unit is rented.

3. Quantitative and Operational Restrictions – While quantitative limits were only found in the City of Durango (limited to one per street segment and a maximum number within certain zone districts) and the Town of Palisade (maximum 3% of housing stock). Operational limits were the most common form of restriction. The NAR White Paper identified eight general areas of operational restriction found nationwide, all eight were found among the Colorado jurisdictions that were reviewed. The observed operational restrictions are outlined below.

--Maximum Occupancy Limits – Occupancy limits were found in six of the 26 surveyed jurisdictions. These restrictions range from a simple numerical limit, such as Estes Park which limits occupancy to 8 people, to relying on the limits imposed by the building code, which is utilized by the City of Glenwood Springs. Other examples are San Miguel County which limits to 2 people per bedroom unless a greater occupancy is permitted by the Onsite Wastewater Treatment System (OWTS) or Boulder County and the Town of Palisade both which impose a limit of 2 people per bedroom with a maximum of 8, unless approved by the director.

--Rental Period Restrictions – Rental period restrictions was not a common operational restriction. The Town of Telluride has the most notable rental period restrictions of the surveyed jurisdictions. The Town allows short-term rentals as a use-by-right in residential zone districts as long as the unit is rented no more than three times for a maximum of 30 days per year.

--Parking Requirements – Parking requirements were found in 8 of the 26 surveyed jurisdictions. The type of parking restrictions ranged from the location where tenants may park, such as the City of Glenwood Springs which prohibits parking on grass or sidewalks, to a minimum number of parking spaces required. In the case of Estes Park, a restriction is employed that limits the number of cars that can be parked at a short-term rental unit to three and prohibits on-street parking.

--Noise Level Limits – The most common method for jurisdictions to apply noise restrictions is to require the short-term rental units to abide by all State and local noise statutes and ordinances. The Town of Basalt has the most nuanced regulations prohibiting all amplified music or other outdoor devices after 10 PM. Other jurisdictions that have specific language related to noise are Colorado Springs, Grand County, the Town of Telluride and Lake County.

--Required Posting – Required posting was found in 5 of the 26 surveyed jurisdictions. While these postings are to be located within the residence to provide the visitor with information about the local laws and regulations, occupancy limits, trash collection,

parking, etc., the City of Aspen also recommends an outdoor posting of the property which provides contact information for the local manager of the property.

--Mandatory Designated Representative – The requirement for a designated representative located within the local area and available 24-hours per day is common among the surveyed jurisdictions, including the City of Glenwood Springs.

--Trash and Recycling Facility Storage – Trash and recycling storage can be an issue for short-term rental units, especially in bear country. This is because the timeframe for guests at the unit may not correspond with trash and recycling pick up days. As a result, trash and recycling can end up being stored outdoors for several days before it is picked up. In response, the Town of Ridgway, Town of Telluride, Lake County, and San Miguel County all require that garbage be stored in bear proof containers or a bear proof structure.

4. Registration/Licensing Requirements – the primary theme among the regulations reviewed by Staff is the requirement for short-term rentals to obtain local and State sales tax licenses. For towns such as New Castle, Avon and Vail where no land use or zoning permits are issued for short-term rentals, the only requirement is that a sales-tax license be obtained with the State and town. Counties tended to be less concerned with sales tax collection than municipalities, which often have local lodging taxes. Although the exact number of residential units available for rent within the City of Grand Junction is difficult to identify as on any given day as the availability of the product can change, Visit Grand Junction keeps a monthly inventory of short-term rentals listed on VRBO and their survey indicated as of March 2018, the presence of 60 short term rental units within the City. The geographic distribution of these units is weighed to the City Center and the Redlands area. Short-term rentals have existed for some time (15+ years) within the City of Grand Junction with rare complaints received over this timeframe relative to the number of units available. Mike Ferguson, the City's Code Enforcement Officer, has noted that in the past 3 years, only two complaints regarding a short-term rental situation have been filed with him, of which one was a complaint about an illegal Accessory Dwelling Unit and the other a complaint about a competing Airbnb rental presumably not paying taxes. Both the City of Fruita and Town of Palisade report no neighborhood complaints regarding currently operating short-term rentals.

Despite the significant supply of short-term rentals, the Grand Junction Municipal Code (GJMC) only allows these uses in commercially zoned areas and it does not allow for these uses in residentially zoned areas. The GJMC provides in Section 21.04.010(a) Use Table, Use Categories and Principle Uses "The only uses allowed in any zone or district are those listed or described in the use table below." The GJMC 21.04.010 (e) Uses Not Mentioned, does allow the Director to decide if a "use not specifically mentioned can reasonably be interpreted to fit into a principal use category or a

general use category where similar uses are described. In this case the GJMC provides in §§ 21.04.020(b)(1) and (c)(1) “uses where tenancy may be arranged for a shorter period are not considered residential. They are considered to be a form of transient lodging (see the retail sales and service and community service categories).” Transient is defined as “Housing or accommodations which are typically occupied by residents for periods of two weeks or less, including, but not limited to hotels, motels and travel lodges.” Under the current GJMC, short-term rentals would be interpreted to be akin to the Transient Lodging use and thus would not be permitted in residential zone districts, as shown in the attached table.

Despite most short-term rentals operating in zone districts that do not allow this use, the City has not actively pursued enforcement of code violations of these units.

Because of the uniqueness of this use, most communities have decided that short-term rentals fall outside of the traditional definitions of Lodging and thus warrant their own unique definition and in some cases their own standards.

Beyond the application of the Zoning and Development Code to short-term rentals, the building code can present an additional regulatory challenge. While the building code can be adapted to short-term rentals, nearly all communities we studied have opted to have their short-term rentals comply with only select portions of the Building Code. These issues are generally focused on life safety issues such as ensuring the presence of smoke and carbon monoxide detectors, fire extinguishers and posting of emergency exit information. Some communities also manage these life safety issues related to the building code by requiring posting of the occupancy limit, providing a checklist of the items that need to be maintained in the home (e.g. alarms), or requiring a “self-assessment” or basic home inspection. The rare approach (in only one community), is to require more structural compliance for such things as emergency egress doors, windows, stairs, and ADA Compliance. All surveyed jurisdictions consider the short-term rental use to remain residential (not commercial) regarding the application of the Building Code.

As noted previously, short-term rentals are not specifically identified in the Zoning and Development Code. The Use Table does not allow them in residentially zoned districts. With the existing abundance of short-term rental units, Staff recommends defining the Short-term Rental use in the Zoning and Development Code and clearly identifying where this unique use is and is not allowed. Further, if a permit for the use is deemed necessary, the code amendments should establish review standards and a procedural review process.

Generally, Staff sees a few options for identifying short-term rentals within the Zoning and Development Code, which could include the following:

--Allowing short-term rentals as a By-Right use without Standards, or

- Allowing short-term rentals as a By-Right use with specific standards, or
- Requiring a Permit for short-term rentals (Administrative Review or Public Hearing), and
- Defining the use types of Lodging Facilities and Short-term rentals

This topic had been previously brought to the City Council in November of 2014 but no action was taken on it. At that time, it was proposed that the city introduce regulations for short-term rentals that included a unique definition, permitting requirements for operation, and other standards such as occupancy limits, parking, signage, and inspection, amongst others.

As noted previously, staff is seeking policy direction to City staff regarding whether to change the Zoning and Development Code to allow short-term rentals, which zone districts they should be allowed or prohibited in, and whether and to what extent there should be standards or permit requirements for the land use.

FISCAL IMPACT:

No fiscal impact is related to this discussion. As an aside, in a January 17, 2018 Denver Post article it was cited that homeowners who rented their properties last year on Airbnb earned a combined \$183 million from 1.2 million guests and a Colorado Airbnb host typically earned \$8,100 in 2017. This was a 64% increase in revenue from 2016. Airbnb properties in Fort Collins hosted 32,000 guests for \$4 million in host income and Colorado Springs hosted 72,000 guests for \$2.1 million in host income.

Currently, Visit Grand Junction keeps a monthly inventory of short-term rental units. After determining whether or not the properties are located within the City, the finance department follows up directly with each property to inform them of the requirement to license, collect, report, and remit sales and lodging taxes. In 2017 all lodging properties generated \$2.9 million in sales and lodging taxes combined. Currently, licensed short term rentals in residential properties represent about 1% of the total tax revenue.

If a property pays lodging tax, Visit Grand Junction includes them in their marketing efforts.

SUGGESTED ACTION:

After discussion staff is seeking direction regarding this issue.

Attachments

1. Short-term Rental Regulations Table and Use/Zone Matrix

Short-term Rental Regulations by Community

Common Standards/Regulations	Jurisdiction												
	Palisade, CO	Fruita, CO	Glenwood Springs, CO	Durango, CO	Ridgway, CO	Aspen, CO	Vail, CO	Telluride, CO	Colorado Springs, CO	Boulder County, CO	Fort Collins, CO	Denver, CO	
Permit Required	X	X	X	X		X				X	X	X	
Permit Expiration			X	X		X					X		
Public Process	X	X											
Zone District Restriction	X	X	X		X	X		X			X	X	
Business/Sales Tax License		X	X	X	X	X	X	X	X		X	X	
Pay Lodging Tax	X	X	X	X	X	X	X	X	X		X	X	
Occupancy Limit	X		X	X					X	X			
Building Inspection			X	X									
Building Self-Certification											X	X	
Indoor Property Posting			X	X		X							
Parking Restrictions	X		X	X	X					X	X		
Noise Limitations	X												
Local Contact	X		X	X	X	X		X			X		
Permitted in Multi-Family			X	X		X	X		X		X		

Grand Junction Zoning and Development Code Use/Zone Matrix--Lodging

Key: A = Allowed; C = Conditional; Blank Cell = Not Permitted																								
USE CATEGORY	PRINCIPAL USE	R-R	R-E	R-1	R-2	R-4	R-5	R-8	R-12	R-16	R-24	R-O	B-1	B-2	C-1	C-2	CSR	M-U	BP	I-O	I-1	I-2	MX-	Std.
Lodging – hotels, motels and similar establishments	Hotels and Motels													A	A	A		A	A	A				
	Bed and Breakfast (1 – 3 Guest Rooms)	A	A	A	A	A	A	A	A	A	A	A	A	A					A	A				See GJMC 21.04.030 (h)
	Bed and Breakfast (4 – 5 Guest Rooms)	C	C	C	C	C	C	C	A	A	A	A	A	A					A	A				21.04.030 (h)