



## MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

**TO: MAYOR AND TOWN COUNCIL**  
**FROM: DANELLE COOK, HOUSING PROGRAM MANAGER**  
**RE: SHORT-TERM RENTALS OVERVIEW AND STRATEGY**  
**DATE: JUNE 14, 2022**

**Summary and Background:** The Town of Frisco began regulating short-term rental properties in May of 2019. Any accommodation unit available for lease for a term of less than thirty consecutive days is required to obtain a short-term rental license. The short-term rental regulations were designed to protect public health, safety, and welfare, preserve residential character, ensure adequate lodging options for tourists, ensure adequate housing options for residents, and balance the demands of a tourist-driven economy with the housing needs of the local community.

To obtain an STR license, the homeowner must submit an application online, along with a parking plan, life safety affidavit, 24/7 emergency contact, and a \$250 license fee. Town staff reviews the application and if approved, issues the license with a maximum occupancy of 2 individuals per bedroom, plus 4 additional occupants.

Additionally, a 24/7 complaint hotline was implemented to resolve issues as they arise. When a complainant calls the hotline, the hotline staff calls the emergency contact to inform them about the complaint. It is the emergency contact's responsibility to follow up and resolve the complaint.

Short-term rentals are not unique to Frisco. In fact, many communities in Colorado, across the country, and around the world, have been dealing with the impacts of home sharing. By regulating short-term rentals, Town staff is able to better understand how they are impacting housing availability and affordability. The purpose of this work session discussion is to provide a general overview of our current short-term rental market and consider various policy options that could be applied to short-term rentals.

### **Analysis:**

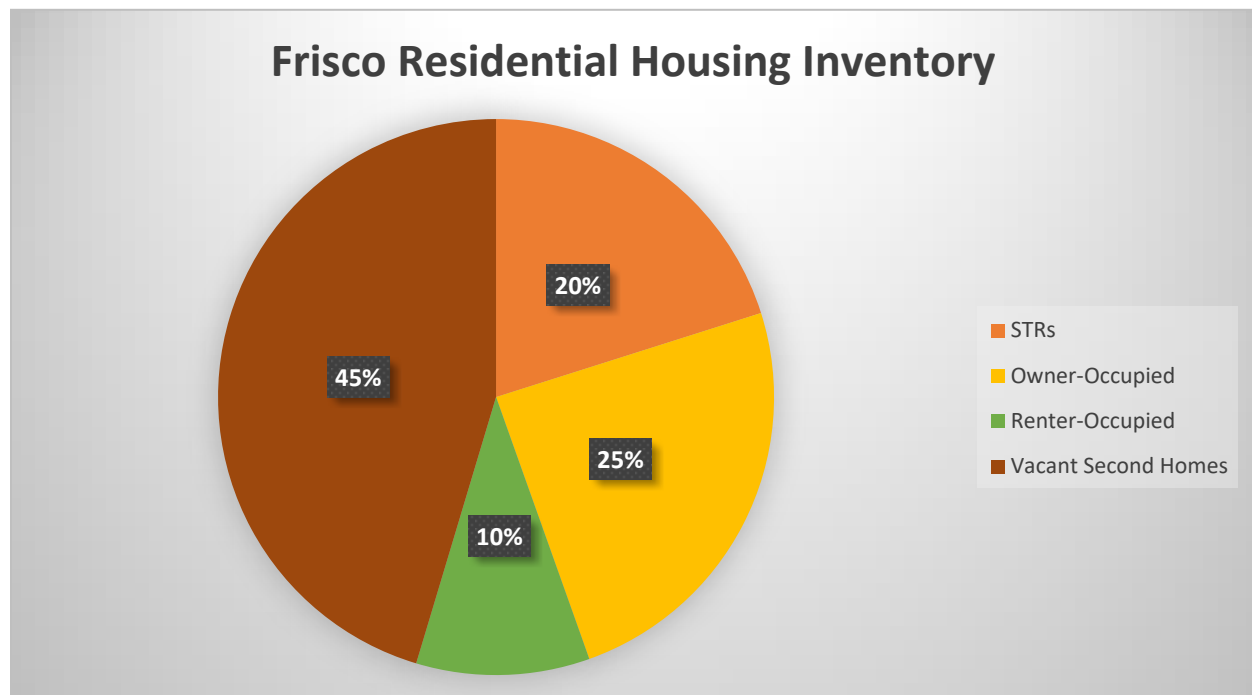
**STR Software Vendors:** Over the course of the past three years, the Town has changed software vendors multiple times. When Frisco first began regulating short-term rentals, the Town contracted STR Helper to provide software that facilitated the application process, 24/7 complaint hotline, as well as a compliance audit system designed to automatically search STR advertisement platforms such as Airbnb and VRBO, among others, to match current listings with valid licenses and identify any unlicensed properties. STR Helper was acquired by Host Compliance in 2019, and, as a result, the Town converted to Host Compliance software in January

2020. Eventually, Host Compliance was acquired by Granicus. Instead of renewing the contract with Granicus, in January 2022 the Town switched to LodgingRevs (a subsidiary of MuniRevs), and Lodging Revs was then acquired by GovOs.

GovOs currently provides four services for the Town: online licensing, online revenue collection, compliance auditing, and a 24/7 complaint hotline. The contract term is 12 months, costs \$49,990, and will expire on October 5, 2022. Frequently changing software vendors, combined with turnover in Town staff, has created some complications in the data collection process.

**Frisco Housing Inventory:** There are approximately 3,600 residential housing units within the Town of Frisco jurisdictional boundaries. Of those units, 880 have a local mailing address listed in the Summit County Assessor's Database, suggesting that they are owner-occupied. Additionally, 724 units are licensed short-term rentals, implying that the remaining 1,996 units are either vacant second homes, long-term rentals, or unlicensed STRs.

Furthermore, results from the 2020 American Community Survey estimate that a total of 1,270 residential housing units in Frisco are occupied, with 907 of those being owner-occupied, and 363 of those units classified as renter-occupied. Based on this data, the following chart demonstrates how the Frisco housing inventory is currently utilized.



**Frisco STR Statistics:** A total of 405 STR licenses were issued in 2019. That number grew to over 600 STR licenses in 2020. By the end of 2021, the Town reached 713 licenses. Currently there are 724 issued STR licenses. *Please refer to Attachments A and B for a table and map showing the quantities of STRs and deed restricted units in each subdivision.*

Over half (52%) of STRs within the Town of Frisco are owned by Coloradans located outside of Summit County, primarily Front Range residents. Just over one-third (35%) are out-of-state, and 13% are owned by Summit County locals.

Only 3% of all Frisco STRs rent a private room, while the remaining 97% rent the entire property. All of the private room rentals are locally owned.

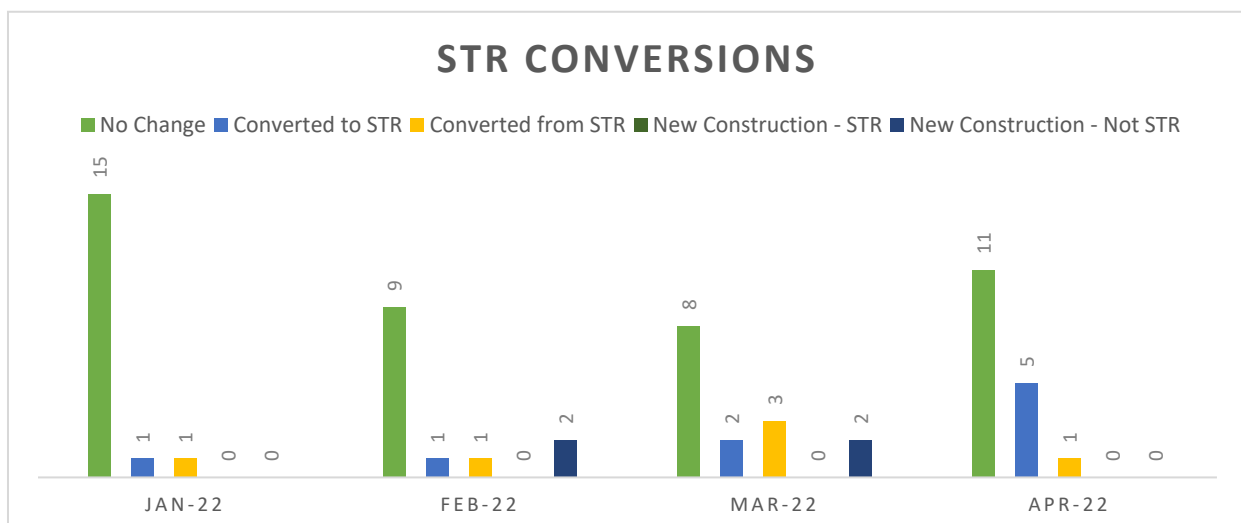
A total of 19 locally-owned STRs anticipate renting 30 days or less per year. A survey published by the *U.S. Travel Association* in 2018 estimates that the average American employee takes 17.2 vacation days per year. This data suggests that any locally-owned STRs renting 30 days or less per year, may be a primary residence that is only made available on the home sharing market while the owner is on vacation.

In order to gain a better understanding of the usage of residential properties in Frisco, Town staff is currently working to obtain additional statistics, including the quantity of properties with a valid STR license that are not currently renting, as well as the quantity of STRs in each subdivision over time, to identify any trends.

**How STRs are Impacting the Local Real Estate Market:** Summit County as a whole is currently experiencing low inventory of available housing units, coupled with high demand, which is driving up real estate prices, and decreasing affordability. Data provided by Land Title Guarantee Company (refer to Attachment B) indicates that residential home values appreciated by 88% in just 7 years. In 2014, the average price of a home in Summit County was \$492,621. In 2021, the average home sold for over \$1.1 million. By comparison, the average median income (AMI) of a 2-person household was \$72,700 in 2014, and 7 years later the AMI only increased by 5.7% to a total of \$76,900.

The U.S. Department of Housing and Urban Development defines affordable housing as a home that a household can obtain for 30 percent or less of its income. Assuming a \$1.1M sale price and a 20% down payment, the total monthly mortgage payment would be around \$5,400, equivalent to 84% of the average 2-person household income. With housing prices out of reach for locals, and the widespread ability to work remotely, the Summit County housing market is open for outside investors.

To understand how STRs are impacting the real estate market, Town staff utilized the Real Estate Investment Fee (REIF) data in combination with the STR license database to determine the rate at which a real estate transaction results in a conversion to a short-term rental. The following bar graph shows data for the first 4 months in 2022.



On average, there were 15 residential real estate transactions per month. Most property sales did not change the existing use of the property. In other words, those that were already STRs prior to the sale, remained STRs after the sale, and those that were not STRs, did not apply for an STR license after the sale. However, in those 4 months there were 9 properties that converted to STRs. This number is offset by the 6 buyers who took the homes off the STR market after title transfer. Additionally, there were 4 newly constructed homes purchased in February and March and so far, none of them have applied for an STR license.

Optional STR Strategies: If Town Council finds that the existing volume of short-term rentals is too high, the following strategies may be considered.

- Inclusionary Zoning: requires that a certain share of units in new developments be deed restricted, usually at a specific AMI. This tool does not directly impact STRs, but offsets the concentration of STRs with deed restricted units, and maintains economic diversity in neighborhoods.
- Overlay Zone District: identifies specific locations where STRs are allowed and other areas where STRs are limited, or even prohibited.
- STR License Cap: limits the total number of STR licenses that can be issued in a specific zone or in the entirety of the municipality. The cap can be a specific number or a percentage of the total residential housing inventory.
- Defining License Types: enables the application of different regulations for each type of STR. For example, San Francisco prohibits dedicated STRs that are never used by the owner, and limits un-hosted STRs (those that are occasionally used by the owner, i.e. Front Range STR owners) to 90 days per year.
- Moratorium: allows a municipality to stop issuing STR licenses for a temporary period of time, allowing time to consider and enact changes to the regulations. The timing and notification of a moratorium has the potential to inspire homeowners who may not actually short-term rent their home to apply for a license out of fear that they will not be able to obtain a license in the future.

Locally in Summit County, because more than half of Breckenridge's residential housing inventory is listed on the short-term rental market, Town leadership implemented a cap on the number of STR licenses that can be issued. The cap was set lower than the existing number of STRs with the goal to eliminate a portion of the existing STR licenses by attrition. Summit County Government has defined different license types, and implemented an overlay zone district to differentiate the resort areas (i.e. Copper and Keystone) from the neighborhood areas (i.e. Summit Cove). Additionally, Summit County Government recently enacted a 9-month moratorium that went into effect on May 24, 2022 to allow staff time to propose new regulations that address the increase in STRs in the Neighborhood Overlay Zone. Thus far, inclusionary zoning has not been utilized by any municipality in Summit County.

STR in Other Mountain Communities: [The Colorado Association of Ski Towns](#) (CAST) published 2022 survey results showing short-term rental regulations for small ski town communities that are comparable to Frisco. The entire report is provided in Attachment D. A summary of this information is provided below.

Municipality	STR Licenses	Housing Units	% of Residential Units with STR Licenses	Cap	License Fee
Breckenridge	4,279	7,599	56.31%	2200 excluding condo/hotels (includes another 1600)	\$75-\$175, plus \$400 per bedroom
Winter Park	1,152	2,770	41.58%	No	\$125
Vail	2,454	7,359	33.34%	No	\$5-10 for professional managed units, \$150 for self-managed
Steamboat	3,000	10,000	30%	No	\$500 initial, \$75 to renew
Summit County	4,573	16,000	28.58%	No	\$105 - \$4,925
Dillon	370	1492	24.79%	No	\$250, plus \$300 per deficient parking space
Blue River	185	798	23.18%	No	\$200 initial, \$150 to renew
Frisco	724	3,600	20%	No	\$250 annually
Crested Butte	194	1,244	15.59%	30% Cap	\$750 for unlimited, \$200 for primary residence
Silverthorne	220	2500	8.8%	No	\$150-\$500

In comparison to other communities in Summit County, Frisco has a lower concentration of STRs. Breckenridge has the high at 56%, while Silverthorne's residential housing inventory includes only 9% STRs. Most communities do not have a cap on the quantity of STRs that can be issued and license fees vary from as low as \$5 to as much as \$4,925.

***Complaint Summary:*** One of the main objectives of the STR regulations is to mitigate negative impacts to residential neighborhoods. The Town of Frisco has contracted GovOs to provide a 24-hour short-term rental complaint hotline. Any issues pertaining to STRs can be reported online or by calling 970-432-8291. When reporting a concern, the complainant is required to provide the physical address of the STR and a description of the issue. The hotline is responsible for contacting the emergency contact listed on the STR license. The emergency contact must respond and inform the hotline how the complaint was or will be resolved. The complaint is also emailed to Town staff and logged in the GovOs software.

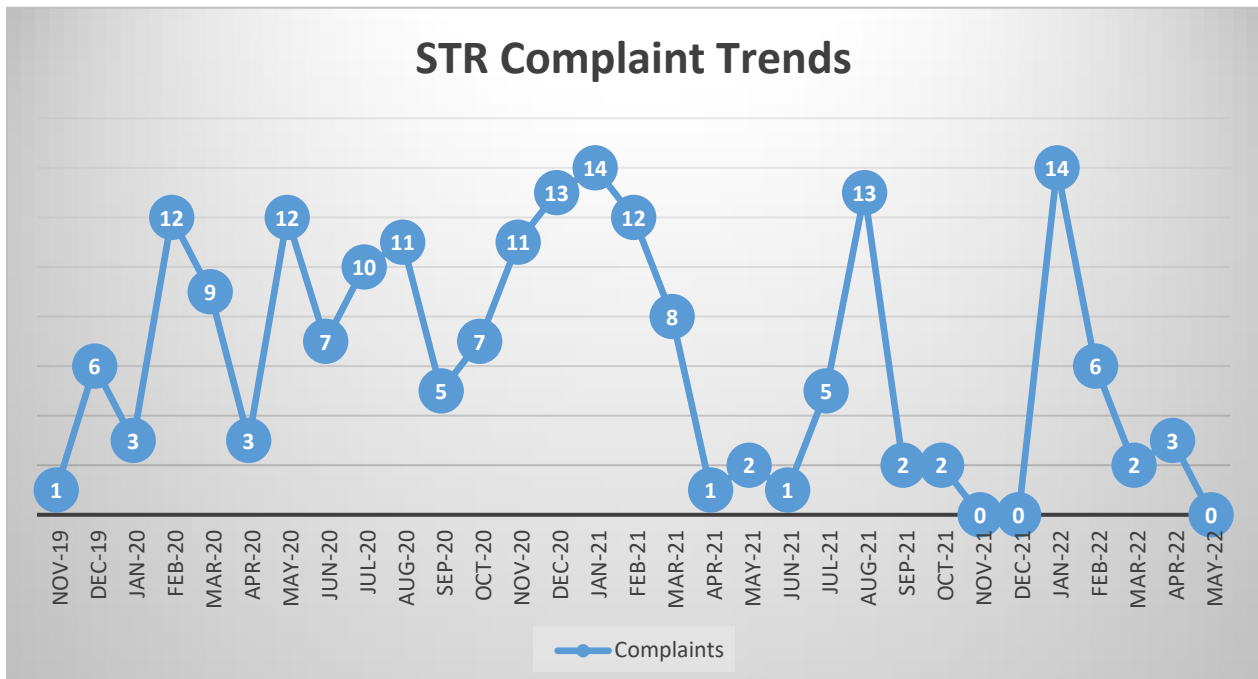
Since May 1, 2019, the Frisco STR Complaint Hotline has logged 266 reported concerns, which are categorized in the chart below. The '*General Inquiries*' are not complaints, but instead represent the number of times the hotline was used to obtain general information such as STR regulations, license renewal, and tax filing information. Additionally, the '*Outside of Jurisdiction*' category refers to complaints about STRs located in unincorporated areas of Summit County. The '*Maintenance*' concerns pertain to issues inside the STR units that should have been reported to

the STR property manager (i.e., sewage backups), but were mistakenly reported to the complaint hotline instead. After subtracting these three categories, the number of complaints received over the past 3 years totals 192.

STR Complaint Type	Quantity
Noise	76
General Inquiries	58
Parking	37
Unlicensed STR	36
COVID Occupancy Restrictions	14
Trash	13
Outside Frisco Jurisdiction	12
Other	6
Maintenance (submitted by the renters)	4
Trespassing	4
Pet	3
Occupancy Limits	2
Fire	1
<b>Total Complaints</b>	<b>192</b>

As the data demonstrates, the most common complaints relate to potential noise, parking, and unlicensed STR violations. During the COVID-19 public health mandate, there was a slight uptick in complaints with regards to multiple families staying in one residence together.

Quantities of complaints naturally rise in January, February, July, and August, and fall in April, May, September, and October, along with typical tourism trends. The following line graph provides a visual representation of the historical STR complaint trends in Frisco. May of 2020 does not follow the trend because most of these complaints were COVID-related.



Attachment E provides the quantities of complaints in each subdivision since May of 2019. Reserve at Frisco, Tarn Landing, Wooden Canoe at Water Dance, and King Solomon subdivisions have the highest frequency of complaints.

The vast majority of complaints are resolved by the emergency contact once the hotline informs them about the issue. However, when the emergency contact fails to respond, or fails to provide a solution, the resolution process becomes increasingly difficult. In this case, Town staff acts as the intermediary between the STR owner and the complainant. As the STR Regulations are currently written, there is no immediate legal action that Town staff can take to seek resolution. Staff recommends adding language to the Town Code, to impose consequences in the event that the emergency contact fails to respond to the hotline's phone call, and in the event that the emergency contact and STR owner fail to resolve the complaint.

**Recommended Code Revisions:** STR Regulations are incorporated into Chapter 110, Article III, *Licensing of Businesses*, of the Frisco Town Code. Over the past three years of regulating STRs, Town staff has identified the following sections of the STR Regulations that may need revisions.

- Section 110-39.A.1. requires *"The full name, residential address and telephone number for the applicant;"* be provided on the STR license application. Staff recommends that this information be required for the applicant and the owner, since the owner is not always the person submitting the application, however the property owner is ultimately responsible for the STR activity.
- Section 110-39.A.2. requires that the STR applicant submit the contact information for the person designated as the 24/7 emergency contact. In addition, staff recommends requiring a signed affidavit from the emergency contact, agreeing to respond to any issues 24 hours per day, 7 days per week, 365 days per year and acknowledging the consequence of failing to respond.
- Section 110-40.A.1. lists general parking requirements for short-term rentals, but is silent about how many parking spaces are required or allowed per unit. Staff recommends adding language that clearly defines STR parking requirements.
- Section 110-40.A.3. states that the maximum allowable occupancy is 2 people per bedroom, plus 4, but it does not define a bedroom. Staff recommends revising the Code to include a clear definition of a bedroom for STR occupancy purposes.
- Section 110-42 states that suspension or revocation of the STR license may occur in the event of a code violation. As currently written, enforcement of STR violations are required to go through municipal court. Staff recommends adding a provision that allows staff to issue fines in order to resolve the issue before going to municipal court. As mentioned in the previous section of this report, staff also recommends adding consequences for failure to address complaints.

**Financial Impact:** To apply for a short-term rental license, the applicant must submit a \$250 fee. The same fee is applied annually in order to renew the license. In addition to the license fee, the STR owners must collect and remit taxes in an amount equal to 15.725% of the gross revenue generated by the STR, which includes the 5% excise tax that went into effect June 1, 2022.

In 2021 (before the excise tax existed), Frisco STRs generated \$1,713,899 in revenue. The funds were used to pay for staff time, STR software, workforce housing, the Information Center, recreation, special events and marketing, as well as general operating expenses, as show below.

<b>STR Taxes &amp; Fees</b>	<b>2021 Actuals</b>	<b>Fund Allocations</b>
\$250 license fee	\$108,125	General Fund (utilized for paying staff salaries & the STR software vendor contract)
0.725% Special District (SCHA) sales tax	\$138,171	SCHA 5A Fund (utilized for workforce housing)
2.0% Town of Frisco sales tax	\$969,613	General Fund (utilized for general Town expenses)
2.35% Town of Frisco lodging tax	\$497,991	Lodging Tax Fund (utilized for Information Center, operations and maintenance, recreation, and special events/marketing)
5% Town of Frisco STR excise tax	Not effective until June 1, 2022	Short-Term Rental Tax Fund (utilized for workforce housing)

Staff estimates that STR license fees and taxes will generate a total revenue of between \$2.2 M and \$2.7M in 2022.

**Alignment with Strategic Plan:** The Strategic Plan identifies priorities such as *Inclusive Community, Thriving Economy, and Vibrant Culture and Recreation*. Additionally, the Strategic Plan seeks to increase the number of residential housing units occupied by Frisco residents to 50%. Balancing the quantities of short-term rentals and workforce housing units is key to achieving these priorities.

**Environmental Sustainability:** Ensuring availability of workforce housing has indirect benefits to the environment.

**Staff Recommendation:** While there is a growing number of STR licenses in Frisco, the current concentration of STRs does not seem to be out of proportion compared to similar communities. Staff therefore recommends that Town Council direct staff to prepare the code revisions mentioned in this report, and continue to monitor and analyze STR data.

**Approved By:**

Diane McBride, Interim Town Manager  
Don Reimer, Community Development Director  
Leslie Edwards, Finance Director

**Attachments:**

Attachment A: Quantity of STRs per Subdivision  
Attachment B: STR Map of Frisco  
Attachment C: Land Title Real Estate Data  
Attachment D: CAST Survey Results  
Attachment E: STR Complaints by Subdivision