



---

MEMORANDUM

---

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

**TO: MAYOR AND TOWN COUNCIL**  
**FROM: EVA HENSON, HOUSING MANAGER**  
**RE: HOUSING – LONG-TERM RENTAL INCENTIVE PROGRAM DISCUSSION**  
**DATE: OCTOBER 12, 2021**

**Summary and Background:** On September 28, 2021, Town Council held a work session to continue the discussion of various housing strategies that focused on specific projects and programs, which staff believes will have the most impact in Frisco. Council provided additional feedback on various ongoing efforts to alleviate the housing shortage, and how to move efficiently in the areas of development opportunities, policy and regulatory measures, and funding.

One of the top, short-term, priorities Council identified at that meeting was a Long-Term Rental Incentive Program. The discussion included incentivizing property owners to convert short-term rentals to long-term rentals. Staff suggested flat fees per bedroom, plus insurance to ease the risk factor to landlords, as well as the possibility of providing/funding management services of these converted rentals.

Staff has drafted a preliminary pilot program, called “**Frisco Housing Locals**,” that outlines the creation of a Long-term Rental Incentive Program. **To start, staff will target approximately 24 Frisco employees that will be housed for 6-months for a proposed budget request of \$100,000, which includes management fees.**

**Analysis:** Colorado’s mountain and resort communities have become synonymous with almost entirely out-of-reach housing costs for locals as well as an ever-expanding commute. This largely contributes to labor shortages. In the 2019 Summit County Housing Needs Assessment, the report identifies the following needs by 2023 for the Ten Mile Basin:

- **Renter** – Approximately 950 rental units are needed at up to 80%
- **Owner** – Approximately 190 owner units are needed between 80%-120% AMI

A Long-Term Rental Incentive Program would aim to immediately increase the number of long-term rental (LTR) units available to the Town’s local workforce by offering financial incentives to homeowners, who can more easily pay their bills and use their unit on a short-term rental (STR) market, in exchange for long-term leases.

Summit County and the Town of Breckenridge are also moving forward with a short-term rental conversion program in an effort to increase the number of long-term rental units available in the County. The County is looking at “opportunity zones” or neighborhoods that are traditionally occupied by the local workforce that could be identified as part of their program. The Summit

County Board of County Commissioners (BOCC) discussed the preliminary program at their September 28, 2021 Work Session. The details are not yet solidified, but the County hopes to roll out their program by mid-October. Right now, the program only applies to units in unincorporated Summit County, but the Town of Breckenridge is looking to partner on this program. Both entities have contracted with Landing Locals, a real estate agency based in Truckee, California, to assist with consulting, implementation and administration of the program. The County also plans to partner with the Summit Alliance of Vacation Rental Managers to help market the program to its members.

Frisco Housing Locals will test the concept of short-term to long-term rental conversion, as well as seek interest from owners who are not currently renting, with the goal of housing more of the local workforce to both live and work in our community.

Currently, the Town of Frisco is seeking to hire 15 full-time employees for various year-round positions and approximately 40 seasonal employees for various winter seasonal positions. This data is a moving target and fluctuates depending on volume of applications and hiring processes. The Town-owned rental inventory also only has a few units/rooms available and are being held to assist with the hiring/recruitment of these positions.

Staff estimates that approximately 8 Town employees could be housed in the following units:

- 306 Galena Street Cabin – 2 bedroom/1 bath unit (*Seasonal*)
- 310A Mary Ruth – 2 bedroom/1 bath unit (*Seasonal*)
- 102 School Road/Public Works Unit #2 – 1 bedroom/1 bath (*Full-time*)
- Mountain Side Condo/Unit #C111 – 1 bedroom/1 bath (*New Hire/Transitional unit with month to month lease*)

### **Summary of STR Survey**

A Town of Frisco Short-Term Rental Survey was sent to all active STR owners and property managers in mid-August and the survey ended on August 30, 2021. The Property Rental Survey took about 3 minutes to complete and the survey questions were structured to help identify the biggest barriers to renting long-term and possible solutions that could be most helpful in overcoming those barriers.

At the time of the survey, there were approximately 636 STR licenses and the Town received a total of 462 survey responses which is approximately 72.5% response rate (Attachment 1). Here is a snapshot of the questions and top responses:

1. Are you completing this survey as owner or a property manager?: **92.64% Owner**
2. What type of short-term rental property do you own/manage? **55.46% Condo**
3. How many bedrooms does the property have? **43.60% 3-bedroom & 43.17% 2-bedroom**
4. How much does the owner, or owner's family/friends, use the property annually? **42.64% 1-3 months/year**
5. What time of year does the owner use this property? **90.34% I split my time throughout the year**
6. Is this property currently rented to short-term or long-term renters? **76.50% short-term: less than 30 days**
7. Has the owner ever rented this property to long-term renters? **57.56% No, and I will not consider it**

8. If the owner has considered or is considering long-term rental, how long of a lease would they be willing to sign? **49.66% 3-month lease & 46.26% 6-month lease**
9. What challenges have you experienced, or what challenge do you perceive in renting to long-term tenants (vs. short-term)? Please check all that apply. **86.71% Occupancy. I use this property, which makes a long-term lease difficult.**
10. If the owner has considered it, or is considering renting to a long-term tenant, what type of incentive program would most likely sway your decision towards long-term. Check one.
  - **47.35% Other** (specified comments)
  - **27.65% Monetary:** A payment to help bridge the gap between what a lease is able to pay and owner expenses of property.
  - **16.76% Master Lease:** The Town of Frisco or a third party signs the master lease and will assume responsibility for finding and screening tenants, collecting rent, property maintenance and damage (Frisco pays for third-party services)
  - **4.41% Property Management /Maintenance:** The Town of Frisco or a third party handles property management and maintenance (Frisco pays for third-party services)
  - **3.82% Leasing Process:** Town of Frisco or their party handles the tenant search and screening process including background checks (Frisco pays third-party services)

In summary, the STR Survey results indicate that owners primarily use their residences, which is split throughout the year, and typically short-term rent the property at other times to offset their mortgage and expenses. More than 86% responded that the biggest challenge/barrier to long-term tenants (vs. short-term) is occupancy. Others also noted that for the upcoming winter season, they either have family, friends, or guest bookings/reservations that would prevent them from renting long-term in the immediate future.

While more than 50% responded that they would not consider long-term renting, others gave responses on why they might be interested. Especially, if the Town implemented an incentive program to help bridge the gap between what a lease is able to pay and owner expenses of the property.

On a trial basis, some owners expressed interest in a 3-month or 6-month lease if the Town or third-party signed a master lease which included:

- Responsibility for finding and screening tenants
- Collecting rent and security deposits
- Handling all property management and property maintenance needs/and or issues
- Cover/carry insurance to cover any property damage that might occur beyond normal wear and tear

### **Preliminary Program Details**

Staff suggests a more simple approach to incentivize owners that might be interested in renting their units now to the Town, such as a master lease for 6-months with a flat fee per bedroom and cover any third-party costs associated with property management/maintenance and property damage insurance, to attract some initial momentum in the pilot program. If the Town master leased the property, then the Town could sub-lease to either a full-time or seasonal employee that has been screened with a background check already completed upon hire.

Several Frisco property owners have expressed interest in this approach as a trial basis to see how the program works, as they want to help the community in the current housing crisis. Below are market rate benchmarks for monthly rental rates but, depending on unit type and condition, the owner's costs and / or expenses, and employee's wages, each transaction should be negotiated to reflect the specifics of the situation.

Unit Type	Market Rental Rate (per bedroom) Estimated	6-month lease	Frisco Housing Locals Estimated Incentive
Shared Room in Home	+/- \$1,000	\$6,000	50% (\$3,000)
Studio	+/- \$1,800	\$10,800	50% (\$5,400)
One-Bedroom	+/- \$2,000	\$12,000	50% (\$6,000)
Two-Bedroom	+/- \$2,500	\$15,000	50% (\$7,500)
Three-Bedroom	+/- \$3,000	\$18,000	50% (\$9,000)
Four-Bedroom	+/- \$4,000	\$24,000	50% (12,000)

Staff does not anticipate that a large number of units will be able to participate in an STR to LTR conversion program, due to owner use and / or guest reservations already on the books for the upcoming winter and holiday season 2021-2022. At the time of this report, specific details for the conversion of an STR to LTR had not been determined including:

- Incentive amounts by unit type (studio, one-bedroom, two-bedroom, 3-bedroom, 4+bedrooms)
- Homeowner eligibility
- Property manager eligibility
- Tenant eligibility
- Application process
- Collaboration/partner with a local company that specializes in property management and property maintenance of long-term rentals (i.e. Omni Real Estate) to assist with administration of Frisco Housing Locals.

#### **Administration of Program**

Staff is seeking to create and implement Frisco Housing Locals by late October with the collaboration, partnership and expertise of Anne Marie Ohly, the owner/broker of Omni Real Estate, a local real estate and property management group in Summit County. Omni is the largest independently owned agency in Summit County with over 20 years of mountain real estate experience. Currently, the Omni team has 50+ brokers, located in different locations within Summit, Park, and Grand Counties. The Frisco Office is located at 409 E. Main Street.

Omni not only specializes in the local real estate market, but also has a long-term rental program established. In late 2019, Omni took over various properties that were in the "Housing Works Initiative," which was originally administered by the Family & Intercultural Resource Center (FIRC) that helped nearly 100 Summit County residents find long-term housing in a 3-year period (2016-2019). Omni surveys potential properties and agrees to a monthly rental price with the property owner in line with what is affordable for an incoming tenant. To avoid putting people in a position where they become cost burdened, rents are often capped at \$1,500 for studios; \$1,800 for one-bedroom units; \$2,100 for two-bedroom units; and \$2,600 for three-bedroom units.

With the COVID-19 pandemic, supply and demand for long-term rentals further increased with monthly rentals rates escalating to prices far exceeding what a local can afford on the open market. Since July 2021, Town staff has been in contact with Ms. Ohly to see if Omni had the capacity to possibly collaborate with the Town of Frisco on a pilot program specifically focused on incentivizing long-term rentals. Ms. Ohly confirmed Omni has the band-width to take on the administration of Frisco Housing Locals, in partnership with the Town, as she believes in a thriving and diverse economy that depends on our local workforce. Her fee would be 6.5% of the gross rental revenue generated from each property lease. Her team would also assist with property management and maintenance needs during the Frisco Housing Locals lease terms.

### **Program Evaluation**

Omni Real Estate and Staff will evaluate the Incentive Program and will use the following criteria to measure success and to evaluate whether to continue the program:

- Number of Units – unlocked/converted as long-term rentals
- Types of Units – size, location, condo/townhome/duplex/single-family
- Program Participation – survey (homeowners and tenants)
- Number of Units – interested in remaining in program and extending beyond 6-month lease
- Total funds Paid – by program to owners

**Financial Impact:** For 2021, the Frisco Housing Locals program is not currently budgeted. During the Special Town Council Meeting regarding the 2022 budget on September 20, 2021, Town Council proposed a one-million-dollar increase to the Buy-Down Program (also known as Housing Helps). For the proposed 2022 Budget, this would allocate approximately \$1.5 million for the Housing Helps Program.

Depending on Council's direction, staff proposes using a portion of the currently budgeted Buy-Down Program funds, in the amount of \$100,000, to implement the Frisco Housing Locals program to house approximately 24 employees for 6-months. This would break down to the following:

- Currently, staff has 5 units interested now to house 12 employees for a 6-month period. Estimated cost is \$47,000, which includes Omni's 6.5% managing fee.
- Financial analysis will be ongoing, depending on extent of participation in the program.
- Additionally, there are a number of grant funding sources becoming available at the State level for affordable housing, which could be used to offset some of these costs.

**Alignment with Strategic Plan:** Workforce housing is specifically identified in the *Inclusive Community* priority of the Strategic Plan. However, as mentioned at the outset of this report, having an adequate supply of workforce housing in the community are critical to each of the Strategic Plan Priorities. Workforce housing is directly related to the *Thriving Economy, Vibrant Culture and Recreation, and Quality Core Services* priorities, as having skilled employees is vital for both the private and public sector of our community. Additionally, having an adequate supply of workforce housing within the community has a positive impact on the *Environmental Sustainability* priority, demonstrated through a reduction in vehicle miles travelled by commuting employees, and therefore, vehicle emissions.

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

**Staff Recommendation:** Staff is seeking Council's approval today for the Frisco Housing Locals long-term rental incentive pilot program, so that implementation can start immediately in partnership with Omni Real Estate. Staff will continue to fine tune the program details for STRs to LTRs conversions.

**Approved By:** This report has been reviewed and approved by:

Don Reimer, Community Development Director  
Dylan Olchin, Interim Finance Director  
Tony O'Rourke, Town Manager

**Attachments:**

Attachment 1 – STR Survey Final Results 9.1.21