



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: DON REIMER, COMMUNITY DEVELOPMENT DIRECTOR
RE: ORDINANCE 2022-01: BALLOT QUESTIONS FOR APRIL 5, 2022 ELECTION
DATE: JANUARY 11, 2022

Summary and Background: The Town of Frisco is a home rule municipal corporation organized and existing under Article XX of the Colorado Constitution. Section 31-2-210(b), C.R.S., authorizes the Town Council to refer questions to amend a home-rule charter to the voters of the Town.

At the November 30, 2021 Town Council Meeting, Town Council discussed the impact of short-term rentals on the community, specifically the impacts of short-term rentals on housing affordability and availability for the local workforce. Town Council at a different meeting also identified a potentially outdated issue related to Town Council member meeting absences related to parental leave. Council directed staff to prepare two potential ballot questions to address these two separate issues, for consideration by the registered voters of the Town at the April 5, 2022 municipal election. Based on that direction, the attached Ordinance will submit the two following questions to the April 5, 2022 Town of Frisco municipal ballot.

1. Whether, commencing June 1, 2022, the Town of Frisco should impose an excise tax of five percent (5%) on the short term rental of accommodation units as a new tax pursuant to Article X, Section 20 of the Colorado Constitution.
2. Whether the Town Charter should be amended, at subsection 3-1(b), to excuse any Councilmember's absence from a Council meeting when the absence is based upon a pending or recent maternity or paternity.

As the two proposed ballot questions have distinct purposes, background of the two questions is presented separately below.

QUESTION 1 – New 5% Excise tax on the short term rental of accommodation units.

Analysis:

Over the past several months, local businesses in the Town of Frisco have been dealing with limited employee availability. While there are a number of factors which have resulted in the challenging employment environment, housing availability and affordability is identified as a key reason. In Frisco, there has been a shift in the housing market such that housing units that were previously available for long-term rent to the local workforce no longer are. Short-

term rentals have been identified as a factor contributing to the decrease in housing availability, and rising housing costs.

While the Town does have a dedicated source of funding for workforce housing development, the cost of developing new housing or acquiring and deed restricting existing residential properties far exceeds the available funding, as both housing costs and construction costs have increased dramatically. In order to make progress in housing affordability for both the current and future projected needs, additional funding for these projects will be required.

At the September 14, 2021 meeting, Town Council conceptually supported a potential STR excise tax on short term rental properties. The potential for an STR excise tax was further explored at the November 30, 2021 Council meeting with a value for the potential tax ranging from 2% up to 7.5%. While no vote was taken, a general consensus of support for a tax at 5% was observed, and the ballot language and Ordinance were drafted with that value.

Currently, a total sales and lodging tax of 10.725% is applied to short-term rentals in the Town of Frisco. A comparison of the total tax applied to STR for Frisco and nearby communities includes:

Frisco	10.725%
Breckenridge	12.275% (does not include STR bedroom license fee approved October 2021)
Silverthorne	10.375% (is proposing a 4% incremental increase to the existing 2% lodging tax on all properties in April 2022)
Dillon	10.875%
Vail	10.3% (includes additional 0.5% passed Nov 2021)
Avon	14.4% (includes additional 2.0% passed Nov 2021)
Crested Butte	20.9% (includes additional 2.5% passed Nov 2021)

Adding a new 5% excise tax to the current taxes applied to STR would total 15.725% tax applied to the short term rental of accommodation units in Frisco.

Financial Impact: A 5% excise tax on the short term rental of accommodation units is estimated to generate between \$1.2 million - \$1.5 million of additional revenue in the first full fiscal year, which would be used for the sole purpose of implementation of projects and programs focused on acquiring and developing additional workforce housing for local employees. Alternatively, a 6% additional tax on short term rental of accommodation units would generate an estimated between \$1.5 million - \$1.8 million of additional revenue in the first full fiscal year.

Alignment with Strategic Plan: Workforce housing is specifically identified in the *Inclusive Community* priority of the Strategic Plan. However, having an adequate supply of workforce housing in the community is critical to the other Strategic Plan Priorities as well. 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, as noted above.

QUESTION 2 – Town Councilmember Meeting Absence.

Analysis:

During the 2021 2022 Town Council term, one of the Council members was fortunate to welcome a new family member. As part of this joyous event, Town Council noted that impending or recent pregnancy was not included as an automatic exception for an absence, and as these absences are not reasonably avoidable, it may be appropriate to update and amend the Town Charter to recognize the necessity for new mothers or fathers to spend time to prepare for and adjust to the addition to the family. This is reflective of typical current employment practices for both private and public sector employers.

Financial Impact: There is no potential financial impact related to Question 2.

Alignment with Strategic Plan: Acknowledging the need for a Councilmember to have a leave of absence from meetings during impending or recent pregnancy is reflective of the Inclusive Community and Quality Core Services priorities.

Staff Recommendation: Staff recommends that Council consider the draft Ordinance and public comment, and following an affirmative vote, direct staff to proceed with second reading of the Ordinance at the January 25, 2022 Town Council meeting.

Approved By:

Tony O'Rourke, Town Manager
Leslie Edwards, Finance Director

Attachments:

Attachment 1: Ordinance 22-01