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MEMORANDUM

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P.O. Box 4100 ♦ FRISCO, COLORADO 80443

**TO: MAYOR AND TOWN COUNCIL**  
**FROM: DON REIMER, COMMUNITY DEVELOPMENT DIRECTOR**  
**RE: SECOND READING - ORDINANCE 2022-01 - STR EXCISE TAX BALLOT QUESTION**  
**FOR APRIL 5, 2022 ELECTION**  
**DATE: JANUARY 25, 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. Council directed staff to prepare a potential ballot question to address the issue, 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 following question 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.

Town Council approved the language of the question upon first reading of Ordinance 22-01 at their January 11, 2022 meeting. A second potential ballot question regarding Councilmember meeting absences was discarded by Town Council at the January 11, 2022 meeting, and is not discussed further in this staff report.

**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)
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 STRs in Frisco.

**Financial Impact:** A 5% excise tax on the short-term rental of accommodation units is estimated to generate approximately \$1.2 - \$1.5 million 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 affordable housing for local employees.

**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.

**Staff Recommendation:** Staff recommends that Council consider the draft Ordinance and public comment and approve Ordinance 22-01 on second reading.

**Approved By:**

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

**Attachments:**

Attachment 1: Ordinance 22-01