



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: DANELLE COOK, HOUSING PROGRAM MANAGER
RE: SHORT-TERM RENTAL OVERVIEW AND STRATEGIES CONTINUED FROM JUNE 28, 2022 TOWN COUNCIL MEETING
DATE: AUGUST 23, 2022

Summary and Background: The Town of Frisco began regulating short-term rentals on May 1, 2019. At the end of 2019, the Town had issued just over 400 STR licenses. Three years later, that number has grown to over 700 licenses, equating to over 20% of the entire housing inventory. While short-term rentals undoubtedly have a positive impact on the local economy by adding jobs and increasing revenue, they also have negative impacts such as decreasing the availability and affordability of housing, diminishing residential neighborhood character, and causing disturbances for the surrounding residents. At the June 14, 2022 Town Council Work Session, Town staff presented a general overview of short-term rentals and various strategies that could be considered going forward. Overall, Town Council expressed interest in achieving a balance between the needs of the visitors who contribute dollars to our economy, and the needs of the local community who keep our economy running. Town Council directed staff to research an STR license cap, as well as various different license types, and come back to a future meeting with more information.

As directed, Town staff continued the STR discussion at the June 28, 2022 Town Council Work Session. Three different STR license cap options were presented, along with two different license types that would differentiate owner-occupied properties from second homes. Town Council directed staff to conduct stakeholder interviews, gather more data, and come back to a meeting in August with a recommended STR license cap quantity, the quantity of STRs not currently renting, specific definitions of each license type, details about what other municipalities are doing, data showing how many properties have converted to STR, information from the stakeholder interviews, and anecdotal data from business owners regarding what has happened to their workforce. All of this data is included in the 'Analysis' section of this staff memo. *Note, the June 14th and June 28th Staff Reports have also been provided as attachments to this memo for easy reference.*

The purpose of this work session discussion is to review the data included in this staff memo and determine whether an STR license cap is needed, the appropriate number of licenses for a cap, if different license types are needed, and if a 'use-it-or-lose-it' policy is necessary.

Analysis: The following section is organized into seven subsections, to include the data requested by Town Council.

A Recap of What Other Municipalities Are Doing

Town of Silverthorne: The Town of Silverthorne currently has 247 STR licenses, totaling 9% of the entire housing stock. The license fees start at \$150 for a studio and increase by \$50 for each additional bedroom. Silverthorne does not currently have a license cap or moratorium in place. However, Town Council is currently considering a 10% STR license cap in the neighborhoods and a 50% STR license cap in the Town Core and Riverfront Zone Districts (where higher densities are allowed). Town Council does not support a moratorium at this time. Staff is exploring the possibility of an STR impact study.

Town of Dillon: Approximately 33% of the entire housing stock within Town limits is a short-term rental property. The Town first implemented STR regulations on January 1, 2019. Currently, STR licensees pay \$250 annually. On March 1, 2022, the STR regulations were revised to define the maximum allowable occupancy (previously, there was no occupancy limit in place) and establish new parking requirements. Each STR property is required to provide one parking space per bedroom, plus one additional space. If the requirement is not met, the STR property owner must pay \$300 for each deficient space, which is charged on an annual basis. The parking fee is based on the cost of maintaining a parking space and the money is used to repair Town-owned parking lots. Town Council did discuss a moratorium and STR license cap but neither was approved.

Town of Breckenridge: Currently, there are over 4,300 STR licenses (including timeshares and lodges), which equates to 56% of the entire housing stock within Town of Breckenridge limits. In September 2021, Breckenridge Town Council adopted an ordinance limiting the maximum quantity of non-exempt STR licenses to 2,200, which was intentionally set lower than the existing number of issued licenses and was intended to be accomplished through attrition. The cap was applicable to the entire Town and did not differentiate between zones. On November 23, 2021, EPS presented the results of a short-term rental impact study which justified increasing license fees to \$756 per bedroom. However, Town Council instead decided to charge only \$400 per bedroom. The STR license fee is utilized to support the Town's workforce housing policies and programs, including buy downs, lease to locals, acquisition of deed-restricted units, and the construction of new units.

Based on community feedback received after adopting the STR license cap, Town Council created a temporary task force comprised of property managers, realtors, short-term rental owners, at-large citizens, council members, and planning commissioners. The task force recommended a multi-zone approach to the license cap and identified areas of Town more suitable for short-term rentals than others. On August 9, 2022, Town Council unanimously voted to approve the first reading of an ordinance creating four different zones. Zone 1 (the tourism zone) is capped at 1,620 STR licenses. Zone 2 consists of the downtown area and allows a maximum of 130 STR licenses. Zone 3 includes all areas not categorized by the other three zones, and allows 390 STR licenses. Zone 4 encompasses the resort properties, which operate similar to a hotel and must be located within 150 feet of a ski area lift terminal. The maximum number of STR licenses allowed in the Resort Zone is 1,780, or 100% of the residential properties within that zone.

Summit County Government: Summit County has issued 4,653 STR licenses, which equates to 31% of the housing stock in unincorporated areas. In September of 2021, Summit County adopted a 3-month moratorium in what would eventually become the Neighborhood Overlay Zone. On December 16, 2021, the STR regulations were revised to include two overlay zones and three

specific license types. The overlay zones included the Resort Zone (Keystone, Copper, Tiger Run, and areas adjacent to Breckenridge Ski Resort) and the Neighborhood Overlay Zone (i.e. Wildernest, Summit Cove, etc.). A Type I STR license is for primary residents and the fee is \$215 per year. A Type II STR license limits the maximum STR bookings to 135 nights per year, and costs \$320 per year. A Type III STR license requires approval of a Conditional Use Permit and costs \$1,650 or \$4,925, depending on the type of CUP.

The County is currently in the process of revising its STR regulations. Since adopting the regulations in December 2021, the majority of new STRs are in the Neighborhood Overlay Zone. While the quantity of STRs in the Neighborhood Overlay Zone only account for 39% of the total number of STRs in the County, 90% of all complaints are generated from this zone. On May 24, 2022, the BOCC adopted a 9-month moratorium on new STR license applications in the Neighborhood Overlay Zone to allow staff time to propose new regulations that address the increased quantities of STRs in this zone. The moratorium does not apply to properties located within the Resort Overlay Zone and does not affect existing licenses or renewals. While drafting the revised regulations, County staff is considering all options including a license cap, additional zones, and revisions to existing license types. Staff has also concluded that the original fees were too low, original occupancy was too high, and regulating the number of nights is time-intensive.

Survey Data

In July 2022, Town staff sent out three separate surveys to collect data from the business owners, realtors, and property managers. Each of the surveys are summarized below. The full survey data has been included as an attachment to this report.

Business Owners: Staff sent a 10-question survey to 344 Frisco business owners and received 77 responses. Sixty-five percent of respondents reported they are understaffed and 53% indicated that one or more of their employees has quit and moved out of the community within the last three years due to housing challenges. When asked what type of housing challenges the employees experienced, the most common reason reported was an increase in rent. The second most common reason was an STR conversion, followed by selling the property. Forty-four percent of the respondents indicated that some of their employees are currently seeking housing.

Forty business owners took the time to answer an open-ended question asking if there is anything else they would like to share about STRs or the current housing crisis. The majority expressed difficulty with retaining current employees and hiring new employees due to a lack of affordable housing. Many business owners expressed support for STRs because of the economic benefit and insisted that regulating STRs will damage the economy. Others expressed dissent toward STRs. Overall, it seems that most business owners who responded to the survey are suffering the impacts of the housing crisis, but at the same time, do not believe capping STRs is the answer. Instead, they are seeking an economy that continues to serve tourists and a community where locals can thrive. *“Without this balance, we will see our community collapse and our long standing business owners leave for an easier place to conduct their business.”*

Realtors: Staff collaborated with the Summit Association of Realtors to send a survey to 660 Summit County realtors and received 190 responses. When asked how the Town of Breckenridge short-term rental license cap and Summit County STR moratorium have affected the local real estate market, the realtors indicated that the volume of transactions and prices have decreased. Additionally, the type of clientele changed from people who are looking to own a second home and short-term rent when they are not there, to wealthier cash buyers who are not interested in

short-term renting but also do not intend to use the home as their primary residence, therefore creating more vacant homes. The majority of survey respondents predicted that if an STR license cap were implemented in Frisco, the real estate market in Frisco would experience similar impacts resulting in decreased prices and volume of sales, as well as a change in clientele. Many expressed that they do not believe regulating STRs is the solution to the housing crisis because the homes that are for sale are too expensive for locals, and the price decrease that has transpired is not enough to make them attainable.

Property Managers: Staff sent a third survey to all Frisco property managers listed in the GovOS STR database, a total of 19 companies, and received 8 responses. Each property management company that responded has been established for at least 5 years and some have been in business for over 15 years. Their portfolios range anywhere from 4 to 75 STRs in Frisco. Some have as few as 10 employees while others have over 100 employees. Five out of eight companies reported an increase in its STR inventory since 2019. Two companies reported a decrease in STR inventory, and one said its inventory has remained about the same in the past three years.

When asked what an appropriate STR license cap would be, two property managers opposed a cap entirely, while the others indicated it should be set somewhere between 25 – 51% of the housing stock. Due to the phrasing of the question, and the multiple choice answers the respondents could select from, it is not clear whether any of the property managers actually support a license cap. Those who opposed the cap argued that caps do not achieve the intended goal. Instead, they diminish property values and decrease tourism. Furthermore, not all properties are equal. Therefore, using a broad tool such as a percentage of the entire housing stock will not work, and attempting to control the market usually results in unintended consequences.

Those who chose a license cap between 25 – 51% focused on balance in comparison to surrounding jurisdictions. They explained that the Frisco STR license cap should allow for more STRs than Dillon, but less than Breckenridge. Additionally, a 20% cap would make Frisco a very expensive destination, while a 40% cap would provide a balance between tourism and the local community.

The survey also questioned the property managers about the *‘use-it-or-lose-it’* policy, specifically to determine what an appropriate minimum usage would be. One respondent suggested keeping it simple by checking tax remittance. If the property owners remit any amount of STR taxes within a one-year timeframe, then they are permitted to keep their license. If they remit zero dollars in taxes, then they lose their license. Another property manager suggested that the minimum usage requirement should be one booking per year. Meanwhile, others suggested a minimum number of nights, ranging from 14 - 60 nights per year. A couple of respondents pointed out that this is a very problematic idea as it has the potential for fraud. It would likely have low compliance, and enforcement would *“require highly invasive government intrusion into the business and lives of the citizens.”*

Next, the survey addressed defining various license types. Six out of eight property managers expressed support for defining a license type that would exempt locals who use their STR as a primary residence from the license cap. In contrast, five out of eight said they oppose exempting long-term rentals that only short-term rent in between long-term leases from the STR license cap. The opposition was expressed due to a couple of reasons. First, the homeowners who are short-term renting in between long-term leases are not making their units available for a traditional long-term lease (i.e. 6 months to 1 year). Instead, they are renting during shoulder season, when tourism and short-term rental bookings are low, and only for a couple of months. In other words,

these properties are not meeting the housing needs of the local workforce. Additionally, short-term rental properties are furnished (including bedding, towels, soap, etc.) and the nightly rate includes all utilities. In contrast, long-term rentals are unfurnished and typically do not include all utilities. Therefore, switching a property back and forth, between short-term and long-term rental is not a likely scenario on a recurring basis. Based on this information, if a license cap is implemented, staff does not recommend exempting long-term rentals from the cap.

Stakeholder Roundtable Discussions

After reviewing the survey results, staff hosted two stakeholder discussions with realtors and property managers. Each group was invited to attend a roundtable discussion with staff to brainstorm data-based solutions pertaining to the STR license cap topic. These discussions are summarized below.

Realtors: On July 28, 2022, Town staff met with a group of five local realtors to discuss the anticipated impacts of implementing an STR license cap, what an appropriate cap number would be, and if a *'use-it-or-lose-it'* policy makes sense for Frisco.

The realtors explained that the COVID-19 pandemic created an anomalous real estate market wherein a new need for extra space caused an unusual surge in home sales and cash offers. The increased demand caused inflated prices, making homes that were already out of reach for locals, even less affordable. In 2022, however, the market is slowing. The combination of inflation, rising interest rates, the collapse of crypto currency, the Breckenridge STR license cap, and the Summit County STR moratorium, is causing a significant correction in the local market. Therefore, implementing policy such as a short-term rental license cap at this time would be an unnecessary and reactionary approach, as the market will settle on its own.

Data from the National Association of Realtors shows that pending home sales are down across the nation 8.6% from May to June 2022. Existing homes sales are also down 5.4% from May to June 2022, and 14.2% from last year. An industry report, *The Daily Shot*, shows that current mortgage applications, which can often be used to predict real estate sales, are below 2016 levels. Additionally, a Summit County market analysis published by Land Title confirmed that monetary volume in June 2022 was down 37% from June 2021. Transactions were down 44% from June 2021. Year-to-date 2022 monetary volume is pacing 12% down in comparison with year-to-date numbers from 2021, and transactions are 35% down from YTD 2021. The data suggests the market could be normalizing, potentially back to pre-pandemic conditions.

Staff mentioned that with the Breckenridge license cap and Summit County moratorium in place, it is feared that prospective short-term rental buyers will overrun the Frisco market and the easiest way to prevent this from happening is by implementing a license cap. The realtors disagreed. They stated that *'a Breck buyer is a Breck buyer.'* In other words, home buyers seeking real estate in Breckenridge are buying into specific amenities (such as walking distance to a ski resort) and name brand recognition. Local realtors are losing their Breckenridge buyers to locations with similar amenities like Winter Park and Park City, not Frisco. Additionally, each of the towns within Summit County are at a different price point. If Silverthorne or Dillon were to implement a license cap, the same prospective buyers may not be able to afford to buy in Frisco. Finally, they suggested that the influx of STR applications is likely due to the anticipation of a license cap and the fear of missing out.

In the event that an STR license cap is implemented, staff asked the realtors what the best approach would be for determining the license cap. The group suggested obtaining statistical data to determine how many STRs are needed to sustain the Frisco economy. Or, an alternative approach would be to determine how many existing properties in Frisco could be a short-term rental or long-term rental, and set the cap in accordance with that data in mind. However, picking an arbitrary license cap is a bad idea, and implementing a *'use-it-or-lose-it'* policy would only encourage increased STR activity, working in opposition to the license cap.

The group reiterated the positions expressed in the survey responses. Since implementation of the license cap and moratoriums in Breckenridge and Summit County, realtors have noticed a decrease in the volume of listings, showings, prices (down by about 5 - 7%), and sales. They have also noticed a shift in clientele. Instead of second homeowners who use their home part-time and rent during remaining periods to supplement the mortgage, sales are now trending towards cash buyers who do not need to rent their homes to afford them. This will result in more vacant houses and fewer visitors.

Furthermore, the group of realtors insisted that implementing a cap would not solve the workforce housing crisis. Taking away the ability to short-term rent decreases property values by as much as 15 – 20% of the market value. However, even with this decrease, market-rate home prices would still be out of reach for locals. Additionally, an STR license cap would not increase the availability of long-term rentals. The cost to own a mountain property in today's market (including the mortgage, HOA, utilities, and maintenance) far exceeds the monthly rental prices that locals can afford. Property values would have to come down at least 60% and long-term rental rates would have to remain the same in order to make a rental property cash flow.

The general consensus was that if an STR cap were implemented, there will be a higher inventory of properties for sale, a decrease in home sales prices and volume of transactions, an increase in vacant second homes, an increase in nightly rates of existing short-term rentals, and a decrease in the number of visitors. As a consequence, local businesses will suffer, and owners will rent to friends and family.

Property Managers: Later that same day (July 28, 2022), Town staff met separately with four local property managers to discuss the same topics that were covered with the group of realtors.

The group of property managers explained that owning a short-term rental property in Frisco is not a financial investment, but rather a personal investment. Ultimately, they are justifying a personal desire based on financial reasons. Those purchasing an STR in today's market are not cash flowing the property.

Everyone in the group expressed opposition for a license cap. They stated that the timing is wrong since the current market is slowing, and short-term rental occupancy is down. Summit Mountain Rentals provided data from DestiMetrics, a software that tracks advance reservation occupancy and revenue so businesses can compare their performance to historical and competitive data sets. The data is not specific only to Summit Mountain Rentals, and includes an estimated 57% of vacation rentals in the Central Summit County area (the area in and around the I-70 corridor).

The data shows that December 2022 occupancy is down by 60% for Central Summit County in comparison with the number of bookings this time last year for December 2021. Additionally, year-to-date bookings for the 2022/23 season are also down in comparison with the amount of bookings for Central Summit County at this time last year. With a slowing market, the property

managers suggested waiting to see how these changes impact our local economy before implementing a license cap.

All agreed that if a license cap must be implemented, then it should be higher than the existing quantity of licenses. If Frisco implements a license cap below the quantity of existing licenses, it will create a negative economic impact. One person suggested 25%, while another suggested 40%. Overall, they felt the regulations should be simple, with only one license type. When asked about the 'use-it-or-lose-it' policy, most did not believe it was a good idea and that it would be difficult to enforce.

STR Conversion Data

To understand how STRs are impacting the availability of housing, Town staff utilized the Real Estate Investment Fee (REIF) data in combination with the STR license database to determine the frequency at which the sale of a residential property results in a conversion to a short-term rental. Between January 1, 2020 and July 31, 2022, 756 residential properties sold within the Town of Frisco limits.

A total of 495 (or 63%) of all residential property sales resulted in no change in the existing use of the property. Included in this group are properties that were already STRs prior to the sale and remained STRs after the sale, and those that were not STRs and did not apply for an STR license after the sale. This statistic also includes deed-restricted homes that cannot be short-term rented. However, there were only 18 deed-restricted sales, as shown in the chart below.

No Change in Use				
Category	2020	2021	2022	Totals
No Change (Not STR)	161	177	49	387
No Change (STR-STR)	36	26	28	90
Workforce Housing	11	3	4	18
Totals	208	206	81	495

In the past 31 months, 202 units converted to a new short-term rental. This number is offset by 36 buyers who took the property off the short-term rental market after title transfer. Therefore, the net number of STR conversions is 166 units, a number equivalent to 4.6% of the housing stock.

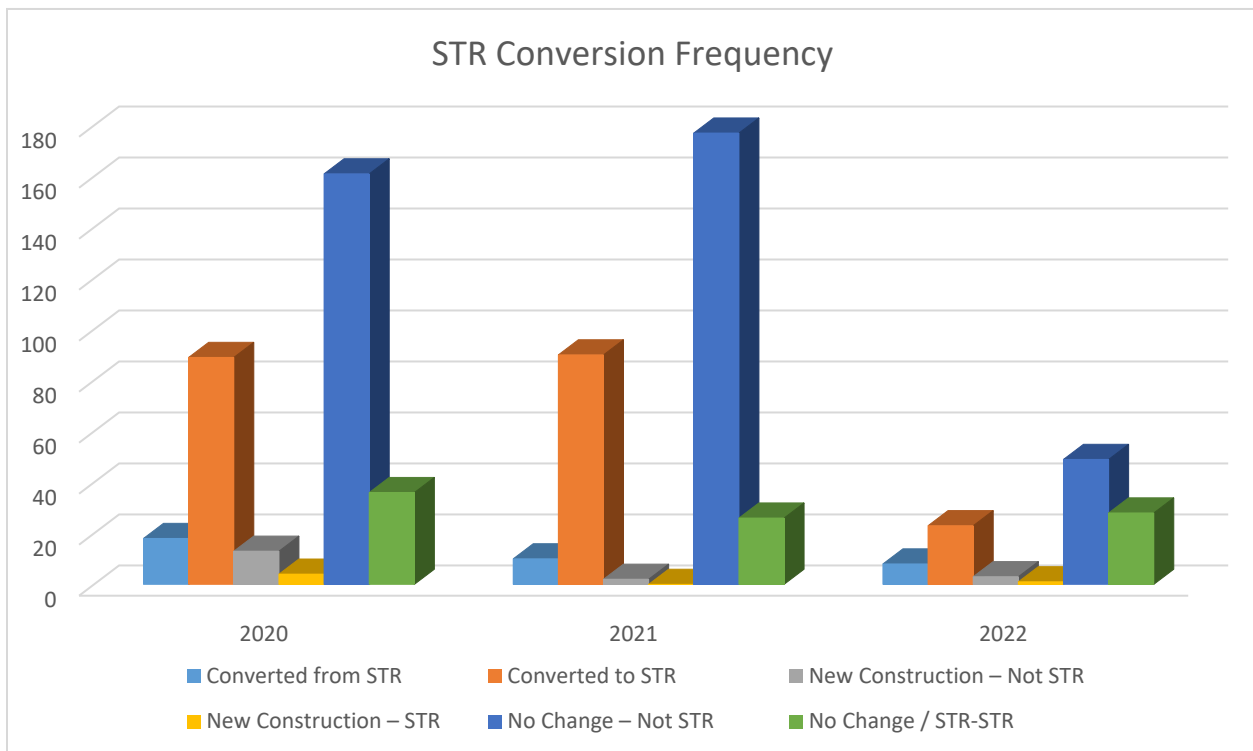
The average net conversion frequency was just over 6 units per month in 2020 and 2021. In comparison, the 2022 net average conversion frequency has decreased to 2.14 units per month. This data is provided in the chart below and suggests that the existing quantities of homes available for primary residents and second homeowners who leave their homes vacant when not in use is slightly decreasing.

STR Conversions			
Year	2020	2021	2022
Converted to STR	89	90	23
Converted from STR	18	10	8
Net Total (Converted to – Converted from)	71	80	15

Furthermore, there were 23 newly constructed units since January 2020. Eighteen of those units have not applied for a short-term rental license, while 5 have obtained an STR license.

New Construction				
Category	2020	2021	2022	Totals
New Construction (Not STR)	13	2	3	18
New Construction (STR)	4	0	1	5
Totals	17	2	4	23

The bar graph below provides a visual depiction of the data presented in the three charts above.



After reviewing the STR conversion frequency and considering the real estate market data, staff is hopeful that the number of STR conversions seen in 2020 and 2021 were unprecedented due to the high demand in the real estate market. Additionally, it is likely that some of the property sales in 2020 and 2021 may have previously been used as an STR, but did not have a license, as the STR program was getting started and may not have had all short-term rental properties in compliance. The conversion frequency in 2022 appears to be normalizing, but it may be too early to predict.

STR License Cap Quantity

At the June 14, 2022 Town Council Work Session, staff reported that the Town of Frisco had 724 STR licenses (20% of the housing stock) with 94 being locally owned. Since discussing a potential license cap, staff has issued 51 additional STR licenses, half of which were issued to locals. Therefore, the total quantity of licenses has increased to 775 (or 21.52% of the housing stock).

Only 24 Frisco STRs rent a private room in a shared residence (rather than renting the entire residence).

If Town Council concludes that a license cap is necessary at this time, then staff recommends setting the cap at 22% of the housing stock, or 792 STR licenses. This recommendation is based on the fact that the Town of Frisco is currently sustaining the economy with the existing number of licenses. Additionally, this recommendation is based on the assumption that if Town Council concludes that a cap is necessary, it is because the balance between the demands of a tourist-driven economy and the needs of the local community is reaching a breaking point.

Since there are currently 775 issued STR licenses, this option would allow 17 additional licenses. Using a percentage, rather than a specific number would also allow the quantity of STR licenses to increase as new units are constructed. In the event that Town Council would like to consider a different percentage, the following table provides calculations for an STR license cap at 22, 25, 27, and 30 percent of the housing stock.

Housing Units	22% STR Licenses	25% STR Licenses	27% STR Licenses	30% STR Licenses
3600	792	900	972	1080

If a license cap is implemented, the following recommended language would be added to Town Code Section 110-38:

Maximum allowable number of STR licenses: The Town hereby establishes the maximum number of short-term rental licenses as 22% of the residential housing units within Town boundaries.

If Council determines that the data and other information provided in this report does not support implementing a specific STR license cap, Council could direct staff to pursue an economic impact study, which would obtain statistical data such as how many STRs are needed to sustain the economy, how many jobs are generated by Frisco STRs and their associated wages, how many dollars are spent by STR guests, and how STRs impact housing demand. Staff estimates the study would cost around \$40,000 and take anywhere from 6 months to 1 year to complete. The results of the study could potentially recommend increased fees to mitigate the impacts of STR, or even a license cap.

License Type Definitions

One of the main objectives of regulating short-term rentals is to mitigate negative impacts to the local community, including the availability and affordability of housing. Fifteen percent (117) of all Frisco STRs are owned by Summit County locals. A local resident who short-term rents their primary residence, either while on vacation or as a shared home situation, supports housing affordability for local residents. Town Council previously expressed an interest in exempting local owners who occupy their STR as a primary residence from the license cap.

In order to accomplish the goal, and in the event that Town Council implements a license cap, staff recommends creating and exempt license type. To qualify as exempt, the property owner must occupy the STR unit as a primary residence. Any STR license applicant requesting an exemption would be required to provide proof of primary residence with their STR license application, or at renewal, whichever is applicable. An exemption could also be granted for a

property owner showing that the property was long-term rented to a member of the local workforce for a minimum of 10 months during the preceding year. Upon further review of this concept, staff does not recommend creating an exemption for this type of long-term rental, because the period that the property would be short-term rented would likely be the peak season, which is also the time of greatest need for long-term rentals for the local workforce. All other STR licenses would not be considered exempt and would therefore be subject to the license cap. An exempt license would be requalified as exempt as part of the annual renewal process.

If an exempt license is desired, the following recommended language would be added to Code section 110-38:

A property owner who occupies their residence as a primary residence and meets the requirements set forth in the 'Exempt License' definition is eligible to apply for and receive licenses annually without being subject to the maximum number of allowable STR licenses established in section 110-38; provided, however, such persons shall comply with all other provisions of this chapter.

The following recommended definitions would be added to Code section 110-37:

LICENSE, EXEMPT: An STR license which may be issued to a property owner that proves at initial application and at subsequent annual renewals that the property to be licensed as a short-term rental is the primary residence of the property owner. Such proof shall include a notarized affidavit in addition to two forms of documentation, including a driver's license, Colorado state identification card, Voter Registration, and the current year federal tax filing showing the property to be licensed as the property owner's primary address.

PRIMARY RESIDENCE: Primary residence means a residence which is the usual place of return for housing as documented by the vested title property owner of record signing an affidavit to that effect and providing at least two of the following: driver's license, Colorado state identification card, voter registration, or tax documents. The primary residence shall be occupied as the primary residence for a minimum of ten months per year. A person can have only one primary residence.

Quantity of Frisco STRs Not Actively Renting

At the June 28, 2022 Work Session, Town Council indicated that if an STR license cap were implemented, then a 'use-it-or-lose-it' policy could also be appropriate. Since then, staff has been working with GovOS, the STR software vendor, to determine how many Frisco STRs are not actively renting. The GovOS software automatically pulls data from 30+ vacation rental advertisement platforms such as Airbnb, VRBO, and Craigslist, among others, to identify active listings and match them with specific property addresses. The data is mainly used to identify non-compliant properties.

In this case, GovOS used this data to identify which Frisco STRs have active listings, which do not have active listings, and the number of nights blocked on each calendar. GovOS then compared this data with the tax remittance dollars and determined that there are 253 STR properties that do not have an active advertisement and have not remitted STR taxes so far this year. An additional 3 properties have active advertisements, but their calendars are blocked off with no availability, and they have not remitted STR taxes yet this year. The full GovOS report is

provided as an attachment to this memo. Unfortunately, this data provides very limited value for many different reasons.

First, GovOS indicated that the software can determine if the STR booking calendar is blocked off, but there is no way to determine if the property was short-term rented during that time, if it was used by the owner, or if the calendar was blocked intentionally to prevent it from being booked. Therefore, STR calendar availability is not an accurate indicator of rental activity. Additionally, it cannot be assumed that properties without an active advertisement are not actively renting because some properties that do not have an online advertisement are filing STR taxes, and there may be some properties that are actively renting without an advertisement and without filing taxes.

Unfortunately, the tax remittance data is not foolproof either. Some property management companies are allowed to remit taxes for all properties in bulk. Not all bulk filings provide detailed remittance data for each individual property. For example, VRBO remits taxes on behalf of the property owners. In that case, VRBO submits one check and does not provide a detailed breakdown of taxes remitted per property.

Based on this information, staff estimates there are approximately 200 STR properties that are not actively renting; however, a *'use-it-or-lose-it'* policy is not recommended due to the enforcement challenges described above. Additionally, staff believes this policy could work in opposition to the license cap.

If Town Council decides a *'use-it-or-lose-it'* policy is necessary, then staff recommends requiring a minimum of one booking per year. In this scenario, staff could work with the GovOS team to create a customized form that would be required from the applicant on an annual basis upon license renewal. The form would require that the STR licensee provide proof that the property was short-term rented at least once over the course of the past 365 days. However, implementing this policy may require additional staff time and increased license fees to compensate for the amount of time it would take to verify each applicant's proof of renting.

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.

The STR revenue is used to pay for staff time, STR software, workforce housing, the Information Center, recreation, special events and marketing, as well as general operating expenses. In effect, limiting the quantity of STR licenses that can be issued will also limit the amount of revenue generated by STR licenses.

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.

Staff Recommendation: Staff recommendations are included in the body of this report.

Approved By:

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

Attachments:

Attachment 1: June 14th Staff Report
Attachment 2: June 28th Staff Report
Attachment 3: Survey Results
Attachment 4: Real Estate Data
Attachment 5: DestiMetrics Data from Summit Mountain Rentals
Attachment 6: STR Conversion Data
Attachment 7: Inactive STRs