



MEMO TO: Mayor Vandernail and the Board of Trustees
FROM: Michael Brack, Assistant Town Manager
DATE: August 3, 2022
SUBJECT: Short-Term Registration Fees and Enforcement

MATTER BEFORE BOARD:

Consideration to increase short-term registration fees, reflect the number of bedrooms associated with a property, and implement administrative enforcement.

BACKGROUND:

On October 18, 2017, an ordinance was passed adopting short term registration fees were which required a \$150 fee per year for any property regardless of its size, type, and number of bedrooms in addition to a \$40 business license fee for each property to legally rent out their unit on a short-term basis. Short term rentals are defined in the Town's code as any rental of a residential dwelling or portion thereof for less than 30 days for residential purposes. Currently, there are about 250 properties registered as a short-term rental within Fraser town limits and about 50 properties operating without a short-term rental registration.

Below shows what other municipalities are charging for short term rental registration fees.

Grand County, Colorado

- The county charges \$25.00 per occupant based on the maximum advertised occupancy for the STR.

Town of Granby

Fees based on bedroom counts:

- One bedroom or studio \$200.00
- Two Bedrooms \$300.00
- Three or more bedrooms \$400.00
- Plus \$100.00 application fee on all

Town of Grand Lake

- Flat rate of \$600.00 annually

Town of Winter Park

- Flat rate of \$150.00 annually

Town of Breckenridge

- STR Application Fee: \$175
- STR Permit Fee: \$400 per bedroom

Town of Durango

- STR Permit Fee: \$750 flat fee

Town of Crested Butte

- \$750 flat fee for each short-term rental property
- Short term rental licenses require 2 years paid at a time

Town of Fraser (Proposed in Ordinance No. 488)

- Short-Term Rental Application Fee \$150 (Current Fee)
- Short-Term Rental Permit Fee
 - o **Option 1:** Gradual annual increases per bedroom.
 - Beginning September 1, 2022: \$150 per bedroom according to the property assessor plus every additional sleeping area with a bed, not including pull out or slide out sofas, will be counted as an additional bedroom. Studios are counted as one bedroom.
 - Beginning September 1, 2023: \$250 per bedroom according to the property assessor plus every additional sleeping area with a bed, not including pull out or slide out sofas, will be counted as an additional bedroom. Studios are counted as one bedroom.
 - Beginning September 1, 2024: \$350 per bedroom according to the property assessor plus every additional sleeping area with a bed, not including pull out or slide out sofas, will be counted as an additional bedroom. Studios are counted as one bedroom.
 - o **Option 2:** The permit fee per unit per year is \$250 per bedroom according to the property assessor plus every additional sleeping area with a bed, not including pull out or slide out sofas, will be counted as an additional bedroom. Studios are counted as one bedroom.

FINANCIAL IMPACT:

The STR application fee will continue to be used for administrative costs for the STR software, administration, and enforcement of the program. The STR permit fees will be allocated to the Fraser Housing Authority Fund for affordable housing initiatives and programs as approved by the Fraser Housing Authority.

Project Annual Revenues

2023 STR Application Fees: \$150 x 300 STRs = \$45,000

- STR Software: \$20,000 annually

- Administration and Enforcement: \$25,000

2023 STR Permit Fees (Proposed):

Option 1: Gradual increase in STR Permit Fee per bedroom per unit per year

STR Revenues from September 1, 2022 – August 31, 2023:

- \$150 per Bedroom x 3 Bedrooms x 300 STRs = \$135,000
- Cost for a 3 Bedroom STR Registration: \$150 (application fee) + \$450 (permit fee) = \$600

STR Revenues from September 1, 2023 – August 31, 2024:

- \$250 per Bedroom x 3 Bedrooms x 300 STRs = \$225,000
- Cost for a 3 Bedroom STR Registration: \$150 (application fee) + \$750 (permit fee) = \$900

STR Revenues beginning September 1, 2024:

- \$350 per Bedroom x 3 Bedrooms x 300 STRs = \$315,000
- Cost for a 3 Bedroom STR Registration: \$150 (application fee) + \$1,050 (permit fee) = \$1200

Option 2: Set STR Permit Fee at \$250 per bedroom per unit per year

STR Revenues beginning September 1, 2022:

- \$250 per Bedroom x 3 Bedrooms x 300 STRs = \$225,000
- Cost for a 3 Bedroom STR Registration: \$150 (application fee) + \$750 (permit fee) = \$900

Sales Tax Collection on Fraser STRs

Year	2019	2020	2021	2022(JAN-MAY)
STR Sales Tax Revenue*	\$251,760	\$356,864	\$538,296	\$269,850
% Of Total Sales Tax	7%	8%	10%	11%
STR Gross Sales*	\$5,035,202	\$7,137,274	\$10,765,912	\$5,396,990

*Sales tax and gross revenues are for STRs located within Fraser Town limits only.

Anticipated STR Permit Revenue Uses

- Plant Investment Fees for Affordable Housing
- Deed Restriction Program
- Land Acquisition
- Affordable Housing Development
 - New Construction
 - Rehabilitation of older properties
- Public/Private Partnerships

ENFORCEMENT:

Currently, no administrative penalties exist for failure to either register or renew their short-term registration for a property owner but defaults to the Town's general penalty for violation which creates challenges regarding enforcement. Grand County charges the following fines if a property owner fails to register their property as a short-term rental. This fine structure is recommended by Town staff to be adopted by Fraser and included in Ordinance No. 488 with 10 business day periods between each violation. Currently, about 20% of short-term rental properties are not in compliance with current Fraser short-term rental regulations.

1st Violation – Warning

2nd Violation – \$500

3rd Violation – \$1000

4th Violation – UPON THE FOURTH VIOLATION, THE SHORT TERM RENTAL PERMIT MAY BE REVOKED OR SUSPENDED FOR A PERIOD OF ONE (1) YEAR.

RECOMMENDATION:

Short-term rentals in Fraser have positive impacts to the local economy but does create challenges with regards to both workforce and affordable housing with existing housing inventory. Approving Ordinance No. 488 provides a revenue stream to affordable housing initiatives. While the proposed fee structure is higher than others, we have had discussions with several other communities that are currently looking to increase their registration fees due to the impacts of workforce housing. Staff recommends approval of Ordinance No. 488 to increase fees associated with short term registrations with whichever fee structure the Town Board thinks will best accomplish its affordable housing goals while being fair and equitable to short term rental property owners.