

If members of the public wish to attend the workshop digitally the link is below in yellow.
The workshop will go on in person regardless of technical difficulties with Zoom.

WINTER PARK TOWN COUNCIL WORKSHOP

Winter Park Town Hall - 50 Vasquez Road
Tuesday, January 17, 2023
3:00 p.m.



WORKSHOP AGENDA

1. Grand County Historical Society Transit Center Wrap Discussion (3:00 p.m. – 3:15 p.m.)
2. Short Term Rental Fees Discussion (3:15 p.m. – 4:30 p.m.)
3. Other items to be discussed (if time allows)

You are invited to a Zoom webinar.

When: January 17, 2023 3:00 PM Mountain Time (US and Canada)

Topic: Town of Winter Park Workshop

Register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_DWzbonYxRzOczSD94EVv3w



MEMO

TO Mayor and City Council
FROM Keith Riesberg, Town Manager
CC Hilary Graham, Town Attorney; Alisha Janes, Assistant Town Manager
DATE January 13, 2023
RE STR Fees and regulations

Overview

Winter Park continues to evaluate the impact Short-term Rental units (STRs) has on the Town's economy. It is acknowledged that STRs serve as the bed base for Winter Park's tourism-based economy and play a critical role given the community's lack of hotels. Guests staying in STRs spend money in the local economy, in turn creating local jobs and demand for community housing. As documented in nexus studies conducted in comparable communities, the STRs create an additional demand for community housing that may warrant additional fees to fund community housing development to offset this additional demand. This memorandum is to provide an overview of the issues to be considered in the potential adoption of fees to offset the STR impacts.

Background

In 2020 the Town of Winter Park formed a citizen committee to evaluate the options for licensing and regulating STRs. This committee made several recommendations to the Town Council that were adopted into the Town Code. These recommendations included the registration of STRs, which began October 1, 2021. The licensing of STRs is an annual requirement and as of December 1, 2022, the Town has 1,222 registered STRs.

When adopting the licensing requirements, the Town set an annual fee of \$150 to offset the administrative costs associated with the licensing program. A review of the revenues collected in comparison to the costs associated with the licensing program suggests that an adjustment to this fee is not warranted at this time. Because of this, the administrative fee is not a focus of this memo and discussion at this time. Detailed break downs of the fees and costs can be provided at a later date if needed.

Because Winter Park is continuing to grow and develop (the community is approximately 40% built out), it is anticipated the number of STRs in the community will continue to

increase. Most of the new development will occur in subdivisions (Rendezvous, Roam, Cooper Creek Village) with development agreements that establish the funding mechanism (voluntary RETA) for the community housing required to offset those developments. It is assumed the fees to be collected through the RETA associated with the construction of new STRs addresses the impacts associated with the construction of the residential dwelling unit. This impact is different than the impact associated with the operation of the STRs.

The discussion of STR licensing fees does not contemplate the limitation/capping of STR licenses or a restriction of where in Winter Park the STRs may operate. If the Town wishes to restrict or limit the conversion of existing owner-occupied or long-term rental units to STRs, that is a land use discussion and not part of this analysis. It should be noted that some of the areas of new construction within Winter Park are governed by development agreements that designate STRs as a use by right. STRs allowed as a use-by-right are still required to be licensed and pay the required fees.

This memo and analysis does not consider or contemplate any regulation changes being discussed at the State. It is my recommendation to only consider those regulatory changes after a bill has been signed into law.

Documentation of need

When evaluating STRs fees and impacts, it must be noted that STRs are a critical source of sales tax revenues for the Town of Winter Park, its regional transit system and the various programs funded by Grand County's sales tax. From January through October of 2022, the Town of Winter Park received approximately \$3.1M of sales tax revenues from STRs. This is approximately six times the amount of sales tax revenues received from hotels operated in Winter Park during this same period. This memo uses the definitions of hotel and STRs as outlined in the Town's Unified Development Code.

The Winter Park Housing Needs Assessment conducted in 2015 identified the need for an additional 160 community housing units by 2020. Although the Fireside Creek Apartment project will provide 50 of the needed 70 rental units identified in the 2015 study, the Town has continued to fall behind in the provision of community housing.

This growing need for construction of community housing was further documented in the 2022 Fraser River Valley Housing Needs Assessment. The 2022 study identified the need for approximately 700 additional community housing units by 2027. It should be noted this need is through the entire Fraser River Valley – not just in Winter Park. The 2022 study also

noted that the gap between the cost of constructing a housing unit and what meets the criteria of community housing had increased to approximately \$350,000 per home.

Using similar methodology as other resort communities, the Town of Winter Park may wish to consider the adoption of fees on STRs to fund the construction of community housing. The revenues to be derived from such a fee needs to be dedicated to community housing projects. In considering the establishment of such a fee, the Town should be mindful of other regional efforts to address community housing throughout the Fraser river valley. The Town of Winter Park and properties in this community do not need to be the sole funding solution to this regional issue.

Using the methodology outlined in multiple studies, the Town of Winter Park could justify the adoption of a fee/STR bedroom that ranges from \$300 to \$500 per bedroom. This fee would be in addition to the base fee charged for the licensing of STRs. Assuming two bedrooms per STR unit licensed, this fee would generate between \$730,000 and \$1.2M for the Town's housing programs. These funds would allow the Town to substantially advance community housing projects within Winter Park.

Rationale

It has been documented that STRs create additional demand on the labor force in resort communities. If businesses in those communities do not have an adequate labor force because of inadequate community housing options, the guest experience and the local economy begin to degrade. The implementation of a fee on STRs to provide additional funding to the Town's community housing programs will benefit the local labor force as well as the local economy.

The approach taken by the Town of Winter Park towards STR regulations has been an incremental one. Assuming an average nightly rental fee of \$300 per night, the implementation of an annual \$300 - \$500 fee per bedroom should not drastically alter the operational viability of STRs in the community. Implementing a fee of this magnitude begins to offset the impacts of STRs on community housing while not detrimentally impacting a main driver of the Town's economy.

Recommendation

As reflected in this memo, there are multiple factors and variables to be considered when offsetting the impacts of STRs on Winter Park's community housing. This memo and the discussion scheduled for Tuesday, January 17 workshop is to provide the staff direction on how the Council wishes to move forward on this issue. Options available to the Town

Council range from taking no action on the issue to requesting a study to adoption of the fees as contemplated in this memo.

An alternative action is the Town Council may wish to reconvene the STR committee that was established in 2020 (updating for members who may be unable/unwilling to serve). This committee can meet several times over the next six months to make recommendations to the Town Council. If the Town is going to move forward with the adoption of an STR fee to offset the impact to the community housing needs, the fee should be adopted no later than the end of August. This would allow time to communicate the new fees to license holders prior to the October 1 renewal. Adoption of the fee this year would allow the funds to be received this fiscal year, which will enable the Town to advance community housing projects in the coming years.

In addition to the potential fees outlined in this memo, there are alternative revenue sources that have been suggested as a way to offset the impact of STRs on community housing. Some of these alternatives would require complex agreements or elections to be conducted. Reconvening the STR committee would allow the evaluation of alternative approaches to the STR fees.

Should you have any questions or need additional information regarding this matter, please contact me.