Preserving Housing Through The Regulation of Short-term Rentals:

*Durango, Colo.*

A HOUSE IS A HOME

short-term rental regulation and community preservation

Urban Conservancy, New Orleans, LA
Phillip Supino, Planner, City of Durango
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INTRODUCTION

DISCUSSION OUTLINE

• Short-term Rental Market Overview
• Why Regulate STRs?
• Introduction to Durango
• Regulatory Strategies
• Conclusion
THE “SHARING ECONOMY”

Major Markets in the Sharing Economy
HOUSING & THE “SHARING ECONOMY”

Second homes are occupied 24.6% (12.8 weeks) of the year
2005 Northwest Colorado Council of Governments Study

Therefore, 76.4% of the home is an under-utilized resource
BRIEF HISTORY – PRIVATE VACATION RENTALS

**OLD SCHOOL**

- THE LOVE SHACK
  - VACATION RENTAL
  - 970-596-2922
cbloveshack.com

- Old house in snow
- Telephone

**NEW SCHOOL**

- Airbnb
- VRBO
- Away

- Modern computer
- Modern devices
GROWTH OF AN INDUSTRY

- $23 billion in vacation rentals (2012)
  - 7% of U.S. travel market (2012)


- $211 average daily rate (2012)

- 24% of VR reservations booked online

- 1 in 4 RBO properties are owner occupied

2013 Phocuswright U.S. Vacation Rentals Study
WHY REGULATE VACATION RENTALS?

- RBO Companies argue *no regulation is needed*
  - Market should dictate the industry
  - Government is slow and reactionary
  - “Community” model provides quality and impact control
WHY REGULATE VACATION RENTALS?

- Preserve residential character
- Collect sales and lodging tax
- Create a “level playing field” between RBOs and property management companies
- Ensure adequate lodging options for tourists
- Ensure adequate housing options for residents
- Ensure vacation rentals meet existing health and life safety regulations
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DESTINATION COMMUNITY

Durango-Silverton Narrow Gauge Railroad

Downtown Historic District

Southwestern History

Recreation

DURANGO, COLORADO
DEMOGRAPHICS

Population: 15,557
Median income: $53,173
Projected growth: 3.7%

DURANGO, COLORADO
FORT LEWIS COLLEGE

Four year state college  The “Skyhawks”  Located on College Mesa in 1950

DURANGO, COLORADO
FORT LEWIS COLLEGE

- 3,865 full-time students
- 2,317 (61%) off-campus residents
- 24.5% of Durango residents are FLC students
- 15% of Durango renters are FLC students

FLC Student Housing

- Off-campus: 39%
- On-campus: 61%

DURANGO, COLORADO
Median Income and Median Residential Sales Price, 1995-2014

- **Durango (In Town) Median Sales Price**
- **La Plata County (Country Homes Combined) Median Sales Price**
- **La Plata County Median Income**

*Source: HUD and Durango Area Association of Realtors*
HOUSING PROFILE

Rental Vacancy Rate in Durango
2009-2014

Vacancy Rates Durango
Linear (Vacancy Rates Durango)

DURANGO, COLORADO
THE CITY OF DURANGO – REGULATING VR USES

Rental Market Pressures

Public Comments & Complaints

Emerging Regulatory Standards

City Council Direction

DURANGO, COLORADO
REGULATION OF VACATION RENTALS

Congenial Community Meetings

DURANGO, COLORADO
COMMUNITY CONCERNS

**Housing Impacts**
- loss of long-term rentals
- reduced owner occupancy
- increased housing cost
- speculative investments

**Neighborhood Impacts**
- parking
- noise
- wildlife protection
- dark blocks

**Lodging Impacts**
- loss of revenue
- lack of regulation
- safety & taxation

*DURANGO, COLORADO*
THE CITY OF DURANGO – REGULATING VR USES

Rationale

Neighborhood preservation
Quality of life
Housing preservation

Regulatory Tools

Zoning
Licensing

Strategies

Spacing requirements
Neighborhood caps
Permitting review process
Code enforcement inspections
Monitoring
THE CITY OF DURANGO – VR REGULATIONS

Zoning & Density
- Allowed in limited zones

Spacing Requirement
- One per block

Occupancy Limit
- Based on bedrooms

Appearance
- No signage, well kept

Parking
- Off-street only

Management
- Listed with City

Life, Safety & Wildlife
- All relevant codes, regs. apply

Permitting & Monitoring
- Revocable, complaint-based

DURANGO, COLORADO
STREET SEGMENT CAP

DURANGO, COLORADO
PERMITTING

Process for Permitting a Durango Vacation Rental

- Owner inquiry
- Public notice
- Licensing
- Annual review

- Land use application
- Staff review
- Permitting

DURANGO, COLORADO
REVIEW & PERMITTING

LAND USE APPLICATION
$750 application fee

SITE PLAN
parking, bedrooms, egress

PUBLIC NOTICE
neighbor comments, site visit

CODE INSPECTION
noise, wildlife, life/safety

LIMITED USE PERMIT
revocable, non-transferable

DURANGO, COLORADO
LICENSING

BUSINESS LICENSE
- $130 in fees
- 3% sales tax
- Submit application to Clerk’s
- Property inspected
- Renewed annually

LODGERS TAX LICENSE
- $25 fee
- 2% tax rate
- Submit application to Clerk’s
- Renewed annually

CLERK’S APPROVAL

BUSINESS LICENSE ISSUED

DURANGO, COLORADO
A LIMITED MARKET

- Not allowed in all zones
- Ongoing website monitoring
- Prevent market saturation

- Reduce traditional lodging conflict
- Ensure compatible land uses in EN neighborhoods

DURANGO, COLORADO
PERMITTED VACATION RENTALS

Total permits = 59
Total allowed = ??

22 active permits in EN-1 neighborhood

DURANGO, COLORADO
MONITORING AND ENFORCEMENT

Neighborhoods
resident comments
public notices
code enforcement officers

Licensing & Permitting
renewed annually
revocable

Revenue & Enforcement
code compliance
increased taxes
website & advertising
public outreach

DURANGO, COLORADO
NATIONAL REGULATION TRENDS

• Public Process
• Require licensing
• Collect lodging taxes
• Pursue delinquent lodging tax remittance
• Some specific zoning regulations on RBOs
• Enforce zoning restrictions
• Monitor size of RBO market through internet searches
## REGIONAL REGULATION TRENDS

<table>
<thead>
<tr>
<th>Low Regulation</th>
<th>High Regulation</th>
<th>Not allowed</th>
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<tr>
<td>Aspen</td>
<td>Durango</td>
<td>Jackson Hole</td>
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<tr>
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<td>Park City</td>
<td></td>
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<td></td>
<td>Mammoth Lakes</td>
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</tr>
</tbody>
</table>

“Low Regulation” communities generally require:
- A business license
- Sales/lodging tax remittance
- Comply with life safety and trash regulations

“High Regulation” communities generally:
- Limit the location and timeframes for rentals
- Require special signage and/or neighbor notification
- Have special parking requirements
STATE LEGISLATION

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REGULATORY OPTIONS

• Many options, but no uniform solution.

• Regulate Vacation Rentals based on your unique social and economic needs.

• Ask: what are the community goals and what issues you are addressing?
City of Durango, 2013 Vacation Rental Survey

CAST, 2010 Vacation Rental Survey


Northwest Colorado Council of Governments: “The Economic and Social Impacts of Second Homes in Four Mountain Resort Communities in Colorado. 4/7/05


U.S. Census, 2012, Community Survey Data

SOURCES