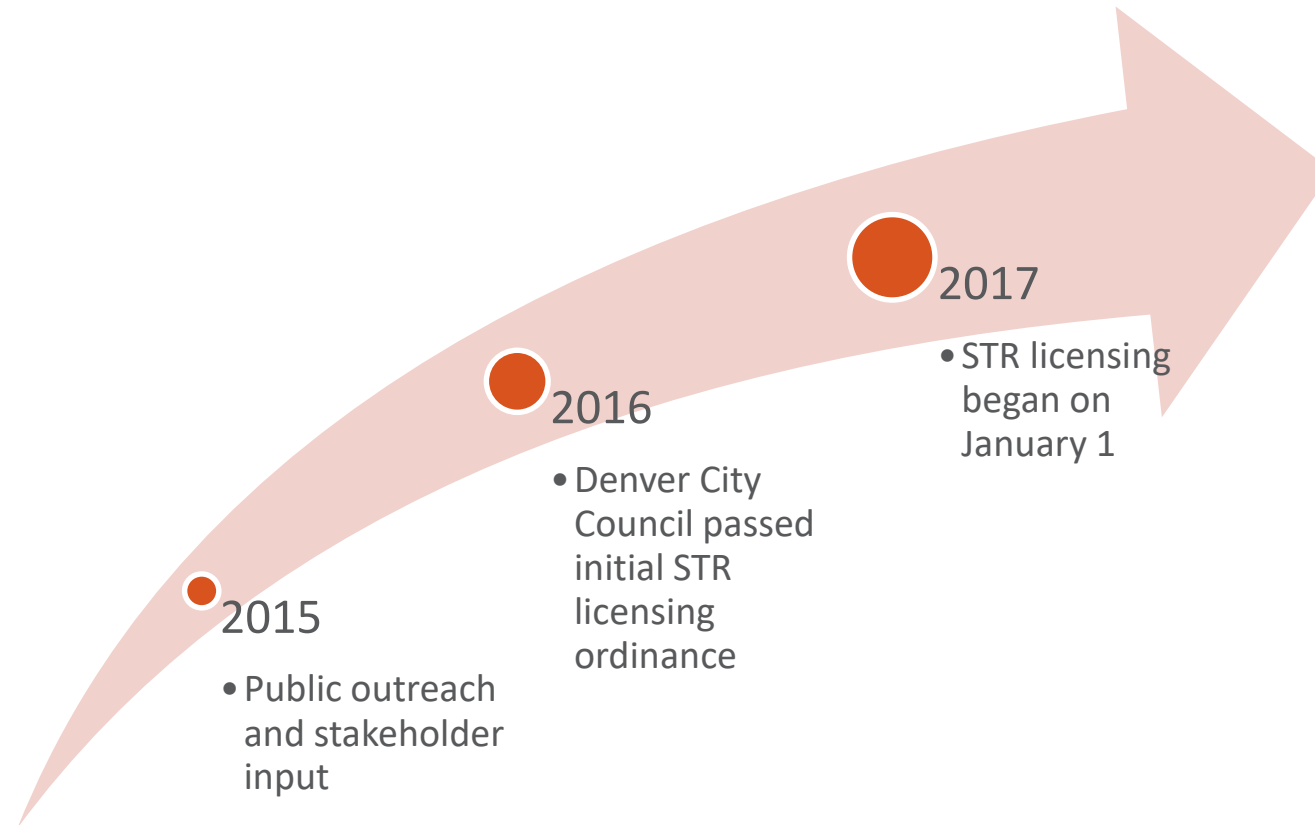


# Short Term Rentals

EXL at BIZ Committee  
March 11, 2020

# Short-Term Rentals: A Quick History



# Short-Term Rentals: Opportunities and Risks

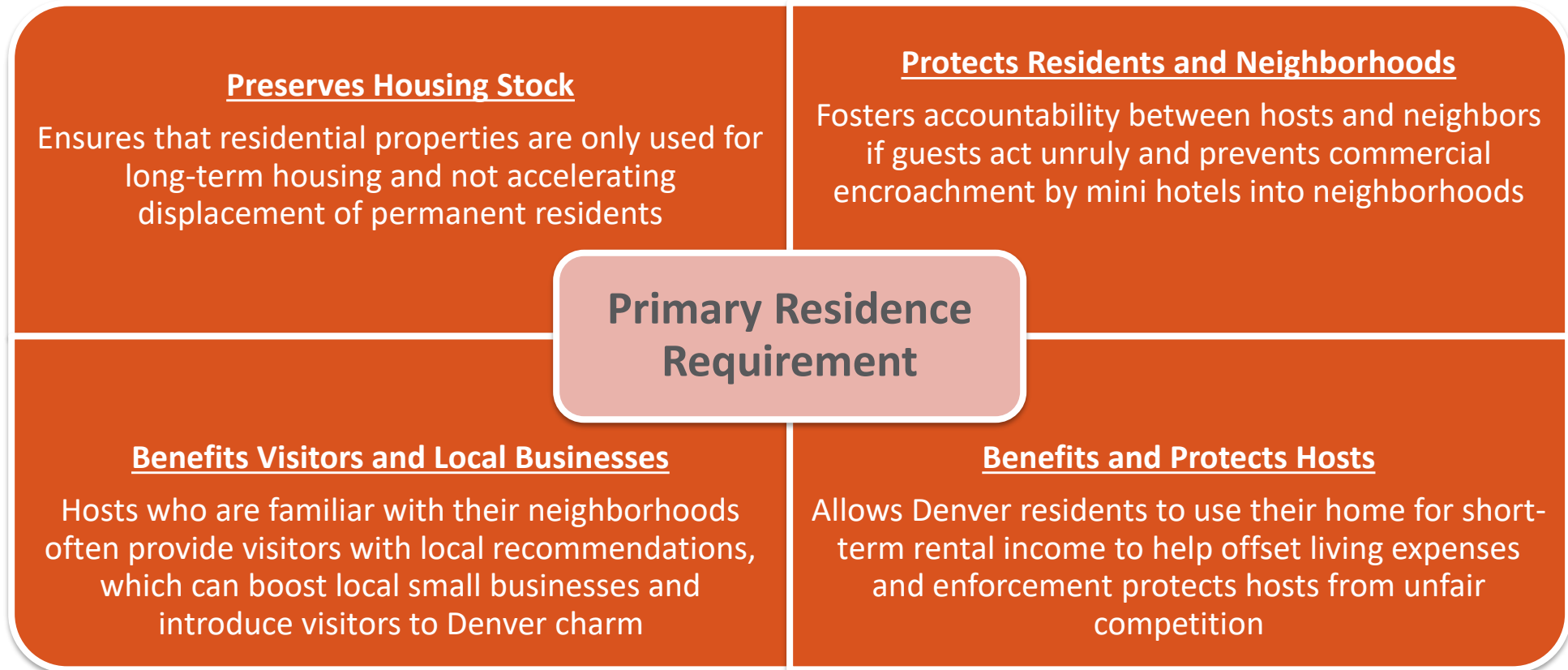
## Opportunities

- STRs can create additional income opportunities for Denver residents
- STRs can foster variety in lodging options for Denver visitors
- STRs can drive community economic development when hosts recommend local businesses and employ service providers

## Risks

- Use of properties for STRs can put stress on the housing stock and affect affordability
- STRs used as “mini hotels” can lead to commercial encroachment in residential neighborhoods and accelerate gentrification and/or displacement of permanent residents
- Disrespectful guests can lead to health, safety, welfare, or quality of life concerns

# The Primary Residence Requirement



# Stakeholder Outreach: Denver's STRAC

- STR Hosts
- STR Guests
- STR Property Managers
- Neighbors and RNO representatives
- City Council Representation (CM Flynn + CW Sawyer)
- Visit Denver
- Denver Metro Association of Realtors
- Platform Representation (Airbnb)
- Colorado Hotel & Lodging Association
- Members of the Public

STRAC meets every other month to provide EXL with feedback and guidance on short-term rental licensing administration, enforcement, and policy

# Policy Values and STRAC Goals

**Protect the fabric and character of Denver neighborhoods and the residents who live there**

- Continue existing enforcement efforts against non-compliant hosts to ensure a level playing field
- Pursue stronger enforcement against non-compliant platforms to ensure all transactions are legal

**Protect and support our largely compliant host community and the visitors coming to our city**

- Update the complaint process to notify hosts when a complaint has been made against their short-term rental
- Facilitate educational roundtable discussions between hosts and DPD to ensure best public safety practices

**Ensure that Denver is keeping pace with the evolution of the industry and finding the right regulatory balance**

- Establish regular inter-jurisdiction calls with other cities
- Address risks and opportunities new and emerging lodging models

# Why are we here today?

EXL has filed an ordinance request to:

1. Update the **Primary Residence Requirement** in three places: the definition, the application requirements, and standards for issuance or denial
2. Update **Licensing Fees**
3. Make **technical and grammatical changes**

# Proposed Primary Residence Update

## What would change in the Definition?

- “Primary Residence” would still be defined as the place a person lives.
- Application requirements would be removed from the definition and relocated to the application section.



# How would Primary Residence be Defined?

- *Primary residence* means “the place in which a person’s habitation is fixed for the term of the license and is the person’s usual place of return.”

- A person can have only one primary residence.

- Language requiring application documentation has been removed and relocated.

# Proposed Primary Residence Update

## What would change in Application Requirements?

- New formatting would indicate which documents are used to determine primary residence.
- Applicants would not be required to submit any additional documentation other than what is already required.
- Expands flexibility for applicants to provide other documentation to prove primary residency, subject to review and approval by the Director.

# What would the Application Requirements Be?

⑩ Language has been **organized** to show what types of documentation must be included in a short-term rental application.

⑩ There are **no additional requirements**, but applicants now have an additional avenue to present proof of primary residence.

## ▪ Primary Residence Documentation

- **Two of the following:**
- Motor vehicle registration
- Voter registration
- Tax return
- Utility bill
- Other legal document deemed sufficient by the Director which is pertinent to establishing primary residency\*

\*New provision; all other application requirements currently exist

## Possession of Property Documentation

- **One of the following:**
- Valid warranty deed
- Valid lease
- Other verification of the applicant's right to the premises

## Other Documentation

- ⑩ **Both of the following:**
- ⑩ Colorado Driver's License or ID
- ⑩ Valid City Lodger's Tax account number

# Proposed Primary Residence Update

## What would change in Standards of Issuance or Denial?

- This new section would explicitly list the factors that may be considered in determining primary residence.
- We know that no two cases are alike, so we don't propose using a one-size-fits-all standard for issuance or denial of a license. Not every factor would be considered in every case.
- A list of factors means that applicants' unique situations could be taken into account when determining primary residence.

# Proposed Standards for Issuance or Denial

▪ The following factors **MAY** be considered in determining primary residence for purposes of the short-term rental license:

- Whether the applicant claims any other residence for domestic, legal, billing, voting, and/or licensing purposes;
- Whether and how often the applicant returns to the short-term rental or other places of habitation;
- Whether the address listed on an applicant's legal documents or tax assessment records is different than the address of the short-term rental;
- Whether an applicant's business pursuits, employment, income sources, residence for income or other tax purposes, leaseholds, situs of personal and real property, and motor vehicle registration indicate that the short-term rental is the applicant's primary residence;
- Whether the amount of time the short-term rental has been, or will be, rented within the calendar year indicates the short-term rental is or is not the applicant's primary residence;
- Whether the applicant is actively deployed in the United States military; or
- Whether any other relevant information discovered by the director or submitted by the applicant indicates that the short-term rental is or is not the applicant's primary residence

# Current Costs + Proposed Fee Update

## Current Enforcement Costs:

Description	Cost
Program Administrator (1 FTE)	\$106,900
Licensing Technician (2 FTE)	\$126,000
License Inspector (1 FTE)	\$76,800
Compliance Software	\$125,000
<b>TOTAL</b>	<b>\$434,700*</b>

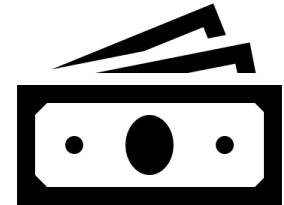
\*Does not include City Attorney and Hearing Officer costs for show cause cases, denial hearings, etc.

## Current Fees:

- No application fee
- \$25 yearly licensing fee

## Proposed Fees:

- \$50 application fee
- \$100 yearly licensing fee



## Projected Revenue:

- \$325,000

# Proposed Technical Changes

## What else is changing?

- Grammatical and formatting changes, for example, changing the word “contract” to the intended word “contact” in section 33-50.
- Relocating the language regarding sanctions for “good cause” from agency rule to ordinance.

# So what does all of this mean?

- Everyone who has been operating a short-term rental legally will **still be able to operate!**
  - This ordinance provides additional avenues for those with unique circumstances to show that they are compliant.
- Denver is dedicated to **protecting our largely compliant host community.**
  - This ordinance ensures adherence to the intent of the primary residence requirement and allows for clear action against those attempting to skirt the primary residence rules.
- These modifications allow Denver to keep pace with the **evolution of the industry and continuously improve** the regulatory framework.
- Fees will **increase** to help cover the cost of enforcement, while keeping them affordable and below national averages.



Questions?