



Vacation Rental Policy Options

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*Please view these slides in notes mode, as much
more detail about each slide is available in the
notes below.*

These slides explain four (4) different policy options for Vacation Rentals that are being considered by Archuleta County. After reviewing these slides, you will be asked to participate in a survey to rank the 4 Options and provide brief feedback. The results of this survey will be provided to the Board of County Commissioners for their consideration.

This briefing will also be presented in Public Forums as outlined here:

Friday, June 24, 2022 at 6:00 pm in the CSU Extension Building at the County
Fairgrounds

OR

Saturday, June 25, 2022 at 2:00 pm in the Ross Aragon Community Center

Feel free to attend so you can ask clarifying questions about anything presented here.



Agreed Upon Priorities

- It is a priority to **protect resources, public infrastructure, and encourage conservation** through incentives and requirements.
- It is a priority to **support tourism as a key contributor** to economy and jobs in the County.
- It is a priority to **preserve the small town, rural, quality of life for residents** of the County.
- It is a priority to **move the needle regarding affordable workforce housing** availability in the County.

The Board of County Commissioners agreed upon four priorities for the County as we approach this important policy decision. They are listed here.



Agreed Upon Priorities

- It is a priority to protect resources, public infrastructure, and encourage conservation through incentives and requirements.
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New STR Policies Should Be Guided by these Priorities

The Conservation Priority will be addressed via a new incentive program which will offer Vacation Rental Fee discounts for upgrading the dwelling and its appliances. So that Priority will not be considered in this review.

The remaining three priorities of Tourism, Quality of Life (QOL), and Housing will be the guiding principles for evaluating each of the Policy Options to be presented.



Agreed Upon Priorities

- It is a priority to **support tourism as a key contributor** to economy and jobs in the County.

- **GOALS:**

- Keep Lodging Dollars in County
- Maintain or Increase Lodging Tax Revenue

Tourism Priority

To evaluate the impact of each Policy Option on this priority, we will consider its ability to achieve the goals of:

- Keeping Lodging Dollars in the County
- Maintaining or increasing lodging tax revenue

DEFINITIONS:

Lodging Dollars – profits realized by Vacation Rental Owners after taxes, fees, and expenses



Agreed Upon Priorities

- It is a priority to **preserve the small town, rural, quality of life for residents of the County.**

- **GOALS:**

- Reduce impacts on neighbors and neighborhoods
- Encourage long-term occupancy

Quality of Life (QOL) Priority

To evaluate the impact of each Policy Option on this priority, we will consider its ability to achieve the goals of:

- Reducing the impacts on neighbors and neighborhoods from short-term rentals
- Encouraging long-term occupancy

DEFINITIONS:

Long-Term Occupancy – rentals of 180 days or more at a time for a single renter



Agreed Upon Priorities

- It is a priority to **move the needle regarding affordable workforce housing** availability in the County.

- **GOALS:**

- Take action to increase affordable housing availability

Housing Priority

To evaluate the impact of each Policy Option on this priority, we will consider its ability to achieve the goal of:

- Taking action to increase affordable housing availability

DEFINITIONS:

Affordable Housing – housing available at a cost affordable to someone who makes 100% of County AMI or less.



Priority Rating Scale



This is the Scale used to rate each Policy Option on its impact on those Goals we have defined.

- 1 – Significant Negative Impact on Current
- 2 – Somewhat Negative Impact on Current
- 3 – Very Little or No Impact on Current
- 4 – Somewhat Positive Impact on Current
- 5 – Significant Positive Impact on Current



Options to Consider

- **Breathing Room**
- **Skin in the Game**
- **Cost of Doing Business**
- **Hybrid (Recommended)**

These are the names given to each of the Four Policy Options. Please remember them for the survey found at the end.

Please note, these Policy Options are intended to be presented in general terms as different approaches to VR policy. They do not include detailed numbers, like percentages or other details. You are being asked to review the concepts in general terms, not numbers. Those will be refined as we narrow down to the preferred approach.



Breathing Room - *Elements*

Dispersal of VRs to Stabilize Impact on Residents and Infrastructure

- **Density Caps**
 - Inside subdivisions and per parcel
 - Tighter limits in multi-family (3+ units)
- **VR-to-VR Setbacks**
 - Radial by distance
 - Linear by parcel
- **2-Year Grandfather for Existing**
 - Include under-contract properties
 - Lottery

Breathing Room

The guiding principle for this Policy Option is the Dispersal of Vacation Rentals to stabilize and reduce the negative impacts from the industry on Archuleta County Residents and neighborhood infrastructure.

Elements

- **Density Caps** – a limit on the number VRs expressed as a percentage to reduce impacts on neighborhood infrastructure
 - There would be a limit set for each subdivision and a limit for each parcel.
 - The percentage number would be smaller in multi-family developments, (i.e. condos, townhomes, etc.) because of their proximity to the core employment region for the County, increasing their desirability as Affordable Housing.
- **VR-to-VR Setbacks** – a minimum distance between VR units to provide more “breathing room” for neighbors
 - A distance measured radially from property lines of a parcel containing a permitted VR where no other VR permits may be approved
 - Ensures no parcel will be adjacent to more than one VR
- **2-Year Grandfather for Existing Permitted VRs** – Dwellings with an approved VR

permit on the effective date of the regulations will be allowed to renew their permit two more years, provided their permit does not expire and is not revoked during that period

- Properties under contract for purchase on the effective date of the regulations will be included in the grandfathered group.
- At the end of the grandfather period, a lottery will be conducted to determine who will be able to continue operating a VR within the new parameters.

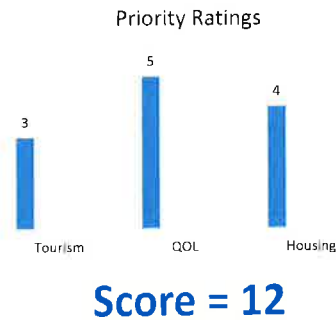


Breathing Room – Anticipated Impacts

- Immediate halting of new STRs in oversaturated areas
- Migration of STRs to rural parcels

SUBDIVISION	# STR	TOTAL UNITS	SATURATION
SJRV	72	165	44%
Lake Pagosa Park	56	333	17%
Twincreek Village	39	294	13%
Lake Forest Est	38	294	13%
Pagosa in the Pines	59	457	13%

CONDO	# STR	TOTAL UNITS	SATURATION
The Links	11	12	92%
Pagosa Pines	48	78	62%
Timbers	5	11	45%
Mountain Vista	9	20	45%
Aspenwood III	7	16	44%



Breathing Room

Anticipated Impacts

- There will be an immediate halting of new VR permits in subdivisions that are over the saturation limit that is established
- Over time, VRs will migrate to areas that are NOT over their saturation numbers
- The data tables show the top five single-family residence subdivisions and condo subdivisions by saturation amount. These are NOT the only subdivisions that are high in saturation. The exact subdivisions that will be effected is undetermined as we are not recommending a specific cap number at this time.

Priority Ratings

- TOURISM RATING = 3
 - This has no impact on how many VRs are owned by County residents, so it will not impact Lodging Dollars
 - Because it is not expected that this will reduce or increase the total number of VRs in the County, it is not expected to have any negative or positive impact on the Lodging Tax collected.
- QOL RATING = 5

- This option will have a significant positive impact on neighbors and neighborhood by spreading the VRs out more in the County
- This option will have some positive impact by encouraging more long-term rentals when some STRs turn into LTRs
- HOUSING RATING = 4
 - This option will have some positive impact on availability of Affordable Housing as investors in the condo subdivisions turn their STRs into LTRs.

OVERALL SCORE = 12



Skin in the Game - *Elements*

Leverage Demand for STRs to Increase Availability of LTRs

- **Non-Resident Owners**
 - Provide LTR for every STR permit
- **Resident Owners**
 - No LTR requirement
- **LTR Considerations**
 - Accessory Dwelling Unit or separate parcel
 - Owner Occupied Fees
 - WFH Incentives & Density Bonus
- **3-Year Grandfather for Existing**

Skin in the Game

The guiding principle for this Policy Option is to leverage the demand for VR permits in the County to gain more LTRs.

Elements

- **Non-Resident Owners** – owners whose permanent residence (where they vote) is not in Archuleta County
 - Must provide a unit for long-term rental for every VR permit they are issued
- **Resident Owners** – owners whose permanent residence (where they vote) IS in Archuleta County
 - Exempt from the requirement to provide an LTR.
 - May have multiple VR properties
- **LTR Considerations**
 - May use an accessory dwelling unit on the same parcel as the VR or may provide one on a different parcel in Archuleta County (including TOPS parcels)
 - Owner Occupied fees will be applied (as they are now) as long as the LTR dwelling unit and STR dwelling unit are on the same parcel – there must be a full-time resident on-site while there are STR renters present

- County has already established a County Residential Property Tax Incentive Program to waive County Property Taxes for new home construction of Affordable Homes. We are adding a density bonus that allows construction of accessory dwelling units on parcels that can normally only have one dwelling unit, if that new unit is also Affordable Housing.
- **3-Year Grandfather for Existing Permitted VRs** – Dwellings with an approved VR permit on the effective date of the regulations will be allowed to renew their permit three more years, provided their permit does not expire and is not revoked during that period
 - Properties under contract for purchase on the effective date of the regulations will be included in the grandfathered group.



Skin in the Game – *Anticipated Impacts*

- **Significant slowing of new VRs**
- **Reduction in total number of VRs over time**
- **Lodging landscape will eventually adjust**



Skin in the Game

Anticipated Impacts

- There will be a significant slowing of new VRs as owners contemplate the new requirement
- Over time, there will be fewer VRs in the County
- Eventually, the lodging landscape will adjust and there will be adequate lodging available for the tourism demand

Priority Ratings

- **TOURISM RATING = 2**
 - Though this does provide preference to residents, there is no reason to expect more locals to buy and operate VRs as a result of this policy, so there is no real impact on the amount of Lodging Dollars remaining in the County
 - Because of the anticipated reduction in the total number of VRs, there will be at least an initial reduction in lodging tax revenue for certain
- **QOL RATING = 4**
 - This option will have a some positive impact on neighbors and neighborhood by reducing the total number of VRs in the County, but may

still have pockets that are overwhelmed

- This option will have some positive impact by encouraging more long-term rentals when some STRs turn into LTRs
- HOUSING RATING = 4
- This option will have some positive impact on availability of Affordable Housing as investors turn their STRs into LTRs.

OVERALL SCORE = 10



Cost of Doing Business - *Elements*

Significant Increase in Fees with a Purpose

- **Acknowledge VRs as quasi-commercial use**
 - Residential Prop Tax ~7% vs. Commercial ~29%
- **Set fees to shrink the gap; resident owners exempt**
- **Use additional funds collected to create affordable housing project(s)**
- **Effective 1 Jan 2023**

Cost of Doing Business

The guiding principle for this Policy Option is to implement a significant fee increase and use those new funds to enact Affordable Housing solutions under the guidance of the County.

Elements

- **Acknowledge VRs as quasi-commercial use** – VRs are acknowledged by even the State as akin to commercial lodging as they must pay lodging and sales tax
 - The gap in property taxes is large and creates an unfair advantage to these businesses
- **Set fees to shrink the gap; exempt residents** – non-resident VR owners will pay fees which will be determined with the property tax amount as a baseline; resident owners will pay the original fee schedule (\$400/\$700)
- **Use additional funds collected to create Affordable Housing projects**
- **Effective January 1, 2023** – All renewals after this date will be subject to the new fees



Cost of Doing Business – Anticipated Impacts

- Some reduction/slowing in VRs

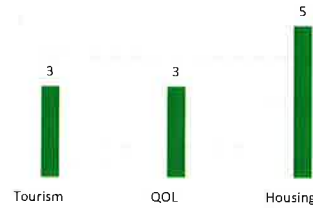
51 VR Sample

STR	2021 Taxes	3 x Fee	Per Night Cost	2 x Fee	Per Night Cost
Avg	\$1950	\$5851	\$32.51	\$3901	\$21.67
Median	\$1969	\$5906	\$32.81	\$3937	\$21.87
Highest	\$3821	\$11,462	\$63.68	\$7642	\$42.45
Lowest	\$878	\$2635	\$14.64	\$1757	\$9.76

Sample Revenue: \$298,397 (3 x) / \$198,931 (2 x)

Estimated Total Revenue: \$4.46M (3 x) / \$2.97M (2 x)

Priority Ratings



Score = 11

Cost of Doing Business

Anticipated Impacts

- There will be some reduction in total number of VRs in the County, but most owners will absorb the higher costs by raising their VR rates rather than closing their doors
- Using the property tax assessment as baseline ensures proportional fees based on the size and impact of the VR on the community
- 51 VR Sample
 - We sampled 51 VRs and aggregated their data
 - 2021 Taxes = property taxes assessed for 2021 tax year
 - 3 x Fee = VR fee determined by multiplying the baseline tax by 3
 - Per Night Cost = amount the VR fees would need to be raised to fully pass on the cost at the 3 x rate if you rent 180 nights per year
 - 2 x Fee = VR fee determined by multiplying the baseline tax by 2
 - Per Night Cost = amount the VR fees would need to be raised to fully pass on the cost at the 2 x rate if you rent 180 nights per year
- Sample Revenue – totals for ONLY this sample set
 - If the baseline rates were multiplied by 3, revenue to Workforce Housing Fund is approximately \$300K

- If the baseline rates were multiplied by 2, revenue to Workforce Housing Fund is approximately \$200K
- Estimated Total Revenue – estimate if this average was multiplied across all 850 VRs in the County
 - \$4.5M if baselines are multiplied by 3
 - \$2.9M if baselines are multiplied by 2

Priority Ratings

- TOURISM RATING = 3
 - This has no impact on how many VRs are owned by County residents, so it will not impact Lodging Dollars
 - Because it is not expected that this will reduce or increase the total number of VRs in the County, it is not expected to have any negative or positive impact on the Lodging Tax collected.
- QOL RATING = 3
 - This option will have a no negative or positive impact on the number or location of VRs, and therefore no impact on QOL
 - This option will do nothing to encourage or discourage long-term housing options
- HOUSING RATING = 5
 - This option will put control and resources in the County's hands to build Affordable Housing to meet housing needs

OVERALL SCORE = 11



Hybrid – Elements

Create Breathing Room While Growing Housing

- **Subdivision & Multi-Family Caps**
- **VR-VR Setbacks**
- **Non-Local Fee Increase with OPT OUT**
 - OPT OUT = 1 LTR for 1 STR
- **2-Year Grandfather for Existing**
- **Fees effective 1 Jan 2023**

Hybrid

The guiding principle for this Policy Option is to combine elements of other plans to create breathing room and grow housing stock.

Elements

- **Subdivision and Multi-Family Caps** – as described in the Breathing Room option
- **VR-to-VR Setbacks** – as described in the Breathing Room option
- **Non-Local Fee Increase with OPT OUT** – Fees as described in Cost of Doing Business (County resident owners exempt)
 - OPT OUT of fees by providing 1 LTR for every VR Permit
 - OPT OUT fees and local fees remain the same as now (\$400/\$700)
- **2-Year Grandfather for Existing Permitted VRs** – Dwellings with an approved VR permit on the effective date of the regulations will be allowed to renew their permit three more years, provided their permit does not expire and is not revoked during that period
 - Properties under contract for purchase on the effective date of the regulations will be included in the grandfathered group.
 - Lottery for Caps as described in Breathing Room option
- **Fees effective January 1, 2023**



Hybrid – *Anticipated Impacts*

- **Best of All Plans**
- **Increased housing availability in core areas through attrition**
- **Public-Private Partnership (P3) Opportunities**



Hybrid

Anticipated Impacts

- Takes best elements from all the other plans
- Will increase housing availability in the core areas through attrition
- Public-Private Partnerships for building project(s) will also benefit the economy and jobs

Priority Ratings

- **TOURISM RATING = 3**
 - This has no positive or negative impact on how many VRs are in County residents, so it will not impact Lodging Dollars
 - Because it is not expected that this will reduce or increase the total number of VRs in the County, it is not expected to have any negative or positive impact on the Lodging Tax collected.
- **QOL RATING = 5**
 - This option will have a significant positive impact on neighbors and neighborhood by spreading the VRs out more in the County
 - This option will have some positive impact by encouraging more long-term

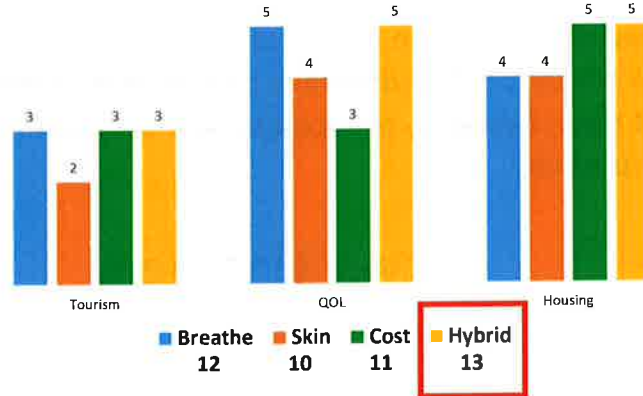
rentals when some STRs turn into LTRs

- HOUSING RATING = 5
 - This option will have significant positive impact on availability of Affordable Housing as the County utilizes the Workforce Housing Fund to develop and execute our own projects

OVERALL SCORE = 13



Priority Rating Comparison



These are four totally different approaches to the policy. None have strong negative impacts on any of the agreed upon priorities. The Hybrid option addresses both citizen complaint areas and housing challenges and puts the County in control for housing solutions rather than relying on market to eventually solve the problem.