

## Attachment 2



Agenda Item - 2.

**Staff Report**

City Council Study Session Meeting  
March 7, 2022

*Beautiful, Desirable, Safe and Environmentally Responsible City*

**Subject:** Presentation of Short-Term Rentals: Policy Considerations and Potential Regulations

**Prepared By:** Aric Otzelberger, Operations and Community Preservation Manager

**Recommended City Council Action:**

Provide direction to Staff regarding the initiation of efforts to engage stakeholders and the community to help develop draft short-term rental regulations for consideration and action by City Council.

**Summary Statement:**

- Short-term rental generally means the rental of all or a portion of a property for less than 30 days. These rentals are generally listed on websites such as Airbnb.com or vrbo.com.
- Westminster Municipal Code (W.M.C.) is silent on short-term rentals.
- In 2018, Staff conducted initial stakeholder outreach, worked with a Staff subject-matter steering committee, conducted a short-term rental census, examined regulatory and enforcement approaches taken by other jurisdictions, and assessed concerns from the community.
- Over the last several years, neighboring jurisdictions have codified short-term rental regulations in response to growing interest and concerns in the region.
- Pending direction from City Council, Staff would re-engage in efforts to seek stakeholder input, draft potential regulations, and present information and recommendations for ultimate policy direction from City Council.

**Fiscal Impact:**

\$0 in expenditures.

**Source of Funds:**

Not applicable.

**Policy Issue(s):**

Should the City engage in efforts to regulate short-term rentals?

**Alternative(s):**

1. The City of Westminster could choose not to pursue efforts to regulate short-term rentals. Zoning is permissive in nature and short-term rentals are not technically allowed in the City of Westminster as they are not referenced in W.M.C. However, this current state presents legal and enforcement challenges. W.M.C. is not clear on policy intent around short-term rentals. Staff does not recommend this alternative.
2. The City of Westminster could explicitly prohibit short-term rentals. City Council would need to seek legal counsel around considerations with this policy approach. This approach could present significant legal and enforcement challenges. No jurisdiction in the region has taken this approach. Staff does not recommend this alternative.

**Background Information:**The Rise of Short-Term Rentals

The issue of regulating short-term rentals has been of increasing interest to local governments across the country over the past

several years. Short-term rental generally means the rental of all or a portion of a property for less than 30 days. These rentals are generally listed on websites/platforms such as Airbnb.com or vrbo.com. In the United States, the short-term rental market has seen a ten-fold increase over the last five years. Industry experts estimate four million listings nationwide.

While there are over 100 different platforms in the market, the largest is Airbnb. With more than six million properties in more than 191 countries, Airbnb's listings outnumber those of the top six hotel chains combined. Airbnb is valued by investors at \$31 billion, making it the country's second most valuable start-up after Uber. Airbnb started in 2008 as an early champion of the sharing economy and continues to grow in popularity each year.

#### Short-Term Rentals in Colorado's Front Range

While traditional vacation rentals have long been an economic driver and a housing challenge in Colorado's mountain communities, this concept has taken root in Colorado's Front Range. In response to this short-term rental activity, many jurisdictions have implemented rules to allow and regulate short-term rentals. Neighboring jurisdictions that allow and regulate short-term rentals include Arvada, Wheat Ridge, Thornton, Boulder, Northglenn, Denver, and Broomfield. Lakewood has been working on potential short-term rental regulations for years, but that city has not yet codified regulations.

Regionally, there are many similarities amongst the regulations in place in neighboring jurisdictions. A license is required to operate a short-term rental. A license fee, accommodations tax, and sales and use taxes are collected. In most cases, a short-term rental can only be operated by a property owner for a primary or principal residence. A local presence must be available to respond to complaints 24/7 within one hour. There are occupancy limits, parking maximums, safety requirements, reporting requirements, and notification to neighbors.

Along with the many similarities, there are nuances and differences between each jurisdiction's respective approach as well. For instance, the City of Arvada allows up to three short-term rentals per owner, and there is no primary or principal residency requirement. However, only one reservation at one property is allowed per night with a maximum of 240 reservations per year. The City of Wheat Ridge allows a property owner up to two short-term rentals where one can be a full (house) rental and the other can be partial (room) with a primary residency requirement. Wheat Ridge also codified a cap on short-term rentals per City Council district, allowing a maximum of two percent of properties in each district to be licensed short-term rentals. There are other differences amongst jurisdictions around fees, taxes, inspections, occupancy limits, and reporting requirements.

#### Short-Term Rentals in Westminster

In 2018, Staff engaged with Host Compliance, a software company that provides short-term rental monitoring technology for local governments. Host Compliance's assessment identified 232 unique short-term rental listings in the City. While this data is likely imperfect, it provided a sense of magnitude of short-term rental activity in the City. For context, the City has approximately 45,000 residential units including homes and apartments. By comparison, the City of Boulder has approximately 3,000 licensed short-term rental properties. Although this information is dated, the Host Compliance assessment provided insights. The listings in Westminster were a 50-50 split between entire homes and partial homes/rooms. The median nightly rate for short-term rentals in Westminster was \$71.

Currently, Staff is in process of working with a Durango, Colorado-based firm on conducting an updated short-term rental census in the City. The firm will also provide the City with property identification and rental activity monitoring. Several neighboring jurisdictions contract with the same firm to assist with their efforts around managing short-term rentals. At this time, the firm is working on the census, and Staff plans to have the information to share with City Council on March 7, 2022 as part of the presentation on this item.

#### Short-Term Rental Policy Considerations

While this evening is intended to formally introduce the topic of short-term rentals and receive high-level direction on potential further formal efforts towards regulations, some policy considerations moving forward include:

- Primary/Principal Residence or Not
- Licensee: Property Owner or Other Person with Permission of Property Owner
- Occupancy Limits
- Maximum Days of Short-Term Rental Use
- Parking Requirements for Off-Street and On-Street
- Licensing/Permitting, including fees, administration, enforcement, duration, posting of pertinent information, causes for revocation
- Taxes including Accommodations Tax, Sales and Use Tax
- Safety Inspections vs. Affidavit
- Annual Reporting Requirements
- Neighborhood Interests (notification as part of licensing, complaints, local presence)

### Stakeholder and Community Engagement

Over the past three years, Staff has had hundreds of interactions with interested parties around short-term rentals. Staff has compiled a distribution list of 336 individuals who want to provide input or be engaged with future, potential formal efforts on short-term rental regulations. If City Council directs Staff to proceed with formal short-term rental efforts, Staff would begin engaging these stakeholders and the community through focus groups and other input opportunities.

In early 2019, Staff initiated direct communication with a variety of known stakeholders including homeowners associations, neighborhood associations, property owners of short-term rentals, and more to gather their input. Staff also sought feedback through regular communication channels at that time including The Weekly, the City Website, and Economic Development communication avenues. Staff also conducted a brief, non-scientific survey through the City's typical communication channels to seek some high-level impressions on short-term rentals. The City received 629 responses. There were two "threshold" policy questions and several supporting questions.

Overall, when asked about prohibition of short-term rentals:

- 67% - Do Not Prohibit Short-Term Rentals
- 22% - Prohibit Short-Term Rentals
- 11% - Neutral

When asked if the City of Westminster should regulate short-term rentals:

- 52% - Regulate Short-Term Rentals
- 39% - Do Not Regulate Short-Term Rentals
- 9% - Neutral

Once again, this effort was not intended as a scientific survey. However, it provided some high-level insights. In addition to the data above, 65 percent of respondents supported giving law abiding and respectful residents the option to use their homes as short-term rentals. Sixty-four percent of respondents felt that the City should protect against speculators or commercial interests buying homes to convert into short-term rentals or "pseudo" hotels.

Moving forward, Staff believes there is value in the City pursuing the creation of simple, sensible, and enforceable local policies and regulations that balance the rights of property owners with the interests of neighbors, community members, and businesses.

Staff's recommendation to initiate efforts to engage stakeholders and the community to help develop draft short-term rental regulations for ultimate consideration and action by City Council supports the City of Westminster Strategic Plan Goal for a Beautiful, Desirable, Safe and Environmentally Responsible City by balancing private property rights with greater neighborhood and community interests.

Respectfully submitted,

*Jody Andrews*

Jody L. Andrews  
Interim City Manager

#### **ATTACHMENTS:**

Description	Upload Date	Type
<a href="#">Presentation of Short-Term Rentals: Policy Considerations and Potential Regulations</a>	2/24/2022	Attachment