



To: Mayor Kudron and the Board of Trustees
From: John Crone, Town Manager
Re: Possible STR Regulations

Date: September 12, 2022

Background

Grand Lake has always had an active short-term rental market (“STRs”). For several decades, our housing inventory has been dominated by second homeowners. We currently have approximately 820 housing units of which only 28% are occupied by full-time residents (owners or long-term renters). This is very similar to the inventory in 2010, when we had 712 housing units and only 26% were occupied by full-time residents.

In 2005, the Town first drafted rules and regulations for Nightly Rentals (VRBO started in 1995, Airbnb started in 2008). These rules have been periodically updated since their initial adoption.

The Town currently has 95 active STR licenses. We believe that we have at least 20 non-compliant properties. The STR license fee is \$600 a year with a \$165 initial fee. These fees are consistent no matter the size or number of bedrooms available.

Over the last several months, the Board of Trustees has expressed an interest in changing some of the STR rules. This workshop was set to give community members a chance to let the Board know their thoughts about possible new regulations.

Staff will be presenting several non-controversial changes to the Code addressing advertising requirements.

Possible New Regulations

Limit on Number of STR Licenses

Under the current code, there is no limit to the number of STR licenses that may be granted. All applicants must comply with the requirements set forth in the code, and, if there is any opposition to the license by a neighbor living within 100 feet of the rental location, the



applicants must seek Board approval for the license. If there is no opposition, the license is issued administratively. Current code allows for the transfer of the license if the property is sold and if the new owner submits an approved application.

A recent study that was commissioned by the Town of Breckenridge indicates that approximately 15% of the respondents who are long-term renters (local workforce) did not have their leases renewed because of conversion to STRs. That same study also showed that STRs have a significant positive impact on local businesses.

The Board needs to determine if they want to limit licenses and, if so, how many licenses should the Town issue. The Board should also determine the method that they would like to use to issue licenses. The Town can create a waitlist, or the Town can issue licenses based on a random draw. The Board should also determine if licenses can be transferred if the Town limits the number of licenses.

Fee for a License

Under Colorado state law, the Town can impose fees without a vote of the citizens; however, the fee must be limited to the to the amount needed to offset the impact of the activity.

The Town currently charges \$600 for an annual license. This fee is the same for any size rental with any number of bedrooms. The Breckenridge study mentioned earlier determined that the impact of STRs would justify a \$756 per bedroom fee. (The same study determined that STR units generated \$585 a night in guest spending in the town). Although staff has not completed the mathematics, it looks as though a fee of approximately \$600 per bedroom could be justified.

If the Board determines that it wants to change either the amount charged or the fee structure (e.g. per bedroom charge), Staff will utilize the equations used by Breckenridge to establish a legally justifiable rate.

Locations Where STRs are Allowed

Our Town Code currently allows STRs in most zoning districts except for multi-family high density (think condos). Condos in PUD districts do allow STRs. Regardless of any allowance that the Town makes for STRs, individual HOAs can still restrict STRs in their own complexes. There have been several licenses issued in error to owners in this district. These licenses are grandfathered in and will be allowed to be renewed under the current code.



The Board recently rejected a proposal to expand STRs to all zoning districts (3-3 vote); however, the Board has indicated that it may be willing to reconsider this issue.

Penalty for Violations

There are multiple violations listed in the Town Code including: failure to have a license, noise violations, trash violations, and parking violations. Currently, Town Code calls for a \$300 penalty for any violation of the Nightly Rental Code after a ten-day grace period to cure the violation. Each day that an STR is breaking the code is considered a new violation. The Town may also seek a court injunction to shut down illegal STRs. Previously, the Town has had difficulty enforcing violations; however, the Town has recently contracted with a new company that should allow for much greater enforcement.

The ten-day cure period makes enforcement of most violations impossible, although second or further violations do not receive a grace period. The Board should determine whether the penalty should be changed and whether they wish to continue with a grace period.

When violations are reported, it triggers a Board review when the license comes up for renewal. The Board may choose to impose stricter penalty for multiple or egregious violations, including the revocation of the license.

Local Contact Person

The Code currently requires that all STRs have a local contact person who is available 24 hours a day whenever the unit is being rented. The local contact is required to live within fifteen minutes driving time from the unit. The Board may wish to reconsider the requirement that the contact lives within 15 minutes because this eliminates several very reputable Grand County management companies.

Limit on Number of Licenses

The Board may choose to limit the number of licenses held or controlled by any individual. This will require that the Town acquire additional information when companies are applying for licenses; however, it is entirely possible to monitor and control this.

The Board may choose to limit all licenses, or they may choose to allow exceptions for people who use the unit as their primary residence or who provide additional long-term rental units in addition to their STR,



Other Possible Code Updates

The Board may also choose to impose restrictions that ARE NOT LISTED ABOVE.