



CITY COUNCIL ACTION FORM

DEPARTMENT	PRESENTED BY	DATE
Administration	Drew Nelson - City Administrator	October 18, 2022

ITEM

Resolution 2022-52 – A Resolution of the City Council for the City of Salida, Colorado Expressing its Support of Ballot Issues 2A and 2B, to Improve the Availability of Affordable Housing in Chaffee County

BACKGROUND

Within the City of Salida (and Chaffee County as well), Short-Term Rentals (STRs) have reduced the affordable housing supply by distorting the housing market by removing a housing unit that was previously occupied by a City resident (or preventing a new unit from becoming housing for a resident) while simultaneously increasing demands for service throughout our community. More traffic, less parking, more water and wastewater usage, and more noise complaints are just a few of the impacts felt by the City due to the increase of STRs. In addition, fewer workers have access to safe and affordable housing (defined as housing that costs no more than 30% of their gross income) due to long-term rentals being converted into STRs.

The impact of STRs is not negligible to the Salida business community as it relates to workforce. While STRs may generate income for local businesses by consuming more services than typical (and in turn costing more to the consumer), businesses routinely struggle to meet demands due to the unavailability of the amount of workers needed to provide the service. In addition, the imbalance of costs of doing business between commercial lodging businesses and STRs is significant – mostly seen in the cost of property tax (STRs are taxed at 1/4th the rate as hotels and motels) but also in the cost of commercial liability insurance, ADA accessibility, fire and building code provisions, and many other requirements that commercial lodging must provide.

Finally, Salida has seen a significant increase in the STR market over the past few years. This is reflected in the most recent Housing Needs Assessment for Chaffee County, approved by the Chaffee Housing Authority within the last month. As noted in the report, hundreds of homes in Chaffee County that could be used as long-term rentals are being used as STRs, adding pressure to an already constrained housing market. STRs have rapidly increased across the County with a 56% increase in total listings on the market between 2019 and 2022. Salida's 2016 Housing Needs Assessment indicated that there were 105 STRs in Salida at that time; today that number is 231. Median monthly revenue for STRs is \$3,745 in the Salida area, which occupants would need to make \$150,000 annually (more than 200% of the Area Median Income) to be able to afford. This rate essentially excludes the entirety of the Salida workforce. In short, STRs create more demands for service while paying less for what they consume, all while impacting the availability of housing for the community's workforce.

As noted in the City's Community Survey from March of 2022, 78% of respondents indicated that "affordable housing" was the top issue/priority/problem that the City of Salida should be addressing. 88% of respondents stated the City should allocate more resources to providing affordable housing, and 56% of respondents said the City should allocate more resources to managing short-term rentals. A plurality of respondents (35%) said that the City should fund affordable housing programs, services and developments through the imposition of a tax on short-term rentals. It should be noted that the City's status as a statutory city in the State of Colorado limits its abilities to create taxes based on percentages for lodging or similar purposes, and further restricts the City's ability to self-collect revenues to ensure that property tax reporting occurs (i.e. auditing purposes).



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As noted in the 2022 Housing Needs Assessment recently approved by the CHA, needs and demands for housing remain at a critical level, with 1,105 new affordable homes needed by 2027 in order to catch up and keep up with demand. With average home prices increasing 41% between 2020 and the summer of 2022, the gap between market and affordability only continues to expand.

On September 6, 2022, the Salida City Council approved Ordinance 2022-17, which submitted ballot questions to the voters of the City to increase Occupation Taxes (OLT) on the business of leasing or renting short-term accommodations. Per direction from the City Council, Resolution 2022-49 was crafted to endorse and encourage voters to vote for the two measures in Ordinance 2022-17 that will appear on this November's coordinated election ballot. The State Fair Campaign Practices Act (FCPA; C.R.S. 1-45-101 et seq.) expressly authorizes public bodies to adopt resolutions of this sort.

The FCPA generally forbids the use of public funds to urge voters to vote for or against a matter on the ballot. C.R.S. 1-45-117 ("Section 117). Section 117 reflects the widely supported notion that, insofar as voters have no choice but to pay taxes, they should not thereby be forced to fund the government's side of campaigns. But recognizing that the government should not be entirely foreclosed from publicly-funded advocacy, the General Assembly provided several exceptions. One of these exceptions states that nothing in Section 117 forbids a political subdivision of the State from (in pertinent part):

- (A) Passing a resolution or taking a position of advocacy on any issue [appearing on the local ballot]...; or
 - (B) Reporting the passage of or distributing such resolution through established, customary means, other than paid advertising, by with information about other proceedings of such...political subdivision...is regularly provided to the public.
- C.R.S. 1-45-117(1)(b)(III)(A) and (B)*

With the Chaffee County election ballot now set, the City Council can take a position of advocacy of Ballot Issues 2A and 2B, which would create an Occupational Lodging Tax of \$15 per night per bedroom for Short-Term Rentals and an Occupational Tax on all Short-Term Rental licenses of \$1,000 per year for the purpose of providing sustainable and long-term revenues to fund the Chaffee Housing Authority for workforce and affordable housing opportunities.

FISCAL NOTE

None.

STAFF RECOMMENDATION

Staff recommends that the City Council approve Resolution 2022-52 to express the City Council's support for Ballot Issues 2A and 2B, which would improve the availability of affordable and workforce housing in Salida.

SUGGESTED MOTION

A City Councilperson should state, "I move to approve Resolution 2022-52, expressing the City Council's support for Ballot Issues 2A and 2B", followed by a second and a roll call vote.

CITY OF SALIDA, COLORADO
RESOLUTION NO. 2022-52
(Series of 2022)

A RESOLUTION OF THE CITY COUNCIL FOR THE CITY OF SALIDA, COLORADO
EXPRESSING ITS SUPPORT OF BALLOT ISSUES 2A AND 2B, TO IMPROVE THE
AVAILABILITY OF AFFORDABLE HOUSING IN CHAFFEE COUNTY

WHEREAS, the City of Salida (“City”) and its City Council (“Council”) pursuant to C.R.S. § 1-45-117, wish to take a position of advocacy in support of ballot issues 2A and 2B to improve affordable housing availability in our community, and

WHEREAS, the City recognizes that the community is experiencing a severe workforce housing shortage. Average home prices in Salida and Chaffee County increased 41% between 2020 and 2022, and average rents have increased about 43% since 2016. Home ownership is out of reach for 91% of county households and renters are struggling to make ends meet. If affordable/workforce housing had a market-based solution, it would have long since been undertaken already by developers, and

WHEREAS, state and federal funding for housing limits the eligibility of housing recipients by income, establishing income-restricted rental opportunities that are not accessible to nearly one third of Chaffee County workforce, and

WHEREAS, the current estimated housing need for Salida and Chaffee County is 435 new homes immediately, and to keep up with future housing needs over the next 5 years, an additional 670 homes, or 222 units are needed per year for a total of 1,105 units. These ballot issues will result in the contribution of a local, flexible funding source to the construction of approximately twenty-nine additional workforce housing units per year, and the ability to leverage additional state and federal resources for additional projects and programs, and

WHEREAS, local, flexible funding for housing solutions will continue to provide jobs and support local construction and other businesses, while also creating housing opportunities for workforce across the income continuum. Without housing for employees, many small businesses may have to close in Salida and Chaffee County, and

WHEREAS, the funds generated from ballot issue 2A and 2B will be allocated for housing development, housing stabilization programs, housing policy advocacy, deed restriction purposes, down-payment assistance, rental assistance, and a variety of other housing-related purposes, and

WHEREAS, ballot issues 2A and 2B would work in conjunction to use revenues from short-term rentals to assist members of the local workforce burdened by high visitation and tourism generated by the existence of short-term rentals, and

WHEREAS, short-term rentals are the beneficiaries of significant property tax and other cost savings through a system of taxation that currently does not account for the use of a residential property as a commercial lodging facility, and ballot issues 2A and 2B would create a more equitable tax structure between short-term rentals and hotels and motels in Salida, and

WHEREAS, public surveys and housing needs assessments have shown a direct relationship between short-term rentals and the availability of workforce and affordable housing, including public support for regulations and laws that increase accountability for impacts created by short-term rentals.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO THAT:

Section 1. The Salida City Council incorporates the foregoing recitals as its conclusions, facts, determinations, and findings.

Section 2. The Salida City Council hereby formally endorses and supports Ballot Issues 2A and 2B which will be presented to the voters on November 8, 2022.

RESOLVED, APPROVED AND ADOPTED this ____ of _____, 2022.

CITY OF SALIDA, COLORADO

By: _____
Dan Shore, Mayor

[SEAL]

ATTEST:

By: _____
City Clerk/Deputy City Clerk