



CITY COUNCIL ACTION FORM

DEPARTMENT Administration	PRESENTED BY Drew Nelson - City Administrator	DATE August 16, 2022
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ITEM

Ordinance 2022-17 – An Ordinance of the City Council for the City of Salida, Colorado, Submitting Ballot Questions to the Electors of the City, In Accordance with Article X, Section 20 of the Colorado Constitution, Concerning the Imposition and Increase of Certain Occupation Taxes on the Business of Leasing or Renting Short-Term Accommodations, First Reading

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.

The City of Salida has been tackling issues around affordable and workforce housing for some time. The City's Inclusionary Housing policies, deed restrictions, participating in the creation of the Chaffee Housing Authority, providing land to housing non-profit agencies, and directly funding affordable housing projects (just as Jane's Place) are just a few of the steps that the City Council has taken over the past few years. As the City Council is aware, finding funding for these affordable and workforce housing purposes has been challenging (to say the least). At this time, the City of Salida has no regular, sustainable source of revenue to fight the affordable housing crisis that Salida and Chaffee County are facing. As directed by the City Council at its retreat as well as during numerous worksessions and regular City Council meetings,



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staff has crafted Ordinance 2022-17 based on recommendations from the City Council to potentially place two ballot questions to be considered by City of Salida voters at the November 8, 2022 regular election.

There are two parts to Ordinance 2022-17: ballot questions asking 1) a new Occupational Tax on all Short-Term Rental licenses of \$1,500 per year, and 2) an increase/change in the existing Occupational Lodging Tax applied to Short-Term Rental Business License holders from a maximum of \$4.82 per bedroom per night to up to \$10 per bedroom per night. Both of these measures would be used to generate revenue that would be restricted to be used to promote affordable housing efforts in the City. These two measures would only apply to the approximately 230 Short-Term Rental Business License holders in the City, and would not affect hotels and motels separately. However, it should be noted that the City Council can choose to raise the existing Occupational Lodging Tax to its maximum level of \$4.82 per occupied room with approval of an ordinance to do so, which would raise the OLT for all lodging properties.

Staff has reviewed these two separate measures to understand their revenue impact in order to be compliant with ballot language requirements of the Taxpayer Bill of Rights (TABOR). For the first measure (increasing the OLT to \$10 per night), Finance Department staff anticipates that it would generate as much as \$350,000. For the second measure (\$1,500 per license), Finance Department staff believes that it could generate as much as \$400,000 in its first year of implementation. TABOR requires an initial establishment of potential revenue generation in the ballot question; if more revenue is generated above this amount, a refund may be due back to taxpayers (which it is a best practice to avoid, if possible).

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).

FISCAL NOTE

As noted above, staff analyses indicate that the first measure (increasing the OLT to \$10 for STRs) would generate approximately \$350,000 annually, while the second measure (establishing a new \$1,500 tax per STR license) would generate approximately \$400,000 annually, all for promoting affordable housing efforts in the City of Salida.

STAFF RECOMMENDATION

Staff recommends that the City Council discuss Ordinance 2022-17, to establish both new and increased taxes for short-term rentals, and determine if one, both, or none should be forwarded to the electorate for the City of Salida to be voted on during the November 8, 2022, general election. As the City Council, you can amend Ordinance 2022-17 on first reading to remove either of the ballot measures proposed herein.



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SUGGESTED MOTION

A City Councilmember should state, "I move to approve Ordinance 2022-17 on first reading, and further set a second reading and public hearing for September 6, 2022", followed by a second and a roll call vote.

CITY OF SALIDA, COLORADO
ORDINANCE NO. 17
(Series of 2022)

**AN ORDINANCE OF THE CITY COUNCIL FOR THE CITY OF SALIDA,
COLORADO SUBMITTING BALLOT QUESTIONS TO THE ELECTORS OF
THE CITY, IN ACCORDANCE WITH ARTICLE X, SECTION 20 OF THE
COLORADO CONSTITUTION, CONCERNING THE IMPOSITION AND
INCREASE OF CERTAIN OCCUPATION TAXES ON THE BUSINESS OF
LEASING OR RENTING SHORT-TERM ACCOMMODATIONS**

WHEREAS, the City of Salida, Colorado (the “City”) is a statutory city, duly organized and existing under the laws of the State of Colorado;

WHEREAS, pursuant to C.R.S. § 31-15-501(1)(c), the City possesses the authority “[t]o license, regulate, and tax, subject to any law of this state, any lawful occupation, business place, amusement, or place of amusements and to fix the amount, terms, and manner of issuing and revoking licenses issued therefor;”

WHEREAS, pursuant to Article X, Section 20 of the Colorado Constitution, voter approval is required for the imposition of new taxes and for the increase of existing taxes;

WHEREAS, the City is currently experiencing a severe shortage of permanent housing and long-term rental units for its residents the local workforce, and the diversion of the existing housing stock for short-term rentals contributes to the City’s housing shortage and has a direct and indirect impact on affordability and the availability of housing;

WHEREAS, imposing new taxes and increasing existing taxes on short-term rental license holders and diverting this revenue towards affordable housing efforts will improve the availability of affordable housing for the local workforce and residents;

WHEREAS, the City Council finds it desirable and appropriate, and in the best interest of the general health, safety, and welfare of its residents to submit ballot questions to the electors of the City, concerning the imposition and increase of certain occupation taxes on the business of leasing or renting short-term accommodations.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL FOR THE
CITY OF SALIDA, COLORADO AS FOLLOWS:**

Section 1. The foregoing recitals are hereby incorporated as conclusions, facts, determinations, and findings by the City Council.

Section 2. The following question shall be submitted to the registered electors of the City of Salida at the coordinated general election to be held on Tuesday, November 8, 2022. The County Clerk shall cause a notice of election for the occupation tax ballot question to be published as part of the coordinated general election publication in substantially the same form as set below and add the question to the City’s General Election Ballot:

COMMENCING ON JANUARY 1, 2023, SHALL THE CITY OF SALIDA’S TAXES BE INCREASED BY AN ESTIMATED \$400,000.00 ANNUALLY (FIRST FULL FISCAL

YEAR INCREASE) AND BY WHATEVER ADDITIONAL AMOUNTS ARE RAISED ANNUALLY THEREAFTER THROUGH THE ADOPTION OF AN ANNUAL OCCUPATIONAL LICENSE TAX OF \$1,500.00 ON SHORT-TERM RENTAL BUSINESS LICENSE HOLDERS, AND SHALL THE PROCEEDS OF SUCH TAX, TOGETHER WITH INVESTMENT EARNINGS THEREON, BE USED PRIMARILY TO PROMOTE AFFORDABLE HOUSING EFFORTS IN THE CITY, AND SHALL THE CITY BE AUTHORIZED TO COLLECT AND SPEND SUCH REVENUES AS A VOTER-APPROVED REVENUE CHANGE, NOTWITHSTANDING ANY REVENUE OR EXPENDITURE LIMITATION CONTAINED IN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

Yes: _____

No: _____

Section 3. The following question shall be submitted to the registered electors of the City of Salida at the coordinated general election to be held on Tuesday, November 8, 2022. The County Clerk shall cause a notice of election for the occupational lodging tax ballot question to be published as part of the coordinated general election publication in substantially the same form as set below and add the question to the City's General Election Ballot:

COMMENCING ON JANUARY 1, 2023, SHALL THE CITY OF SALIDA'S TAXES BE INCREASED BY \$350,000.00 ANNUALLY (FIRST FULL FISCAL YEAR INCREASE) AND BY WHATEVER ADDITIONAL AMOUNTS ARE RAISED ANNUALLY THEREAFTER BY INCREASING THE OCCUPATIONAL LODGING TAX ON THE BUSINESS OF LEASING OR RENTING SHORT-TERM RENTAL UNITS FROM \$4.82 TO \$10.00 PER NIGHT, PER BEDROOM, AND SHALL ALL THE PROCEEDS OF SUCH TAX, TOGETHER WITH INVESTMENT EARNINGS THEREON, BE USED PRIMARILY TO PROMOTE AFFORDABLE HOUSING WITHIN THE CITY, AND SHALL THE CITY BE AUTHORIZED TO COLLECT AND SPEND SUCH REVENUES AS A VOTER-APPROVED REVENUE CHANGE, NOTWITHSTANDING ANY REVENUE OR EXPENDITURE LIMITATION CONTAINED IN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

Yes: _____

No: _____

Section 4. If a majority of the votes cast on the ballot questions submitted at the general election to be held on Tuesday, November 8, 2022 are in favor such question, then City Council shall be authorized to proceed with the necessary action to impose or increase the occupation tax in the form approved by the electors of the City. Any authority to impose or increase an occupation tax, if conferred by the results of the election, shall be deemed and considered a continuing authority to impose or increase an occupation tax so authorized at any one time, or from time to time, and neither the partial exercise of this authority, nor any lapse of time, shall be considered as exhausting or limiting the full authority to do so.

Section 5. Subject to voter approval at the general election to be held on Tuesday, November 8, 2022 and pursuant to C.R.S. § 29-2-106(2), the effective date of any occupation tax authorized shall be January 1, 2023.

INTRODUCED ON FIRST READING on this 16th day of August, 2022, ADOPTED and ORDERED PUBLISHED IN FULL in a newspaper of general circulation by the City Council on this ____ day of _____, 2022, and set for second reading and public hearing on the 6th day of September, 2022.

INTRODUCED ON SECOND READING FINALLY ADOPTED and ORDERED PUBLISHED BY TITLE ONLY, by the City Council on this 6th day of September, 2022.

City of Salida

Mayor Dan Shore

ATTEST:

City Clerk/Deputy City Clerk