



# CITY COUNCIL ACTION FORM

DEPARTMENT	PRESENTED BY	DATE
Administration	Christy Doon - City Administrator	January 16, 2024

## **ITEM**

Ordinance 2024-03, An Ordinance of the City Council for the City of Salida, Colorado Amending Section 4-6-10 of the Salida Municipal Code to Modify the Short-Term Rental Tax Rate, First Reading and Setting a Public Hearing

## **BACKGROUND**

A general election was held in Salida on November 8, 2022 in which two ballot measures referred to the voters by the Salida City Council were approved. Ballot measures 2A and 2B (which would impose an annual \$1,000 tax on STR permits and impose a nightly rate for STR rentals of \$15 per bedroom or sleeping area, respectively) were approved by the voters and certified by the Clerk.

Ordinance 2022-24 implemented those changes by amending Sections 4-6-10 and 4-6-20 of the Salida Municipal Code to identify the Occupational Tax as well as where the revenues would be directed and how they would be used. Specifically, the Ordinance notes that the revenues will be used to promote affordable housing in the City and shall be deposited in the City's Housing Fund that was created by Ordinance 2018-14. Monies in that fund can only be used for affordable housing purposes and all expenditures are tracked accordingly. This Occupation Tax commenced on January 1, 2023.

A group of citizens submitted a petition on June 20, 2023, to repeal and replace the taxes approved in November of 2022 – to a \$540 license tax on out-of-County license holders and to \$5 per night per bedroom on all STRs. On June 29<sup>th</sup> the City Clerk sent the Letter of Initial Sufficiency to the petitioners. On August 9, 2023, after the 40-day protest period, the City Clerk sent the Final Determination letter. The petition and Citizen's Ordinance (2023-12) to repeal and replace the taxes approved in November of 2022 was submitted to Council on August 15, 2023. This question was rejected by Salida voters by a margin of 65%yes/35% no, thus not effecting the current taxing structure.

Staff has identified three primary affordable housing projects, listed below, where the funds could be used over the next several years–

1. 1<sup>st</sup> and D Workforce Housing – estimated to cost approximately \$8m
2. South Arkansas Neighborhood – infrastructure and housing approximately \$14m
3. Potential Low-income Tax Credit/Senior Living Project – purchase of land approximately \$350,000

The current rate structure collected \$717,356 in the first three quarters of 2023 (4<sup>th</sup> quarter will be available at the end of January).

Post-election discussions generated interest from members of City Council to reduce the per room per night tax.

## **FISCAL NOTE**

City staff has estimated that revenues from the proposed change would generate approximately \$707,000 annually, a reduction of approximately \$174,000 from the current structure.

## **STAFF RECOMMENDATION**

Two Council members requested this ordinance be drafted and it is therefore attached for your discussion and consideration.



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### **SUGGESTED MOTION**

A City Councilmember would state, "I move to approve Ordinance 2024-03, An Ordinance of the City Council for the City of Salida, Colorado Amending Section 4-6-10 of the Salida Municipal Code to Modify the Short-Term Rental Tax Rate, on First Reading and Setting a Public Hearing for February 6, 2024" followed by a second and a roll call vote.

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**CITY OF SALIDA, COLORADO**  
**ORDINANCE NO. 03**  
**(Series of 2024)**

**AN ORDINANCE OF THE CITY COUNCIL FOR THE CITY OF SALIDA,  
COLORADO AMENDING SECTION 4-6-10 OF THE SALIDA MUNICIPAL CODE  
TO MODIFY THE SHORT TERM RENTAL TAX RATE**

**WHEREAS**, at a City election held on November 8, 2022, the electors of the City of Salida approved imposition of an annual occupation tax of one-thousand dollars and a tax of fifteen dollars per bedroom per night that a short-term rental unit is occupied, on the business of leasing or renting short term rental units in the City; and

**WHEREAS**, the City Council previously codified this rental tax in Section 4-6-10 of the Salida Municipal code; and

**WHEREAS**, since the institution of the tax, it has been brought to the Council's attention that the current per-bedroom tax rate has had a negative impact on short term rentals within the community and the Council wishes to lower the rate so as to decrease the tax burden on these businesses; and

**WHEREAS**, pursuant to Colorado's TABOR Amendment, while increases in taxes must be voted on by the electors, decreases in taxes do not require such a vote.

**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.** Salida Municipal Code Section 4-6-10, concerning Tax levied, is amended by to read as follows:

**Sec. 4-6-10. - Tax levied.**

(a) There is hereby levied an occupation tax on the business of leasing or renting of rooms or other accommodations within the City of Salida for less than thirty (30) consecutive days at the rate of four dollars and eighty-two cents (\$4.82) per night per occupied room. The person or entity furnishing such short-term accommodations shall pay the tax to the City. All sums of money due pursuant to this Section shall be and remain public money and the property of the City held in trust for the sole use and benefit of the City.

(b) Commencing January 1, 2023, pursuant to C.R.S. 31-15-501(1)(c), there is levied an occupation tax on the business of leasing or renting short-term rental units, as that term is defined in Sec. 6-6-10 of this Code, within the City of Salida, in lieu of the tax imposed by subsection (a) of this Section, as follows:

- i. An annual payment of one-thousand dollars (\$1000.00), to be collected at the time of permit issuance or renewal, and
- ii. A tax of fifteen dollars (\$15.00) per bedroom, as that term is defined in Sec. 16-1-80 of this

Code, in the short-term rental unit, for each night that the short-term rental unit is occupied, to be collected pursuant to Section 4-6-30. **For rentals on or after July 1, 2024, the tax otherwise imposed by this paragraph (ii) shall be reduced to ten dollars (\$10.00) per bedroom.**

The person or entity furnishing such short-term rental unit shall pay the tax to the City. All sums of money due pursuant to this subsection (b) shall be and remain public money and the property of the City. As directed by City voters at an election held on November 8, 2022, the proceeds of the tax levied in this subsection (b) shall be used to promote affordable housing in the City, as further described in Section 4-6-20(b).

**Section 3.** Severability. The provisions of this ordinance are severable and the invalidity of any section, phrase, clause, or portion of the ordinance as determined by a court of competent jurisdiction shall not affect the validity or effectiveness of the remainder of this ordinance.

INTRODUCED ON FIRST READING on this 16<sup>th</sup> day of January, 2024, ADOPTED and ORDERED PUBLISHED IN FULL in a newspaper of general circulation by the City Council on this \_\_\_\_ day of \_\_\_\_\_, 2024, and set for second reading and public hearing on the 6<sup>th</sup> day of February, 2024.

INTRODUCED ON SECOND READING FINALLY ADOPTED and ORDERED PUBLISHED BY TITLE ONLY, by the City Council on this 6th day of February 2024.

City of Salida

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Mayor Dan Shore

ATTEST:

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City Clerk/Deputy City Clerk