



## **CITY COUNCIL ACTION FORM**

<b>Originating Dept.</b> <b>Community Development</b>	<b>Presented by</b> <b>Nina P. Williams - City Attorney</b>	<b>Date</b> <b>July 20, 2021</b>
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### **ITEM**

**Ordinance 2021-11: Imposing a temporary moratorium on the submission, acceptance, processing and approval of any application for a short-term rental license, and declaring an emergency**

### **BACKGROUND**

**At the July 6, 2021 City Council Work Session we discussed the direct impact that short-term rentals (STRs) have on the housing market and affordability. We also reviewed Salida-specific data, illustrating the growing number and percentage of STR licenses within the City. The attached memo establishes the research that there is a significant correlation between how many short-term rental units exist in a neighborhood and a decrease in affordability and available housing stock, as well as the effect on equity issues.**

**A moratorium, or temporary halt, on the issuance of new or transferred STR licenses gives staff, Planning Commission and City Council the opportunity to analyze and review various options and solutions to address the shortage of affordable housing, as well as evaluate the impacts of STR units.**

**Although unintended and coincidental, the timing of this moratorium is compatible with Municipal Code section 6-6-30, which states that short-term rental licenses are valid from July 1<sup>st</sup> through June 30<sup>th</sup>, and new license applications for properties within any zone district other than RMU, C-1 and C-2, and all renewal applications are submitted by June 1 of every year.**



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**Please note that this is an emergency ordinance, so the moratorium would take effect immediately, but would require an affirmative vote of three-fourths of the members of City Council for approval.**

#### **STAFF RECOMMENDATION**

**Due to the recent and significant housing crisis, staff recommends approval of this temporary measure, to allow further analysis and research into the various options to tackle this true emergency in our region, and among our City's workforce.**

#### **SUGGESTED MOTION**

**"I move to approve Ordinance 2021-11, imposing a temporary moratorium on the submission, acceptance, processing and approval of any application for a short-term rental license, and declaring an emergency," followed by a roll call vote.**

## **The Effects of Short-Term Rentals on the Housing Market and Affordability**

As we all know by now, Colorado mountain and destination towns, including the City of Salida, are finding themselves in an affordable housing crisis. Some of these problems that communities are facing stem from the increase of short-term rentals within communities.

The short-term rental (“STR”) issue can be thought of like this: short-term rentals reduce the affordable housing supply by distorting the housing market. In terms of simple conversion, any housing unit that was previously occupied by a city resident but is now listed on one of the rental sites (VRBO, Airbnb, etc.) year-round, is a unit that has been removed from the rental market and instead been added to the community’s supply of hotel rooms. And so long as a property owner or leaseholder can rent out their property cheaper than the price of a hotel room, there is an overpowering incentive to list each unit as a short-term rental rather than rent to local residents.

There are numerous academic studies that show these effects on communities. A study done in Los Angeles showed that a 10% increase in short-term rental listings led to a 0.42% increase in rents and a 0.76% increase in house prices. Overall, the short-term rental industry has grown by 800% since 2011. Therefore, these studies conclude that if a 10% increase in the number of short-term rental listings led to a 0.42% increase in rents, the actual 800% STR increase since 2011 would be responsible for a 33.6% rent increase over that same period.

A *Harvard Law & Policy Review* article similarly found that STRs increase rents, incentivize hotelization and reduce the affordable housing stock. This scholarly journal details how short-term rentals increase rents in neighborhoods with a high density of STR listings, and how they lead to a citywide reduction in affordable housing. The article also concluded that Short-Term Rentals are also correlated with gentrification in adjacent neighborhoods. They reduce integration by displacing lower-income tenants, exacerbate racial and socioeconomic inequality, and result in inequitable housing in the community.

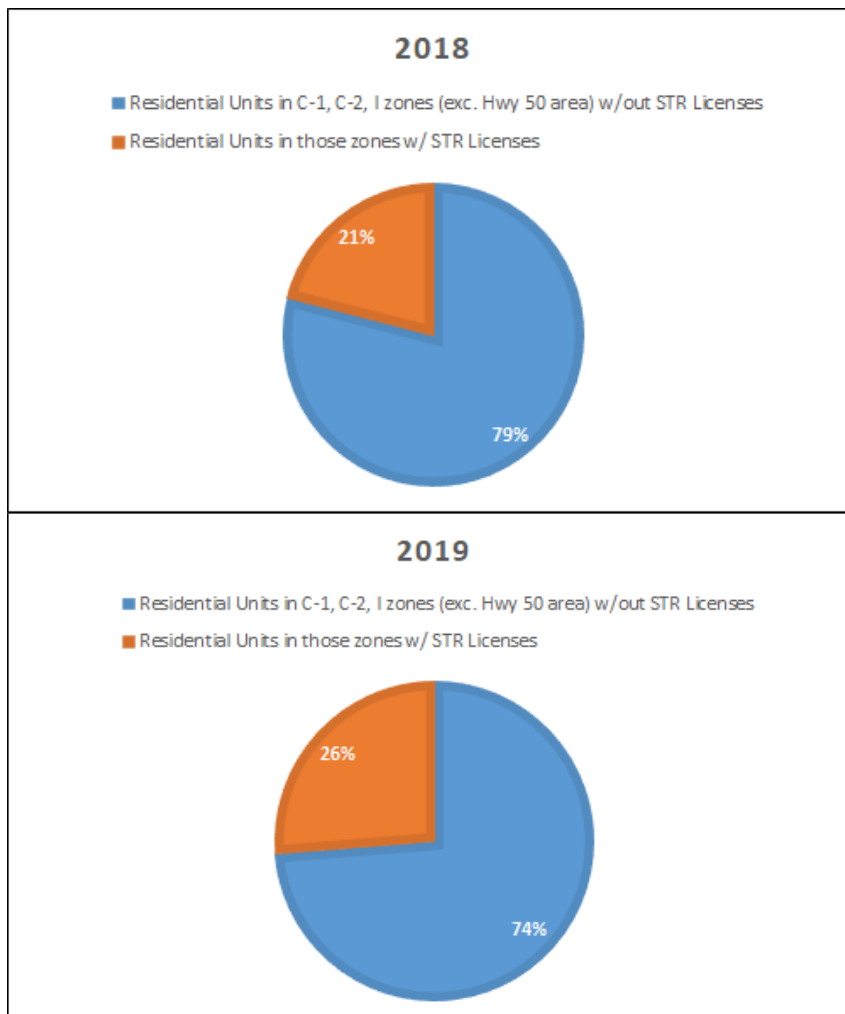
Some Colorado communities have begun looking at the direct impact that short-term rentals are having on affordable housing. For example, the Summit County Housing Needs Update, prepared for the Summit Combined Housing Authority, determined that there is a gap of about 2,400 housing units and it is expected to increase to around 5,100 units in the next few years. More specifically, this study found that there are nearly 10,000 units being listed for short-term rental purposes, which accounts for 50% of the entire vacant housing inventory, and a third of the entire County housing inventory. It concluded that these STRs have absorbed much of the available housing inventory from the long-term rental and ownership market. Finally, the Summit County Housing Needs Update indicated that one of the biggest opportunities to address housing issues included “discouraging short-term rentals”

Finally, the NWCOG (Northwest Council of Governments) prepared a 2021 Mountain Migration Report, entitled “Are COVID Impacts on Housing and Services Here to Stay?” This report concluded many housing changes, and overall impacts on communities, over the 16 months.

This included: the change in housing unit use from long-term to short-term rentals, and owners moving into their short-term rentals, removing them from the rental pool. The study also found that cost was not an issue for many short-and mid-term renters. Additionally, only 50% of the housing unit in the study area were occupied by full-time residents. And, part-time residents (24%) and newcomers (13%) were found much more likely than full-time residents (3%) to lease their homes short-term. The report concludes with various policy recommendations to address these recent impacts to housing and services.

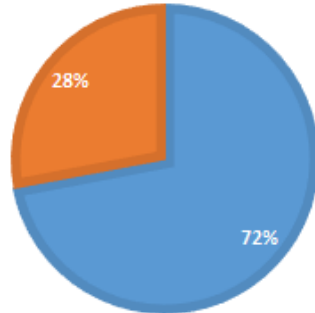
### **Recent Data in Salida**

Below you will find some Salida-specific data regarding the relative percentage of STR licenses for residential units within the C-1, C-2, and Industrial zones, excluding Highway 50 corridor properties (this is because there are only a handful of licenses there, and not many residential units within those Commercial zones). The numbers represented by these pie charts are for those in the general vicinity of Hwy 291/1st Street, and is based off of 400 total residential units. Notably, the relative percentage of STR licenses has been growing over the last few years; up from about 10% in 2016. The final chart shows where those license holders consider to be their primary residence – almost 70% of them are either out of state or outside the area.



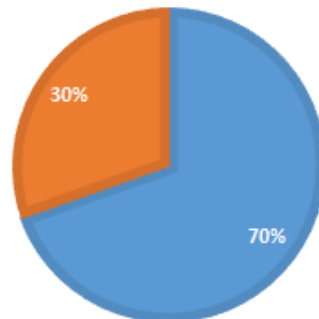
## 2020

- Residential Units in C-1, C-2, I zones (exc. Hwy 50 area) w/out STR Licenses
- Residential Units in those zones w/ STR Licenses



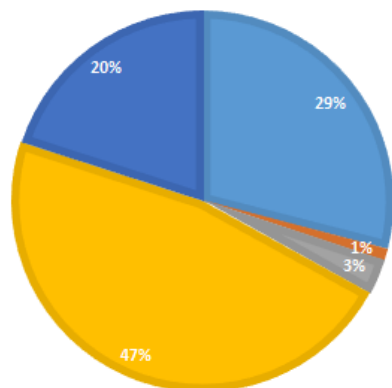
## 2021

- Residential Units in C-1, C-2, I zones (exc. Hwy 50 area) w/out STR Licenses
- Residential Units in those zones w/ STR Licenses



## PRIMARY RESIDENCES OF STR LICENSE HOLDERS

- Salida Address
- Other Chaffee County Address
- Outside Chaffee County but <30 miles
- In-State But >30 miles
- Out-of-State



**Resources:**

Summit County Study: <https://www.summithousing.us/wp-content/uploads/2020/03/2019-Summit-County-Housing-Needs-Update.pdf>

2021 Mountain Migration Report: <https://www.nwccog.org/wp-content/uploads/2021/06/Mtn-Migration-Report-FINAL.pdf>

Harvard Law & Policy Review article, “How Airbnb Short-Term Rentals Exacerbate Los Angeles’s Affordable Housing Crisis: Analysis and Policy Recommendations”  
<http://blogs.ubc.ca/canadianliteratureparkinson/files/2016/06/How-Airbnb-Short-term-rentals-disrupted.pdf>

“Short-term rentals are creating a problem in Colorado ski towns. Is there a solution?”  
(Steamboat Springs)  
<https://www.steamboatpilot.com/news/short-term-rentals-are-creating-a-problem-in-colorado-ski-towns-is-there-a-solution/>

**CITY OF SALIDA, COLORADO  
ORDINANCE NO. 11  
(Series of 2021)**

**AN ORDINANCE OF THE CITY COUNCIL FOR THE CITY OF SALIDA,  
COLORADO IMPOSING A TEMPORARY MORATORIUM ON THE  
SUBMISSION, ACCEPTANCE, PROCESSING AND APPROVAL OF ANY  
APPLICATION FOR A SHORT-TERM RENTAL LICENSE, AND DECLARING  
AN EMERGENCY**

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

**WHEREAS**, pursuant to C.R.S. § 31-15-401, the City by and through its City Council (“Council”), possesses the authority to adopt laws and ordinances within its police power in furtherance of the public health, safety and welfare; and

**WHEREAS**, pursuant to C.R.S. § 31-23-301 the Council also possesses the authority to adopt and enforce zoning regulations; and

**WHEREAS**, pursuant to such authority, the City has previously adopted certain regulations concerning short-term rentals within Chapter 6 and Chapter 16 of the Salida Municipal Code (“Code”); and

**WHEREAS**, the City of Salida is now experiencing a severe shortage of housing and long-term rental units for the local workforce and the Council finds that the diversion of the existing housing stock and any newly constructed housing into the currently available pool through the short-term rental license process otherwise necessarily contributes to the City’s housing shortage and has a direct negative impact on the availability of affordable housing; and

**WHEREAS**, the City is currently engaged in a comprehensive review of City policy regarding housing of all types and short-term rentals, its impacts, availability, solutions and options that may lead to modification to land use regulations, business licensing requirements, staffing, funding and other regulatory measures; and

**WHEREAS**, the Council finds and determines that imposing a nine (9) month temporary moratorium on receiving applications for review and issuing or approving short-term rental licenses is necessary to preserve the status quo while the Planning Commission and City Council completes its review of the City’s regulatory framework for short-term rentals and its impact on the housing crisis, and that preserving the status quo will promote the public health, safety and welfare by allowing a deliberate and well-reasoned decision making process; and

**WHEREAS**, the Council finds that the impact of a temporary moratorium on short-term rental license applications will not unduly prejudice the interests of the owners of housing units because property suitable for short-term rental uses are equally suitable for residential uses, either owner occupied or through the long term rental market; and

**WHEREAS**, a nine (9) month temporary moratorium is a reasonable length of time and no longer than necessary for the City to properly review, research, develop, adopt and implement any applicable recommendations, amendments and regulations regarding housing, affordability and short-term rentals; and

**WHEREAS**, the Council also finds and determines that the subject regulations concerning short-term rentals are necessary to the immediate preservation of the public health, safety and welfare and that this ordinance should therefore become effective upon adoption, as authorized by C.R.S. § 31-16-105.

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

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

**Section 2.** Imposition of Temporary Moratorium. Effective immediately, upon the date of this Ordinance, a moratorium is imposed upon the submission, acceptance, processing, and approval of all applications for short-term rental licenses within the City of Salida. No application for a short-term rental license shall be submitted to or accepted by the City, and no such application shall be reviewed or license issued or approved in response to such an application.

**Section 3.** Effective Date; Expiration. The moratorium imposed by this Ordinance shall commence as of the effective date of this Ordinance and shall expire nine (9) months thereafter, unless repealed prior to that date.

**Section 4.** Should any one or more sections or provisions of this Ordinance or of the Code provisions enacted hereby be judicially determined invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance or of such Code provision, the intention being that the various sections and provisions are severable.

**Section 5.** Emergency declaration. Pursuant to C.R.S. § 31-16-105, the Town Board hereby finds, determines and declares that an emergency exists and that this ordinance is necessary for the immediate preservation of the public health, safety and welfare and the financial well-being of the City because there must be a data-driven analysis conducted on the impact on City residents, workforce and property owners concerning short-term rentals and affordable housing, and therefore, this ordinance must be passed as an emergency ordinance.

**INTRODUCED, READ AND PASSED, ADOPTED AND ORDERED PUBLISHED IN FULL** in a newspaper of general circulation in the City of Salida by the City Council this 20<sup>th</sup> day of July, 2021.

CITY OF SALIDA

By: \_\_\_\_\_  
Mayor P.T. Wood



ATTEST:

(SEAL)

By: \_\_\_\_\_  
City Clerk