

CITY COUNCIL COMMUNICATION FORM

FROM: Kim Weber, Finance Director
Dan Foote, City Attorney

THROUGH: Gary Suiter, City Manager

DATE: May 10, 2022

ITEM: Fiscal Sustainability - Short-Term Rental Tax

DIRECTION
 INFORMATION
 ORDINANCE
 MOTION
 RESOLUTION
 PROCLAMATION

I. REQUEST/ISSUE & BACKGROUND INFORMATION:

Background:

During the February 8, 2022, worksession, staff presented several taxing and fee options for Council to discuss and consider to meet their fiscal sustainability goal. City Council narrowed the options down to 3, including short-term rental (STR) tax, short-term rental (STR) fee, and repurposing the existing accommodation's tax ("2A"). Council scheduled a worksession to discuss a STR tax and a STR fee and directed staff to delay discussions on repurposing the accommodation's tax because the current ballot language remains in place through 2023.

On March 8, 2022, staff presented information regarding STR taxes and fees along with information on incentives for property owners to convert short-term rentals into long-term rentals. City Council was supportive of moving forward with a regulatory STR licensing fee intended to cover the costs of administration and enforcement of the program. This will be implemented after City Council finalizes the required Ordinances surrounding STRs. City Council was also supportive of moving forward with a STR tax and scheduled a worksession on April 12, 2022 to discuss the proposed taxing rate if the revenue from the tax would be for a specific purpose or for general municipal purposes.

On April 12, 2022, City Council agreed they wanted to move forward with a STR tax on the November ballot. There was additional discussion on how a STR tax would impact the Steamboat Springs Chamber's effort of finding their own funding source. City Council directed staff to schedule a worksession in May and asked the City Attorney to provide sample ballot language with a 4% STR tax but include options that make 2% contingent on a successful Tourism Business Improvement District vote.

For tonight's worksession staff is seeking answers/direction from Council on the following questions:

1. What are the goals of the STR tax?
2. What rate do you want to propose to the voters?
3. What are the revenue restrictions?
4. Do you want a sunset date on the tax?

Revenue Restrictions:

Since the STR tax would be a voter approved tax, it is not required to be restricted to anything except municipal purposes. The tax revenue can be used for multiple services or functions of the government. However, the City Council can choose to add language to the ballot that restricts the revenue from the tax to certain uses.

The following are potential restricted uses that have been identified by Council:

1. Attainable Housing
 - Incentives
 - Contributions (YVHA)
 - Infrastructure associated with additional housing
2. Infrastructure to serve the growing community
3. Transportation
4. Childcare
5. Destination Stewardship (Destination Marketing & Management)

Revenue can be partially or fully restricted as part of the ballot language.

Timeline:

Attachment #1 includes the timeline and deadlines as City Council moves forward with a potential ballot question.

II. SUMMARY AND ALTERNATIVES:

Council can provide direction to staff on STR tax rate and revenue restrictions to draft ballot language.

III. STAFF RECOMMENDATION:

Staff recommends moving forward with a 1-4% STR tax to assist with attainable housing (specifically infrastructure costs related to building additional housing) with an added option to fund childcare.

IV. FISCAL IMPACT:

Estimate annual revenue from an STR tax with 30% escalation from 2021 collections:

1% = \$1,400,000

2% = \$2,800,000

3% = \$4,200,000

4% = \$5,600,000

V. LEGAL ISSUES:

According to TABOR, any new taxes must be passed via an election held in November.

VI. CONFLICTS OR ENVIRONMENTAL ISSUES:

None noted.

VII. CONSISTENCY WITH COUNCIL GOALS AND POLICIES:

City Council Goal: Short-Term Rentals-Evaluate the possibility of a November 2022 ballot question for a short-term rental excise tax or a vacancy tax.

ATTACHMENTS:

Attachment 1 - STR Tax Presentation

Attachment 2 - Sample Ballot Language