

# CITY COUNCIL COMMUNICATION FORM

**FROM:** Dan Foote

**THROUGH:** N/A

**DATE:** July 12, 2022

**ITEM:** SECOND READING OF AN ORDINANCE: An ordinance for the purpose of submitting to a vote of the electors of the City of Steamboat Springs, Colorado the question whether the City should impose a tax on Short-Term Rental accommodations for a period of twenty (20) years at a rate of 9% and dedicate the proceeds for the purpose of increasing the stock of affordable and attainable housing at locations including, but not limited to, Brown Ranch by providing incentives, contributions, and funding infrastructure associated with affordable and attainable housing, including, without limitation, energy, stormwater, water, wastewater, and multi-modal transportation; setting a hearing date; and providing an effective date.

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_____	DIRECTION
_____	INFORMATION
<b>X</b> _____	ORDINANCE
_____	MOTION
_____	RESOLUTION
_____	PROCLAMATION

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**I. REQUEST/ISSUE & BACKGROUND INFORMATION:**

The City Council on July 5, 2022 approved Ordinance No. 2865, which referred to the voters at the November 8, 2022 election a 9% tax on short term rental accommodations. Council approved Ordinance No. 2865 with revisions to the ballot title to i) reference Brown Ranch, ii) provide examples of the types of infrastructure to be funded with tax revenues, and iii) provide express authorization to adjust the rate of the tax.

Council subsequently directed staff at the end of the July 5, 2022 meeting to prepare an ordinance modifying the approved ballot question by replacing a reference to "additional housing" with "affordable and attainable housing". The proposed ordinance implements this revision by repealing and re-enacting Ordinance No. 2865 with the directed revision.

In addition, the title and recitals of the proposed ordinance have been updated to reflect the revisions made on July 5 and Section 12 has been revised to update the public hearing date. The revisions are shown in redline on Attachment 1.

Council's discussion at the July 5, 2022 meeting also addressed the date that the new tax would take effect if approved by the voters. Some council members supported a January 1, 2023 effective date while others supported an effective date of April 1 or 15, 2023. This decision would affect the benchmark year used to determine whether the actual tax revenues exceed the estimate. If the tax takes effect January 1, 2023, the estimated revenues would be compared to 2023 actual revenues. If the tax takes effect in April of 2023, then the estimated revenues would be compared to 2024 actual revenues.

While it would be more difficult to provide an estimate that will be compared to 2024 revenues, the revenue estimate of \$14,309,858 is based on revenue projections that are so optimistic that staff would be comfortable using that figure regardless of whether it would be compared to 2023 or 2024 actual revenues.

Staff would recommend a third option that represents something of a compromise between the January 1 and April 1/15 choices referenced above. The tax, if approved by the voters, could take effect on January 1, 2023 with an exemption for bookings that are fully paid prior to the effective date of the ordinance that imposes the tax, i.e. sometime in the fall of 2022. This would protect the expectations of individuals who made lodging reservations in reliance on the existing tax rate while allowing the tax to take effect on January 1, 2023.

As noted above, staff does not believe that Council's decision on the effective date of the ordinance will affect the ballot language. Therefore, the decision on the effective date can be delayed until the Council adopts the ordinance that will implement the tax if it is approved by the voters. Staff proposes to present such an ordinance for Council consideration on August 23. The ordinance could be adopted as early as September 6, but would only take effect if the voters approve the tax at the November election.

## **II. SUMMARY AND ALTERNATIVES:**

Adopt the proposed ordinance as drafted, adopt it with revisions, or decline to take action.

**III. STAFF RECOMMENDATION:**

Staff recommends adopting the ordinance as drafted. The proposed ordinance implements Council's direction from the July 5, 2022 meeting.

Declining to adopt the proposed ordinance would leave Ordinance No. 2865 in place. The City Clerk would certify to the County Clerk and Recorder the ballot language approved by Ordinance No. 2865.

**IV. FISCAL IMPACT:**

The ordinance itself will have no direct fiscal impact to the City. However, if approved by the voters, the ballot question referred by the ordinance would generate approximately \$11,000,000 in revenue in the first year and over \$200,000,000 over the twenty year term of the tax.

**V. LEGAL ISSUES:**

None.

**VI. CONFLICTS OR ENVIRONMENTAL ISSUES:**

None.

**VII. CONSISTENCY WITH COUNCIL GOALS AND POLICIES:**

The draft ordinance would promote Council's goals regarding housing, short-term rentals, transportation, and long-term water planning.

**ATTACHMENTS:**

Attachment 1 Redline revisions to Ordinance No. 2865