AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

Agenda Item: Short Term Rentals Property Tax Assessment

Action Requested:

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:

Please see the attached from Gunnison and Summit Counties

Fiscal Impact:

Submitted by: Josh Ost **Submitter's Email Address:** jost@gunnisoncounty.org

Finance Review: ○ Required ◉ Not Required

Comments:

Reviewed by: Discharge Date:

County Attorney Review: ○ Required ◉ Not Required

Comments:

Reveiwed by: Discharge Date: Certificate of Insurance Required

Yes ○ No ○

County Manager Review:

Comments:

Reveiwed by: GUNCOUNTY1\mbirnie Discharge Date: 7/13/2018

○ Consent Agenda ◉ Regular Agenda ○ Worksession Time Allotted: 20 minutes

Agenda Date: 7/17/2018

Revised April 2015

2019 LEGISLATIVE ISSUE FORM TF

CCI is soliciting potential legislative issues for the 2019 legislative session. Please answer all of the questions below for each of your county's legislative issues. If your county submits multiple issue forms, please prioritize your issues. Submitted issues are discussed during the summer steering committees and district meetings. We encourage you to confer with your county managers or administrators and department heads, as well as other elected officials, to determine what issues are the most pressing in your county and have implications for other counties. All submitted issues forms **must have the support of the Board of County Commissioners or the Mayor/City and County Council**.

In accordance with the Legislative Principles that are part of CCI's Policy Statement, "…initiated legislation should be realistic and closely related to the conduct of our members' responsibilities if we are to retain a high level of credibility. Local elected officials' groups, county and otherwise, as well as other interest groups, should be encouraged to find sponsors for and initiate their own proposals, allowing our members and CCI to take a supportive role when the bill is introduced."

Please email your issue forms to Jeanne DeHaven at jdehaven@ccionline.org. Please feel free to use more than one page when submitting issues and to submit additional documentation or background information related to the issue. Legislative Issue Forms need to be returned by **Friday, June 29, 2018** in order to be discussed during the summer legislative review and steering committee meetings.

Name: John Messner Title: Gunnison County Commissioner

County: Gunnison Phone: 970-901-6708 E-mail: jmessner@gunnisoncounty.org

1.) Issue: Short term rental properties being assessed as a residential property while traditional lodging establishments are being assessed as commercial creating an unfair and unbalanced taxation situation.

2.) Background: Short term rentals currently are assessed as residential properties, though often these properties are being utilized as commercial lodging. The definition of hotel and lodging in CRS 39-1-102 is "improvements and the land associated with such improvements that are used by a business establishment primarily to provide lodging, camping, or personal care or health facilities to the general public and that are predominantly used on an overnight or weekly basis…" While there are some short term rentals that are predominantly residences that occasionally rent their home, more and more these properties are being used as commercial lodging the majority of the time. This both creates an undue burden on the traditional lodging establishments that are assessed the full commercial rate as well as encourage the acquisition of properties that could be in the general workforce housing inventory to be utilized in a commercial way, lowering the available housing in communities throughout Colorado.

3.) Proposed Solution/Legislative Remedy (Please provide the specific statutory citation your board is requesting to modify AND the proposed language you are requesting.)
Develop a property assessment rate between the current residential and commercial rate specifically for short term rentals that rent their properties out for less than 30 days at a time more than 30 days in one calendar year. This would do 2 things. It would create a more equitable assessment system where actual use is reflected in the assessment rate and create a shift in the formula for Gallagher which would lessen some of the burden on current commercial properties.

4.) County Commissioner role in this issue:

5.) Proponents/Opponents (Please indicate if your board has had conversations with proponents/opponents to date and their perspective on this proposal):

6.) Have you visited with your legislator(s) about this proposal? What was their reaction? Are members of your delegation likely to sponsor, support, or oppose this proposal:

7.) Anticipated Fiscal Impact:

8.) Please list the subject matter experts CCI staff can follow-up with for more information on this proposal:

9.) Priority Ranking (If multiple issues submitted):

2019 LEGISLATIVE ISSUE FORM

CCI is soliciting potential legislative issues for the 2019 legislative session. Please answer all of the questions below for each of your county's legislative issues. If your county submits multiple issue forms, please prioritize your issues. Submitted issues are discussed during the summer steering committees and district meetings. We encourage you to confer with your county managers or administrators and department heads, as well as other elected officials, to determine what issues are the most pressing in your county and have implications for other counties. All submitted issues forms **must have the support of the Board of County Commissioners or the Mayor/City and County Council**.

In accordance with the Legislative Principles that are part of CCI's Policy Statement, "…initiated legislation should be realistic and closely related to the conduct of our members' responsibilities if we are to retain a high level of credibility. Local elected officials' groups, county and otherwise, as well as other interest groups, should be encouraged to find sponsors for and initiate their own proposals, allowing our members and CCI to take a supportive role when the bill is introduced."

Please email your issue forms to Jeanne DeHaven at jdehaven@ccionline.org. Please feel free to use more than one page when submitting issues and to submit additional documentation or background information related to the issue. Legislative Issue Forms need to be returned by **Friday, June 29, 2018** in order to be discussed during the summer legislative review and steering committee meetings.

Name: Scott Vargo Title: County Manager

County: Summit Phone: 970-453-3404 E-mail: scott.vargo@summitcountyco.gov

1.) Issue:

A significant inequity exists in the property tax assessment rate of short-term rental (STR) properties that are operating as commercial businesses. They are subject to the residential assessment rate of 7.20% rather than the commercial assessment rate of 29%. This preferential rate creates an unfair competitive advantage over traditional lodging establishments that are subject to the commercial assessment. The proliferation of short-term rentals are also swallowing up long-term rental options within our communities and investors are driving up housing prices as they purchase properties with the sole intention of turning them into short-term rental properties despite being located in areas that are designed and have been historically occupied by our workforce and year round residents. This new business model is changing the character of our neighborhoods, reducing small business viability, and negatively impacting our community as a whole. If a structure is being operated as a lodging business for a significant number of weeks, that business operation should be subject to the commercial assessment rate.

2.) Background:

Summit County estimates that nearly 10,000 STR units exist county-wide with over 4,300 in unincorporated Summit County. Some of these units are located in close proximity to resort or base areas and have historically served as rental properties or sat vacant. As short-term rental websites have grown in popularity the number of STR's have exploded and the intensity of use expanded, along with their impacts. STRs have also expanded into neighborhoods outside of the resort and base areas raising a number of nuisance type issues (trash, parking, noise, safety) that are less prevalent in areas where long-term rental and ownership dominate. Summit County is developing regulations to address the nuisance concerns and sales tax responsibilities of STR properties. However the current statutory definitions would not consider a STR property that is rented out 52 weeks per year as a commercial property, instead it would be subject to the 7.20% residential assessment rate. These definitions need to be updated to reflect the new "sharing" economy and this new commercial activity. Some reasonableness needs to be inserted to accurately reflect when a property is no longer a residence, but rather it is a commercial enterprise in whole or in part (to a significant degree).

3.) Proposed Solution/Legislative Remedy (Please provide the specific statutory citation your board is requesting to modify AND the proposed language you are requesting.)

Language in ALL CAPS below are suggested changes/additions to current statutory language.

39-1-102(14.3) "Residential improvements" means a building, or that portion of a building, designed AND ACTUALLY USED predominantly as a place of residency by a person, a family, or families. The term includes buildings, structures, fixtures, fences, amenities, and water rights that are an integral part of the residential use. The term also includes a manufactured home as defined in subsection (7.8) of this section, a mobile home as defined in subsection (8) of this section, and a modular home as defined in subsection (8.3) of this section. THE TERM EXCLUDES SHORT TERM RENTAL IMPROVEMENTS OR UNIT AS DEFINED IN SUBSECTION (15.6) OF THIS SUBSECTION.

39-1-102(15.6) "SHORT TERM RENTAL IMPROVEMENTS OR UNIT" MEANS A BUILDING, OR ANY ROOM THEREIN, DESIGNED AS A SINGLE FAMILY RESIDENCE THAT IS AVAILABLE FOR RENTAL OR LEASE FOR A TERM OF THIRTY DAYS OR LESS.

39-1-103(10.6)(a) "THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT SHORT TERM RENTALS ARE UNIQUE MIXED-USE PROPERTIES AND THAT ALL AREAS OF A SHORT TERM RENTAL ARE COMMERCIAL WHEN AVAILABLE FOR RENTAL OR LEASE FOR A TERM OF THIRTY DAYS OR LESS.

39-1-103(10.6)(b) "THEREFORE, NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, SHORT TERM RENTAL IMPROVEMENTS OR UNITS SHALL BE ASSESSED AS PROVIDED IN THIS SUBSECTION (10.6). SHORT TERM RENTAL UNITS AND IMPROVEMENTS SHALL BE ASSESSED AT THE RATE FOR NONAGRICULTURAL OR NONRESIDENTIAL IMPROVEMENTS. ANY PART OF THE SHORT TERM RENTAL THAT IS NOT LEASED OR AVAILABLE FOR LEASE FOR A TERM OF THIRTY DAYS OR LESS SHALL BE CONSIDERED A RESIDENTIAL IMPROVEMENT AND ASSESSED ACCORDINGLY. DURING ANY PERIOD OF TIME A SHORT TERM RENTAL IS NOT AVAILABLE FOR RENTAL OR LEASE IT SHALL BE ASSESSED AT THE RESIDENTIAL RATE. THE ACTUAL VALUE OF EACH PORTION OF THE SHORT TERM RENTAL SHALL BE DETERMINED BY THE APPLICATION OF THE APPROPRIATE APPROACHES TO APPRAISAL SPECIFIED IN SUBSECTION (5) OF THIS SECTION. THE LAND CONTAINING A SHORT TERM RENTAL SHALL BE ASSESSED AS NONRESIDENTIAL LAND, EXCEPT THAT WHEN ONLY A PORTION OF THE IMPROVEMENTS ARE AVAILABLE FOR RENTAL OR LEASE FOR A TERM OF THIRTY DAYS OR LESS, THE PROCEDURES PERTAINING TO LAND SET FORTH IN SUBSECTION (9) OF THIS SECTION SHALL APPLY FOR CLASSIFYING THE LAND. THERE SHALL BE A REBUTTABLE PRESUMPTION THAT SHORT TERM RENTALS ARE AVAILABLE FOR LEASE AT ALL TIMES. SUCH PRESUMPTION SHALL ONLY BE OVERCOME IF THERE IS SUBSTANTIAL EVIDENCE OF RESIDENTIAL USE AND SUCH IMPROVEMENTS AND LAND SHALL BE ASSESSED AS RESIDENTIAL LAND TO THE EXTENT OF SUCH ACTUAL RESIDENTIAL USE.

4.) County Commissioner role in this issue: The Summit BOCC fully supports this item and will actively testify on the impacts within Summit County.

5.) Proponents/Opponents (Please indicate if your board has had conversations with proponents/opponents to date and their perspective on this proposal):

Lake County has expressed some interest in this issue. We have also reached out to several other counties but have not yet received their feedback. We are also speaking with multiple County Assessors to gauge their interest in this issue and to vet the above language.

6.) Have you visited with your legislator(s) about this proposal? What was their reaction? Are members of your delegation likely to sponsor, support, or oppose this proposal:

No we have not yet communicated with our legislators.

7.) Anticipated Fiscal Impact: No negative fiscal impact to the State is anticipated.

It will result in increased property tax collections, although it may reduce the level of investment in real estate solely for the purpose of STR's, potentially reducing the growth in housing values.

8.) Please list the subject matter experts CCI staff can follow-up with for more information on this proposal:

Frank Celico, Assistant Summit County Attorney, Scott Vargo, Summit County Manager.

9.) Priority Ranking (If multiple issues submitted):

1.