

The New Cottage Industry

The Relationship of the Sharing Economy's Rental Markets to Land Use and Tax Regulation



Brian Duffany, Economic & Planning Systems
Jessica Garrow, AICP, City of Aspen
Phillip Supino, City of Durango

OUTLINE

- Review of Sharing Economy
- Overview of lodging trends in Mountain Resorts
- Case Studies:
 - Aspen
 - Durango
- Conclusion

KEY TERMS

- **Sharing Economy** – Businesses leveraging excess supply and providing goods and services without formal ownership
- **Grey Market** – A market using irregular methods to circumvent normal channels of business
- **VR** – Short-Term Vacation Rental
- **RBO** – Rental By Owner
 - i.e. properties listed on HomeAway, VRBO, AirBnB
- **VRMC or MC** – Vacation Rental Management Company

THE “SHARING ECONOMY”

- “Peer-to-peer or collaborative economy... built around the sharing of human and physical resources...”

-Wikipedia

- “...shared creation, production, distribution, trade and consumption of goods and services by different people...”

-PeopleWhoShare Blog

- “...leveraging information technology to empower individuals, corporations, non-profits and government with information that enables distribution, sharing and reuse of excess capacity in goods and services...”

-Harvard Business Review

THE “SHARING ECONOMY”

Key Features of Sharing Economy

- Excess or shared resources
- Desirable commodities
- Internet connectivity
- Web-based platform
- Trusted brokers
- Trusted user groups
- Freedom from ownership



BRIEF HISTORY – PRIVATE VACATION RENTALS

Old School



New School



THE NEW COTTAGE INDUSTRY

short-term rentals in Colorado communities

INTRODUCTION

GROWTH OF AN INDUSTRY

- **\$23 billion** in vacation rental (2012)
 - 7% of U.S. travel market (2012)
- **108 million** U.S. 'rented nights' (2012)
- **\$211** average daily rate (2012)
- **24%** of VR reservations booked online
- **1 in 4** RBO properties are owner occupied

2013 Phocuswright U.S. Vacation Rentals Study

REGULATION OF VACATION RENTALS– NEED?

Community meetings can go like this...



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

REGULATION OF VACATION RENTALS– NEED?

But sometimes they go like this...



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

WHY REGULATE VACATION RENTALS?

- Preserve residential character
- Collect sales and lodging tax
- Create a “level playing field” between RBOs and property management companies
- Ensure adequate lodging options for tourists
- Ensure adequate housing options for residents
- Ensure vacation rentals meet existing health and life safety regulations

RESORT HOTEL FEASIBILITY

- Hotel Benefits
 - High Occupancy
 - Marketing Reach
 - Loyalty programs
- Not feasible in seasonal resorts
 - High land and construction costs
 - Seasonal peak, slow off season
- Feasibility: Ownership component



RESORT CONDOMINIUMS

- Value in Ownership
 - Baby Boomers
 - Wealth building
- Pay for What you Use
 - Gen X, Y , Millenials
 - Great Recession
 - Management fees, HOAs, taxes
- VRBO - Offset ownership costs



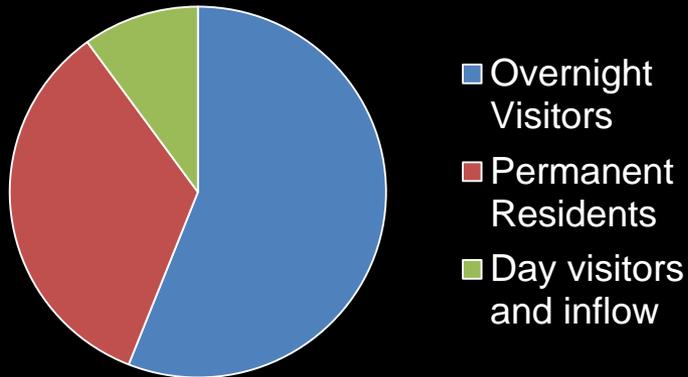
LODGING: ECONOMIC DRIVER

- Tourism economy
- Retail Sales
- Lodging “room nights”
- Sales and lodging tax
 - Municipal operations
 - Capital projects

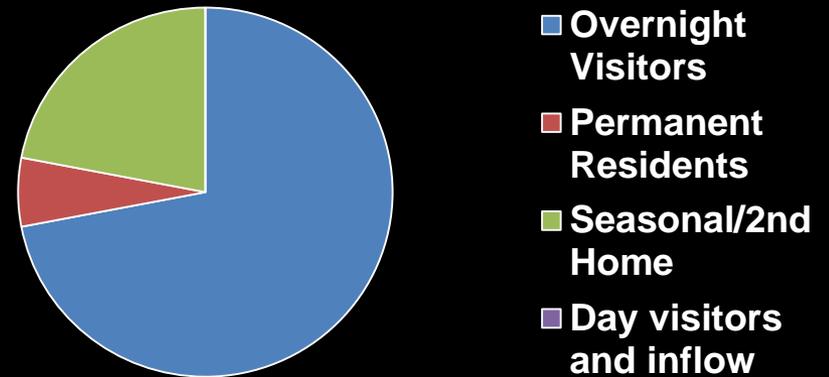


PERCENT OF SALES FROM VISITORS

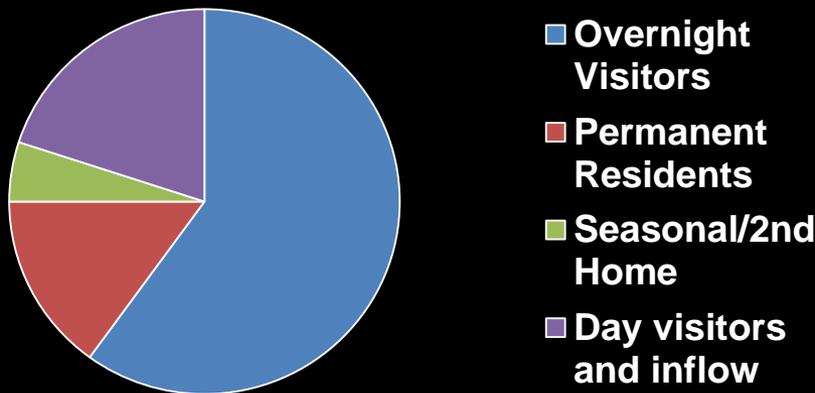
Snowmass Village



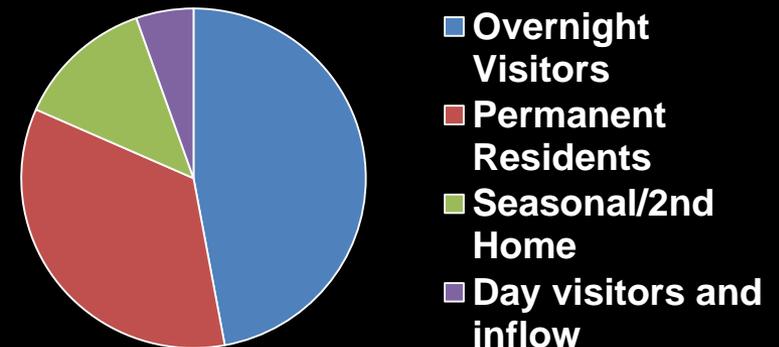
Telluride Mountain Village



Vail



Winter Park



SKI AND LODGING INDUSTRY TRENDS

- Little growth in skiing
- Competition for market share
- Aging lodging
- Development constraints
- “HOT Beds”
- ROB Opportunity
 - Under utilized inventory
 - Lower cost management



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

GATEWAY COMMUNITIES

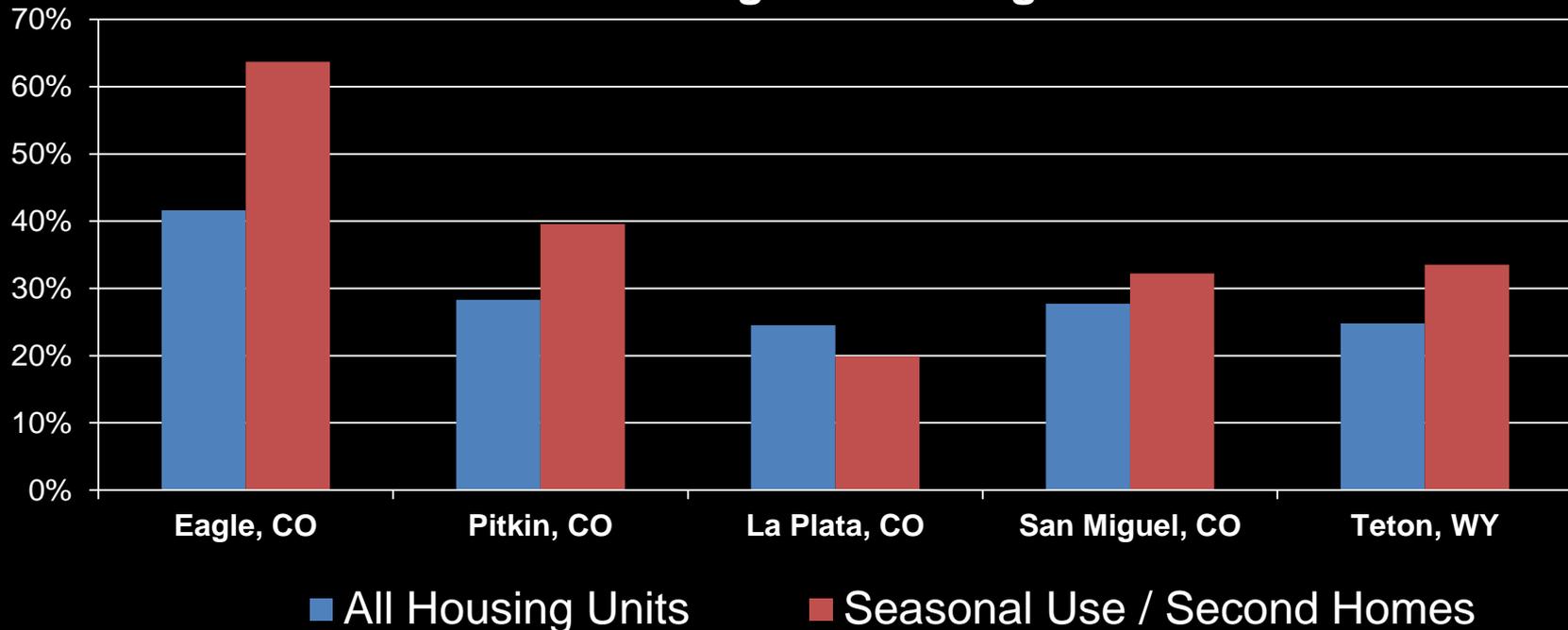
- Amenity rich, sometimes remote
- Ski areas, national parks, national forest, recreation, water
- Location neutral workers
- Entrepreneurs
- Lifestyle seekers (ski bums, etc.)
- Second homeowners
- Retirees



SECOND HOME GROWTH

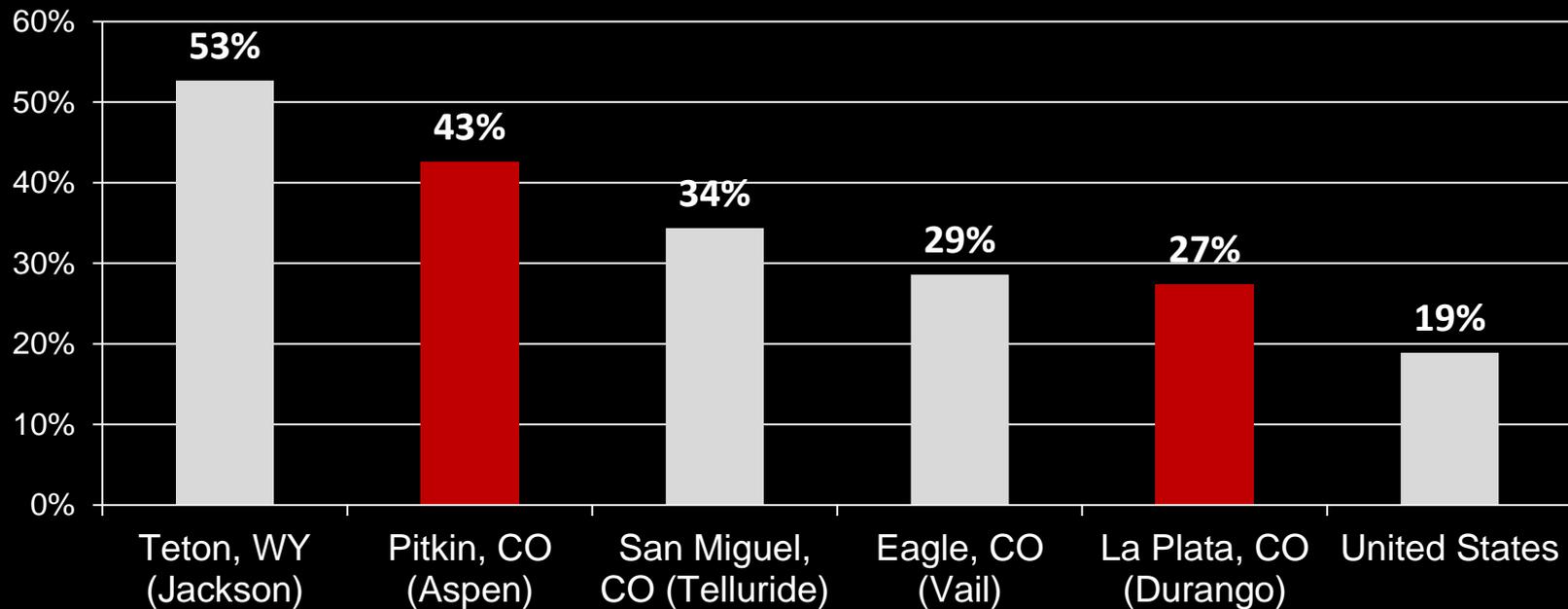
- Second homes are growing faster than local workforce housing

Percent Change in Housing Units 2000-2010



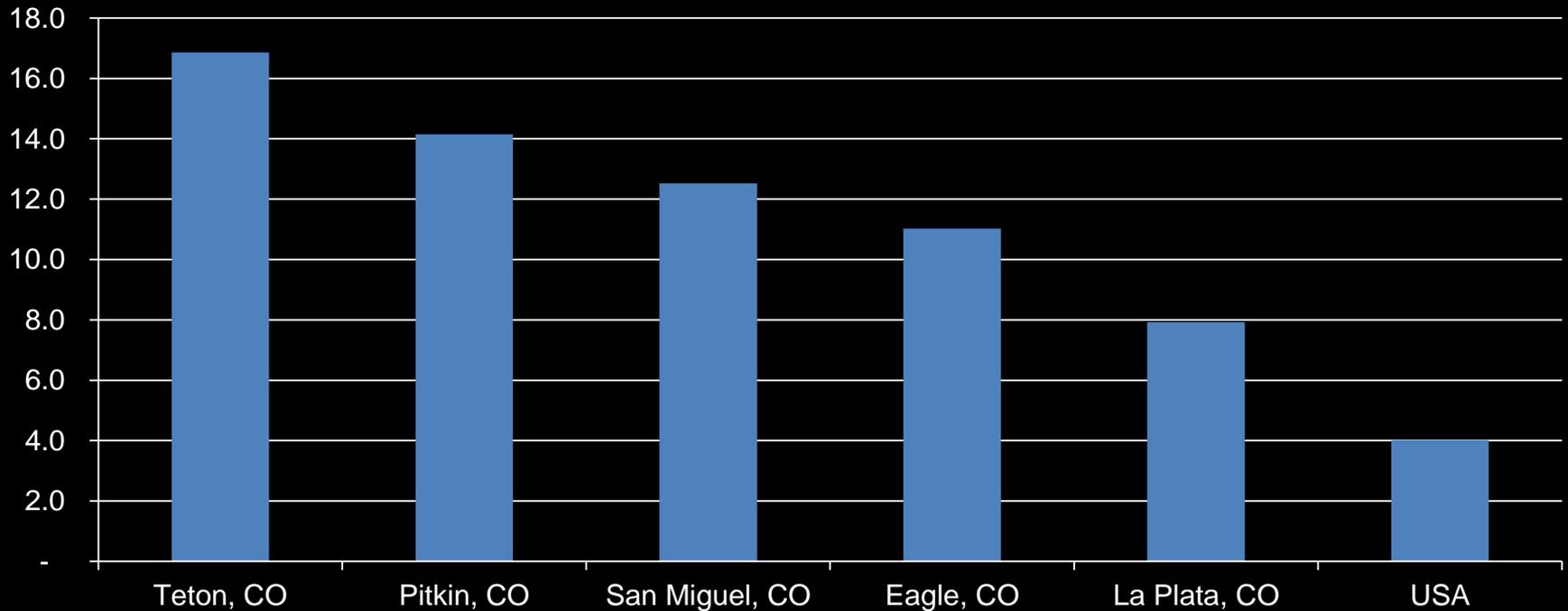
OUTSIDE INCOME SOURCES

- Investment income
- “Location neutral” workers
- Housing prices **decoupled** from wages



WAGES VS. HOME PRICE

Ratio of Home Price to Average Annual Wage

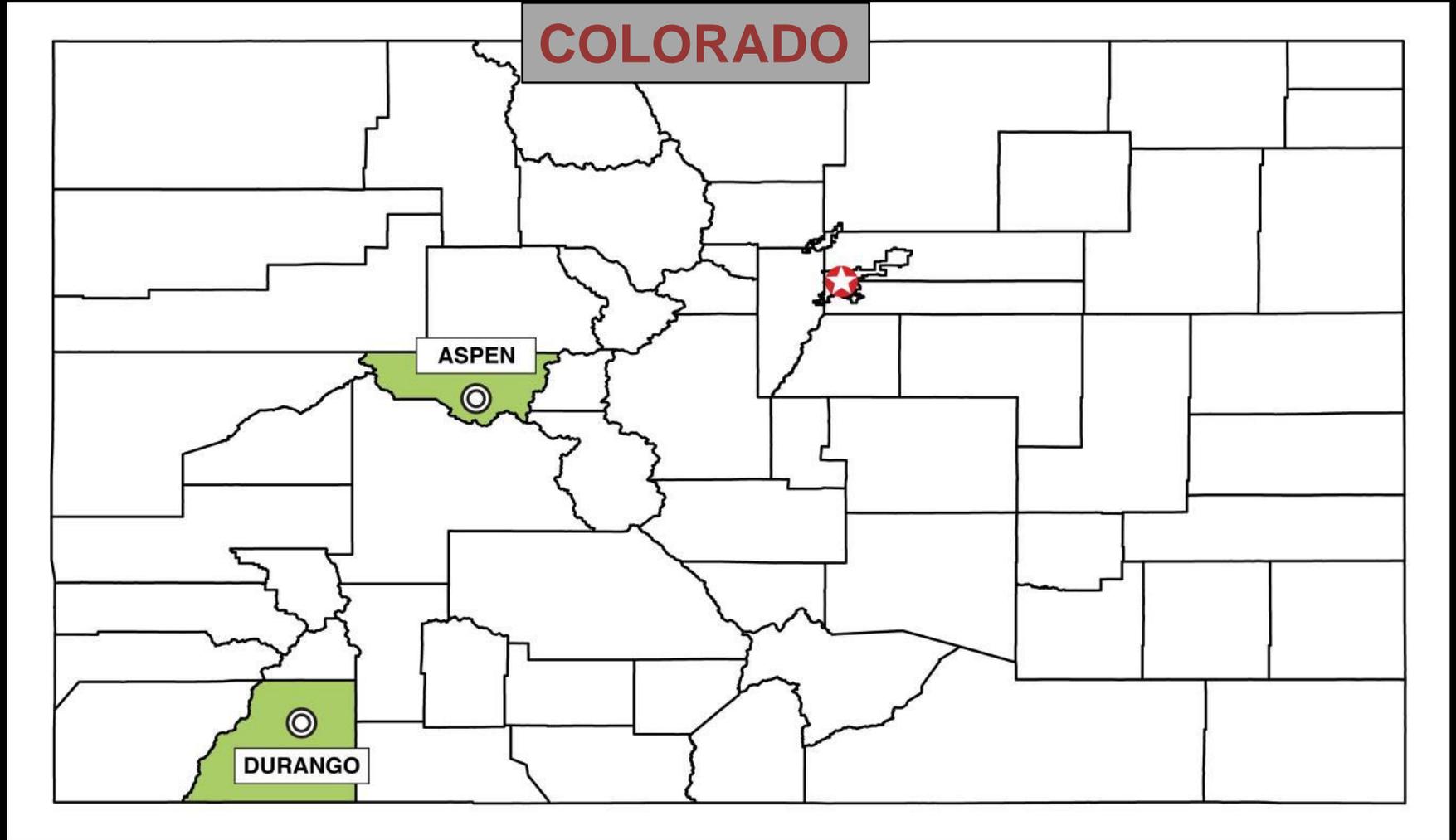


HOUSING AND ECONOMICS

- Family stability and **wealth creation**
- Commuting
 - Social health, community involvement
 - **Environmental**
- Workforce
 - **Employee** attraction and retention
 - **Business** attraction and retention
- RBO: Investor buyers vs. supplemental income (e.g. AirBnB)



DESTINATION ASPEN



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

DESTINATION ASPEN



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

ASPEN LODGING CONTEXT

- Microcosm of resort economic development constraints
- Approach to VRBO responds to market conditions
- Issues:
 - Economic base: tourism (visitors)
 - High costs
 - Dated inventory, declining #s
 - Development constraints
 - Applies to many Rocky Mountain resort towns

DEMOGRAOPHICS

- 6,658 full-time population
- 35,000 at peak occupancy
- 6,000 total housing units, 60% occupancy
- 2,200 total affordable housing units



WINTER ATTRACTION



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

SUMMER ATTRACTION



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

TRADITIONAL ACCOMODATIONS



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

TRADITIONAL ACCOMODATIONS

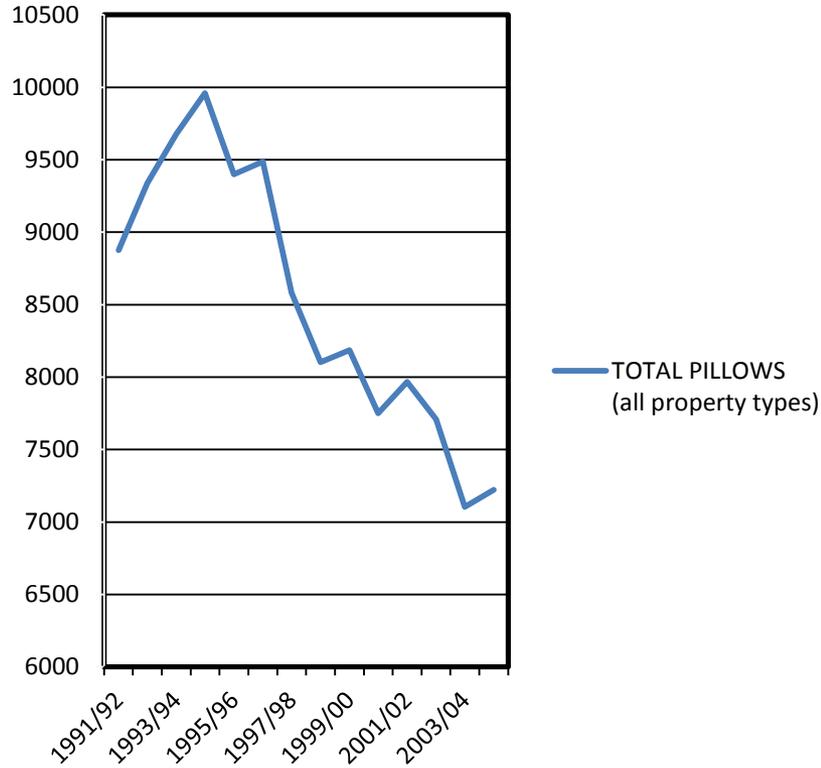


THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

DECLINING BED BASE

TOTAL PILLOWS (all property types)



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

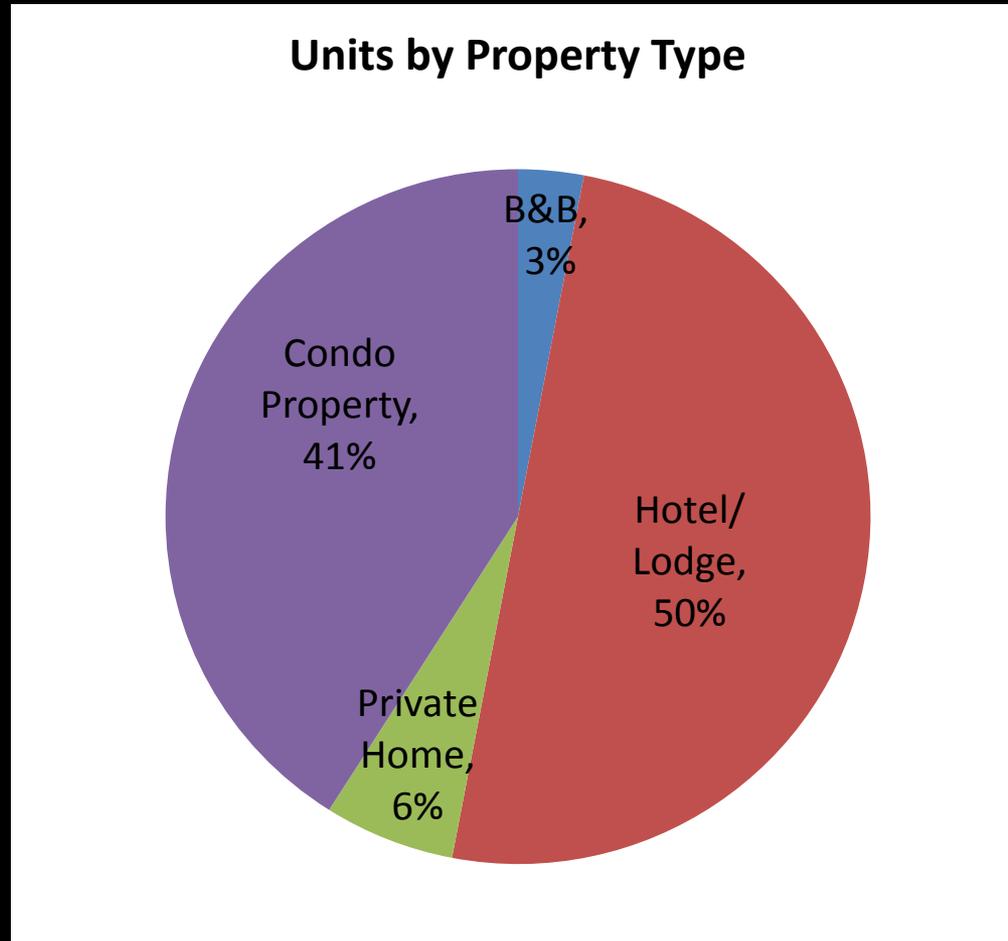
**ASPEN,
COLORADO**

INCREASE IN VACATION RENTALS

	Aspen - Units By Type Comparison			Aspen - Pillows By Type Comparison		
	2009	2012	% change	2009	2012	% change
Hotel/Lodge	1,160	1,158	-0.17%	3,308	3,506	5.99%
Condo Property	976	932	-4.51%	4,991	5,077	1.72%
Private Home	100	131	31.00%	911	1,304	43.14%
B&B	68	72	5.88%	175	198	13.14%
All	2,304	2,293	-0.48%	9,385	10,085	7.46%

2012 MTRiP Aspen Snowmass Transient Lodging Inventory Study

BED BASE COMPOSITION



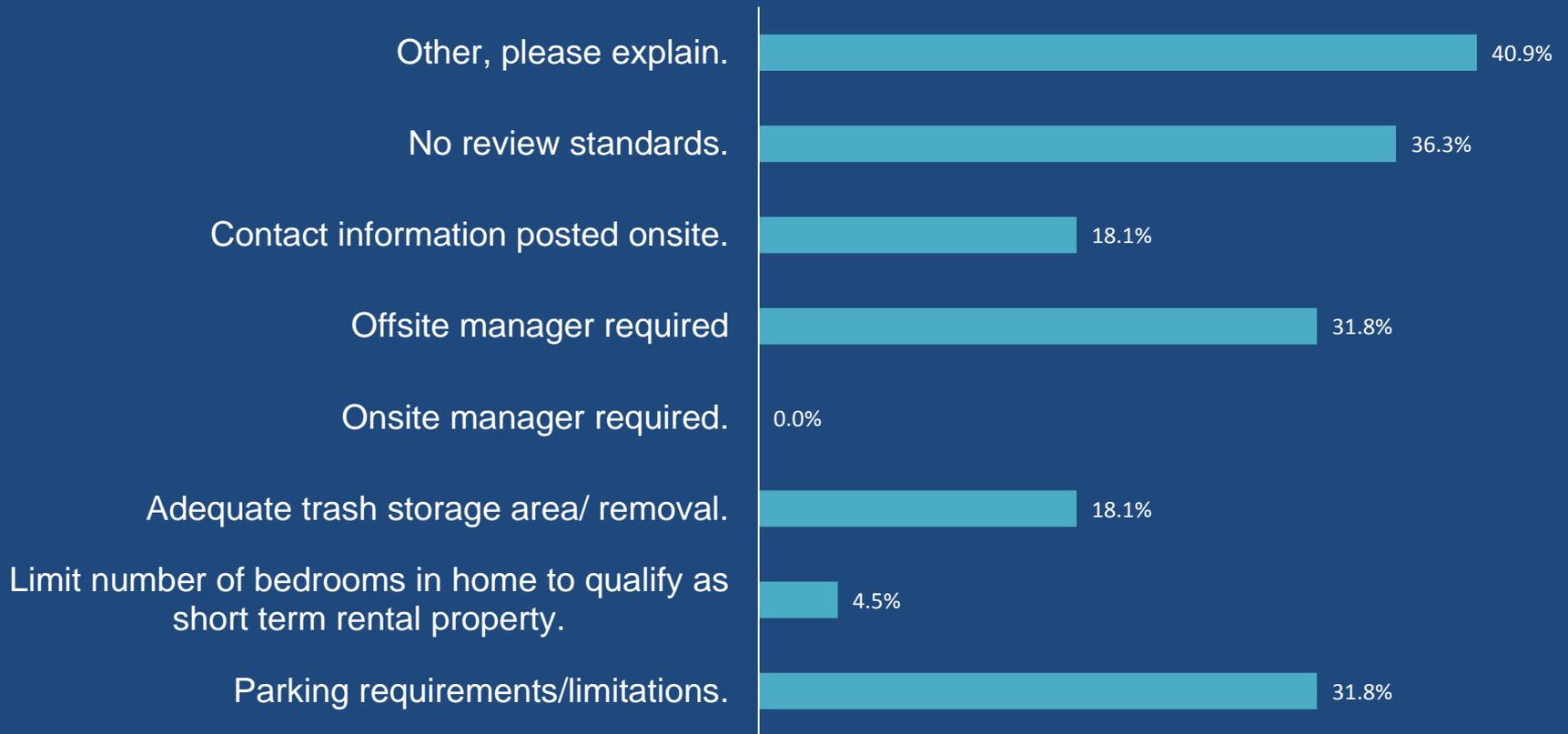
2012 MTRiP Aspen Snowmass Transient Lodging Inventory Study

REGULATION OF VACATION RENTALS

- Old Regulations
 - Prohibited in all zone districts except Lodge
 - Non-Lodge zoned properties could rent on short-term basis (30 days or less) twice a year
- January 2011 Analysis
 - At least 150 VRBO rentals were illegal
 - City losing out on \$90,000 a year
 - CAST survey

REGULATION OF VACATION RENTALS

Short-Term Rental Review Standards



CAST 2011 Short-Term Rental Survey

REGULATION OF VACATION RENTALS

- Proposed Regulations
 - Limited areas
 - Minimum Parking Spaces
 - Bear-proof trash containers
 - Association with a local PMC or other Rep
 - HOA Notification
 - Special notice to neighbors
 - Special Signage
 - Obtain Business License
 - Annual revocable Vacation Rental Permit

REGULATION OF VACATION RENTALS



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

REGULATION OF VACATION RENTALS



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

REGULATION OF VACATION RENTALS

- Approved Regulations (2012)
 - Allowed everywhere
 - Prohibits single-room rentals
 - HOA Notification
 - Obtain Business License & Vacation Rental Permit
 - Local owner representative
 - Meet applicable City Codes
 - Signs allowed, but not required

PROGRAM SUCCESS

- Vacation Rental permits have doubled
- \$225,000 in new revenue
- No complaints

Dear Aspen Homeowners,

If you rent out your home as a vacation rental the regulations have changed. There is no longer a limit on the number of rentals allowed per year. Rentals are now allowed in all Aspen zone districts without limitation.

You now need a permit from Community Development for rentals that are 30 days or less.

For more information please go to

<http://www.aspenpitkin.com/Departments/Finance-City-of-Aspen/Business-Sales-Tax-License/>

or call the Planner of the Day line at 970-429-2764.



THE CITY OF ASPEN

THE NEW COTTAGE INDUSTRY

short-term rentals in Colorado communities

**ASPEN,
COLORADO**

ISSUES: COMPLIANCE

VRBO®
Part of the HomeAway Family

[Login](#) [Help](#) [List your property](#)

Aspen, Northwest, Colorado

Arrival
Depart
 I don't have dates yet

Search

Sort by: VRBO Sort | Price: Any | Sleeps: Any | Bedrooms: Any | Booking type: Edit | More filters: Add+



FEATURED

\$389 - \$888 per night (USD)



FEATURED

\$350 - \$750 Per Night (USD)



FEATURED

\$1500/nt - \$6000/nt (USD)



FEATURED

\$509 - \$951 per night (USD)



FEATURED

\$20,000 per month (USD)



FEATURED

\$4,000 - \$4,500 per night (USD)

Home > USA > Colorado > Northwest > Aspen 100 of 438 rentals

Hide neighborhoods

St. Regis	914 Waters	Chateau Eau Claire	Galena Lofts	Monarch on the Park	Queen Victoria
Starwood	Ajax	Chateau Roaring Fork	Glory Hole	Mountain Queen	Red Mountain
Telemark	Alpenblick	Chateau Snow	Hunter Creek	Mountain Valley	Residence Hotel
The Durant	Aspen Highlands	Chatelet	Hy West	North of Nell	Riverview
The Gant	Aspen Main Condos	Christiana	Hyatt Grand Aspen	Obermeyer Place	Shadow Mountain
The Ritz Carlton Destination Club	Aspen Townhouses	Columbine	Independence Square	Old Hundred	Silver Bell
Timber Ridge	Aspen Villas	Concept 600	Inn at Aspen	Original Curve	Silverglo
Top Of Mill	Brand Building	Cooper Avenue Victorian	Innsbruck	Park Central West	Southpoint
Town Place of Aspen	Brush Creek Village	Cooper Street Lofts	Knollwood	Pines Lodge	Other Aspen Properties
Ute	Castle Creek	Cottonwood	Le Clairvaux	Pomegranate	
Villager	Chateau Aspen	East Hopkins Condos	Lift One	Private Homes, (Core) Downtown	
Winfield Arms	Chateau Blanc	Edge of Ajax	Little Nell	Private Homes, East End	
210 Cooper	Chateau Chaumont	Fasching Haus	Maroon Creek	Private Homes, Unspecified	
700 Monarch	Chateau Dumont	Fifth Avenue	McClain Flats	Private Homes, West End	



Chic Downtown Aspen Studio Condo

Park Central West #145970

\$100 - \$325

per night

1-6 night min stay

Expand map
 Search when I move the map



THE NEW COTTAGE INDUSTRY
 short-term rentals in Colorado communities

**ASPEN,
 COLORADO**

ISSUES: COMPLIANCE

The screenshot displays the Airbnb search results for "Aspen, CO, United States". The search bar at the top shows the location and a search icon. The page is filtered to show "12 Rentals - Aspen". The listings are arranged in a grid, each featuring a photo, a price tag, a title, and a brief description. The first listing is "Powder Day Getaway - Aspen downtown" for \$102, described as a private room with 7 reviews. The second is "2 Blocks to Gondola Mountain Chalet" for \$263, a private room with 6 reviews. The third is "Cozy Aspen Condo" for \$113, a private room with 51 reviews. The fourth is "Aspen Colorado Penthouse 2/1.5" for \$318, a private room with 32 reviews. To the right of the listings is a map of Aspen, Colorado, showing the location of the listings marked with red pins. The map includes labels for "Aspen-Pitkin County Airport", "Red Butte", "Aspen", "Silver Queen Gondola", and "Ellie Falls". The map also shows major roads like 62, 137, 133, 154, and 20. The Airbnb logo and navigation links like "Sign Up", "Log In", and "Help" are visible at the top right.

THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

ISSUES: DEED RESTRICTED UNITS

Aspen Housing Authority
www.apcha.org

- Home
- Rentals
- Sales
- Information
- HOA Documents
- Housing Guidelines
- New Projects
- Housing Forms
- Housing Board
- Housing Compliance
- Strategic Methodology
- Contact Us
- Aspen/Pitkin County
- Other Resources
- Post a Rental
- Looking for Housing...



Under NO circumstances are you allowed to rent your deed restricted home or room out through VRBO, Airbnb or equivalent.

*****The Aspen employee housing program exists to help people who work within Pitkin County seeking home ownership or long and short-term rental opportunities, and who would not otherwise have the opportunity to build a life as part of our community. To the left are navigation buttons to useful pages which can answer your questions, notify you of upcoming opportunities, and provide application forms and information for sales and rental units.*****

COULD YOU USE \$2,500 TO UPGRADE YOUR HOME?

IMPROVE THE COMFORT, SAFETY AND EFFICIENCY OF YOUR HOME WITH "REACH"

INCOME-QUALIFIED HOMEOWNERS CAN RECEIVE:

- Insulation
- Heating Appliances
- Solar
- And More!

REACH A PROGRAM OF **CORE**
Community Office for Resource Efficiency

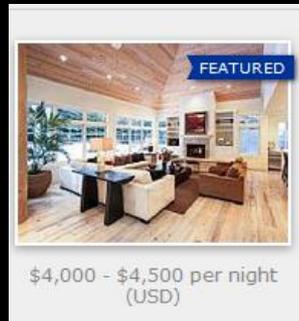
www.aspencore.org/reach **CLICK HERE**

THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

KEY TAKEAWAYS

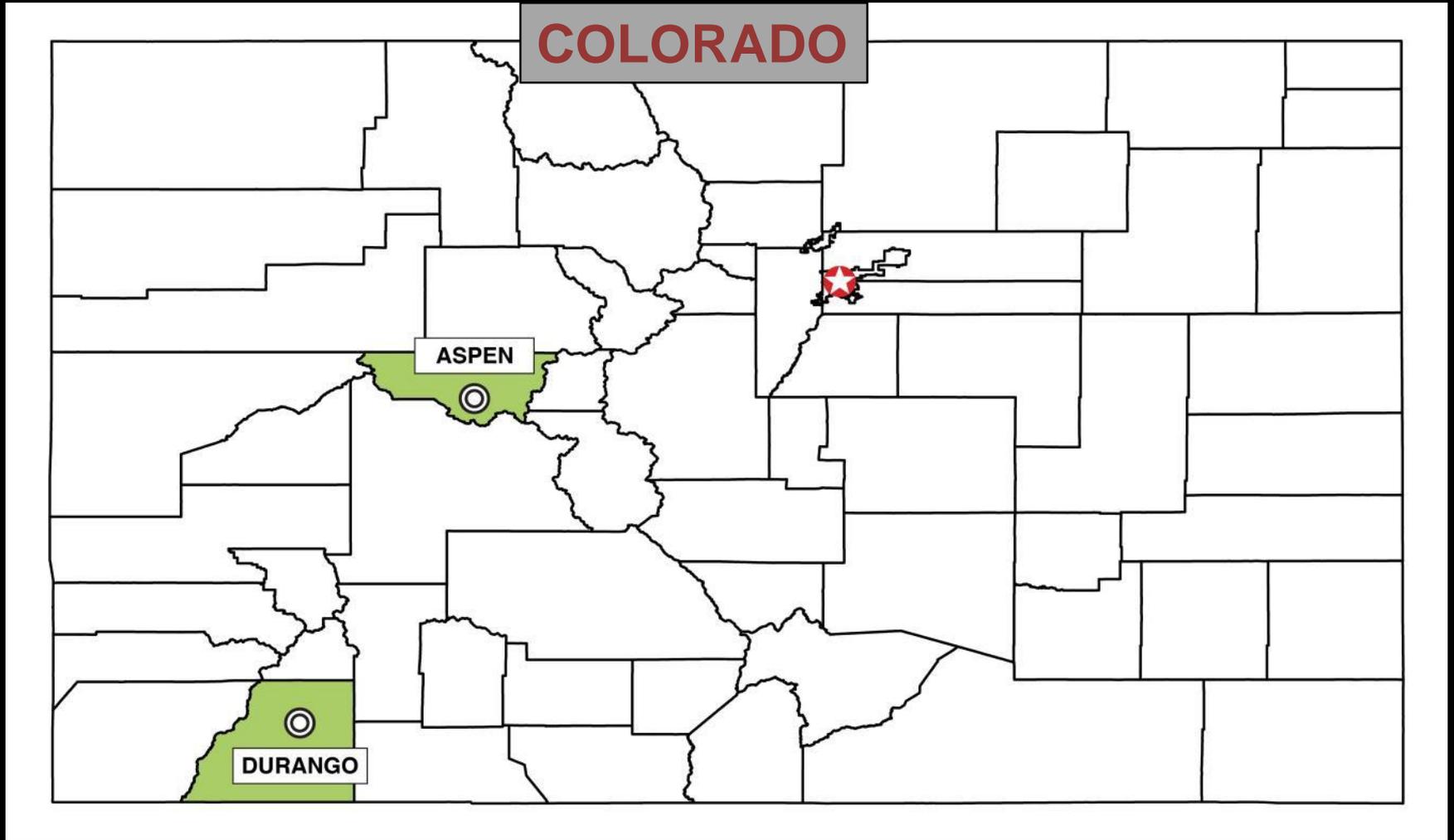
- Outreach is critical
- Simple can be better
- Enforcement is ongoing
- Market continues to evolve
- Difficulties with VR companies
- Opportunities for municipal coordination



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

DESTINATION DURANGO



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

DESTINATION DURANGO



Durango-Silverton Narrow Gauge Railroad



Downtown Historic District



Southwestern History



Recreation

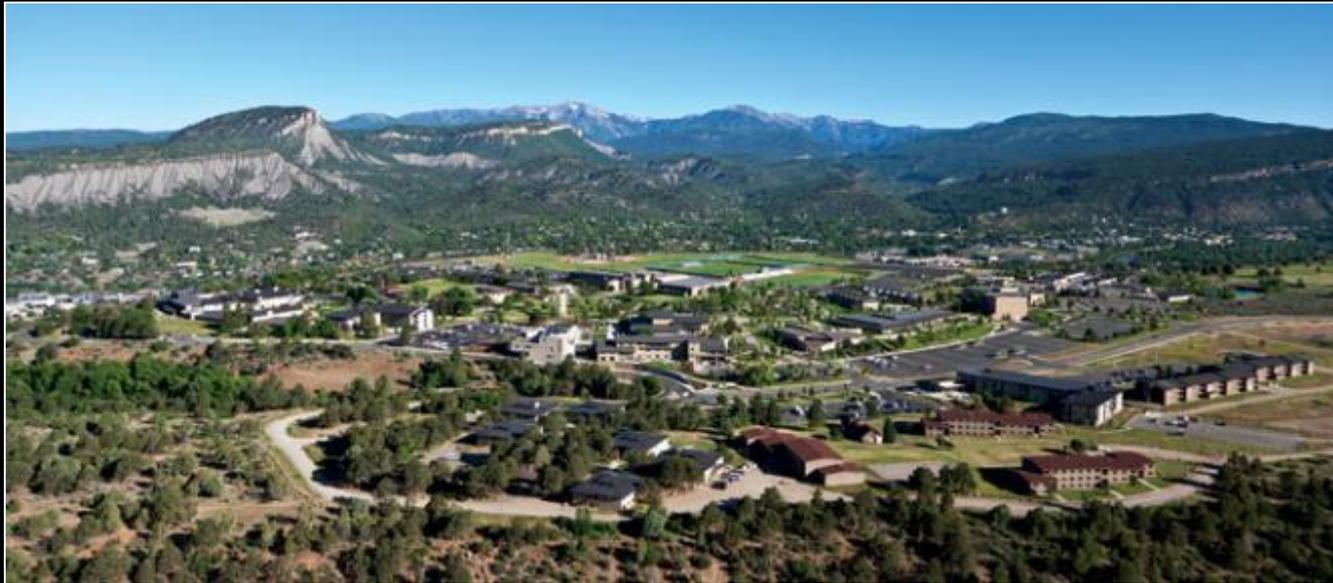
DEMOGRAPHICS



- Durango population: 15,557
- Durango median income: \$53,173
- Projected population growth: 3.7%

- La Plata County population: 53,284
- La Plata County median income: \$58,080
- Projected population growth: 3.3%

FORT LEWIS COLLEGE



Four year state college

The “Skyhawks”

Located on College
Mesa in 1950



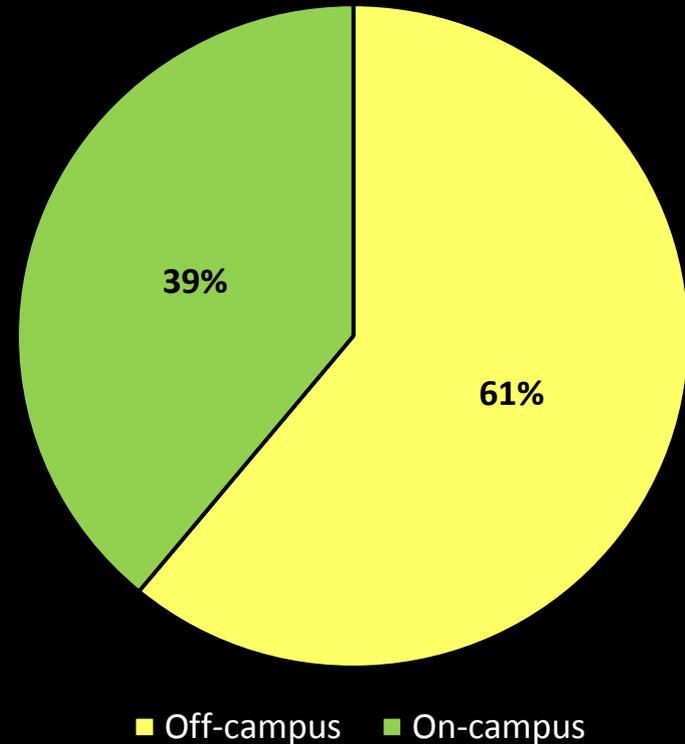
THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**DURANGO,
COLORADO**

FORT LEWIS COLLEGE

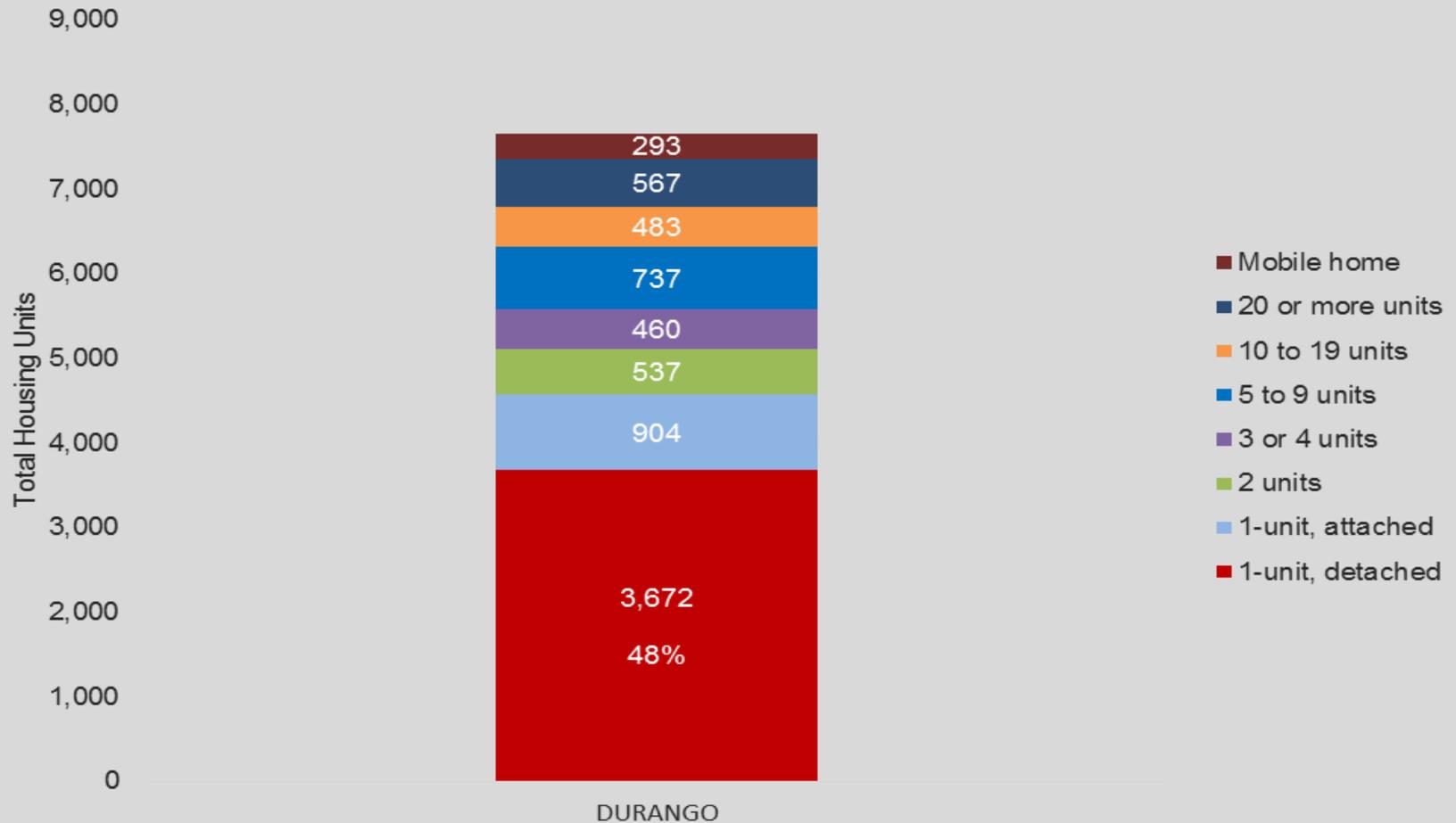
- 3,865 full-time students
- 2,317 (61%) off-campus residents
- 24.5% of Durango residents are FLC students
- 15% of Durango renters are FLC students

FLC Student Housing

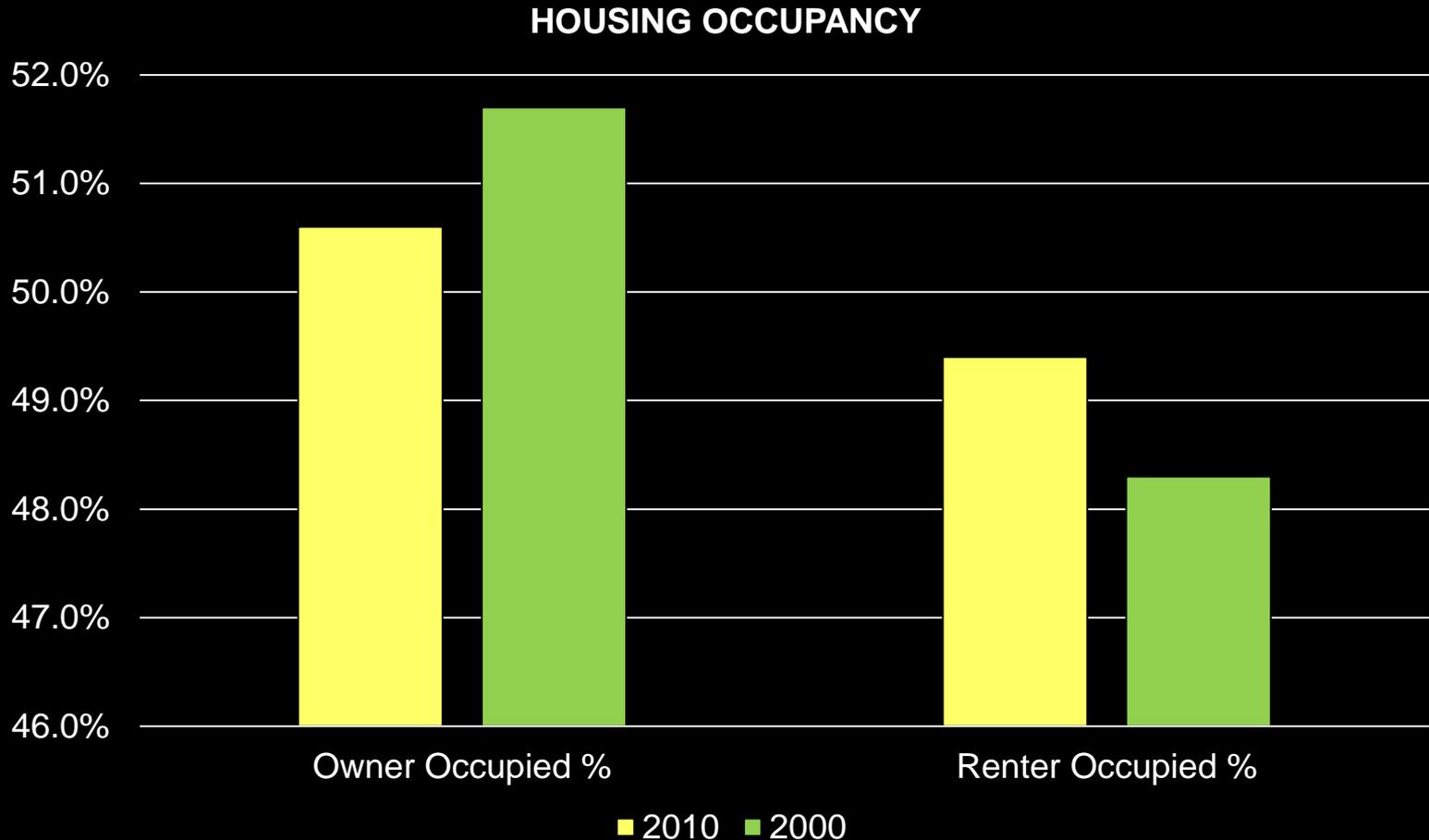


HOUSING PROFILE

Housing Units by Type: 2008 - 2012

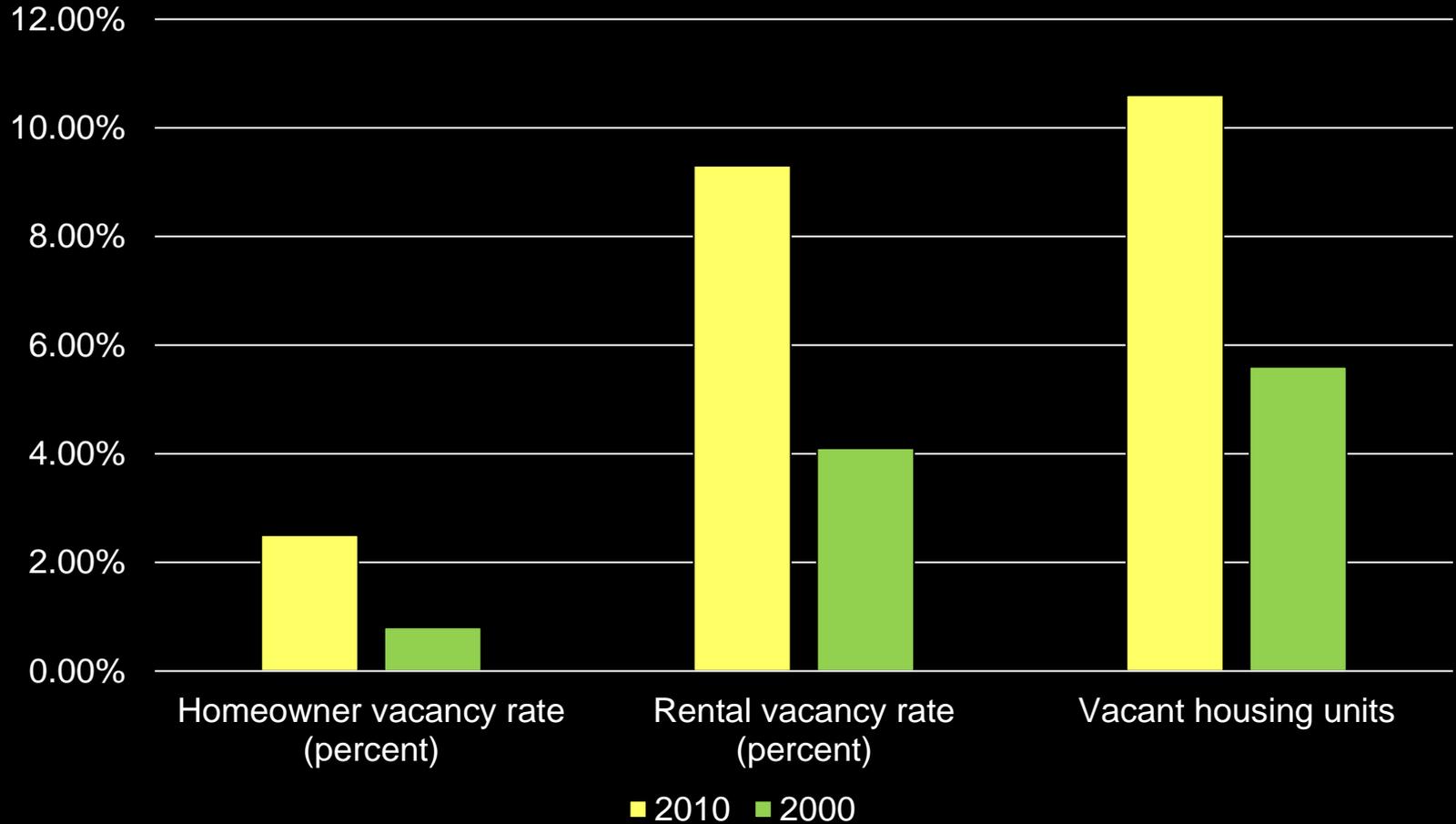


HOUSING PROFILE



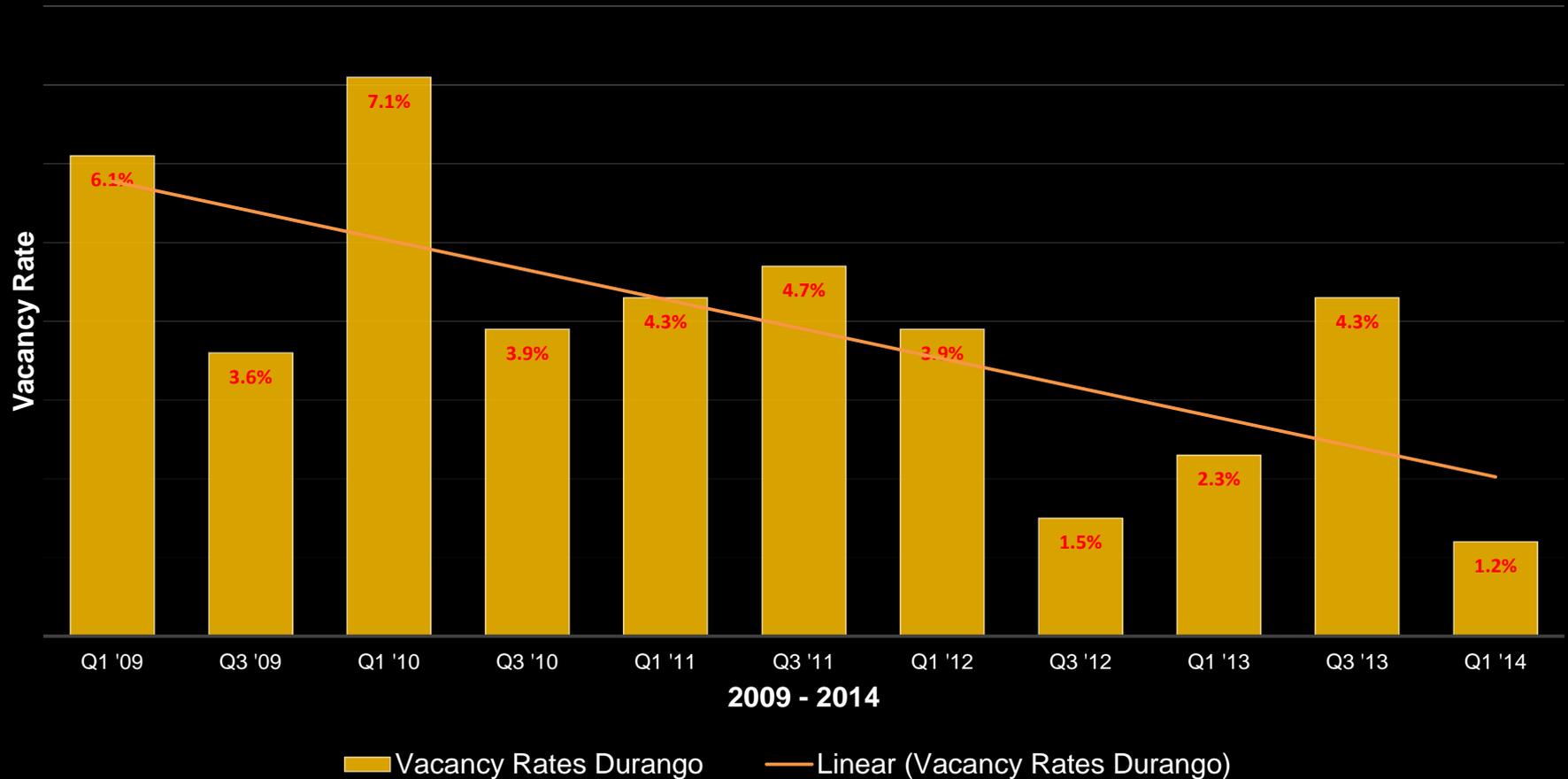
HOUSING PROFILE

HOUSING AVAILABILITY

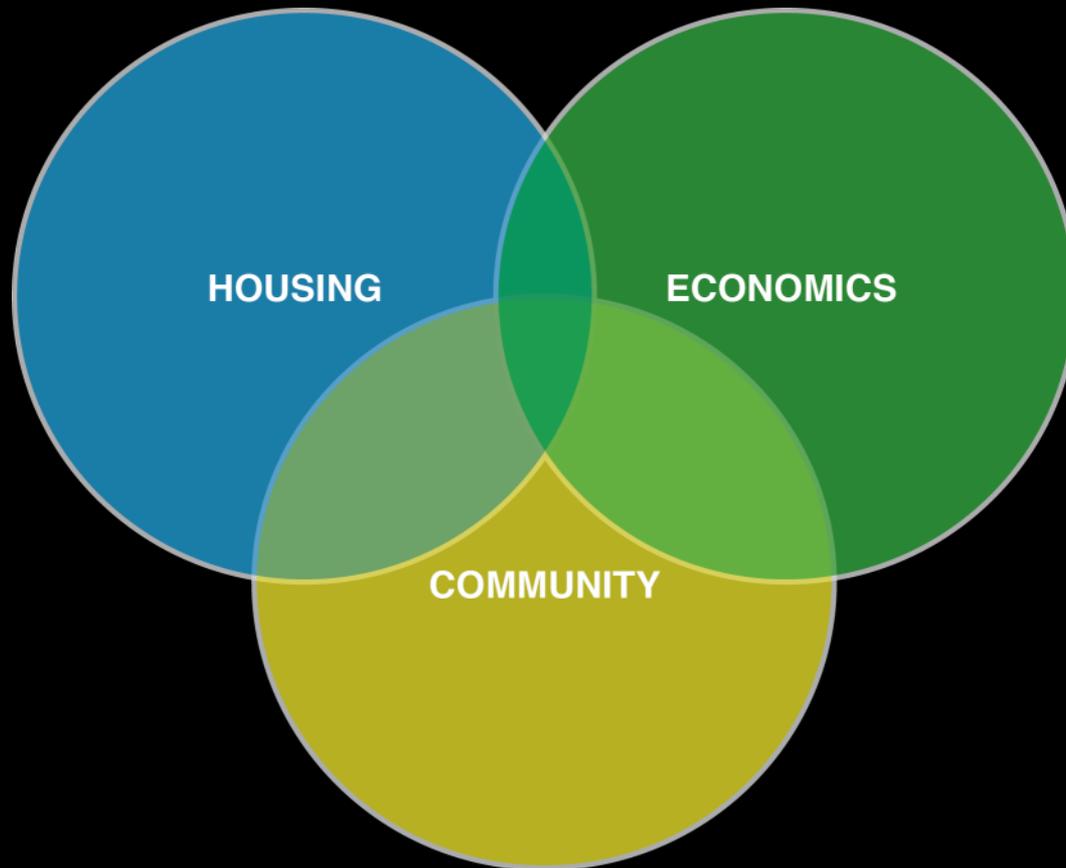


HOUSING PROFILE

Rental Vacancy Rate in Durango 2009-2014



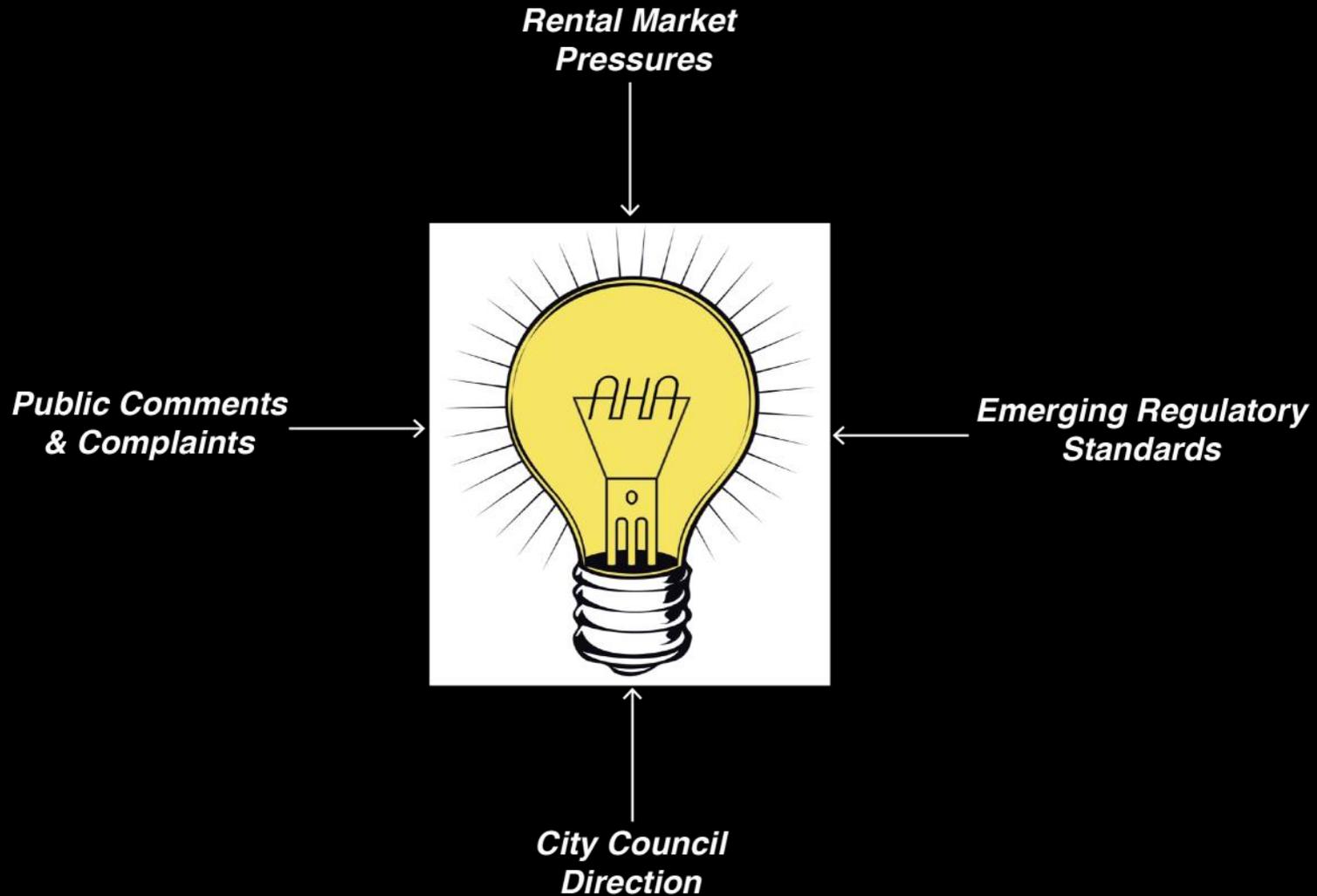
THE CITY OF DURANGO – REGULATING VR USES



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

***DURANGO,
COLORADO***

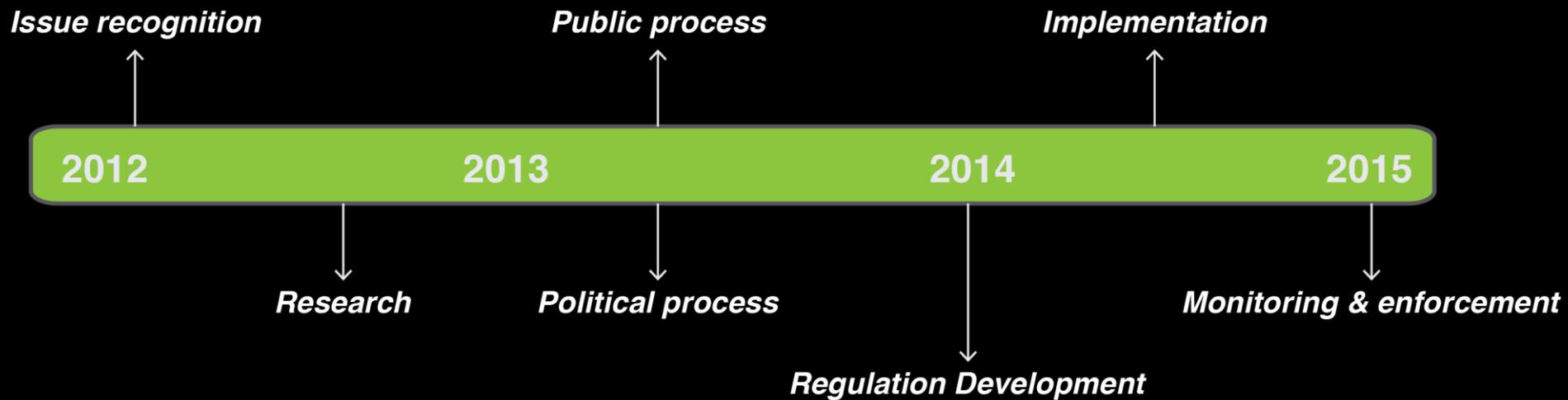
THE CITY OF DURANGO – REGULATING VR USES



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**DURANGO,
COLORADO**

THE CITY OF DURANGO – REGULATING VR USES



REGULATION OF VACATION RENTALS

Congenial Community Meetings



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**ASPEN,
COLORADO**

COMMUNITY CONCERNS



Housing Impacts

loss of long-term rentals
reduced owner occupancy
increased housing cost
speculative investments

Neighborhood Impacts

parking
noise
wildlife protection
dark blocks

Lodging Impacts

loss of revenue
lack of regulation
safety & taxation

THE NEW COTTAGE INDUSTRY

short-term rentals in Colorado communities

**DURANGO,
COLORADO**

THE CITY OF DURANGO – REGULATING VR USES

Rationale

Neighborhood preservation

Quality of life

Housing preservation

Regulatory Tools

Zoning

Licensing

Strategies

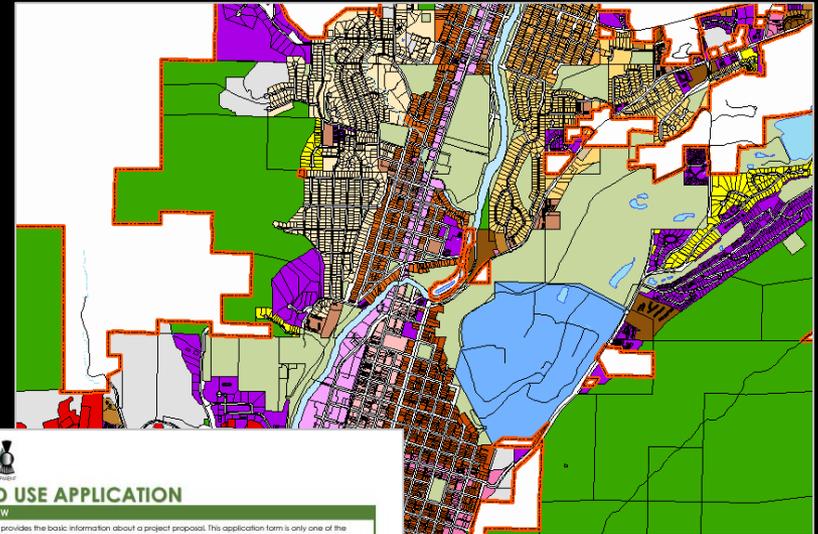
Spacing requirements

Neighborhood caps

Permitting review process

Code enforcement inspections

Monitoring



CITY OF DURANGO
COMMUNITY DEVELOPMENT

LAND USE APPLICATION

OVERVIEW

This form provides the basic information about a project proposal. This application form is only one of the items required for a complete project submittal. It is the responsibility of the applicant to ensure that all other required materials are submitted. It is also the responsibility of the applicant to clearly demonstrate through narrative, visual representations, and other materials that the proposed activity complies with the City of Durango's Land Use and Development Code. Incomplete or substandard applications may cause delays. All applications shall include digital files as well as the hard copy unless otherwise determined by staff.

PROJECT TYPE (select one or more)

<input type="checkbox"/> Temporary Use Permit (TUP) <ul style="list-style-type: none"><input type="checkbox"/> Class A TUP<input type="checkbox"/> Class B or C TUP	<input type="checkbox"/> Subdivision, Major (5 or more lots) <ul style="list-style-type: none"><input type="checkbox"/> Conceptual<input type="checkbox"/> Preliminary<input type="checkbox"/> Final
<input type="checkbox"/> Special Use Permit (SUP)	<input type="checkbox"/> Pattern Book Approval
<input type="checkbox"/> Limited Use Permit (LUP)	<input type="checkbox"/> PD/Development Agreement Amendment
<input type="checkbox"/> Vacation Rental LUP	<input type="checkbox"/> Major
<input type="checkbox"/> ADU Review LUP	<input type="checkbox"/> Minor
<input type="checkbox"/> Conditional Use Permit (CUP)	<input type="checkbox"/> EN Alternative Compliance (ENAC)
<input type="checkbox"/> Rezoning	<input type="checkbox"/> Design Review
<input type="checkbox"/> Site Plan Review <ul style="list-style-type: none"><input type="checkbox"/> Minor (1-10,000 SF)<input type="checkbox"/> Major (10,000 SF or more)	<input type="checkbox"/> Certificate of Non-Conformity
<input type="checkbox"/> Annexation & Initial Zoning	<input type="checkbox"/> Zoning Verification
<input type="checkbox"/> Planned Development (PD) <ul style="list-style-type: none"><input type="checkbox"/> Conceptual<input type="checkbox"/> Preliminary<input type="checkbox"/> Final	<input type="checkbox"/> LEDC Text Amendment
<input type="checkbox"/> Subdivision, Minor (5 or fewer lots) <ul style="list-style-type: none"><input type="checkbox"/> Preliminary<input type="checkbox"/> Final	<input type="checkbox"/> Comprehensive Plan Amendment
	<input type="checkbox"/> Abandonment/Vacation Request
	<input type="checkbox"/> Variance
	<input type="checkbox"/> Appeal of Decision
	<input type="checkbox"/> ADU Owner-Occupancy Certification
	<input type="checkbox"/> Oil & Gas Permit, Major or Minor
	<input type="checkbox"/> Other: _____

PROJECT DESCRIPTION

PROJECT NAME: _____

PROJECT LOCATION: _____

PROJECT SUMMARY (Additional details must be included in other application materials)

Updated June 2014 Page 1 of 2

THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**DURANGO,
COLORADO**

STREET SEGMENT CAP



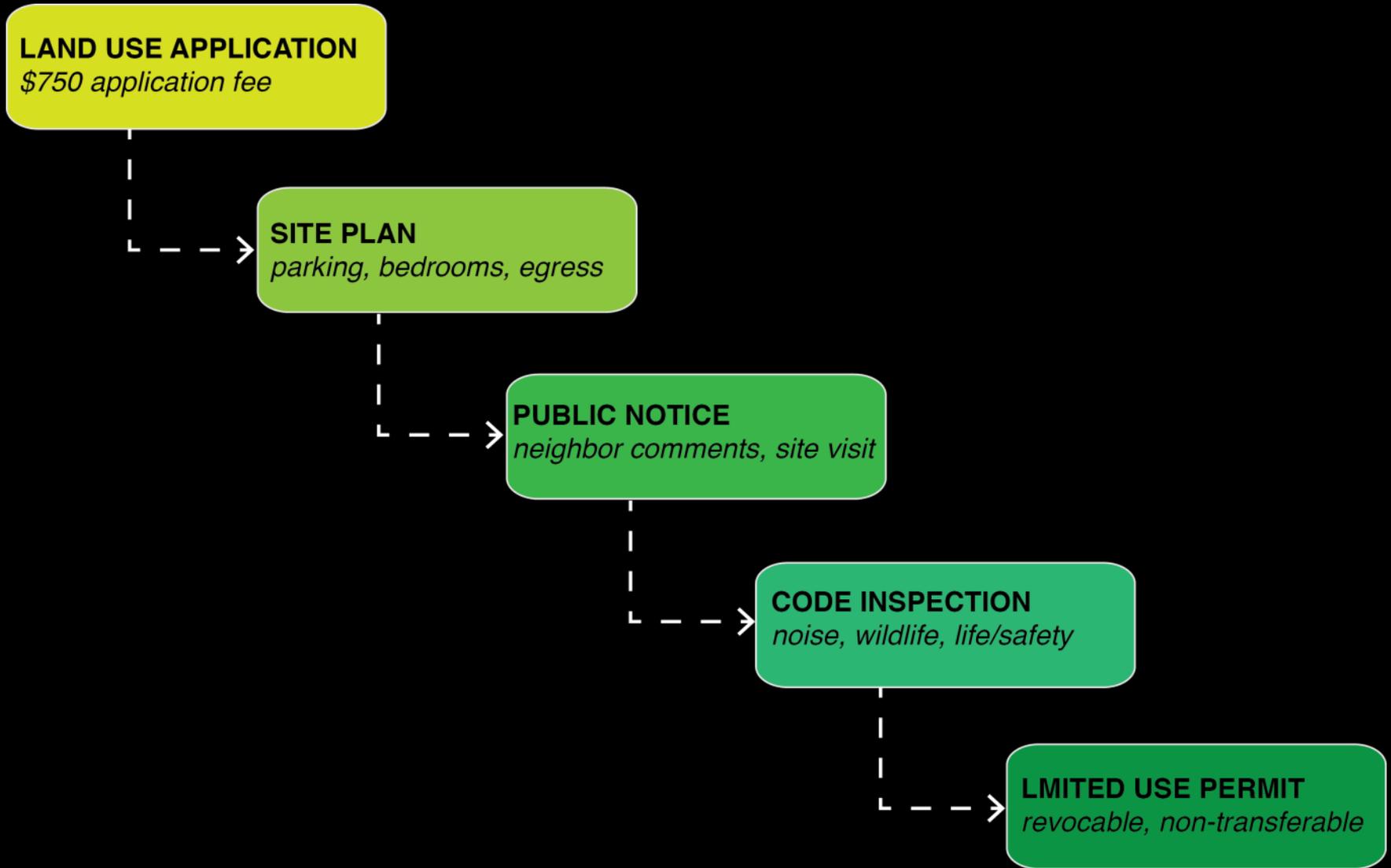
THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**DURANGO,
COLORADO**

PERMITTING



REVIEW & PERMITTING



LICENSING

BUSINESS LICENSE

\$130 in fees

3% sales tax

submit application to Clerk's

property inspected

renewed annually

LODGERS TAX LICENSE

\$25 fee

2% tax rate

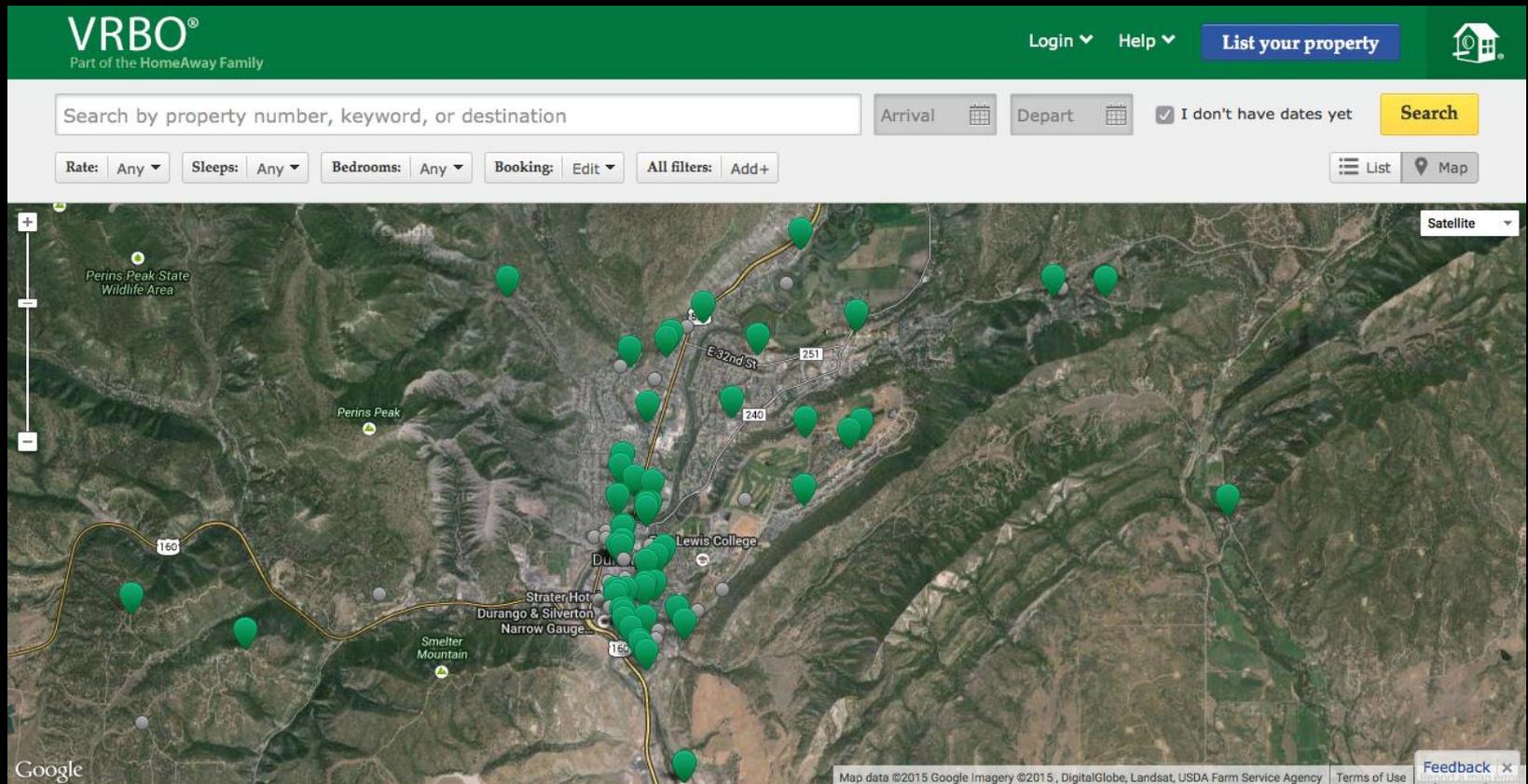
submit application to Clerk's

renewed annually

CLERK'S APPROVAL

BUSINESS LICENSE ISSUED

A LIMITED MARKET



- Not allowed in all zones
- Ongoing website monitoring

- Ensures compatible land uses in EN neighborhoods

THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**DURANGO,
COLORADO**

A LIMITED MARKET

The screenshot displays the Airbnb search interface for Durango, CO. At the top, the search bar contains 'durango, co' and the 'Browse' dropdown is open. The search filters include 'Check In', 'Check Out', and '2 Guests'. The 'Room Type' section shows 'Entire Place', 'Private Room', and 'Shared Room' options. The 'Price Range' is set from '\$10' to '\$1000+'. A 'More Filters' button is visible. On the right, a map shows a high density of red location pins in the Durango area, indicating a high concentration of listings. Two featured listings are shown: a private room for \$65 and a furnished loft for \$55. The map also shows major roads like I-70 and I-26, and landmarks like Fort Lewis College and the Strater Hotel.

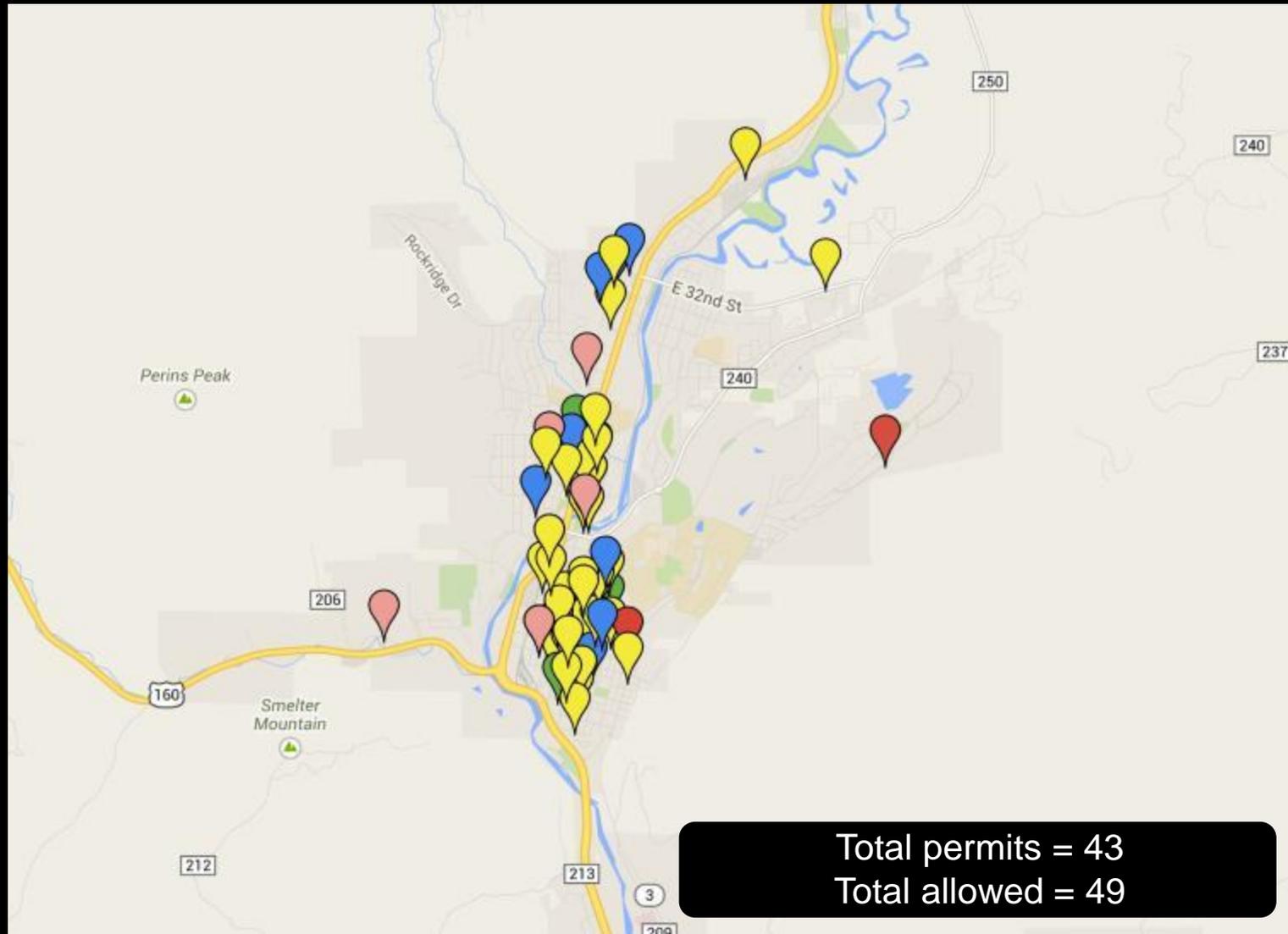
•Prevents market saturation

•Reduces conflict with traditional lodging

THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

**DURANGO,
COLORADO**

PERMITTED VACATION RENTALS



PERMITTED VACATION RENTALS – EN1 Zone



22 Active Permits in EN-1 Neighborhood

MONITORING AND ENFORCEMENT

Neighborhoods

resident comments

public notices

code enforcement officers

Licensing & Permitting

renewed annually

revocable

Revenue & Enforcement

code compliance

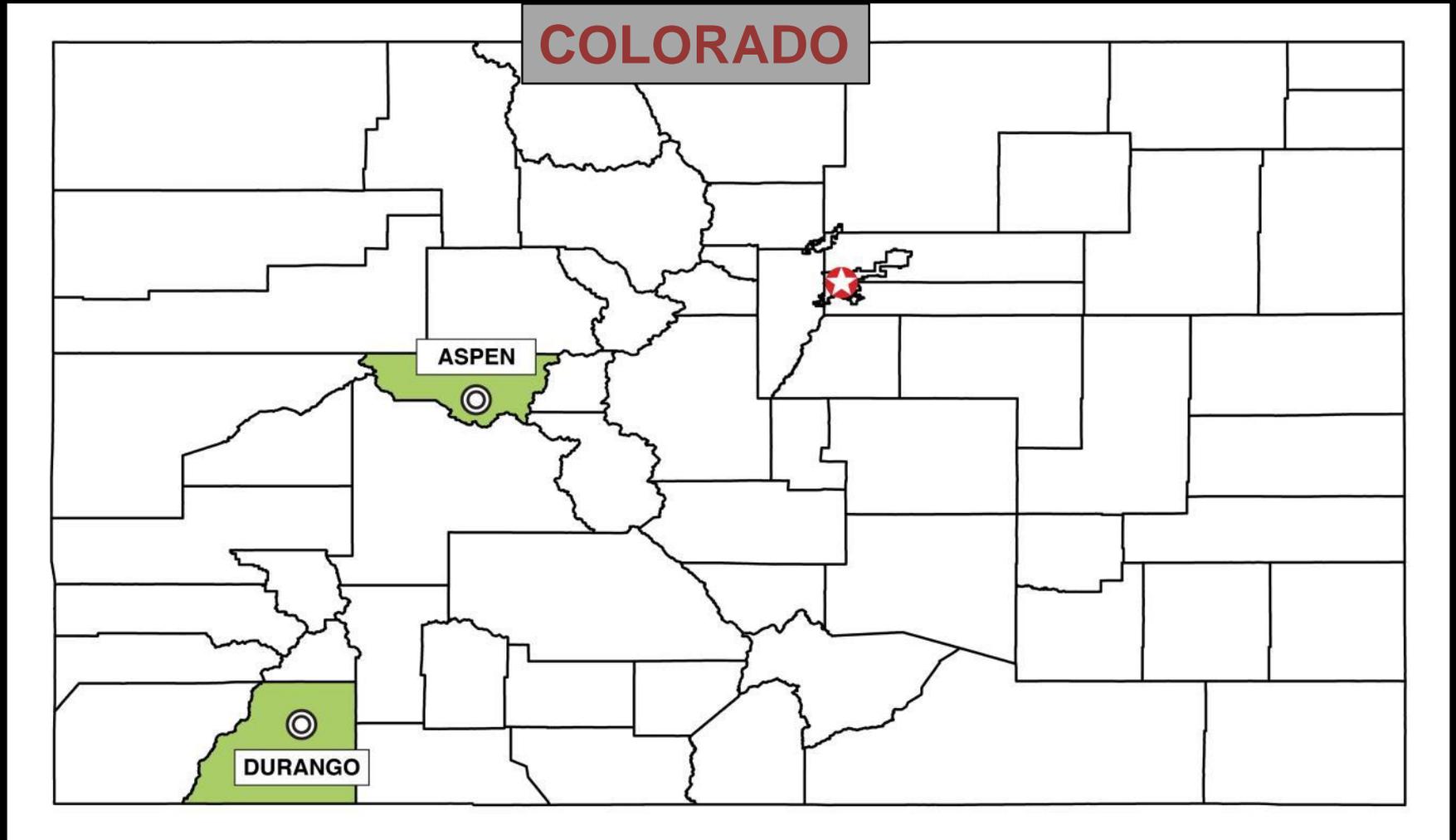
increased taxes

website & advertising

public outreach



CONCLUSIONS



THE NEW COTTAGE INDUSTRY
short-term rentals in Colorado communities

TRENDS IN MOUNTAIN COMMUNITIES

- Require licensing
- Collect lodging taxes
- Pursue delinquent lodging tax remittance
- Some specific zoning regulations on RBOs



City of Aspen	Town of Mammoth Lakes
Town of Avon	Placer Cty, CA
Town of Breckenridge	Park City Municipality
Summit County, CO	Town of Snowmass Village
Town of Dillon	Town of Steamboat Springs
City of Gunnison	Town of Telluride
Town of Mt Crested Butte	Town of Vail
Jackson Hole	Winter Park



TRENDS IN MOUNTAIN COMMUNITIES

- Enforce zoning restrictions
- Monitor size of RBO market through internet searches
- Preserve community & neighborhood character
- Encourage diverse lodging



City of Aspen	Town of Mammoth Lakes
Town of Avon	Placer Cty, CA
Town of Breckenridge	Park City Municipality
Summit County, CO	Town of Snowmass Village
Town of Dillon	Town of Steamboat Springs
City of Gunnison	Town of Telluride
Town of Mt Crested Butte	Town of Vail
Jackson Hole	Winter Park



REGULATORY OPTIONS

- Many options, but **no uniform solution**.
- Regulate Vacation Rentals based on your unique **social and economic** needs.
- Ask: what are the **community goals** and what issues you are addressing?



PhoCusWright's "U.S. Vacation Rentals 2009 – 2014: A Market Reinvented

DestiMetric's "Results of Grey Market Vacation Rentals Policy Analysis" prepared for Town of Vail, 11/2014

U.S. Census, 2012, Community Survey Data

City of Durango, 2013 Vacation Rental Survey

CAST, 2010 Vacation Rental Survey