Housing, Lodging, and the Sharing Economy

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THE NEW COTTAGE INDUSTRY
short-term rentals in destination communities

OUTLINE

• Review Sharing Economy
• Overview of Destination Community Trends
• Case Studies:
  • Aspen
  • Durango
• Conclusion
• Questions

INTRODUCTION
KEY TERMS

- **Sharing Economy** – Businesses leveraging excess supply to provide goods and services without formal ownership

- **Grey Market** – A market using irregular methods outside of formal regulations 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

• “…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 the Sharing Economy

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

INTRODUCTION
THE "SHARING ECONOMY"

Freedom from Ownership

“What you’re doing is creating a world where people can belong anywhere, and it’s incredibly, incredibly powerful.”
   -Brian Chesky, AirBnB Founder

“We’re moving from a world where we’re organized around ownership to one organized around access to assets.”
   -Lisa Gansky, Ofoto Founder
THE “SHARING ECONOMY”

“You don’t want the drill, you want the hole.”

-Greg Hanscom, grist.com

REVOLUTION? DISRUPTION? PARADIGM SHIFT?
THE “SHARING ECONOMY”

Major Markets in the Sharing Economy
Second homes are occupied 24.6% (12.8 weeks) of the year
2005 Northwest Colorado Council of Governments Study

Therefore, 76.4% of the home is an under-utilized resource
HOUSING & THE “SHARING ECONOMY”

Lodging sector attracts venture capital investment

$900 million in private investment from 2005 - 2012
2013 Phocuswright U.S. Vacation Rentals Study

Market Cap/Valuation

HomeAway: $2.96 billion
2015 Yahoo Finance

AirBnB: $10 billion

“On day one we had 60,000 listings. Today we have 1.05 million listings. Yet there are still 10 million vacation homes available throughout the world.” - Brian Sharples, HomeAway Founder
GROWTH OF AN INDUSTRY

• $23 billion in vacation rentals (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
BRIEF HISTORY – PRIVATE VACATION RENTALS

OLD SCHOOL

THE LOVE SHACK
VACATION RENTAL
970-596-2922
cbloveshack.com

NEW SCHOOL

airbnb
VRBO
Away
WHY REGULATE VACATION RENTALS?

• RBO Companies argue no regulation is needed

  • Market should dictate the industry

  • Government is slow and reactionary

  • “Community” model provides quality and impact control
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*
INTRODUCTION
DESTINATION COMMUNITIES

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

• Economic Base
  – Visitor economy (“HOT beds”)

• Housing Affordability
  – Nightly Rental Income

• Aspen
  – Visitors and market share

• Durango
  – Affordability, neighborhood impacts

• Tension: Resort Community or “Community with a Resort”?
SALES/TAX REVENUE FROM VISITORS

INTRODUCTION

Snowmass Village
- Overnight Visitors
- Permanent Residents
- Day visitors and inflow

Telluride Mountain Village
- Overnight Visitors
- Permanent Residents
- Seasonal/2nd Home
- Day visitors and inflow

Vail
- Overnight Visitors
- Permanent Residents
- Seasonal/2nd Home
- Day visitors and inflow

Winter Park
- Overnight Visitors
- Permanent Residents
- Seasonal/2nd Home
- Day visitors and inflow
Land Use and Development Context

• Land constraints
  – Topography
  – Public land
  – Land values

• Difficult development climate
  – Discretionary processes
  – Highly engaged public

• Multiplies housing affordability challenges

• Difficult to adapt/redevelop obsolete resort properties
RESORT CONDOMINIUMS

• Value in Ownership ( Boomers )
  – Wealth building

• Pay for What you Use
  – Gen X, Y, Millenials
  – Great Recession
  – Management fees, HOAs, taxes

• RBO
  – Leverage underutilized inventory
  – Lower ownership costs

INTRODUCTION
SECOND HOME GROWTH

- Second homes and condos are growing faster than year round workforce housing

Percent Change in Housing Units 2000-2010

- Eagle, CO: 60%
- Pitkin, CO: 40%
- La Plata, CO: 30%
- San Miguel, CO: 30%
- Teton, WY: 30%

Legend:
- Blue: All Housing Units
- Red: Seasonal Use / Second Homes
HOME PRICES VS. WAGES

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

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
- Rental Income: $300+ per night
  - RBO: Investor buyers
  - AirBnB: Supplemental income

Introduction
DESTINATION ASPEN

COLORADO

THE NEW COTTAGE INDUSTRY
short-term rentals in destination communities
DESTINATION ASPEN

ASPEN, COLORADO
DEMOGRAPHICS

- 6,700 full-time population
- 35,000 at peak occupancy
- 6,000 total housing units
- 2,200 total affordable housing units
WINTER ATTRACTION

ASPEN, COLORADO
SUMMER ATTRACTION

ASPEN, COLORADO
DECLINING BED BASE

TOTAL PILLOWS
(all property types)

ASPEN, COLORADO
BED BASE COMPOSITION

Units by Property Type

- Condo Property, 41%
- Private Home, 6%
- B&B, 3%
- Hotel/Lodge, 50%

2012 MTRiP Aspen Snowmass Transient Lodging Inventory Study
OLD VACATION RENTAL 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
## VACATION RENTAL REGULATION TRENDS

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other, please explain.</td>
<td>40.9%</td>
</tr>
<tr>
<td>No review standards.</td>
<td>36.3%</td>
</tr>
<tr>
<td>Contact information posted onsite.</td>
<td>18.1%</td>
</tr>
<tr>
<td>Offsite manager required</td>
<td>31.8%</td>
</tr>
<tr>
<td>Onsite manager required.</td>
<td>0.0%</td>
</tr>
<tr>
<td>Adequate trash storage area/ removal.</td>
<td>18.1%</td>
</tr>
<tr>
<td>Limit number of bedrooms in home to qualify as short term rental property.</td>
<td>4.5%</td>
</tr>
<tr>
<td>Parking requirements/limitations.</td>
<td>31.8%</td>
</tr>
</tbody>
</table>
PROPOSED REGULATIONS (2011)

- Limited Areas
- Minimum # Parking Spaces
- Bear-Proof Trash Containers
- Require Local Rep
- HOA Notification
- Special Notice to Neighbors
- Special Signage
- Obtain Business License
- Annual Revocable Permit
GOAL: PRESERVE THE ASPEN EXPERIENCE

ASPEN, COLORADO
GOAL: PRESERVE THE ASPEN EXPERIENCE

ASPEN, COLORADO
APPROVED REGULATIONS (2012)

- Allowed Everywhere
- Prohibits Single-Room Rentals
- HOA Notification
- Obtain Business License & Vacation Rental Permit
- Local Owner Representative
- Meet City Codes
- Signs Allowed, 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.

ISSUES: COMPLIANCE

ASPEN, COLORADO
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 is a program of Core

www.aspencore.org/reach

CLICK HERE
KEY TAKEAWAYS

- Outreach is critical
- Simple can be better
- Enforcement is ongoing
- Market continues to evolve

- Difficulties with VR companies
- Opportunities for municipal coordination
- Challenges even with regs
DESTINATION DURANGO

COLORADO

THE NEW COTTAGE INDUSTRY
short-term rentals in destination communities
DESTINATION DURANGO

Durango-Silverton Narrow Gauge Railroad

Downtown Historic District

Southwestern Cultural Resources

Recreation

DURANGO, COLORADO
DEMOGRAPHICS

Population: 17,557
Median family income: $50,814
Projected growth: 3.7%

DURANGO, COLORADO
FORT LEWIS COLLEGE

Four year state college  The “Skyhawks”  Located on College Mesa in 1950

DURANGO, COLORADO
• 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
Median Income and Median Residential Sales Price, 1995-2014

Source: HUD and Durango Area Association of Realtors

Durango (In Town) Median Sales Price

La Plata County (Country Homes Combined) Median Sales Price

La Plata County Median Income

DURANGO, COLORADO
Rental Vacancy Rate in Durango
2009-2014

Vacancy Rates Durango

- Q1 '09: 6.1%
- Q3 '09: 3.6%
- Q1 '10: 7.1%
- Q3 '10: 3.9%
- Q1 '11: 4.3%
- Q3 '11: 4.7%
- Q1 '12: 3.0%
- Q3 '12: 1.5%
- Q1 '13: 2.3%
- Q3 '13: 4.3%
- Q1 '14: 1.2%

DURANGO, COLORADO
THE CITY OF DURANGO – REGULATING VR USES

- Rental Market Pressures
- Public Comments & Complaints
- City Council Direction
- Emerging Regulatory Standards
THE CITY OF DURANGO – REGULATING VR USES

Issue recognition  
2012  
Research

Public process  
2013  
Political process

Implementation  
2014  
Regulation development

2015  
Monitoring & enforcement

DURANGO, COLORADO
REGULATION OF VACATION RENTALS

Congenial Community Meetings
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

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
THE CITY OF DURANGO – VR REGULATIONS

Zoning & Density
- Allowed in limited zones

Spacing Requirement
- One per block

Occupancy Limit
- Based on bedrooms

Appearance
- No signage, well kept

Parking
- Off-street only

Management
- Listed with City

Life, Safety & Wildlife
- All relevant codes, regs. apply

Permitting & Monitoring
- Revocable, complaint-based

DURANGO, COLORADO
STREET SEGMENT CAP

DURANGO, COLORADO
REVIEW & PERMITTING

LAND USE APPLICATION
$750 application fee

SITE PLAN
parking, bedrooms, egress

PUBLIC NOTICE
neighbor comments, site visit

CODE INSPECTION
noise, wildlife, life/safety

LIMITED USE PERMIT
revocable, non-transferable

DURANGO, COLORADO
LICENSING

BUSINESS LICENSE
- $130 in fees
- 3% sales tax
- Submit application to Clerk’s office
- Property inspected
- Renewed annually

LODGERS TAX LICENSE
- $25 fee
- 2% tax rate
- Submit application to Clerk’s office
- Renewed annually

CLERK’S APPROVAL

BUSINESS LICENSE ISSUED
A LIMITED MARKET

- Not allowed in all zones
- Ongoing website monitoring
- Prevents market saturation
- Reduces traditional lodging conflict
- Ensures compatible land uses in EN neighborhoods

DURANGO, COLORADO
PERMITTED VACATION RENTALS

Total permits = 60
housing units = ~8,000

22 active permits in EN-1 neighborhood

DURANGO, COLORADO
REGULATION TRENDS

- Public Process
- Require licensing
- Collect lodging taxes
- Pursue delinquent lodging tax remittance
- Some specific zoning regulations on RBOs
- Enforce zoning restrictions
- Monitor size of RBO market through internet searches
REGULATION TRENDS

“Low Regulation” communities generally require:
• A business license
• Sales/lodging tax remittance
• Comply with life safety and trash regulations

“High Regulation” communities generally:
• Limit the location and timeframes for rentals
• Require special signage and/or neighbor notification
• Have special parking requirements
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?
City of Durango, 2013 Vacation Rental Survey

CAST, 2010 Vacation Rental Survey


Northwest Colorado Council of Governments: “The Economic and Social Impacts of Second Homes in Four Mountain Resort Communities in Colorado. 4/7/05


U.S. Census, 2012, Community Survey Data
Housing, Lodging, and the Sharing Economy

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