

**Ridgway Town Council
Workshop Meeting Agenda
Wednesday, February 15, 2023**

Pursuant to the Town's Electronic Participation Policy, the meeting will be conducted both in person and via a virtual meeting portal. Members of the public may attend in person at the Community Center, located at **201 N. Railroad Street, Ridgway, Colorado 81432**, or virtually using the meeting information below.

Join Zoom Meeting

<https://us02web.zoom.us/j/89411506711?pwd=RWFzYlhha2MwN3VtRXJsOWxZTXJ5dz09>

Meeting ID: 894 1150 6711

Passcode: 136757

Dial by your location

+1 346 248 7799 US

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6:00 p.m.

ROLL CALL Councilors Polly Enochs, Kevin Grambley, Beth Lakin, Terry Schuyler, JT Thomas, Mayor Pro Tem Russ Meyer and Mayor John Clark

DISCUSSION TOPICS

1. Dedicated revenue source to address housing challenges

ADJOURNMENT



To: Honorable Mayor Clark and Ridgway Town Council
From: Preston Neill, Town Manager
Date: February 10, 2023
Agenda Topic: **Dedicated revenue source to address housing challenges**

PURPOSE OF A WORKSHOP:

The purpose of a Workshop is to facilitate Council discussion through analyzing information, studying issues, and clarifying problems. The less formal setting of the Workshop promotes conversation regarding items and topics that may be considered at a future Council meeting.

BACKGROUND:

The intent of this Workshop is for Council to discuss and evaluate strategies for a dedicated revenue source for affordable housing. Council has traditionally appropriated General Fund dollars in line item 535GOO to put toward affordable housing initiatives, but a dedicated stream is ideal for the long-term. The Town has had a long-standing goal, which is memorialized as *Action COM-1e* in the Town of Ridgway Master Plan, to evaluate mechanisms or strategies for a dedicated revenue source for affordable housing.

Back in July 2022, Council discussed the idea of submitting a ballot question to the electorate modifying how the Town's Lodging Tax proceeds are earmarked, as that is a potential avenue for creating a dedicated revenue source to assist affordable housing efforts. Out of that discussion came a desire by Council to hold a stand-alone workshop to further discuss and evaluate revenue source options.

OPTIONS:

Revenue sources are varied and can range from targeted fees to broad taxes. ***Please note that all tax options require voter approval.*** Some of the most common revenue options are:

- Sales Tax – additional assessment on taxable goods. This option provides a broad base for revenue generation but does require voter approval to initiate. Sales taxes may be more likely to burden lower income households than other tax/fee options. Our current sales tax rate is 3.6%.
- Property Tax – additional mill levy dedicated to affordable housing. Similar to the above, a property tax mill provides a broad base for revenue generation.
- Real Estate Transfer Taxes (RETT) – an assessment on the sale of a home. Though several Colorado communities were “grandfathered in” imposition of new RETT in the State of Colorado is illegal.



- Linkage Fees (or impact fees) – assessments on new commercial and/or residential development to produce affordable housing. These fees are calibrated to offset the impact of the new development housing availability and affordability by providing funding for new affordable housing developments. Similar to other types of impact fees, linkage fees require a nexus study to set fee amounts.
- Inclusionary Zoning Fee-in-Lieu – inclusionary zoning or inclusionary housing ordinances are requirements to include income-restricted housing in new developments. Most IZ or IHO programs allow developers to pay a fee-in lieu of construction of the affordable (income restricted) units and fee revenues are typically dedicated to an affordable housing trust fund.
- Lodging Tax – recent state legislation gives communities more flexibility in how lodging tax revenue is spent, making this a more viable option for affordable housing funding. This option capitalizes on tourism to help fund local housing.
- Short-Term Rental Tax – a tax imposed on short-term rentals. Similar to a lodging tax, this revenue source capitalizes on tourism to help fund local housing.

STAFF RECOMMENDATION:

Within the Town of Ridgway, and many other communities for that matter, Short-Term Rentals (STRs) have reduced the affordable housing supply by removing a housing unit that was previously occupied by a Town resident or could potentially be occupied by a Town resident while simultaneously increasing demands for service throughout our community. The impact of STRs is not negligible to the Ridgway business community as it relates to workforce. While STRs may generate income for local businesses with the visitors consuming more services than typical, businesses routinely struggle to meet demands due to the unavailability of the amount of workers needed to provide the service. In addition, the imbalance of costs of doing business between commercial lodging businesses and STRs is significant. This is mostly seen in the cost of property tax but also in the cost of commercial liability insurance, ADA accessibility, fire and building code provisions, and many other requirements that commercial lodging must provide.

As we all know, the local economy is heavily dependent on tourism. An additional tax on short-term rentals would capitalize on tourism to help fund local housing. Short-term rentals currently collect and remit the same lodging tax rate as conventional hotels but their property taxes are assessed at residential rates while hotels pay the higher commercial rate. There has been some effort at the state level to address this tax inequity but with no success to date (in large part due the challenge of enforcement and burden it would place on local assessors). Though a locally imposed short-term rental tax is not a direct adjustment to property taxes, it does help level the playing field on the overall tax rate of short-term rentals relative to conventional hotels.



Town staff recommends that Council consider a short-term rental tax that would be dedicated to affordable housing. If enacted and approved by voters, STRs would be subject to the short-term rental tax, as well as the existing lodging tax. If Council agrees, staff will need to gain a better understanding on revenue impact by looking into 2022 reported revenues to determine what a short-term rental tax at specific rates (e.g., 2% – 8%) is estimated to generate. A preliminary exercise indicates that a short-term rental tax between 2% and 8% would generate between \$15,190 and \$60,760 annually.

As mentioned above, voter approval would be required to initiate a short-term rental tax. To submit a ballot question to hold a special municipal election as a coordinated election with Ouray County in November, the Town would need to submit a notice of intent to the Ouray County Clerk & Recorder's Office by the end of July. A resolution setting the ballot title and content for the ballot issue would need to be considered by Council and issued to Ouray County by August.

Revenue impact needs to be understood in order to be compliant with ballot language requirements of the Taxpayer Bill of Rights (TABOR). TABOR requires an initial establishment of potential revenue generation in the ballot question. If more revenue is generated above this amount, a refund may be due back to taxpayers (which it is a best practice to avoid, if possible).

A few Colorado communities, particularly those with tourist-driven economies have imposed short term rental fees and taxes to help fund various initiatives. Examples include:

- Aspen – 5% to 10% STR tax for affordable housing
- Avon – 2% STR tax for community housing
- Carbondale – 6% excise tax on STRs for affordable housing
- Crested Butte – 7.5% STR tax for affordable housing
- Mt. Crested Butte – 2.9% excise tax on STRs for affordable housing
- Dillon – 5% excise tax on STRs for affordable housing
- Eagle County – 2% lodging excise tax on STRs with revenue going toward tourism promotion, housing and child care
- Ouray – 15% excise tax on STRs for affordable housing
- Steamboat Springs – 9% STR tax
- Summit County – 2% excise tax on STR's for affordable housing and child care