



Arapahoe County

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Board Summary Report

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To: Board of County Commissioners

Through: Bryan Weimer, Director, Public Works and Development

Prepared By:

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Presenter: Caitlyn Mars, Zoning and Animal Services Manager, Zoning Section, Planning Division; Jason Reynolds, Planning Division Manager

Subject:

1:15 PM *LDC23-001, Implementation of the Short-Term Rentals Program

Purpose and Request:

In this study session Staff will present research related to questions raised in the previous study session on January 28, 2025, about draft regulations for short-term rentals (STRs) and a recommended implementation. Staff will be seeking decisions from the Board for draft language regarding ownership restrictions, the number of licenses an entity may be granted, parking requirements, safety inspection requirements, restrictions specific to some Zoning districts, appeals of licensing decisions, recommended fees, and the approach to licensing existing STRs. Staff is seeking specific direction on the options presented with these topics.

Background and Discussion: Staff began investigating options and methods for regulation of STRs in 2023 due to concerns received from the public about impacts they were experiencing from existing STRs. Staff conducted research into whether and how several jurisdictions in Colorado regulate STRs, conducted random and open surveys of the public for feedback, and received specific direction from the Board of County Commissioners on how to move forward in drafting regulations. Several questions about approach to specific parts of the regulations remain.

Ownership Restrictions - One of the concerns raised in the previous study session was whether corporations can be restricted from operating STRs. The challenge to regulating on that basis is the US Supreme Court decision in *Citizens United* that corporations are people. Options to address this would be to require owner-occupancy of the STR itself for all or part of the year or that the owner have primary residency somewhere in Arapahoe County and providing proof of either. In this scenario, enforcement could be a challenge because it would have to be proven that an owner was *not* living at a given residence for a certain period. The current draft regulations do not limit ownership.

Number of Licenses - Whether to cap the number of licenses an individual entity may own is another question. If multiple STRs with one owner were placed under the ownership of corporations with different names, it would be very difficult to track and enforce. Similar to restricting ownership type, options would be owner-occupancy or residency requirements, supporting a cap for licenses to that individual. The current draft

regulations do not cap the number of licenses an entity may obtain and address impacts to individual streets and neighborhoods by prohibiting whole-house rentals being less than 500ft from each other. Partial-house STRs would be the primary residence of someone, whether that be a lessee or the homeowner. Potential impact could be reduced further by requiring that partial-house STRs be owner-occupied at least a part of the year and that the owner provide proof of residency. An additional option for monitoring impacts would be to require an owner or their representative to reside within a specific distance of the rental and require that they respond to any reported concerns within a set amount of time.

Parking - Most of the complaints received regarding operating STRs involve the impact of increased street parking. At the Board's direction, Staff have done additional research into parking restrictions. Eight out of fifteen of the jurisdictions researched had some restriction related to parking, ranging from vague prohibition of unusual impacts to requiring 1 off-street space per bedroom, with seven of those having specific requirements. The current draft regulations require at least 2 off-street parking spaces.

Housing Types - Staff discovered during investigation into buffering restrictions (preventing whole-house rentals from clustering) that Fox Ridge Mobile Home Park could have a substantial number of the housing units operate as STRs while still meeting the distance buffer. This is due to the overall size of that community compared to the relatively small size of the units/lots. The question this raises is whether to allow mobile homes to be STRs, as mobile home units are an affordable form of permanent housing of limited supply compared to traditional detached single-family development. The current draft regulations prohibit STRs in the Residential-Manufactured/Mobile Home (R-M) zone district. As an option to allow a form of STRs in manufactured/mobile homes, the draft regulations could be revised to allow partial-house STRs in the R-M district.

Appeals Process - The draft regulations list the Board of County Commissioners as the decision-making body for appeals to license denial, suspension, and revocation decisions. At the previous study session discussing the draft regulations, the Board directed staff to identify an alternative. The only alternative to the Board of County Commissioners to hear appeals to decisions made by Public Works and Development is the Board of Adjustment. If the Board of Adjustment is selected as the appellate body, the process will be detailed in the ordinance as well as the Land Development Code.

Fee Structure - Timing of proposed implementation with the Host Compliance service requires that the service be integrated and that noticing of operating STRs be conducted in advance of the licensing requirements becoming effective. A revision of the proposed licensing fees has been completed, increasing the initial license and annual renewal fees by \$50, to \$350 and \$350, respectively. This will result in higher revenue for the program and cover the first-year startup for the program in a substantially shorter timeframe.

Inspections - The current draft requires an inspection by a certified home inspector for the review of a new license application, with self-certification of maintenance of those requirements at annual renewals. The Board indicated an interest instead to require an initial home inspection by a certified inspector prior to licensure and a repeat inspection by a professional every 5th calendar year after. Staff performed research by contacting certified home inspectors to ask about their processes and fees. Quoted fees ranged from \$150 to \$500. While all inspectors spoken to had experience with inspections specific to requirements for STRs in other jurisdictions, some expressed a preference to avoid conducting "partial" inspections.

Existing STRs - The determination has been made that licensure can be required irrespective of whether a property has an operating STR. This would require applicants to meet the standards of the license requirements, including the anti-clustering provision requiring whole-house rentals be a minimum of 500ft from each other.

Fiscal Impact: Colorado Statute empowers counties to regulate short-term rentals, which includes the authority to require licensing and registration fees. Adoption of new regulations will potentially lead to additional enforcement. Adoption of a licensing system and use of a supporting third-party service will have initial startup costs. However, even with continuing administration costs, the program is expected to generate a break even within 4 years.

Alternatives: The Board could consider the following alternatives:

1. Do not regulate short-term rentals.
2. Approve a modification of the draft regulations, based on options presented and decisions reached on the topics presented to the BOCC.
3. Prohibit short-term rentals.

Alignment with Strategic Plan:

- ☐ Be fiscally sustainable
- ☐ Provide essential and mandated service
- ☒ Be community focused

Staff Recommendation: Staff recommends the following:

1. Do not restrict ownership type unless proof of owner-occupancy will also be a requirement and rely on the 500ft buffer as a means of reducing impact to neighborhoods.
2. Do not cap the number of licenses and require that that partial-house STRs be able to prove owner-occupancy.
3. Require two off-street parking spaces for STRs, similar to other jurisdictions.
4. Prohibit STRs in the R-M districts, especially if no limitations are placed on licenses or ownership.
5. Require professional inspections for new applications and every five years afterward, with annual self-certifications of maintenance on intervening years.
6. Designate the Board of Adjustment as the decision-making body to hear appeals regarding STR licenses.

Concurrence: N/A.