

Short-Term Rental Provisions and Colorado Mountain Housing Prices

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- With the Rocky Mountains as such a popular vacation destination, short-term rentals have been a part of Colorado for a long time.
- Stress on the housing supply may be making it difficult for lower-income individuals and families to find housing in mountain communities.
- Short-term rentals being so readily available increases the demand for housing with an already limited supply.

Overview

Short-term rentals have long been a part of Colorado ski communities. With limited house and rental unit supply in these areas due to building costs and construction difficulty, prices are naturally high. In recent years, however, easy access to short-term rentals through rental sites has led to an increase in demand for housing units in these mountain communities. The increased demand has led to a further increase in the already high house and rental prices. Higher prices leave lower-income workers with few, if any, affordable housing options. The Colorado General Assembly passed HB-20-1093 in 2020, which grants a board of county commissioners the right to license and regulate short-term rentals in hopes of generating tax revenue from unincorporated areas. It may also help decrease the stress on the house and rental unit supply in these areas and slow the increasing prices for rentals and houses. Since 2020, counties in various mountain areas have imposed regulations on short-term rentals, adding to the regulations already imposed by town and city governments. The regulations include, but are not limited to, license regulation, license caps, zoning, and taxes.

Colorado Mountain Communities Provisions and House Prices

| | License | License Cap | Zoning | Year of First Provision | Average 2023 House Price (\$) |
|----------------------|---------|-------------|--------|-------------------------|-------------------------------|
| Aspen | × | × | × | 2020 | 3,198,730 |
| Breckenridge | × | × | × | 2012 | 1,139,431 |
| Eagle | × | | | 2020 | 910,628 |
| Frisco | × | | | 2019 | 936,459 |
| Idaho Springs | × | × | | 2018 | 478,120 |
| Silverthorne | × | × | × | 2018 | 854,489 |
| Vail | × | | | 2018 | 1,618,160 |
| Winter Park | × | | | 2021 | 830,683 |

Table 1: Colorado Mountain Town Short-Term Rental Provisions and House Prices

***License:** Requirement of permit or registration from local authority

***License Cap:** Restriction on the number of licenses available in the community

***Zoning:** Short-term rental restrictions in certain areas of the community

Case Studies

To analyze the potential effects of short-term rental provisions on house prices, we took two contrasting communities to look at the provisions chosen by the local governments and the change in the house prices.

Aspen: As the most expensive Colorado mountain town in terms of house prices, Aspen decided to implement short-term rental provisions in 2020. The first provision passed by the local government was a business license requirement. From 2022, short-term rentals are required to have a non-transferable short-term rental permit along with the business license. Short-term rental licenses come in 3 different forms, the STR classic permit, STR owner-occupied, and STR lodging exempt permits. The STR classic permit and the STR owner-occupied permit come with a \$394 fee while the STR lodging exempt permits have a fee of \$148. Each zone in Aspen has a set of permit restrictions. All short-term rentals are subject to inspections, and they must have a local representative within 2 hours of the property to resolve any issues.

Breckenridge: Starting earlier than most communities, Breckenridge began requiring non-transferable short-term rental licenses in 2012. Since 2021, there has been a cap of 2,200 non-exempt unit accommodation licenses in Breckenridge. The short-term rental license expires after one year from the date of issuance. License fees have increased over time, going from \$400 per bedroom in 2022 to \$756 per bedroom in 2023. Each zone in Breckenridge has caps and other restrictions. A local property representative is required to respond to any issue within 1 hour, and inspection of the property may occur at any time.

Aspen and Breckenridge decided that implementing short-term rental regulations was appropriate for their communities. Breckenridge passed its first short-term rental provision (license requirement) 8 years before Aspen. Is there an association between short-term rental provision implementation date and house prices in these 2 communities? While both communities have seen an increase in house prices, from January 2010 to December 2023, Aspen had approximately a 148.1% increase in the average house price, while Breckenridge had approximately a 127.5% increase in average house price. A possible explanation for this difference in house price increases is the early implementation of short-term rental provisions in Breckenridge. The early short-term rental regulations may have lightened the stress on the house and rental unit supply. Breckenridge also has higher fees for short-term rental licenses, along with a license cap, limiting the demand for houses for short-term rentals in the town and further limiting their impact on the house supply. However, because of the limitations of the data and COVID-19, this may not be representative of all Colorado mountain communities. Further research will be required to understand the relationship between short-term rental provisions and house pricing in Colorado.

Accommodation Unit (short term rentals) licenses | Breckenridge, CO. Accommodation Unit (Short Term Rentals) Licenses. (n.d.). <http://www.townofbreckenridge.com/shortterm>

Housing Data. Zillow. (2024, February 1). <https://www.zillow.com/research/data/>

Short-term rental data analytics: Vrbo & Airbnb Data. AirDNA. (n.d.). <https://www.airdna.co/>

Short-term rentals. Short-term Rentals | Aspen, CO. (n.d.). <https://aspen.gov/1407/Short-term-Rentals>

Table 1. Colorado Mountain Town Short-Term Rental Provisions and House Prices. Table by author.

Full Data on Provisions, Rents, and Housing Prices by Community and County are at <https://csuredi.org/>