

2-10-2020

Dear Senator Gonzales,

I am a resident of your District 34. I understand that you are on the committee that is considering SB 109. This is of concern to me because I own a property near Grand Lake, Colorado that I am able to afford because I can Short Term Rent (STR) during the prime summer season (June through September).

I have many detailed comments (numbered, that follow), but the following bullets summarize my viewpoint:

- Businesses are in business to make profit, not break even or lose money. Very few STR owners make a profit and only operate STRs to help toward the cost of buying a property or keeping one. In my case I break even.
- If I am forced to pay Commercial property taxes, then I will have to sell my property and give up my dream of a mountain retirement home. Many others will follow and this may cause property values to decline.
- If the number of STR's is reduced, or eliminated, as this bill seems to be aiming at, then I believe that it will greatly affect the economy of towns like Grand Lake who depend on tourism for revenue.
- STR owners already pay licensing fees (\$150+/yr. for Grand County), pay State sales tax, pay City taxes (if within City limits), and pay Lodging taxes. Isn't this enough of a burden on private citizens? I believe that the Lodging tax was the last bill rammed through by the Lodging industry to stunt STR growth.
- If this Commercial property tax is to be levied on STR owners, then why not for the long-term rental (LTR) owners who own non-commercial units (1 to 4-unit properties)? Answer: Because it would crash the market, just as it would for STRs.
- I am wondering how Zoning departments are going to deal with this change if it is passed? Theoretically, if someone keeps their home as an STR and pays the Commercial Tax, then the property is no longer SU (single unit, R-1) or TU (two unit, R-2), etc., but it is now Commercial. Even a partially Commercial property, as suggested by the bill, would be very problematic for Zoning.

I strongly encourage you to vote NO on this bill. I believe that this is not a good thing for Colorado, for the reasons outlined above. It will hurt private citizens just trying to better their lives, and it will greatly affect the economy of resort areas like Grand Lake. Only the Lodging industry, who are likely funding this bill through deals with the Republican sponsors, will benefit from its passing.

Best regards,

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JONATHAN JULIEN DETAILED COMMENTS 2-10-2020

- 1) Businesses are in business to make profit, not break even or lose money. Very few STR owners make a profit and only operate STRs to help toward the cost of buying a property or keeping one.
- 2) In my case, I am only able to own my vacation property in Grand Lake because I can short term rent (STR) during the summer season. I break even, which is not the goal of a business, but rather the goal of a person who just is trying to use STR to be able to buy a vacation home when it would otherwise be impossible (because they are not wealthy). I have \$24K in expenses (Mortgage, Taxes, Insurance, water, heat, maintenance, HOA fees) and "make" about \$24K in rental charges.
- 3) Because of the increase in property values in the Grand Lake area (and Colorado in general) my investment of \$189K has now grown to about \$325K. One might say this is profit, but only if I sell the property, and then, while enriched, I no longer have my dream vacation/retirement home. Only a wealthy person or real business can afford \$325K to own such a home without STR.

If someone looks at buying my home for \$325K, then it will be apparent to them that use as an STR will automatically lose money as the rent intake in the limited summer season will not be able to compensate for the higher mortgage. If one adds a business property tax on top of the larger mortgage payment, then it is a deeply in the red proposition. No one in their right mind would do this as a private citizen or as a business.

- 4) If I am forced to pay Commercial property taxes, then I will have to sell my property and give up my dream of a mountain retirement home. Many others will be forced to do the same. If people like me, who are not businesses, are forced to sell, then I believe that the housing market in places like Grand Lake will be affected. I think that values will decrease because STR owners will not be able to afford their homes. This may result in ACTUAL businesses swooping in to buy at lower prices and develop a portfolio that will make profit by having volume rental income.
- 5) If the number of STR's is reduced, or eliminated, as this bill seems to be aiming at, then I believe that it will greatly affect the economy of towns like Grand Lake who depend on tourism for revenue. Owners of vacation homes, who do not STR, do not occupy their homes full time from June 1 thru September 1, the prime rental season.

These non-renting owners do not spend money in Grand Lake the full 120 days. When they do make it up it is only for weekends and maybe a couple of weeks of vacation. This is about 40 nights...one-third of that by STR occupancies. (I calculated the 40 nights as such: 15 for a contiguous 2 week vacation and 26 nights for the weekends remaining 13 two night weekends.) Assuming that an average of \$100 per day is spent in the Grand Lake area, by either the STR people or the non-renters, then the economy has lost \$8000 per STR property.

- 6) STR owners already pay licensing fees (\$150/yr. for Grand County), pay State sales tax, and pay Lodging taxes. Isn't this enough of a burden on private citizens? I believe that the Lodging tax was the last bill rammed through by the Lodging industry to stunt STR growth.
- 7) If this Commercial property tax it to be levied on STR owners, then why not for the long-term rental (LTR) owners who own non-commercial units (1 to 4-unit properties)? Long term, lease, rentals ARE profit making for the most part, especially if the property was purchased before real estate values rose to current levels, because they can be rented year around (unlike vacation STRs in the mountains).

If the state is going to go after property tax revenue, then this should be the market that is targeted. It is a much larger market, which means more tax revenue. When put in these terms, then the economic impact is VERY obvious. It would crash this market. The resulting crash would affect private citizen owners not businesses, just like if this were to be done to the STR owners.

One to four unit residential rentals, that are interwoven with owner occupied homes, are currently not considered Commercial properties. If they were not viable as rentals, then they would create "holes" in our neighborhoods. Not every home can be owner occupied, for many diverse reasons. This is why only rental properties that are more than 4 units are currently considered Commercial properties. One to four-unit long term rental places are the realm of private citizens, not big businesses.

- 8) I believe that this bill is not a good thing for Colorado, for the reasons outlined above. It will hurt private citizens just trying to better their lives, it will greatly affect the economy of resort areas like Grand Lake, and it will have the un-desirable affect of pushing STR into the hands of businesses because regular citizens will no longer be able to afford owning. These businesses are likely the lodging industry who are likely funding this bill through deals with Republican sponsors.
- 9) I believe that, while this is a tax revenue issue on the surface, this is really a prejudice against the STR property. In my experience with the HOA at Columbine Lake (a sub-division of Grand Lake), people fabricate issues of density and overloading of facilities, and pass along heresy gossip of STR horror stories. Most of these involve large parties that get out of hand resulting in excessive noise or violence or that the STR market will be taken over by big businesses that will essentially be operating a hotel in the suburbs or mountain retreat areas

Neither of the scenarios are currently wide-spread results of the STR market. However, if the STR market is taken out of the hands of private citizens and does become a business, with business property taxes, then there likely will be more problems for the neighbors of an STR property, because now, instead of just being able to easily contact the private owner, one is dealing with a real business and their lawyers. The HOA fears of big businesses taking over the properties will become a reality, as they swoop in and buy up STR houses for cheap.

- 10) Finally, I am wondering how Zoning departments are going to deal with this change if it is passed. Theoretically, if someone keeps their home as an STR and pays the Commercial Tax, then the property is no longer R-1 (single unit) or R-1 (two unit), etc., but it is now Commercial. So, suddenly residential areas are now open to commercial operations? I think this would blow the minds of the Denver Zoning department and many others.

Take my Denver home for example, I could accept the Commercial tax, operate an STR "business" for two of the bedrooms, keep my 3rd bedroom/kitchen/bath for myself, and also remodel my large (24 x 36) front room into a much needed corner coffee/sandwich shop or a retail store such as a bicycle shop. Heck, now that it is a Commercial property the possibilities are limitless. Ridiculous? Maybe. Possible with the help of some good lawyers? Yes.

This would particularly be disruptive if the Commercial tax were to be applied to LTRs of 1-4 units; as it fairly should be if it is applied to STRs. Imagine every 1-unit or 2-unit home LTR on a Denver block that rents all the sudden being a Commercial property. Typically, in a block like mine in Sloan's lake about 1/3 fit this description. Wonder what that would do to our single family, non-rented home, values. In the tank I think.