

1. Discussion Objective:

Work Session Date: Dec. 6, 2010

To receive staff analysis of the proposed Short Term Rental Licensing program, to discuss whether Town Council wishes to move forward with the program and if so to provide guidance to staff on which options to utilize along with the desired time for implementation.

2. Submitter of Information:

- Council
- Town Staff
- Town Attorney

3. Estimated Time for this item: 60 minutes

5. Background:

This is a proposed program that has been under discussion for some time. Some basic cost and revenue estimates were included in the budget for the current fiscal year at the request of Council. The matter was subsequently scheduled for Town Council review at this workshop session. A detailed analysis was prepared by staff.

Many residential property owners will rent their properties to people from all over the world who wish to visit and enjoy our beautiful beachfront town. Most of those property owners do not remit various taxes legally owed. This places hotels/motels and residential owners who do follow the rules at a competitive disadvantage.

Town Manager	Town Attorney	Finance Director	Public Works Director	Community Development Director	Cultural Resources Director	Town Clerk
						

Town of Fort Myers Beach
Proposal for a Short Term Rental (STR) License Program

Historical

Due to its status as a beach front community in sunny Florida, the Town of Fort Myers Beach has a long history as a tourist destination location. A healthy hotel/motel trade is a major part of the economic profile of the Town. There is also a large number of residential properties occupied by part-time residents, as well as a fair number that are not owner occupied at any time. This is true for both single family and multi-family properties. Many property owners will rent those residential properties to people from all over the world who wish to visit and enjoy this fabulous location.

There are state and county regulations governing the proper licensing and operation of hotel/motel businesses. Those properties must operate within prescribed safety parameters (fire extinguishers, smoke alarms, etc.), and are required to pay a fee for such licensure in addition to the requirement that Lee County Bed Tax revenues must be collected and remitted. Only a very small number of residential property owners who rent out their properties on a short term basis have chosen to collect and submit the required Bed Tax revenues. Of course, the failure to pay the required taxes results in the loss of those tax revenues. More importantly however, it places the hotel/motel businesses and the residential property owners who do pay the Bed Taxes at a competitive disadvantage to those who skirt the law.

Objectives

A small but representative sample of comparable communities [i.e. Cities of Bonita Springs, Homestead, and Marathon], was gathered to shed some light on how other communities have addressed the revenue/expenditure side of such programs. Extrapolation of that information leads staff to some assumptions about the number of residential units that may qualify, though no studies are available with project specific data. At the top end of the assumptions, **up to five thousand (5,000)** residential units could qualify for inclusion in this program, thus yielding an inspection visit demand of between six to seven thousand (6-7,000) inspections during a cycle. *(The explanation for having more inspections than the assumed number of qualified residential units is that some units will not meet the requirements on the first review and will need follow-ups.)* For the start up of any program such as this however, it is most prudent to approach the matter from a more conservative perspective. **As such, the assumption used in this document will be for 2,000 qualified residential units.** Total estimated visits during a cycle for this scenario will be 2,500 to 3,000. Should the actual number of eligible units exceed the assumption, then resources can be added as may be supported by demand and revenues.

A realistic view of the first year of operation suggests that not all eligible properties will be registered. This may be the result of several factors such as ramp up time needed for the program, absentee owners who are difficult to contact; owners that have a third party handle the property, etc. Frankly, there may be some properties that are rented on a short term basis and for which the property owner intentionally fails to properly register said property. Consider also that if authorized, this program will

only be in place for part of the year during the initial fiscal year, and it requires a certain amount of time to hire, train and equip any needed personnel.

In this example, a cycle can be defined as follows; a qualifying residential unit will receive at least one inspection visit during the cycle period. Further, cycle periods can be either once a year, or once every two years. **For the purpose of this analysis, the annual fee is programmed at \$150 whether a one or two year inspection cycle is used.**

In a one year cycle scenario, it is estimated that two full time Code Enforcements Officers would be required to reach the target properties. In a two year cycle scenario, one full time inspector could suffice in reaching targeted properties. Clerical assistance will also be needed in both scenarios. For a one year cycle, one full time clerk, and for a two year cycle, one part time clerk will suffice. The need for transportation to and from properties will require the addition of a vehicle or two to the fleet depending on the cycle period chosen.

Estimated Annual STR Revenues (\$300,000)

- 2,000 units X \$150 fee per unit/per year.....**\$300,000**

STR Cost Factors

Every new program has various costs associated with it. Too often, local governments will develop assessment documents that focus on the expected annual operational and capital costs and not fully illustrate the impact of preparation and start up costs. The time invested by all those involved creates a cost that should be recognized.

Estimated Preparation Cost (\$800)

- Community Development staff research and reporting.....\$150
- Town Manager information analysis and document preparation.....\$650
- Total.....\$800**

Estimated Startup Cost 1 Year Cycle (\$52,500)

- Community notification and advertising\$1,600
- *Town Attorney* Legal Review /Drafting of Ordinance.....\$750
- Staff work to hire new personnel, Ad prep, interviews, etc.....\$650
- Other hire costs, Ads, background and drug test. Etc. per new hire X 3.....\$600
- Orientation and training per new hire X 3.....\$1,500
- Code officer Salary and Benefits till operational x 4 weeks X 2.....\$9,000
- Clerical Salary and Benefits till operational X 1.....\$2,900
- Equipment (furniture, computers, phones, radios, etc.).....\$5,500
- Purchase of (2) Support Vehicles, Economy Cars.....**\$30,000**
- Total.....\$52,500**

Total of Preparation and 1Year Cycle Startup costs.....\$53,300

Estimated Startup Cost 2 Year Cycle (\$29,300)

- Community notification and advertising\$1,600
 - *Town Attorney* Legal Review /Drafting of Ordinance.....\$750
 - Staff work to hire new personnel, Ad prep, interviews, etc.....\$650
 - Other hire costs, Ads, background and drug test. Etc. per new hire X 2.....\$400
 - Orientation and training per new hire X 2.....\$1,000
 - Code officer Salary and Benefits till operational x 4 weeks X 1.....\$4,500
 - Clerical Salary and Benefits till operational X 1.....\$1,400
 - Equipment (furniture, computers, phones, radios, etc.).....\$4,000
 - Purchase of (1) Support Vehicle, Economy Car.....\$15,000
- Total..... \$29,300**

Total of Preparation and 2 Year Cycle Startup costs.....\$30,100

Estimated Annual Operating Costs 1 year Cycle (\$165,400)

- Salaries & Benefits.....\$153,000
 - Support Vehicle Fuel & Maintenance X-2 *Vehicles*\$5,300
 - Phones, computer maintenance, stationary, uniforms, etc.....\$3,500
 - Annual office space cost including utilities.....\$3,600
- Total.....\$165,400**

Estimated Annual Operating Costs 2 Year Cycle (\$78,750)

- Salaries & Benefits.....\$71,000
 - Support Vehicle Fuel & Maintenance X-1 *Vehicle*.....\$2,650
 - Phones, computer maintenance, stationary, uniforms, etc.....\$2,700
 - Annual office space cost including utilities.....\$2,400
- Total.....\$78,750**

Estimated Timeline

It is assumed that if the Town Council decides to move forward with this program following its initial discussion on December 6th 2010 then the ensuing time line will be as follows;

First hearing of enabling ordinance, **January 3, 2011**

Second hearing of enabling ordinance **January 18, 2011**

Immediate initiation of hiring processes then completion by **March 15, 2011**

Implementation and ramp up complete by **April 15, 2011**

Additional information

It is important to take into account that implementation of the program will not occur at the beginning of the fiscal year. Based upon the estimated timeline, it is likely that roughly half of the fiscal year will remain once staff can begin identifying qualifying locations and processing applications. It is reasonable to assume that the cost of licensing for that period will be prorated. This would yield a fee of \$75 for the remainder of the fiscal year, or just half of the per unit estimated revenue. Estimated revenue must be halved to \$150,000. Further, one cannot logically expect that all qualifying units will be registered immediately. In fact, it will take some time to accomplish this task assuming that property owners are cooperative and willing to participate. For this reason it is estimated that approximately 600 properties (30%) will be accomplished. This will allow an estimated revenue yield of \$90,000 (\$150 X 600) during the period. The remaining qualifying properties should be completed with the following fiscal year.

Cost and Revenue Estimate for Fiscal Year 2010-2011

One Year Cycle

Estimated Preparation and Startup Costs.....	\$53,300
Estimated Annual Operational Cost /2.....	\$82,700
Total.....	\$136,000
Revenue Less Costs [\$90,000 - \$136,000].....	(-\$46,000)

Payback period for first year cost over revenue is 3-5 months.

Two Year Cycle

Estimated Preparation and Startup Costs.....	\$30,100
Estimated Annual Operational Cost /2.....	\$39,375
Total.....	\$69,475
Revenue Less Costs [\$90,000 - \$69,475].....	\$20,525