COLUMBIA FALLS
MONTANA

City Council
Agenda Item Summary

Title: Short-Term Rental Program Policy
Date: 11/11/2026
Staff Contact: City Manager

AGENDA ITEM SUMMARY
As introduced in the Spring 2026, the City of Columbia Falls is proposing a comprehensive update to its Short-Term Rental (STR) Program to establish a consistent, transparent, and adequately funded regulatory framework that balances the benefits of STR businesses with neighborhood protection, public safety, housing concerns, and fair Resort Tax compliance. The proposed policy reinforces annual permitting and inspections, property-specific guest rules, clearer owner and local-contact responsibilities, cost-recovery fees, third-party monitoring of STR activity and Resort Tax compliance, public transparency, and progressive enforcement procedures. Recognizing that this represents a substantial change for existing STR operators, the City is providing a deliberate public review process.

PROPOSED PROGRAM
The proposed policy creates uniform permitting and operating standards across the City while maintaining applicable zoning requirements. Key provisions include:

- The proposed program requires each eligible STR property to obtain an annual STR Special Provisions Permit.
- Verification of property ownership and identification of the responsible owner, property manager, and/or local contact.
- Use of third-party monitoring software to identify active listings, review permit status, and support Resort Tax compliance audits.
- Fire and public-accommodation inspection requirements.
- Property-specific guest rules addressing occupancy, parking, quiet hours, trash, bear-aware practices, emergency information, and neighborhood-sensitive conditions.
- Proposed fees include a $400 initial property permit, a $250 annual renewal, $100 for each additional STR unit, and applicable fire inspection fees.
- Progressive enforcement procedures that generally provide notice and an opportunity to correct violations before suspension or revocation, except when more immediate action is warranted.

The proposed policy recognizes that STRs provide valuable visitor accommodation and economic opportunities, while also responding to concerns involving housing availability, neighborhood impacts, life safety, unlicensed operations, and inconsistent Resort Tax reporting.

PUBLIC REVIEW SCHEDULE

Date	Council Action
Nov 2, 2026	**Introduction of the proposed STR Resolution and Program Policy. Staff will present the framework, explain the policy changes, and identify issues for public review.**
Nov 16, 2026	**Public comment and policy discussion. STR owners, property managers, residents, and other interested parties will have an opportunity to provide comments before final consideration.**
Dec 7, 2026	**Council consideration and vote. Staff will present the final proposed policy, including any recommended revisions resulting from Council direction and public comment.**

HOUSING and ECONOMIC IMPACT ANALYSIS

- 140 unique property owners for 171 properties
  - ~120 active properties in the last 6 months and/or reservations within the next 6 months
  - Staff anticipates an overall reduction in active properties with new program oversight requirements, properties that fail to pass International Fire Code inspections, unauthorized tenant sub-leasing of properties, Resort Tax non-compliance, and recent increases in second home property taxes.

- **Property Location:**
  - 53 Nucleus condominium or apartment units
  - 32 Riverfront neighborhoods: *Hidden Cedar Loop, Cedar Point Loop, Riparian, Riverwood, Vans, Cresent*
  - 92 residential units in other neighborhoods

- **Properties by Owner Mailing Address:**
  - 89 Columbia Falls
  - 28 Other Flathead Valley
  - 18 Other Montana
  - 40 Out of State/Country (6 Oregon, 5 Colorado/California, 4 Texas/Washington)
    - 12 on Nucleus; 9 in riverfront neighborhoods; 19 in other residential
  - 2 Unknown

FINANCIAL ANALYSIS

- Section 7-1-4123(7), MCA, authorizes municipalities to impose fees for the provision of services. The proposed STR permit fees are intended to recover reasonable program administration and enforcement costs, not to generate a profit or fund unrelated general governmental activities.
- Proposed program budget is not representative of significant transition costs for FY26. Budget estimates and the analysis below are for sustained operations after transition:

- **STR Program Management Expenses: $68,230/yr**
  - Human Resources: $59,780 for proposed program monitoring
    - $46,500 for maintaining status-quo minimum level management services.
  - Third-party monitoring software & BMS Permitting: $8,450

- **Program Management Revenue: $40,750/yr**
  - **New Properties**: 7 new properties/yr at $400/property and $100/extra unit: $3,500/yr
    - *In 2027, the number of new property fees will be significantly elevated as ~50 of 171 active STRs are not currently permitted and registered. Anticipate elevated "new properties" and reduced "renewal properties" revenue in 2027.*
  - **Renewal Properties:** 135 renewals & 35 extra units at $250/property and $100/extra unit: $37,250/yr
  - **Resort Tax Admin Fee** at 1% collections of ~$220,000 in STR lodging revenue: $2,200/yr
  - Previous permit fee model was $40 per business (not per property): $4,800/yr

- **Resort Tax Revenue** (funds 25% Property Owner Tax Savings, 55% Public Safety, 14% Infrastructure, 1% City Admin, 5% retained by businesses)
  - **FY26 STR Revenue: $109,500**
    - $227,688 total lodging tax revenue minus $118,270 from non-STR commercial lodging establishments, which includes Cedar Creek Hotel and Columbia Falls RV Park
  - **FY26 third-party software's estimated FY26 tax revenue: ~$220,000**
    - For FY27, the software's property-specific tax estimates and property occupancy reports compared with guest comments will guide risk-based audit determinations.
    - For future FY28 consideration, the City could require hosting platform revenue reports (AirBnB Gross Earnings Report, VRBO Stay Tax Report, Bookings Revenue Statement, etc.) to be filed with the mandatory quarterly Resort Tax payments or with the annual permit application for all properties.
  - **FY26 STR Resort Tax collection lost revenue: ~50% or $110,000. Loss revenue impact:**
    - 25% Property Owner Property Tax Savings: $27,500/yr
    - 55% Public Safety: $60,500/yr
    - 14% Infrastructure: $15,400/yr
  - **Recovery of Unpaid STR Resort Tax** from the last four years: approximately $150,000–$250,000 using the below assumptions and collection scenario.
    - The scenario assumes average unpaid taxes of no less than $75,000 per year; with a four-year amount would be no less than $300,000, and the recovery range would imply collection of approximately 50%–83% of that amount.
    - Any recovery would be non-recurring revenue, with the amount and timing subject to audits of amounts owed, applicable collection authority, and successful collection results.

STAFF RECOMMENDATION

Staff recommends City Council review public comment and provide final policy guidance on November 16, with final Council consideration scheduled for December 7.