



Department Source: Finance

To: City Council

From: City Manager & Staff

Council Meeting Date: May 6, 2024

Re: Amending Chapter 13 and Chapter 26 Relating to Bed and Breakfast Establishments and Short-term Rentals of Residential Dwelling Units

Executive Summary

An ordinance has been prepared to amend Chapter 13 and Chapter 26 of the City Code relating to bed and breakfast establishments and short-term rentals of residential dwelling units.

Discussion

The amendments to Chapter 13 require that short-term rentals acquire a business license before operating. The amendments to Chapter 26 impose taxation obligations on short-term rentals.

The Chapter 13 amendments require that short-term rentals (STR) attain and possess a valid business license from the business services administrator before operating. A STR must provide the business services administrator proof that they possess business liability insurance for their property and that they are certified as an STR under other City Codes before receiving a business license. Once they receive their business license, a STR will be responsible for paying annual license fees under section 13-20 like hotels and motels.

The Chapter 26 amendments include short term rentals and bed and breakfasts into the definitions of "hotel, motel, or tourist court" for purposes of taxation, and consequently apply the Chapter 26- Article IV-Hotels and Motels obligations, benefits, and penalties to STRs and bed and breakfasts. The obligations include:

- 1) An accommodations tax of five (5) percent of the gross daily rental receipts due from or paid by any transient guests. NOTE: This is in addition to the section 13-20 license fees.
- 2) Granting the City Manager or his representatives the authority to examine and inspect all books and records of the STR or bed and breakfast as may be necessary to determine the correct license tax amounts.

The benefits associated with approval of the amendments would include allowing collected business license fees to off-set increased administrative costs for business license administration, collected accommodation taxes may be used and expended by the city for promoting conventions, tourism and economic development in the city; planning, promoting, operating and constructing tourist attractions and planning and promoting tourist events which have substantial potential to generate overnight visitation; planning and constructing airport terminal improvements.



Fiscal Impact

Short-Term Impact: Business licensing fee revenue collection, year one, estimated at \$30,000. This assumes 300 new short-term rentals are added to the business license registry. Accommodation tax revenue, year one, estimated at \$297,000. Accommodation tax revenue based on gross 300 STRs each rented 120 nights at \$165/night x .05%.

Long-Term Impact: None.

Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Resilient Economy, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

Primary Impact: Economic Development, Secondary Impact: Land Use & Growth Management, Tertiary Impact: Livable & Sustainable Communities

Legislative History

Date	Action
02/05/2024	Amendment to Chapter 29 to establish use-specific standards governing the operation of short-term rentals. (Ord. 025562)

Suggested Council Action

Adopt the proposed ordinance amendments.