



Department Source: Law

To: City Council

From: City Manager & Staff

Council Meeting Date: January 21, 2020

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 proposed amendments to Chapter 13 require that a short-term rental (STR) possess a valid business license from the business services administrator before operation. A STR must provide proof to the business services administrator that it is in possession of business liability insurance for the property and is certified as a STR under other applicable City Codes prior to a business license being issued. Once a STR receives a business license, the property owner will be responsible for paying annual business license fee under Sec. 13-27, similar to hotels and motels.

The proposed amendments to Chapter 26, Article IV include adding "bed and breakfast establishments and short-term rentals" to the existing definition for a "hotel, motel, or tourist court" for purposes of imposition of the gross receipts license tax, which will consequently apply the same obligations, benefits and penalties established in Chapter 26, Article IV to STR properties. Prior to these amendments, the gross receipts tax on hotels only applied to establishments with more than 12 bedrooms. The obligations imposed by Chapter 26, Article IV include:

- 1) A license 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 business license fee.
- 2) Granting the City Manager, or the Manager's designee, the authority to examine and inspect all books and records of the STR as may be necessary to determine the correct license tax amounts.

These amendments will put the STRs and Bed and Breakfast establishments on a level playing field with other businesses that rent rooms to transient guests. The gross receipts license taxes generated are used and expended by the City for promoting conventions, tourism and economic development in the City; planning, promoting, operating and constructing tourist attractions and subsequent tourist events which have substantial potential to generate overnight visitation; and, planning and constructing airport terminal improvements. All of these activities increase the need for rooms to house transient guests within the City.



## Fiscal Impact

Short-Term Impact: Unknown.

Long-Term Impact: Unknown.

## Strategic & Comprehensive Plan Impact

### [Strategic Plan Impacts:](#)

Primary Impact: Operational Excellence, Secondary Impact: Public Safety, Tertiary Impact: Not Applicable

### [Comprehensive Plan Impacts:](#)

Primary Impact: Land Use & Growth Management, Secondary Impact: Livable & Sustainable Communities, Tertiary Impact: Not Applicable

## Legislative History

Date	Action
12/02/2019	B348-19 – Amendment to Chapter 29 to establish use-specific standards governing the operation of short-term rentals. The ordinance was tabled to the January 21, 2020 council meeting.

## Suggested Council Action

Passage of the ordinance.