



City of San Antonio

Agenda Memorandum

File Number:18-3680

Agenda Item Number: 3.

Agenda Date: 6/20/2018

In Control: Governance Committee

DEPARTMENT: Development Services

DEPARTMENT HEAD: Michael Shannon, PE, CBO

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing on an ordinance to amend Chapter 16 and Chapter 35 of the San Antonio City Code relating to Short Term Rentals.

SUMMARY:

A Council Consideration Request (CCR) was sponsored by former Councilman Mike Gallagher on January 26, 2017, to review current ordinances and city code procedures for short term rentals. With direction from the Governance Committee on March 22, 2017, the Development Services Department (DSD) facilitated an extensive public meeting and stakeholder input process to develop a proposed ordinance that creates the registration, inspections, and special exception process of short term rentals (STRs) in the City. The ordinance was discussed at a number of task force meetings, general meetings, individual meetings, and neighborhood meetings. In addition, this item was presented for a briefing to the full City Council at B-Session on April 11, 2018, and the Council provided feedback relating to modifications and clarifications that they would like to see included. Any proposed changes and new ordinance language related to STRs requires City Council consideration and approval.

BACKGROUND INFORMATION:

The CCR requested staff review five (5) elements: 1) Research if short term rentals impact property values and neighborhood safety statistics. 2) Review how cities have updated municipal codes or ordinances to allow this industry to operate. 3) Review options for registering STRs and permitting options. 4) Research if short term rentals should be required to remit hotel occupancy taxes, also referred to as "HOT". 5) Determine policies and procedures to enhance public safety in the short term rental industry.

The concept of renting rooms or homes on a short term basis is not new. However, new online services that facilitate short term rentals have led to a rapid proliferation of home sharing as an alternative to more traditional visitor lodging arrangements across the country and in San Antonio. This trend has initiated debates about whether or not new regulatory or enforcement mechanisms are necessary to mitigate potential effects on neighborhoods within San Antonio.

In San Antonio, home sharing is one facet of a larger trend commonly referred to as the "sharing economy."

This phrase often encompasses a wide range of transactions mediated by websites or mobile technology related to sharing property or services. Because home sharing has the potential to change the character of established residential areas, DSD is proposing how best to accommodate the demand for new types of lodging without undermining goals related to neighborhood characteristics, housing, and land use.

ISSUE:

There are currently no state or local regulations specific for short term rentals. San Antonio does have regulations for various dwellings and lodging-type facilities (e.g., Bed & Breakfasts; Hotels; etc.) in the Unified Development Code. However, these uses are not the same as, nor do they adequately address, issues related to a short term rental. A bed and breakfast is distinct from short term rentals as they generally imply food service, owner, or “Inn Keeper” attention during the stay in a dedicated facility, and no limitation of duration of stay. Hotels generally do not offer living, sleeping, bathing and eating accommodations equally but instead focus on sleeping and bathing with otherwise limited accommodations.

Hotel Occupancy Taxes (HOT), at a rate of 16.75% is currently required by State law and City ordinance for all stays less than 30 days. The City’s Finance Department collects the tax, including currently collecting from approximately 363 STR owners (although estimates indicate up to 1,600 STR units operating in San Antonio). The Finance Department is working on options such as online registration, online payments, and consulting services for STR monitoring and compliance to assist in the collection process.

DSD held sixteen (16) stakeholder meetings between March and November 2017. The meetings were attended by a stakeholders group comprised of neighborhood representatives, citizens, STR providers, STR platform representatives, and Industry associations (San Antonio Hotel Lodging Association, San Antonio Apartment Association, and Real Estate Council of San Antonio). The stakeholder meetings discussed current issues related to STRs, HOT requirements, comparisons of regulations from other cities, and current state and local ordinances. We also created a STR Task Force of twenty-four (24) volunteers and industry representatives to examine the draft ordinance which met nine (9) times and reviewed, debated issues, and made recommended changes to the draft ordinance.

Based on the research and final recommendations from the Task Force, DSD proposed an ordinance to the City Council at the April 11, 2018, B-Session that sought to address the elements of the CCR. The Council provided feedback, and that feedback, in consultation with both District 1 and the Mayor’s Office, has been incorporated into the modified proposal.

The modified proposed ordinance continues to allow for balanced regulation of STRs that will help minimize potential negative impacts to the quality of life of neighborhoods and support the demand for the short term rental industry.

The changes proposed are as follows:

Draft Presented to City Council B-Session April 11, 2018	Council-Revised Draft
Density/Special Exceptions	

Required all Type 2 STRs in Residential Districts to apply for a Special Exception from the Board of Adjustment	Allows Type 2 STRs by right in all districts but sets density limitations. Once density limitations are met, any additional Type 2 STRs would require a special exception. 1. In Residential Districts, no more than 20% of the blockface 2. In Historic Districts, no more than 12.5% of the blockface 3. In Multi-family buildings with 1 to 7 units, 1 Type 2 STR 4. In Multi-family buildings with 8 or more units, 12.5% of the units
Bed and Breakfasts	
	Includes established bed and breakfasts in the density calculations.
City Housing Incentives	
No mention of City Housing Incentives	1. Adds a definition of “City Housing Incentive” 2. Adds language stating that any property that received a City Housing Incentive is ineligible to receive a permit for an STR.
Event and Other Uses	
Not specified	Added language that states that STR operators cannot provide food and beverage service, or event spaces (such as for weddings, parties, or meetings).
Fees	
Initial Registration Fee: \$200.00 Renewal Fee (every three years): \$100.00	Initial Registration Fee: \$100.00 Renewal Fee (every three years): \$100.00
Streamlining of Process	
Required an initial city inspection of all safety and other requirements in the ordinance.	Allows a self-certification from the STR applicant of all safety and other requirements in the ordinance and specifies that inspections would be conducted upon suspicion or complaint, in compliance with established code enforcement procedures.
Clarifications	
No specific language.	Added language that clarifies that all individual units require a separate STR permit. Also added language that states that one accessory dwelling unit (like a granny flat, garage apartment, or half a duplex) under common ownership as a Type 1 STR can also be considered a Type 1 STR.
Required permit application be made “in writing.”	Added language to specifically state that an application can be made electronically or in writing to facilitate the electronic permit process.
Used the term “but” when stating that a 1 square foot identifying nameplate was allowed for a Type 2 STR.	Added clarifying language that specifically states that a Type 2 STR can have a 1 square foot identifying nameplate.

The ordinance also includes permitting and application process, minimum parking requirement and addresses legal non-conforming STRs:

A. Permit

1. Registration with City's Finance Department for the HOT roll
2. List of owners/operators and 24-hour contact information to address any complaints, to include criminal behavior or illegal activity
3. Minimum insurance requirements
4. A site plan of property (including parking layout and floor plan)
5. Floor plan of dwelling unit which identifies sleeping areas, evacuation routes, location of fire extinguisher, and maximum number of occupants
6. Inspections process
7. Enforcement requirements/penalties to assess fines for anyone operating without a permit, revocation procedures, appeals process, and identifying a one-year waiting period, if revoked.
8. A Special Exception process to the Board of Adjustment for Type 2 (Non-hosted Sharing) short term rentals in residential districts; to include public notifications, public hearing process, and distance/density requirements

B. Fees: Initial fee of \$100.00 and renewal fee of \$100.00, every three (3) years, to cover the cost of permitting and inspections

C. Amending Article III *Supplemental Use Regulations*, Article IV *Procedures*, Article V *Parking* within the UDC, and Chapter 16 *Licensing*

The ordinance creates a self-certification process for basic life and safety requirements and allows the revocation of both the registration permit and the special exception by DSD for repeat violations and bad actors. The enforcement of city rules and regulations will be a joint effort of DSD's Code Enforcement and SAPD.

Since B-Session on April 11, 2018, the Development Services Department has held an STR Taskforce Meeting and a General Meeting, as well as conducted five meetings with stakeholder groups to brief them on the changes and answer their questions related to the proposed ordinance, and gather input to fine-tune the ordinance.

ALTERNATIVES:

As an alternative, City Council could choose not to amend the City Code, which currently does not regulate short term rentals or recommend changes to any section of the proposed ordinance to present to full City Council for consideration.

FISCAL IMPACT:

The new application and permitting process for STRs are anticipated to increase the number of properties remitting HOT collections to the City which will generate additional revenue to be deposited into the Hotel Occupancy Tax Fund. Permit issuance fees, inspection fees, and special exception application fees proposed by city staff will be deposited into the Development Services Fund in order to cover the cost of application review, inspection, and enforcement. An additional three positions (one position for Development Services and two for the Finance Department) are recommended for this program based on the proposed ordinance. Based on proposed ordinance, permit-related revenue is estimated at \$100,000 for year 1, \$20,000 each for years 2 and 3, and \$120,000 for year 4, and is also expected to generate additional Hotel Occupancy Tax.

Fees for STRs are proposed to be set as follows:

Purpose	Fee
Initial Registration Fee (New fee)	\$100.00

Renewal Fee (every three years) (New fee)	\$100.00
Special Exception Fee (Existing Fee)	\$400.00

RECOMMENDATION:

Staff recommends forwarding the proposed Short Term Rental ordinance to full City Council for final consideration.