



AGENDA
WATAUGA CITY COUNCIL
WORKSHOP MEETING
MONDAY, SEPTEMBER 9, 2024
CITY HALL COUNCIL CHAMBER, 7105 WHITLEY ROAD
5:30 PM

This notice is posted pursuant to the Texas Open Meetings Act. Notice is hereby given that a **City Council Workshop Meeting** of the City of Watauga, Texas will be held at which time the following subjects will be discussed and may be acted upon.

CALL TO ORDER (Council Members, City Staff, Members of the Public - when speaking during the meeting please speak directly into the microphones on the dais or podium)

ROLL CALL

ANNOUNCEMENTS

PUBLIC COMMENT This is an opportunity for citizens to address the Council on items not posted on the current meeting agenda. Only those who have submitted a proper "Request to Speak Form" shall be permitted to speak. Citizens should provide their name and address for the record and will have no more than 3 minutes to speak. If representing an organization or group, the speaker should identify who they represent. Those wishing to speak are reminded 1). All comments are to be directed to the Council. 2) Be respectful of others. 3) No profanity permitted. 4) Violators will be removed from the premises. No discussion by the Council or Staff is allowed except to correct factual inaccuracies or request that the item be placed on a future agenda.

PUBLIC TESTIMONY FOR ACTION ITEMS This is an opportunity for citizens to address the Council on current agenda action items (excludes presentations and reports). Only those persons who have submitted a proper "Request to Speak Form" will be allowed to speak. Citizens will be required to state their name and address for the record. They have up to 3 minutes to speak, and their comments must be germane to the item. If speaking for an organization or group, the speaker should identify the group represented. Council members may ask questions or discuss the item with the citizens directly.

PRESENTATIONS

1. Presentation on Short Term Rentals & Single Family Rentals
Randy Richards, CFM, Assistant Director of Public Works

ADJOURNMENT

Meeting Notices and Reservation of Rights

The City Council may retire to executive session any time between the meeting's opening and adjournment for the purpose of consultation with legal counsel pursuant to Chapter 551.071 of the Texas Government Code; discussion of personnel matters pursuant to Chapter 551.074 of the Texas Government Code if the requisite information is otherwise posted; deliberation regarding real property pursuant to Chapter 551.072 of the Texas Government Code; deliberation regarding economic development negotiations pursuant to Chapter 551.087 of the Texas Government Code; and/or deliberation regarding the deployment, or specific occasions for implementation of security personnel or devices pursuant to Chapter 551.076 of the Texas Government Code (as applicable) when determined necessary by the [City Council/Board/Commission/Committee] to address a subject matter on the agenda. Action, if any, will be taken in open session.

Attendance by Other Elected or Appointed Officials: It is anticipated that members of other governmental bodies, and/or city council, boards, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the body, board, commission and/or committee. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a possible meeting of the other body, board, commission and/or committee, whose members may be in attendance, if such numbers constitute a quorum. The members of the city council, boards, commissions and/or committees may be permitted to participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that city council, body, board, commission or committee subject to the Texas Open Meetings Act.

NOTICE

THIS FACILITY IS WHEELCHAIR ACCESSIBLE AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT THE CITY SECRETARY'S OFFICE AT (817) 514-5825, OR FAX (817) 514-3625.

I, Linda Proskey, City Secretary for the City of Watauga, hereby certify that this agenda was posted on the bulletin boards at City Hall, 7105 Whitley Road, Watauga, Texas, on September 6, 2024, before 5:00 p.m., in accordance with Chapter 551 of the Texas Government Code.

/S/ Linda Proskey
City Secretary





AGENDA MEMORANDUM

DATE: August 27, 2024
TO: Honorable City Council Members
FROM: Randy Richards, CFM, Assistant Director of Public Works
THROUGH: Sandra Gibson, Interim City Manager and Director of Finance
SUBJECT: Presentation on Short Term Rentals & Single Family Rentals

BACKGROUND/INFORMATION:

Update presentation to council concerning Short-term & Single-family rentals

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

N/A

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. SFR - Short Term Rentals - Council Presentation September 2024

REVIEWED BY:

Paul Hackleman, Director of Public Works

Approved - 9/4/2024

Sandra Gibson, Interim City Manager and Director of Finance

Approved - 9/4/2024

Linda Proskey, City Secretary

Final Approval - 9/4/2024

Approved as to form for inclusion on Agenda

City Council Workshop September 9, 2024



Single Family
Rental Update
/Discussion &
Direction on
developing an
ordinance to
regulate “Short
Term Rentals”



SHORT-TERM
== RESIDENTIAL RENTALS ==

Image Credit – American Heart Association

Single Family Rental Information



- There are approximately 1600+ single-family rentals within Watauga. This number changes daily as properties are sold or discontinue rental uses. Additionally, the city is not always informed of these changes.
- Normal procedures are prior to rental of the unit the property owner or manager must register the property and receive an inspection which covers 57 specific items to assure the rental is in a minimum level of acceptance to meet current building codes.
- If the property passes the inspection the applicant, if they so choose, may transfer the tenants name to the water utility bill.
- If the property were to fail the inspection the applicant is required to bring the rental unit into compliance with the inspection write-up.
- All rental properties fall within the same code enforcement regulations as any normal single-family property. This enforcement is a joint effort by the building and code enforcement divisions.

What are Short Term Rentals?

A Short-term rental, or vacation rental, is the renting out of a furnished home, apartment or condominium for a short-term stay. The owner of the property usually will rent out on a weekly basis, but some vacation rentals may offer nightly or monthly rates. Among the most recognizable are the following:



What are the challenges?



- Location
- Number of Occupants
- Noise Concerns
- Partying
- Parking
- Safety
- Hotel Tax Collection
- Neighborhood Complaints

Why STR's are popular in Texas



Texas has minimal state-level regulations for short term rentals, allowing city governments to determine their own laws and regulations.

State Hotel Occupancy Taxes: Collected by the Texas Comptroller Office

Local Lodging Taxes: Collected by the local tax authorities are among requirements and regulations established by local municipalities.

Texas is a top market for these types of vacation rentals due to its strong economy, excellent educational institutions, outdoor activities, and good weather.

Strategy 1: Permitting



Options include:

- Create short-term rental-specific permitting requirements and fees.
- Consider different types of short-term rentals (Type 1) single family owner occupied, (Type 2) single-family non-owner occupied, (Type 3) multi-family non-owner occupied.
- Staff proposes to notify the Tarrant County taxing agency of properties showing “Homestead” status when suspected of non-owner occupancy. A recent audit revealed 10 properties suspected of improper Homestead status.
- Collecting Hotel Occupancy Tax.

Strategy 2: Enforce Current Laws



Such Laws include:

- Public Intoxication.
- Trespassing.
- Noise Ordinance
- Parking laws (both state and local).

Enforcing current ordinances will resolve much of the perceived problems of short-term rentals while avoiding litigation, however it does nothing to address the issues brought forth by citizens wanting stricter enforcement.

Where we are...Single Family Rental (SFR) Ordinances?

- Short-term rentals (STR) or shared economy is not currently adequately addressed in the Code of Ordinances
- Watauga Code of Ordinances, Sec. 22-561 provides the following definitions for application towards long term rentals:
- Rent: the offering, holding out or actual leasing of a rental unit to an occupant other than the owner
- Dwelling Unit: any structure with one or more habitable rooms intended to be occupied by one or more persons
- Tenant: any person who rents or leases a rental unit for living or dwelling purposes



Image Credit – dontmesswithtaxes.com

What are our neighboring cities doing?



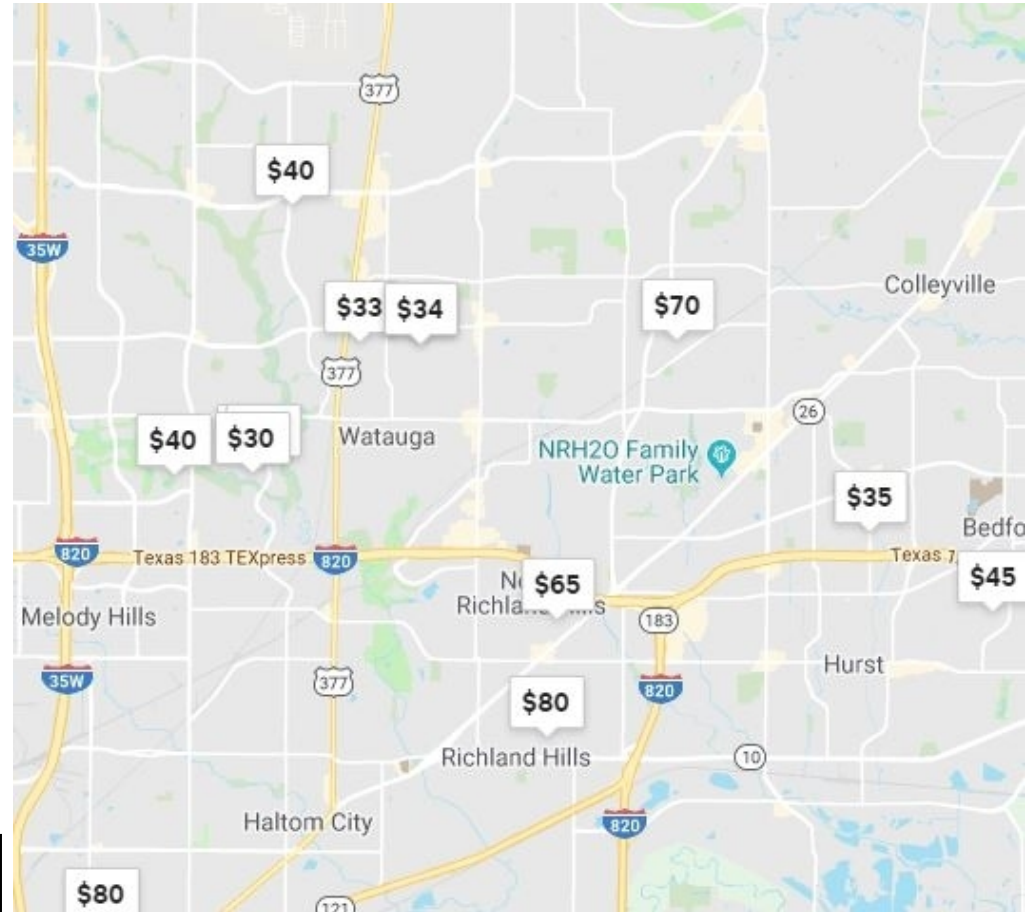
- Haltom City – Requires registration(\$250) and inspection by Fire Dept. (\$150).
- Keller – Awaiting Grapevine lawsuit results.
- NRH – Requires registration and inspection. No fees
- Hurst, Southlake– Not Allowed.
- Euless – Registration \$200 and periodic inspection by Fire Dept.
- Coppell - Extensive Ordinance but will undergo review in December to determine continuance.
- Arlington – Only allowed in the Entertainment District expected to come under litigation.
- Grapevine – Program currently on hold due to lawsuit.



What path should Watauga take? Comments/Questions?



1. New ordinance?
2. No ordinance?
3. Await Litigation results?



**Available Rental
Housing Listing**

What should be considered for Short-term Rentals?



- **According to Research and Markets, the global vacation rental market will register a Compound Annual Growth Rate (CAGR) of close to 7% (an incremental growth of an estimated \$57.1 billion) by 2022.**
- **Prohibition of Short-Term Rentals:** Some cities completely prohibit short-term rentals. Some cities define short-term rentals as “hotels” that can only operate in designated zones and then only if all necessary approvals are obtained.
- **Could the City face lawsuits for their regulations for short-term rentals?**
- **Length of Stay:** Some cities allow 30 day and some only 7 days.
- **Residency:** Some cities require that the property have a primary resident in order to prevent investors who don't live on the property from renting out a unit or entire property as a short-term rental.
- **Limits to the Number of Rental Properties in a Location:** Large cities and tourist destinations tend to have strict rules, such as placing limits on the number of short-term rentals in any given zone. For example, New Orleans, bans short-term rentals in the French Quarter, except for certain areas. The city even has the cooperation of Airbnb and city enforcement officers to track down violations and complaints.

Proposed Short Term Rental Ordinance



- ARTICLE XV - SHORT TERM RENTALS

- Sec. 22-725. - Purpose and applicability.

- The purpose of this article is to protect the integrity of the neighborhoods in which short-term rental properties operate and to establish regulations for the registration and use of short-term rentals for multi or single-family living units. The requirements of this article apply only to short-term rentals, as defined herein, located in residential zoning districts established under the city's Zoning Ordinance, Chapter 115 of the Code of Ordinances. Nothing in this article, however, shall be construed to be a waiver of the requirement to assess and collect hotel occupancy taxes for any residential rental for less than 30 consecutive days, or any other applicable provision of the City of Watauga Code of Ordinances.

- Sec. 22-726. - Definitions.

- The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

- Advertise means the written, audio, oral or other methods of drawing the public's attention whether by brochure, written literature or on-line posting to a short-term rental in order to promote the availability of the short-term rental.

- Hotel occupancy tax means the hotel occupancy tax as defined in Chapter 36, Article IV, Section 36-90 of the City of Watauga Code of Ordinances and Chapter 3 of the Texas Tax Code.

- Owner means any person, agent, operator, firm, trust, corporation, limited liability company, partnership or business organization having a legal or equitable interest in the property; or recorded in the official records of the state, county or municipality as holding title to the property; or otherwise having control of the property, including the guardian of the estate of any such person, and the executor or code official of the estate of such person if ordered to take possession of real property by a court.

Proposed Ordinance Continued



- **Primary residence** means the usual dwelling place of the applicant's residential dwelling and is documented as such by at least two of the following: motor vehicle registration, driver's license, Texas State Identification card, voter registration, property tax documents, or utility bill. For the purposes of this chapter, a person may have only one primary residence.
- **Property Manager** means a person, firm, or entity designated by the owner who can be contacted regarding immediate concerns and complaints from the city or public. The property manager must be available to be reached in person or by phone within fifteen (15) minutes at all times while occupants are on the premises of a short-term rental unit. If called, a property manager must be able to and shall be present at the premises within one (1) hour of call from a member of city staff. A property manager may be required to, and shall not refuse to, accept services of citation for any violations on the premises. Acceptance of service shall not act to release owner of any liability under this chapter. A property manager may also be the owner of the short-term rental unit, and one individual may be the property manager for multiple short-term rental units.
- **Sales Tax Registration** means registering with the Texas Comptrollers Office. This important procedure is not just a formality; it is central to aligning the Short-term rental enterprise with state tax laws.
- **Short-term rental (STR)** is defined as "the rental of any NON-Homesteaded multi or single-family residence or residential structure, or a portion of a multi or single-family residence or residential structure for a period of less than 30 days" and not less than 12 hours. All short-term rentals shall be considered a commercial use, will require a Public Works Certificate of Occupancy, and therefore be subject to inspection by the Fire Marshal for compliance with the current Fire Code and city ordinances,
- The term does not include:
 - (1) A unit that is used for a nonresidential purpose, including an educational, health care, retail, restaurant, banquet space, or event center purpose or another similar use;
 - (2) A bed and breakfast; or
 - (3) A hotel/residence hotel.
- **Residential districts** include the following districts: SF6, SFA, D, MF, MH or any Planned Development District defined as a residential use in Section 115-62 (12) of the Watauga Code of Ordinances.

- **Sec. 22-727. - Short term rental registration requirements.**

- **A. No person shall hereafter advertise, offer to rent or rent, lease, sublease, license or sublicense a residential property within the city as a short-term rental for which a registration has not been properly made and filed with the Public Works Department of the city. Registration shall be made upon forms furnished by the city for such purpose and shall specifically require the following minimum information:**
 - **1. A copy of your current Texas Driver's License**
 - **2. Name, address, phone number and e-mail address of the property owner of the short-term rental property.**
 - **3. Name, address, phone number and e-mail address of the designated property manager or local emergency contact.**
 - **4. The maximum number of occupants permitted for the dwelling unit or sleeping room in accordance with Section 22-729(b) of the Code of Ordinances.**
 - **5. A submission of a sketch to scale (1" = 20') of the floor plan of the dwelling with dimensioned room layout.**
 - **6. Provide the City of Watauga with proof of Liability Insurance, ensuring both property owner and tenants are protected under unforeseen circumstances – Coverage Limits \$1,000,000.**
 - **7. Provide a current copy of your Texas Sales Tax Registration from the Comptroller's Office. If renewing, provide proof of payment of City of Watauga Hotel Occupancy Tax, if applicable, or a copy of the zero-report filed in case of no renters this quarter.**
 - **8. Site plan/survey of the property indicating maximum number of vehicles that can be legally parked on the property, without encroaching onto street, sidewalks or alleys; other public rights-of-way or public property.**
 - **9. An acknowledgement by the applicant that any permit granted under this Article does not supersede any property-specific restrictions against short-term rentals that may exist under law, agreement, lease, covenant or deed restriction.**

Proposed Ordinance Continued



- Sec. 22-728. - Inspection required.
 - A. Upon initial registration, and annually thereafter, as long as the property is used as a short-term rental unit, the owner is required to schedule a short-term rental registration inspection of the residential structure with the City of Watauga Public Works and Fire Departments to determine compliance with the minimum property standards in Article II, Property Maintenance, of the Watauga Code of Ordinances and the current Fire Code.
 - 1. If entry is refused thus prohibiting inspection, the city shall have recourse to every remedy provided by law to secure entry.
 - 2. If only a portion of the premises is offered for rent, then that portion plus shared amenities and points of access shall be inspected.
 - 3. If, upon completion of the inspection, the premises are found to be in violation of one or more provisions of applicable city codes and ordinances, the city shall provide written notice of such violation and shall require a re-inspection of the violation to be corrected prior to its occupancy.
 - 4. A short-term rental unit shall be determined to have passed inspection when the short-term rental unit and the premises upon which the short-term rental unit is located are found to be in compliance with applicable ordinances, laws, and regulations.
- Sec. 22-729. - Restrictions on short-term rentals.
 - A. *External signage.* There shall be no external on-site or off-site advertising signs or displays, indicating the property is a short-term rental.
 - B. *Limit on occupants allowed.* No more than two adult guests per bedroom, plus no more than two additional adults shall be allowed when renting a property as a home share rental, except that:
 - 1. There shall be a maximum occupancy of ten persons, adults and children.
 - 2. Bedrooms under 120 square feet shall be limited to only one adult occupant.

Proposed Ordinance Continued



- C. *Limits on the number of vehicles.* There shall be a maximum of one car per bedroom, or a maximum number of cars that can be accommodated within the garage and driveway, without extending over the public rights of way (streets, alleys and sidewalks) whichever is less. Parking in the yard or on a grass surface is not allowed.
- D. *Trash Carts.* The owner of a short-term rental unit shall maintain on the premises of the short-term rental unit at least two (2) 96-gallon trash carts in addition to a recycling cart. Carts shall be stored out of public view from street.
- E. *Advertisement and contracts.* Any advertisement of the property as a short-term rental and all rental contracts must contain language that specifies the allowed maximum number of occupants and maximum number of vehicles.
- F. *Other restrictions.* It is unlawful:
 - 1. To operate or allow to be operated a short-term rental without first registering the property in which the rental is to occur with the city in accordance with this article;
 - 2. To advertise or offer a short-term rental without first registering the property in which the rental is to occur with the city in accordance with this article; documented advertisement of the subject property as a short-term rental, online or offline, shall be considered evidence of a violation of this ordinance;
 - 3. To operate a short-term rental that does not comply with all applicable city and state laws and codes;
 - 4. To operate a short-term rental without paying the required hotel occupancy taxes;
 - 5. To offer or allow the use of a short-term rental for the sole or primary purpose of having a party venue;
 - 6. To fail to include a written prohibition against the use of a short-term rental for having a party in every advertisement, listing, or other publication offering the premises for rent.
 - 7. To allow a short-term rental unit or the premises upon which a short-term rental unit is located to be used by a tenant for an activity for which the tenant receives compensation.

Proposed Ordinance Continued



- 8. Permit the use of the short-term rental for the purpose of: housing sex offenders; operating a structured sober, recovery or other purpose living home or similar enterprise; selling illegal drugs; selling alcohol or another activity that requires a permit or license under the Alcoholic Beverage Code; or operating as a sexually oriented business or massage establishment.
- Sec. 22-730. - Brochure and safety features.
 - A. *Informational brochure.* Each registrant operating a short-term rental shall provide to guests a brochure that includes:
 - 1. House rules.
 - 2. The registrant's 24-hour contact information;
 - 3. A property manager or local responsible party's 24-hour contact information if the property owner is not within the city limits when guests are renting the premises;
 - 4. Pertinent neighborhood information including, but not limited to, parking restrictions, restrictions on noise and amplified sound, and trash collection schedules;
 - 5. Information to assist guests in the case of emergencies posing threats to personal safety or damage to property, including emergency and non-emergency telephone numbers for police, fire and emergency medical services providers and instructions for obtaining severe weather, natural or manmade disaster alerts and updates.
 - B. *Safety features.* Each short-term rental registrant shall provide in the premises working smoke detectors in accordance with adopted codes and at least one working carbon monoxide detector and alarm, one currently inspected fire extinguisher on each floor, and a conspicuously posted evacuation plan in each sleeping area. The premises shall otherwise comply with applicable Codes of Ordinance including but not limited to building and fire codes.

Proposed Ordinance Continued



- Sec. 22-731. - Registration term, fees, and renewal.
 - A. All registrations approved under this Chapter shall be valid for a period of one year from the date of its issuance.
 - 1. The nonrefundable fees for registration of a short-term rentals shall be as listed in the Chapter 12 Fee Schedule and may include the following:
 - a. The initial registration fee, a notification fee, and a technology fee.
 - b. A late fee of twice the established fee if applicable.
 - B. At any time, a short-term rental registration may be revoked by the Director of Public Works or their designee if there is reasonable cause to believe that:
 - 1. The registrant has violated any ordinance of the city, or any state, or federal law on the premises or has permitted such a violation on the premises by any other person; or
 - 2. Failed to remit payment of a fee/fine; or
 - 3. There are grounds for suspension, revocation, or other registration sanctions as provided in this article.
- Sec. 22-732. – Non-transferability.
 - A) A permit to operate a short-term rental unit is not transferable to another Owner, Operator, Unit or location.
- Sec.22-733. - Violations and penalties.
 - Violation of this article upon conviction shall be punished by a fine not to exceed the sum of \$2,000.00 for each offense; and each and every day such violation shall continue shall be deemed to constitute a separate offense.