



Memorandum

To: Honorable Mayor Jeff Cheney and Members of the Frisco City Council

Cc: George Purefoy, City Manager
Ron Patterson, Deputy City Manager
John Lettelleir, FAICP, Director of Development Services
David Shilson, Chief of Police

From: Penny Curtis, Code Enforcement Supervisor

Date: August 17, 2021

Subject: Consider and act upon adoption of an Ordinance amending Frisco's Code of Ordinances, Ordinance No. 06-03-31, Chapter 18 (Buildings and Building Regulations) by adding Article VIII (Requirements for Owners of Residential Properties Used as Short-term Rentals); establishing requirements and regulations for use of a residential property as a Short-term Rental; and defining terms. (Development Services/PC)

Action Requested: Consider and act upon adopting a Short-Term Rental Ordinance.

Background Information: The short-term rental (STR) phenomenon, like other online/innovative activities, has become widely utilized prior to the creation or adoption of standard regulations. Many communities are now playing catch-up in an effort to address their citizen's concerns to protect their neighborhoods, maintain the availability of residential housing, and ensure proper tax collection.

STRs refer to lodging offered for less than 30 calendar days. The lodging can be a whole house, a private room or space in a home, or shared accommodations. Numerous online platforms cater to STRs, the most popular being Vacation Rental by Owner (VRBO) and Airbnb. Reporting the number of STRs within Frisco is an estimate. These discrepancies are difficult to resolve due to overlap between sites and the lack of transparency and available information. We estimate 288 STR listings in Frisco as of December 2020. This represents the number of STRs staff has been able to identify with help from the compliance monitoring company Host Compliance.

The purpose of this Ordinance is to require a licensing and regulatory framework to address STRs. The proposed frameworks address both regulations and enforcement. The proposed regulations are the result of much study and public engagement over the last two years.

Alternatives to ordinance adoption is to use the law enforcement portal Airbnb and Expedia provides. The City of Plano uses this portal and has had some success in mitigating the public impact of these uses. The law enforcement portal is new and would require additional monitoring from Police and Code Enforcement.

Financial Considerations: After consulting with other cities, the proposed permitting fee of three hundred dollars (\$300.00) per permit is based on consideration for 2-3 hours of staff time per application in the first year. In renewals years, staff time is expected to drop to 1-2 hours per renewal. If the Council's direction is to move forward with an STR ordinance, Staff would also suggest contracting with a private compliance monitoring company for STR licensing to assist with tracking STR trends and local compliance. Online research indicates the cost of monitoring to \$15-40K/year for more in-depth, detailed tracking, and monitoring compliance of sales and lodging tax remittance.

Legal Review: The City Attorney's office prepared the Ordinance.

Alternatives: City Council can:

- Approve the Ordinance;
- Approve the Ordinance with modifications;
- Table for further review; or
- Deny the Ordinance.

Board/Citizen Input: The topic of STRs has been very polarized throughout the community. Since the first outreach to individual stakeholder groups (HOA boards, HOA communities, Frisco Chamber, Visit Frisco, Frisco Police Department, Frisco Fire Department, and Frisco Finance), many citizens have wanted some level of regulation. The major concern is about preserving the neighborhood character for all the residents, especially the ones that live next to a STR. The proposed regulations provide a balance between protecting neighborhood quality and allowing STRs.

Supporting Documents:

- Ordinance;
- Public Comments "Exhibit A"

Staff Recommendation: Recommend for adoption.