

# Memorandum



CITY OF DALLAS

DATE June 10, 2022

TO Honorable Mayor and Members of the City Council

SUBJECT **Short-Term Rentals Recap of June 1 Briefing and Next Steps**

## Background

This serves as a follow up of the City Council briefings from May 4, 2022, and June 1, 2022, on the Proposed Short-Term Rental (STR) Registration and Zoning Ordinances. The intent of the memo is to propose an additional option for the zoning portion, in addition to the two options presented at the June 1 City Council briefing, and include clarifications for the registration portion, all based on discussion and input received during the City Council briefings. All proposals included in this memo are general at this time and are intended to provide an overview in lieu of an existing city policy. The scope of the briefings is for City Council to provide general direction to staff about STR.

The Proposed Short-Term Rental (STR) Registration and Zoning Ordinances are an interdepartmental effort that includes Code Compliance Services, the City Attorney's Office, City Controller, and Planning and Urban Design.

## Short overview of previous steps

- Initial staff briefing to Quality of Life, Arts and Culture Committee (QLAC) on Short Term Rental regulations on February 18, 2020.
  - Update committee on current STR practices in Dallas.
  - Receive direction from Committee on STR registration and additional regulations.
- QLAC initiated a Short-Term Rental Task Force with City Council appointed members to develop recommendations for STR regulations. The STR Task Force began meeting in June 2020 and developed recommendations in December 2020.
- On January 19, 2021, staff briefed the STR Task Force's recommendations to QLAC Committee.
- On February 23, 2021, staff briefed QLAC Committee in closed session on legal issues regarding regulation of STRs.
- On March 23, 2021, staff briefed QLAC Committee on options to regulate STRs.
- On May 5, 2021, City Council held a public hearing.

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- Between November 15, 2021, and January 18, 2022, a OLAC Task Force appointed by Chair Bazaldua held meetings to discuss a proposal to register STR with the City.
- On January 31, and February 22, 2022, public hearings Quality of Life, Arts, and Culture Committee meetings were held to receive public and stakeholder input.
- On May 4, 2022, staff briefed City Council on the current state of progress, including recommendations from the STR Task Force. City leadership asked staff to return to a briefing session with general recommendations for further discussion intended to refine a clear direction from City Council on STR regulations in Dallas.
- On June 1, 2022, staff briefed City Council on potential options for zoning and registration requirements for short-term rentals. City leadership asked staff to return with a hybrid zoning option and further details about the registration process.
- On December 2, 2021, City Plan Commission authorized a public hearing to:
  - Define short term rental as a lodging use and create related regulations.
  - The CPC process is pending City Council direction.

## **Zoning Options (Planning and Urban Design)**

### **Additional Option added to reflect the City Council briefing discussions:**

Create a new use that defines Short Term Rental (STR) as a lodging use, with the same definition as the one presented at the June 1, 2022, briefing.

- Include a new use “Short Term Rental” under the Lodging Uses Category, Section 51A-4.205.
- Only allowed in the same zoning districts where the other lodging uses are generally allowable. *[see attached appendix for table where the lodging uses are allowable]*
- The new use may require a Certificate of Occupancy (*details to be finalized*).
- The new use will require registration with the City.

### **Summary of the other two options presented at the previous City Council briefing meetings:**

#### **Common provisions:**

- A potential definition for a new land use for Short-Term Rental under the Lodging Use Category, Section 51A-4.205: A full or partial dwelling unit that is rented to occupants for fewer than 30 consecutive days per rental period.
- Additional provisions: to require compliance with the registration chapter; limit the number of STRs in a single unit to one; and prohibit an STR from being used as an event venue, any commercial amusement, restaurant, or any other use unless the location possesses a Certificate of Occupancy for that use.

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### **Options presented at the June 1, 2022, City Council briefing:**

- **Option A:** Create two types of STR based on owner-occupied status. The two types would be treated differently by the zoning code, include some additional zoning regulations, and each would be allowable in different zoning districts.
- **Option B:** No distinction between owner-occupied status. The option includes some additional zoning regulations.

### **Event Venue:**

*The same as presented at the previous City Council briefing meeting:*

The intent is to propose a new use that would capture a category of events that are currently not included in other use categories in the development code. This new use is a commercial use, would be allowable in certain districts, and would require a Certificate of Occupancy and compliance with respective code chapters that regulate events.

The code amendment would include a proposed definition and associated regulations for the new use under the Retail and Personal Service Use Category, Section 51A-4.210. A potential definition: An establishment primarily engaged for the purpose of hosting guests at private events such as banquets, receptions, charitable gatherings, ceremonies, or celebrations. This use does not include a residential property when used for events hosted by the owner or long-term resident of the property.

### **Registration Ordinance (Code Compliance)**

Staff will proceed with registration ordinance development as directed by City Council. This ordinance will require that all STR owners/hosts register annually, pay a registration fee that covers program costs, notify neighbors of STR, and have an emergency contact on file to respond to issues. The ordinance will provide for inspections upon registration and complaints and will allow for registration revocation. It will also require 1,500 feet distance between STRs.

Additionally, the proposed registration ordinance seeks to promote responsible STR management and ownership. Staff is considering enforcement measures such as requesting platforms to post STR registration numbers and prohibiting listings of unregistered properties.

### **STR Questions Asked of the City Controller's Office**

- **How long is the contract with MUNIRevs, and when does the contract expire?**  
The MUNIRevs contract is for a period of five years. The contract began on April 22, 2019, and it will expire on April 21, 2024.

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- **What is the process for identifying STRs in the City of Dallas?**  
The MUNIREvs process for identifying STRs in the City of Dallas is described in the attached document.
- **How much hotel occupancy tax has been collected through April 2022, and how much hotel is projected for fiscal year 2022?**

	<b>STR HOT Revenue</b>	<b>Other Hotel HOT Revenue</b>	<b>Total HOT</b>	<b>TPID</b>
<b>YTD April 2022</b>	\$1,491,264.74	\$37,869,642.42	\$39,360,907.16	\$9,672,089.44
<b>Projected for FY22</b>	\$2,556,453.84	\$64,919,387.01	\$67,475,840.85	\$16,580,724.75

- **How many hotels, registered STRs, and potential STRs are in the City of Dallas as of June 1, 2022?**

<b>As of June 1, 2022</b>	
Number of Active Hotels	270
Number of Active STRs (50.59%)	1,283
Number of Potential/ Unregistered STRs	1,253

**Next Steps**

- **ZOAC/CPC for 51 & 51A:** Depending on direction from City Council, the Zoning Ordinance Advisory Committee (ZOAC) will meet to discuss the proposed zoning amendment over the month of June. The ZOAC meeting is intended to receive feedback on the proposed options before being heard by City Plan Commission (CPC) in the following months.
- **Registration Ordinance:** The registration ordinance will be drafted to work in conjunction with the zoning ordinance as it develops through the ZOAC and CPC process.
- **City Council Briefing:** After CPC makes a recommendation, a briefing will be scheduled for City Council to bring the final draft recommendations of the registration ordinance and zoning amendments to City Council prior to a public hearing. City Council is the approval body for the Proposed Short-Term Rental (STR) Registration and Zoning Ordinances.

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Should you have any questions, please contact Julia Ryan, Director of the Department of Planning and Urban Design, at (214) 670-5404 or [julia.ryan@dallas.gov](mailto:julia.ryan@dallas.gov); Lynetta Kidd, Interim Director of Code Compliance at (214) 671-9415 or [lynetta.kidd@dallas.gov](mailto:lynetta.kidd@dallas.gov) and Sheri Kowalski, City Controller at (214) 670-3856 or [sheri.kowalski@dallas.gov](mailto:sheri.kowalski@dallas.gov). A short presentation matching this memo will be provided.



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M. Elizabeth Reich, Chief Financial Officer  
Genesis D. Gavino, Chief of Staff to the City Manager  
Directors and Assistant Directors

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**Appendix:**

**Use Table for uses categories within Chapter 51A, the Dallas Development Code**

The table does not include the proposed new uses, but includes the lodging, and retail and personal service uses that are most similar with the proposed uses. The intent of the table is for information purposes and comparison on districts where the uses are allowable.

*P: Use permitted by right*

*S: Use permitted by Specific Use Permit*

*\*: Consult the use regulations in Division 51A-4.200*

*DIR: Development Impact Review*

*RAR: Residential Adjacency Review*

*For information purposes only*

	<b>4.205 Lodging Uses</b>	<b>Hotel or Motel</b>	<b>Extended Stay Hotel or Motel</b>	<b>Lodging or boarding house</b>	<b>Overnight general purpose shelter</b>
<b>Residential</b>	A(A)				
	R				
	D(A)				
	TH-1-3(A)				
	CH				
	MF-1(A)				
	MF-1(SAH)				
	MF-2(A)			P	
	MF-2(SAH)			P	
	MF-3(A)			P	
	MF-4(A)			P	
	MH(A)				
<b>Nonresidential</b>	NO(A)				
	LO(A)				
	MO(A)	*	S	S	
	GO(A)	*	S	S	
	NS(A)				
	CR	S			S
	RR	*	S	S	P
	CS	*	S	S	P
	LI	*	S	S	P
	IR	*	S	S	P
	IM	*	S	S	S

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	CA-1(A)	*	S	S	P
	CA-2(A)	*	S	S	P
	MU-1	*	S	S	
	MU-1(SAH)	*	S	S	
	MU-2	*	S	S	
	MU-2(SAH)	*	S	S	
	MU-3	*	S	S	
	MC-1	*	S	S	
	MC-2	*	S	S	
	MC-3	*	S	S	
	MC-4	*	S	S	
	UC-1-UC-3				
	P(A)				

	<b>4.210 Retail and Personal Service Uses</b>	Commercial amusement (inside)	Commercial amusement (outside)
<b>Residential</b>	A(A)		SUP
	R		
	D(A)		
	TH-1-3(A)		
	CH		
	MF-1(A)		
	MF-1(SAH)		
	MF-2(A)		
	MF-2(SAH)		
	MF-3(A)		
	MF-4(A)		
	MH(A)		
<b>Nonresidential</b>	NO(A)		
	LO(A)		
	MO(A)		
	GO(A)		
	NS(A)		
	CR	*	SUP
	RR	*	SUP
	CS	*	P, DIR

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	LI	*	
	IR	*	
	IM	*	
	CA-1(A)	*	P
	CA-2(A)	*	P
	MU-1	*	SUP
	MU-1(SAH)	*	SUP
	MU-2	*	SUP
	MU-2(SAH)	*	SUP
	MU-3	*	SUP
	MC-1	*	SUP
	MC-2	*	SUP
	MC-3	*	SUP
	MC-4	*	SUP
	UC-1-UC-3	* 1 and 2 only	
	P(A)		





## Dallas Identification Process Overview

### Discover

LOGGINGRevs searches vacation rental websites for listings located in or around the City of Dallas. The new listings populate in the Dallas LOGGINGRevs dashboard in the Uncertain Status. New listings in this status signify to our property review team that there are new ads to review.

It is important to note the “in and around” Dallas distinction – we are looking at Dallas and the surrounding area to make sure we do not miss any listings that say they are located in Irving but are really within the Dallas city limits.

### Identification

LOGGINGRevs uses a mix of automated and manual review to match listings to a property record. All listings have human eyes on them at one point to ensure that the listing is matched to the correct property record. This greatly reduces errors in incorrect matches.

The first step in the identification process is the automated review. LOGGINGRevs has image recognition technology that matches duplicate advertisements together using the advertisement images. The matched advertisements are presented to our property review team in our Photo Match View so that the team can review and confirm the advertisements are indeed for the same property. The image match recognition technology greatly improves the efficiency of our property review team which also reduces the possibility for error because the team reviews all listings for the property at one time (and therefore we do not have risk of one of the listings erroneously being matched incorrectly to a different property record).

As the next step, our property review team reviews each listing to match it to a property record.

We start with the listings matched by our image matching, and then review the listings that were not matched to a duplicate listing. The property review team uses numerous record sources to validate the property address and assign the listing to the correct parcel.

The property review team frequently leaves a note on the advertisement record in LOGGINGRevs with detail on how they located the property (sentence describing process, link to the website address from the list above of the photo matching the ad and name matching the parcel record, etc.).

The reviewer searches for the identified address in MUNIRevs. We then double check to determine if the ownership has changed. If the ownership has changed, the reviewer edits or creates a new account with the updated owner’s information to reflect the current County property record. Next, we take the unique account number for that property record and attach it to the advertisement in MUNIRevs. We have now joined the property/taxpayer account to the advertisement.

The final step in the identification process is to assign a compliance status to the property. Here are a few of the main statuses used in the City of Dallas:

1. **Compliant:** These taxpayers have logged into MUNIRevs, completed their registration, and are ready to remit Hotel Occupancy Tax.
2. **Registration Required aka “HOT Only Taxpayer”:** These are newly identified properties that need to be notified to login to MUNIRevs.
3. **Send multiple letters:** These properties have yet to register and pay taxes. They need to be addressed by City of Dallas management.
4. **Send to Complex Master:** In the CAD, some apartment and condo complexes do not have a property record for each unit. They only have one record that represents all the units in the complex. So, the LODGINGRevs property review team cannot match a listing to the exact unit because it does not exist in the CAD data. We match the listing to the “master” parcel available and move the advertisement to this compliance status.
5. **Needs More Research:** These are the super tricky advertisements. We need more information or photos posted on the advertisement in order to match the listing to a property record. Our team goes back through these listings periodically to check if more information has been added.

### Notification

The final step in the process is to notify the taxpayers in the HOT Only Taxpayer compliance status that they need to login to MUNIRevs, complete their registration, and remit hotel occupancy tax. The City of Dallas has an ongoing notification process. The notification template sent to the taxpayer depends on how many notifications they have received previously.

Finally, the Dallas Account Manager moves the listings registered and remitting HOT in MUNIRevs to a Compliant status in LODGINGRevs.