



# City of Austin

## Recommendation for Action

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**File #:** 25-0158, **Agenda Item #:** 1.

2/4/2025

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### **Posting Language**

Conduct a public hearing to receive public comment on proposed amendments to City Code to make short-term rental (STR) use an additional (accessory) use for all residential uses in all zoning districts; to regulate STR owners, operators, and platforms as businesses; and to require STR platforms to collect and remit hotel occupancy taxes (HOT). Funding: This item has no fiscal impact.

### **Lead Department**

Planning Department.

### **Fiscal Note**

This item has no fiscal impact.

### **For More Information:**

Daniel Word, Assistant Director, Development Services Department, 512-974-3610.

### **Additional Backup Information:**

These amendments are the staff's proposed overhaul of the City's STR regulations. This overhaul is needed because recent court decisions have made the cornerstone elements of the City's STR regulations unenforceable. This includes the distinction between owner-occupied dwellings (Type 1) and non-owner-occupied dwellings (Type 2) that are not multi-family dwellings (Type 3).

To achieve this overhaul, staff are proposing three ordinances. Working drafts of the ordinances that amend Title 25 (*Land Development*) and Title 4 (*Business Regulations and Permit Requirements*) are included in backup for this item. A third ordinance that amends Chapter 11-2 (*Hotel Occupancy Tax*) will be released before January 28, 2025. In total, the proposed ordinances would achieve the following:

1. Make STRs an additional (accessory) use to all residential uses in all zoning districts with a valid STR license by modifying City Code Title 25 (*Land Development*) to add provisions applicable to STRs as an accessory use and repeal all other existing STR provisions.
2. Regulate STR owners/operators and STR platforms by amending City Code Title 4 (*Business Regulations and Permit Requirements*) to add new regulations, including density caps on STR owners/operators by limiting who can operate a STR on a site with three or fewer units to individuals and requiring 1,000 feet between an owner/operator's STRs;
3. Allow existing STRs to continue provided that the STR does not become a nuisance and property ownership remains the same; and
4. Require STR platforms to collect Hotel Occupancy Tax (HOT) on behalf of their users, which requires adding provisions that explicitly require STR platforms to collect HOT to City Code Chapter 11-2 (*Hotel Occupancy Tax*).

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If approved, these ordinances would shift the City's regulatory framework from a zoning/land use framework that focuses on regulating how the structure is used, to a business regulation framework that focuses on regulating STR owners/operators and STR platforms. To further support the overhaul, staff are proposing an ordinance that will require STR platforms to collect HOT.

The proposed amendments were designed with the following objectives in mind:

1. Support the City Council's goals:
  - a. to make STRs more comparable with neighborhoods, including preserving the residential nature of neighborhoods and quiet enjoyment of those who live in residential areas,
  - b. to recover HOT, and
  - c. to avoid further exacerbation of affordability issues; and
2. Provide additional enforcement options; and
3. Regulate within the bounds of today's STR-related legal landscape.

These amendments also support the direction provided in Council Resolution No. 20221208-064 and Ordinance No. 20231207-001 (HOME Phase 1). Lastly, the amendments are aligned with the STR-related recommendations promulgated by the Tourism Commission and Arts Commission.