

Short-Term Rentals in McKinney

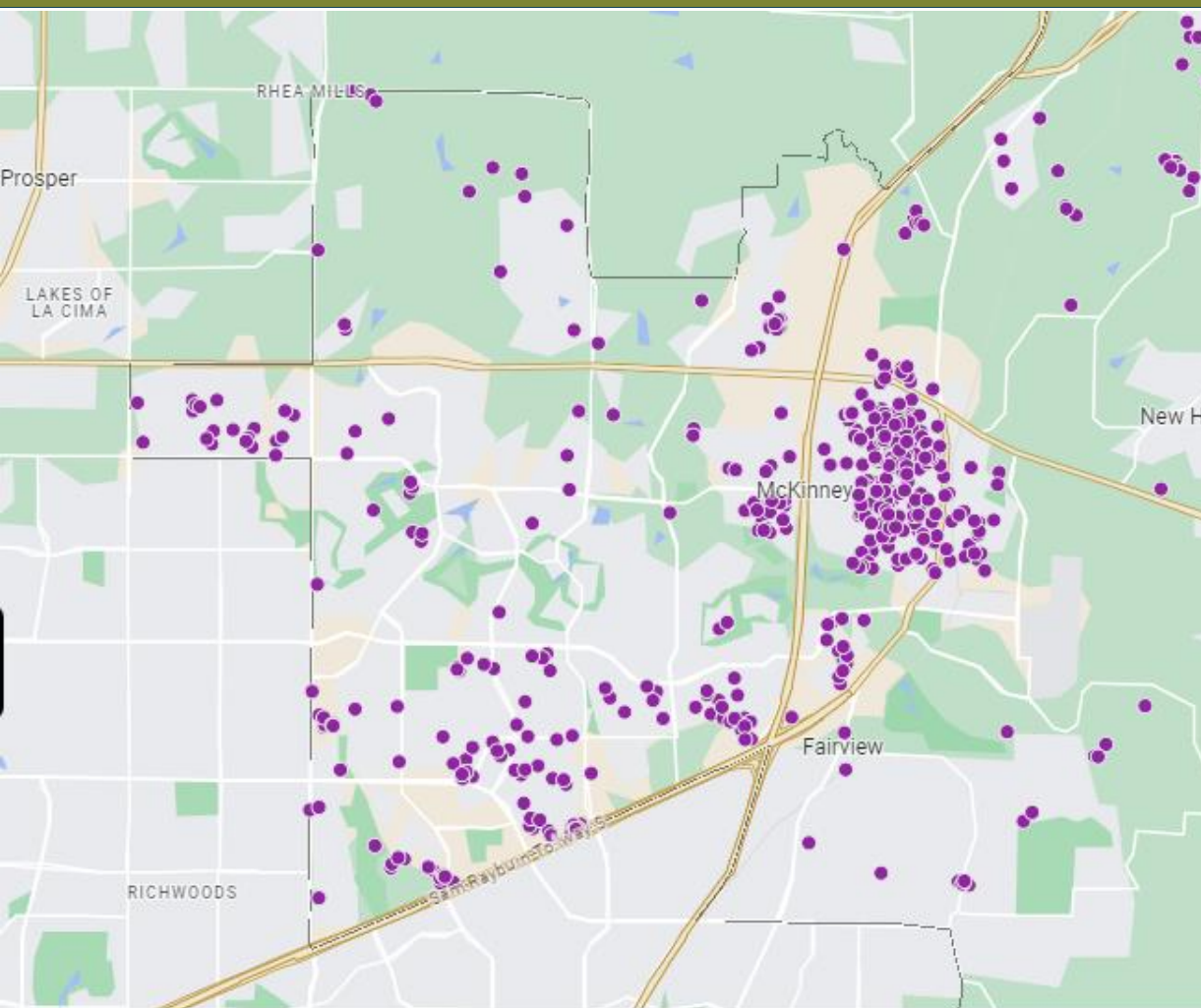


Short-Term Rentals (STRs), Defined

- McKinney does not currently define STRs as a specific use in our zoning code.
- STRs are residential units that are rented out on a short-term basis (usually for a period lasting less than a month).

McKinney's approach to STRs

- Considered no different from the residential use they received a Building Permit for.
- Only exception is that STRs must pay the Hotel Occupancy Tax (HOT)
- Nuisance issues are handled through Code Enforcement
- In 2016, Staff was directed to monitor nuisance complaints and case law related to STRs



- 354 STR listings in/ around McKinney in April 2024
- Up from ~200 in September 2021
- Concentrated in the Historic District

Source: AirDNA via Visit McKinney

STRs: general impacts and considerations

- Tourism
- Potential nuisance issues
- Uncertain legal and regulatory environment

Fiscal and Tax Impacts of STRs

- Hotel Occupancy Tax helps fund:
 - Constructing/improving convention centers
 - McKinney Convention & Visitor's Bureau
 - Promotion of the arts
 - Historic preservation and restoration



Fiscal and Tax Impacts of STRs

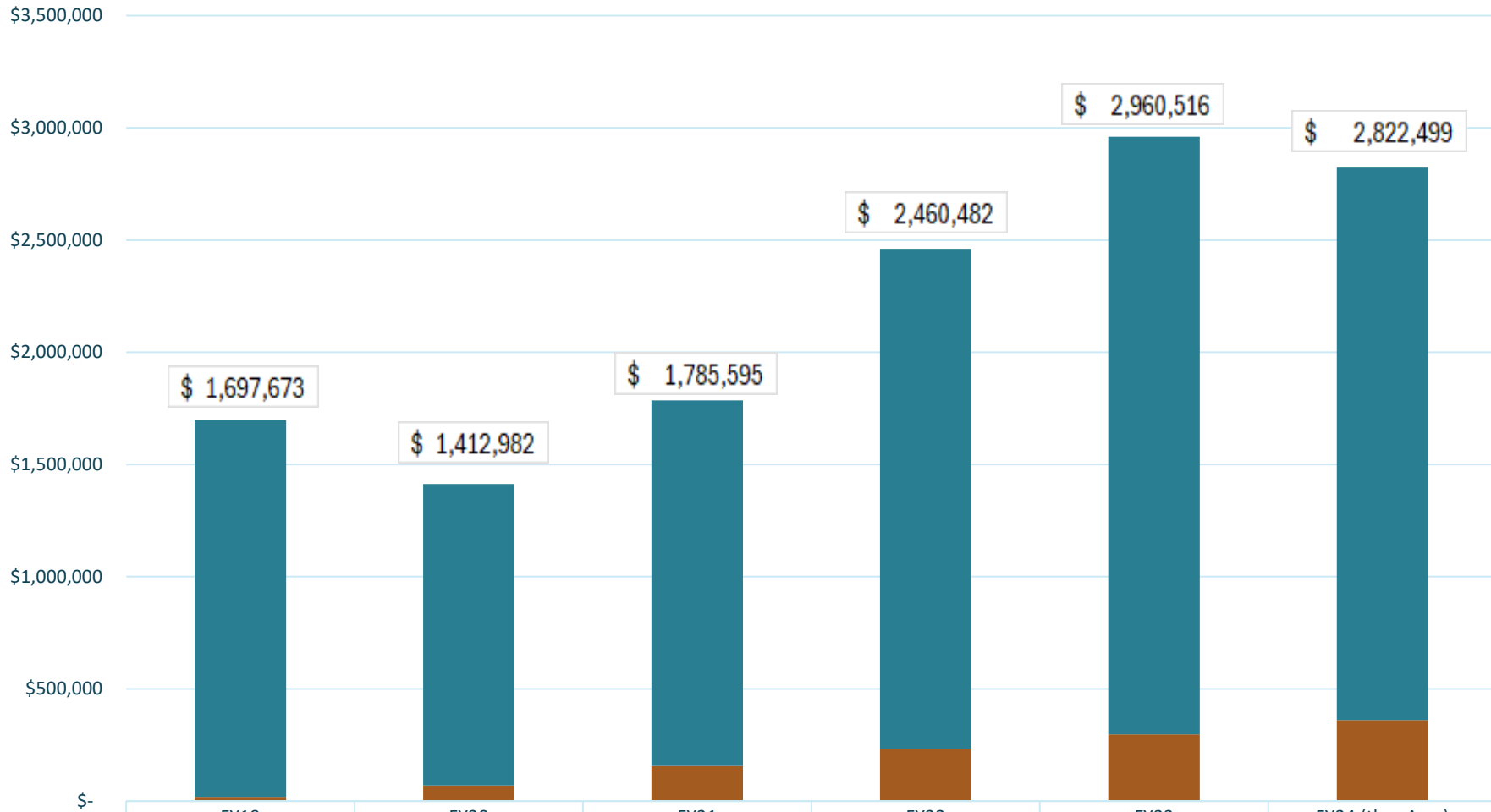
Current Approach

- City works with AirBnB to collect HOT as a lump sum
- No database of STRs
 - No indication on gap between potential & collected HOT
- Compliance is reliant on the property owners to remit

Future Approach

- City will work with other vendors (e.g., VRBO) to collect HOT
 - Most vendors are hesitant to collect and remit HOT
 - Finance considering change in Ordinance
- Finance is currently contracting with GovOS to identify STRs in McKinney
 - List all STRs and addresses
 - Determine when STRs have been occupied
- Potential to expand contract to include centralized payment portal

Hotel Occupancy Tax Revenue



Hotel HOT Revenue	FY19	FY20	FY21	FY22	FY23	FY24 (thru Aug.)
	\$1,678,804	\$1,343,696	\$1,629,065	\$2,228,116	\$2,662,490	\$2,461,506
STR HOT Revenue	\$18,869	\$69,286	\$156,530	\$232,366	\$298,026	\$360,993

Impacts of STRs on McKinney Tourism

Hotels	STRs
• <u>Higher</u> capacity and usage by travelers • <u>Shorter</u> average stay length • <u>Lower</u> per-stay revenue • Generally booked closer in advance • Peak demand in April/May	• <u>Lower</u> capacity and usage by travelers • <u>Longer</u> average stay length • <u>Higher</u> per-stay revenue • Generally booked further in advance • Peak demand in April/May

McKinney Nuisance Law & STRs

- Currently no codes specific to STRs
- Nuisance laws are enforced the same as for any residential use
- Code will respond to complaints
 - PD responds to after-hours noise complaints

STR Use Regulation in McKinney

- Currently no use as defined in zoning code
- Anywhere that can accommodate a residence can use that residence as a STR
- Many HOAs have restrictions that pre-empt usage of residences as STRs
- McKinney HCD maintains communication with HOAs

STRs in other cities: Frisco



Primary Administering Department	Code Enforcement
Defined Use in Code	Yes
Zoning Restrictions	No
Registration	Yes, through third-party vendor
Use Permit Required	STR Permit required. Applied for through City online portal.
Inspection Required	No
24-Hour Contact Required	Yes

STRs in other cities: Plano



Primary Administering Department	Code Enforcement
Defined Use in Code	Yes
Zoning Restrictions	Restricted to nonresidential districts except O-1 and in Heritage districts with live-in management.
Registration	Yes, through third-party vendor
Use Permit Required	No
Inspection Required	Yes (self-inspection)
24-Hour Contact Required	Yes

STRs in other cities: Dallas

Primary Administering Department	Code Compliance
Defined Use in Code	Yes
Zoning Restrictions	Restricted to Office, Multifamily, and Central Area districts.
Registration	Yes, through Code Compliance
Use Permit Required	Yes
Inspection Required	Yes
24-Hour Contact Required	Yes

STR Case Law in Texas

Cities cannot  Still developing & unclear

- Ban STRs citywide
- Require STRs to be owner-occupied
- Require STRs to be owned by a City resident
- Enforce new rules on existing STRs

Cities can

- Require STRs to be registered and licensed/permitted with the City

STR Case Law – Recent Cases

- *Hignell v. City of New Orleans (2022)*

- Court found that requiring STRs to be owner occupied is unconstitutional

- *Dallas Short-Term Rental Alliance v. City of Dallas (2023)*

City of Dallas has temporary injunction on enforcement of its two STR ordinances. These ordinances:

- Banned STRs in single-family residential districts
- Limited STRs to one/Dwelling Unit
- Imposed minimum stay lengths
- Imposed % caps on multifamily unit STRs
- Required inspection and CO

Summary

- Code actively enforces nuisance law
- Hotel Occupancy Tax is collected where able
- Staff is monitoring changes in regulatory environment
- Staff is gathering more precise data specific to McKinney STRs

Questions?