

MEMORANDUM

TO: Claire Powell, City Manager

FROM: Chris McGinn, Director of Neighborhood and Inspection Services

DATE: March 3, 2025

SUBJECT: **Consideration of an Ordinance of the Lewisville City Council, Amending the Lewisville City Code by Amending Division 4, Short-Term Rental Units, of Article VI, Chapter 4 to add Subsection 4-201(a-1) Providing a Maximum Number of Short-Term Rental (“STR”) Unit Permits That may be Active at any Given Time, add Subsection 4-201(b-1) Providing Closure of the STR Unit Permit Application Process and Priority of Applications, and Amend Subsection 4-201(c) Providing for the Implementation of Said Maximum Number of STR Unit Permits; Providing a Repealer, Severability, and an Effective Date; and Declaring an Emergency.**

BACKGROUND

The City of Lewisville began tracking short-term rentals (STR) in 2020 through the Host Compliance software platform. Since January 2020, the number of short-term rentals has increased by over 80%, from 51 to 93 units. By June 2024, STRs had grown to 121 properties. Other cities in the region regulate short-term rentals to varying degrees. After implementing regulations requiring a permit, monthly hotel occupancy tax reports, and other requirements, the number of short-term rentals decreased to 90 properties.

Over the last year, the City has been studying the growth and impacts of STRs on the community. More than 65 speakers have participated in multiple public meetings, and the City received 330 responses to the public input survey conducted in October 2023. Many respondents expressed concerns about the rise in health, safety, and nuisance issues related to short-term rentals.

To ensure an inclusive public input process, the City has taken several steps to engage the community. The general public was notified of discussions, and all STR owners were invited to public input sessions. Additionally, property owners within 200 feet of a short-term rental received notifications about the sessions, and the City collaborated with community advocates to gather feedback.

ANALYSIS

On October 21, 2024, staff presented data to the City Council highlighting community concerns about short-term rentals. During FY24, the city received 103 concerns occurring at 41 different STR properties. Of these concerns, 26% resulted in a warning, violation, citation, arrest, or similar intervention from either the Police Department or Code Enforcement. The most common property maintenance and general nuisance concerns were noise disturbances and parking violations.

Since March 4, 2024, Code Enforcement has identified 37 properties that began operating as STRs in violation of the interim prohibition. Without the interim prohibition, the short-term rental market could have expanded from 90 to 127 properties, which would have been a 41% increase. This rapid growth underscores the need for regulatory measures to manage the expansion of STRs and mitigate their potential effects on the community.

To gather community input on STR regulations, the City is conducting a survey about short-term rentals, available from February 14 to February 28. As of February 25, 71% of the 743 respondents supported limiting the number of STR permits citywide in Lewisville.

To address these concerns, staff is proposing new regulations aligned with the 2025 Vision Plan, aiming to protect the character of established residential neighborhoods while ensuring health and safety. The proposed regulations include setting a maximum limit on active STR unit permits to maintain a balanced growth rate and prevent an oversaturation that could alter neighborhood identity. The maximum number of active STR permits would be set at 130 in 2025, representing approximately 0.5% of all residential parcels in Lewisville. Implementing these regulations will require amendments to several sections of the Lewisville City Code, along with the addition of new provisions to support effective enforcement.

The proposed ordinance, if approved by the City Council, will be effective immediately on March 3, 2025, ensuring that STRs continue to be appropriately permitted and regulated. Staff will continue exploring amendments to the STR regulations.

CITY STAFF'S RECOMMENDATION:

That the City Council approve the ordinance as set forth in the caption above.