

**NOTICE OF MEETING
CITY COUNCIL OF THE CITY OF GALVESTON
THURSDAY - MAY 28, 2020 - 10:00 A.M.
823 ROSENBERG, GALVESTON, TEXAS
TELEPHONE: (409) 797-3510**

Notice is hereby given in accordance with Order of the Governor issued March 16, 2020, the City Council of the City of Galveston will conduct its Special Meeting by telephone/video conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Corona Virus/COVID-19. There will be no public access to the location described above.

WORKSHOP AGENDA

1. DECLARATION OF A QUORUM AND CALL MEETING TO ORDER
2. ROLL CALL
3. DISCUSSION ITEMS
 - 3.A. Clarification Of Consent And Regular City Council Agenda Items - This Is An Opportunity For City Council To Ask Questions Of Staff On Consent And Regular Agenda Items. (30 Minutes)
 - 3.B. Update On Corona Virus/COVID-19 (B. Maxwell - 20 Minutes)
 - 3.C. Discuss A Draft And/Or Proposed Ordinance Amending The Code Of The City Of Galveston, Chapter 19, "Licenses, Permits And Business Regulations", To Amend, Article VI "Short Term Rentals" By Adding Regulations And Making Clarifications Pertaining To The Collection Of City Of Galveston Hotel Occupancy Tax (HOT Tax).

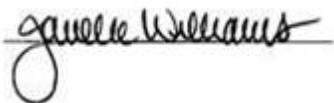
Documents:

[CHAPTER 19 - LICENSES, PERMITS AND BUSINESS REGULATIONS-
SHORT TERM RENTAL HOT TAX.DOC](#)
[STRO STAFF REPORT MAY 2020.DOC](#)

- 3.D. Report Of City Council's Park Board Representative (Collins/Yarbrough - 10 Minutes)

4. ADJOURNMENT

I certify that the above Notice of Meeting was posted in a place convenient to the public in compliance with Chapter 551 of the Texas Government Code on May 22, 2020 at 11:50 A.M.



Janelle Williams, City Secretary

IN ACCORDANCE WITH THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT (ADA), PERSONS IN NEED OF A SPECIAL ACCOMMODATION TO PARTICIPATE IN THIS PROCEEDING SHALL, WITHIN THREE (3) DAYS PRIOR TO ANY PROCEEDING, CONTACT THE CITY SECRETARY'S OFFICE, SUITE 201, 823 ROSENBERG, GALVESTON, TEXAS 77550 (409-797-3510).

ORDINANCE NO. 20- _____

AN ORDINANCE OF THE CITY OF GALVESTON, TEXAS, AMENDING THE CODE OF THE CITY OF GALVESTON, AS AMENDED, CHAPTER 19, "LICENSES, PERMITS AND BUSINESS REGULATIONS", TO AMEND, ARTICLE VI "SHORT TERM RENTALS" BY ADDING REGULATIONS AND CLARIFICATIONS PERTAINING TO COLLECTION OF CITY OF GALVESTON HOTEL OCCUPANCY TAX; MAKING VARIOUS FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Galveston has established regulations for the use of residential single family dwelling units as short term rentals and the collection and payment of hotel/motel occupancy taxes; and,

WHEREAS, the City council finds that it is in the public interest to amend the Short Term Rental ordinance to address collection of applicable City of Galveston Hotel Occupancy Taxes (HOT tax) by short term rental platforms; and,

WHEREAS, the City Council deems it in the public's interest to amend Chapter 19, "Licenses, Permits and Business Regulations", of "The Code of The City of Galveston 1982, as amended," as provided below.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF GALVESTON, TEXAS:

SECTION 1. The findings and recitations set out in the preamble to this Ordinance are found to be true and correct and they are hereby adopted by the City Council and made a part hereof for all purposes.

SECTION 2. Chapter 19, "Licenses, Permits and Business Regulations", of "The Code of The City of Galveston 1982, as amended, is amended to provide as follows:

ARTICLE VI. - SHORT TERM RENTALS

~~Sec. 19-117. — 19 - 119. — Reserved.~~ Sec. 19-117. Short Term Rental Platforms.

- (a) A short term rental platform is a person or entity that provides a means through which an Owner / Operator may offer a short term rental, and from which the person or entity financially benefits.
- (b) A short term rental platform that displays listings of short term rentals located in the City of Galveston shall require an Owner / Operator using the platform to include the property's registration number in any listing for a short term rental on the platform. The registration number must be displayed on the listing.
- (c) A short term rental platform shall remove any listing for a short term rental from the platform within 10 business days of notification by the Park Board of Trustees that the registration number associated with a short term rental listing is invalid, expired, or has been revoked. The notification must identify the listing(s) to be

removed by the listing URL and displayed registration number, and state the reason for removal.

- (d) A short term rental platform shall collect from Owners / Operators state and local Hotel Occupancy Tax and remit to the City, the applicable City of Galveston Hotel Occupancy Tax, as calculated on the amount the short term rental guest pays to the short term rental Owner / Operator for rent. To effectuate this provision, the City Hotel Occupancy Tax Code regulation shall apply to short term rental platforms. **State Hotel Occupancy Tax will be remitted to the Texas Comptroller or in accordance with state law.**
- (e) A short term rental platform that fails to comply with the requirements in this Article is subject to the applicable penalty provisions of the city and/or state law.

SECTION 3. It is hereby declared to be the intention of the City Council that the sections, paragraphs, sentences, clauses and phrases of this Ordinance are severable and, if any phrase, clause, sentence, paragraph or section of this Ordinance should be declared invalid by the final judgment or decree of any court of competent jurisdiction, such invalidity shall not affect any of the remaining phrases, clauses, sentences, paragraphs and sections of this Ordinance.

SECTION 4. All Ordinances or parts thereof in conflict herewith are repealed to the extent of such conflict only.

SECTION 5. In accordance with the provisions of Sections 12 and 13 of Article II of the City Charter this Ordinance has been publicly available in the office of the City Secretary for not less than 72 hours prior to its adoption; that this Ordinance may be read and published by descriptive caption only.

SECTION 6. This Ordinance shall be and become effective on and after its adoption and publication in accordance with the provisions of the Charter of the City of Galveston.

APPROVED AS TO FORM:

DONNA M. FAIRWEATHER
ASSISTANT CITY ATTORNEY

I, Janelle Williams, Secretary of the City Council of the City of Galveston, do hereby certify that the foregoing is a true and correct copy of an Ordinance adopted by the City Council of the City of Galveston at its regular meeting held on May 28, 2020, as the same appears in records of this office.

IN TESTIMONY WHEREOF, I subscribe my name hereto officially under the corporate seal of the City of Galveston this _____ day of _____, 2020.

Secretary for the City Council

Of the City of Galveston



City of Galveston

Finance Department
PO Box 779 | Galveston, TX 77553-0779
| 409-797-3562

May 28, 2020

To: Brian Maxwell, City Manager
Hon. Mayor and City Council

From: Michael W. Loftin, Assistant City Manager-Finance

RE: Discuss a draft and/or proposed ordinance amending the Code of the City of Galveston, Chapter 19, "Licenses, Permits and Business Regulations", to amend, Article VI "Short Term Rentals" by adding regulations and making clarifications pertaining to the collection of City of Galveston Hotel Occupancy Tax (HOT tax).

I. Background

- A. Although short-term rental operators (STRO) are currently required to register rentals with the city, pay city HOT tax, and pay state HOT tax, some do not.
- B. The City is currently under Chapter 19, Short Term Rentals and Chapter 33, Hotel Occupancy Tax.
- C. Chapter 19 requires STROs to register properties with the Park Board.
- D. Chapter 33 requires STROs to collect and remit city HOT tax to the city.
- E. State law requires STROs to collect and remit state HOT taxes to the Comptroller.
- F. The City must adopt the new ordinance in order to require advertising and booking platforms (like VRBO, HomeAway, Expedia) to:
 - (1) require proof of registration prior to accepting an advertisement,
 - (2) to collect and remit city HOT taxes and
 - (3) collect and submit state HOT taxes to the Comptroller upon completion of the rental.

II. Current Situation

- A. The City is currently operating under Chapter 19 which does not specifically provide for or require short term rental platforms to collect or remit HOT tax. The Park Board's research found that some operators neither register their rentals with the Park Board, nor pay city HOT taxes. The amended ordinance requires platforms to
 - 1) get proof of registration from the STRO prior to advertising the rental on their platforms,
 - 2) collect and remit the city's HOT tax and collect and remit the State's HOT tax to the Comptroller. Platform operators would also be required to submit to audits upon request from the city and pay penalties for improper tax collection or reporting.
- B. When STROs fail to comply, the city must pursue collection efforts, including audits and/or litigation.



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- C. Historically, Hotel Occupancy Tax revenue has come from two collection sources. The City (now the Park Board) collects its 9 percent tax and the State Comptroller collects 6 percent. Two percent of the state tax is then remitted to the City by the State Comptroller.
- D. As presented in the chart below, HOT revenue is not being collected uniformly through the dual collection approach. If it were, the amount collected on a per penny basis of city tax and State tax would be the same. From FY 2007 through FY 2017, the City collected more per penny than did the State. Beginning in FY 2018, this was no longer true. At that time, state collections begin to eclipse local collections. It appears that this shift in collection results is due to the City's being more aggressive historically in collection HOT from STROs. Conversely, now the State is collecting more than the City apparently because of its agreements with several booking platforms.

HISTORY OF HOTEL OCCUPANCY COLLECTIONS FY 2007 THROUGH THE FIRST SIX MONTHS OF FY 2020					
Fiscal Year	City 9%	State 2% that Come to the City	City Penny	State Penny	State Penny Over/(Under) City
FY07 Actual	\$9,816,487	\$2,031,980	\$1,090,721	\$1,015,990	(\$74,731)
FY08 Actual	\$10,284,900	\$2,147,844	\$1,142,767	\$1,073,922	(\$68,845)
FY09 Actual	\$8,090,814	\$1,686,295	\$898,979	\$843,148	(\$55,831)
FY10 Actual	\$8,713,444	\$1,754,175	\$968,160	\$877,087	(\$91,073)
FY11 Actual	\$11,112,455	\$2,278,037	\$1,234,717	\$1,139,019	(\$95,698)
FY12 Actual	\$11,758,606	\$2,472,202	\$1,306,512	\$1,236,101	(\$70,411)
FY13 Actual	\$12,537,973	\$2,731,175	\$1,393,108	\$1,365,587	(\$27,521)
FY14 Actual	\$13,584,868	\$2,918,580	\$1,509,430	\$1,459,290	(\$50,140)
FY15 Actual	\$15,287,358	\$3,220,323	\$1,698,595	\$1,610,161	(\$88,434)
FY16 Actual	\$15,307,601	\$3,300,109	\$1,700,845	\$1,650,055	(\$50,790)
FY17 Actual	\$16,665,929	\$3,570,235	\$1,851,770	\$1,785,118	(\$66,652)
FY18 Actual	\$18,680,565	\$4,188,610	\$2,075,618	\$2,094,305	\$18,687
FY19 Actual	\$18,192,619	\$4,228,566	\$2,021,402	\$2,114,283	\$92,881
FY20 Actual YTD (6 mos)	\$5,810,117	\$1,488,405	\$645,569	\$744,202	\$98,633
6 mos trend projected for more normal year	\$18,000,000	\$4,612,000	\$2,000,000	\$2,306,000	\$306,000
City adopts STR Agreements and achieves State yield per penny	\$2,306,000 time nine pennies = \$20,754,000 in total revenue				Equates to a gain of \$2,754,000.



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- E. The conclusion reached from the chart above is the City stands to increase its collections substantially if it adopts the ordinance. In a more typical year than the pandemic-affected year currently underway, the City could expect to have been in the \$2 million range for its HOT revenue. If the platforms were required by ordinance to collect and remit local HOT taxes, , an additional \$306,000 would be potentially available, adding \$2,754,000 to the City's coffers.

III. Issues

- A. There appears to be no immediate cost to the city or the Park Board for adopting the ordinance. Since several of the booking platforms are already operating inside Galveston, it appears all the City would need to do is pass the ordinance for them to begin collecting City HOT as they do the State HOT.
- B. Existing ordinances support the City's ability to audit the booking platforms to determine whether HOT collections (approximately \$20 million) are being calculated and remitted to the City in the correct amount. This is critical to the City's ability to rely on mass tax collections as it does sales taxes (approximately \$20 million per year), property taxes (approximately \$37 million) and water and sewer customer payments (approximately \$35 million). This includes detailed information maintained by the booking platform of taxes collected for specific dates and specific occupancies at a given registered STRO.
- C. An advantage of the proposed ordinance would be to institute one basic collection approach (collection of local and state HOT by the billing platform). This would remove a source of confusion to owners of existing STROs who believe their billing platform is in fact collecting all HOT taxes due (local 9 percent and State six percent) when in fact they are not.