Department Memo

City Council Regular Meeting

DEPARTMENT: **Development Services**

FROM: **Tony D. McIlwain, Development Services Director**

MEETING: **August 3, 2026**

SUBJECT:
Receive a report, hold a discussion, and provide staff direction on Short-Term Rentals. (*Staff Contact: Tony D. McIlwain, Development Services Director*)

STRATEGIC PRIORITY AND GOAL(S):

Strategic Priority	Strategic Goal
High Performing City Organization Providing Exceptional, People Focused Services	1.2 Continue to improve the efficiency and productivity of operations

SUMMARY:

City staff received a request from Councilman Scott to bring short-term rentals (STRs) forward to City Council for a discussion. City Council approved the STR registration process, along with a $150 permit fee on May 1, 2023. At that meeting, Council requested a one-year update on the program, which was inadvertently not done by staff. This item provides an update on the STR process, consideration on the collection of HOT-MOT, code compliance efforts, and 3rd party vendor services.

The City's application process requires operators to obtain a permit and register their STR. City staff review STR permits and conduct inspections of the premises. STR permits expire on the last day of the month, one year after the date of issuance. New permits are required for the continuous operation of a STR.

STRs are not exempt from HOT-MOT tax since they rent rooms for less than 30 consecutive days. The state HOT-MOT rate is 6% of the price paid for lodging. The City charges a local HOT-MOT rate of 7%. HOT-MOT taxes can only be used for tourism-related purposes and electronic tax administration.

Should the City Council decide to move forward with the collection of HOT/MOT, the Texas Tax Code provides the following:

Sec. 351.1012 ELECTRONIC TAX ADMINISTRATION SYSTEM.

(a) Notwithstanding any other provision of this chapter, a municipality may spend each year not more than the lesser of one percent or $75,000 of the revenue derived from the tax authorized by this chapter during that year for the creation, maintenance, operation, and administration of an electronic tax administration system. A municipality may not use revenue the municipality is authorized to spend under this subsection to conduct an audit.

(b) A municipality may contract with a third party to assist in the creation, maintenance, operation, or administration of the electronic tax administration system.

However, if the city authorizes and requires the electronic tax administration system, the city also must allow the HOT/MOT collectors (hotels, STRs) to withhold from the tax payment "one percent of the amount of the tax collected" as reimbursement for the cost of collecting the tax as provided below.

Sec. 351.005. REIMBURSEMENT FOR EXPENSES OF TAX COLLECTION AND USE OF ELECTRONIC TAX ADMINISTRATION SYSTEM.

(a) A municipality may permit a person who is required to collect and pay over to the municipality the tax authorized by this chapter to withhold not more than one percent of the amount of the tax collected and required to be reported as reimbursement to the person for the cost of collecting the tax.

(b) If a municipality uses revenue derived from the tax authorized by this chapter to create, maintain, operate, or administer an electronic tax administration system as authorized by Section 351.1012, the municipality shall permit a person who is required to collect and pay over to the municipality the tax authorized by this chapter to withhold not more than one percent of the amount of the tax collected and required to be reported as reimbursement to the person for the cost of collecting the tax.

(c) The municipality may provide that the reimbursement provided or required by this section be forfeited because of a failure to pay the tax or to file a report as required by the municipality.

Staff received a list from Councilman Scott identifying possible STR locations. That list was extremely helpful as multiple operators were in violation. As of July 13th, there were nine (9) approved STR applications, and fourteen (14) applications under staff review. Code Compliance reports that five (5) operators have either not responded or remain in non-compliance with the registration requirements. We have provided second notices to these operators.

The proliferation of STRs proposes challenges to city staff. The City has three code compliance officers, which is not enough manpower for the sustained, dedicated effort needed to adequately monitor and enforce unpermitted STRs. City staff has discussed 3rd party options to augment identification and outreach to STR operators. A 3rd party could also assist with HOT-MOT collection if City decides to move in that direction.

Staff researched third party vendors, with an aim toward information gathering and possible assistance with the identification and administration of STRs. Staff contacted Azavar, a company that provides compliance solutions and revenue maximization to local governments in the specific area of STRs. Azavar utilizes Localgov software and data brokers for the identification and administration of STRS. A copy of their full program capabilities and a presentation have been included for Council's review.

RECOMMENDATION:

Staff is seeking Council's feedback and input on this item.

PRIOR ACTION/INPUT (Council, Boards, Citizens):

May 1, 2023: City Council approved a short-term rental registration process and fee.

REFERENCE:

Insert CSO# 5092-05-2023

ARTICLE XII: SHORT-TERM RENTAL
REGISTRATION - City of Burleson, TX

FISCAL IMPACT:

Proposed Expenditure/Revenue: n/a
Account Number(s): n/a
Fund: n/a
Account Description: n/a
Procurement Method: n/a

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