

CITY OF DESTIN



AGENDA ITEM

COUNCIL MEETING DATE: January 21, 2025
TYPE OF AGENDA ITEM: Public Hearing
AGENDA OUTLINE NUMBER: 5.A.

TO: City Council

THRU: Larry Jones , City Manager
Kimberly Kopp, City Attorney

FROM: Troy Williams, Code Compliance Director
Steve O'Connor, Deputy Community Development Director
Krystal Strickland, Finance Director

DATE: December 19th, 2024

SUBJECT: First reading of Ordinance 24-23-CC - Requiring short-term rental registrations at all multifamily units (including but not limited to condominium units and apartment units) within the City of Destin; distinguishing between short-term rental registrations for single-family homes and short-term rental registrations for multifamily units; renaming Article VI of Chapter 13 "Registration of Short-Term Rentals (single-family) but making no other amendments to the regulations for short-term rentals single-family homes; creating Article VI(A) of Chapter 13 "Registration of Short-Term Rentals (Multifamily); Requiring an application for such registration and authorizing registration fees for short-term rentals at multifamily units; Requiring a local responsible party for short-term rentals at multifamily units.

I. BACKGROUND: The City Council has discussed the registration of condominium short term rentals within the City on multiple occasions, and currently only requires registration for single-family homes. At the August 19, 2024 Council meeting, discussion continued regarding registration requirements for short-term rental properties in the City, focusing on condominiums. Discussions examined how to integrate condominiums into the City's existing short-term rental registration program, including discussing potential fee structures, and ultimately the Council voted to proceed. Additionally, Council voted to direct staff to return with proposals for software that could be used to oversee the short-term rental program.

The first step in the registration process to implement short-term rental fees on condominiums and other multi-family units is to establish the registration process via ordinance, and the 2nd step is to amend the fee resolution to impose the actual fee.

Ordinance 24-23-CC is before you on first reading tonight to establish the registration requirement. Amendment of the City's fee resolution would occur if this ordinance is adopted on second reading. Proposals for software that could be used to oversee the short-

term rental program will also be brought to council with the fee resolution and 2nd reading of the ordinance.

II. DISCUSSION: The City of Destin, through the Code Compliance Division, oversees the single-family residential short- and long-term rental registrations. The City of Destin does not currently oversee any multifamily units that engage in short-term rentals and these units bring a considerable number of visitors to the City each year who use and benefit from City services and infrastructure.

The population in the City of Destin is approximately 14,594 full-time residents. However, on any given day during the peak tourist/summer season there could be upwards of 80,000 additional people in the City. The Code Compliance Division currently registers and monitors approximately 1,200 single and multifamily residential units that have been registered as short- or long-term rentals. All the currently registered multifamily units are long-term rentals.

To date, GIS records indicate that there are 101 residential condominium complexes in the City and the total number of condominium parcels is 7,017 out of a total of 15,892 parcels. The latest information we've received from the TDC is that 4,741 of the condominiums in the City are collecting the County Bed Tax.

Our current Short- and Long-Term Registration fee structure is as follows:

Up to 2,499 square feet pay a \$500 registration fee,
2,500-4,999 square feet pay a \$600 registration fee, and
5,000+ square feet pay a \$700 registration fee.

Data supplied by Avenu Insights and Analytics, which monitors active and intermittently listed rentals, shows that in Destin on September 21, 2023, there were 13,246 listings for both long and short-term rentals. However, some of these could be duplicates (possibly 61% accuracy, which equals approximately 8,100 rentals). These numbers include both single and multifamily home rentals.

The factors contributing to the decision to register the short-term multifamily and commercial lodging unit rentals include:

- Equity;
- Impact of the short-term rentals on city services,
- Impact fees that are no longer able to be collected (due to impact fee credits on redeveloped land); and
- Forecasted General Fund revenues for the next 5 years.

The labor cost of administering the current rental registration program involves a full-time Code Compliance Officer with assistance from time to time from other Code Compliance Officers and the Division's Administrative Assistant.

As noted above, this item is the proposed Ordinance for First Reading, requiring multifamily units (condominiums and apartments) to register as short-term rentals. If approved at the First Reading, Staff will bring back a Fee Resolution incorporating the fees

approved by the Council at the August 19, 2024 meeting, for consideration at the Second Reading.

Regarding the Council request to bring back registration administration options, if the Ordinance is approved on Second Reading, Staff will request Council approval to proceed with the procurement of a vendor to provide this service at that time. To illustrate what the approximate cost might be, Staff believes there are at least 4,700 condominiums being used as short-term rentals, based upon the bed tax collections. A quote from the registration program management company Carasoft for these services is \$48.91 per year, per managed unit. Therefore, 4,700 condo rentals at \$48.91, per unit would be approximately \$229,877 to have an outside entity administer the program. If the City also had the outside entity managing the current 1,200 single-family and multifamily short-and long-term rentals in addition to the estimated 4,700 rental condominiums, it would come out to 5,900 rental parcels at \$48.91 per unit and approximately \$288,569.

Multiplying the estimated 4,700 condominium short-term rentals with the minimum \$500 rental registration fee equates to \$2,350,000 in registration fee collections. Subtracting the \$229,877 management fees equates to \$2,120,123 in net revenue for the City of Destin. If there are an additional 2,200 rental parcels, as Avenu Insights and Analytics believes there are, they could potentially generate another \$1,100,000 in revenue, minus the \$107,602 management fees.

A. Link to Strategic Goals / Objectives: I. Financially sound city providing service excellence

I. Enhanced quality of life and safety for families

III. Economic development and revitalization

IV. Effective, efficient, and aesthetically pleasing infrastructure

V. Improve mobility and connectivity

VI. A green and sustainable environment

B. Effect on Budget (EOB): Taking the approximately 4,700 condominiums that are currently paying the County Bed Tax and applying the current minimum short-term rental registration fee of \$500, equates to \$2,350,000 in additional rental registration gross revenue, which would help significantly with the public safety needs of Destin to cover the contracts with the Sheriff's Department for law enforcement and with the Destin Fire Control District for lifeguards (FY 2025 estimate: \$3,263,695).

In order for the City Code Compliance Division to oversee the additional properties this would add to the registration program, we would need to shift staff from their normal patrol/compliance duties into primarily administrative roles, which would impact the proactive enforcement level of service the Division is able to provide. To maintain and enhance the current level of service, it is recommended that an outside entity oversee the registration process for the short-term rental multifamily units as well as assume responsibility for overseeing the single and multifamily short-term and long-term rental registrations the Code Compliance Division currently oversees.

C. Level of Service (LOS): The proposed ordinance allows for greater assurance of oversight, provides funding for administration of the program and enforcement, creates an equitable approach to ensuring all short-term rentals follow equitable protocols, and assists with public safety needs and infrastructure sustainability.

D. Legislative Sponsor: Councilmember Torey Geile

III. CONCLUSION: Staff recommends approval of Ordinance 24-23-CC on first reading.

IV. RECOMMENDED MOTION: I move that the City Council approve, on First Reading, Ordinance 24-23-CC.

Attachments:

1. City Council Minutes 08-12-2024
Special Session
2. City Council Minutes 08-19-2024
3. Ordinance 24-23-CC STR Registration
Update
4. 2024 0709 Destin parcels residential
units