

To: City Council

From: Nicole A. Hamilton Corr, City Attorney

Cc: Ben Williamson, City Manager

Jawaria Tareen, Deputy City Manager

Date: September 9, 2025

Re: 89<sup>th</sup> Texas Legislature - Significant Municipal Legislation Summary

The information below is an excerpt of the latest update presented by the City Attorney at City Council's September 16, 2025, meeting related to H.B 2464 (No-Impact Home-Based Businesses).

## NO-IMPACT HOME-BASED BUSINESSES

<u>H.B. 2464</u> limits city authority to regulate "no-impact home-based businesses." H.B. 2464 took effect on June 12, 2025. Under the bill, a city may not adopt or enforce an ordinance, regulation, or other measure that: (1) prohibits someone from operating a no-impact home-based business; (2) requires someone to obtain a license, permit, or approval to operate a no-impact home-based business; (3) requires someone to rezone a property for non-residential use to operate a home-based business; or (4) install a fire-sprinkler system to operate a home-based business within a single-family detached home or multi-family residential property with two or fewer units.

A "no-impact home-based business" is a home-based business that: (1) at any time on the property where the business is operated, has a total number of employees and clients at the property does not exceed a city's occupancy limits; (2) does not generate on-street parking or a substantial increase in traffic in the area; (3) operates in a manner in which none of its activities are visible from the street; and (4) does not substantially increase noise in the area or violate a city noise ordinance, regulation, or rule.

H.B. 2464 chiefly prohibits a city from adopting or enforcing certain regulations for a no-impact home-based business. With regard to a "regular" home-based business, the bill provides that a city may not adopt or enforce a measure that requires a person that operates a home-based business to: (1) rezone the property for a non-residential use; or (2) install a fire sprinkler protection system if the residence where the business is operated consists only of a single -family residence or multi-family residence with not more than two residential units.



H.B. 2464 expressly allows a city to require that all home-based businesses (regular and no-impact home-based businesses) comply with all other federal, state, and local laws, including: (1) city fire and building codes; (2) city health and sanitation regulations; (3) city transportation or traffic control regulations; (4) city solid or hazardous waste regulations; and (5) city pollution and noise control regulations.

All home-based businesses must also be compatible with the residential use of the property, and the business use must be secondary to the residential use of the property. A city may also limit or prohibit a home-based business that sells alcohol or illegal drugs, is structured as a sober living home, or is considered a sexually oriented business.

Additionally, H.B. 2464 expressly does not prohibit homeowners' associations from enforcing private deed restrictions or rules and does not prohibit a city from adopting or enforcing local short-term rental ordinances or regulations.