



AGENDA NO: 8.c

MEETING DATE: October 14, 2025

Staff Report

TO: Honorable Mayor and City Council **DATE:** October 7, 2025
FROM: Airlin Singewald, Community Development Director
Via: Andrea Lueker, Interim City Manager
SUBJECT: Short-term Rental Ordinance Implementation – Quarterly Update

RECOMMENDED ACTION

Receive and file a quarterly update on the Community Development Department's progress in implementing the City's Short-term Rental Ordinance and provide staff direction as necessary.

ALTERNATIVES

Council can direct staff to bring forward changes to the STR Ordinance. This is not recommended because the annual renewal process of all permitted STRs has not been fully accomplished.

FISCAL IMPACT

There is no additional expenditure associated with the recommendation. Funds for implementation of an STR permit audit have already been allocated in the Community Development Department (Department) budget.

When making policy decisions related to STRs, the Council should be aware of impacts on the City's General Fund. In FY 24-25, STRs generated \$697,973 in TOT revenue for the City budget, about \$10,000 less than the previous year. As discussed in this staff report, the number of STRs in the city has declined since implementation of the annual renewal process, as STR permits are abandoned or expire without being replaced with new STRs. This will result in a corresponding reduction in TOT revenue to the City.

BACKGROUND

The City's STR Ordinance took effect in September 2021. The STR Ordinance requires all STRs operating in the City to obtain and annually renew an STR permit. The City originally relied on the business license process as the sole method for evaluating STRs under the STR Ordinance. Unfortunately, this process proved inadequate because it did not allow staff to obtain necessary information, such as STR type and zoning, to effectively implement and ensure compliance with the STR Ordinance.

Prepared By: AS

Dept Review: AS

City Manager Review: AL

City Attorney Review: BS

In January 2025, the Department initiated a comprehensive audit of all STRs in the city. The audit includes the following actions:

- Requiring existing on-record STRs to obtain an STR Renewal Permit, business license, and TOT certificate.
- Inspecting all STR properties for compliance with the STR Ordinance and safety standards.
- Ensuring permitted STRs continue to comply with the City's STR regulations.
- Identifying and closing illegally operating STRs.

In regard to TOT, the audit verifies that all STRs satisfy the minimum \$500 TOT requirement of the Zoning Code but does not include a financial / tax audit at this time.

During this audit year, per Council direction, the City is not issuing permits for new residential STRs while the final number of existing compliant STR permits is still being determined which is a condition precedent to identifying the amount, if any, of potentially available slots under the existing STR permit cap. In June, the Council authorized the Department to resume issuing STR permits on commercially zoned properties. While there has been interest in new commercial STRs, the City has not received any new STR permit applications that are compliant with applicable zoning regulations. One potential application exceeded the allowable density and another included spaces that were never permitted for residential use. By definition, even a commercially zoned STR, must first be permitted for residential use before it can be used as an STR.

DISCUSSION

STR Renewal Permit Statistics

The following highlights the Department's progress implementing the STR Ordinance since the June progress report:

- The Department issued 67 STR renewal permits, each of which included a property inspection.
- The City denied 7 STR renewal permits for non-compliance, 2 of which are pending appeals.
- The number of full home residential STRs (subject to 175 cap) declined from 137 to 121.

The following provides an update on STR permitting statistics as of October 7, 2025. While this data reflects the best available information to date, it should be interpreted with caution, as this year's audit is still ongoing and investigative in nature. In the interest of transparency and the high level of public interest, staff is sharing these preliminary findings.

| <u>2025 STR Renewal Permit Statistics</u> | | <u>Jun.</u> | <u>Oct.</u> |
|--|--|--------------------|--------------------|
| Total Known On-record STRs (had previous City approvals)* | | 228 | 251 |
| | <i>Closed STRs (voluntary and sunset)</i> | <i>(60)</i> | <i>(86)</i> |
| | <i>Denied STR Renewal Permits – do not comply with STR Ordinance</i> | <i>--</i> | <i>(5)</i> |
| Potentially Active STRs | | 168 | 160 |
| | <i>STR Renewal Permits Issued</i> | <i>19</i> | <i>86</i> |

| | | | |
|--|---|--------------------|--------------------|
| | <i>STR Renewal Permits In Process (applications under review)</i> | 75 | 45 |
| | <i>STR Renewal Permits Not Started (applications not submitted)</i> | 74 | 27 |
| | <i>Denied – Appealed</i> | -- | 2 |
| <p><i>*The Department is evaluating 251 existing “on record” STRs. This includes STRs with potentially active approvals as of the adoption date of the City’s STR Ordinance. The June 2025 quarterly update reported 228 “on record” STRs. The new “on record” number is higher (251 compared to 228) because the Department identified and closed additional STRs that had received previous City approvals but were determined ineligible for renewal.</i></p> | | | |
| <u>2025 Potentially Active STRs by Type</u> | | <u>Jun.</u> | <u>Oct.</u> |
| Total Potentially Active | | 168 | 160 |
| | <i>Commercial Zoned STRs</i> | 37 | 23 |
| | <i>Residential Home-shares</i> | 17 | 16 |
| | <u>Full-home Residential STRs (subject to 175 cap)</u> | <u>137</u> | <u>121</u> |

STR Enforcement

In addition to the permit renewal efforts summarized above, the Department has made progress in identifying and closing unpermitted STRs advertising online. While the City has acquired software (Deckard’s – Rentalscape) to assist with this effort, it is still an investigative process that requires significant staff time to research, identify, and build a case to successfully prosecute illegally operating STRs.

During past quarterly STR updates, the Council has asked how many illegally operating STRs have been identified. This can be a difficult question to answer, since the number changes daily as listings appear, disappear, and reappear. Some STR operators change their property descriptions to “30-day minimum stays” to avoid enforcement and then begin advertising short-term rentals again.

To provide an “order of magnitude” answer to the question of illegal STR activity, Deckard’s Rentalscape software currently identifies 30 “Unlicensed Live STR Properties.” However, upon closer inspection and accounting for properties advertising “30-day minimum stays” and other factors, the Department is currently aware of and working to close 10 to 15 unpermitted STRs. This number changes weekly.

When Code Enforcement confirms violations, they take aggressive action to achieve compliance. Over the past month alone, the Code Enforcement division sent over a dozen cease and desist orders to unpermitted STRs and has followed up with citations of up to \$500 per day. The City’s citations are an effective tool for compliance, as we forward unpaid fines to the State Franchise Tax Board as a State income tax lien.

Fines for STR Ordinance Violations

The City currently imposes administrative fines for STR ordinance violations in accordance with Municipal Code Section 1.03.050. This section establishes the maximum fines for ordinance violations as follows:

- A fine not exceeding \$100 for a first violation.
- A fine not exceeding \$200 for a second violation of the same ordinance within one year from the first violation.
- A fine not exceeding \$500 for each additional violation within one year from the first violation.

These maximum fines are set by State law (Government Code Section 25132).

California Senate Bill 60 (SB-60), effective in 2021, allows cities and counties to impose significantly higher administrative fines for short-term rental (STR) violations that pose a threat to health or safety. Under this law, local governments can fine up to \$1,500 for a first violation, \$3,000 for a second, and \$5,000 for additional violations within one year. There are limitations on how these fines can be imposed. For example, they cannot be imposed on first-time failures to obtain necessary STR permits. The City would also have to provide a process for hardship waivers or fine reductions.

With Council direction, the Department will prepare an ordinance for future Council consideration to increase fines for STRs in accordance with SB 60.

Policy Considerations

In January 2026, during the next quarterly STR report, staff will seek Council direction on whether to let properties off the waitlist and issue new STR permits.

Approximately 186 properties are currently on the City's waitlist for a full-home residential STR permit. Preliminary audit findings indicate that the City will remain under the cap of 175 full-home residential STRs. This presents an opportunity to issue new permits to property owners who have been waiting several years for this chance. This would not "open the floodgates" to new STR permits, as all waitlisted properties must still comply with the 175-foot buffer requirement. As shown on the attached map, existing STRs (and waitlisted properties) tend to be concentrated in certain neighborhoods. As a result, only a small number of properties would likely qualify for a new permit.

ATTACHMENTS

1. Current Vacation Rental Status Map (As of October 7, 2025) with 175' Buffer and Closed STRs
2. Current Vacation Rental Map (As of October 7, 2025) – Clean Version (not showing buffer or closed STRs)