

Desert Hot Springs short-term rentals getting new rules, but no caps — for now, at least

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A view along Palm Drive, Desert Hot Springs /Taya Gray The Desert Sun

Owners of short-term vacation rentals in Desert Hot Springs will have to follow new rules, including noise limits, under an ordinance tentatively approved Tuesday by the city council.

Two council members, Russell Betts and Roger Nunez, pushed for limits on the number of STVRs allowed, but they were outvoted by Mayor Scott Matas, Mayor Pro Tem Gary Gardner and Council member Jan Pye.

If the new rules are not effective, the council may consider limiting the number six months after the ordinance is officially in place.

The city has been considering ways to improve its management of short-term rentals throughout the year, with Gardner and Betts working together on a subcommittee.

Their suggestions included things like adding fines for unlicensed short-term rentals and dedicating staff to enforcing them.

Gardner opposed limiting the number of STVRs, saying many visitors want to stay in homes instead of hotels and that the revenue from rentals is important for the city. Cannabis taxes now make up 39% of city revenue, and Gardner said the city needs a more balanced approach.

"The only way we're going to get that is if we grow our tourism base, so I don't want to do anything to hamper that and I don't think this does," he said. "It gets rid of our bad actors and it still continues to bring in revenue to the city."

The city received \$768,800 in transient occupancy tax revenue, as of March, for the 2021-22 fiscal year and \$676,000 in TOT for 2020-21, according to a staff report.

Matas said that revenue will double if the city is able to collect it from unlicensed short-term rentals. There are around 242 short term rentals in Desert Hot Springs — 118 with a license and 124 without.

Under the new ordinance, someone operating a short-term rental without a permit will be fined \$5,000. Violations for things like noise and occupancy will be \$1,000 for the first offense, \$2,000 for the second and \$3,000 for the third.

Short-term rentals will have to have noise monitoring systems that alert their owner or the owner's agent about noise above 70 decibels.

The city will deny short-term rental permits if the property owner did not pay their transient occupancy tax, there is a code compliance issue, they had a permit previously revoked in the last year or a certain number of complaints resulted in an administrative citation.

Deputy City Manager Doria Wilms said short-term rentals are concentrated in some parts of the city, including Hacienda Heights — in particular just off Panorama Drive.

Yet even within Hacienda Heights, just to the east around Prospect Way and Monument Street there are virtually no rentals, Wilms said.

Betts said the density of short-term rentals in some areas is changing neighborhoods, and he dismissed concerns about the effect limits would have on tax revenue.

"You can't expect it to be reasonable that one family or a neighborhood suffer and pay the entire price because you want revenue for the city," he said.

Two attempts by Betts and Nunez to limit STVRs to 5% of homes in a subdivision or area failed on 3-2 votes

In voting against those limits, Matas said: "My path would be let's put this ordinance in effect, let's get the permitting started, let's see if that thins out some of these clusters. And if it doesn't, then I've made it very clear multiple times that I would be open to bringing a limitation back for us to look at."

Council members then unanimously voted to authorize City Manager Luke Rainey to hire a firm called iSecurum Inc. to enforce the rules on short-term rentals from 7 p.m. to 4 a.m. on Thursday, Friday, Saturday and Sunday. This agreement is for two years and up to \$118,456 annually.

The ordinance will return for a second reading and adoption on Sept. 5.

Separately, city staff have proposed increasing the license fee for short-term rentals from \$225 to \$1,241.81, saying that would recover almost all the city's costs to regulate the rentals. The council will consider that increase later.

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