

# La Quinta to hire firm to assess economic impact of short-term rentals as opponents work toward a ban



**Sherry Barkas**

Palm Springs Desert Sun *Published March 16, 2022*

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La Quinta will be spending up to \$40,000 for an assessment of the economic value of short-term vacation rentals and the impact a ban in most residential neighborhoods would have on the city's coffers.

The city has reported just under \$6 million in transient occupancy tax revenues for 2021 off of short-term vacation rentals alone.

The move is in response to an effort by short-term rental opponents to get a measure on the November ballot that, if approved by voters, would ban them in most residential neighborhoods by Jan. 1, 2025.

The citizens group, called Neighbors for Neighborhoods or N4N La Quinta, is leading the initiative to ban rentals of less than 30 days in residential neighborhoods, except in tourist commercial zoned areas. The measure also would allow home-share short-term rentals in any neighborhood, where the property owner remains on-site.



Under California Elections Code section 9212, the city can order a report to assess the fiscal, economic and related impacts of the proposed ballot initiative, City Clerk Monika Radeva said.

The elections code also allows the council to authorize the city manager to enter “a professional services agreement with a qualified firm” to prepare the report, as recommended by an executive team.

Council members on Tuesday unanimously approved authorization for the city manager to hire an outside agency at a cost of \$25,000 to \$40,000.

Once a firm has been selected, staff will report back to the City Council with an update on the scope, timeline and costs related to the report, Radeva said.

The assessment should include a look at trends, such as who is renting and why, council members said.

Mayor Linda Evans said an impact report done for another city included a measurement for how remote workers could potentially impact the need for short-term rentals. They may be looking for locations with short-term rentals available rather than hotels “because it's very home-like, she said.

“(It’s) a different dynamic than just let's go on vacation and stay someplace,” she said.

Drop in number of STRs

Neighbors for Neighborhoods – N4N – launched a signature drive in January to get 3,000 registered La Quinta voters to sign a petition supporting a ballot measure. An earlier effort was abandoned because of a missed deadline with the registrar’s office.

The group has until July 26 to gather the signatures — 180 days from Jan. 27 when the paperwork filed with the city was completed, Radeva said.

N4N set an April 15 deadline to allow for extra time, if needed, organizer Don Shoffstall said.

A temporary moratorium on new permits adopted in August 2020 became a ban adopted by the City Council in April 2021 and went into effect June 1. The ban is effective in residential areas, except when allowed by HOAs or zoned for tourist commercial or Village commercial.

The ban was enacted after months of program review by an oversight committee, city staff and the council. In addressing short-term rental complaints of noise, trash and parking, the city also raised fees. Stiffer fines and penalties, including a two-strikes rule that permanently bans an owner of a problem property or illegally run short-term rentals from the program, were also approved by the council.

The council also made permits non-transferrable. Existing short-term vacation rental permits can be renewed annually, if they remain in good standing,

La Quinta has seen an 11.7% decrease citywide in short-term vacation rentals from 1,320 on Jan. 1, 2021, to 1,165 on Dec. 31, 2021, Radeva said in reporting the latest data during Saturday’s community workshop. In areas where new permits are banned – non-gated and gated where not allowed by HOAs or zoned tourist commercial – the number of permits dropped by 19.38%, Radeva said.

The decrease is largely due to property sales and a crackdown on illegally operated short-term rentals and problem properties, staff has said.

The city has cracked down on illegally operated short-term rentals, and has received fewer complaints about short-term rentals, down from 324 during the first quarter of 2021 to 85 in the fourth quarter, Radeva said.

In 2021, the city collected more than \$5.9 million in transient occupancy tax revenue from short-term vacation rentals, and another \$810,730 in various STVR-related permit and licensing fees, Radeva said.

While the transient occupancy tax revenues go into the general fund, the fees recovered pay for the cost to operate the short-term vacation rental program.

None of the cost comes out of the general fund, staff has said.

Neighbors for Neighborhoods organizers say the ban, which is a city ordinance, can be overturned by the council at any time, and the ballot measure is the best way to keep short-term vacation rentals out of residential neighborhoods.

*Desert Sun reporter Sherry Barkas covers the cities of La Quinta, Indian Wells, Rancho Mirage and Palm Desert. She can be reached at [sherry.barkas@thedesertsun.com](mailto:sherry.barkas@thedesertsun.com). Follow her on Twitter @TDSsherryBarkas*