

# Palm Springs council wants tactical — not 'radical' — changes to city's short-term rental policy

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Palm Springs Desert Sun *Published March 29, 2022*

The Palm Springs City Council expressed an interest in making some changes to the city's current short-term rentals regulations during a discussion of the subject Tuesday evening.

"I hope the public is taking away from the conversation that we've had today that we're trying to act tactically and act in a fashion that is balanced," said Mayor Lisa Middleton. "We're not trying to make radical change here."

Councilmember Geoff Kors expressed a similar sentiment and seemed to put to rest any question that Palm Springs will ban the rentals as neighboring cities Cathedral City and Rancho Mirage have decided to do.

"No one's mentioned the word ban, or anything along those lines," said Kors. "We are not looking to do something that wholesale, I haven't heard anyone go near that."

Instead, the council hopes to address growing concerns about the proliferation of short-term rental properties in what the council said have long been the city's most affordable neighborhoods and ease the impact of short-term rentals on the city's housing supply.

While the meeting was focused more on broad conceptual aims than specific plans, some options mentioned included passing a new law that would prevent tenants from being evicted from homes that could be immediately converted into short-term rental properties and possibly allocating a share of the tax revenue generated by short-term rental properties to the creation of new affordable housing.

"It seems to me we are talking about how do we grow sensibly and grow in a measured way," Middleton said.

## **Council says more data, input needed**

But before the council makes any changes, it will seek more information about the impact of short-term rentals on the city's ongoing housing crunch and lack of population growth, and whether putting more limits on the number of short-term rentals allowed in the city would increase the availability of housing and affordable units in particular.

"It's easy to attribute the housing crisis just to vacation rentals or even assume that, and I just don't want to make assumptions," said councilmember Christy Holstege. "I really want to know... we're not going to be able to say it's 25% of the impact, but I want to have more information than we do now when we are legislating that."

The council also committed to creating a public process where residents on all sides of the short-term rental debate would have input into decision-making around any changes. The council also instructed City Manager Justin Clifton to form a working group composed of some of those stakeholders to look more specifically at the issue.

The meeting was held five days after the city released a slew of data about vacation rentals. Among the data points that the council said they were most concerned about was the finding that over 25% of the homes in some neighborhoods are registered as short-term rentals, with a significant number of newly registered vacation homes also being concentrated in select neighborhoods.

## **Over half of new rentals located in just seven neighborhoods**

Middleton pointed out that just seven neighborhoods account for 270 of the 410 homes that were permitted as short-term rentals over the last five years. Those neighborhoods are Racquet Club Estates, Tahquitz River Estates, Sunrise Park, Desert Park Estates, Gene Autry, Ranch Club Estates and Vista Norte.

She then pointed to seven neighborhoods that are considered to be more expensive, including Vista Las Palmas, Indian Canyons and Movie Colony, which she said added only 14 rentals over that time.

"It's hard not to come to the conclusion that a significant number of the vacation rentals that are new in the last five years are investors going into communities where there is the greatest opportunity to get in at a reasonable cost and make a conversion into a vacation rental," she said. "It's a part of the market that I think all of us are concerned about."

Councilmember Grace Garner said she also was concerned about the potential gentrifying effect that vacation rentals could have on the city's most affordable neighborhoods. She said she was shocked to learn that a home that has been the site of a successful short-term rental operation in Desert Highland Gateway Estates, which has long been considered the city's most affordable neighborhood, recently sold for \$1 million.

Kors said he was concerned that the city had strayed from language in its current ordinances that stated that short-term rentals were supposed to be a secondary use for homes in the city.

Current city laws stipulate that homes can be rented for a maximum of 36 different stays during a calendar year. The city's data shows that 153 homes were rented for at least 33 different stays last year while 280 were rented for four or fewer.

"I'd like some brains thinking about that in the future: what do we do with these homes that are primarily being used as a vacation rental and it's not the secondary use anymore," Kors said.

He said that situation is different than people who primarily live at their home either year-around or seasonally and rent it out only a few times a year.

Several councilmembers also said it's important to balance concerns about the impacts of vacation rentals with the positive affects, including the significant tax revenue generated for the city and the help to support its tourist economy.

The city's data shows about \$15 million in taxes were collected from vacation rentals, which Kors said accounts for about 10% of the city's budget. Revenues from hotels and motels accounted for another \$18 million, according to city data.

"I want to note that when we went through a very challenging time with COVID-19, TOT [tax revenue] from vacation rentals was so important because the hotels were closed," Kors said. "And how much we would have to cut otherwise..."

"Cutting out 10% of your budget with all of the things our community wants us to do, more public safety and more parks and more pickleball and tennis courts and road repairs, the list is endless and there are real impacts when you make those kinds of cuts," he added. "It isn't all about money, but money is a factor."

Several councilmembers also said they were concerned that eliminating vacation rentals in the city would reduce the amount of available lodging for Palm Springs' tourism dependent economy and large regional events such as the Coachella and Stagecoach

festivals, particularly given that supply has also been reduced by the bans in Cathedral City and Rancho Mirage.

"Most of our hotels are occupied right now at close to 100% capacity," Middleton said. "Any elimination of rooms would necessarily mean fewer rooms available for those who want to visit our city... We need to be at least honest with ourselves that any reduction means at least a reduction in availability for people to come to our city."

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