

LA QUINTA

La Quinta short-term rental ban would hit economy hard, report finds. Some are skeptical.



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With La Quinta voters set to decide in November whether to prohibit short-term vacation rentals in residential neighborhoods, a new report commissioned by the city says a ban could cost millions in tax revenue and visitor spending, as well as hundreds of jobs.

But proponents of a ban argue the findings — which the city council discussed during its meeting last week — overestimate the potential impacts of the ballot initiative, which would phase out rentals in those areas by the end of 2024.

Don Shoffstall, an organizer with the Neighbors for Neighborhoods citizens group that pushed to get the ban on the ballot, called some of the predictions in the report “sheer speculation.”

If the initiative wins approval, La Quinta could see a substantial drop in economic activity, with an estimated \$102 million decrease in yearly visitor spending and a \$9.5 million reduction in annual tax revenues by 2031, according to the report conducted by Tourism Economics, a global consulting firm.

The report also estimates a ban would cause the loss of 530 local jobs affiliated with the rental industry and the tourism that comes with it.

“It's not just the unit owners that would be impacted, or the owners of restaurants and retail shops where visitors spend, but those impacts would be throughout many sectors in the local economy,” Zachary Sachs, a senior economist with Tourism Economics, told the council Aug. 2.

The question of whether to ban short-term rentals in residential neighborhoods will head to voters in November, after Neighbors for Neighborhoods, or N4N, collected more than 3,000 signatures to get it on the ballot.

The group formed in October 2020, as the pandemic drove up the popularity of short-term vacation rentals — leading to an uptick in complaints from residents about noise, parking, trash and other issues.

The council responded by approving a moratorium on new short-term rental permits in August 2020. Last year, council members agreed to turn that into a permanent ban on new permits, except in specifically zoned areas.

The council has also raised permit fees and adopted stiffer fines and penalties for those who violate the city's rental rules. Permits have also been made non-transferable.

The consulting firm's report appeared to align with concerns some council members have with the ballot initiative, which would cease operations for the 799 properties already permitted as short-term rentals in banned areas.

"There's so many comments on the (ban) proponents' side that we (the city) want this program because it's all about the money and the revenue, and clearly, we've shown that the revenue is significant for the city in terms of providing those safe services — police, fire, road maintenance, all of those things," La Quinta Mayor Linda Evans said during the meeting.

"But this is what it's going to do to our community and our small businesses and jobs," Evans added. "They go hand in hand."

Councilmember John Pena agreed, adding the report doesn't fully account for "the families that will be disrupted because there's no income coming in, or they'll have to move" due to loss of employment.

"You can't measure that," Pena said. "It would be devastating for those families that have to go through this."

During the meeting last week, City Clerk Monika Radeva also presented statistics about La Quinta's current housing market, which includes a mix of second homes and households with children.

Second homes make up 37.04% of the city's housing inventory, largely in line with Palm Desert (37.7%), Palm Springs (34.41%) and Rancho Mirage (39.9%), based on census and housing data.

But the city also has a fairly high share of households that include children, accounting for 23.79% of La Quinta's total housing inventory. That aligns with valley cities, such as Indio (25.87%), Coachella (23.5%), and Cathedral City (27.61%), that have comparatively lower rates of second homes.

City	Population Households	Households		2nd Homes	Housing Units		Household Incomes	
		Children	No Children		Own	Rent	Average	Median
Indian Wells	5,463	Total Households = 2,885		Units = 2,960 50.64%	5,845		\$ 192,347	\$ 112,614
		116 = 4.02%	2,769 = 95.98%		75.98%	24.02%		
Rancho Mirage	18,537	Total Households = 9,637		Units = 6,397 39.9%	16,034		\$ 133,992	\$ 84,891
		856 = 8.88%	8,781 = 91.12%		79.46%	20.54%		
Palm Springs	48,390	Total Households = 24,767		Units = 12,995 34.41%	37,762		\$ 95,036	\$ 57,916
		2,541 = 10.26%	22,226 = 89.74%		63.67%	36.33%		
Palm Desert	53,087	Total Households = 24,335		Units = 14,723 37.7%	39,058		\$ 98,264	\$ 64,295
		4,140 = 17.01%	20,195 = 82.99%		64.60%	35.40%		
La Quinta	41,650	Total Households = 16,292		Units = 9,583 37.04%	25,875		\$ 119,479	\$ 75,724
		3,876 = 23.79%	12,416 = 76.21%		72.38%	27.62%		
Cathedral City	54,812	Total Households = 19,716		Units = 4,181 17.5%	23,897		\$ 73,063	\$ 50,350
		5,444 = 27.61%	14,272 = 72.39%		61.60%	38.40%		
Indio	89,996	Total Households = 33,806		Units = 5,069 13.04%	38,875		\$ 72,410	\$ 53,434
		8,747 = 25.87%	25,059 = 74.13%		72.19%	27.81%		
Coachella	45,658	Total Households = 17,508		Units = 264 1.49%	17,772		\$ 46,944	\$ 33,999
		4,114 = 23.5%	13,394 = 76.5%		71.48%	28.52%		
Desert Hot Springs	29,280	Total Households = 10,776		Units = 2,077 16.16%	12,853		\$ 52,616	\$ 37,818
		3,490 = 32.39%	7,286 = 67.61%		47.54%	52.46%		

“The data shows that cities with higher number of households with children have a much lower inventory of 2nd homes,” the report states. “However, La Quinta has achieved a balance and has high percentages in both categories, unlike any other city in the CV.”

“This mix of housing supports a broad and diverse range of businesses leading to a strong local economy, which allows the City to provide a superior quality of life through its services, facilities, and infrastructure,” the report continues.

The ballot initiative also arrives as La Quinta has seen increasing revenue from its transient occupancy tax, despite the moratorium on most new permits. Such revenue leaped from roughly \$4.5 million in 2020 to about \$5.9 million in 2021. Halfway through this year, the city has reported TOT revenues of about \$4.28 million.

Permitted rentals in banned areas accounted for roughly 80% of that revenue in 2021 — an indication of how a ban could put a major dent in the city’s coffers, opponents say.

Should the measure pass — and assuming other revenue streams hold steady and the city’s expenditures keep growing — Radeva said the city would be operating in the red by fiscal 2025-26.

Initiative proponents push back, prepare their own analysis

But while some council members argued the report was proof of the damage that could come from an outright ban, the initiative's proponents argue the analysis overestimates some of the negative impacts.

Shoffstall, the N4N organizer, told The Desert Sun his group has several questions about the report's findings.

Particularly, he argued the city underestimated the number of rental permits that would be issued in areas where they'd still be allowed, which he said would help make up some of the lost revenue.

"There's 800 investors right now in residential neighborhoods," Shoffstall said. "The first question is, what percentage of those people would just sell the home and go buy one in an exempt area? They're in this to make money."

The N4N group is currently working on its own independent analysis, with a team of retired accounts and people who have been on the city's financial advisory committee. Shoffstall said the calculations "get complicated real fast."

"I joke with our people that you could get a Ph.D. thesis in econometrics analyzing this problem, because there's so many interdependent variables that are all changing all the time," Shoffstall said, adding: "(For the city) to do these simplistic, compound interest models not based on actuals, for a forecasting tool is somewhere between naive and dishonest."

"At some point, we're going to look like Palm Springs if we're not careful ... They are totally dependent on tourism," Shoffstall said. "(La Quinta's) heritage is family households. We need to keep it there, and this is the opportunity for the residents to confirm that."

While the initiative would ban rentals in residential neighborhoods, it would still allow rentals in some designated areas, such as those zoned tourist commercial, as well home shares, where the property owner remains on site throughout the rental.

The city's residents will vote on the ballot initiative on Election Day, Nov. 8.

Previous reporting from staff writer Sherry Barkas contributed to this report.

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