

Impact of Short-term Rental (STR) Ordinance in Palm Desert

Palm Desert's short-term rental ordinance was revised by the City Council in the fall of 2017, in response to citizen concerns about the impact STRs were having on quality of life in residential neighborhoods. In September 2017, Palm Desert had 1,228 permitted STRs paying Transient Occupancy Tax of about \$2.1 million. These STRs were located across the city, with the highest density (5.33%) in single-family neighborhoods zoned R-1:

Planned Residential (PR):	840 STR permits out of 24,010 dwelling units
Single Family (R-1):	212 STR permits out of 3,977 DUs
Single-Family (R-2):	64 STR permits out of 1,893 DUs
Multi Family (R-3):	46 STR permits out of 1,667 DUs

The amended rules phased out the 276 STR permits in single-family neighborhoods (R-1 and R-2) by the end of 2019, except for a few short extensions for proven hardship. The rules limited new permits in those zones to homeowners who live in the home and remain on-site during short-term rentals of rooms or casitas. The 2017 STR ordinance was amended in 2019 for areas zoned PR to permit STRs only where active homeowner associations (HOAs) explicitly allow them. Another 67 or so STR permits in PR areas with no active HOAs were phased out by the end of 2020.

The STR ordinance is succeeding and Palm Desert residents and businesses continue to thrive.

- As of August 16, 2022, Palm Desert has 1,307 permitted STRs. New STR permits in Planned Residential communities have more than made up for the 343 permits phased out in R-1 and R-2, for a growth rate of nearly 50% in the areas of Palm Desert where STRs are allowed, and encouraged, to operate.
- The vast majority of Palm Desert's existing and new dwelling units remain available for STR permits, including new developments in the North Sphere. The attached map shows the extent of geographic areas where STR permits are allowed. Several HOAs in Planned Residential communities are particularly active growth areas for STRs, including Palm Valley and Palm Desert Resorter among others.
- City officials report that HOAs have been effective at policing STRs in their communities. Code Compliance has responded to HOA requests for back-up support when needed, issuing city citations to violators inside gated communities on multiple occasions.
- Code Compliance representatives have made it a practice to meet with their security counterparts in the city's HOAs. They provide copies of the Palm Desert "Good Neighbor" brochure, answer questions and address issues as applicable. City staff report that some HOA board members have reached out to them for more information on the city's STR regulatory program as well.
- The total number of permitted STRs currently includes about 60 qualified resident owners who have obtained on-site owner permits in residential zones.

- The city did not monitor the status of former STRs after they were phased out. Anecdotal evidence suggests many residences have converted back to single-family homeownership. There is no evidence of decline in home sale prices as a result of STR phase-out in residential neighborhoods in Palm Desert.
- Many illegal operators have chosen, or been compelled by enforcement, to exit the Palm Desert market. That's a benefit both for residents and for the compliant members of the STR industry. Some illegal operators, however, still try to evade the ordinance, for example, with renters claiming to be "friends or family" of the owner.
- Code Compliance staff are proactively engaged in shutting down illegal STRs. Besides monitoring online STR advertising to detect illegal activity, they regularly patrol known problem properties, primarily in zones where they are not allowed, and have succeeded in catching and penalizing multiple illegal operators.
- TOT today is running about \$1.9 million, very close to the 2017 level. There was no observable impact on Palm Desert municipal programs or city employment as a result of reduced TOT following STR phase-out in residential neighborhoods, per city officials.
- There has been no evidence of private sector job loss or long-term economic impact from STR phase-out in residential neighborhoods. City staff reported that El Paseo merchants indicated they are doing well in a recent meeting.

In sum, the gloom-and-doom predictions of the STR industry failed to materialize after the STR ordinance took effect. The STR ordinance adopted by Palm Desert is working, enhancing neighborhood quality of life while maintaining strong support for local businesses and tourists.

Jann Buller
Palm Desert resident
August 25, 2022

Date sources:

- Short Term Rental Study Session presentation, September 27, 2017
- Meeting with Palm Desert city staff, August 16, 2022
- City of Palm Desert website