



STAFF REPORT
7/23/2025

TO: Honorable Mayor and City Council Members

FROM: Celina Jimenez, Director of Economic Development

SUBJECT: Approve a Voluntary Collection Agreement with HomeAway.com, Inc. and its Subsidiaries for the Collection and Remittance of the City of Coachella's Transient Occupancy Tax and the Greater Palm Springs Tourism Business Improvement District Assessment Due From Homeowners and Guests Booking Short-Term Rentals in Coachella Through the HomeAway/VRBO Platform and Authorize the City Manager to Execute the Agreement

STAFF RECOMMENDATION:

Staff recommends that the City Council approve a Voluntary Collection Agreement with HomeAway.com, Inc. and its subsidiaries [a.k.a. VRBO] for the collection and remittance of the City of Coachella's Transient Occupancy Tax and the Greater Palm Springs Tourism Business Improvement District Assessment due from homeowners and guests booking short-term rentals in Coachella through the HomeAway/VRBO platform and authorize the City Manager to execute the agreement.

BACKGROUND:

HomeAway and its subsidiaries operate an internet-based platform that allows homeowners to advertise the availability of and book their properties to travelers seeking short-term rental accommodations through VRBO.com and localized VRBO websites operating worldwide, or the HomeAway Platform.

Pursuant to Ballot Measure Y, which Coachella voters approved at the November 5, 2024 General Municipal Election, the City currently has a 13% transient occupancy tax on hotel, motel, short-term/vacation rental and similar stays. The tax is primarily the guest's responsibility, but is traditionally collected by the hotel, motel or short-term/vacation rental operator at time of billing the guest.

On April 4, 2025, the Joint Powers Authority Executive Committee of Visit Greater Palm Springs approved a resolution to include the City of Coachella within the Greater Palm Springs Tourism Business Improvement District (GPSTBID). The GPSTBID imposes an annual assessment on lodging businesses within its boundaries to fund improvements, programs and activities that promote tourism in Palm Springs and the Coachella Valley. The annual assessment rate is three percent (3%) of gross short-term room rental revenue of all lodging businesses with fifty (50)

rooms or more, and one percent (1%) of gross short-term room rental revenue of all short-term/vacation rentals. The 1% assessment on short-term/vacation rentals began to apply in Coachella on July 1, 2025.

Therefore, guests staying at short-term/vacation rentals in Coachella are subject to a combined 13% levy on the stay (12% in TOT tax and 1% in TBID assessment).

DISCUSSION/ANALYSIS:

For short-term/vacation rentals booked through an online platform, the platform typically collects charges for occupancy from the customer/guest and is, therefore, in the best position to collect any City taxes and assessments due from the transaction. To that end, the City and HomeAway have negotiated the attached Voluntary Collection Agreement to facilitate HomeAway's collection and remitting of TOT taxes and the TBID assessments, consistent with Chapter 4.28 of the City's Municipal Code (as updated by Measure Y). Under the Agreement, HomeAway will commence tax and assessment collection on September 1, 2025.

HomeAway will remit TOT taxes and TBID assessments to the City and report aggregate information in the form of a monthly return on the City's TOT return form. As of June 1, 2025, the City has 390 active TOT Certificates for short-term/vacation rental operators. The Taxes will be collected based upon the entire amount charged to the guest in connection with the Booking Transaction, including but not limited to the following fees charged by a Homeowner or HomeAway: rental fee, Traveler Service Fee charged by HomeAway, booking fee, cleaning fee, property damage fee, and any other use-related fee under Chapter 4.28 of the Municipal Code; but excluding refundable damage deposits.

FISCAL IMPACT

A detailed funding analysis obtained from Deckard, the City's short-term vacation rental platform showed Host Revenue to be \$7,675,455 as of May, 2025 for the 390 properties. Twelve percent of that amount in TOT tax would be \$921,054.60. One percent (1%) of that amount in TBID assessments would be \$76,754.55. Given that the TOT now applies to all charges to the guest (including online booking and service fees) due to Measure Y, additional TOT revenue is anticipated. These projections will change and increase once the City goes through one full cycle of TOT at the rate of 12%, plus the 1% TBID tax.

ATTACHMENTS:

1. HomeAway Voluntary Collection Agreement