



STAFF REPORT
12/6/2023

TO: Planning Commission Chair and Commissioners
FROM: Gabriel Perez, Development Services Director
SUBJECT: City of Coachella Short-Term Rental Program Update

STAFF RECOMMENDATION:

Staff recommends that the Planning Commission review and discuss City of Coachella short-term rental regulations of Chapter 5.80 within Title 5 – Business Licenses and Regulations. The Planning Commission has specific authority for amendments to the change of the text of Title 17 the Zoning Ordinance but can advise the City Council and Planning Director with respect to city planning and related activities and legislation as specified in [Chapter 17.70.020](#).

BACKGROUND:

The City of Coachella adopted short-term rental (STR) regulations in Coachella Municipal Code (C.M.C.) Chapter 5.80 of title 5 (Business Licenses and Regulations) in 2017 to mitigate adverse effects these rentals on neighboring residential areas and to ensure the proper collection and remittance of transient occupancy taxes. The impact of STRs in the City of Coachella has been a topic of discussion by the City Council and Planning Commission recently and the City Manager has initiated a taskforce comprised of City staff to review the existing STR regulations, review the status of the existing STR program and provide recommendations for ordinance modifications for the City Council to consider.

DISCUSSION/ANALYSIS:

A short-term vacation rental is a dwelling unit that is rented by the owner to another party for a period of not more than thirty (30) consecutive days in exchange for any form of monetary or non-monetary consideration. The City's STR program is administered through the Economic Development Department. To operate a short-term rental an operator must obtain a business license (\$184) from the City. The C.M.C. states a STR permit shall be issued to operate an STR and the business license currently serves as the STR permit. Code enforcement shared responsibility for enforcement of the STR program specific to quality of life C.M.C regulations. The table below outlines C.M.C. short term rental application requirements

Table 1: Short-Term Rental Application requirements

Application Requirements	
1	Owners Information
2	Agent or Representative Details
3	Local Contact Person Information
4	Verification of Responsiveness
5	Property Details
6	Nuisance Response Plan
7	Businesses License and Transient Occupancy Registration
8	Additional Info (if required by permit administrator)
9	Application Fee

STR rentals regulations of C.M.C. Chapter 5.80 include the following:

- Occupant Requirements: Owners shall require primary occupant is an adult aged twenty-one or older and provides a telephone number accessible at all times.
- Overnight Maximum Occupancy limit: Two people per rental unit, with and an additional two people allowed for each bedroom between the hours of 10:00 p.m. to 8:00 a.m.
- Noise: Short-term rentals are required to comply with the City’s noise ordinance in C.M.C. Chapter 7.04 of our city's rules. Between 6:00 a.m. and 10:00 p.m., residential noise limits are 55 decibels, and from 10:00 p.m. to 6:00 a.m. noise limits are 45 decibels.
- Responsible Party: The short-term rental permit holder is responsible handle complaints 24 hours a day and be available to answer phone to address complaints within fifteen minutes and address additional complaints within forty-five minutes. The party is responsible to take actions to fix any problems or violations as described in the rules.
- Written Agreement between STR Owner and Primary Occupant: This agreement shall be posted inside the STR unit and available upon request by a police officer or City employee authorized to enforce the STR regulations. The agreement shall include occupant contact information, maximum number of overnight occupants, list of all guests, list of all vehicles makes, models and license plate numbers, acknowledgement by primary occupant of liability, trash pick-up rules, noise ordinance regulations, good neighbor guidelines, and copy of City’s STR regulations.
- Advertisement: Any advertisement of the STR shall include the city permit number.
- Penalties: First time violation of STR regulations is a \$500 citation, \$750 for a second citation, \$1,000 for the third citation and any subsequent citations within a year. Operation of a STR without a City of Coachella STR permit is subject to a \$1,000 citation.
- Quarterly Reporting: Short term rental owners are required to report their earnings to the City of Coachella on a quarterly basis.

Comparison with Coachella Valley Cities Short Term Rental programs

Staff has conducted an analysis of short-term rental regulations of Coachella Valley cities (Attachment 2). The City of Coachella currently has very flexible operational regulations in comparison to other Coachella Valley cities as demonstrated by:

- No limitations to the number of short-term rentals in the City
- No permit fees. The City currently charges \$184 for a business license
- No short-term rental parking restrictions

All other Coachella Valley cities have a dedicated STRs webpage with application, permitting, and information on STRs. The City of Coachella currently does not have a STR webpage. Coachella Valley cities were observed to contract with a third-party vendor to identify unpermitted and permitted STRs and ensure they comply with permitting, reporting and remittances to the City. The City does not have a vendor to ensure unpermitted or permitted STRs comply and staff is currently exploring this option.

Code Enforcement of STR violations

The Code Enforcement Division is responsible to addressing complaints regarding STR locations but currently receives few complaints regarding quality of life impacts such as parking, trash and noise. The Code Enforcement Division closely monitors STR locations and complaints during the Coachella and Stagecoach weekends. No STR locations have received citations under the City’s STR regulations or have been subject to revocation procedures.

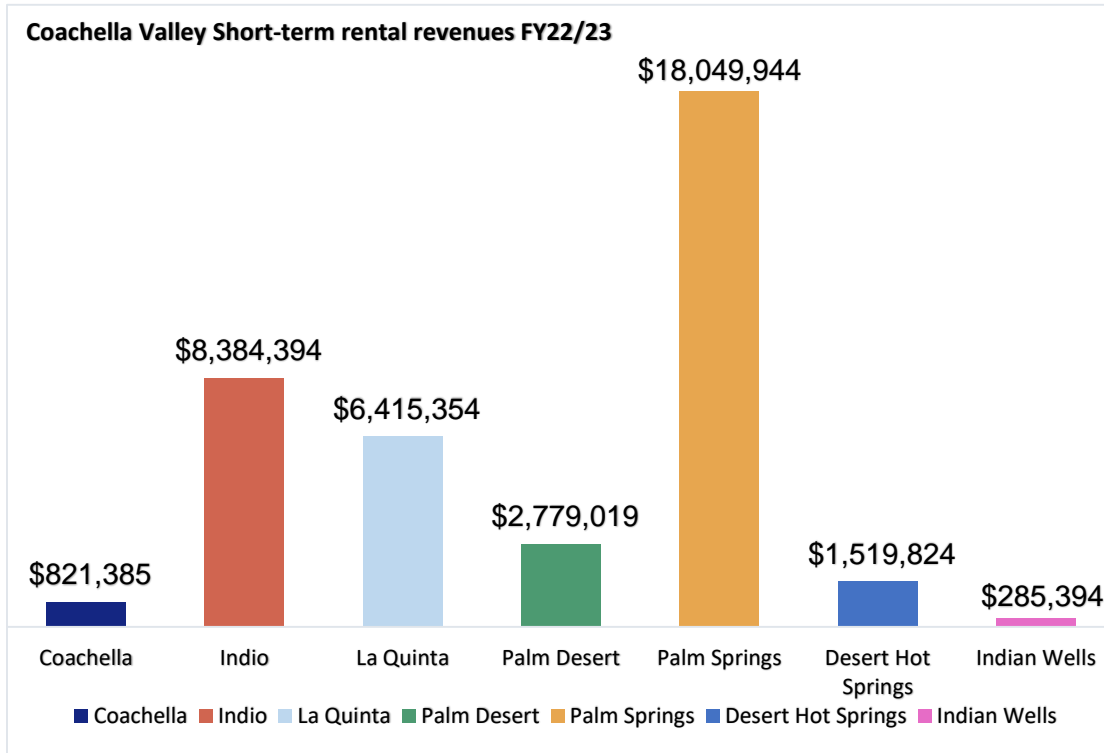
Short-Term Rental Revenues

The City of Coachella charges a transit occupancy tax (TOT) of nine percent (9%) which is the lowest TOT percentage of all Coachella Valley cities. The City received \$821,386 in STR transit occupancy tax revenue, which is primarily a lump sum remittance by Airbnb to the City of Coachella. The City’s STR revenues are significantly lower than Coachella Valley cities and \$7.5 million lower than the neighboring City of Indio. Airbnb does not provide revenue information by STR permit holder and it is unclear if the remittance to the City includes short-term rental operators that may not have obtained a City permit. The City does require quarterly reporting by STR permit holders, which could be a method to compare reported earning with Airbnb remittances to determine if there are discrepancies in the collection of STR transit occupancy tax revenues. Information from quarterly reports was not available before the publication of this report.

Table 2: Coachella Valley Short-Term Rental Revenue Comparison (5-Year Period)

	TOT%	2023	2022	2021	2020	2019
Coachella	9%	\$ 821,386	\$ 710,666	\$ 533,044	\$ 227,076	\$ 133,385
Cathedral City	12%	Not Available	Not Available	Not Available	Not Available	Not Available
Indio	13%	\$ 8,384,394	\$ 7,983,893	\$ 5,063,380	\$ 2,002,367	
La Quinta	10%	\$ 6,415,354	\$ 7,144,654	\$ 6,213,353	\$ 2,851,145	\$ 3,489,726
Palm Desert	11%	\$ 2,779,019	\$ 2,658,504	\$ 1,894,641	\$ 1,286,291	\$ 2,141,351
Palm Springs	13.5% Group Hotels & 11.5% All others	\$ 18,049,944	\$ 20,571,177	\$ 18,015,576	\$ 8,648,689	\$ 9,276,352
Rancho Mirage	10%	STR BAN	\$800,000-\$1M	\$800,000-\$1M	\$800,000-\$1M	\$800,000-\$1M
Desert Hot Springs	12%	\$ 1,519,824	1,103,508	676,700	277,510	
Indian Wells	12.25%	\$ 285,394	287,408	171,091	133,174	

Table 3: Coachella Valley Short-term rental revenues FY22/23



Updates to Coachella Short-term rental program

The staff is actively considering enhancements to the City's short-term rental (STR) ordinance and permitting procedures. Updates that City staff are exploring include:

- Increase the STR permit fee with a nexus to administration of STR program including revenue collection, permitting, monitoring and enforcement.
- Tiered system for STR permit fees that distinguishes between local homeowners and investors
- Establishing comprehensive STR regulations
- Modification of transit occupancy tax
- Strengthening STR enforcement mechanisms
- Engaging a third-party vendor to monitor STR activities within the city.
- Establishment of a STR website

City staff is planning a City Council study session to report on the status of the City's STR program, potential updates and report on Planning Commission feedback from this Planning Commission study session.

Attachments:

1. C.M.C. Chapter 5.80 Regulation of Short-term Vacation Rentals
2. Comparison of Coachella Valley City Short-Term Vacation Rental programs

3. Short-Term Rental Permit Locations 2023
4. Coachella Valley Cities by percentage of second homes 2020