



August 5, 2025

Honorable Maria Hernandez
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Subject: Response to Orange County Grand Jury Report, *Long-Term Solutions to Short-Term Rentals*

Dear Judge Maria Hernandez:

The City of La Palma has reviewed the Orange County Grand Jury Report, *Long-Term Solutions to Short-Term Rentals*. In compliance with the California Penal Code section 933.05(a) and (b), the City has responded to each of the findings and recommendations directed to the City in this report. Each finding and recommendation is listed below, followed by the City's response.

The Grand Jury report outlined twelve findings, 10 of which applied to La Palma:

1. F1 - Despite the increasing media coverage on Online Booking Agencies (OBAs), STRs are not a new phenomenon in Orange County.

The City of La Palma agrees with this finding.

2. F2 - The steady growth of STR usage in the last decade raises concerns of potential public nuisance.

The City of La Palma agrees with this finding.

3. F5 - Even with robust Code Enforcement, a city's statutory ban on STRs is not enough to keep STRs from operating.

The City of La Palma agrees with this finding.

4. F6 - Direct remittance of taxes by OBAs does not capture all TOT for an STR because of direct booking practices.

The City of La Palma agrees with this finding.

5. F7 - Some cities in Orange County have outdated systems for tracking short-term rental TOT making the process less effective and more difficult for staff.

The City of La Palma agrees with this finding.

6. F8 - In some cases, STRs are improperly recharacterized as long-term rentals to circumvent the collection of TOT and any applicable penalties.

The City of La Palma agrees with this finding.

7. F9 - Online Booking Agencies in foreign languages are outside the current capabilities of Code Enforcement to monitor and track unpermitted STRs.

The City of La Palma agrees with this finding.

8. F10 - Cities that fail to routinely review their STR waiting lists potentially lose TOT revenue and contribute to a greater prevalence of unpermitted STRs.

The City of La Palma agrees with this finding. At present, the City does not have a waiting list for STRs and routinely reviews active permits on an annual basis.

9. F11 - Locations that have hosted major events have reported an outsized increase in demand and pricing of STRs, a situation Orange County is likely to experience with the upcoming 2026 Los Angeles World Cup and 2028 Los Angeles Olympics.

The City of La Palma agrees with this finding.

10. F12 - City leaders have no regular communication with each other concerning STR issues, limiting opportunities to develop strategies and expertise to improve service.

The City of La Palma agrees with this finding.

The Grand Jury report also outlined nine recommendations, nine of which applied to La Palma. Cities were advised to:

1. R1 - Review and begin to update ordinances to keep up with the rapidly changing nature of court findings and legislation related to STRs, by December 31, 2025, and no less frequently than every three years thereafter.

This recommendation will be partially implemented. The City of La Palma adopted its STR ordinance on August 2, 2022. In the past three years, only nine (9) STR permits have been issued. Given the City's limited staff and low demand for STRs, the City will consider reviewing and updating its ordinance by December 31, 2026.

2. R2 - Consider developing a plan for upcoming major events that are expected to create a surge in demand for STRs and its associated Transient Occupancy Tax, by December 31, 2025, and no less frequently than every two years thereafter.

This recommendation will be implemented at a staff level with monitoring and coordination through Code Enforcement staff.

3. R3 - Cities that allow STRs should evaluate the benefit of ordinances facilitating Voluntary Collection Agreements requiring OBAs to submit TOT directly, by June 30, 2026.

This recommendation will be implemented.

4. R4 - Cities that allow STRs should evaluate the benefit of collecting TOT on a monthly basis by individual property, by June 30, 2026.

This recommendation will be implemented.

5. R5 - Cities should require STRs to include the number of days rented per month per permit to facilitate short-term rental TOT desk audits by November 30, 2025.

This recommendation will be implemented.

6. R6 - Cities with a permit waiting list should implement strategies to remove non-revenue-generating licenses to allow for fair access by December 31, 2025, and annually thereafter.

This recommendation will not be implemented because the City of La Palma does not have a permit waiting list.

7. R7 - Cities that allow STRs should consider allocating resources to update their short-term rental TOT tracking systems by September 30, 2026.

In August 2024, the City of La Palma implemented an online permitting portal to streamline STR fee collection and TOT registration processes.

8. R8 - Cities that allow STRs should consider random multi-year audits to confirm TOT by June 30, 2026, and annually thereafter.

This recommendation will be implemented.

9. R9 - Have regular discussions with each other to share STR management strategies on a biannual basis commencing no later than January 1, 2026.

This recommendation will be implemented. Commencing January 1, 2026, and occurring at least biannually, the City's Economic Development/Land Use Ad-Hoc Committee comprised of two La Palma City Council members and City staff will be given the opportunity to discuss STR management strategies in conjunction with updates on Code Enforcement.

Sincerely,



Mark I. Waldman
Mayor