



August 14, 2025

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

RE: Response to the 2024-2025 Orange County Grand Jury Report entitled Long-Term Solutions to Short-Term Rentals.

Dear Judge Hernandez:

In accordance with Penal Code 933.05 (a) and (b), the City of Dana Point submits the following response to the report, findings, and recommendations of the 2024-2025 Orange County Grand Jury report entitled *Long-Term Solutions to Short-Term Rentals*.

Short-Term Rentals (STRs) have been a topic of discussion in Dana Point for many years, frequently addressed at various community and City Council meetings. Since 2017, the City has also included STR-related questions in its statistically valid, biennial community survey, conducted by a professional third-party agency. Throughout that time, concerns about STR's have consistently ranked low among residents, with only 4% of respondents in the 2024 survey identifying them as an issue.

In November 2024, voters considered Measure T, a citizen-led initiative to repeal the City's existing ordinance and adopt a more restrictive Short-Term Rental code. Measure T was decisively rejected by voters, with 64% voting "No" — a clear indication that residents are generally satisfied with the City's management of its short-term rental program.

Findings by the Orange County Grand Jury

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

The City agrees with the finding.

The City acknowledges that STRs (30 days or fewer) have been in existence for decades.

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

The City agrees with the finding.

The City has made several updates to its municipal code in order to build a robust compliance framework involving clear regulations, proactive monitoring, third-party support, technology advancements and coordination across the Community Development Department, Code Enforcement, and the Orange County Sheriff's Department (OCSD) to minimize potential nuisances.

F5: Proactive home inspections of new and renewing STRs, which have been implemented in some Orange County cities, improve code enforcement and STR compliance with city ordinances.

The City agrees with the finding.

All permitted STRs within Dana Point undergo an inspection using a comprehensive checklist prior to permit issuance and renewal, covering health and safety, property maintenance, and good neighbor policies.

F6: Direct remittance of taxes by Online Booking Agents does not capture all Transient Occupancy Tax (TOT) for an STR because of direct booking practices.

The City agrees with the finding.

The City of Dana Point's current municipal code does not permit or require OBAs to remit TOT on behalf of Short-Term Rental operators; this responsibility remains with the operators. The City has explored potential arrangements with OBAs; however, OBAs make it difficult, if not impossible, to obtain supporting documentation such as property addresses, number of nights booked, or room rates needed for the City to reconcile and confirm accurate remittance. The City has also consulted with other agencies that receive TOT collections directly from OBAs, and it was confirmed that no supporting documentation is provided to tie the payments to specific properties or transactions. In addition, OBAs do not capture all taxable transactions for short term rentals. Many operators accept direct bookings, repeat guest reservations, or alternative payment arrangements outside of OBA platforms, bypassing the OBA's collection process. For these reasons the City only accepts payment and required remittance information directly from operators.

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 Dana Point partially disagrees with the finding and does not have sufficient knowledge or information to reach a conclusion regarding other Orange County jurisdictions.

The City uses GovOS' MuniRevs platform for Short-Term Rental TOT remittance and tracking. While the platform has limitations, it is functional - allowing operators to file and remit TOT

online and enabling staff to review filings, monitor compliance, and generate reports. Certain reporting and integration features could be enhanced; however, the system currently meets the City's needs, reduces administrative burden, and equips staff with tools to identify and address noncompliance. As these programs and technology evolve, the City is exploring other collection platforms that may offer improved functionality and better meet its operational and reporting needs.

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

The City agrees with the finding.

The City has deployed software that targets STR operators who advertise rentals as 30+ day stays during the week but switch to short-term listings over the weekend. This platform tracks these advertisements in real time, logs changes, and captures associated reviews, providing staff with actionable evidence to justify enforcement actions. This has led to the City issuing 65 violations and 17 citations within the first several months of deployment.

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

The City disagrees with this finding.

The City is not currently aware of foreign-language booking platforms marketing unpermitted STRs in Dana Point but will continue to enhance its enforcement efforts to keep up with the ever-changing industry marketing tactics.

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 Dana Point agrees with the finding.

The City of Dana Point actively manages the waiting list for STRs and monitors properties on the list to ensure unpermitted STR activity is not occurring.

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 disagrees wholly or partially with the finding. The City lacks knowledge and information sufficient to reach this conclusion.

The City does acknowledge the need for pro-active monitoring with evening and weekend code enforcement patrols during peak season and when significant community events, such as the Ohana Music Festival, are taking place.

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 disagrees wholly with the finding.

City staff regularly participate in regional roundtable forums where issues such as STRs are addressed, particularly in collaboration with the South Orange County Code Enforcement Divisions. Additionally, staff attend training sessions and seminars organized by professional organizations and engage with staff from similar jurisdictions to share insights. Over the past five years, the City Council has held 11 discussions on STRs during regular meetings. The Council also receives biannual updates from staff on the status of STRs, including the number of permit-holders, the waitlist, citations issued, violations, patrols, and additional monitoring data.

Response to Recommendations

R1: Cities should 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. (F4, F12)

The recommendation has been implemented.

The City Council receives a biannual update on STRs in Dana Point. The California Coastal Commission reviews the ordinance every 3 years.

R2: Cities should 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. (F11)

This recommendation has been implemented.

The City conducts pro-active monitoring with evening and weekend patrols during peak season and when significant community events, such as the Ohana Music Festival are taking place.

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. (F4, F12).

This recommendation will be evaluated.

The City agrees in principle that ordinances facilitating Voluntary Collection Agreements (VCAs) with OBAs could streamline TOT administration if supporting documentation such as property identifiers, booking dates, and room rates were provided with remittances. However, cities with ordinances requiring OBA collections have not necessarily been successful in obtaining the documentation needed for reconciliation. The City will continue to engage with OBAs to determine if there have been any changes in practices regarding the provision of detailed short-term rental data to support TOT collections. VCAs would not address bookings that occur off platform, which would still require operator self-reporting to capture all taxable transactions.

R4: Cities that allow STRs should evaluate the benefit of collecting TOT on a monthly basis by individual property, by June 30, 2026. (FI, FB).

This recommendation will be evaluated.

The City will evaluate the feasibility and potential benefits of monthly TOT collections by individual property by June 30, 2026, including measures to address the current concerns with this approach. The City agrees in principle that monthly collections could improve compliance monitoring and revenue tracking. However, the seasonality of short term rental activity makes quarterly remittance more practical, as most TOT revenue is generated during peak tourist seasons, with little or no activity occurring in many months. Monthly reporting during low activity periods would likely provide limited additional oversight while increasing administrative workload for both operators and City staff.

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. (FI, FB).

The City has implemented this recommendation.

The City already requires Short Term Rental operators to report the number of days or stays associated with each permit as part of their quarterly TOT remittance. The City will maintain this practice and make any necessary refinements to ensure accurate and consistent reporting, in alignment with the November 30, 2025 timeframe.

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. (FI, F10).

The recommendation has been implemented.

The City has adopted an ordinance granting the authority to deny renewal of permits for holders who are inactive.

R7: Cities that allow STRs should consider allocating resources to update their Short Term Rental TOT tracking systems by September 30, 2026. (FL, FB, F10).

The recommendation will be implemented.

The City currently uses GovOS for tracking Short-Term Rental Transient Occupancy Tax (TOT), but is exploring alternative systems that may provide improved functionality and integration. Recently, the City's Code Enforcement Division implemented new technology that monitors online STR marketing and also offers TOT collection and tracking capabilities. The City's goal is to consolidate both enforcement and TOT administration within the same platform to improve efficiency, data accuracy, and compliance monitoring, with the aim of implementing any system updates prior to September 30, 2026.

R8: Cities that allow STRs should consider random multi-year audits to confirm TOT by June 30, 2026, and annually thereafter. (F6, F7, F8).

The recommendation will be implemented.

The City is planning to transition to a new platform for TOT administration. This platform will enhance the City's ability to conduct comprehensive audits, including random multi-year audits, to confirm compliance.

R9: City leaders should have regular discussions with each other to share STR management strategies on a biannual basis commencing no later than January 1, 2026. (F12).

The recommendation has been implemented.

City Council receives biannual reports on STR status and City staff will continue to discuss STR strategies with other cities, attend regular roundtable forums where STRs are discussed, and attend educational seminars on the subject.

Should you have any questions, please contact kreenders@danapoint.org.

Respectfully Submitted,



Michael A. Killebrew

City Manager

City of Dana Point, CA

c: Orange County Grand Jury