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August 15, 2025

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

**RE: City of San Juan Capistrano Response to Orange County Grand Jury Report Entitled
“Long-Term Solutions to Short-Term Rentals”**

Dear Honorable Judge Hernandez:

Please accept this letter as the City of San Juan Capistrano’s response to the applicable findings and recommendations in the Grand Jury report entitled “Long-Term Solutions to Short-Term Rentals.”

The report identifies the City of San Juan Capistrano as a jurisdiction that allows Short-Term Rentals (STRs). Please note that STRs are *prohibited* in all Single-Family Residential zones and are only permitted within the City’s Multi-Family Residential and Very High-Density Residential zones. These two zones represent a small portion of the community, and there are currently no active STRs operating within these two zones. Applicants seeking to operate a STR in a permitted zone must obtain a business license, which includes information regarding the nature and duration of the rental activity.

The City of San Juan Capistrano is required to respond to Findings F1, F2, F5, F6, F7, F8, F10, F11, F12, and Recommendations R1 through R9. Each of the applicable findings and recommendations are listed below in italics, followed by the City’s response.

FINDINGS

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

The City of San Juan Capistrano agrees with this finding.

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

The City of San Juan Capistrano agrees with this finding.

- 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.*

Based on the information provided in the report, the City of San Juan Capistrano agrees that proactive inspections of new and renewing STRs improve compliance with city ordinances. However, the City has not implemented this policy since there have been no new or renewing STRs within San Juan Capistrano. The City has not independently verified what practices other cities in Orange County have implemented.

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

The City of San Juan Capistrano acknowledges that Transient Occupancy Tax (TOT) remitted directly by Online Booking Agencies (OBAs) may not capture all STR-related tax revenue due to direct booking practices that bypass these platforms. At this time, the City has not implemented mechanisms to track or verify TOT from direct bookings, since there has been very limited STR activity within the city.

- 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.*

Based on the information provided in the report, the City of San Juan Capistrano agrees that updating systems for tracking STRs and transient occupancy tax (TOT) would improve the efficiency of the process and make it easier for staff to manage. However, the City has not independently verified the systems used by other cities in Orange County and has not yet implemented any system for STR and TOT tracking since there has been very limited STR activity within the city.

- 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 San Juan Capistrano agrees that, in some cases, STRs may be improperly recharacterized as long-term rentals in an effort to circumvent the collection of TOT and any applicable penalties.

- 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 San Juan Capistrano acknowledges the importance of effectively managing STRs to ensure compliance and capture potential revenue. However, the City does not maintain a waiting list for STR permits because there has been very limited STR activity within the city.

- 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 San Juan Capistrano agrees that large international events increase demand for STRs in the area where the events occur.

- 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 San Juan Capistrano disagrees with this finding. Elected officials and staff from agencies throughout the county regularly engage in communication with each other on a variety of topics, including issues related to STRs.

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.*

This recommendation has already been implemented, as the City is continually reviewing its ordinances in response to new legislation, case law and market trends. The City of San Juan Capistrano is committed to complying with all applicable state laws and court rulings related to STRs. The City will continue to monitor legislative developments and court decisions and will adapt its practices and policies accordingly.

- 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 TOT, by December 31, 2025, and no less frequently than every two years thereafter.*

This recommendation has already been implemented, as City staff is actively engaged in conversation with neighboring agencies regarding potential event and training venues associated with the Olympics as well as opportunities to accommodate visitors who come to the region and require lodging.

- 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.*

Given the very limited amount of STR activity in the city, this recommendation will not be implemented, as it is not warranted.

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

Given the very limited amount of STR activity in the city, this recommendation will not be implemented, as it is not warranted. Should the City see an increase in STRs, staff would evaluate options for collecting TOT.

- 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.*

Given the very limited amount of STR activity in the city, this recommendation will not be implemented, as it is not warranted. Should the City see an increase in STRs, staff would explore auditing the TOT process.

- 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.*

Given the very limited amount of STR activity in the City, this recommendation will not be implemented, as it is not warranted. There is no permit waiting list.

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

Given the very limited amount of STR activity in the city, this recommendation will not be implemented, as it is not warranted. Should the City see an increase in STRs, staff would evaluate options for TOT tracking.

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

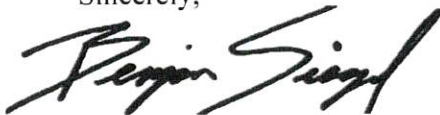
Given the very limited amount of STR activity in the city, this recommendation will not be implemented, as it is not warranted. Should the City see an increase in STRs, staff would explore TOT auditing options.

- 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.*

This recommendation has been implemented. Elected officials and City staff regularly communicate with each other on a variety of policy issues to discuss best practices and share information. This includes discussion of issues involving STRs.

Thank you for the opportunity to respond to the Grand Jury report. If you have any questions, please feel free to contact me at (949) 443-6314.

Sincerely,



Benjamin Siegel
City Manager

cc: Orange County Grand Jury, 700 Civic Center Drive West, Santa Ana, CA 92701
San Juan Capistrano City Council