



CITY COUNCIL AGENDA REPORT

City of Anaheim PLANNING AND BUILDING DEPARTMENT

DATE: AUGUST 12, 2025

FROM: PLANNING & BUILDING DEPARTMENT

SUBJECT: RESPONSE TO ORANGE COUNTY GRAND JURY REPORT ENTITLED "LONG-TERM SOLUTIONS TO SHORT-TERM RENTALS" AND DIRECTION TO CITY MANAGER TO SUBMIT REPORT TO PRESIDING JUDGE OF THE ORANGE COUNTY SUPERIOR COURT

ATTACHMENT (Y/N): YES

ITEM # 08

GOVERNMENT CODE § 84308 APPLIES: NO

RECOMMENDATION:

That the City Council, by Motion, approve response to the 2024-2025 Orange County Grand Jury report titled, "Long-Term Solutions to Short-Term Rentals," and authorize the City Manager to execute a letter and forward the response to the Presiding Judge of the Orange County Superior Court, pursuant to California Penal Code Section 933(c).

BACKGROUND:

A Short-Term Rental (STR) is defined by the Grand Jury Report as occupancy of a residence such as a home or apartment for fewer than 30 days. The Grand Jury Report explored how cities are managing STRs and provided recommendations to enhance regulatory and operational practices.

CITY RESPONSE OBLIGATIONS:

The Grand Jury report made twelve findings and nine recommendations applicable to various Orange County cities, including Anaheim. Each governing body has 90 days to respond following the publication of the Grand Jury Report pursuant to California Penal Code Section 933.

GRAND JURY FINDINGS, RECOMMENDATIONS AND CITY'S RESPONSE:

The City's response to each applicable finding and recommendation is provided below and in Attachment 2.

Findings

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

City Response to F1: Anaheim agrees with this finding, noting that OBAs are identified as online travel companies (OTC) in the City's nomenclature.

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

City Response to F2: Anaheim partially disagrees with this finding, noting that the potential for public nuisance exists when STRs are not properly managed and/or not operating in compliance with City regulations.

F4: Anaheim's ordinance requires OBAs to report Transient Occupancy Tax (TOT) directly to the city. This has led to the favorable consequence that unpermitted STR income is reported to the city.

City Response to F4: Anaheim partially disagrees with this finding. While Anaheim has not yet audited OTCs for compliance with its TOT Code, changes to that Code that became effective in 2023 require OTCs to remit TOT based on all fees and charges charged to the guest. Audits of OTCs have been scheduled to begin after July 1, 2025. The audit could also identify any TOT income received from unpermitted STRs, and Anaheim will address this issue separately.

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.

City Response to F5: Anaheim agrees with this finding.

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

City Response to F6: Anaheim partially disagrees with this finding. While Anaheim has not yet audited OTCs for compliance with its TOT Code, changes to that Code that became effective in 2023 require OTCs to remit TOT based on all fees and charges charged to the guest. Audits of OTCs have been scheduled to begin after July 1, 2025.

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.

City Response to F7: Anaheim partially disagrees with this finding, noting while improvements have been implemented in Anaheim, the City lacks knowledge regarding other Orange County cities.

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

City Response to F8: Anaheim disagrees with this finding, noting that the City has no evidence that STRs are recharacterizing to long term rentals to avoid TOT.

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

City Response to F9: Anaheim agrees with this finding.

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.

City Response to F11: Anaheim partially disagrees with this finding, noting that the City lacks knowledge and sufficient information to reach this conclusion.

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

City Response to F12: Anaheim partially disagrees with this finding, noting that City staff and leadership have regular forums where topics such as STRs can be discussed, acknowledging that Orange County cities also vary in their regulatory frameworks.

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)

City Response to R1: At the general municipal election in November 2022, the voters of Anaheim passed Measure J, which updated the City's Code to capture previously-under-reported TOT by OTCs. With this modernization, Anaheim believes its Code reflects the current STR environment, but it will continue to monitor its Code and make changes as appropriate.

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)

City Response to R2: The recommendation will not be implemented as Anaheim has a cap on the number and location of permitted STRs.

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)

City Response to R3: Anaheim evaluated the use of Voluntary Collection Agreements prior to placing Measure J on the ballot and determined it was preferable to codify the requirement that OTCs directly submit TOT to the City, obviating the need for such agreements.

R4: Cities that allow STRs should evaluate the benefit of collecting TOT on a monthly basis by individual property, by June 30, 2026. (F7, F8)

City Response to R4: Anaheim historically and currently requires TOT to be reported on a monthly basis.

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. (F7, F8)

City Response to R5: Implemented with TOT Guidelines beginning July 1, 2025.

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. (F7, F10)

City Response to R6: This recommendation will not be implemented as Anaheim has a cap on the number and location of permitted STRs, and as such has no waiting list, therefore this recommendation is not applicable.

R7: Cities that allow STRs should consider allocating resources to update their short-term rental TOT tracking systems by September 30, 2026. (F7, F8, F10)

City Response to R7: This recommendation will not be implemented because the City's existing system already tracks TOT for short-term rentals effectively.

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

City Response to R8: Anaheim conducts audits of STRs to confirm that TOT is being accurately reported. These audits cover rental operations from the time registration was granted. The extent of the audit procedures varies based on the initial assessment and ranges from basic desk review to comprehensive full score-audit.

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)

City Response to R9: Will be implemented, noting that City staff and leadership will participate in discussions, as appropriate.

CONCLUSION:

The Grand Jury's Report and the proposed response to the Presiding Judge of the Superior Court are attached for the City Council's review. Upon approval, the City Attorney's Office will submit the proposed response letter to the Presiding Judge of the Superior Court, as required by Penal Code Section 933(c).

IMPACT ON BUDGET:

There is no budgetary impact as a result of responding to this Grand Jury Report.

Respectfully submitted,

Heather Allen
Planning and Building Director

Attachments:

1. Orange County Grand Jury Report
2. Proposed Letter to the Presiding Judge