



## Staff Report

**TO:** Honorable Mayor and Members of the City Council  
**FROM:** Kari Mendoza, Interim Deputy City Manager  
**BY:** Darron Usher, Principal Management Analyst  
**DATE:** May 5, 2026  
**SUBJECT:** Follow-Up Discussion – Short-Term Rental Program Management Options

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**Description:** This item is brought forward as a follow-up to prior City Council direction regarding short-term rentals (STRs) to present three program management options for consideration, including associated costs, staffing impacts, and operational considerations.

### **Background and Analysis:**

On March 3, 2026, City Council reviewed initial data and policy considerations related to STR activity, including potential Transient Occupancy Tax (TOT) revenue and the need for a regulatory framework should the City choose to move forward.

Key findings from that report included:

- Approximately 52 unique STR units operating within or near the City
- Estimated annual gross revenue of approximately \$1.09 million
- Potential TOT revenue between \$75,000 and \$109,000 annually
- The need for registration, compliance, and enforcement mechanisms if regulation is implemented

Additionally, recent state legislation (SB 346) allows local jurisdictions to require STR platforms to provide data necessary to support TOT collection, strengthening the City's ability to implement a compliant program.

At this time, the City does not regulate STRs and does not collect TOT on these activities. As a result, the City is currently not capturing potential revenue and does not have visibility into STR operations occurring within the community.

Based on prior Council direction, staff evaluated three approaches to implementing and managing an STR program. The primary difference between these options is the level of City involvement, cost, and ability to capture and enforce compliance across all STR activity.

## **Program Management Options**

### **Option 1: Internal Management (City-Operated Program)**

Under this approach, the City would manage all aspects of the STR program, including registration, compliance monitoring, enforcement, and TOT collection.

- **Estimated Annual Cost: ~\$31,200**
- **Includes:**
  - Staff time across multiple departments
  - STR software (e.g., Granicus)

#### **Considerations:**

- Provides full control over policy and enforcement
- Requires ongoing staff resources and coordination
- May impact existing workload, particularly in Code Enforcement and Administration

### **Option 2: Fully Outsourced (Consultant-Managed Program)**

Under this approach, the City would contract with a third-party provider to manage the STR program, including compliance monitoring, registration, reporting, and tax collection support.

- **Estimated Annual Cost (Year 1): ~\$16,000**
- **Includes:**
  - Compliance monitoring and rental activity reporting across multiple platforms
  - STR registration portal and tax payment system
  - Dedicated account management and reporting tools

#### **Considerations:**

- Reduces internal staff workload significantly
- Provides industry expertise and automated compliance tools across all platforms
- Allows for collections of registration fees and enforcement of violations
- Annual cost escalation anticipated (~10%)

### **Option 3: Hybrid Approach (City Oversight with Platform-Based Tax Collection)**

Under this approach, the City would enter into an agreement with a platform such as Airbnb to collect and remit TOT on the City's behalf for bookings made through that platform, while maintaining overall program oversight.

Through this agreement, Airbnb would assume responsibility for collecting and remitting TOT directly from guests for bookings made on its platform, at the City's established rate (currently 10%), and provide aggregate reporting to the City.

- **Estimated Annual Cost (Year 1):** ~\$0
- **Includes:**
  - Airbnb collects and remits TOT on its platform
  - City maintains policy oversight and limited administrative involvement

#### **Considerations:**

- Minimal staff effort and no direct collection costs
- Captures revenue only from Airbnb bookings
- Does not include other platforms or direct rentals
- Limited access to detailed data due to privacy restrictions
- May result in missed revenue from non-participating platforms and reduced enforcement visibility

#### **Program Considerations and Direction**

The key decision for the City Council is determining the level of program oversight and revenue capture desired.

- If the goal is to **establish a comprehensive and enforceable program**, Option 2 provides the most complete approach, capturing activity across multiple platforms while minimizing staff burden.
- If the goal is to **implement a low-effort solution and begin capturing some revenue**, Option 3 provides a streamlined approach, but with limited coverage and reduced visibility into overall STR activity.
- Option 1 provides full control but requires the greatest internal resources and ongoing staff commitment.

If Council elects to move forward with STR regulation, staff will return with a draft ordinance and proceed with the appropriate procurement or agreement process based on the selected option.

#### **Fiscal Impact:**

The estimated cost of preparing this staff report is \$300.

Ongoing program costs will vary based on the option selected:

- **Option 1 (Internal):** ~\$31,200 annually
- **Option 2 (Outsourced):** ~\$16,000 annually (Year 1, subject to increases)

- **Option 3 (Hybrid):** No costs to the City; potential loss in revenue gained from registration and late fee collection.

The source to purchase this software would initially be City Manager Contingency. If we continue this program and are satisfied with the software after Year 1, we can then program the costs into the budget.

These costs may be partially or fully offset by potential TOT revenue, estimated between \$75,000 and \$109,000 annually based on prior analysis moving forward.

**Recommended Action:**

To select one of the options provided to Council and direct staff to move forward with the development of a Short-Term Rental Ordinance; or

Provide staff with alternate directions.

**Attachments:**

- A. Option 1 and Option 2 Cost Breakdown
- B. Agreement with Airbnb