

Policy Considerations for Short-Term Rental Properties

Study Session

July 15, 2025

Short-Term Rentals Overview



- Defined as the a residential dwelling, a dwelling unit, or a room in a dwelling, that is available for rent or to rent (by way of a rental agreement, lease, license or any other means, whether oral or written) for less than 30 consecutive days, for compensation or any consideration.
- Current Municipal Code
 - Section 20.71.030 (Short-Term Residential Rentals)
 - It shall be unlawful for any person to offer or make available for rent or to rent (by way of a rental agreement, lease, license, or any other means, whether oral or written), for compensation or any consideration, a residential dwelling, a dwelling unit or a room in a dwelling for less than thirty (30) consecutive days.
 - Adopted by City Council on September 04, 2018

City Budget and Council Priorities



- FY 25-27 City Council Top Priorities and Projects
 - Identify creative ways to enhance City revenues and reduce costs
- City Council Budget Adoption Workshop on June 17
 - Explore new business opportunities such as short-term rentals
- Upcoming Opportunities
 - DisneylandForward
 - FIFA World Cup 2026
 - 2028 Olympics
 - OCVibe

Policy Considerations



Option A: Status Quo	Option B: Allow STRs with a permit cap	Option C: Allow STRs with no permit cap	Option D: Allow STRs with a permit cap and expanded regulations	Option E: Allow STRs with no permit cap but with expanded regulations	Option F: Complete prohibition of STRs
Maintain current prohibition of STRs for stays of 30 days or less	Establish new ordinance allowing for STRs	Establish new ordinance allowing for STRs	Establish new ordinance allowing for STRs	Establish new ordinance allowing for STRs	Update ordinance to prohibit all STRs regardless of stay duration
	Determine a max number of permits for issuance	Infinite number of permits for issuance	Determine a max number of permits for issuance	Infinite number of permits for issuance	
	Core Regulations	Core Regulations	Expanded Regulations	Expanded Regulations	

Consideration of Staff Recommended Regulations



Core Regulations – Included with Option D	Expanded Regulations – Included with Option D
<ul style="list-style-type: none">- Maintaining an active business license	<ul style="list-style-type: none">- Permit Fee: \$1,000- Permits are non-transferrable to new property owner(s)
<ul style="list-style-type: none">- Submitting an STR application and paying a TBD fee	<ul style="list-style-type: none">- <u>Host Requirements:</u><ul style="list-style-type: none">- Must be available by phone within 30 minutes should an issue arise- Host must own the property; no renters can host- Must be free of any building violations and code enforcement issues for over 1 year- Homeowner Association approval – if applicable
<ul style="list-style-type: none">- Passing a home inspection	<ul style="list-style-type: none">- <u>Guest/Occupant Requirements:</u><ul style="list-style-type: none">- 25 Years or Older- Parking<ul style="list-style-type: none">- On-site only; no overnight street parking allowed- Guest license plate(s) must be given to property owner- Two-night stay, minimum
<ul style="list-style-type: none">- Paying Transient Occupancy Tax (TOT)	<ul style="list-style-type: none">- <u>Ineligible Units</u><ul style="list-style-type: none">- Affordable Housing Units- Accessory Dwelling Units (ADUs)

Consideration of Regulations



Regulations Necessitating Council Direction - For Option D

- Permit Limit
 - Maximum number of permits for issuance
- Distance between short-term rental properties
- Approval authority
- Revocation Criteria
- Limitations on the number of permits issued per property owner
- Number of days property is available to rent
 - Seasonal (180 Days) vs Annual (365 Days)

Revenue Projections: Transient Occupancy Tax



Number of Permits	180 Days – 60% Occupancy	180 Days – 100% Occupancy	365 Days – 60% Occupancy	365 Days – 100% Occupancy
50 Permits	\$125,550	\$209,250	\$254,588	\$424,313
100 Permits	\$251,100	\$418,500	\$509,175	\$848,625
150 Permits	\$376,650	\$627,750	\$763,763	\$1,272,938
200 Permits	\$502,200	\$837,000	\$1,018,350	\$1,697,250

*Average Cost of Two-Night Stay in Brea: \$465

**Total TOT Revenue = Number of Units x (Stays for Unit x Occupancy Rate) x Average Cost of Stay x TOT Rate

***TOT Rate: 10% (Current Rate)

Orange County Grand Jury Report



- Report issued on May 16

Long Term Solutions to Short-Term Rentals: City of Brea

<u>Findings</u>	
F1: Despite increasing media coverage of Online Booking Agencies (OBAs), STRs are not a new phenomenon in Orange County.	F3: Even with robust Code Enforcement, a city’s statutory ban on STRs is not enough to keep STRs from operating.
F2: The steady growth of STR usage in the last decade raises concerns of potential public nuisance.	F4: City leaders have no regular communication with each other concerning STR issues limiting opportunities to develop strategies and expertise to improve service.

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Long Term Solutions to Short-Term Rentals: City of Brea

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

- R3:** 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.

Proposed Timeline of Next Steps



- **July 2025** - Introduction of STR Policy Considerations
- **September/October 2025** - Planning Commission review of draft Ordinance/recommendation to the City Council
- **November/December 2025** - City Council review/First reading of the Ordinance
- **December 2025/January 2026** - City Council Adoption of the Ordinance
- **February 2026** - STR Ordinance Effective
 - 30 days from the adoption date

Questions and City Council Direction

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