



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 25-382

Meeting Date: 8/5/2025

TITLE:

RESPONSE TO ORANGE COUNTY GRAND JURY REPORT- LONG TERM SOLUTIONS TO SHORT-TERM RENTALS

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: JAY BARKMAN, GOVERNMENT AFFAIRS MANAGER

CONTACT INFORMATION: JAY BARKMAN, GOVERNMENT AFFAIRS MANAGER, 714-754-5347

RECOMMENDATION:

Staff recommends the City Council approve the draft letter to the Presiding Judge of the Superior Court (Attachment 1) with responses to Findings 1, 2, 3, and 12, and Recommendations 1, 2, and 9 in the Orange County Grand Jury Report titled, "Long Term Solutions to Short-Term Rentals."

BACKGROUND:

On May 16, 2025, the City received a copy of the 2024-2025 OC Grand Jury Report titled "Long Term Solutions to Short-Term Rentals" (Attachment 2). The report outlines the status and obstacles for Cities in responding to the growth in Short-Term Rentals (STRs) and seeks to identify best practices that City Councils and Planning Departments may implement to manage STRs with Findings and Recommendations. The Grand Jury report was released to the public on May 22, 2025 and a response is due by the August 20, 2025 to the Presiding Judge of the Orange County Superior Court.

The Grand Jury report provides an overview of strategies used by cities to permit STRs, collect fees, and code enforcement tools. Of the 34 cities in Orange County, the report states that 19 cities have a policy to ban STRs, including Costa Mesa, and 15 have a policy to allow them in some form. In fact, Costa Mesa allows "home-sharing," which requires the owner of the residence to be on site during the term of the rental. It is unclear how the grand jury defined a policy as banning STRs.

The City of Costa Mesa adopted an interim ordinance on November 10, 2020, to address the impacts of STRs on housing availability that worsened during the COVID-19 pandemic. A permanent ordinance was adopted on November 2, 2021, with a minor revision to allow for home-sharing.

ANALYSIS:

City staff have prepared the below draft responses to the findings and recommendations that were directed by the Grand Jury to the City of Costa Mesa.

Findings

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

City Response: The City agrees. Issues related to STRs date back to before the COVID-19 pandemic, when cities reacted to complaints focused on curfew and noise violations in residential neighborhoods. In 2020, federal and state pandemic restrictions on travel and social gatherings led to a growth in STRs as an alternative to restrictions enforced at hotels or other public spaces. That same year, Costa Mesa adopted its interim urgency ordinance in response to increasing complaints over noise, vandalism, gun-related incidents, parking violations, and disturbing the peace violations connected to STRs.

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

City Response: The City agrees. As stated in the City Council resolution adopting the interim ordinance on STRs, “the City has also begun experiencing an increase in the number of complaints related to these operations, which complaints have included noise, vandalism, gun-related incidents, including a drive-by shooting, parking violations, and disturbing the peace.”

These concerns led to the adoption of both the interim and permanent ordinance.

F3. Even with robust Code Enforcement, a city’s statutory ban on STRs is not enough to keep STRs from operating.

City Response: The City agrees. Robust code enforcement cannot achieve 100% compliance or prevention on issues of public nuisance. The City relies on multiple strategies to educate the public and provide quality alternatives for accommodations or hosting events besides seeking out a short-term rental. This includes promoting hotels and other spaces that can meet the various needs of conferences, business travelers, or family vacations. This is promoted through our travel and visitor partners at Travel Costa Mesa (<https://www.travelcostamesa.com>).

Additionally, local economic development groups such as the South Coast Metro Alliance and the Costa Mesa Chamber of Commerce encourage visitors to use local hotels for their stays or other events.

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: The City disagrees. The League of California Cities, Association of California Cities-Orange County (ACC-OC), and city leaders have been engaged in conversations at various levels on the impacts of STRs. In 2018, the ACC-OC convened a dedicated STR Working Group to explore best practices and potential policy approaches. The 2024 League of California Cities conference included an education session on code enforcement issues, including STRs. Also, the League of California Cities is sponsoring SB 346 to improve city enforcement of local ordinances related to STRs.

Lastly, earlier this year, the City considered the impacts of our ordinance on options for victims of the tragic Palisades and Alta-Dena fires. Fortunately, the City and Travel Costa Mesa were successful in directing residents from those affected areas to local hotels that provided rooms at a reduced rate to victims.

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.

City Response: The City reviews and tracks changes with federal and state laws or regulations to ensure all ordinances are compliant. This was evident in our 2021 update of the City's STR ordinance in response to Senate Bill 60 (Chapter 307, Statutes of 2021). The City is actively tracking legislation this year for impacts to the ordinance that may require revisions if signed into law.

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.

City Response: The City is actively engaged in planning for upcoming major events by coordinating with Travel Costa Mesa and local business groups. The City is experienced in preparing for visitors attending large events such as the annual Orange County Fair, NFL pre-season training camps, and conferences.

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.

City Response: The City agrees and is participating in those conversations currently with League of California Cities, Association of California Cities-Orange County, and other city partners.

ALTERNATIVES:

The City Council may decline to approve the proposed responses. However, failure to provide responses by the August 20, 2025, deadline will result in violation of California Penal Code sections 933 and 933.05. Staff does not recommend this option. The City Council could propose modifications to the responses. Staff will incorporate City Council recommendations in the City's response to the OC Grand Jury Report.

FISCAL REVIEW:

This item has no fiscal impact.

LEGAL REVIEW:

The City Attorney's Office has reviewed the draft responses and approves them as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goals:

- Strengthen the public's safety and improve the quality of life.
- Diversify, stabilize and increase housing to reflect community needs.

CONCLUSION:

Staff recommends the City Council approve the draft letter to the Presiding Judge of the Superior Court with responses to Findings 1, 2, 3, and 12, and Recommendations 1, 2, and 9 in the Orange County Grand Jury Report titled, "Long Term Solutions to Short-Term Rentals."