

# CITY OF PALM DESERT STAFF REPORT

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MEETING DATE: May 22, 2025

PREPARED BY: Carlos Flores, AICP, Interim Deputy Director Development Services

SUBJECT: INTRODUCE AN ORDINANCE AMENDING PALM DESERT MUNICIPAL CODE CHAPTER 5.10 SHORT TERM RENTALS, ADOPT A POLICY FOR SHORT-TERM RENTAL HARDSHIP EXTENSIONS FOR THE ESTATE RESIDENTIAL ZONE, AND MAKING A FINDING OF EXEMPTION UNDER CEQA

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## **RECOMMENDATION:**

1. Hold a public hearing and introduce an Ordinance entitled, “AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, UPDATING CHAPTER 5.10 SHORT-TERM RENTALS TO UPDATE REGULATIONS FOR THE ESTATE RESIDENTIAL (RE) ZONE AND MAKING A FINDING OF EXEMPTION UNDER CEQA.”
2. Adopt a Resolution entitled, “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ADOPTING A CONSOLIDATED POLICY FOR SHORT-TERM RENTAL HARDSHIP EXTENSIONS FOR THE TERMINATION AND AMORTIZATION OF SHORT-TERM RENTALS WITHIN THE HILLSIDE PLANNED RESIDENTIAL (HPR) AND ESTATE RESIDENTIAL (RE) ZONES”

## **BACKGROUND/ANALYSIS:**

### **Background on Short-Term Rental (STR) Updates**

Staff has met with the Ad Hoc City Council Short-Term Rental (STR) Subcommittee over the past six months to propose an update to Chapter 5.10 of the STR Ordinance. The attached ordinance reflects the outcome of those discussions and includes several key changes to Chapter 5.10 Short-Term Rentals as follows:

### **Key Ordinance Updates**

On October 10, 2024, the City Council adopted Ordinance No. 1417, which made it clear that STR rules for Planned Residential (PR) areas also apply to Hillside Planned Residential (HPR) areas. It confirmed that off-site STRs (where owner does not stay at the property during the rental) are only allowed in HPR zones if the property is in a Homeowners Association (HOA).

On April 17, 2025, the committee met again to review two new concerns:

1. Estate Residential (RE) Zone: A homeowner raised concern about large STRs on 1-acre lots in the RE zone. These large homes (such as 5-bedroom properties) were starting to feel more like mini-hotels and could change the quiet, residential feel of the neighborhood.

2. New HOAs in HPR Zones: Some were concerned that HOAs might be newly created just to allow off-site STRs in the HPR zone.

To address this, the committee suggested updating the RE zone STR rules to match those in the PR and HPR zones. They also recommended that only HOAs that existed as of October 2024 in the HPR zone can allow off-site STRs—not any created after that date. These changes mirror updates made in other parts of the STR code and reflect the City’s continued effort to ensure fair and consistent regulations across all zones

Below is a summary of proposed Ordinance changes (Attachment 1):

<b>Municipal Code Section</b>	<b>Current Ordinance</b>	<b>Proposed Ordinance</b>
<b>5.10.070 (A)(1)(a)</b> On-Site Short-Term Rentals	Allows on-site Short-Term Rentals in “Estate Residential District (RE)”	Allows on-site Short-Term Rentals in <b>“Estate Residential District (RE), except when governed by a Functioning HOA and the owner is prohibited under the current Declaration of Covenants, Conditions, and Restrictions (CC&amp;Rs) of the Functioning HOA to operate a short-term rental or prohibited by State law”</b>
<b>5.10.070 (B)(1)(a)</b> Off-Site Short-Term Rentals	Allows off-site Short-Term Rentals in “Estate Residential District (RE)”	Allows off-site Short-Term Rentals in <b>“Estate Residential District (RE), if governed by a Functioning HOA that is established and functioning as of June 30, 2025, and the owner is permitted under state law or the current Declaration of Covenants, Conditions, and Restrictions (CC&amp;Rs) of the Functioning HOA to operate a short-term rental”</b>
<b>5.10.070 (B)(1)(c)</b> Off-Site Short-Term Rentals	Allows off-site Short-Term Rentals in “Hillside Planned Residential District (HPR), if governed by a Functioning HOA and the owner is permitted under state law or the current Declaration of Covenants, Conditions, and Restrictions (CC&Rs) of the	Allows off-site Short-Term Rentals in <b>“Hillside Planned Residential District (HPR), if governed by a Functioning HOA that is established and functioning as of June 30, 2025, and the owner is permitted under state law or the current Declaration of Covenants, Conditions, and Restrictions (CC&amp;Rs) of the</b>

	Functioning HOA to operate a short-term rental”	<b>Functioning HOA to operate a short-term rental”</b>
<b>5.10.080</b> Off-Site Short-Term Rentals prohibited in HPR zone	“Off-Site Short-Term Rentals prohibited in HPR zone”	<b>“Off-site short-term rentals prohibited in HPR and RE zones”</b>
<b>5.10.080 (A)</b>	“A new off-site short-term rental permit within the HPR zone will not be issued”	<b>“A new off-site short-term rental permit within the HPR or RE zone will not be issued.”</b>
<b>5.10.080 (B)</b>	“Existing off-site short-term rental permits in the HPR zone may be renewed if otherwise qualified, but all such off-site short-term rental permits shall terminate, and such uses permanently cease operation, by December 31, 2026.”	<b>“Existing off-site short-term rental permits in the HPR or RE zone may be renewed if otherwise qualified, but all such off-site short-term rental permits shall terminate, and such uses permanently cease operation, by the following dates: December 31, 2026 for short-term rental permits in the HPR zone and June 30, 2027 for short-term rental permits in the RE zone.”</b>
<b>5.10.080 (C)</b>	“If an existing off-site short-term rental permit is revoked pursuant to this chapter, and the short-term rental unit is located in the HPR zone, then a new permit will not be issued.”	<b>“If an existing off-site short-term rental permit is revoked pursuant to this chapter, and the short-term rental unit is located in the HPR or RE zone, then a new permit will not be issued.”</b>

### STR Hardship Policy Changes (Attachment 2)

Also on October 10, 2024, the City Council approved Resolution No. 2024-077, which created a hardship extension policy for HPR zone STRs. This lets some STR owners apply for more time before their permits expire. The new proposal expands that same policy to the RE zone, again keeping the rules consistent across zoning districts.

#### Key Policy Changes:

1. Adds RE zone to the Hardship Extension Policy
  - The 13 existing off-site STRs in the RE zone can apply for a hardship extension, if they meet the criteria.
  - All other off-site STRs in RE must end by June 30, 2027.
  - If a permit is revoked in the RE zone, no new permit will be issued for that property.

**Legal Review:**

This report has been reviewed by the City Attorney's Office.

**Public Notice:** A ten-day public hearing notice for this item was published in the Desert Sun newspaper on Friday, May 9, 2025. Additionally, staff mailed courtesy notices to the thirteen (13) off-site STR properties located in the RE zone.

**Environment Review:**

It has been determined that this agenda item is exempt from CEQA review pursuant to Section 15061(b)(3), known as the "common sense" exemption. This determination is based on the clear assessment that there is no possibility the ordinance may have a significant effect on the environment. The ordinance primarily provides administrative clarifications regarding where short-term rentals are permitted, focusing on specific residential zoning areas without expanding land use or initiating new developments, thereby maintaining existing environmental baselines. It ensures operational continuity for existing short-term rentals through defined phasing out periods for specific permits, thereby preventing abrupt changes in land use intensity. The adjustments are administrative in nature and do not involve any construction, physical alterations, or increases in development intensity. The ordinance reaffirms current use regulations and does not alter existing physical environmental conditions or promote increased development, thus qualifying for the CEQA "common sense" exemption as it bears no potential for significant environmental impact.

**FINANCIAL IMPACT:**

The proposed amendments to Palm Desert Municipal Code Chapter 5.10 concerning Short-Term Rentals, along with the adoption of a policy for hardship extensions in the RE Zone, may impact the City financially in both the short and long term. Revenue from the Transit Occupancy Tax (TOT) and the Tourism Business Improvement District (TBID) assessments might fluctuate due to the regulatory changes. While a decrease in STR permits could temporarily reduce TOT and TBID income, this impact will be minor as the City has not collected significant revenue from off-site STRs in the RE Zone. Any administrative costs associated with implementing these ordinance changes and processing hardship extension applications will likely be managed with existing budget allocations, as the current staff and resources are expected to handle the adjustment without requiring additional funding. While no significant one-time expenditures are foreseen, ongoing enforcement and application processing will be recurring expenses. As a result, these expenditures are expected to remain within the current budget, assuming operational efficiencies are maintained.

**ATTACHMENTS:**

1. Draft Ordinance - Chapter 5.10 Amendment
2. Draft Resolution – Hardship Extension Policy
3. Public Hearing Notice