



# Measure "A" Initiative FAQs

Updated: 9/16/2022

## What is Measure A?

Measure A is a ballot initiative proposing to permanently phase out and ban non-hosted short-term vacation rentals, in non-exempt areas of the City of La Quinta by December 31, 2024. In the City, more than two-thirds of the approximate 1,160 permitted STVRs are within what would be non-exempt areas as defined by Measure A.

## What does a "No" vote on Measure A mean?

Voting "No" will keep the short-term vacation rental program in place, including a current ban on new permits, allowing the City to continue the current programs to monitor and confirm that all rentals have the required permits and licenses, and that visitors are not disrupting neighbors and neighborhoods.

## What does a "Yes" vote on Measure A mean?

Voting "Yes" for Measure A would lead to an immediate phasing-out on renewing permitted STVRs and eventually a permanent ban by December 31, 2024, of non-hosted short-term vacation rentals in non-exempt areas of La Quinta.

## What is a short-term vacation rental?

Also known as an STVR, a short-term vacation rental is a dwelling legally permitted to be rented for periods of 30 consecutive days or less. The rental can be for the entire home, accessory dwellings such as casitas, or limited to one or more rooms.

## What is a hosted vs. non-hosted STVR?

A hosted STVR is a home where the owner lives on-site and is in the home throughout the visitor's stay.

A non-hosted STVR is an owner's primary residence or a secondary residence. In either case, the homeowner is not on-site and may be out of the area during the visitor's stay.

## What are the exempt areas for STVRs under Measure A?

The exempt areas under Measure A include:

- The Tourist Commercial District or Village Commercial zones;
- Developments where STVRs are permitted under the development agreement or conditions of approval with the City;
- The SilverRock Specific Plan; and
- The specified boundary for the La Quinta Villas/Tennis Condos identified in the La Quinta Resort Specific Plan.



### **If my STVR is within a gated community where short-term vacation rentals are allowed by the HOA, will I still lose my permit should Measure A pass?**

Yes. Measure A would void permits for non-hosted short-term rentals, including where they may currently be allowed under an HOA's CC&Rs unless zoned for exemption.

### **What has the City done to address problem properties?**

Since the STVR program was created in October 2012, the City has routinely acted to implement numerous changes to its Municipal Code as needed, strengthening rules and regulations and adding enforcement personnel.

In 2020 and 2021, the COVID-19 pandemic caused a surge in STVR properties and complaints, bringing about swift action by the City to toughen rules and regulations, including stiffer penalties and fines of up to \$5,000 and revocation of permits for non-compliant properties.

Permits are non-transferable, as well, so when a property sells, the property can no longer operate as an STVR unless it is in an exempt area.

The City also moved from a three-strikes to a two-strikes policy for violations that can lead to revocation of a permit.

### **How many STVRs are there in the City where new permits are banned under the City's current STVR program?**

On June 30, 2022, there were 792 permitted STVRs in banned areas – a 23.63% drop from 1,037 since January 2021.

### **How does the City receive revenue from STVRs?**

As authorized by California law and per the City's Municipal Code, STVRs are subject to a 10% transient occupancy tax (TOT) on the amount charged or chargeable to the persons occupying the STVR. This TOT is a "general tax" under California law, which means all TOT revenue remitted to the City may be used to fund any and all City services, programs, and projects.

### **What is the annual economic impact of Measure A?**

Based on an independent economic study, Measure A would mean annual losses of:

- \$100 million in business sales
- 445 jobs
- \$13 million in personal income
- \$8 million in tax revenue to the City

The lost sales impacts will be distributed across various industries, but the hardest hit will be food and beverage, recreation, and entertainment, lodging, and retailers.



### **Have the stricter rules, penalties, and fines made a difference?**

Complaints citywide have dropped 70%, from 672 complaints in the first half of 2021 to 200 complaints in the first half of 2022.

Of the 200 complaints, 137 occurred during the festival season (March-May 2022), and complaints from STVRs operating illegally without permits were the majority at 66%.

Citations citywide have dropped 73% from 163 in the first half of 2021 to only 45 in the first half of 2022.

About 55% – 32 out of the 45 – of total citations issued in the first half of 2022, were for administrative matters: operating without a permit or license; failure to display STVR permit on listings; failure to report or remit TOT; and incorrect or omitted occupancy limit on advertised listings. Such administrative citations did not cause disruptions to the community.

### **When did the City create the STVR program and why?**

The short-term vacation rental program was created in October 2012 with the adoption of Ordinance 501 and the addition of Municipal Code Chapter 3.25 to establish a permitting process, set compliance requirements, and improve collection of the 10% TOT – transient occupancy tax – required from such rentals.

At the time the program was created, there were 106 registered rentals, but as many as 1,000 advertised STVRs operating within the City without a permit.

The program required that STVR owners obtain a permit and business license from the city; provide contact information for the homeowner and/or authorized agent; designate a local person to respond to complaints 24/7, and established a 24-hour hotline service for residents to report problems.

The ordinance was adopted in October 2012, by a unanimous vote of the City Council which at that time included Don Adolph, who was then serving as mayor, Terry Henderson, Lee Osborne, Kristy Franklin, and Linda Evans, the city's current mayor who was then serving as a council member.

### **I own a non-hosted short-term vacation rental property in a residential neighborhood, outside the exempt areas. I have kept my permit up to date, paid my TOT, and operated without complaints for several years. If voters approve Measure A, will I be able to continue renting my STVR?**

No. Should Measure A be approved by voters, unless you operate a hosted STVR, your permit will not be renewed, and your short-term vacation rental operation will have to cease to exist.



### **How much does the city receive in TOT revenue from STVRs?**

The City collected \$6.1 million in STVR transient occupancy taxes in 2021 and nearly \$4.3 million in the first half of 2022.

### **Won't banning STVRs help meet La Quinta's affordable housing needs?**

No, Measure A will not increase housing inventory, nor will it guarantee a reduction in housing prices, which have increased dramatically over the past several years (or over the pandemic).

Many of the currently permitted STVRs are in high-end residential areas which may be out of reach to the average working family. These homes would likely remain in the second-home inventory and could sit vacant for much of the year.

The path to affordability is through new affordable housing construction, which the City is committed to supporting.

### **Won't banning STVRs create fewer problems for residents and the city? Won't this do away with disruptive visitors?**

No evidence exists that cities, where STVRs were banned, have solved any of the issues, or that STVR activities have ceased to operate.

Measure A will only eliminate the City's ability to monitor and enforce. It does not prevent property owners from operating illegal STVRs, and without the revenue from the permit and licensing fees, the City would no longer be able to provide the staffing and hotline services to sufficiently monitor and stop illegal operations.

### **Won't banning STVRs help local hotels and resorts? Do STVRs take business from La Quinta's hotels and resorts?**

There is no evidence to support this as STVRs are a different product offering. In fact, La Quinta Resort has said that it will hurt their business as it weakens the overall offering within the La Quinta destination and some of their convention business is dependent on their participants and/or providers utilizing STVRs for their stays.

### **The City has more than \$100 million in reserves. Can't these funds be used to cover the loss of STVR revenues to the City's General Fund budget?**

It is important to note that the City does not use one-time revenues or reserves for ongoing expenditures, and it would not be fiscally prudent nor sustainable to use these sources to cover the loss of STVR revenues.

There are three categories of Reserves: Committed, Assigned, and Unassigned.



Fund Balance Summary	Estimated as of 6/30/2023
<b>Committed Reserves</b>	<b>\$ 36,000,000</b>
Emergency-Natural Disaster	10,000,000
Emergency-Economic Downturn	11,000,000
Cash Flow Reserve	5,000,000
Capital Replacement Reserve	10,000,000
<b>Assigned Reserves</b>	<b>59,350,341</b>
Sales Tax (Measure G)	16,592,241
Public Safety Fire Service Trust	12,800,000
Capital Projects	17,404,100
Pension Trust Fund	10,519,000
Other Post Employment Benefits Trust Fund	2,035,000
<b>Unassigned Reserves</b>	<b>30,182,572</b>
<b>Overall Total</b>	<b>125,532,913</b>

### Committed

Committed, which currently totals \$36 million, can only be used for specific purposes, in accordance with City policy, such as for natural disasters, economic downturns, cash flow required for normal operations, and capital replacement.

### Assigned reserve funds

Assigned reserve funds, which currently total just under \$60 million, can only be used for designated purposes, which in La Quinta are: Measure G funds, public safety fire funds held by the County, capital projects funds that have been previously appropriated through the annual Capital Improvement Program for specific ongoing projects, and employee pension benefits.

### Unassigned reserves

Unassigned reserves, which total more than \$30.18 million, can fund one-time expenditures or capital expenses at the City Council's discretion. It is the balance of funds that have not been restricted, committed, or assigned to specific purposes within the General Fund. The fund must maintain a minimum balance of \$8 million.

### Why is it important for a City to maintain and grow its Reserve funds?

It is vital for the City and for local governments to maintain adequate levels of fund balance to mitigate current and future risks – e.g., revenue shortfalls and unanticipated expenditures. For example, the City was able to overcome the hardships of the pandemic and support local businesses by using reserves in the Economic Disaster category. The City was also able to advance funding supported by Unassigned Reserves and Measure G to avoid a delay of the Dune Palms bridge project and to mitigate potential increased costs to the City.



While reserves are a viable option for governments and designed to be used under critical circumstances, it is imperative that governments understand their continued exposure to adverse economic and environmental events that would require reserves in the future. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring, or unforeseen expenditures that the City may face.

**More information and education on the Measure A Initiative can be found by visiting [www.laquintaca.gov/MeasureA](http://www.laquintaca.gov/MeasureA) or by scanning the QR code.**

