

Attachment B

Newport Beach Draft Response



CITY OF NEWPORT BEACH

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July 22, 2025

The Honorable Maria D. Hernandez
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

RE: Response to Grand Jury Report, “Long-Term Solutions to Short-Term Rentals”

Dear Judge Hernandez,

The attached is the City of Newport Beach’s formal response to the above-noted Grand Jury Report.

If you or any members of the Grand Jury have questions about our response, please contact Jaime Murillo, AICP, Deputy Community Development Director, at (949) 644-3209 or jmurillo@newportbeachca.gov.

Sincerely,

Joe Stapleton
Mayor of Newport Beach

Long-Term Solutions to Short-Term Rentals
Orange County Grand Jury 2024-2025

	FINDING	AGREE OR DISAGREE	RESPONSE <i>(Include portion of the finding that is disputed and include an explanation of the reasons)</i>
F1	Despite the increasing media coverage of Online Booking Agencies (OBAs), STRs are not a new phenomenon in Orange County.	Agree	The City of Newport Beach (City) has a long history of allowing short-term lodging (STR) beginning in the 1960s. The City started regulating STRs in the municipal code in 1992. The City established Newport Beach Municipal Code (NBMC) Chapter 5.95 which includes permitting requirements, standard operating conditions, and penalties. As they proliferated over the years, the municipal code was amended several times to tighten regulations. Additional restrictions were added to Title 20 (Planning and Zoning Regulations) in 2010 and Title 21 (Local Coastal Program Implementation Plan) in 2021 of the NBMC.
F2	The steady growth of STR usage in the last decade raises concerns of potential public nuisance.	Agree	A common complaint from residents received by the City Council regarding STR is that they often result in the commercialization of residential neighborhoods, and they create land use conflicts between established residents and STR users. Residents experience increased exposure to noise, trash, and parking impacts.
F5	Proactive home inspections of new and renewing STRs, which have been implemented in some Orange County cities, improve code enforcement and STR compliance with city ordinances.	Agree	In early 2024, the Newport Beach City Council directed the implementation of a robust proactive program related to the enforcement of STR permits. This new enforcement program includes instituting a new mandatory inspection program for all STR units, checking for health and safety violations, property maintenance violations and confirming information on STR applications is correct.
F6	Direct remittance of taxes by OBAs does not capture all TOT for an STR because of direct booking practices.	Agree	NBMC 5.95.050 currently allows the hosting platforms to collect and remit TOT if authorized by the Finance Director. The City has not authorized Online Booking Agencies (OBAs) to remit Transient Occupancy Tax (TOT) directly on behalf of property owners or operators. OBAs typically provide only a lump-sum remittance without accompanying line-item detail that identifies specific properties or transactions. Without such detail, the City lacks the necessary information to reconcile TOT

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			payments with individual STR activity and, as a result, is unable to perform adequate audits or ensure full compliance. Requiring operators to report and remit TOT directly provides a higher level of transparency and accountability.
F7	Some cities in Orange County have outdated systems for tracking short-term rental TOT making the process less effective and more difficult for staff	Agree	<p>The City is procuring a software upgrade to improve the tracking and collection of TOT from STR operators.</p> <p>The upgrade would introduce an online reporting portal and allow for more frequent and automated submissions. These enhancements are expected to improve efficiency for both City staff and STR operators, streamline compliance monitoring, and ensure more accurate and timely TOT collections.</p> <p>The City remains committed to leveraging technology to modernize internal processes and strengthen fiscal accountability.</p>
F8	In some cases, STRs are improperly recharacterized as long-term rentals to circumvent the collection of TOT and any applicable penalties.	Agree	<p>The City actively monitors long-term rental listings through the Airbnb Compliance Portal to identify properties that may be operating as illegal STRs under the guise of long-term tenancy.</p> <p>In 2025, the City issued five citations for illegal STRs activity involving properties falsely listed as long-term rentals. In such cases, the City also issues TOT demand letters to provide the necessary forms for remittance. However, current regulations do not provide sufficient enforcement tools to compel collection or remittance when a property has operated illegally without a valid short-term lodging permit (STLP).</p>
F9	Online Booking Agencies in foreign languages are outside the current capabilities of Code Enforcement to monitor and track unpermitted STRs.	Disagree	The City is not currently aware of foreign-language booking platforms marketing unpermitted STRs in Newport Beach. Most major platforms use synced calendars, which allows staff to monitor activity across sites effectively. While foreign-language platforms are not

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			a significant issue at this time, the City will explore additional tools if needed to improve enforcement.
F10	Cities that fail to routinely review their STR waiting lists potentially lose TOT revenue and contribute to a greater prevalence of unpermitted STRs.	Agree	<p>The City actively manages and reviews its STLP waitlist on a biannual basis to ensure accuracy, eligibility, and regulatory compliance.</p> <p>As part of this review process, staff evaluates the top portion of the waitlist, typically the top 100 properties out of approximately 700 entries, focusing on those closest to receiving a permit. This includes verifying property ownership, identifying any transfers or sales, and checking for evidence of illegal short-term rental activity. Properties found to be ineligible or non-compliant are removed from the waitlist.</p> <p>This biannual review process helps preserve the integrity of the STLP program, ensures equitable access to permits, discourages unpermitted activity, and protects the City's ability to collect appropriate TOT revenue.</p>
F11	Locations that have hosted major events have reported an outsized increase in demand and pricing of STRs, a situation Orange County is likely to experience with the upcoming 2026 Los Angeles World Cup and 2028 Los Angeles Olympics.	Agree	<p>The City acknowledges that while we are not a host city for the 2026 World Cup or the 2028 Olympic Games, nearby communities are hosting games and events. Our reputation as a premier coastal destination may attract increased visitor activity during these international events. We anticipate that this could impact demand for STRs, even in the absence of directly hosted events.</p> <p>To address this, the City will closely monitor STR activity during these timeframes and ensure proactive code enforcement is in place. Our focus will be on preventing violations related to occupancy, noise, and unpermitted rentals.</p>
F12	City leaders have no regular communication with each other concerning STR issues, limiting opportunities to develop strategies and expertise to improve service.	Disagree	The City regularly communicates with other Orange County jurisdictions to share strategies and best practices related to STRs. City staff participate in monthly meetings with Code Enforcement Supervisors from across the county, which include focused discussions on

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			STR enforcement. Staff also attend professional training and conferences through organizations such as the California Association of Code Enforcement Officers and the American Planning Association. These efforts promote ongoing collaboration and improve enforcement strategies.

	RECOMMENDATIONS	ACTION (1-4 Below)	SUMMARY/EXPLANATION
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. (F4, F12)	1	The City of Newport Beach has a long-standing history of regulating STRs, beginning with the adoption of Chapter 5.95 of the Newport Beach Municipal Code in 1992. Since then, the City has routinely amended its regulations to address changing conditions, community concerns, and legal requirements. Notable updates have included prohibiting STRs in certain residential zones, establishing a citywide cap of 1,550 permits, implementing minimum stay requirements, and tightening enforcement provisions. The most recent amendment, approved by the California Coastal Commission, proposes new caps and expanded STR allowances in specific mixed-use coastal zones with added conditions, such as professional management and parking requirements. Final adoption by the City Council is anticipated in August 2025. The City remains committed to reviewing its STR ordinance regularly to ensure it reflects current best practices and remains responsive to legal and policy developments.
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. (F11)	4	The City receives anywhere from 20,000 to 100,000 tourists daily during the summer months. Therefore, it has an established action plan in place to manage large-scale events, which typically bring significant increases in both population and STR occupancy, not only during the summer season, particularly during the Fourth of July, but during other times of year such as during spring break.

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	RECOMMENDATIONS	ACTION (1-4 Below)	SUMMARY/EXPLANATION
			<p>To proactively address potential issues associated with these peak periods, the Newport Beach Police Department distributes informational flyers and produces targeted social media content to inform visitors of local rules and regulations. Additionally, the City's Code Enforcement Division sends reminder emails to STR permit holders, emphasizing the conditions of their permits and highlighting the historical rise in violations during this time of year.</p> <p>Following the spring break period, the Finance Department, Police Department and Code Enforcement Division conduct a debriefing session with the three largest property management companies. This collaborative meeting focuses on identifying challenges and developing coordinated strategies for improved compliance and public safety in the future.</p>
R3	Cities that allow STRs should evaluate the benefit of ordinances facilitating Voluntary Collection Agreements requiring OBAs to submit TOT directly, by June 30, 2026. (F4, F12)	4	NBMC 5.95.050 currently allows the hosting platforms to collect and remit TOT if authorized by the Finance Director. The hosting platforms currently collect and remit TOT to the owners. If a property is managed by an agent, the agent will remit TOT quarterly. If the property is owner-managed, TOT will be remitted to the City on a quarterly basis. The City will reanalyze if voluntary collection agreements impact remittance amounts and staff resources prior to June 30, 2026.
R4	Cities that allow STRs should evaluate the benefit of collecting TOT on a monthly basis by individual property, by June 30, 2026. (F7, F8)	3	Using the City's current system, the collection of TOT on a monthly basis would be unmanageable for City staff and would create a strain on staff resources. Prior to June 30, 2026, the City will evaluate if we can transition systems to allow owners to report quarterly and agents monthly without a negative impact to staff resources.
R5	Cities should require STRs to include the number of days rented per month per permit to facilitate short-term rental TOT desk audits by November 30, 2025. (F7, F8)	2	The City will update the TOT form to include this additional information, as well as require owners to

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	RECOMMENDATIONS	ACTION (1-4 Below)	SUMMARY/EXPLANATION
			provide a book summary for the reporting period and a detail for each reservation.
R6	Cities with a permit waiting list should implement strategies to remove non-revenue generating licenses to allow for fair access by December 31, 2025, and annually thereafter. (F7, F10)	1	The City currently closes permits that have not reported TOT to the City for two (2) years. Closed permits can be reinstated if an application for reinstatement is filed within 30 days of closure.
R7	Cities that allow STRs should consider allocating resources to update their short-term rental TOT tracking systems by September 30, 2026. (F7, F8, F10)	2	The City is actively seeking a vendor to provide a system that modernizes and integrates STR permitting into other City systems. This upgrade will improve the City's ability to track TOT.
R8	Cities that allow STRs should consider random multi-year audits to confirm TOT by June 30, 2026, and annually thereafter. (F6, F7, F8)	2	The City is preparing a TOT audit plan with the intent of launching the new audits in FY26-27.
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. (F12)	3	The City is open to collaborating with other cities. Code Enforcement Supervisors will continue to attend the monthly Orange County Code Enforcement Supervisors meeting to facilitate the exchange of ideas, share resources, discuss recent court rulings affecting local jurisdictions, and provide a platform for guest speakers to address all county agencies collectively.

ACTIONS

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.