



# **CITY OF LOS ANGELES DEPARTMENT OF CITY PLANNING**

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**Final Report**

**Home-Sharing Ordinance Fee Study**

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# 1. EXECUTIVE SUMMARY

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NBS performed a Fee Study (Study) for the City of Los Angeles' Department of City Planning (DCP or City) pertaining to the regulations established by the Home-Sharing Ordinance (HSO) adopted on December 18, 2018, with an effective date of July 1, 2019. In an effort to encourage HSO Program compliance, the Los Angeles City Council (Council) initially adopted fees at subsidized amounts relative to the City's estimated costs of providing these services. In 2019, the City contracted with NBS to perform a Fee Study of the HSO Program to determine impact of the subsidy compared to the full cost of providing services. A final report was issued by NBS on August 5, 2020. Now that the HSO Program has been in effect for 6 years, the City contracted with NBS to perform an update to the Fee Study to re-establish the full cost of providing HSO Program services.

The purpose of this report is to describe the Study's findings and recommendations which support the fee-for-service program that recovers up to, but not more than, the City's total estimated costs of providing these regulatory services. The approach used in the Study and the subsequent results fulfill several important criteria that support the development of any fee program subject to California and local laws, including:

1. Compliance with California Constitution Article XIII C, Section 1, which establishes the definition of a tax versus charges exempt from the definition of a tax. The fees established in this Study are intended to cover regulatory costs to the City for the HSO Program, and therefore, may not exceed the reasonable cost of providing these services.
2. Discussion of the feasibility of various types of fees, such as registration and renewal fees, as well as the feasibility of a "Per-Night Fee" or other regulatory fee, that recovers the costs of the HSO Program fairly and equitably from the participants who are subject to these regulations.
3. Analysis and documentation regarding the estimated and reasonable costs of the HSO Program, and the translation of those costs into a fee or several fees for services.

As a result of NBS' research, data mining, financial modeling, and reporting, the findings presented in this report establish the maximum cost recovery amounts for the HSO Program and provide an opportunity for the City Council to adopt the recommended fee amounts that are in line with the City's desired cost recovery policies, either at or below 100% cost recovery.

## 1.1 Project Overview

The Home-Sharing Program created the regulatory framework to restrict Short-Term Rentals to a Host's primary residence in an effort to prevent the wholesale conversion of housing into Short-Term Rentals. All Short-Term Rentals in the City of Los Angeles must be properly registered for Home-Sharing with the City.

The established HSO Program currently has several types of registration and renewal fees that are actively charged. In 2025, DCP completed a Comprehensive Fee Study to update all fees included in Articles 9 and 15 of the LAMC and New Zoning Code, which included the published HSO registration and renewal fees.

The costs included in the 2025 Comprehensive Fee Study update focused on Fund 52D and the resulting fee amounts adopted on February 23, 2026, by City Council via Ordinance No. 188796 are as follows:

- Home-Sharing Registration and Renewal Fee: \$441
- Extended Home-Sharing Registration and Renewal Fee (Administrative): \$883
- Extended Home-Sharing Registration (Discretionary): \$12,798

However, since Home-Sharing registration and renewal activities are provided by the Specialized Services team funded through Fund 62N, the costs of providing services were reevaluated as part of this Study and the resulting fee amounts should replace those previously adopted.

In addition to evaluating the current cost recovery performance of registration and renewal fees, the Study also evaluated the maximum Per-Night Fee amount that may be charged to recover the costs of providing other general regulatory efforts required to implement, administer, and enforce the HSO's regulations. The Home-Sharing Ordinance, specifically, LAMC Section 12.22.A.32.(e)(5), requires Hosts to pay a "per-night fee" (PNF) at a rate to be set and adopted by resolution. The City Council adopted a resolution on November 10, 2020 (see Council File 14-1635-S7) that set the per-night fee rate at \$3.10 per night, effective December 1, 2020, to be adjusted annually in accordance with the latest change in year-over-year Consumer Price Index for Urban Consumers (CPI-U) in the Los Angeles area (Los Angeles-Long Beach-Anaheim). Effective September 1, 2025, the current Home-Sharing Per-Night Fee amount is \$3.30.

The Study also considered alternative options for a fee mechanism that can recover the costs of HSO Program Administration, and Monitoring and Enforcement. The options considered include the feasibility of the following:

- Per-Night Regulatory Fee: a fee that applies to booking activity on a per night basis.
- Annual Regulatory Fee: a fee that applies annually to all registrants in the HSO Program.

The fees examined in this Study specifically excluded analysis of potential Transient Occupancy Tax (TOT) revenue, as well as fines and penalties imposed by the City's Administrative Citation Enforcement (ACE) Program for violations to its requirements or codes.

## 1.2 Summary of Findings and Recommendations

This Study submits the following findings which are substantiated in the following chapters of this report:

- A regulatory fee allows the City to recover costs it incurs while providing services to an individual or entity in response to that individual or entity's regulated action. The collection of fees reduces the burden on general City revenues that would otherwise be used to fund that individual service and thereby releasing those general revenues for services of greater at-large needs.
- User fees are only collected from individuals requesting or causing a service listed on the schedule of fees to be performed. Fees are avoided by refraining from the service or action subject to regulations. Fees are not imposed on the community without that underlying service or regulation triggering activity by City personnel.

- Fee amounts are derived from the organizational and cost structure of the City, primarily established through the City Budget adopted by the City Council.
- Resultant fee amounts are greatly influenced by the amount of time and resources spent by City personnel and/or contractors providing services.
- Categories of fees are structured to most reasonably align the resulting fee amount to the individual service provided.
- The estimated average total cost per year required to implement and operate the HSO Program as determined by this Study is \$7.8 million. Approximately \$3.7 million of the costs are associated with the registration and annual renewal of Home-Sharing permits. Approximately \$4.0 million of the costs are associated with administration and enforcement efforts for compliance of HSO regulations. The remaining \$106,000 in costs are not targeted for recovery through the fee program. See Table 10 in Chapter 4 for more information.

As discussed later in Section 2.1, a fee may not exceed the estimated reasonable cost of providing the service or performing the activity, therefore NBS recommends that the registration and renewal fees for services recover up to and not more than, the cost of services established for each type of registration service analyzed in Section 5.2 of this report. NBS recommends City staff and City Council continue utilizing a Per-Night Fee or alternative fee mechanism, such as an Annual Regulatory Fee, to recover costs other than those related to permit registrations and renewals.

Proposed fee amounts represent an implicit policy position regarding City cost recovery. When a fee is set equal to its full cost of service, the recommended fee implies that no general City revenues will be used to subsidize the provision of that individual service. When a fee is set at less than the full cost of service, a judgment has been made that the use of general City revenues to pay for a portion of that individual service is warranted and/or necessary. This report illustrates how NBS established the maximum fee amounts that reflect the City's costs of providing services, as well as the policy options for considering implementation of fee amounts at or below that ceiling.

City staff recommend that the current registration and renewal fees approved by City Council be set at 100% of the full cost of providing services. Providing a subsidy would render the HSO program less than 100% cost recoverable, and alternate methods for cost recovery would need to be determined to cover the cost recovery gap. More detail on this topic is discussed in Chapter 5 of this report.

## 2. PROJECT APPROACH

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In approaching any fee study, NBS assesses the unique conditions of the agency with which we work, applies a core philosophy, and selects methodologies that best fit the requirements of the individual agency. Given the diversity and ambiguities present in many aspects of city finance and policy, this is a necessary strategy since one-size-fits-all methods are not sustainable once they become owned by the agency served.

As discussed in this section, there is a legal foundation in place that provides the City with the authority to impose fees for the discretionary services and regulatory activities it provides. The cost of providing these services and activities can be reasonably calculated and fees can be structured in a manner that allows the City to recover all, or part, of the cost of providing these services. The calculation of the cost of providing services is an analytical effort that involves adopted and expected cost information and estimates of time required to perform a service or activity. Determining the targeted level of cost recovery is not an analytical exercise solely performed by NBS. It also involves agency-specific judgments linked to a variety of factors, such as existing City policies, agency-wide or departmental revenue objectives, economic goals, community values, market conditions, level of demand, and others. As long as the adopted fee is set at an amount that does not exceed the estimated, or reasonable, full cost of providing the service or activity requested, the City is in compliance with the legal framework currently in place.

### 2.1 Legal Foundation

It is generally accepted in California that cities are granted the ability to perform broad activities related to their local policing power and other service authority as defined in Article XI, Sections 7 and 9. More specifically, the type of fees DCP charges for the HSO Program fall under the California Constitution Article XIII C, Section 1 (e)(3), which states that a fee is not a tax if it is imposed for the reasonable regulatory costs of the local government.

Regulatory fees represent cost recovery opportunities entirely within the City's control. These are revenues which the City Council may, at its sole discretion upon public hearing, implement and/or modify without further public process or approval. In most cases, the only legal limitation on the establishment of these fees is that they may not exceed the estimated and reasonable costs incurred to provide the service or perform the function for which the fee is charged.

### 2.2 Project Approach

The fee study completed by NBS is a quantitative effort which compiles the full cost of providing governmental services and activities and translates those costs into proposed fee amounts best aligned with how services are provided. The following is a summary of the approach and analyses completed during this Study organized by Chapter:

**Chapter 3: Analysis of Listings and Nightly Bookings** – The objective of analyzing the current short-term rental listings and nightly bookings was to provide an analytical basis for understanding total potential program costs and revenues. Additionally, NBS analyzed the impact of the HSO Program to the City since its implementation.

**Chapter 4: Annual Cost of Service Analysis** – The outcome of this task establishes the estimated and reasonable annual costs to the City of Los Angeles to administer and enforce the HSO Program. A cost of service analysis is a quantitative effort that compiles the full cost of providing services and activities. There are two primary types of costs considered, direct and indirect costs. Direct costs are those that specifically relate to an activity or service, including the real-time provision of the service. Indirect costs are those that support the provision of services, in general, but cannot be directly or easily assigned to a singular activity or service.

**Chapter 5: Cost Recovery Evaluation** – The full cost of services discussed in this Chapter presents the analytically justified maximum amount that may be recovered via an HSO registration, renewal, or Per-Night Fee.

**Chapter 6: Cost-Benefit Feasibility Analysis and Options** – This Chapter discusses pricing objectives (i.e. full cost recovery or alternative levels of cost recovery). In addition, it includes a discussion of alternative fee structures that could enhance cost recovery results and/or fairness and equitability amongst HSO Program participants.

This chapter also discusses the results of the Comparative Fee Survey. The purpose of the comparative survey performed for the City of Los Angeles was two-fold: (1) To provide a sense of pricing and best management practices in the implementation of similar fee programs; and (2) To understand the types of funding sources available for similar programs (e.g., fees, taxes, fines, etc.). This information can then be used by the City to gauge the impact of recommendations proposed in this report along with staff recommendations.

## 2.3 Data Sources

The following data sources were used to support the cost of service analysis and fee establishment phases of this Study:

- The City's Fiscal Year 2025-26 adopted budget for the HSO Program as provided by DCP's budget office.
- A complete listing of all DCP budgeted personnel approved to support the HSO Program, including salary/wage rates, regular hours, paid benefits, and paid leave amounts.
- The list of the departmental personnel approved to support the HSO Program such as the Department of Building and Safety (DBS), and the Department of Housing (HD).
- Third-party vendor (Vendor) contract dated 4/15/2025, including data scrape information as of January 2026 regarding the number of active and historical listings and nightly bookings.
- City's Cost Allocation Plan 47.
- Various correspondence with City staff from multiple departments tasked with supporting the HSO Program and budgetary expenses for the HSO Program.
- Time estimates pertaining to the general annual roles and responsibilities of HSO Program personnel.
- Time estimates for the processing of each type of registration/application.
- The number of year-to-date registrations received since July 1, 2019, for each registration/application type.

- Other management level reviews and input related to average time on tasks for other activities based upon historical recollection where necessary.

NBS did not audit or validate the City's financial management and budget practices, nor was cost information adjusted to reflect different levels of service or any specific, targeted performance benchmarks. This Study has accepted the City's documentation as a legislatively adopted directive describing the most appropriate and reasonable level of City spending. The consultants accept the City Council's deliberative process and ultimate acceptance of the budget plan and further assert that through that legislative process, the City has yielded a reasonable expenditure plan that is valid for use in setting cost-based fees.

Original data sets were also used to support the work presented in this Study. Consultants prepared questionnaires and conducted interviews with each department. In the fee establishment phase of the analysis, DCP supplied estimates of the average time spent providing a service or activity corresponding with the existing fees. NBS and department management reviewed and questioned responses to ensure the best possible set of estimates.

### 3. ANALYSIS OF LISTINGS AND NIGHTLY BOOKINGS

The objective of this chapter is to document the current and historical short-term rental listings and nightly bookings in the City of Los Angeles to determine the impact of the HSO on existing levels of Home-Sharing and Short-Term Rental activity. To accomplish this, a data scrape of all hosting platforms operating in the City since the implementation of the Home-Sharing Ordinance was completed. This information included the total number of listings, differentiated by listing type and number of nights booked.

#### 3.1 Estimated Impact of HSO Prior to Implementation

In 2019, the City’s Home-Sharing Ordinance established the criteria upon which a listing would be eligible to participate in the Home-Sharing Program. The City contracted with a third-party vendor to provide a data scrape of all major Hosting Platforms operating within the City. Based on the data scrape available in May 2019, along with direction from DCP staff, NBS estimated the total number of active short-term rental listings that were subject to HSO regulations. After excluding listings and nightly bookings that were ineligible to participate in the HSO, NBS concluded that approximately 14,000 properties and 865,000 nightly bookings would continue to be eligible to participate in the Home-Sharing Program. The following table provides a summary of the estimated number of eligible listings and nightly bookings prior to the establishment of the HSO.

**TABLE 1. ESTIMATED NUMBER OF ELIGIBLE LISTINGS PRIOR TO HSO**

Criteria	Total Listings	Ineligible Listings	Total Nightly Bookings	Ineligible Bookings
Vendor Data Scrape - Total Records	37,195	-	1,709,715	-
"Active" Listings	35,060	(2,135)	1,708,560	(1,155)
Unique Records	27,554	(7,506)	n/a	n/a
Exclude Non-Primary Residences	22,743	(4,811)	1,420,236	(288,324)
Exclude Multi-Family RSO units	14,171	(8,572)	877,852	(542,384)
<b>Eligible Rental Unit Property Types</b>	<b>14,012</b>	<b>(159)</b>	<b>865,315</b>	<b>(12,537)</b>

An updated analysis was performed in *Section 3.2 Annual Registration Activity* to illustrate the impact of the Home-Sharing Ordinance on Home-Sharing and Short-Term Rental activities since the HSO Program was implemented.

#### 3.2 Annual Registration Activity

To register for Home-Sharing, a host must submit an application and pay a registration fee with the Department of City Planning. All applications are reviewed by DCP staff per the specifications of the Home-Sharing Ordinance, and if approved, are issued a Home-Sharing Registration Certificate and Registration Number. Each Home-Sharing Registration Certificate is valid for 1 year from the date of issuance. Registration Certificates must be renewed annually by the host by paying the applicable renewal fee.

For hosts renting their residence for 120 days or less per year, a “Regular” Home-Sharing application must be submitted. For hosts desiring to rent their residence out for greater than 120 days per year, an

Administrative Extended Home-Sharing application must be submitted. Should a host not comply with the qualifications laid out in the HSO, a Discretionary Review of an Extended Home-Sharing application and fee for service is required.

The following table shows the total number of Home-Sharing applications submitted and approved, differentiated by “Regular” vs Extended Home-Sharing applications by Fiscal Year. This data was provided by the City’s third-party Vendor and includes all activity since the implementation of the HSO.

**TABLE 2. NUMBER OF HOME-SHARING APPLICATIONS**

Fiscal Year	Number of "Regular" Home-Sharing Applications			Number of Extended Home-Sharing Applications		
	Submitted*	Reviewed/ Approved	Reviewed/ Denied	Submitted*	Reviewed/ Approved	Reviewed/ Denied
2020	7,194	4,259	2,935	455	237	218
2021	4,474	2,654	1,820	1,407	885	522
2022	4,841	2,774	2,067	2,016	1,181	835
2023	5,624	3,048	2,576	2,325	1,454	871
2024	5,213	2,911	2,302	2,379	1,415	964
2025	4,619	2,574	2,045	2,439	1,621	818

*\*Negligible number of applications not accounted for due to duplicate submittals, withdrawn applications, etc.*

A similar table of data is also provided below to display the annual number of Home-Sharing renewal applications received by the City.

**TABLE 3. NUMBER OF HOME-SHARING RENEWALS**

Fiscal Year	Number of "Regular" Home-Sharing Renewals			Number of Extended Home-Sharing Renewals		
	Submitted*	Reviewed/ Approved	Reviewed/ Denied	Submitted*	Reviewed/ Approved	Reviewed/ Denied
2020	78	67	11	-	-	-
2021	1,289	1,002	287	116	82	34
2022	917	598	319	878	576	302
2023	958	632	326	1,039	771	268
2024	1,127	720	407	1,150	767	383
2025	1,020	706	314	1,380	1,005	375

*\*Negligible number of applications not accounted for due to duplicate submittals, withdrawn applications, etc.*

### 3.3 Annual Nightly Booking Activity

Per the HSO guidelines, all hosts must report the number of nightly bookings on a routine basis and pay the applicable Per-Night Fee. The data in Table 4 shows the total number of nightly bookings reported by Fiscal Year. As shown, data for the Fiscal Year 2020 was not available at the time of this report. Further calculations regarding the Per-Night Fee are discussed in Chapter 5, *Cost Recovery Evaluation*. It should be noted that the only hosting platform that currently has an API agreement with the City is Airbnb. This agreement allows the platform to transmit the number of nightly bookings automatically. All other nightly

bookings must be self-reported to the City by Hosts, therefore there may be a variance in the numbers reported annually compared to actual figures.

**TABLE 4. NUMBER OF NIGHTLY BOOKINGS**

Fiscal Year	Number of Nightly Bookings*
2020	data not available
2021	361,694
2022	754,082
2023	794,776
2024	790,597
2025	734,650

*\*Nightly bookings are self reported for all non-Airbnb platforms. Actual counts may vary.*

### 3.4 Actual Impact of HSO Since Implementation

Between the start of registration activities on July 1, 2019, and June 30, 2020, NBS projected that a total of 7,790 initial registrations and 743,666 nightly bookings would be received by the City, as compared to the 37,195 listings and 1,709,715 nightly booking prior to HSO Implementation. As discussed in Sections 3.2 and 3.3, the number of “Regular” and Extended Home-Sharing applications is approximately 7,058, with 734,650 nightly bookings. This shows that the implementation of the HSO Program decreased the overall number of listings by approximately 81%, and number of nightly bookings by approximately 57%

**TABLE 5. IMPACT OF HSO**

Timeframe	Number of Listings	Number of Nightly Bookings
Activity Levels Prior to HSO Implementation	37,195	1,709,715
Estimated Activity Levels from Initial Study	7,790	743,666
Actual Activity Levels from Fiscal Year 2025	7,058	734,650
Variance (Prior to HSO Implementation)	(30,137)	(975,065)
Variance %	-81.0%	-57.0%

As noted in the prior report, the short-term rental market is constantly changing. While it is difficult to estimate the number of Registration Certificates that will be issued each year, and similarly, how much of the current rental activity will increase or decrease for registered hosts each year thereafter, now that the program has been running for a few years, there is less volatility in the number of annual applications submitted and approved. Therefore, this study used Fiscal Year 2025 actual activity levels for all calculations as this data represents the best “snapshot in time”. The impact of these calculations is discussed further in subsequent chapters.

## 4. ANNUAL COST OF SERVICE ANALYSIS

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NBS completed a Cost of Service Analysis to establish the annual estimated and reasonable costs incurred by the City of Los Angeles to administer and enforce the Home-Sharing Ordinance. During this process, NBS identified all direct costs, as well as various types of indirect costs. Definitions of these cost components are as follows:

- **Direct Costs** – Includes salaries and benefits of personnel, as well as specific contract services dedicated directly to the support of the HSO Program.
- **Program-level Indirect Costs** – These are costs incurred to support the provisions of HSO Program services that are not readily and specifically identifiable as direct costs. Examples include administrative support, general customer service activities, code/policy/standards maintenance, training, and management. Outside of discrete functions, indirect costs may also represent an allocated share of general materials and supplies.
- **City-wide Indirect Costs** – These are expenses, both labor and non-labor, defined in the current version of the City’s overhead Cost Allocation Plan (CAP 47),<sup>1</sup> which determines the appropriate share of administrative, support services, and/or governance costs that are outside of the department(s), but provide primary HSO Program services.

NBS interviewed staff from the Department of City Planning’s Specialized Services section, which is primarily responsible for registration and renewal activities, as well as overall administration of the HSO Program including monitoring and enforcement. In addition, NBS also interviewed other key staff from supporting departments, including the Department of Building and Safety (DBS), the Housing Department (HD), and the Attorney’s Office ACE Program. Any applicable and identifiable costs from these departments were also included in the Cost of Service Analysis.

### 4.1 Cost of Service Analysis – Department of City Planning Specialized Services

Specialized Services is responsible for administering and monitoring the City’s Home-Sharing Program. Initially, the Department was approved for six (6) positions that were to perform core functions needed to facilitate the registration and enforcement of all home-sharing activity in the City. Today, a total of twenty-six (26) positions are budgeted annually to provide these core functions.

The City of Los Angeles also contracts with a third-party vendor to provide consulting and software services related to permitting, compliance monitoring, and enforcement of the City’s ordinances, regulations, and tax rules associated with short-term rentals. The Vendor actively monitors Hosting Platforms and provides additional support services to the City, the costs of which are considered on-going, annual operational costs and are included in the total cost of service analysis.

The table below shows DCP’s estimated total annual cost of \$7.3 million to provide HSO Program services.

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<sup>1</sup> Cost Allocation Plans are maintained and updated by the Office of the Controller.

**TABLE 6. ANNUAL COST OF PROVIDING HSO PROGRAM SERVICES - PLANNING**

Expenditure Type	Total Annual Cost
<b>Labor Expenditures</b>	
Administrative Clerk (3 FTE)	\$ 142,046
Senior Administrative Clerk (1 FTE)	72,502
Senior Accountant II (1 FTE)	98,182
City Planning Associate (5 FTE)	518,190
City Planner (2 FTE)	256,927
Principal City Planner (1 FTE)	199,097
Senior City Planner (1 FTE)	164,250
Associate Zoning Administrator (1 FTE)	186,016
Senior Management Analyst I (2 FTE)	267,978
Management Analyst (9 FTE)	987,075
DCP Fringe Benefits (48.38%)	1,399,277
<b>Subtotal DCP Labor Expenditures</b>	<b>\$ 4,291,540</b>
<b>Non-Labor Expenditures</b>	
Contractual Services	\$ 1,406,896
<b>Subtotal Non-Labor Expenditures</b>	<b>\$ 1,406,896</b>
<b>CAP 47 Overhead Costs</b>	
Department Administration & Support (30.38%)	\$ 878,669
Central Services (24.28%)	702,241
<b>Subtotal CAP 47 Overhead Expenditures</b>	<b>\$ 1,580,911</b>
<b>DCP (Fund 62N) TOTAL</b>	<b>\$ 7,279,347</b>

Based on interviews with DCP staff, the analysis also segregated the total annual cost of service into four primary service categories for the HSO Program: (1) HSO Program Administration; (2) Registration and Renewal Activities; (3) Monitoring and Enforcement; and (4) Case Processing. Each primary service category is defined as follows:

- **HSO Program Administration** – Staff time and/or costs devoted to overall administration of the HSO Program. This includes responding to phone calls and public inquiries.
- **Registration and Renewal Activities** – Costs pertaining to registration/renewal application processing activities.
- **Monitoring and Enforcement** – Costs associated with monitoring routine data submitted by the third-party Vendor and administrative duties required to obtain or maintain general compliance with HSO regulations.
- **Case Processing** – Some staff positions will multitask between DCP general application and entitlement processing for development and zoning approvals and the HSO Program. Costs associated with staff time that processes general planning application and case work will be excluded from the calculation of any HSO Program fees and instead be recovered through DCP’s other application processing fees.

For each of the staff members assigned to the HSO Program, Department staff allocated anticipated annual time to be spent across these activities, as well as provided information about the detailed costs associated with the Vendor’s role in supporting the Program with technology systems and data.

Segregation of costs into primary service categories was recommended by NBS as the optimal approach to considering which costs should be funded by registration and renewal fees versus other types of fees and charges, as discussed later in *Chapter 5 Cost Recovery Evaluation*.

Table 7 below shows the total cost summary for DCP, broken down into the primary cost components (labor, non-labor, overhead, and division administration) and primary service categories (i.e., HSO program administration, registration and renewal activities, monitoring and enforcement, and case processing) as discussed above.

**TABLE 7. ALLOCATION OF ANNUAL HSO PROGRAM COSTS - PLANNING**

Service Cost Category	Total Cost Summary				
	Labor	Non-Labor	Overhead	Division Admin	Total
HSO Program Administration	544,957	-	200,750	297,804	1,043,510
Registration and Renewal Activities	1,637,853	397,699	603,350	1,053,865	3,692,766
Monitoring and Enforcement	536,774	1,007,266	197,736	695,591	2,437,366
Case Processing (Fund 52D)	55,202	-	20,335	30,166	105,704
<b>DCP Total</b>	<b>\$ 2,774,785</b>	<b>\$ 1,404,965</b>	<b>\$ 1,022,171</b>	<b>\$ 2,077,426</b>	<b>\$ 7,279,347</b>

As shown, total DCP costs per year are approximately \$7.3 million. Of the primary service categories, approximately 48% of all annual costs, equivalent to \$3.5 million, are associated with HSO Program Administration and Monitoring and Enforcement activities. Registration and Renewal Activities account for approximately 51% of the total annual costs and would require annual revenue in the amount of \$3.7 million for DCP to be fully cost recoverable. The remaining 1% of costs, or \$106,000, associated with Case Processing (Fund 52D) activities are excluded from further cost analysis.

## 4.2 Cost of Service Analysis – Supporting Departments

The departments of Building and Safety (DBS), Housing (HD), and the Attorney’s Office were initially identified as providing active support services for the HSO Program. The HSO Program will require monitoring and enforcement services from DBS and HD, as well as administrative support services from the City Attorney. NBS interviewed each of these departments to determine the cost of resources required.

### 4.2.1 MONITORING AND ENFORCEMENT SUPPORT

As stipulated in the HSO, no host may participate in Home-Sharing unless all advertisements clearly list the City-issued Home-Sharing Registration Number. To ensure compliance with this requirement, the City’s third-party Vendor continuously monitors hosting platforms and sends a list of all listings missing Home-Sharing Registration Numbers to DCP for review and verification.

DCP staff will review the electronic screenshot of each listing in question and confirm that it is missing a Registration Number and then authorize an electronic data package to be routed to DBS for all single-

family listings, and to HD for all multi-family listings for any host who fails to comply with the HSO provisions. The electronic data package includes the screenshot of the advertisement, as well as any supplemental data gathered by DCP. DBS and HD staff must verify non-compliance and approve issuance of an ACE citation.

DBS and HD are the enforcement agencies for the zoning code and are responsible for issuing ACE citations for municipal code violations, including violations of the Home-Sharing Ordinance. The ACE Program is an administrative process, in which a determination is made as to whether the citations and the accompanying fines levied by DBS and HD should be upheld. The ACE Program is entirely separate from the HSO and has its own staff and funding in accordance with its role in the enforcement citation process. Citations, fines, and penalties may be applied through the City’s ACE Program for truly non-compliant registrants and listings that require efforts beyond the general regulatory efforts of the program.

Based on staff interviews, HD estimates the need for one (1) Assistant Inspector III level position to handle anticipated monitoring and enforcement related activities. To support registration and renewal activities, such as providing an RSO determination letter, HD also provided costs associated with three (3) positions that are partially needed to provide these activities. In addition to personnel costs and overhead, costs associated with HD’s role in supporting the Program with technology systems are also included. Table 8 shows that the estimated annual cost of providing HSO Program services for HD is approximately \$300,000.

**TABLE 8. ANNUAL COST OF PROVIDING HSO PROGRAM SERVICES - HD**

Expenditure Type	Total Annual Cost
<b>Labor Expenditures</b>	
Assistant Inspector III (1 FTE)	\$ 93,836
RSO Determination Support	44,002
HD Fringe Benefits (55.09%)	75,935
<b>Subtotal HCID Labor Expenditures</b>	<b>\$ 213,773</b>
<b>Non-Labor Expenditures</b>	
Lease Calculation (15%)	\$ 20,676
Upfront costs for setting up database sharing between depts	15,000
<b>Subtotal Non-Labor Expenditures</b>	<b>\$ 35,676</b>
<b>CAP 47 Overhead Costs</b>	
GASP (22.86%)	\$ 31,510
Central Services (13.95%)	19,228
<b>Subtotal CAP 47 Overhead Expenditures</b>	<b>\$ 50,738</b>
<b>HD TOTAL</b>	<b>\$ 300,187</b>

To handle monitoring and enforcement related activities for the HSO, DBS anticipates the need for one (1) Building Mechanical Inspector level position. The following table shows DBS’ estimated annual full cost of providing services.

**TABLE 9. ANNUAL COST OF PROVIDING HSO PROGRAM SERVICES - DBS**

Expenditure Type	Total Annual Cost
<b>Labor Expenditures</b>	
Building Mechanical Inspector (1 FTE)	\$ 127,243
DBS Fringe Benefits (50.2%)	63,876
<b>Subtotal DBS Labor Expenditures</b>	<b>\$ 191,119</b>
<b>CAP 47 Overhead Costs</b>	
Department Administration & Support (16.17%)	\$ 20,575
Central Services (24.12%)	30,691
<b>Subtotal CAP 47 Overhead Expenditures</b>	<b>\$ 51,266</b>
<b>DBS TOTAL</b>	<b>\$ 242,385</b>

As shown here, total DBS costs for monitoring and enforcement of the HSO Program per year are approximately \$242,000. In addition to HSO monitoring and enforcement, DBS also responds to building code violation complaints requiring criminal prosecution and recovers associated costs through their separate list of fees and fines for these types of violations. Building code violations requiring administrative prosecution require more hours to complete review of the complaint and follow a criminal processing procedure through ACE.

#### **4.2.2 ADMINISTRATIVE SUPPORT**

In addition to monitoring and enforcement support, the HSO program also receives administrative support from the Office of Finance and the Attorney’s Office.

The Office of Finance independently handles all Transient Occupancy Tax (TOT) activities for the City, including the registration of new TOT certificates and collection of all TOT revenue, which is required of all hosts to comply with the HSO requirements. Finance does not anticipate the need for additional resources from the HSO Program. Other annual costs of support to the departments of City Planning, HD, and DBS are covered in the City’s CAP rate discussed in the beginning of this chapter.

The Attorney’s Office is responsible for handling the ACE violations process and their annual costs will be covered via fines, penalties, and other cost recovery mechanisms specific to the ACE Fund. Any general legal support provided by the Attorney’s Office to the Department of City Planning, HD, and DBS is covered in the City’s CAP rate.

In summary, the Office of Finance and the Attorney’s Office did not identify the need for additional resources from direct funding through the HSO Program’s fees for services.

### 4.3 Cost of Service Analysis – Summary

The table below represents the estimated total annual cost of service calculation for DCP and supporting departments for the HSO Program.

**TABLE 10. ANNUAL COST OF PROVIDING HSO PROGRAM SERVICES - SUMMARY**

Service Cost Category	Total Cost Summary			
	DCP	HD	DBS	Total
HSO Program Administration	1,043,510	-	-	1,043,510
Registration and Renewal Activities	3,692,766	-	-	3,692,766
Monitoring and Enforcement	2,437,366	300,187	242,385	2,979,938
Case Processing (Fund 52D)	105,704	-	-	105,704
<b>Total</b>	<b>\$ 7,279,347</b>	<b>\$ 300,187</b>	<b>\$ 242,385</b>	<b>\$ 7,821,918</b>

Case Processing (Fund 52D) costs are associated with shared resources that perform routine, current planning work and are not recommended for recovery in HSO Program fees for service. Therefore, the total annual cost of the HSO Program would require annual revenue in the amount of \$7.7 million to be fully cost recoverable.

## 5. COST RECOVERY EVALUATION

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As we will discuss in this Chapter, in 2019 the City Council intentionally set registration fee amounts lower than the cost of providing services in an effort to encourage HSO Program compliance. A Per-Night Fee was also established to recover the cost of monitoring and enforcing the Home-Sharing Ordinance. Today, registration, renewal and per-night fee amounts are intended to recover 100% of the costs of providing all regulatory services required. This Chapter evaluates the total costs of the HSO Program and proposes the maximum registration, renewal and per-night fee amounts that can be charged to ensure full HSO Program cost recovery.

### 5.1 Fee Program

Upon adoption of the Home-Sharing Ordinance in 2018, the City Council set initial registration and renewal fee amounts and provided important policy and procedure direction regarding how the HSO Program should be funded. In general, the City Council maintained that the HSO Program should recover 100% of the costs of providing all regulatory services required.

However, to encourage and ensure participation in the HSO Program, registration and renewal fees for both “Regular” Home-Sharing and Administrative Extended Home-Sharing applications were initially adopted at subsidized fee amounts relative to the City’s estimated costs of providing these services. If a host required a Discretionary Review of their Extended Home-Sharing application, the initial fee amount set was intended to be full cost recovery.<sup>2</sup>

It was also proposed that a Per-Night Fee could be charged for active nightly bookings to cover the remainder of the registration, administration, and enforcement costs of the HSO Program. Per the Los Angeles Municipal Code (LAMC) Section 12.22.A.32.(e)(5), Hosts must pay a “per-night fee” (PNF) at a rate to be set and adopted by resolution. The City Council adopted a resolution on November 10, 2020<sup>3</sup> that set the Per-Night Fee rate at \$3.10 per night, effective December 1, 2020. Council approved for the fee to be adjusted annually in accordance with the latest change in year-over-year Consumer Price Index for Urban Consumers (CPI-U) in the Los Angeles area (Los Angeles-Long Beach-Anaheim). Effective September 1, 2025, the current Home-Sharing Per-Night Fee amount is \$3.30.

In 2025, DCP completed a Comprehensive Fee Study to update all fees included in Articles 9 and 15 of the LAMC and New Zoning Code, which included the published HSO registration and renewal fees. The costs included in the 2025 Comprehensive Fee Study update focused on Fund 52D and the resulting fee amounts that were adopted in February 2026 are not specific to the Specialized Services team. This report focuses only on costs associated with Fund 62N and therefore fee amounts calculated here should replace those previously adopted.

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<sup>2</sup> See DCP Report on Implementation 14-1635-S7 20190131 for more information

<sup>3</sup> See Council File 14-1635-S7 for more information

For purposes of the analysis, current cost recovery evaluations are based on fee amounts effective in Fiscal Year 2025 as highlighted below in Table 11.

**TABLE 11. REGISTRATION AND RENEWAL FEES**

Type of Application	Original Adopted Fee Amount	62N Current Fee (as of FY 25)	52D Current Fee (adopted Feb 2026)
"Regular" Home-Sharing (Registration or Renewal)	\$ 89	\$ 206	\$ 441
Extended Home-Sharing - Administrative (Registration or Renewal)	\$ 850	\$ 1,102	\$ 883
Extended Home-Sharing - Discretionary	\$ 5,660	\$ 16,231	\$ 12,798
Per-Night Fee	\$ 3.10	\$ 3.30	\$ 3.30

## 5.2 Registration and Renewal Fees

To evaluate current HSO fees, this Study reviewed the specific actions performed by City staff to process registration and renewal applications. Because labor is the primary underlying factor in these activities, the Study established the full cost of services expressed as a fully-burdened cost per labor hour rate. NBS used this hourly rate as the basis for further quantifying the average full cost of providing registration and renewal activities. To determine the fully-burdened labor rate, two factors were considered: (1) the full costs of service; and (2) the number of hours available to perform those services.

The full costs of service were quantified through the earlier steps described in this analysis. As shown in Table 12, the Cost of Service Analysis identified approximately \$3.7 million in total annual costs for registration and renewal activities related to DCP and supporting department costs. The City supplied NBS with the total number of paid labor hours for each position in the HSO Program, of which approximately 18,300 hours per year are estimated for registration and renewal activities. The total estimated annual cost of registration and renewal activities, divided by the estimated annual hours available for these services produces an average hourly rate of \$202.

**TABLE 12. HOURLY RATE FOR REGISTRATION/RENEWAL ACTIVITIES**

Activity	Total
Estimated Annual Cost of Registration and Renewal Activities	\$3,692,766
Estimated Annual Hours Available for Registration and Renewal Activities	18,296
<b>Hourly Rate</b>	<b>\$ 202</b>

When applied at the individual fee level, the fully-burdened hourly rate is used to calculate the maximum cost of providing each service. To estimate the Average Labor Time per service or activity, NBS met with DCP staff and provided a framework in which to discuss the process steps and level of effort required to provide each service. City staff documented the process steps required for each activity, following the workflows created during the initial implementation to ensure that all touchpoints of the registration and renewal process were considered. Using the established framework, City staff estimated the average amount of time (in minutes and hours) it would take to complete a typical occurrence of each service or

activity. Based on this review, the City reconsidered its time estimates until both parties were comfortable that the fee model reasonably reflected the average service level provided by the City. Then, time estimates were applied to the fully-burdened labor rate to yield an average total fee for registration and renewal activities.

**TABLE 13. REGISTRATION AND RENEWAL COST OF SERVICE ANALYSIS**

Permit Type	Estimated Average Labor Time per Activity (hours)	62N Hourly Rate	62N Total Cost per Activity	62N Current Fee (FY25)	Existing Cost Recovery %
"Regular" Home-Sharing Registration	2.00	\$ 202	\$ 404	\$ 206	51%
"Regular" Home-Sharing Renewal	2.25	\$ 202	\$ 454	\$ 206	45%
Administrative Extended Home-Sharing Registration	4.25	\$ 202	\$ 858	\$ 1,102	128%
Administrative Extended Home-Sharing Renewal	4.25	\$ 202	\$ 858	\$ 1,102	128%
Extended Home-Sharing w/ Discretionary Review	58.00	\$ 202	\$ 11,706	\$ 16,231	139%

The “62N Total Cost per Activity” column establishes the maximum adoptable fee amount for the corresponding service identified in the “Permit Type” list. This Total Cost per Activity reflects DCP’s costs to review each type of application.

The NBS fee model compares the existing fee for each service or activity to the average total cost of service quantified through this analysis. A cost recovery rate of 0% identifies no current recovery of costs from fee revenues (or insufficient information available for evaluation). A rate of 100% means that the fee currently recovers the full cost of service. A rate between 0% and 100% indicates partial recovery of the full cost of service through fees. A rate greater than 100% means that the fee exceeded the full cost of service. It is a typical outcome of any Fee Study that some rates will under recover, some rates will over recover, and some will be about right. Regulatory fees examined in this Study should not exceed the full cost of service. In other words, the cost recovery rate achieved by a fee should not be greater than 100%.

“Regular” registration and renewal fees recover approximately 45-51% of their total cost of providing services. Extended Home-Sharing registration and renewal fees currently exceed their cost of providing services by approximately 28%, and Extended Home-Sharing with Discretionary Review exceed their cost of providing services by approximately 39%. Since the cost recovery rate for individual fees for service cannot exceed the total cost of providing the service, Extended Home-Sharing fees with and without Discretionary Review will need to be reduced to a maximum of the “62N Total Cost per Activity” as shown in Table 13 in order to be legally defensible.

### 5.3 Per-Night Fee

Based on the adopted Home-Sharing Ordinance, general program administration, and ongoing monitoring and compliance activities are required regulatory efforts, in addition to the registration and renewal of permits. A detailed assessment and calculation of all associated costs, including supporting department-related monitoring and enforcement costs, have been described and analyzed in Chapter 4 of this report.

All active and prospective short-term rental listings in the City of Los Angeles directly and indirectly benefit from the monitoring and compliance activities of the HSO Program. These services bring a higher degree of compliance with local regulations over time and limit the number of non-compliant competitors for those listings that are actively maintaining Program compliance. Moreover, there is a reasonable correlation between HSO Program Administration and Monitoring and Enforcement costs and the number of nightly bookings.

Therefore, the HSO Program’s general administration, and ongoing monitoring and compliance costs are eligible to be funded through the imposition of a regulatory fee for service.<sup>4</sup> For listings that consistently remain out of compliance with HSO regulations, the City has taken steps to ensure the ability to utilize administrative remedy measures as needed through the City’s ACE Program.

DCP currently charges a Per-Night Fee of \$3.30. As established in Section 3.3, the number of nightly bookings in Fiscal Year 2025 is 734,650. By dividing the total estimated eligible costs of HSO Program Administration and Monitoring and Enforcement activities calculated in Section 4.3, the maximum Per-Night Fee the City can charge is **\$5.48**. Currently, the Per-Night Fee recovers approximately 60.3% of the total cost of providing HSO Program Administration and Monitoring and Enforcement services. See Table 14 below:

**TABLE 14. MAXIMUM PER-NIGHT REGULATORY FEE**

Service Cost Category	Total Cost Summary			
	DCP	HD	DBS	Total
HSO Program Administration	\$ 1,043,510	\$ -	\$ -	\$ 1,043,510
Monitoring and Enforcement	\$ 2,437,366	\$ 300,187	\$ 242,385	2,979,938
<b>Total</b>	<b>\$ 3,480,877</b>	<b>\$ 300,187</b>	<b>\$ 242,385</b>	<b>\$ 4,023,448</b>
Fiscal Year 2025 Nightly Bookings - Table 4				734,650
<b>Maximum Per-Night Fee</b>				<b>\$ 5.48</b>
Current Per-Night Fee				\$ 3.30
Existing Cost Recovery %				60.3%

To help illustrate a typical Per-Night Fee for an applicant, Table 15 on the next page displays the maximum costs that each applicant can expect to pay on an annual basis.

<sup>4</sup> California Constitution Article XIII C, Section 1(e)(3) exempts “reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections ... and administrative enforcement ... “from the definition of a tax.

**TABLE 15. PER-NIGHT FEE MAXIMUM COST TO APPLICANT**

Initial Registration			
Nights Hosted	Registration Fee	Per-Night Fee	Max Cost to Applicant
0 to 30 nights	\$ 404	\$0 - \$164	\$ 568
31 to 90 nights	404	\$170 - \$493	897
91 to 120 nights	404	\$498 - \$657	1,061
121 to 180 nights	\$404 + \$858	\$663 - \$986	2,247
181 to 365 nights	\$404 + \$858	\$991 - \$1,999	3,260

Renewal			
Nights Hosted	Renewal Fee	Per-Night Fee	Max Cost to Applicant
0 to 30 nights	\$ 454	\$0 - \$164	\$ 618
31 to 90 nights	454	\$170 - \$493	947
91 to 120 nights	454	\$498 - \$657	953
121 to 180 nights	858	\$663 - \$986	1,520
181 to 365 nights	858	\$991 - \$1,999	2,857

#### 5.4 Total Cost Recovery Outcome

Table 16 presents the results of the detailed cost recovery analysis of the HSO Program based on current fee collection processes and activity levels from Fiscal Year 2025. Currently, DCP is recovering approximately 68.3% of the total cost of providing services from registration and renewal fees. As shown, DCP collects approximately \$2.7 million per year in revenue at the current fee amounts. At full cost recovery and the same demand level for these services, DCP would recover approximately \$3.3 million of the \$4.0 million eligible for recovery.

**TABLE 16. REGISTRATION AND RENEWAL COST RECOVERY ANALYSIS**

Permit Type	Estimated Annual Revenue		
	Estimated Volume of Permits Issued	62N Current Fee	Full Cost Recovery
"Regular" Home-Sharing Registration	3,599	\$ 741,394	\$ 1,452,800
"Regular" Home-Sharing Renewal	1,020	210,120	463,209
Administrative Extended Home-Sharing Registration	616	678,832	528,401
Administrative Extended Home-Sharing Renewal	1,005	1,107,510	862,083
Extended Home-Sharing w/ Discretionary Review	-	-	-
<b>Sub Total (current fee collection process)</b>	<b>6,240</b>	<b>\$ 2,737,856</b>	<b>\$ 3,306,494</b>
Administrative Extended Home-Sharing Registration	443	-	380,003
Administrative Extended Home-Sharing Renewal	375	-	321,673
<b>Total (revised fee collection process)</b>	<b>7,058</b>	<b>\$ 2,737,856</b>	<b>\$ 4,008,169</b>
Cost Recovery for Registration/Renewal Activities			68.3%
Estimated Annual Revenue Loss Based on Current Fee Collection Process			\$ (1,270,313)

Per discussion with DCP Staff, based on an internal policy decision, the current fee collection process differs between “Regular” Home-Sharing and Extended Home-Sharing applications. Currently, “Regular” Home-Sharing applicants pay the registration or renewal fee at the time of application submittal. Extended Home-Sharing applicants, however, only pay the registration or renewal fee at the time of approval. If the Extended Home-Sharing application is ultimately not approved, no revenue is collected to cover staff time spent processing and reviewing the application. DCP has decided to modify its internal policy and will now use the same process for both “Regular” Home-Sharing and Extended Home-Sharing applications. As shown in Table 16, based on Fiscal Year 2025 activity levels, this would equate to an increase in annual revenue of approximately \$1.3 million.

Table 17 below displays the total program cost recovery analysis for the HSO Program. As shown, DCP is currently collecting a total of \$5.2 million annually for all HSO services provided, compared to \$8.0 million that could be recovered at full cost fee amounts. This equates to an overall HSO Program cost recovery of 64.3%.

**TABLE 17. TOTAL PROGRAM COST RECOVERY OUTCOMES**

Fee Type	Estimated Revenues		Existing Cost Recovery %
	Current Fee	Full Cost	
Registration and Renewal Fee	\$ 2,737,856	\$ 4,008,169	68.3%
Per-Night Fee	2,424,346	4,023,448	60.3%
<b>Total Program Cost Recovery</b>	<b>5,162,202</b>	<b>8,031,617</b>	<b>64.3%</b>

As discussed in Chapter 7, any fee program should always be re-evaluated after three to five years of data collection and as more becomes known about the needs for the program’s on-going operations.

## 6. COST-BENEFIT FEASIBILITY ANALYSIS AND OPTIONS

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This Chapter discusses the benefits and considerations of two HSO Program Administration and Monitoring and Enforcement cost recovery approaches expressed as a Per-Night Fee and an Annual Regulatory Fee.

### 6.1 Per-Night Fee – Benefits and Considerations

There are several notable benefits to charging a Per-Night Fee:

- Number of nights booked is relatively easy to track and administer from a collections standpoint since it is based on reporting by the host and data scrape information.
- Collecting the fee associated with number of nights booked allows the host to pay a low registration fee to get started in the Program, and a fee based on the extent of their rental activity on a periodic basis (based on reporting timeline such as quarterly, annually).

Considerations to note about a Per-Night Fee include:

- The prominent underlying assumption for a Per-Night Fee is that there is a linear correlation between the amount of regulatory program services received from the City and the number of nights booked for any given registered listing. Under the Per-Night Fee structure, listings with more nightly bookings pay a higher share overall of the HSO Program’s annual monitoring and Program administration costs. The Per-Night Fee structure assumes that more nightly activity will translate to more regulatory services and benefits to the Host. Listings with more nightly bookings will pay a higher share of the registration costs than listings with fewer nightly bookings. As discussed in Section 5.2, the cost associated with processing a registration or renewal permit application is generally the same regardless of the number of nights booked.
- A Per-Night Fee structure may result in higher degrees of revenue volatility if there are significant changes in demand for bookings. The HSO Program may experience difficulty in recovering ongoing annual costs if the number of nightly bookings varies significantly from year to year.

### 6.2 Alternate Fee Option - Annual Regulatory Fee

As an alternative to a Per-Night Fee, the City can consider implementing an Annual Regulatory Fee. This would be a fixed fee amount charged one time each year to new registrations in the program and renewals of existing registrations. As with the Per-Night Fee, when looking at the benefits and considerations of implementing an Annual Regulatory Fee, the key underlying assumptions must be considered. The basis of the Annual Regulatory Fee assumes that all registered listings receive the same basic services and benefits from the regulatory program on average per year. Rather than charging hosts based on the exact “number of nights” booked per year, the Annual Regulatory Fee considers all registered listings the same.

There are several notable benefits to the Annual Regulatory Fee approach:

- The amount a Host can expect to pay is predictable and consistent, one annual fee per year.

- All registrants of the HSO Program pay a fixed amount of the Annual Regulatory costs required to ensure and maintain Host compliance with local regulations, irrespective of the number of nightly bookings.
- In years with less rental activity, this fee approach could result in less revenue volatility than a Per-Night Fee approach.

Other considerations to note regarding the Annual Regulatory Fee are that compliance with the HSO Program will be higher for listings with less rental activity than the Per-Night Fee approach. Applicants intending to rent their residence out for shorter periods of time may not see the benefit in the cost of paying a fee compared to the potential revenue they could receive. For example, using the Per-Night Max Cost calculations from Table 15, hosts renting their residence for less than 90 days would pay less per year with a Per-Night Fee than with an Annual Regulatory Fee. Assuming a host receives a net profit of \$100 per night, a host would have to rent at least ten (10) nights a year to recoup the costs of registering for the HSO Program compared to six (6) nights using the Per-Night Fee calculations. However, hosts desiring to rent for more than 120 days would save approximately 19-44% their first year in the program, and 6-50% each year thereafter with an Annual Regulatory Fee vs. a Per-Night Fee.

As established in Section 3.2, the activity levels from Fiscal Year 2025 were 7,058. By dividing the total estimated costs associated with HSO Program Administration, and ongoing Monitoring and Enforcement costs by the annual number of registration permit transactions, the maximum Annual Regulatory Fee would be approximately \$570. See Table 18 below:

**TABLE 18. ANNUAL REGULATORY FEE ANALYSIS**

Service Cost Category	Total Cost Summary			
	DCP	HD	DBS	Total
HSO Program Administration	\$ 1,043,510	\$ -	\$ -	\$ 1,043,510
Monitoring and Enforcement	\$ 2,437,366	\$ 300,187	\$ 242,385	2,979,938
<b>Total</b>	<b>\$ 3,480,877</b>	<b>\$ 300,187</b>	<b>\$ 242,385</b>	<b>\$ 4,023,448</b>
Actual Activity Levels from Fiscal Year 2025				7,058
Maximum Annual Regulatory Fee (per application)				<b>\$ 570</b>

The Annual Regulatory Fee could either apply each time an initial application or annual renewal occurs, or at the end of the annual period of rental activity. Table 19 displays the Annual Regulatory Fee for various types of applicants and the maximum costs that an applicant, with and without Extended Home-Sharing, can expect to pay on an annual basis.

**TABLE 19. ANNUAL REGULATORY FEE MAXIUM COST TO APPLICANT**

<b>Year 1 - No Extended Home-Sharing</b>	
Registration/Renewal Fee	\$ 404
Annual Regulatory Fee	570
<b>Max Cost to Applicant</b>	<b>\$ 974</b>

<b>Subsequent Years - No Extended Home-Sharing</b>	
Registration/Renewal Fee	\$ 454
Annual Regulatory Fee	570
<b>Max Cost to Applicant</b>	<b>\$ 1,024</b>

<b>Year 1 - With Extended Home-Sharing</b>	
Registration Fee	\$ 404
Annual Regulatory Fee	570
Extended Home-Sharing Fee	858
<b>Max Cost to Applicant</b>	<b>\$ 1,832</b>

<b>Subsequent Years - With Extended Home-Sharing</b>	
Renewal Fee	\$ 858
Annual Regulatory Fee	570
<b>Max Cost to Applicant</b>	<b>\$ 1,428</b>

### 6.3 Comparative Fee Survey / Other Options

NBS completed a Comparative Fee Survey (Survey) for the City’s Home-Sharing Program. The survey included the Program’s established registration/renewal fees, and current Per-Night Fee. The purpose of the comparative survey was two-fold:

1. Provide a sense of pricing and common practices of similar fee programs.
2. Understand the types of funding sources available for similar programs (e.g., fees, taxes, fines, etc.).

NBS worked with the City to choose four comparative agencies that are similar in either size, location, or complexity to the City of Los Angeles, or have adopted similar regulations to the City’s Home-Sharing Ordinance. The agencies chosen were: Nashville, San Antonio, San Diego and San Francisco. A basic survey of other Southern California agencies in Los Angeles County was also completed by DCP staff.

To gather the comparative data, NBS worked with DCP staff to compile a list of questions related to the Home-Sharing Program. DCP staff circulated the list of questions to their contacts at each of the agencies and survey results were compiled in Table 20 below.

The following information was surveyed for each of the comparison agencies:

- Effective date of Home-Sharing Program.
- Amount and type of registration and/or renewal fees charged.
- Was a cost recovery analysis used to set registration and/or renewal amounts, and if so, how often is the analysis completed.
- Are there any fees outside of registration/renewal that an applicant is required to pay. i.e. Per-Night fee, business license fee/tax, TOT, zoning permit, etc.
- Typical approach to funding ongoing monitoring of non-compliant listings.
- Quantity of registration/renewal applications received and issued per year.
- Billing collection processes.
- Are third-party vendors used for any portion of the Home-Sharing Program?
- Is there any direct communication with hosting platforms such as Airbnb, and if so, what kind?
- Any lessons learned since implementation of the program?

Table 20 displays the results of the Comparative Fee Survey for the HSO Program. The following are NBS' overall findings regarding the survey data:

- **Effective Date:** All comparative agencies have had programs in operation for the same timeframe or longer than Los Angeles, except for San Diego, which has been operating for just shy of three (3) years.
- **Staff Count:** Comparative agencies have a smaller staff size than Los Angeles. Other agencies have between 4-6 staff members, compared to the 26 member staff in Los Angeles. This is likely due to the higher volume of registration and renewal applications submitted annually in Los Angeles, as well as the city taking up a larger geographical area than the other comparison agencies, requiring greater staff efforts.
- **Registration Fees:** Los Angeles' full cost and current registration fee for "Regular" Home-Sharing is comparable to Nashville, but higher than all other agencies surveyed. The City's Extended Home-Sharing fees are higher than all other agencies surveyed. San Antonio permits are valid for three (3) years, while San Diego and San Francisco's are valid for two (2) years.
- **Renewal Fees:** All agencies surveyed charge a renewal fee equal to the registration fee.
- **Per-Night Fee:** NBS concludes that this type of fee/funding structure in general is not currently an industry standard. Nashville was the only city that clearly charges a "per-night fee" as part of their TOT process.
- **Business License:** Nashville, San Diego and San Francisco require a Business License to be paid in addition to a registration/renewal fee.
- **Transient Occupancy Tax Rate:** NBS found through this survey that the most common method of collecting revenues specific to Home-Sharing Programs is through Transient Occupancy Tax.

The following provides more specific findings of the comparison agencies surveyed:

**City of Nashville** – Nashville was the only city surveyed that charges a per-night fee to all applicants, in addition to a Transient Occupancy Tax, Business License Tax and Business License Fee. Discussion with a city representative indicated that the city does not have a separate trust fund set up for the collection of the per-night fee, but rather all funds are deposited into the General Fund. Nashville’s volume of annual permit activity is most comparable to Los Angeles’.

**City of San Antonio** – San Antonio does not charge a per-night fee, or Business License Fee/Tax, but does charge Hotel Occupancy Tax (HOT). City stated permit revenues go into their dedicated Enterprise fund to help pay for the short-term rental team. HOT revenue goes into the General Fund.

**City of San Diego** – San Diego does not charge a per-night fee but does charge for a Business License Fee and TOT. All permit revenues received are placed in the General Fund and tracked internally.

**City of San Francisco** – San Francisco does not charge a per-night fee but does charge for a Business License and Transient Occupancy Tax. The city stated that they do not have a separate fund set up, but their Home-Sharing Program expenses are mainly funded by application fees and enforcement penalties.

**Los Angeles County** – DCP performed a survey of the greater Los Angeles County area for agencies with short-term rental ordinances. It was determined that many of these jurisdictions either did not allow short-term rentals in their city, or their programs varied greatly from the Los Angeles HSO. Only one surveyed agency charges a “per-night fee” of \$2.00, but all utilize Transient Occupancy Tax as a method of charging Home-Sharing registrants between 12.5-17%. See Table 21 for more information.

As discussed above, the comparative fee survey performed by NBS found that all agencies charge a registration and renewal fee to hosts. Only one city surveyed charges a “per-night fee”. Since NBS did not perform the same level of analysis for the comparative agencies, it is possible that agencies outside of California (i.e., Nashville and San Antonio) have different laws around establishing fees, which could account for the difference in fee structure. For the remainder of the Southern California/Los Angeles County agencies surveyed, the most common cost recovery method is charging hosts a Transient Occupancy Tax which ranges from 7-17%.

TABLE 20. COMPARATIVE FEE SURVEY RESULTS - NATIONAL

City	Registration Fee	Estimated Annual New Registrations	Renewal Fee	Estimated Annual Renewals	Per-Night Fee (Y/N)	Per-Night Fee Amount	BL Required (Y/N)	BL Fee Amount	BL Tax	TOT Tax %	BL Tax or TOT Tax Paid
City of Los Angeles	Home-Sharing: \$441 Extended Home-Sharing (more than 120 days): \$883 Extended Home-Sharing Applications Requiring Further Discretionary Review: \$12,798	4,658	Home-Sharing: \$441 Extended Home-Sharing: \$883	2,400	Y	\$ 3.30	N	n/a	n/a	14%	TOT only
Nashville	\$ 313	1,214 - 2,009	\$ 313	6,600	Y	\$ 2.50	Y	\$15/\$30	Depends on annual gross income; \$3,000-\$99,000 requires Minimal Activity License; \$100,000+ requires Business Tax License	7% + \$2.50 per night	Both TOT & BL
San Antonio	Type 1 (owner occupied): \$300 Type 2 (not owner occupied): \$450 Valid for three (3) years	FY2025: 1,570 (1,229 approved)	Type 1 (owner occupied): \$300 Type 2 (not owner occupied): \$450 Valid for three (3) years	FY2025: 576 (482 approved)	N	n/a	N	n/a	n/a	(HOT) Base rate 7% + 2% Convention Center expansion + 1.75% for Bexar County + 6% for the State	HOT only; Platforms (Airbnb/VRBO) are responsible to remit City HOT on behalf of operators each month; operators are required to remit County HOT to City each month
San Diego	Based on License Tier: Tiers 1/2: \$33 Tiers 3/4: \$41 Valid for two (2) years	1,600-1,800	Based on License Tier: Tiers 1/2: \$33 Tiers 3/4: \$41	75%-80% renewal rate of current licenses	N	n/a	Y	Based on License Tier: Tier 1: \$193 Tier 2: \$284 Tier 3/4: \$1,129 Valid for two (2) years	If host is not the owner, a Business Tax Certificate is required	Depends on which tax zone property is located (city has 3 tax zones): 11.75%, 12.75% or 13.75%	BL tax only if host is not the owner
San Francisco	\$925 Valid for two (2) years	800	\$925 Valid for two (2) years	200	N	n/a	Y	\$41 - \$120 depending on gross receipts (renewed annually)	n/a	14%	Both TOT & BL if no exemption for BL is filed

TABLE 21. COMPARATIVE FEE SURVEY RESULTS - LOCAL

City	Registration Fee	Renewal Fee	Per-Night Fee (Y/N)	Per-Night Fee Amount	BL Required (Y/N)	BL Fee Amount	BL Tax	TOT Tax %	BL Tax or TOT Tax Paid
City of Los Angeles	Home-Sharing: \$441 Extended Home-Sharing (more than 120 days): \$883 Extended Home-Sharing Applications Requiring Further Discretionary Review: \$12,798	Home-Sharing: \$441 Extended Home-Sharing (more than 120 days): \$883	Y	\$ 3.30	N	n/a	n/a	14%	TOT only
Alhambra	\$ 395	\$ 395	N	n/a	Y	\$75 new/\$30 renewal	\$83-\$263 (\$0-\$500,000 gross receipts)	12%	Both required
Inglewood	Hosted stays (365 days/yr): \$500 Unhosted stays/Vacation Rentals (max 90 days/yr): \$600	Hosted stays (365 days/yr): \$500 Unhosted stays/Vacation Rentals (max 90 days/yr): \$600	N	n/a	N	n/a	Business Registration Tax Certificate Required \$20/unit; \$50 fire inspection fee for 3 or more units	15.5%	Both required
Long Beach	\$ 500	\$ 500	N	n/a	N	n/a	n/a	13%	TOT only
Santa Monica	\$ 100	\$ 50	Y	\$ 2.00	Y	Processing Fee: \$40 Home-Sharing Review Fee: \$334.88 CASP: \$4	\$75 on first \$60,000 of gross receipts; \$45 on remaining \$15,00 of gross receipts; \$120 due on \$75,000 of gross receipts; \$40,000 or less in gross receipts may be eligible for an exemption	17%	Both required
West Hollywood	See BL Fee Amount / Tax	See BL Fee Amount / Tax	N	n/a	Y	New: \$150 Renew: \$100	\$48 - \$4,800 depending on gross receipts	12.5%	Both required

## 7. CONCLUSIONS AND POLICY RECOMMENDATIONS

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This Chapter discusses policy options and the conclusion of the Fee Study Report.

### 7.1 Recommendations

Section 5.2 of this report establishes the maximum registration and renewal fees eligible for City Council's consideration and adoption. NBS supports charging the maximum fee amounts needed to recover the full costs of registration, monitoring, and enforcement as presented in this Study.

As to the recommended fee structure for recovery of costs other than those related to registration and renewal permits, NBS considers the Annual Regulatory Fee method as the most consistent and reasonable approach to cost recovery for the HSO Program. The Per-Night Fee method of cost recovery is also reasonable, even though it assumes a higher degree of regulatory efforts on average for listings with more nightly bookings.

### 7.2 Policy Considerations

Regulatory fees examined in this Study should not exceed the full cost of service. In other words, the cost recovery rate achieved by a fee should not be greater than 100%. In most cases, imposing a fee above this threshold could require the consensus of the voters. While the results of the Study show that some individual fee amounts need to be reduced, overall, the City is only recovering a portion of costs of service associated with the HSO Program.

Cost recovery targets and individual fee recommendations always reflect agency-specific judgments linked to a variety of factors, such as existing City policies, agency-wide or departmental revenue objectives, economic goals, community values, market conditions, level of demand, and others.

A general means of selecting an appropriate cost recovery target is to consider the public and private benefits of the service or activity in question, such as:

- To what degree does the public at large benefit from the service?
- To what degree does the individual or entity requesting, requiring, or causing the service benefit?

The fees established by the HSO represent a private benefit to the applicant; however, in some cases a strict public-versus-private benefit judgment may not be sufficient to finalize a cost recovery target. Any of the following other factors and considerations may influence or supplement the public/private benefit perception of a service or activity:

- If optimizing revenue potential is an overriding goal, is it feasible to recover the full cost of service?
- Will increasing fees result in non-compliance or public safety problems?
- Are there desired behaviors or modifications to behaviors of the service population helped or hindered through the degree of pricing for the activities?

- Does current demand for services support a fee increase without adverse impact to the citizenry served or current revenue levels? (In other words, would fee increases have the unintended consequence of driving away the population served?)
- Are there broader City objectives that inform a less than full cost recovery target from fees, such as economic development goals and local social values?

Because this element of the Study is subjective, NBS provides the cost of service calculation based on 100% full cost recovery, as well as the framework for the City to adjust in accordance with the City's goals as they pertain to code compliance, cost recovery, economic development, and social values.

### 7.3 Fee Update Requirements

In general, the Best Management Practice for a comprehensive review of municipal fee programs is every three to five years. This provides enough time for significant operational and budgetary changes to take place that could impact underlying cost and process assumptions supporting fee calculations. However, NBS recommends more frequent cycles of fee program review and updates when there are significant changes in operations or economics.

Between the time the HSO fee program update is adopted and the next comprehensive evaluation of the fee program, the City should consider adjusting these fees on an annual basis to at least keep pace with the cost of inflation. A common practice in California is to apply an annual Consumer Price Index adjustment.

### 7.4 Conclusion

As discussed throughout this report, the fee program established by this report intends to improve the City's recovery of costs incurred to provide regulatory services. Predicting the amount to which any adopted fee change will affect City revenues is difficult to quantify. For the near-term, the City should not count on increased revenues to meet any specific expenditure plan. Experience with the revised fee amounts and processes proposed herein should be gained first before revenue projections are revised. However, unless there is some significant, long-term change in activity levels at the City, proposed fee amendments should enhance the City's cost recovery performance over time, providing it with the ability to stretch other resources further for the benefit of the public at large.

As a final note in this Study, it is worth acknowledging the path that fees in general have taken in California. The public demands ever more precise and equitable accounting of the basis for governmental fees and a greater say in when and how they are charged. It is inevitable in the not too distant future that user fees and regulatory fees will demand an even greater level of analysis and supporting data to meet the public's evolving expectations. Technology systems will play an increased and significant role in an agency's ability to accomplish this. Continuous improvement and refinement of time and cost tracking abilities will greatly enhance the City's ability to set fees for service and identify unfunded activities in years to come.

*In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the City's budgets, time estimate data, and workload information from City staff, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions. While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.*