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November 1, 2024

The Honorable City Council
City of Los Angeles
City Hall, Room 395
Los Angeles, California 90012

Dear Honorable Members:

SECOND SUPPLEMENTAL REPORT – HOME-SHARING VENDOR EVALUATION, PROCESS ENHANCEMENTS, AND COMPLIANCE STRATEGIES (CF 14-1635-S10)

On March 18, 2024, the Department of City Planning (City Planning), along with the Department of Building and Safety (DBS) and the Los Angeles Housing Department (LAHD), presented to the Los Angeles City Council Housing and Homelessness Committee (“Committee”) in response to Council File regarding 14-1635-S10 regarding Home-Sharing administration and enforcement. At this meeting, the Committee instructed City Planning to evaluate the City’s third-party vendor for Home-Sharing registration and compliance monitoring and to provide any suggested improvements or alternatives to contract services. The Committee also requested reports on removing warning letters, updating processes and documentation for a home-sharing registration, and adding a home-sharing field to the my311 portal and ZIMAS. Additionally, the Committee requested an update on adding a private right of action clause and requested that City Planning explore the feasibility of a financial incentive program for identifying non-compliant properties.

This report is submitted in response to the Committee’s instructions. The following table (Table 1) provides a summary of the Committee’s requests, the required action, as well as the responsible City department and decisionmaker. For actions that are already in process, a status update is provided.

**Table 1
 Summary of H&H Committee Requests Regarding Home-Sharing Regulations & Work Program**

| Requested Item | Required Action(s) & Status | Decisionmaker/Responsible Department |
|--|---|--|
| 1. Improvements to registration & compliance monitoring contract | Action: Negotiate and award vendor contract Status: In process; new contract by April 2025 | LACP |
| 2. Removal of warning letters | Action: Cease previous practice of sending written Notices of Code Violation to owners of illegal listings prior to referring the property for citation. Status: Complete; Removed as of May 8, 2024 | LACP |
| 3. Strengthen requirements for proof-of-residence | Action: Amend Home-Sharing Administrative Guidelines Status: In progress; expected Winter 2025 | LACP |
| 4. Terminate registrations on transfer of ownership/tenancy | Action: Additional Vendor Contract and Additional Staffing | City Council |
| 5. Require 6 months of tenancy prior to issuing registration | Action: Amend Home-Sharing Ordinance & Administrative Guidelines | City Council, LACP |
| 6. Allow submittal of complaints & documents via 311 | Action: Build complaint portal and include on myLA311 website & web app Status: Pending updates to myLA311 website/migration to new platform; expected 2025 | LACP, ITA, LADBS, LAHD, BOSS, LADOT, LASAN, LAPD |
| 7. Modify / discontinue / revoke noncompliant registrations | Status: In Effect; Regulations & procedures to administratively revoke registrations & conduct discretionary hearings currently provided in Home-Sharing Ordinance | Zoning Administrator, City Council (if appealed) |
| 8. Add Home-Sharing data to ZIMAS | Action: Integrate data between systems Status: In progress; expected Fall 2024 | LACP |
| 9. Add private right of action for Home-Sharing violations | Defer to Office of the City Attorney | TBD |
| 10. Create financial incentive program | Defer to Office of the City Attorney | TBD |

Item 1: Evaluate the current contract agreement and scope of work with the City's existing third party vendor that provides a registration and compliance monitoring system

City Planning's existing contract with Granicus started on April 15, 2022, and ends on April 14, 2025. Functionalities provided by Granicus include real-time address identification, compliance monitoring, mobile permitting and registration systems, payment processing, a 24/7 complaint hotline, rental activity monitoring, and integration with major short-term rental (STR) platforms like Airbnb and VRBO. While the software system provides all of these elements and has aided the implementation and enforcement of the Home-Sharing Ordinance (HSO), the contract has nonetheless encountered significant challenges.

One major challenge lies in monitoring STR platforms. The current contract mandates monitoring of STR platforms with over 100 listings, which has proven inadequate as new, smaller platforms emerge. Weekly screenshots provided by Granicus per the contract are insufficient for identifying rapidly relisted non-compliant properties. Additionally, enforcement efforts have been hampered by listing owners taking measures to evade monitoring. Examples include false exemptions (i.e., claiming a residential property is a hotel) and listing inaccuracies (such as using a different property's registration number or falsely claiming the property is located in a neighboring jurisdiction).

City Planning is currently in the Request for Proposal (RFP) process for Home-Sharing Compliance, Monitoring, and Enforcement, released in May 2024. Reflecting lessons learned from the current contract, the RFP's scope of work calls for enhancements such as a more robust ticketing system for inquiries and complaints, a comprehensive public records portal, and stricter measures to aid enforcement, including daily screenshot requirements and secondary verification protocols for listings.

The RFP timeline calls for eventual implementation of a new contract by April 2025, coinciding with the expiration of the current Granicus contract.

Item 2: Remove Notices of Code Violation ("Warning Letters") to owners of non-compliant properties in order to streamline the citation process

In the October 4, 2023 report, City Planning recommended ceasing the issuance of Notices of Code Violation (i.e., "warning letters"), as this notice has prolonged the citation referral and issuance process. City Planning's practice was to issue a courtesy warning letter to owners of properties not in compliance with the Home-Sharing Ordinance (HSO). However, a warning letter is not required for LADBS or LAHD to issue a citation for violation of the HSO and can delay the issuance of a citation by several weeks. Eliminating this courtesy altogether would shorten the citation process and potentially allow more citations to be issued.

On May 8, 2024, City Planning's software vendor implemented new coding in the Host Compliance registration database that halts warning letters, allowing City Planning to refer violations to LADBS or LAHD for citation more quickly.

Item 3: Consider removal of currently accepted Home-Sharing registration documents that may be easy to falsify and replace them with more trustworthy documentation

In order to register for Home-Sharing, hosts must provide proof of identity as well as acceptable documentation to show that the registered dwelling unit is their primary residence (i.e., where they reside for more than six months out of the calendar year). To date, all applications for a registration

have undergone ministerial review, which ensures issuance of a valid registration so long as the objective eligibility criteria outlined in the Home-Sharing regulations are satisfied.

City Planning is updating the Home-Sharing Administrative Guidelines to strengthen the ministerial review process and reduce the likelihood of ineligible hosts receiving a registration. A more detailed discussion of the challenges regarding the current Administrative Guidelines can be found in City Planning's previous reports to the City Council.

Potential modifications to the list of acceptable documents for both proof of identity and evidence of primary residence includes the following:

- Replace the requirement to provide a valid federal or state-issued photo identification document as proof of identity, including U.S. passports and driver licenses issued by any state, with a valid California driver license or identification card displaying an address matching their claimed primary residence.
- Replace the requirement to provide documents issued by either public agencies or private businesses, with a narrower list of documents issued by public agencies displaying an address matching the claimed primary residence, such as notices/statements from government assistance programs.

The new Home-Sharing Administrative Guidelines would be promulgated by City Planning under authority granted through the Home-Sharing Ordinance. While the guidelines can be amended or adjusted by the Director of Planning, City Planning must coordinate with its software vendor to ensure that all changes are implemented in the Home-Sharing registration portal. Additionally, City Planning is developing informational materials and other resources as part of its outreach to registered hosts and other interested parties who may be affected by the impending changes. It is anticipated that the Administrative Guidelines will be ready for approval by the first quarter of 2025.

Item 4: Explore feasibility of terminating Home-Sharing registrations upon the transfer of ownership and tenancy

The current Home-Sharing Administrative Guidelines require registered hosts to contact City Planning to terminate their Home-Sharing registration once their registered Home-Sharing unit is no longer their primary residence, and hosts must provide current primary residence documentation annually when they apply to renew their registration.

In order to proactively terminate registrations, City Planning would first need to collect and integrate additional data into the Home-Sharing registration portal to quickly and accurately identify when a change of ownership or tenancy has taken place. Such monitoring, covering thousands of existing registered properties, would need to be automated in order to be effective, necessitating additional consultant/vendor services. In order to prevent a valid registration from being improperly terminated, staff would then need to manually reverify primary residency with each registered host whose registration has been flagged – repeating the residence verification process already conducted for new registrations and annual renewals.

Both of these steps (data integration and residence reverification) would require additional staff resources and additional expenditures on vendor contracts. As discussed in City Planning's previous reports to the City Council, the time required to complete an individual application review is roughly one hour; therefore, additional reviews would increase staff workload and/or require additional staffing for the program.

Item 5: Explore feasibility of issuing Home-Sharing registrations after six months of tenancy has been established at a primary residence

The Home-Sharing regulations do not currently require hosts to have maintained the proposed Home-Sharing unit as their primary residence for any period of time prior to applying for a registration. Mandating a continuous six-month period of residency prior to registering would require amending the Home-Sharing Ordinance. As previously discussed, the City's outreach, engagement and adoption process for Code amendments requires approximately 18 months to complete.

This new requirement would also require a corresponding update of the Home-Sharing Administrative Guidelines to require applicants to submit additional documentation showing their past residency in the dwelling unit. The Administrative Guidelines currently do not recognize many types of documents as acceptable proof of current residency if they are dated more than six months prior to the application date.

Item 6: Feasibility of adding a new field in the current public home-sharing portal, or MyLA 311, or a similar online system that would make it possible for members of the public to submit time-sensitive evidence/materials for registered and unregistered short-term rentals to accompany their complaints

According to the Information Technology Agency (ITA), the myLA311 website and mobile application are transitioning to a new platform and will not be able to accommodate new service request types and functionalities until late 2024 at the earliest. With assistance from ITA, a Home-Sharing service request could be added that would ask constituents to categorize their short-term rental-related complaint and prompt them to enter information that would then be routed to the appropriate agency. This would require collaboration and cooperation with citation-issuing agencies, as they would be responsible for investigating service requests and issuing citations. It is important to note that several relevant agencies (i.e., LAPD, LADOT, and LAHD) are not integrated into the 311 system. Consequently, these agencies would need to be incorporated into the platform, or 311 would need to instruct constituents to bring related complaints directly to those agencies.

Given the time and effort needed to fully implement a Home-Sharing service request, City Planning is working on updating the Home-Sharing article on the myLA311 website to direct the public to report violations to appropriate City agencies. This article will also be linked to the Home-Sharing page on planning.lacity.gov, guiding the public to utilize myLA311 effectively. City Planning is working toward updating the article by the end of fall 2024.

Item 7: Implement procedures to initiate a modification, discontinuance, or revocation of a home sharing registration for known nuisance properties

The Home-Sharing regulations currently allow the Director of Planning to modify, discontinue, or revoke a Home-Sharing registration as part of a discretionary modification process as described in LAMC Section 12.22.A.32(c)(4)(iii) and 12.27.1.B. Additionally, City Planning's October 4, 2023, report described the modification, suspension and revocation process in detail.

Ministerial suspensions or revocations are based on accumulated citations. A regular Home-Sharing Registration may be suspended after two sustained citations, and can be revoked with a one-year prohibition on Home-Sharing after three or more sustained citations. An Extended Home-Sharing Registration can be revoked with a two-year prohibition after two or more sustained citations.

Discretionary modifications, suspensions, and revocations must be initiated by the Director of Planning. This process requires Planning staff to gather substantial and compelling evidence, initiate the case, hold a public hearing, await a Zoning Administrator's determination, and allow the exhaustion of the appeal process, which requires City Council action. The discretionary process requires a minimum of five months from initiation to issuance of a determination letter, plus additional time if the decision is appealed to the City Council. The Home-Sharing Registration remains active until a final decision is issued and all appeals are exhausted.

An additional factor in the discretionary modification/revocation process is that hosts who have their registration modified or revoked are liable for City Planning fees associated with the case, and the City likely will not be able to recover all fees or staff costs. In other nuisance abatement and revocation (NAR) cases, such as those involving alcoholic beverage permits, fees can reach \$80,000 or more per case. Delinquent fee invoices may be referred to the Office of Finance Citywide Collections Unit, which can negotiate a settlement with the owner/operator. Additionally, the Office of the City Attorney can pursue litigation to recover the fees. City Planning estimates that approximately 30 percent of the total amount of all delinquent NAR invoices is eventually recovered.

Further challenges inherent to the discretionary modification and revocation process include property access barriers to gathering evidence, as well as the fact that the process applies only to properties registered for Home-Sharing and cannot address nuisances at unregistered properties. Therefore, while a discretionary process is available to terminate home sharing registrations, it is lengthy and requires significant resources with an outcome based on available evidence in the record. In contrast, the ministerial suspension and revocation process can result in a more timely resolution to home sharing violations with the issuance of two or more citations.

Item 8: Feasibility of adding a new sub-field labeled “Home-Sharing Ordinance (HSO)” under the Housing section in the City’s Zone Information and Map Access System (ZIMAS) web-based mapping tool to detail whether a property has a Home-Sharing permit or not, and if it does, including the permit expiration date

City Planning is actively working to update the City’s Zone Information and Map Access System (ZIMAS) to convey information regarding active home sharing registrations. Members of the public will be able to navigate to the “Housing” dropdown to view whether a parcel is associated with one or more Home Sharing Registration Numbers. Additionally, this new field in ZIMAS will include a link to the existing [Home-Sharing Records Portal](#) to view more detailed information about the property including registration type, enforcement actions, or logged complaints. City Planning anticipates that this update will be implemented by the end of October 2024.

Item 9: Provide update on Council File 14-1635-S12, related to including a Private Right of Action clause to the Home-Sharing Ordinance

As detailed in City Planning’s October 2023 report, a private right of action for short-term rental violations was discussed but ultimately not included in the adopted Home Sharing Ordinance. Current State law allows residents who experience nuisance or harmful conditions at nearby short-term rental properties to bring private nuisance abatement suits against the short-term rental operators. In cities where a private right of action exists specifically for short-term rental violations, such as San Francisco and Santa Monica, City Planning is not aware of any such lawsuits having been initiated.

City Planning defers to the Office of the City Attorney for future discussion regarding a private right of action for short-term rental violations, as this falls outside of City Planning staff's expertise in land use planning and regulation.

Item 10: Report on the feasibility of using a financial incentive program that can enable the public to participate in the identification of problematic non-complaint and illegal properties

Creating a financial incentive program enabling the public to report short-term rental properties involves legal questions and falls outside of City Planning staff's expertise in land use planning and regulation. As such, City Planning defers to the Office of the City Attorney for further discussion of such a program.

Should you have any questions regarding the information in this report, please do not hesitate to contact the following staff: City Planner Niall Huffman, niall.huffman@lacity.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Vincent P. Bertoni". The signature is stylized and somewhat cursive, with a large loop at the end.

VINCENT P. BERTONI, AICP
Director of Planning