



**STAFF REPORT**

**City Council**

**Meeting Date:** 8/13/2024

**Staff Report Number:** 24-131-CC

**Informational Item:** Short-term rental compliance update

**Recommendation**

This is an informational item and does not require City Council action.

**Policy Issues**

Short-term rentals (STR) are subject to Transient Occupancy Tax (TOT) in Menlo Park Municipal Code Section 3.16.

**Background**

The City contracts with HdL Companies (HdL) as its full-service provider of TOT administration, including STR detection, monitoring and compliance, and related audit services for traditional lodging providers and STRs.

In the summer of 2021, HdL initiated a detailed analysis of STR listings on a variety of online published methods, including AirBnB, VRBO, HomeAway, etc. This process resulted in the creation of a full inventory of STRs within the city limits of Menlo Park. The information gathered included the full name of the owner and the physical address of the unit. Each STR is tracked and updated nightly with valuable data that can include items such as number of nights rented, average occupancy rates, room rates, as well as trend and usage reporting.

Following identification, HdL conducted a targeted education and compliance campaign designed to inform STR hosts of their obligations to file and remit TOT. Each lodging provider was provided a full overview of the requirements and how to best comply both in the present and the future. During the registration process, HdL offers a variety of support options to the host including online filing, file-by-phone, email and registration via standard mail. HdL tax specialists are available throughout the process to provide support to the STR community and assist in the registration process.

Once registered, the account is moved into a standard administration process. HdL manages the filing of tax returns on a monthly basis. This includes mailing of tax returns, processing of payments, customer support, delinquency follow up, and management of the online portal for registration, filing, payments and other support related needs.

HdL continues to search online published STR listings to ensure continued compliance.

**Analysis**

Most cities impose a TOT on persons staying 30 days or less in hotels and similar lodgings, including short-term rentals. The tax is paid by the guest, collected by the lodging provider, and remitted to the city.

For the fiscal year 2021-22, 44 of the 68 registered properties had confirmed stays and remitted tax, interest and penalties totaling \$230,279.

For fiscal year 2022-23, 81 of the 88 registered properties had confirmed stays and remitted tax, interest and penalties totaling \$363,857.

For fiscal year 2023-24, 92 of the 101 registered properties had confirmed stays and remitted tax, interest and penalties totaling \$510,438.

Of the 92 properties with confirmed stays, 25 are new property locations added in fiscal year 2023-24. As of June 30, 2024, HdL has contacted five STR properties with posted stay offerings on lodging websites that have not yet registered.

### **Impact on City Resources**

STR program revenue in fiscal year 2021-22 totaled \$230,279. STR program revenue in fiscal year 2022-23 totaled \$363,857. STR program revenue in fiscal year 2023-24 totaled \$510,438.

### **Environmental Review**

This action is not a project within the meaning of the California Environmental Quality Act Guidelines §§15378 and 15061(b) (3) as it will not result in any direct or indirect physical change in the environment.

### **Public Notice**

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

### **Attachments**

None.

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