



CITY OF FULLERTON

City Council Office

Mayor, Fred Jung
Mayor Pro Tem, Shana Charles
Councilmember, Nicholas Dunlap
Councilmember, Jamie Valencia
Councilmember, Ahmad Zahra

July 20, 2025

The Honorable Maria Hernandez
Presiding Judge of the Superior Court
Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701

RE: City of Fullerton Response to the 2024-2025 Orange County Grand Jury Report:
"Long-Term Solutions to Short-Term Rentals"

Dear Presiding Judge Hernandez:

The City of Fullerton has reviewed the 2024-2025 Orange County Grand Jury Report titled *"Long-Term Solutions to Short-Term Rentals."* We appreciate the Grand Jury's focus on balancing community needs with the challenges posed by short-term rentals (STRs). As required by California Penal Code Sections 933 and 933.05, the City of Fullerton submits the following responses to the findings and recommendations relevant to our jurisdiction.

FINDINGS:

F1. Despite increasing media coverage of Online Booking Agencies (OBAs), STRs are not a new phenomenon in Orange County.

Response: The respondent agrees with the finding.

Short-term rentals have existed in Orange County for decades, particularly in coastal and tourism-centric areas. While Fullerton is not a coastal city, we recognize the historical context of STRs and their evolving impact on communities. Our proximity to attractions in the region makes STRs desirable within the community.

F2. The steady growth of STR usage in the last decade raises concerns of potential public nuisance.

Response: The respondent agrees with the finding.

THE EDUCATION COMMUNITY

The City agrees that the proliferation of STRs has amplified concerns about noise, parking, trash, and neighborhood disruption. These issues contributed to the City Council's adoption of an urgency ordinance for a short-term rental moratorium on July 15, 2025, prohibiting new STR permits and phasing out existing non-compliant ones.

F3. Even with robust Code Enforcement, a city's statutory ban on STRs is not enough to keep STRs from operating.

Response: *The respondent agrees with the finding.*

The City of Fullerton agrees that OBAs and associated entities operate through various methods to post STRs and collect revenue through unregulated or illicit avenues. Furthermore, statutory bans such as the STR moratorium provide a defined set of tools for enforcement, however existing staff case loads and resources do not match this unmet need.

F4. Anaheim's ordinance requires OBAs to report Transient Occupancy Tax (TOT) directly to the city. This has led to the favorable result that unpermitted STR income is reported to the city.

Response: *The respondent partially agrees with the finding.*

The City of Fullerton agrees that language within Anaheim's regulations mandates OBAs report all TOT tax to the city which has enhanced reporting. City of Fullerton Ordinance No. 3290 establishes TOT collections and identifies enforcement avenues that include administrative fines, penalties, and citations for hosting platforms. Fullerton recognizes this ordinance can be enhanced to mandate reporting by OBAs.

F5. Proactive home inspections of new and renewing STRs, which have been implemented in some Orange County cities, improve code enforcement and STR compliance with city ordinances.

Response: *The respondent agrees with the finding.*

The City of Fullerton agrees that proactive home inspections of new and renewing rentals can improve code compliance. A significant contributing factor to the City's adoption of the July 15, 2025, moratorium was due to the high volume of unpermitted construction work which has been directly tied to operation of unregulated short-term rentals.

F6. Direct remittance of taxes by OBAs does not capture all TOT for an STR because of direct booking practices.

Response: *The respondent agrees with the finding.*

Prior to the moratorium, Fullerton relied on operator self-reporting for TOT. We acknowledge that direct bookings and non-compliant operators can evade tax collection. The use of advanced web scraper tools can assist in identifying non-compliant listings through less popular OBAs.

F7. Some cities in Orange County have outdated systems for tracking short-term rental

TOT making the process less effective and more difficult for staff.

Response: The respondent agrees with the finding.

Fullerton has relied on advanced web scraping technology to identify rental amounts, unpermitted postings, and the like. These tools also organize data which can be analyzed further with less extraneous staff time.

F8. In some cases, STRs are improperly recharacterized as long-term rentals to circumvent the collection of TOT and any applicable penalties.

Response: The respondent agrees with the finding.

Fullerton has encountered several scenarios where operators allege that the STR falls within the definition of a long-term lease but will then swap or fall into the short-term rental territory when use is under 30 days. Unpermitted operators may swap between rental types to avoid penalties.

In addition, some operators have been caught utilizing Accessory Dwelling Units (ADUs) for STR, which violations state ADU laws. In the case of Fullerton, the city has a Regional Housing Needs Assessment (RHNA) number of 13, 209 units, whereby ADUs are counted towards meeting this housing (i.e. long term) requirement. STRs cannot be counted towards meeting state RHNA housing requirements.

F9. Foreign language OBA's are outside the current capabilities of Code Enforcement to monitor and track unpermitted STR's.

Response: The respondent agrees with the finding.

While Fullerton relies on tools to identify postings, these are typically discovered through English language scraping and key terms. The opportunity for alternate language postings to present challenges in enforcement remains.

F10. Cities that fail to routinely review their STR waiting lists potentially lose TOT revenue and contribute to a greater prevalence of unpermitted STRs.

Response: The respondent agrees with the finding.

The City's tools allow for proactive monitoring; however, the tools alone cannot ensure compliance. Existing code enforcement and planning staff routinely assess the listed operators to follow up and establish a record of violation.

F11. Locations that have hosted major events have reported an outsized increase in demand and pricing of STRs, a situation OC is likely to experience with upcoming 2026 LA World Cup and 2028 LA Olympic games.

Response: The respondent agrees with the finding.

The City's moratorium stops further escalation of unpermitted rentals and maintains current level of operation. The City's proximity to the LA area as well as possible venues makes it an ideal location for temporary transient stays which can have outsized impacts.

F12. City leaders have no regular communication with each other concerning STR issues, limiting opportunities to develop strategies and expertise to improve service.

Response: The respondent disagrees with the finding.

The City's management team frequently attends collaborative discussions as it relates to pressing regional topics including Short Term Rentals. The City's code enforcement division also participates in regional and statewide collaborative trainings through the California Association of Code Enforcement Officers (CACEO) which discusses shared challenges and methods to address issues, including STR violations.

RECOMMENDATIONS

R1. Cities should review and begin to update ordinances to keep up with the rapidly changing nature of court findings and legislation related to STRs, by December 31, 2025, and no less frequently than every three years thereafter (F4, F12).

Response: The recommendation is considered, however due to Fullerton's existing moratorium on short-term rentals, further adaptation of regulatory codes will be dependent on the consideration of the program, following the 22-month moratorium period.

The City of Fullerton agrees that the legal environment surrounding short term rentals is dynamic and requires regular updating of ordinances.

R2. Cities should consider developing a plan for upcoming major events that are expected to create a surge in demand for STRs and its associated Transient Occupancy Tax, by December 31, 2025, and no less frequently than every two years thereafter (F11).

Response: The recommendation will be implemented.

The City of Fullerton will pursue preparations for increases in TOT tax associated with the proximal locations of the 2026 LA World Cup and the 2028 LA Olympic Game. Preparations may include contracting with third-party collections agencies and establishing staff augmentation for code enforcement activities during the events. Staff will also pursue full reimbursement of such costs from illicit operators as needed.

R3. Cities that allow STRs should evaluate the benefit of ordinances facilitating Voluntary Collections Agreements requiring OBAs to submit TOT directly, by June 30, 2026 (F4, F12)

Response: The recommendation is considered, however due to Fullerton's existing moratorium on short-term rentals, further analysis would be needed to determine feasibility of modifying the underlying ordinance regulating STR's while the moratorium is in place.

The City of Fullerton will investigate opportunities to enhance collections from OBAs on an as needed basis and will develop a framework prior to the June 30, 2026, date as

allowable under existing frameworks through the duration of the moratorium and thereafter.

R4. Cities that allow STRs should evaluate the benefit of collecting TOT on a monthly basis by individual property, by June 30, 2026 (F7, F8)

Response: The recommendation is not considered due to Fullerton's existing moratorium on short-term rentals, further analysis would be needed to determine feasibility of modifying the underlying ordinance regulating STR's while the moratorium is in place.

The City of Fullerton will investigate avenues for collection of TOT on a monthly basis, depending on audited financials from operators, such collections would likely be facilitated through a third-party entity.

R5. Cities should require STRs to include the number of days rented per month per permit to facilitate short-term rental TOT desk audits by November 30, 2025. (F7, F8)

Response: The recommendation is not considered due to Fullerton's existing moratorium on short-term rentals. Further analysis would be needed to determine feasibility of modifying the underlying ordinance regulating STR's while the moratorium is in place.

The City of Fullerton currently relies on scraping technology that shows data related to revenue generated by STRs on a recurring basis, identifying number of days rented per month, per permit, to facilitate audits by November of 2025 is not feasible with the existing available resources.

R6. Cities with a permit waiting list should implement strategies to remove non-revenue generating licenses to allow for fair access by December 31, 2025, and annually thereafter. (F7, F10)

Response: The recommendation is partially supported, and inactive operators are currently removed, however due to the STR moratorium, no new operators would replace these inactive operations until the policy is fully revised.

The City of Fullerton has paused intake of new STR submittals through the ordinance and the city already regularly monitors non-revenue or inactive STR operators to consider removal when these operators' turnover.

R7. Cities that allow STRs should consider allocating resources to update their short-term rental TOT tracking systems by September 30, 2026. (F7, F8, F10)

Response: The recommendation is supported.

The City of Fullerton plans to analyze and consider opportunities to revise its existing resource allocations throughout the moratorium period to enhance TOT tracking.

R8. Cities that allow STRs should consider random multi-year audits to confirm TOT by June 30, 2026, and annually thereafter (F6, F7, F8)

Response: The recommendation is not considered due to Fullerton's existing moratorium on short-term rentals. Further analysis would be needed to determine feasibility of modifying the underlying ordinance regulating STR's while the moratorium is in place.

The City of Fullerton plans to analyze and consider opportunities based on available resources to revise the enforcement and audit review of STR operations during the moratorium period, should a more robust method be identified, staff will consider it in a revised proposed ordinance.

R9. City leaders should have regular discussions with each other to share STR management strategies on a biannual basis commencing no later than Jan 1, 2026. (F12)

Response: The recommendation is considered in-part, however existing ad-hoc collaborative efforts and communications through regional bodies facilitates this type of discussion related to STRs.

The City of Fullerton already pursues collaborative conversations with regional bodies for both City management and Code Enforcement.

Conclusion.

The City of Fullerton acknowledges the Grand Jury's recommendations and findings regarding short-term rental management. However, the City's 22-month and 15-day moratorium on STRs, enacted on July 15, 2025, provides critical time for staff to analyze the Grand Jury's findings alongside Fullerton-specific data, community feedback, and enforcement challenges. This deliberate pause allows the City to develop a tailored, realistic strategy that balances neighborhood preservation, compliance with state law, and regional collaboration. While several recommendations are inapplicable due to the moratorium's prohibition of STR permits, the City will use this period to:

1. Evaluate the feasibility of proposed tools (e.g., third-party surveillance software, regional partnerships).
2. Engage stakeholders to address unpermitted STRs and public nuisance concerns.
3. Align long-term policies with evolving legal frameworks and community priorities.

The various deadlines for implementation throughout 2025 and early 2026 are incompatible with the moratorium's timeline which extends through 2027; however, Fullerton remains committed to addressing STR challenges through measured, evidence-based solutions.

Should you have any questions or need additional information, please contact Eddie Manfro, Interim City Manager, at (714) 738-6310 or via email at eddie.manfro@cityoffullerton.com.

Respectfully,

Fred Jung
Mayor

Cc: Orange County Grand Jury
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