



City of South Lake Tahoe

Report to City Council

Meeting Date: April 22, 2025

Title: Potential Amendments to 2018 VHR Ordinance

Location: Citywide

Responsible Staff Members: Heather Stroud, City Attorney (530) 542-6046
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Background: On November 21, 2017, City Council adopted Ordinance No. 1114 to repeal and replace Article V (Vacation Home Rentals) of Chapter 3.50 of Title 3 of the South Lake Tahoe City Code. Ordinance No. 1114 addressed concerns and impacts of Vacation Home Rentals ("VHRs"), including adding a cap of 1400 VHRs outside the Tourist Core, operational requirements including occupancy limits, restrictions on hot tub hours, prohibition of commercial activities such as weddings, parking restrictions, noise/quiet hours, and requirement to properly secure trash in bear boxes. On August 21, 2018, City Council adopted Ordinance No. 2018-1120 to make further amendments, including clarifying when the owner versus occupant would be subject to a citation for violating operating conditions and making exceptions to certain parking and trash requirements for properties within a Homeowners Association having their own regulations.

On the election held on November 6, 2018, a local citizens initiative called Measure T passed. Beginning after a phase-out period, Measure T prohibited VHRs in certain areas of the City where they had previously been permitted, including residentially-zoned areas, multifamily dwellings, and areas added to the Tourist Core after 2017. An organization called South Lake Tahoe Property Owners Group filed a lawsuit challenging Measure T on various grounds. In February 2021, Measure T was upheld in its entirety by the El Dorado County Superior Court, and Plaintiff filed an appeal. The court of appeal affirmed the trial court's judgment upholding Measure T, except that it remanded the case for the trial court to consider whether the "permanent resident" exception in the Qualified VHR provisions of Measure T violates the dormant Commerce Clause of the U.S. Constitution. On March 13, 2025, the El Dorado County Superior Court issued a ruling finding that the Qualified VHR provisions are unconstitutional because they impermissibly discriminate against interstate commerce, and that these provisions are not severable from the remainder of Measure T, requiring that Measure T be struck down in its entirety.

At a special meeting on April 1, City Council voted not to appeal this decision. At the same meeting, City Council adopted an urgency ordinance to establish a temporary moratorium on issuing VHR permits in areas that are affected by the recent Measure T decision to provide time for City Council to study and make any desired changes to the pre-Measure T VHR regulations to address some of the nuisance concerns that led to the passage of Measure T, and allow for an orderly implementation of permitting.

Issue and Discussion: Without the moratorium, the result would be an immediate reversion to the pre-Measure T VHR regulations that were in place as of November 2018 (“2018 VHR Regulations”). The applicable regulations are in City Council Ordinance No. 1114 as amended by City Council Ordinance No. 1120. The 2018 VHR Regulations are attached.

City Council is asked to provide direction on the amendments that should be included in a draft ordinance for consideration. Possible amendments for discussion include the following:

Prohibit or limit VHRs in certain residential areas.

Considerations:

- The Measure T litigation confirmed that the City has authority to prohibit VHRs or limit them in a way that does not use discriminatory criteria (i.e. “permanent resident” status).
- City Council could continue to prohibit VHRs in all residential areas or prohibit or limit them in certain neighborhoods to preserve residential uses and neighborhood character.

Establish a lower cap on VHR permits outside the Tourist Core.

Considerations:

- The 2018 VHR Regulations established a cap of 1400 VHRs outside the Tourist Core. (§ 3.50.380(F))
- Measure T allowed an unlimited number of VHRs in the Tourist Core and commercial and recreational zones outside the Tourist Core. There are currently 559 VHR permits in the Tourist Core, and there are currently 37 VHR permits in non-residential zones outside the Tourist Core (35 in commercial zones and 2 in recreation zones).
- Based on VHR permit records and current property ownership records, staff estimates that approximately 44 percent of the 1400 properties outside the Tourist Core that had VHR permits when Measure T passed in 2018 have since been sold.
- Staff recommends that if City Council desires to lower the cap, that the cap apply only to residential areas outside the Tourist Core.

Establish a buffer between VHRs, similar to El Dorado County’s recent amendments, to avoid saturation of VHRs in neighborhoods.

Considerations:

- In October 2017, City Council considered adopting a buffer of 150 feet between VHR properties, but did not end up adopting a buffer.
- El Dorado County requires a buffer of 500 feet between VHR properties.
- If City Council desires to add a buffer and give permitting preference (see below), then Council should consider whether the buffer should apply only after prior permittees receiving the preference have been issued permits.

Prohibit VHRs in all multi-family dwellings to preserve their use as housing.

Considerations:

- The 2018 VHR Regulations allowed VHRs in multi-family dwellings that had VHR permits prior to September 1, 2016. (§ 3.50.380(D)(2))
- Measure T phased out VHRs in all multi-family dwellings by the end of 2021.
- Staff recommends amending the 2018 VHR Regulations to continue to prohibit VHRs in all multi-family dwellings to preserve their use as housing.
- Staff recommends amending the definition of “multi-family dwelling” in the 2018 VHR Regulations. Currently, time shares and condominiums are included in this definition which

is inconsistent with Title 6, which excludes time shares and condominiums, and with historical past practice of allowing short-term rentals in condominiums and time shares.

Require VHR owners to use local property manager.

Considerations:

- The 2018 VHR Regulations require that the applicant provide local contact number with 24-hour availability for reporting violations. (§ 3.50.390(B)(1)(j))
- City Council could strengthen this requirement by requiring a local property manager with additional specified duties instead of just being available for reporting violations, such as conducting an in-person check-in to go over the rules and consequences of violations with guests and require occupant acknowledgment, and to be available to respond in person to complaints within a short timeframe.
- City Council could require local property manager to employ technology such as outdoor noise monitoring and surveillance cameras so manager can monitor compliance and avoid violations.

Increase consequences for violations.

Considerations:

- The 2018 VHR Regulations include the ability to cite the owner, agent, or occupant for violations and a three strikes rule requiring revocation of a VHR permit where there have been 3 upheld citations within a 24-month period and prohibiting issuance of a VHR permit where there have been three upheld citations in any 24-month period. (§§ 3.50.400; 3.50.410(B)(3); 3.50.420(A)(2)). However, under the 2018 VHR Regulations, an owner or agent cannot be cited for a violation of operating conditions if they report a violation by an occupant. (§ 3.50.450(C))
- On January 23, 2024, City Council adopted Resolution No. 2024-015 to increase the citation penalties for all VHR violations to \$1500 for the first violation, \$3000 for the second violation within one year, and \$5000 for the third violation within one year, consistent with Senate Bill 20 (2021).
- Staff recommends removing the provision of 2018 VHR Regulations that precludes citing owner or agent for a violation of operating conditions if owner or agent reports a violation by an occupant (§ 3.50.450(C)).

Review VHR permit fee for non-Tourist Core areas to ensure it reflects complete cost recovery, including application processing, inspection, and enforcement.

Considerations:

- From the recently adopted 2025-2026 Master Fee Schedule, the current Non-Tourist Core VHR Permit fee is \$548, with an additional annual fee based on occupancy of \$250 for 4 or less occupants, \$500 for 5-8 occupants, \$1,000 for 9-12 occupants, and \$1,325 for 13 or more occupants. The VHR Permit fee is charged upon initial application only and the annual fee is charged the first year and every renewal year thereafter.
- Staff is reviewing anticipated costs of implementation and will propose a fee increase if necessary to ensure full cost recovery, to include increased staffing and resources for permit processing and enforcement.

Provide permitting preference, for example, for prior VHR permit holders who were in good standing and had permits not renewed because of Measure T, and for prior Qualified VHR permit holders who are in good standing and who lost their permit because of the recent court ruling.

Considerations:

- The 2018 VHR Regulations require that VHR permits be processed in the order in which applications are received and deemed complete. (§ 3.50.390(A)(3)-(4)). After the cap of 1400 is reached, applications that are filed are placed on a waitlist, and when new VHR permits become available, applications from the waitlist are considered on a quarterly basis starting with the order in which they were deemed complete. (§ 3.50.390(A)(5))
- City Council could consider amendments to provide for permitting preference for applicants who had valid VHR permits and were in good standing until those permits were not renewed in 2021 because of Measure T, and for prior QVHR permit holders who lost their permit because of the recent court ruling. If City Council desires to make such amendments, staff recommends that “good standing” would include not having more than 3 upheld citations within a 24-month period, no outstanding fines from past citations and no outstanding unpaid Transient Occupancy Tax. This preference could be achieved by providing an initial application window where only applicants meeting these criteria are eligible to apply.

Additional administrative amendments:

Staff recommends the following amendments to improve efficiency and enforceability:

- All VHR Permits to be issued by Police Department. The 2018 VHR Regulations require that VHR Permits be issued by the Development Services Department. Permitting has been handled by the Police Department in recent years, and staff recommends keeping both the permitting and enforcement function in the Police Department for efficiency and effective enforcement. The Development Services Department would continue to be responsible for the inspections required for new VHR Permits.
- Phased Permitting with Monthly Limit. The 2018 VHR Regulations require that permits be processed in the order in which applications are received and deemed complete until the cap is reached. (§ 3.50.390(A)(3)-(4)) If the cap stays at 1400 VHR Permits outside the Tourist Core where there are currently very few permits, this could result in a large number of applications coming in all at the same time and overwhelming the resources available to process them in a timely manner while ramping up enforcement resources. Also, it would mean that a large number of permit renewals would come up at the same time every year. For this reason, staff recommends an amendment that no more than 150 permits will be issued per month.
- Planning Commission has final decision on appeals of Permit Denials and Revocations. The 2018 VHR Regulations provide that appeals of VHR Permit denials and revocations made by staff are appealed to the Planning Commission. (§ 3.50.430). Under South Lake Tahoe City Code section 2.35.070, however, VHR Permit appeal decisions from the Planning Commission can be appealed to City Council. Staff recommends a clarification that the Planning Commission decision on these appeals is final.

City Council is asked to pass a motion directing amendments desired, if any, to the 2018 VHR Regulations. Upon passage of such a motion, staff will prepare a proposed ordinance for a first reading on May 6.

Environmental Considerations: This action is exempt from the California Environmental Quality Act (“CEQA”) under CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that there is no possibility that the adoption of an ordinance with the amendments

discussed in this staff report may have a significant effect on the environment, either from a direct physical change in the environment or a reasonably foreseeable indirect physical change.

Financial Implications: The City will set VHR Permit fees to ensure full cost recovery for any current and additional resources needed to run the VHR program, including permitting and enforcement staffing, office space, and vehicles. It is anticipated that if City Council decides to allow more VHRs to operate than the current number (596), additional Transient Occupancy Tax would be generated.

Policy Implications: VHR regulation involves competing policy implications. Limiting, restricting, regulating, and enforcing the rules regarding VHRs protects against nuisance issues such as noise, trash, overcrowding, parking violations, and degradation of neighborhood character, while allowing the operation of VHRs can have positive economic benefits for the City, local businesses, and community. City Council has an opportunity to balance these interests with amendments to the 2018 VHR Regulations.