

Legislation Text

File #: 17-239, **Version:** 1

Presenter/Contact

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SUBJECT:

Authorization to enter into a contract with Host Compliance, LLC, for short term rental compliance monitoring and associated services.

BACKGROUND / RATIONALE:

Case No.: CS-17-003

Additional Staff

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Background

The City of New Braunfels allows the rental of dwelling units for less than 30 days in several zoning districts. Additional standards are in place for "short term rentals": the rental of single family and duplex residences for less than 30 days when the owner does not reside onsite. Short term rentals have additional zoning district limitations, and requirements for permits and annual inspections to address health and safety concerns. The rental of any sleeping accommodation for less than 30 days is also subject to hotel occupancy tax.

In order for these rules to be effective, there must be community education, rapid response, definitive proof of illegal activity, and ramifications for noncompliance. Additionally, there must be appropriate tools and procedures in place to ensure lodging uses are remitting taxes pursuant to federal law, state statutes, and local ordinances.

During the past eight years the short term rental industry has experienced an increase in Internet-

based companies listing and booking overnight lodging accommodations, from single rooms to entire homes. These companies include firms such as Airbnb, VRBO, Home Away, and over 100 other Internet-based agencies.

Monitoring of vacation rental websites to ensure compliance has proven to be time consuming, expensive, and an unreliable tool for verification. Listings are constantly being added, updated or removed. Address data is typically hidden from web-based listings making it nearly impossible to locate the exact properties or identify owners. Internet-based rental or listing companies are reluctant to provide this information to government agencies and in many cases the collection and remittance of hotel occupancy tax is not being performed. Failure to remit hotel occupancy tax by Internet-based rentals provides an unfair competitive advantage over registered operators who strive to comply with local hotel occupancy tax ordinances.

This leaves drive-by observation or undercover bookings as a last resort for code enforcement staff. Observable activity is most often on weekend evenings, and often outside of view from the public right-of-way, adding to the complexity of monitoring and enforcement.

Solution

Host Compliance, LLC is a software, data and consulting services provider created specifically to assist local governments with short term/vacation rental challenges. They utilize data mining of the aforementioned online sites, along with city and county maps and records, to identify addresses and owners of rental properties. With this information, they can:

- Identify addresses of existing and potential overnight rentals;
- Establish a mobile-enabled permitting and registration process to improve efficiency for the proprietor;
- Monitor rentals for compliance with rules and regulations;
- Provide proactive and systematic outreach to illegal short-term rental operators;
- Operate a dedicated 24/7 hotline where neighbors can report non-emergency short-term rental problems, including the ability to upload photos/video;
- Provide tax collection support; and
- Issue regular reports on all data, statistics and trends.

Improvements and efficiencies to be gained through this third-party assistance include, but are not limited to:

- Reduced time spent manually searching for existing businesses;
- Outsourced administrative tasks such as the mailing of form notice of violation or warning letters;
- Increased resources for investigating and prosecuting violations, particularly the ability for complainants to attach images, audio or video of potential violations to their complaint calls, which would assist with both resolution of cases before trial;
- More time for staff to focus on additional enforcement efforts (bandit signs, weedy lots, property maintenance, SUP/PD conditions, etc) improving responsiveness to neighbor complaints/calls for service;
- Ensuring building and fire safety by identifying addresses to be inspected;
- Level the playing field between different types of lodging providers;
- Reduced tax fraud;
- Establishing a process to hold repeat offenders more accountable; and

- Reduced noise, parking issues, trash, party houses, impact on neighborhood character, and tension between neighbors.

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

	Yes	2006 Comprehensive Plan	Goal 5: <i>Have an effective code enforcement program.</i> Goal 20: <i>Protect character and boundaries of existing neighborhoods.</i> Objective A: Protect and improve each neighborhood of the City to be a desirable and attractive residential environment.
	Yes	Strategic Priorities	Quality of Life: <i>Protect the integrity of our neighborhoods.</i> Effective Management: <i>Maintain fiscal stability of City operations and establish ongoing program for improving customer service.</i>

FISCAL IMPACT:

This would be an annual contract renewable each year. The vendor does provide an initial, refundable trial period. The professional services are specialized and qualify as sole source. Services would be provided at an annual fixed fee based upon the estimated number of short term rental properties within the city. Subsequent renewal prices will be adjusted accordingly and subject to approval.

Based on the present estimate of rental properties, the cost of the short term rental compliance monitoring and related services for the first year would be \$38,129.00. This would be paid for by existing hotel occupancy taxes. Host Compliance estimates new revenues of permit and tax recovery through this effort to be approximately \$138,000.00.

COMMITTEE RECOMMENDATION:

N/A

STAFF RECOMMENDATION:

Staff recommends approval to authorize entering into a contract with Host Compliance for short term rental compliance monitoring and associated services. Existing enforcement and prosecution tools may still be required for complete follow-through; however the technical assistance provided by the subject vendor will improve the effectiveness of enforcement of the existing short term rental rules and regulations.

Attachment:

- Scope of Services