

SLT wants help getting VHRs to comply

By Kathryn Reed

If your vacation rental in South Lake Tahoe – full house or just a room – is not permitted, get ready to be fined.

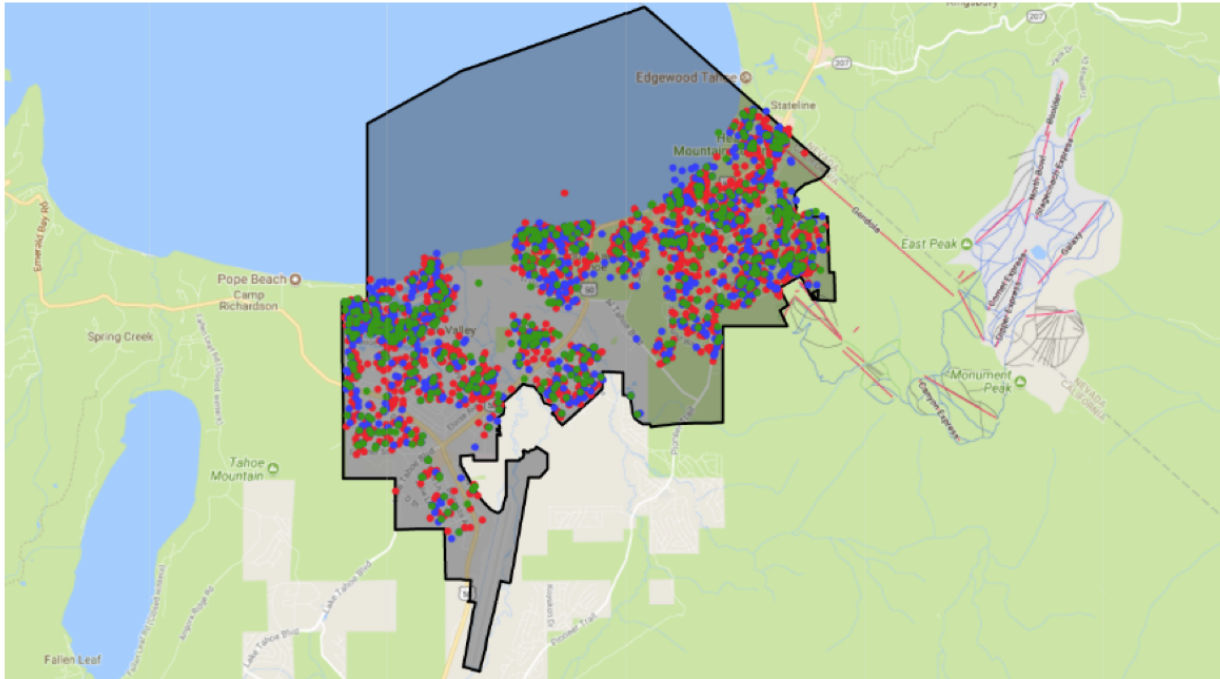
The City Council is contemplating hiring a firm to clamp down on those who are operating without a permit and therefore presumably not paying transient occupancy tax.

The electeds on Sept. 19 heard a presentation from Ulrik Binzer, co-founder and CEO of Host Compliance. The Bay Area firm has a suite of services designed to essentially manage the vacation home rental business for cities and counties.

At the end of the discussion the council members said they were interested in a software-based business like Host Compliance, wants staff to bring back a proposal for what services Host Compliance would provide, and wants to know if it's necessary to go out for bid.

There are currently 3,398 VHR listings, representing 2,067 unique vacation rental properties in SLT

vacation home rentals in South Lake Tahoe as of September, 2017



Sources: Host Compliance proprietary data

Services available include:

- Address identification
- Compliance monitoring
- Tax collection and audit support
- Permitting solutions
- 24/7 hot line
- Short-term rental ordinance consulting
- Rental data and analytics.

Contracts are usually on an annual basis. The cost to the city would be determined on the services requested. It's based on the number of listings that would need to be monitored. A benefit is that when the contract ends, the city would retain

the rights to information obtained by Host Compliance.

Binzer's data about the city shows how the number of vacation rentals has changed over the last year – how it is a fluid industry with listings coming and going. This is why it takes time to analyze – it's not a static situation. For instance, in the last year 1,832 VHRs have been added to the market in South Lake Tahoe, with 1,488 being deactivated. Fifty-four percent of the listings are new in the last 11 months.

Plus, there are renters who try to skirt the law. Binzer said his team is able to ferret out those offenders.

Host Compliance uses letterhead from the jurisdiction it represents to send correspondence to out-of-compliant property owners. This way the owner never knows a third party is involved.

Binzer said about 4 percent of the letters are returned because of bad address information. Another 1 percent of the identified properties are not actually out of compliance.

Vacation rentals have been a divisive topic in town. Enforcement is a constant refrain, with a loud chorus saying whatever ordinance is in effect has never been enforced. Another complaint is that for years the city has been leaving money on the table. That comes in the form of not making people be compliant via permits or tax collection.

With the around-the-clock hot line Host Compliance staffs, the complaining party is asked to provide a photo, video or other evidence of a violation. Assuming the property is registered, a Host Compliance rep calls the host. The database is able to easily identify repeat offenders.

TOT represents 22 percent of the city's General Fund budget in the 2017-18 budget that was approved Tuesday. While it keeps going up, it is leveling off. Of note, though, was that the TOT from hotels dipped in July. This could be because Knights

Inn no longer exists, and/or because more people are in vacation rentals. After all, TOT was up more than \$60,000 in July compared to 2016.

Placer County and Truckee use Host Compliance. In the first nine months, Placer saw a four times ROI with \$780,000 in TOT collected. Its annual fee is \$196,000. Truckee in the first two months of using Host Compliance had an ROI of 1½ times, with \$111,289 collected at an annual cost of \$72,600. In other words, at least at the start the service is more than paying for itself.

The company said its clients – there are 70 throughout the United States, with 30 in California – see three to five times return on investment.

Expedia, which is the parent company of 18 vacation rental sites (representing 38 percent of the local online sites), TripAdvisor – owner of seven sites (19 percent of market), and Airbnb (43 percent of listings) are the primary entities scrutinized.

South Lake Tahoe a few years ago hired an employee with the purpose of cracking down on VHR violators. Her job includes managing VHR permits, auditing non-reporting TOT, and being the point person for citations and appeals. Her work is time consuming.

Host Compliance has software that would be more time efficient, as well as provide more services than what the one staff member can currently do.