





Cost-effective solutions to Colorado Springs's short-term rental monitoring and compliance problems

June, 2019

### Agenda

- Introductions
- USA and Colorado Springs Specific Market Context
- The Host Compliance Solution
- Discussion and Next Steps



#### Team Introduction



**Ulrik Binzer** Founder & CEO

Classically trained entrepreneur and short-term rental compliance thought leader

Golden Gate Capital
McKinsey & Company
Harvard Business School
Royal Danish Army



**David Marcus** 

Co-Founder & CTO

Seasoned software development and geospatial data science expert

Nielsen Analytic Consulting

Hewitt Associates

DwellAware

aboutLife

California Institute of Technology



**Paul Hetherington** 

Chief Commercial Officer

20 years of local government software sales experience

iCompass Technologies
Sierra Wireless
Recon Instruments
Siemens
British Columbia Institute of Technology

# More than 290 leading cities and counties (26 in Colorado) are looking to Host Compliance for guidance, data and solutions to their short-term rental challenges

Beaver Creek Summit County

City of Aurora Town of Breckenridge

City of Boulder Town of Crested Butte

City of Broomfield Town of Dillon

City of Denver Town of Estes Park

City of Durango Town of Fraser

City of Fort Collins Town of Frisco

City of Golden Town of Grand Lake

City of Manitou Springs Town of Mount Crested Butte

Cordillera Metropolitan District Town of Pagosa Springs

Eagle County Town of Silverthorne

Grand County Town of Vail

Gunnison County Village of Bachelor Gulch



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# Tell us a bit about you, Colorado Springs, and where you are in terms of regulating short-term rentals?

- Key findings: Ordinance adopted in January, only 300 in compliance through existing permits and help from property managers. Now the city seeks to bring into compliance the remainder. It appears Host Compliance's services could help save Colorado Springs a significant amount of complexity and allow pro-active enforcement in short order.
- Renting out homes on a short-term basis is currently legal.
- ☑ Regarding tax status, Colorado Springs is entitled to 6.12% of the gross rental revenues leaving significant tax recovery revenue available.







## What are Colorado Springs's most important goals as it relates to short-term rentals?

- 1. Reduce noise, parking, traffic and trash-problems
- 2. Eliminate party houses
- 3. Reduce STR's impact on neighborhood character
- 4. Ensure building safety
- 5. Improve city's responsiveness to neighbor complaints
- 6. Stem STR's negative impact on affordable housing availability
- 7. Improve permit and tax compliance to increase tax revenue
  - 8. Ensure a level playing field between law abiding traditional lodging providers and illegal short-term rentals
  - 9. Reduce tension between short-term rental property owners and their neighbors
  - Send a clear message to citizens that the city takes the STR problems seriously
  - 11. Other?

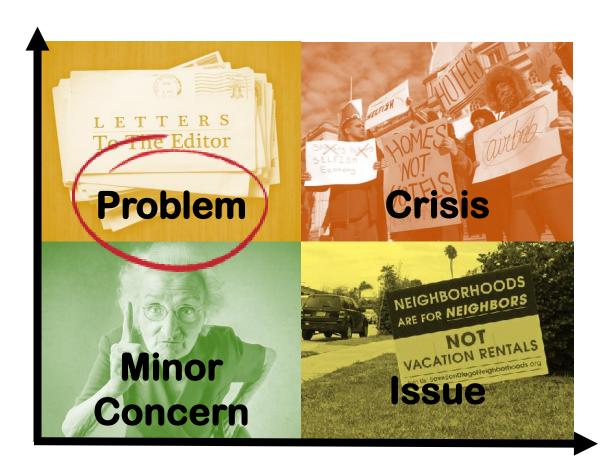


### How big of a problem are short-term rentals in Colorado Springs?

**Many** 

Complaints

**Few** 



Cold

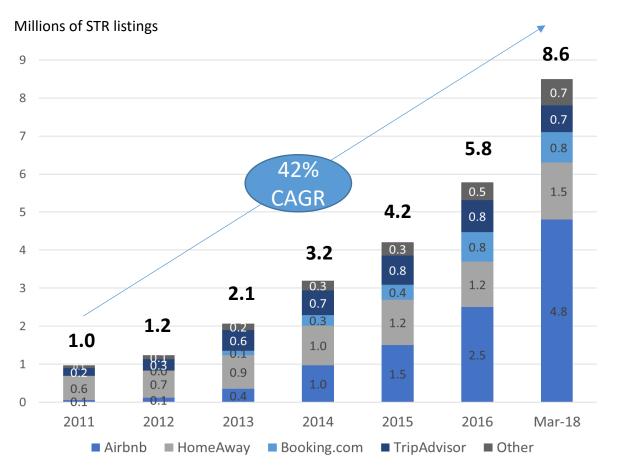
**Debate Temperature** 

Hot



# Market Context: AirBnb, VRBO and 125+ other vacation rental websites have turned vacation rentals into a booming (underground) economy...

The # of short-term rental listings has grown 850% since 2011



Market is fragmenting





















125+ other web platforms

Sources: AirBnB, Expedia, TripAdvisor, Booking.com and Tripping.com

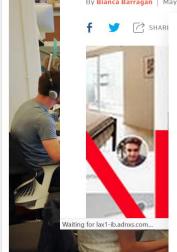


The explosive growth of short-term rentals has pushed local governments to rein in the practice and made it the single most controversial local issue in decades



In the last 12 month's 9,189 news stories have covered this issue across the U.S.





More tha

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In Austin, A Boom In Short-Term Rentals Brings A Backlash

February 9, 2017 · 5:50 PM ET

Heard on Al

Kristen H has lived f

two-story

"There are smaller ar buying up

Like many market for Political contests erupt as cities and hotel industry struggle to curb Airbnb

**By Robert McCartney** 

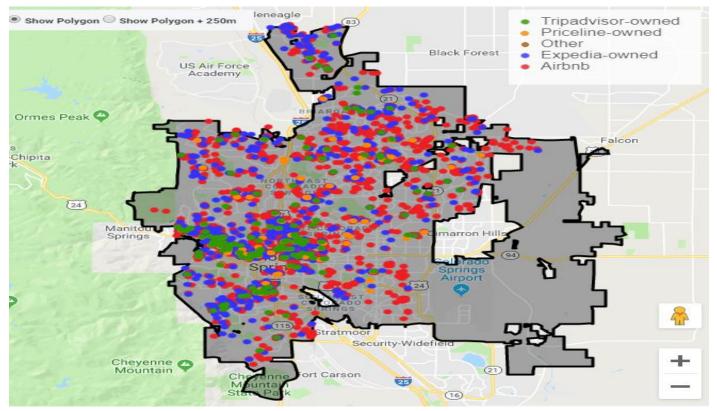
October 15, 2018 at 5:04 PM





# ...and in Colorado Springs we have identified 2,673 listings, representing 2,233 unique rental units\*

#### Short-term rentals in Colorado Springs as of June, 2019

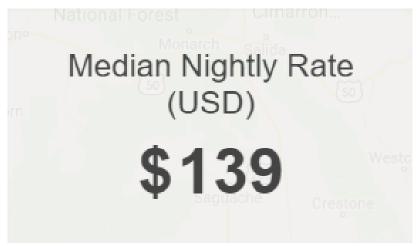


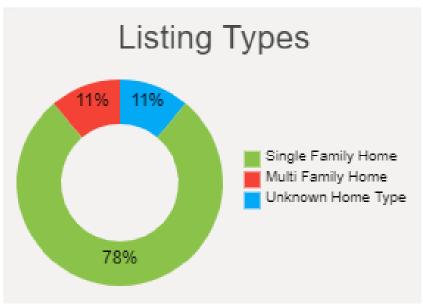
Sources: Host Compliance proprietary data

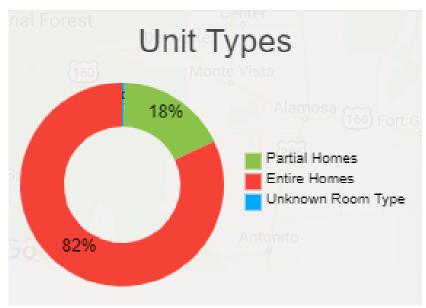
<sup>\*</sup> Host Compliance's pricing is based on the count of listings and rental units that would need be to analyzed and monitored for compliance. In terms of listings, this number is 2,754 as we will expand our search area by several hundred yards beyond the borders of Colorado Springs to capture all relevant listings.



### **Colorado Springs Data Details**

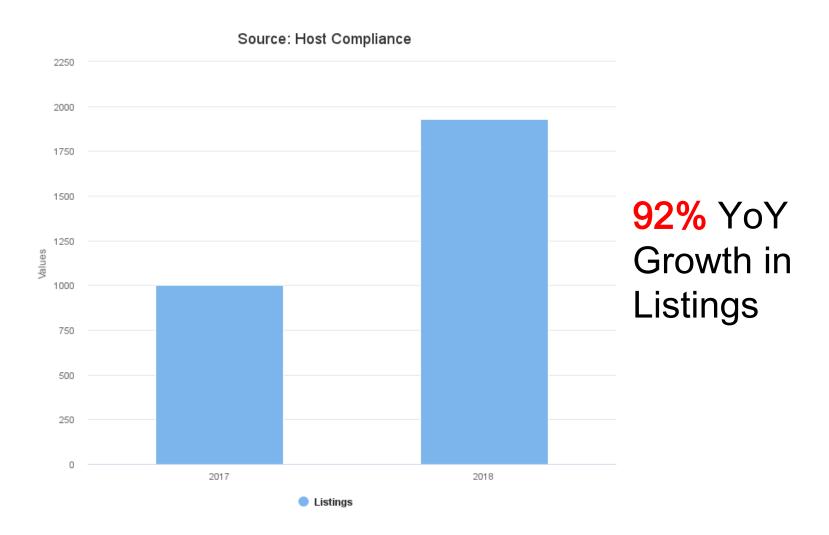






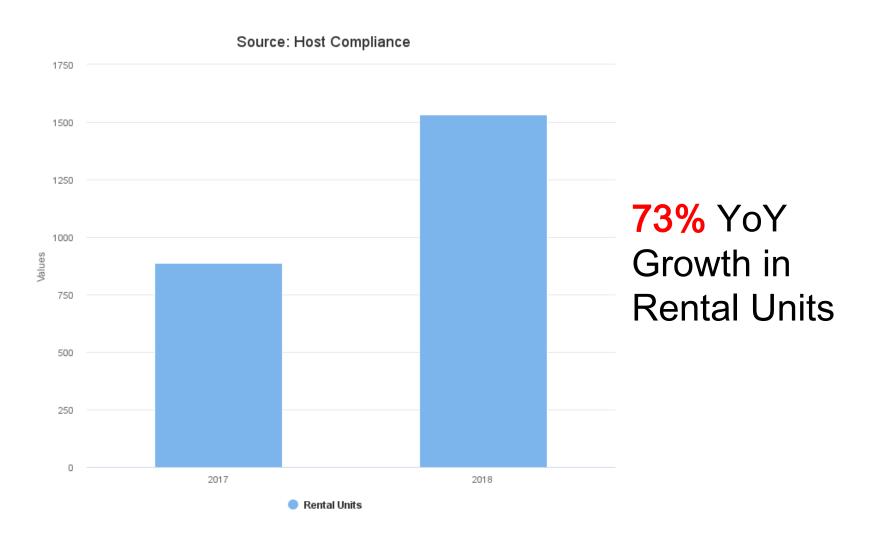


## Colorado Springs Historical Data Details





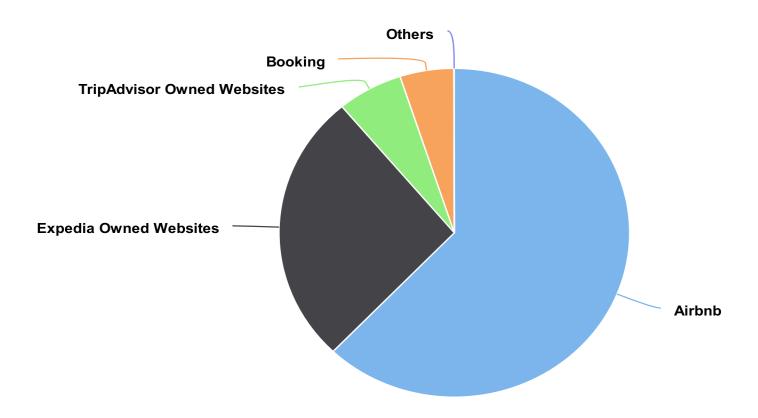
## Colorado Springs Historical Data Details





## Colorado Springs Host Breakdown Details

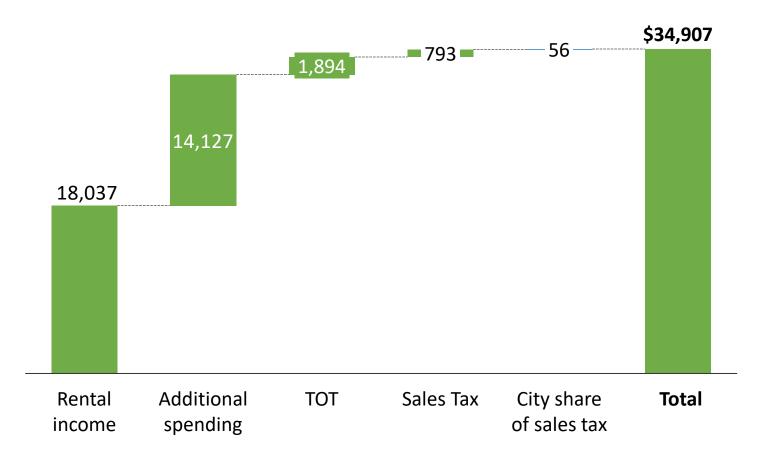
#### Platform Breakdown





## The Good: Short-term rentals can drive significant economic growth..

#### **Estimated Annual Economic Impact per STR in the City of San Diego**



Source: National University System Institute for Policy Research (October 2015)



#### The Bad: Short-term rentals can displace long-term tenants, alter the neighborhood character and raise legitimate parking, noise, safety, trash and fairness concerns

Conversion of long-term rentals into STRs can affect housing availability



Increased tourism can change the neighborhood character



Visitors don't always know (or follow) local rules



Short-term renters may not care about keeping good neighborly relations



Increased occupancy can have negative trash related side-effects



Unfair competition from VRBOs can cause conflicts and hotel job losses





# In some communities short-term rentals have caused significant neighborhood tension



"It is loud, and there is live music and karaoke stuff, and it's all done outside because of the pool. They're out in front at 4 in the afternoon waiting for their Uber to come, drunk on the front lawn."

**Emmy Jodoin** 

"We did not buy our house to be living next to a hotel. Would you buy a home if you knew a hotel like this was operating next door, if you wanted to set your life up and raise a family?"

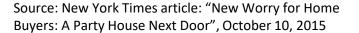


Jessica C. Neufeld



Hazel Old, age 11

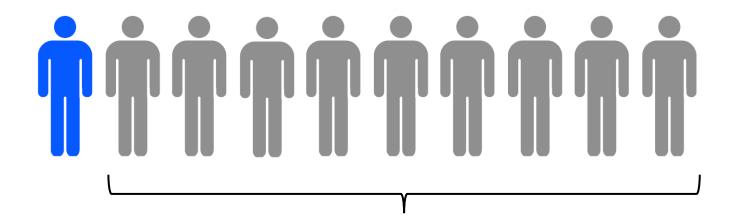
"Sometimes, when they are outside, they're playing beer pong just wearing their underwear"





# Without proper enforcement, only a fraction of short-term rentals will get registered and pay their fair share of taxes

IN GENERAL LESS THAN 10% OF STR OWNERS VOLUNTARILY GET A PERMIT AND PAY ALL OF THEIR HOTEL TAXES



Large potential for increasing permit fee and tax collection



# Unfortunately manual compliance monitoring and enforcement is ineffective and prohibitively expensive

- Rental property listings are spread across 100s of different websites
- ☑ Manually monitoring 100s of properties is practically impossible as listings are constantly added, changed or removed
- ✓ Address data is hidden from listings making it time-consuming or impossible to locate the exact properties and identify owners
- ✓ It is practically impossible to collect taxes as there is no easy way
  to find out how often the properties are rented and for how much
- ▼ The vacation rental platforms refuse to provide the detailed data necessary for enforcing local ordinances
- Manual compliance monitoring and complaint-based enforcement often leads to claims of selective enforcement



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### Services tailored to your timeline

#### **Pre-Ordinance**

- ✓ Online Ordinance Assistant tool
- ✓ Guide To Effectively Regulating Short-term Rentals On The Local Government Level
- ✓ Peer Introductions

#### **Post-Ordinance**

- Mobile Permitting and Registration
- ✓ Compliance Monitoring



#### Ways we can help



**Mobile Enabled Permitting and Registration:** Mobile/web forms and back-end systems for streamlining Colorado Springs's and required documents



**Address Identification:** Online dashboard with complete address information and screenshots of all identifiable STRs in Colorado Springs's jurisdiction



**Compliance Monitoring:** Ongoing monitoring of STRs for zoning and permit compliance coupled with systematic outreach to illegal short-term rental operators (using Colorado Springs's form letters)



Rental Activity Monitoring and Tax Calculation Support: Ongoing monitoring of Colorado Springs's STR listings for signs of rental activity. Enables data-informed tax compliance monitoring and other enforcement practices that require knowledge of STR activity level



**Dedicated Hotline:** 24/7 staffed telephone hotline for neighbors to report non-emergency STR problems



# To accommodate any budget, our services are priced based on the number of listings that needs to be monitored

**Mobile Registration** 

\$8 /yr



**Address Identification** 

\$22.50 /yr



**Compliance Monitoring** 

\$11.25 /yr



**Rental Activity Monitoring** 

\$15.00 /yr



24/7 Dedicated Hotline

\$9.00 /yr

Note: The exact scope of work can be adjusted to meet Colorado Springs's exact monitoring needs in terms of geography, listing sites, listing types and other variables



## Affordable modular pricing tailored to Colorado Springs's needs



**Mobile Registration** 

\$17,864 /yr



**Address Identification** 

\$61,965 /yr



**Compliance Monitoring** 

\$25,121 /yr



**Rental Activity Monitoring** 

\$33,495 /yr

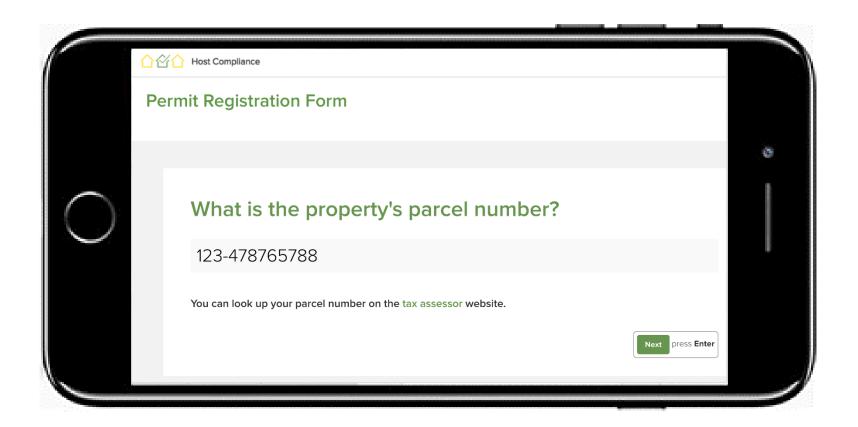


24/7 Dedicated Hotline

\$20,097 /yr

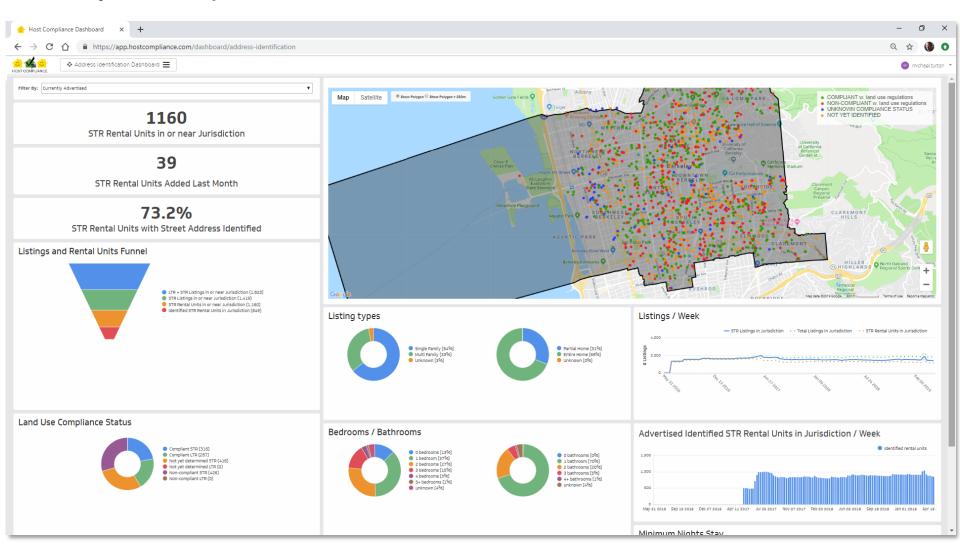
Note: Above pricing assumes 2754 short-term rental listings and based in USD. Host Compliance would be happy to discuss alternative SOWs, contract terms, contract durations and pricing structures if that would be of integest.

# Mobile Enabled Permitting and Registration: Simplify Colorado Springs's registration/permitting process and significantly reduce the administrative costs on the back-end



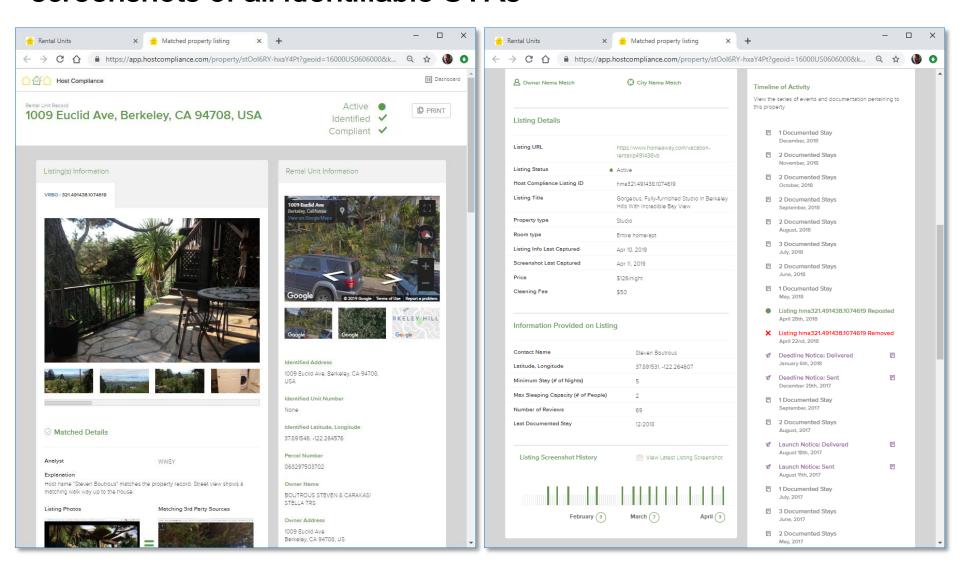


## Address Identification: Get weekly reports on Colorado Springs's short-term rental activity incl. complete address information and screenshots of all identifiable STRs





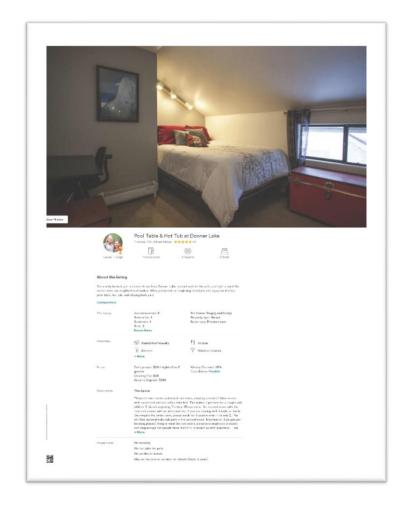
## Address Identification: Complete listing information and screenshots of all identifiable STRs





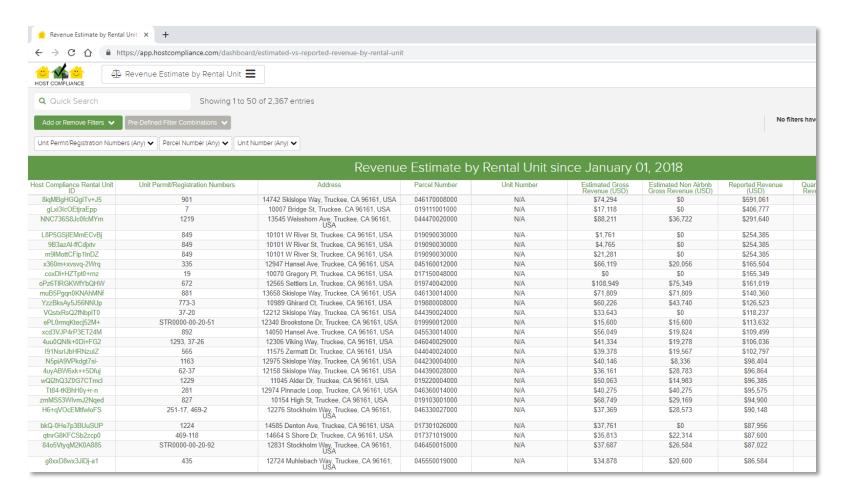
# Compliance Monitoring: Put Colorado Springs's outreach efforts on auto-pilot by outsourcing the mailing of notices to non-compliant short-term rental operators





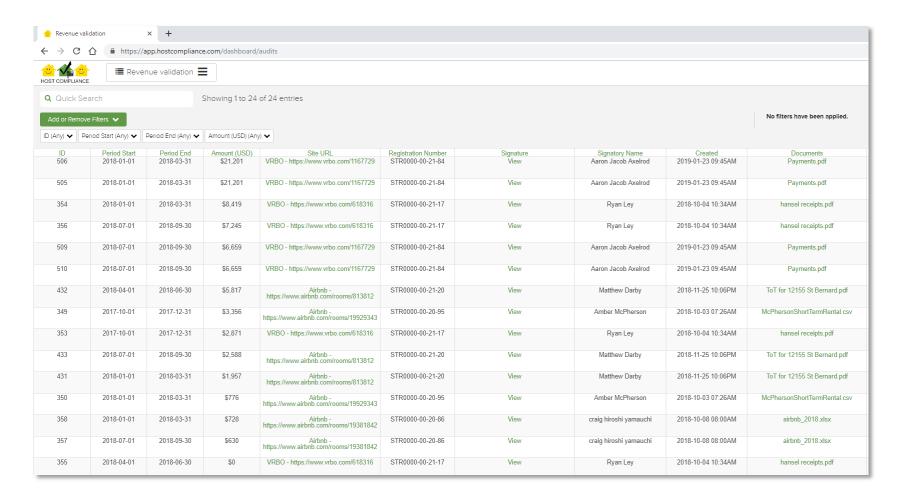


# Rental Activity Monitoring: Easily identify tax fraud and prioritize and initiate tax audits by monitoring Colorado Springs's STR listings for signs of rental activity



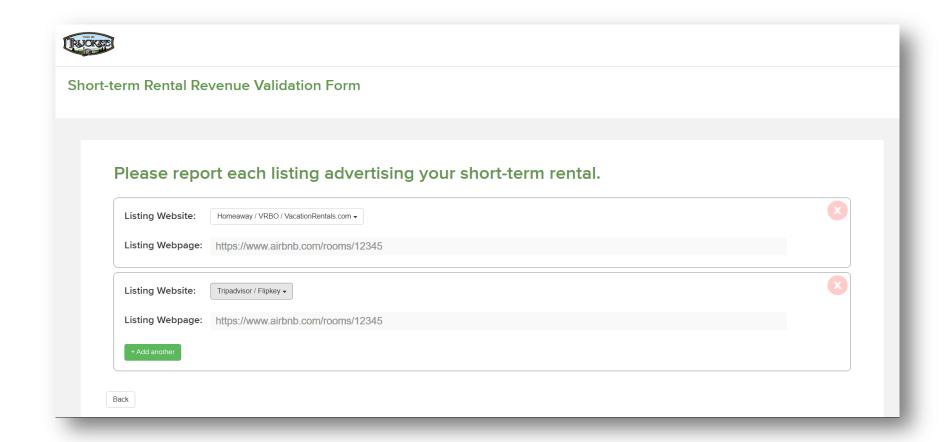


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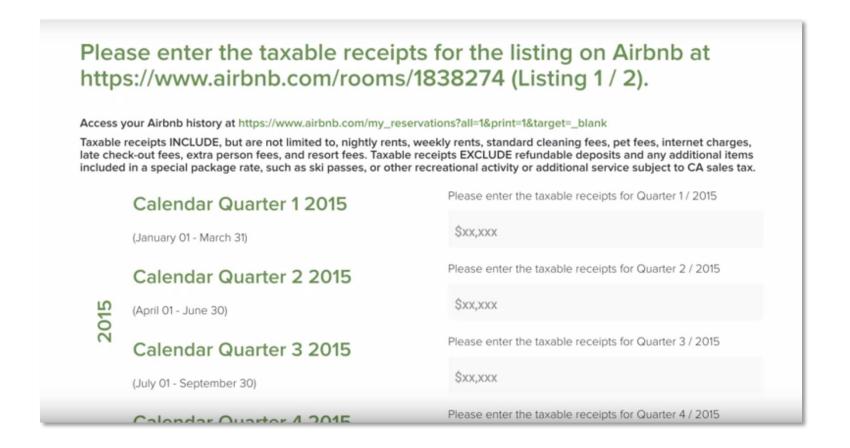


# Tax Audit Automation: Systematically request and collect data from property owners suspected of under-reporting taxes





## Tax Audit Automation: Systematically request and collect data from property owners suspected of under-reporting taxes





# 24/7 STR Hotline: Make it easy for neighbors to report, prove and resolve non-emergency STR related problems in real-time

Step 1

Concerned neighbor calls 24/7 short-term rental hotline



Step 3

If property is registered, Host Compliance immediately calls host to seek resolution



#### Step 2

Complainant provides info on alleged violation and is asked to provide photo, video or other proof\_of alleged violation



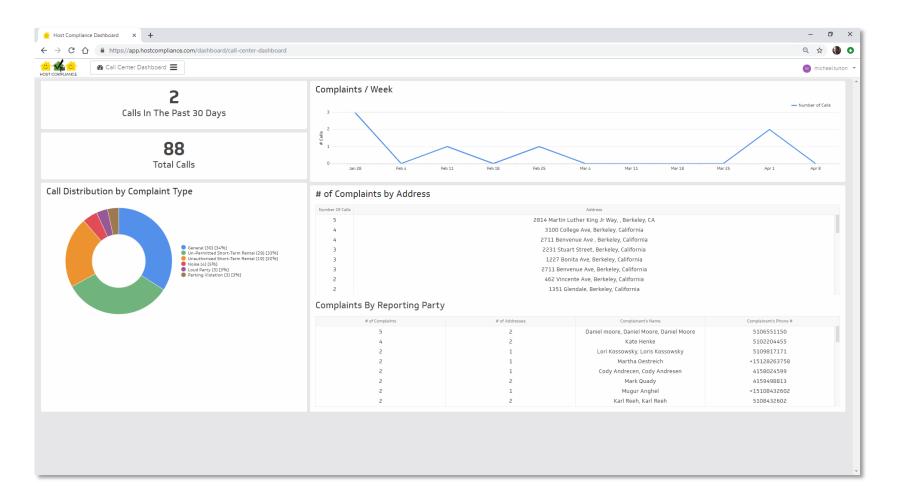
#### Step 4

Problem solved or escalated – Complaints saved in database so serial offenders be held accountable



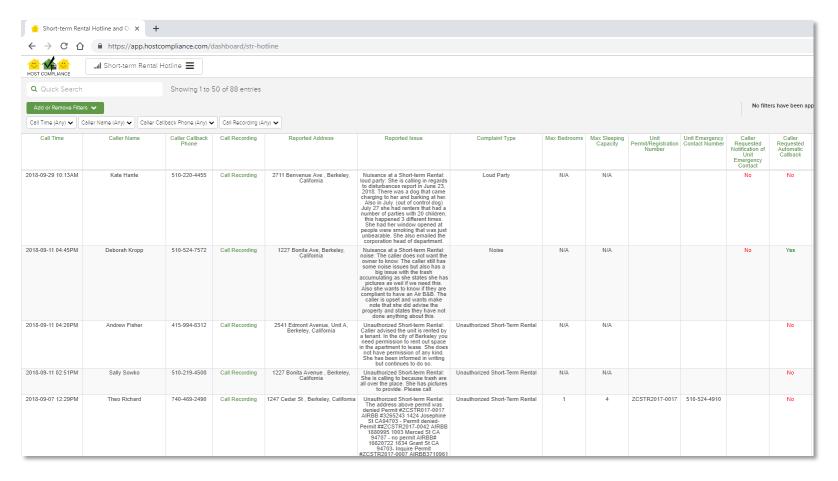


### 24/7 STR Hotline: Make it easy for neighbors to report, prove and resolve non-emergency STR related problems in realtime



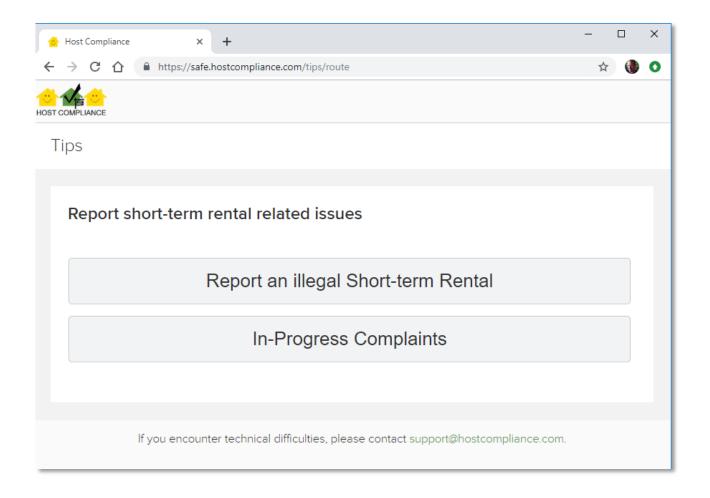


### 24/7 STR Hotline: Make it easy for neighbors to report, prove and resolve non-emergency STR related problems in realtime





# 24/7 STR Hotline: Make it easy for neighbors to report, prove and resolve non-emergency STR related problems in real-time





#### Benefits to using Host Compliance's services

- Ensures fair, continuous and consistent compliance monitoring and enforcement

- Minimizes the impact on local law and code enforcement agencies as complaints are first handled by our 24/7 hotline and routed to the appropriate property owner before further enforcement actions are triggered
- ☑ REVENUE POSITIVE in most cases, the additional permitting fees alone pays for Host Compliance's services several times
- Requires NO up-front investment or complicated IT integration
   -> we can be up and running in a couple of weeks



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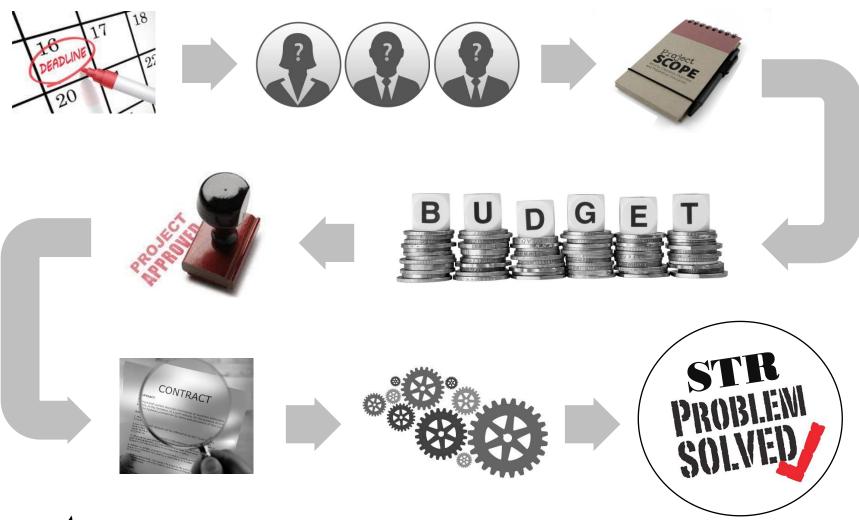


#### **Feedback**





# Working backwards to a solution to Colorado Springs's STR problems





### **Next Steps**

- ✓ Send you this presentation
- ✓ Set timeline to decide on best solution for Colorado Springs's needs
- ☑ Confirm timing of possible rollout (needed to secure Colorado Springs's place in the queue)



#### Contact info

Please feel free to contact us anytime if you have any questions about short-term rental regulation and how to best address the associated monitoring and enforcement challenges.

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