



MEMORANDUM
ADMINISTRATIVE SERVICES DEPARTMENT
County of Placer

TO: Board of Supervisors
DATE: October 25, 2016
FROM: Jerry Gamez, Director of Administrative Services
SUBJECT: Short Term Rental Monitoring & Compliance Services – Host Compliance, LLC

ACTION REQUESTED

Approve the award of a sole source contract to Host Compliance, LLC of San Francisco, CA to provide short term rental monitoring and compliance services, in the not-to-exceed award amount of \$248,000 for the period of November 1, 2016 through October 31, 2017;

Approve a Budget Revision in the amount of \$248,000 to the FY 2016/17 Administrative Service Department's Revenue Service Division Budget (11210); and

Authorize the Purchasing Manager to sign all required documents.

BACKGROUND

The Administrative Services Department's Revenue Services Division (Department) administers the County's Transient Occupancy Tax (TOT) program in accordance with Revenue Taxation Code 7280 and Placer County Code, Article 4.16.

The Department manages approximately 3,900 operators registered to collect and remit transient occupancy taxes on occupancy of overnight lodging within the unincorporated areas of Placer County. TOT taxes collected and remitted during fiscal year 2016 was \$16,219,800. TOT taxes paid by visitors help fund initiatives that benefit the County as a whole including public safety, transportation, libraries, public parks, infrastructure improvements, and historical and environmental preservation projects.

During the past eight years the short term rental industry has experienced an increase in Internet-based rental 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. In Placer County it is estimated that approximately 4,625 unique properties are listed as short term rental properties on vacation rental websites.

Monitoring and enforcement of vacation rental websites to ensure compliance with the County's Transient Occupancy Tax Ordinance has proven to be extremely time consuming and expensive as monitoring services are being performed manually and listing are constantly being added, updated or removed. In all cases, address data is hidden from web-based listings making it nearly impossible to locate the exact properties and identify owners. Internet-based rental companies refuse to provide this information to government agencies and in most cases the collection and remittance of transient occupancy tax is not being performed or enforced. Failure to collect and remit TOT by Internet-based companies provides an unfair cost advantage over registered operators who strive to comply with the County's TOT Ordinance.

To ensure a fair and compliant short term rental market, staff researched firms that provided software as service solutions for identifying in real-time Internet-based rental companies operating in the unincorporated areas of Placer County. Host Compliance was identified as the only firm offering these types of services including trend monitoring, address identification, compliance monitoring, and rental activity monitoring services.

Staff has negotiated a mutually agreeable contract in the not-to-exceed amount of \$248,000 that supports the Department's objectives for short term rental monitoring and compliance services. Under this agreement, Host Compliance will provide monthly reports with aggregate statistics on the short-term rental activity, monthly reports with complete address information and screen shots of all identifiable properties, ongoing compliance monitoring services to ensure the collection and remittance of transient occupancy tax by web-based rental agencies, systematic outreach to non-compliant operators, and ongoing monitoring of Placer County property listings on vacation rental websites.

With vacation rental website listings increasing over 300 percent during the past five years alone, the Department has identified a need to utilize software technology services and tools to automate the process for monitoring and compliance of short term rental properties located within the unincorporated areas of Placer County. And while listings have increased, the number of vacation rentals as a proportionate share of total TOT revenue has not changed in the last five years. Vacation rentals, mostly condominiums and private residences, account for just over 70 percent of total annual TOT revenue. This inconsistency in data points likely indicates that many operators who utilize online platforms are not collecting or remitting TOT.

The Purchasing Policy Manual Section 1.3(l) permits contracting with a sole source vendor because of its technological, specialized, unique character or proprietary nature without further competitive bidding by Placer County. Therefore, in order to proceed with the award of a sole source contract to Host Compliance, LLC in the not-to-exceed amount of \$248,000 your Board's approval is required and being requested.

FISCAL IMPACT

Funding for the requested Budget Revision and resulting contract agreement, in the amount not-to-exceed amount of \$248,000 would be offset by new revenues generated through the collection and remittance of new transient occupancy tax revenues.

cc: Andy Heath, Assistant County Executive Officer
Jennifer Merchant, Deputy County Executive Officer
Melissa Spak, Administrative & Fiscal Operations Manager
Brett Wood, Purchasing Manager

