



## Addressing Sausalito's short-term rental monitoring and compliance challenges

December, 2016

# Host Compliance helps local governments implement and enforce short-term rental (“STR”) ordinances

## Company Overview



- Silicon Valley based start-up company
- Exclusively focused on helping local governments address short-term rental related issues
- Team of seasoned local government technology executives and data-scientists

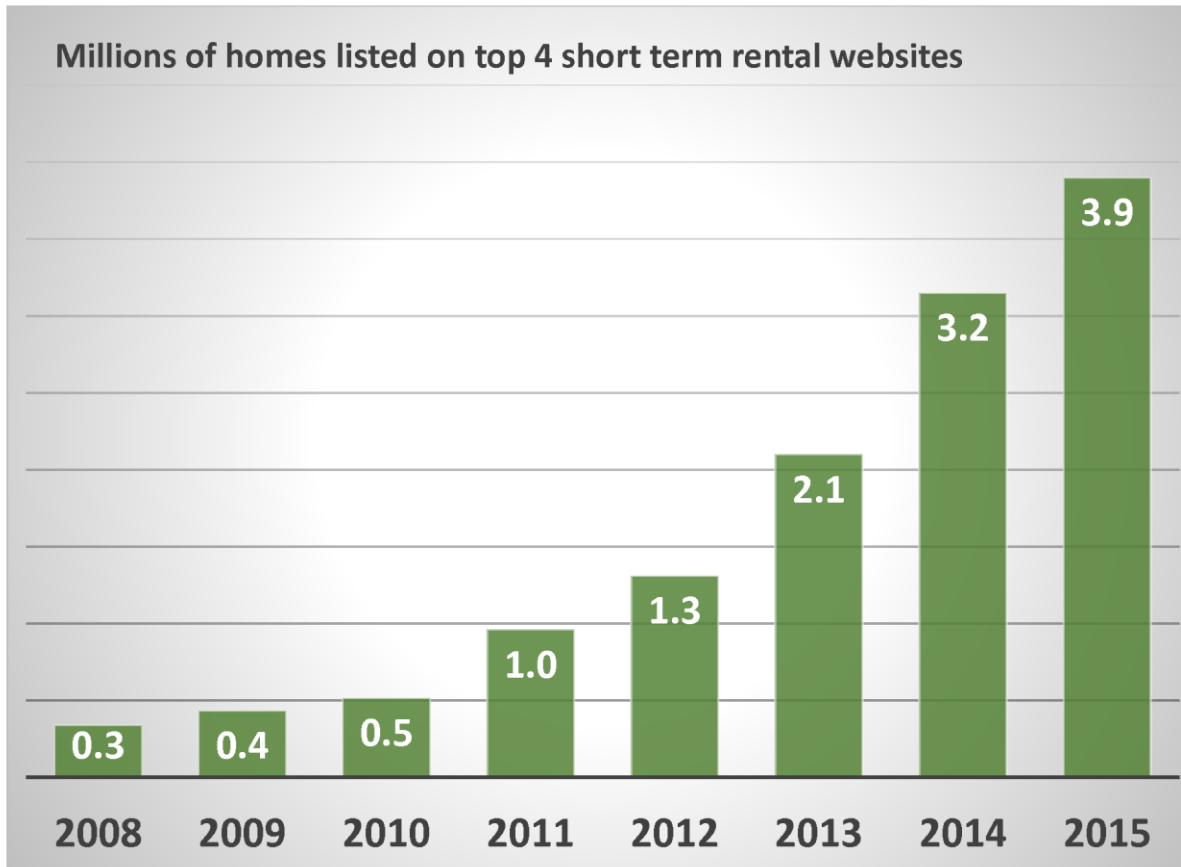
## Services

- **Data:** Detailed STR listing and activity data across the 16 top STR websites (~99% of the STR universe)
- **Compliance Monitoring:** Comprehensive suite of solutions to help local governments identify and address non-compliance with STR ordinances
- **Consulting:** We help local governments draft and adopt enforceable STR regulation that fits their specific needs and circumstances

# Agenda

- Bay Area and Sausalito STR context
- STRs and Cities: Friends or Foes?
- Do STR Bans Work?
- Best Practices for Effectively Regulating STRs
- Best Practices for Cost-Effectively Enforcing STR Ordinances and Recover the Cost of Enforcement

# AirBnb, VRBO and 100's of other vacation rental websites have turned vacation rentals into a booming (underground) economy

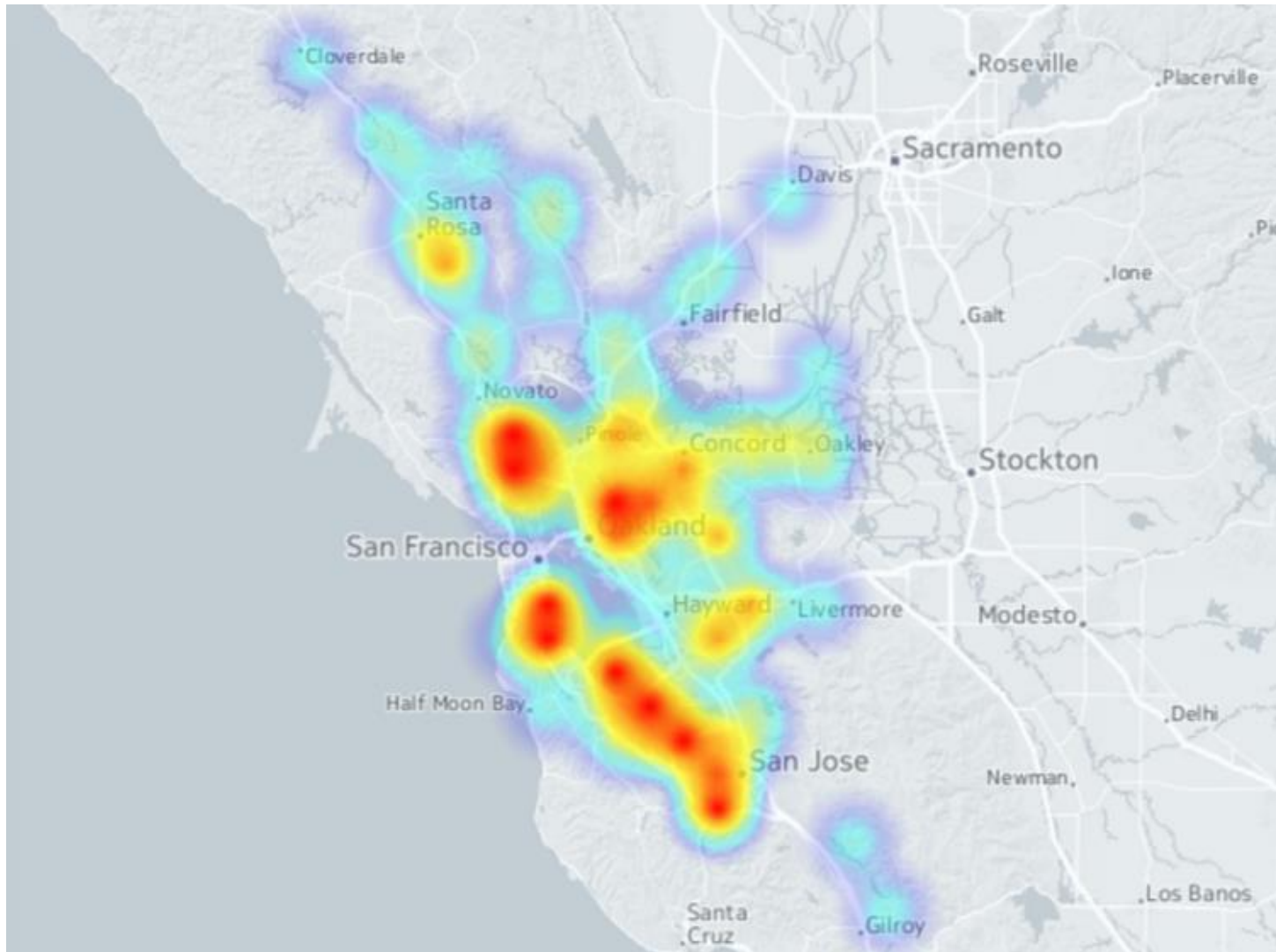


+ 100s of other web platforms

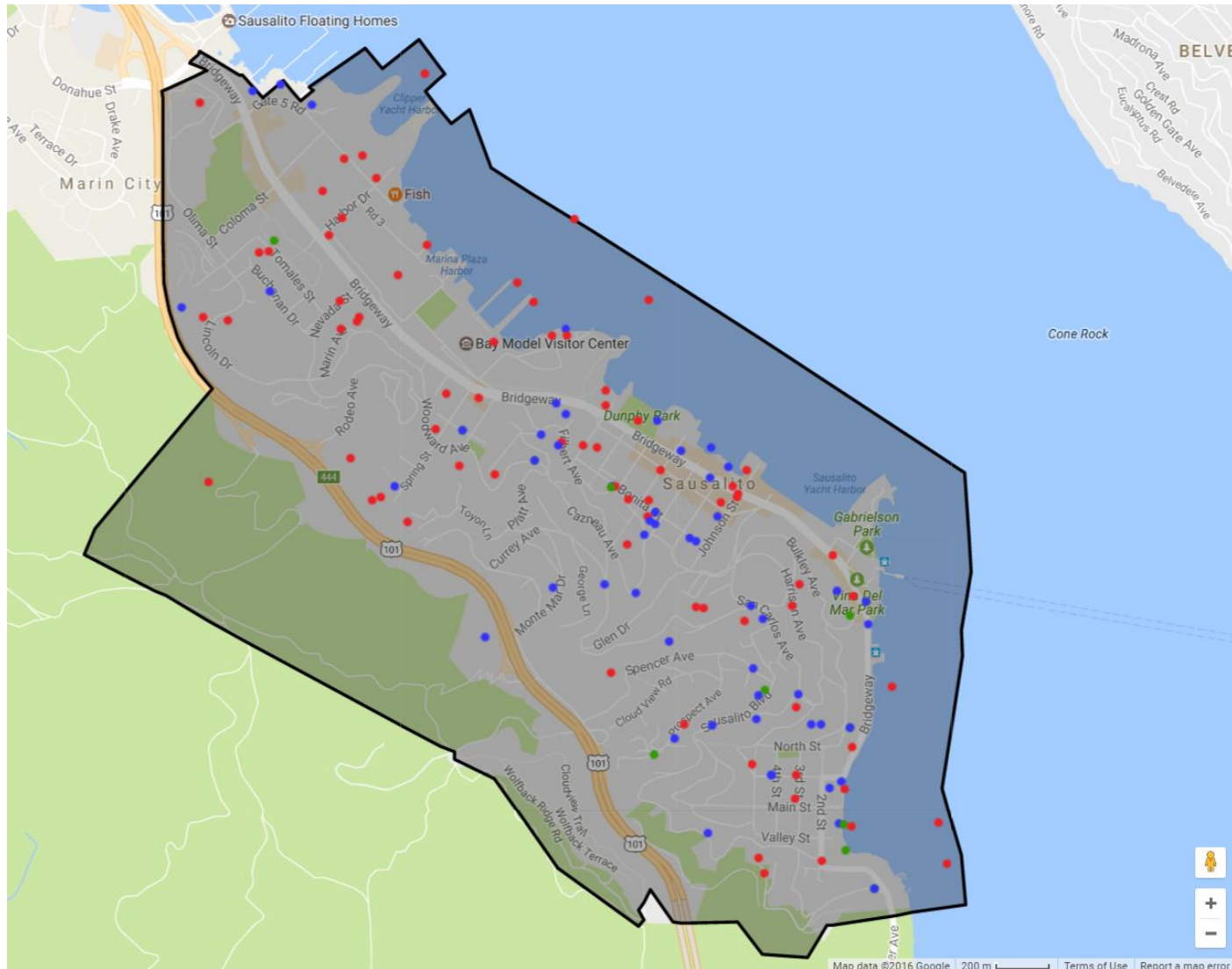
Sources: AirBnB, HomeAway, VRBO and Flipkey



# Excluding San Francisco, there are 26,500 active short-term rentals in the Bay Area

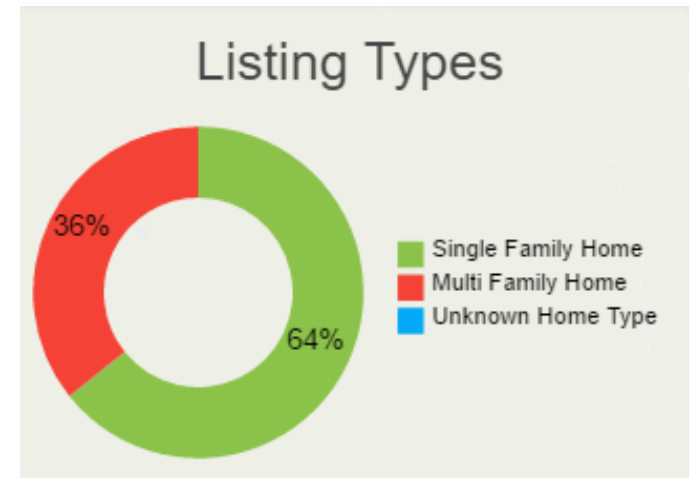
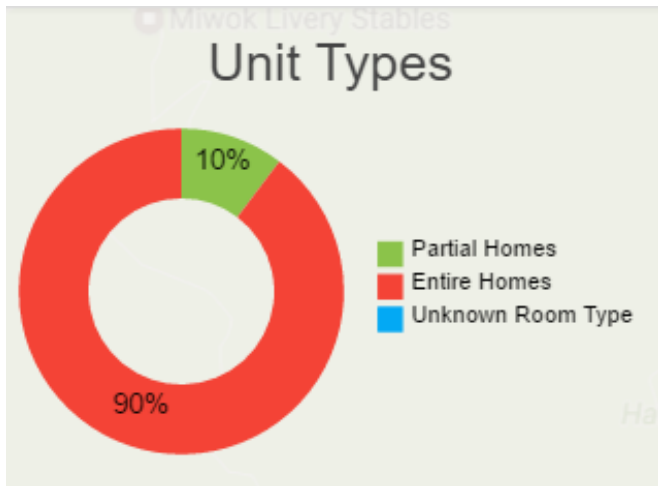


# There are currently 165 active short-term rental listings in Sausalito representing 156 unique properties



# Most of Sausalito's STRs are entire home rentals in single family homes. The median nightly rental rate is \$236

Median Nightly Rate  
(USD)  
**\$236**



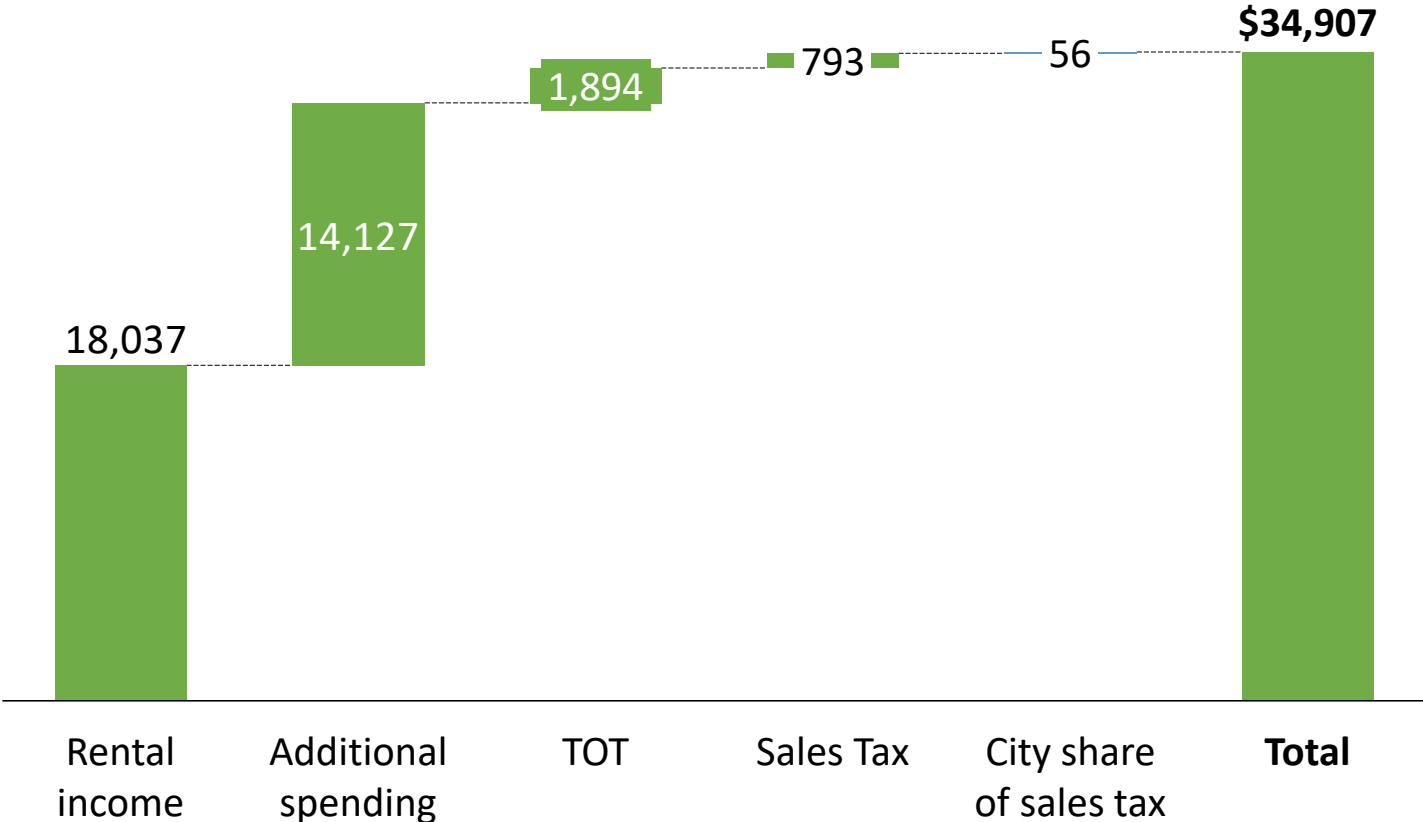
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# Short-term rentals can drive significant economic growth..

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



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

# ...but increased tourist traffic from short-term renters also has the potential to alter neighborhood character while introducing new safety risks, noise issues, trash and parking problems

Increased tourism can change neighborhood character



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



Short-term renters may want to party and have less incentives to keep good neighborly relations



Increased occupancy and short-term renters' "vacation mode" can have negative side-effects



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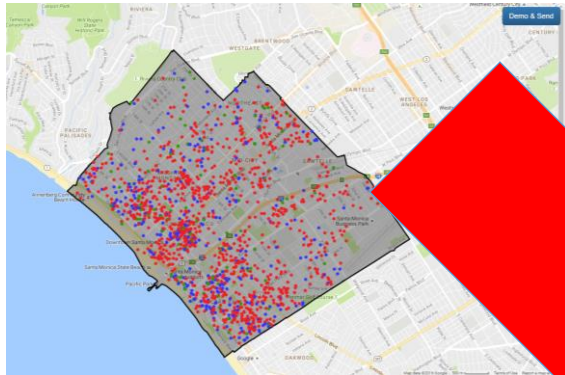
# Defining Success

- ✓ **Have the strategic objectives for the regulation been achieved?**
  - What is the actual compliance rate?
  - What are the regular citizen's perceptions of the effectiveness of the regulation and enforcement efforts?
- ✓ **Have the objectives been achieved in a way that is net beneficial to the community after factoring in the full cost of compliance and enforcement?**
  - What is the cost of compliance and does those cost justify the realized benefits?
  - Have the enforcement been done in the most cost-efficient and streamlined way possible?

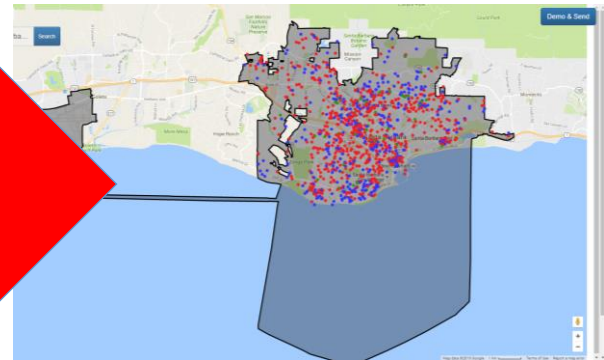
Note: Adopted from the OECD Framework for Regulatory Policy Evaluation

# The data suggest that the compliance rate in cities with STR bans is low

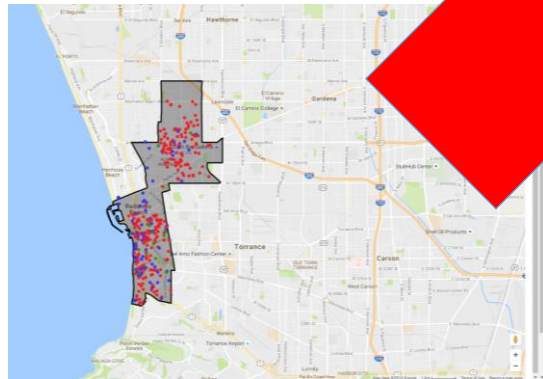
Santa Monica -> 1252 STRs



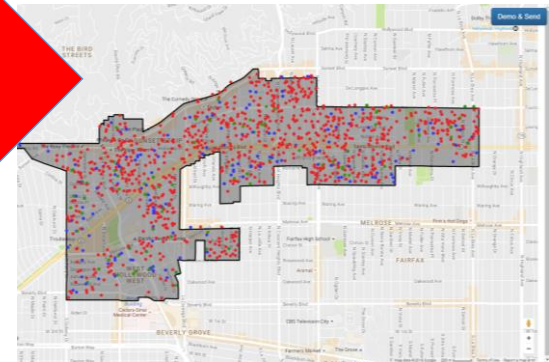
Santa Barbara -> 1478 STRs



Redondo Beach -> 435 STRs



West Hollywood -> 2003 STRs



Bans  
don't  
work!

# In cities with bans, the public is generally not convinced of the wisdom and effectiveness of such policies

## Santa Barbara Independent

November 23, 2016

*There's something un-American about the vociferous prosecution of residents for what they do in their homes. Rather than update a decades old municipal code to properly recognize and regulate vacation rentals, the city has chosen to criminalize what for years has been a licensed, tax-paying practice. Enforcement will have to compete with the city's other core priorities — police, fire, parks, libraries, public works, homeless shelters, [and] under-funded pensions.*

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### Can Santa Monica — or anyplace else — enforce a ban on short-term rentals?

Airbnb supporters rally in Santa Monica on May 12 before the City Council's vote to crack down on short-term rentals. (Allen J. Schaben / Los Angeles Times)

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# Despite the questionable impact, experience shows that enforcing bans cost a ton of money



## Santa Barbara Net Cost Estimate

~\$300,000 to pay for additional code enforcement resources

+

~\$150,000 in additional legal costs to prosecute STR related cases

+

\$1,250,000 in lost TOT

=

**~\$1,700,000**

Source: Noozhawk.com (March 2, 2016)

# Traditional/manual enforcement practices are not the most efficient or cost-effective way to address STR non-compliance

- ✓ 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
- ✓ 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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# Innovative cities are finding ways to mitigate the negative consequences of STRs without resorting to bans

## Common STR Policy Objectives

- Housing Availability
- Neighborhood Preservation
- Protect Quality of Life
- Economic Development
- Safety

## Best Regulatory Practices

- Only allow permanent residents to operate STRs
- Disallow rentals in subsidized housing
- Set neighborhood quotas
- Ban signs
- Require adequate parking and garbage disposal
- Require hosts to post noise ordinance
- Require a local 24/7 contact person
- Set up a 24/7 hotline
- Encourage hosting in certain areas and time frames
- Require fire safety and habitability inspections

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# Host Compliance's software tools can eliminate costly back-office compliance monitoring and enforcement work



**Address Identification:** Monthly report with complete address information and screenshots of all identifiable STRs in Sausalito's jurisdiction



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



**Rental Activity Monitoring:** Ongoing monitoring of Sausalito'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

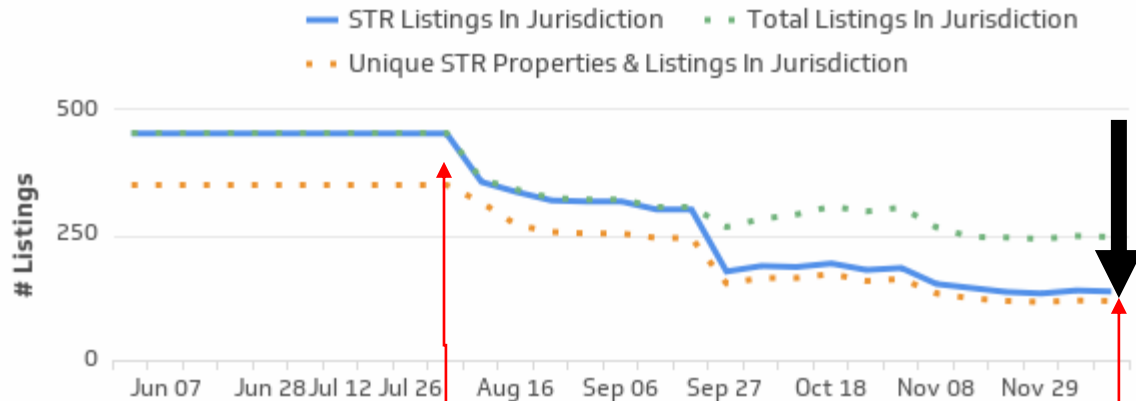


**Dedicated Hotline:** 24/7 staffed telephone and email hotline for neighbors to report non-emergency STR problems

# Host Compliance's tools have proven to be very effective

## Hermosa Beach, CA Case Study (1/3)

### Illegal STR Listings in Hermosa Beach (blue line)



**70% reduction  
in non-  
compliance in  
3 months**

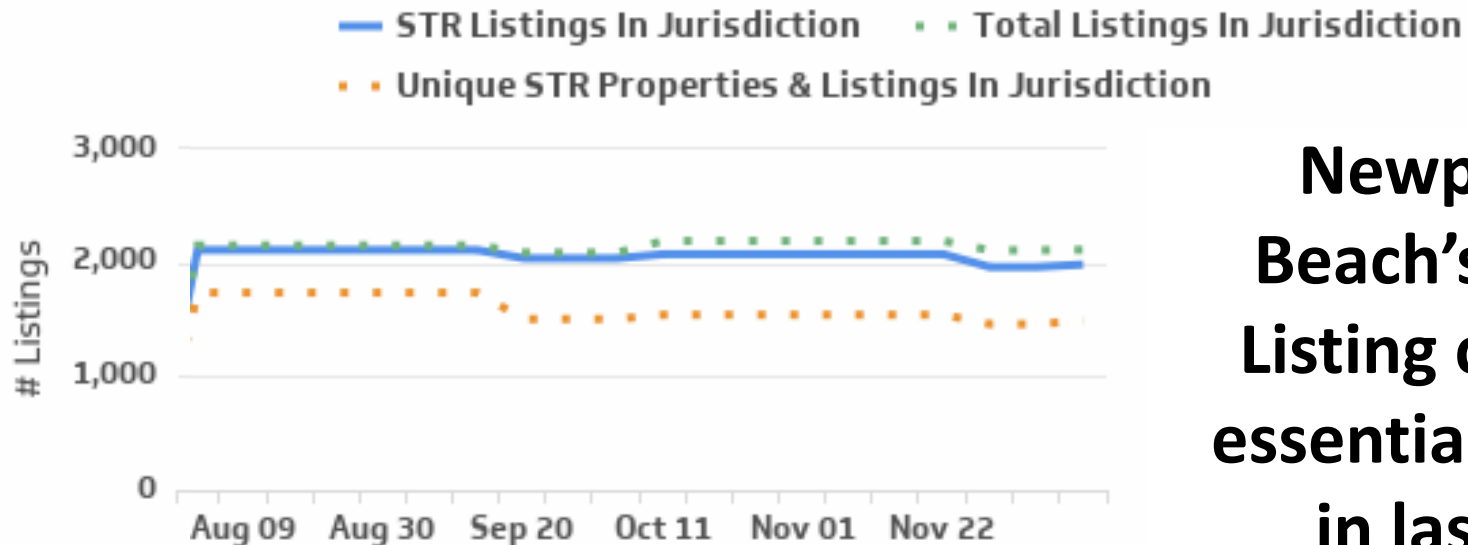
Host Compliance Begins Project (454 STR listings)

Today (137 STR listings)

...and it is clear that the reduction in non-compliance is not driven by seasonality

## Hermosa Beach, CA Case Study (2/3)

### STR Listings in Newport Beach (blue line)



**Newport Beach's STR Listing count essentially flat in last 5 months**

# Annual STR permit requirements and reasonable citation levels allow cities to recoup the cost of enforcement

## Best practices for recouping the cost of enforcing STR regulation

- **Set annual permit fee levels that cover the fully loaded cost of enforcing the regulation:**
  - Set the annual permit fee at 1-2x the median nightly rent in the area
  - The average annual STR permit fee in the U.S. is ~\$250 (~\$400 in California)
- **Make the fine levels a function of the nightly rent for the property in violation**
  - First violation: 3x nightly rental amount
  - Second violation 6x the night rental amount
  - Look up the City of West Hollywood's STR ordinance for exact language

*Allows cities to pass on the cost of enforcement to the STR operators so scarce city resources are not unfairly diverted away from other pressing priorities*

# 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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