



Cost-effective solutions to Hermosa Beach's short-term rental monitoring and compliance problems

Agenda

- Introductions
- U.S. and Hermosa Beach Specific Market Context
- The Host Compliance Solution
- Discussion and Next Steps

Introductions:



- Silicon Valley based technology company
- Only provider of short-term rental compliance monitoring technology for local governments
- Team of seasoned local government technology executives and data-scientists



Ulrik Binzer
Founder & CEO

- Former COO of 2 VC backed companies
- Prior military officer and graduate of Harvard Business School
- Launched Host Compliance when asked by local town council to study possible ways to address its short-term rental compliance issues



- 17 years of local government software expertise
- Customer base of over 500 cities and public agencies across the United States and Canada.
- 100% focused on Local Government



Paul Hetherington
Chief Commercial Officer

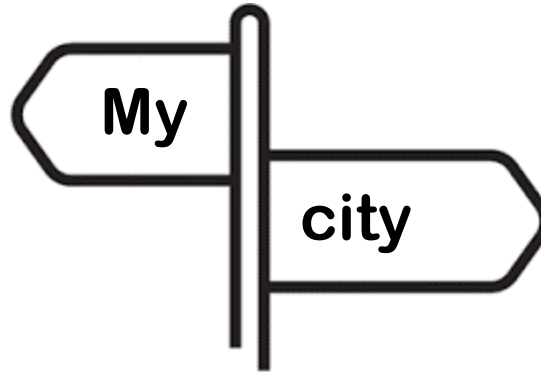
- Working with Local Government for over 20 years
- Love of technology and efficiency
- Focused on solutions with dramatic impact.
- Dad, Triathlete and graduate of British Columbia Institute of Technology



Broad set of stand-alone and integrated solutions for local governments



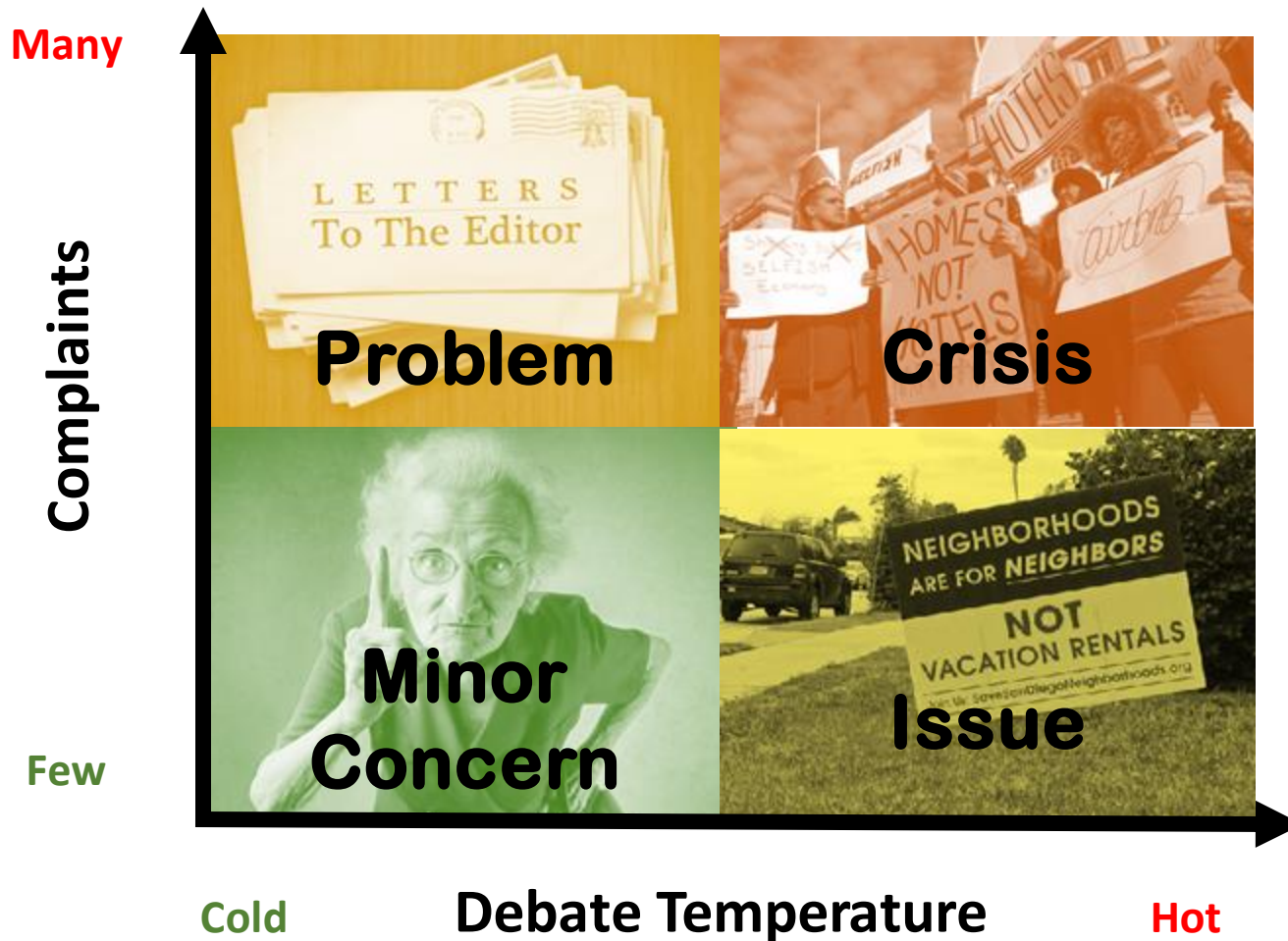
Tell us a bit about you, Hermosa Beach, and where you are in terms of regulating short-term rentals?



What are Hermosa Beach's most important goals as it relates to short-term rentals?

- ✓ Reduce noise, parking and trash-problems
- ✓ Eliminate party houses
- ✓ Reduce STR's impact on neighborhood character
- ✓ Ensure building safety
- ✓ Improve city's responsiveness to neighbor complaints
- ✓ Stem STR's negative impact on affordable housing availability
- ✓ Improve permit and tax compliance to increase tax revenue
- ✓ Ensure a level playing field between law abiding traditional lodging providers and illegal short-term rentals
- ✓ 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
- ✓ Other?

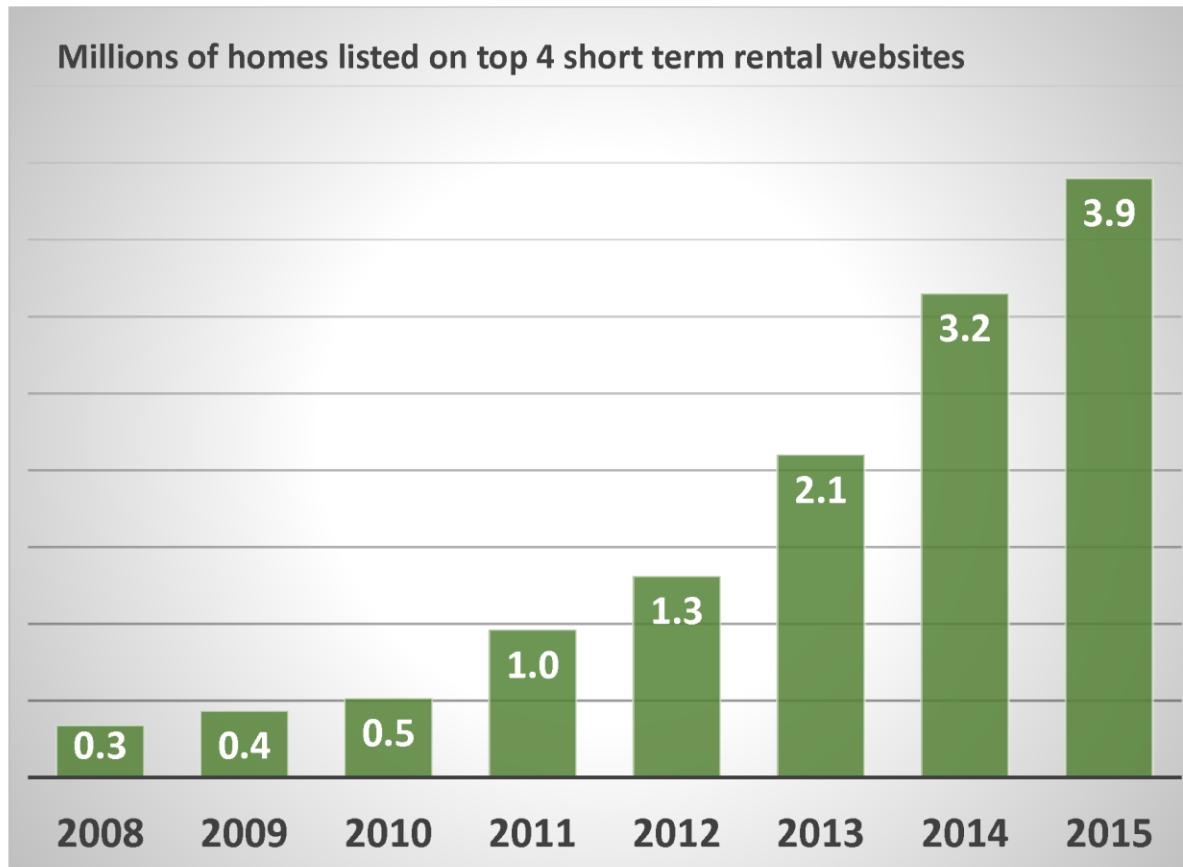
How big of a problem are short-term rentals in Hermosa Beach?



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Market Context: AirBnb, VRBO and 100's of other vacation rental websites have turned vacation rentals into a booming underground economy...

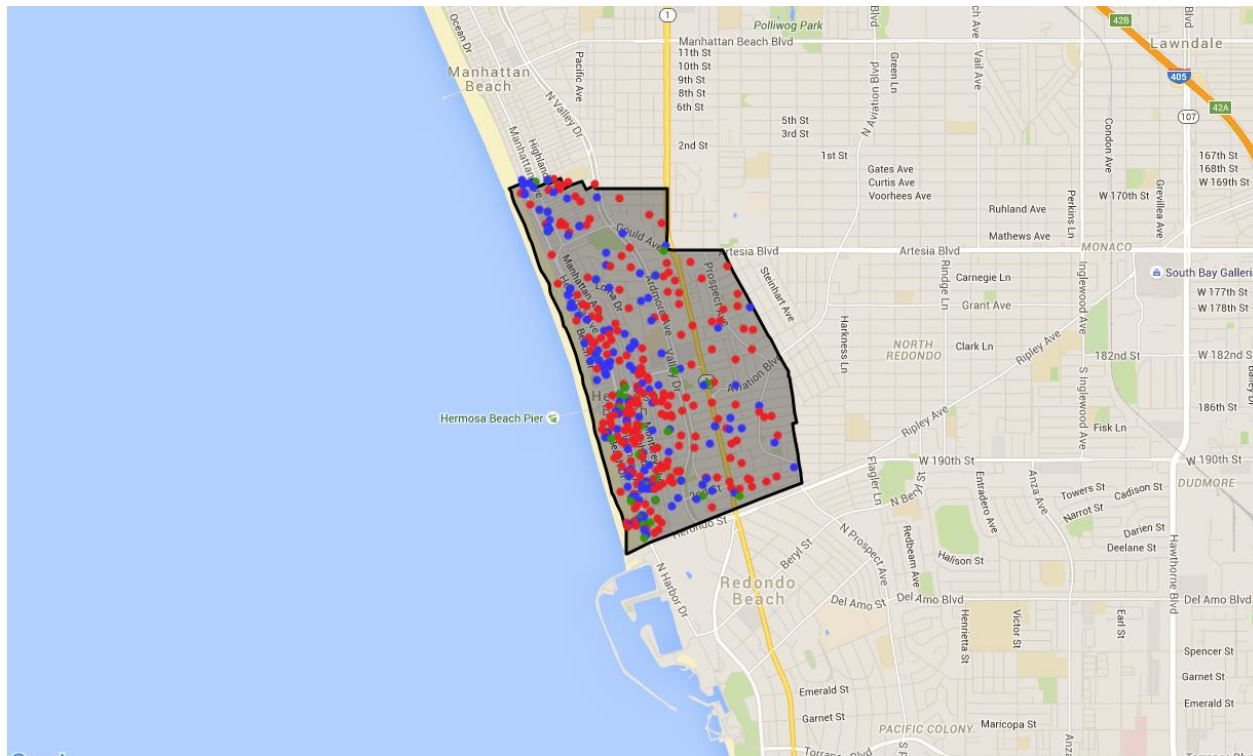


+ 100s of other web platforms

Sources: AirBnB, HomeAway, VRBO and Flipkey

....and in Hermosa Beach we have identified 454 listings and 351 unique short-term rental properties

Unique short-term rentals in Hermosa Beach as of



Sources: Host Compliance proprietary data

Increased tourist traffic from short-term renters has the potential to alter Hermosa Beach's 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



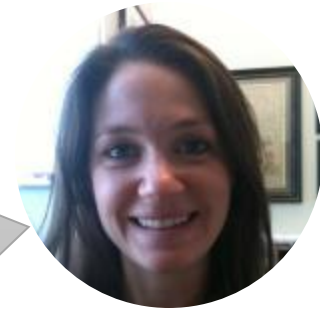
... resulting in disgruntled neighbors...



Emmy Jodoin

"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."

"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"

...while negatively impacting Hermosa Beach's economy and regular citizens' impression of the city's ability to effectively protect their interests

- ✓ Hermosa Beach loses out on tax revenue that could have been invested in improving the quality of life for its residents
- ✓ Conversion of residential units into tourist accommodations results in a tighter housing market, less affordable housing and higher rents
- ✓ Jobs are lost and wages are lowered in the local hospitality industry as unfair competition from unregulated vacation rentals lower demand for traditional tax-paying lodging providers
- ✓ Lack of proper regulation or limited or non-existing enforcement of existing ordinances, leads to tension between neighbors and the disillusionment with local government

*Source: Zervas, George et al. "The Rise of the Sharing Economy: Estimating the Impact of AirBnB on the Hotel Industry". Boston University School of Management. Jan 2014

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
- ✓ Limited legal basis to evict problematic short-term renters even if several ordinances are violated

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Ways we can help



Trend Monitoring: Monthly report with aggregate statistics on the short-term rental activity in Hermosa Beach



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



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



Rental Activity Monitoring: Ongoing monitoring of Hermosa Beach'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

Affordable pricing tailored to Hermosa Beach's needs



STR Trend Monitoring

\$380 /yr



Address Identification

(PLUS all services above)

\$11,577 /yr



Compliance Monitoring

(PLUS all services above)

\$17,366 /yr



Rental Activity Monitoring

(PLUS all services above)

\$25,084 /yr



24/7 Dedicated Hotline

(PLUS all services above)

\$29,714 /yr

Note: Above pricing assumes 454 short-term rental listings. Host Compliance would be happy to discuss alternative contract terms, contract durations and pricing structures if that would be of interest.

Benefits to using Host Compliance's services

- ✓ Ensures fair, continuous and consistent compliance monitoring and enforcement
- ✓ Frees up valuable staff time that can be focused on higher-value added activities
- ✓ Minimizes noise, parking and trash violations
- ✓ 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
- ✓ Maximizes Hermosa Beach's tax and permit fee collections
- ✓ 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
- ✓ **6 MONTH UNCONDITIONAL MONEY BACK GUARANTEE!**

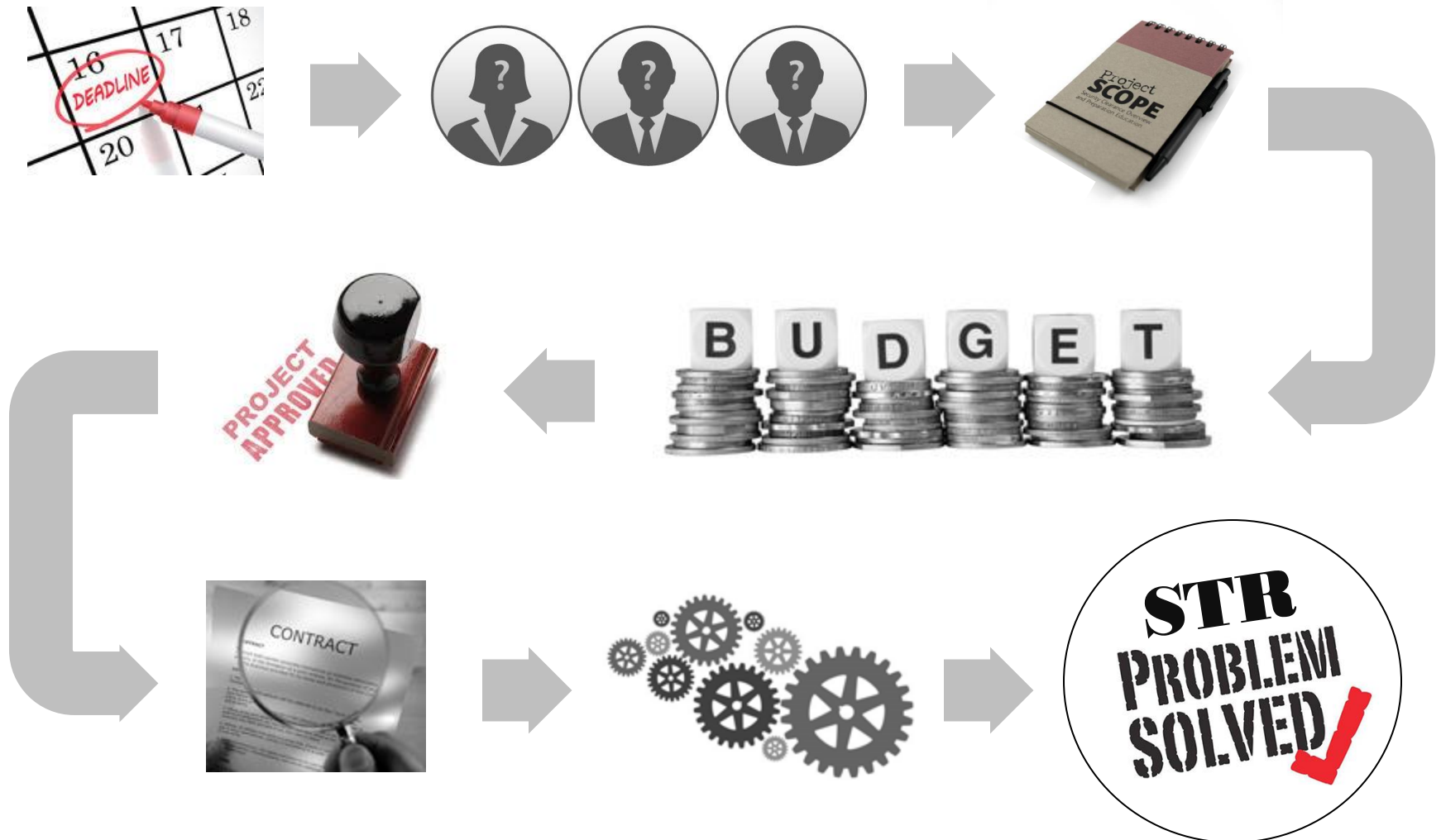
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Feedback

TELL
US WHAT
YOU THINK...

Working backwards to a solution to Hermosa Beach's STR problems



Next Steps

- ✓ Send you this presentation
- ✓ Schedule all team meeting?
- ✓ Set timeline to decide on best solution for Hermosa Beach's needs
- ✓ Confirm timing of possible rollout (needed to secure Hermosa Beach'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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