



STAFF REPORT

December 7, 2022

File Number 0600-10; A-3438

SUBJECT

AWARD OF CONTRACT FOR SHORT-TERM RENTAL ADMINISTRATION

DEPARTMENT

Development Services

RECOMMENDATION

Request the City Council adopt Resolution No. 2022-173, authorizing the Mayor to execute, on behalf of the City, a Consulting Agreement with Granicus, LLC, a Minnesota Limited Liability Company, for three-years with two (2) options to extend the Consulting Agreement for one (1) year per extension, and approve a budget adjustment request in the amount of \$42,000 for professional services for the Short-term Rental Administration Project ("Project").

Staff Recommendation: Approval (Andrew Firestine, Director of Development Services, Jennifer Schoeneck, Deputy Director of Economic Development, and Christina Holmes, Director of Finance)

Presenter: Andrew Firestine, Director of Development Services

FISCAL ANALYSIS

The Project is expected to cost \$35,307.50 in the first year, including one-time costs for consulting and public outreach together with the prorated subscription fees for the program administration following the development and adoption of an ordinance implementing a short-term rental program. Costs for each successive year of subscription services for continued program administration are \$21,153 per year. Once implemented, short-term rentals will be subject to a 10 percent transient occupancy tax (TOT), which is expected to more than fully cover the ongoing costs of the Professional Services Agreement.

PREVIOUS ACTION

None.

BACKGROUND

Short-term rentals are generally defined as the rental of a structure, or a portion thereof, for occupancy, dwelling, lodging, or sleeping purposes for less than 30 consecutive calendar days in a residential zoning district, including single-family residences, condominiums, townhomes, multi-family, and other similar residential structures.



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It is currently estimated that there are upwards of 130 existing short-term rentals within the City of Escondido. The City has neither a regulatory framework to control how short-term rentals are operated within the community, including their enforcement, or a process by which to collect TOT from short-term rentals.

On September 6, 2022, a Request for Proposals (RFP) was advertised for short-term rental administration. The scope of services within the RFP was structured to include all aspects of the development and implementation of a short-term rental program, ranging from the development of an ordinance and conducting a public engagement process to establish how the City regulates short-term rentals all the way through the registration of short-term rental units that leads to the remittance of all required taxes and fees. The scope of services also set an expectation that the contractor would conduct an ongoing assessment of the City's short-term rentals for compliance with City regulations, continue to manage the payment of all taxes and fees, and assist the City with code enforcement activities, including the provision of a 24-hour hotline for residents to call with any complaints regarding short-term rental properties.

A total of five (5) responses to the RFP were received. An RFP review committee consisting of economic development, finance, and development services staff reviewed and scored each proposal and conducted two (2) interviews. Granicus, LLC was identified by the review committee as the most responsive bid to the RFP.

The Granicus, LLC proposal specifically includes consulting on the development of a short-term rental ordinance and a public engagement tool, EngagementHQ, that can assist the City in leading a public participation process that captures community input from not only the existing short-term rental operators but residents and community members who are affected by short-term rentals. The EngagementHQ tool is listed as an option in their proposal and is included in the Consulting Agreement.

The methodology contained in the balance of their proposal is responsive to the City's needs and is led with a technology driven solution for operators to obtain and manage their permits and tax reporting, including the ability for operators to manage their permit through a mobile device. The solution allows operators to pay their TOT in person, by mail, or through a secure payment portal.

Granicus, LLC also proposes to monitor short-term rentals for ongoing compliance, including systematic outreach to those operating without a permit, and contains tools to monitor rental activity and can identify audit candidates who are under-reporting on taxes or are exceeding occupancy regulations. Their monitoring includes the collection of documentation that may be needed in any enforcement action.

The proposal also includes a 24/7 hotline to allow neighbors to report and resolve non-emergency problems with short-term rental properties. The hotline can be structured to contact the emergency contact for a short-term rental by text and phone to resolve an issue in real-time. These reports are documented with a recording of the phone call and all supporting documentation, including photos, video, and/or audio recordings for potential enforcement action.



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The overall timeline for the development and implementation of a short-term rental program is largely dependent on the initial steps to prepare an ordinance and to conduct a public engagement process. There are ordinances that the City of Escondido can model but it should be tailored to those specific issues and concerns that exist within the local community. Currently, it is anticipated that this part of the process will take 2 to 3 months to complete. The balance of the project – registering short-term rentals, collecting TOT, and administering the program – will take roughly 3 to 4 months.

As a matter of additional background information, a guide from the National League of Cities on short-term rental regulations is included as Attachment “2” to this Staff Report, which provides a number of recommendations that the City may want to consider as it prepares a short-term rental program. The guide includes suggestions on the development of regulations that are tied to policy goals and enforcement and fine structures that are proportional to the economic gains that violators can realize from not following the rules, including escalating fines for repeat violators up to the revocation of a permit or license. While it is not a definitive guide to everything that the City of Escondido may encounter as it works to develop a short-term rental program, it is a solid resource.

RESOLUTIONS

- a. Resolution No. 2022-173
- b. Resolution No. 2022-173 – Exhibit A – Consulting Agreement

ATTACHMENTS

- a. Budget Adjustment Request
- b. National League of Cities Short-Term Rental Regulations: A Guide for Local Governments