

An aerial night photograph of a city. In the foreground, there is a residential neighborhood with houses and trees. In the background, a city skyline is visible with various skyscrapers and buildings illuminated by city lights. The sky is a deep blue.

# Contract For Collection, Monitoring, and Compliance Services for Hotel Occupancy Tax

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FINANCE DEPARTMENT

PRESENTED BY: TROY ELLIOTT,  
DEPUTY CHIEF FINANCIAL OFFICER

DECEMBER 15, 2022  
AGENDA ITEMS #37 & #38





# STR Ordinance

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On November 1, 2018, City Council approved an ordinance for the regulation of Short-Term Rental (STR) properties, effective February 11, 2019

An STR is a residential dwelling unit, apartment, condominium, or accessory dwelling where sleeping areas are rented overnight to guests for less than 30 consecutive days (but not less than 12 hours)

There are two types of STRs:

- Type 1- primary residence of the owner or operator. This applies to primary and accessory dwelling units
- Type 2 - property is not occupied by owner or operator



# Hotel Occupancy Tax

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Pursuant to state statute, every person owning, operating, managing or controlling any hotel shall collect the Hotel Occupancy Tax (HOT) imposed and remit to the City

A "hotel" is any building in which members of the public obtain sleeping accommodations for consideration:

- Hotel
- Motel
- Bed and Breakfast (B&B)
- Short Term Rental

HOT must be reported for each calendar month even if there are no Taxable Room Receipts

Bexar County contracts with the City for collection of HOT



# HOT - Penalties & Interest

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HOT reporting is due on or before the last day of the calendar month following the reporting month

- Delinquent taxes accrue a five percent (5%) penalty starting the second month following the reporting month, with an additional five percent (5%) penalty on the third month (minimum of \$5.00)
- Interest accrues starting the second month following the reporting month at the rate of ten percent (10%) per annum



# STR Permitting and HOT Collection - Process

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## PERMITTING

STR application submitted to Development Services Department

Valid for 3 years, permits are \$100 and cannot be transferred

Renewal dependent on compliance with STR Ordinance

## HOT

HOT account issued by Finance Department

Payment of HOT and monthly reporting is required per State statute

All payments and reporting submitted online through portal

Permit can be revoked for non-payment or non-reporting



# Contract for STR Permitting and HOT Collection

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On November 15, 2018, City Council approved a contract with Host Compliance, LLC for STR permitting and Hotel Occupancy Tax (HOT) collection portal for City and Bexar County

At that time, there were only 200 STRs that were compliant in reporting and paying HOT

Once the STR Ordinance went into effect on February 11, 2019, approximately 1,600 STRs came into compliance

Currently there are approximately 3,300 active STR permits



# STR Market

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The STR market has continued to grow and mature

Online rental platforms have become more numerous and sophisticated – over 80+ are operating today, compared with approximately 20 when the City's STR Ordinance went into effect

Compliance and Monitoring software providers have also advanced in their services and solutions as a result of the expanding STR market



# STRs in San Antonio

	FY 2019	FY 2020	FY 2021	FY 2022
Number of Permitted STRs	1,712	2,198	2,668	3,226
HOT Revenue from STRs	\$1.33M	\$1.64M	\$2.08M	\$3.85M





# RFP Process – New Contract

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October 4, 2021	RFP issued for Collection, Monitoring and Compliance Services for Hotel Occupancy Tax including: A) STRs and B) Hotels, to include collection of the Tourism Public Improvement District (“TPID”) assessment fees
November 22, 2021	Four (4) responses received for both components of the RFP
May 6, 2022	Proposals evaluated by Evaluation Committee
June 14, 2022	Interviews conducted & Final evaluation - Avenu Insights & Analytics, LLC received the highest ranking
December 15, 2022	Recommendation – Approval of a contract with Avenu Insights & Analytics, LLC and amendment/extension of Host contract for 6 months
January 2, 2023	Contract begins with Avenu Insights & Analytics, LLC

# New Contract – Avenu Insights & Analytics

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Taxpayer support line for STR operators and Hotels,  
Monday through Friday from 9:30AM – 7PM

- Registration assistance
- Auto reminders
- Multiple payment options
- Payment for multiple locations/Hotels & STRs
- Ability to access historical payment information
- Provide information regarding STR permitting process and HOT payments



# New Contract – Avenu Insights & Analytics



24/7 Hotline and online portal available for constituents to log complaints and be heard by trained staff

- Citizen tip line to report unpermitted STRs
- Citizen complaints regarding safety, noise, trash, party houses, parking, etc.
  - Can upload proof such as photos and video of offenses

## STR Complaint Resolution:

If property is a permitted STR, Avenu will call and text emergency contact on permit to seek acknowledgement and resolution

If unpermitted STR is reported, Avenu will contact appropriate City department

Development Services will follow up on reported complaints

Incidents noted and added to STR database

# New Contract – Avenu Insights & Analytics

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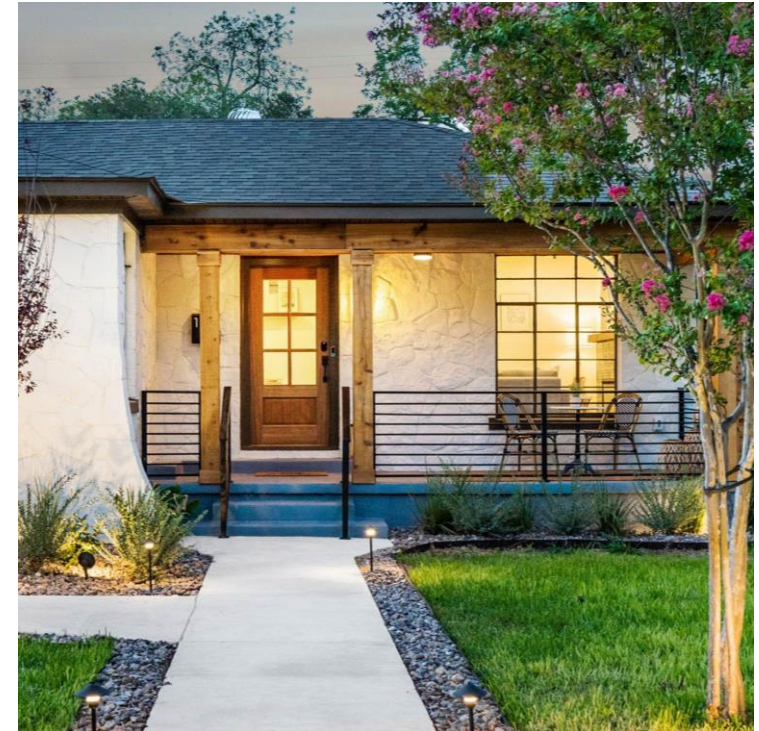


Comprehensive strategies to bring undiscovered STRs into compliance

Additional layer of compliance through primary residence testing in order to determine homestead status of STRs

Detection of fraudulent reporting of HOT

Recovery of funds from unreported HOT





# New Contract – Avenu Insights & Analytics

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Approximately 500 Hotels submit paper forms and manual payments monthly

Collection of Hotel HOT through the online portal with HOT Forms submitted online and ability for monthly auto reminders

Less time spent by City staff processing Hotel HOT Forms and manual payments



# Stakeholder Input

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On November 16, 2022, the City's Development Services Department and the Finance Department met with representatives from the following stakeholders:


- Tier One Neighborhood Coalition
- Short Term Rental Association of San Antonio
- King William Neighborhood Association
- Beacon Hill Neighborhood Association

Avenu Insights & Analytics was also available to answer questions and concerns

## Stakeholder Concerns

Compliance with STR Ordinance  
STR nuisance issues  
STRs permitted incorrectly  
STR High density  
Unpermitted STRs  
Non-compliance with HOT payments  
Corporate ownership of multiple STRs





# Next Steps – 6 Months

Kick off Meeting

Requirements Gathering – Includes stakeholder input

Design and Specifications

Configuration and Integration

Testing and Quality Assurance

Deployment and Training

# Recommendation

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## Agenda Item #37

Staff recommends approval of a contract with Avenu Insights & Analytics, LLC for one (3) year term commencing not later than January 2, 2023, with the option for two (2) one-year renewals under the same terms and conditions.

## Agenda Item #38

Staff recommends approval of a contract amendment and extension with Host Compliance LLC, a wholly owned subsidiary of Granicus, LLC for a six (6) month term to commence December 21, 2022, and end June 20, 2023, under the same terms and conditions.