



# City of San Antonio

## Agenda Memorandum

### File Number:

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**Agenda Item Number:** 37

**Agenda Date:** December 15, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Collection, Monitoring and Compliance Services for Hotel Occupancy Tax

**SUMMARY:**

This Ordinance approves a contract with Avenu Insights & Analytics, LLC to provide collection, monitoring, and compliance services for Hotel and Short Term Rental Hotel Occupancy Tax Full Service Administration to include discovery, recovery and audit for a total contract amount estimated at \$3,472,500 for a three-year term commencing not later than January 2, 2023, with two renewal terms of one-year each at the City's option. The cost for the first year of the contract is estimated to be \$694,500 based on current counts and can fluctuate based on actuals each month. Funding in the amount of \$122,100 is available from the FY 2023 Development Services Fund Budget and \$572,400 is authorized to be appropriated from the FY 2023 Hotel Occupancy Tax Fund Budget. The City also receives approximately \$180,000 annually for the collection of Bexar County HOT and the Tourism Public Improvement District Assessment Fee which will also offset the cost of the contract. Funding for the future years of the contract is contingent upon City Council approval of annual budget.

**BACKGROUND INFORMATION:**

On November 1, 2018, City Council approved an Ordinance for the regulation of Short Term Rental (“STR”) properties in the City. In anticipation of a significant increase in STR activity, the Finance Department researched services and software available to assist with the discovery and monitoring of these properties to improve the collection and compliance with Hotel Occupancy Tax (“HOT”). In 2019, the City contracted with Host Compliance, LLC, a wholly owned subsidiary of Granicus, LLC to provide monitoring and collection of the HOT from STRs. This process was coordinated with the Development Services Department who also utilized the software for STR permitting. At that time, the City showed approximately 200 STRs on the HOT tax roll, with an annual collection of \$500,000. According to professional estimates, there were 1,600 STRs operating in the City that were not on the tax roll.

The scope of work identified to assist the City with STRs included: 1) STR Permitting and Tax Collection: mobile and web enabled forms and processes for streamlining Code Compliance permitting and tax collection and capturing of signatures, payments and required documentation; 2) STR Discovery and Address Identification: complete address information and interactive reporting of rental activity, location, and photos of all identifiable STRs; and 3) Compliance Monitoring: ongoing monitoring of STRs for compliance including updated lists of owners in non-compliance, estimated revenues for each STR, and periodic reports and analysis to support HOT audits and other enforcement investigations.

The Development Services Department is in the process of converting their use of Host Compliance, LLC for STR permitting to Accela. As such, the Finance Department developed a Request for Proposals (“RFP”) specifically for the collection of HOT with components related to compliance and monitoring. This RFP was broadened from the City’s current contract to incorporate the collection of HOT for STRs and Hotels including the collection of the Tourism Public Improvement District (“TPID”) assessment fees. The first component (A) was the development of an improved online system for the collection of the HOT from STRs and the provision of comprehensive compliance and monitoring of those accounts. The second component (B) was the development of an online system for the collection of the HOT from Hotels, to include collection of the TPID assessment fees.

On October 4, 2021, the City issued the RFP for Collection, Monitoring and Compliance Services for Hotel Occupancy Tax which was advertised in the San Antonio Express News and posted on the City’s website.

On November 22, 2021, the City received four (4) responses to the RFP which were deemed eligible for evaluation. All four responses included proposals for both components of the RFP. On May 6, 2022, the proposals were evaluated by an Evaluation Committee consisting of representatives from the Finance Department and Information Technology Services Department. The responses to components A and B of the RFP were evaluated separately and the top scoring firms for each were selected for interviews. The evaluation of each proposal response was based on a total of 100 points: 20 points allotted for Experience, Background and Qualifications; 45 points allotted for the Proposed Plan; 20 points allotted for Price, 10 points for the Local Preference Program and 5 points for the Veteran-Owned Small Business Program. On June 14, 2022, interviews were conducted and the respondents were again scored by the Evaluation Committee based on the aforementioned criteria. Avenu Insights & Analytics, LLC received the

highest ranking on both components A and B of the RFP and is being recommended for award. The City is proposing one contract to address both components of the RFP in this Professional Services Agreement for Hotel and Short Term Rental Hotel Occupancy Tax Full Service Administration.

The Finance and Development Services Departments met with representatives from the Tier One Neighborhood Coalition, Short Term Rental Association of San Antonio, King William Neighborhood Association and Beacon Hill Neighborhood Association on November 16, 2022, to provide an overview of the Contract Terms and discuss concerns related to Short Term Rentals. We committed to having their continued involvement upon approval of the agreement with Avenu Insights & Analytics and during the implementation and design of the new services and software.

The Small Business Economic Development Advocacy (SBEDA) Program was waived; there were a lack of SBE firms able to perform the work required. The Local Preference Program and the Veteran's Small Business Preference Program were applied in the evaluation of responses received for this contract; however, the highest ranked firm is not a local business or a veteran-owned small business.

In a separate City Council item, the Finance Department is requesting consideration to amend the term of the existing agreement with Host Compliance LLC to extend for a six (6) month term, to commence December 21, 2022, and end June 20, 2023 upon the same terms and conditions. This extension with Host Compliance LLC of the current contract will allow for proper conversion from one system to another and provide seamless services to STR owners paying the HOT.

## **ISSUE:**

The City currently accepts STR HOT payments and reporting online but does not collect Hotel HOT payments and reporting online. The new contract with Avenu Insights & Analytics, LLC expands the online reporting and collection of HOT for both STRs and Hotels and provides for additional customer service provided through Avenu Insights & Analytics's back-office staff. The City has approximately 500 Hotels that are required to report and pay HOT on a monthly basis. The current process for paying the Hotel HOT requires hotel owners to complete paper forms and then contact City staff to arrange payment each month. The proposed contract improves the customer experience and will make it easier for hoteliers to report and pay HOT online.

This contract will allow the City to have better access to discovery and monitoring of STR and Hotel properties, identifying delinquencies, and provide a more user-friendly online payment system. There will be expanded compliance efforts in the form of reminder emails and dunning letters sent to hoteliers that will be initiated by Avenu Insights & Analytics, LLC.

The City receives a high volume of communication regarding nuisance STRs. The contract also provides for a dedicated 24/7 Hotline for reporting STR problems and assistance with permitting STR and paying HOT.

The Finance Department has coordinated with the Development Services Department who will

receive certain services through the contract with Avenu Insights & Analytics, LLC specific to STR compliance, monitoring and outreach, the 24/7 complaint Hotline, and homestead testing, and will be sharing in the costs.

#### **ALTERNATIVES:**

The City has the option not to authorize the contract with Avenu Insights & Analytics, LLC; however, these services are necessary to manage the current reporting and collection of STR online HOT and will significantly improve the City's current processes for collection of HOT from Hotels. If the contract is not approved, the City will have to rely on STR self-reporting and limited compliance which will result in less HOT revenue. Additionally, the City will not be able to implement an online Hotel reporting and payment option and will be required to continue to manually collect Hotel payments.

In a separate City Council item, the Finance Department is requesting consideration to amend the term of the agreement with Host Compliance LLC to extend for a six (6) month term, to commence December 21, 2022 and end June 20, 2023 upon the same terms and conditions. This extension with Host Compliance LLC of the current contract will allow for proper conversion from one system to another and provide seamless services to STR owners paying the HOT.

#### **FISCAL IMPACT:**

This Ordinance approves a contract with Avenu Insights & Analytics, LLC to provide collection, monitoring, and compliance services for Hotel and Short Term Rental Hotel Occupancy Tax Full Service Administration to include discovery, recovery and audit for a total contract amount estimated at \$3,472,500 for a three-year term commencing not later than January 2, 2023, with two renewal terms of one-year each at the City's option.

The cost for the first year of the contract is \$170 per account which is estimated to be approximately \$694,500 based on current counts and can fluctuate based on actuals each month. Funding in the amount of \$122,100 is available from the FY 2023 Development Services Fund Budget and \$572,400 is authorized to be appropriated from the FY 2023 Hotel Occupancy Tax Fund Budget. The City also receives approximately \$180,000 annually for the collection of Bexar County HOT and the Tourism Public Improvement District Assessment Fee which will also offset the cost of the contract. It is anticipated that additional HOT revenues generated by this contract will exceed the additional cost of the contract. Funding for the future years of the contract is contingent upon City Council approval of annual budget.

#### **RECOMMENDATION:**

Staff recommends approval of a contract with Avenu Insights & Analytics, LLC to provide collection, monitoring and compliance services for HOT including STRs, Hotels, and TPID accounts in Bexar County and the City for a three (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.

This contract is procured by means of Request for Proposal and a Contracts Disclosure Form is required.