



SHORT TERM RENTALS: *Trends, Impacts, & Options*

May 2018

Agenda

- **Introduction**
- Michigan Short-term Rental Market Overview
- So What is the Big Deal?
- How to implement Fair and Effective Short-term Rental Regulations
- How to make the Rules Work on the Ground
- Q&A

Introduction:



- San Francisco based technology company
- World's leading provider of short-term rental compliance and enforcement technology for governments
- Team of seasoned technology executives and data-scientists

How we help:

- **Data:** Detailed Short-term Rental listing and activity data across the 50 top Short-term Rental websites (~99% of the Short-term Rental universe)
- **Compliance Monitoring:** Comprehensive suite of solutions to help local governments identify and address non-compliance with Short-term Rental ordinances
- **Consulting:** We help local governments draft and adopt enforceable Short-term Rental regulation that fits their specific needs and circumstances



More than 120 leading government institutions are looking to Host Compliance for guidance, data and solutions to their short-term rental challenges



Check <https://hostcompliance.com/clients/> for updates

We already have deep relationships in a number of communities in the Great Lakes Region



Suttons Bay Township

MARQUETTE *Michigan*



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Short-term rentals 101

Q: What are short-term rentals?

A: Rental of a residential dwelling units for periods of less than a month.

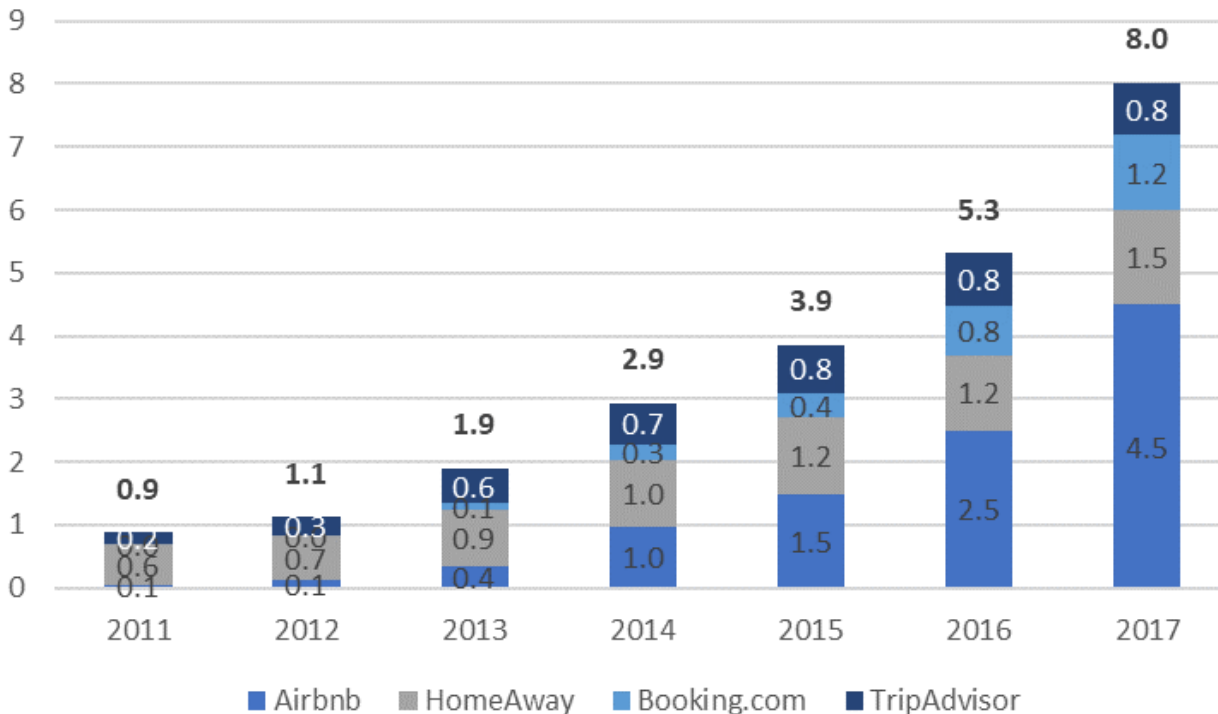
Q: What do Airbnb, VRBO and the 100s of other short-term rental platforms do?

A: Airbnb, VRBO and FlipKey etc. act as online marketplaces connecting travelers with local hosts. On one side the platforms enable people to list their available space and collect rent. On the other, the platforms enable travelers to easily book unique home stays.

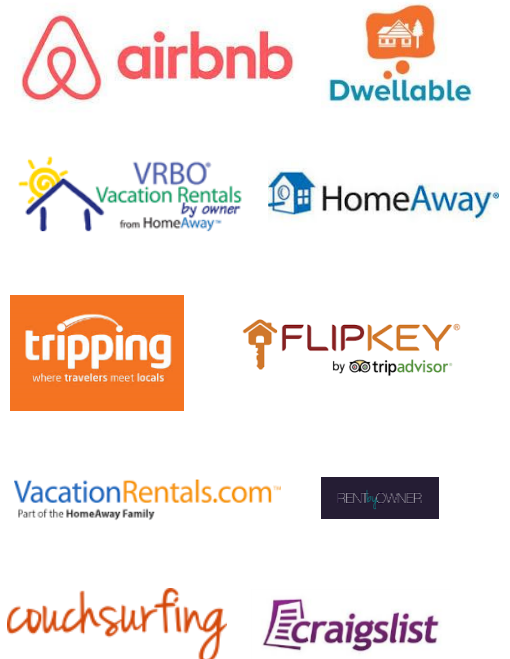
Market Context: AirBnb, VRBO and 100's of other vacation rental websites have turned vacation rentals into a booming (underground) economy...

The short-term rental market has grown 800% since 2011

Millions of Short-term Rental listings



Market is fragmenting



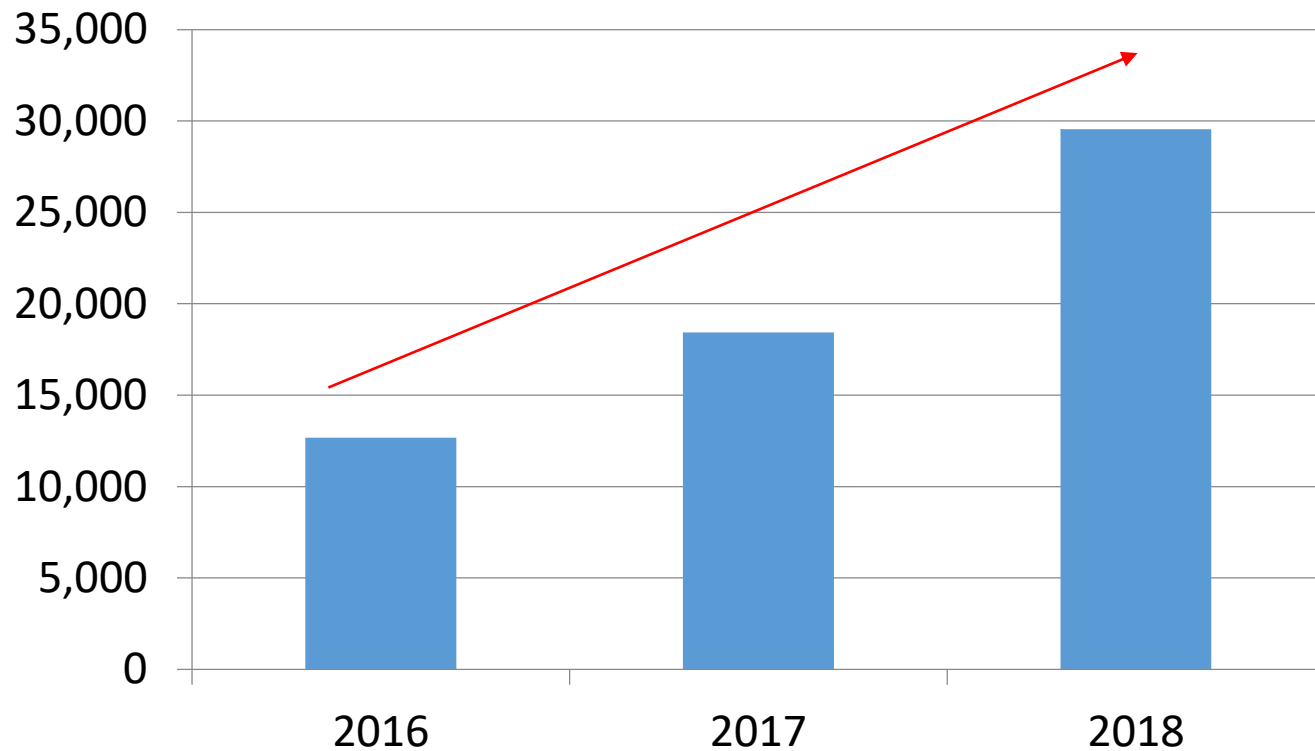
100+ other web platforms

Sources: AirBnB, Expedia, TripAdvisor and Booking.com



The number of short-term rental listings in Michigan has grown 233% since 2016

of Listing on Airbnb in Michigan

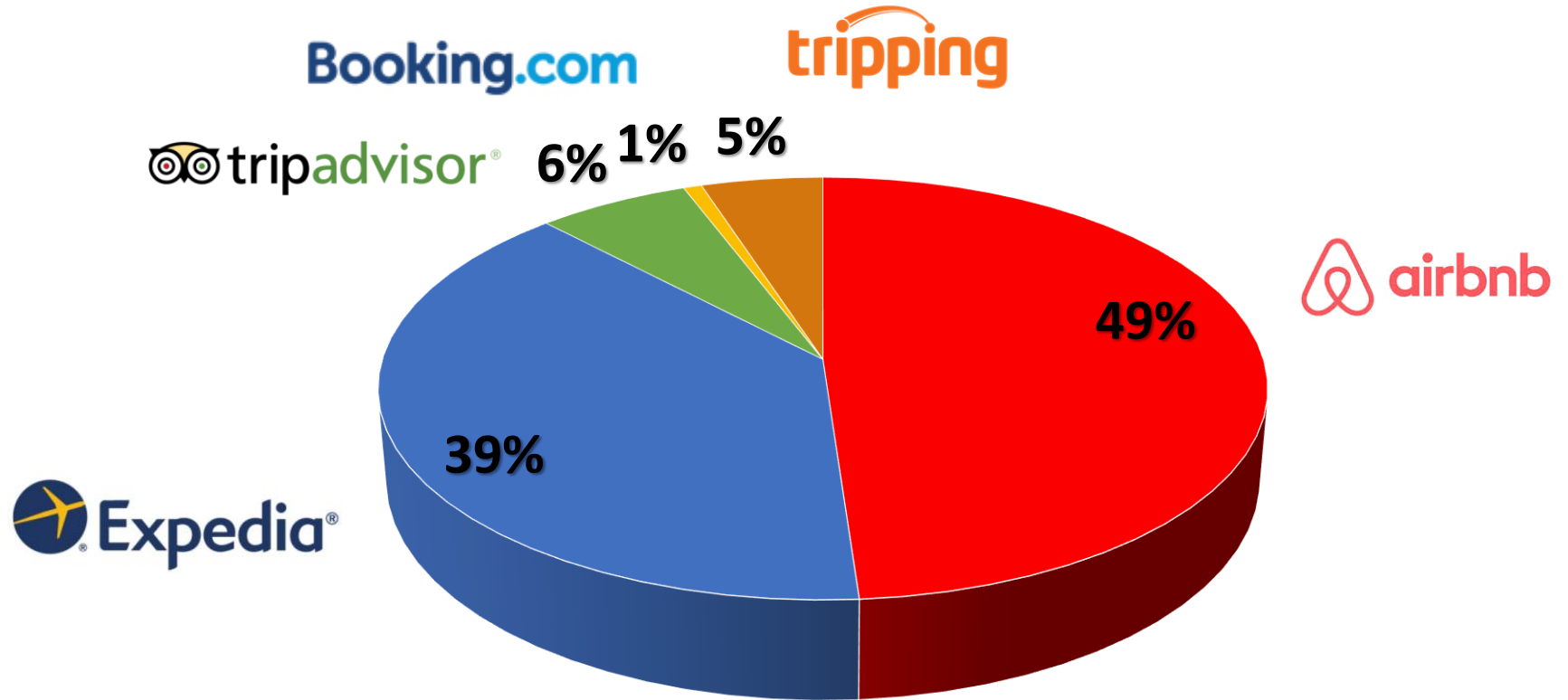


Sources: Host Compliance proprietary data

There are currently ~30,000 short-term rental listings in Michigan, representing ~25,000 unique rental units

Wayne County	2,395	2,257	Benzie County	448	381
Leelanau County	2,220	1,898	Roscommon County	418	314
Washtenaw County	2,191	2,049	Manistee County	390	255
Charlevoix County	1,748	1,316	Otsego County	368	280
Oakland County	1,582	1,462	Ingham County	348	344
Berrien County	1,427	1,130	Oceana County	344	307
Allegan County	1,160	791	Kalamazoo County	338	284
Grand Traverse County	1,159	948	Cass County	312	272
Kent County	876	810	Macomb County	294	286
Ottawa County	828	699	Muskegon County	288	233
Emmet County	809	676	Mason County	282	193
Van Buren County	800	648	Lake County	272	218
Antrim County	743	559	Marquette County	271	236
Gogebic County	626	464	Cheboygan County	267	213
Alger County	540	394	All Others	5,794	4,952
			Total	29,538	24,869

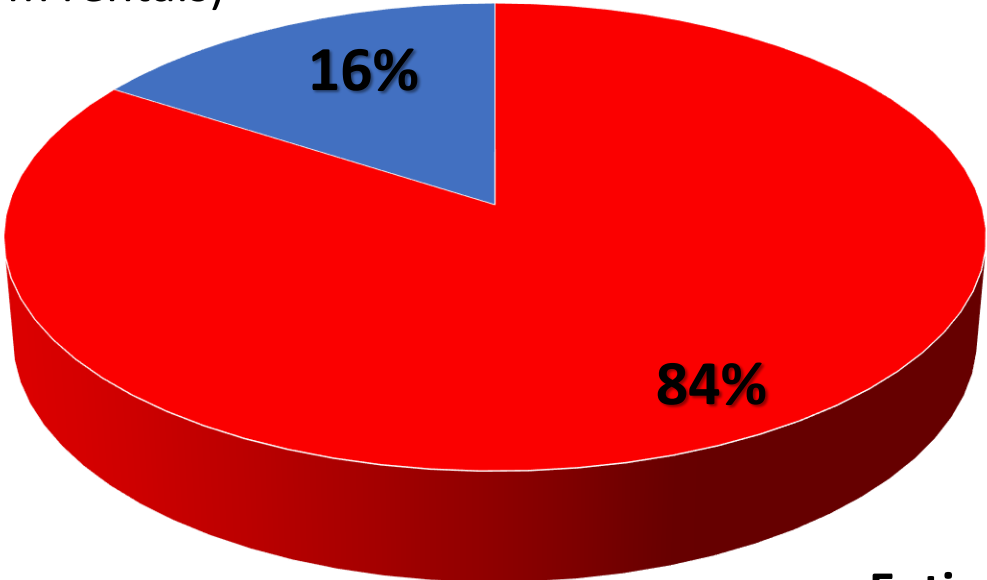
The Michigan Short-term Rental market is fragmented and Airbnb represents less than half of the total listings in the State



Sources: Host Compliance proprietary data

84% of Michigan's Short-term Rentals are entire home rentals (which are the types of rentals that generate the most revenue and have the biggest negative impact on housing affordability and the neighbors' quality of life)

Partial home rentals
(i.e. room rentals)

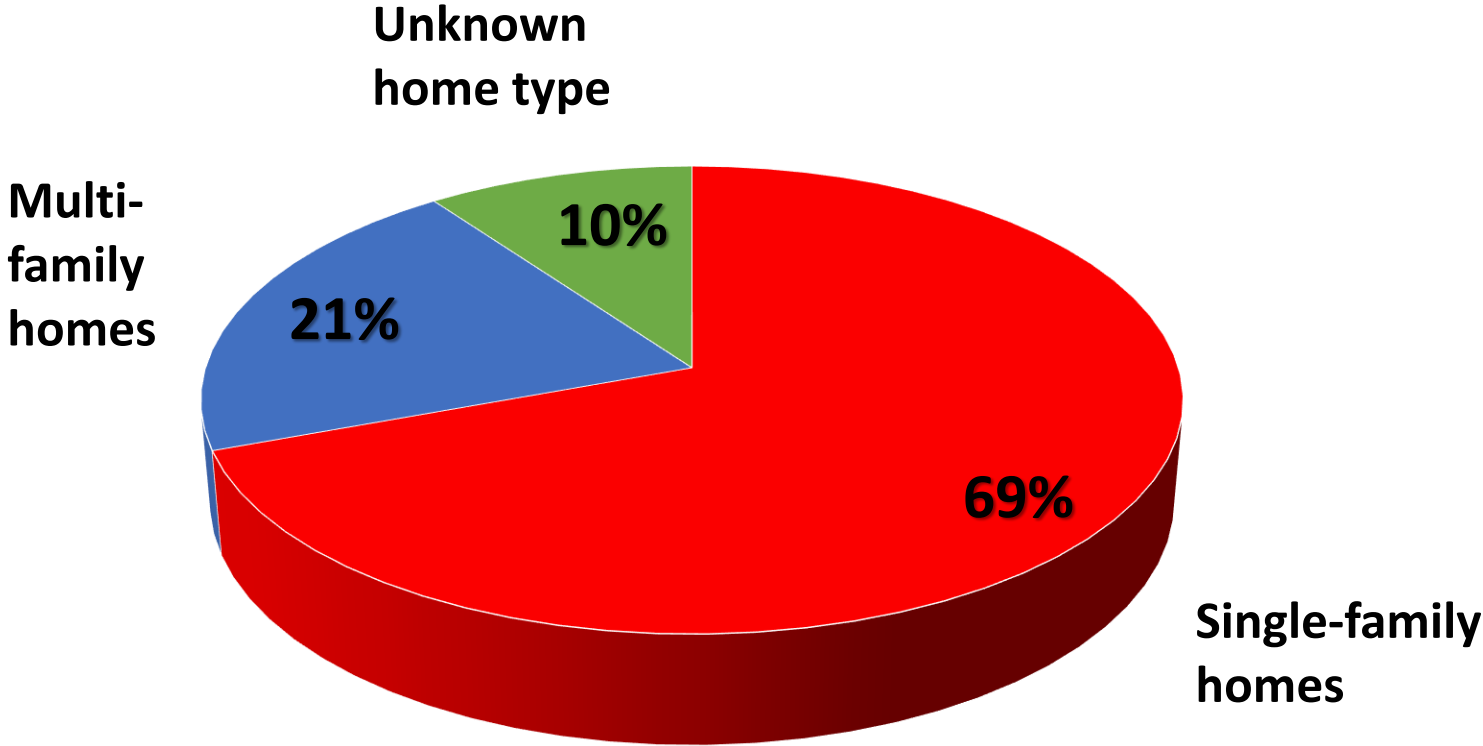


Entire home rentals
(i.e. traditional vacation rentals)

Sources: Host Compliance proprietary data



~70% of Michigan's short-term rentals are single family homes



Sources: Host Compliance proprietary data

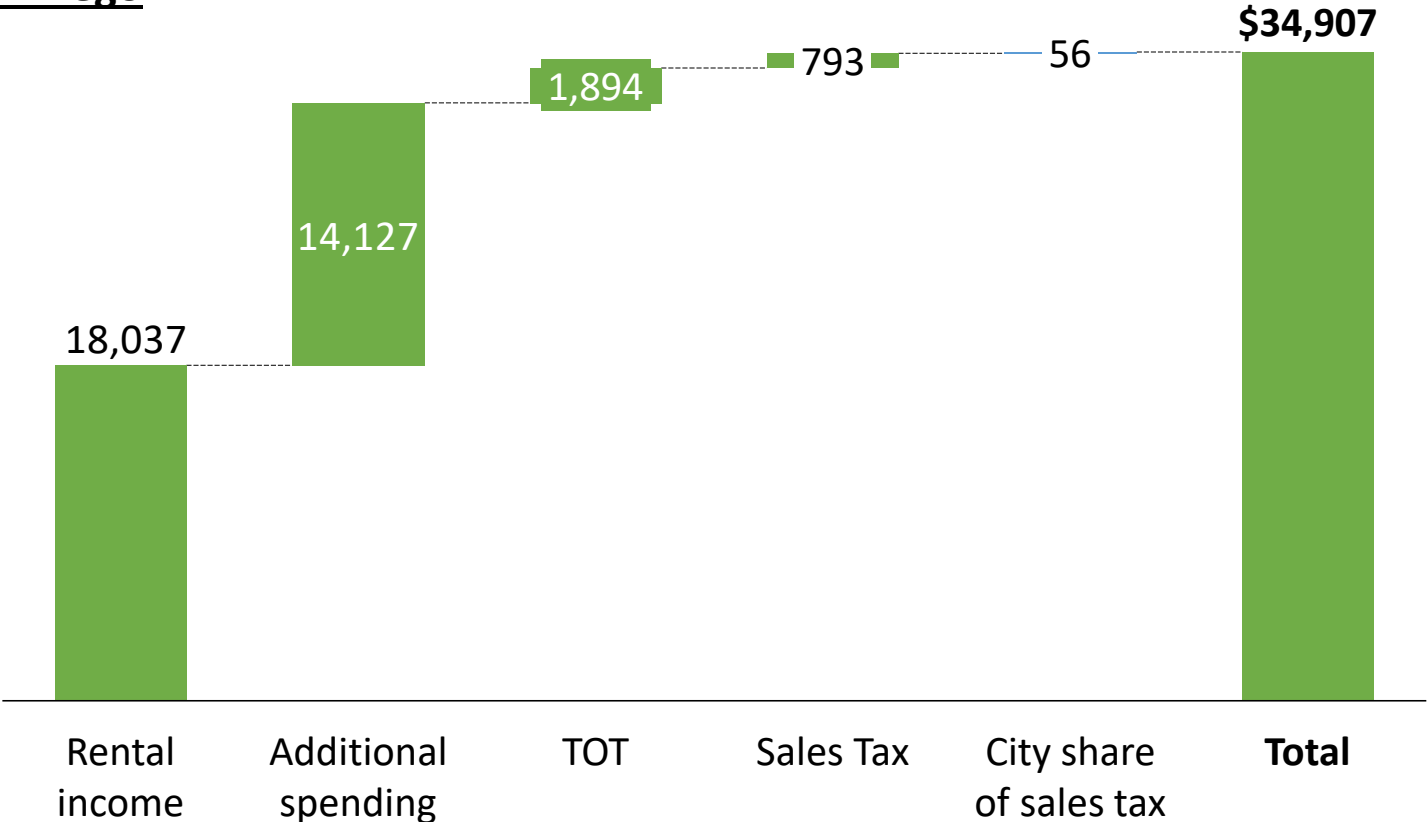


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The Good: Short-term rentals can drive significant economic growth..

Example: Estimated Annual Economic Impact per Short-term Rental in the City of San Diego



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



The Bad: Short-term rentals can displace long-term tenants, alter the neighborhood character and raise legitimate parking, noise, safety, trash and fairness concerns

Conversion of long-term rentals into Short-term Rentals can affect



Increased tourism can change the neighborhood character



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



Short-term renters may not care about keeping good neighborly relations



Increased occupancy can have negative trash related side-effects



Unfair competition from VRBOs can cause conflicts and hotel job losses



In some communities short-term rentals have caused significant neighborhood tension



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

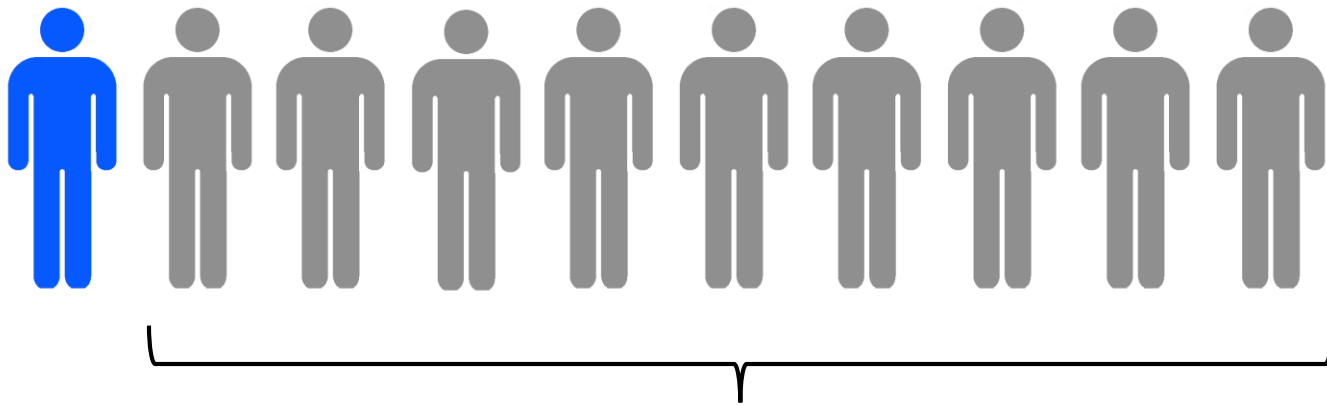


Hazel Old, age 11

“Sometimes, when they are outside, they’re playing beer pong just wearing their underwear”

Without proper enforcement, only a fraction of short-term rentals will get registered and pay their fair share of taxes

IN GENERAL LESS THAN 10% OF SHORT_TERM RENTAL OPERATORS VOLUNTARILY REGISTER AND PAY THEIR FAIR SHARE OF TAXES



Large potential for increasing tax revenue and fairness

... as a result, short-term rentals has become one of hottest topics in many Michigan communities

Airbnb rental explosion splits Traverse City

By Greg Tasker, Special to The Detroit News Published 12:00 a.m. ET March 20, 2018 | Updated



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Traverse City — With their three children grown and gone, Gary Schilkey and his wife, Lisa, spruced up a small studio apartment at the rear of their century-old

In the age of Airbnb, Michigan beach towns try to balance renters and residents

By DOUG TRIBOU • APR 28, 2017

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Grand Haven City Council voted to limit the number of short-term rentals in certain neighborhoods.

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Airbnb battle brews in Lansing

October 17, 2017 Lindsay VanHulle Business Bridge

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The last time the fire suppression system was updated at the historic hotel Bob Pierce manages not far from The Henry Ford in Dearborn, it cost the owner close to \$750,000.

Pierce, general manager of the Dearborn Inn, has employees who monitor the property around the clock. Yet he doesn't expect homeowners who take on paid guests to install fire sprinklers or employ a 24-hour surveillance crew if they decide to rent their houses to travelers.

That's what Pierce said bothers him about home-sharing companies like Airbnb and HomeAway, which use digital platforms to connect travelers with individual homeowners who rent out their houses for short stints: They don't have to play by the same, cost-boosting rules.

An effort brewing in Lansing to prevent cities and townships from using their zoning laws to decide how and where homeowners can rent out their homes — in essence, setting up restrictions on Airbnb rentals — has hotel operators squaring off against real estate agents in a debate over the definition of a hotel.

Pierce, and the lodging industry at large, insists he welcomes the competition. But hoteliers think short-term rentals — particularly those with frequent guest turnover — are essentially commercial properties, not homes, and should be regulated as such.

The hotel industry has company from city and township leaders, who say they know better than Lansing about how to govern their specific communities, and from neighbors who say short-term rentals have created a host of problems in their communities, from parking to noise.

They claim that home-sharing as originally intended — people renting a room in a house occupied by the owner — has been superseded by an increasing and, they say, disturbing trend of people snatching up multiple housing units solely to lease them for short vacation stays. Though a national hotel group commissioned a study on the subject, evidence of that happening in Michigan is mostly anecdotal.

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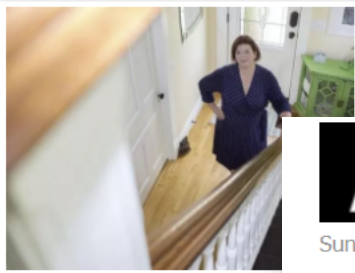
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...as well as an issue of heated debate at the state level

Vacation rental bans under state scrutiny

Jonathan Oosting, Detroit News Lansing Bureau

Published 12:05 a.m. ET Oct. 9, 2017 | Updated 9:11 a.m. ET Oct. 9, 2017



(Photo: Tessa Lighty / AP)

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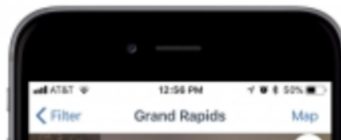
Sunday, 12 November 2017 15:00

'Ban the ban': As apps increase access to short-term rental properties, Lansing tries to catch up

Written by [Andy Balaskovitz](#)

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A proposal to prohibit local units of government from banning short-term rental properties like those found through Airbnb has attracted



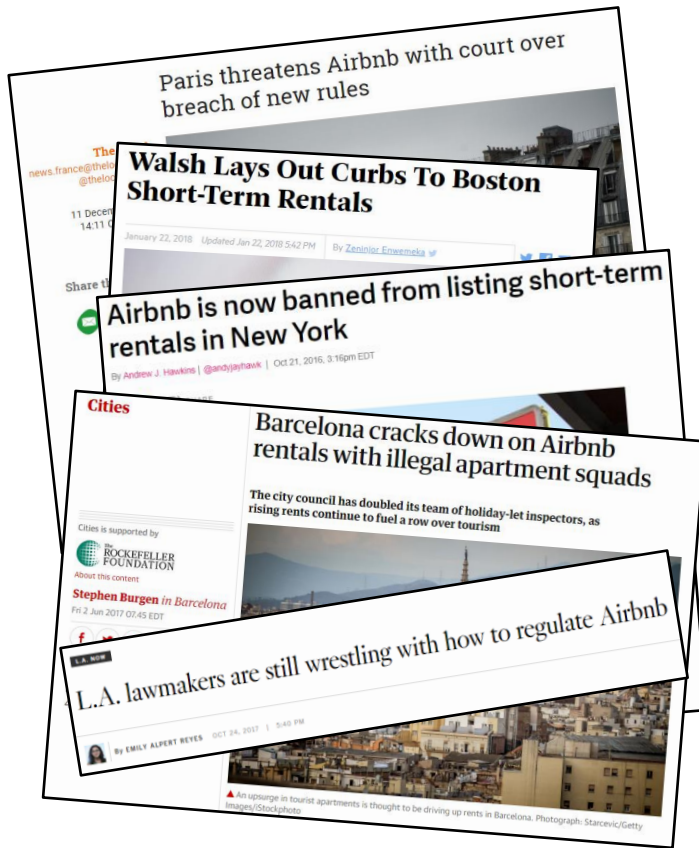
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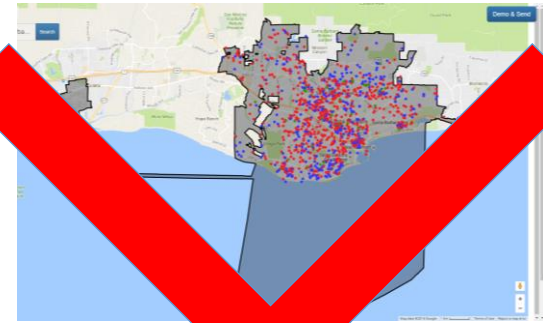
Simply banning short-term rentals is not the solution

There is a growing movements to ban or severely restrict short-term rentals across the globe

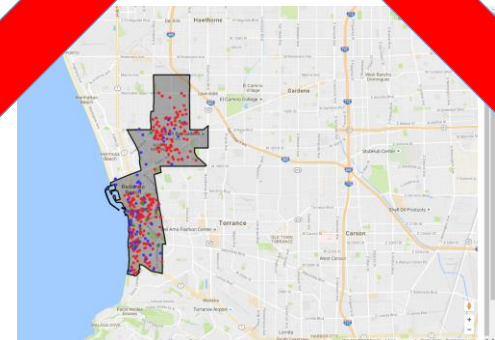


Bans seldom work in practice and deprive citizens of economic opportunity

Santa Barbara -> 1478 Short-term Rentals



Redondo Beach -> 25 Short-term Rentals



...and enforcing bans cost a ton of money



According to the local news, Santa Monica has “only” generated \$31,000 of citation revenue to offset the +\$400,000 annual enforcement costs

Likewise, laissez-faire approaches to short-term rentals generally results in “wild-west” behavior and draconian backlashes



Airbnb San Francisco backlash: thousands petition for more oversight

More than
offer vis
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SANTA MONICA

Santa Monica Just Banned Airbnb's Biggest Moneymakers

By Bianca Barragan | May 13, 2015, 12:04pm PDT

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In Austin, A Boom In Short-Term Rentals Brings A Backlash

February 9, 2017 · 5:50 PM ET

Heard on All Things



WADE GOETZ

Short-Term Rental Controversy Flares Again in Anaheim

By THY VO January 4, 2017

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✉ Email

Kristen Hotop has lived for the two-story home

"There are two smaller and a buying up a lot

Like many fast market for sho

The ongoing controversy over short-term rentals in Anaheim has flared again as residents are angry over recent tweaks the City Council made to a ban on the businesses it passed last June.

In recent years, aided by online hosting services like Airbnb and HomeAway, many owners of homes and apartments in the neighborhoods that ring Disneyland cashed in on the year-round influx of visitors to the mega resort.



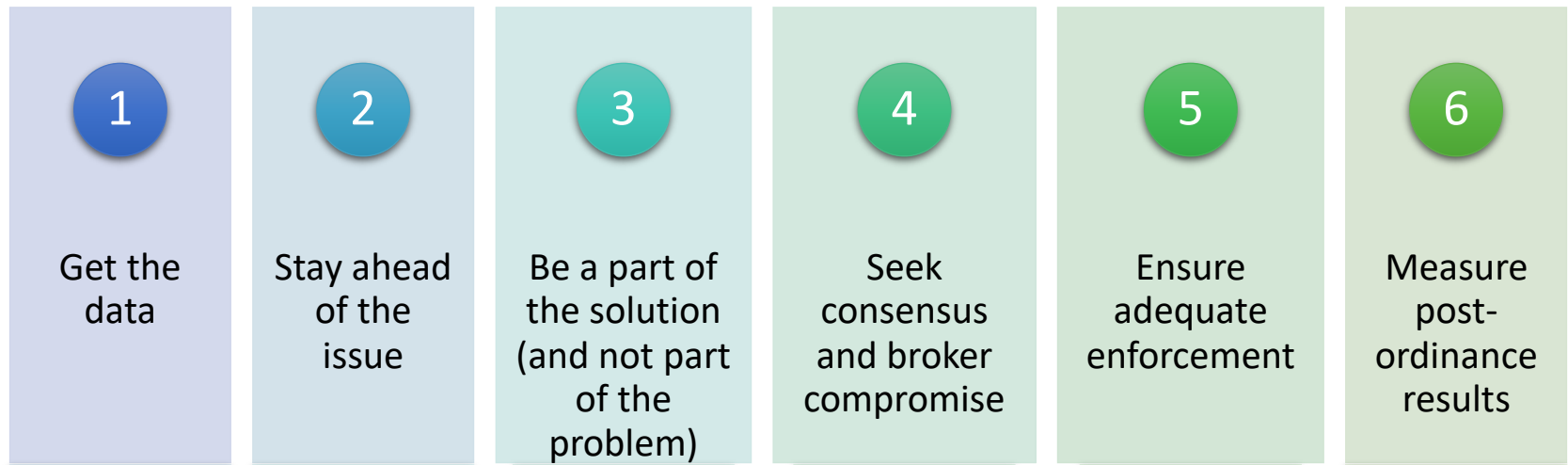
Thoughtful city's and counties are adopting common sense rules that balance property rights with the interests of the broader community

Common Short-term Rental Policy Objectives

- Housing Availability
 - Only allow permanent residents to operate Short-term Rentals
 - Disallow rentals in subsidized housing
- Neighborhood Preservation
 - Set neighborhood quotas
 - Ban signs
- Protect Quality of Life
 - Require adequate parking and garbage disposal
 - Require hosts to post noise ordinance
 - Require a local contact person
- Economic Development
 - Encourage hosting in certain areas and time frames
- Safety
 - Require physical safety and habitability inspections



Putting in place fair and sensible short-term rental regulations is NOT rocket-science



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Context: Manual compliance monitoring and enforcement is ineffective and prohibitively expensive

- ✓ Rental property listings are spread across 100s of different websites
- ✓ Manually monitoring 1000s 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 manually 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

Modern technology can be a big help



Mobile Enabled Online Short-term Rental Registration: Mobile/web forms and back-end systems for streamlining registration processes and capturing signatures, payments and required documentation



Address Identification: Online dashboard with complete address information and screenshots of all identifiable Short-term Rentals



Compliance Monitoring: Ongoing monitoring of Short-term Rentals for compliance coupled with systematic outreach to un-registered short-term rental operators



Rental Activity Monitoring : Ongoing monitoring of Short-term Rental listings for signs of rental activity. Makes it easy to identify high-grossing short-term rental properties and other high value tax audit candidates



Tax Audit Automation: Systematic outreach to property owners suspected of under-reporting taxes



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



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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