Staff Report

Administration – Communications

Report To: **COW_Finance_Admin_Fire_Community_Services**
Meeting Date: November 18, 2024
Report Number: FAF.24.138
Title: Single Source Request for Short Term Accommodation and Municipal Accommodation Tax Software
Prepared by: Tim Hendry, Director of Strategic Initiatives

A.   Recommendations

THAT Council receive Staff Report FAF.24.138, entitled "Single Source Request for Short Term Accommodation and Municipal Accommodation Tax Software";

AND THAT Council approve the single source procurement of Host Compliance by Granicus, a short-term accommodation and municipal accommodation tax software in accordance with the Purchasing of Goods and Service Policy POL.COR.07.05;

AND THAT Council approves the purchase with an upset limit of $170,000.00 to be funded through the short-term accommodation reserve fund account.

B.   Overview

This report is requesting approval from Council for single source procurement of specialized software to manage short-term rental accommodation enforcement and municipal accommodation tax remittance and compliance.

C.   Background

Through the feasibility review of Municipal Accommodation Tax (MAT), a research report was created that outlined a series of recommendations for the Town to consider. Specific to the context of this report, the research outlined two specific recommendations:

1) Uniform and consistent Short-Term Accommodation (STA) enforcement
2) For the Town to explore and confirm how best to manage MAT collection and remittance from accommodation providers

These specific recommendations were created through direct discussions with local accommodation providers where the importance of consistent application and enforcement of MAT was stressed as a key priority.

In addition to the MAT research report, enforcement of illegal STA's has been a key priority of the Town for many years. Significant effort has been made to track and address illegal STA's and changes have been made to the Town's licensing program to include significant penalties and demerit points for operating without a license. Currently, the STA enforcement process primarily relies on submitted complaints and requires Town By-law Enforcement to gain first-hand evidence to prove that the accommodation is operating without a license. There is a significant opportunity to streamline and increase the efficiency of STA enforcement by using specialized software and artificial intelligence-enabled technology.

D.   Analysis

Through the review of how best to manage MAT collection, staff considered best practices from municipalities across Ontario. Some municipalities subcontract MAT collection to third-party service providers that charge a fee based on overall revenue collected, and other municipalities internalize the process through staff capacity. In reviewing these options, staff completed an analysis and determined that it would be more cost-effective and deliver better value to internalize MAT collection by leveraging specialized software.

This recommendation is based on two factors. The first is related to the fact that the Town has extensive STA experience and currently manages 360 active STA licenses which provides an extremely strong starting point to track compliance. In addition, the Blue Mountain Village Association manages an extensive database of Commercial Resort Units based on the collection of the Village Amenity Fee. Together, through partnership, the Town and BMVA lists accounts for the majority of transient overnight rental units within the Town.

The second factor is related to the opportunity to leverage software to ensure greater control, compliance and proactive STA and MAT enforcement. Through research, staff have learned that most third-party MAT collection service providers, do not provide active compliance and enforcement support. By using the specialized software, the Town will have significantly greater control and management of the STA and MAT programs.

Option Comparison	Application	Cost
Third-Party Service Provider	This is only for MAT collection and remittance. There is no support for MAT auditing/collections or STA enforcement.	Approximate fee of 4 - 5% of overall revenue collected – est. $160,000 - 200,000 per year based on $4M in anticipated MAT revenue.
Internalized with Specialized Software	This will provide comprehensive STA enforcement, MAT collection tracking and reporting to ensure compliance.	$167,055.09 software cost in the first year, followed by $157,000.09 annually. *The software expense is proposed to be split funded by STA license fees and MAT revenue.*

Specialized Software – Host Compliance by Granicus
The software that staff are recommending be purchased through single source procurement is Host Compliance by Granicus.

Host Compliance is a comprehensive software solution to help communities manage the rise of short-term accommodation rentals. The software uses artificial intelligence and machine learning to automate the identification of short-term rental properties, streamline permitting and tax collection, increase compliance rates, and hold non-compliant accommodation providers accountable. The software provides tools to proactively monitor listings on Airbnb, VRBO, Expedia, Bookings.com and other online travel agency websites. It also automatically manages address identification, license compliance monitoring, permitting and registration, and reservation activity monitoring. In addition, the software has a MAT-specific module that tracks compliance with collection and remittance.

Staff are recommending purchasing the software through single source procurement as Granicus is the only provider specializing in both STA and MAT tracking and compliance. In addition, the software has strong integration with the Town's GIS software that will allow staff to map and track properties effectively. Through the due diligence review, staff confirmed that Host Compliance by Granicus is the leading software used by communities throughout North America.

MAT Collection & Remittance
Host Compliance by Granicus has a robust Municipal Accommodation Tax module that will allow Town staff to track the remittance status and history for each property. The software will also assist with proactive compliance tracking through its revenue estimating, which will automatically flag irregular or lower-than-expected remittances based on the real-time data accessed related to reservation bookings. The software will serve as the Town's MAT management tool and will be used to issue compliance letters/warnings and to accept online remittance payments.

STA Management
A key feature of the Host Compliance by Granicus software is the management of STA licenses. This includes web-based STA license registration, fee payments, a 24/7 hotline for complaints and issues, and automated processes such as renewal letters and other administrative tasks. By using this software, the Town's By-law Enforcement department will be able to leverage industry-leading technology to more efficiently manage short term accommodation licensing.

STA Enforcement
Another key feature of the Host Compliance by Granicus software is the proactive tracking, monitoring and enforcement of STA's. Through product testing demonstrations with the sales team, the software has identified unique property listings being advertised on websites such as Airbnb, VRBO, Expedia, Bookings.com and other online travel agency websites. The software automatically scans all online travel agency websites, flags duplicate listings and provides a detailed property summary report that can be used by the By-law Enforcement Department to access real-time data to more efficiently apply enforcement measures.

Purchasing Policy POL.COR.07.05
Single Sourcing is a method of procurement whereby there is more than one vendor able to supply and a purchase order is issued or contract awarded without a competitive bidding process. Single Sourcing will be permitted if one or more of the following circumstances apply:

- The compatibility of a purchase with existing equipment, product standards, facilities or service is a paramount consideration.

The use of Sole and Single Sourcing with a particular vendor exceeding $25,000 must be approved by Council. In order for a division to sole or single source for goods or services exceeding $25,000, an operating strategy must be presented with Purchasing input and approved by Council, outlining the rationale. Input must be sought from the Manager of Purchasing to ensure the purchasing principles in the Town's Procedures are taken into consideration and risk to the Town is minimized.

E.   Strategic Priorities

1.   Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2.   Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3.   Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4.   Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F.   Environmental Impacts

No environmental impacts are anticipated as a result of this report.

G.   Financial Impacts

The first-year implementation cost for this software is $167,055.09; with a continued annual cost of $157,055.09.

If approved, the software will be funded through two budgets:

1) Short Term Accommodation – Approximately $140,000.00 (89% Share)
2) Municipal Accommodation Tax – Approximately $17,000.00 (11% Share)

As of October 31, 2024, the Short Term Accommodation Reserve account has a balance of $696,685.53.

The share related to Municipal Accommodation Tax will be funded through future MAT revenue.

As both of these accounts are user fee related, there will be no direct impact on taxation. The single-source process will also save approximately 30+ hours of staff time as a request-for-proposal will not be required.

H.   In Consultation With

Shawn Everitt, Chief Administrative Officer
Monica Quinlan, Director of Corporate and Financial Service
Ryan Gibbons, Director of Community Services
Serena Wilgress, Manager of Purchasing and Risk Management
Will Wray, Manager of Information Technology
Debbie Young, Manager of By-law Enforcement

I.   Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Tim Hendry, Manager of Communications & Economic Development communications@thebluemountains.ca.

J.   Attached

None.

Respectfully submitted,

Tim Hendry
Director of Strategic Initiatives

For more information, please contact:
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Report Approval Details

Document Title:	FAF.24.138 Single Source Request for Short Term Accommodation and Municipal Accommodation Tax Software.docx
Attachments:	
Final Approval Date:	Nov 6, 2024

This report and all of its attachments were approved and signed as outlined below:

Tim Hendry - Nov 5, 2024 - 9:05 AM

Shawn Everitt - Nov 6, 2024 - 8:09 AM