



City Council Staff Report

Subject: Vacation Rental Compliance Software
Author: Jason Glidden
Department: Sustainability
Date: December 19th, 2013
Type of Item: Administrative – Award of Contract

Summary Recommendations:

Staff requests Council authorize the City Manager to enter into an annual Licensing and Support Agreement and Hosting Services Agreement with VR Compliance Software Inc. not to exceed \$100,000.

Topic/Description:

Awarding a contract to purchase and implement a Vacation Rental Compliance Software solution to improve identification, tracking, and enforcement of non-compliant vacation rental properties within city limits.

Background:

Being a resort town, there are hundreds of vacation rental properties in Park City. With the rise in online booking sites such as Vacation Rental by Owner (VRBO), HomeAway, and Airbnb, rental of a property has become easier and less expensive to market. Home owners in Park City are taking advantage of these sites to rent their properties without having to use a local property management company or local booking agency. Due to the changing rental environment, the city has seen an increase in non-compliant rental properties that are not properly licensed, inspected or permitted. Non-compliant properties, that do not have a business license and do not pay taxes, have an unfair competitive advantage over properties that follow the law.

Staff was directed by Council on February 7th, 2013, to investigate software solutions for identifying non-compliant vacation rentals in the Park City area. Non-compliant vacation rentals are an issue that the City's Code Enforcement Department has struggled to keep up with. Non-compliant properties present health and public safety concerns as these properties have not been property inspected to ensure that they pass all building codes. Also, non-compliant properties business activity is not reported and cannot be tracked. Therefore, the property owner is not being taxed on any nightly rental sales, and the city, county, and state are unable to collect those revenues. Additionally, some rentals are in zones which do not allow nightly rentals.

This past spring, a group of local stakeholders met to discuss the issue further and determine possible next steps. This group included members from the Chamber of Commerce, Park City Lodging Association, and Summit County. It was decided that a demonstration would be set up with one of the companies that produces software that

helps municipalities in identifying non-compliant properties. The demonstration would allow the group to gain a better idea of how a possible software solution would work

In addition to the software demonstration, the company conducted a search using their software and found over 8,000 vacation rentals in the greater Park City area. Staff pulled licensing records and found that there were roughly 2,200 properties currently that have nightly rental licenses. While it is likely that a majority of the properties found in the search are located outside of the City limits, staff believes that there could be hundreds of non-compliant properties located within City limits.

Staff met internally (Budget, Finance, and Building) to discuss how the software would assist them in becoming more efficient in reducing the number of non-compliant properties. Generally staff was excited about the possibilities of the software and support investigating the software options more completely through the Request for Proposal (RFP) process.

Analysis:

Request for Proposal Process - In August 2013 the RFP was noticed in the Salt Lake Tribune, The Park Record, on the City's website and emailed to E-Notify subscribers. Responses to the RFP were due from bidders by the end of August and proposals were then graded by the Committee. The Committee received a total of two bids.

Committee members graded bids on:

- Overall thoroughness in meeting the needs of the "scope of work"
- Experience working with government agencies and municipalities
- Up front cost
- Ongoing maintenance and support annual cost
- Additional license fees
- Fulfills technical requirements
- Data storage needs
- Data redundancy
- Accessibility of data
- Training and support
- Compliance with standard contract

The committee then scheduled program demonstrations with both of the companies. A final grading of the two finalists was performed and VR Compliance was selected.

The Software – VR Compliance uses various database information (business licenses, property tax records, state tax id numbers) provided by government organizations and cross references that information with rental listings on numerous online sites. Through this process, VR Compliance can generate a list of suspected non-compliant properties

in Park City. These lists can be generated as frequently as requested by the client. City staff would have the ability to log-on to the VR Compliance website and go through the list to verify non-compliant properties. VR Compliance provides critical information regarding the property such as the address, contact information, as well as links to the property's online listing and pictures of the property. With this information, city staff can follow up with the property owner and make them aware that they are non-compliant and educate them on the steps needed to come into compliance.

Cost – VR Compliance is a subscription based software solution. The monthly subscription rate is \$75. The subscription includes the production of a list of non-compliant properties through the cross referencing of business licensing databases and property listings on numerous online sites. In addition, VR Compliance has a commission rate of \$75 per property once the property is found to be non-compliant. While the total annual cost is a dependent of the number of non-compliant properties found, staff estimates that the cost for year one will be between \$50,000 - \$100,000.

Implementation - The implementation schedule will be determined once the contracts are signed. It is expected that implementation would begin within 2 weeks and last 2-3 weeks. Therefore, staff expects we can initiate phone calls to identified non-compliant properties this ski season.

Impacts of the Software on City Resources – Staff believes that the software will help staff more efficiently identify non-compliant properties by searching thousands of properties that would take staff hundreds of hours to complete. It will also provide code enforcement officers with ample information to contact property owners to educate the owners and bring them into compliance.

The Building Department - Currently it takes Code Enforcement staff 4-6 hours. per non-compliant Nightly Rental to collect info, make contact and send letter. Currently staff spends 10-15 hours a week on the internet tracking illegal nightly rentals from complaints from residents. With the software the 10-15 hours would be used to contact non-compliant owners and not searching ownership and illegal use. The software is expected to drop time from 5-6 hours to 1- 1.5 hours per Nightly Rental. This will enable existing staff to process 10-15 nightly rentals a week at current work load.

Given that staff expects the software can initially identify hundreds of non-compliant properties, it will take many months to years to process this initial group.

Staff has worked to identify the new process by which properties will be contacted. The goal is to have property owners voluntarily obtain a business license and pay taxes. Staff believes that many non-complaint VRBO property owners simply do not know the law. To that end, staff will first make a phone call to the identified property to discuss the issue in a friendly manner and provide information on how to obtain a business license.

Finance Department – Finance believes the impacts to the department would be minimal. While the new VRBO software would cause increases in initial business license applications and ongoing renewals, current staffing would be able to handle the increased work load. Finance would also need to work with the IT Department to get the updated database of current nightly rental licenses to the software company on a quarterly basis.

Department Review:

City Manager, Legal Department, IT Department, Budget Department, Transit Manager

Alternatives:

A. Approve: Council gives approval to authorize the City Manager to enter into an annual Service Agreement with VR Compliance not to exceed \$100,000.. This is staff's recommendation.

B. Deny: Council denies approval to authorize the City Manager to enter into a Service Agreement with VR Compliance.

C. Modify: Council could direct staff to modify the agreement to include or exclude certain items or services.

D. Continue the Item: Council could ask that this item be continued with specific direction to staff on next steps.

E. Do Nothing: Council could choose to do nothing. This would leave staff with a lack of direction moving forward.

Significant Impacts:

| | World Class Multi-Seasonal Resort Destination (Economic Impact) | Preserving & Enhancing the Natural Environment (Environmental Impact) | An Inclusive Community of Diverse Economic & Cultural Opportunities (Social Equity Impact) | Responsive, Cutting-Edge & Effective Government |
|---|--|---|---|---|
| Which Desired Outcomes might the Recommended Action Impact? | <ul style="list-style-type: none"> + Unique and diverse businesses + Balance between tourism and local quality of life | <ul style="list-style-type: none"> + Enhanced conservation efforts for new and rehabilitated buildings | | <ul style="list-style-type: none"> + Engaged and informed citizenry + Streamlined and flexible operating processes + Ease of access to desired information for citizens and visitors |
| Assessment of Overall Impact on Council Priority (Quality of Life Impact) | Positive ↑ | Positive ↑ | Neutral ↔ | Positive ↑ |
| Comments: | | | | |

Funding Source:

Funding for this project for the first year would come from both the Transit Department and the contingency fund. Requests must be made through the Budget Department to

the City Manager to utilize the contingency fund. In future years Transit would cover 50% of the contract cost and the Building would submit a budget request through the BFO process for the remaining 50%. The revenue created from business license fees from non-compliant properties becoming compliant would cover the total costs of the software.

In order to determine the proper way to pay for this software, staff felt that we needed to first determine who would benefit from the business license revenue. The chart below shows a breakdown of the business licensing fees for a 2.5 bedroom nightly rental over a ten year period. Again, staff used conservative estimates to calculate the results. From this chart staff feels that the Transportation Department should be responsible for half of the fees generated by the software. The city's general fund would cover the other 50%. In the current fiscal year, this portion would be paid out of the contingency fund. In future years, building would include the expense as part of their Code Enforcement program. The increase in funding would go through the normal budget evaluation process. This does not include the \$1,200 annual software fee that VR Compliances charges to run the property searches. This fee would be covered by the Building Department on an annual basis.

| 10-year - 2.5 Bedrooms | | TRANSIT | FESTIVAL | ADMIN | TOTAL |
|------------------------|--|-----------------|-----------------|-----------------|-------------------|
| 1 | | \$48.13 | \$23.72 | \$149.00 | \$220.85 |
| 2 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 3 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 4 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 5 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 6 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 7 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 8 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 9 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 10 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 11 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 12 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 13 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 14 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| 15 | | \$48.13 | \$23.72 | \$17.00 | \$88.85 |
| TOTAL | | \$721.88 | \$355.80 | \$387.00 | \$1,464.68 |
| PERCENTAGE | | 49.3% | 24.3% | 26.4% | |

Covering the Cost of the Software

The number one objective of bringing properties into compliance is safety. In addition, bringing these nightly rentals into compliance will enable the government to collect taxes on this commercial activity as well as help support the transit system and festival funds, which these uses currently impact. The chart below shows the positive revenue after the expense of the software has been removed. Staff wanted to be cautious when making assumption so estimates were kept conservative. The revenue numbers were calculated by using the business license fees associated with an average number of

rooms of 2.5. The actual average that Park City currently licenses is 3.9 bedrooms. In addition, a 50% compliance rate was used instead of the 85% compliance rate which code enforcement is currently performing at. Even with the conservative estimates used, revenues generated by taxes and contributions to the transit and festival funds by current non-compliant properties will produce a positive revenue stream.

| 2.5 Bedroom & 50% compliance # of Properties Identified | Percentage of List That Is Non-compliant | | | | | |
|--|--|---------------|---------------|--------------|--------------|--------------|
| | 100% | 75% | 50% | 25% | 10% | 5% |
| 8000 | \$ 203,077.19 | \$ 152,307.89 | \$ 101,538.60 | \$ 50,769.30 | \$ 20,307.72 | \$ 10,153.86 |
| 7000 | \$ 167,654.69 | \$ 125,741.02 | \$ 83,827.35 | \$ 41,913.67 | \$ 16,765.47 | \$ 8,382.73 |
| 6000 | \$ 132,232.19 | \$ 99,174.14 | \$ 66,116.10 | \$ 33,058.05 | \$ 13,223.22 | \$ 6,611.61 |
| 5000 | \$ 96,809.69 | \$ 72,607.27 | \$ 48,404.85 | \$ 24,202.42 | \$ 9,680.97 | \$ 4,840.48 |
| 4000 | \$ 61,387.19 | \$ 46,040.39 | \$ 30,693.60 | \$ 15,346.80 | \$ 6,138.72 | \$ 3,069.36 |
| 3000 | \$ 25,964.69 | \$ 19,473.52 | \$ 12,982.35 | \$ 6,491.17 | \$ 2,596.47 | \$ 1,298.23 |

Consequences of not taking the recommended action:

By not proceeding with this software solution, Park City would continue to lack an efficient method of identifying non-compliant vacation rental properties and continue to have the presence of the issues such as health, wellness, & safety, foregone revenue for local and state government, and create a playing field that is not fair for everyone in the vacation rental industry.

Recommendation:

Staff requests Council authorize the City Manager to enter into an annual Licensing and Support Agreement and Hosting Services Agreement with VR Compliance Software Inc. not to exceed \$100,000.

Exhibits:

- Exhibit A – Hosting Contract
- Exhibit B – Contingency Request

VRCOMPLIANCE, LLC MASTER SERVICE AGREEMENT

This Master Service Agreement ("Agreement") is entered into on ~~October~~-November 1, 2013 ("Effective Date") by and between VRCompliance LLC ("VRCompliance") and the undersigned customer, Park City Municipal Corporation, a Utah municipal corporation, ("Customer").

1. Services.

Subject to the terms and conditions set forth in this Agreement, VRCompliance will provide access to the Services of Exhibit 1 ("Services") to Customer.

2. Payment Terms.

The fees for Services under this Agreement shall be based on, and due as set forth in, the Fee Schedule which is attached hereto as Exhibit 2 and by this reference incorporated herein.

3. Access and Use of the VRC System.

(a) Subject to the terms and conditions of the Agreement, Customer will have electronic access to the VRCompliance online interface at www.vrcompliance.com ("VRC System"). Customer will not attempt to reverse engineer, circumvent, or disable the VRC System as provided by VRCompliance.

(b) VRCompliance will provide Customer with an account and password for each authorized person to access the VRC System. Customer is responsible for maintaining the confidentiality of its account and password and for restricting and granting access thereto.

(c) Customer will be responsible for configuring, providing, placing, adding, maintaining, repairing, and operating input data with the VRC System ("Customer Input Data"). Customer represents, warrants and covenants that it has obtained and will maintain throughout the Term the legal right and authority (including regulatory consents) to possess the Customer Input Data and provide the Customer Input Data to VRCompliance for use in the VRC System. Customer shall maintain the Customer Input Data as reasonably current with its contemporaneous property roll.

(d) Customer will be responsible and liable for all acts or omissions of Customer's authorized persons, and all such acts or omissions will be attributed to Customer for all purposes under this Agreement (to the same extent as if Customer had committed the act or omission), including

for purposes of determining responsibility, liability and indemnification obligations. VRCompliance will be responsible and liable for all acts or omissions of its employees, contractors and Affiliates that perform VRCompliance's obligations pursuant to this Agreement and all such acts or omissions will be attributed to VRCompliance for all purposes under this Agreement (to the same extent as if VRCompliance had committed the act or omission), including for purposes of determining responsibility liability and indemnification obligations.

4. Indemnification.

(a) VRCompliance will indemnify, defend and hold harmless the Customer from any and all liability, damages, costs and expenses (including reasonable attorneys' fees and expenses) for claims brought by third parties for its authorized uses of the Services.

(b) Customer will indemnify, defend and hold harmless VRCompliance from any and all liability, damages, costs and expenses (including reasonable attorneys' fees and expenses) for claims brought by third parties for Customer's breach of its obligations under Section 3.

(c) With respect to any judicial proceeding under Subsection 4(a): (i) VRCompliance shall have the right to participate therein at VRCompliance's own expense and sole discretion; and (ii) VRCompliance shall have the right to assume complete control of the defense of any proceeding at VRCompliance's own expense and sole discretion, with counsel reasonably satisfactory to Customer. After assumption by VRCompliance of the defense thereof, VRCompliance shall not be liable to Customer under this Agreement for any legal fees or other expenses subsequently incurred by Customer in connection with the defense thereof unless the employment of counsel by Customer or the incurring of such expenses is necessary as a result of any conflict of interest or has been authorized by VRCompliance.

5. Warranty Disclaimer, Limitation of Liability.

(a) AS OF THE EFFECTIVE DATE, VRCOMPLIANCE WARRANTS AND REPRESENTS (I) THAT IT WILL PERFORM THE SERVICES AT A PROFESSIONAL LEVEL OF QUALITY; (II) THAT IT OWNS OR HAS THE LEGAL RIGHT AND AUTHORITY TO PROVIDE THE SERVICES AS CONTEMPLATED BY THIS AGREEMENT, AND (III) THAT THE SERVICES DO NOT INFRINGE OR MISAPPROPRIATE ANY COPYRIGHT, PATENT, TRADE SECRET, MASK WORK OR OTHER PROPRIETARY RIGHT OF ANY THIRD PARTY

(b) VRCOMPLIANCE DOES NOT WARRANT THAT THE SERVICES PROVIDED HEREUNDER WILL BE UNINTERRUPTED, ERROR-FREE, OR COMPLETELY SECURE. VRCOMPLIANCE DOES NOT MAKE, AND VRCOMPLIANCE HEREBY DISCLAIMS, ANY AND ALL IMPLIED WARRANTIES WITH REGARD TO THE SERVICES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, VRCOMPLIANCE DOES NOT MAKE, AND HEREBY DISCLAIMS, ALL EXPRESS WARRANTIES WITH REGARD TO THE SERVICES. ALL SERVICES PROVIDED PURSUANT TO THIS AGREEMENT ARE PROVIDED OR PERFORMED ON AN "AS IS", "AS AVAILABLE" BASIS, AND CUSTOMER'S USE OF THE SERVICES IS SOLELY AT ITS OWN RISK.

(c) In no event shall either Party be liable for any consequential, special, punitive, exemplary, indirect or incidental damages arising from this agreement or performance under this agreement (including loss of anticipated profits, loss of use, or loss of product). This waiver applies regardless of whether or not the damages were foreseeable, and regardless of the theory or cause of action upon which the damages might be based.

(d) Customer represents and warrants that it is authorized to use the VRC System on behalf of a government agency, federal, state, or local

government and will only use the Services for proper, authorized governmental functions.

(e) Customer hereby warrants that it is using the VRC System solely in connection with a lawfully authorized investigation of a law enforcement officer, an agency, or other governmental employee deriving authority from Customer as a governmental body to acquire information related to compliance with financial laws and regulations ("Authorized Use"). Indemnification for Licensee under this Agreement shall be contingent upon the objective truth of the Authorized Use. Customer shall provide all documents, papers, things, and testimony necessary to establish, affirm, and reaffirm the objective truth of the Authorized Use.

6. Term of Agreement and Termination.

(a) This Agreement will commence on the Effective Date and, unless terminated earlier in accordance with this Agreement, will terminate on the anniversary thereof ("Term"). The Term shall automatically renew unless a Party notifies the other Party of its intention to decline renewal prior to the expiration of the Term. VRCompliance will send Customer a reminder of the renewal, which will contain the applicable Service fees to the email address designated by Customer before the subscription is renewed. [All proposed changes to the contract must be in writing to all parties.](#)

(b) Either Party may terminate this Agreement by giving written notice of termination to the other Party if the other Party breaches any material term or condition of this Agreement and fails to cure such breach within thirty (30) days after receipt of such notice.

(c) VRCompliance may suspend the provision of Services if (i) Customer fails to cure any monetary breach of this Agreement (e.g. fails to pay any amounts owed) within ten (10) business days of notice of the same; (ii) Customer breaches any provision of this Agreement that in VRCompliance's reasonable judgment materially interferes with VRC System operation or maintenance with one or more of its other customers' use thereof, and Customer fails to cure such breach within a commercially reasonable period of time.

(d) Neither Party will be liable to the other Party for properly terminating this Agreement or any portion thereof in accordance with its terms.

(e) Customer or VRCompliance may terminate this Agreement immediately by giving written notice of termination to the other Party if such other party becomes the subject of a voluntary petition in bankruptcy or the other Party liquidates, ceases to do business or becomes insolvent (which for clarification purposes, insolvent shall mean a Party's inability to pay its debts as they become due).

7. Confidentiality.

Any requests for confidentiality are subject to This Agreement shall incorporate by reference the confidentiality agreement executed by the Parties on ___/___/2013 with the following amendment: the term Business Purpose shall be supplemented to further include use by the Customer of the Services the Customer's obligations under the State of Utah Government Records Access and Management Act.

8. Miscellaneous Provisions.

(a) Non-waiver. Failure by either Party at any time to require the performance of the other Party of any of the terms hereof shall in no way affect such Party's right thereafter to enforce the same, nor shall the waiver by either Party of the breach of any provision hereof be taken or held to be a waiver of any succeeding breach.

(b) Severability. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed, or if any provision is held invalid or unenforceable by a court of competent jurisdiction or an arbitrator, such provision shall be deleted from this Agreement and the Agreement shall be construed to give full effect to the remaining provisions thereof. Jurisdiction shall be in Utah and the Venue Summit County.

(c) Governing Law. This Agreement shall be interpreted, construed, and governed according to the laws ~~of the Commonwealth~~ of Utah.

(d) Entire Agreement. This Agreement contains and represents the entire agreement of the parties and supersedes all prior agreements, representations, or understandings, oral or

written, express or implied with respect to the subject matter hereof.

(e) Assignability. This Agreement shall be binding upon and inure to the benefit of each Party and its respective successors and assigns. Neither this Agreement nor any rights or obligations hereunder may be assigned by either Party without the prior written consent of the other, which consent shall not be unreasonably withheld.

(f) Notices. All notices required or permitted hereunder shall be in writing and shall be deemed properly given if delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, or sent by electronic mail, and shall be deemed to have been given when received. Any notice of default shall be valid only if sent by two of the aforementioned means. Unless otherwise specified by the parties in writing, any such notice or communication shall be addressed to:

If to VRCompliance:

Dave Atherton
VRCompliance LLC
1602 Village Market Blvd SE Ste 260
Leesburg, VA 20175
dave.atherton@vrcompliance.com

If to Customer:

~~City Manager
Park City Municipal Corp.
PO Box 1480
Park City, UT 84060
City Manager
Park City Municipal Corp.
PO Box 1480
Park City, UT 84060~~

(g) Independent Contractors. The parties agree that VRCompliance is an independent contractor in the performance of the Services under this Agreement.

IN WITNESS WHEREOF, for adequate consideration and intending to be legally bound, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

VRCompliance LLC

Park City Municipal Corporation

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Exhibit 1

SERVICES OF THE AGREEMENT

I. Base Services.

A. Generally. VRCompliance will provide access to a web-accessible platform that will help communities identify the residential property owners, based on Customer Input Data, that are advertising their properties as short term rentals throughout the Internet and match/compare these property owners with existing tax records for each community to yield a list (“Compliance List”) of property owners who list residential property as vacation rentals but are not registered for the appropriate licenses and tax accounts. The Compliance List shall be updated from time to time, but no less frequently than once per two months, as the VRC System repeatedly scours the Internet for taxation compliance. The platform also provides valuable list management functions such as querying, filtering, modification, and sorting.

B. Upload and Formatting of Customer Input Data. Customer shall submit to VRCompliance Customer Input Data having resident identification characteristics (e.g., address, name, etc.) in a mutually agreed upon electronic format. In order to eliminate charges for properties that are already compliant, Customer should provide property and property owner information (including phone numbers and home and rental address) for compliant properties in your community. VRCompliance will remove this information from our search effort.

C. Access to the VRC System. After receiving Customer Input Data, VRCompliance will incorporate that information into a database (“Compliance Database”) for the purposes of performing its proprietary analysis. VRCompliance will provide Customer with access credentials to the VRC System. The VRC System includes a dashboard interface that permits Customer to view and manipulate the Compliance Database, including disqualifications for the purposes of obtaining fee credits as described in Exhibit 2.

II. Additional Services.

VRCompliance is obligated to provide only the Base Services under this Agreement. Customer may request from VRCompliance additional services other than the Base Services at an additional fee as prominently indicated on the VRC System or as mutually agreed upon. Additional services may include, without limitation, systems integration with Customer systems, custom exports, and support for outbound education and compliance campaigns.

Exhibit 2

FEE SCHEDULE

1. Service Payment Provisions

The Services subscription will be billed monthly.

A. Fees. Subscription Fees for the Services will begin to accrue on the Effective Date. VRCompliance will invoice Customer for the Services on a monthly basis (Subscription Fees for partial months will be billed on a pro rata basis based on a thirty (30) day month). VRCompliance reserves the right to increase fees and surcharges, including fees for subscription-based Services, or to institute new fees at any time, upon reasonable notice posted in advance on the VRC System or sent to you based on contact information you have provided. Notwithstanding the foregoing, subscription-based Service rates remains in effect throughout the Term and are subject to increase only for renewal periods.

B. Means of Payment. You agree to pay, by credit card, check, or EFT, all fees and charges, including applicable taxes, you have incurred through your account.

C. Invoices. The invoice shall include Subscription Fees and also Additional Fees and Property Fees incurred/generated in the relevant period. Customer will pay in full all invoices from VRCompliance within thirty (30) days from the transmission/sending date mailing of invoice. Any past due amounts owed by Customer will accrue interest at the lesser of one and a half percent (1.5%) per month or the highest rate permitted by applicable law.

D. Credits. Customer shall verify a minimum of 50 listings per month from have three six (63) months to disqualify inapplicable members of the Compliance List for cause and notify VRCompliance of the same. Staff will verify that a property is either Compliant, Non-Compliant, or Not Subject to Compliance. Staff will provide cause and notify VR Compliance of the same on properties that are classified as either Compliant or Not Subject to Compliance. Examples of 'for cause' disqualified members may include extra-jurisdictional properties, proven false positive members (i.e., residents that have paid applicable taxes), and the like. Customer shall justify in writing the basis for each disqualified member, and absent written refusal providing a substantial basis from VRCompliance, VRCompliance shall accept such bases. Customer shall be reimbursed with credits in the amount charged based on the disqualified member, which VRCompliance shall apply to the periodic invoice following such notification by Customer. If Customer possesses fee credits at the termination of this Agreement, and this Agreement has not been terminated for cause, VRCompliance shall pay to Customer the value of such remaining fee credits.

2. Subscription Fee

VRCompliance will provide ongoing monitoring, management, and service capabilities for \$100 per month for rental properties in your community ("Subscription Fee").

3. Property Fees

For each identified new property the fee will be \$~~100~~75.00 *(This amount will be determined pursuant to negotiation)* ("Property Fee").

4. Additional Fees

VRCompliance will submit for reimbursement the cost of purchasing property tax records from each jurisdiction and any other out-of-pocket costs related to obtaining records from Customer.

Fee Example:

Assuming 500 properties being rented in your community with 5% not in compliance, a \$100.00 fee per property, and a 100% match rate (i.e., no disqualifications) on our part, then the resulting fee would be $500 * 5\% * \$100-75 * 100\% = \$1,8752,500.00$. Assuming a fixed ongoing monitoring and management fee of \$100 per month, then the resulting

additional subscription fee would be $\$100 * 12 \text{ months} = \$1,200$. Combined, the approximate first-year cost is ~~\$23,875,700.00~~ plus any fees attributed to additional properties found during the term.

MEMO



To: Diane Foster, City Manager
From: Jason Glidden
Re: Contingency Request- VR Compliance Software
Date: November 18, 2013
Amount: \$50,000
GL Code: 011-40981-09391-000-000

Budget, Debt, & Grants

- A. Briefly describe what the contingency funding will be used for.
The funds will be used to fund 50% of the new Vacation Rental Compliance software. The total cost of the project is estimated at \$80,000 but could be as high as \$100,000. The Transit fund would be funding the other 50% of the software costs.
- B. Briefly describe the purpose of the request using at least one of the criteria below
The use of this funding is to cover a project that is Council directed and needs short term funding. The Building Department will be making a request for additional funding to cover cost for future years through the BFO process.
- Contingency Requests will be used toⁱ;
- a) Enable the City to meet Council directed levels of service despite significant shifts in circumstances when the budget was adopted; or
 - b) Facilitate Council directed increases in level of service in the short term.
- C. Identify any ongoing costs created by this funding request and how those costs will be funded going forward.

The Building Department will be making request for the funding of future years through the Budgeting for Outcomes process. The costs of the software are expected to decrease significantly after the first year once the majority non-compliant properties become compliant.

Diane Foster, City Manager

Budget Manager

ⁱ For more information, please refer to the Contingency Policy found in the Policy section of the Volume 1 Budget Document, which can be found at:
<http://www.parkcity.org/Modules/ShowDocument.aspx?documentid=267>