

# CLIENT { ALWAYS THE CLIENT } COMES FIRST

WESTERN HOME JOURNAL SITS DOWN WITH TOM HEDGES FROM CABIN & CO AND MORGAN BRUEMMER FROM THE CLEAR CREEK GROUP.

It was finally spring, no need for a jacket, when we sat down with Tom Hedges and Morgan Bruemmer on the West Bank. At Cottonwood Grove, one of The Clear Creek Group's (TCCG) properties, we rolled up our sleeves to talk shop about what it means to be in the rental, real estate and concierge quadrant of the vacation industry. No matter the topic, we returned to the same subject clearly and consistently: the client comes first. The client's experience, the ability to create a loving relationship with the miraculous surroundings that the Tetons provide, is always the number one driving force behind business practices. And, despite the tightened and more regularly enforced short-term rental ordinances, the capacity to serve vacationers looking for the experience that helps them to feel like a local has only improved.



**whj** : HAS THE NEW BUILDING PERMIT REQUIREMENT FOR SHORT-TERM RENTALS IN THE TOWN OF JACKSON REDUCED ILLEGAL INVENTORY?

**MORGAN:** For statistics, this question is better suited for the Town of Jackson. It would depend on what has been historically measured. Anything I could say would be purely anecdotal.

**TOM:** A few years ago, the Town of Jackson put in place a seemingly successful short-term rental policing strategy by requiring business permits for legal short term rentals in the Town of Jackson. The program has certainly produced a qualified tool for maintaining the integrity of the sense of community in the neighborhoods where short terms rentals are disallowed. So, yes, I think it has indeed reduced illegal inventory. Although, recently we have seen a flurry of homeowners illegally listing their homes for the week of the summer eclipse. We hope the town utilizes their new policing tool to shut down this recent influx of illegal rentals. We also hope that a similar tool be put in place to reduce illegal rentals in the entire county, which remain widespread.

**whj** : IS THE TETON VALLEY, IDAHO VACATION RENTAL MARKET IMPROVING DUE TO MORE LIMITED INVENTORY AND INCREASING PRICING IN JACKSON HOLE?

**MORGAN:** Tom is more qualified to answer. TCCG only represents homeowners in Teton County, Wyoming, so I cannot speak intelligently about Idaho.

**TOM:** I would say yes, without a doubt. Five or six years ago Cabin & Company decided to test the waters in Teton Valley. We were initially asked to take on a few very nice cabins at Teton Springs. In speaking with potential renters we quickly realized that a majority of people were quickly being priced out of the Jackson Hole vacation rental market. Teton Valley became an obvious solution for visitors comfortable with driving 30 minutes into Jackson Hole and who required a quality home at about half the price of a similar property in Jackson. Our Teton Valley guests are really appreciating the privacy on the quiet side of the Tetons and we are seeing an influx of return guests who have found their paradise in Teton Valley.

**whj** : WHERE DO YOU SEE THE VACATION RENTAL MARKET IN JACKSON HOLE 10 YEARS FROM NOW?

**MORGAN:** I believe disruptive technology will continue to drive homeowners' ability to rent their properties online. It is already commonplace, and technological advancements have changed the industry tremendously since 2005. That said, I also believe there will always be a place for full-service business models, such as ours at TCCG. We feel that a guest's experience is just as important as a place to sleep, and that's what we try to provide. We want help our guests engage and feel a part of the community. In short, I believe you will see a more polarized market, with highly

automated, owner instigated, online bookings on one end of the spectrum, and high-touch, full service firms, like TCCG, at the other. However, there is only so much room for growth. Tom correct me if I am wrong, but aren't there about 850 rental properties listed in Teton County?

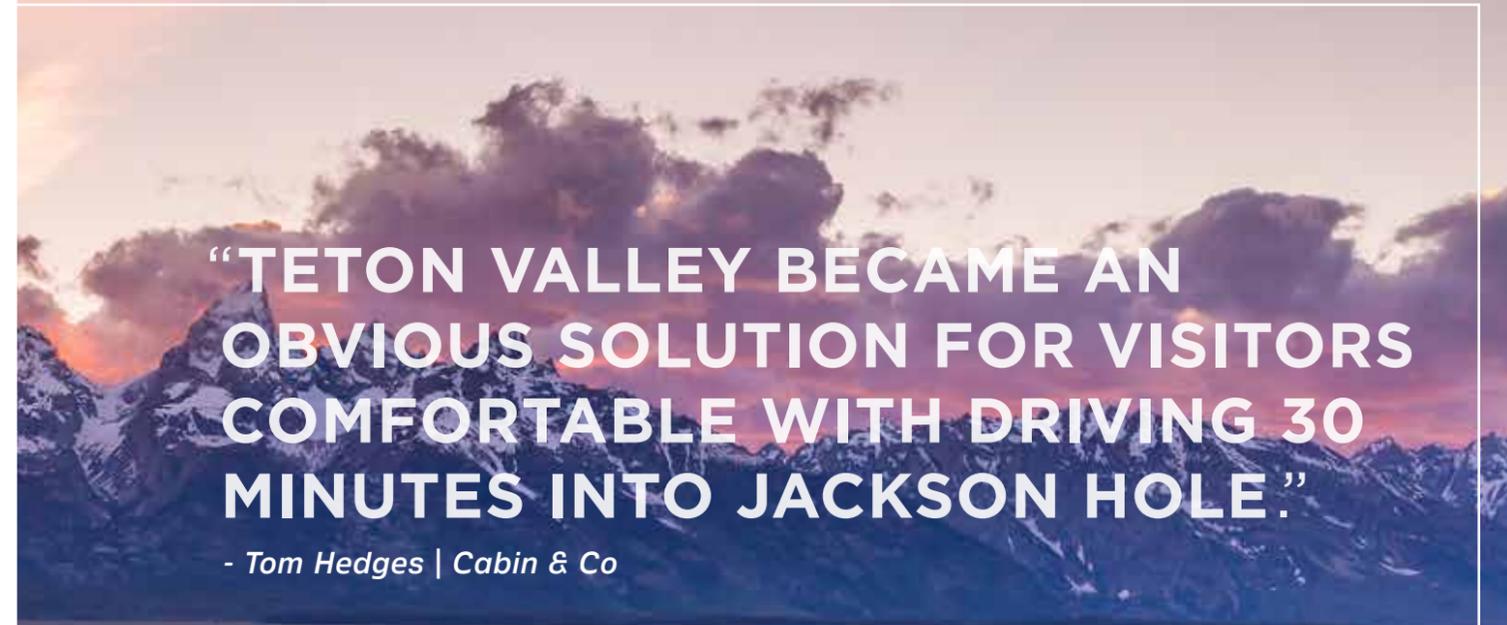
**TOM:** Yes, it was shy of a thousand. I would add to Morgan's point, that in Jackson Hole we're to the point where we are borderline built-out. There are certainly opportunities for new short-term inventory to be constructed in areas like Shooting Star and in Teton Village. There are a few nodes in Jackson as well. For example, the newly adopted CR2 district near Miller Park in downtown Jackson is within the short-term lodging overlay. This area has seen stagnated growth due to overly burdensome development regulations. Per the newly adopted, and more developer friendly, CR2 regulations, you will see this area boom with new, vibrant, and tourist-driven growth. But again, sooner than later, we're going to be fully built out. The demand will continue to improve but the supply will eventually stagnate. So it means less product and higher rates. Those rates will harness the middle and upper-class. The short term rental market in Jackson Hole will remain an an incredible experience into perpetuity, but supply and demand and properly enforced short term regulations will continue to ratchet up pricing and will solidify a "Ultra Affluent Only" clientele over time.

**MORGAN:** We'll see a maturing of the market, not unlike what's happened in Aspen, Vail and Beaver Creek. Those towns have a long-established culture of vacation rentals. In the next ten years, we'll reach a place where we, as a community, are more comfortable with rentals; the Town and County will better understand the methodology and technology, allowing regulations to catch up to the evolving industry. We'll settle into a cadence, and the rental industry will mature.

**TOM:** I fully agree with Morgan. We will settle into a better cadence overtime. Slowly but surely people are becoming more educated on what the Teton County Comprehensive Plan was calling for in the first place in regards to commercial cores of Town of Jackson and Teton County. That was "vibrancy" and "lights on" in the commercial districts. The legal short-term rental market has been slightly vilified for producing exactly what the comp plan called for in the areas where it is allowed. The key is to keep people from straying from their allowed use and renting their homes illegally. Finding the correct ways to police that and maintaining an aggressive policy will rebuild the reputation of the short term rental market in Jackson Hole.

**MORGAN:** And as Tom touched on earlier, improved regulations and limitation of the number of rentals that are legally available on the market only helps vacation rental firms like The Clear Creek Group and Cabin & Co, as we operate in a very open and transparent fashion. We work collaboratively homeowner's associations, the Town of Jackson, and the County.

**TOM:** In that vein, ironically, as property management companies who are focused on maintaining sense of community, we are becoming very helpful in assisting with the regulations and enforcement of the short term market because we're the ones playing by the rules. Those not playing by the rules are detrimental to our bottom line and to the community at large.



**“MOST OF US WERE INTRODUCED TO JACKSON HOLE AS VISITORS... I WOULD LIKE TO BELIEVE WE ARE AS GRACIOUS & ACCOMMODATING TODAY AS WHEN MY FAMILY FIRST VISITED JACKSON BACK IN THE 1970’S.”**

*- Morgan Bruemmer | The Clear Creek Group*



**whj :** IS THERE ANY REMAINING NEW DEVELOPMENT OPPORTUNITY FOR SHORT-TERM RENTAL IN THE TOWN OF JACKSON?

**MORGAN:** That's not our focus, right now, but one must assume developers and homeowners took notice when the Town of Jackson opened the Town's Lodging Overlay to short-term rentals. We only have a handful properties in the town of Jackson. Tom- you're probably better qualified to speak to this- but I do think that the town opening the lodging overlay for short-term rentals, which, to my knowledge, it was not open before, has expanded the opportunity for individuals to rent their homes.

**TOM:** There is some additional opportunity in the The Snow King area and, as mentioned, the CR2 district has now officially been adopted and is ripe for new development after decades of stagnation. I think people who own properties in these and other areas in Teton Village are now chomping at the bit to develop projects that finally pencil. We are at the cusp of major redevelopment in a limited few areas, but that pretty much does it outside of tear downs and rebuilds.

**whj :** HOW HAS THE NATIONAL VACATION RENTAL MARKET EVOLVED IN THE LAST 10 YEARS? HOW HAS JACKSON'S MARKET EVOLVED?

**TOM:** They're identical. We have seen an amazing transition in the last ten years. The decades-long, hotel-focused audience has been swayed by massive vacation rental marketing spends from companies like Homeaway.com and AirBnb. They pulled the trigger on renting nice homes with large groups in private residences. They loved their experience and aren't looking back. They say that vacation rentals are assuming 5 to 10% of the hotel audience annually. The shift is obvious. If you look at the big players like Expedia and Booking.com, they are moving to introduce massive vacation rental inventory in addition to their hotel offerings.

**MORGAN:** It stands to reason, when we started TCCG in 2005, the intent was to provide opportunities for multigenerational travel in Jackson. There were fantastic property management firms that were well-established here, but their primary focus was on homes of modest quality and size, and only in resort zones, where the houses could be rented short-term. There was no high-end market to speak of, and there were very few, large homes available to rent for multiple weeks or for the summer season. Hotels are wonderful for short stays, couples, and perhaps small families, but they're typically less ideal for multigenerational travel. Vacation Rental by Owner (VRBO) changed what we, in Jackson, knew about vacation rentals. They appeared shortly before we formed, and since then, rentals have become much more prolific. With continued advances in technology, and more "disruptors," like VRBO and Airbnb in the marketplace, it has become more convenient for homeowners to promote their own properties, without retaining a vacation rental firm. Of course, that hasn't alleviated the need for someone to care for the physical property, and in many instances, with a low-touch

model, the guest experience is not a primary focus – precisely why companies like TCCG and Cabin & Co. exist and thrive.

**TOM:** Beautiful homes, log cabins and such, tend to resonate with the people interested in a vacation in Jackson Hole. What a vacation rental provides is something completely different and more in tune with sense of home. It's quality time for everyone under one roof. The authenticity of the log cabin or a luxury home aligns the character of Jackson Hole with the expectations of affluent visitors. Hotels do not achieve that same authentic flavor.

**MORGAN:** Tom, I am sure you see this too, but most families that travel to Jackson are relatively laid-back. Our homes provide an ability for them to spend quality time together, cook dinner, or just sit by the fire, which is very difficult to do in a hotel environment. It's not impossible, but it's difficult because families must meet in the library, or in the lobby. What Tom and I do well is provide a platform for family travel. As we've mentioned, more owners are renting properties themselves, but that hasn't alleviated the need for the physical care of the property and concierge services. We witness many rental guests who arrive in Jackson and find themselves with no connection to the community. At TCCG, we elect to provide meaningful, authentic service and support. I contend that both of our business models are tailored to serve our guests well.

**TOM:** And they serve proactively as well. At Cabin & Co., we have pre-arrival system helping to assist our guests in creating their ideal itinerary for their stay. Upon arrival we can serve as guides with all kinds of local knowledge and connections. Our program is tailored to provide the perfect Jackson Hole vacation experience. It's a complete package. This too is an example of where high end vacation rental services can often provide a more personalized touch when compared to resorts and hotels.

**MORGAN:** Like Tom, The Clear Creek Group helps visitors enjoy every moment of their time in Jackson. The hope is that it will inspire a return visit. Our guests feel a sense of commitment to the Valley; they want to assimilate and give back to the community. We empower our employees by encouraging them to spend time with clients and create bonds. Whether it's a caretaker or a housekeeper, if they develop a relationship with one of our guests or owners, they're encouraged to do what they feel is right to deepen that relationship. As we all know, guests want to connect; they want to get to know locals. In 2016, a significant portion of TCCG's villa rental revenue was derived from repeat guests. Many of our guests ultimately become residents. In fact, we have guests who have served on non-profit boards, and who have become meaningful, active participants in our community. Most of us were introduced to Jackson Hole as visitors, and when we first set foot here, we were made to feel welcome. I would like to believe we are as gracious and accommodating today as when my family first visited Jackson back in the 1970's.

**TOM:** And it's enjoyable to show off this place to people. It's simply fun to spend time with these folks and to show off our beautiful place.

**MORGAN:** When you truly love this place, it shows, and that's why Tom and I have succeeded.

**whj** : DO ILLEGAL VACATION RENTALS NEGATIVELY AFFECT THE INTEGRITY OF SENSE OF COMMUNITY IN JACKSON HOLE?

**TOM:** I think the answer is yes. I have a young family and my answer to this question would have been different as recently as 5 year ago. We're currently looking to purchase a home in east Jackson. I would hate to find the perfect property, move in and realize that our neighbors were illegally renting their home as a short-term vacation rental. We want to know our neighbors and build relationships and sense of community in our future neighborhood. I also think that there are massive workforce housing issues. We need properties that cater to our service industry audience. We need to keep our focus on keeping short-term rentals and hotels where they are supposed to be.

**MORGAN:** The Town of Jackson and Teton County have created "nodes" where they've determined that it is appropriate for short-term rentals. I believe the concept has evolved through the years, and the overarching concept seems to have served our community well. I can say from personal experience, since 2005, when we launched TCCG, that we have had no legitimate complaints about rental guests. Our business model focuses on getting to know the guests. We meet each guest when they arrive, and we talk to them about their neighborhood and our community. They see the rental home as an extension of our relationship, and they respect both the property and the community; they try to assimilate and be neighborly. As I've said, our desire is to provide our guests with a genuine, local, experience--one that encourages them to return to Jackson, and, to the extent they are willing, engage.

**whj** : WHAT HAS BEEN THE MOST SIGNIFICANT CHANGE IN THE JACKSON REAL ESTATE MARKET IN THE PAST YEAR?

**MORGAN:** Workforce housing. Though we have succeeded in building an amazing team, the lack of housing makes it more difficult to attract quality employees and retain those we do bring-aboard. When they cannot find housing, or the home they've rented sells, they are forced to move on short notice and quickly become discouraged.

**TOM:** That's the obvious issue at hand. We currently have a 2000-room deficiency for workforce housing. This will be the most prominent solution-focused item for the town and the county for at least the next decade. It will be interesting to see what the ratio of public versus private workforce housing development occurs in years to come. We must mobilize the private sector to be more involved and must offer better incentives to ensure the numbers are developer-friendly.

**MORGAN:** Because of the shortage of housing, it has been difficult, from a public relations perspective, for those in our industry to communicate our impact on the problem (or lack thereof). The regulations and the ordinances are relatively complex and difficult to understand. I think I can speak for Tom when I say, our objective is to act with complete transparency. Thankfully, people are beginning to under-

stand who we are, and what we do as a full-service rental, caretaking, and concierge service firms. We're here to be a vital part of our community. We want to participate in a meaningful way.

**whj** : WHAT ARE SOME OF THE NEW REAL ESTATE PROJECTS THAT HAVE BEEN APPROVED FOR THE UPCOMING YEAR?

**TOM:** I believe Joe Rice is planning a massive apartment building, which will offer just south of 100 apartments sized to promote mostly local housing. There are no short-term rights. This is a massive step forward and exactly the type of project this community needs. I commend the Town Council for approving the necessary text amendments that allowed this project to move forward. I think they also have fully approved and funded the Redmond Street Project. The third phase of The Grove has been approved for affordable or workforce housing, and workforce rental housing. I believe they also just approved the new master plan for Snow King. Crystal Creek Capital is building a new hotel on the town square and then there are all kinds of great things happening at the Snake River Sporting Club south of town, which is one of the most amazing properties in all of Jackson Hole, in my opinion.

**whj** : HAVE YOU RECOGNIZED AN INCREASE IN BUYERS DESIGNING "NEW" HOMES AS OPPOSE TO BUYING HOMES READY FOR MOVE IN?

**TOM:** You can basically build for less than replacement costs. There are a few lots in Teton County but in Jackson proper there are only seven lots available in the MLS. About 1.5% of Teton County is actually developable at this point. That's driving people towards homes that have already been constructed or that can be torn down and rebuilt.

**MORGAN:** At the top end of the market, many of our clients are looking for new homes, and the lack of acceptable inventory is driving demand for both land and properties that require extensive renovations.

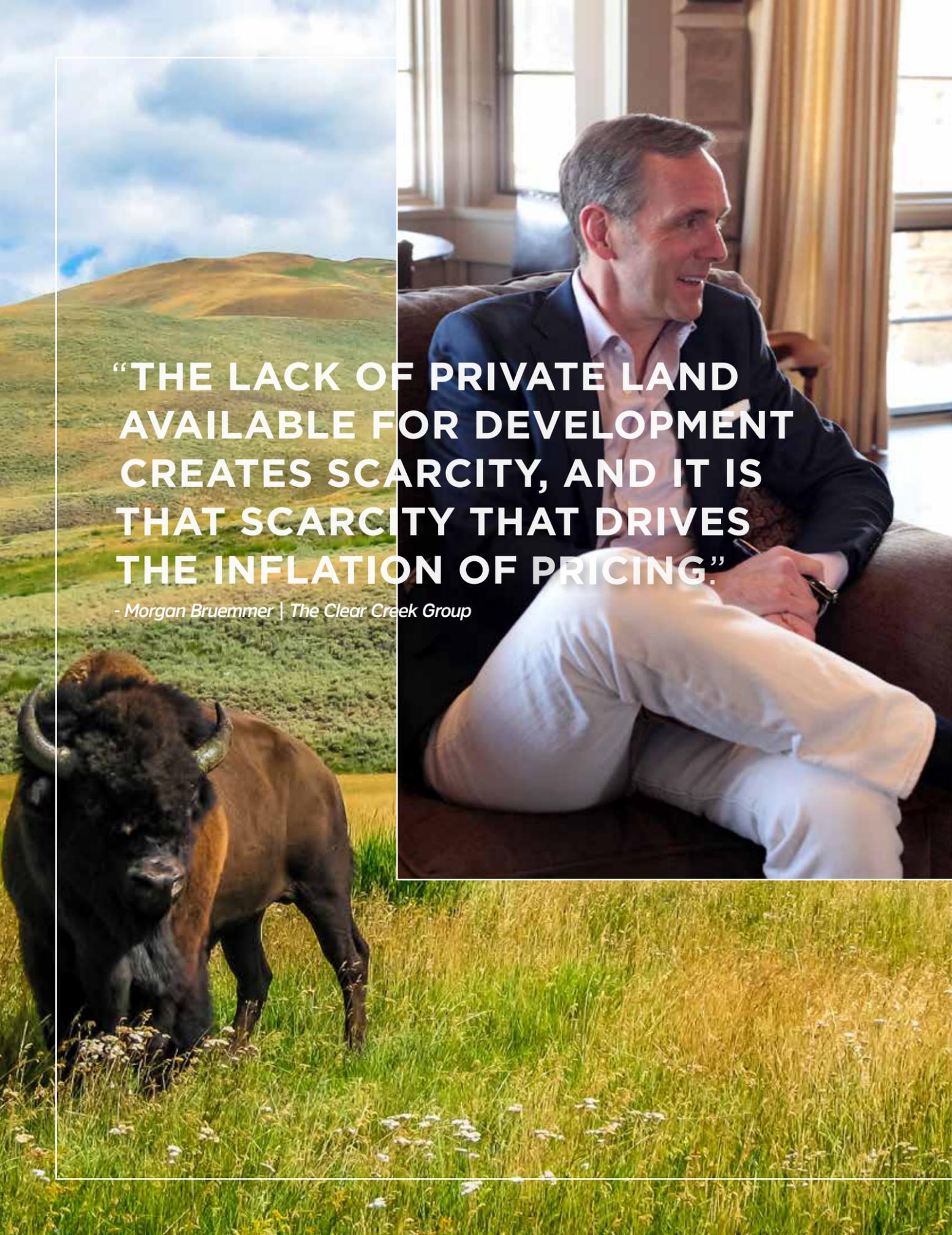
**whj** : WHERE ARE THE BUYERS COMING FROM?

**TOM:** All over the place, but our top three markets are the New York City, Los Angeles and San Francisco areas. Dallas is a close fourth. In the off-season we see a steady in-flow from the Salt Lake City area.

**MORGAN:** The direct-flight markets are TCCG's primary source of both villa rental guests and buyers. For TCCG, the greater New York metropolitan area is the single largest source of clients, followed by Los Angeles, San Francisco, and Dallas. Chicago, Seattle, and Atlanta are contenders as well. The unfavorable tax codes in California, New York, New Jersey, and Connecticut drive our clients' decisions to become full-time residents in Wyoming, as it's regarded as the best state in the country from a tax and estate planning perspective



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“THE LACK OF PRIVATE LAND AVAILABLE FOR DEVELOPMENT CREATES SCARCITY, AND IT IS THAT SCARCITY THAT DRIVES THE INFLATION OF PRICING.”

- Morgan Bruemmer | The Clear Creek Group

**whj :** WHAT ARE THE MOST POPULAR AREAS TO LIVE? HAVE THINGS CHANGED?

**TOM:** I think it's all incredibly popular. It fluctuates based on individual interests and budgets.

**MORGAN:** Teton Village and the Town of Jackson seem to have grown in popularity. When I arrived in 2002, the Village was sleepy in the summertime. Apart from skiing, it offered little else. In recent years, it has become vibrant year-round. As I understand it, the Village will continue to develop, and it will become even more enticing for full-time residents.

**TOM:** Having immediate proximity to the Park is a huge perk for Teton Village buyers.

**MORGAN:** In the 1980's and 1990's, when most of the subdivisions were platted on the West Bank, developments like John Dodge and Tucker Ranch were the preferred locations. Though those two remain extremely popular, today the Village and the Town of Jackson are incredibly popular. There are activities and things to do. There's no need to drive; everything is within easy walking or biking distance.

**TOM:** Even the most affluent set are suddenly wanting to live within walking distance of the town square. The Gill addition is booming, for example. I am sure we're going to see more and more additional development that offers all the amenities of high quality luxury living right in the downtown core.

**whj :** WHAT FINANCING ISSUES ARE PRESENT? WHAT OTHER VARIABLES?

**MORGAN:** Most of our clients are cash buyers. When and if they wish to finance, we encourage them to develop local, banking relationships. To date, we have been successful in pairing each client with a banker that meets their financial needs.

**TOM:** I totally agree. I have no knowledge of issues, only positive, good energy relationships with the local banks.

**whj :** WE'VE HEARD THERE IS A LACK ON INVENTORY IN CERTAIN PRICE RANGES. ANY RESOLUTIONS TO THE LACK OF INVENTORY IN THOSE PRICE RANGES?

**MORGAN:** The public lands that surround us are just one part of what makes our community great! However, the lack of private land available for development creates scarcity, and it is that scarcity that drives the inflation of pricing. Beyond that, I believe the inventory will be predicated on the state of the economy and development regulations.

**TOM:** What hurts us the most is the lack of options for the local workforce.

**MORGAN:** The local workforce is faced with options between \$300-900K. It's prohibitively expensive, and the inventory is quite limited.

There are areas for development, but much will depend on the town of Jackson and Teton County, as they must plan and permit to accommodate reasonable opportunities.

**whj :** WHAT ARE THE BIGGEST CHALLENGES YOU, AS PROPERTY MANAGERS, FACE?

**TOM:** First, staffing is a critical challenge and that all returns to the current workforce housing issue.

**MORGAN:** Yes, the most immediate and obvious challenge is housing for our employees. Secondly, from a public relations standpoint, we, as an industry, battle misinformation. The dialogue surrounding villa rentals is often pejorative in nature, and factually inaccurate. We are here, like most permanent residents, to make a living and enjoy the beauty of Jackson. We are as passionate about preserving this place as anyone!

**TOM:** I think it is always a challenge to maintain our goal to offer consistently impeccable service to our owners and guests. We do very well, but we are not perfect. Managing dozens of homes, building customized programs for dozens of homeowners and offering the perfect vacation for our hundreds of annual guests is always a challenge. It is hard, but rewarding, work.

**MORGAN:** In the last twelve years, it has been fun to demonstrate that quality and attention to service don't mean you can't be authentic. We as an industry, and as a community, have become more professional since 2005, when we formed TCCG.

**TOM:** Yes, definitely. Authenticity and local knowledge is one of the most valued offerings we can provide our guests.

**MORGAN:** I've seen a change in the brokerage community too, it seems to have become much more collaborative. We have realized there's enough for everyone. Working together, ethically and responsibly, is rewarding. It benefits our industries, our community, and us.

**TOM:** Yes, indeed. It's good energy. We're competitors and great friends at the same time.

**MORGAN:** We all live here. We serve different clients. If we need help, Tom will be there for us, and we will do the same for Tom. It's important to maintain a big-picture mentality. Along those lines, it's great to see new businesses succeeding; we were newcomers once.

**TOM:** It's our job to help people easily maximize their Jackson Hole experience. Whether homeowners or visitors, our companies have raised the bar in creating comfort for our clients. And really the caliber of today's rental properties didn't exist in 2000.

**MORGAN:** This is one of the more difficult jobs you can imagine. Homes are personal and complex. We're dealing with antiques, art, emotions, family histories and personal preferences—managing that it not easy.

**TOM:** Know your clientele so you know their passions and perspective. We create cohesion with our clients and guests by offering the highest level of service we can provide. ■