



GRANICUS

Securing Support for Short-Term Rental Projects

From Recovering Revenue to Protecting Housing

A decorative white wavy graphic element is positioned at the bottom of the slide, curving across the width of the page.

Agenda Today

- 1 **Welcome and Introductions**
- 2 Short-Term Rental Market Overview
- 3 Compliance Approach vs. Tax Agreement Approach
- 4 How to Make Your Case
- 5 Examples of Successful Projects
- 6 Questions and Next Steps

Company Introduction



6,000+

Government Agencies

have chosen Granicus to modernize their online services, web presence, and communications strategies.



Seamless

Digital Solutions

that help government: improve the customer experience, simplify/automate workflows, and enable strategic community development



Short-Term Rental

Software & Services

Compliance and Monitoring Software
Proprietary and Updated Data
Consulting and Advising Services

Housekeeping



Questions

Submit your questions via the Zoom Q&A console.



Resources

We will include relevant resources in a follow-up email.



Issues

Connect with us in the Q&A console and we'll get back to you ASAP.



gov Community

Sign up to connect, share, and learn from each other at community.granicus.com



On-Demand

We will email you the link to the on-demand versions of this webinar.

Today's Speakers



Mike Bozich
Account Executive
Granicus



Shannon Gray
President & CEO
Gray Research
Solutions Inc.

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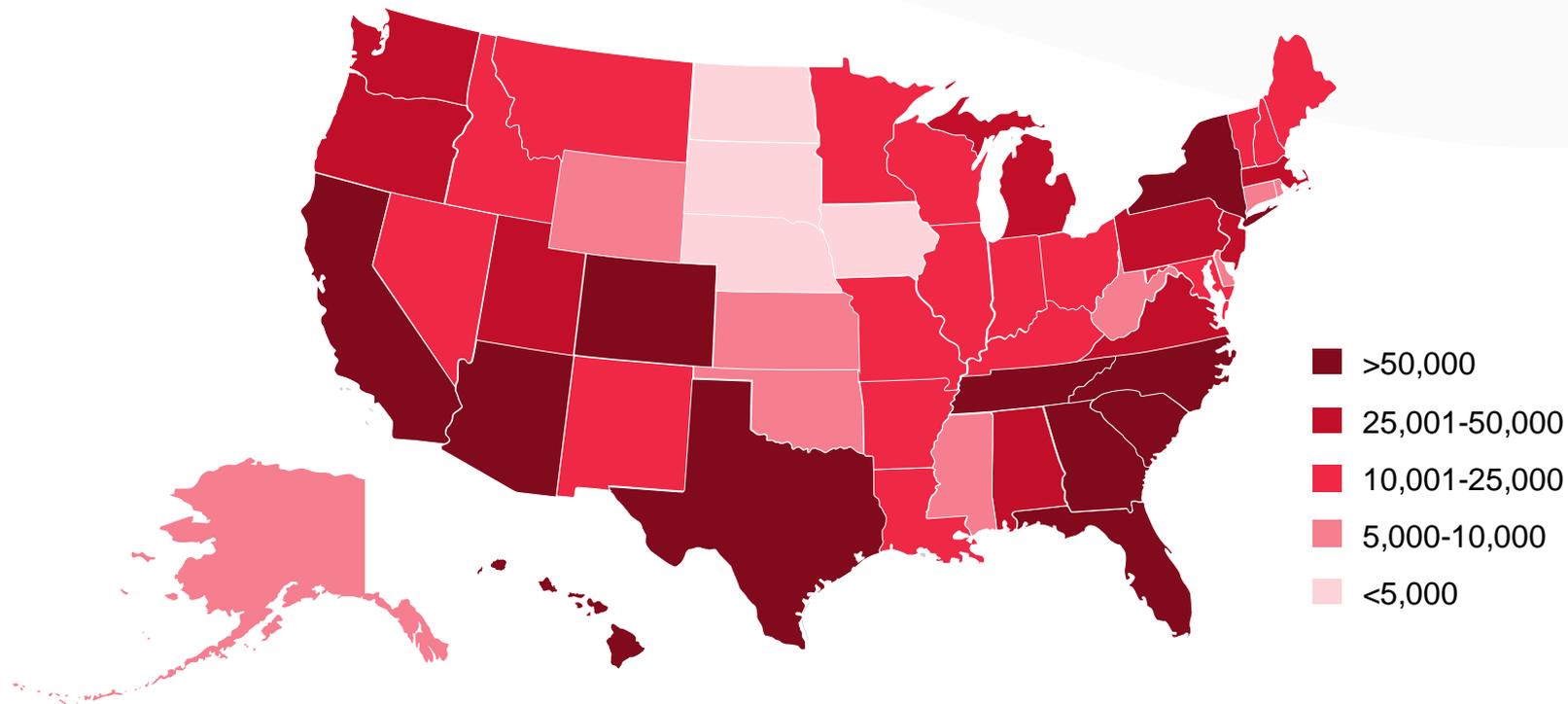
Short-Term Rental Market Overview

What is a **short-term rental**?



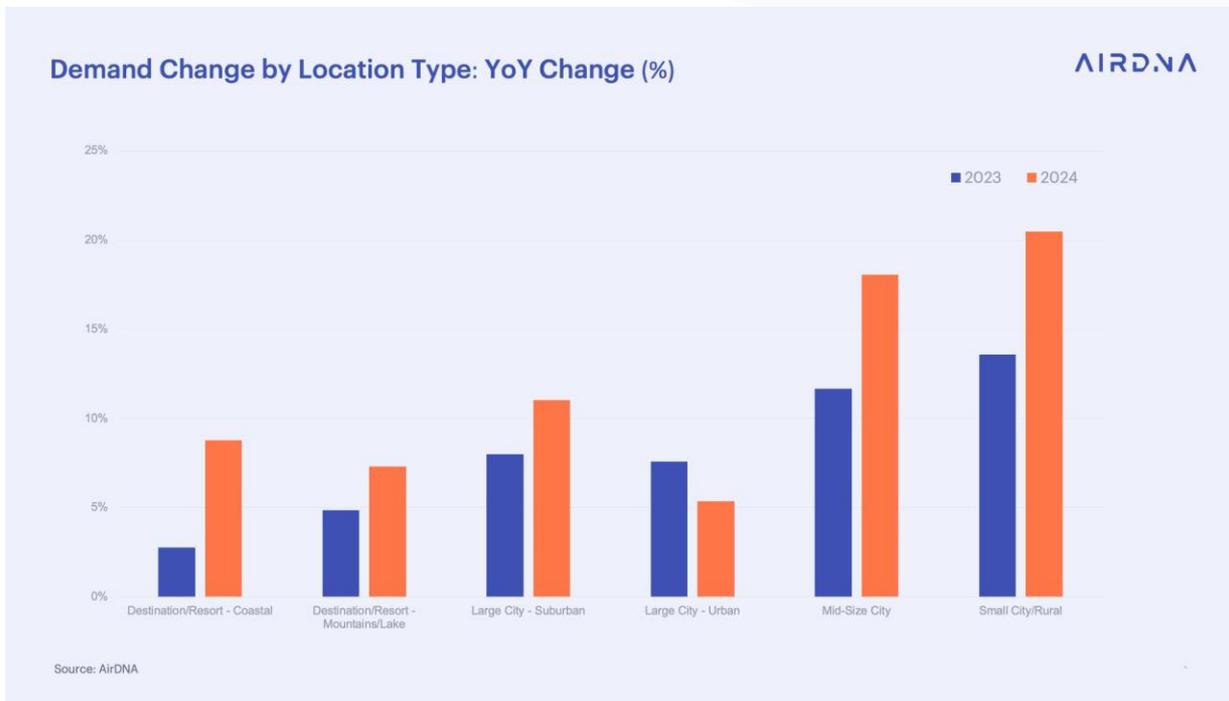
Rental of a residential dwelling unit usually for periods of **less than a month**. Commonly booked through one of the many online marketplaces available, such as Airbnb, VRBO, and others.

There are more than **2M** STR listings in the U.S., representing **1.6M** unique rental units



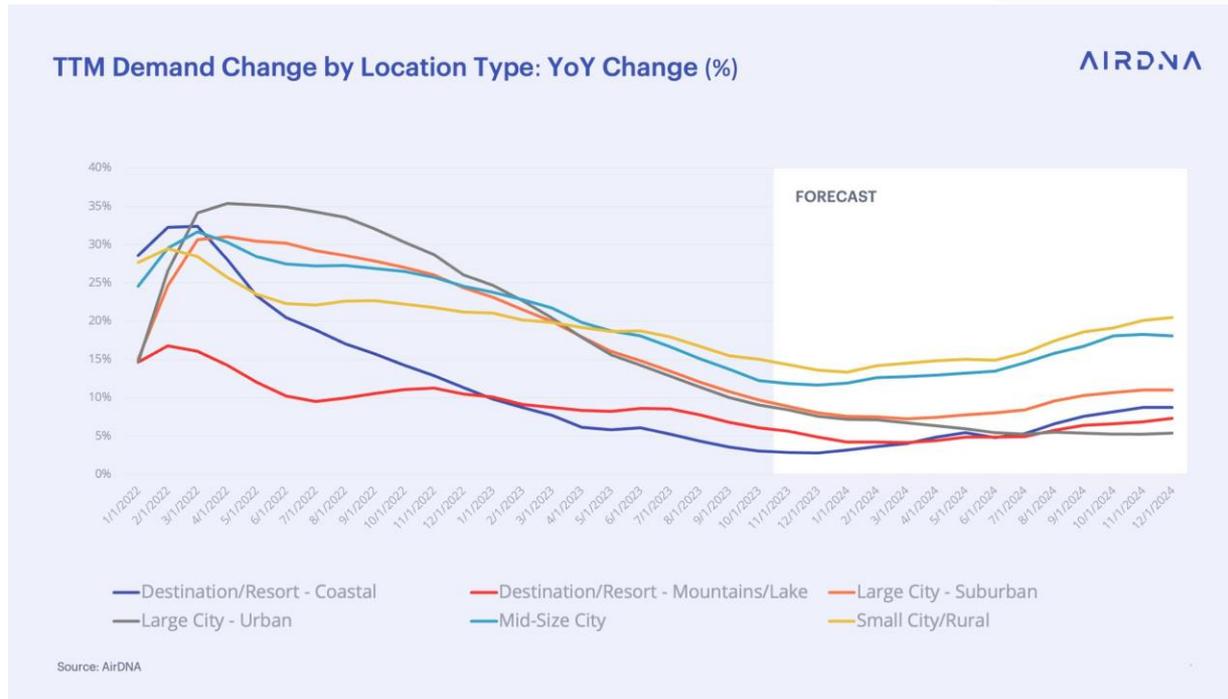
Demand will increase **in most locations**

Mid-sized and small/rural markets poised to grow rapidly

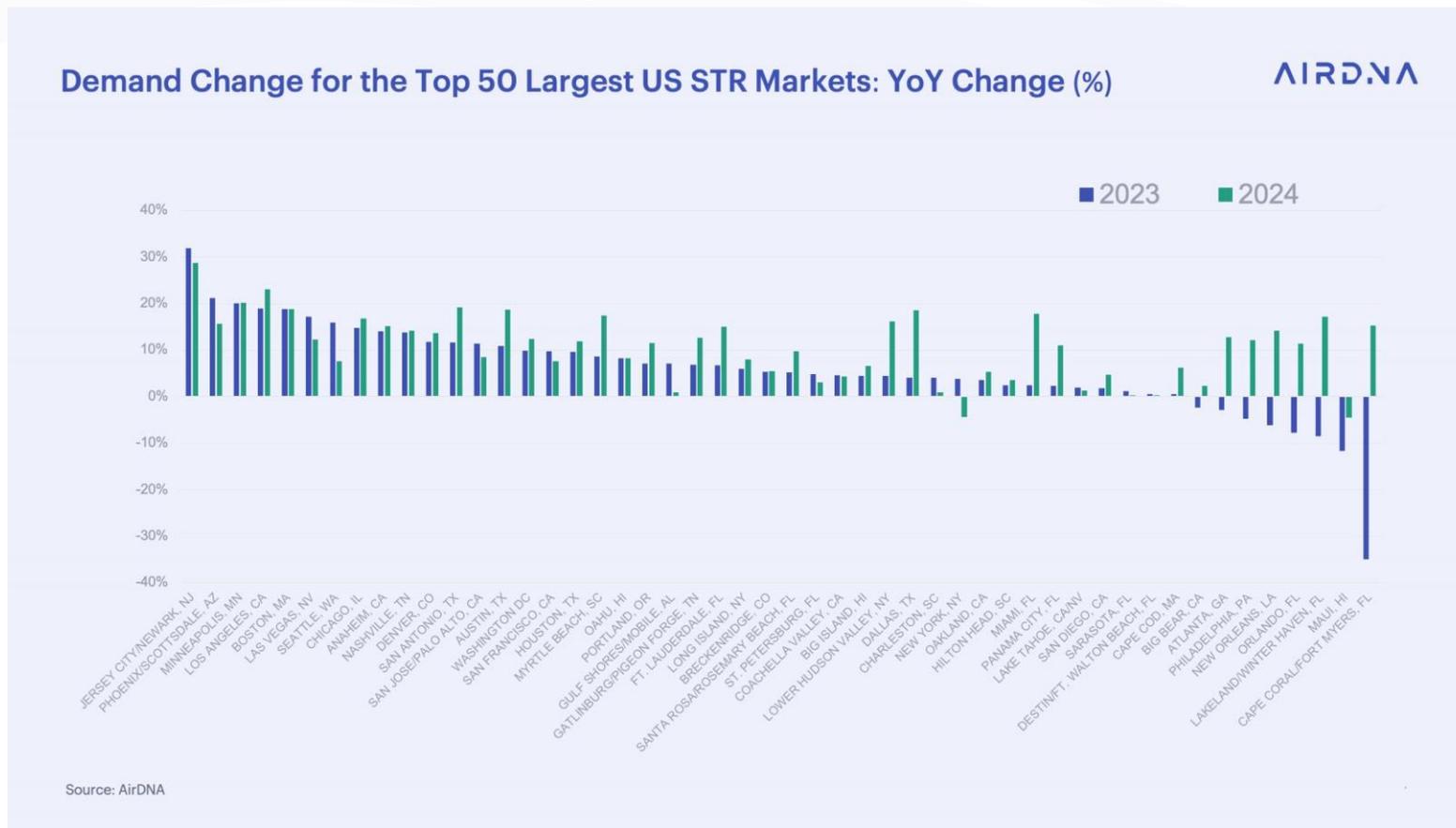


Large urban areas **no longer leading in growth**

Urban areas likely to see slower growth in 2024, with other markets accelerating



A closer look at the **big fish**



What does this mean for **local governments**?

Smaller communities will see the most significant short-term rental market changes and community impacts in 2024.

For small and mid-size communities, it's time to get up to speed on your local markets and implement a compliance program.



The Problem: Short-term rentals can have unintended impacts, displacing long-term tenants, straining infrastructure, and raising safety and fairness concerns



Conversion of long-term rentals into STRs can affect housing availability



Increased tourism can change "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 STRs can cause conflicts with traditional lodging providers

The good relative financial performance of STRs and the lack of prior focus on the industry, provides for an **attractive revenue enhancement opportunity for local governments...**



STRs are growing despite the economic slow-down

Focusing on those who have or are generating income and not claiming it

Particularly important for out of state STR hosts



Prior lack of focus on STRs as a government revenue source

Local governments have traditionally seen STRs as a small part of the lodging industry

Lack of focus on the industry and challenges with rental identification have led to low revenue recovery



Untapped revenue potential in the thousands, or millions

Nashville, TN collected \$2.8m in their first year with Host Compliance

Many communities use tax, permitting and licensing revenue for affordable housing, tourism marketing, and more.



The STR market is nearly impossible to track manually as STR property listings are spread across 100s of different websites

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Tax Agreement Approach

Tax Agreement Approach

The solution

- Airbnb has entered into many “Voluntary Collection Agreements” (VCAs) starting with San Francisco in 2014.
- Airbnb will collect and remit taxes to the applicable tax authority on behalf of the host, in one lump payment per time period.
- The process is long, requiring a coordinated effort among stakeholders and typically lobbyists/lawyers/investment.
- VCAs are primarily around State Sales & Lodging taxes. Local Sales & Lodging taxes have largely been left to local government until recently.
- Delaware and Hawaii are the only two states to NOT currently have a VCA with Airbnb.

Problems / limitations

- This arrangement means that hosts are anonymous.
- Even though taxes are being remitted and collected, the “no auditable trail” problem still remains re: identifying owners for:
 - Licensing/registration
 - Health/safety inspections/certifications
 - Handling complaints
 - Engaging owners as tourism stakeholders

Different Tax Rates are found across different platforms

Same property listed on 4 different sites and local tax is often omitted

Total for 2 nights
\$854

08/26/2022 | 08/28/2022

2 guests

Rate for 2 nights	\$562
Tax	\$34
Booking fee	\$104
Owner fees	\$154
Total	\$854

No hidden fees [Hide details](#)

Book now

Booking summary

Your dates are available

Check in Aug 26	Check Out Aug 28
Guests 2 guests	

\$236.00 x 2 nights	\$472.00
Host Fees	\$120.00
Service Fee	\$80.00
Tax	\$34.32
Total	\$706.32

Cancellation policy

100% refund of amount payable if you cancel by Aug 12, 2022. 50% refund of amount payable (minus the service fee) if you cancel by Aug 19, 2022. No refund if you cancel after Aug 19, 2022.

Booking details

Aug. 26 - Aug. 28 | 2 guests

\$281 x 2 nights	\$562
Cleaning fee	\$129
Service fee*	\$107
Alabama City Lodging Tax	\$42
Alabama City Lodging Tax	\$63
Alabama City Room Fee	\$11
Alabama County Lodging Tax	\$7
Total for 2 nights	\$918

INSTANT BOOKING

\$240 night ★ 4.70 · 70 reviews

CHECK-IN 08-26-2022	CHECKOUT 08-28-2022
QUESTS 1 guest	

Reserve

You won't be charged yet

\$240 x 2 nights	\$480
Cleaning fee	\$100
Service fee	\$82
Occupancy taxes and fees	\$35
Total	\$697





Compliance Approach

Compliance Approach

The situation

- Local governments can take it upon themselves to locate hosts and enforce regulations.
- Successful communities hire or assign a staff person to drive around in the general area of the Airbnb posting to compare photos to the listing.
- The rental address is then compared to ownership records to locate the address of the property owner.
- Owners are sent letters informing them of the rules, requesting compliance, and outlining the consequences for inaction.

The limitations

- Significant time and resources are necessary to track down owners, add them to a database, and send compliance request letters to their primary addresses
- If the rental address can be located, ownership records are difficult to obtain.
- The work is tedious and ongoing.

But even with an ordinance in place, **enforcement is difficult**

- “Compliance” means that hosts follow the rules of regulation and/or ordinances in their communities, including tax collection and remittance.
- “Enforcement” means that a community/government entity forces regulations with owners, not waiting on hosts to voluntarily collect taxes/comply with regulations.
- A recent study calculated that **taxes are paid on, at most, 24% of Airbnb transactions** prior to enforcement*.
- The biggest hurdle is locating/ identifying the owners of STR properties.
- Airbnb/vrbo do not list host/owner information or addresses.
- Even in areas where Airbnb and vrbo DO collect and remit taxes as part of a Voluntary Collection Agreement (VCA), they will not provide personal host information.

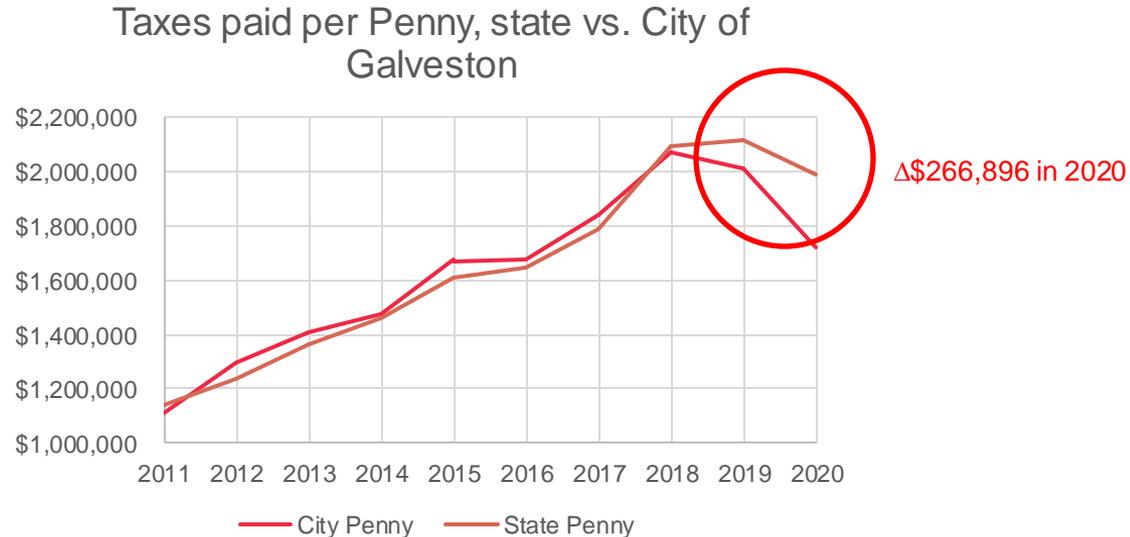
The VCA is about streamlining tax collection and remittance by placing the responsibility on Vrbo. A VCA is not a vehicle for getting individualized information about private citizens so that the city may enforce other aspects of its short-term rental law unrelated to tax.

~Letter from Expedia Group/Vrbo to City of Galveston, January 2021

* Source: [Inferring Tax Compliance from Pass-Through: Evidence from Airbnb Tax Enforcement Agreements](#), A. Bibler, et. Al, *The Review of Economic and Statistics*, 2021

Galveston Vacation Rentals: A Compliance Case Study

- Missing Galveston Hotel Tax becomes clear after State enters VCA in April, 2019
- City opted out of a local VCA in favor of a DIY enforcement initiative



Agenda Today

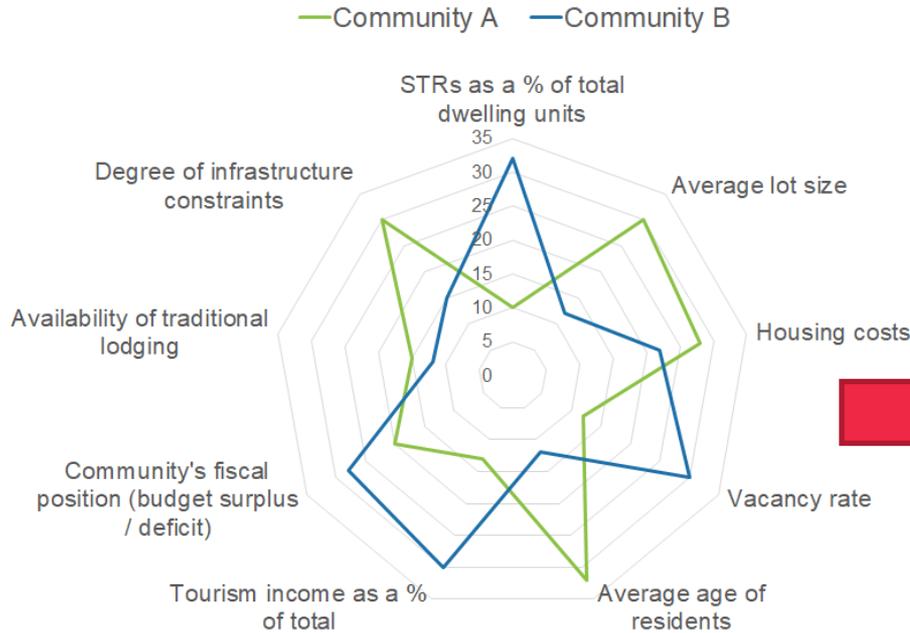
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How to Make Your Case

Understand the market in **your community**



ONE SIZE DOES NOT FIT ALL

Involve stakeholders **across departments**

- » Each department wants to serve the people of their communities
- » Each department and leader has a different focus on serving their community
- » Identifying how an STR program helps your teammates in servicing the community is easier than you think
- » Cross-departmental buy-in ensures collection efforts do not fall by the wayside



Key stakeholders for general Short-Term Rental compliance



Finance



Planning



Code
Enforcement



Tourism



City Managers



Elected Officials

Key stakeholders for revenue recovery



Finance



Planning



Code
Enforcement



Tourism



City Managers



Elected Officials

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Follow the Money, an Example



State of Alabama: Short Term Rental Revenue Estimates

2022



GRAYRESEARCH
SOLUTIONS

Alabama Mountain Lakes Region

Lodgings Tax

Lodgings tax is a privilege tax on persons, firms, and corporations engaged in the renting or furnishing of rooms, lodgings or other accommodations to transients for periods of less than 180 days of continuous occupations and applies to all charges for personal property used or furnished in such rooms or lodgings.

For transactions entered into on or after October 1, 2019, the tax shall not apply to marine slips, places or spaces for tent camping, or places or spaces provided for motor homes, travel trailers, self-propelled campers or house cars, truck campers, or similar recreational vehicles commonly known as R.V.s, which are supplied for a period of 90 continuous days or more in any place.

State lodgings tax rates

See State Tax Rates

Alabama Mountain Lakes Area 40-26-1 (a): 5% Includes the following Counties: Blount, Cherokee, Colbert, Cullman, DeKalb, Etowah, Franklin, Jackson, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan and Winston.

All Other Alabama Counties 40-26-1 (a): 4%

State Administered Counties

Blount
Cherokee
Colbert
Cullman
DeKalb****
Etowah
Franklin
Jackson

Lauderdale****
Lawrence
Limestone****
Madison****
Marion****
Marshall****
Morgan
Winston

State administers Airbnb (only) for those that voluntarily pay.

Lodging Tax Flow

- Tourism in the state of Alabama is funded by a Transient Occupancy Tax of 5% of gross revenue in North Alabama counties, and 4% of gross revenue in all other counties. (Ala. Code 1975, § 40-26-1)
 - Applies to any entity renting rooms, lodging, or accommodations to transients (for under 180 days)
- Tax Levies and Disbursements: (Ala. Code 1975, § 40-26-20)
 - 5% collected in North Alabama (16 counties)
 - 4% State
 - 3/4 of 4% State General Fund
 - 1/4 of 4% State Bureau of Tourism and Travel “state travel advertising and travel promotion”
 - 0.5% Alabama Mountain Lakes Tourist Association “promotion of tourism and travel”
 - 0.5% County Commissions “promotion of tourism, recreation, and conventions”
 - 5% collected in counties outside of North Alabama
 - 4% □ State
 - 3/4 of 4% State General Fund
 - 1/4 of 4% State Bureau of Tourism & Travel “state travel advertising and travel promotion”

Tracking Missing Short Term Rental Tax Revenue

Calculation Exercise:

- Alabama as a whole had **25,881** short term rental units as of Jan 2021*. **2,146** of those are in North Alabama.
 - The ADR (Average Daily Rate) for short term rental units in the North Alabama Mountain Lakes region was **\$136*** (this will end up being slightly different statewide, and county by county).
 - Conservatively assuming that those units are rented at least half the time (**50%** occupancy, although AirDNA data suggest **70%** is more likely), we can get an idea of how much lodging tax money is being generated by short term rentals.

Important Note:

- AirBnb collects and remits the 5% STATE taxes on behalf of hosts. Vrbo and other booking platforms do not collect and remit any taxes†.
 - The amount currently being remitted by Airbnb or others is not available from the Dept of Revenue. If it were, we could estimate the “missing” revenue not being collected by this formula:***
 - Missing STR state tax revenue = Total tax generated – Total tax already collected**

*Source: Granicus/Host Compliance

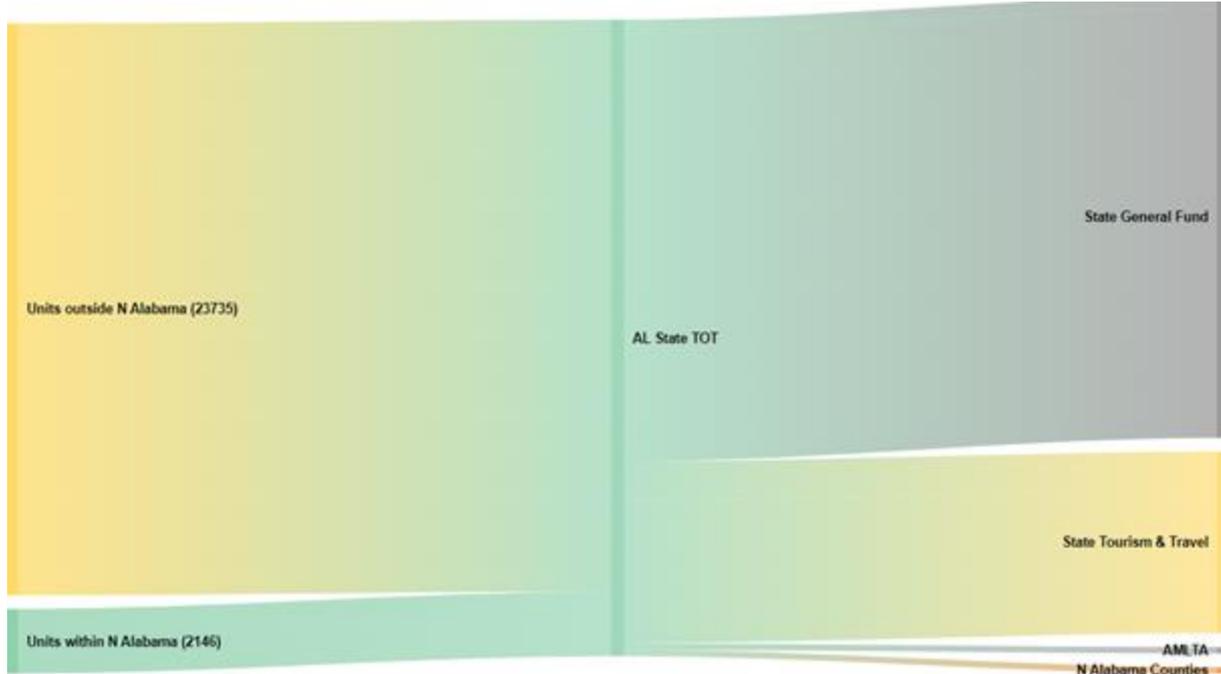
† <https://www.airbnb.com/help/article/2293/occupancy-tax-collection-and-remittance-by-airbnb-in-alabama>

Follow the Money: STR Lodging Tax Generated

Estimated Total STR
Gross Revenue being
generated annually:
\$642,366,420*

Estimated Total STR
Tax Revenue potential
with full compliance:
\$26,227,294*

\$23,564,108
(4% of gross revenue)



\$19,270,993
(3/4 of the 4% statewide)

\$6,423,664
(1/4 of the 4% statewide)

\$266,319
(1/2 of the additional 1% in N AL)

\$266,319
(1/2 of the additional 1% in N AL)

* Estimate made by conservatively assuming 50% annual occupancy. AirDNA data suggests annual occupancy is closer to 70%. This would mean a total of \$36,718,212 in tax revenue collected.

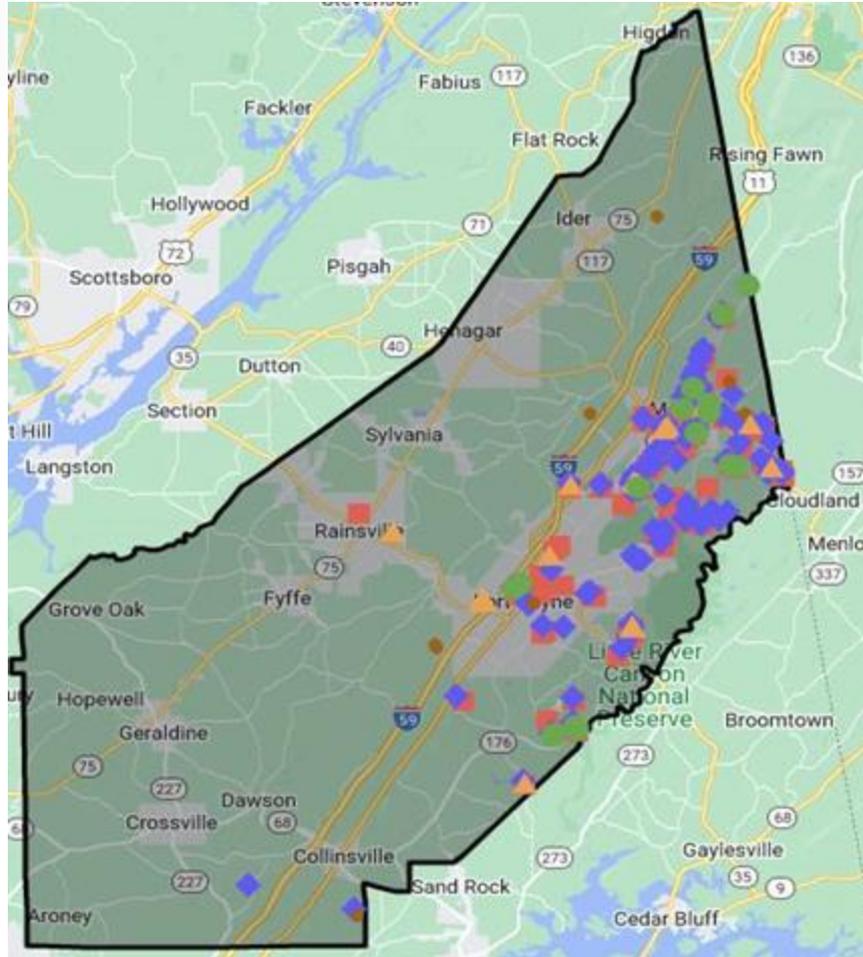
Follow the Money: Low/High Estimate

	Low Estimate	High Estimate
ADR	\$136	\$136
Occupancy	50%	70%
Total TOT Funds:	\$26,227,294	\$36,718,212
Disbursements:		
State General Fund	\$19,270,993	\$26,979,390
State Tourism Dept	\$6,423,664	\$8,993,130
AMLTA	\$266,319	\$372,846
N AL counties	\$266,319	\$372,846

- The lower estimate using **50%** occupancy (shown in money flow chart on previous slide) shows that STRs are generating **\$19.3M** for the state general fund and **\$6.4M** for the state tourism department.
- In the (more likely) higher estimate using **70%** occupancy, STRs are generating **\$27M** for the state general fund and **\$8.9M** for the state tourism department.

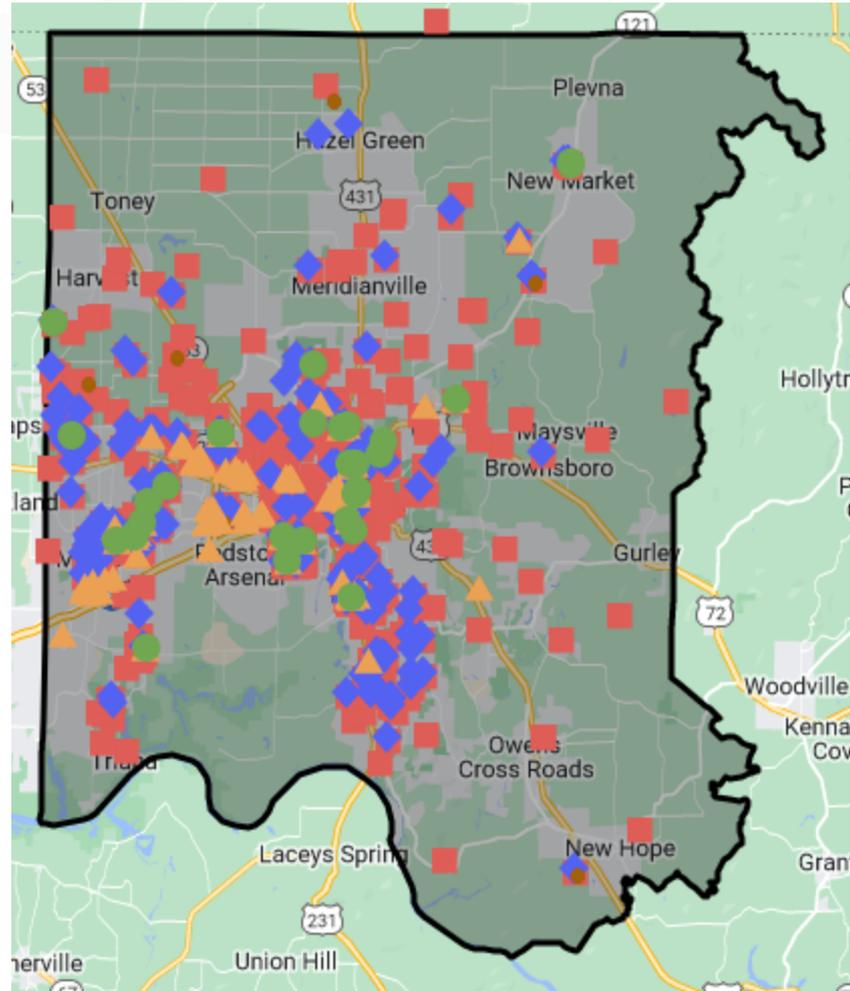
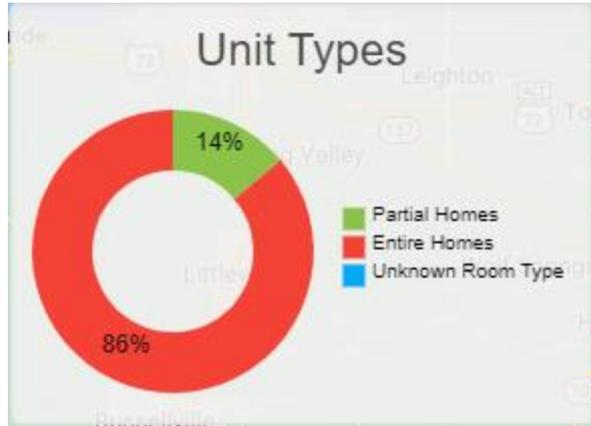
DeKalb County

- 253 Units at a \$155.00 a night



Madison County

- 850 Units at a \$119.00 a night



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Questions

Granicus can help your STR program regardless of how advanced it is

Pre-Ordinance

- ✓ Detailed local market data
- ✓ Online ordinance assistant tool
- ✓ Free webinars
- ✓ Guide To effectively regulating short-term rentals on the local government level
- ✓ APA short-term rental online course
- ✓ Peer introductions
- ✓ Free draft review
- ✓ Consulting and facilitation

Post-Ordinance

- ✓ Mobile-Enabled Online Permitting/Registration
- ✓ Address Identification
- ✓ Compliance Monitoring
- ✓ Rental Activity Monitoring
- ✓ 24/7 Hotline

Short-term Rental Management



Property Address Identification



Compliance Monitoring



Mobile Permitting and Tax Collection



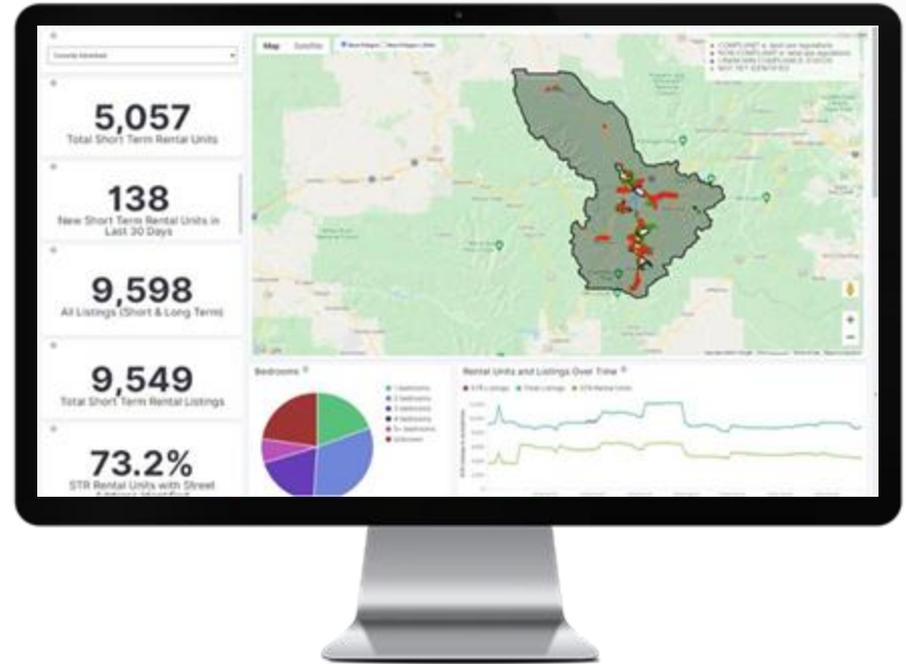
24/7 Hotline



Rental Activity Monitoring



Consulting Services



Poll: Would you like a complimentary short-term rental assessment?

- **Yes**
- **No**



Thank you!