

# How Short-Term Rentals Can Fund Marketing for Tourism

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Short-Term Rental Revenue Estimation and Recovery



# Agenda

- 1 **Welcome and Introductions**
- 2 Tourism Improvement Districts
- 3 Short-term Rental Compliance
- 4 Alabama Tourism Case Study
- 5 Questions

# Connecting & Interacting Today



## Questions

Submit your questions via the Zoom Q&A console.



## govCommunity

See additional resources and chat after the webinar



## Chat

Your peers are in the chat. We encourage you to connect there!

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government-  
provided  
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# Today's Speakers



**John Lambeth**

President/CEO Civitas  
Advisors

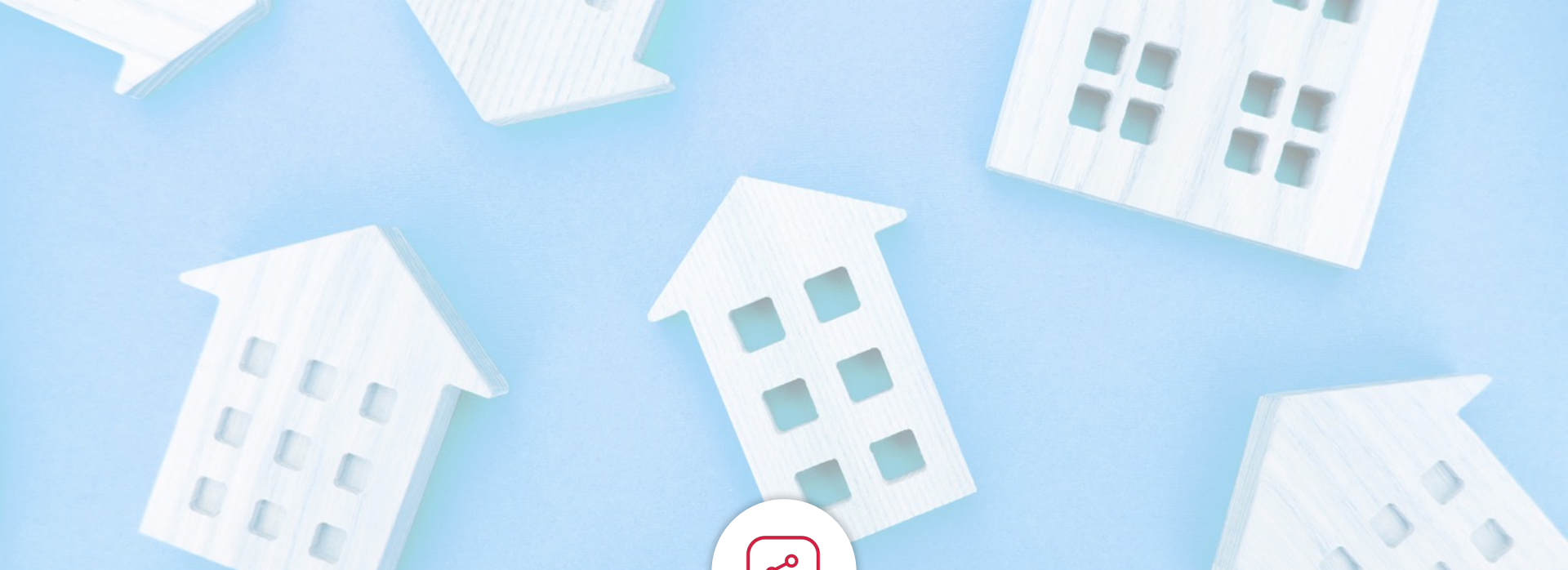


**Mike Bozich**

Territory Manager,  
Host Compliance  
at Granicus

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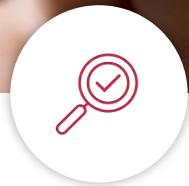
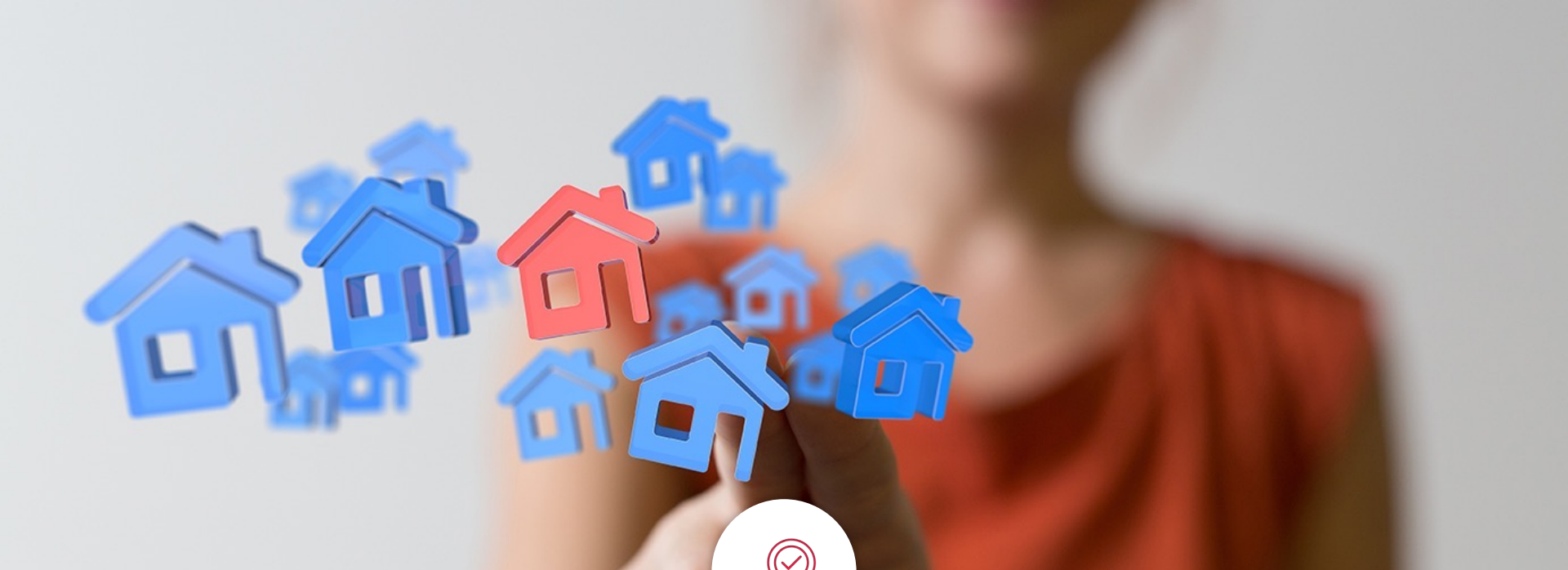


# Tourism Improvement Districts

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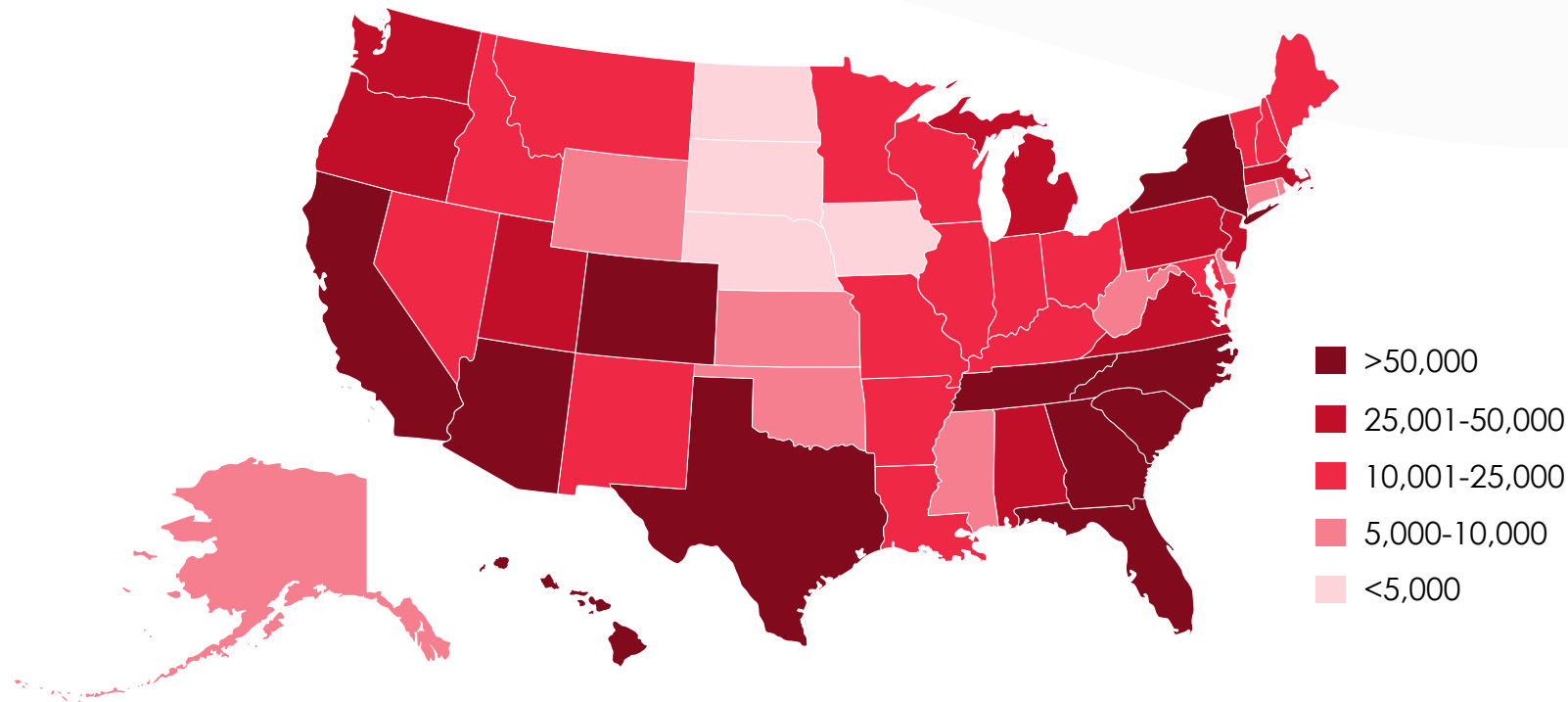
## Short-term Rental Compliance

# 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 more.

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

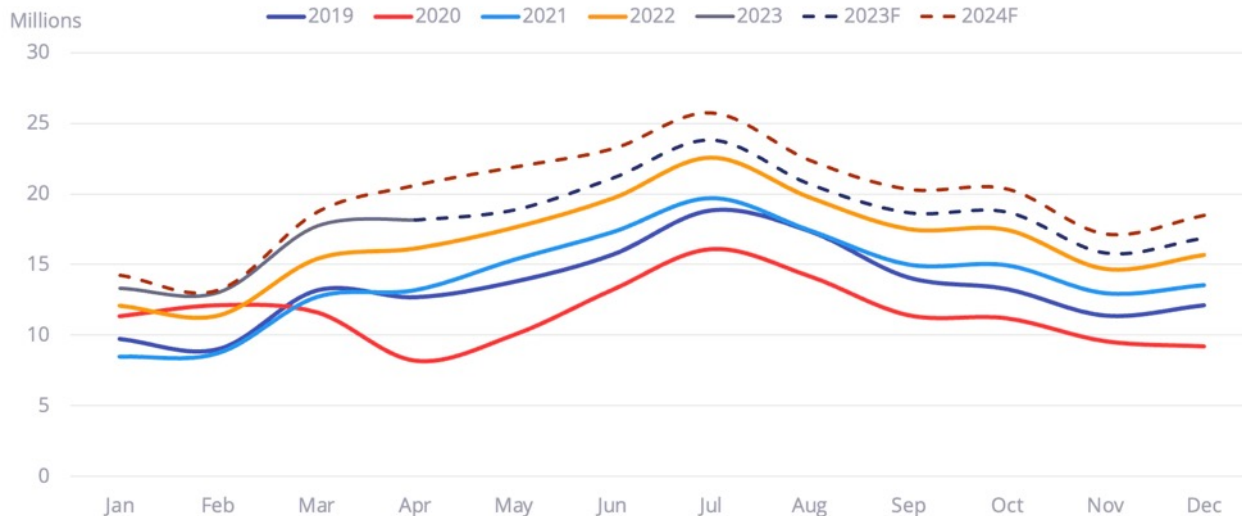


# Despite economic conditions, **STR demand remains strong**

Demand Up 12.6% in April, Forecast to Increase 10.4% for all of 2023

AirDNA

U.S. Short-Term Rental Demand (2019 - 2024)



Source: AirDNA



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 additional revenue for affordable housing, tourism activities, and more.



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



Your next perfect vacation just a click away



# Problems governments and DMOs face with STRs



- ⚠️ No time to browse all platforms, especially if there are thousands of units
- ⚠️ Can't get exact address from listing
- ⚠️ Hard to communicate with hosts without knowing who is non-compliant
- ⚠️ No manual way to find how often properties are rented and for how much
  - Can't tell how much they should owe in taxes

# Short-term rental tax compliance: The solutions

Solution 1: Be clear about what rules are



- » Non-compliance is usually because people don't know about the regulations
- » State the purpose of the regulations
  - Taxes, licenses, fire inspection, pool inspection



# Short-term rental tax compliance: The solutions

## Solution 2: Get to know the local market



- » New listings enter and leave the market daily
- » 90% of hosts generate 40% of the revenue
- » Audit "big fish" for best ROI potential
  - Tracking number of nights stayed
  - Up-to-date list of biggest suspected hosts underreporting

# Short-term rental tax compliance: The solutions

## Solution 3: Make it easy to register



- » Make it as easy as listing a short-term rental
- » Take payments online

# Short-term rental compliance: the solution

## Solution 4: Monitor compliance



- » How much did you make last year?
- » Provide staff support for hosts to get compliant.
- » Which hosts have received which letters and have they gotten compliant?

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# State of Alabama: Short Term Rental Revenue Estimates

2022



GRAYRESEARCH  
SOLUTIONS

# 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**

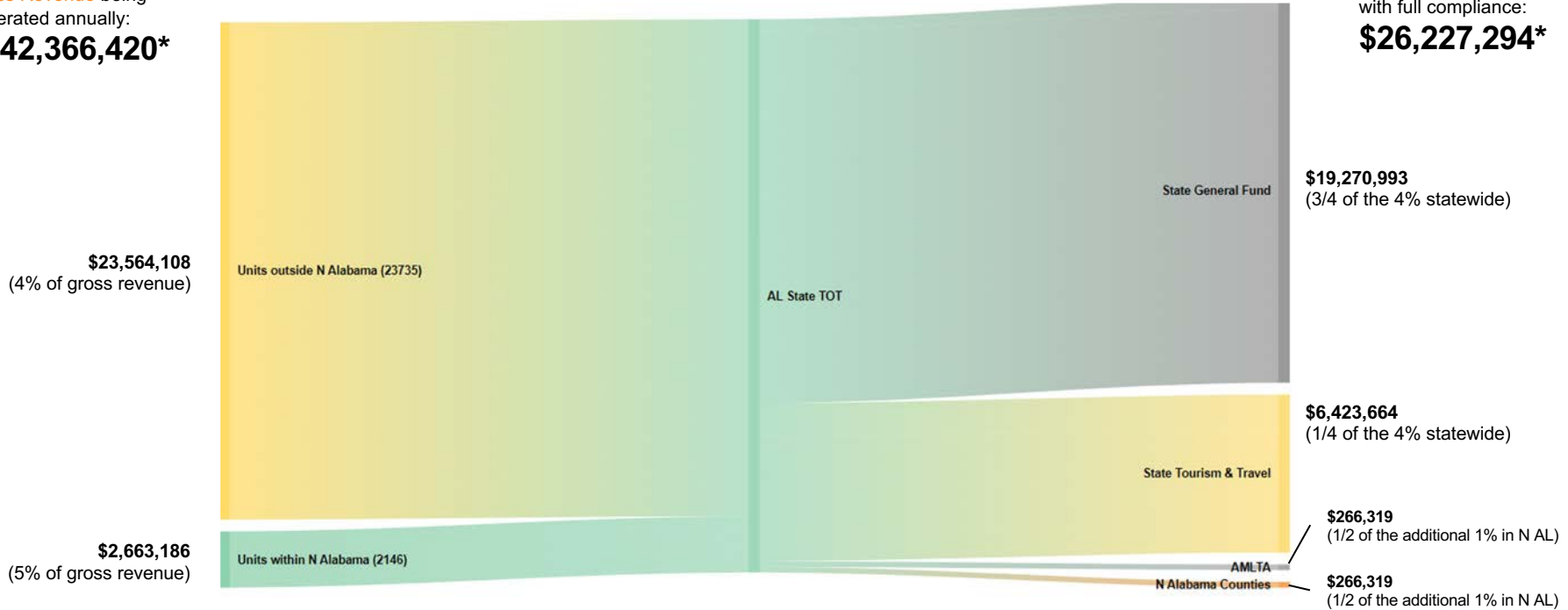
\*Source: Granicus/Host Compliance

† <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\***



\* 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%
<b>Total TOT Funds:</b>	<b>\$26,227,294</b>	<b>\$36,718,212</b>
<b>Disbursements:</b>		
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.

# Short-term Rental Management



Property Address Identification



Compliance Monitoring



Mobile Permitting and Tax Collection



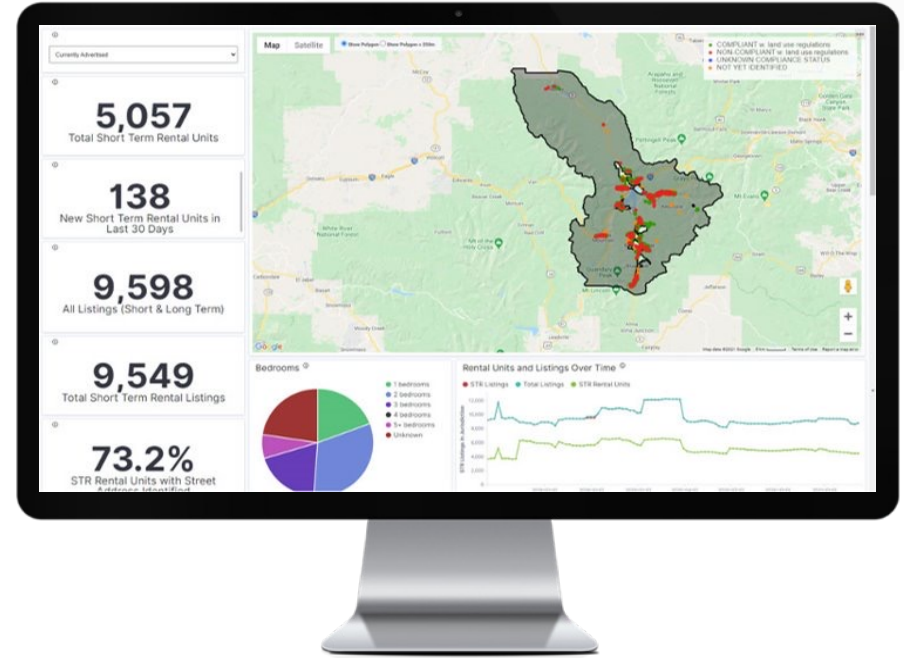
24/7 Hotline



Rental Activity Monitoring



Consulting Services



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**Questions?**

## Contact Info

Please feel free to contact us anytime if you have any questions about short-term rental regulation and learn how to best address the associated monitoring and enforcement challenges. Visit us at [granicus.com/str-consult](https://www.granicus.com/str-consult)

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