



GRANICUS

Know What You're Owed

Local Government Tips for Short-Term Rental
Revenue Identification and Recovery

Company Introduction



5,500+

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



Today's Speakers



Mike Bozich
Territory Manager, Host
Compliance at
Granicus



Shannon Gray
President & CEO
Gray Research
Solutions Inc.

Agenda Today

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Welcome and Introductions

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Why This Matters for Local Government

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Identifying Revenue Collection Opportunities

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Questions



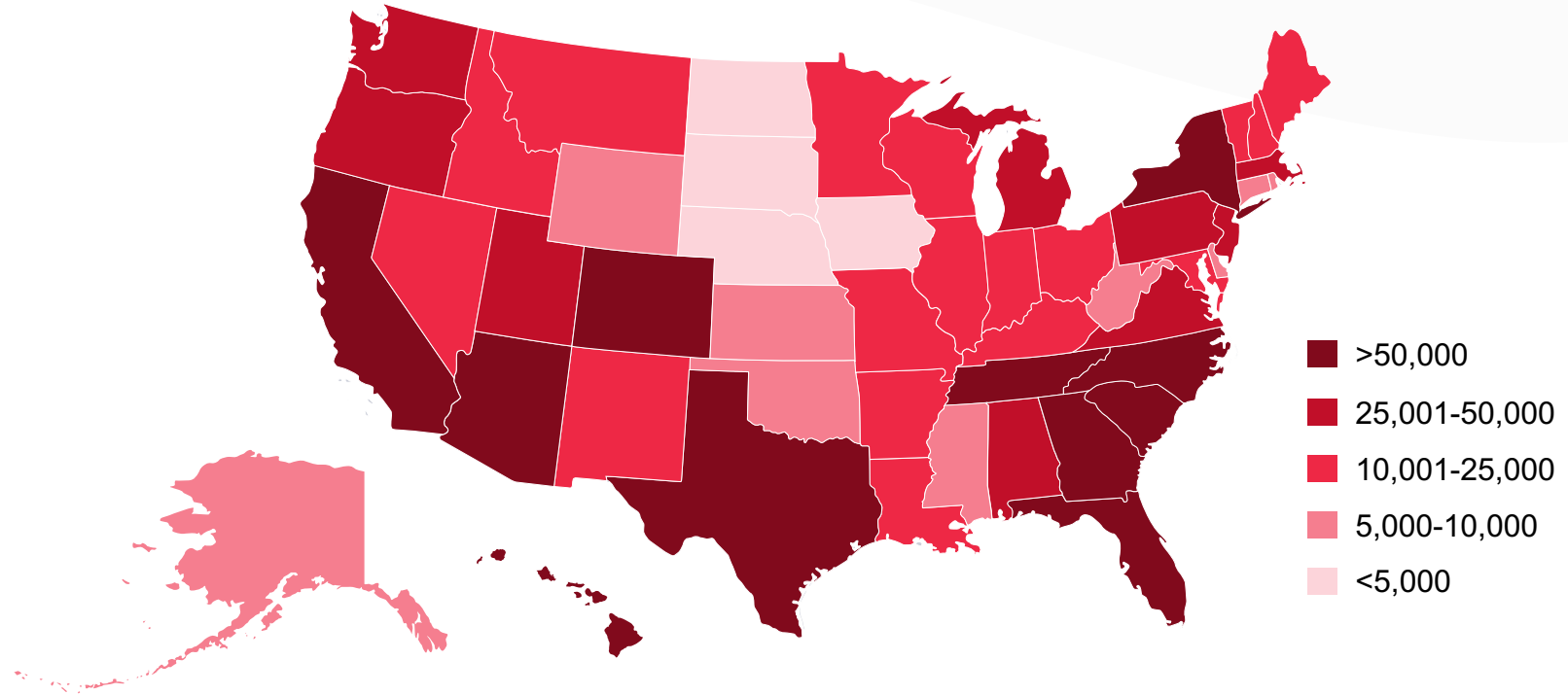
Short-Term Rental Market Overview

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



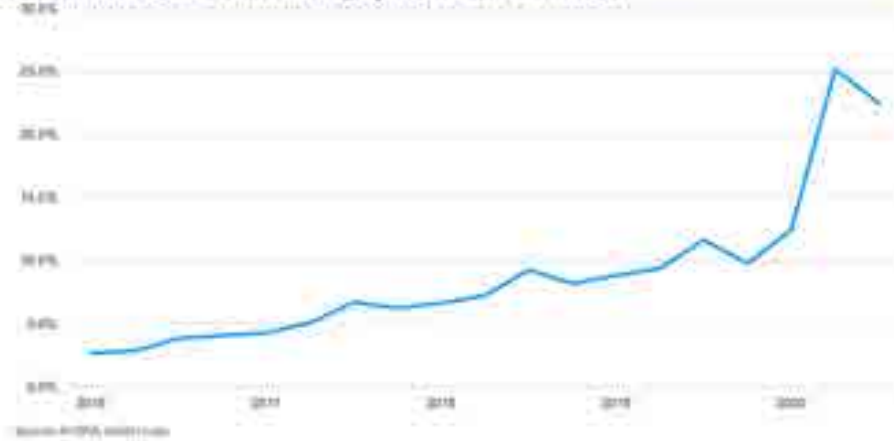
Rental of a residential dwelling unit usually for periods of **less than a month**. Commonly booked through one of the many online marketplaces available, such as Airbnb, VRBO, and more.

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



COVID-19 led to an **increase in STR lodging market share**

Can Short-term Rentals (STRs) Continue to Capture a Greater Share of Revenue?
U.S. STR Revenue as a % of Total Lodging Revenue (STRs + Hotels)



“We have seen a **faster recovery within alternative accommodations** than in hotels,” Morgan Stanley analyst Brian Nowak

Source: AirDNA (2021)

Despite economic conditions, **STR market outlook is strong for 2023**

U.S. Short-Term Rental Outlook

U.S. STR Historical Performance & Forecast (2019 - 2023)

	2019	2020	2021	2022 F	2023 F
Available Listings	1,178,959	1,042,849	1,059,541	1,227,051	1,302,104
Listings, % Change	10.6%	-11.6%	1.6%	-20.8%	6.6%
Demand, % Change	21.6%	-16.2%	21.3%	-20.3%	5.7%
Occupancy	53.5%	53.2%	60.7%	66.2%	57.4%
Average Daily Rate	\$ 213.32	\$ 232.79	\$ 200.07	\$ 277.83	\$ 268.81
ADR, % Change	1.4%	9.1%	12.1%	6.3%	3.4%
RevPAR	\$ 114.08	\$ 123.92	\$ 152.35	\$ 181.64	\$ 164.57
RevPAR, % Change	3.8%	8.6%	27.8%	2.1%	1.6%

"Despite high inflation and an elevated risk of recession, according to some analysts, demand for travel—**especially for short-term rental (STR) stays**—has grown substantially..."



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



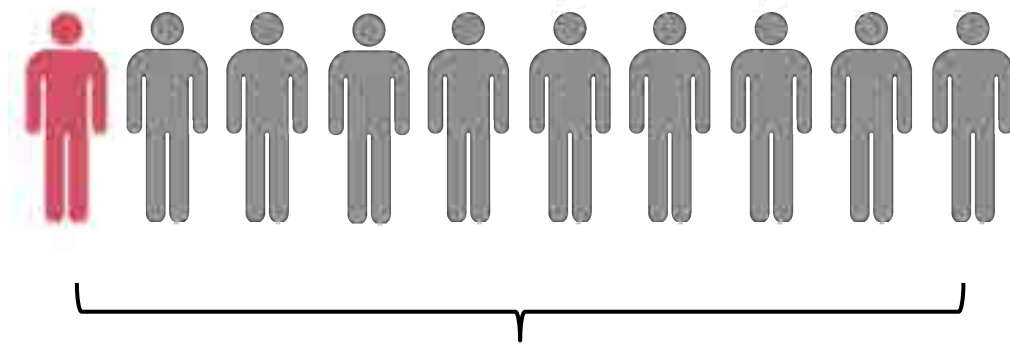
Untapped revenue potential in the thousands, or millions

- Truckee, CA collected 36% more taxes than budgeted for with Host Compliance
- Many communities use additional revenue for affordable housing, tourism activities, and more.



But, **without proper enforcement**, only a fraction of short-term rentals will register and comply with regulations

In general, less than 10% of STR owners voluntarily register and comply with regulations



A significant amount of potential revenue from registration fees and taxes is left on the table

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



It just **doesn't work**



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- 2 Short-Term Rental Market Overview
- 3 **Why This Matters for Local Government**
- 4 Identifying Revenue Collection Opportunities
- 5 Questions



Why This Matters for Local Government

Offsetting declines in revenue from **traditional lodging**



- COVID-19 led to an increase in lodging market share for STRs
- 200 short-term rentals are comparable to a small hotel
- Staying ahead of shifting revenue streams is critical
- Maintain an even playing for all participants in the lodging industry

Nashville's Successful Program

Goal: Increase compliance of short-term rentals, address backlog, and stop relying on complaints.



1 400

STRs per enforcement employee



\$2.8M

Increased tax collection in the first year



90%+

of Nashville's STRs hold permits with the City

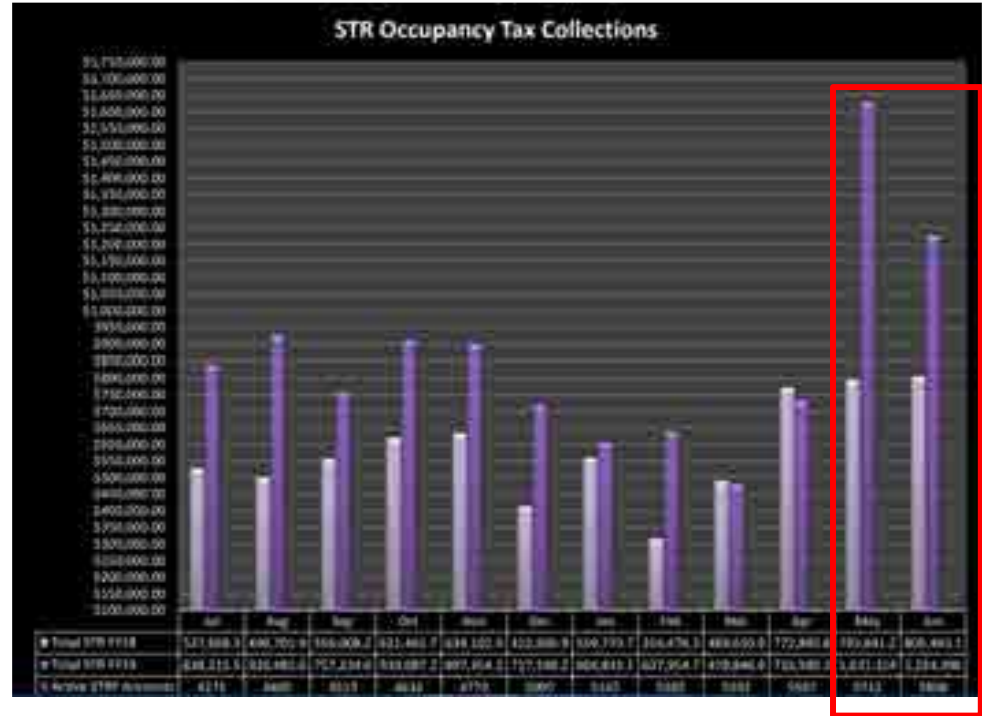
We achieve our mission by maximizing the tax revenue we collect. We're collecting it accurately. We're not over collecting it. We're not under collecting it. To collect those taxes, we're communicating effectively to STR owners about what their obligations are to the City. And we do it all through Host Compliance.”

- Zak Kelley, Special Project Manager for Nashville-Davidson



Metropolitan Government of **Nashville-Davidson County, TN** increased STR revenue by 106% from 2018-2019

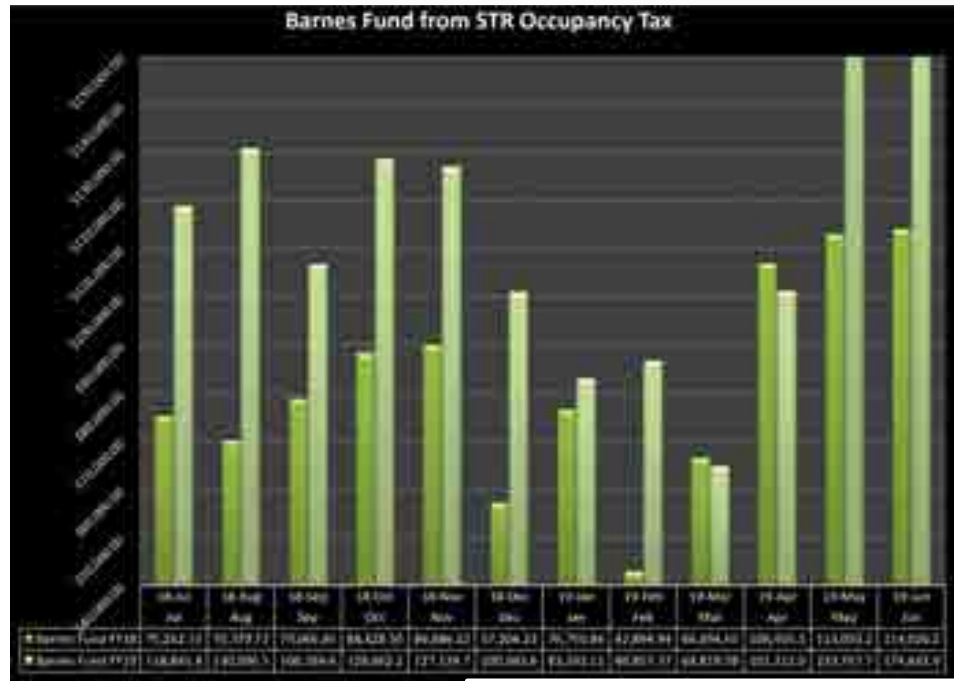
- Taxes include a 7% state sales tax, a local tax of 1.5% to 2.75%, and a 6% hotel occupancy tax
- Nashville saw an increase of 106% in STR Occupancy Tax Collection YoY for May 2019



Source: Metropolitan Government of Nashville-Davidson, Nashville Citizen Report FY2018

...and **re-invested the taxes from STRs in affordable housing**

- STR Occupancy Tax contributes to the Barnes Housing Trust Fund
- Focuses on affordable housing countywide
- Since 2013, the Barnes Fund has invested more than \$37 million in affordable housing development and rehabilitation



Source: Metropolitan Government of Nashville-Davidson

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Identifying Revenue Collection Opportunities

How to Map STR Tax Revenue Money Flow

Step 1: Identify the tax legislation and rates currently in place for short term rentals in your destination. **Don't forget sales & use taxes!**

- Local (City and/or County/Parish) and state
- Does the state administer the local lodging taxes?

Step 2: ID the chain of command

- Make sure you know who collects and remits what and to whom
- Check each platform for differing tax rates!

Step 3: Do the math

- Calculate total revenue that *should* be collected
- Know inventory & ADR, estimate occupancy
- Divvy up revenue based on legislation



Resources to Understand STR Tax Revenue Money Flow

State Tax Legislation

<https://law.justia.com/>

Local Tax Legislation

<https://library.municode.com/>

Airbnb Remittance

<https://www.airbnb.com/help/article/2509>

Vrbo Remittance

<https://help.vrbo.com/articles/What-Stay-Taxes-Lodging-Taxes-does-HomeAway-collect-and-remit>

Avalara MyLodgeTax

<https://www.avalara.com/mylodgetax/en/resources/state-lodging-tax-requirements.html?campaignid=7015a000001Sg4FAAS&ismr=Paid%20Digital&iso=Paid%20Digital>



Who collects what widely varies by geography

	State Taxes Levied	Collection	Remittance
Utah	4.7% Sales & Use; 0.32% Transient Room Tax	Airbnb and vrbo collect state and local taxes	Recipients include the Hospitality and Tourism Management Education Account, the Outdoor Recreation Infrastructure Account, and the General Fund
Georgia	4% Sales + \$5 per night hotel/motel fee	By law, all “market facilitators” must collect and remit all state and local taxes if revenue exceeds \$100,000	Revenue flows through Dept of Revenue to General Fund and Georgia Tourism
Mississippi	7% Sales & Use	Airbnb and vrbo collect if revenue exceeds \$250,000; local varies	3% of Sales & Use Revenue goes to MS Development Authority Tourism Advertising Fund
Oklahoma	4.5% Sales	Airbnb and vrbo collect state and local taxes administered by the state	Recipients include General Fund, Dept. of Education, Teachers’ Retirement System, OK Tourism Promotion, OK Tourism Capital Improvement, Ok Historical Society
Arkansas	2% Lodging (A&P); 6.5% Sales	Airbnb and vrbo collect state taxes for stays 30 days or less, county taxes and most cities; local varies	State remits Lodging tax to Dept. of Parks & Tourism; Sales tax to General Fund
Alabama	5% Lodging tax for 16 Mountain Lakes counties; 4% all others	Airbnb and vrbo collect state and local taxes administered by the state for stays 180 days or less	Recipients include the General Fund, State Tourism & Travel, North Alabama Mountain Lakes Tourism Association, and counties in North Alabama.



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
Chattel tax	\$154
Total	\$854

Book now

Booking summary

Room 1 nights	\$405.00
Room fee	\$100.00
Service fee	\$80.00
Tax	\$149.02
Total	\$734.02

Cancellation policy

100% refund if booked directly if you cancel by Aug 12, 2022. 50% refund if you cancel by Aug 15, 2022. 20% refund if you cancel by Aug 18, 2022. No refund if you cancel after Aug 18, 2022.

Booking details

Aug 26 - Aug 28 2 nights

\$289 x 2 nights	\$562
Cleaning fee	\$120
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

RESERVE BOOKING

\$240/night 4.78 (21,000) reviews

check-in 08-26-2022 check-out 08-28-2022
2 nights 1 guest

Reserve

You won't be charged yet.

\$240 x 2 nights	\$480
Cleaning fee	\$100
Service fee	\$82
Occupancy taxes and fees	\$25
Total	\$687

State of Alabama: Short Term Rental Revenue Estimates

2022

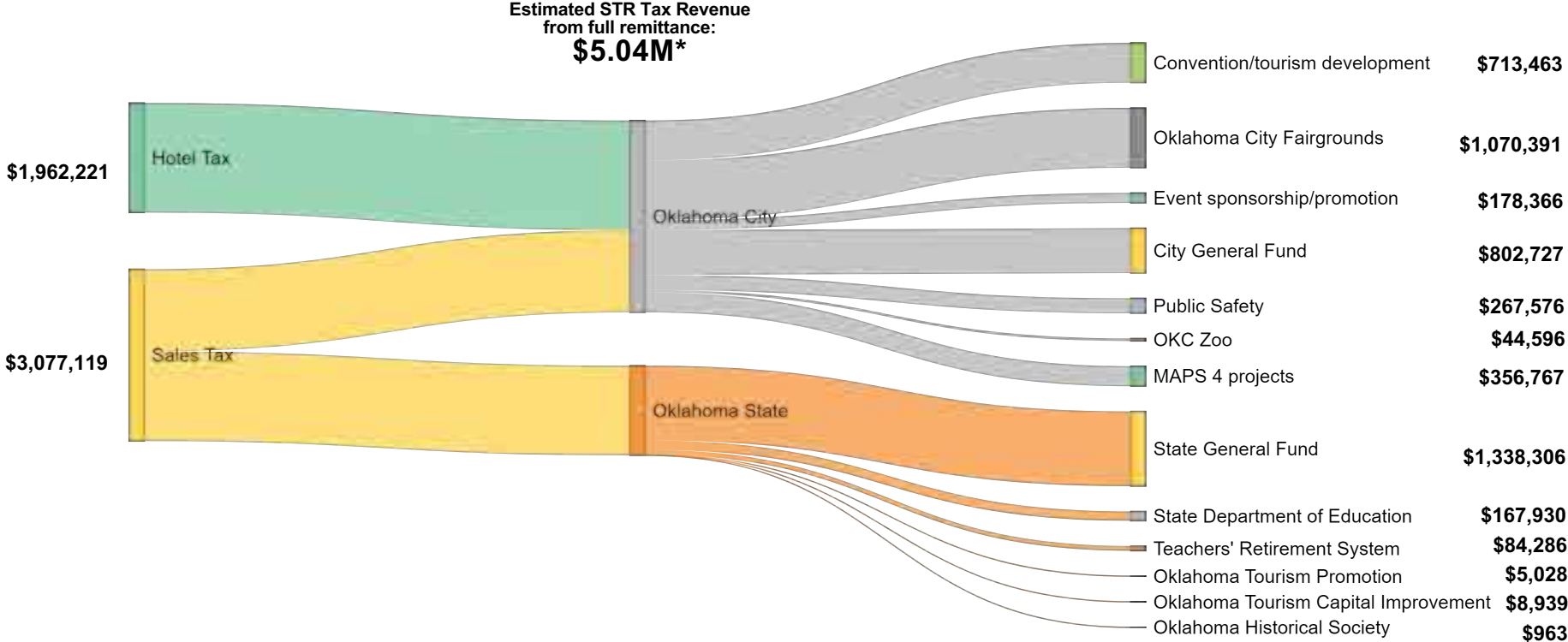


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Lodging Tax Flow

- 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”

Include Sales Tax Calculations to Show Influence Beyond Tourism



* Estimate of \$5.04M generated made by conservatively assuming 50% annual occupancy. AirDNA data suggests annual occupancy is closer to 60%. This would mean a total of **\$7.06M** in tax revenue generated.

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>

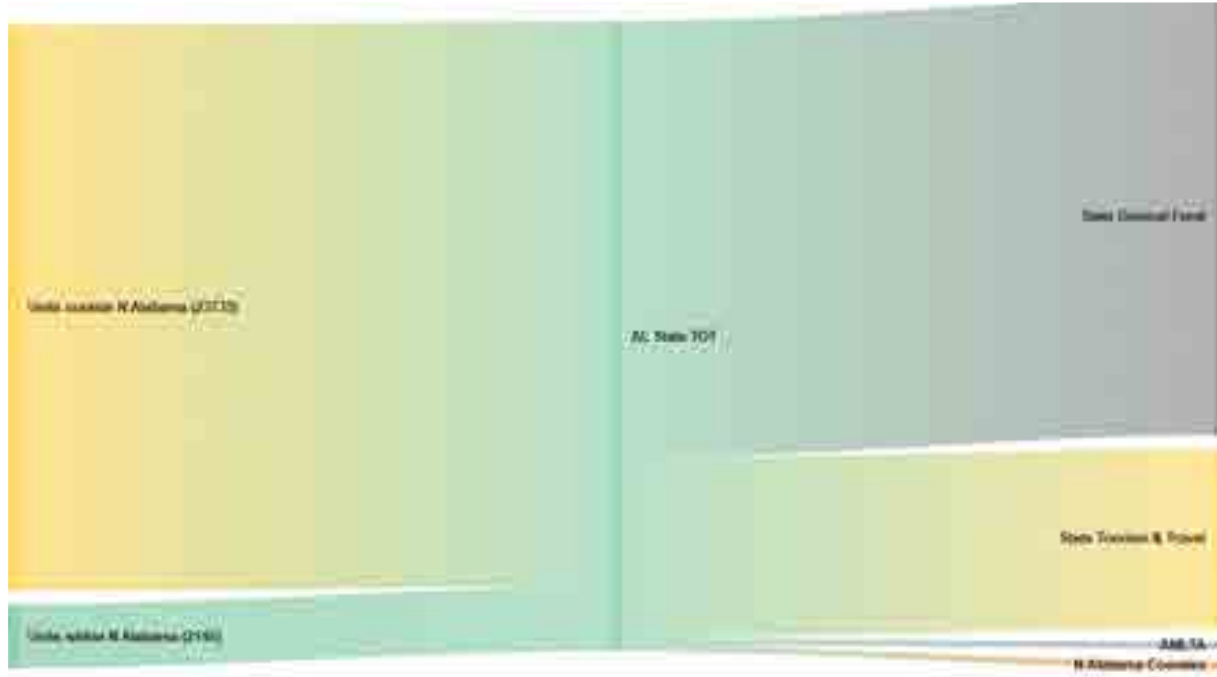
Follow the Money: STR Lodging Tax Generated

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)

\$2,663,186
(5% 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.

Alabama Short Term Rental Laws: Airbnb and Vacation Rental Regulations

Dennis Sheshkov | Published: September 20, 2022



In recent years Alabama has become one of the top US markets for investing in an Airbnb rental property. The beautiful gulf coast, the charming resorts, the white beaches, the warm water, the US Space and Rocket Center, and the historic landmarks from the American Civil Rights Movement attract millions of visitors each year, especially in the spring and summer months. Many of these visitors prefer the comfort and coziness of vacation rentals over traditional hotels, which has driven the boom of the short-term

Alabama town named best place to buy a beach house



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By: Tricia Goss

Posted at 6:45 AM, Oct 27, 2022 and last updated 4:49 AM, Oct 27, 2022

Whether you're in the market for a [vacation home to rent out](#) for added income, are looking to retire on the waterfront or are simply dreaming of living [on the beach](#), you might want to set your sights on Alabama.

Every year, the vacation rental management company [Vacasa](#) publishes reports on the best places to buy a vacation home. Vacasa ranks locations based on the yearly rate of return on investment, or [cap rate](#).

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- ✓ 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





Thank you!