

Prepared for June 12<sup>th</sup> RVA City Council Meeting by Thomas Courtney

The passage of Financial ORD 2023-151 in May to tax STRs starting July 1<sup>st</sup> – along with obtaining a business license for reporting purposes has created urgency for...

**Resolution of Intent to Revise ORD 2019-343** [CPCR.2021.168 (2022.003)] to be processed ASAP – reflecting the “legal” operations which will be generating lodging tax revenue.

Because of the overlapping nature of ordinances – and complexity in implementation,

*I am requesting that City Council introduce a Motion to place agenda items on...*

#### **Department of Finance – June 16<sup>th</sup> Meeting**

ORD 2023-151 Clarifications to STR Operators

- How will 1000+ operations become compliant by August 20<sup>th</sup>?
- Which lodging brokers will be remitting tax on behalf of operators?
- Ref. John Wack Statement 6/22/2020

“If there is a primary residence requirement, I don’t know that we should ever initiate legislation [to tax]... Whether operating legally or illegally, we would probably incur a lot of expenses for example with City Attorney to work with to shut down operations that are violating the ordinance... Want to see how compliance turns out.”

#### **Planning Commission – June 20<sup>th</sup> Meeting**

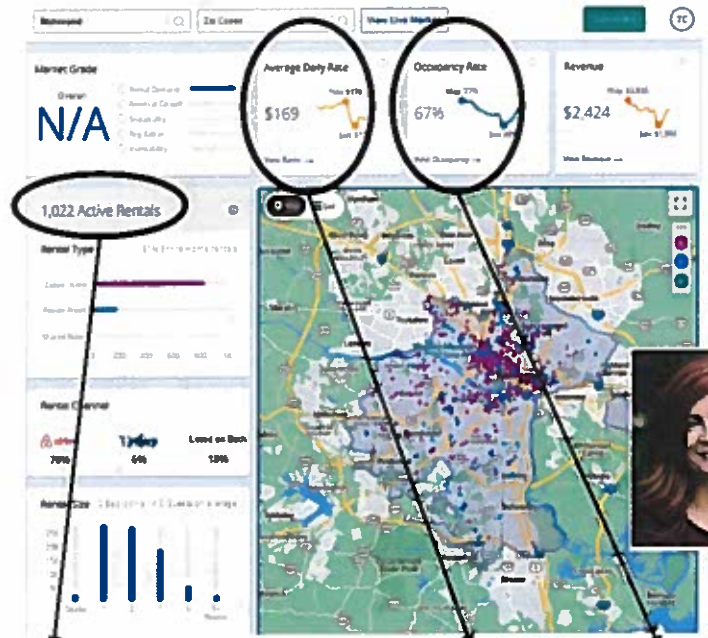
ORD 2019-343 and CPCR.2021.168 (2022.003) Clarifications to STR Operators

- How will we reach the 1000+ legal operations with STR Permit as a prerequisite to business license?
- 30 Approved in 3 Years along with 83% Denial Rate
- One applicant has been waiting for 2 years for an inspection and approval of her operation.
- Ref. Mark Olinger Statement 6/22/2020

“Intent of this ordinance was ... to create ... a realistic bar of coming into the legal fold of a short term operator – understanding there are limits...”

## Summary of [Council Discussion 6/22/2020](#) ← Link to Video / Transcript Below

- **Presentation of ORD 2019-343 for Discussion / Comment / Vote**
  - Discussed from 1:34:38 to 2:38:00 *OR* a total of **64 Minutes of Discussion**. In contrast, Ordinance 2023-151 passed 5/22/23 with a group of other ordinances - only Published 5/8/23.
- **Mark Olinger**
  - 1:52 – “Ordinance allows us to begin the process to figure out where we need to be as a city... We need to get something on the books...”
  - 1:54 – “Gives us a year to figure out the lay of the land... and come back to determine what changes need to occur.”
  - 1:55 – “I do not know how many owner occupancy primary residences are out there.”
- **Stephanie Lynch**
  - 1:56 – “Help us get to a place where we are generating revenue.”
  - 1:57 – “A majority of our STR owners are City of Richmond residents.”
- **Mark Olinger**
  - 2:01 – “Intent of this ordinance was ... to create ... a realistic bar of coming into the legal fold of a short term operator – understanding there are limits...”
  - 2:03 – “Finance has said they will come back in a year and determine how many are legal.”
- **John Wack**
  - 2:05 – “There is no proposal to change taxation at this time... The city administration’s position is that we do not want to add a tax to an *illegal activity* – and spend more efforts on enforcement than collecting revenue.”
- **Stephanie Lynch**
  - 2:06 – “We are making a decision on whether or not we will be an STR city... I think we can get to yes.”
  - 2:07 – 2:09 *“ON RECORD”* – “Come next year, we are going to try and wind this back – seeing the revenue that other cities have [from putting] these measures forward are collecting... I don’t know when we started making policy - deemed an entire industry legal or illegal... Might as well get rid of Uber, Instacart, Grub Hub...”
- **John Wack**
  - 2:10 – “Intentional 1-year delay to determine how much activity was going to be deemed illegal... If there is a primary residence requirement, I don’t know that we should ever initiate legislation [to tax]... Whether operating legally or illegally, we would probably incur a lot of expenses for example with City Attorney to work with to shut down operations that are violating the ordinance... Want to see how compliance turns out.”
- **Chris Hilbert**
  - 2:12 – “I was supportive of this to get people on the ‘up and up’... and to get something to the floor so we can collect these taxes.”
- **Cynthia Newbille**
  - 2:27 – “The fact that we have this many questions might suggest that we take opportunity to dig into – one more time – to get to the concerns that I am hearing consistently.”
- **Kevin Vonck** - [CPCR.2021.168 \(2022.003\)](#) Passed 1/18/2022 – Resolution plans shared but no formal revisions to Ordinance 2019-343 Ongoing for 15 Months...
- **Levar Stoney** - [ORD. 2023-151](#) Passed 5/22/2023 – Taxation and remittance will begin July 1 – forecasting \$3,250,000/yr revenue from **1000+ ILLEGAL OPERATIONS**.



Prepared by Thomas Courtney  
8 June 2023  
Data Provided by AirDNA

**City Council  
June 22<sup>nd</sup> 2020:**  
*ON RECORD* – “Come next year, we are going to try and wind this back – seeing the revenue that other cities have [from putting] these measures forward are collecting... I don’t know when we started making policy - deemed an entire industry legal or illegal... Might as well get rid of Uber, Instacart, Grub Hub...”



**1000 rentals** x 365 nights a year x \$165 a night x 67% =  
\$40,550,750 STR Revenue x 8% Tax = **\$3,228,060**  
This forecast matches the finance department’s  
forecast presented in ORD 2023-151 for STRs – Great!  
ORD 2019-343 has yielded **30** Registered STR Operators  
and an **83%** denial rate for applicants since 2020 – 10 per year?

General Fund Revenues Summary by Category	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Proposed
Other Local Taxes				
Short-Term Rental Tax	95,085	99,631	100,032	109,867
Transient Lodging Taxes	5,082,521	8,130,205	6,809,609	8,266,145

Revenues above should be after GRCCA rebates if contributions are above financial obligations.

The City’s tax payment was not sufficient to meet its allocated share for fiscal year 2021. In accordance with the Interlocal Agreement, the City is required to pay the cumulative “due to” balance in excess of \$1.5 million. At June 30, 2021, the City’s cumulative liability is \$3,448,079, including the \$1.5 million, and the City is required to pay \$1,948,079 to the Authority by December 1, 2021.

For the year ended June 30, 2021, the amount of transient occupancy tax revenue, the rebate and the excess tax owed at year-end are noted as follows:

	Occupancy Tax	Rebate	Excess Tax Rebate	Total Rebate
City of Richmond	\$ 3,821,590	\$ -	\$ -	\$ -
Henrico County	8,943,748	2,235,937	920,232	3,156,169
Chesterfield County	4,583,087	1,145,772	879,399	2,025,171
Hanover County	799,767	199,941	175,652	375,593
<b>Total</b>	<b>\$18,148,192</b>	<b>\$3,581,650</b>	<b>\$1,975,283</b>	<b>\$5,556,933</b>

The City’s tax payment exceeded its allocated share for fiscal year 2022 by \$1,518,792. In accordance with the Interlocal Agreement, the excess amount was reduced by prior year’s cumulative liability of \$1.5 million resulting in an excess tax rebate amount for the City of \$18,792.

For the year ended June 30, 2022, the amount of transient occupancy tax revenue, the rebate and the excess tax owed at year-end are noted as follows:

	Occupancy Tax	Rebate	Excess Tax Rebate	Total Rebate
City of Richmond	\$ 7,909,096	\$ -	\$ 18,792	\$ 18,792
Henrico County	14,861,203	3,715,301	7,371,500	11,086,801
Chesterfield County	6,642,030	1,660,507	3,987,846	5,648,353
Hanover County	1,405,542	351,386	931,931	1,283,317
<b>Total</b>	<b>\$30,817,871</b>	<b>\$5,727,194</b>	<b>\$12,310,069</b>	<b>\$18,037,263</b>

From a financial analysis perspective – something is not matching...  
 1) The 2021 and 2022 RVA revenue from STRs should not exist.  
 2) The 2021 and 2022 RVA revenues do not match GRCCA Rebates.  
 3) The Occupancy Tax Forecast from Finance does not match an equivalent participation in the STR Permit Program which was presented for ensuring community safety by ORD 2019-343.

The STR Lodging activity must be embraced or permitted by right upon remittance of lodging tax [inc. lodging broker] under certain T’s and C’s.

**GREATER RICHMOND CONVENTION CENTER AUTHORITY**  
**Hotel Room Information**  
**Last Ten Calendar Years**

Table IV

The following tables show the average occupancy rates and the average daily room rates for the current inventory of hotels, motels and other facilities offering guest rooms rented out for continuous occupancy for fewer than thirty days.

Calendar Year	City of Richmond		Henrico County		Chesterfield County		Hanover County	
	Occupancy	% Change	Occupancy	% Change	Occupancy	% Change	Occupancy	% Change
2021	53.2%	-47.0%	63.5%	34.5%	68.8%	29.1%	59.9%	-55.2%
2020	36.2%	-45.9%	47.2%	-31.5%	53.3%	-22.3%	38.6%	-26.3%
2019	66.9%	5.2%	68.9%	0.9%	68.6%	3.9%	52.4%	-14.0%
2018	63.6%	2.4%	68.3%	0.6%	66.0%	3.1%	60.9%	-0.2%
2017	62.1%	-2.4%	67.9%	1.0%	64.0%	-1.5%	61.0%	29.0%
2016	63.6%	0.6%	67.2%	1.8%	65.0%	2.2%	47.3%	-0.2%
2015	63.2%	-3.7%	66.0%	13.8%	63.6%	3.1%	47.4%	
2014	65.6%	8.4%	58.0%	7.2%	61.7%	6.7%		
2013	60.5%	1.3%	54.1%	-4.8%	57.4%	-8.1%		
2012	59.7%	1.2%	51.6%	3.2%	62.9%	11.1%		

\* Information is not available for Hanover County.

Calendar Year	City of Richmond		Henrico County		Chesterfield County		Hanover County	
	ADR	% Change	ADR	% Change	ADR	% Change	ADR	% Change
2021	\$130.73	15.1%	\$87.94	13.3%	\$85.96	15.7%	\$103.60	27.2%
2020	113.62	-17.0%	77.64	-19.0%	74.27	-11.9%	81.44	-15.2%
2019	134.91	1.6%	95.83	-2.5%	84.32	-1.6%	96.07	1.3%
2018	134.69	2.2%	98.25	3.2%	85.69	2.4%	94.85	0.3%
2017	131.84	5.9%	95.17	1.4%	83.66	1.0%	94.52	7.9%
2016	124.52	3.2%	93.90	2.8%	81.21	4.2%	87.56	-1.3%
2015	120.69	24.6%	91.32	10.7%	77.94	7.1%	88.72	
2014	96.85	4.6%	82.49	3.2%	72.79	3.6%		
2013	92.60	1.7%	79.96	4.0%	70.26	1.1%		
2012	91.08	2.6%	76.87	3.0%	69.50	2.5%		

\* Information is not available for Hanover County.

Calendar Year	Inventory	Calendar Year	Inventory
2021	17,302	2016	16,500
2020	17,172	2015	16,646
2019	17,027	2014	16,568
2018	17,131	2013	16,751
2017	16,566	2012	16,686

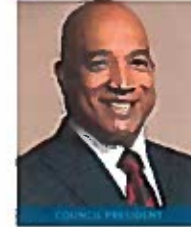
Source: Richmond Region Tourism

**TBD rentals** x 365 nights a year x \$131 a night x 53.2% =  
**\$98,863,700 Hotel Revenue** x 8% Tax = **\$7,909,096** (previous page)

This indicates there are **3,886** Lodging Options from Hotels in RVA – 4x That of STRs  
 Or a contribution of \$2,035 per lodging room annually via lodging tax.

In contrast – STRs offer higher contribution per lodging – estimated at \$3,250 ea. annually.

**CBS News 8 in Richmond, VA  
 on May 24, 2023:**



City Council member Mike Jones says the ordinance is a natural progression given the rise in popularity of short-term rental options like Airbnb and VRBO.

"If you're going to act like a hotel, then you are going to be treated like a hotel," Jones said.

Short Term Rentals are a legally recognized activity which is **NOT** a hotel operation, and this is reinforced by VA House Bill 518 and recent revisions described in ORD 2023-151. Reflecting 30% of Lodging Revenue.

The STR requirements established by ORD 2019-343 – intended to be revised soon via CPR.2021.168 (2022.003) need to reflect a general acceptance of well-established, prominent, and safe activities that have existed, will continue to exist, and will need to be compliant – rather than discouraged from operating.

**Recommendations to be shared in upcoming Planning Department Meetings.**