

SHORT TERM RENTALS (SHARING ECONOMY)

Budget, Finance & Economic Development Committee

February 28, 2017



LEXINGTON



Agenda

- Division of Revenue role and steps to address Airbnb compliance
- VisitLEX update on their efforts
- Next steps



Division of Revenue role

- Short Term Rental has become prominent over the past several years
- Several new internet sites have allowed lodging opportunities in the Lexington market to grow at a rapid pace
- A short term rental of a residential dwelling is for a period of less than (30) consecutive days
 - Responsible for obtaining a Certificate of Occupancy, an Occupational License before commencement of such business and pay \$100 fee
- After establishing a business license, entity must collect transient room tax



Division of Revenue compliance

- Research multiple short term rental sites such as Airbnb, FlipKey and VRBO
- Review properties listed to attempt to identify a location of property
- Look at neighborhood map to identify a location
- If property owner is identified, send out a letter to bring an owner/lessor in compliance



Division of Revenue Results

- 191 letters have been mailed to prospective short term rental lessors identified
 - Of the 191 letter sent, 56 are licensed but report they do not rent short term
 - 2 have inactivated their accounts
 - 116 have failed to respond after two letters
- 17 short term leasing business entities remitting payment regarding the transient room tax
- Difficult finding properties due to no address published – a lot of time is spent going through properties on maps and researching addresses on the PVA site to identify an owner of a property

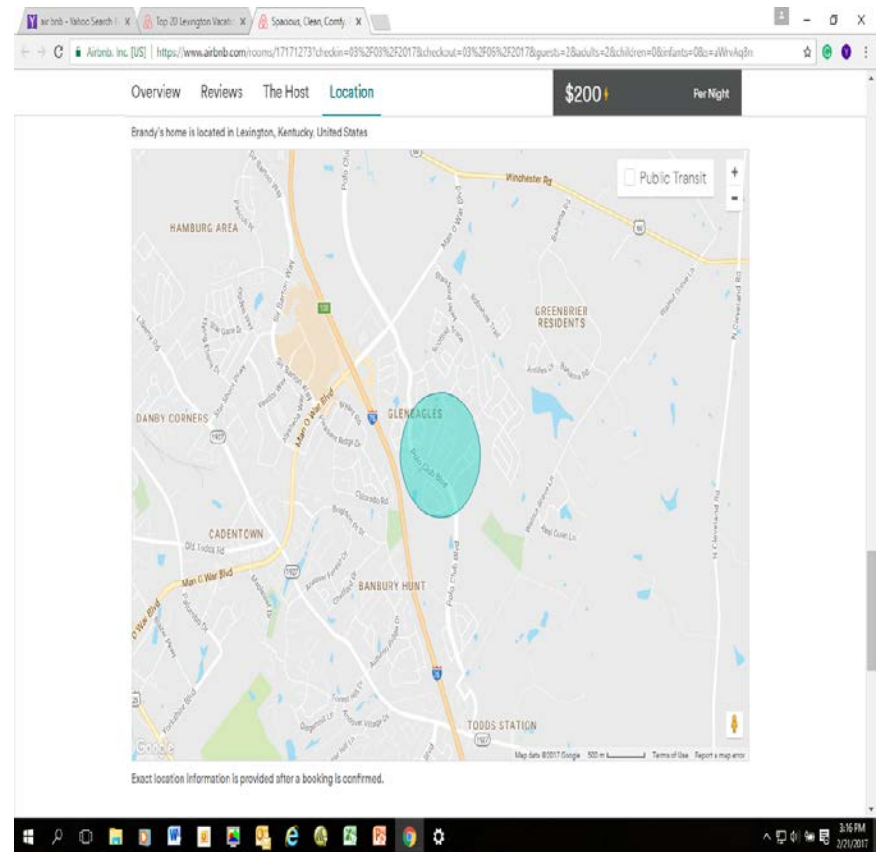


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Typical picture of a property

Map of an “area” of rentals on website





VisitLEX and the Sharing Economy Timeline

■ Winter 2015

- VisitLEX began preliminary research on the number of alternative accommodations in Fayette County. In addition, VisitLEX reached out to Bill O'Mara, LFUCG Finance Commissioner, to discuss how to handle the sharing economy in Lexington.
- *Note: In February 2015, there were 67 listings on Airbnb and HomeAway. In February 2017, there are 375+ listings on Airbnb and HomeAway (combined).*

■ Spring 2015

- VisitLEX worked to identify as many properties as possible, primarily through PVA research. Each property identified received a letter from LFUCG, as well educational literature, to encourage compliance.

■ Fall 2015

- Lexington serves as host to the 2015 Breeders' Cup, and the number of alternative accommodations skyrockets!



VisitLEX and the Sharing Economy Timeline

■ Winter 2016

- VisitLEX, representatives from Councilmember Bledsoe's office and staff from LFUCG finance department meet to discuss the sharing economy and its impact in Lexington.

■ Spring 2016

- VisitLEX co-hosts a seminar with Smiley Pete Publishing on the sharing economy. More than 60 people attending. The seminar included information on starting a small business, accounting and insurance considerations and tax compliance information. In addition, two active Airbnb hosts spoke to the participants about what they've learned along the way.
- Immediately following the seminar, LFUCG Division of Revenue received eight phone calls, and two properties began compliant.

■ Summer/Fall 2016

- VisitLEX leadership reached out to Airbnb corporate offices to engage in a discussion about automatic collections of taxes from Lexington hosts. After several positive exchanges, including an invite from VisitLEX to bring someone from corporate into town to talk with leadership about the issue, communication abruptly ceases. Despite numerous emails and calls from VisitLEX, there was no response from Airbnb.



Local Transient Room Tax Imposition

KRS 91A.390—Special transient room tax

1 (b) The local governing body or bodies shall include the commission in the annual budget and shall provide funds for the operations of the commission by imposing a transient room tax on the rent for every occupancy of a suite, room, or rooms, charged by all personals, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses.



Other Areas for Consideration in the Sharing Economy

- **Zoning Regulations**
- **Building Code**
- **Fire Code**
- **Food Safety**
- **Business Licenses**
- **Restrictive Covenants**
- **Insurance**
- **Other Taxes and Fees**



The Sharing Economy in Lexington February 2017

- There are more than 375 listings on Airbnb and HomeAway (combined) in Lexington. Out of those listed, only 17 are compliant and remitting transient room tax.
- Since 2015, those remitting transient room tax have paid a total of \$35,352.49, which represents \$589,208.16 in room revenue.



VisitLEX and the Kentucky Travel Industry Association (KTIA)

- Over the last two years, VisitLEX has worked closely with KTIA on a level planning field for all short-term lodging properties.
- In a similar fashion, KTIA reached out to Airbnb corporate offices to engage in a discussion about automatic collections of taxes from hosts throughout the state of Kentucky.
- In the fall of 2016, KTIA and the Kentucky Department of Travel met with representatives from the Kentucky Department of Revenue and Kentucky Department for Health & Family Services to discuss a statewide solution to the short-term accommodations issue.



KTIA statement on alternative accommodations for 2017 Legislative Session:

- We support and endorse an equal and level playing field among *all* forms of short-term lodging and accommodations in Kentucky. The “shared economy” presents new challenges and opportunities, and we support the enforcement of policies that ensure customer safety, enhance the visitor’s experience, and apply revenue collection efforts uniformly, without stifling innovation and entrepreneurship



Next Steps

- Create a *“Do you want to open a Short Term rental?”*
 - Create a user friendly document that will be posted on LFUCG’s Division of Revenue’s website as well as VisitLEX
- Hold additional info sessions hosted by VisitLEX with the impacted LFUCG Divisions
- Move forward with requesting Airbnb, VRBO, etc. headquarters to comply with current ordinances by collecting transient room tax at time of rental
- Update Council on negotiation efforts with short term rental companies

Questions?



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