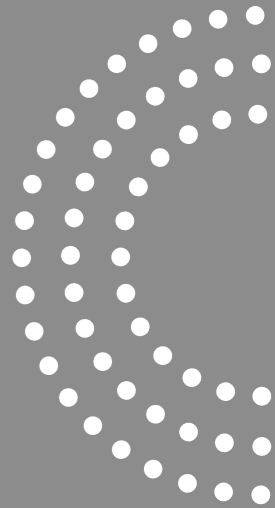


Short Term Rental Participation in Sustainable Tourism Funding

John Lambeth, President & CEO



Importance of Travel & Tourism



Economic

- \$2.5T Economy, \$170B in Tax Revenue Generated
- “Front Door” of Economic Development
- Without this impact, each U.S. household would pay \$1,400 more in taxes every year.



Experiential

- Breaking Down Barriers
- Greater Understanding of Others
- Happier Families



Employment

- Putting 1 in 10 to work
- Historically Grows Jobs Faster than Almost All Other Industries



Environmental

- Preserves Cultural & Natural Resources of Destinations
- Brings Economic Benefits to Host Communities



US Travel Domestic Travel Forecast

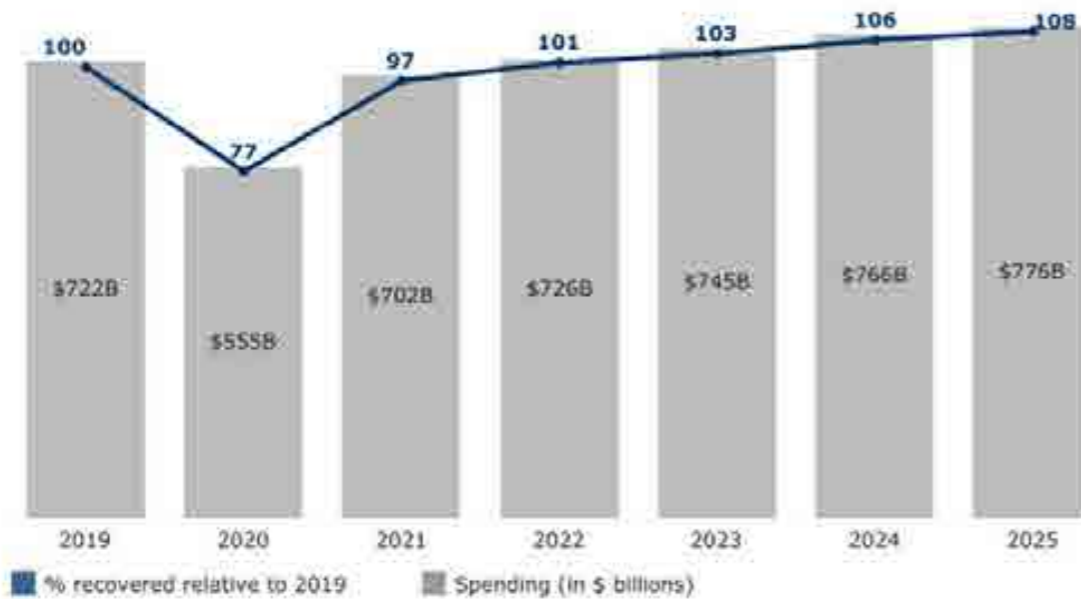
U.S. Domestic Travel Forecast

Released November 2021 (updated bi-annually)

U.S. TRAVEL
ASSOCIATION

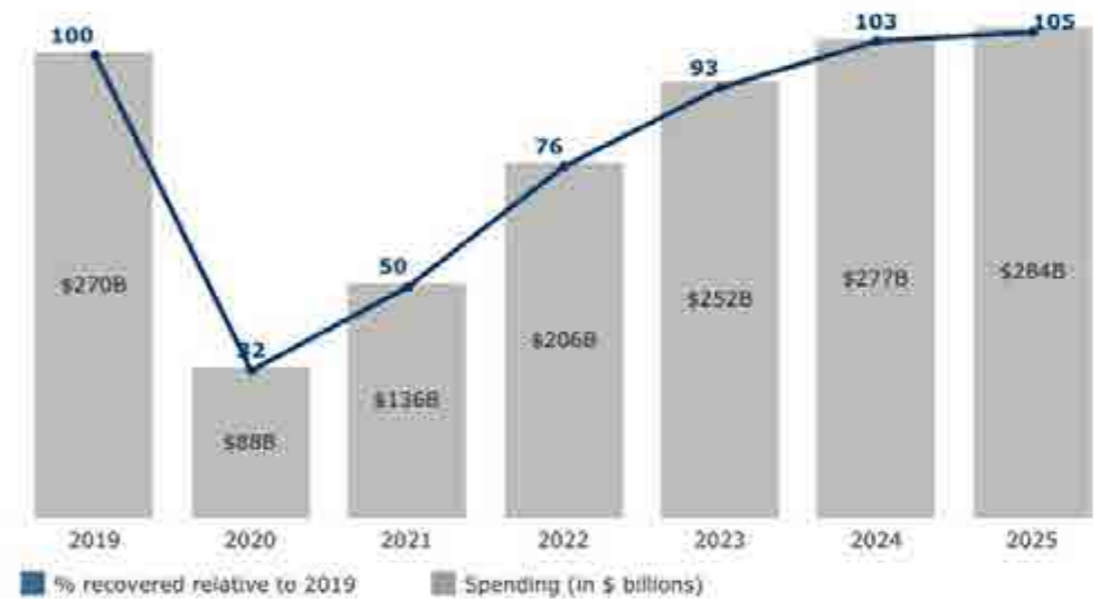
Domestic Leisure Travel Spending

Forecasted recovery, relative to 2019 (index, 2019=100)



Domestic Business Travel Spending

Forecasted recovery, relative to 2019 (index, 2019=100)



Source: Tourism Economics (f..

SYMPHONY TOURISM ECONOMICS

The Struggle to Secure Stable & Sufficient Funding

1 Intense Competition for Scarce Public Funding

- Bed Tax, Sales Tax, Government Grants
- Strong Competitors – Police, Fire, Parks – RFP
- Claims that Marketing is Not Needed or Doesn't Work

2 Intense Competition for Private Funding

- Membership
- Partnerships

3 Philosophical Opposition to Funding Economic Development (including tourism promotion)



Tourism Funding



- Membership/Partnerships
- Grants
- Event revenue
- Contract services
- Licensing, Naming Rights



- Untethered allocations
- Tethered tax allocations
- Property Tax Increment Financing
- Grants (e.g., EDA)
- Sales tax increment financing
- **Assessments (TID, Infrastructure)**



Evolution of Dedicated Funding Based on Benefit

1930s



Agricultural Marketing Orders

Ag industry discovered the concept to pay for marketing dairy, fruits, vegetables, etc. Current e.g., avocados

1960s



Downtown Property BIDs

Business Improvement District assessments based on property in a specific area used for marketing that area

1990s



Hotel-Based Districts

Lodging industry discovered the concept - marketing efforts to increase "heads in beds"

2010s



Tourism District Growth (TIDs)

Tourism industry growth: TIDs, Restaurant Improvement Districts, Wine Marketing Districts, & focused activity districts (sports, meeting space, bid fees)



Tourism Improvement Districts



Tourism businesses
pay an assessment

Collected by the
government

And managed
by DMO

- Level playing field—no free riders
- Transparency
- Reliability
- Pass-through to customers more compelling

193 TIDs

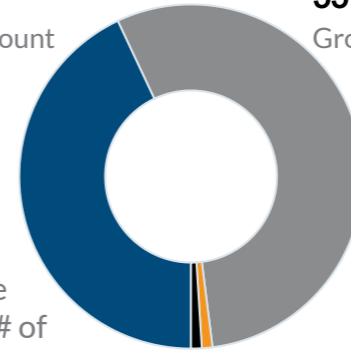
Most Recent:
Albuquerque, NM
(March 2022)

43%

Fixed \$ Amount

55%

Gross Revenue %



1%

Fixed-rate based on # of hotel rooms

1%

Fixed-rate per occupied room per night that varies by ADR

AMOUNT RAISED

Low	\$10,000
High	\$41,000,000
Total	\$462,722,513

19 STATES

States on the Move

- ✓ Mass (Jan '21)
 - ✓ Virginia (Mar '21)
 - ✓ Louisiana (Jun '21)
 - ✓ Utah (Mar '22)
- Rhode Island
 - Pennsylvania
 - Illinois
 - Minnesota
 - New York
 - Ohio
 - Michigan
 - Arizona
 - Indiana
 - Iowa



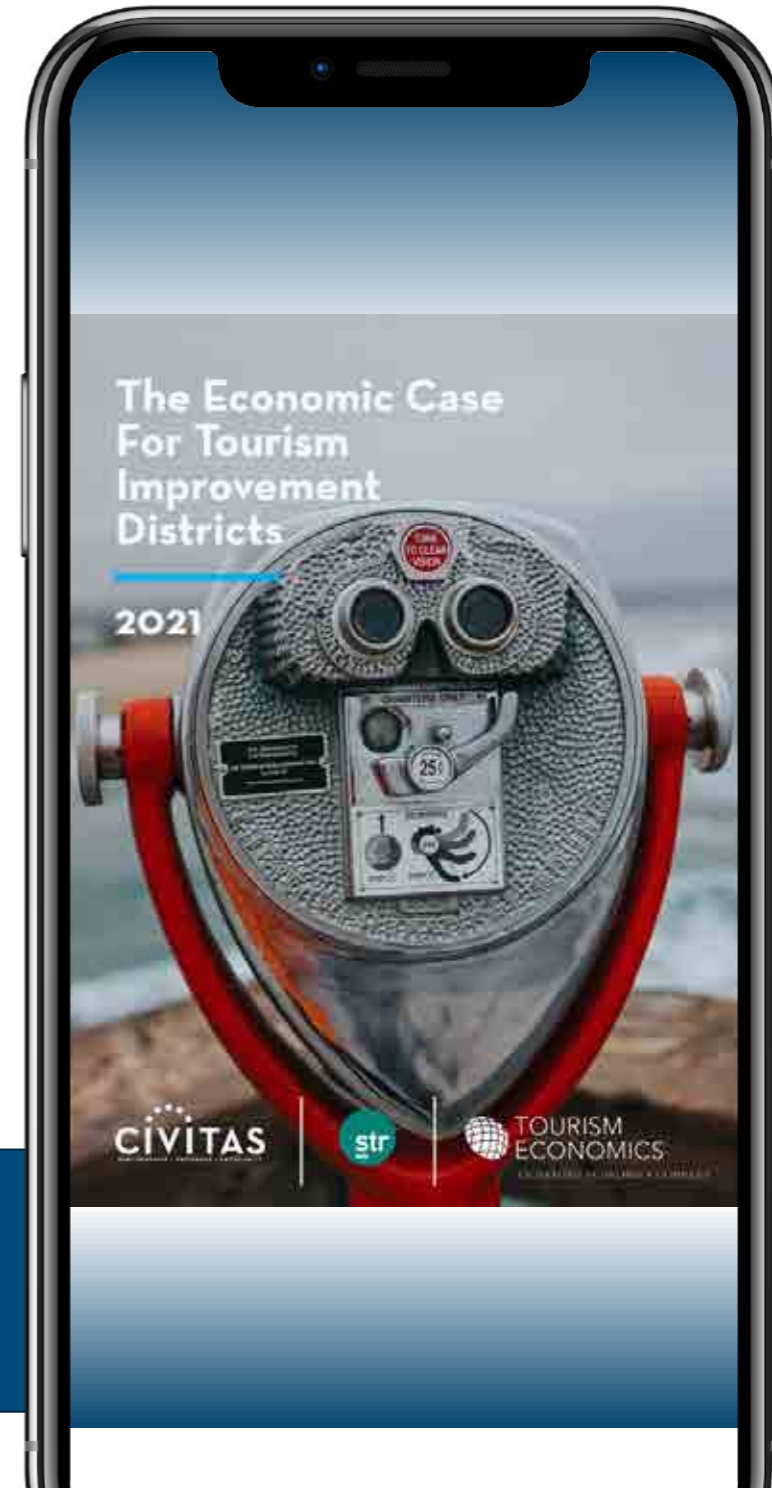
Economic Case for TIDs

Earlier this year, Tourism Economics, with the help of STR & Civitas, conducted an innovative study to demonstrate the impact of the TID on destinations. Tourism Economics selected 100 US cities - 29 cities with TIDs and 71 cities without a TID - and analyzed their data over the span of 30 years (1990-2019).

The report selected measures such as lodging performance & local economic characteristics, and examined the TID impacts on room demand, revenue, and visitor spending.



Scan to read
the White Paper!



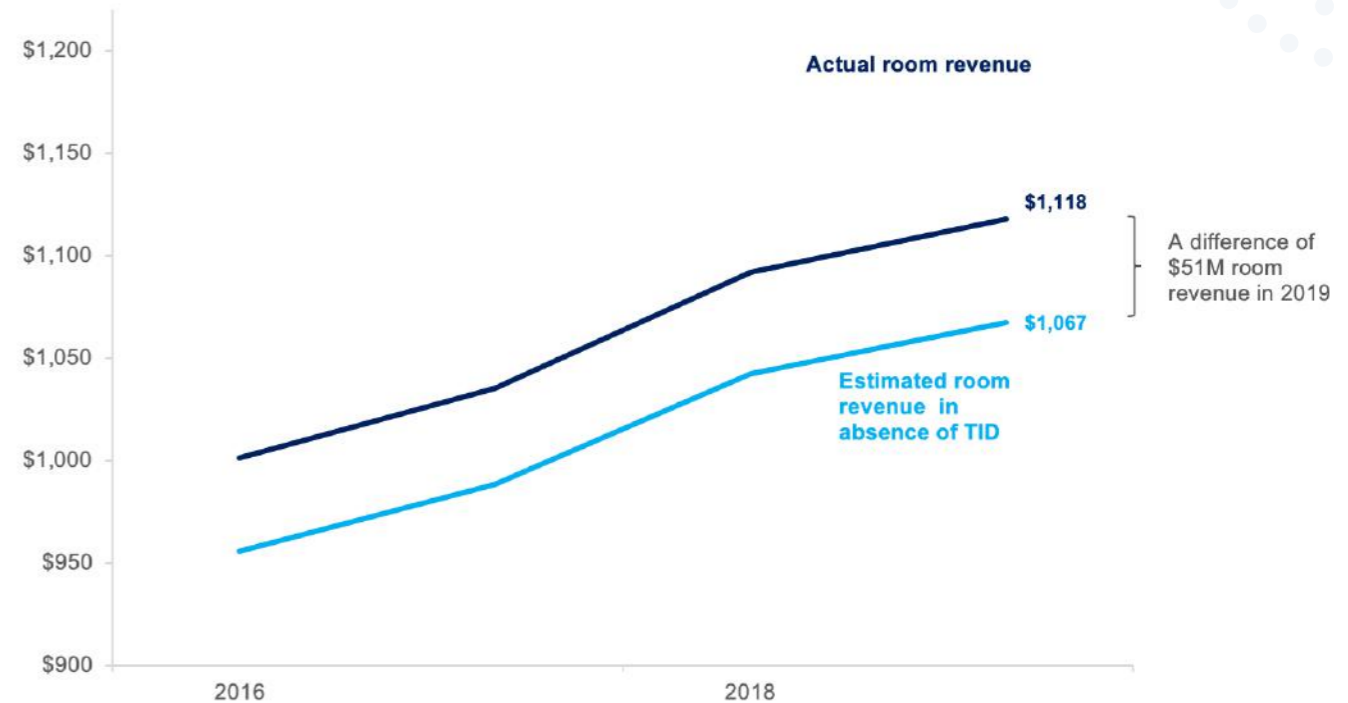
TIDs Lift Room Demand & Revenue

Destinations with TIDs outperform others.

- ▶ On average, TIDs produce a **2.1% lift in hotel room demand.**
- ▶ On average, TIDs produce a **4.5% lift in hotel room revenue.**
- ▶ TIDs drive **economic impact.**

Session: The Economic Case for Tourism Improvement Districts to Drive the Recovery, presented by STR
Speaker: Adam Sacks, Tourism Economics

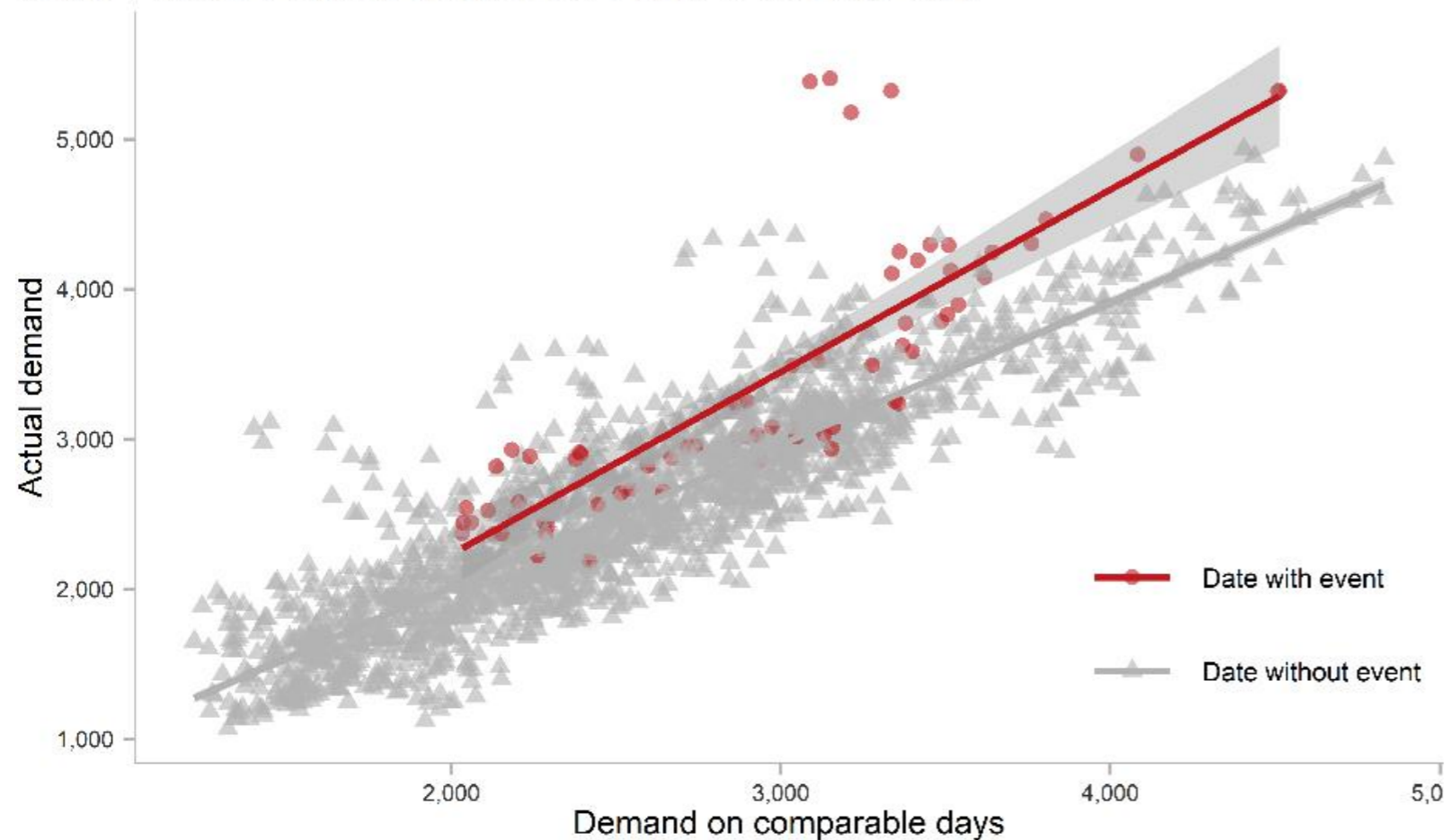
Average annual hotel room revenue
TID cities (millions)



Benefits to Short Term Rentals

19% increase in STR room nights booked in San Francisco during major events

Short-term rental demand: Entire place, City



San Francisco Travel generated 32,000 additional short-term rental room nights during 69 event days analyzed.

Note: Demand measured as room nights.
Source: AirDNA; Tourism Economics

2021/2022 DMO Funding Survey

by: Civitas and the Travel Analytics Group (TAG)

Comprehensive Study about DMO Priorities & Management

- Respondents from 25 different states and territories
- DMOs varying of varying size
 - Populations from 50,000 to 10 million
 - Budgets from \$100,000 to \$50 million
- Question topics included
 - Priorities, KPIs, short term rentals, political support, uses of funds, challenges, and objectives

Results to be released next week!



2021 DMO Funding Survey



6 in 10 Have Legally Operating & Taxed STRs

- 63% of DMO areas have legally operating and taxed Short Terms Rentals (STRs).
- Another 24% have operating STRs that are not taxed.



What is the status of short-term rentals in your destination?

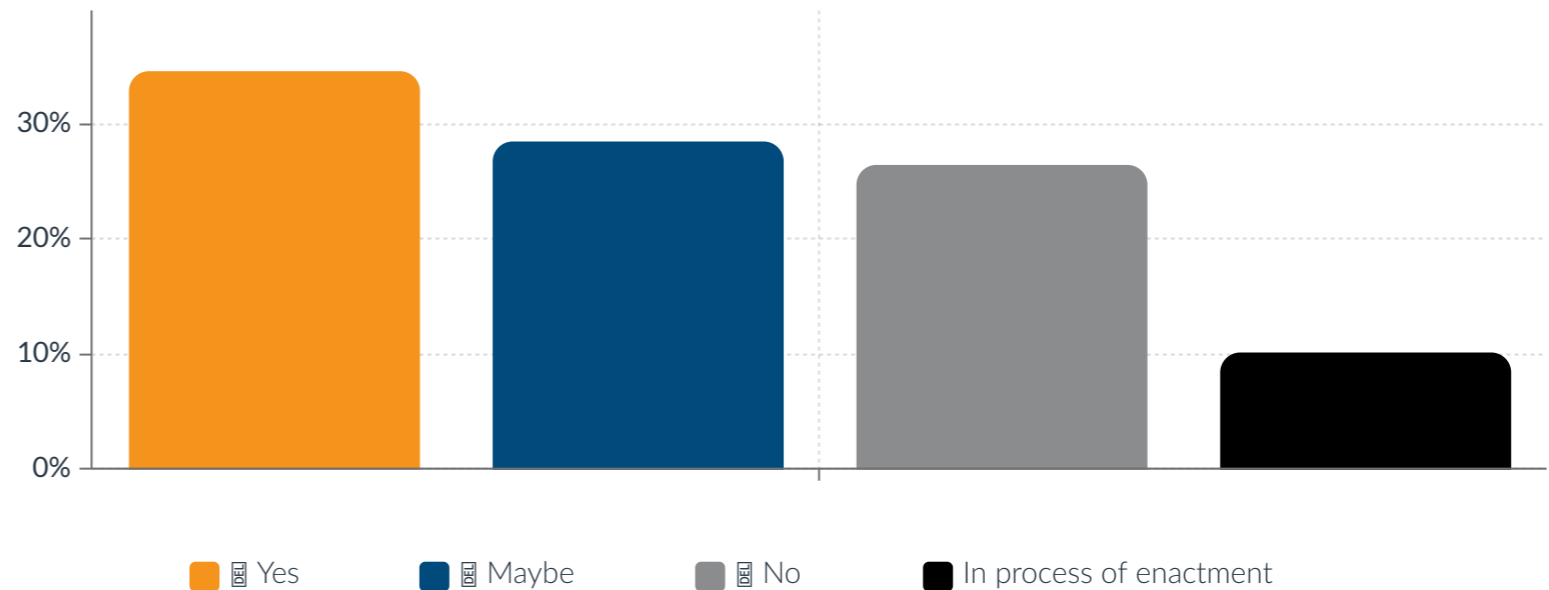


2021 DMO Funding Survey

Almost Half Taxing STRs in Next Two Years

- 10% are in Process of Enacting Taxation
- 34% of the DMOs where STRs are untaxed expect legislation to be enacted to tax them in the next two years.

Do you anticipate the local government will enact a mechanism to collect bed tax from short term rentals within the next two years?





DMO & Government View on STRs

1. Prohibit
2. Agnostic
3. Welcome



Funding Futures



The Impact & Future of Tourism & DMO Funding in Response to COVID-19

<https://civitasadvisors.com/funding-futures-crisis-response-recovery-research/>



“This is a growing part of the tourism industry and lodging tax should be applied and collected from short term rentals just like hotels.”

“This is a must. Should not even be a question, as they share in the benefits of the marketplace.”

“Yes, this is an ongoing challenge and definitely a viable option.”



The image is a screenshot of a CBC News website article. At the top, the CBC logo is on the left, followed by a 'MENU' dropdown. On the right, there is a search bar and a 'Sign In' link. Below the menu, there is a 'COVID-19' section with links for 'Local updates', 'Live video', 'COVID-19 tracker', and a 'More' dropdown. A red navigation bar contains 'NEWS', 'Top Stories', 'Local', 'The National', 'Opinion', and another 'More' dropdown. The main content area shows the location 'Toronto' and the headline 'Stricter bylaws for short-term rentals come into effect this week'. Below the headline are social media sharing icons for Facebook, Twitter, Email, Reddit, and LinkedIn. A sub-headline reads: 'They could eliminate all the ghost hotel operators,' advocate says. At the bottom, the author's name 'Natalie Nanowski' is listed, along with 'CBC News', the posting date 'Sep 08, 2020 6:00 AM ET', and the last update date 'September 8'.



Short Term Rental Revenue

- Vacation Rentals have been a fast-growing part of the accommodation sector.
- Can be competitive but can be complimentary accommodation vs. commercial properties: self catering, more amenities, extended stays.
- Critical added capacity around events.
- Peer to Peer platforms (esp. Airbnb) have accelerated their growth.
- COVID-19 has increased their appeal.
- Very few DMOs have had any marketing or management engagement with Vacation Rentals.
- Chance for a reset of DMO relationship to sector.



STR Inclusion - General Considerations

1. Balance the views & needs of residents, long-term renters, visitors, property owners & hotels
2. Consider impacts of STR Representation on DMO Board and/or TID Board

STR Inclusion Specific Considerations

Permitting

- Permitting should reflect objectives, support a productive sector & provide a foundation for revenue

Tax & Assessment Treatment

- Bed Tax
- Voluntary Collection Agreements
- Tourism Improvement Districts (TIDs)

Enforcement

- Monitoring, oversight & follow up critical to managing impact of sector & collecting available revenue

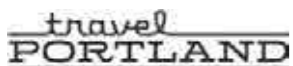
Are STRs already a viable revenue source, or is policy change needed?



Ontario, California

- DMO Working to Include 300 to 400 STRs in Bed Tax and TID
- Bed Tax Ordinance Authorized Collection from STRs but TID Did Not
 - Change TID Rules to Include STRs
- Enforcement Starting Now with TID with Help from Granicus
 - Bed Tax to Follow





Connect With Me!



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