

# Arts Commission Meeting

Short-Term Rental HOT Tax Collection

# Background

- In 2016, Austin City Council passed an ordinance that would restrict short-term rentals where the owner doesn't live on the property; so-called "Type 2 STRs" would be phased out by 2022. Prior to the 2016 effort, Austin Council had passed their original (2012) ordinance, with further amendments in 2013.
  - The Texas Third Court of Appeals declared this ordinance unconstitutional in 2019 and later denied the City's motion for reconsideration.
- The City of Austin has issued few Type 2 operating licenses for short-term Rental property owners in the past decade;
  - Unlicensed hosts cannot pay HOT tax without receiving penalties from Austin Code.
- Platforms need an agreement with the City to collect and remit HoT tax.

# Background (Cont.)

- Austin has grown to be the leading short-term rental market in Texas.
- Short-term rental platforms have taken action to prevent community nuisances and promote safety at listings.
  - Suspended dozens of listings for party violations.
  - Launched a 24/7 neighborhood support portal and a law enforcement portal.
  - Blocked thousands of bookings during holiday weekends for hosts that have violations.
- Short-term rental platforms have entered into many of these agreement with different government entities around Texas:
  - The State of Texas, Comal County, Abilene, Houston, Corpus Christi, Galveston, Glen Rose, Plano, etc.
- There's momentum with some on council to pass a similar agreement in Austin.

# Cultural Arts Letter of Support

- Several arts organizations within the Red River Cultural Arts District and Austin Cultural Arts Division have signed onto a letter of support – encouraging City Council to adopt an agreement that requires STR platforms to collect HOT tax on behalf of hosts.

To Mayor Adler and City Council,

We write to you today to urge you to enact an ordinance that would require short-term rental platforms inside the City of Austin to collect and remit hotel occupancy taxes. The city's current process for short-term rentals is onerous for owners to remit hotel occupancy taxes to the city. This past year has been difficult for Austin, and with the new COVID-19 variant, we continue to suffer – especially our cultural arts programs. The city is projecting decreased hotel occupancy tax through 2024 due to lower hotel bookings due to the pandemic. This could result in further cuts to cultural arts funding in the city budget, at a time when applicants (especially those amongst BIPOC communities) are high.

Under current policy, properties in Austin charge customers 17% of the cost of a room in hotel occupancy taxes. The City of Austin collects 11%, and the State of Texas collects 6%. Platforms such as Airbnb and VRBO have entered into agreements with the State of Texas and numerous cities across the state, such as Houston, to collect and remit HOT through their platforms, simplify the process for homeowners, and ensure that the relevant governmental bodies receive their share of HOT.

The city currently estimates that it collects between \$4 to \$5 million dollars in HOT tax on short-term rentals annually. If the city were to enact this ordinance, an estimated \$15 to \$20 million dollars annually could be collected. This would be a tremendous boost to Austin's Cultural Arts Division as they are recipients of Austin's HOT tax dollars.

Austin is a leading destination in Texas. An ordinance that would require short-term rental platforms to collect and remit HOT taxes could serve as a tremendous relief fund to our cultural arts programs.

As you are aware, cultural arts are the lifeblood of Austin. A thriving arts and cultural scene is crucial in attracting new business and visitors to the city. As arts programs in our city continue to endure the negative effects of the pandemic, creating a short-term rental HOT tax ordinance will provide direct funding to community-based arts events that celebrate Austin's culture of creativity, and encourage collaboration, innovation, accessibility, and cultural tourism.

# Cultural Arts Supporters

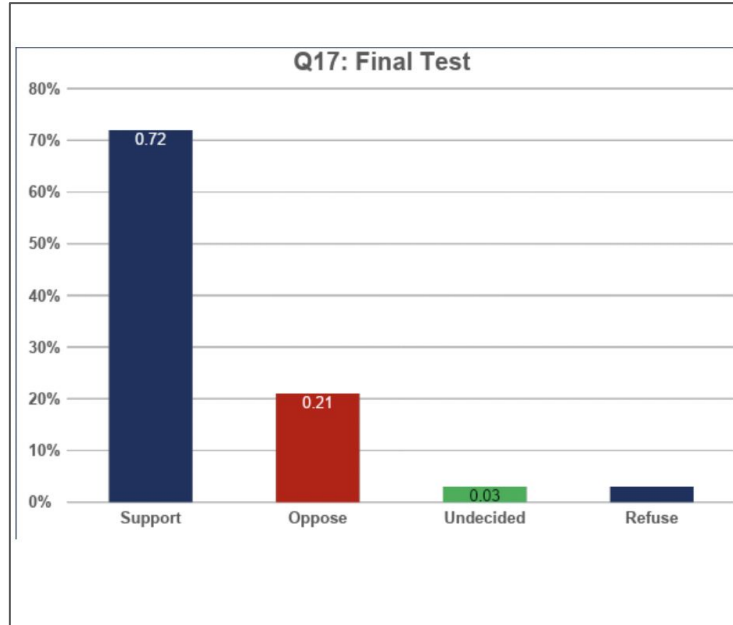
- ZACH Theatre
- Red River Cultural District
- The Archive Theater
- Jarrott Productions
- KJ Sanchez
- American Records
- Rude Mechs
- The Hidden Room Theatre
- Penfold Theatre Company
- Ground Floor Theatre
- Color Arc Productions
- Candyce Lucien Rusk
- Gary Thornsberry
- Kirk Lynn (Associate Professor, Univ. of Texas at Austin)
- Gilbert & Sullivan Austin
- Salvage Vanguard
- Southwest Theatre Productions
- Max Langert (Cinnamon Path Theater & Airbnb user)
- The VORTEX
- The City Theatre Company
- Christina J. Moore, ScriptWorks

# Polling Background

- A recent survey showed voter support for both Short-Term Rentals in Austin and requiring STR Platforms to collect HOT tax in the City.
- Littlefield Consulting conducted the poll in December 2021 – interviewing 400 general election voters across all Austin City Council districts in Travis and Williamson Counties.
- The margin of error for this sample size and voter population is +/- 4.9% at the 95% confidence level.

# Polling Demographics

- Ethnicity
  - 69% White,
  - 7% Black,
  - 10% Hispanic,
  - 4% Asian-American, and
  - 5% Other
- Partisanship
  - 64% Democrat,
  - 14% Independent, and
  - 17% Republican
- Gender
  - 55% Male, and
  - 45% Female



Q 17. GIVEN WHAT WE'VE JUST TALKED ABOUT, I'D LIKE TO ASK AGAIN - WOULD YOU SUPPORT OR OPPOSE AN ORDINANCE THAT WOULD REQUIRE SHORT TERM RENTALS COMPANIES LIKE AIRBNB OR VRBO TO COLLECT AND SEND TO THE CITY OF AUSTIN HOTEL OCCUPANCY TAXES?

# Polling Results

- The initial test on “Would you support or oppose an ordinance that would require short-term rentals companies to collect and send to the City of Austin hotel occupancy taxes?”
  - 63% of respondents supported the ordinance.
- Potential impacts of the ordinance were given to respondents.
  - The City would collect an additional \$15-\$20 million in HoT revenue:
    - Increased favorability from respondents by 63%.
  - Austin cultural arts organizations would receive more funding:
    - Increased favorability from respondents by 68%.
- After reading respondents both positive and negative statements on Hotel Occupancy Taxes, Cultural Arts tax recipients, the Austin tourism industry, and the affordability crisis, respondents were asked again.
  - 72% of respondents supported the ordinance, and
- Once learning how the ordinance could affect the City, support increased 9% and opposition decreased 8%.



# Summary

- As you are aware, cultural arts are the lifeblood of Austin. A thriving arts and cultural scene is crucial in attracting new business and visitors to the city.
- The city currently estimates that it collects between \$4 to \$5 million dollars in HOT tax on short-term rentals annually.
- If the city were to enact this agreement, an additional \$15 to 20 million dollars could be collected annually.
- This would be a tremendous boost to Austin's Cultural Arts Division, which is a recipient of Austin's HOT tax dollars.

Questions?