

*Andrew Kleine*

|             |                       |                                                                                         |
|-------------|-----------------------|-----------------------------------------------------------------------------------------|
| <b>FROM</b> | NAME & TITLE          | Andrew Kleine, Chief                                                                    |
|             | AGENCY NAME & ADDRESS | Bureau of the Budget and Management Research<br>Room 432, City Hall (410 396-4941)      |
|             | SUBJECT               | City Council Bill #16-0737 – Hotel Tax<br>Short Term Rentals and Hosting Intermediaries |

CITY of  
BALTIMORE  
**MEMO**

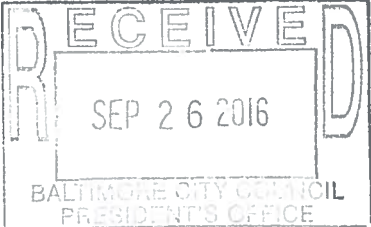


DATE:

**TO**

September 20, 2016

The Honorable President and  
Members of the City Council  
Room 400, City Hall



Attention: Ms. Natawna Austin

We are herein reporting on City Council bill 16-0737, the purpose of which is to clarify the types of rented sleeping accommodations that are subject to Baltimore City's hotel tax, extend the hotel tax to certain transactions facilitated by hosting intermediaries, and define a variety of terms and provisions related to the hotel tax.

The proposed bill would refine the definition of a hotel from a building containing sleeping accommodations for "more than 5 persons and open to the transient public" to now include "1 or more transient guests or tenants." The bill would also identify hosting intermediaries as subject to the City's 9.5% hotel tax. The bill does not provide a framework for registering and/or regulating hosting intermediaries.

**Analysis**

***Revenue Potential***

Over the last three years the nation's largest hosting intermediary, Airbnb, has rapidly expanded across the Baltimore region, from 323 listings in 2014 to 1,182 in 2016. As of August 2016 there were 747 active hosts in and around Baltimore City, accounting for 1,182 rental units available at an average daily rate (ADR) of \$137 per unit. While hosts' sales data is not made public, Finance estimates that Airbnb sales generated approximately \$3 million in revenue over the last year, equating to roughly \$300,000 in foregone hotel tax revenue for the City. In addition to Airbnb, hosting intermediaries such as HomeAway and VRBO would also be subject to the hotel tax under the proposed legislation. Under Article II, Section 40(e) of the Baltimore City Charter, at least 40% of hotel tax proceeds are designated for the City's convention sales and tourism marketing arm, Visit Baltimore.

***Regulation***

The proposed bill does not include a regulatory component. The neighboring jurisdiction of Montgomery County recently entered into a memorandum of understanding (MOU) with Airbnb in order to begin collecting the hotel tax from active hosts. As part of this MOU, Airbnb is not required to provide Montgomery County with identifying information about hosts, significantly impeding the County's regulation and auditing efforts. Finance cautions the City against entering

*Fav w/ comments*

into a similar agreement with Airbnb. We do not view hosting intermediaries as substantially different from traditional hotels, and as such, do not believe them to be exempt from the City's housing code enforcement. Due diligence for regulation and audit concerns should be further pursued in order to promote transparency and apply the hotel tax equitably.

### **Conclusion**

City Council Bill 16-0737 would have a direct, positive impact on the City's finances. Moreover it is a necessary step to adapt to an ever-changing vacation and tourism market. For these reasons, the Department of Finance supports the passage of City Council Bill 16-0737.

cc: Henry Raymond  
Angela Gibson