



**VRSA**  
Virginia Risk Sharing Association



## Are your revenues at risk?

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Revenues are the life blood of all organizations, even in the public sector.

As a long time local government manager, I frequently commented that our town's state funded revenue budget line items were always at risk each year until the General Assembly concluded and the smoke cleared in Richmond.

Has your organization experienced a significant financial or operational "surprise" in the past five years? If we go back ten years I'm pretty sure the answer is 'yes' for most public entities and political subdivisions in the Commonwealth of Virginia.

**Certainly there are both known and unknown risks as we do our best to continually identify and assess potential key factors and impacts as part of the overall organizational or enterprise risk management (ERM) process.**

If ERM is not presently part of your vocabulary it should be moving forward, in order to better analyze and anticipate them from a holistic viewpoint and then respond accordingly in a timely manner.

One revenue loss risk appearing in several states has been labeled the 'Dark Store Theory' which stems from the rise in e-Commerce and the decline of brick and mortar retail stores.

In my hometown of Galesburg, Illinois the once thriving Sandburg Mall is now completely vacant with the last anchor store shuttering this past summer. Unfortunately many such shopping malls and stand-alone big box national retailers have met the same fate – becoming dark stores.

**Real estate property assessments and tax collections decline as a result.**



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To add insult to injury some big box retailers that remain intact are appealing local tax assessments, arguing their assessed value should be lowered and reflect the market price of the vacant, unoccupied buildings. This tax reduction strategy trend will likely continue to play out in the courts state by state.

Another area where new or previously uncaptured revenues are beginning to be realized by a growing number of localities across the state are transient occupancy or lodging tax collection from short-term property rentals that are blooming as part of the sharing economy.



**According to Airbnb, for Virginia in 2018, more than 10,200 Airbnb Hosts received approximately \$104 million for almost 750,000 bookings.**

I have recently been in communication with many managers & administrators around the Commonwealth and all have either looked into this issue, have taken actions this past year, or anticipate local legislative adoption in early 2019.

These include:

- New ordinances or ordinance amendments to define homestays, home-shares, short term rentals, and to apply existing transient occupancy taxation authority;
- Agreements or contracts with specific, relevant internet companies such as 'Airbnb' and 'Host Compliance'; and
- Multi-departmental internal staff coordination and enhanced enforcement efforts.

While none of these actions appear to guarantee that some revenues will go unaccounted for, they are genuine efforts to level the playing field with the traditional lodging establishments in most communities that have long been paying transient occupancy taxes and to boost this important revenue stream.