

---

# State House — Tourism Day — January 15, 2020

## My take away from a very good session

Gail Warnaar – The Old Homestead B & B in Barnet  
E-mail: [Barnet.Inn@gmail.com](mailto:Barnet.Inn@gmail.com) — Ph: 802.633.4016

Well organized, enjoyable — thank you to the VT Chamber  
Info will only be valuable if we all think about it, and act on it!

### **\$500,000 State money for the purpose of marketing is badly needed.**

This was the focus of the day. I heard this message clearly.

Questions not asked, not addressed, left with great question marks:

- \* How and where is this money to be allocated when appropriated?  
Who will control its allocation so that everyone benefits?
- \*\*From where this appropriation will come?
- \*\*\*See my 'end notes', page 3. Please confirm memory of this issue.

Points clearly made by businesspeople testifying to the joint committee:

- Tourism affects the whole state, every community, small or large.
- Whether we like it or not every resident of this State has an investment in the tourism economy.
- Tourism effects, the retail economy, arts, lodging, housing, sports, employment, jobs and job training, marketing, communication, farms, taxes, infrastructure, etc We are all part of it!
- All of our communities depend upon tourism in some way.
- Tourism brings economic development.
- Tourism demands a creative approach, an open mind willing to change and examine multiple approaches to each situation.
- Vermont tourism is very diverse, multi faceted, something for everyone.
- Vermont tourism income is realized by many small creative businesses.
- Vermont's resident Inn Keepers are our best "tour guides" by helping to plan and arrange activities, meals, and experiences for guests.

Marketing tourism:

- requires a creative and collaborative approach to reach a wider market in a way that includes everybody and is affordable.
- in our current fast paced world society, it needs to be able to turn on a dime. No time for long studies and data collection.
- our diverse travelers demand the latest, greatest — delivered now!
- The heart of marketing is to get our individual "story" out there.

---

## **My personal and immediate response to the \$500,000 appropriation**

State monies are imperative to the future success of our small tourist businesses. Small businesses have limited financial resources. Tourism has become a national and international business.

Marketing Tourism in a world market is big business.

Let us be sure that Vermonters get our share of these world dollars.

We need help. Especially in the NEK

We MUST have broadband Internet service for ALL!! NEK is lacking!

The wider National and International potential market is a population who have money to spend and will stay several days spending considerable wealth on a destination including lodging, restaurants, transportation, goodies to take home, activities, experiences, and services.

Our present marketing, Statewide, regionally, and individually is fragmented and incomplete. A future traveler, when planning a trip, wants to select an area which has choices of lodging, eating, activities, and experiences for the whole family, all near by. A large resort or destination property markets and provides all of this on one property, like Disney World. Vermont is so diverse that it “takes the whole Village” to provide a wonderfully unique and iconic Vermont experience. The town, region, and State Marketing must include EVERYONE at an AFFORDABLE RATE for a small business — our “sharing economy” and a perk of licensing.

Speaking from a prospective of my area, my colleagues in tourists businesses, and my own guests in the St Johnsbury / Barnet, NEK area: guests often say ‘we had no idea there were so many things to do and see and such good restaurants’ (which do not have web and marketing presence) in the NEK. We need a collaborative advertising design.

Vermont has wonderful Festivals celebrating Maple, Holidays, summer, foliage, etc, but we present them for our selves due to lack of national destination marketing. Advertising Venues are private and just cost too much for any of our small businesses to participate. We need all of our advertising eggs in one large, diverse, and wide-reaching basket.

---

## The TWO BIG QUESTIONS TAKEN AWAY FROM THE DAY

QUESTION ONE OF THE DAY: “From where does the \$500,000 come”.

It is really basic “Economic Development”, of primary and immediate need!

**DO NOT** add to the R & M Tax.

DO NOT even consider a \$1 or \$2 occupancy tax!! Vote No **NO NO!!**

QUESTION TWO OF THE DAY: **Considerations for Revenue:**

\*\*\* My Colleagues and I would like clarification of a past memory:

A few years ago, when Meghan Smith was Director of the VDTM, the legislature passed a statue allocating a portion of the R & M revenue according a fixed algorithm to be used for out of state marketing.

Where is that allocation going and how is it being used at this time?

It should, this past year, amount to about 1.3 million by your figures.

---

## THERE ARE STILL OTHER OUTSTANDING QUESTIONS

**Not on the day's agenda, not asked, not discussed, not answered**  
**These REQUIRE ATTENTION**

When do we **level the playing field for the lodging industry AKA Short term rental industry**, which is quickly disappearing to the rental homes, apartments, and party houses rented through AirBNB, un-licensed, not inspected, non-compliant to fire & safety and health regulations, with no resident owner or manager on property, and who seriously and unfairly under cut our rates.

A consortium of NEK bed and breakfast worked with the House over the last 5 years to propose and draft legislation that would very reasonably accomplish this. Our proposed Statute was just clearing the House committee when the session ended last year and unfortunately, was superseded when the Senate Committee chair got a less comprehensive statute passed when an emergency session was invoked to address budget issues in 2018.

**A licensed Bed and Breakfast**, owner occupied, as the owner's primary residence, **IS a 'home-stay'** and always has been a **'home share'**. Many of these Vermont properties have a long history with the traveling public, being established by residents wanting to retire and "age in place" in their homes. My health inspector says these B & Bs have set the standard for a thriving Vermont industry. They are part of the Vermont Brand and are on the 'bucket list' of 'must do' for many travelers. And now more than half of them have been forced to close, from unfair competition.

**Licensing imposed by the Health Department and Fire and Safety** standards is designed to protect the public from disease, accidents, and disasters that most of us do not regularly think about — that is until we have paying guests in our home and work to become compliant with all of the regulations. A few accidents and a fire in Vermont unlicensed properties have born the evidence of this fact.

Licensing subjects B & Bs to higher overhead and operating costs, which we accept because we believe in protecting our travelers and offering the best product we can. However, our unlicensed competition, since 2016, has been enabled to ignore fire and safety regulations for one and two bedroom units, or whole houses, by advertising that they can sleep 7-18 people. Not only is this unsafe but it also unfairly undercut fair market rates that follow the statewide norms for comparable offerings.

**The following table illustrates and compares** the areas in which licensed units are facing inconsistent regulations in operating a B & B today vs those doing the same business in the State of Vermont without being licensed. All who do the same business in Vermont should be playing by the same set of rules and licenses.

## Comparison of Regulations governing Home Share Establishments:

	<i>Home Share</i>	
	<i>Licensed Home stay B&amp;B</i>	<i>Short term rental</i>
<i>Town permit for change of use</i>	Yes	no
<i>Number of rooms</i>	1-10	1-2
<i>Rent to traveling public</i>	yes	yes
<i>Classified Commercial</i>	yes	No
- <i>Eligible for residential loan(s)</i>	No	Yes
- <i>Eligible for 100% Homestead</i>	No	Yes
- <i>Subject to Higher Property tax</i>	yes	No
- <i>Eligible for reverse mortgage</i>	No	Yes
- <i>Eligible for HARP refinance</i>	No	Yes
<i>Must provide 1099 for credit card receipts</i>	Yes	No
<i>Must have annual health inspections</i>	Yes	No
<i>Home Business Insurance required</i>	Yes	No
<i>Public Safety requirements met prior to opening</i>	Yes	No
<i>Is given priority positioning on AirBnB</i>	No	Yes

The licensed residential owner-occupied homestay (aka bed and breakfast) has always been a home share. A majority of owners chose to open their homes to the traveling public in order to “age in place”. However, their homes are subject to higher overhead operating costs (illustrated in the above table) and so, is easily undercut by the house down the street who can advertise a room for half the price per night.

### **An Example:**

A house down the road rents for \$150 a night, the whole house. It advertises on AirBnB as two bedrooms which allows it to slide under the Health Department Regulation requiring licensing only for 3 or more rooms, but it advertises beds for 12-18 people! So, for four nights of their vacation an extended family or friends spend \$600 on lodging: *Air B & B collects and pays Vermont 9% = \$54*; AirBnB or the owner may not disclose further information for accountability; ‘Guests’ cook their own meals; have no guidance directing them to other attractions; no home owner present for suggestions, questions, or help with any problems in the property, or monitoring of behavior such as underage drinking or drug use and exceeding noise. In addition, the traveler spends a minimum in the area and therefore a minimum of additional sales taxes is collected. The owner is not responsible for any standards, any license fee, and may not even choose to report the \$600 income on his taxes.

That same group of traveling guests previously rented four rooms for four nights from a licensed homestay or Inn and spent an average \$2,000 - \$3,000 and generated \$180 - \$300 in R&M taxes. At breakfast in the morning they might enjoy Vermont berries, maple, pancakes, locally baked goods; all purchased locally and generating income for local farmers and businesses and generating further tax dollars. The innkeepers or their staff help to plan their day at the breakfast table: activities, driving routes and maps, eating stops and recreation. They are made aware of “favorite haunts” and enjoy “show and tell” and photos with other guests and staff upon their evening return.

---

The hands-on face provided is unique each homestay bed and breakfast. Those of us who have been licensed for 10+ years all provide custom concierge service to each guest. We only provide breakfast and we provide daily directions for wonderful routes through the entire NEK as well as visits to Central and Southern attractions in other towns such as Woodstock, Montpelier and Burlington. We also direct them to the best local auto or bicycle service in the area when they need it. This is what **Vermont Home Stay (aka home share) Bed and Breakfasts** are all about: Iconic Bob Newhart style!

In 2019 the licensed establishments have had the worst year in since opening their businesses as retirees and an Inn Keeper. Personally, my annual gross declined by 2/3 from 2017 & 2018. So I have NO money in reserve to carry me through the winter; NO money to spend on advertising; NO money to spend on maintenance for my home. I cannot get an equity loan or refinance my home to carry me over because my home is classified as a commercial property.

***If the visitors to the area do not increase*** our revenue I, and three colleagues, will be forced to sell what we hoped would be our homes for the rest of our life. When we decided to use our homes to supplement our fixed retirement income, we had strong business plans built on the regulated environment that enabled us to “age in place”. Those business plans have been thrown out the window by the STATE. If I have to sell and it is below market price, I will be living the rest of my life in a subsidized apartment in St Johnsbury as a ward of the State.

This is serious — all due to the State’s refusal to step up to the plate and recognize what is happening and level the playing field!

I have colleagues who have closed lovely long existing Inns in the last two years and another who, due to increases in property tax and insurance and the inability to lower her mortgage, while market share has been disbursed to 100+ other properties cannot afford the utilities in her home this winter - after 11 years of successfully sharing her home with visitors from around the world. It will be closed this coming year because the inquiring traveler who searches AirBnB is presented with over 60 available rooms before any of the 6 licensed bed and breakfasts within 9 miles of St. Johnsbury are shown. The traveler is first shown Montpelier, Stowe, Smugglers Notch and others. Don’t take our word for it. Go to AirBnB and put in St. Johnsbury and see what is presented back.

Those who say join the home-share economy and go on AirBnB don’t understand enough to see the whole picture and what is really happening:

- ***The licensed home stay joined the home-share economy*** 10 plus years ago; the difference is that we market through Booking.com, Expedia.com and other online travel agents including AirBnB;
- ***AirBnB’s business goal is not to help the average homeowner pay his utility bill***, it is to directly take market share of the hospitality business from Expedia and Booking.com and any other rogue online travel agents that are not owned by Expedia and Booking.com. Its focus is not on quality of product offering.

- 
- ***AirBnB does not see its role as being in the monitoring of the properties*** it markets; they all believe the States, towns, and traveling public will provide the monitoring through regulations and reviews.
  - ***AirBNB business priority is not to bring business into any particular town*** or provide a level playing field for properties that list with them. It is to take a percentage of the hospitality market revenue and make a profit off on-line marketing. Great business for minimal investment.

***Therefore, when a licensed home-stay*** renting rooms invokes AirBNB's online travel agent service, it is classified as such however, the algorithm that displays licensed bed and breakfasts puts these home-stay pages BEHIND the single family homes, the apartments, and the unlicensed rooms (including properties 20-30+ miles away) as it presents page upon page of "home-stay" options to the inquiring public.

***In addition the marketing dollars spent by licensed properties,*** towns, regions and the state are diluted as properties for New York and New Hampshire are presented as viable options to the traveler who wants to visit Vermont or people who wanted to visit St. Johnsbury are directed to Franconia, or Montpelier or Stowe or Smugglers Notch and led to believe, after scrolling through several online pages, there is no place to stay in or near St. Johnsbury.

So please don't say "if you can't beat them, join them" we have tried that and AirBnB does not care whether or not we earn a penny.

This is happening across Vermont.

---

## In Summary:

### **We need to drive more travel and tourism into each region of the State.**

The \$500,000 asked for by VDTM and the Vermont Chamber can help with promotion assistance NOW to get our collective message and our story to a wider audience who want and can afford the amenities and security we offer. At least with more visitors coming to town we have a shot at filling some of the licensed rooms.

### **We need to level the playing field.**

Everyone who is doing like business needs to play by the same rules and be compliant, collect their R & M taxes and pay them to the State, be classified the same way for State and Local tax purposes and share as we all once did in the “sharing economy” offered by the tourism industry in this wonderful State!

### **The reason given by the State Health Department for not requiring licenses for all lodging establishments:**

The Health Department says they have not enough inspectors to take care of the un-licensed places. There are 300 rooms available, just in my area of a 30-mile radius and two hundred are not licensed; Two hundred license fees at \$130 each should be able to provide enough to pay an inspector. Once everyone is compliant these fees are renewable every year and may take less inspection time. **Do the math, people!**

Forget further studies and statistics. The evidence is obvious!

**ACT NOW! PLEASE!**