

Economic & Rural Development Committee Meeting

July 26, 2017

Tourism Panel Presentation

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Ruidoso Tourism Overview:

It is no surprise to anyone that Ruidoso's primary economic driver is tourism. Given that fact, Ruidoso's "Team Tourism" continues to implement innovative strategies that bring increasing numbers of visitors to our community to experience our outdoor recreation, unique shopping and dining, our wildlife and our relaxing environs. Marketing strategies have evolved from traditional print, outdoor and broadcast media to a heavier reliance on social media utilization, travel bloggers and dedicated eBlasts to our target geographic/psychographic markets.

Ruidoso's Investment in Tourism Infrastructure:

The Village of Ruidoso has made a commitment to growing our tourism infrastructure to provide our visitors and residents alike with increased recreation opportunities. These projects total an investment by the Village of over \$2 million. Projects include:

- **Grindstone Lake Improvements & Trail System:** 18 mile multi-use trail system at Grindstone Lake completed in 2014, restroom installed 2016
- **Alto Lake Picnic Area & Trail Improvements:** Eagle Creek Trail, picnic tables & shelters installed 2016
- **Ruidoso River Trail:** This walking trail through mid-town is a partnership between the Village and the Billy the Kid Scenic Byway.
- **Two Rivers Park River Restoration Project:** fish habitats and steps to the Rio Ruidoso installed spring 2017; partial funding from the NM Tourism Dept via a \$50,000 Tourism Development Grant.
- **Ruidoso Convention Center HVAC:** new HVAC installed during FY17; partial funding of \$140,000 from legislative capital outlay.
- **Eagle Creek Sports Complex:** Infrastructure improvements at these heavily utilized softball fields.
- **Wingfield Park Pavilion:** construction of a multi-use pavilion; partially funded by \$100,000 in legislative capital outlay.
- **Grindstone Lake Campground:** as the campgrounds at Bonito Lake remain closed, Ruidoso will fulfill the need for camping spaces by building a low density campground at Grindstone Lake during FY18.

New and Enhanced Events Put Heads in Beds

Three new events have been added to Ruidoso's event calendar this year:

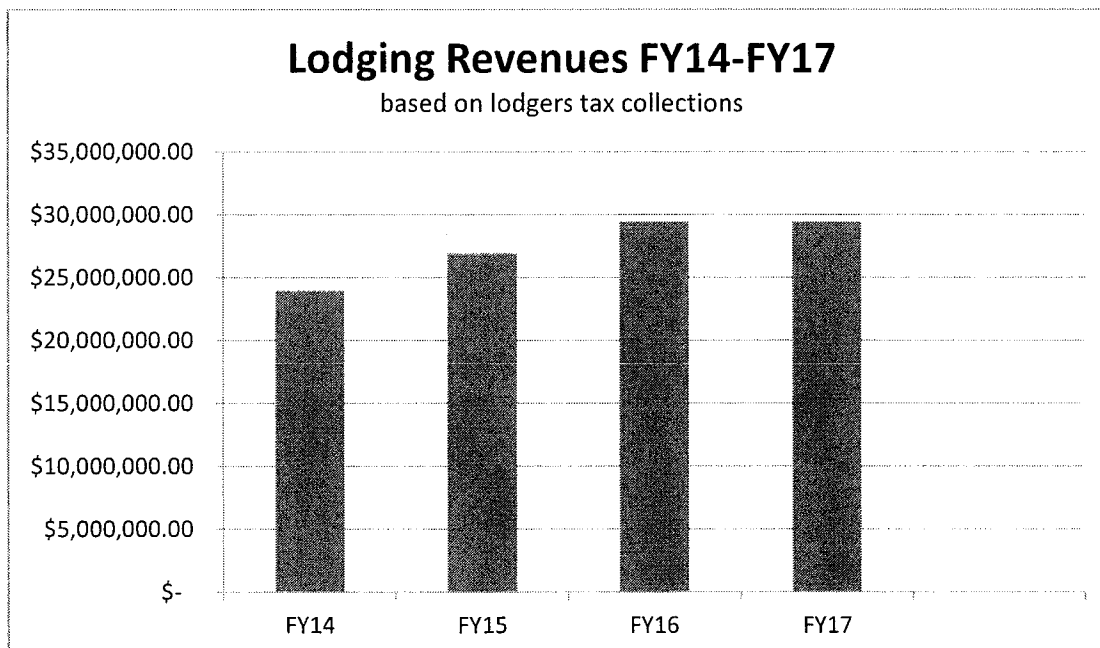
- **Vines in the Pines February 2017:** This new winter wine festival was a huge success in its first year, with attendance of over 1500 over the two day event. Held on a typically slow weekend, this bolstered our February lodging revenues considerably.

- **New Mexico Flavor Fest:** This new event will be held over 3 days in August
- **Peak 2 Peak Challenge:** Another new event this August focuses on hiking & biking events.

Enhanced Existing Events:

- **12 Hours in The Wild West:** Since moving this April mountain bike endurance race from the Fort Stanton National Conservation Area to the Grindstone Trail System, this event has grown from 100 participants to 400. Held during our slowest time of the year, this event has become a draw for mountain bikers throughout the Western U.S.
- **Ruidoso Art & Wine Festival:** The 46th Annual Ruidoso Art Festival held in July added wine tasting to the event this year. This popular summer event draws 5,000 to Ruidoso over 3 days.
- **Lincoln County Cowboy Symposium:** The Symposium, now in its 27th year is one of our most popular events, drawing well over 20,000 people to Ruidoso in October. The Symposium added Thursday night concerts back to the schedule last year, putting “heads in beds” for an extra night.

The combination of a successful marketing campaign, a solid event schedule and Ruidoso’s continuing commitment to our tourism infrastructure has yielded impressive results. Over the past four years Ruidoso’s lodging revenues have grown to almost \$30 million annually.



Note that the lack of snowfall this past winter had a significant impact on lodging revenues in January and March. Lodging revenues would have exceeded approximately \$30.2 million if it had been a “normal” snow year.

Short-Term Rentals in Ruidoso

An estimated 65-70% of the housing in Ruidoso is comprised of second homes. Ruidoso enacted a Short Term Rental Ordinance in 2009 with the intention of offering 2nd homeowners a legal avenue for renting their houses out as vacation rentals through licensed vacation rental property managers. All short term rentals are required to register with the village, pass fire inspections and have emergency notification procedures posted. Under this ordinance, things had run smoothly for several years.

With the emergence of online vacation rental sites such as VRBO, Airbnb, Craigslist etc., a new dynamic impacted our lodging industry. A recent study conducted by Southwest Planning showed that there now are over 1,000 short term rentals (STR's) in Ruidoso. Almost 800 STR'S are currently registered with the Village of Ruidoso; the vast majority of these are managed by licensed vacation rental property managers who collect and remit GRT and lodger's tax. The impact of the STR websites has been felt largely by these property managers; owners that had their homes listed with property managers listed have reasoned "why should I pay you when I can list my property myself on VRBO?" This has impacted their occupancy levels and has led to a reduction in staff required for housekeeping and maintenance.

With the addition of these owner-managed lodging facilities to the Ruidoso accommodations mix, it became evident that an amendment to our STR ordinance was required. After a series of public meetings and with input from the public and the Ruidoso lodging and real estate communities, an amended STR ordinance was passed in May that addressed many of the issues our community was facing with these unmanaged vacation rentals.

Ruidoso is committed to being business friendly and supports a balanced approach that supports fairness amongst those that are renting out their properties as vacation rentals. We have a very involved lodging community that willingly supports the services required to monitor and enforce STR's in our community.

STR's and Lodger's Tax

As previously mentioned, most of Ruidoso's STR's are managed by licensed vacation rental property managers that collect and remit both GRT & Lodger's taxes.

Under the current state statute, owner-managed 200 STR's are not legally required to collect and remit lodgers tax because they fall under Exemption G that specifies that "if the taxable premises does not have at least three rooms or three other unites of accommodations for lodging" they are exempt from lodger's tax. We estimate that if these owner-managed rentals were collecting & remitting lodgers tax, Ruidoso would see an increase of approximately \$300,000 in annual lodger's tax receipts. This would enable the Village to increase its investment in its tourism infrastructure, provide increased funding for special event promotion

to our community organizations and increase out of state tourism promotion of our community.

The Ruidoso lodging and real estate industries were very active during the 2017 legislative session, lobbying for both HB266 and SB254 that would have removed Exemption G from the lodger's tax statute. This was a fair solution that would level the playing field for all lodging operators. Our industry appreciates the bi-partisan support that these bills received from the legislature and thanks you for recognizing that this issue is important to our communities.

We were disappointed when Governor Martinez vetoed this legislation. Since this is not being addressed on a state level, individual communities and counties must deal with this issue and consider amending their lodgers tax ordinances to define what constitutes "three rooms" (by defining "three rooms" as three rooms in one lodging unit, those lodging units will then be required to collect and remit lodgers tax).

Santa Fe and Taos have negotiated a "community compact" with Airbnb that will make them responsible for the lodger's tax collections from their owner operated STR's. Ruidoso has made several attempts to work with Airbnb on this issue with no success. As yet they have not responded to our attempts to contact them.

The bigger impact on Ruidoso lodging comes from the HomeAway group (VRBO, VacationRentals.com & HomeAway); they have over 300 rentals in Ruidoso. HomeAway has a different system; they collect no funds on behalf of the owners. Payment for rentals is made directly to the owners. Therefore a similar community compact is not an option with HomeAway.

The Ruidoso lodging community thanks our legislators for support on this issue and remain hopeful that this legislation will pass in the future.