

City of Alexandria, Virginia
FY 2026 Proposed Operating Budget & CIP
Budget Questions & Answers

April 2, 2025

Question(s):

- Is it possible to double the new short-term rental permit fee, and would that generate an additional \$185,000 in revenue? What potential impacts could this have on attracting tourists to Alexandria as well as on the local housing market?

Response:

Short-term rentals generate approximately \$3.2 million in tax revenue for the City of Alexandria and \$3.1 million for the State of Virginia. This represents 25% of Transient Occupancy Taxes (TOT) generated in the city.

	City of Alexandria			State of Virginia		
Fiscal Year	STR Transient Occupancy Tax (6.5% +\$1.25)	STR Sales Tax (1%)	Total Local STR Revenue	STR Transient Occupancy Tax (3%)	STR Sales Tax (5%)	Total State STR Revenue
FY22	\$872,934	\$119,525	\$992,459	\$358,574	\$597,624	\$956,198
FY23	\$2,209,975	\$302,597	\$2,512,572	\$907,790	\$1,512,983	\$2,420,773
FY24	\$2,798,680	\$383,204	\$3,181,884	\$1,149,612	\$1,916,019	\$3,065,631

In other jurisdictions where short-term rental regulations and permits are established, they have seen the total number of short-term rentals decrease by 10%-30%, depending upon how stringent new regulations are and the cost of the permit. While it is possible to double the proposed short-term rental permit fees (currently proposed to be \$350 for owner-unoccupied STRs and \$100 for owner occupied properties); operators have expressed displeasure for the proposed fees as they are higher than neighboring jurisdictions. Doubling fees would put Alexandria well above other local jurisdictions and well beyond the typical \$200-\$500 fee other jurisdictions around Virginia and the U.S. charge.

Arlington County: \$63 annually

Fairfax County: \$235 every two years

Washington DC: \$104.50 every two years

A \$700 annual permit fee could also have unintended consequences including 1) substantially driving down the number of short-term rentals thus impacting TOT and sales tax revenue, and 2) high fees could lead to non-compliance with permit requirements creating additional work for enforcement staff.

Given the city receives \$3.2 million in tax revenue from short-term rentals, staff has proposed a permit fee that covers the cost of administration only.