

**ACCESSORY APARTMENT INCENTIVE
GRANT PROGRAM**



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TO: Maria Gladziszewski, Chair, Committee of the Whole

BY: Scott Ciambor, CDD Planning Manager *Scott Ciambor*

Re: Short Term Rental Language on Accessory Apartment Grant Incentive Program

In Assembly discussions about the CBJ Accessory Apartment Incentive Program, ([8.30.2021 LHED Committee](#), [07.06.2022 Finance Committee](#)) the idea to disallow homeowners who utilize the grant incentive program from operating the newly created accessory apartment as a short-term rental has been proposed.

Staff have explored potential options for implementation of this concept within the current administration of the program and have run into significant administrative and compliance hurdles. Below is a list.

Accessory Apartment Incentive Grant Program

The Accessory Apartment Incentive Grant is currently eligible to homeowners that apply, develop a unit within 12 months, receive a Certificate of Occupancy, and then receive a \$6,000 lump sum payment for meeting the requirements. CDD staff assists in setting up vendor accounts, checking for code compliance infractions, ensuring taxes and assessments are in good standing, and providing an award letter.

In most cases, this fits into a two-year CBJ budget cycle. Once the grant payment is made to the homeowner, CBJ administrative oversight is complete.

Adding a Requirement Not to Use Grants for Short-Term Rental Unit

- Adding a requirement not to use the accessory apartment grant program as a short-term rental for a period of time (1, 3, 5 years) would require continued monitoring and engagement with the homeowner -- with budget tracking over multiple years potentially in fiscal years with unapproved budget;
- CDD practice is to issue the payment to the applicant that must be the property owner. If there is a short term rental (STR) compliance period beyond the Certificate of Occupancy, there will be possible changes in ownership or other scenarios that would have to be considered;
- Penalty Options:
 - If payment or partial payment is not awarded at the time of the Certificate of Occupancy -- but instead withheld until completion of a short-term rental compliance period (1, 3, 5 years), administrative responsibilities would have to be duplicated each time a payment is made; Also, homeowners that spend the money in the construction phase would have to wait multiple years for payment;

- If the full \$6,000 payment is made at the time of the Certificate of Occupancy and then a violation occurs, a mechanism to recoup all or partial grant funding would have to be determined. This would not be a straightforward task.

Recommendation

Given the difficulties to add restriction of use language to the existing program, staff would suggest keeping the program as is through the FY23 funding cycle and address the STR issue in the future when deciding to renew the grant program or not.

This would allow a number of things to happen: 1) data from the short-term rental tracking service will be available through the Finance Department by then; and 2) CDD will have updated to new permitting software with better tracking capabilities for permits and programs.