

MEMORANDUM



DATE: September 7, 2022

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

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SUBJECT: Reallocation of Short Term Rental Bed Tax to Affordable Housing Fund

With the rise of short-term rentals over the last decade, there is a perceived impact on the affordability and availability of long-term rentals for Juneau residents. At the same time, those short-term rentals are producing significant hotel-bed tax receipts, approximately \$340,000 in FY2022. The Assembly may wish to consider using hotel-bed taxes received from short-term rentals to mitigate the impact of short-term rentals on local housing availability by allocating those receipts to the Affordable Housing Fund.

Mechanically, the Assembly could accomplish this in two ways, either by:

- A. Transferring the amount of hotel-bed taxes received from short-term rentals to the Affordable Housing Fund by applying the historic percentage split only to the taxes received from typical hotels. Taxes received from short-term rentals would instead be transferred directly to the Affordable Housing fund.
- B. Redesigning the historical percentage split of all hotel-bed tax receipts in recognition of the overall impact of short-term rentals. For example, instead of a 4%/3%/2% split, the Assembly could choose a 3%/2%/2% split and then direct 2% to the Affordable Housing Fund.

Both methods would be subject to the uncertainty of budget forecasting. For the purpose of the calculation below, I have presumed at \$2.6 million in hotel-bed tax receipts in FY2024.

					FY2024 Options					
					Option A	Option B				
					STR to AHF	Alt Percentages				
Revenues										
Hotels	87%	\$	2,244,100	\$	1,815,361.90	\$	2,258,300	\$	2,258,300	
Non-Hotels (STRs)	13%	\$	339,500	\$	274,638.10	\$	341,700	\$	341,700	
Total		\$	2,583,600	\$	2,090,000	\$	2,600,000	\$	2,600,000	
Expenditures									Alt	
Tourism Promotion	4%	\$	555,600	\$	928,900	\$	1,003,700	\$	866,700	3%
Centennial Hall Operations	3%	\$	416,700	\$	639,100	\$	752,800	\$	577,800	2%
Centennial Hall Imprvmnts	2%	\$	277,700	\$	464,400	\$	501,800	\$	577,800	2%
Downtown Business Assoc	n/a	\$	-	\$	75,000	\$	-	\$	-	n/a
Interdepartmental Charges	n/a	\$	26,600	\$	37,000	\$	37,000	\$	37,000	n/a
Affordable Housing Fund	n/a	\$	-	\$	-	\$	341,700	\$	577,800	2%
Total	9%	\$	1,276,600	\$	2,144,400	\$	2,637,000	\$	2,637,100	

A series of resolutions from the 1980's established Juneau's disposition of hotel bed tax receipts. A 1993 memo from the City Clerk memorializes the current split. If the Assembly wishes to make a change, it should direct staff to prepare a new resolution modifying the future disposition of hotel bed tax receipts. Also, as a result of higher than expected revenue, the Hotel-Bed Tax fund has a balance exceeding \$1 million at the end of FY2022. The Assembly could consider transferring these funds to the Affordable Housing Fund in the concept that they potentially represent bed tax receipts from short-term rentals prior to FY2022.