

# MEMORANDUM



**DATE:** July 27, 2023

**TO:** Assembly Finance Committee

**FROM:** Angie Flick, Finance Director

**SUBJECT:** **Hotel-Bed Tax Distribution**

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The purpose of this memo is to lay the ground work for the Assembly Finance Committee (AFC) to discuss the allocation of 9% of the hotel-bed tax revenue. Please see the attached memo from Jeff Rogers dated September 7, 2022 in which he discussed the history of the hotel-bed tax and options as it related to short-term rentals and the Affordable Housing fund.

While the AFC has a resolution which directs 9% of the initial allocation of the tax revenues towards Tourism Promotion (4%), Centennial Hall Operations (3%) and Centennial Hall Improvements (2%); in the FY 2024 budget, the Assembly funded these three categories at the level of support needed rather than at the percentages prescribed. Additionally, it has been a strategy of the Assembly and City Manager to increase funding opportunities toward affordable housing to address the Juneau workforce housing shortage.

In the attached memo from Mr. Rogers, he suggested two mechanical ways to change the distribution percentages and approach to shift some funds into the Affordable Housing fund. Another approach is for the AFC to state its priorities of funding with respect to the 9% of the hotel-bed tax revenues and direct the City Manager to include funding for those priorities in the Manager's recommended budget.

For ease of viewing, here are four options for discussion:

1. Status Quo – allocate 9% of the hotel-bed tax revenue to Tourism Promotion (4%), Centennial Hall Operations (3%) and Centennial Hall Improvements (2%) as described in the current resolution.
2. Transfer 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.
3. Redesign 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.
4. Move away from a formulaic split of the hotel-bed tax, and provide the Manager with priorities to include in their recommended budget based on those priorities and the budgetary needs of tourism promotion, Centennial Hall and the forecasted revenue.

## **Staff Recommendation**

Staff recommends the AFC provide funding priorities to the Manager, and the Manager then include the appropriate budget recommendation based on hotel-bed tax revenues and the needs of Centennial Hall, tourism promotion and other priorities established by the AFC such as Affordable Housing. As stated in Mr. Roger's memo, 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.