

MoA Room Tax – a Deep Dive

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Disclaimers

- Not speaking on behalf of Girdwood BoS
- Uses public numbers, but non-audited
 - mostly 2 significant digits
- Girdwood is a community with high STR density
 - ~20% of housing units listed as STRs
 - similar communities use STR tax to mitigate housing impact



Conclusion

- Substantial growth in non-hotel room tax receipts since 2016
 - \$6.4m in 2023; 15% of all room taxes
- Not 4-4-4 split across Convention Center, Tourism & General fund
 - Bond financing means that most goes through restricted Convention Center Room Tax Fund (CCRTF)
 - Spending from CCRTF is restricted
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- But major Bond financing restrictions ended in 2023
 - More flexibility for Tourism component
- “Tourism dedication” comes from 1979 Proposition 2
 - Was explicitly for taxes *only from hotels and motels*
 - Strong case that STR room taxes sit outside Tourism dedication

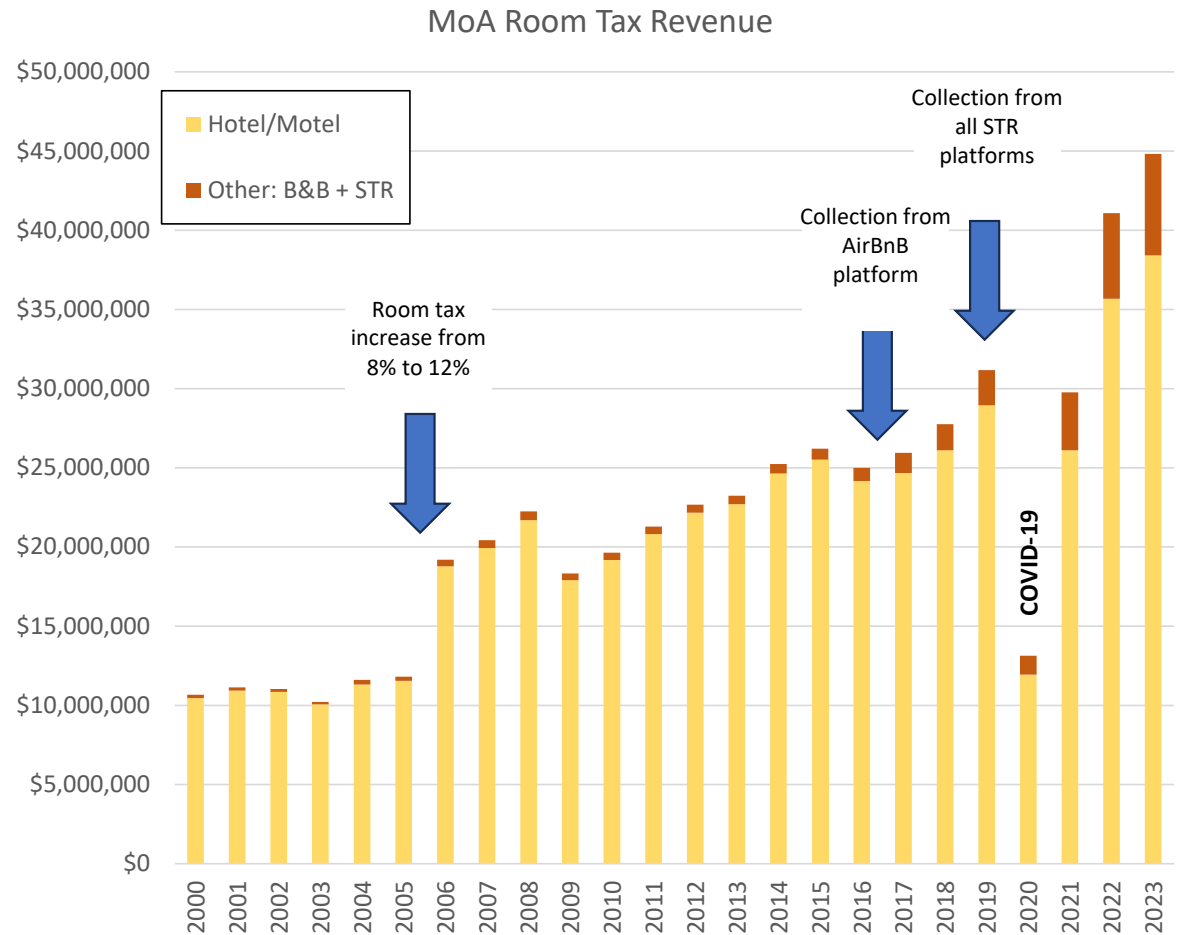


Who pays Room Tax?

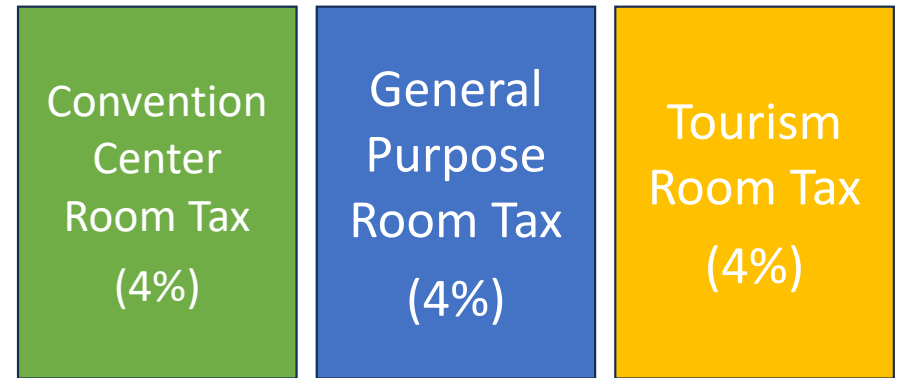
- 12% tax paid by those renting a room in the MOA
 - 5% under Greater Anchorage Borough, increased to 8% in 1979
 - Added 4% for downtown convention centers in 2006
- Exemptions:
 - Rentals for longer than 30 days
 - Rentals paid by Local, State, Federal or some foreign Govts
 - When rental of a room is incidental to main purpose, e.g. hospital, college
 - Hostels (renting a “pillow” vs room)
- Collected & remitted by hotels, motels and individual operators
 - In Fall 2016 AirBnB started collecting tax at source
 - Extended to all Short-Term Rental platforms in 2019

Room Tax Revenues

- Annualized Growth
- 2006-2015:
 - Hotels: 3.5%
 - B&B: 5.5%
- 2026-2023:
 - Hotels: 6.8%
 - STR: 33.8%
- Proportion of non-hotel increased from 2% to 15% of total



Limitations on Use of Room Tax: Headlines



- Room Tax is split into three components, each at 4%
 - Convention Center Room Tax
 - Tourism Room Tax
 - General Purpose Room Tax

12.20.020 - Levy, payment, collection and distribution of tax revenues.

- B. One-third of the total tax revenues received, less administrative and enforcement related expenses, are dedicated to promotion of the tourism industry, which includes use of funds for any purpose set forth in subsection C.
- C. One-third of the total tax revenues received, less administrative and enforcement related expenses, are dedicated to financing the design, site acquisition, construction, landscaping, bonded debt service or lease payments, carrying costs, and operation, and/or maintenance of the new civic and convention center, including parking facilities, and the renovation, operation and maintenance of the existing Egan Civic and Convention Center.

2005 proposition

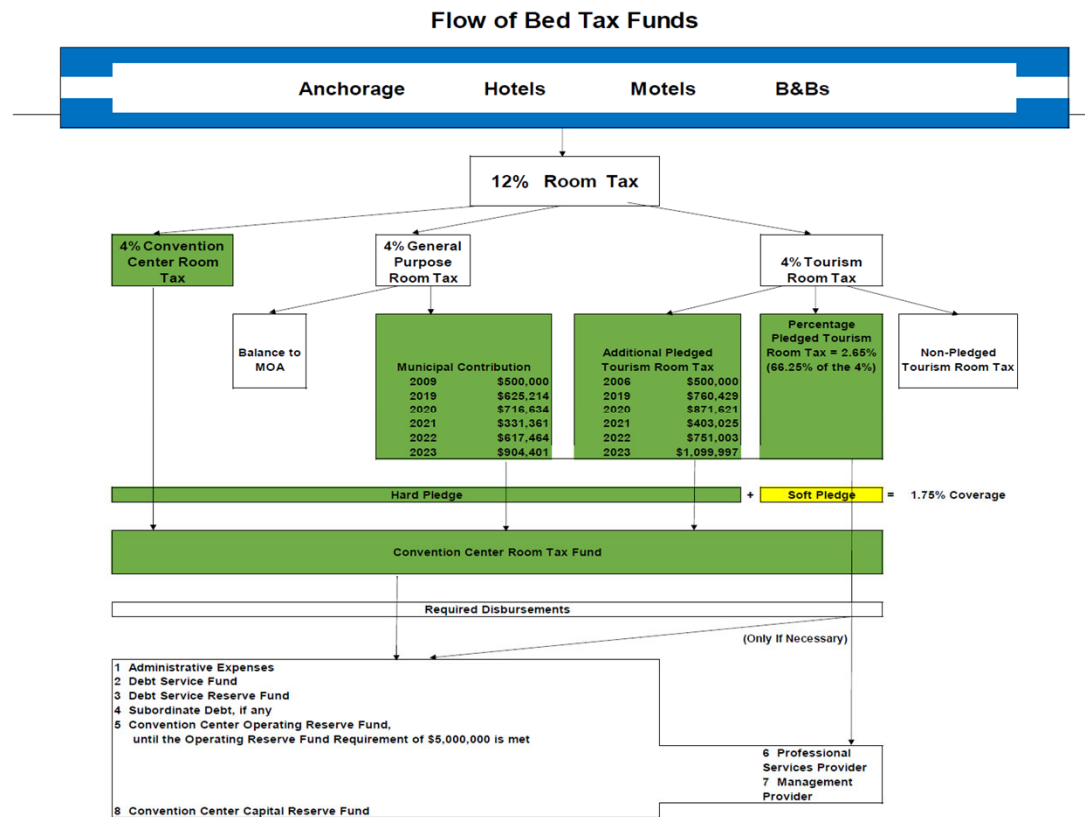
1979 proposition
& Charter

- But these are only the top-level restrictions – bond financing add more

Use of Room Tax: Bond Financing Restrictions

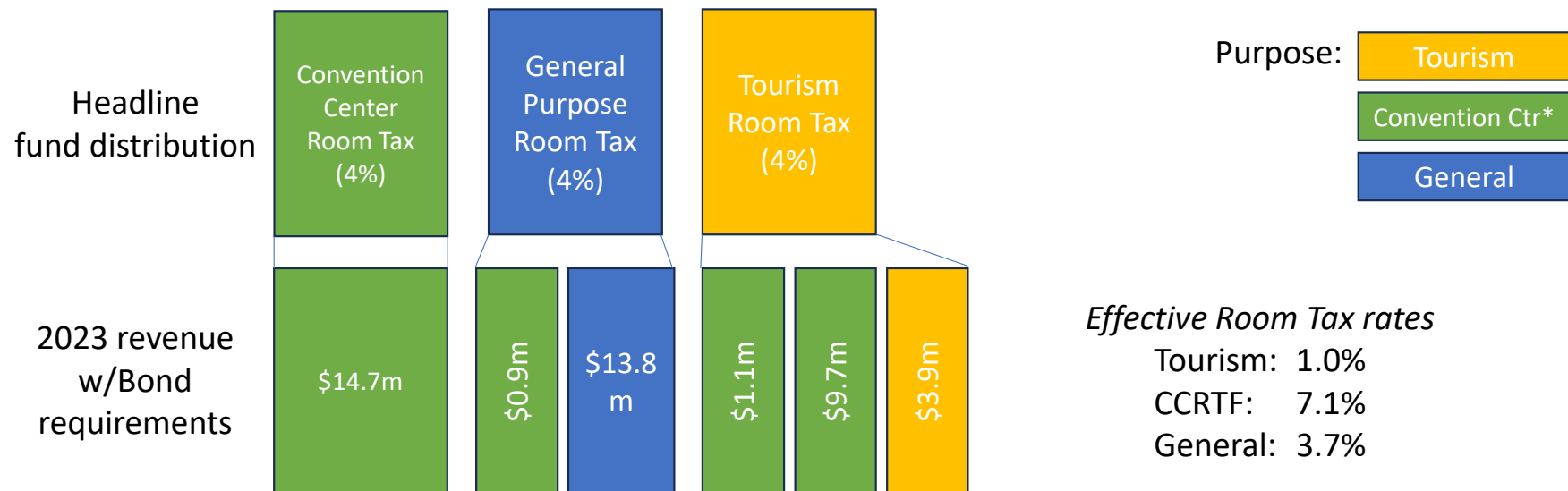
- 2006 Convention Center Bonds & 2015 reissue
 - MoA owned CIVICVentures issued Bonds to finance new Convention Center
 - Bonds need predictable revenue streams; concern that a 4% room tax wouldn't be enough
- Additional restrictions from CIVICVentures Use Agreement
 - Further pledges into restricted "Convention Center Room Tax Fund" (CCRTF)
 - Limitation to specific purposes
 - Admin and enforcement expenses
 - Bond payments + bond payment reserve + operating reserve
 - Management and Tourism promotion
 - Excess must be deposited in Convention Center Capital Reserve
 - Pledge amounts
 - 66.25% of all Tourism Room Tax
 - additional \$500k (2005 indexed) from Tourism Room Tax
 - additional \$500k (2009 indexed) from General Room Tax

Use of Room Tax: Gory Bond Financing Details



- See Russ Risvold, MOA Public Finance & Investments Manager

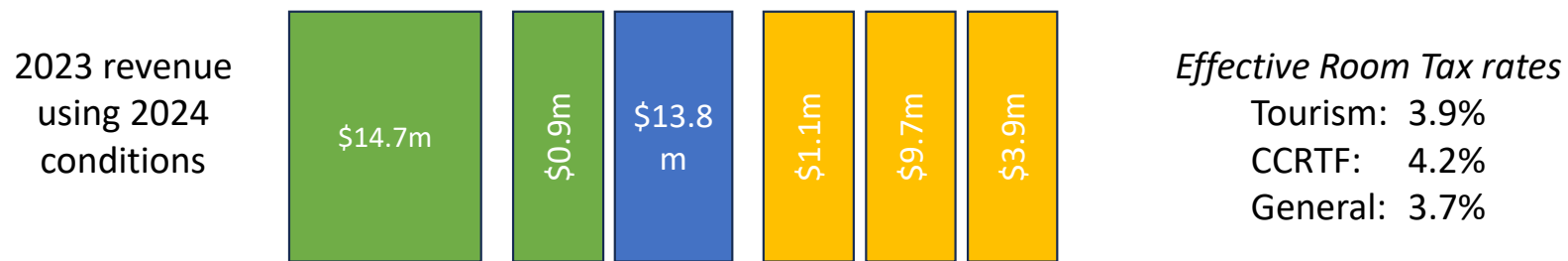
Use of Room Tax: Bond impacts (thru 2023)



* Goes to CCRTF - some funds may be spent on Tourism Promotion after other obligations are met. Remainder goes to CC Capital Reserve

Use of Room Tax: From 2024 onward

- Bond financing has an “escape clause”* if tax revenue is high enough for two consecutive years
 - Is Convention Center + additional contribution from General component >175% of future maximum annual bond payment?
 - If met, Tourism pledges to CCRTF no longer required for life of Bonds
 - Condition was met in 2022 and 2023 – Finance to confirm



* CIVICVentures Use Agreement, Article IV, Section 4.2 (c) “Release of Tourism Room Tax”

Use of Room Tax: Charter/Voter Restrictions

- Proposition 2 (2005) dedicated 4% Convention Center Room Tax
 - Passed by 2.9% margin
 - Future changes would require a Muni-wide vote to amend Charter
- Proposition 2 (1979) dedicated 4% Tourism Room Tax
 - “to the promotion of the tourism industry” passed by 7.9% margin
 - Added to code by AO 96-103 (7.9% margin)
- Note: “for a hotel-motel room”
 - at the time, B&B’s were excluded
 - over 35 years later, STR room tax is \$6.4m

PROPOSITION 2 HOTEL-MOTEL TAX

PROPOSITION 2: HOTEL-MOTEL TAX Shall the tax levied upon the rent paid by a guest at a hotel-motel for a hotel-motel room within the Municipality be increased from 5% up to a maximum of 8% with half of the total (4%) tax revenues received dedicated to promotion of the tourism industry?

Policy Proposal: Update Tourism Tax Dedication

- Dedicate Tourism Room Tax from only hotel/motels only
 - One-third of STR room taxes still dedicated for Convention Center
 - Only requires an Assembly Ordinance to update AMC 12.20.020
- Options
 - A: release STR portion to General purpose
 - B: dedicate STR portion of Tourism room tax for special purpose
 - C: dedicate STR portion of Tourism + General room tax for special purpose

Future Policy?

Purpose:

- Tourism
- Convention Ctr
- General

<p>A: STR tax -> General Fund</p>	<p>\$14.7m</p>	<p>\$0.9m</p>	<p>\$11.9m</p>	<p>\$12.7m</p>	<p><i>Effective Room Tax rates</i> Tourism: 3.4% CCRTF: 4.1% General: 4.3% STR: 0.0%</p>
<p>B: STR tax release from tourism dedication</p>	<p>\$14.7m</p>	<p>\$0.9m</p>	<p>\$13.8m</p>	<p>\$12.7m</p>	<p>Tourism: 3.4% CCRTF: 4.1% General: 3.7% STR: 0.6%</p>
<p>C: Max STR mitigation fund</p>	<p>\$14.7m</p>	<p>\$0.9m</p>	<p>\$11.9m</p>	<p>\$12.7m</p>	<p>Tourism: 3.4% CCRTF: 4.1% General: 3.2% STR: 1.1%</p>

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