

Resolution on Room Tax Use and Distribution in the Municipality of Anchorage

Whereas, AMC 12.20 authorizes the collection of a 12% room tax on short-term room rental transactions, which are rentals of less than 30 days of continuous occupancy;

Whereas, Ballot Proposition 2 in 1979 dedicated 4% of room tax revenues to the promotion of the tourism industry, and Ballot Proposition 2 in 2005 added an additional 4% to the room tax, which was dedicated to the Convention Center Reserve Trust Fund (CCRTF);

Whereas, through ordinance AO 97-103 room taxes were extended to include other short-term rentals not traditionally defined as hotels or motels, including bed and breakfast operations;

Whereas, bonding in 2006 and the re-issuance of Major Bond Financing in 2015 introduced specific restrictions on the distribution of room tax revenues, leading to discrepancies between the description of room tax uses in municipal code and the actual obligations negotiated by the administration and agreed upon by the assembly;

Whereas, the effective distribution of room tax revenues, constituting the 12% tax, have been segmented to roughly 1.0% for tourism directly, 7.1% for the CCRTF, and 3.7% for general purposes, with the remainder administrative and enforcement costs, as of the latest fiscal assessments;

Whereas, bond financing agreements include a clause allowing for the release of the additional pledged use of a proportion of the tourism room tax towards convention center obligations if tax revenues are sufficient for two consecutive years;

Whereas, AMC 12.20.020(D) states that if all or a portion of the taxes levied for CCRTF are no longer needed, then the assembly shall consider whether the tax increase levied via ballot proposition 2 in 2005 shall be eliminated or reduced;

Whereas, non-hotel/motel room tax receipts since 2016 have grown by roughly 34% annually and Hotel/Motel tax receipts have grown by roughly 6.8% annually during the same period;

Whereas, based on commercially available estimates, short-term rentals (STRs) represent between 3-4% of housing units in Anchorage, with higher densities in some communities, posing unique challenges and opportunities for housing policy and tax revenue allocation;

Be it resolved, the Budget Advisory Commission urges the Anchorage Assembly to review and update the municipal code and dedicated distributions of room tax revenues to reflect current financial realities and agreements, ensuring that room tax policy is aligned with contemporary fiscal policies and community needs;

Be it further resolved, the definition of 'promotion of tourism industry' needs to be clarified and there is the possibility of expanding the definition to include capital investments, targeted marketing efforts, enhancements to public facilities, or other relevant areas;

Be it further resolved, the Anchorage Assembly shall consider the specific allocation of B&B and STR room tax revenues, focusing on the purposes of various room tax allocations and the direct impacts of STRs on local communities;

Be it further resolved, the establishment of a mitigation fund should be considered if consensus is reached on the targeted use of room tax revenues from both tourism and general components to address the direct impacts of STRs;

Be it finally resolved, in light of the sunseting of bond financing restrictions and the identified inaccuracies in budget allocations for the room tax distributions, a thorough review and adjustment of these budget lines should be conducted to ensure fiscal responsibility and transparency.