



**RECOMMENDATION:** That City Council adopt the attached Resolution (Attachment) as part of the FY 2026 Operating Budget:

1. To establish new permit fees, effective September 1, 2025, for the City’s STR Program and placing them on the Department of Planning & Zoning’s Fee Schedule; and
2. To delete the City’s Grading Plan permit fees under Section 5-6-224 of the City Code by transferring them from the Department of Transportation and Environmental Services to the Department of Planning & Zoning Fee Schedule.

**BACKGROUND:**

**SHORT-TERM RESIDENTIAL RENTAL PERMIT FEES AND THE TRANSFER OF GRADING AND DRAINING PLAN PERMIT FEES**

**Short Term Residential Rental Permit Fees**

*Section 3-2-152 of the City Code, Short Term Residential Rentals*

In November 2017, City Council adopted a recommendation from City staff on how to register and collect taxes from STRs in Alexandria, pursuant to a new state law that took effect that year. STRs typically occur through online home-sharing platforms, such as Airbnb, Craigslist, Expedia, FlipKey, HomeAway, TripAdvisor, and VRBO. Pursuant to the staff recommendation, and City Council’s 2017 action, Section 3-2-152 of the City Code requires the operator of each STR residential property to register with the Department of Finance on an annual basis. Regional and Local Transient Taxes are required to be collected for these rentals.

*Short Term Residential Rental Ordinance*

More recently, City Council requested P&Z to develop a STR Ordinance which would require an administratively approved permit in order to operate a STR. This will allow the City to better monitor and regulate approximately 727 STRs currently operating in the City as well as revoke permits for those that become a neighborhood nuisance. Eighty-three percent (83%) of the existing Alexandria STRs are owner-unoccupied, meaning the owner does not live on the property and does not have an onsite presence to police the activities of guests. The remaining seventeen percent (17%) of the existing Alexandria STRs are owner-occupied, meaning the owner lives on the property and can police the activity of guests.

In response to City Council’s request, staff brought recommendations to City Council to amend Article VII of the Zoning Ordinance to include permit regulations for a STR Program. The Ordinance change occurred on March 11 with the second reading and adoption on March 15, 2025. Additionally, the draft FY 2026 Operating Budget proposes funds for a STR Program Manager at \$117,500 annually for salary and benefits, an enhanced STR platform for owners and the public at \$40,000 annually; and proposed STR permit fees for owner-unoccupied rentals and those which are owner-occupied.

**Method of Storm and Subsoil Water Disposal Plans Fee Transfer**

*One Start Initiative*

The City has implemented the One Start Initiative to further enhance the development review process within Alexandria. Under One Start, 6 positions from the Department of Transportation and Environmental Services

responsible for grading plans, site plans, vacations, bonds and more were transferred to the Department of Planning & Zoning, along with one position from the Office of Housing.

*Section 5-6-224 of the City Code titled Method of Storm and Subsoil Water Disposal*

City Council adopted an Ordinance on March 15, 2025, to amend Section 5-6-224 of the City Code titled Method of Storm and Subsoil Water Disposal. Section 5-6-224 of the City Charter describes requirements and procedures for review and approval of grading plans associated with administrative development approvals, typically for low density residential development.

The amendments under Section 5-6-224 entail reassigning the signature authority for approval of grading plans from the Department of Transportation & Environmental Services to the Department of Planning & Zoning and deleting the application fee from the City Code and adding it to the Department of Planning & Zoning Fee Schedule when approved as part of the FY 2026 Budget process. The first reading of the Ordinance occurred on March 11 with the second reading and adoption on March 15, 2025. The proposed changes align with an ongoing strategic reorganization and operational improvements under One Start.

**DISCUSSION:**

*STR Permit Fees*

Alexandria's experience is that owner-unoccupied STR properties generally require more oversight; therefore, this two tier permit fee system reflects that:

- Annual "owner unoccupied" STR Permit Fee: \$350

500 owner-unoccupied STRs x \$350 annual permit fee = **\$175,000**

- Annual "owner occupied" STR Permit Fee: \$100

100 owner-occupied STRs x \$100 annual permit fee = **\$10,000**

It is anticipated that the STR permit fees will generate an estimated \$185,000 in annual revenue. The effective date of the fees would be September 1, 2025, based on the March 15, 2025 adopted Ordinance. These fees are included under the attached Resolution and Fee Schedule with a note as to their effective date.

*Method of Storm and Subsoil Water Disposal Fees*

These fees as noted would be transferred to the Department of Planning & Zoning Fee Schedule with the adoption of the FY 2026 Budget and are included under the attached Resolution and Fee Schedule. No change in the grading plan fee amounts is recommended.

**FISCAL IMPACT:**

*STR Permit Fees*

Adding these permit fees for STRs is estimated to bring \$185,000 in additional revenue to cover the cost of the STR Program's implementation.

*Method of Storm and Subsoil Water Disposal*

There is no fiscal impact as the Grading permit fees are not changing but will remain the same.

**ATTACHMENTS:**

1. Resolution
2. P&Z Fee Schedule

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