



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

Coast Guard City, USA

MEMORANDUM

To: Chair Spivey and Members of the Planning Commission

CC: Keith Brady, Administrator

From: Michael Scarcelli, Planning and Community Development Department Director

Date: March 15, 2018

Subject: Short-Term Rental Annual Report and Discussion/Direction

This report will summarize 3 issues:

- 1) Annual short-term rental (STR) financial reporting on all operating approved STRs and Bed and Breakfast conditional use permits;
- 2) Summarize known data of STRs; and
- 3) Provide some ideas and resources for consideration, and examples of options to mitigate impacts to long-term rentals and affordable housing.

I. Summary of STR Annual Financial Reports

Planning Staff had thought that a one-time annual reporting period would be more efficient for rental managers, the finance department, planning staff, and the Planning Commission. In addition, it is now timed in sync with typical financial reporting. The Planning Commission since moved to make that change and this is now the first annual report. Attached is an excel file that details the reporting information.

To sum, the attached information shows that 31 of 32 STR/BnB CUP sales accounts reported their financials and nights rented. 2 accounts were closed (#10, 31), and one account did not report (#32), and one reported zero earnings. 28 accounts remitted their tax for 1155 nights totaling \$14,979. Staff will follow up with those accounts that have not reported, remitted, or have closed to advise them of the consequences and corrective steps. Overall, there were no major concerns or violations absent the lack of reporting.

II. Summary of Short-Rentals in Sitka

At the November 16, 2016 Planning Commission meeting, the Commission directed staff to submit quarterly reports for short-term rentals. This report provides information on conditional use permits historically granted, rentals advertised online, and hotel accommodations.

Conditional Use Permits Granted (As of March 15, 2018)		
Year	STR	B&B
2018	3	0
2017	7	1
2016	13	1
2015	7	2
2014	2	1
2013	1	0
2012	7	1
2011	2	1
Total	41	7

Hotel Accommodations (As of September 12, 2017)	
Aspen Hotel	72
Sitka Hotel (some change)	11
Totem Square Hotel	75
Super 8	35
Westmark	105
Cascade Creek Inn	10
Longliner Lodge	14
Eagle Bay Inn	16
Total units	338

Attached is the 2017 Rental Market Report from The Alaska Economic Trends Newsletter provided by the Alaska Department of Labor and Workforce Development.

The report indicates the following information important to rental markets and potential impacts from short-term rentals on long-term rentals and affordable housing that includes:

- \$1,039 is the average rent of each unit and \$1,319 adjusted to include utilities
- There are approximately 345 rental units and 26 vacant units
- 2017 vacancy rate of 7.5%, which dropped from 2016 level of 8.3% (about middle of the pack)
- Rent increased by about 7-7.2% (largest increase in SE Alaska)
- Average adjusted rent with utilities for single-family homes was \$1,632; for apartments it was \$1,219; and combined it was \$1,319.
- The number of paychecks required to meet rent in 2000 was 1.19 and in 2017 was 1.22
- There has been an upward trend in Sitka since 2014.
- Small markets like Sitka are more sensitive to annual swings.

III. Ideas for Consideration

- There is debate about whether short-term rentals impact affordable housing. While there are studies and arguments on both sides, it appears better supported that STRs will negatively impact the affordability of long-term rentals since those affect supply of rental units and housing markets.
- On the other side, according to AirBnB, the average AirBnB rents for about 42 nights earning about \$7,500 per home. In Sitka, of the 32 CUPs, 25 reported renting for an average of 46.2 nights (1155/25).
 - The argument is that there is not another economic driver that local governments can provide for as little cost that is such a good economic driver (this is AirBnB's argument – not staff's). In other words, while STRs may negatively impact the housing market, they also provide income and create jobs, which can help on the other side.
 - Tourism brings in outside money, which is always a powerful economic driver so long as the cost to bring that outside money in is less than the return.
 - Resource from STR advocacy agency: <http://stradvocacy.org/>
 - Resource: http://www.str.com/Media/Default/Research/STR_AirbnbHotelPerformance.pdf
 - See attached Planning PAS Quick Notes #56
- Increased permit fees and taxes could be used to dissuade STRs and/or to provide funding for affordable housing developments. The current tax is 6% in addition to all existing sales tax. Such tax is open to potential exemption as allowed by existing code (See SGC 4.24). Currently, such taxes are funneled to the “visitor activities enhancement fund,” a special revenue fund, created by SGC 4.24.070. Perhaps this or a portion of it tax should go to enhance affordable housing projects.
- There could be a moratorium on all new STRs (CUP or not).
- There could be limits based on blocks or area such as no more than 3 per block or 3 per circle radius of 300 feet. Or there could be a hard number of CUPs allowed to be operating. Currently there are 29 open conditional use permits for STRs and BnBs (please note that this figure includes only those CUPs granted in 2010 or later and which have not expired).
- ADUs and/or Tiny Homes on Wheels could be allowed and promoted for STRs in certain zones, under certain conditions. This could both help provide affordable housing, allow homeowners to create income potential, promote smaller, more affordable homes, and promote higher density within existing properties.
- STRs could be limited to CUP only and to owner occupied lot only. This would require that either the owner live in the unit or live in another unit on the lot to encourage the construction of more units and to act as a limiter on potential STRs.
- STRs could be limited to ADUs, rooms, and THOWs to preserve SFR and principal residential units for the LTR and sale markets.

- To be fair, if STR are on the discussion, should lodges, resorts, and hotels be too, and other economic business that provide lodging?
- Promote the development of about 12-36 affordable apartments to offset any potential impacts to LTR/housing markets through incentives such as waiver of permit fees, waiver of increased property valuation for set time, tax credits, land with deed restrictions for affordable housing purposes.