

CITY AND BOROUGH OF SITKA

PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

2021 Annual Short-Term Rental Report

February 28, 2022

Prepared for: Chair Spivey and Members of the Planning Commission
Copy provided to: Mayor Eisenbeisz and Assembly Members
John Leach, Municipal Administrator

Report Sections

- I. Permit Holder Data**
 - A. Financial Data
 - B. Property Data
 - C. Marketing Platforms
- II. Permit Holder Comments, Feedback, and Concerns**
- III. Conclusion**
 - A. Conclusion
 - B. Explanation of Attachments
- IV. Attachments**

Please note the following:

This report only covers short-term rentals or bed and breakfast establishments that operate through the conditional use permit process. This report does not have information about short-term rentals that are operated by right within the Central Business District, Commercial 1 District, Commercial 2 District, Waterfront District, General Island District, and/or Recreational District.

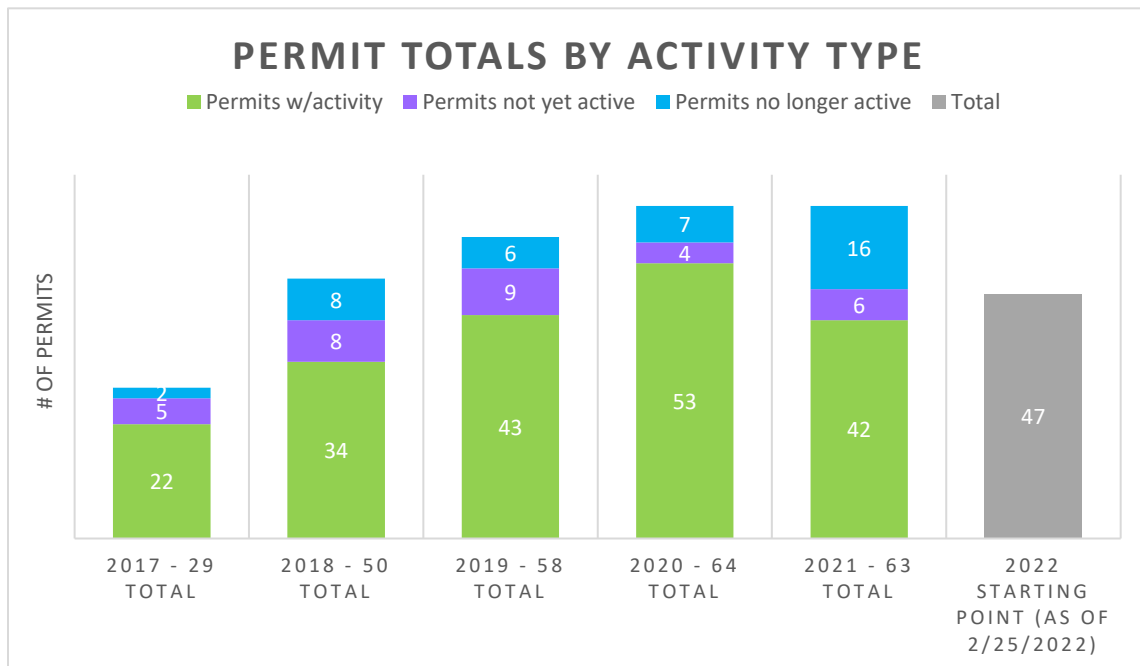
The term “short-term rental” or STR, will also be used to describe bed and breakfast establishments permitted through the conditional use permit (CUP) process.

I. Permit Holder Data

A. Financial Data

Permit Data	2017	2018	2019	2020	2021
Total Permits	29	50	58	64	63
Active permits in use	22	34	43	53	41
Active permits not yet used	5	8	9	4	6
No longer active permits	2	8	6	7	16
Rental Data from Active Permits					
Total nights rented	1155	2928	3190	1788	2917
Average nights rented per active CUP	53	86	74	30	71
Minimum nights rented	2	2	2	0	1
Maximum nights rented	146	446	259	174	205
Financial Data from Active Permits (\$ USD)					
Total bed tax remitted	14,979	27,950	39,137	21,293	47,286
Total implied revenue	249,663	465,838	652,292	354,883	788,100
Average bed tax remitted	680	822	910	402	1,153
Average implied revenue	11,348	13,701	15,169	6,695	19,222
Minimum bed tax remitted	12	0	14	0	6
Maximum bed tax remitted	2,434	3,107	3,776	1,581	2,936

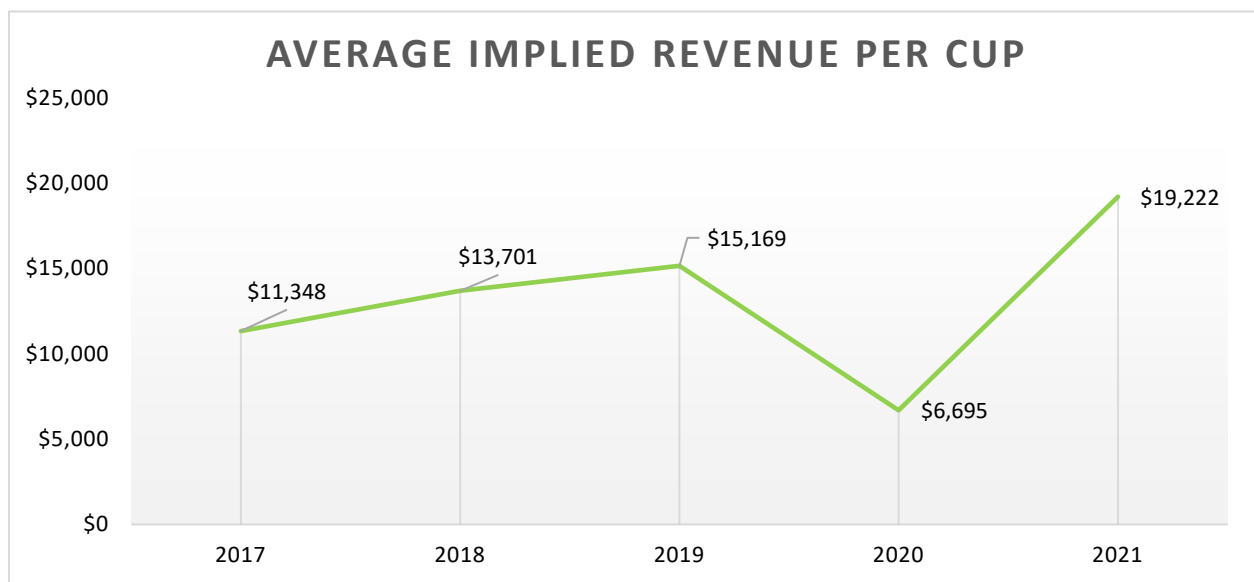
Summary: At the beginning of 2020, there were a total of 57 active permits. The Commission approved 8 new CUPs for STRs in 2021, one of which is now inactive. 15 other permits also became inactive in this period. There are 2 permits that have been approved in early 2022 that were not asked to complete the 2021 report due to lack of activity. There are two active permits for which the data was not made available in time for this report.



As Sitka’s bed tax on short-term rentals is 6%, and the total bed remitted was \$47,286, implying a total revenue of 788,100. Over 2917 rental days, this would put the average price per night at approximately \$270. Given that average nights rented in 2021 is within a similar range to that of 2018 and 2019, it would appear that there are higher prevailing prices for short-term rentals.

STRs still represent a significant revenue source that could substantially offset housing expenses. The average revenue per permit holder is \$19,222; a sizeable revenue stream for properties owners not otherwise captured at hotels, lodges, or short-term rentals/bed and breakfast establishments in other zoning districts.

The average implied revenue per CUP increased steadily between 2017 and 2019, dropped dramatically in 2020, and rebounded to its new high in 2021.



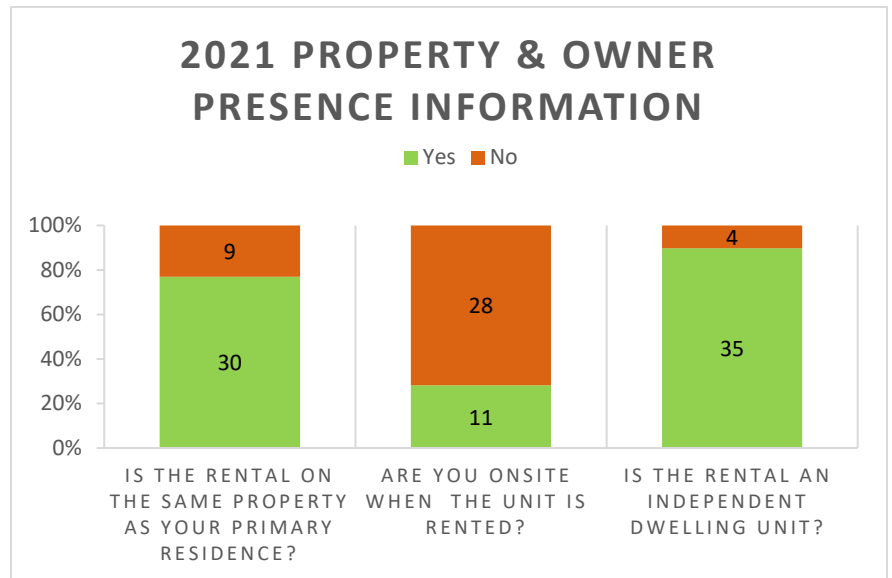
B. Property Data

In an attempt to answer the question, “to what extent are short-term rentals decreasing the available pool of long-term rentals?” staff included some questions about the property and owner presence during rental periods for the first time in the 2019 report, and kept these questions in the 2021 report.

77% of active permit holders responded that the rental was on the same property as their primary residence (compared to 68% in 2020), with far more respondents stating they were offsite during the rental period than 2020; 45% versus 28% for 2020 and 2021 respectively. 90% of the rental units were reported as independent dwelling units.

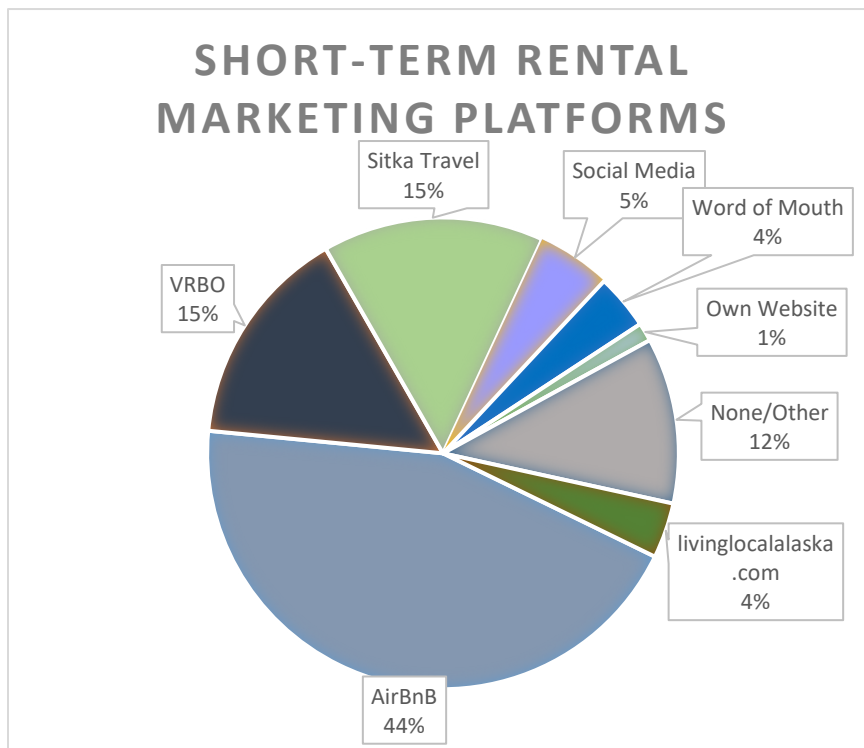
Of the 9 respondents who stated that the rental was not on the same property as their primary residence, all were described as independent dwelling units (however one is a boat). It would stand to reason that if the property is not a primary residence and is an independent dwelling unit, it would have limited use outside of long-term rental were it not for the short-term rental option.

It is more challenging to make this determination within the pool of those who claim the rental is part of their primary residence; among this group, 17 are reported as independent dwelling units. Some respondents rent their entire primary dwelling unit while out of town. The choices to utilize a dwelling unit within one's primary residence could include guest space, hobby space, or just additional living area; we cannot definitively say these short-term rentals detract from the long-term rental pool.



C. Marketing Platforms

Another new addition to the 2019 report that was carried through to the 2021 report was a question to permit holders regarding the marketing platforms used. Staff felt this was helpful information to assist in monitoring short-term rental activity as well as understanding how many short-term rentals are professionally managed.



Most respondents listed multiple marketing platforms, such as using multiple websites, or a manager as well as a private listing site (such as Airbnb or VRBO).

Airbnb was far and away the most popular marketing platform, followed by VRBO and Sitka Travel (a local company).

44% of those with active permits stated that they were using professional services for property management. This is a notable increase over the 30% reported in the 2020 report.

II. Permit Holder Feedback, Comments, and Concerns

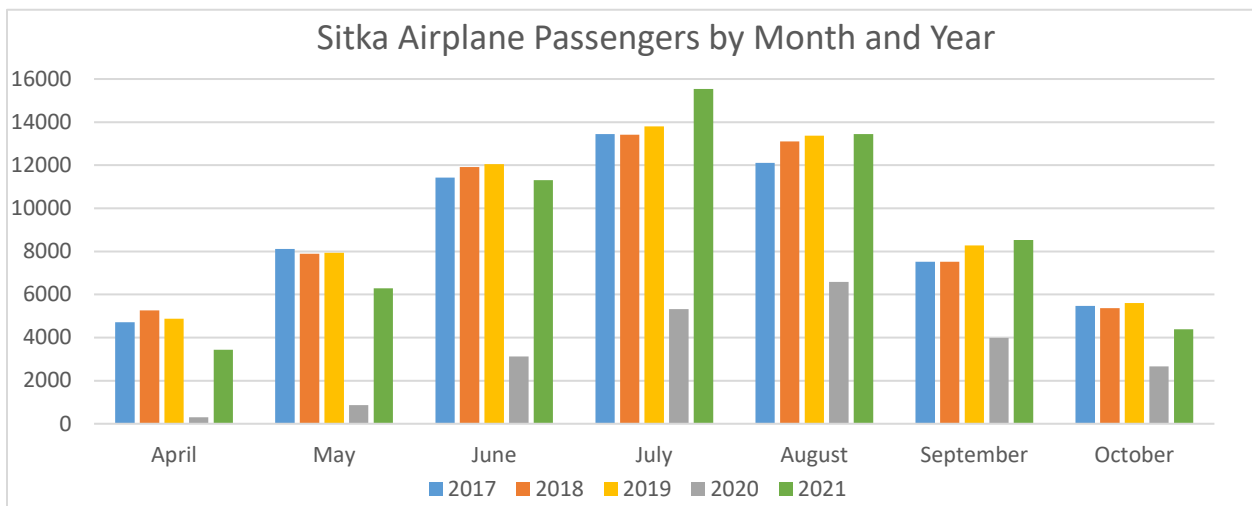
2021 saw the largest number of “deactivations” since STR data has been gathered and tracked through this report. Some of the inactive permits reported that they found long-term renters for their units, or they have sold the properties and short-term rental activity was not continued by the new owners. Clarification and enforcement of the utility billing policy regarding short-term rentals was a strong driver in the number of permit closures that took place over 2021 – this appeared to be a “tipping point” for permits that were only utilized a handful of days each year. Of the 16 permits that are now considered inactive, 4 have communicated with the Planning Department that they would like to keep their permit open and/or that they disagree with the inactive status. These permit holders will be advised of their option to reapply.

Few comments were received from active permit holders; a few noted that they are only using their permits during the summer months, one stated disagreement with the utility billing rates for short-term rentals, and one stated that they felt that some of the questions (particularly those regarding marketing platforms, property management, and whether permit holders are onsite during rentals) could be violating their privacy.

III. Conclusion

A. Conclusion

While 2020 was a challenging year for short-term rental use given the COVID-19 pandemic, 2021 showed a rebounding of the independent visitor industry. Data from the Bureau of Transportation Statistics showed that passenger enplanement at Sitka Rocky Gutierrez airport over the summer of 2021 was in line with volumes seen in 2017-2019. In fact, July 2021 had the largest volume of passengers for any July in the 5-year period, exceeding the next highest July (which was 2019) by approximately 12.6% and was the largest passenger volume seen in any month as far back as 2002.



Data gathered from: <https://www.transtats.bts.gov/DataElements.aspx?Data=2>

Total nights rented in 2021 is in line with activity levels from 2018 and 2019, as is the average nights rented per permit. This also demonstrates a “return to normal” in terms of demand within the short-term rental market. The increase in bed tax remittance far surpassing previous years indicates that market prices for short-term rentals were considerably higher than in years past. The cause for higher price is unknown, and could be driven by one or many variables such as more “premium properties” being offered than in years past, inflation, or supply-side effects.

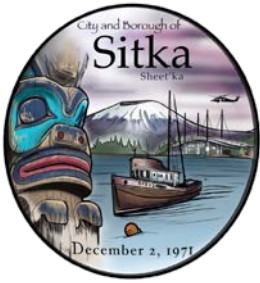
B. Explanation of Attachments

The Commission requested that staff perform a community survey regarding short-term rentals in May 2021. This survey was conducted, and 291 individuals participated. The results were shared with both the Commission and the Assembly in August. Another copy of the survey report is attached for review.

Mapping the distribution of short-term rental permits shows higher density of permits in the downtown and Edgemoor Drive areas, which generally correlate with higher density residential development. Within these areas, no observable pattern or clustering was found in permit locations within neighborhoods, the intensity of their use, or if the property was the primary residence of the permit holder to indicate potential “dark neighborhood” scenarios. The distribution maps are also attached for review.

IV. **Attachments**

- Short-Term Rental Community Survey Results
- Short-Term Rental Distribution Maps



City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

Coast Guard City, USA

To: Chair Spivey and Planning Commission Members

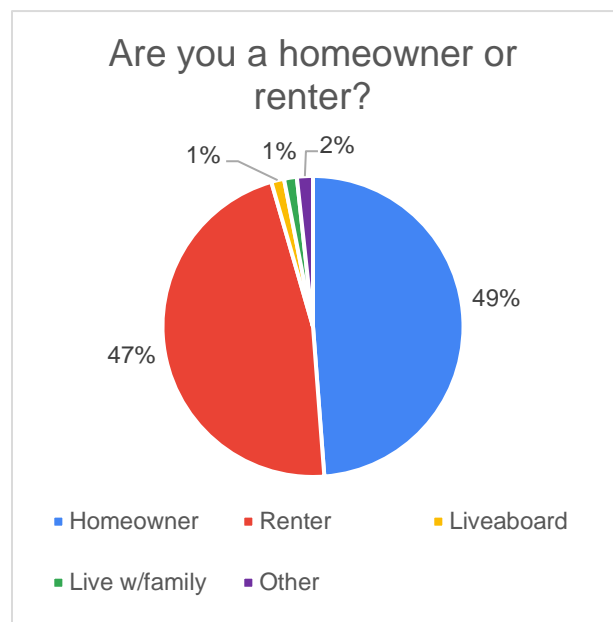
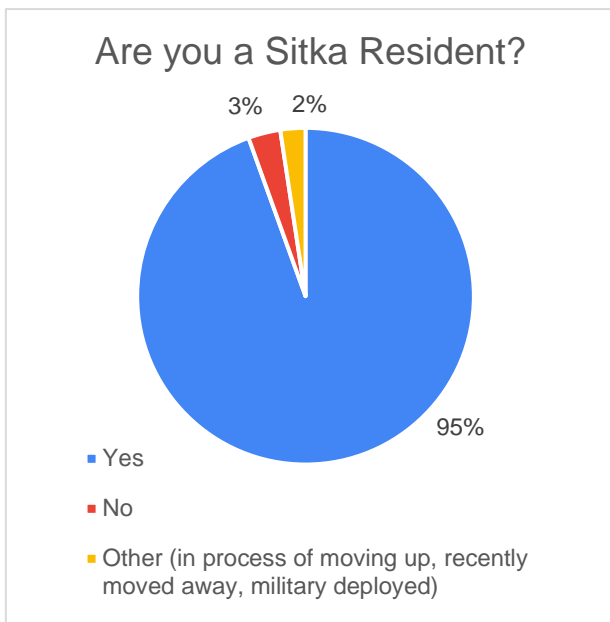
From: Amy Ainslie, Planning Director
Ben Mejia, Planner I

Date: July 30, 2021

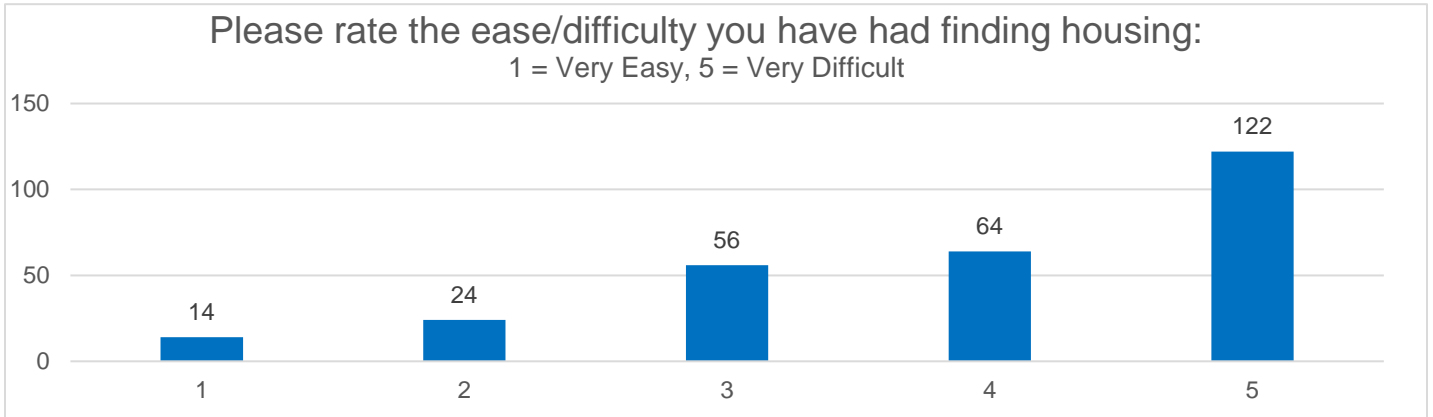
Subject: **Short-Term Rental Survey**

At their May 5, 2021 meeting, Commissioners requested that staff create and publish a community survey to better understand public opinion on short-term rentals, as well as rental and housing price data. Commissioners felt it would be helpful to have information from respondents on their status as a homeowner or renter, their ease or difficulty in finding housing, income and housing expense relative to income, and their opinions on actions that should or should not be taken in terms of regulating short-term rentals.

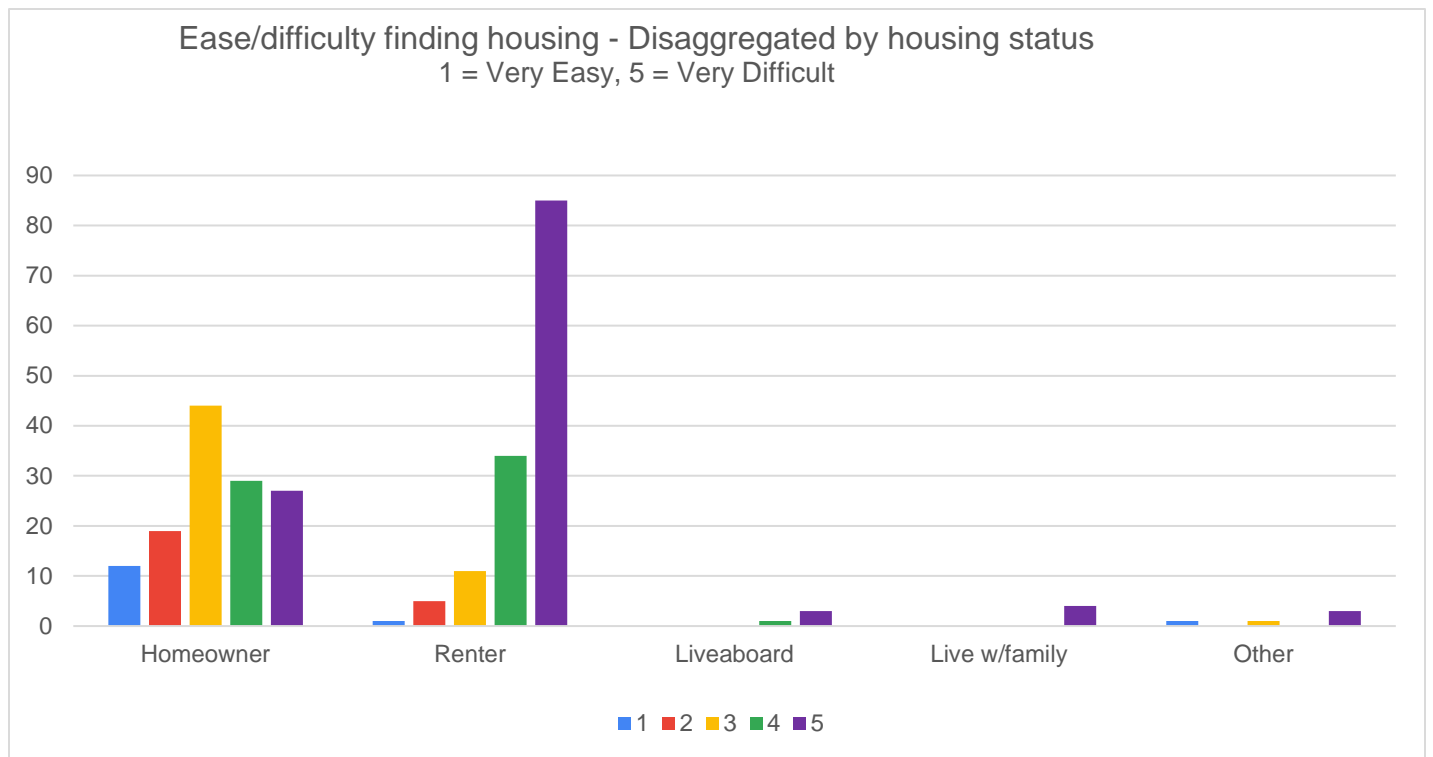
291 respondents took the survey between May 12 and May 28, 2021. Respondents were not required to give any personal identifier information to fill out the survey, and all questions were optional. Questions on income and housing expenses specifically had the option of “prefer not to answer” for respondents. Most respondents were Sitka residents (~95%). There was a fairly even divide between renters (47%) and homeowners (49%).



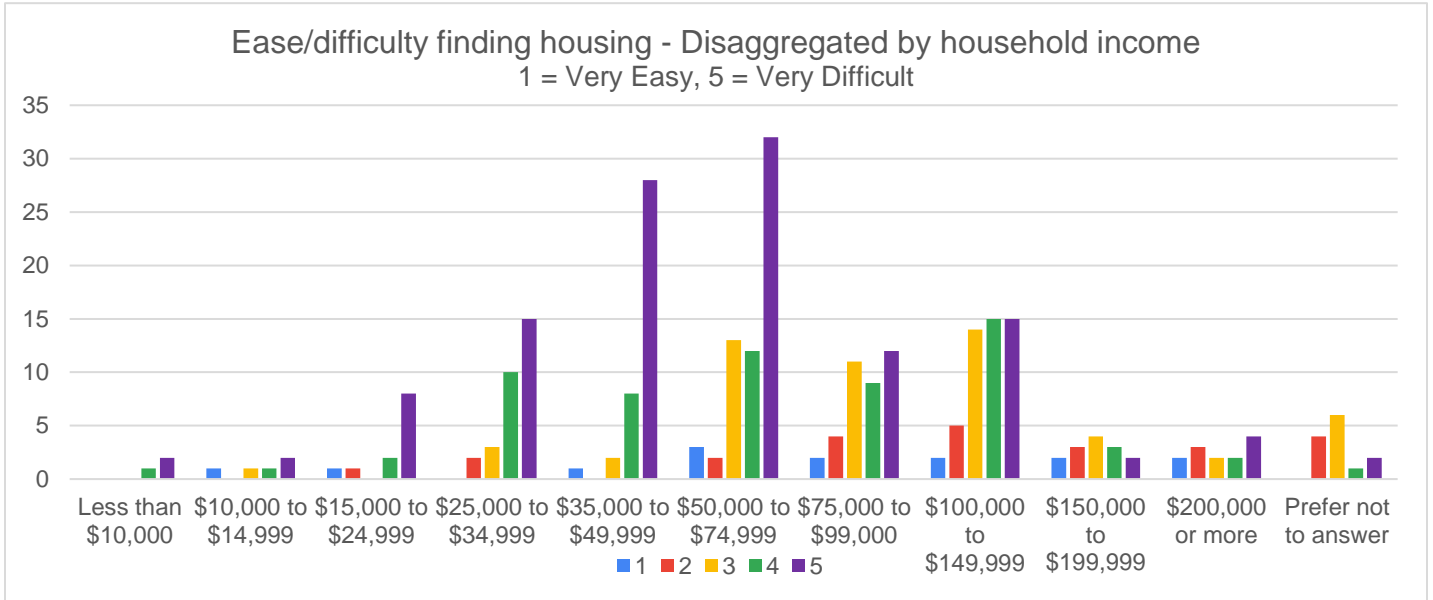
Respondents were asked to rate their experience in the ease/difficulty of finding housing using a scale in which a 1 was “very easy” and a 5 was “very difficult”. 86% of respondents rated their experience as a 3 or higher, indicating a general difficulty of finding housing in Sitka. 44% rated their experience as a 5, very difficult.



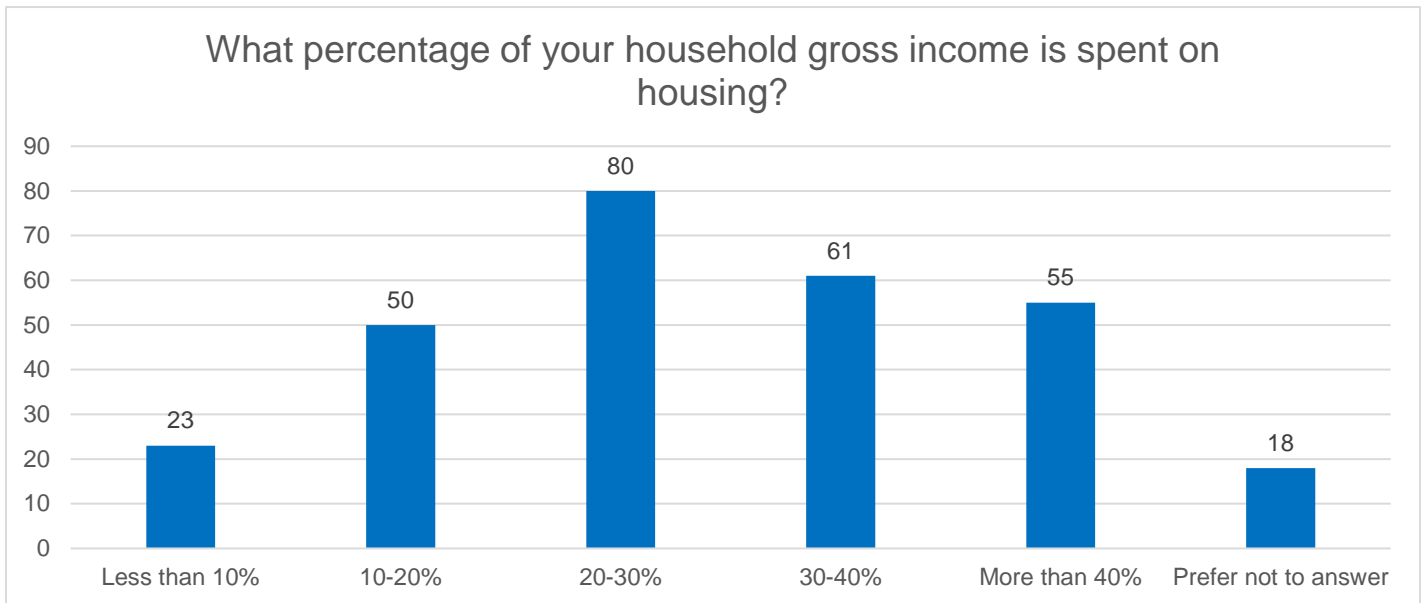
When disaggregated by housing status (homeowner, renter, etc.), homeowners showed more of a “bell curve” distribution in terms of their experiences finding housing with most rating it as a 3, while renters report much more difficulty in finding housing. All respondents who live with family said their experience in finding housing has been very difficult.



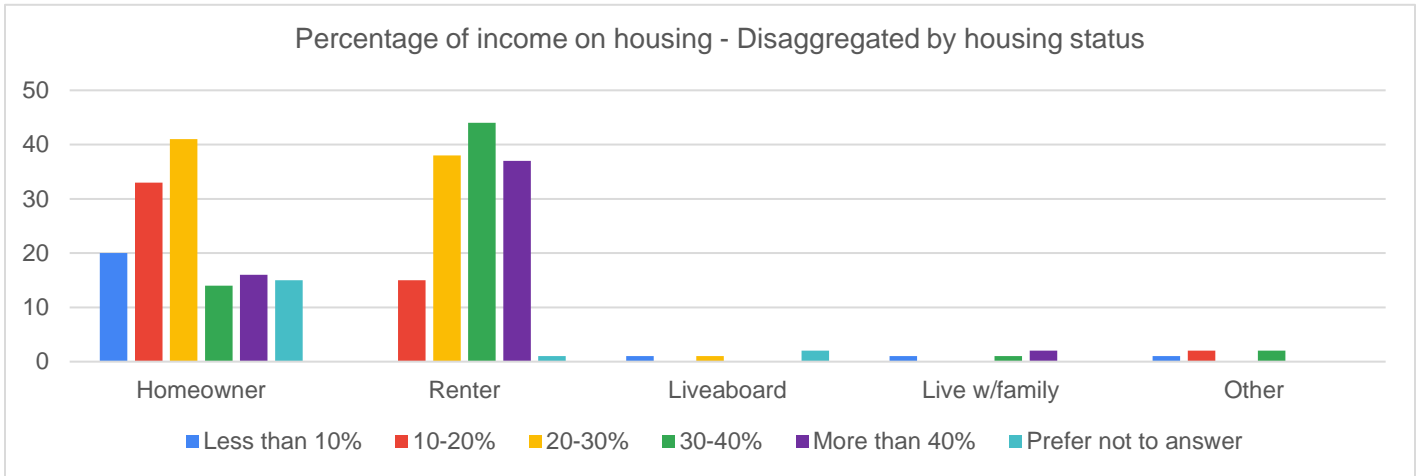
High numbers of those who have had a “very difficult” time finding housing have household incomes that fall within the \$15,000 - \$74,999 ranges, though at least some respondents in every income bracket reported having difficulty finding housing.



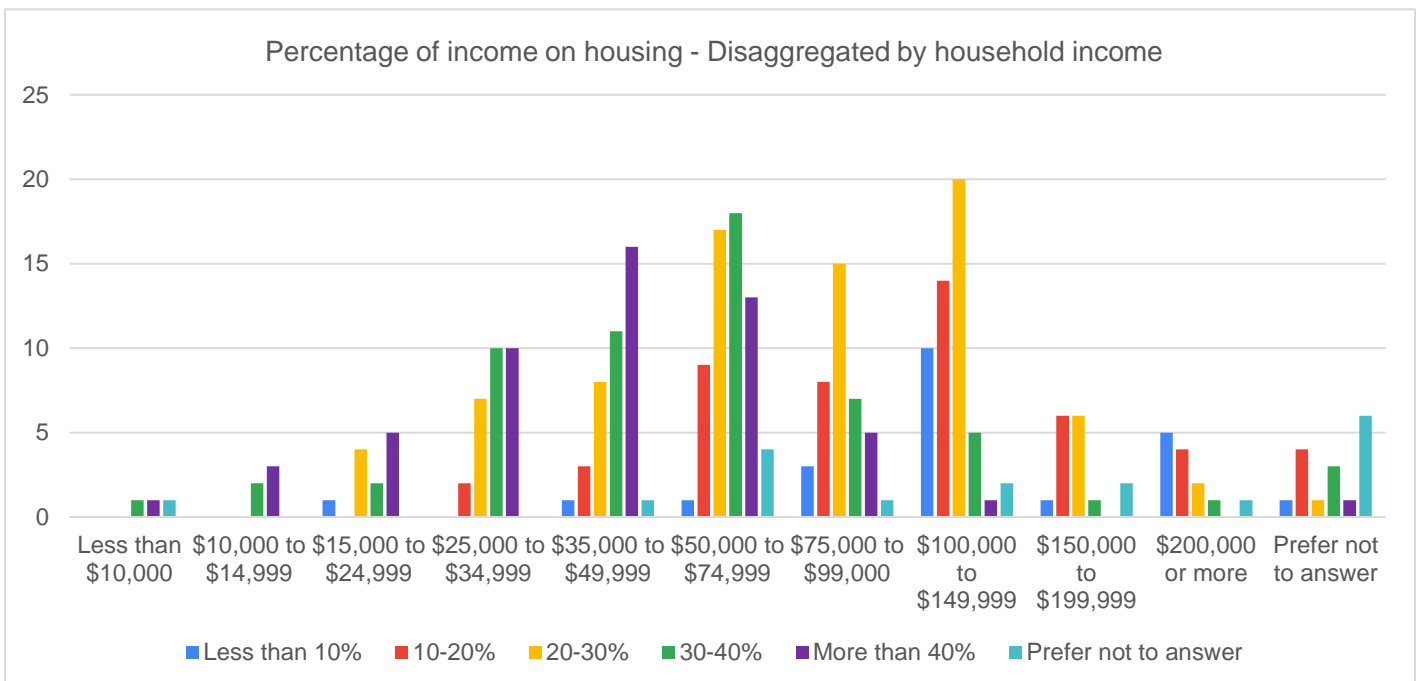
On housing expenses, there was a bell curve distribution with most respondents answering that they spend between 20-30% of their gross household income on housing expenses.



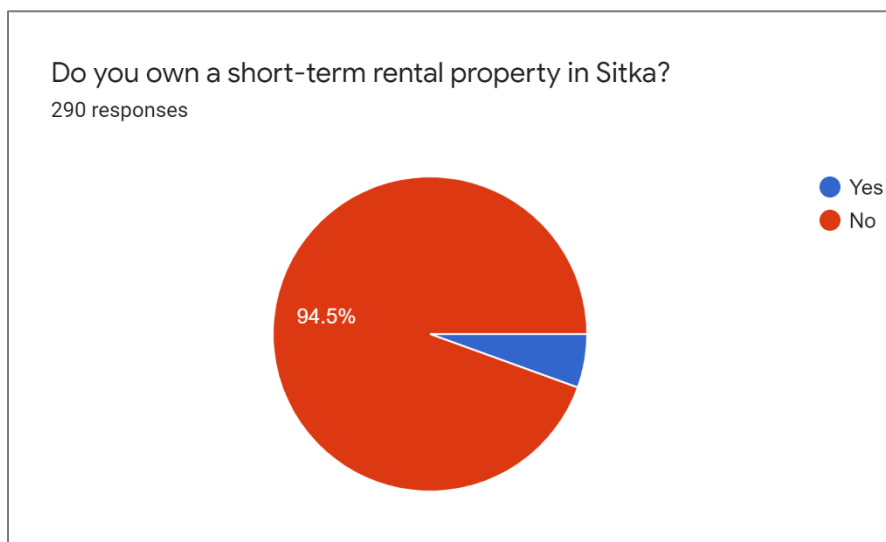
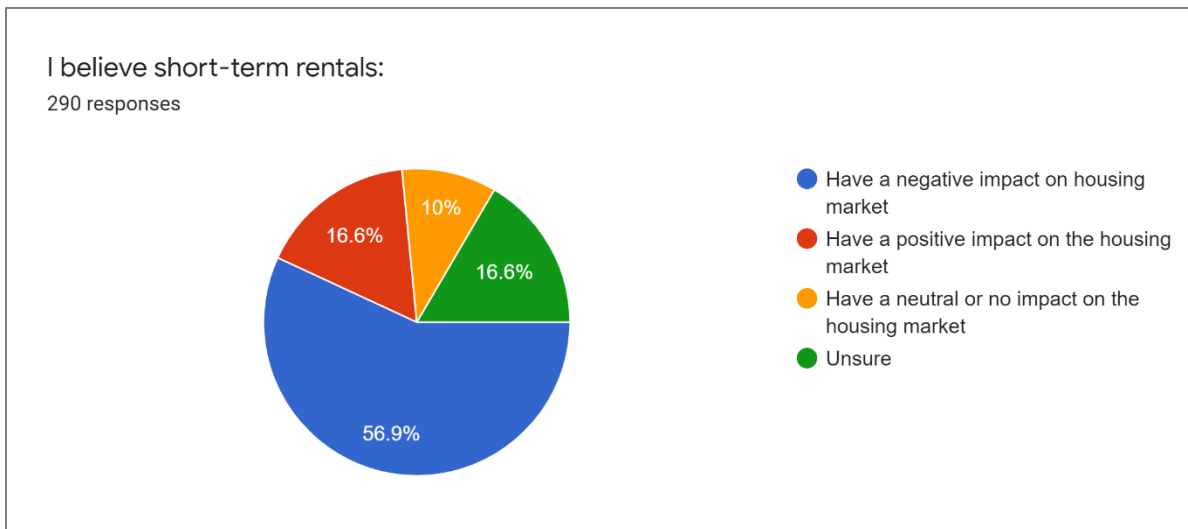
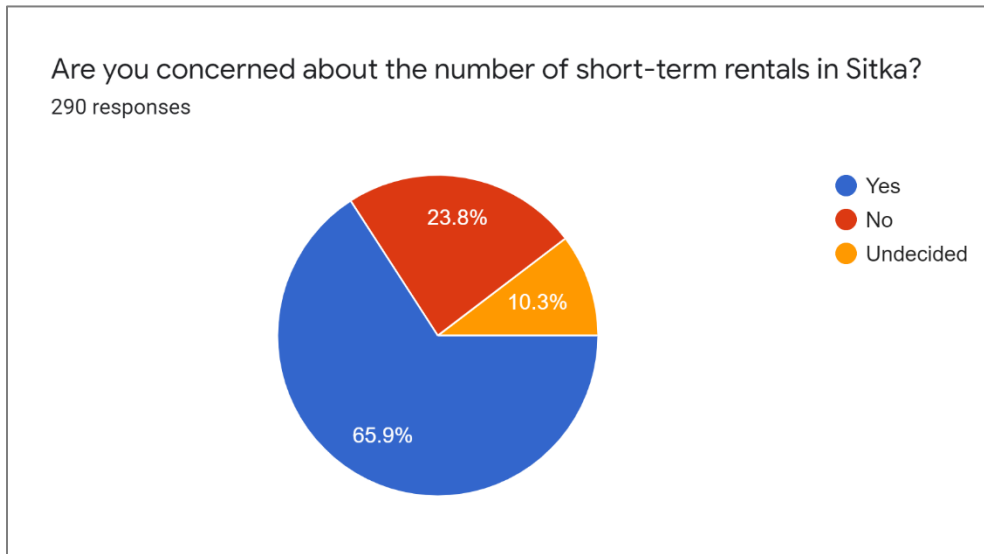
What percentage of your household gross income is spent on housing?					
Income spent on housing:	Percent of Homeowners	Percent of Renters	Percent of Liveaboards	Percent of those who Live w/family	Percent of Other
Less than 10%	14%	0%	25%	25%	20%
10-20%	24%	11%	0%	0%	40%
20-30%	29%	28%	25%	0%	0%
30-40%	10%	33%	0%	25%	40%
More than 40%	12%	27%	0%	50%	0%
Prefer not to answer	11%	1%	50%	0%	0%



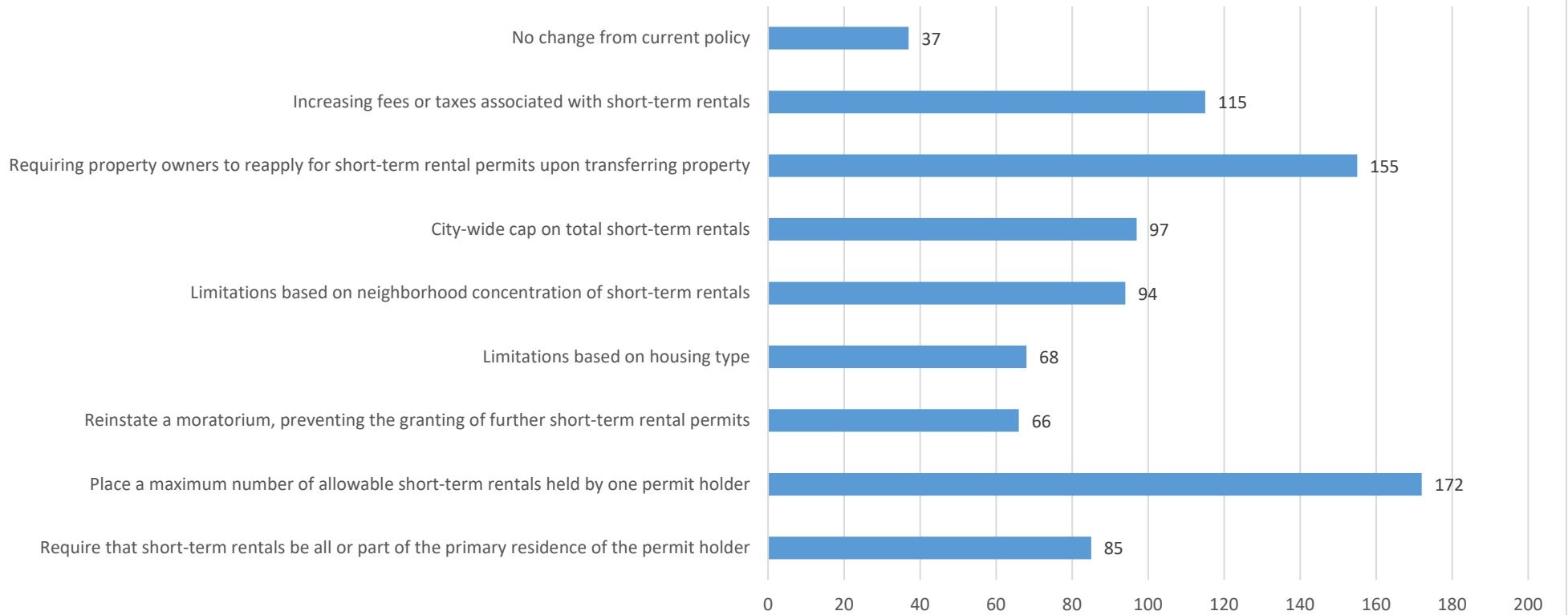
Homeowners and renters alike experience housing cost burden (greater than 30% of gross income spent on housing). No renters reported spending less than 10% of their gross household income on housing. None within reported annual incomes greater than \$150,000 reported spending more than 40% of their income on housing. Almost all income groups reported spending at least 10% - 30% of their incomes on housing.



Short-term rental specific questions:



Actions you would like to see taken on the permitting of short-term rentals:



Other suggestions included:

- Making more affordable housing/land for housing development available (4)
- Letting market dictate/limited City involvement (11)
- Limit the number any one property manager can manage (1)
- Incentives for converting short-term rentals to long-term (6)
- Fines for illegally operated/unpermitted STRs (2)
- Making more seasonal housing available (2)
- Limit STR permits to Sitka residents (3)

There was also an opportunity for respondents to provide free-form feedback. There were over 100 comments – staff attempted to summarize these by theme to provide the Commission with a sense of the overall comments.

1. Housing Availability and Affordability

Approximately 60-70 respondents provided comments regarding the lack housing availability in Sitka, high prices, and other difficulties of getting into housing. Within this pool, there were mixed feelings on the role that short-term rentals play in these problems; some were specific in citing short-term rentals as having negative effects, some felt that short-term rentals were unrelated to these observed problems, and some did not address whether they felt short-term rentals were having an impact in this area. Other observed problems included competing with Coast Guard and health care employees for housing, and the difficulties in finding pet-friendly housing.

Among popular suggestions were increasing land availability for housing development, easing restrictions on density and ADUs, establishing funds for affordable housing development, initiatives to lower cost of living,

2. Balance and Incentives

Several comments acknowledged a need for diversity in housing and lodging options, but wished for more balance and perhaps incentives for more long-term rentals. Some of those suggestions included tax breaks for ADU construction and long-term rental conversion. Others would like to see more enforcement of short-term regulations, higher taxes/fees associated with short-term rentals, time limitations for permits, or residency requirements for permit holders.

3. Free Market and Choice

Some responses were specifically focused on property owner choice and free market principles (approximately 15-20). These respondents felt that property owners ought to have the right to use their property as they see fit, and that the market should be able to regulate/determine appropriate levels on its own. There was some overlap between this section and that above – there was acknowledgement on both sides that short-term rentals can be an important tool in offsetting high housing costs for residents.

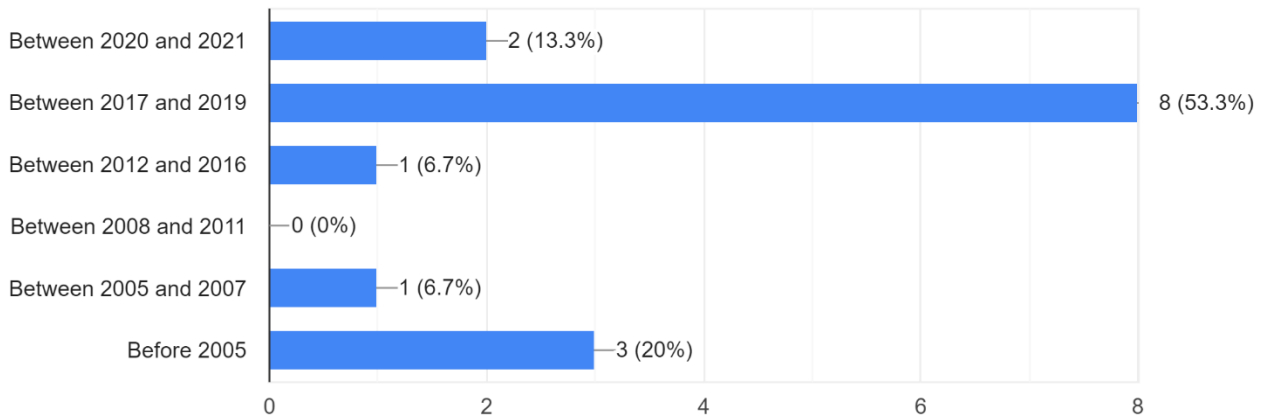
4. Tourism Economy

Many cited the importance that short-term rentals play in the tourism economy, particularly as they support independent travelers that contribute to Sitka's economy. Some respondents felt that allowing short-term rentals more equitably divides the income from the tourism industry among locals (as opposed to benefits only being captured by hotels and lodges). On a related note, there were many comments made regarding the need for expanded seasonal housing given our increase in population over the summer related to the tourism and fishing industries.

This survey also took the opportunity to ask questions of those who own short-term rental properties in Sitka. While we collect some of this data in our annual reports, staff thought we might have some respondents who have short-term rental properties in zones that allow them by right and therefore are not captured in the annual report data.

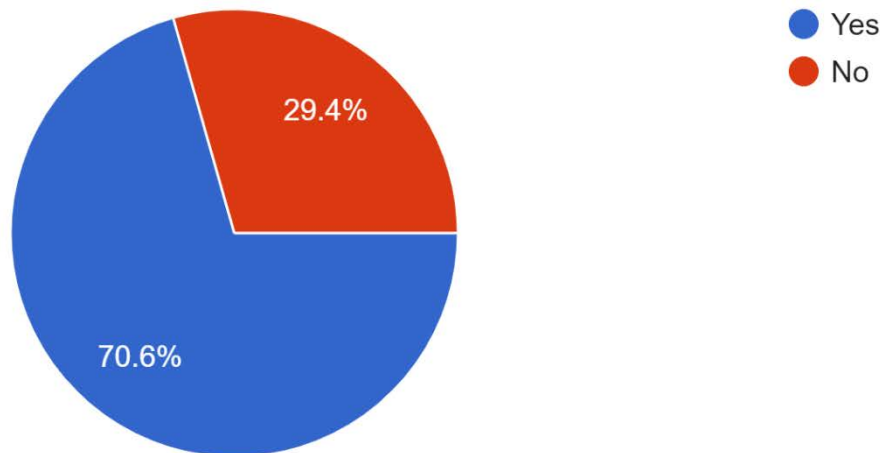
What year did your short-term rental begin operating? (Multiple boxes can be selected in the case you operate more than one short-term rental and they began operation at different times)

15 responses



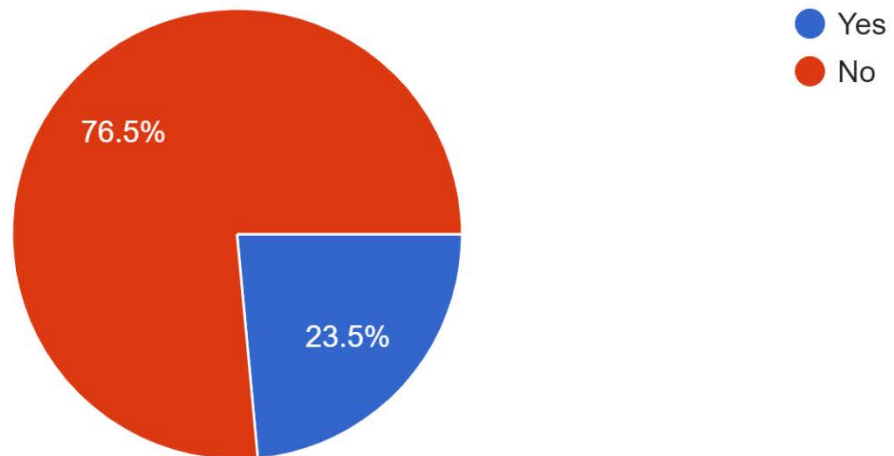
Is your short-term rental on the property of your primary residence?

17 responses



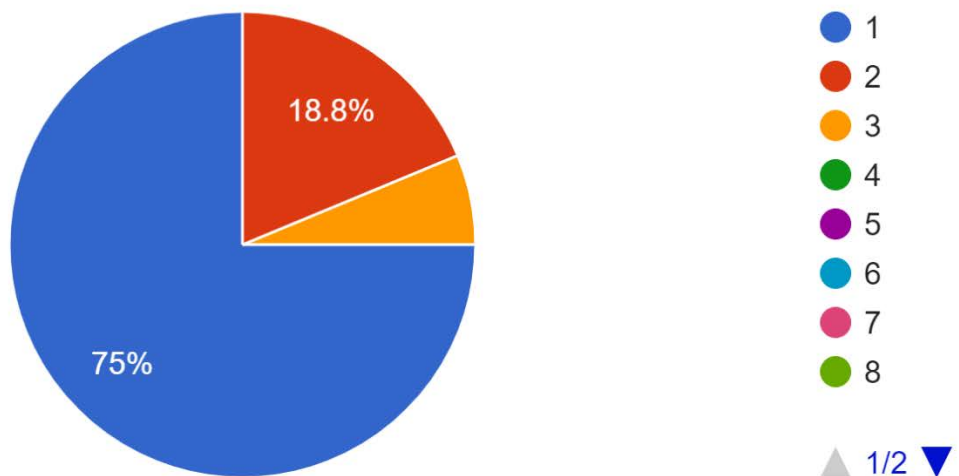
Was the short-term rental property previously used for long-term rental?

17 responses



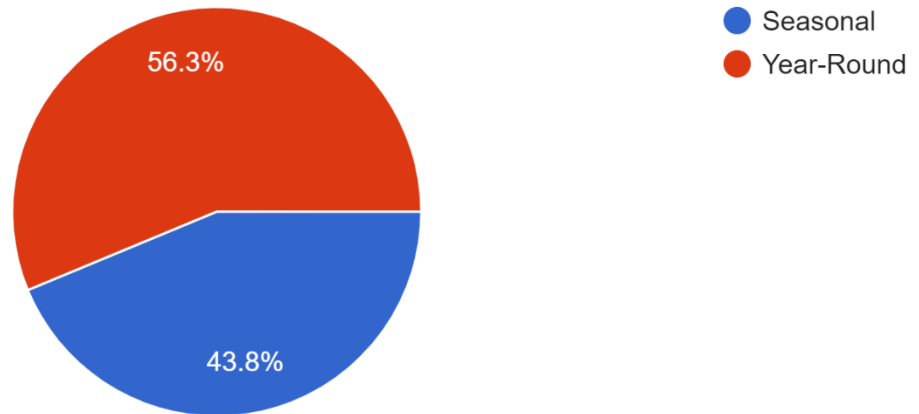
How many dwellings do you own for the purpose of short-term rental?

16 responses



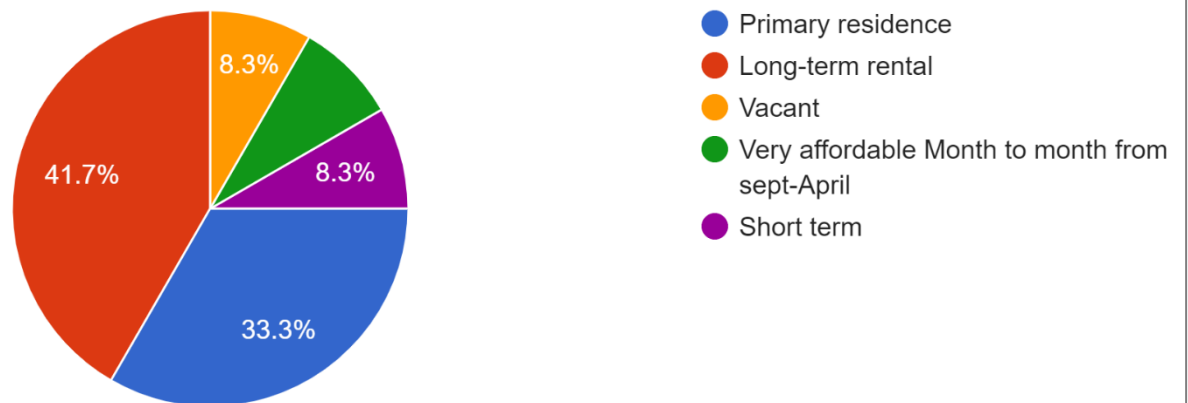
Do you use your short-term rental seasonally or year-round?

16 responses



If your short-term rental is seasonal, what is the use of the rental in the off-season?

12 responses



2021 STR Permits

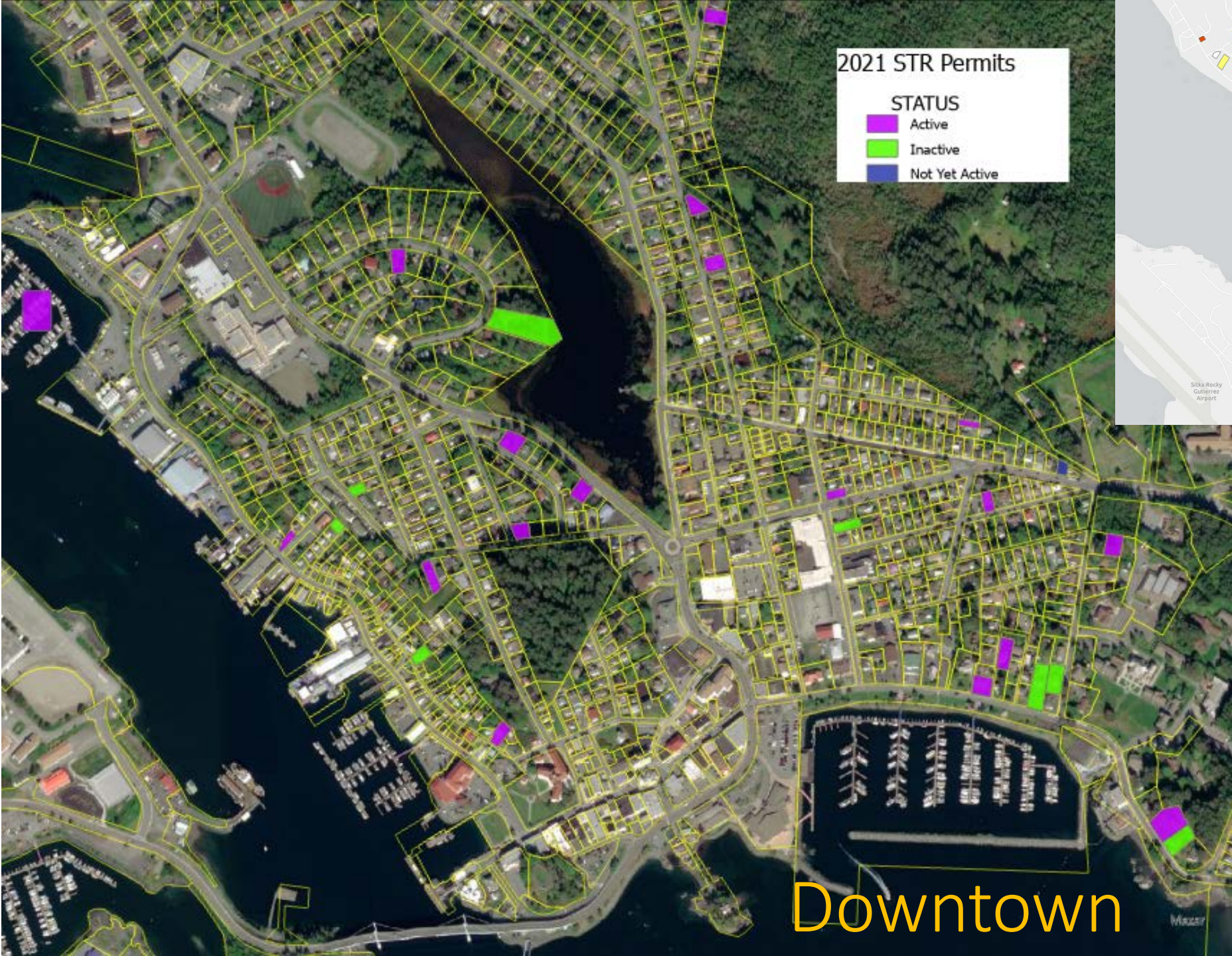
STATUS

- Active
- Inactive
- Not Yet Active

Citywide View of Short-term Rental Distribution

Includes “active”, “Inactive” and “not yet active” permits included in 2021 Annual Short-term Rental Report

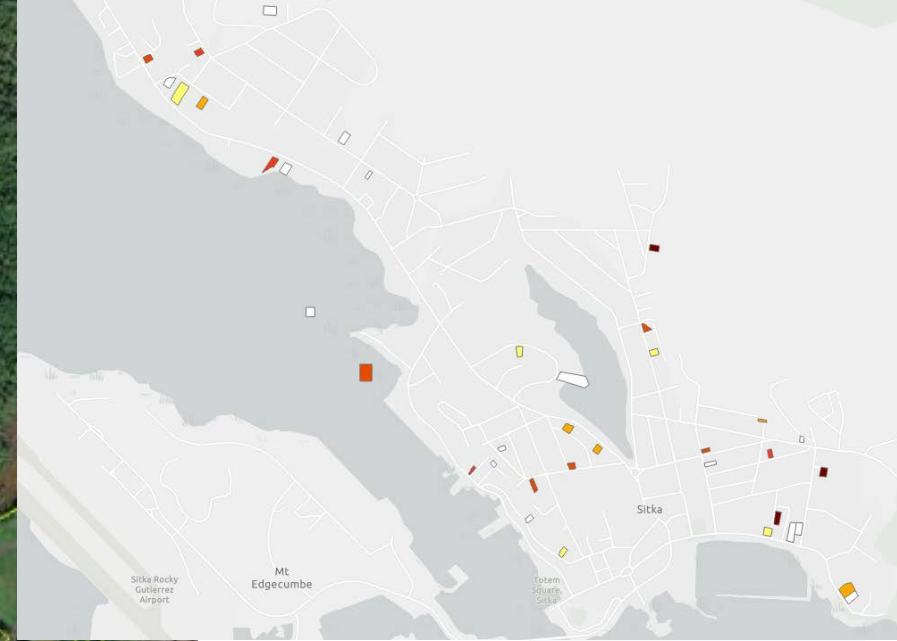




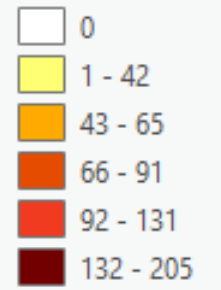
2021 STR Permits

STATUS

- Active
- Inactive
- Not Yet Active



Nights Rented in 2021



Above:
 Graduated
 Symbol map
 showing
 distribution
 of nights
 rented

Downtown

Edgecumbe Drive & Connectors



2021 STR Permits

STATUS

- Active
- Inactive
- Not Yet Active



Sharon Drive to
Kincroft Way

Sawmill Creek Road

2021 STR Permits

STATUS

- Active
- Inactive
- Not Yet Active

