

CITY AND BOROUGH OF SITKA

PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

2020 Annual Short-Term Rental Report

March 17, 2021

Prepared for: Chair Spivey and Members of the Planning Commission

Copy provided to: Mayor Eisenbeisz and Assembly Members

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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.

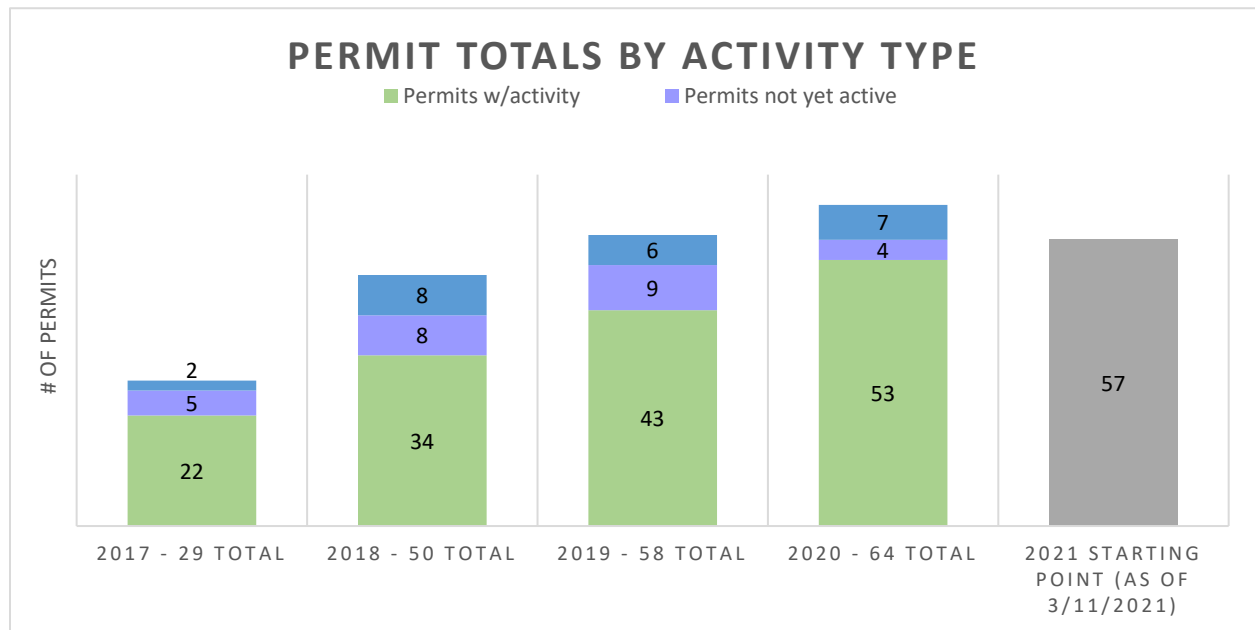
2020 was an unusual year for STRs, given the low visitor and seasonal worker numbers due to COVID-19 impacts. Staff heard from many permit holders that their ability to use their permits were severely impacted by the pandemic. Some were unsure or uneasy about renting out their home to visitors, some were unable to find visitors, and others had long-term tenants stay over the summer season when they would usually convert to short-term tenants. Hearing these concerns, at their May 6, 2020 meeting, the Planning Commission unanimously moved to excuse permit holders from the void period requirements for the short-term rental conditional use permits for the 2020 calendar year in light of COVID-19 travel restrictions and other related impacts. This means that activity on permits is much lower than previous years, and that some permits that would have otherwise been deemed “inactive” and made to reapply for their permit are remaining as active and will move into the 2021 Starting Point.

I. Permit Holder Data

A. Financial Data

Permit Data	2017	2018	2019	2020
Total Permits	29	50	58	64
Active permits in use	22	34	43	53
Active permits not yet used	5	8	9	4
No longer active permits	2	8	6	7
Rental Data				
Total nights rented	1155	2928	3190	1788
Average nights rented per CUP	53	86	74	30
Minimum nights rented	2	2	2	0
Maximum nights rented	146	446	259	174
Financial Data (\$ USD)				
Total bed tax remitted	14,979	27,950	39,137	21,293
Total implied revenue	249,663	465,838	652,292	354,883
Average bed tax remitted per CUP	680	822	910	402
Average implied revenue per CUP	11,348	13,701	15,169	6,695
Minimum bed tax remitted	12	0	14	0
Maximum bed tax remitted	2,434	3,107	3,776	1581

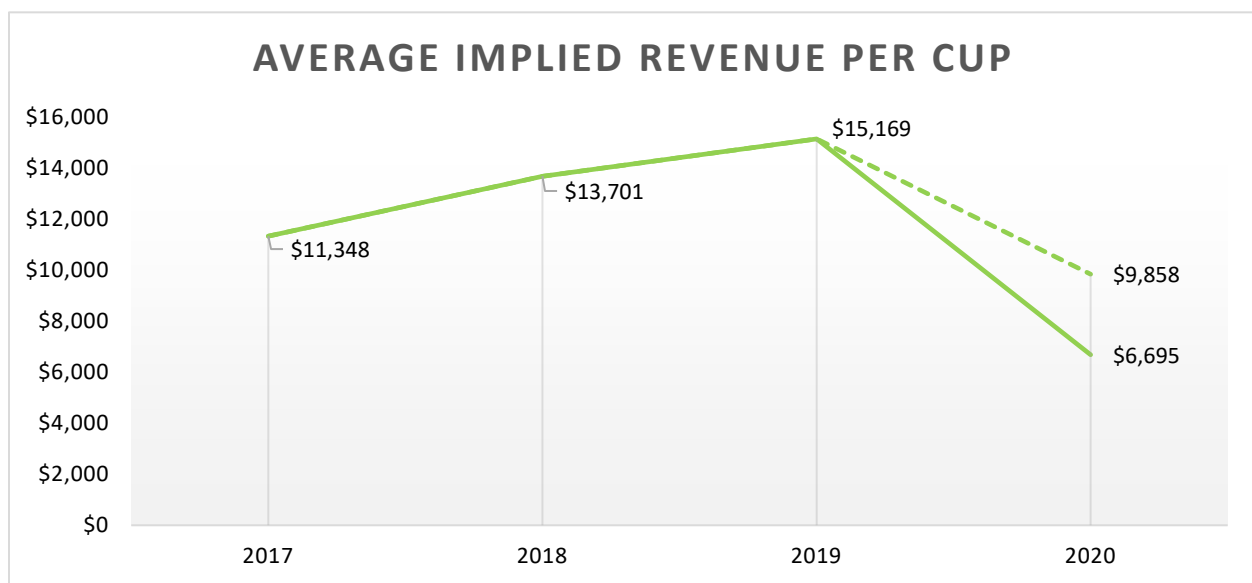
Summary: The Commission approved 6 new CUPs for STRs in 2020, while 7 became inactive in that time. There are 4 permits that have been approved in December 2020/Q1 2021 that are still within the activation window, but were not asked to complete the 2020 report due to lack of activity. Of the 53 permits that are noted as active, 24 reported no rental activity due to COVID-19 impacts. This means that our “Starting Point” for the remainder of the year is 57 active permits.



As Sitka's bed tax on short-term rentals is 6%, and the average bed tax remitted was \$402; this means that the average revenue for permit holders was approximately \$6,695. This is markedly lower than the previous three years – again, this is likely due to the number of permits that were not able to operate this year. When controlling for the permits that had no activity, the average bed tax remitted and average implied revenue for permit holders is \$591 and \$9,858 respectively.

While lower than previous years, STRs still represent a significant revenue source that could substantially offset housing expenses. If the total bed tax remitted from these permits was \$21,293, this means that the total revenue from short-term rentals was approximately \$354,883; a sizable revenue stream that was not otherwise captured at hotels, lodges, or short-term rentals/bed and breakfast establishments in other zoning districts.

The average implied revenue per CUP has increased year-on-year since the data was aggregated in 2017, with 2020 representing the first downturn in that timeframe. The dashed line in the chart below shows the average implied revenue per CUP without active permits that reported zero nights of rental activity, and the solid line shows the average inclusive of permits that reported zero nights of rental activity.



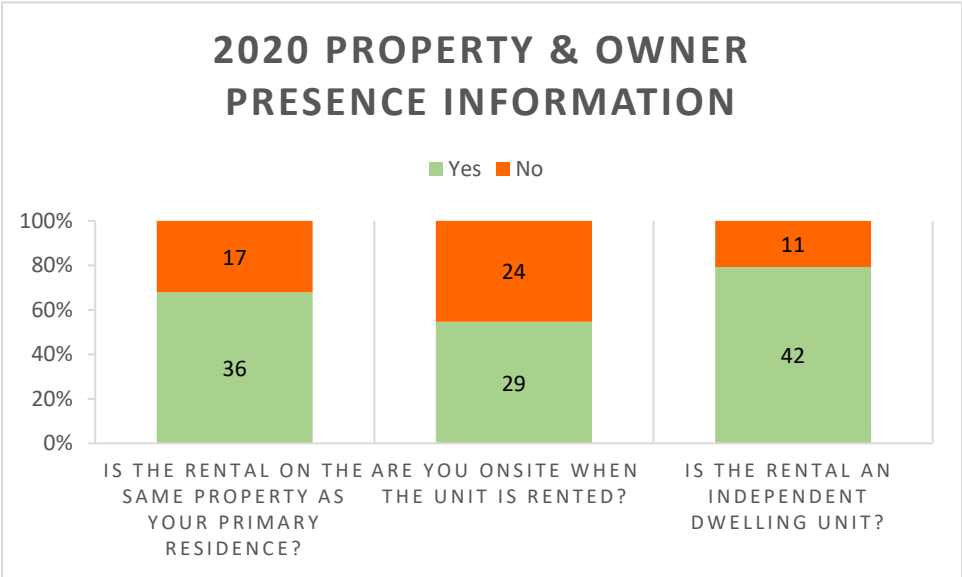
B. Property Data

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 2020 report.

68% of active permit holders responded that the rental was on the same property as their primary residence (compared to 70% in 2019), and there was a 55/45 split between permit holders being onsite versus offsite during rental periods. 79% of the rental units were reported as independent dwelling units.

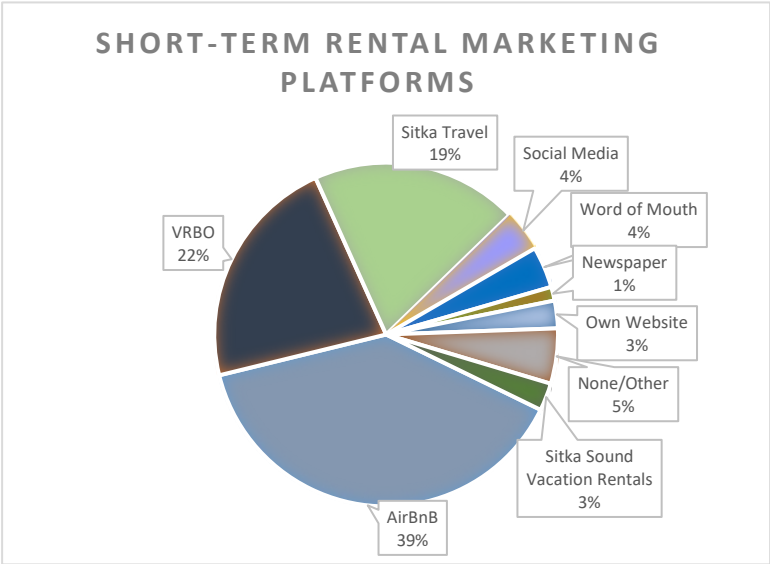
Of the 17 respondents who stated that the rental was not on the same property as their primary residence, 16 of those rentals were described as independent dwelling units. It would stand to reason that if the property is not a primary residence and is an independent dwelling unit, it would have limited 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, 26 are reported as independent dwelling units. The choices to utilize a dwelling unit within one’s primary resident 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 2020 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, VRBO, or HomeAway).

Airbnb was far and away the most popular marketing platform, followed by VRBO. A local company, Sitka Travel, was also a prominently used marketing platform.

30% of those with active permits stated that they were using professional services such as Sitka Travel and Alaska Vacation Rentals, or unnamed property managers. This is on par with 2019 figures for property management.

II. Permit Holder Feedback, Comments, and Concerns

Permit holders reported some of the feedback that is to be expected in running a lodging business; difficulty in communicating to renters, managing reservations, cleaning, etc. A few permits that were active or eligible for activity in 2020 have indicated that they plan to discontinue use in 2021. Some requested more modernized methods of communication and payment such as a desire to make bed tax payments online. Many permit holders commented on the difficulty of operating in the midst of the pandemic, but expressed cautious optimism for 2021.

III. Conclusions and Direction

A. Conclusion

Given the extenuating circumstances of 2020 and the pandemic, it is difficult to use the report answers in drawing definitive trends in terms of short-term rental patterns, and how they may or may not be impacting neighborhood harmony and rental/housing availability. The visitor industry was heavily impacted by the pandemic, and staff feels that meaningful/actionable conclusions will not be available until we are in a recovery phase of COVID-19. Staff would like to hear feedback from the Commissioners about their thoughts and feedback on the status of short-term rentals operating through the conditional use permit process.

B. Explanation of Attachments

A report done by 2nd Address notes highlights short-term rental laws in major cities, this report is attached for your reference. A popular provision being utilized is that the host must be the primary residence of the rental unit. This is the case in New York City, LA, Washington D.C., Boston, and Denver. Many have instituted city permitting, registration, and bed tax regulations that are already in effect for Sitka. These offer interesting comparisons across the U.S. for how short-term rentals are regulated.

The Distribution Maps show that the city's short-term rental permits are fairly evenly distributed throughout town, with no substantial clustering of short-term rentals within neighborhoods. Staff has also conducted spatial analysis to investigate potential patterns in frequency of short-term rental use as well as whether the owner was on-site or if the property was the primary residence of the permit holder as indicators for "dark neighborhood" scenarios. Analysis indicated preference for downtown rental properties and no meaningful patterns in the distribution of on-site or off-site property ownership or for primary residency.

We have also attached the most recent Rental Statistics from the Department of Labor that were published in August 2020. Sitka's long-term rental vacancy rate has increased substantially between 2019 and 2020, jumping from 8.3% to 13.8%. This represents the largest change experienced by any of the communities highlighted in the report (which includes Sitka, Juneau, Ketchikan Gateway, Wrangell-Petersburg, Valdez-Cordova, Kodiak Island, Matanuska/Susitna, Anchorage, and Fairbanks).

C. Next Steps for 2021

Staff has received the question from several permit holders on whether the same exemption for active-use will be extended to calendar year 2021. Commission discussion on the appropriateness of this exemption should be considered and communicated to permit holders.

IV. Attachments

- 2nd Address Report
- Short-Term Rental Distribution Maps
- Rental Statistics from the Department of Labor