



Planning and Community Development Department

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MEMORANDUM

To: Chair Spivey and Members of the Planning Commission

CC: Keith Brady, City Administrator; Maegan Bosak, Community Affairs Director

From: Scott Brylinsky, Interim Planning and Community Development Department Director

Date: March 1, 2019

Subject: 2018 Short-Term Rental Annual Report

This report will cover three areas in regards to the results of the 2018 Short-Term Rental Report:

- I. Rental and financial metrics included in the report.
- II. A summary of known feedback, comments, and concerns regarding short-term rentals in Sitka.
- III. Direction of staff on addressing issues, perceived or otherwise, regarding short-term rentals.

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 as a 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. Rental and Financial Metrics

Permits Issued	
Number of CUPs issued for STR/B&B*	50
Number of CUPs with Reported Rental Activity in 2018	24
Number of CUPs issued in 2018, No Rental Activity Yet	7
Number of CUPs reported as No Longer Active	4
Number of No Responses	15
Rental Metrics**	
Total Nights Rented	2,091
Average Nights Rented per CUP	87
Minimum Nights Rented	3
Maximum Nights Rented***	446
Financial Metrics	
Total Bed Tax Remitted	\$17,737
Average Bed Tax Remitted per CUP	\$739
Minimum Bed Tax Remitted****	\$0
Maximum Bed Tax Remitted	\$3,107

*Number of STR CUPs issued since 2014 that were deemed to still be active in the 2017 Annual Report plus 2018 approvals

**Based only on responses with rental activity in 2018

***Permit with multiple rental units

****Unit rented to exempt agency (Sitka Community Hospital)

Summary: The Commission approved 20 new CUPs for STRs in 2018, while 4 became inactive in that time. This means that new approvals outpaced “natural decline” of permit holders at a 4:1 ratio. However, this does not factor in the nonresponses which may have inactive permit holders.

As Sitka’s bed tax on short-term rentals is 6%, and the average bed tax remitted was \$739, this means that the average revenue from short-term rentals was approximately \$12,317. For the 24 active users that reported in 2018, this is a significant revenue source that could substantially offset housing expenses. If the total bed tax remitted was \$17,737, this means that the total revenue from short-term rentals was approximately \$295,629; a sizable revenue stream that was not otherwise captured at hotels, lodges, or short-term rentals/bed and breakfast establishments in other zoning districts.

Maps showing the distribution of short-term rentals operating through the conditional use permit process are attached. The maps include only responses that reported activity, or that they had been given a permit in 2018 and were not active yet.

II. Known 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. Those with special circumstances, such as one permit holder who wished to have more animals allowed on the property is still working with the City to resolve that issue. Another owner who was required to provide bicycles to his guests due to lack of parking, felt the requirement was excessive and has not seen parking as an issue due to his proximity to downtown. Some requested more modernized methods of communication and payment such as receiving notifications from the city via email rather than postal mail, or expressing a desire to make bed tax payments through a credit card. During the health/life/safety inspection required as a condition of approval, some permit holders found that there was substantial work to be done to their property to bring it up to code; one permit holder was still in the process of replacing several windows to meet egress code.

Concerns from neighbors and community members can be broadly categorized in these three areas:

1. Disturbances in their neighborhoods ranging from traffic violations, garbage and litter issues, and noise disturbances. Especially in the case of properties that are not owner-occupied.
2. Changing the character of their neighborhood with more homes hosting transient guests rather than homeowners and/or long-term renters.
3. Effects on the stock on long-term rentals available and housing prices.

III. Direction of Staff

Given the reported information, 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. The Commission may direct staff to research and/or present solutions to issues such as:

- Possible approaches to limiting the overall number of CUPs issued for short-term rentals
- Density of short-term rentals within neighborhoods
- Owner occupied vs. non-owner occupied STR locations
- Increasing and/or reallocating City revenues gained from STRs

Attachments:

Short-Term Rental Distribution Maps

Rental Statistics from the Department of Labor

Planning Commission Minutes from discussion of the 2017 Annual Short-Term Rental Report