



Homer City Hall

491 E. Pioneer Avenue

Homer, Alaska 99603

www.cityofhomer-ak.gov

City of Homer Agenda

City Council Worksession

Monday, October 10, 2022 at 4:00 PM

In Person at City Hall Cowles Council Chambers and Zoom Webinar

<https://cityofhomer.zoom.us/j/96586314135?pwd=WTdvVHdDVmxxZHJwaC9ZNmFYlZ3dz09>

Dial: (669) 900 6833 or (253) 215 8782 or Toll Free (888) 788 0099 or (877) 853 5247

Webinar ID: 965 8631 4135 Password: 792566

CALL TO ORDER, 4:00 P.M.

AGENDA APPROVAL (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 6)

DISCUSSION TOPIC(S)

- [a.](#) Short Term Rentals Basics and Research Findings

COMMENTS OF THE AUDIENCE (3 minutes)

ADJOURNMENT NO LATER THAN 4:50 P.M.

Next Regular Meeting is Monday, October 24, 2022 at 6:00 p.m., Committee of the Whole at 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.



City of Homer

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Office of the City Manager

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Memorandum

TO: Mayor Castner and Homer City Council
FROM: Rob Dumouchel, City Manager
DATE: September 27, 2022
SUBJECT: Short Term Rentals – Research Findings

The City struggles with a shortage of available housing and short-term rentals (STRs) are perceived as a significant contributor to the problem. STRs, generally defined as rooms and dwellings rented for 30 days or less, have proliferated around the country in recent years. STRs are particularly popular in Homer, and many individuals benefit from the revenues generated by STR opportunities. Unfortunately, there are also negative externalities associated with STRs, the most commonly referenced by the public at this time is that STRs are perceived to be a major impediment to housing for Homer's workforce.

A deep dive into housing challenges was identified as a Council priority during the 2022 Visioning work session held in March at the Pratt Museum. Since that time, staff have been working to analyze the STR issue to see if the available data matches with the perceptions of the public.

The special projects team is delivering a series of informational memos and work session presentations to get Council up to speed on the current STR context in Homer and showcase solutions that are employed in other parts of Alaska and the Western United States. Here are the steps taken thus far:

1. Background research – Research into the basics of short-term rentals, short-term rentals in Homer, and case studies
2. Public engagement – Economic Development Commission; Chamber of Commerce Luncheon
3. Information work session October 10, 2022: Present foundational data and case studies

We expect that after our first work session, we will reconvene with Council in a follow up session to discuss preferred pathways for moving forward.

Attachments

Background Information Memorandum

Case Study Comparison Matrix

Presentation Slides



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Memorandum

TO: Mayor Castner and Homer City Council

FROM: Rob Dumouchel, City Manager; David Parker, Special Projects Coordinator; and Ryan Foster, Special Projects Coordinator

DATE: September 27, 2022

SUBJECT: Short Term Rental Basics

The popularity of short-term rentals (STRs)¹ have exploded in the last decade with the development and proliferation of online and app-based services such as Airbnb and VRBO. STRs are particularly popular in Homer with an estimated 326 units available, a significant portion of the local housing stock. This memo presents the positive and negative impacts of STRs, local context for STRs, and provides case study information regarding STR regulations methods found in other communities.

Impacts of STRs

For many years, the public perceptions around STRs in Homer have been largely positive. Anecdotally, STRs have been a method that many residents have used to enhance their income and ensure that they are able to continue to afford living in Homer as a permanent resident. The problem is that as this “side hustle” has grown more common, STRs are also seen as a force that is displacing potential residents and seasonal workers. While the increase in STR inventory is great for tourists, it appears to be coming at the price of the labor required to service the tourists that flock to Homer every summer.

Potential positive effects from STRs are many, perhaps the most acknowledged is that an increase in available STRs in areas with an established or burgeoning tourist industry can augment the number of hotel rooms, increasing opportunities for both businesses and tourists. For non-corporate STR operators, there is increased revenue from “home sharing” in which they rent a portion of their residence to supplement their income. Investors who purchase properties to generate rental income can often find a more financially lucrative benefit from an STR than a long-term rental, including increased revenue and lower costs. In a 2019 study published in the Harvard Business Review² home sharing through Airbnb contributes to ~20% of the average annual rental increases in the US and approximately 7% of housing cost. Other studies have similarly found that STRs can result in higher property prices and rents for homeowners.³ One public upside

¹ Short-term rentals (STRs) are commonly defined as the rental of all or part of a residential dwelling unit for a duration of occupancy of less than 30 days. There are three basic varieties of short-term rentals: (1) hosted sharing, where the primary occupants of a residence remain on-site with guests; (2) unhosted sharing, where the primary occupants of a residence vacate the unit while it is rented to short-term guests; and (3) dedicated vacation rentals, where there are no primary occupants.

² <https://hbr.org/2019/04/research-when-airbnb-listings-in-a-city-increase-so-do-rent-prices>

³ Zou, Z. (2019). Examining the impact of short-term rentals on housing prices in Washington DC: Implications for housing policy and equity. *Housing Policy Debate*.

to the increased costs is the potential for increased tax revenues for local governments.⁴ Additionally, some researchers have found that there is a correlation between STRs and increases in tourists and tourism jobs.⁵ While many of these factors are positive for landowners, they don't necessarily benefit year-round residents nor seasonal workers.

There are several associated downsides to the proliferation of STRs. The negative externality most feared by those in Homer is that whole unit STRs reduce the number of available rental properties for residents and seasonal workers. This reduction of housing has a ripple effect across the local economic system, impacting businesses who need employees, customers of those businesses who need services and products, and local governments who rely on property taxes. Other negative impacts of STRs can include increased competition for parking; reduced security and increased disruption by noise and steady flow of strangers within neighborhoods⁶; closure of lower end hotels, income disparity among residents;⁷ an undermining of community character and reduction in residents which support community activities;⁸ and gentrification, residential segregation, and inequality.⁹ Research suggests that the density of STRs in any one neighborhood is a major contributor to the level of disruption caused by the land use. Areas with higher owner occupancy rates are less impacted by the influences of STRs, indicating that whole unit rentals are mostly rented by landlords who are not "on site," indicating that most impacts on the community are from STRs resulting from an investment property.¹⁰

Short Term Rental (STR) Context for Homer, AK

The housing market is known to be tight in Homer. Many locals perceive one of the major issues to be an overabundance of STRs versus long-term rentals. Looking at the available non-commercial residential parcels (2,201), the number of active STR listings (~326), and an average of only eight active Craigslist postings per week for long-term rentals, it's not difficult to see how people have come to believe that there is a serious housing problem in Homer.

The City of Homer has approximately 5,922 full-time residents living in 2,261 households, of which 1,415 (62.6%) are owner occupied.¹¹ According to the most recent tax census from the Kenai Peninsula Borough (KPB), the City of Homer includes 4,458 parcels, of which 2,201 (49.4%) are non-commercial residential. Of the residential parcels, 83.5% (1,837) are listed as containing a single residential dwelling, 7.5% (163) are parcels with 2 – 4 residential dwellings, 4.7% (105) are condominiums, 3.6% (79) contain mobile homes (1 – 4), and less than 1 % (17) is a single residential cabin. A common assertion from some members of the public is that corporations are actively buying up residential properties and displacing regular homeowners. At this time, the data does not appear to back that assertion as only 4.4% (96) of residential

⁴ Kasturi, P., & Loudat, T. (2014). Economic impact of transient vacation rentals (TVRs) on Maui County, Hawaii. *Global Journal of Management and Business*, 14(1).

⁵ Jorday, E., & Moore, J. (2018). An in-depth exploration of residents' perceived impacts of transient vacation rentals. *Journal of Travel & Tourism Marketing*, 35(1), 90-101.

⁶ Wegmann, J., & Jiao, J. (2017). Taming Airbnb: Toward guiding principles for local regulation of urban vacation rentals based on empirical results from five US cities. *Land Use Policy*, 69, 494-501.

⁷ Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harvard Law & Policy Review*, 10.

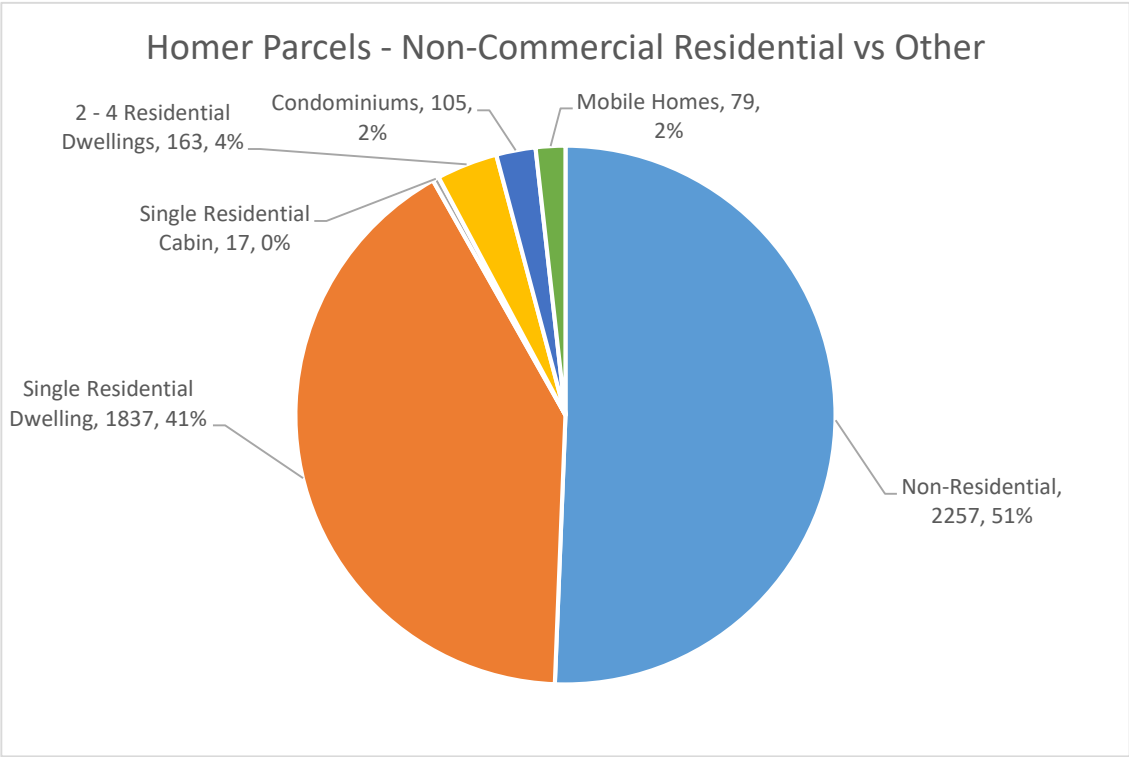
⁸ Jorday, E., & Moore, J. (2018). An in-depth exploration of residents' perceived impacts of transient vacation rentals. *Journal of Travel & Tourism Marketing*, 35(1), 90-101.

⁹ Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harvard Law & Policy Review*, 10.

¹⁰ <https://hbr.org/2019/04/research-when-airbnb-listings-in-a-city-increase-so-do-rent-prices>

¹¹ <https://www.census.gov/quickfacts/homercityalaska>

parcels are owned by a limited liability corporation (LLC). A further 12.4% (272) are owned by a trust, however, that does not necessarily indicate that the home is not owner-occupied.



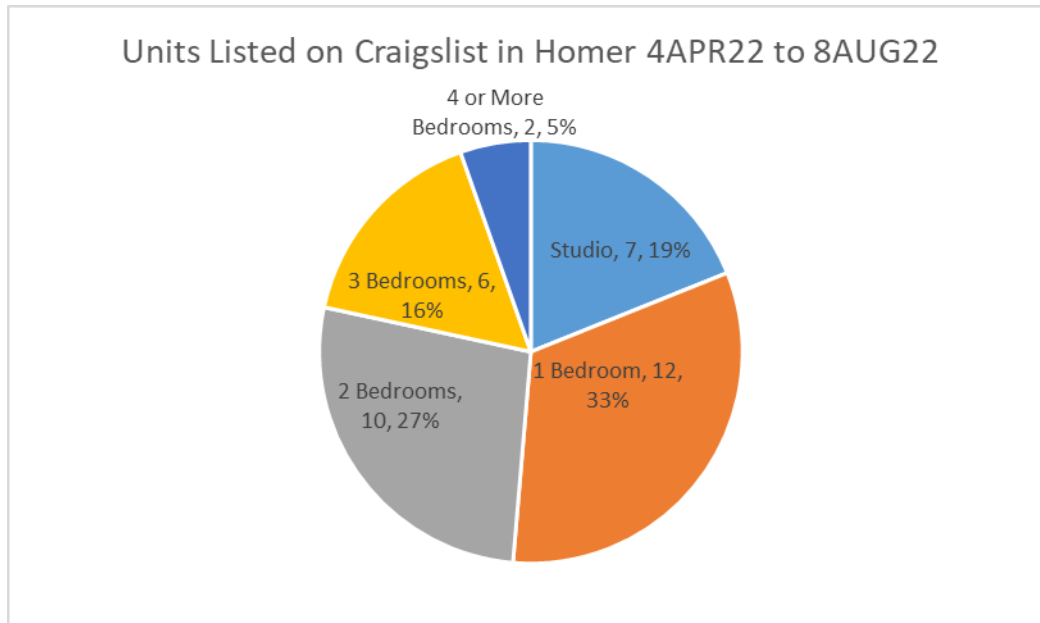
Current estimates on the number of short-term rentals (STRs) listed on Airbnb, VRBO, and other sites for the City of Homer is 326 units, which accounts for almost 15% of all the residential dwellings in Homer and 38.5% of all non-owner-occupied housing (per 2020 US Census statistics)¹². At an average of 2.63 people per household in Homer¹³, STRs may have displaced as many as 769 potential year-round residents. The average daily rent for the high season (May, June, July) is \$295 and \$195 for the low season. During the lower rent season, both the daily average rent and the number of units listed decrease, while the number of available units increases. A conservative estimate on the revenue generated for the high rental season using an average daily rent of \$295 for 326 units at 85% occupancy is \$7,520,494. For the lower rental season, assuming a 30% occupancy of 296 units at a reduced average cost of \$195 per night for half the remaining nights of the year (137) would generate \$2,372,292 in total rent. The total estimated rent for STRs annually is \$9,892,786. Assuming 60% of the units are currently registered as a business and are paying the appropriate tax, this unrealized revenue to the City of Homer would be \$191,920. This represents 4.85% sales tax.

The long-term rental market is difficult to track. People in Homer use Craigslist, Facebook, community message boards, word of mouth, and other methods to find housing. As a representative sample of the health of the long-term rental market, we tracked listings on Craigslist from April 4, 2022, to August 8, 2022. Every Monday, we would visit the site and use the map tool to identify listings that were available within the city. During the 17-week period of observation, only 38 unique listings were recorded. Of those, only 35% were available as year-round rentals and only 62% were available during all, or part, of the summer tourist season. The average price for a rental during this period was \$1,591 and the median was \$1,500. Daily prices

¹² <https://www.census.gov/quickfacts/homercityalaska>

¹³ <https://www.census.gov/quickfacts/homercityalaska>

ranged from \$520 for a dry cabin to \$4,000 for a larger property with six bedrooms. Most of listings were one-bedroom or studio apartments, and 68% of listings came either fully or partially furnished.



When comparing the income potential for a long-term rental (net income of \$19,092 per year) versus the (possible but unlikely) scenario of an STR that is booked daily (net income of \$106,200 at \$295/night average), it's easy to see why so many homeowners are tempted to exit the long-term rental market. Using the more realistic and conservative booking estimate from earlier in this memo of 85% occupancy at \$295/night in May through July and 50% occupancy at \$195/night the rest of the year, the average unit would be on track to generate over \$30,000, a significant increase in annual profit over a traditional long-term rental.

	Daily	Weekly	Monthly	Yearly
Avg. Long Term Rental	\$52.31	\$367.15	\$1,591	\$19,092
Avg. Short Term Rental –	\$295	\$2,065	\$8,850	\$106,200

A Look at STR Regulation

As the STR market increases across the US, there is no reason to believe these trends will decrease. Because of the impact on local communities, it is important for municipalities and units of government to develop guidance, policy, and codes to regulate this industry. The City of Homer is starting with a blank slate, we currently have no regulations related to STRs. As we begin to consider options for regulation, staff is very conscious of the need to balance efforts between maintaining the community, promoting economic opportunity, and ensuring businesses are registered and taxed. This will require an intentional effort to educate and engage the community. It will also require a significant amount of leadership from Council and Administration to carefully change the culture and regulatory structure around STRs.

There are several benefits to short-term rental regulatory programs:

- Life Safety inspections can ensure that rentals are safe for commercial use.
- Ensures short-term rental owners are remitting both city and borough sales tax

- Permitting can provide vital information for policies related to short-term and long-term rentals.
- Permitting that is both easy to understand and transparent.
- Improves management of public nuisances such as noise and parking

Along with benefits, there are challenges to short-term rental regulatory programs:

- May discourage STR small businesses
- Permitting and regulations can be an administrative/cost burden
- Fear of uncertainty
- Unintended consequences, such as leapfrogging STRs outside City limits
- Ensuring regulations fit the community
- Housing is a multifaceted challenge and STR regulations alone cannot fix a housing availability issue

As there is no bed tax in Homer, the taxes charged would be the regular sales tax of 4.85% daily up to \$500 rental per day.

Case Studies

Issues surrounding STRs are not unique to Homer. All over the country different municipalities are struggling to find solutions that fit their cities appropriately. The following provides an analysis of eight similar sized, outdoor oriented communities, each with substantial vacation visitors, and the steps they have taken to create a regulatory framework for short-term rentals. The attached Short-Term Rentals Case Study Comparison Matrix provides a detailed comparison of all eight-case study short-term rental regulatory programs.

Seward, AK

In 2019, Seward introduced a permit application for all short-term rentals and began using automated software that tracks vacation rental apps and websites 24/7 so city staff can compare that information to tax rolls. This ensures vacation rental owners are in compliance with the program, including remitting both city and borough sales tax, as well as the city's local bed tax. The regulatory program for Seward is unique in several aspects:

- A City of Seward and Alaska State Business license is required.
- There is no short-term rental application fee.
- Principal owner is required to be on-site in single family and two-family zoning districts.

Palmer, AK

In 2018, Palmer introduced a permit application for all short-term rentals. This ensures vacation rental owners are in compliance with the program, including remitting both city and borough sales tax, as well as the city's local bed tax. The regulatory program for Palmer is unique in two key aspects:

- There are 5 permit types, the most of eight case studies evaluated.
- Certain permit types and zoning districts require adjacent property notification.

Other Alaska Cases

Sitka, AK is currently considering a one-year moratorium and a short-term rental regulatory program. Juneau, AK is currently considering a short-term rental regulatory program.

Taos, NM

On April 1, 2022, the City of Taos Planning Department began accepting applications for short term rentals, with a maximum of 120 permits available in the City. Applications are submitted through an online portal. The regulatory program for Taos is unique in several aspects:

- A maximum of 120 Short-Term Rental permits available.
- Short- term rentals are explicitly prohibited from the Central Business District and Historic Districts/Overlays.
- Violations can result in a misdemeanor offense.

Aspen, CO

In December 2021, Aspen City Council approved a temporary moratorium on the issuance of short-term rental (STR) permits. Council's decision to impose this moratorium was a direct response to community impacts from under-regulated land use. Ordinance No. 26, Series 2021 was a necessary tool to create space for engagement, analysis, policy development, and decision making. This temporary moratorium on the issuance of STR permits is currently in effect and is scheduled to extend until September 30, 2022, with the City accepting applications in October of 2022. There will be three permit types differentiated based on the permittee's residency, zone district, and usage of the unit, and each permit type has different regulatory and financial requirements:

- *Lodge-Exempt (STR-LE) Permit*
 - Available to lodging and condo-hotel properties which meet the definition of "lodge" and/or "condo-hotel" per Ordinance No. 9, Series 2022.
 - No annual limit on the number of nights per year the STR may operate.
 - Not limited by number in any zone district where STR is a permitted use.
 - One permit may cover the entirety of the lodge and/or hotel.
 - Batch filing of taxes is allowed.
- *Owner-Occupied (STR-OO) Permit*
 - Available to title property owners who reside in their City of Aspen residential property as their primary residence for a minimum of 6 months per year.
 - Limited to 120 STR rental nights per year.
 - Not limited by number in any zone district where STR is a permitted use.
 - Permittee must submit two pieces of documentation indicating that the STR address is the permittee's primary residence.
- *Classic (STR-C) Permit*
 - Available to non-owner occupied OR owner-occupied residential properties.
 - No annual limit on the number of nights per year the STR may operate.
 - Limited by number in certain residential zone districts; new applicants will be subject to a waitlist in zones with capped numbers of available STR-C permits.
 - Property owner name required on the application; LLCs without a verifiable name of a natural person will not be accepted.

Durango, CO

The City of Durango has allowed and regulated 'Tourist Homes' in certain parts of the City since 1989. The rise in popularity of online vacation rentals has led to the adoption of regulations that limit this use to appropriate areas. The goal of Durango's vacation rental program is to provide opportunities for property

owners to pursue this use while reducing potential impacts on neighborhood character and housing availability for City residents.

Vacation rentals are only permitted in the following zones: the Central Business zone, Mixed-Use zones, select Planned Development zones, and Established Neighborhoods (EN) 1 & 2. There is a cap on the number of available permits in the EN zones, with a total of 22 vacation rentals allowed in EN-1 and 17 in EN-2. In the other zones where vacation rentals are permitted, caps are applied on a development-specific basis, so that only a certain number of residential units may be permitted as vacation rentals within a certain building or development. Caps have been reached in most cases and properties must be placed on a wait list before being eligible to apply.

Pacific Grove, CA

Pacific Grove, CA provides two types of short-term rentals: a Short-Term Rental License for renting an entire dwelling unit, and a Home Sharing License for renting individual rooms of a residence. The regulatory program for Pacific Grove is unique in several aspects:

- Rentals are limited to Coastal and Commercial zones.
- The subject property must comply with the 55-foot Zone of Exclusion at the time of application. The zone of exclusion is the distance of fifty-five (55) lineal feet from an existing STR parcel boundary.
- Licenses are capped, with a maximum limit of 250 City-wide.
- Owner or property manager must reside within 30 minutes of property.

Palm Springs, CA

In April 2017 Palm Springs, CA amended the City's adopted Vacation Rental Ordinance. The new Ordinance imposed additional restrictions on occupancy and use of Vacation Rental properties in Palm Springs, and additional enforcement oversight. The regulatory program for Palm Springs is unique in several aspects:

- There are two main permit types: Vacation Rental Owner and Vacation Rental Agency, with an Estate Home Addendum for homes with more than 4 bedrooms.
- No limits on the number of rental nights, but a maximum of 36 contracts annually.
- Owner or property manager must respond to property within 30 minutes.
- Rentals are allowed in all zoning districts, though applications are limited to single family, duplex, and condominiums.

McCall, ID

The City of McCall, ID adopted new codes regarding Short-Term Rentals (STR) within the City on effective March 01, 2020. McCall is the least restrictive of the eight evaluated case studies, with no limits on zoning, the number of rental nights, the number of total rental permits, and no requirement for principal owner or operator to be on-site. McCall has two types of permits, less than 20 persons in a rental requires a declaration of compliance form, and 20 or more persons at a property requires a conditional use permit.

Summary of Case Study Findings

Most case study regulatory programs were created or updated recently, in roughly the 2017-2022 time period, in reaction to a new technology that has been highly utilized in only the last 10 years or so. While each of the case studies created a unique approach to a regulatory framework that fit their community, they generally fell into three categories:

Light Regulation:

- No limits on zoning, the number of rental nights, or total number of permits
- No requirement for life safety inspections
- No requirement for principal owner or operator to be on-site

Moderate Regulation:

- No cap on the number of permits
- Moderate zoning district limitations
- Requires life safety inspections

Robust Regulation:

- Caps the total number of permits
- Limits to the number of rental nights
- Strong zoning district limitations
- Owners or operators must reside within 30 minutes of rental

STR Criteria	Seward, AK	Palmer, AK	Taos, NM	Aspen, CO	Durango, CO	Pacific Grove, CA	Palm Springs, CA	McCall, ID
Population	2,717	5,888	5,950	7,004	19,071	15,090	44,575	3,485
Primary Tourism Draw	Outdoor Recreation/ Fishing	Outdoor Recreation/Alaska State Fair	Skiing/ Art/Outdoor Recreation	Skiing/Outdoor Recreation	Outdoor Recreation/Cultural Sites	Beaches/Outdoor Recreation/Victorian Architecture	Outdoor Recreation/Cultural Events	Skiing/Outdoor Recreation
Types of STR Permits	STR Permit: requires permission of owner/operator	Type 1: Owner Occupied Type 2: Single Family/Duplex and Not Owner Occupied Type 3: Multi-Family and Not Owner Occupied Type 4: Owner Occupied B&B with 5 or fewer rooms Type 5: Resident Managed B&B with up to 15 rooms	STR Permit: requires permission of owner/operator	Lodge-Exempt Owner-Occupied Classic	Vacation Rentals require a Limited Use Permit	Short Term Rental License for entire dwelling unit Home Sharing License for renting rooms	Vacation Rental Owner Operator Certificate Vacation Rental Agency Operator Certificate Estate Home Addendum for homes with more than 4 bedrooms Homershare Certificate	Less than 20 persons in a rental requires declaration of compliance 20 or more persons requires a CUP
# Permits Limit	No limit	No limit	120 permits total City- wide	Limited by number in certain residential districts for Classic Permit	Yes, in 2 districts: EN-1: 22 total permits EN-2: 17 total permits	250 permits total City- wide	No limit	No limit
# Nights per Year	No limit	No limit	No limit	Owner Occupied Permit Limited to 120 nights a year	No limit	No limit	No limits on the number of nights. A maximum of 36 contracts annually	No limit
Principal Owner On-site Required	Yes, in single family and two family zoning districts	Required for Permit Type 1 and 4	Not required, but owner/operator must be available 24/7	Required for Owner Occupied Permit and optional w/ Classic STR Permit	Local designated property manager must be available 24/7	Owner or property manager within 30 minutes of property	Owner or property manager within 30 minutes of property	Not required
STRs Allowed in All Zoning Districts	Limited to certain zoning districts	Limited to certain zoning districts. Some districts require a CUP	Limited to certain zoning districts, prohibited in CBD/Historic Districts	Limited to certain zoning districts	Limited to certain zoning districts	Limited to Coastal and Commercial zones and a 55' parcel boundary exclusion zone	Yes, though applications limited to single family, duplex, and condominiums	No limit
Public Hearing Process	None	Certain permit types and zoning districts require adjacent property notification	Public notice sent to HOA and property owners within 200'	Public notice must be sent to neighbors	Public notice is sent to properties within 300 feet	Notices are sent to neighboring properties	None	Public notice is sent to properties within 300 feet
Inspections for Life Safety	Yes	Must comply with building codes	Yes	Yes	Must comply with building codes	Yes	Yes	Not required
Application Process Administration	Community Development on annual basis	Community Development on annual basis	Planning, Community & Economic Development on annual basis	Community Development on annual basis	Community Development on annual basis	Community & Economic Development on annual basis	Department of Special Program Compliance on annual basis	City Clerk Office and Planning Department on annual basis
Business License Required	Yes, City of Seward and State of Alaska	Yes, City of Palmer and State of Alaska	Not required	Yes, \$150 annually	Yes, City of Durango	Not required, short Term Rentals are licensed	Not required, short Term Rentals are certificates	Yes, \$140 application fee \$70 renewal fee
Application Fee	\$30 for City Business License Application	\$75 STR Permit Application Fee	\$350 for inspections/ application \$525 STR Permit per unit	\$148 per unit annually for Lodge Permit \$394 all other permit types	\$750 application fee	\$413 Application fee \$680 license fee	\$1,009 Vacation Rental Certificate fee \$252 Homeshare Certificate fee \$426 Estate Home Addendum fee	\$0 Declaration of Compliance \$600 Conditional Use Permit
Lodging Tax	Bed Tax 4.00%	Bed Tax 5.00%	Lodging Tax 5%	11.3% for all permit types	Lodging Tax 2%	12% Transient Occupancy Tax	11.5% Transient Occupancy Tax 1.0% Tourism Business Improvement District	3% Lodging Tax 3% Streets Tax
Enforcement Mechanism	Inspections, licenses, citizen complaints, permitting, fines/penalties	Permit Registration Suspension or Revocation	Violations can result in misdemeanor and revocation of STR permit	Inspections, citizen complaints, audits, permitting, fines/penalties	Permit Registration Suspension or Revocation	License denial, suspension, and revocation	License denial, suspension, and revocation, criminal sanctions, administrative penalties	Inspections, citizen complaints, licenses, permitting, fines/penalties

Short Term Rentals

Considerations for the City of Homer

Agenda

- Short Term Rental (STR) Background
- The Impacts of STRs
- STRs in Homer
- Regulations
- Case Studies

Short Term Rental Background

- The popularity of short-term rentals (STRs) has exploded in the last decade with the development and proliferation of online and app-based services such as Airbnb and VRBO.
- Why start a conversation on STRs?
 - Council priority
 - Determine impacts on residential properties including long-term rentals
 - Ensure sales tax is collected
 - Study impact on quality of life in residential neighborhoods
 - Explore relationship to the local economy

Short Term Rental Background

- Short-term rentals (STRs) are commonly defined as the rental of all or part of a residential dwelling unit for a duration of occupancy of less than 30 days. There are three basic varieties of short-term rentals:
 - (1) hosted sharing, where the primary occupants of a residence remain on-site with guests;
 - (2) unhosted sharing, where the primary occupants of a residence vacate the unit while it is rented to short-term guests; and
 - (3) dedicated vacation rentals, where there are no primary occupants.



Short Term Rental Units

- A means to augment income for local property owners
- Income generator for corporations and out of towners
- Shared unit – owner is on site and rents out a portion of the property
- Whole unit – owner on/off site and entire structure is rented



Impacts of STRs

Positive Impacts

- Utilized by many residents to enhance their income
- Investors who purchase properties to generate rental income can often find a more financially lucrative benefit from a STR than a long-term rental
- Provide additional units for tourism and special events
- When regulated, increase taxable income

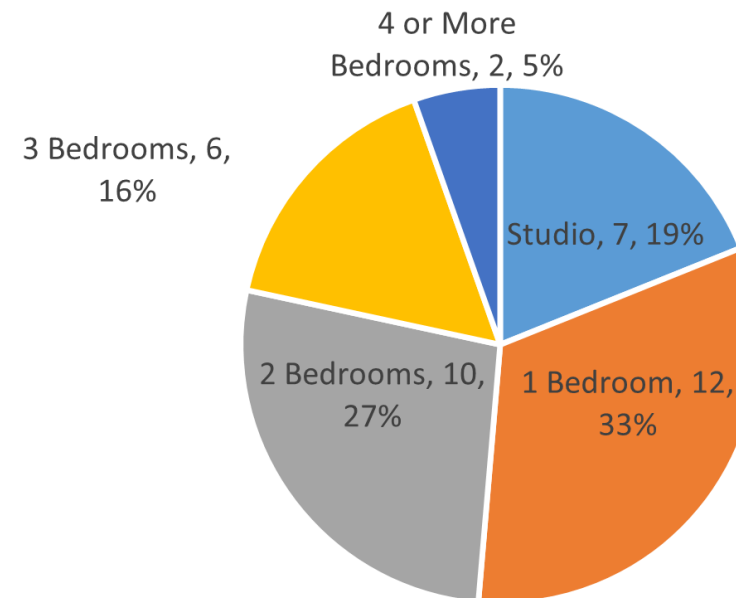
Negative Impacts

- Reduction in the number of available rental properties for residents and seasonal workers
- Increase rent for available long-term units due to low inventory
- Can lead to closure of affordable hotels and motels
- Employability and services are impacted when there is no/low affordable housing inventory
- Disruption to neighborhoods such as noise and parking

Long Term Rentals in Homer

- The long-term rental market is difficult to track
- Listings were tracked on Craigslist from April 4, 2022, to August 8, 2022 as a representative sample of the long-term rental market
- During the 17-week period of observation, only 38 unique listings were recorded, 35% were available as year-round rentals and 62% available during all, or part, of the summer tourist season

Units Listed on Craigslist in Homer 4APR22 to 8AUG22



Short Term Rentals in Homer

- Homer has approximately 5,922 full-time residents living in 2,261 households, of which 1,415 (62.6%) are owner occupied
- Homer has 2,201 non-commercial, residential parcels
- 14.8% (326) are STRs
- At 2.63 average persons per household in Homer, STRs could displace as many as 769 potential year-round residents

STR Estimates for Homer

- A conservative estimate for STR rent during high season (June, July, August) at an average rent of \$295 for 326 units at 75% occupancy is \$7,063,185
- For the lower rental season, assuming a 30% occupancy of the 296 units at a reduced average cost of \$195 per night for half the remainder nights of the year (137) would generate \$2,377,635 in total revenue
- The total estimated annual STR revenue is \$9,440,820
- Assuming 60% of the units are currently registered as a business and are paying the appropriate tax, the unrealized revenue to the City of Homer would be \$191,120

Case Studies

- Seward, AK
- Palmer, AK
- Taos, NM
- Aspen, CO
- Durango, CO
- Pacific Grove, CA
- Palm Springs, CA
- McCall, ID

STR Regulation

Benefits

- Life Safety inspections
- Ensures short-term rental owners are remitting city and borough sales tax
- Permitting can provide vital information for policies related to short-term and long-term rentals
- Permitting that is both easy to understand and transparent
- Improves management of public nuisances

Challenges

- May discourage STR small businesses
- Permitting and regulations can be an administrative/cost burden
- Fear of uncertainty
- Unintended consequences, such as leapfrogging to KPB
- Ensuring regulations fit the community
- Housing is a multifaceted challenge

Case Study Findings

- Most regulatory programs were created or updated recently, 2017-2022, and generally fall into three categories:
 - Light Regulation:
 - No limits on zoning, the number of rental nights, or total number of permits,
 - No requirement for life safety inspections
 - No requirement for principal owner or operator to be on-site
 - Moderate Regulation:
 - No cap on the number of permits
 - Moderate zoning district limitations
 - Requires life safety inspections
 - Robust Regulation:
 - Caps the total number of permits
 - Limits to the number of rental nights
 - Strong zoning district limitations
 - Owners or operators must reside within ²³ 0 minutes of rental

Additional Information

- For more information about Short Term Rentals:
www.cityofhomer-ak.gov/citymanager/short-term-rentals
- POC: Ryan Foster, Special Projects Coordinator, 907-299-8529,
rfoster@ci.homer.ak.us

From: [Dave Mastolier](#)
To: [Department Clerk](#)
Cc: [Donna Aderhold](#); [Caroline Venuti](#); [Jason Davis](#); [Rachel Lord](#); [Storm Hansen-Cavasos](#); [Shelly Erickson](#); [Mayor Email](#)
Subject: Short-Term Rental Concern
Date: Thursday, September 29, 2022 2:45:09 PM

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September 29, 2022

Dear Mayor and Council Member(s),

From someone that has lived in Homer since 1987, I'd like to share some insight. But, first, we need to identify what we are really addressing. We seem to have two issues: the City of Homer wants more money and a lack of affordable housing.

Let's be clear, adding taxes or creating fees on Short Term Rentals (STRs) will not create affordable housing. So, what is the real goal we are trying to achieve here?

When I moved to Homer in 1987, view properties were expensive, for the times. Additionally, most jobs were seasonal, and landlords wanted you to have a year-round job.

The market in Homer has not changed much over the years. From 1989 through the '90's we had a business that needed seasonal help. Finding housing was challenging, if not impossible, for our seasonal employees. Some were content with living the "spit-rat" lifestyle; others had families and needed a house. For some years, we had our employees live with us. We had to; there was no available housing for them. Just like today, when they tried to move to Homer, full-time, local wages did not cover the mortgage of a nice view property; they had to look at trying to rent or buying something out of town in a less than desirable location than they wanted. Locals would do a Bed and Breakfast service to make ends meet on their view property. The extra income was needed to help cover their mortgage and allowed them to reside in Homer. During this time, houses were being bought up by slope workers making higher wages than the lower wages being paid in Homer. Nonresidents were buying second homes and investment properties. Business owners were converting long-term rentals into employee housing.

Now it's 2022. View properties are expensive, for the times. The spit-rat lifestyle has been eliminated, employers are buying long-term rental units for seasonal housing, high-wage earners able to work remotely are moving to Homer buying houses at prices locals cannot afford, nonresidents are purchasing second homes, and locals are still doing B&B's and now Airbnb's to make ends meet. Not a lot has changed since the late '80s.

My wife and I own long-term rentals, a short-term rental, and employee housing. We are real estate investors and follow the Homer market closely. We have done long-term rentals in several areas of Alaska. We found consistent in Homer that single-family home prices have always been too high to purchase for long-term rentals. The rents in Homer have not

been high enough to cover mortgages on single-family homes. You can find that deal on a rare occasion, but it is usually a distressed sale. Most of our single-family home investments were in other areas of the state where rent fees would cover the mortgage with a little left over.

Homer is a destination that many in the world desire to move to, at least for some part of the year, and they are doing just that. So, unless we stop nonresidents from moving to Homer, this will always be a market driver. In addition, the world is trying to recover from the turmoil the pandemic created. As a result, inflation is high, and expenses on most everything are high, including construction costs. So, taxing ourselves into affordable housing will not work. *However, the solution that will help the issues at hand is tax incentives to create long-term rentals.*

Imposing taxes on something makes the costs higher for the consumer. But on the other hand, creating tax incentives gives the free enterprise an incentive to create what is needed. Right now, it does not financially make sense for someone to lease out their home for a fixed long-term rental as current market value rents do not cover the principal payment, interest, taxes, and maintenance on their home. There is currently no incentive to rent your property as a long-term rental. So be cautious about taxing a single sector; you could be next. Let's look at all the possible tax options; a beer tax, a fishing pole tax, a meal tax, a flight tax, a kayak tax, and on and on. These are all possibilities for the City of Homer to tax. TO BE CLEAR, I DON'T LIKE ANY OF THOSE, nor am I recommending these additional taxes; I'm just making a point on taxing a single sector.

Some final thoughts:

The City of Homer's recent case study only pulled rental availability data from Craigslist. Craigslist is not the best way to find rentals today; it is outdated, and there are many better options now with endless social media options.

Please don't assume every nice person is qualified to own or rent. As long-term rental owners, we see many unqualified applicants. Yes, this is something that should be considered. Some people do not qualify to live on someone's property: too many dogs or cats, owner of a dangerous breed, a criminal history, no job or not enough income to cover rents, no or bad rental history, no or poor credit, and many other factors. To make a long-term rental work, the owner needs to know that their property will not incur damage, that rents are paid, and that they will make some sort of profit in order to make the trouble of being a landlord financially beneficial.

If Short term rental owners are not paying the required sales tax, then the City needs to enforce the law/rules on the books; not look for ways to create new ones.

I appreciate your consideration of creating tax incentives instead of additional private sector taxation.

Thank you.

Dave Mastolier
Long-time Homer resident.
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