



ASSEMBLY FINANCE COMMITTEE AGENDA

November 02, 2022 at 6:00 PM

Assembly Chambers/Zoom Webinar

<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

A. CALL TO ORDER

B. ROLL CALL

C. APPROVAL OF MINUTES

1. **September 7, 2022**

D. AGENDA TOPICS

2. **Juneau Housing Stock and Short-Term Rentals**

Juneau Economic Development Council will present a research note relating to Juneau's housing stock and short-term rentals

3. **Adjustment to Purchasing Threshold**

This memo proposes to add a new purchasing threshold category to CBJ's Purchasing Code that would allow for three written quotes as the allowable purchasing method between \$5,000 and \$25,000

E. SUPPLEMENTAL MATERIALS

4. **Juneau Housing Stock and Short-Term Rentals Presentation**

Presentation to accompany the Juneau Economic Development Council's research note relating to Juneau's housing stock and short-term rentals

5. **Dock Electrification Update**

Proposal to grant AELP funds to install, own, maintain, and operate a transformer to enable electrification of the Alaska Steamship Dock

6. **Filing Period for Very Small Businesses**

Proposal to allow very small businesses to file sales taxes annually

F. NEXT MEETING DATE

7. November 30, 2022

G. NEXT MEETING DATE

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.org.

DRAFT
City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, September 7, 2022, 6:00 pm

A. CALL TO ORDER

The meeting was called to order at 6:00 pm by Chair Triem.

B. ROLL CALL

Committee Members Present Virtually: Carole Triem, Chair; Maria Gladziszewski; Christine Woll; Michelle Bonnet-Hale; Wade Bryson; Greg Smith

Committee Members Absent: Mayor Beth Weldon; Alicia Hughes-Skandijs; Wáahlaal Gíidaak

Staff Members Present Virtually: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Sherri Layne, Municipal Attorney; Jeff Rogers, Finance Director; Adrien Speegle, Budget Manager

Others Present Virtually: Jason Celente, Insight Investment Senior Portfolio Manager

C. APPROVAL OF MINUTES

1. August 3, 2022

The August 3, 2022 minutes were approved as presented.

D. AGENDA TOPICS

2. Investment Performance Updates

Jeff Rogers, Finance Director, introduced Jason Celente, Senior Portfolio Manager at Insight Investment, the City and Borough of Juneau's investment manager.

Mr. Celente discussed how the state of the economy has impacted CBJ's portfolio, noting the magnitude of current inflation at 40-year highs. Mr. Celente stated that Insight is projecting lower inflation around 3% Core CPI on the forecast horizon, still higher than the Federal Reserve's 2% target, as reflected on packet page 11.

Mr. Celente summarized the labor market and the Federal Reserve's policy rates on packet pages 12-15. He explained that higher policy rates result in higher Treasury yields, causing fixed income investments and financial assets to undergo

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a repricing. Between June 2021 and June 2022, this repricing resulted in a portfolio return of negative 5.04% compared to the industry benchmark of negative 5.20%.

On packet page 19, Mr. Celente explained the relationship between recognized versus realized losses. He noted that Insight intends to offer training and working sessions to CBJ staff so they can track the status of the portfolio themselves.

3. Updates to Investment Policy Statement

Mr. Rogers stated that the proposed changes to CBJ's Investment Policy Statement include both clean-up items and the incorporation of Sustainability and ESG (Environmental, Social, and Governance) into CBJ's overall investment strategy. Insight has proposed adding Sustainability as a fourth objective, after Safety, Liquidity, and Yield.

Assemblymember Gladziszewski asked for clarification on the language under the Sustainability objective, and specifically what powers the Assembly would be giving the Finance Director and Treasurer.

Mr. Rogers stated that the language allows the Finance Director or Treasurer to direct Insight to take a specific approach or action on the portfolio in the interest of sustainability. Mr. Rogers stated that these are widely known as "side letters," and while not included in the Investment Policy Statement, still act as clear direction from the client to the investment manager that allows or disallows them from taking a specific position, approach, or strategy on the portfolio. Mr. Rogers noted that he does not believe he would ever act on this language unless directed so by the Committee.

Assemblymember Hale cautioned the Committee about allowing for specificity as it relates to Sustainability investments, as providing distinct direction may lead to unintended financial consequences for the portfolio.

Mr. Celente responded that the language was intended to allow for flexibility when appropriate and when the three primary objectives of Safety, Liquidity, and Yield have already been met. The side letter language provides the Assembly an avenue to make specific changes to the portfolio strategy as areas of focus or concern arise in the community.

Mr. Celente summarized the remaining proposed changes to the Investment Policy Statement on packet pages 48-59.

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Motion: by Assemblymember Gladziszewski to direct the Manager to make the appropriate ordinance changes as prescribed by the updated investment policy, including bringing the policy for Assembly approval, and update packet page 49 (page 2 of the policy) by adding the words “upon authorization by the Assembly” before the second sentence in the Sustainability objective section.

Objection: by Assemblymember Hale for the purpose of a question, later removing her objection.

Motion passed by unanimous consent.

4. Property Tax Abatement Program (Ord. 2022-42)

Mr. Rogers stated that this topic was discussed during the July 7 and August 3 Assembly Finance Committee meetings, and the ordinance is being brought back to the Assembly with changes for consideration. Mr. Rogers stated that principally the ordinance limits the borough-wide property tax abatement program to apartment buildings that remain on one property with one common owner, per the Assembly’s direction at the August 3 meeting. Mr. Rogers explained the specific language changes to the ordinance on packet page 63-71.

In response to Assemblymember Smith’s question, Mr. Watt clarified that common ownership does not apply to a condominium association, since with an association, an individual owns each unit, and the land is under common ownership by the association. Mr. Watt reminded the Committee that the tax abatement statute passed by the State only allows tax abatement for economic development. Generally, you can only abate improvements on the land, not the land itself.

The Committee discussed the sunset date for high-density residential and downtown multifamily tax abatement.

In response to Assemblymember Gladziszewski’s question, Mr. Rogers noted that the tax abatement runs for twelve years, and CBJ abates down to 2.65 mills, which is the required educational mill levy. The value of the abatement depends entirely on the value of the property the abatement is applied to.

Motion: by Assemblymember Hale to amend the ordinance by adding the sunset date of October 31, 2032 to the downtown multifamily Section (a)(2) on packet page 64, and move the ordinance, as amended, to the full Assembly. Assemblymember Hale clarified that the sunset date should not be applied to Section (a)(1).

Objection: by Assemblymember Gladziszewski.

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Roll Call Vote:

Ayes: Hale, Smith, Bryson, Woll, Triem

Nays: Gladziszewski

Motion passed. Five (5) Ayes, One (1) Nay.

5. Gastineau Lodges Pre-Development Loan (Ord. 2022-06(b)(P))

Mr. Watt stated that this topic was discussed at the August 3 meeting, at which the Assembly's direction was to bring back an ordinance for consideration. The ordinance on packet page 72 largely reflects the memo dated July 29 from the August Assembly Finance Committee packet.

Assemblymember Bryson inquired whether the developer has met the conditions necessary for financing a project of this magnitude.

Mr. Watt responded that he does not believe the developer has the financing in place. The proposal is to apply for U.S. Department of Housing and Urban Development (HUD) financing. On this project proposal, the hurdle is doing the preliminary work to see if HUD financing is possible. Mr. Watt stated that it has been a very long time since anyone has considered doing this kind of new development downtown. Mr. Watt does not believe that there is appetite for this developer or any developer to marshal venture capital to build something of this size, which is why HUD financing and a pre-development loan from CBJ is necessary.

In response to Committee questions regarding the risk associated with a pre-development loan, Mr. Watt directed the Committee to the memo dated July 29 from the August 3 meeting packet that outlines the loan parameters intended to mitigate some of that risk, which are also reflected in the ordinance on packet page 72.

Assemblymember Hale and Chair Triem expressed their support for the project, noting that some risk will be required to resolve Juneau's housing crisis.

Motion: by Assemblymember Smith to move Ordinance 2022-06(b)(P) to the full Assembly for public comment and Assembly action and asked for unanimous consent.

Motion passed by unanimous consent.

6. The Glory Hall Grant (Ord. 2022-06(b)(R))

Mr. Watt introduced the memo on packet page 76. As The Glory Hall moved to their new facility, they missed the deadline to apply for non-profit property tax

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exemption for their old facility. The Glory Hall submitted an appeal to the Assembly for consideration, however the Assessor has to assess properties based on fair market value on January 1, at which time the facility was listed on the market for sale as commercial property. Since The Glory Hall receives a large amount of funding from CBJ for their annual operations, any taxes due on the property are likely to result in an additional request for funding from CBJ. Instead of going through the lengthy appeal process, Mr. Watt proposed The Glory Hall be required to pay their property taxes and in turn, CBJ would provide them a grant in the amount of the taxes owed.

Mr. Watt and Mr. Rogers responded to questions relating to the use of the property on January 1, and how the Assessor determines partial use for charitable purposes in relation to the assessment of the property.

Motion: by Assemblymember Gladziszewski to move Ordinance 2022-06(b)(R) to the full Assembly.

Objection: by Chair Triem.

Amendment: by Assemblymember Hale to change the funding source of the ordinance from general funds to the Affordable Housing Fund.

Amendment passed by unanimous consent.

Roll Call Vote on Original Motion:

Ayes: Gladziszewski, Hale, Woll, Bryson, Smith

Nays: Triem

Motion passed. Five (5) Ayes, One (1) Nay.

7. Revenue Forecast Update

Mr. Rogers summarized the revenue forecasts on packet pages 78-79. He noted that actual sales tax revenue exceeded projections by \$3.2 million in FY22, likely as a result of the effects of inflation on the price of goods and services. Mr. Rogers stated similar inflationary effects can be seen for hotel bed tax, with FY22 actuals coming in \$510,000 higher than projections, reflecting the rise in cost of lodging and the increase of independent travelers. Mr. Rogers stated that he has not updated FY23 and FY24 forecasts, but will once FY23 Q1 actual revenue collections are available.

In response to Chair Triem's question, Mr. Rogers noted that approximately 13% of hotel bed tax comes from non-hotel lodging, such as short-term rentals.

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8. Reallocation of Hotel Bed Tax to Affordable Housing Fund

Mr. Rogers summarized the memo on packet page 80. The consideration of this topic was initiated through a resident's email to the Assembly expressing concern that hotel-bed tax revenues collected from short-term rentals were not being used to ameliorate the housing crisis in Juneau. The memo provides the Committee two options for allocating taxes collected from short-term rentals to the Affordable Housing Fund, if that is the will of the Assembly.

Assemblymember Hale suggested the Committee hold this topic, stating that this discussion is premature since the Assembly is queuing up a larger conversation relating to short-term rentals in Juneau. In addition, any conversation about changing the allocation of hotel bed tax requires consideration of Travel Juneau and Centennial Hall.

Chair Triem noted that considering the large increase in hotel bed tax revenue, a different allocation may not result in lower than historical allocations to Travel Juneau and Centennial Hall.

E. NEXT MEETING DATE

9. November 2, 2022

F. ADJOURNMENT

The meeting was adjourned at 8:13 pm.



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JEDC Research Note

Juneau Housing Stock and Short-Term Rentals

August 2022

Research Question

Despite increases in Juneau's housing stock relative to our population, why do we continue to experience worsening affordability and availability?

There have been 1492 new units added to Juneau's housing stock, while Juneau's population has remained relatively stable in the last 12 years. *Where have those units gone? What is the impact, if any, of the short-term rental market on Juneau's housing stock?*

Summary of Findings

There are fewer dwelling units per adult in Juneau than there were 12 years ago. Through an analysis of varying factors in the housing market, short-term rental (STR) market, census data, and national trends, we see that the demand for housing units is rising faster than new units are being added. Multiple factors have contributed to this. Some housing units are being converted into short-term rentals, and the production of new housing units has not kept up with the housing demands of Juneau's population demographic changes. The population of Juneau has increased by 980 people, or 3.13%, from 2010 to 2020, according to census data. Juneau's population has also gotten older, with a larger share of the older population living alone. Census data shows the portion of the population 20 years of age and older increased by 1435 people, or 6.21%, while the youth population has decreased. This has led to an increased demand for housing units, and the housing supply has not kept up with the demand. While both have influenced the housing market, the demographic changes in Juneau's population are a more significant factor in Juneau's housing shortage than conversions to short-term rentals (STRs).

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General Housing Market Data

The housing market in Juneau has experienced several changes over the last decade, becoming a more competitive environment. The number of home sales per year has increased, prices have risen, and the homes are spending fewer days listed on the market. Meanwhile, the number of new housing permits issued per year has been inconsistent.

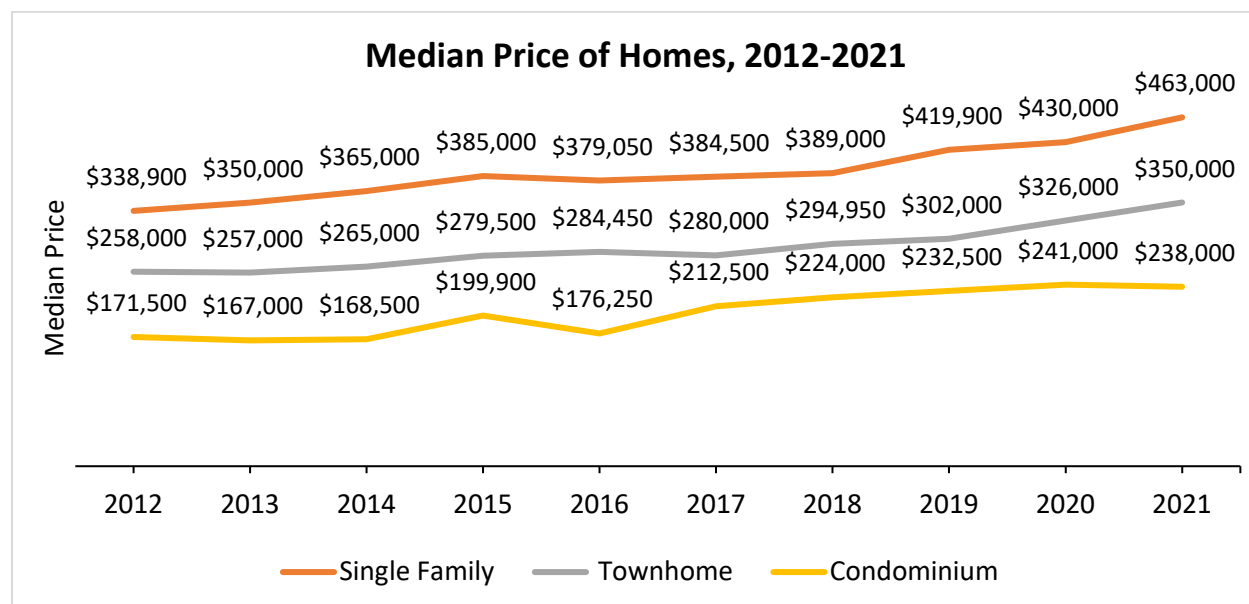


Figure 1: Median price of homes, 2012-2021

Between 2012 and 2021, the median prices of single-family households, townhomes, and condominiums have risen at similar rates. Prices for each type of home increased between 35% and 39% overall, or 3.9% to 4.3% annually.

The US Census defines a townhouse as "side by side housing units that do not meet the definition of single-family houses," particularly homes that share one or more walls with other units.

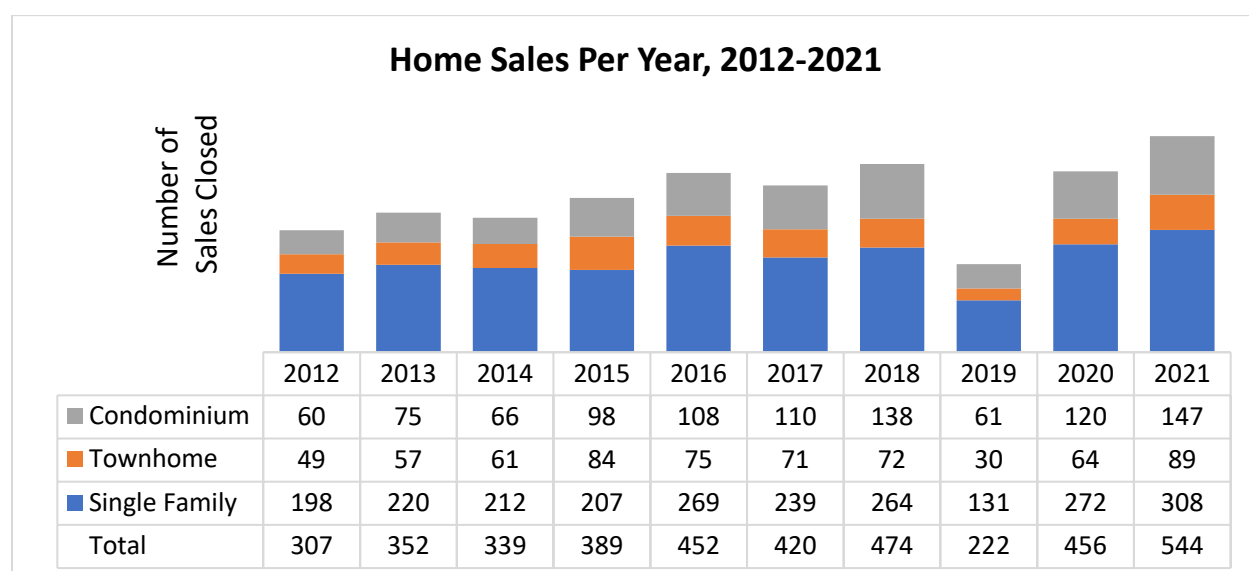


Figure 2: Home Sales Per Year, 2012-2021

The number of home sales closed each year grew consistently between 2012 and 2021, except for a significant dip in 2019.

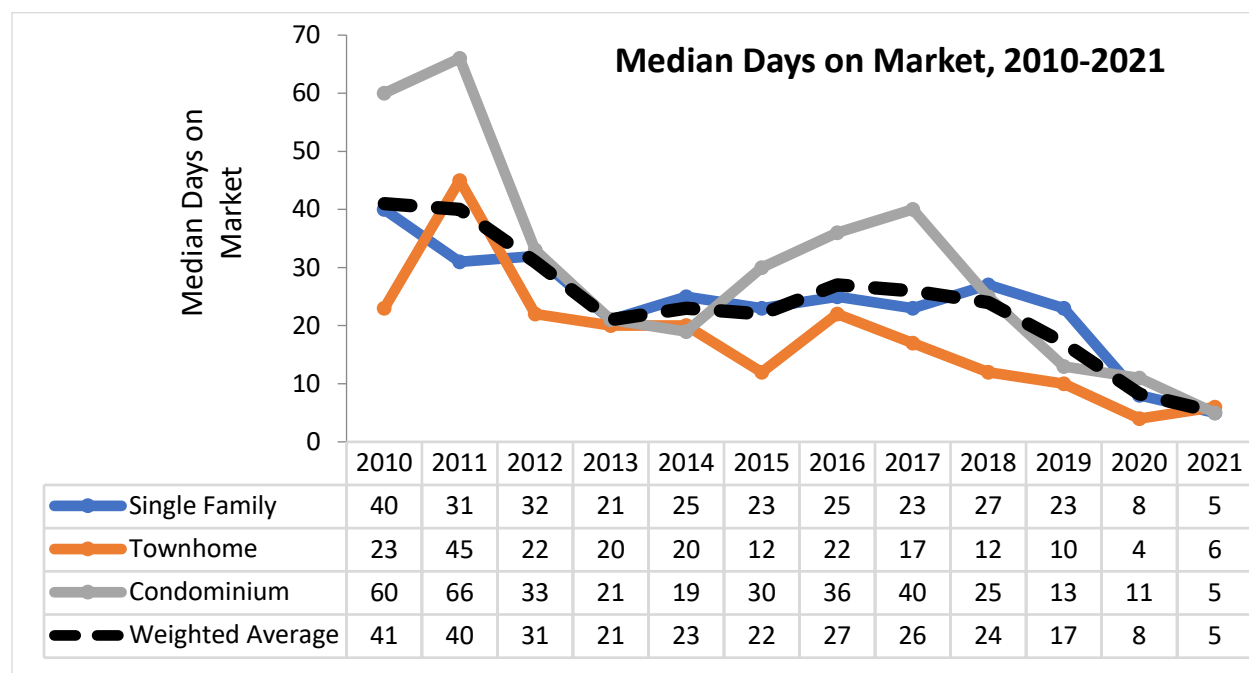


Figure 3: Median Days Listed on Market, 2010-2021

Homes are also selling faster than they were a decade ago. In 2011, homes spent an average of 40 days on the market before selling. By 2013 the average homes were selling in half that time, just 21 days. While sales slowed slightly over the next five years, the average days listed fell between 2018 and 2021. In 2021, homes were spending less than a week on the market before selling.

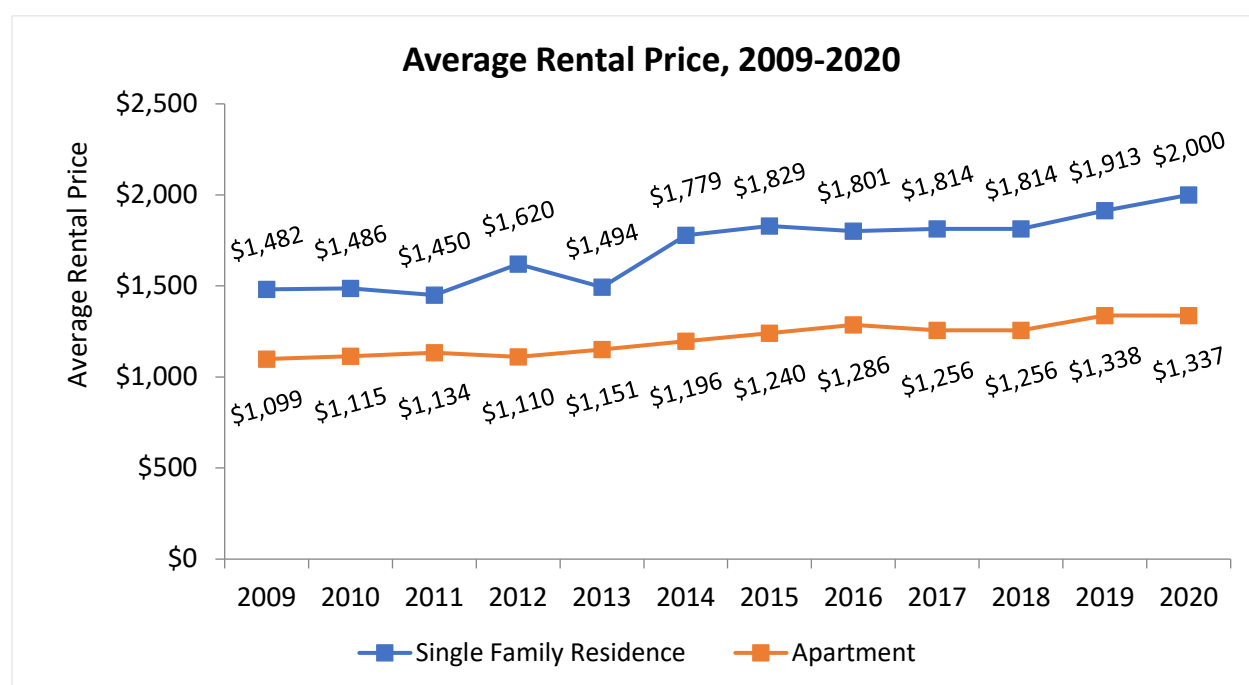


Figure 4: Average Rental Price, 2009-2020

Average single-family home rental prices increased by 35% between 2010 and 2020, comparable to the median price increase of single-family homes over a similar period (Figure 1). Apartment rental prices increased 20% from 2010 to 2020.

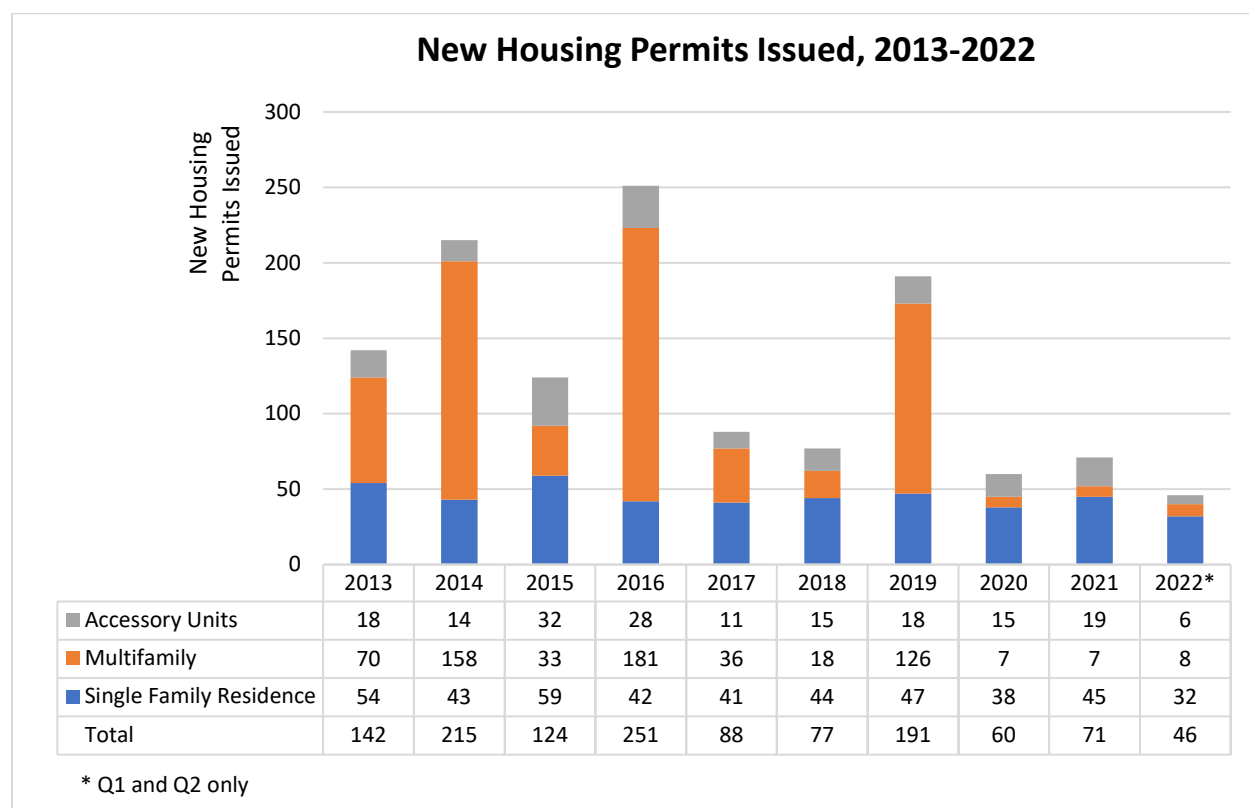


Figure 5: New Housing Permits Issued, 2013-2022 Q2

Data from the City and Borough of Juneau (CBJ) of recent permits issued show a slowdown in the number of multi-family units permitted during the COVID-19 pandemic. Permits issued are a direct indicator of the number of new units that will be built in the next few years. With relatively fewer total units being built, there is no immediate fix to the housing shortage.

Local Housing Stock Data

Added and Lost Housing Units

While new homes continue to be constructed in Juneau, housing units are also taken out of the local housing stock each year. The construction of new single-family homes remains relatively consistent over the last decade, while new multi-family units rise and fall unevenly year to year. Demolition of housing units and conversion to short-term rentals are two factors that have removed housing units from the residential stock.

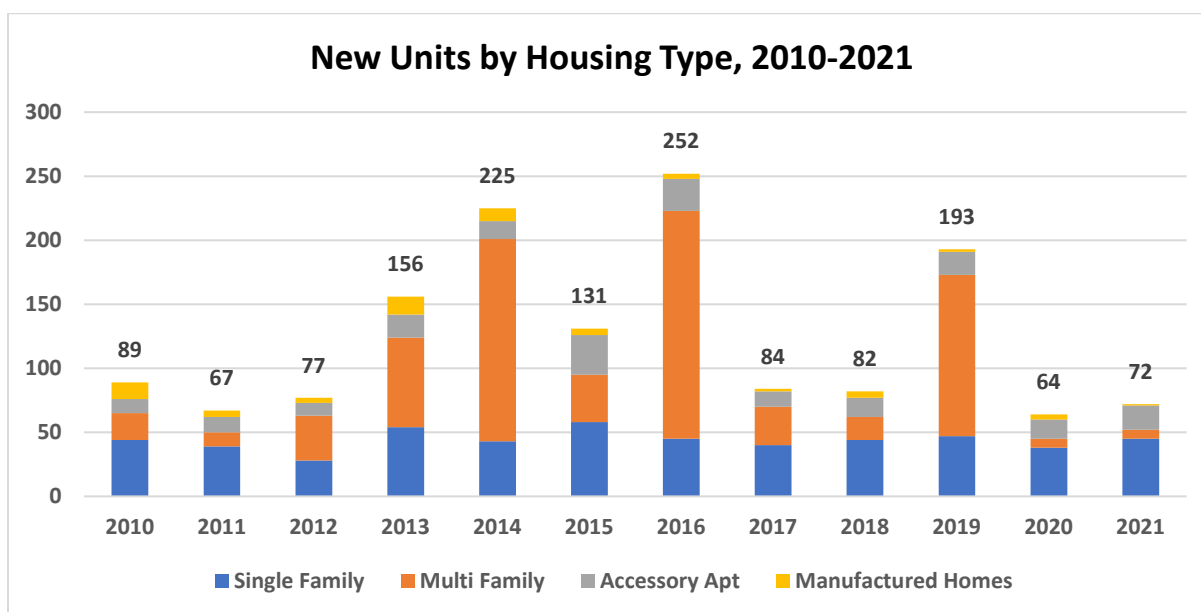


Figure 6: New Units by Housing Type, 2010-2021 (See Appendix 1, Table 1)

1,492 units of housing were built in Juneau from 2010 to 2021.

698 (47%) of the new units were part of multi-family residences, including those in condominium and apartment buildings. The number of new multi-family units fluctuates significantly between years, with seven added in 2011 and 178 added in 2016. This pattern is not unexpected, as a single multi-family complex may include dozens of units that are completed at the same time.

525 (35%) of the new units were single-family residences. New construction has been consistent since 2013, with 38 to 58 new units added each year.

Accessory apartments and manufactured homes make up a small portion of the new housing stock, with 200 (13%) units and 69 (4.6%) built since 2010, respectively. The construction of manufactured homes has nearly disappeared since 2015, with five or fewer units added per year. Meanwhile, accessory units have become increasingly common since 2015, averaging 19 new units per year, compared to 13 units per year prior to 2015.

New accessory apartments and manufactured homes both remain low, despite intentional actions adopted by CBJ to promote them, such as an accessory apartment incentive grant and a mobile home loan program.

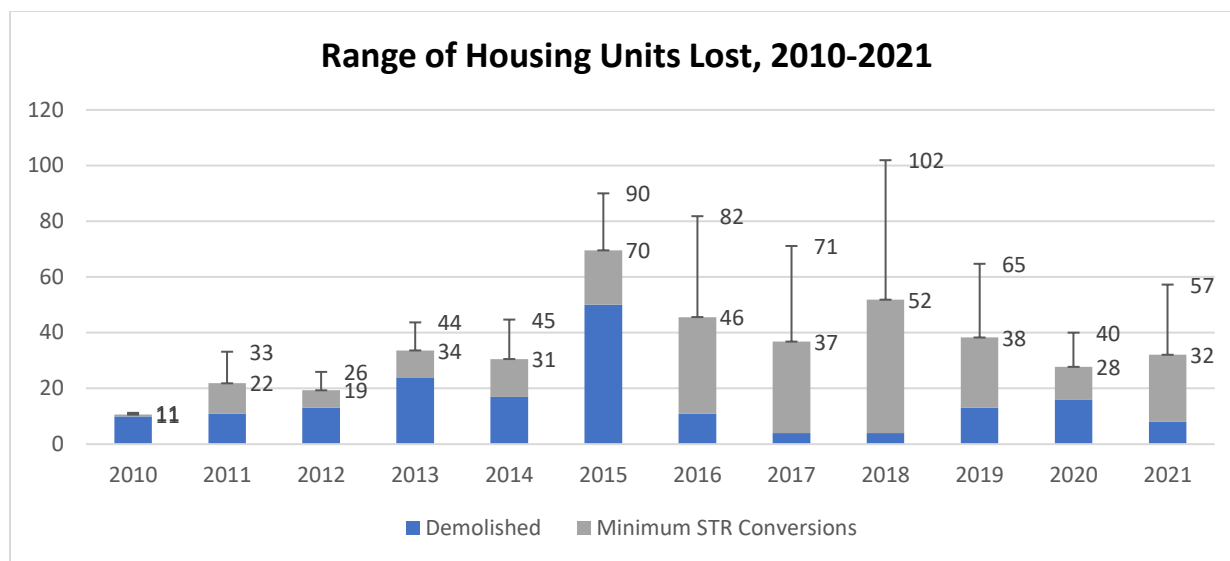


Figure 7: Housing Units Demolished and New STRs Registered, 2010-2021 (See Appendix 1, Table 2)

181 units of housing were demolished between 2010 and 2021, an average of 15 units per year. This is comparable to 12% of the new units built over the same period.

The number of STRs in Juneau has grown in the last decade, according to data collected by the STR monitoring firm, Harmari.

Since 2010, 616 units of housing in Juneau have been used as a STR at some point. 484 rentals were entire homes, and 132 were within shared-home. At least 301 of these units were actively being used as STRs in 2021.

The number of converted STRs listed above is estimated based on the total number of STRs and the percentage of new STR listings created each year from data provided by Harmari. They reported Juneau having a total of 616 STRs, as well as a breakout by percentage for new STR listings created each year. As it is unknown if all 616 STRs are still active, 616 is used as the maximum number of converted units, and the 301 STR units known to be active are used as the minimum number, creating a range of 301 to 616.

While the net housing stock has increased in total, it has not always kept pace with the conversion to STRs. In 2018 there were more housing units converted to STRs than new units built.

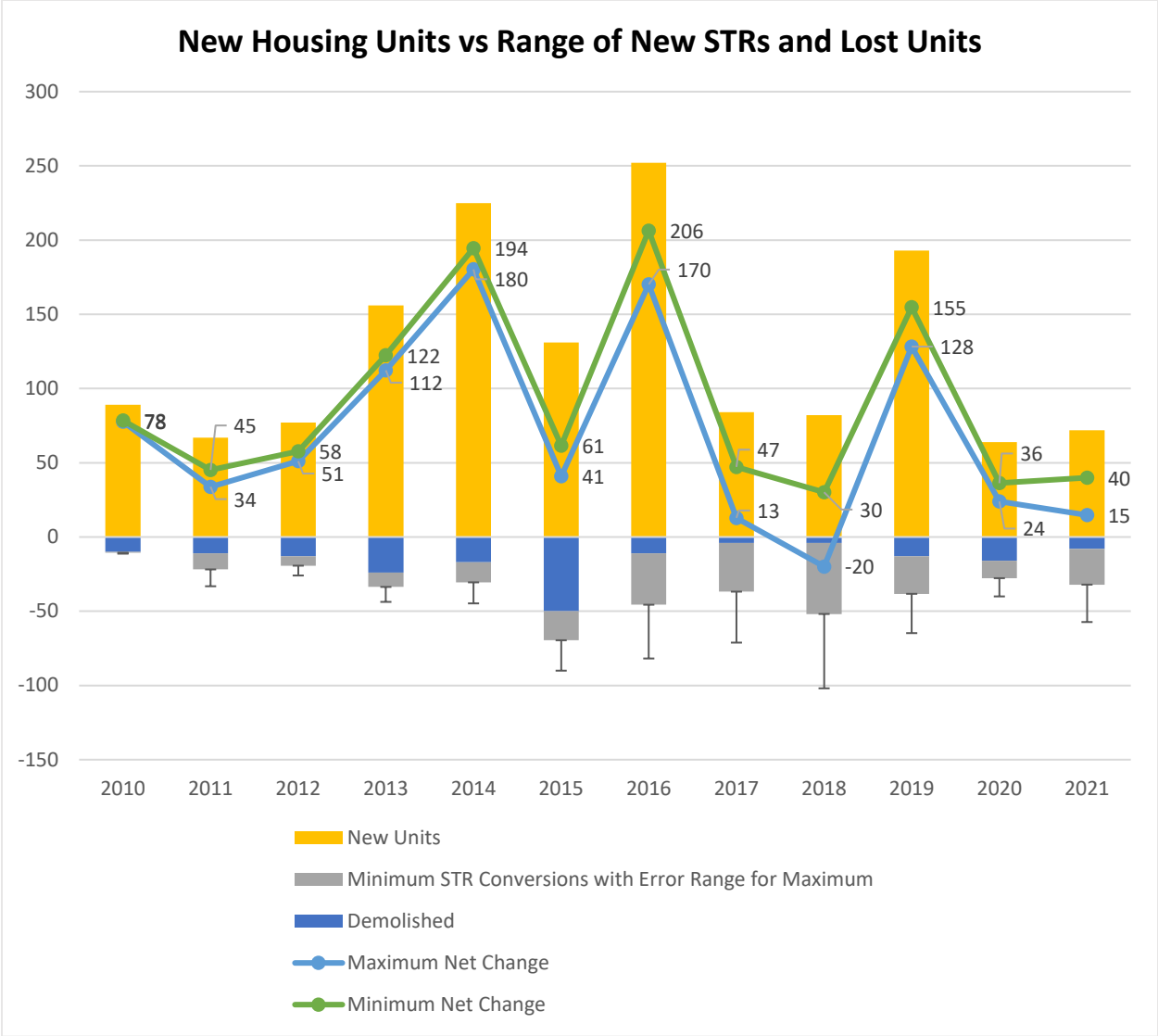


Figure 8: Net Change in Housing Units, 2010-2021

Local Demographics and Living Arrangements

The demand for housing in Juneau has changed over the last decade. Juneau's population has increased slightly since 2010, and the portion of residents 20 years of age or older has increased. The number of Juneau residents living alone has also increased, especially among residents 65 years and older.

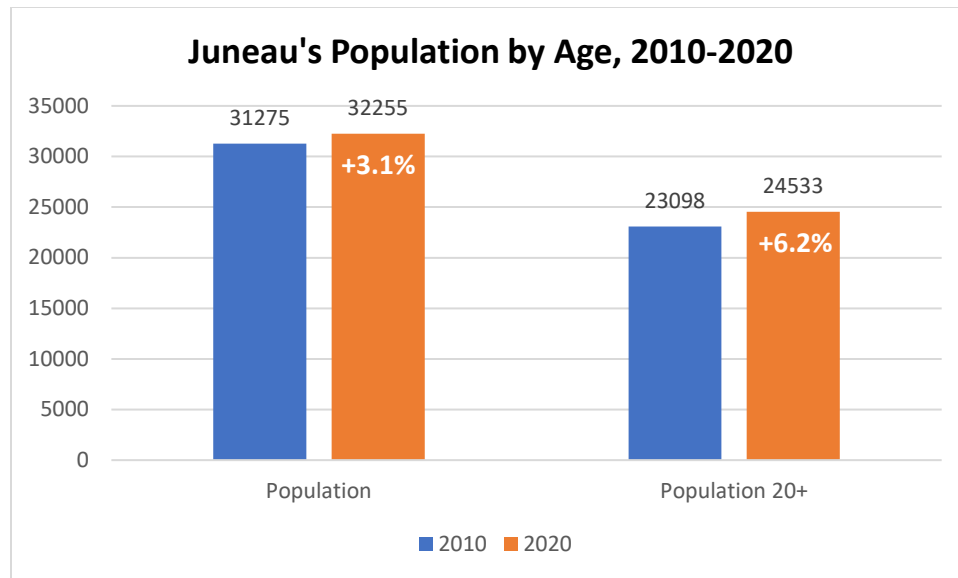


Figure 9: Juneau's Population by Age, 2010-2020

Juneau's aging population may be another factor leading to an increased demand for housing. While the population increased by 980 people (3.13%) from 2010 to 2020 (US Census), the average resident age also increased. The number of residents 20 years of age and older increased by 1,435 people (6.21%) while the youth population decreased by 455 (-5.6%).

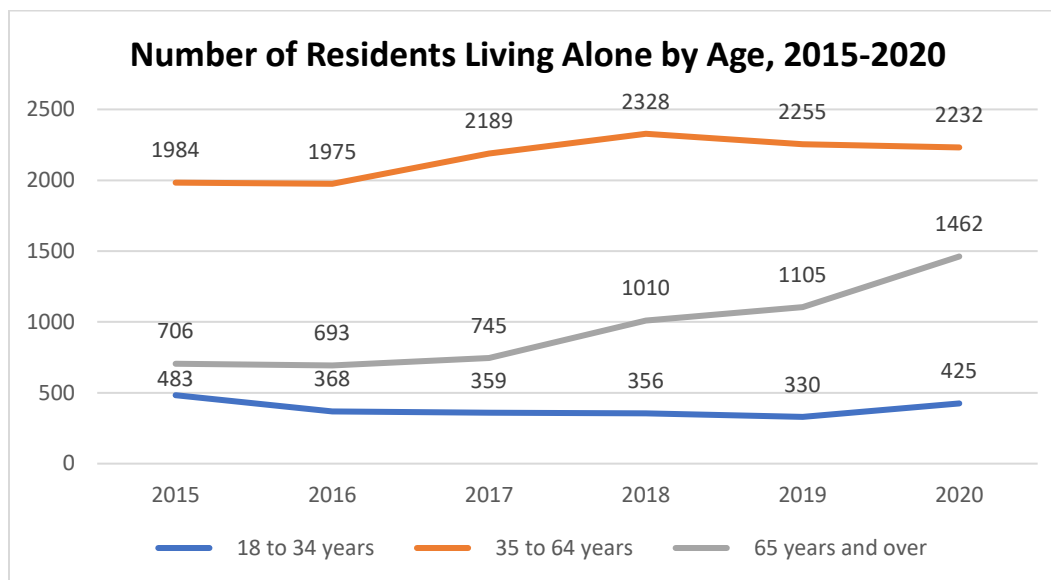


Figure 10: Number of people living alone by age group

From 2015 to 2020, an increased number of Juneau residents reported living alone (ACS, 2015-2020). A recent national trend has pointed to young adults delaying moving out of their family homes during the COVID-19 pandemic, which caused a downturn and then a surge in demand for apartment rentals (see the National Trends section below). However, Juneau has experienced a different trend. The number of

individuals ages 18 to 64 living alone shifted somewhat over this period, but the number of individuals aged 65 and older living alone more than doubled from 2015 to 2020.

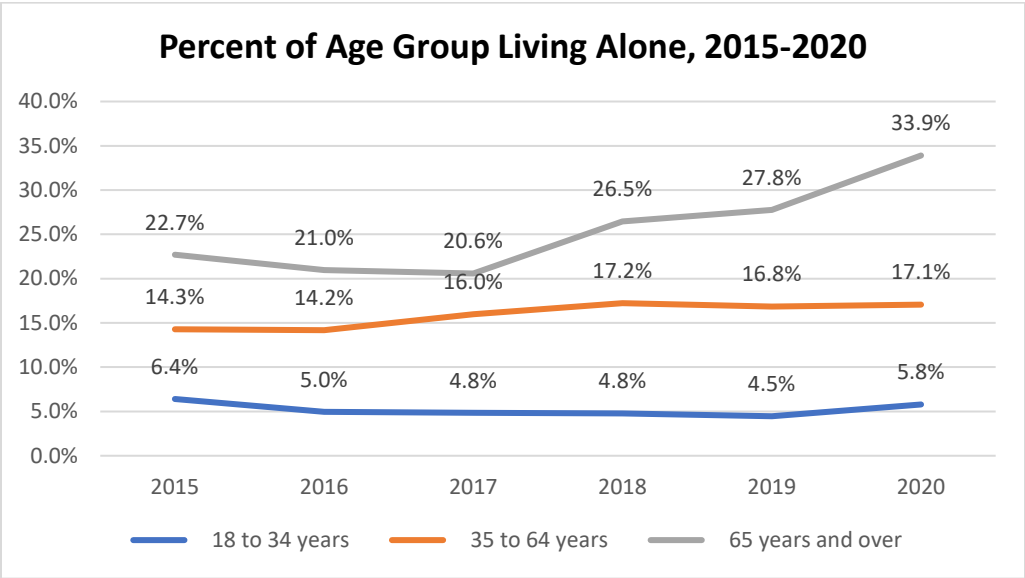


Figure 11: Percentage of each age group living alone

Not only are more older residents living alone, but they are also making up a greater portion of Juneau's population. This is the direct reverse of national trends reported for 2020 and 2021, which attribute the growth to the younger generation. In 2020, the total population in Juneau of 18 to 34-year-olds was 7,347, the population for 35 to 64-year-olds was 13,084, and the population for age 65 and older was 4,312.

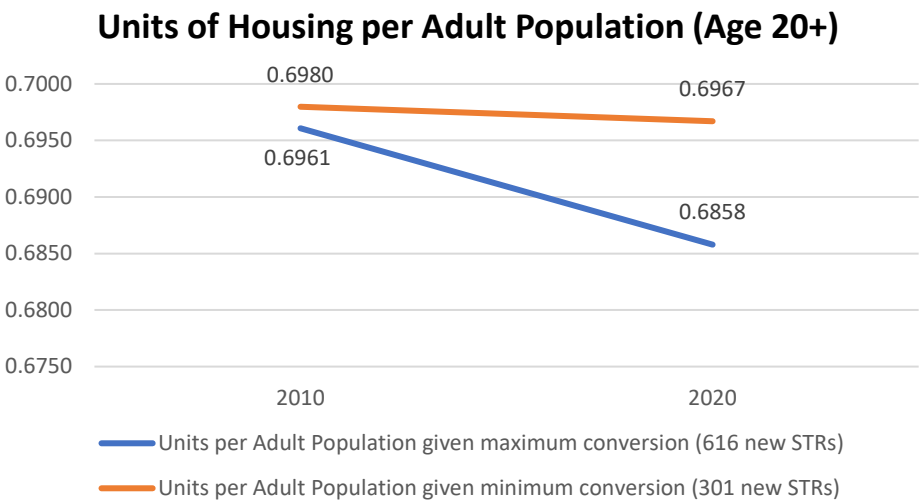


Figure 12: Units of Housing per Adult, 2010-2020

Data on the number of households varies by several hundred per year, so total population data is more precise when calculating the effects of STRs or demographic changes of people living independently. Between 2010 and 2020, the population over 19 years old increased from 23,098 to 24,533. The number of units, accounting for demolished units, increased from 16,165 to 17,348. However, the number of STRs is difficult to measure. There were 616 total known STRs in Juneau, but only 301 were shown to be active in the past year. Using these two numbers as the range of total STRs, the number of STRs between 2010 and 2020 increased from 43 to 256 or 87 to 524. Using the two different estimates of units converted to STRs and taking them out of the total number of units gives us a high and low estimate for the decrease in the available units to population ratio. The high estimate is a decrease from 69.6 to 68.6, meaning Juneau lost 1.5% of its available housing due to both STRs and an aging population. Using the low estimate is a decrease from 69.8 to 69.7 or a decrease of only 0.19% of the available housing.

Sales to Non-Residents

A portion of Juneau's residential property is owned by individuals and businesses outside of the community. Using the mailing address of property owners registered in the City and Borough of Juneau's assessor's database, we estimated the number of residential units owned by local and non-local individuals.

Note that this is an estimate of local and non-local ownership. Property owners who primarily reside outside of Juneau and businesses with locations outside of Juneau may be registered with their Juneau address. This did not differentiate between the owner being an individual or business.

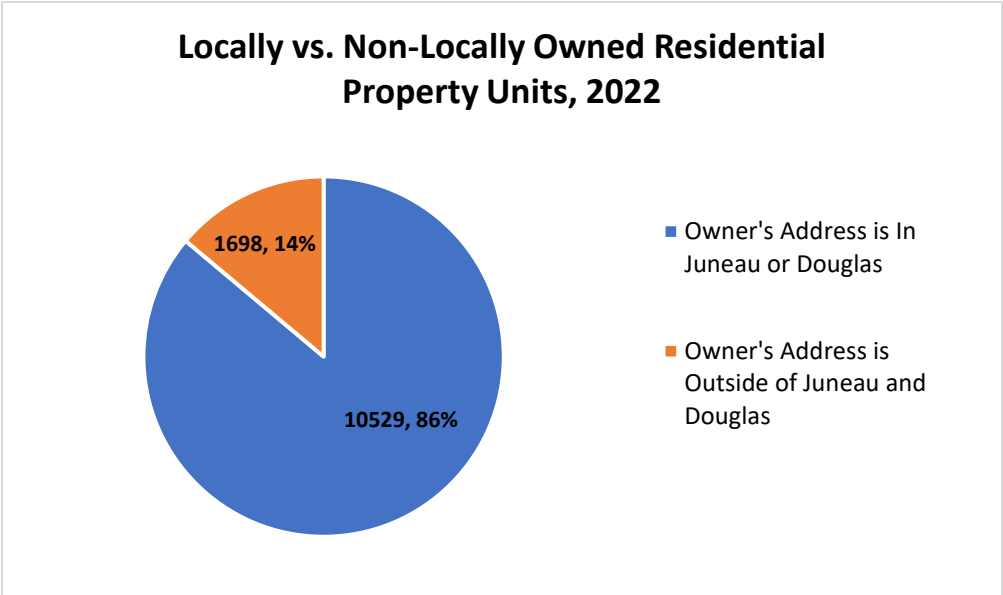


Figure 13: Residential Units Owned by Juneau Residents and Non-Juneau Residents, 2022
(See Appendix 1, table 4)

1,698 residential units are registered under a mailing address outside of Juneau, 14% of the total units. Apartment units were the second most likely to be owned by an entity outside of Juneau, as 35% of the 1,764 units were registered under an out-of-town address. Only cabins had a higher out-of-town ownership rate, at 36%.

Owners of Multiple Units

Most Juneau homeowners own a single unit of housing. Beyond that, only a handful of organizations own a significant number of units. Four owners are listed as having over 100 units, with the rest below 70 units. These are Alaska Housing Development Corp at 112, Alaska Housing Finance Corp at 119, Mendenhall-Juneau Apartments LLC at 125, and Tlingit Haida Regional Housing Authority at 127. The rest are private individuals.

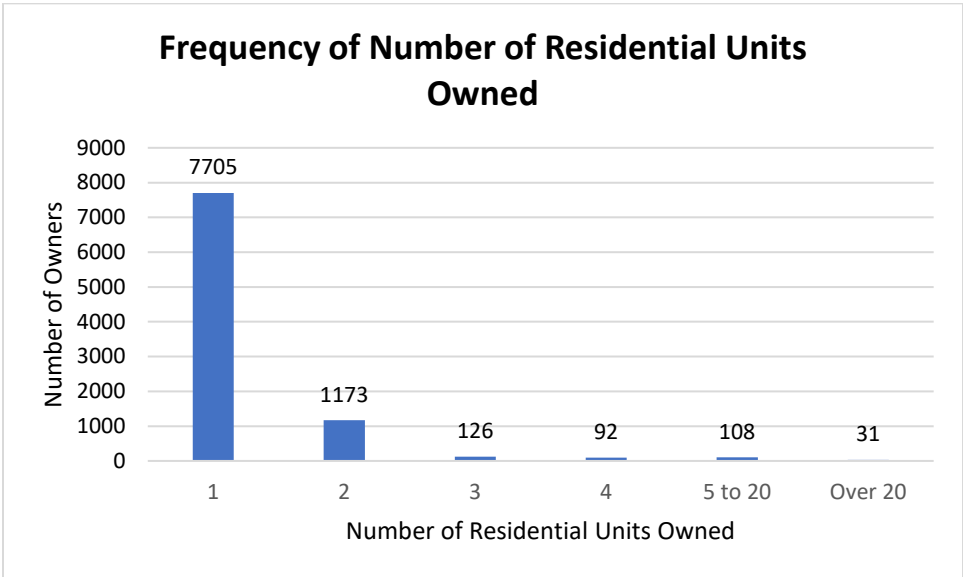


Figure 14: Frequency of Number of Residential Units Owned

Very few non-local individuals and businesses owned more than one unit, with only one company not affiliated with the State of Alaska owning more than ten units.

City Bed Tax Rates and Compliance

As of April 2022, 170 STR businesses were registered with CBJ, well below the number of STRs currently advertised. This is the number of businesses registered, not the number of units they may have. Comparing this to the estimate of units owned by each operator shown in figure 23, as well as the high and low estimates for total STRs operating between 301 and 616, the city has an estimated compliance rate of STR operators between 35% and 72%.

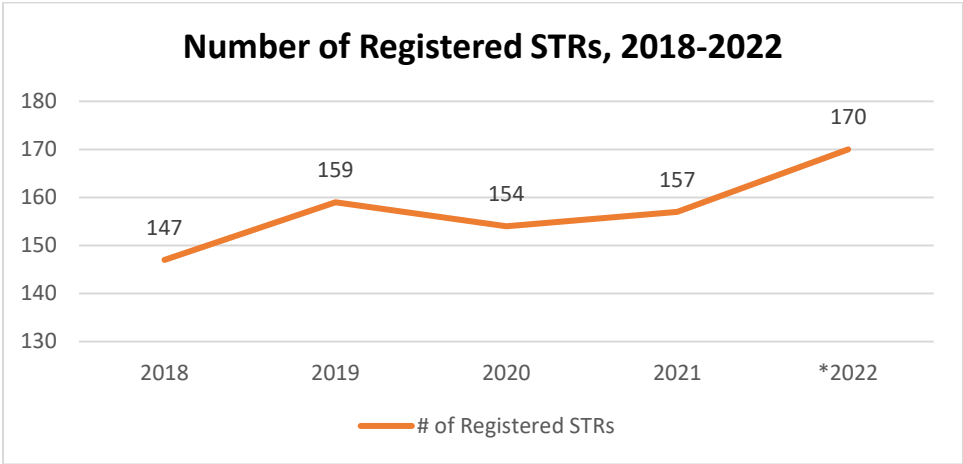


Figure 15: Number of STR businesses registered with the city
*STR data for 2022 was collected in April

The total city tax rate for STRs is 14%. That is the total of the 5% sales tax and an additional 9% bed tax. The bed tax was increased in 2020 from 7%. Four years of bed and sales tax were provided by CBJ which shows a dip in revenue in both during the pandemic. However, the revenue from hotels is currently much higher, averaging \$2,517,505 per year between 2018 and 2021, while STR revenue averaged \$343,386. If the STR registration compliance rate is at only 35%, the city could see an additional average annual revenue of \$637,716 if STR tax compliance was strictly enforced, totaling \$981,102 in taxes annually. Given the maximum estimated number of STRs and average revenue from the past four years, the city could see nearly \$1,000,000 in tax revenue if the total number of STRs comes into compliance.

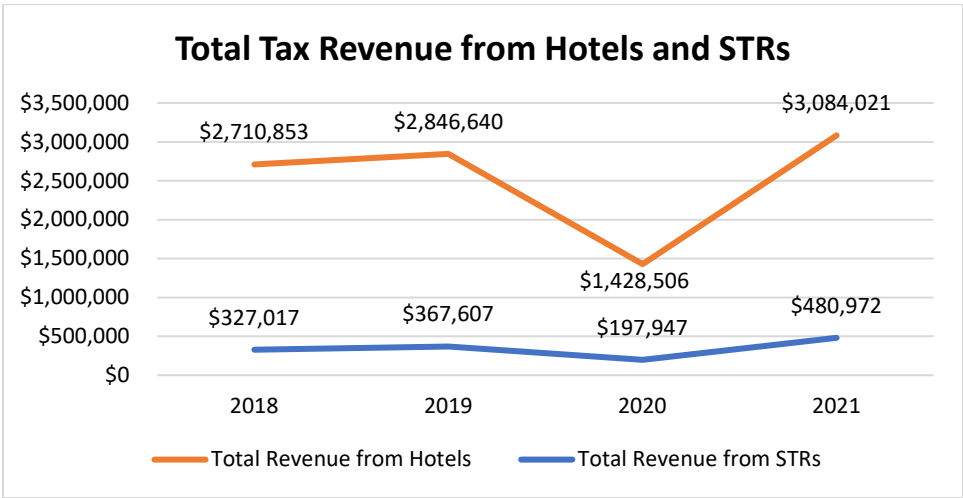


Figure 16: Hotel and STR tax revenue

National Trends

STRs and housing issues are a concern nationally. According to the Harvard Joint Center for Housing Studies, rental prices for apartments and single-family homes have risen drastically since 2020, with significant jumps in the past year. Apartment rent prices are up 11.6%, while single-family home prices are up 12.4% between the first quarters of 2021 and 2022.

Data from Apartment List online rental marketplace shows the 2021 change in median rent to be an increase of 17.6%. For comparison, they report an increase of 3.4% in 2018, an increase of 2.3% in 2019, and a decrease of -1.5% in 2020. So far, their tracking shows an increase of 6.7% in rental rates through July 2022. While this is below the increase during the same months in 2021, it has already exceeded the annual increase of the previous three years.

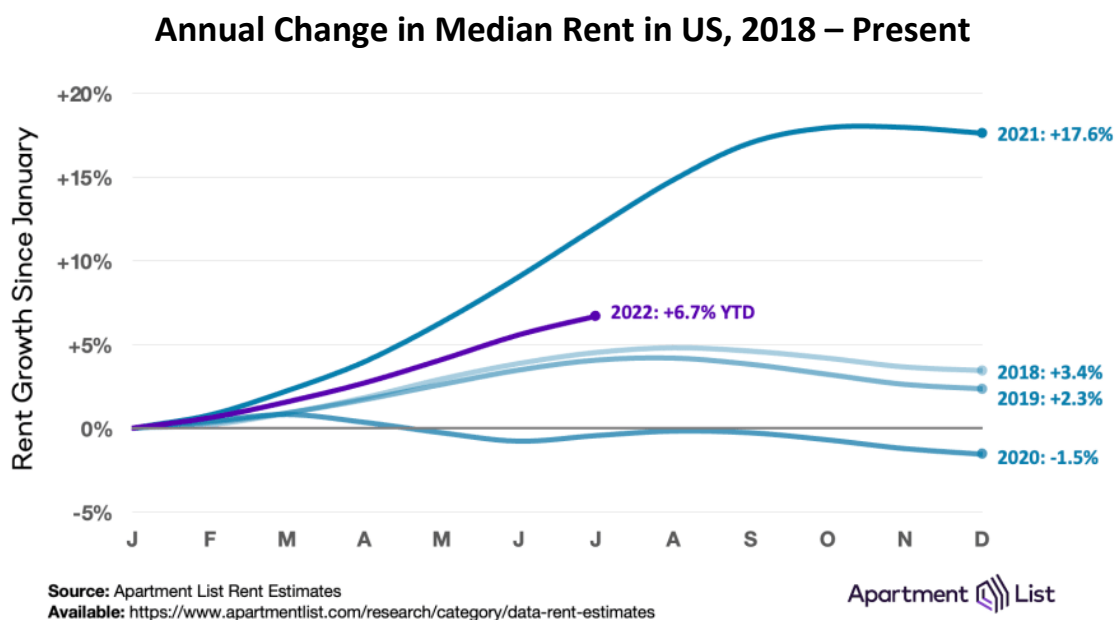
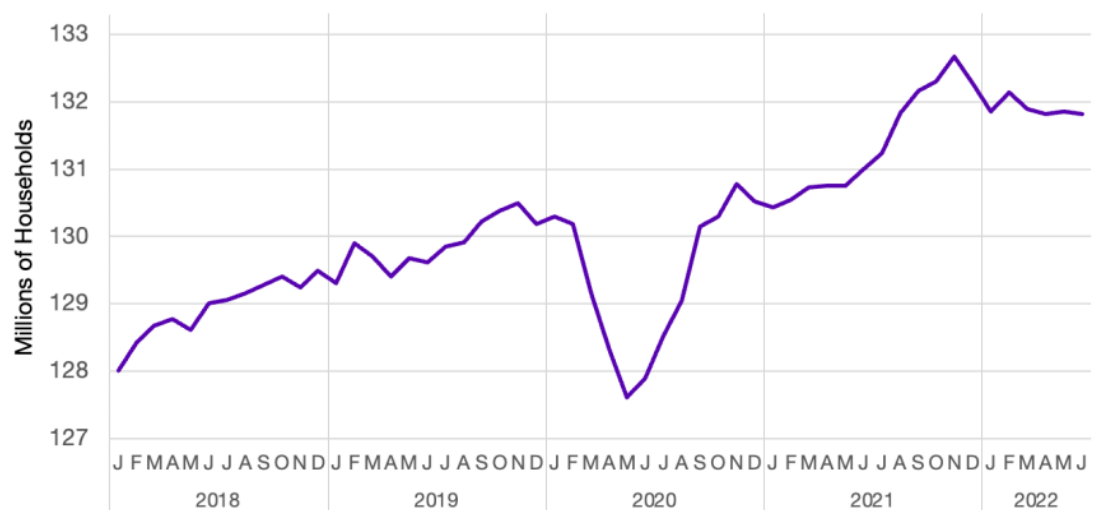


Figure 17: National trends for apartment rental rates from Apartment List (from <https://www.apartmentlist.com/research/national-rent-data>)

Apartment List stated several factors contributing to the increase in rental costs. Increased construction costs, such as materials and labor, have increased the prices of new properties. Many Americans changed their living arrangements since 2020, possibly in response to the COVID-19 pandemic. In 2020, the count of total households dropped by 2.5 million during the middle of the year. However, by the end of 2020, the count of households returned to pre-COVID levels and then continued to grow by another 2 million in 2021. Apartment List attributes this to young adults moving back into their family homes in response to the COVID-19 pandemic.

Total Number of Households in the US, 2018-2022



Source: US Census Bureau, Current Population Survey. Accessed via IPUMS-CPS.

Apartment List

Figure 18: National trends for apartment rental rates from Apartment List (from <https://www.apartmentlist.com/research/more-than-two-million-households-dissolved-during-pandemic>)

The number of single-person households grew significantly after 2020. Apartment List cites census data showing single-person households making up 61% of the 2.5 million households lost in 2020 and 82% of the 4.5 million households gained since this dip.

Many young adults followed this move-in, move-out pattern. Apartment List shows 400,000 from Gen Z, people born between 1997 and 2012, moving from single person living arrangements into family households between March and May 2020. Nearly 1 million individuals in this age group then moved from family households to living alone by 2021. The number of non-family households, such as groups of roommates, dropped during the COVID-19 pandemic, and this number has not significantly recovered.

Tying Together National and Local Trends

Census data for Juneau shows that 2015 through 2020 saw an increase in the number of older adults living alone. If this trend continues into 2022, and Juneau experiences the national trend of younger adults needing housing at an increasing rate since 2020, these groups will be in direct competition for single person living spaces.

An insufficient housing supply has led to a competitive housing market in Juneau, contributing to increased costs for individuals renting and buying homes. Recent trends indicate that these issues will continue to impact Juneau in years to come. While it is easy or convenient to point to a single source causing the tightening of the housing market as the pandemic winds down, the STR market is only one factor among many causing these issues. The construction of new housing has not kept up with the increase in the adult population. Behavioral changes around independent living for young adults and the growing 65 and older population are other factors straining the housing market. Each of these factors may require different actions to ensure that Juneau is an accessible and affordable place to live for everyone in our community.

Appendix 1: Selected Data Tables

Table 1: New Housing Units by Type, 2010-2021

	New Units	Single-Family	Multi-Family	Accessory Apt	Manufactured Homes
2010	89	44	21	11	13
2011	67	39	11	12	5
2012	77	28	35	10	4
2013	156	54	70	18	14
2014	225	43	158	14	10
2015	131	58	37	31	5
2016	252	45	178	25	4
2017	84	40	30	12	2
2018	82	44	18	15	5
2019	193	47	126	18	2
2020	64	38	7	15	4
2021	72	45	7	19	1
Total	1492	525	698	200	69

Table 2: Housing Units Lost, 2010 to 2021

	Demolished	Estimated Minimum Units Converted to STRs	Estimated Maximum Units Converted to STRs
2010	10	1	1
2011	11	11	22
2012	13	6	13
2013	24	10	20
2014	17	14	28
2015	50	20	40
2016	11	35	71
2017	4	33	67
2018	4	48	98
2019	13	25	52
2020	16	12	24
2021	8	24	49
Total	181	239	485

Table 3: Residential Properties by Owner's Mailing Address					
PPTY Type	Use Code	Total Properties	Owner's Address is In Juneau or Douglas	Owner's Address is Outside of Juneau and Douglas	Percentage Estimate of Locally Owned Properties
1	Residential	5017	4582	435	91%
2	Duplex	302	257	45	85%
3	Triplex	44	37	7	84%
4	Fourplex	111	90	21	81%
5	Residence w/Apartment	791	721	70	91%
6	0 Lot Line	865	827	38	96%
7	Townhouse	192	182	10	95%
8	Condo	1284	1065	219	83%
9	Cabin	187	135	52	72%
10	MH & Land	229	206	23	90%
12	MH In Park	196	170	26	87%
18	Apartment	101	81	20	80%
Total		9319	8353	966	90%

Table 4: Residential Units by Owner's Mailing Address					
PPTY Type	Use Code	Total Units	Owner's Address is In Juneau or Douglas	Owner's Address is Outside of Juneau and Douglas	Percentage Estimate of Locally Owned Units
1	Residential	4975	4546	429	91%
2	Duplex	594	503	91	85%
3	Triplex	129	108	21	84%
4	Fourplex	422	340	82	81%
5	Residence w/Apartment	1453	1322	131	91%
6	0 Lot Line	872	834	38	96%
7	Townhouse	193	183	10	95%
8	Condo	1172	979	193	84%
9	Cabin	55	35	20	64%
10	MH & Land	221	201	20	91%
12	MH In Park	377	329	48	87%
18	Apartment	1764	1149	615	65%
Total		12227	10529	1698	86%

Appendix 2: Other STR Data

Additional data points were presented by Harmari showing an estimate of the STR market in Juneau. The following charts in this section are made from the data they provided.

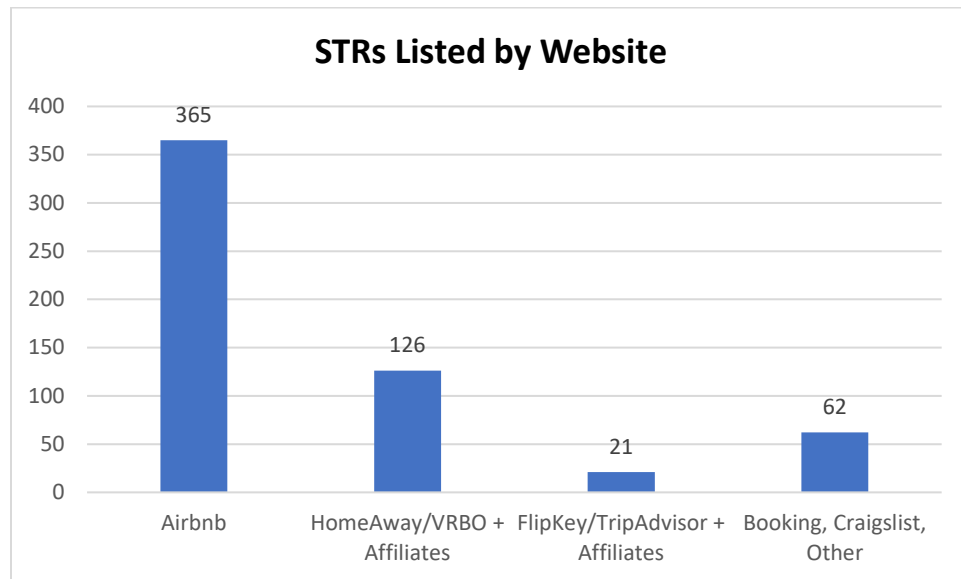


Figure 19: STRs listed per website

Harmari reported a total of 365 Airbnbs and 126 VRBOs. Initial data from GovOS reports Airbnb has 350 listings, and VRBO has 131. This is close to what Harmari reports, but not an exact match. This may be due to different time periods sampled with Harmari doing a farther look back. It is also unknown exactly how many are listed on both or other services.

The rest of the data is presented as a percentage of the total number of STRs reported, which is 616.

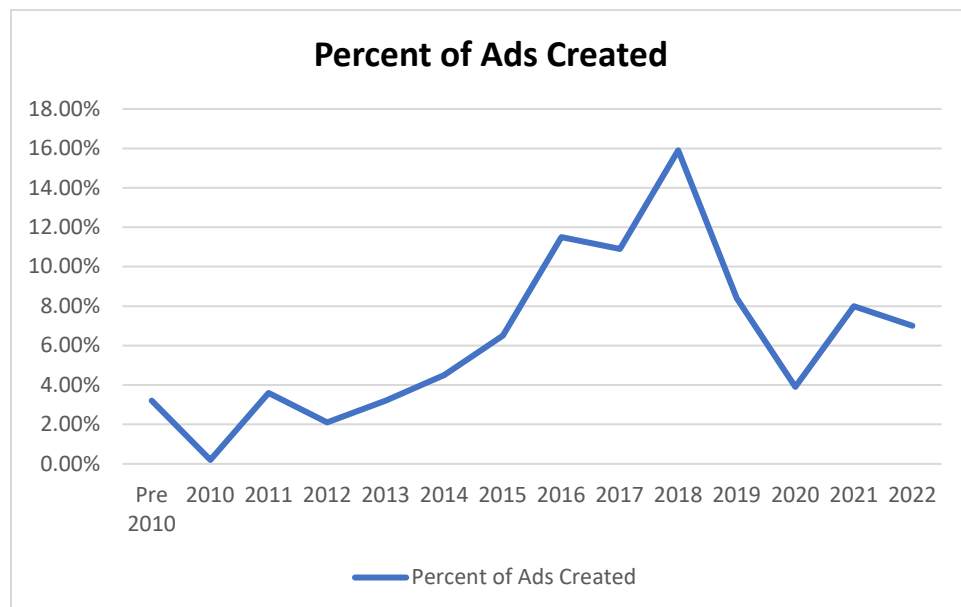


Figure 20: Percent of new ads created

The number of ads created shows a spike before the pandemic and then a dip that has since recovered. This data was used to calculate the number of STRs created each year in Figure 7.

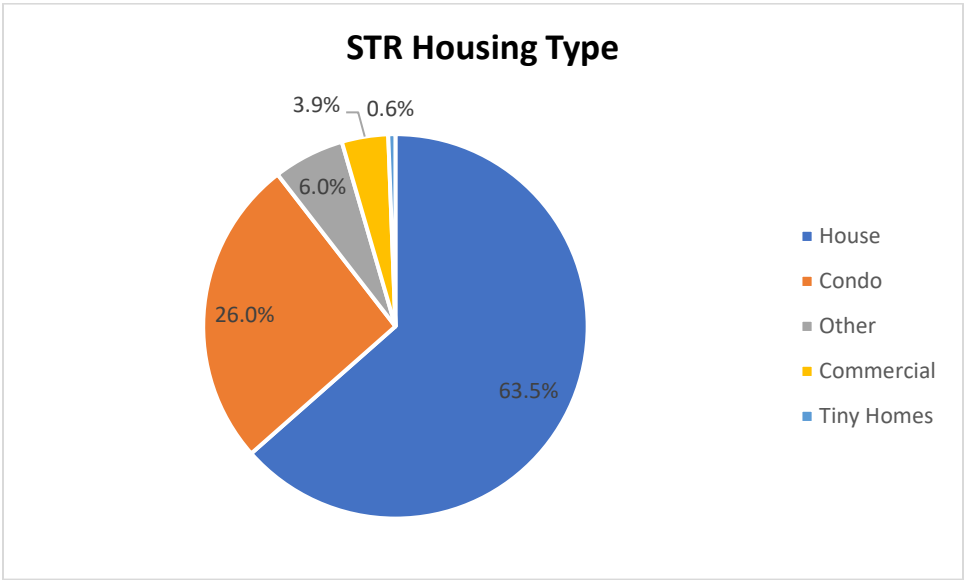


Figure 21: STR by type

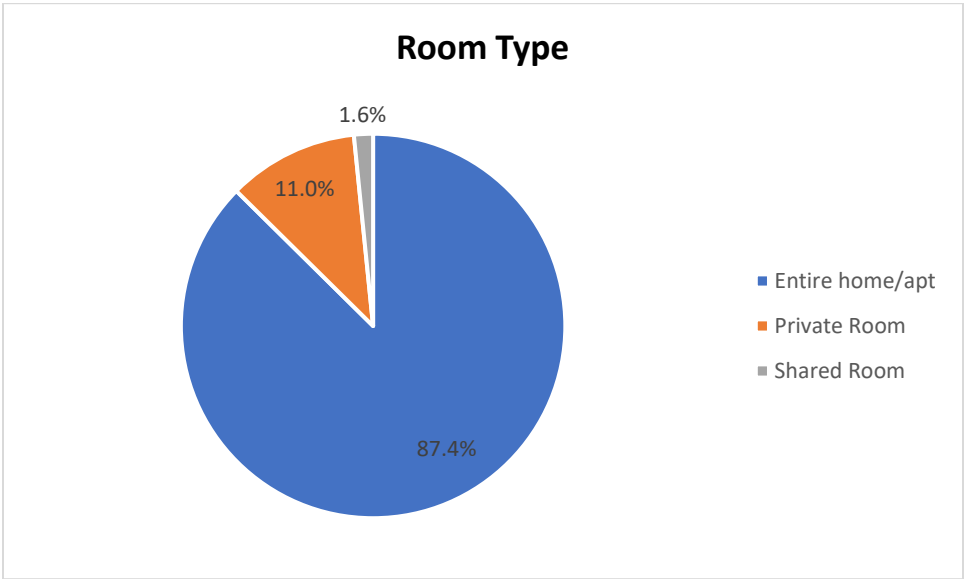


Figure 22: Room types

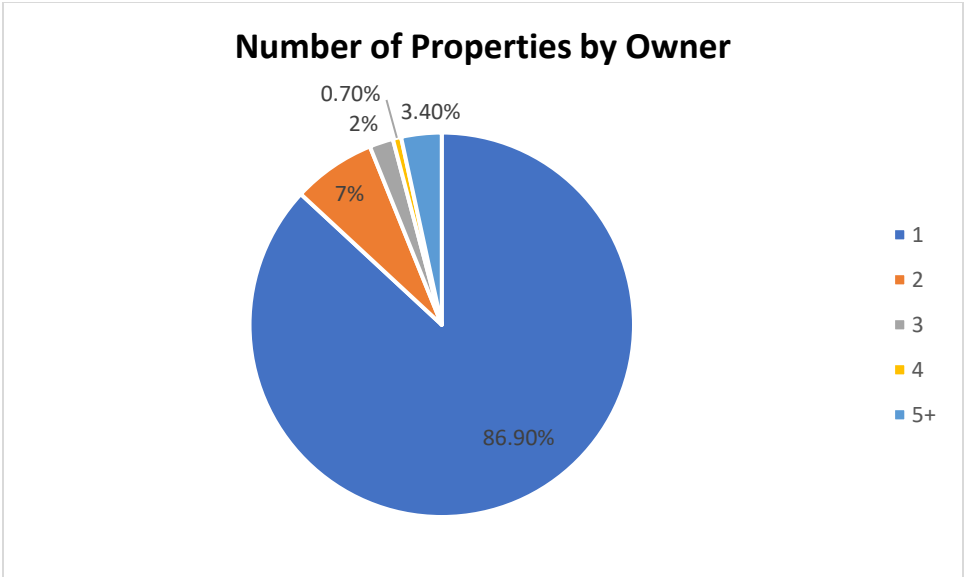


Figure 23: Properties by owner

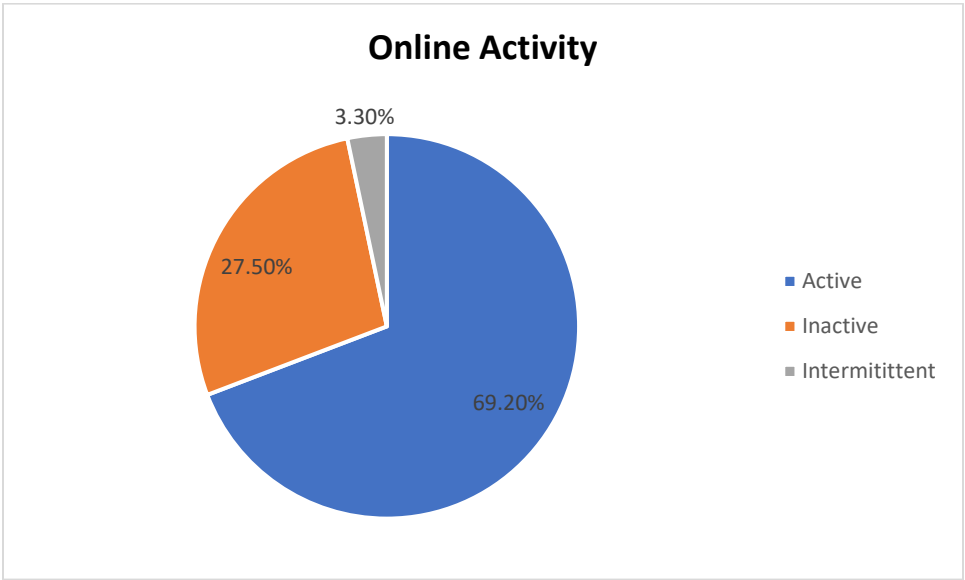


Figure 24: Active Advertisements

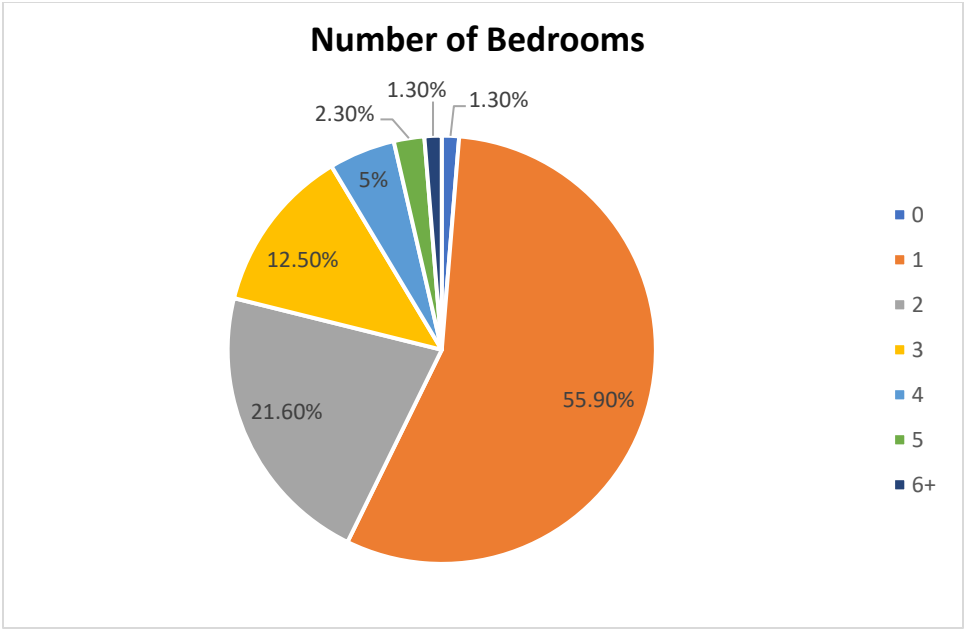
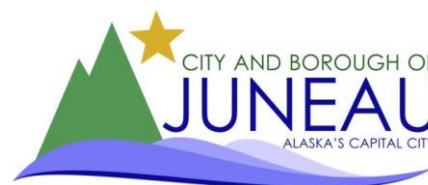


Figure 25: Number of Bedrooms

Sources

1. Apartment List Research Team. *Apartment List National Rent Report*, August 30, 2022. <https://www.apartmentlist.com/research/national-rent-data>
2. Ciambor, Scott. *Housing Action Plan Update*, June 6, 2022 to CBJ Chair Maria Gladziszewski and Committee of the Whole. <https://packet.cbjak.org/DisplayAgendaPDF.ashx?MeetingID=1754>
3. Ciambor, Scott. *Housing Pressure*, June 6, 2022 to CBJ Chair Maria Gladziszewski and Committee of the Whole. <https://packet.cbjak.org/DisplayAgendaPDF.ashx?MeetingID=1754>
4. City and Borough of Juneau. *City Assessor's Public Database*. Accessed August 25, 2022. <https://property.juneau.org/>
5. Harmari. *Dashboard Report for Juneau, Alaska*. July 12, 2022.
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7. Juneau Economic Development Council. *Juneau Housing Needs Assessment*, November 2012. <https://www.jedc.org/sites/default/files/2012%20Juneau%20Housing%20Needs%20Assessment%20v%2011%2020%2012.pdf>
8. US Census Bureau, 2020. *Living Arrangements of Adults 18 Years and Over by Age (B09021), 2015-2020 American Community Survey 5-year estimates*. Accessed August 22, 2022.
9. US Census Bureau, 2020. *Juneau City and Borough, Alaska*. Accessed August 25, 2022. <https://www.census.gov/quickfacts/fact/table/juneaucityandboroughalaska/PST045221>
10. Warnock, Rob. *More Than 2 million Households Dissolved (then Reappeared) During the Pandemic*, July 19, 2022. <https://www.apartmentlist.com/research/more-than-two-million-households-dissolved-during-pandemic>

MEMORANDUM



DATE: November 2, 2022

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Adjustment to Purchasing Threshold

105 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

From time-to-time, it behooves CBJ to review purchasing thresholds to ensure that these thresholds strike the right balance between administrative burden and best value purchasing through public competition. CBJ 53.50 defines how most CBJ agencies are required to conduct purchases. Although there some nuanced differences between bids and proposals, purchasing is generally conducted as follows:

Under \$5,000	Reasonable and practical procedures
\$5,000 to \$50,000	Informal public solicitation of bids/proposals
\$50,000+	Formal sealed bid/proposal

There is significant variation among other government purchasers in Alaska. The State of Alaska's thresholds are higher, while the municipalities somewhat herd together.

	Juneau	Kenai Borough	State of Alaska	Anchorage Muni	Fairbanks North Star Borough	City of Fairbanks	City of Ketchikan
Reasonable/Practical Procedures	Under \$5,000	Under \$5,000	Under \$10,000			Under \$1,000	
Verbal Quotes			\$10,000 to \$50,000	Under \$50,000	Under \$40,000	\$1,000 to \$5,000	Under \$10,000
Written Quotes		\$5,000 to \$40,000	\$50,000 to \$100,000			\$5,000 to \$25,000	\$10,000 to \$50,000
Informal Public Solicitation	\$5,000 to \$50,000						
Formal sealed bid	\$50,000+	\$40,000+	\$100,00+	\$50,000+	\$40,000+	\$25,000	\$50,000+

One conspicuous difference is that CBJ's code does not allow for any purchasing over \$5,000 using verbal or written quotes without a public solicitation. For all purchases over \$5,000, CBJ buyers must conduct an informal public solicitation for goods or services. Most CBJ agencies find the requirement of public solicitation to be an administrative burden that increases overhead cost for purchasing without realizing significant cost savings.

I am proposing to add a new threshold category to the purchasing code that would allow for three written quotes as the allowable purchasing method between \$5,000 and \$25,000. This change would bring CBJ more in line with our peers in the state, and it would diminish the administrative burden of smaller purchases.

Under \$5,000	Reasonable and practical procedures
\$5,000 to \$25,000	Three written quotes (without public solicitation)
\$25,000 to \$50,000	Informal public solicitation of bids/proposals
\$50,000+	Formal sealed bid/proposal

If the Assembly Finance Committee is supportive of this concept, I request that it direct staff to draft an ordinance that would allow three written quotes to be the allowable purchasing method for all purchases between \$5,000 and \$25,000. Such an ordinance would be introduced and brought back to the Assembly Finance Committee for further review.

Juneau Housing Stock and Short-Term Rentals (STRs) Research Note



November 2, 2022



11-Member Board

- ✓ CBJ Mayor
- ✓ UAS Chancellor

Members Appointed by Assembly:

- ✓ Organized Labor Seat
- ✓ Environmental Organization Seat
- ✓ Seven At-Large Members
- + Assembly Liaison



Garrett Schoenberger
Chair
Alaska Legacy Partners



Chancellor Karen Carey
Vice Chair
University of Alaska Southeast



Jake Carpenter
Treasurer
APICDA, AppCare



Melissa Kookesh
Secretary
Alaska State Legislature

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Mayor Beth Weldon
City and Borough of Juneau



Jill Weitz
SalmonState



Alexander Kotlarov
NOAA Fisheries



Marc Guevarra
First National Bank Alaska



Raymond Paddock III
CCTHITA



Aaron Morrison
RESPEC



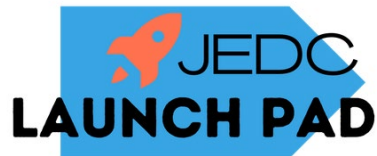
Rodney Hesson
IBEW



Carol Triem
Assembly Liaison

JEDC's Five Areas of Focus

- Help Make Juneau a Great (Capital) City
- Strengthen Key Regional Industries
- Develop Talent
- Promote Entrepreneurship and Small Business Development
- Deliver Economic Development Services



Research Question

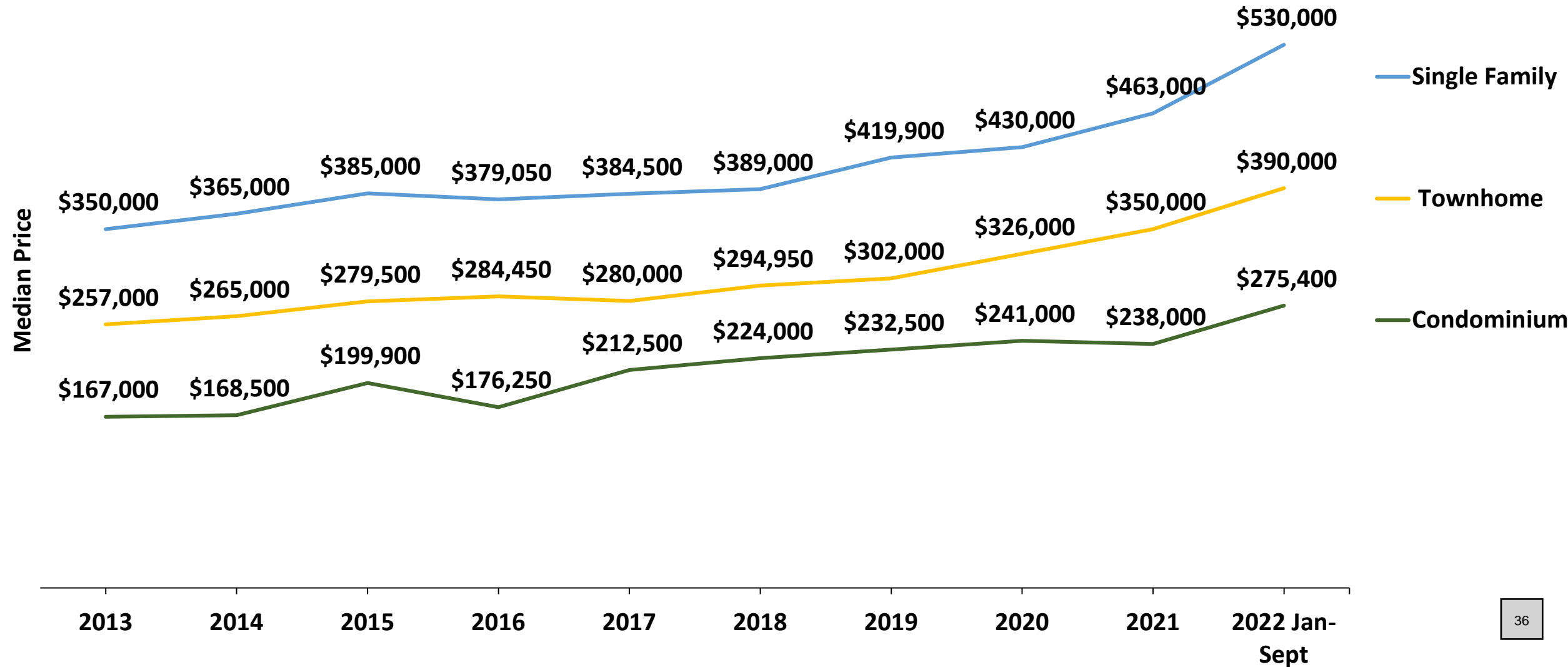
Since 2010, there have been 1,492 (2021) new units added to Juneau's housing stock while Juneau's population has remained relatively stable. In 2022, we continue to experience a housing crisis.

- ***Where have those new units gone?***
- ***What is the impact, if any, of the short-term rental market on Juneau's housing stock?***

Home Sales: Median Price of Homes

Section E, Item 4.

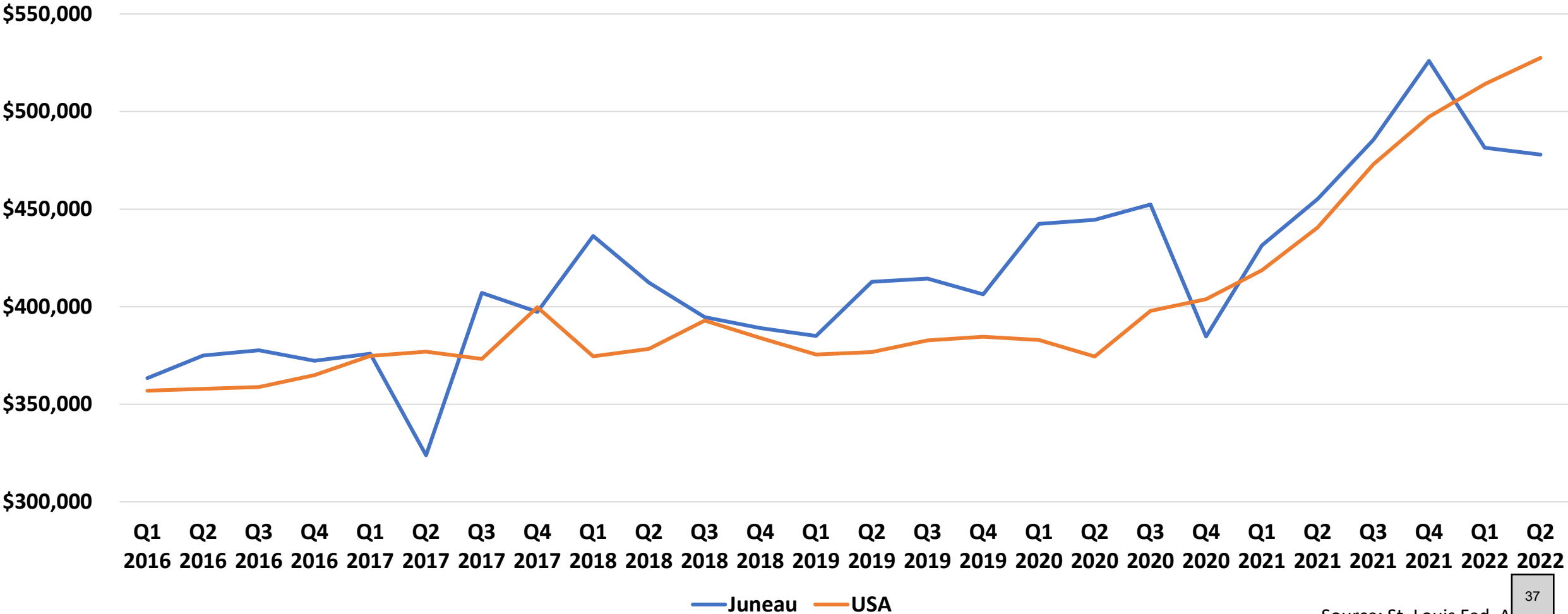
Source: MLS



Home Sales: Average Price of Homes

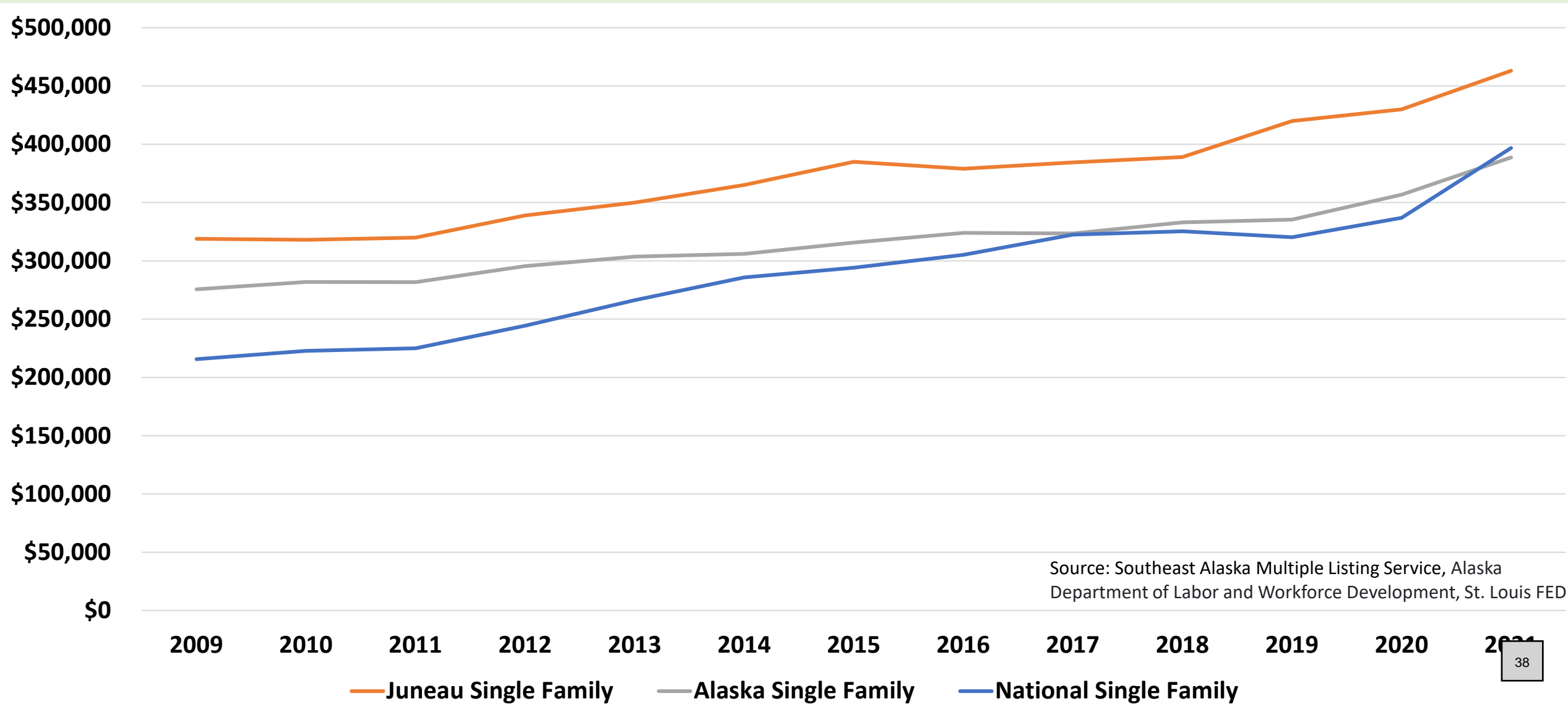
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Housing Prices in Juneau and US, Compared



Home Sales: Median Price of Single Family, Attached Homes and Condominiums

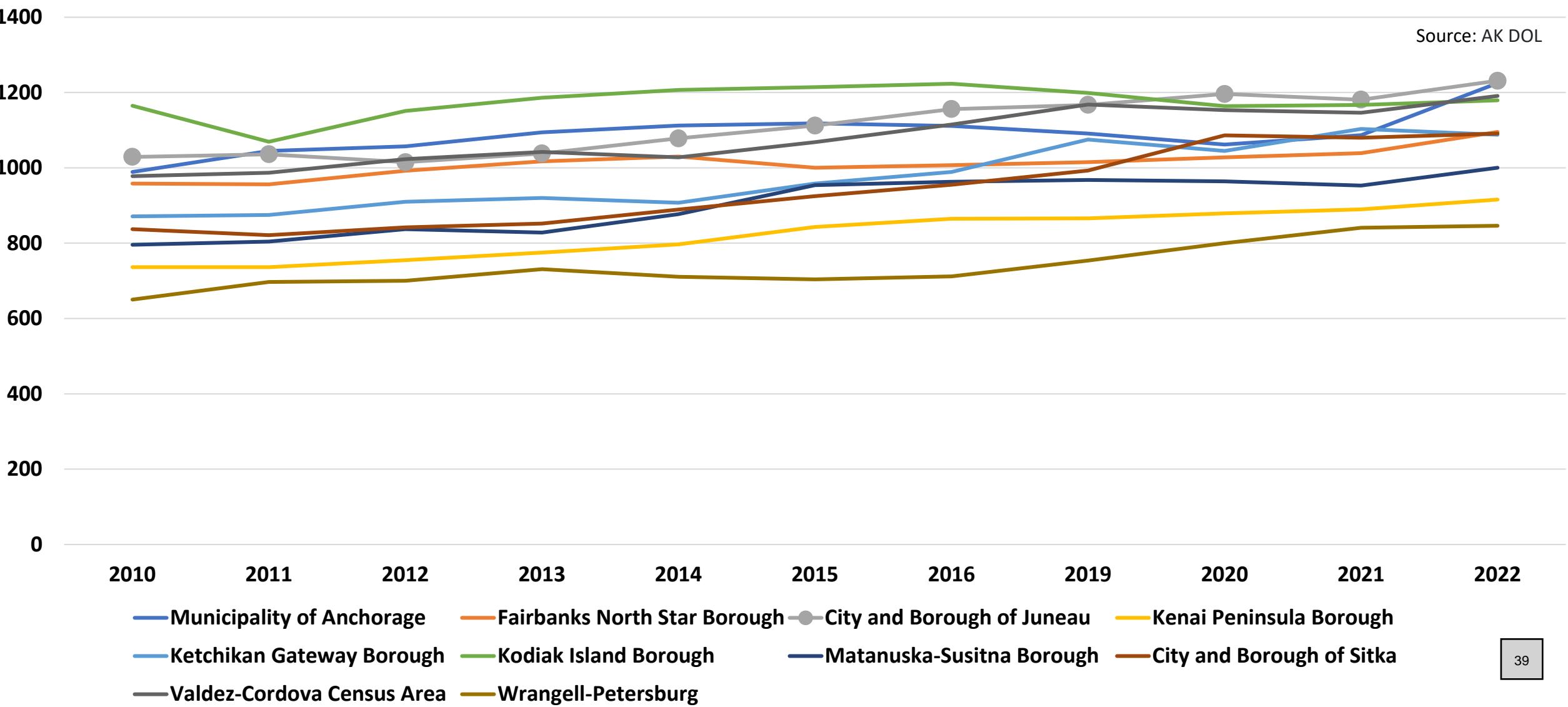
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Rental Costs: Average Apartment Rent Across Alaska

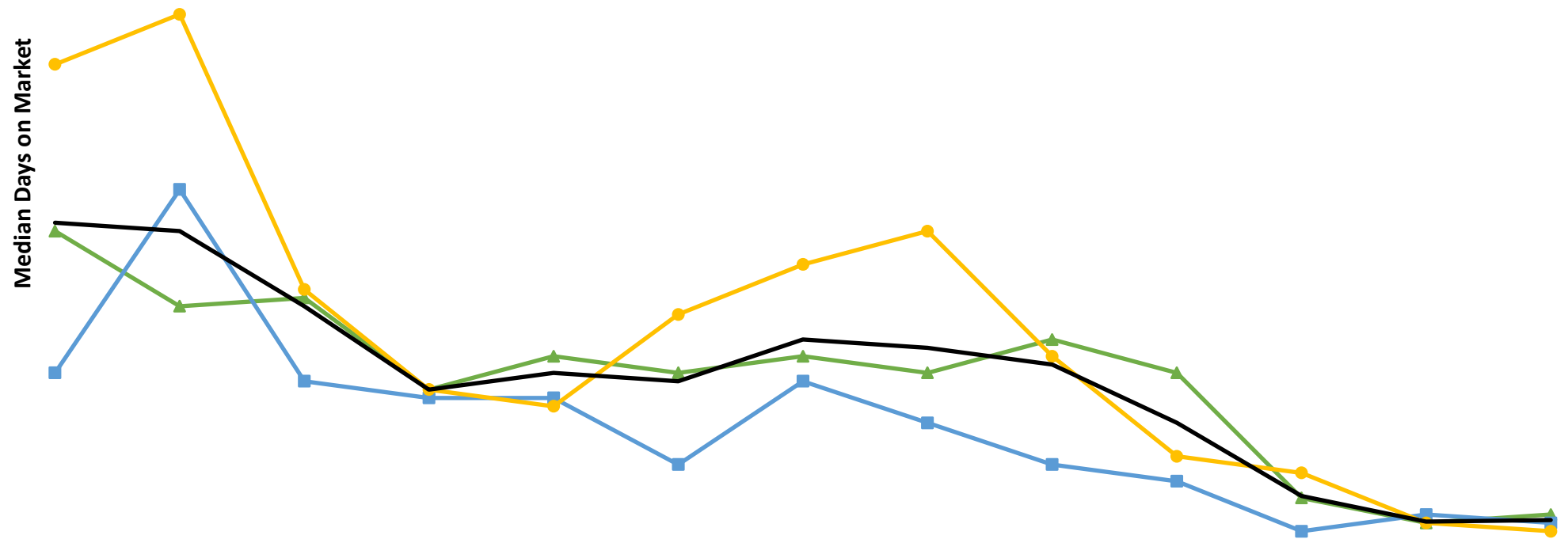
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Source: AK DOL



Home Sales: Days on Market

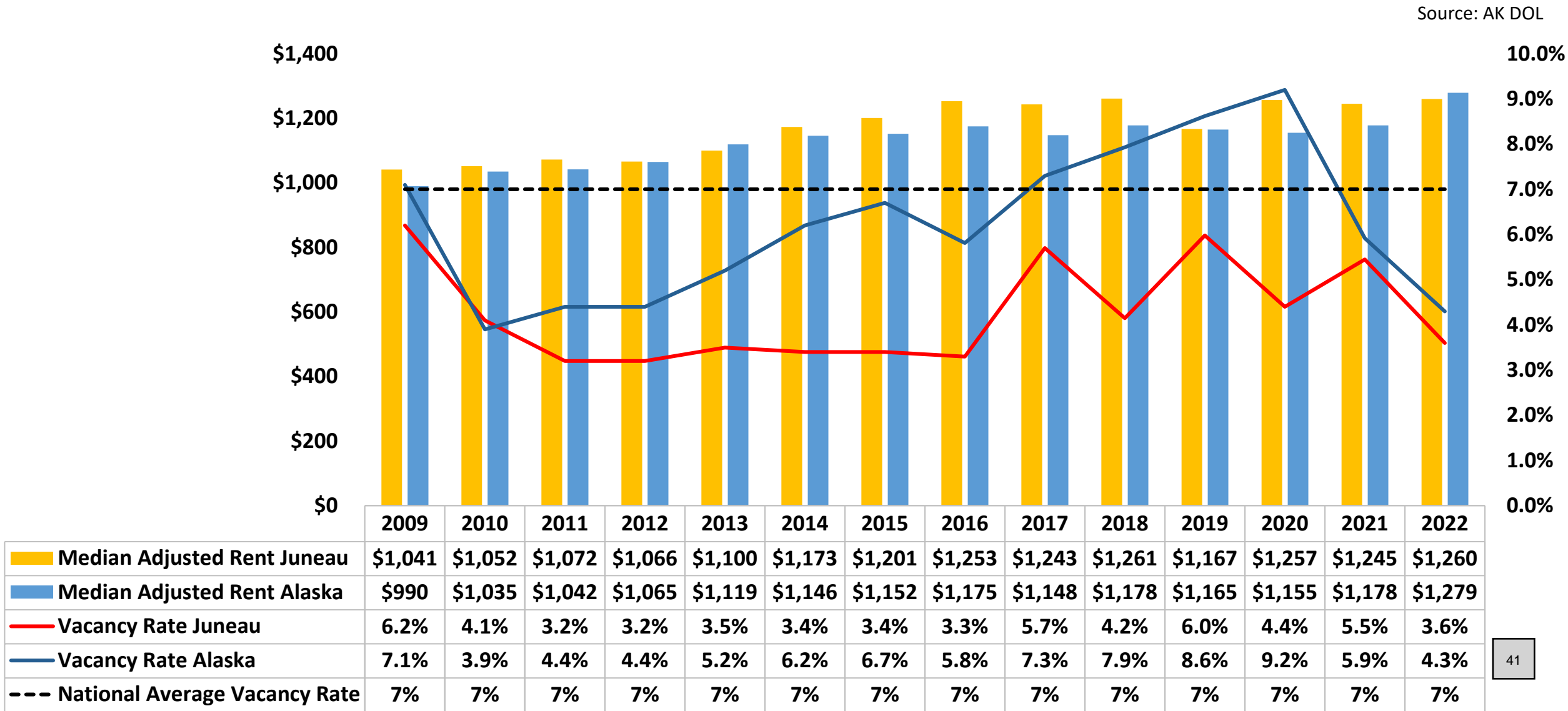
Source: MLS



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 (Jan - Sept)
Single Family	40	31	32	21	25	23	25	23	27	23	8	5	6
Townhome	23	45	22	20	20	12	22	17	12	10	4	6	5
Condominium	60	66	33	21	19	30	36	40	25	13	11	5	4
Weighted Average	41	40	31	21	23	22	27	26	24	17	8	5	5

Rental Vacancy Rates Drop and Prices Increase in Juneau and Statewide

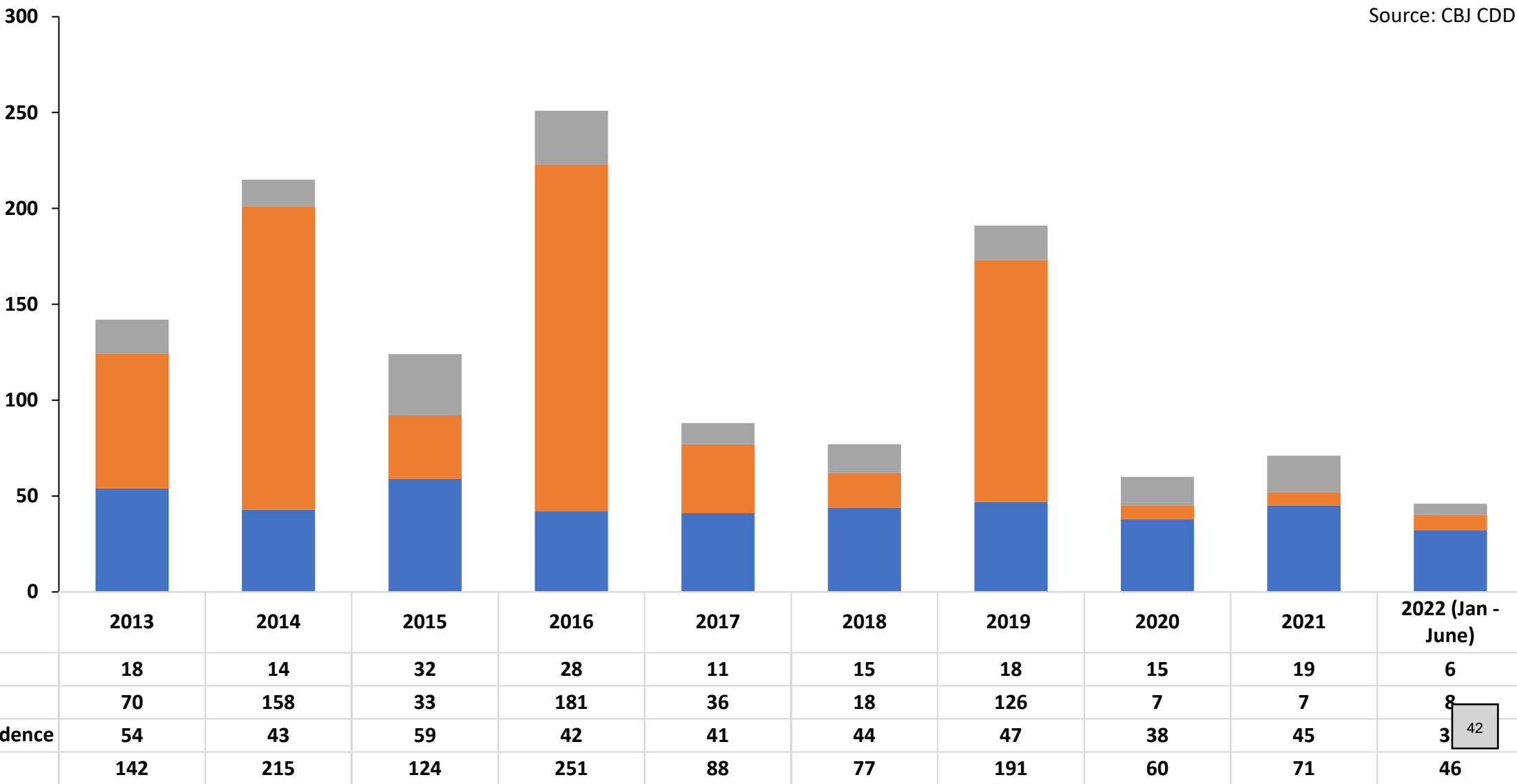
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New Housing Permits Issued

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Source: CBJ CDD



Short Term Rentals (STRs) are Growing Fast around the world, including Juneau

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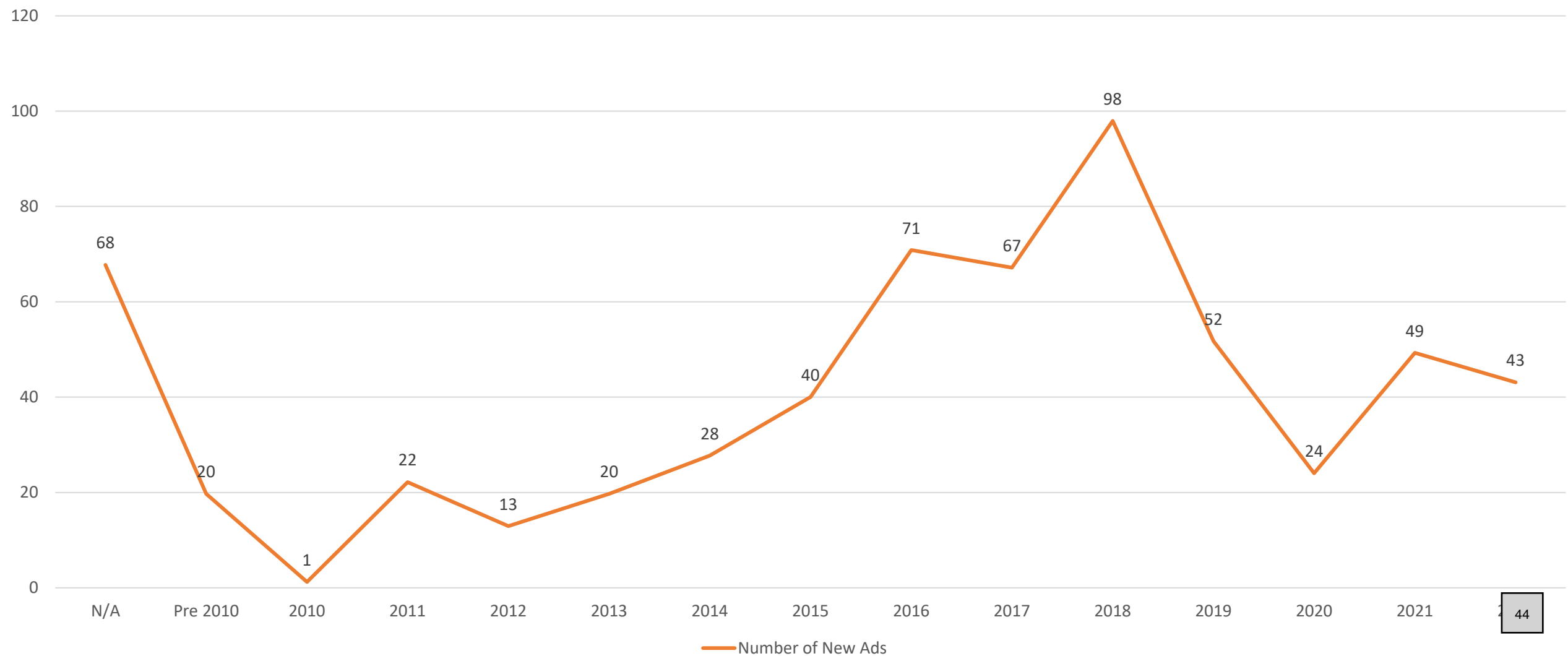
- A short–term rental is typically defined as **a rental of any residential home unit or accessory building for a short period of time**. This generally includes stays of less than a month (30 days).
- Number of STRs in the US has tripled in the last five years (Source: AIRDNA)
- Juneau has more than 300 (but less than 600) STRs today.

New STRs Listed Per Year in Juneau

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Number of New Ads

Source: Harmari

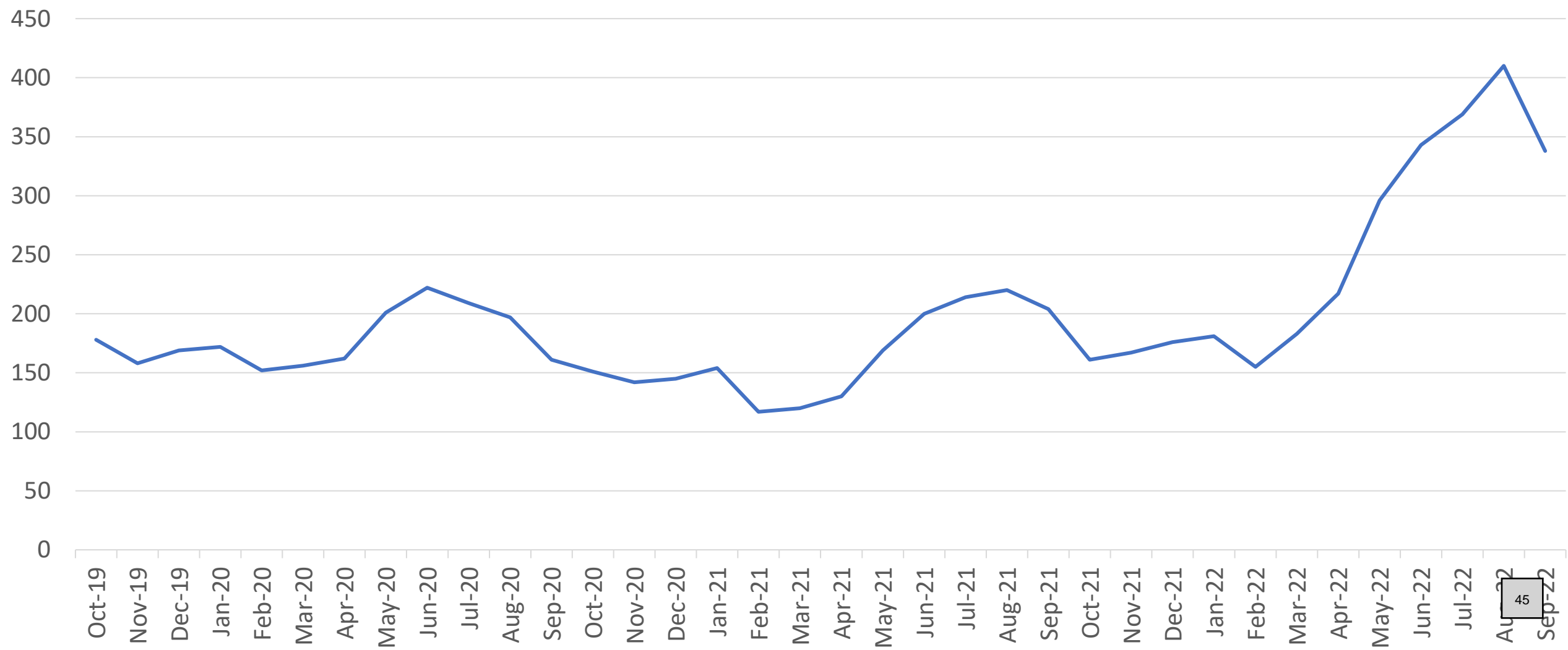


Active STRs Listed in Juneau from AirDNA

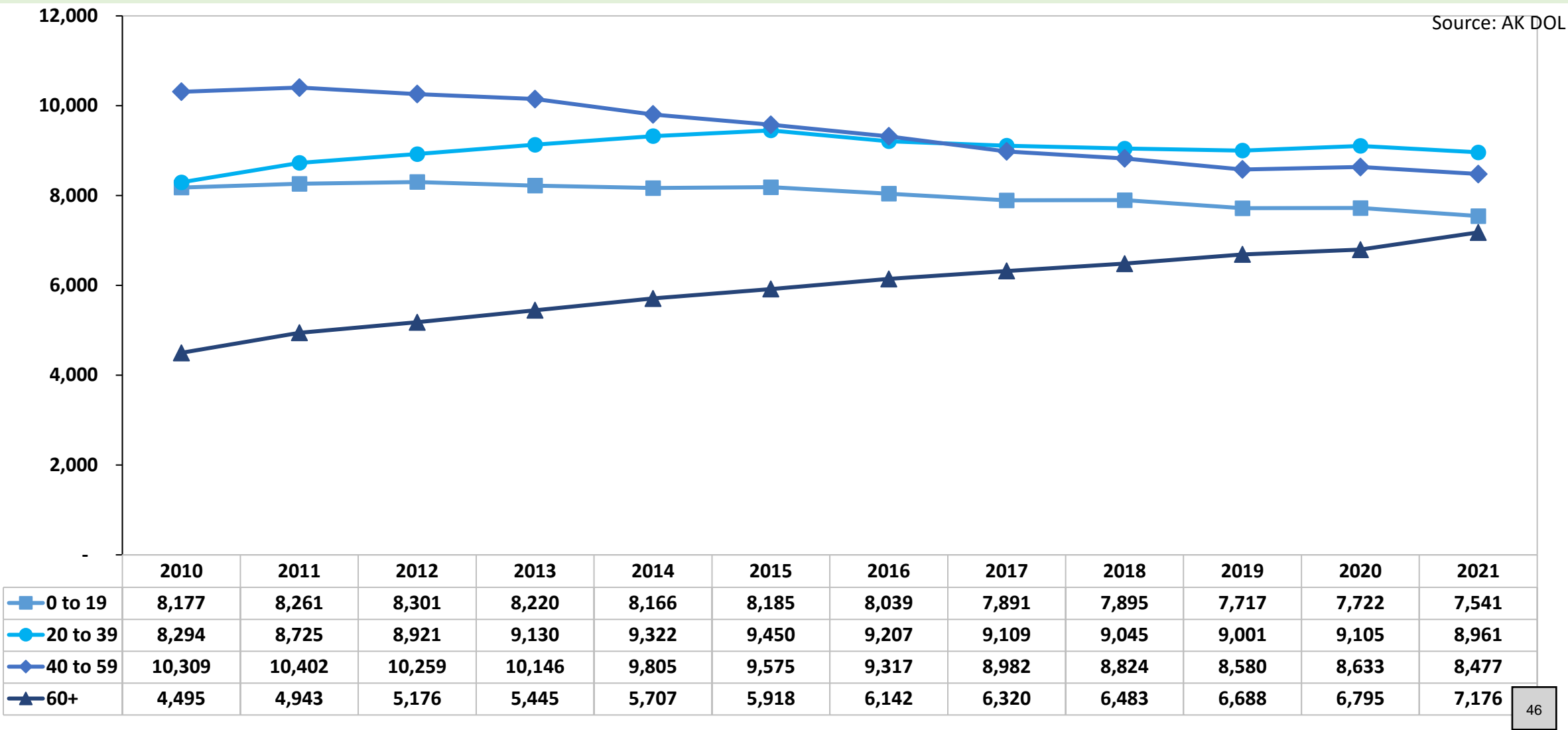
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AirDNA Active Listings

Source: AirDNA

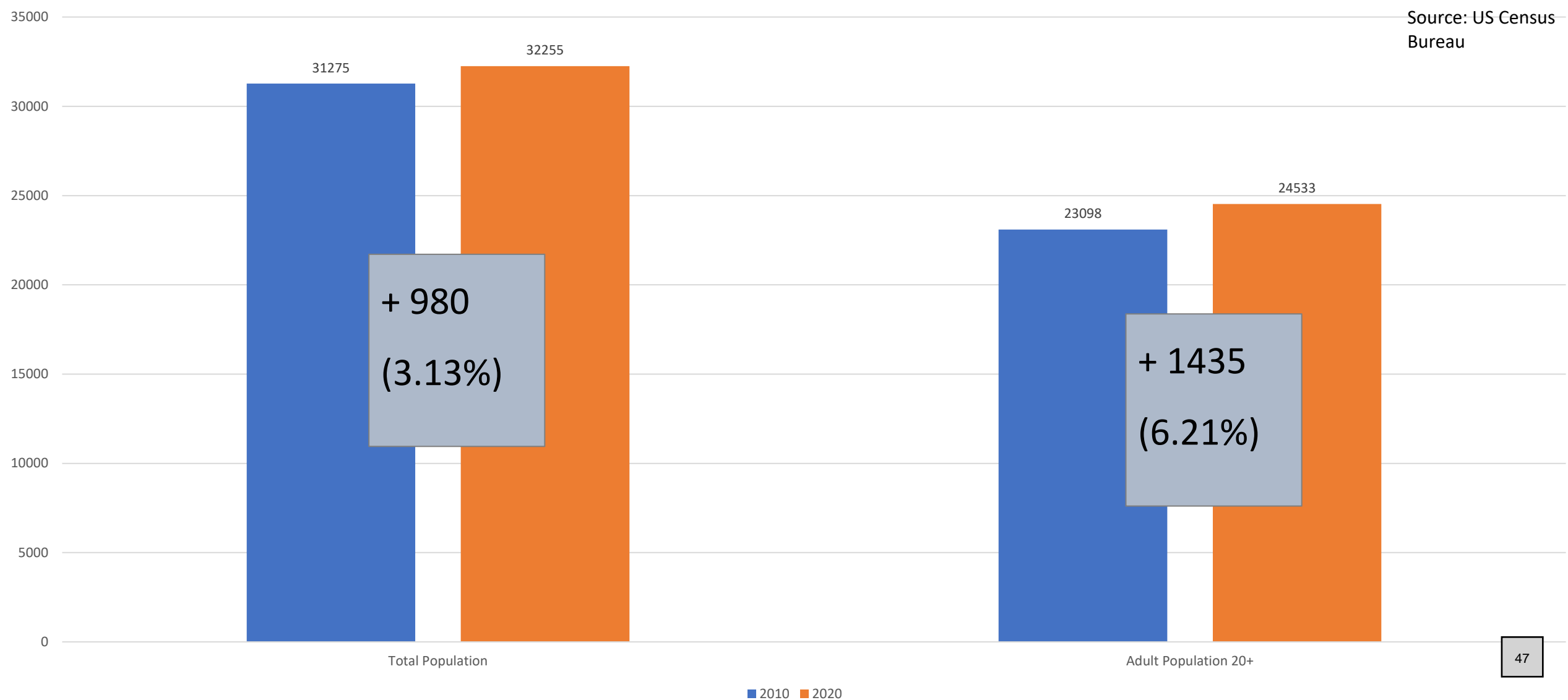


Juneau's Population Grew by 880 Since 2010; Population 20 and Over Grew by 1516

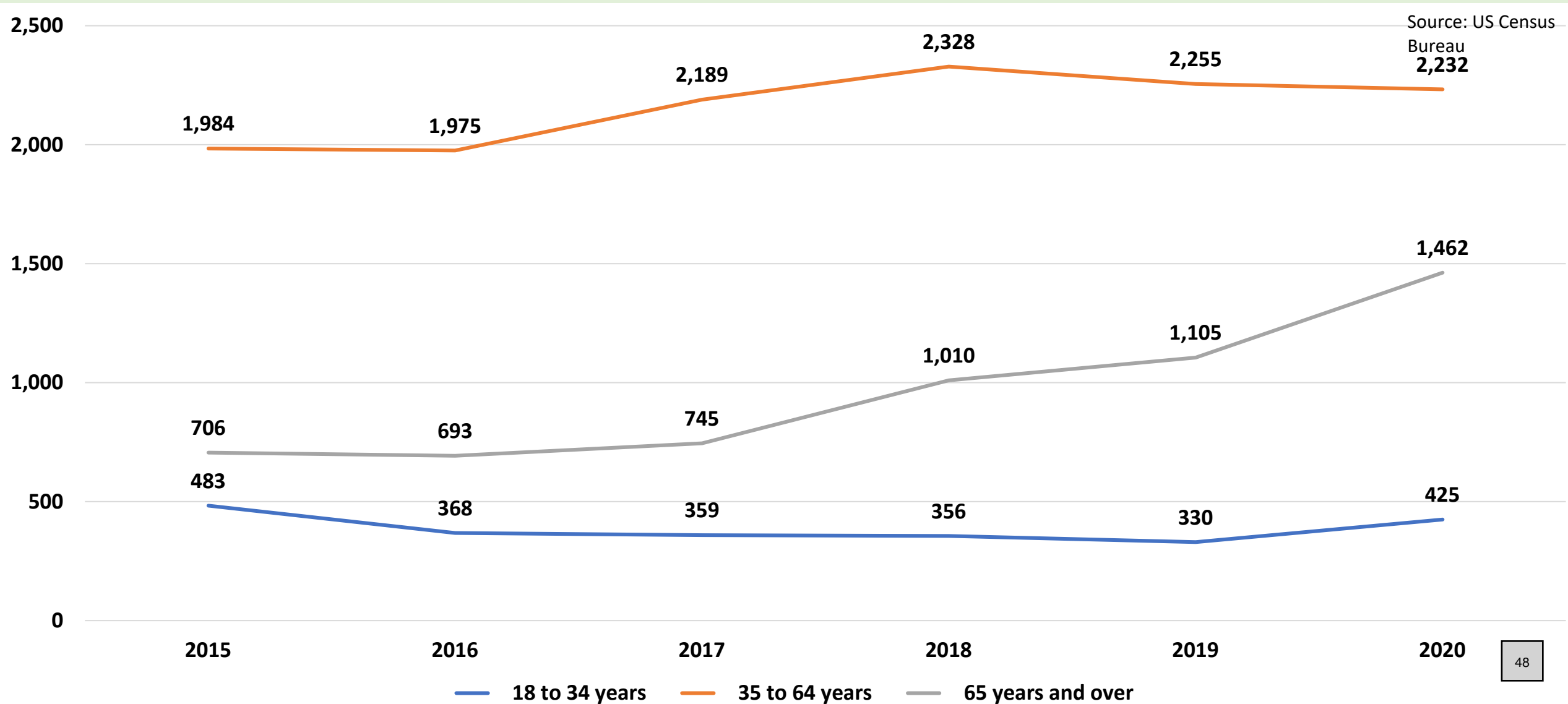


Aging Population: Total Population Growth vs. Adult Population Growth

Source: US Census Bureau



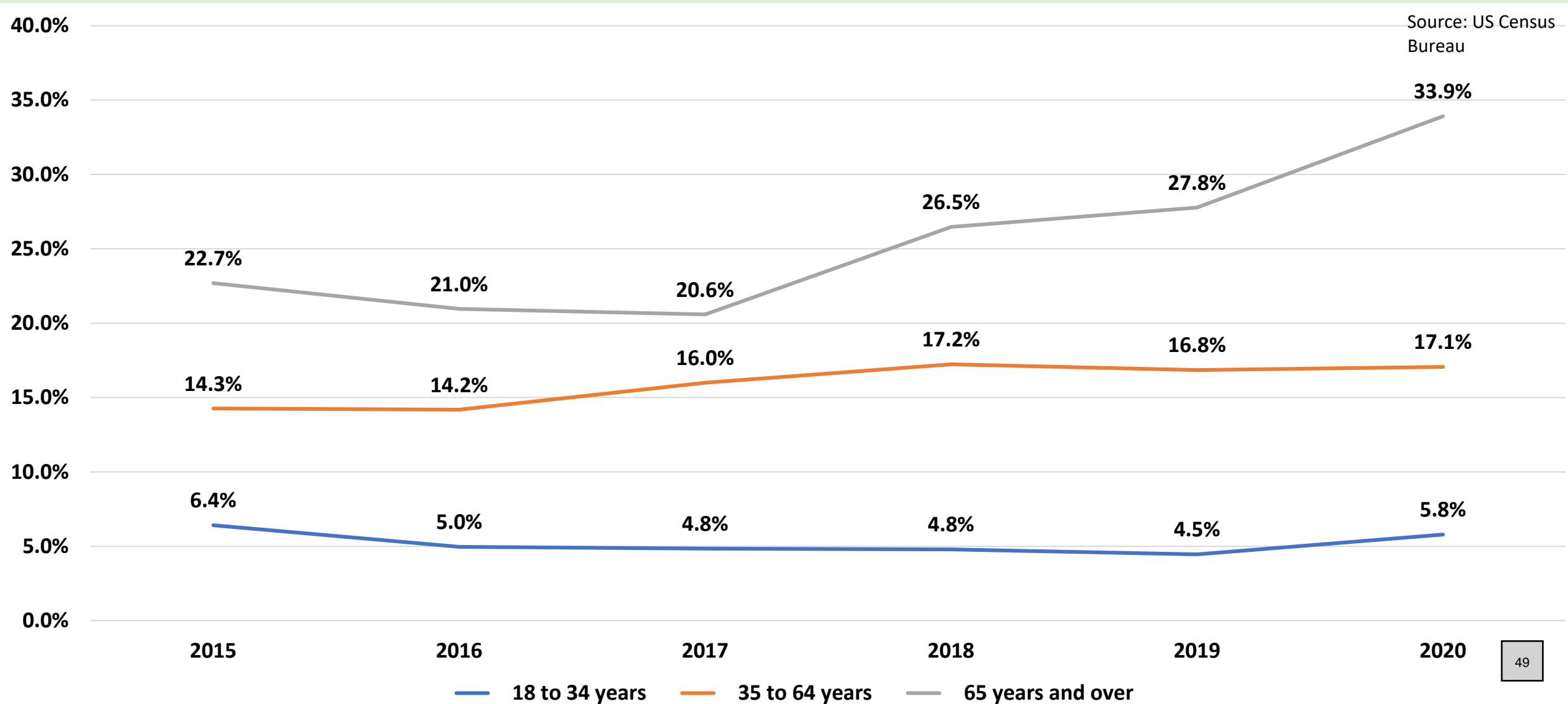
Aging Population: Number of residents living alone by age



Aging Population:

Percent of each age group living alone by age

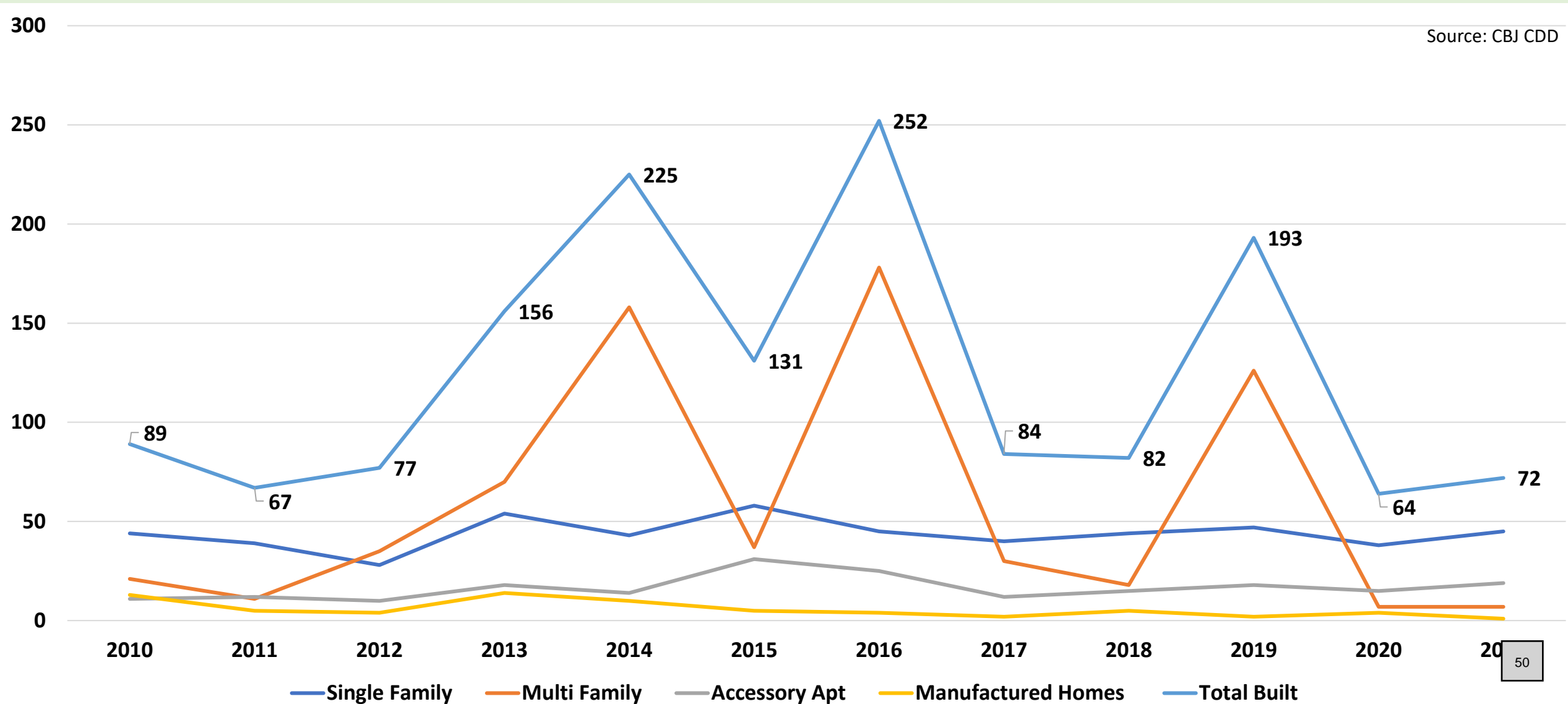
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Add: New Units of Housing Total and by Type

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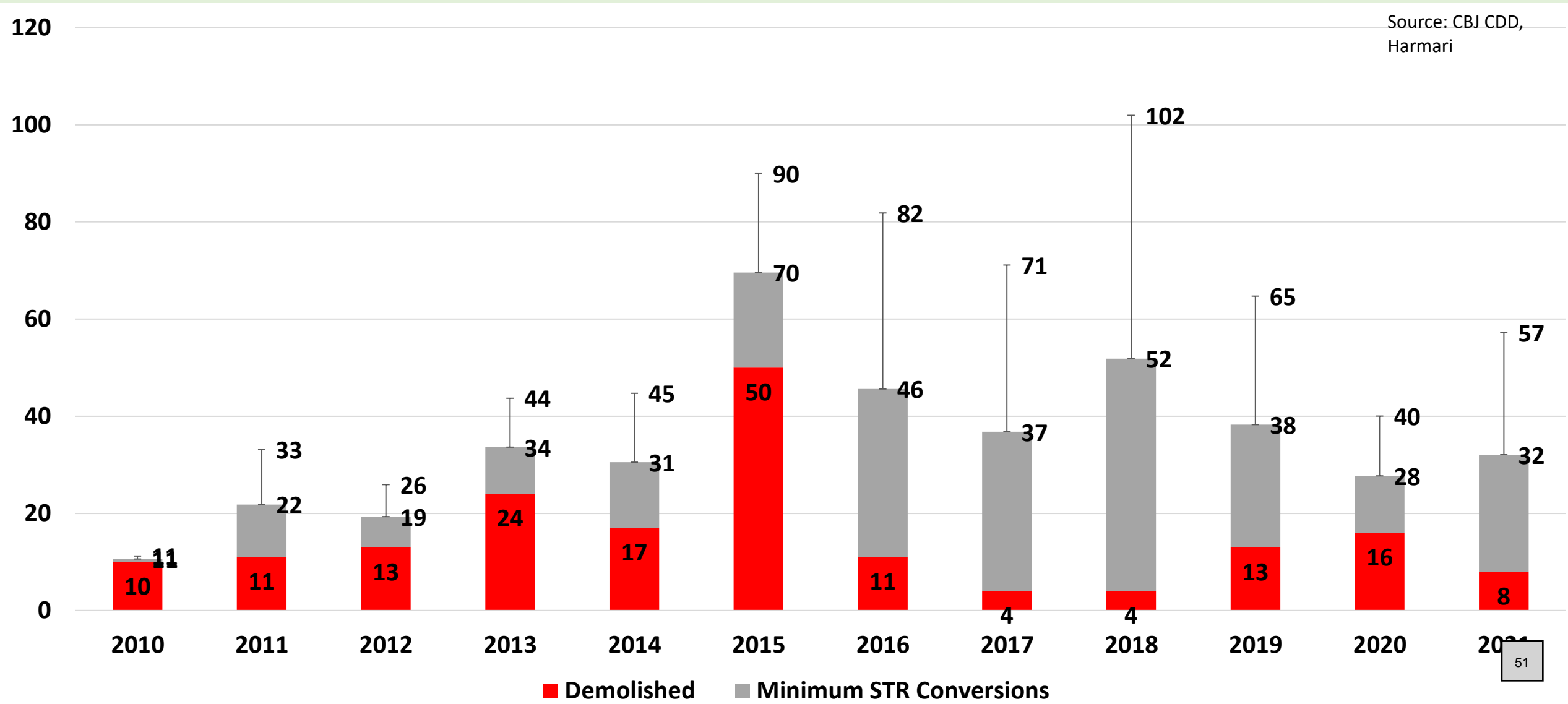
Source: CBJ CDD



Subtract: Units of Housing Lost by Conversion to STRs or Demolished

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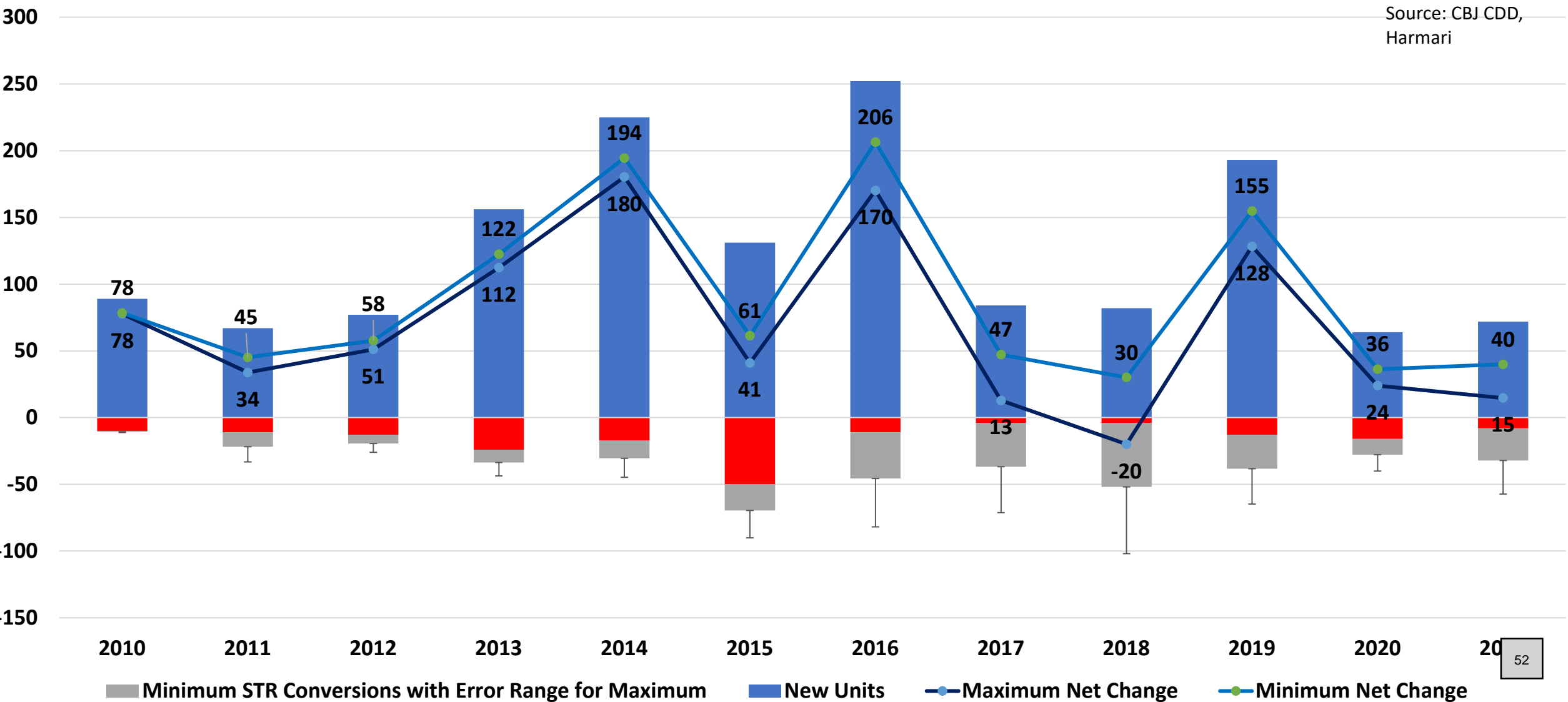
Source: CBJ CDD,
Harmari



Net: New Housing Units vs. Units Lost to STRs or Demolished

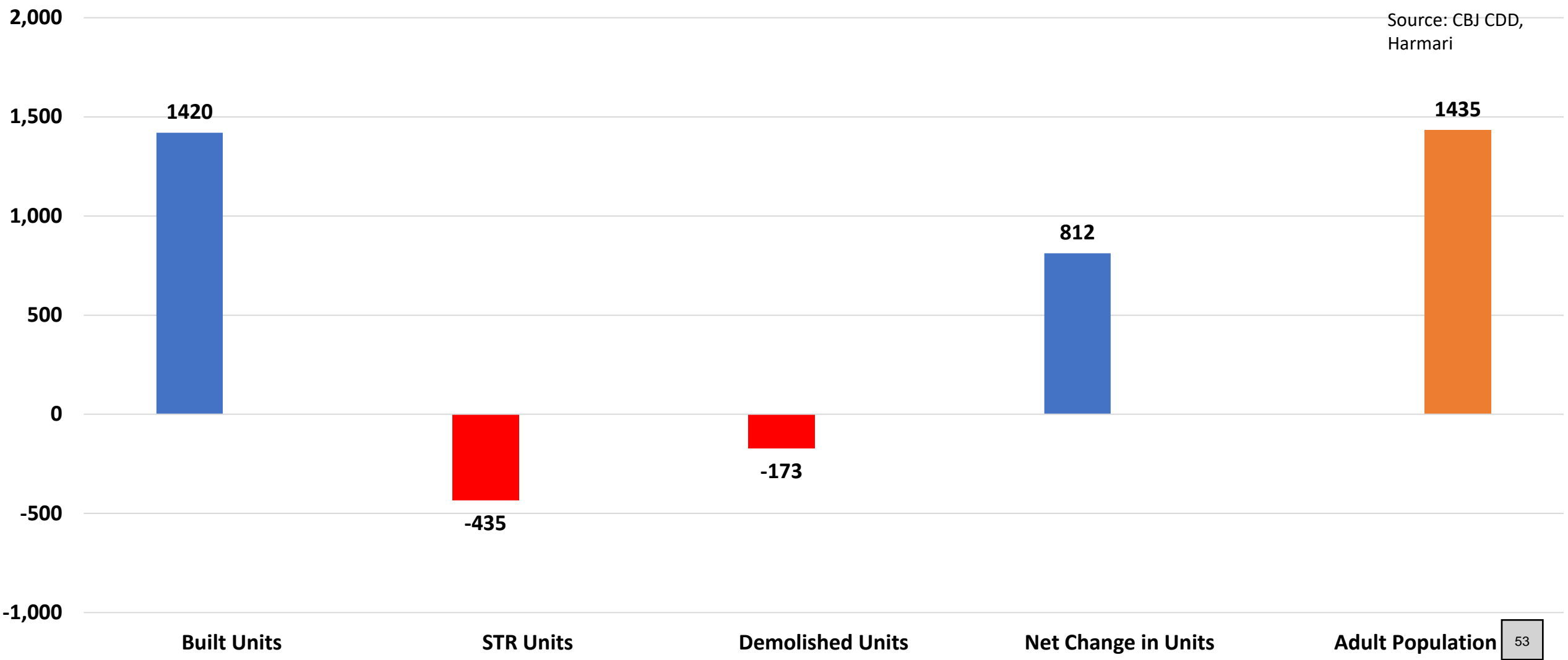
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Source: CBJ CDD,
Harmari



2010-2020 Growth: Housing Units vs. Adult Population

Source: CBJ CDD,
Harmari



Conclusions about STRs and Housing Shortage

Section E, Item 4.

Since 2010, there have been 1,492 new units added to Juneau's housing stock while Juneau's population has remained relatively stable. In 2022, we continue to experience a housing crisis.

- **Where have those new units gone?**
 - *Our Adult Population has grown faster than the rest of the population.*
 - *More seniors are staying in Juneau.*
 - *More people live alone.*
 - *Some converted to Short-Term Rentals, demolished, or acquired for seasonal workers.*
- **What is the impact, if any, of the short-term rental market on Juneau's housing stock?**
 - *300+ homes are no longer available for long-term rentals in our market.*
 - *STRs do reduce the availability of long-term housing but are only one of several factors.*

Research shows that a lack of affordable housing **prevents economic development**

1. A lack of housing leaves **jobs unfilled**, threatening local businesses and organizations. The presence of affordable housing has been shown to **improve employee recruitment and retention**.
2. A lack of affordable housing puts a **cost burden on workers**, stifling economic activity in other sectors.
3. The absence of affordable starter homes **prevents economic mobility** for new families and early career workers, encouraging outward migration.

1. Lack of housing leaves jobs unfilled. Affordable housing improves employee recruitment and retention.

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- **Across six of Juneau's largest employers** (in terms of total payroll amount) that publicly list job openings, there are an average of 21 open positions, for a total of **127 open jobs**. All six firms operate within different sectors: Air Transportation, Tribal Government, Breweries, Grocery Retail, Residential Facilities, and Healthcare.
- There are **109 openings for State of Alaska jobs** alone in Juneau (not included in the above sample). The **Juneau School District has 75 vacancies**.
- Bartlett Regional Hospital currently employs 26 travelers and has **indicated that housing (both availability and cost) is a factor that impacts their ability to both recruit and retain employees**
- The US Coast Guard has indicated they are having **difficulty finding housing** for active duty members.
- As of August 2022, Juneau's **unemployment rate was 2.3%**, a record low. This means that people are working, but jobs are still unfilled, so attracting outside talent is necessary. This is made more difficult when prospective workers cannot find affordable housing.

2016 Survey Shows COL and Housing are Key Factors that Keep Non-Resident Workers Commuting

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Indicate the degree to which each of the following aspects of Juneau may have influenced your decision to make, or continue to keep, your permanent residence outside of Juneau

Source: JEDC
Non-Resident
Survey

High price of goods and services/high cost of living

Lack of affordable single family home

Lack of affordable rental housing

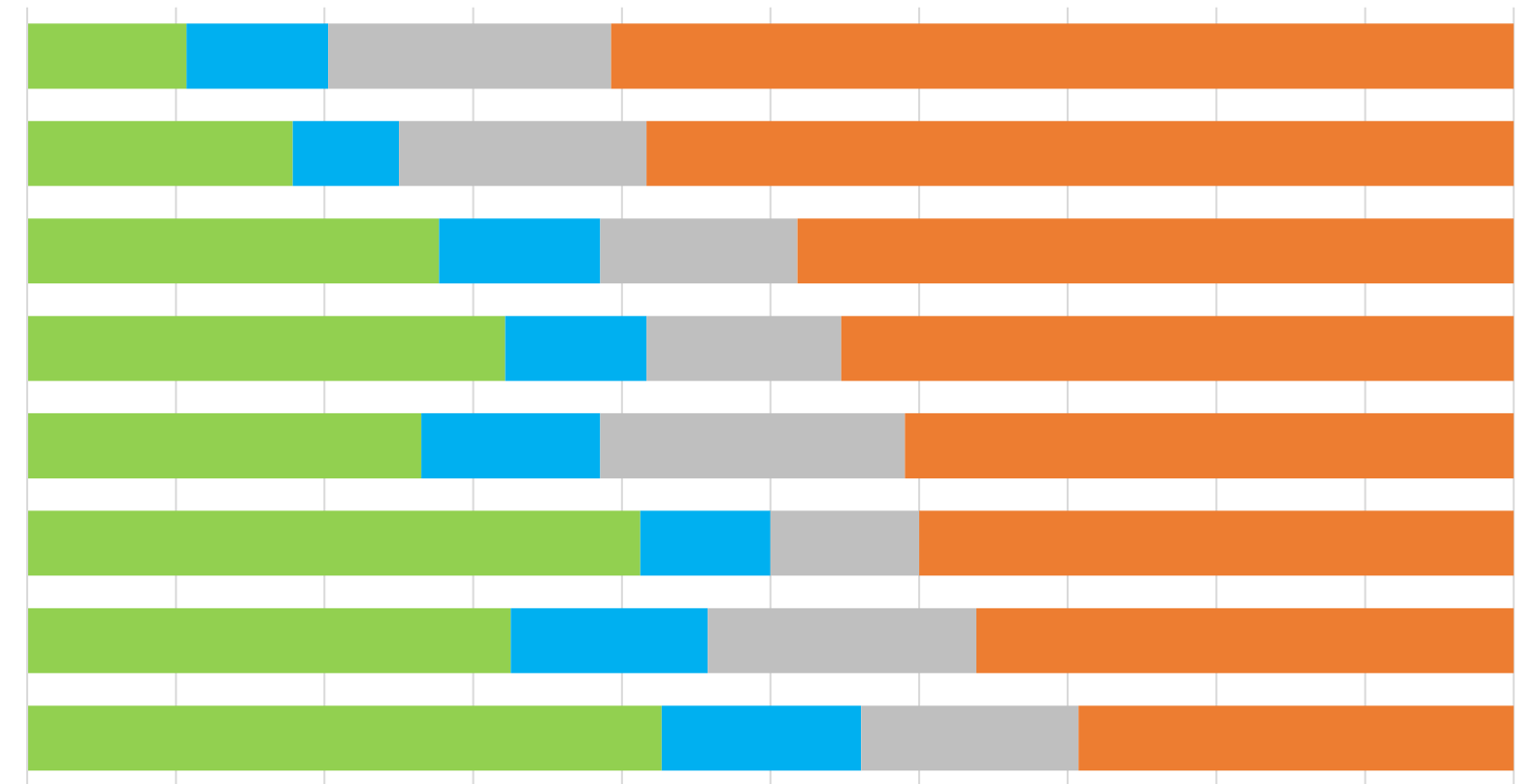
Lack of affordable condominium or duplex

Climate/weather here

My spouse does not want to relocate

Remote location of Juneau

Too far from family and friends



Did not influence Slightly influenced Somewhat influenced Greatly influenced

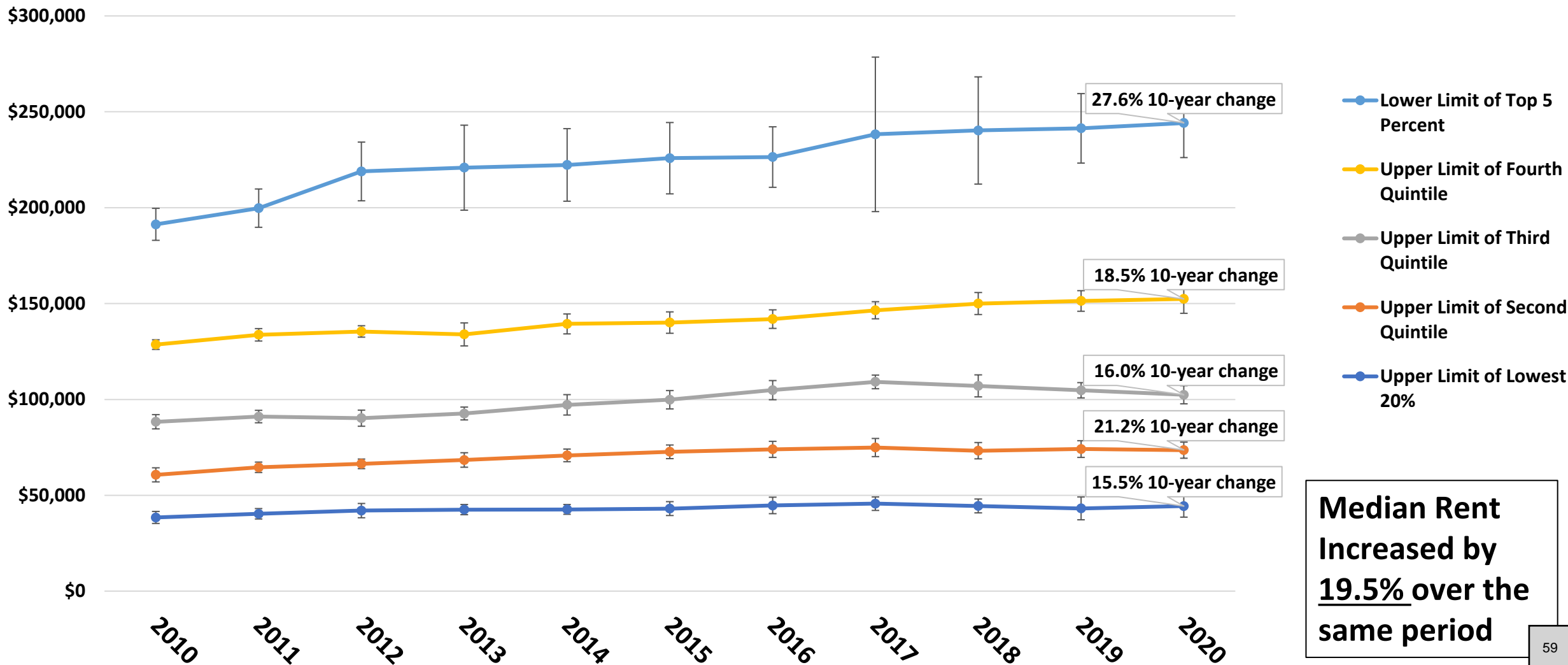
2. Lack of affordable housing puts a cost burden on workers, stifling economic activity in other sectors.

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- **27%** of Juneau households were cost burdened in 2020.
- Cost burdened citizens are less likely to spend money on non-essential goods and services, preventing them from contributing to Juneau's economic activity.
- Children in households that are cost burdened by housing are more likely to have Adverse Childhood Experiences.
- Housing has a major impact on overall Cost of Living in Juneau. Juneau COL is very high for Alaska and the Nation.

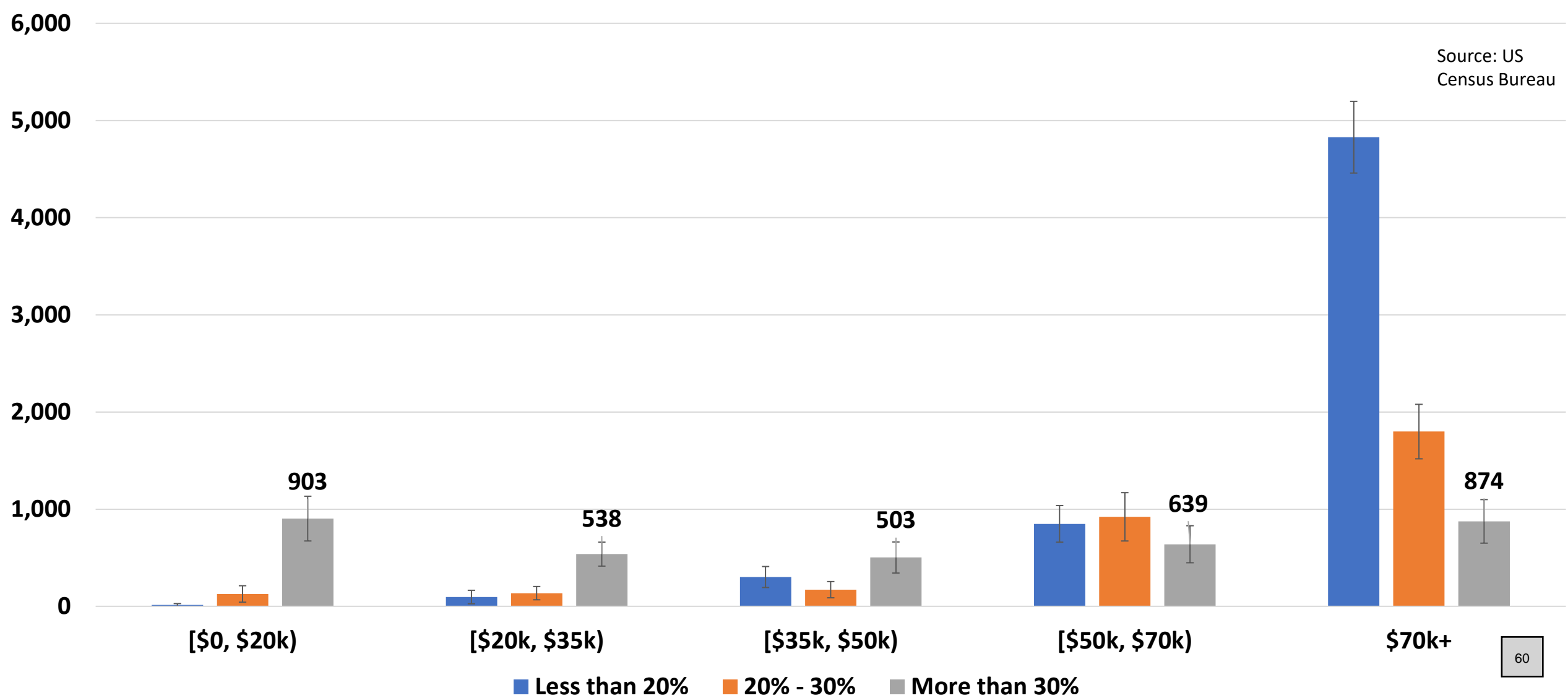
Income for Most Households Has Not Kept Up With Rental Costs

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3,457 (27%) of 12,705 Juneau Households Were Cost Burdened by Housing in 2020

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3. Absence of affordable starter homes prevents economic mobility for new families and early career workers, encouraging outward migration.

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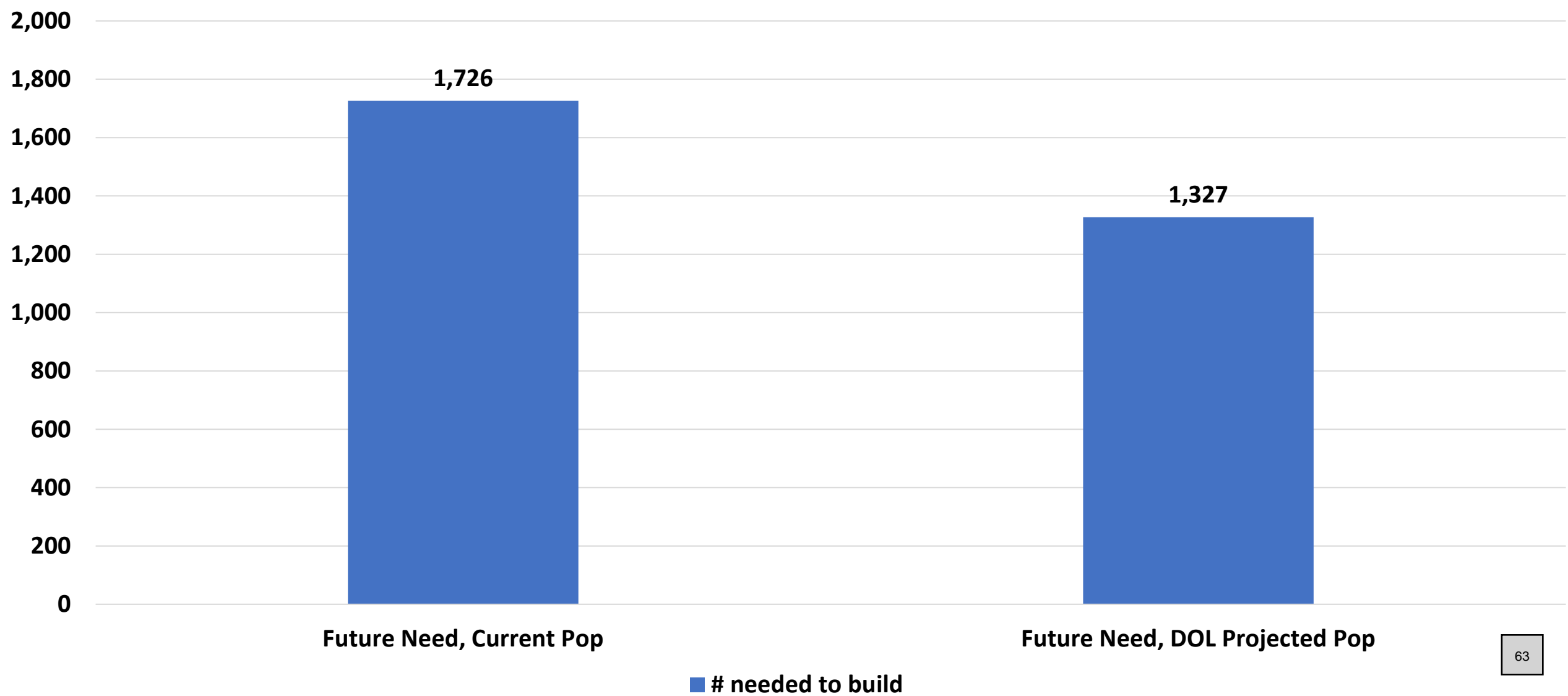
- Juneau (and Alaska) has a low fertility rate (1.4 approximately)
- Juneau has not seen net in-migration since 2013
- Cost of Living, Housing Availability, and Housing Costs are the top three most important factors when workers relocate

Projecting Housing Needs for Juneau

- To meet current housing demand, we need to build units as soon as possible to account for the ongoing deficit.
- Due to the trend of decreasing household sizes and changing demographics, Juneau will need more housing even if its population is stagnant or declines (as projected by DOL).
- Remedying the current housing crisis will likely positively affect Juneau's population trends.
- Bottom line: we need more supply!

Housing Need Projections to 2030: 1,500 New Units

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Thank you!



*Please read the full “Juneau Housing Stock and Short-Term Rentals”
research notes and our other materials at*

www.JEDC.org

MEMORANDUM



DATE: November 2, 2022
TO: Assembly Finance Committee
FROM: Jeff Rogers, Finance Director
SUBJECT: Dock Electrification Update

155 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

The Assembly Committee of the Whole received an update from Port Director Carl Uchytel on August 8 regarding dock electrification. At that time, the Committee directed Docks and Harbors to begin the process of purchasing a Load Tap Changer Transformer ("transformer" hereafter). Funds for the purchase of that transformer had already been appropriated.

The transformer itself will be installed, owned, maintained, and operated by AELP as part of its electrical grid. As such, funds appropriated for the purchase of the transformer will be granted to AELP. D&H and AELP are close to signing a Memorandum of Agreement to memorialize this grantor/grantee relationship.

This memo serves to clarify and confirm for the Assembly that \$2,260,000 will be granted to AELP for the purpose of procuring and installing the transformer necessary to enable electrification of the Alaska Steamship Dock (berth nearest to City Hall). The Assembly has appropriated funds into the CIP, so there is currently budget authority to expend project costs. However, normal practice is for the Assembly to approve Grants, hence the reason for this memo.

This memo is informational only. The Assembly Finance Committee need only take action if it disagrees with the grant approach described above.

MEMORANDUM



DATE: November 2, 2022

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

105 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

SUBJECT: Allowing Very Small Businesses to File Sales Taxes Annually

CBJ 69.05.070 requires that all businesses file sales tax returns Quarterly or Monthly. The vast majority of filers file Quarterly. Only filers with no taxable sales (either fully exempt businesses, or inactive businesses) may file Annually. The owners of very small businesses generally find Quarterly sales tax filing to be a significant administrative burden. A “very small business” is in the eye of the beholder, but I am generally referring to sole proprietorships that are not someone’s principal source of income. These are often “side businesses” like visual arts, crafts, personal or professional services, etc. that someone conducts in their spare time, in addition to the primary livelihood.

I propose that CBJ allow businesses that remit less than \$1,000 in sales tax each year (the sales tax due on \$20,000 in taxable sales) to file Annually rather than Quarterly. Juneau has approximately 1,800 registered businesses in this category, each remitting less than \$1,000 of sales tax annually. CBJ has approximately 4,500 total filers, so those 1,800 very small businesses represent 40% of all filers. And yet, those 1,800 very small businesses generate less than \$300,000 of total combined sales tax each year (just 0.5% of CBJ’s total sales taxes collected). Hence, very small businesses represent 40% of all sales tax filers but generate just 0.5% of all sales taxes collected.

There are pros and cons to this proposal:

- Pros:
 - Substantially less administrative burden on very small business
 - Less demand on CBJ Sales Tax Office staff
- Cons:
 - Very small business will need to opt into Quarterly or Annual filing based on their own projected sales, which may be unknown or incorrectly forecast
 - Very small businesses may spend the accrued sales tax revenue during the course of the year and may not have the funds available when it’s time to file and remit the taxes
 - Businesses change (move, change owners, dissolve, etc.) and Annual filing will result in less contact with the Sales Tax Office, which may result in less accurate information about business ownership and status
 - Annual filing may be more challenging for some business owners because the infrequency may cause them to get “out of practice” with the sales tax filing process
 - The aforementioned challenges may lead to an increase in delinquencies and to challenges in CBJ collecting taxes that were paid by residents

In spite of these challenges, I concur that the requirement to file Quarterly is burdensome on very small businesses. The effort required for Quarterly filing—both from the business owners and from CBJ staff—is not commensurate with the municipal revenue received.

If the Assembly Finance Committee is supportive of allowing businesses with less than \$20,000 taxable sales annually to file Annually rather than Quarterly, I request that it direct staff to draft an ordinance to that effect. Such an ordinance would be introduced and brought back to the Assembly Finance Committee for further review.