

ASSEMBLY FINANCE COMMITTEE MINUTES - DRAFT

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

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

B. ROLL CALL

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

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

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

Others Present: Brian Holst, Executive Director of Juneau Economic Development Council

C. APPROVAL OF MINUTES

1. September 7, 2022

The September 7, 2022 minutes were approved as presented.

D. AGENDA TOPICS

2. Juneau Housing Stock and Short-Term Rentals

Jeff Rogers, Finance Director, introduced Brian Holst, Executive Director of Juneau Economic Development Council (JEDC). Mr. Holst presented a research note about Juneau's housing stock and short-term rentals, as detailed on packet pages 8-28, and a presentation summarizing JEDC's findings on packet pages 31-64. In his presentation, Mr. Holst discussed the overall housing crisis in Juneau by evaluating short-term rentals and housing stock, the economic factors housing has on Juneau's economy, and provided a projection of necessary housing development in years to come.

Mr. Holst discussed the data on pages 36-43. The median price for homes in Juneau has continued to rise and is higher than the other Alaska communities that JEDC evaluated. On packet page 40, Mr. Holst reviewed the median number of days residences were on the market from 2010 through 2021. The data indicated that during this time period, units for sale went from an average of 40 days on the market in 2010 to less than seven days in 2021. Mr. Holst then discussed the rental unit vacancy rates in Juneau, statewide, and nationally, as shown on packet page 41, stating that vacancy numbers are lower than the rest of the state and national average. A solid production of single-family and multi-family units has provided some reprieve for the housing crisis but not enough to meet the community's need.

Mr. Holst continued to packet pages 43-45, analyzing the overall housing inventory in Juneau. JEDC estimates Juneau has at least 300 short-term rentals but not more than 600.

Assemblymember Gladziszewski asked Mr. Holst about the data compilation methodologies, and Mr. Holst stated that firms utilize manual tracking methodologies that catalog the number of new short-term rentals added to reservation websites.

On packet pages 46-49, Mr. Holst presented Juneau population trends, which exhibit that the number of residents over the age of 65 has almost doubled in the past ten years, but the youth population has declined. As a result of these demographic changes, more residents in Juneau are living alone, removing homes from the available units for sale or rent.

Mr. Holst stated that JEDC has concluded that short-term rentals have affected the housing inventory, but are only one contributing factor. Mr. Holst stated that some factors, such as the population's demographics, have impacted the Juneau housing crisis more.

Mr. Holst explained that the lack of housing leaves jobs unfilled, impacting employee recruitment and retention by adding a cost burden to workers, preventing economic mobility for new families and early career workers, and encouraging outward migration. Mr. Holst concluded that to meet current housing demand, Juneau needs to produce around 1,500 new units by 2030.

In response to Assemblymember Smith's question, Mr. Holst stated that seasonality of short-term rentals does impact housing inventory, as it precludes those units from being available for year-round, long-term rentals. Mr. Holst stated that JEDC does not see a reason to limit short-term rentals at this time, but if Juneau doesn't build housing, short-term rentals will be a considerable threat.

Assemblymember Gladziszewski asked if there is a way to quantify the number of companies that have purchased homes to turn into employee housing. Mr. Holst stated that JEDC is working to collect the data on the businesses that own inventory for housing to understand how this impacts the market.

Assemblymember Smith asked Mr. Rogers if Airbnb, VRBO, and similar companies collect and remit sales tax for short-term rentals on behalf of property owners. Mr. Rogers stated that he believes Airbnb can collect sales tax on behalf of sellers and remit the tax to CBJ. The challenge is that if a seller lists their unit on multiple platforms, including some that will not collect and remit sales tax to CBJ on their behalf, the property owners will still have to file their sales tax remittance manually for those platforms that do not collect and remit taxes on behalf of sellers.

In response to Assemblymember Gladziszewski question about the Sales Tax Office's ability to track the number of short-term rentals, Mr. Rogers stated that the Sales Tax Office has some difficulty tracking individual units because sellers may remit taxes for multiple units at once. With a recently hired firm, Harmari, CBJ will know the number of individual units owners pay short-term rental taxes on annually.

Assemblymember Woll asked about the timeline for receiving the data from Harmari. Mr. Rogers said that the contract was actively being signed and once finalized, Harmari will begin to collect data on the web and then compare it to the City and Borough's data.

Motion: by Assemblymember Gladziszewski directing staff to request short-term rental website companies, such as Airbnb and VRBO, collect sales tax from listing owners and remit the taxes to CBJ on their behalf.

Objection: by Assemblymember Hale, Assemblymember Bryson, and Chair Triem, who expressed that they would like more information brought before the Committee prior to taking this action, in an effort to bring the public along with any changes to sales tax collection and remittance.

The Committee discussed the motion.

Amendment: by Assemblymember Gladziszewski that staff reach out to short-term rental agencies to determine whether they will collect sales tax on behalf of listing owners and remit taxes to CBJ on their behalf, and bring this information back to the Committee for consideration.

Assemblymember Smith disclosed that he operates a short-term rental.

Amendment passed by unanimous consent.

Motion, as amended, passed by unanimous consent.

The Committee recessed at 7:09 pm

The Committee reconvened at 7:19 pm

3. Adjustment to Purchasing Threshold

Mr. Rogers introduced a memo regarding changes to purchasing thresholds on packet page 30. Mr. Rogers stated that CBJ has not adjusted Purchasing Code 53.50 – Purchasing of Supplies and Services in some time, and the current process has been a place of concern from client-departments due to the code’s extensive time demands. Mr. Rogers referenced the chart on packet page 30, which reflects that other Alaska municipalities do not require public solicitation the way in which Juneau does. The proposed new threshold would not require bids or proposals for purchases under \$5,000; would add a purchasing level between \$5,000 and \$25,000 allowing purchasing agents to collect three written quotes without public solicitation; purchases between \$25,000 and \$50,000 would require informal public solicitation of bids/proposals; and any purchase above \$50,000 would require a sealed bid/proposal.

Assemblymember Hale asked why the purchasing code should not be changed to requiring informal public solicitation after \$50,000 instead of \$25,000, to mirror what other communities are doing. Rorie Watt, City Manager, responded that, historically, incremental changes have been received better by the public when it comes to spending public monies. Assemblymember Wáahlaal Gíidaak expressed appreciation for the slow incremental changes proposed by Mr. Rogers, but expressed concern that requiring only three written quotes as the allowable purchasing method between \$5,000 and \$25,000 may have an adverse impact on the diversity of vendors that do business with the City.

Assemblymember Smith asked what happens if there are more than three vendors providing the same service or good in Juneau. Mr. Rogers said that is difficult to navigate, but CBJ has to trust its purchasing agents to make the right steps to consider valid vendors while also not always proceeding with the same vendor if others are available at comparable prices. He stated that CBJ employees are good stewards of money, and are not inclined to go out of their way to spend more money as it affects their departmental budgets. Mr. Rogers stated that CBJ’s purchasing code allows us to ride other contracts, such as a State contracts, which does not always mean CBJ is getting the best price, but may benefit from a more efficient procurement process.

Motion: by Assemblymember Gladziszewski to support the purchasing threshold proposal.

Motion passed by unanimous consent.

E. SUPPLEMENTAL MATERIALS

4. Juneau Housing Stock and Short-Term Rentals Presentation

This agenda item was to include supplemental presentation materials to accompany the Juneau Economic Development Council's research note relating to Juneau's housing stock and short-term rentals.

5. Dock Electrification Update

Mr. Watt stated that on August 8, 2022 the Committee of the Whole directed Docks and Harbors to begin the process of purchasing a Load Tap Changer Transformer as the next step in the dock electrification project. Mr. Watt stated that since the Assembly approves grants, the memo on packet page 65 notifies the Committee that staff intend to grant funds to AEL&P to own, operate, and maintain the transformer necessary for electrification of the Alaska Steamship Dock. No action is necessary from the Committee unless there is disagreement with this approach.

Assemblymember Smith requested more information regarding the value gained by the \$40 million dock electrification project, considering its large cost. Chair Triem stated this will be discussed at the upcoming Assembly retreat.

6. Filing Period for Very Small Businesses

Mr. Rogers introduced a memorandum that would allow for businesses that remit less than \$1,000 in sales tax each year to file annually rather than quarterly. These businesses make up 40% of the filers in the borough and make up less than 0.5% of CBJ's total sales taxes collected. This change would reduce the burden on very small business owners and add efficiency to staff time use.

Motion: by Assemblymember Gladyszewski directing staff to draft an ordinance to allow businesses with less than \$20,000 in taxable sales to file annually rather than quarterly.

Assemblymember Hale, Assemblymember Smith, and Assemblymember Woll declared they have small businesses that would be impacted by the motion.

Motion passed by unanimous consent.

F. NEXT MEETING DATE

7. November 30, 2022

G. ADJOURNMENT

The meeting was adjourned at 7:44 pm.

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.