MEMORANDUM

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DATE: June 26, 2023

TO: Deputy Mayor Gladziszewski & Assembly Committee of the Whole

FROM: Robert Barr, Deputy City Manager

SUBJECT: Short-term rental registration program

Background

The Assembly took public testimony on the proposed ordinance 2023-23 which would create a short term rental (STR) registration program in the CBJ sales tax office. Much of that testimony was opposed, which resulted in the ordinance being referred to the COW.

The CBJ is not the first jurisdiction to put such a registration program in place, in fact it is becoming more and more common throughout the Lower 48, and this ordinance is based off similar programs in other jurisdictions who were facing the some of the same problems Juneau faces now.

While staff believe that the underlying concerns about a sales tax registration program were largely opposition to regulation of STRs that are likely to follow, rather than the registration program itself, I did want to respond to some of the concerns raised.

Amenities
It was clear that there were misunderstandings around what staff would be asking for under amenities. While there was never an intent to require STR operators to inventory their units, we heard the testifiers loud and clear and have removed that in the current version of the ordinance. The sole purpose of having this requirement was to be able to distinguish properties (owners advertise the same property differently on different platforms), in hindsight it is unnecessary.

Registration will be onerous
Attached to this memo you will find a draft of the registration form the sales tax office intends to use. This form is one page, single-sided, and should be able to be filled out by most STR operators in less than five minutes. The form will be available on the CBJ website as a fillable PDF or paper copies will be available at City Hall, and merchants will be able to submit the form via email, mail, or in person.

Registrations will need to be renewed on an annual basis. This is because gig-economy business ventures such as STRs can come and go quickly. The Sales Tax Office has experienced that operators often overlook reporting to the sales tax office when they close. To maintain the best quality data on the STR inventory going forward, an annual registration will be key.

Renewal of the registration will be set around the calendar year. Since the initial registration period will be starting more than halfway through the current calendar year, registrations will be good through CY2024. The sales tax office will use the contact information provided to send out reminders to registered STRs ahead of the deadline every year.

Displaying a registration number in listings

The ordinance does require STR operators to display their registration number in their listings. This will allow the city's contractor to quickly and easily match registrations to listings and identify listings that are out of compliance for quick follow-up by sales tax office staff.

Concern was expressed that not all STR platforms have the ability to display a registration number. CBJ is not the first jurisdiction to put an STR registration program in place and require display of a number like this and all of the platforms have had to adapt to the regulations. Some platforms may not offer that field if it is not required for operators in a specific jurisdiction, but they will turn it on when the ordinance is passed.

One testifier asked why sales tax account numbers could not be used instead of a separate registration; sales tax numbers are considered confidential information and can potentially be used to gain access to a merchant's sales tax account. Additionally, for sales tax purposes, the business is registered with a single address and business name. A single business can operate multiple STRs at various locations.

STR advertising and rentals come in many shapes and sizes, even for the same location. There are several variations and relationships that can be mitigated with the display of a registration number in an STR listing.

- STR platforms often obscure details including street address and the full legal name of the operator.
- STRs may be listed multiple times on the same platform under different listing names.
- A STR operator may not be the property owner and may manage multiple listings.
- There may be multiple short term rental units available on a property (at one address or one parcel number) and a home may be listed as a complete house, as well as individual rooms within a house.

Penalties for noncompliance

As drafted, the ordinance would impose a fine of $25 per day that an operator lists an STR for rent without registering. With an effective date now amended to 90 days from adoption of the ordinance, that should give sufficient time for current operators to get registered.

The sales tax office will send out a mailing to merchants with existing sales tax accounts where we are aware that they are operating an STR. In addition, staff will put out a press release and social media blasts to get the word out to operators. Staff will also notify the STR platforms of this requirement, and anticipate that they will communicate it to their users. STR operators wanting to operate legally should have no concerns about his penalty.

Hotels are exempt, Bed & Breakfasts are not

Hotels are exempt in the revised draft Ordinance largely because hotel rooms for rent are not taking up valuable housing stock like other short term rental operations. Because the purpose of this registration is truly to understand the impact of STRs on the housing stock in Juneau, hotels are out of scope. Hotels are already generally easy to identify in the STR data.

Bed & Breakfasts are not exempt under this ordinance for similar reasons – they do generally take up buildings that could be long term housing. In addition, there is not a clear distinction between a Bed & Breakfast and other listings on STR platforms as many offer similar setups.

Why 30 days

The definition of a transient residential rentals as fewer than 30 days already exists several places in CBJ code. Importantly, that is the threshold for collecting hotel-room taxes, as well as the point at which a landlord is not required to collect sales taxes on residential rentals.

Recommendation

The STR registration program will require effort on the part of the STR owner/operator; however, the intent Ordinance 2023-23 is to maximize the quality of housing data for the Assembly and minimize the inconvenience for the STR owners. STR registration will allow the Assembly to collect and analyze quality data leading to an understanding of the STR industry's impact on housing affordability in Juneau.