

# MEMORANDUM

CITY/BOROUGH OF JUNEAU

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DATE: June 2, 2023

TO: Deputy Mayor Gladziszewski & Assembly Committee of the Whole

FROM: Robert Barr, Deputy City Manager

SUBJECT: Short-term rentals

## Background

The Assembly has discussed and received information on this topic at a handful of recent meetings, including the [June 6, 2022 COW](#), [November 2, 2023 AFC](#), and [March 1, 2023 AFC](#). The June and November meetings focused on the increased pressure observed on our housing stock generally. In June of 2022, we had 170 short-term rental businesses registered with the sales tax office. Later in 2022, we entered into a contract with Harmari, a company that assists municipalities with data collection, analysis, and other services related to understanding and regulating short-term rentals.

Using data from Harmari and related sources, at the 11/2 AFC meeting JEDC estimated that Juneau had more than 300 and less than 600 active STRs. JEDC specifically estimated that 435 dwelling units had been converted to STRs between 2010 and 2020.

At the March 1, 2023 AFC meeting, Harmari data indicated we had 577 active & intermittently active STRs and loosely indicated a growth rate of 8-12/month.

## Housing availability and affordability

There are a variety of reasons why regulation of STR activity may be desirable, but housing availability and affordability is a primary one for our community. STR activity increases when it is more profitable and/or convenient for individuals or businesses who own residential rental space to operate a STR in lieu of a long-term rental (LTR). In addition to contributing to LTR shortages, this contributes to a supply/demand dynamic that drives up the cost of LTRs and property values generally.

Too much STR activity contributes to a situation where local residents can't afford to live in the community which then creates a workforce shortage. That said, STR activity is one piece of the larger housing policy puzzle – it contributes to, but does not completely account for shortages and affordability issues.

## **Data Limitations**

While our understanding of STRs in Juneau has improved in the past year, we remain limited in a variety of ways. A registration program (public hearing, 6/12/23) will eventually clear some of these limits.

The registration program will:

- Improve our ability to know which listings are duplicates
- Improve our ability to enforce compliance with the sales tax code and any additional STR regulations the Assembly may adopt
- Improve our ability to understand how many STRs any given merchant is operating

Importantly, we don't expect to have useful information from the registration program until it has been running for 12-18 months as it will take time to onboard a majority of the operating businesses and collect a season's worth of data to inform analysis.

## **STRs & B&Bs**

It is possible to regulate STRs and B&Bs together or differently<sup>1</sup>. B&Bs are currently regulated under Title 49. Owner-occupancy is required and there are parking and zoning requirements. Department or PC level approval is currently required outside of MU1 and MU2 zoning districts for B&Bs.

If the Assembly ultimately decides to utilize similar requirements in regulating STRs, it may make sense to combine these two types of activity from a regulatory perspective. If not, or if there is only minimal overlap, it may be reasonable to keep them separate.

An owner or operator residing on-site tends to be a major (but not sole) factor. Cities that differentiate may do so because they wish to provide a more favorable regulatory environment to B&Bs where the owner is living on-site and providing more "high touch" services to guests, which might mitigate potential neighborhood impacts by virtue of greater owner involvement, engagement with guests, and control.

Dependent on this discussion and direction on STRs, we expect to also need to look at existing B&B code.

## **Regulatory Options**

A wide variety of regulatory options exist, and it is important to note that this continues to be a rapidly changing environment. Many cities are on their 3<sup>rd</sup>, 4<sup>th</sup>, etc round of regulatory frameworks and some of what is cited in this memo may be from earlier iterations for any given city. Depending on the purpose of regulations, the approaches

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<sup>1</sup> New Orleans, Austin, and Vancouver are examples of a cities that have separate regulations while San Francisco, Paris, and Barcelona are examples that utilize a combined framework

and dynamics are different. Some communities are similar to Juneau and regulate because of housing shortages, others regulate because of neighborhood impacts (parking, noise, business impacts to residential areas).

The [City of Wasilla](#) provides a comprehensive regulatory framework in Alaska, highlights include:

- One year permit, \$750 total fee
- 5x penalty fee for advertising prior to receiving a permit
- Maximum of 75 permits issued by City Planner
- Parking requirements
- Owner must be Alaska resident, must have local address
- Burden on applicant to prove compliance
- Rental agreement between parties required

[Placer County, CA](#) also provides example regulatory options, in addition to some of the above:

- An adaptive inventory cap – if new hotel units are built, the number of STRs that may be permitted per year is reduced by an equal amount to incentivize hotel development
- Only one dwelling unit of a multifamily building may be permitted as a STR to preserve multifamily apartments

Additional regulatory options include:

- Limits on the number of STRs any individual or business may operate
- Limits of the number of days an STR may be rented per year (may have a more relaxed limit for primary residence, or may limit to only primary residence)
- Geographical limits on the number of STRs permitted per neighborhood

Most cities define (in part) STRs as rentals of residential properties for less than 30 consecutive days. A variety of cities have opted for a different standard; however, most tend to be stricter (e.g., 2-6 months).

We have an interest in creating a regulatory framework that not only incentivizes LTRs, but also “medium” term rentals for the transient workforce, such as traveling nurses, seafood processors, and legislative staff. A less strict consecutive-days requirement – 2 or 3 weeks – combined with a stricter set of regulatory requirements for STRs that rent for under that limit is an option that may strike a reasonable balance between LTR, transient workforce, and STR uses.

### **Recommendation**

Discuss purpose of possible regulations and possible approaches that seem to fit our situation.

Decide if the Assembly desires staff prepare a slate of regulatory options for consideration and, if so, provide whatever level of direction is achievable.