



City and Borough of Juneau
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TO: Deputy Mayor Hale and Assembly Committee of the Whole

DATE: April 15, 2024

FROM: Robert Barr, Deputy City Manager

RE: Short-Term Rental (STR) Update

Background and Context

The Assembly last touched on this topic in July of last year when it passed Ordinance 2023-26(c)(am), which established a registration program for STR owner/operators. Briefly, this program:

- Requires annual registration.
- Does not charge the registrant a fee.
- Defines a STR as a dwelling unit that is rented, leased, or otherwise advertised for occupancy for a period of less than 30 days.
- Requires the registrant to display their registration number on advertisements/listings.

We use a vendor – Harmari – to aid us in understanding our local short-term rental market. Highlights from our latest Harmari report (3/26/24):

- 597 active and intermittent listings – about half are considered active at any given point in time. This number continues to increase, and while data fidelity is not ideal, the rate of increase appears to be slowing.
- Juneau has approximately 14,000 total dwelling units, across all types of housing.
- 88.7% of the listings are an entire home or apartment, 11.3% are for a private room.
- 82.6% of STR operators operate a single STR.
- Overall estimated annual occupancy is 48%.
- Airbnb is the dominant platform – 400 of 597 listings.
- The average nightly rate is \$280.54.

Our registration program currently has a 79% compliance rate. We send out two compliance letters. The first letter allows us to filter out those who have stopped operating and are working on removing their online listings as well as those properties/owners who may need more staff research because the lines of ownership/operation are unclear. The second letter provides a final opportunity to communicate with the sales tax office and register before fines are issued.

With the Harmari data combined with our registration data, we infer that approximately half of STR operators live on-site.

Discussion

Regulation of short-term rentals generally falls into one of two broad categories:

1. Policies that limit the number of short-term rentals, with the public purpose goal of making more of a community's housing stock available to long-term renters or buyers, or
2. Policies that mitigate the impact of short-term rentals on the surrounding neighborhood, addressing concerns around health and safety, noise, partying, etc.

Locally, we tend to be more interested in category 1 than 2. Housing stock and housing availability has long been a well-documented problem with broad community agreement. Unlike some communities, we have not seen a significant number of complaints or evidence that would lead us to believe category #2 is a pressing concern – in other words, those operating short-term rentals generally care well for neighborhood wellbeing.

With regards to category 1, the logic goes that as more housing units are converted to STRs, those same housing units are no longer available for long term housing. Given supply/demand, fewer available units result in rental rates increasing faster than they would otherwise and make obtaining housing more difficult, especially on the lower end of the market due to cascading impact.

The remainder of this memo assumes the following:

- The Assembly is interested in regulating STRs
- The Assembly is primarily interested in regulatory options that would address housing affordability and availability.
- The Assembly is not interested in outright prohibition and desires to find a middle-ground path that enables the individual business opportunity that short-term rentals provide while balancing the communal interest of housing affordability and availability.

It is worth noting that any policy or public program that seeks to address communal interests like housing affordability and availability requires an investment to realize that goal. We are familiar with the Affordable Housing Fund (AHF) and how it utilizes public funds to incentivize private and non-profit developers via loans and grants. Those funds are a shared cost by all property owners and sales taxpayers. This contrasts with a potential STR regulatory program that would be purposed to convey a similar housing benefit to the community at large but would be felt narrowly by STR operators. This isn't to say that such regulation could still be appropriate – those operators do and still would have economic opportunity to realize income via long-term rentals or property sales – but for many, short-term rentals are the most lucrative option.

A brief list of the potential pros and cons of the proliferation of STRs in no particular order include:

Pros	Cons
Local economic boost from independent tourism	Hotel vacancy rates and rates increase due to increased competition
New employment opportunities for STR servicing businesses	Increased rental costs in long term market; decreased housing affordability
Bed tax revenue, which can be directed to AHF offsets	Displacement of workforce and low-income rental housing due to supply/demand cascade
Flexibility for visitors – more options are likely to be more attractive to a broader group of visitors	Tax evasion / non-compliance – this is a challenging arena to enforce in

Increased income & potential ease of management for STR property owners	STR platforms are challenging, litigious, and time consuming to deal with
Supports large events (Ironman, Celebration) where traditional accommodation capacity is insufficient	Reduced long-term housing supply

A variety of regulatory options exist. The [National League of Cities](#)¹ provides a good overview on those options as well as this topic generally. Options that align with the above assumptions include:

- Time/use based requirements
 - Occupied by the host for the majority of the year
 - Part of the owner’s primary residence
 - A cap on the number of days per year a STR may be operated
- Economic requirements
 - Fee based registration
 - Increased hotel/bed tax, specific to STRs
- Geographic limits
 - Restrictions within specific zoning districts
 - Limits on the total number of STRs within specific zoning districts

Recommendation:

Discuss Assembly appetite for regulating STRs.

Discuss preferred regulatory tools & information needs.

Discuss public process / timeline.

¹ <https://bit.ly/STRNLC>