

Short Term Rentals

Considerations for the City of Homer

Agenda

- Short Term Rental (STR) Background
- The Impacts of STRs
- STRs in Homer
- Regulations
- Case Studies

Short Term Rental Background

- The popularity of short-term rentals (STRs) has exploded in the last decade with the development and proliferation of online and app-based services such as Airbnb and VRBO.
- Why start a conversation on STRs?
 - Council priority
 - Determine impacts on residential properties including long-term rentals
 - Ensure sales tax is collected
 - Study impact on quality of life in residential neighborhoods
 - Explore relationship to the local economy

Short Term Rental Background

- Short-term rentals (STRs) are commonly defined as the rental of all or part of a residential dwelling unit for a duration of occupancy of less than 30 days. There are three basic varieties of short-term rentals:
 - (1) hosted sharing, where the primary occupants of a residence remain on-site with guests;
 - (2) unhosted sharing, where the primary occupants of a residence vacate the unit while it is rented to short-term guests; and
 - (3) dedicated vacation rentals, where there are no primary occupants.

Short Term Rental Units

- A means to augment income for local property owners
- Income generator for corporations and out of towners
- Shared unit – owner is on site and rents out a portion of the property
- Whole unit – owner on/off site and entire structure is rented



Impacts of STRs

Positive Impacts

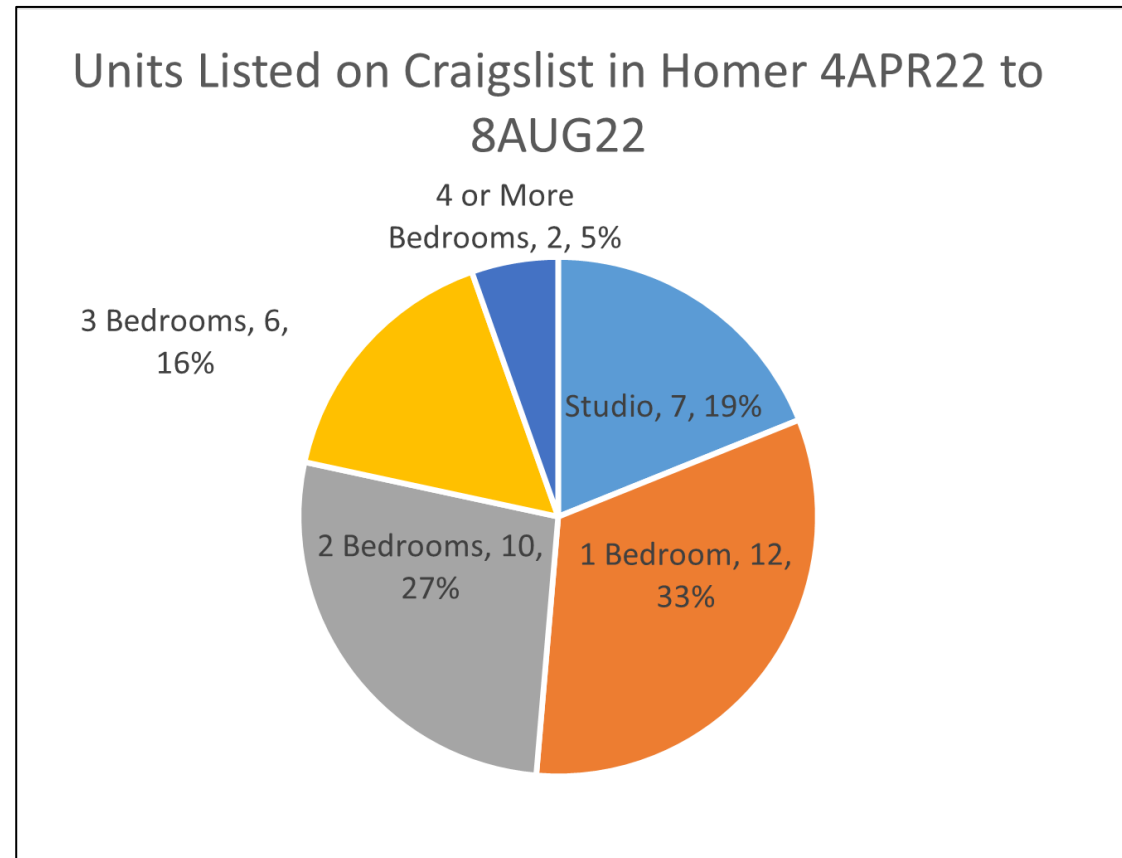
- Utilized by many residents to enhance their income
- Investors who purchase properties to generate rental income can often find a more financially lucrative benefit from a STR than a long-term rental
- Provide additional units for tourism and special events
- When regulated, increase taxable income

Negative Impacts

- Reduction in the number of available rental properties for residents and seasonal workers
- Increase rent for available long-term units due to low inventory
- Can lead to closure of affordable hotels and motels
- Employability and services are impacted when there is no/low affordable housing inventory
- Disruption to neighborhoods such as noise and parking

Long Term Rentals in Homer

- The long-term rental market is difficult to track
- Listings were tracked on Craigslist from April 4, 2022, to August 8, 2022 as a representative sample of the long-term rental market
- During the 17-week period of observation, only 38 unique listings were recorded, 35% were available as year-round rentals and 62% available during all, or part, of the summer tourist season



Short Term Rentals in Homer

- Homer has approximately 5,922 full-time residents living in 2,261 households, of which 1,415 (62.6%) are owner occupied
- Homer has 2,201 non-commercial, residential parcels
- 14.8% (326) are STRs
- At 2.63 average persons per household in Homer, STRs could displace as many as 769 potential year-round residents

STR Estimates for Homer

- A conservative estimate for STR rent during high season (June, July, August) at an average rent of \$295 for 326 units at 75% occupancy is \$7,063,185
- For the lower rental season, assuming a 30% occupancy of the 296 units at a reduced average cost of \$195 per night for half the remainder nights of the year (137) would generate \$2,377,635 in total revenue
- The total estimated annual STR revenue is \$9,440,820
- Assuming 60% of the units are currently registered as a business and are paying the appropriate tax, the unrealized revenue to the City of Homer would be \$191,120

Case Studies

- Seward, AK
- Palmer, AK
- Taos, NM
- Aspen, CO
- Durango, CO
- Pacific Grove, CA
- Palm Springs, CA
- McCall, ID

STR Regulation

Benefits

- Life Safety inspections
- Ensures short-term rental owners are remitting city and borough sales tax
- Permitting can provide vital information for policies related to short-term and long-term rentals
- Permitting that is both easy to understand and transparent
- Improves management of public nuisances

Challenges

- May discourage STR small businesses
- Permitting and regulations can be an administrative/cost burden
- Fear of uncertainty
- Unintended consequences, such as leapfrogging to KPB
- Ensuring regulations fit the community
- Housing is a multifaceted challenge

Case Study Findings

- Most regulatory programs were created or updated recently, 2017-2022, and generally fall into three categories:
 - Light Regulation:
 - No limits on zoning, the number of rental nights, or total number of permits,
 - No requirement for life safety inspections
 - No requirement for principal owner or operator to be on-site
 - Moderate Regulation:
 - No cap on the number of permits
 - Moderate zoning district limitations
 - Requires life safety inspections
 - Robust Regulation:
 - Caps the total number of permits
 - Limits to the number of rental nights
 - Strong zoning district limitations
 - Owners or operators must reside within 30 minutes of rental

Additional Information

- For more information about Short Term Rentals:
www.cityofhomer-ak.gov/citymanager/short-term-rentals
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