



City of Homer

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Memorandum Supplemental Packet

TO: ECONOMIC DEVELOPMENT ADVISORY COMMISSION

FROM: RACHEL TUSSEY, CMC, DEPUTY CITY CLERK II

DATE: SEPTEMBER 13, 2022

SUBJECT: SUPPLEMENTAL PACKET

VISITORS/PRESENTATIONS (10 minute time limit)

- A. Alaska Small Business Development Center (AK SBDC) Update – Robert Green, Homer Business Advisor **Page 3**
- B. Short Term Rentals – Ryan Foster Special Projects Coordinator & Julie Engebretsen, Economic Development Manager **Page 15**



Alaska Small Business
Development Center

UNIVERSITY *of* ALASKA ANCHORAGE

U.S. Small Business Administration



Your Small Business Resource

HOMER BUSINESS ADVISOR

ROBERT GREEN



ALASKA SBDC

- What We Provide
 - No-cost, confidential business advising
 - Low-cost business workshops and webinars
 - Business resources and tools



New to the Alaska SBDC?



Advising



Workshops



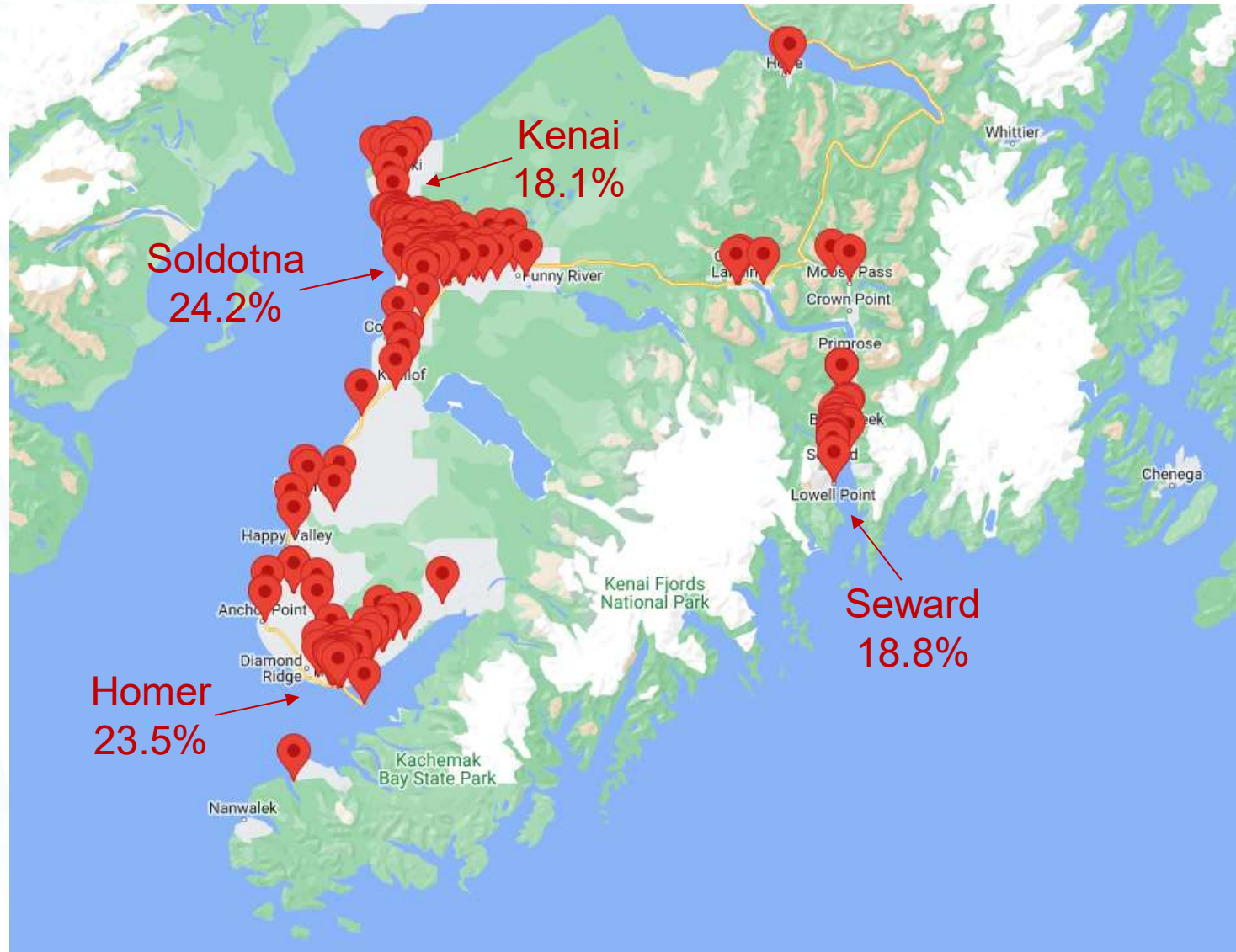
Tools



BUSINESS ADVISING

■ Topics (Homer Only)	Hours	%
1) Startup Assistance	101.8	26.8
2) Financing/Capital	76.7	20.2
3) Disaster Assistance	65.3	17.2
4) Financial Planning	44.8	11.8
5) Marketing/Sales	23.0	6.1
6) General Management	20.1	5.3
7) Business Planning	15.8	4.2
8) Legal Issues	8.3	2.2
9) Website/Social Media	4.5	1.2
10) Buy/Sell Business	4.4	1.2

BUSINESS ADVISING



RESULTS

Metrics	2019 (Jan-Aug)	2022 (Jan-Aug)
Client Hours	94.6	380.0 (+302%)
Clients Served	30	87 (+190%)
New Businesses	3	9 (+200%)
Jobs Supported	45	281 (+524%)
Capital Infusion	\$0	\$936,900 (+)

Comparing the last year without a Homer Business Advisor (2019) versus the same period with a Homer Business Advisor (2022)



SUCCESS STORY



Changing Tides
THERAPY SERVICES

“Our Business Advisor, Robert Green, has been there with our clinic from the very beginning. From helping us come up with creative ideas in order to begin providing services, to navigating business licensing and state compliance measures. Now that we are up and running, we continue to reach out to our business advisor for ongoing collaboration needs.”

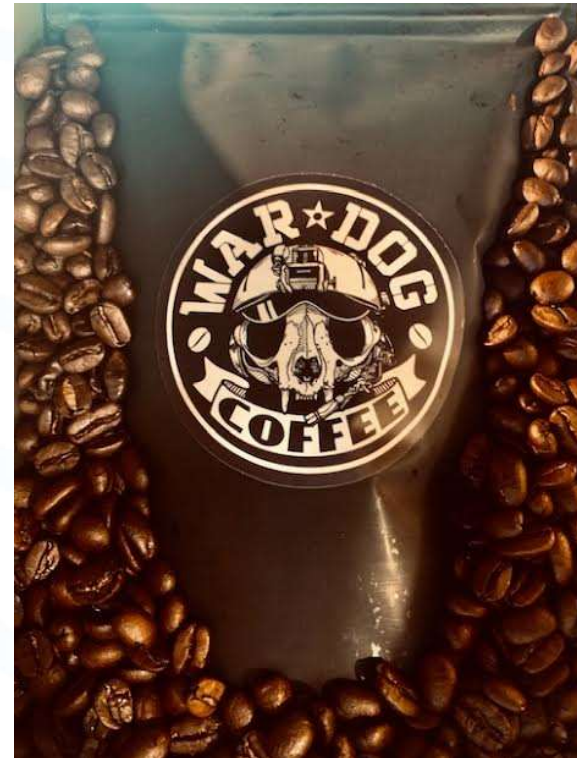
- Jill Zank

Changing Tides Therapy Services, LLC

SUCCESS STORY

“Robert Green was instrumental in assisting us with our business. He provided key information such as business plan writing, etc., that made the difference for getting us where we are today. Robert, most of all, was enthusiastic, encouraging, and professional.”

- Joe Snyder
War Dog Coffee Co.





SBDC BUDGET

- **Sources of Funding**
 - Small Business Administration
 - State of Alaska
 - Private Donations
 - Local Governments
- **Urban Centers**
 - Anchorage Metro, Fairbanks supported by the SBA and the state
- **Rural Centers**
 - Juneau, Soldotna, Seward, Homer supported by SBA, state, and local governments



SBDC BUDGET

- **Homer SBDC Position: \$73,757**
 - Alaska SBDC: \$40,157
 - Kenai Peninsula Borough: \$20,000
 - Homer Chamber of Commerce: \$3,600
 - **City of Homer: \$10,000 (proposed)**
- **Homer SBDC Value**
 - 2022, Q1-Q2 Actual: \$71,730
 - **2022 Annual Projected: \$137,940**

ROI: \$14 FOR EVERY \$1 INVESTED



CLOSING REMARKS

- Karin Marks, Homer EDC Chair



THANK YOU

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Homer Business Advisor
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(907) 299-6167

Short Term Rentals

Considerations for the City of Homer



Agenda

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

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.
- 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

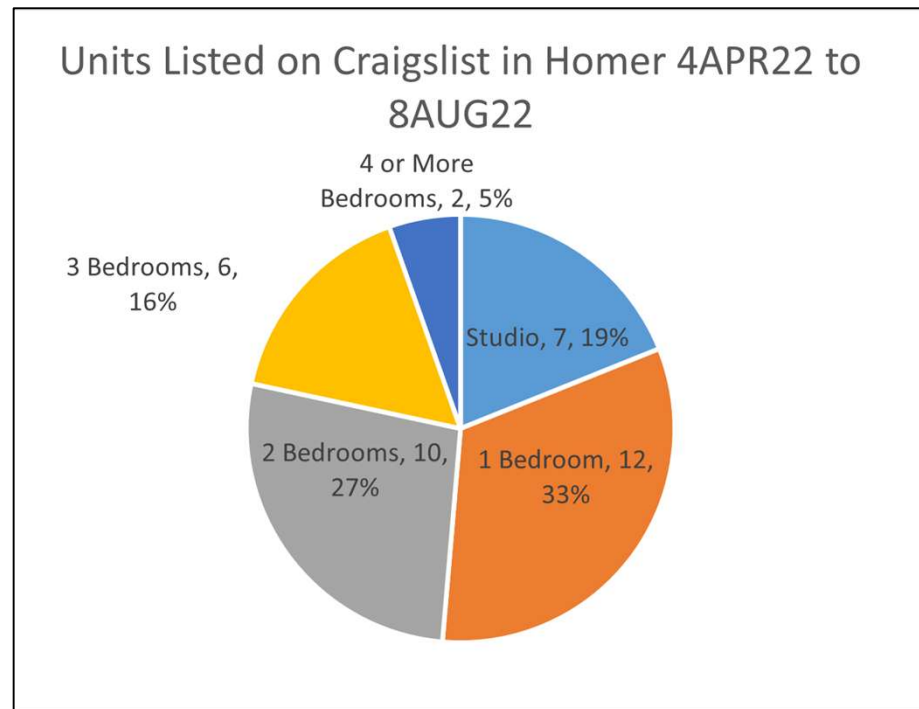
- Utilized by many residents to enhance their income
- Investors who purchase properties to generate rental income can often find a more financially lucrative benefit from an STR than a long-term rental
- Provide additional units for tourism and special events
- When regulated, increase taxable income

Negative Impacts

- Reduction in the number of available rental properties for residents and seasonal workers
- Increased 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 people per household in Homer, STRs may have displaced 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 rent
- The total estimated annual STR income 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 \$183,151

Case Studies

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

STR Regulation

- Many communities have or are implementing STR regulations which have benefits such as:
 - Life Safety inspections ensures rentals are safe for commercial use
 - Ensures short-term rental owners are remitting city and borough sales tax as well as the city's local bed 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 such as noise and parking
- Juneau and Sitka are currently considering STR regulatory programs



Case Study Findings

- Most regulatory programs were created or updated recently, roughly 2017-2022
- Regulatory programs tend to have characteristics that 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

- City Council Work Session: October 10, 2022, at 4pm in Council Chambers
- POC: Ryan Foster, Special Projects Coordinator, 907-299-8529, rfoster@ci.homer.ak.us

Case Study Comparison Matrix

STR Criteria	Seward, AK	Palmer, AK	Taos, NM	Aspen, CO	Durango, CO	Pacific Grove, CA	Palm Springs, CA	McCall, ID
Population	2,717	5,888	5,950	7,004	19,071	15,090	44,575	3,485
Primary Tourism Draw	Outdoor Recreation/ Fishing	Outdoor Recreation/ Alaska State Fair	Skiing/ Art/Outdoor Recreation	Skiing/Outdoor Recreation	Outdoor Recreation/Cultural Sites	Beaches/Outdoor Recreation/ Victorian Architecture	Outdoor Recreation/ Cultural Events	Skiing/Outdoor Recreation
Types of STR Permits	STR Permit: requires permission of owner/operator	Type 1: Owner Occupied Type 2: Single Family/Duplex and Not Owner Occupied Type 3: Multi-Family and Not Owner Occupied Type 4: Owner Occupied B&B with 5 or fewer rooms Type 5: Resident Managed B&B with up to 15 rooms	STR Permit: requires permission of owner/operator	Lodge-Exempt Owner-Occupied Classic	Vacation Rentals require a Limited Use Permit	Short Term Rental License for entire dwelling unit Home Sharing License for renting rooms	Vacation Rental Owner Vacation Rental Agency Estate Home Addendum for homes with more than 4 bedrooms	Less than 20 persons in a rental requires declaration of compliance 20 or more persons requires a CUP
# Permits Limit	No limit	No limit	120 permits total City-wide	Limited by number in certain residential districts for Classic Permit	Yes, in 2 districts: EN-1: 22 total permits EN-2: 17 total permits	250 permits total City-wide	No limit	No limit

Case Study Comparison Matrix Continued

STR Criteria	Seward, AK	Palmer, AK	Taos, NM	Aspen, CO	Durango, CO	Pacific Grove, CA	Palm Springs, CA	McCall, ID
# Nights per Year	No limit	No limit	No limit	Owner Occupied Permit Limited to 120 nights a year	No limit	No limit	No limits on the number of nights, but a maximum of 36 contracts annually	No limit
Principal Owner On-site Required	Yes, in single and two-family zoning districts	Required for Permit Type 1 and 4	Not required, but owner/operator must be available 24/7	Required for Owner Occupied Permit and optional w/ Classic STR Permit	Local designated property manager must be available 24/7	Owner or property manager within 30 minutes of property	Owner or property manager within 30 minutes of property	Not required
STRs Allowed in All Zoning Districts	Limited to certain zoning districts	Limited to certain zoning districts. Some districts require a CUP	Limited to certain zoning districts, prohibited in CBD/Historic Districts	Limited to certain zoning districts	Limited to certain zoning districts	Limited to Coastal and Commercial zones and a 55' parcel boundary exclusion zone	Yes, though applications limited to single family, duplex, and condominiums	No limit
Public Hearing Process	None	Certain permit types and zoning districts require adjacent property notification	Public notice sent to HOA and property owners within 200'	Public notice must be sent to neighbors	Public notice is sent to properties within 300 feet	Notices are sent to neighboring properties	None	Public notice is sent to properties within 300 feet

Case Study Comparison Matrix Continued

STR Criteria	Seward, AK	Palmer, AK	Taos, NM	Aspen, CO	Durango, CO	Pacific Grove, CA	Palm Springs, CA	McCall, ID
Application Process Administration	Community Development on annual basis	Community Development on annual basis	Planning, Community & Economic Development on annual basis	Community Development on annual basis	Community Development on annual basis	Community & Economic Development on annual basis	Department of Special Program Compliance on annual basis	City Clerk Office and Planning Department on annual basis
Business License Required	Yes, City of Seward and State of Alaska	Yes, City of Palmer and State of Alaska	Not required	Yes, \$150 annually	Yes, City of Durango	Not required, short Term Rentals are licensed	Not required, short Term Rentals are certificates	Yes, \$140 application fee \$70 renewal fee
Application Fee	\$30 for City Business License Application	\$75 STR Permit Application Fee	\$350 for inspections/ application \$525 STR Permit per unit	\$148 per unit annually for Lodge Permit \$394 all other permit types	\$750 application fee	\$413 Application fee \$680 license fee	\$1,009 Vacation Rental Certificate fee \$252 Homeshare Certificate fee \$426 Estate Home Addendum fee	\$0 Declaration of Compliance \$600 Conditional Use Permit
Lodging Tax	Bed Tax 4.00%	Bed Tax 5.00%	Lodging Tax 5%	11.3% for all permit types	Lodging Tax 2%	12% Transient Occupancy Tax	11.5% Transient Occupancy Tax 1.0% Tourism Business Improvement District	3% Lodging Tax 3% Streets Tax