



AGENDA ITEM REPORT

Short Term Rental Ordinance

Item Type: Action Memorandum
Prepared For: Economic Development Advisory Commission
Meeting Date: 13 Feb 2024
Staff Contact: Julie Engebretsen, Economic Development Manager

Summary Statement: Review the “EDC February Draft” of the Short Term Rental Ordinance, and make comments and a recommendation to City Council.

Work Session

The EDC has a work session scheduled at 4:30. The structure of the work session is as follows:

1. Short presentation by staff on the process to date
2. Presentation of the “EDC” draft ordinance
3. Q&A on the draft ordinance
4. Group conversation (or break out groups if there are a lot of attendees)

Council asked the Commission to comment on the ordinance. Based on the discussion at the last meeting, I drafted the version titled “EDC February Draft”. The Commission can move to send this version to Council with your comments. The Commission can freely edit this EDC version.

How is the EDC Draft Different?

- All mention of housing in the wheareas clauses are struck
- Regulations move from title 5 to title 8. (not a big change but puts it in the same place as mobile food permits
- Further refined definition of short term rental
- Change the requirement from a permit for each STR unit, to each parcel of land; if you have two rental cabins, you need one permit for the property that covers both, rather than one for each unit. City records generally follow property and this will streamline recordkeeping.
- Changed the permit term from one year to two years – permits would be good for two years.
- The non-conforming uses section is struck. Its confusing and conflicts with Title 21.
- Capacity: removed maximum occupancy for bedrooms. (Staff doesn’t see how the city would enforce this currently). The standard of five guest rooms and 15 guests, which is a standard under title 21 and the state fire marshal is used instead.
- Emergency contact info would only be shared with the police department, and the requirement to notify neighboring properties within 300 feet has been removed.
- Enactment date would be January 1, 2025

Wrapping Up at the Regular Meeting:

- The Commission can edit the draft; come to the meeting with your ideas for changes and the line numbers you'd like to see amended.
- Council has said they appreciate seeing each person's comments. Therefore, after the Commission votes on the motion, I am requesting that you provide brief comments on why you voted the way you did, and why you support or don't support the ordinance. This is not a discussion time between Commissioners; this is for each Commissioner to say their piece.

Next Steps

- EDC comments will be sent to Council, in time for the February 26th meeting packet.
- The Planning Commission will discuss this topic at their February 21st meeting. I will be explaining the process and EDC recommendations, followed by discussion of the ordinance and taking their comments.
- Council on Feb 26th: There is a work session at 4:00 on the ordinance. I will be presenting a version of the EDC work session PowerPoints, and including Planning Commission comments. If the Council sponsors have a substitute ordinance, that will also be covered. Council has a public hearing on February 26th at the regular meeting. They can adopt the original ordinance as is, make changes, postpone... lots of things could happen.
- This topic will be on the March EDC agenda for any follow up.

Summary Statement: Review the "EDC February Draft" of the Short Term Rental Ordinance, and make comments and a recommendation to City Council.

Attachments

EDC February Draft Ordinance

Two comment documents from Charles Anderson

January staff report and attachments

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**CITY OF HOMER
HOMER, ALASKA**

Aderhold/Davis

ORDINANCE 23-61 (EDC February Draft)

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA
AMENDING HOMER CITY CODE TITLE 5-8 TO ADD CHAPTER 58.48
05 SHORT TERM RENTALS.

~~WHEREAS, The Council and the public are very concerned with the impacts of housing availability on seasonal workers and year-round community members; and~~

~~WHEREAS, Short term rentals have been identified as one of many challenges facing housing availability in the City; and~~

WHEREAS, The use of private residences has been a very common source of income for property owners in the City which also supports our visitor-serving businesses; and

WHEREAS, Visitors staying in short term rental have many positive impacts, however, they also consume City services in ways that are difficult to recoup financially when short term rental owners fail to collect existing sales taxes; and

WHEREAS, The City has no existing regulations for short term rentals; and

WHEREAS, There is an interest to enact reasonable regulations related to short term rentals to ensure that they are operated safely, not creating public nuisances, and are remitting the appropriate taxes; and

WHEREAS, The Council intends for this to be an iterative process whereby the short term rental regulations will be adjusted over time to best fit the needs of the community and short term rental operators.

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. Homer City Code is amended to include Chapter 5.488.09, entitled “Short Term Rentals”, to read as follows:

Chapter 5.48 8.09 Short Term Rentals

Sections: (all sections to be changed from title 5 title 8)

5.48.010 Definitions

5.48.020 Intent

44 **5.48.030 Short Term Rental Permits**

45 **5.48.040 Permit Renewals**

46 **5.48.050 Nonconforming Uses**

47 **5.48.060 Public Safety, Noise, and Nuisances**

48 **5.48.070 Violations and Penalties**

49 **5.48.080 Appeal of Decision**

50

51 **5.48.010 Definitions**

52

53 **“Short-term rental” means a dwelling unit as defined in HCC Title 21, or portion thereof,**
54 **that is offered or provided to a guest for compensation for a period of less than 30**
55 **consecutive days. Short-term rentals may be in standalone buildings, individual rooms in**
56 **single-family homes, units in apartments, condominiums, townhouses, and multifamily**
57 **dwellings. They may be operated as a bed and breakfast, rooming house, not to include**
58 **commercial accommodations such as lodging, hotels and motels as defined in Title 21.**

59

60 **“Guest” means an individual, corporation, partnership or association paying monetary**
61 **or other consideration for the use of a short-term rental.**

62

63 **“Operator” means a person, firm, corporation, or other designated legal entity, who**
64 **offers for rent or otherwise makes available in the City dwelling units for monetary or**
65 **other consideration.**

66

67 **“Property” means real estate offered by an operator as a short term rental.**

68

69 **5.48.020 Intent**

70

71 **The intent of this chapter is to protect general health and safety of the public within the**
72 **City of Homer while ensuring short term rentals are operated in such a way that they pay**
73 **any applicable fees or taxes and do not create a public nuisance which decreases quality**
74 **of life for neighboring residences.**

75

76 **5.48.030 Short Term Rental Permits**

77

78 **a. Any owner wishing to make a dwelling unit available for use as a short term rental**
79 **must apply for and receive approval of a short term rental permit for each parcel**
80 **of land with an intended unit.**

81

82 **b. An annual short term rental permit application shall be submitted on a specified**
83 **form or platform provided by the City before offering a dwelling unit for rent. The**
84 **application shall include a fee as set by the City Council in the City’s fee schedule.**

85

86 c. No short term rental operator shall offer, advertise, or facilitate the short term
87 rental of property in the City unless the operator possesses a valid short term
88 rental permit. Any offer or advertisement for the short term rental of property in
89 the City that does not contain a valid short term rental permit number, or which
90 the City identifies as illegal, shall be immediately removed.

91
92 d. Required Information and Documentation: Applications shall provide:

93
94 1. Name, address, phone number, and email of the property owner, and, if
95 different from the owner, the short term rental operator.

96
97 2. A general description of the dwelling unit to be used as a short term rental
98 to include address, zone district, number of bedrooms, and available
99 parking spaces compliant with City code.

100
101 3. A 24-hour emergency contact residing within 50 miles of city limits.

102
103 4. State business license number.

104
105 5. Certification by the Kenai Peninsula Borough Finance Department in a tax
106 compliance certificate that the applicant is current in the payment of any
107 sales tax to the City and the Kenai Peninsula Borough.

108
109 6. Completed fire safety inspection form for the dwelling unit.

110
111 e. Permit Number: Short term rental permits will be issued a unique permit number
112 which must be displayed in all advertisements and public listings for the short
113 term rental.

114
115 f. Permit Renewal: Short term rental permits must be renewed ~~annually~~ every two
116 years and are valid from January 1 to December 31.

117
118 g. Transfer of Permits: ~~Annual~~ short term rental permits are transferrable between
119 owners with City Manager or designee approval, provided the use and operations
120 remain consistent. Permits are not transferrable between units or parcels.

121
122 **5.48.040 Permit Renewals**

123
124 a. Short term rental permits may be renewed starting November 1 each year using
125 the form or platform provided by city, and shall include a fee as set by Council in
126 City Fee Schedule.

129 **b. Permits are eligible for renewal if the property and dwelling unit comply with all**
130 **applicable City regulations, taxes, fees are paid, and there are no outstanding**
131 **public safety or public nuisance violations.**

132
133 **c. Expired permits require a new application to resume short term rental use.**

134
135 **5.48.050 Nonconforming Uses**

136
137 **~~a. Existing short term rentals with proof of operation and sales tax remittance to the~~**
138 **~~Kenai Peninsula Borough within the period between January 1, 2020 and~~**
139 **~~December 31 2023 will be exempted as non-conforming uses if they meet all other~~**
140 **~~short term rental standards, even if they are located in zones no longer principally~~**
141 **~~permitting such use.~~**

142
143 **~~b. Non-conforming short term rentals not used for 18 months or not permitted by~~**
144 **~~[DATE] will cease to be available on the property.~~**

145
146 **~~c. Approvals of non-conforming short term rental permits are transferrable to new~~**
147 **~~property owners upon request, provided updates are made to the information on~~**
148 **~~file with the City.~~**

149
150 **5.48.060 Public Safety, Noise, and Nuisances**

151
152 **a. Capacity: Maximum occupancy for a vacation short term rental is two persons per**
153 **bedroom plus an additional two persons (e.g., a two-bedroom unit may have six**
154 **occupants). Children aged 12 and under are not counted toward the occupancy**
155 **total. five guest rooms or 15 guests, whichever is less.**

156
157 **b. Emergency Contact: The Emergency Contact provided on the permit application**
158 **will be shared with the Homer Police Department and all neighboring properties**
159 **within 300 feet of the parcel containing the permitted short term rental unit(s).**
160 **The permit holder must promptly notify the City of any changes to the designated**
161 **emergency contact information.**

162
163 **c. Fire Department Access: Properties with gated entries must have a Fire**
164 **Department approved device that allows emergency response access.**

165
166 **d. Noise: Short term rentals are subject to HCC 21.59.010 (b) regarding noise.**

167
168 **e. Nuisance: Any property with an unresolved nuisance complaint under HCC**
169 **Chapter 5.16-8.09 is ineligible for short term rental permit approval or renewal.**

170

171 **f. Parking: Short term rentals must have sufficient off-street parking, validated by**
172 **the City planner or designee.**

173

174 **5.48.070 Violations and Penalties**

175

176 **a. Operating a short term rental without a permit, or in violation of this chapter, is**
177 **unlawful.**

178

179 **b. The City Manager, or designee, may revoke a permit for a short term rental upon**
180 **finding one or more of the following:**

181 **1. Negligence in responding to emergencies more than two times in a rolling**
182 **12-month period.**

183

184 **2. More than two documented law enforcement violations related to the short**
185 **term rental in a rolling 12-month period.**

186

187 **3. Chronic non-compliance with the requirements this chapter's**
188 **requirements.**

189

190 **4. Failure to pay required sales taxes to the Kenai Peninsula Borough.**

191

192 **5. Failure to correct noted Building or Fire code violations.**

193

194 **6. Documented, significant violations supported by citations, written**
195 **warning, or other documentation from relevant authorities.**

196

197 **c. The penalty for an offense in this chapter is the fine listed in the fine schedule in**
198 **HCC 1.16.040. If no fine is listed for the offense in HCC 1.16.040, then the defendant**
199 **must appear in court, and, if convicted, is subject to the general penalty as**
200 **provided in HCC 1.16.010 unless another penalty is specifically provided.**

201

202 **5.48.080 Appeal of Decision**

203

204 **Judicial review by the superior court of a final decision on a short term rental permit**
205 **issued by the City may be had by filing a notice of appeal in accordance with the**
206 **applicable rules of court governing appeals in civil matters. The notice of appeal shall be**
207 **filed within 30 days of notice of the final decision on the permit. Appeals of short term**
208 **rental permits are heard solely on the administrative record which shall be prepared by**
209 **the City. A copy shall be filed in the superior court within 30 days after the appellant pays**
210 **the estimated cost of preparing the complete of designated record or files a corporate**
211 **surety bond equal to the estimated cost.**

212

213

214 Section 2. Homer City Code 1.16.040, entitled “Disposition of scheduled offenses – Fine
215 Schedule” is hereby amended as follows:
216

Chapter 5.46 HCC	Special event – Permit required	\$1000
Chapter 5.48 HCC	Short term rental – Permit required	\$100 per day
HCC 8.08.020	Itinerant or transient merchant – License required	\$300.00

217
218 Section 3. This ordinance shall take effect January 1, 2025.

219
220 Section 34. This Ordinance is of a permanent and general character and shall be
221 included in the City Code.

222
223 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA this _____ day of _____,
224 ~~2018~~2024.

225
226 CITY OF HOMER

227
228
229 _____
230 KEN CASTNER, MAYOR

231
232
233
234 ATTEST:

235
236 _____
237 MELISSA JACOBSEN, MMC, CITY CLERK

238
239
240 YES:
241 NO:
242 ABSTAIN:
243 ABSENT:
244
245 First Reading:
246 Public Hearing:
247 Second Reading:
248 Effective Date:

February 6th 2024

To the Economic Development Commission Members

Housing Analysis in Homer, Alaska: Navigating Affordability and Crisis Perspectives

*Presented by Charles Anderson

****Overview:****

This comprehensive analysis delves into the housing landscape of Homer, Alaska, addressing prevalent terms like "The housing crisis" and "Lack of affordable housing." By combining statistical insights with real-world observations, the paper aims to demystify these terms, providing a nuanced understanding of the challenges and opportunities in the local housing market.

****Key Findings:****

1. ****Affordable Housing Criteria:****

- Definition: Not more than 30% of income allocated to housing (rent/mortgage).
- Statistical Baseline in Homer, Alaska: \$1,743.92 per month.
- Homeowner vs. Renter Affordability Discrepancies.

2. ****Rental Market Dynamics:****

- Survey of Long-term Rentals: Average cost trends and availability.
- Affordable Housing Accessibility: Wage thresholds and rental affordability.

3. ****Housing Crisis Evaluation:****

- Comparative Analysis: New housing starts, median home prices, and rental statistics.
- Homer's Position: Significantly high housing starts per capita, below-state-average median home price.

4. ****Inflation's Role in Housing Costs:****

- Unpacking Speculations: Non-resident buyers, short-term rentals, and the true culprit.
- 1992 vs. 2022: Inflation-adjusted median home prices in Alaska.

5. ****Affordability in Rental Market:****

- Navigating Individual Experiences: Challenges and successes in securing affordable housing.
- Ebbs and Flows: Impact of market dynamics on rental availability.

6. ****Argentinian Experiment:****

- Lessons from Legislation: Consequences of government intervention in the housing market.
- Repeal Impact: Inventory increase and price reduction in Argentina.

****Conclusion and Recommendations:****

- Homer's Housing Landscape: A closer look at the statistics and facts.
- Future Steps: Advocating for free market dynamics and strategic city interventions.

****Recommendations for City Action:****

- Financial Participation in Utility Extensions.
- Property Tax Reductions and Increased Exemptions.
- Strategies for Lowering Water/Sewer Rates.
- Incentives for Multi-Family Housing.
- Sales Tax Exemption for Year-Round Rental Housing.

****Note:**** *2022 statistics were used due to the unavailability of complete 2023 statistics from the State of Alaska Department of Labor and Workforce Development.*

When discussing public policy on housing, "The housing crisis" and "Lack of affordable housing" are terms that are thrown about, and used quite a bit. They tend to convey a sense of desperation, doom, and despair, especially for young people and those who are trying to establish themselves in a given community. Given that shelter is one of our basic human needs, it is no wonder that people get concerned and agitated when those terms are used. They are often used to justify public policy discussions and action, but rarely defined. So let's dive in and analyze what they actually mean statistically vs what some people mean when they use those terms. Then we can look at what criteria would need to be met to justify the use of the terms objectively.

****Affordable Housing:****

The generally accepted definition of affordable housing is that no more than 30% of your income is to go toward your housing (rent/mortgage).

According to the latest census data gathered at census.gov, the median home price in Homer, Alaska is \$348,000. With the median monthly owners' cost for someone in Homer, Alaska with a mortgage is \$1,945 (for homeowners without a mortgage, the fixed costs such as insurance, taxes, etc. are \$632). For rentals, the median gross rent in Homer, Alaska is \$1,180 per month. The median household income for Homer is \$69,757. The median household income divided by 12 months is \$5,813. 30% of that is \$1,743.92. \$1,743.92 per month is the statistical baseline in Homer, Alaska for affordable housing.

Some quick math tells us that the average homeowner with a mortgage in Homer is spending 33.45% of their income on housing, slightly above the affordability threshold. When we do the same math for median gross rent, we have 20.29% of median income spent on housing, well below the baseline for affordable housing. A survey of available rentals over the last 2 months (Facebook Marketplace was the primary source, as Craigslist use has all but ceased) has shown an average of 19 long-term rentals on the market at any given time. (Care was given to exclude short-term winter rentals, dry cabins, and rentals past Diamond Ridge and past Fritz Creek.) Of the 22 rentals available in Dec. 2023, only 3 were over \$2,000 a month, 15 of them were under \$1,500, and 4 were under \$1,000. An average cost of \$1421.30. In January 2024, the average had dropped to \$1,349. One major finding was that the East End Cottages (the low-income, subsidized apartments across from the gear shed) have never been full since they opened several years ago. They have units available now under \$1,000.

Someone making \$24.58 an hour working full time would still come in at the 30% affordability threshold if they were renting. A couple or two roommates could make starting wages at McDonald's (\$13 an hour for normal shifts, \$15 an hour for premium shifts) and still afford housing at or below the threshold for affordable housing. The starting wage at Safeway is \$17 an hour.

****Housing Crisis:****

Housing crisis generally refers to a limited/short supply compared to the demand. This can be a bit more tricky to pin down; however, new housing starts, median home prices, rolling average of long-term rental availability, average rental costs, etc. all compared to the state average and compared to other municipalities can be an indicator of how your city is faring. Like so many questions, "compared to what?" is crucial.

Single-family loan activity for 2022 reported at live.laborstats.alaska.gov has the statewide average sales price at \$422,584. The state does not have individual statistics for Homer; however, the average sales price for the Kenai Peninsula is \$385,049. To corroborate this information, a local lender provided the information that of the 40 loans they closed in Homer in 2023, the average was \$390,580. This is anecdotal evidence indicating that the State of Alaska Statistics for the Kenai Peninsula are close to that of Homers. Given that these are sales statistics, and that the US census states the median value of an owner-occupied home is \$348,000, we can reliably say that Homer is solidly below the state average.

Using 2022 data found @ live.laborstats.alaska.gov, Homer is second in the state for new housing starts, only behind Anchorage. Anchorage had 402 new housing starts (combined single-family and multi-family), and Homer had 74 total new units. With Anchorage's population of 291,247, that is one new housing start per 725 people. Homer's population is 5522 and has one new housing start per 75 people. Homer is second in the state overall and has over 10 times more housing starts than Anchorage when adjusted for population. (The next closest in overall

was Juneau, with 64 new housing starts with a population of 32,255, one new start for every 504 people.)

When it comes to new lots and building opportunities in the non-view more affordable range, the new subdivisions on Early Spring and the one across from East Hill provide over 50 new opportunities on the "non-view" more affordable end.

According to the Alaska Department of Labor and Workforce Development (live.laborstats.alaska.gov), 30 years ago in 1992, the average sales price for a single-family home in Alaska was around \$133,952. In 2022 that number was \$422,584.

Many speculate on the cause of such a tremendous rise in cost. Non-resident buyers driving up demand, short-term rentals, greedy real estate agents, greedy contractors, etc., are all popular scapegoats.

However, the most significant factor contributing to the rise in housing costs is inflation. Clearly demonstrated when we look at what that 1992 median home cost would be today when adjusted for inflation. According to the State of Alaska statistics, it turns out the Average sales price in Alaska for 2022 would only be about \$209,744 (for Homer, Alaska, it would be about \$192,316) when adjusted for inflation.

A modest rise that could easily be attributed to a better-built product and reasonable rise in demand. While the tendency is to find a group to blame perceived housing problems on, the true culprit is inflation.

Homer, Alaska, has affordable housing when it comes to the rental market. It is understood that this statement will be triggering for many and contested. This statement is not meant to ignore or discount people's past and current challenges when searching for and procuring housing. There are many factors that go into a landlord and a tenant's mutual agreement to contract. Not every rental is suitable for every tenant, and not every tenant is suitable for every rental. When discussing housing to guide public policy, it is important to resist the tendency to reference a given individual's experience with housing and infer or conflate that their experience constitutes the statistical norm. It is important to look at statistical data and use facts.

For example, someone could share their experience of having a near impossible time finding a suitable place to rent at a price that fits their budget and could make the claim that "Homer doesn't have affordable housing". While the next person can share their experience of finding a place quickly, that meets all their needs at a price that doesn't even take up 20% of their income. "Homer has great rental opportunities" would be the takeaway. While both sides of the argument would be quick to use their preferred examples, the reality is that the circumstances surrounding each instance can affect the situation drastically. The person having difficulty could be working only 20 hours a week, have a negative rental history, and also have several pets. While the person who had no trouble may be well-established in a good job and received a below-market deal from a family friend. Either scenario does not provide a clear picture, and it is the individual circumstances that have the most bearing on the experience, not the overall rental market. Many

times life and lifestyle decisions will impact the options available to you. Both positive and negative.

There is also ebb and flow when it comes to the rental market. In 2020, the demand for short-term rentals significantly increased due to the rise in domestic travel caused by international travel restrictions. Some units were shifted from the long-term market to the short term, along with new units that were created to capitalize on the short-term spike in demand. Fast forward 3 years, and due to falling prices in the short-term market, former short-term units are being offered back on the long-term market, including units built initially for the short-term boom. In this instance, the initial rise in demand of short-term rentals eventually subsidized and brought to market more long-term rentals. Using government regulation to try to chill one sector of housing in favor of another will have the effect of decreasing supply overall.

The major point being that housing is housing. An increase in any type of housing supply will ultimately increase all supply over time, no matter how it is initially allocated.

Argentina's 4-year experiment with government intervention in the housing free market is a textbook case of unintended consequences and opposite results. In an alleged attempt to help renters and the public secure affordable housing, in 2020 Argentina's government implemented a series of laws and rent controls. The result was many owners simply exiting the rental market, driving up prices, and shrinking supply. When newly elected President Milei scrapped the 2020 rent control laws in December 2023, within a month the rental inventory had doubled, and prices had fallen 20 to 30%.

As demonstrated recently in Argentina, attempts to mitigate the lag effects between rents and inflation, via legislation, only make the problem worse and have the opposite effects.

Statistics and facts indicate that Homer's rental market can be classified as affordable.

As to a Housing Crisis, I do not see where a credible case can be made that we are experiencing a housing crisis in Homer. New housing starts are the highest per capita in the state (by a large margin) while our median home price is well below the State average. Homer is growing and there will be peaks and valleys. However, the facts and statistics make a strong case for us to keep doing what we are doing. Let the free market work, and over time it will smooth out the highs and lows, and ultimately provide for growth that is inevitable.

****Next Steps:****

It is clear that compared to other municipalities in the state, free market forces are doing a better than average job of responding to the housing demand in Homer. In discussions with several developers who have recently worked with the city on new subdivisions, they expressed their frustration at the resistance they received from the city and the planning commission, despite meeting all codes and regulations.

****Some Recommendations:****

- The city could participate financially with utility main extensions, instead of the cost being shouldered 100% by the developer. The extension, after all, is bringing the city new customers.
- Help reduce property taxes - lower mill rate
- Increase primary home exemption in City to Match the KPB at \$350,000 (vs \$150,000 current)
- Strive to lower water/sewer rates. The most expensive in the state (perhaps the country).
- Create tax incentives for building multi-family housing - a tax abatement for a period of time.
- Remove sales tax from year-round rental housing. (Short-term rentals still pay tax on their business)

****Note:****

2022 statistics were used due to the fact that the State of Alaska Department of Labor Workforce and Development site did not have all of 2023 statistics published yet.

Charles Anderson

Charlesgoldenanderson@gmail.com

907-756-1973

February 6th 2024

To the Economic Development Commission Members

The memorandum Submitted Sep. 27 2022 titled Short term rental basics appears to be the foundation and Start of the push to regulate Short term rentals.

There is a distinct theme that emerges that tries to tie STR business to the lack of housing and affordability.

The first 2 WHEREAS paragraphs in ordinance 23-61 try to do this.

Not only has the city has yet to provide any clear link from STR to a housing crisis or shortage.

Furthermore analysis of the statistics and data from [Census.gov](https://www.census.gov) and live.laborstats.alaska.gov

Make the case that Homer is doing better than most municipalities when it comes to housing availability and affordability.

No compelling evidence has been presented that there is a problem with safety or nuisance as stated as intent in section 5.48.020 .

1. Requirement that they operate safely.

There is not a single case in Homer of a STR burning down. There is no evidence that emergency services have not been able to respond to a situation because it was a STR.

Safety is already a function of the STR websites (ie Airbnb, Vrbo). You are required to declare if you have smoke detectors and carbon monoxide detectors. Additionally, Every single person that stays in your unit writes a review and lets new potential guests know exactly what they are getting when they book with you. A high level of scrutiny, detail and accountability is built into the system. The potential guests have much more information and detail about parking, number of beds, safety equipment, etc. than anything this ordinance would supposedly cover.

And because of the accountability factor, the hosts are very attentive to details , especially the safety and comfort of their guests. If not, they are taken out of the rotation by market forces.

2. Nuisances.

A records request to the City of Homer on Dec. 13 2023 revealed that from May to October In the 2023 tourist season , there was not a single call to HPD of a nuisance caused by a STR. Interestingly the majority of the calls were from long term rentals and Hotels.

In that same time period there was only 1 call to HPD referencing a parking complaint tied to a STR. The issue was resolved, and there was no indication that a law was broken, just a single complaint.

There are already systems in place to handle any nuisance or parking complaints if they become an issue in the future.

4. Taxes.

Collection of Taxes is a function of the KPB.

The Borough is currently using the Harmari software to identify, educate and enforce tax compliance.

As of Feb. 2024 they have Identified 154 individual accounts/operators that have short term rentals in Homer city limits. They are at over 80% compliance and of the remaining 32 operators, they have identified them and are reaching out to facilitate compliance.

The Borough is doing their job and has tremendous momentum.

My overall sense is that there was a desire to regulate Short Term rentals as a reaction to an unproven and emotional narrative that short term rentals are bad.

This was an ordinance looking for a problem.

There is no good, or demonstrated reason to re-write or modify this ordinance. It needs to go away, and I recommend that this ordinance be abandoned.

Charles Anderson

Charlesgoldenanderson@gmail.com

907-756-1973



AGENDA ITEM REPORT

Short Term Rentals

Item Type: Action Memorandum
Prepared For: Economic Development Advisory Commission
Meeting Date: 9 Jan 2024
Staff Contact: Julie Engebretsen, Economic Development Manager

Requested Action:

1. Conduct the work session and discuss the ordinance at the regular meeting.
2. Provide direction to staff on potential changes and problems.
3. Set a time and desired outcome for the EDC work session in February.

Background

The City Council introduced an ordinance on Monday November 13th regarding the regulation of Short Term Rentals (STR's). The ordinance was referred to the EDC for review and comment, with a return date to City Council of February 26th. This ordinance was an agenda item at the November EDC meeting, and members of the public commented. A work session for January and February were scheduled for the EDC. See the city website for a list of meetings where the public can participate (attached). Return to City Council: When comments go to the Council on February 26th for public hearing and second reading, it is likely there will be a substitute ordinance with changes based on Commission and public comments. The Commission can ask for more time to review the ordinance and Council could grant it.

January 9th Work Session and Regular Meeting

Work Session Plan

4:30 EDC Work Session Begins

10 Minute staff presentation

10 Minute Q&A

20 Minutes; break into two groups. Ryan Foster, City Planner, and myself will facilitate. We will need volunteer note takers! *This time will be used to ask public two questions, and for the EDC to listen to comments and concerns.*

1. For Short Term Rental owner/operators: problems do you see with the ordinance? Suggestions?
2. For everyone, what other comments or concerns do you have? Suggestions?

30 Minutes report back and full group facilitated conversation

10 Minutes Public Comments

10 Minute break before start of the regular meeting at 6 pm.

Regular Meeting

The draft ordinance is on the regular agenda and the public can comment. The Commission can have a discussion about the results of the work session, and provide direction to staff on changes to the ordinance.

Items already under review, based on feedback:

1. Lines 53-56. There have been questions about what constitutes a “Dwelling.” The zoning code has a definition, but I will be working with the attorney to fine tune the language here.
2. Line 76: Rather than a permit for each unit, staff suggests per lot or parcel. IE if someone has three rental cabins, they only need one permit for the property. This is how the City and Borough land records are set up and would most reasonable for tracking.
3. Line 84, (and 109) requirement for all advertisements to include the City permit number. There have been questions on if this can be accommodated across all online booking platforms. I don’t have an answer for all platforms; it appears most platforms do have a way to do this.
4. Line 107 – Life Safety inspection form; this is NOT an inspection by any city official or fire department staff or state fire marshal. This is simply a list of checkboxes that the permit holder self certifies they have installed items like fire extinguishers and CO2 detectors.
5. 113: one year permit term. What does the Commission think about a two-year license?
6. Line 133 Nonconforming Uses part a: This section will be revised with attorney guidance.
7. Line 150: Capacity: Do we want to be specific about the number of people per bedroom and the inclusion or exclusion of children?
8. 218: Enactment date: Staff recommends that permits be free and voluntary through 2024, and valid through 2025. If a business waits until 2025 to register, then they would pay a fee and have a permit valid through 2026. This would incentivize early registration, and potentially spread out all the business seeking permits. (No new staff is added to handle the administrative load).

Attachments

1. Draft Short Term Rental Regulations – City of Homer Website
2. Ordinance 23-61
3. Memo 23-260
4. 9 27 22 CC WS memo on Short Term Rentals
5. State of Alaska Property Rental FAQ’s
6. Kenai Peninsula Borough Brochure, Landlords or Lodging Providers



Draft Short Term Rental Regulations

The City of Homer is considering adopting regulations for Short Term Rentals, such as Airbnb and VRBO. You can read the draft regulations and memorandum [here](#).

Some notes based on questions received as of 12/22/23:

*As of 12/23, the concept is for business to be able to register, for free, through 2024, with required registration and fee payment beginning in 2025. Typical fees in the City are \$50-\$300; City Council will determine the final fee and enactment date of the regulations.

* There is NO cap or limitation proposed on the number of short term rentals within the City.

* No life safety inspection is required. Operators will self certify they have appropriate fire extinguishers, etc. A checklist is under development and will be posted here by the end of January.

Draft Meeting Timeline - 2024

There are several opportunities to speak about the proposed regulations. Attend whichever meeting time and date works for you! You can also provide comments on the webform below. As dates and times are confirmed, this page will be updated.

- **January 9th**, Economic Development Advisory Commission (EDC) Meeting. This includes a work session with small group breakout conversations. Work session starts at 4:30 pm. Regular meeting starts at 6 pm.

- **January 17th**, Chamber of Commerce Panel, noon at the college
- ~~**January 24**, Lunch time Q & A at the college, hosted by grassroots group Guiding Growth. (time tbd)~~
- **February 7**, Planning Commission (PC) Meeting (tentative)
- **February 13**, EDC Work Session (time tbd) and Meeting
- **February 21**, PC Meeting
- **February 26**, City Council Public Hearing. * It is likely there will be a substitute ordinance at this meeting, based on public comments received through February 15th.

Past Work

- Homer Housing Event, March 2023
- Short Term Rental Report, Fall 2022 - see Council Work Session packet [HERE](#)

Resources

- State law on rentals and business licensing
- Kenai Peninsula Borough FAQ's on sales tax
- Kenai Peninsula Borough Brochure "Landlords or Lodging Providers" (download)

Questions?

If you have questions, contact 907-435-3119, email planning@ci.homer.ak.us, or use the comment form below.

Please comment on the proposed regulation with the form below.

Name *

Comment *



STR owner or employee? Y/N *

Describe your interest in this topic: STR owner or operator/employee, or general public

Submit



Planning

City Code

Planning Commission

Documents

Coastal Bluff Information

Flood Maps, Permits and Flood Protection

HERC 1 Historical Information

Long Range Planning

Map Resources

Permits

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Contact Information

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Homer City Hall

491 East Pioneer Ave

Homer AK 99603

Phone:

907-235-3106

Email:

planning@ci.homer.ak.us

Fax:

907-235-3118

Office Hours: Monday through Thursday 8 a.m. to 5 p.m.

[View Full Contact Details](#)

Planning Public Hearings

There are no upcoming public notices posted at this time.



City of Homer (907) 235-8121
491 E. Pioneer Avenue Homer, AK 99603

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 Aderhold/Davis

4 **ORDINANCE 23-61**

5
6 AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA
7 AMENDING HOMER CITY CODE TITLE 5 TO ADD CHAPTER 5.48
8 SHORT TERM RENTALS.
9

10 WHEREAS, The Council and the public are very concerned with the impacts of housing
11 availability on seasonal workers and year-round community members; and
12

13 WHEREAS, Short term rentals have been identified as one of many challenges facing
14 housing availability in the City; and
15

16 WHEREAS, The use of private residences has been a very common source of income for
17 property owners in the City which also supports our visitor-serving businesses; and
18

19 WHEREAS, Visitors staying in short term rental have many positive impacts, however,
20 they also consume City services in ways that are difficult to recoup financially when short term
21 rental owners fail to collect existing sales taxes; and
22

23 WHEREAS, The City has no existing regulations for short term rentals; and
24

25 WHEREAS, There is an interest to enact reasonable regulations related to short term
26 rentals to ensure that they are operated safely, not creating public nuisances, and are
27 remitting the appropriate taxes; and
28

29 WHEREAS, The Council intends for this to be an iterative process whereby the short
30 term rental regulations will be adjusted over time to best fit the needs of the community and
31 short term rental operators.
32

33 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:
34

35 Section 1. Homer City Code is amended to include Chapter 5.48, entitled “Short Term
36 Rentals”, to read as follows:
37

38 **Chapter 5.48 Short Term Rentals**

39
40 **Sections:**

41
42 **5.48.010 Definitions**

43 **5.48.020 Intent**

44 **5.48.030 Short Term Rental Permits**

45 **5.48.040 Permit Renewals**

46 **5.48.050 Nonconforming Uses**

47 **5.48.060 Public Safety, Noise, and Nuisances**

48 **5.48.070 Violations and Penalties**

49 **5.48.080 Appeal of Decision**

50

51 **5.48.010 Definitions**

52

53 **“Short-term rental” means a dwelling unit, or portion thereof, that is offered or provided**
54 **to a guest for compensation for a period of less than 30 consecutive days. Short-term**
55 **rentals may be in individual rooms in single-family homes, units in apartments,**
56 **condominiums, townhouses, and multifamily dwellings.**

57

58 **“Guest” means an individual, corporation, partnership or association paying monetary**
59 **or other consideration for the use of a short-term rental.**

60

61 **“Operator” means a person, firm, corporation, or other designated legal entity, who**
62 **offers for rent or otherwise makes available in the City dwelling units for monetary or**
63 **other consideration.**

64

65 **“Property” means real estate offered by an operator as a short term rental.**

66

67 **5.48.020 Intent**

68

69 **The intent of this chapter is to protect general health and safety of the public within the**
70 **City of Homer while ensuring short term rentals are operated in such a way that they pay**
71 **any applicable fees or taxes and do not create a public nuisance which decreases quality**
72 **of life for neighboring residences.**

73

74 **5.48.030 Short Term Rental Permits**

75

76 **a. Any owner wishing to make a dwelling unit available for use as a short term rental**
77 **must apply for and receive approval of a short term rental permit for each**
78 **intended unit.**

79

80 **b. An annual short term rental permit application shall be submitted on a specified**
81 **form or platform provided by the City before offering a dwelling unit for rent. The**
82 **application shall include a fee as set by the City Council in the City’s fee schedule.**

83

84 **c. No short term rental operator shall offer, advertise, or facilitate the short term**
85 **rental of property in the City unless the operator possesses a valid short term**

86 **rental permit. Any offer or advertisement for the short term rental of property in**
87 **the City that does not contain a valid short term rental permit number, or which**
88 **the City identifies as illegal, shall be immediately removed.**

89
90 **d. Required Information and Documentation: Applications shall provide:**

- 91
- 92 **1. Name, address, phone number, and email of the property owner, and, if**
93 **different from the owner, the short term rental operator.**
 - 94
 - 95 **2. A general description of the dwelling unit to be used as a short term rental**
96 **to include address, zone district, number of bedrooms, and available**
97 **parking spaces compliant with City code.**
 - 98
 - 99 **3. A 24-hour emergency contact residing within 50 miles of city limits.**
 - 100
 - 101 **4. State business license number.**
 - 102
 - 103 **5. Certification by the Kenai Peninsula Borough Finance Department in a tax**
104 **compliance certificate that the applicant is current in the payment of any**
105 **sales tax to the City and the Kenai Peninsula Borough.**
 - 106
 - 107 **6. Completed fire safety inspection form for the dwelling unit.**

108
109 **e. Permit Number: Short term rental permits will be issued a unique permit number**
110 **which must be displayed in all advertisements and public listings for the short**
111 **term rental.**

112
113 **f. Permit Renewal: Short term rental permits must be renewed annually and are**
114 **valid from January 1 to December 31.**

115
116 **g. Transfer of Permits: Annual short term rental permits are transferrable between**
117 **owners with City Manager or designee approval, provided the use and operations**
118 **remain consistent. Permits are not transferrable between units or parcels.**

119
120 **5.48.040 Permit Renewals**

121
122 **a. Short term rental permits may be renewed starting November 1 each year using**
123 **the form or platform provided by city, and shall include a fee as set by Council in**
124 **City Fee Schedule.**

127 **b. Permits are eligible for renewal if the property and dwelling unit comply with all**
128 **applicable City regulations, taxes, fees are paid, and there are no outstanding**
129 **public safety or public nuisance violations.**

130

131 **c. Expired permits require a new application to resume short term rental use.**

132

133 **5.48.050 Nonconforming Uses**

134

135 **a. Existing short term rentals with proof of operation and sales tax remittance to the**
136 **Kenai Peninsula Borough within the period between January 1, 2020 and**
137 **December 31 2023 will be exempted as non-conforming uses if they meet all other**
138 **short term rental standards, even if they are located in zones no longer principally**
139 **permitting such use.**

140

141 **b. Non-conforming short term rentals not used for 18 months or not permitted by**
142 **[DATE] will cease to be available on the property.**

143

144 **c. Approvals of non-conforming short term rental permits are transferrable to new**
145 **property owners upon request, provided updates are made to the information on**
146 **file with the City.**

147

148 **5.48.060 Public Safety, Noise, and Nuisances**

149

150 **a. Capacity: Maximum occupancy for a vacation rental is two persons per bedroom**
151 **plus an additional two persons (e.g., a two-bedroom unit may have six occupants).**
152 **Children aged 12 and under are not counted toward the occupancy total.**

153

154 **b. Emergency Contact: The Emergency Contact provided on the permit application**
155 **will be shared with the Homer Police Department and all neighboring properties**
156 **within 300 feet of the parcel containing the permitted short term rental unit(s).**
157 **The permit holder must promptly notify the City of any changes to the designated**
158 **emergency contact information.**

159

160 **c. Fire Department Access: Properties with gated entries must have a Fire**
161 **Department approved device that allows emergency response access.**

162

163 **d. Noise: Short term rentals are subject to HCC 21.59.010 (b) regarding noise.**

164

165 **e. Nuisance: Any property with an unresolved nuisance complaint under HCC**
166 **Chapter 5.16 is ineligible for short term rental permit approval or renewal.**

167

168 **f. Parking: Short term rentals must have sufficient off-street parking, validated by**
169 **the City planner or designee.**

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5.48.070 Violations and Penalties

- a. **Operating a short term rental without a permit, or in violation of this chapter, is unlawful.**

- b. **The City Manager, or designee, may revoke a permit for a short term rental upon finding one or more of the following:**
 - 1. **Negligence in responding to emergencies more than two times in a rolling 12-month period.**

 - 2. **More than two documented law enforcement violations related to the short term rental in a rolling 12-month period.**

 - 3. **Chronic non-compliance with the requirements this chapter’s requirements.**

 - 4. **Failure to pay required sales taxes to the Kenai Peninsula Borough.**

 - 5. **Failure to correct noted Building or Fire code violations.**

 - 6. **Documented, significant violations supported by citations, written warning, or other documentation from relevant authorities.**

- c. **The penalty for an offense in this chapter is the fine listed in the fine schedule in HCC 1.16.040. If no fine is listed for the offense in HCC 1.16.040, then the defendant must appear in court, and, if convicted, is subject to the general penalty as provided in HCC 1.16.010 unless another penalty is specifically provided.**

5.48.080 Appeal of Decision

Judicial review by the superior court of a final decision on a short term rental permit issued by the City may be had by filing a notice of appeal in accordance with the applicable rules of court governing appeals in civil matters. The notice of appeal shall be filed within 30 days of notice of the final decision on the permit. Appeals of short term rental permits are heard solely on the administrative record which shall be prepared by the City. A copy shall be filed in the superior court within 30 days after the appellant pays the estimated cost of preparing the complete of designated record or files a corporate surety bond equal to the estimated cost.

Section 2. Homer City Code 1.16.040, entitled “Disposition of scheduled offenses – Fine Schedule” is hereby amended as follows:

213

Chapter 5.46 HCC	Special event – Permit required	\$1000
Chapter 5.48 HCC	Short term rental – Permit required	\$100 per day
HCC 8.08.020	Itinerant or transient merchant – License required	\$300.00

214

215 Section 3. This Ordinance is of a permanent and general character and shall be
216 included in the City Code.

217

218 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA this ____ day of _____, 2018.

219

CITY OF HOMER

221

222

223

KEN CASTNER, MAYOR

224

225

226

227

228 ATTEST:

229

230

MELISSA JACOBSEN, MMC, CITY CLERK

232

233

234 YES:

235 NO:

236 ABSTAIN:

237 ABSENT:

238

239 First Reading:

240 Public Hearing:

241 Second Reading:

242 Effective Date:



MEMORANDUM

Ordinance 23-61 An Ordinance of the City of Homer, Alaska Amending Homer City Code Title 5 to Add Chapter 5.48 Short Term Rentals. Aderhold/Davis.

Item Type: Backup Memorandum
Prepared For: City Council
Date: 25OCT23
From: Rob Dumouchel, City Manager

Short term rentals are a very common business operated by property owners in Homer. These businesses support the local tourist economy, and, when in compliance with existing sales tax regulations, create revenue to support City services. Short term rentals are also perceived as creating pressure on the local housing market making it difficult for seasonal workers and year-round community members to find housing within the City. Homer's housing challenges are significantly more complex than this one issue, however, short term rentals are clearly a contributor to the lack of availability and affordability in our local housing market.

Ordinance 23-60 seeks to create a very basic framework for short term regulations with the goal of ensuring these rentals are operated safely, do not create public nuisances, and are contributing their fair share of sales tax as required by existing code. We expect this to be an iterative process where a basic code is put in place in 2024. That code should then be reviewed in future years to adjust and fine tune the short term rental program to best meet the needs of the City and the community.

It is recommended that this ordinance be introduced and then sent down to the Planning Commission and Economic Development Commission for extensive review and commentary. There are many questions which need to be investigated by each Commission. We also have stakeholder groups we'd like to engage with this draft.

A companion ordinance will be required to add short term rentals to Title 21 as a specific use that is either principally or conditionally allowed within specific zone districts. I suggest that the Planning Commission take up the zoning discussion in parallel to the short term rental ordinance and send their recommendations to Council when complete.

RECOMMENDATION: Introduce Ordinance 23-61, refer to the Planning Commission and Economic Development Advisory Commission, and schedule Public Hearing and Second Reading for February 24, 2024.



City of Homer

www.cityofhomer-ak.gov

Office of the City Manager

491 East Pioneer Avenue
Homer, Alaska 99603

citymanager@cityofhomer-ak.gov

(p) 907-235-8121 x2222

(f) 907-235-3148

Memorandum

TO: Mayor Castner and Homer City Council
FROM: Rob Dumouchel, City Manager
DATE: September 27, 2022
SUBJECT: Short Term Rentals – Research Findings

The City struggles with a shortage of available housing and short-term rentals (STRs) are perceived as a significant contributor to the problem. STRs, generally defined as rooms and dwellings rented for 30 days or less, have proliferated around the country in recent years. STRs are particularly popular in Homer, and many individuals benefit from the revenues generated by STR opportunities. Unfortunately, there are also negative externalities associated with STRs, the most commonly referenced by the public at this time is that STRs are a perceived to be a major impediment to housing for Homer's workforce.

A deep dive into housing challenges was identified as a Council priority during the 2022 Visioning work session held in March at the Pratt Museum. Since that time, staff have been working to analyze the STR issue to see if the available data matches with the perceptions of the public.

The special projects team is delivering a series of informational memos and work session presentations to get Council up to speed on the current STR context in Homer and showcase solutions that are employed in other parts of Alaska and the Western United States. Here are the steps taken thus far:

1. Background research – Research into the basics of short-term rentals, short-term rentals in Homer, and case studies
2. Public engagement – Economic Development Commission; Chamber of Commerce Luncheon
3. Information work session October 10, 2022: Present foundational data and case studies

We expect that after our first work session, we will reconvene with Council in a follow up session to discuss preferred pathways for moving forward.

Attachments

Background Information Memorandum

Case Study Comparison Matrix

Presentation Slides



City of Homer

www.cityofhomer-ak.gov

Office of the City Manager

491 East Pioneer Avenue
Homer, Alaska 99603

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Memorandum

TO: Mayor Castner and Homer City Council

FROM: Rob Dumouchel, City Manager; David Parker, Special Projects Coordinator; and Ryan Foster, Special Projects Coordinator

DATE: September 27, 2022

SUBJECT: Short Term Rental Basics

The popularity of short-term rentals (STRs)¹ have exploded in the last decade with the development and proliferation of online and app-based services such as Airbnb and VRBO. STRs are particularly popular in Homer with an estimated 326 units available, a significant portion of the local housing stock. This memo presents the positive and negative impacts of STRs, local context for STRs, and provides case study information regarding STR regulations methods found in other communities.

Impacts of STRs

For many years, the public perceptions around STRs in Homer have been largely positive. Anecdotally, STRs have been a method that many residents have used to enhance their income and ensure that they are able to continue to afford living in Homer as a permanent resident. The problem is that as this “side hustle” has grown more common, STRs are also seen as a force that is displacing potential residents and seasonal workers. While the increase in STR inventory is great for tourists, it appears to be coming at the price of the labor required to service the tourists that flock to Homer every summer.

Potential positive effects from STRs are many, perhaps the most acknowledged is that an increase in available STRs in areas with an established or burgeoning tourist industry can augment the number of hotel rooms, increasing opportunities for both businesses and tourists. For non-corporate STR operators, there is increased revenue from “home sharing” in which they rent a portion of their residence to supplement 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, including increased revenue and lower costs. In a 2019 study published in the Harvard Business Review² home sharing through Airbnb contributes to ~20% of the average annual rental increases in the US and approximately 7% of housing cost. Other studies have similarly found that STRs can result in higher property prices and rents for homeowners.³ One public upside

¹ 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.

² <https://hbr.org/2019/04/research-when-airbnb-listings-in-a-city-increase-so-do-rent-prices>

³ Zou, Z. (2019). Examining the impact of short-term rentals on housing prices in Washington DC: Implications for housing policy and equity. *Housing Policy Debate*.

to the increased costs is the potential for increased tax revenues for local governments.⁴ Additionally, some researchers have found that there is a correlation between STRs and increases in tourists and tourism jobs.⁵ While many of these factors are positive for landowners, they don't necessarily benefit year-round residents nor seasonal workers.

There are several associated downsides to the proliferation of STRs. The negative externality most feared by those in Homer is that whole unit STRs reduce the number of available rental properties for residents and seasonal workers. This reduction of housing has a ripple effect across the local economic system, impacting businesses who need employees, customers of those businesses who need services and products, and local governments who rely on property taxes. Other negative impacts of STRs can include increased competition for parking; reduced security and increased disruption by noise and steady flow of strangers within neighborhoods⁶; closure of lower end hotels, income disparity among residents;⁷ an undermining of community character and reduction in residents which support community activities;⁸ and gentrification, residential segregation, and inequality.⁹ Research suggests that the density of STRs in any one neighborhood is a major contributor to the level of disruption caused by the land use. Areas with higher owner occupancy rates are less impacted by the influences of STRs, indicating that whole unit rentals are mostly rented by landlords who are not "on site," indicating that most impacts on the community are from STRs resulting from an investment property.¹⁰

Short Term Rental (STR) Context for Homer, AK

The housing market is known to be tight in Homer. Many locals perceive one of the major issues to be an overabundance of STRs versus long-term rentals. Looking at the available non-commercial residential parcels (2,201), the number of active STR listings (~326), and an average of only eight active Craigslist postings per week for long-term rentals, it's not difficult to see how people have come to believe that there is a serious housing problem in Homer.

The City of Homer has approximately 5,922 full-time residents living in 2,261 households, of which 1,415 (62.6%) are owner occupied.¹¹ According to the most recent tax census from the Kenai Peninsula Borough (KPB), the City of Homer includes 4,458 parcels, of which 2,201 (49.4%) are non-commercial residential. Of the residential parcels, 83.5% (1,837) are listed as containing a single residential dwelling, 7.5% (163) are parcels with 2 – 4 residential dwellings, 4.7% (105) are condominiums, 3.6% (79) contain mobile homes (1 – 4), and less than 1 % (17) is a single residential cabin. A common assertion from some members of the public is that corporations are actively buying up residential properties and displacing regular homeowners. At this time, the data does not appear to back that assertion as only 4.4% (96) of residential

⁴ Kasturi, P., & Loudat, T. (2014). Economic impact of transient vacation rentals (TVRs) on Maui County, Hawaii. *Global Journal of Management and Business*, 14(1).

⁵ Jorday, E., & Moore, J. (2018). An in-depth exploration of residents' perceived impacts of transient vacation rentals. *Journal of Travel & Tourism Marketing*, 35(1), 90-101.

⁶ Wegmann, J., & Jiao, J. (2017). Taming Airbnb: Toward guiding principles for local regulation of urban vacation rentals based on empirical results from five US cities. *Land Use Policy*, 69, 494-501.

⁷ Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harvard Law & Policy Review*, 10.

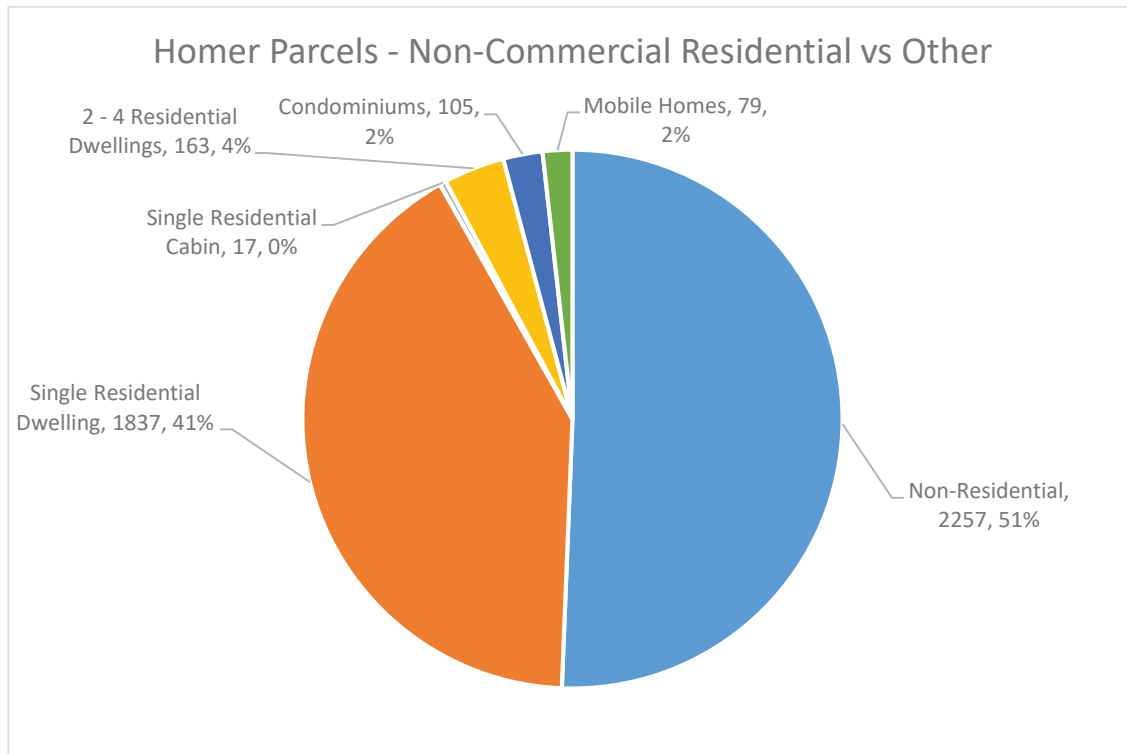
⁸ Jorday, E., & Moore, J. (2018). An in-depth exploration of residents' perceived impacts of transient vacation rentals. *Journal of Travel & Tourism Marketing*, 35(1), 90-101.

⁹ Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harvard Law & Policy Review*, 10.

¹⁰ <https://hbr.org/2019/04/research-when-airbnb-listings-in-a-city-increase-so-do-rent-prices>

¹¹ <https://www.census.gov/quickfacts/homercityalaska>

parcels are owned by a limited liability corporation (LLC). A further 12.4% (272) are owned by a trust, however, that does not necessarily indicate that the home is not owner-occupied.



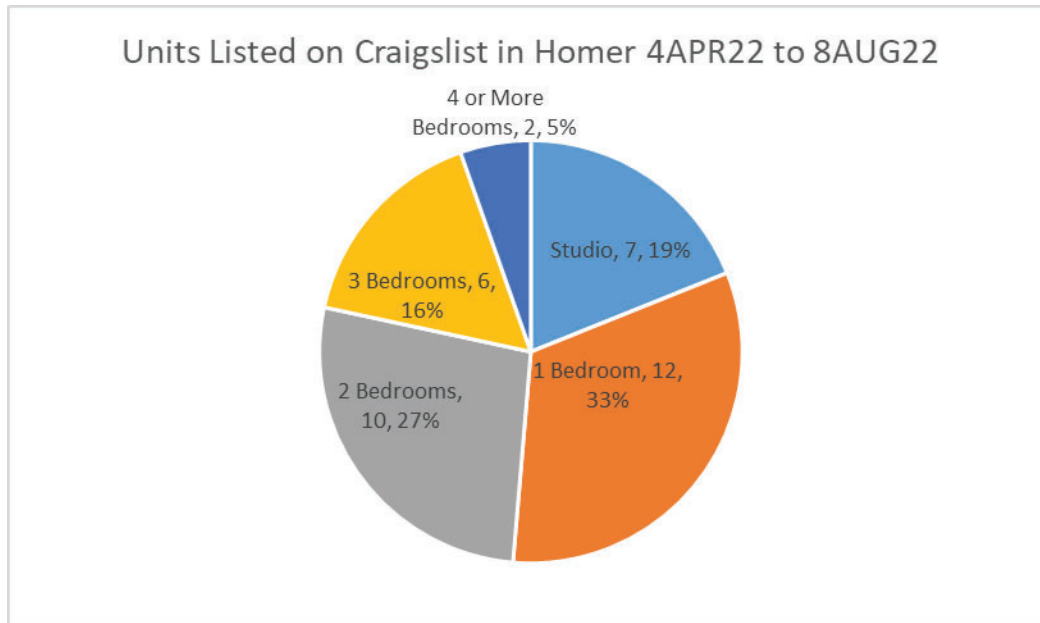
Current estimates on the number of short-term rentals (STRs) listed on Airbnb, VRBO, and other sites for the City of Homer is 326 units, which accounts for almost 15% of all the residential dwellings in Homer and 38.5% of all non-owner-occupied housing (per 2020 US Census statistics)¹². At an average of 2.63 people per household in Homer¹³, STRs may have displaced as many as 769 potential year-round residents. The average daily rent for the high season (May, June, July) is \$295 and \$195 for the low season. During the lower rent season, both the daily average rent and the number of units listed decrease, while the number of available units increases. A conservative estimate on the revenue generated for the high rental season using an average daily rent of \$295 for 326 units at 85% occupancy is \$7,520,494. For the lower rental season, assuming a 30% occupancy of 296 units at a reduced average cost of \$195 per night for half the remaining nights of the year (137) would generate \$2,372,292 in total rent. The total estimated rent for STRs annually is \$9,892,786. Assuming 60% of the units are currently registered as a business and are paying the appropriate tax, this unrealized revenue to the City of Homer would be \$191,920. This represents 4.85% sales tax.

The long-term rental market is difficult to track. People in Homer use Craigslist, Facebook, community message boards, word of mouth, and other methods to find housing. As a representative sample of the health of the long-term rental market, we tracked listings on Craigslist from April 4, 2022, to August 8, 2022. Every Monday, we would visit the site and use the map tool to identify listings that were available within the city. During the 17-week period of observation, only 38 unique listings were recorded. Of those, only 35% were available as year-round rentals and only 62% were available during all, or part, of the summer tourist season. The average price for a rental during this period was \$1,591 and the median was \$1,500. Daily prices

¹² <https://www.census.gov/quickfacts/homercityalaska>

¹³ <https://www.census.gov/quickfacts/homercityalaska>

ranged from \$520 for a dry cabin to \$4,000 for a larger property with six bedrooms. Most of listings were one-bedroom or studio apartments, and 68% of listings came either fully or partially furnished.



When comparing the income potential for a long-term rental (net income of \$19,092 per year) versus the (possible but unlikely) scenario of an STR that is booked daily (net income of \$106,200 at \$295/night average), it's easy to see why so many homeowners are tempted to exit the long-term rental market. Using the more realistic and conservative booking estimate from earlier in this memo of 85% occupancy at \$295/night in May through July and 50% occupancy at \$195/night the rest of the year, the average unit would be on track to generate over \$30,000, a significant increase in annual profit over a traditional long-term rental.

	Daily	Weekly	Monthly	Yearly
Avg. Long Term Rental	\$52.31	\$367.15	\$1,591	\$19,092
Avg. Short Term Rental –	\$295	\$2,065	\$8,850	\$106,200

A Look at STR Regulation

As the STR market increases across the US, there is no reason to believe these trends will decrease. Because of the impact on local communities, it is important for municipalities and units of government to develop guidance, policy, and codes to regulate this industry. The City of Homer is starting with a blank slate, we currently have no regulations related to STRs. As we begin to consider options for regulation, staff is very conscious of the need to balance efforts between maintaining the community, promoting economic opportunity, and ensuring businesses are registered and taxed. This will require an intentional effort to educate and engage the community. It will also require a significant amount of leadership from Council and Administration to carefully change the culture and regulatory structure around STRs.

There are several benefits to short-term rental regulatory programs:

- Life Safety inspections can ensure that rentals are safe for commercial use.
- Ensures short-term rental owners are remitting both 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 such as noise and parking

Along with benefits, there are challenges to short-term rental regulatory programs:

- May discourage STR small businesses
- Permitting and regulations can be an administrative/cost burden
- Fear of uncertainty
- Unintended consequences, such as leapfrogging STRs outside City limits
- Ensuring regulations fit the community
- Housing is a multifaceted challenge and STR regulations alone cannot fix a housing availability issue

As there is no bed tax in Homer, the taxes charged would be the regular sales tax of 4.85% daily up to \$500 rental per day.

Case Studies

Issues surrounding STRs are not unique to Homer. All over the country different municipalities are struggling to find solutions that fit their cities appropriately. The following provides an analysis of eight similar sized, outdoor oriented communities, each with substantial vacation visitors, and the steps they have taken to create a regulatory framework for short-term rentals. The attached Short-Term Rentals Case Study Comparison Matrix provides a detailed comparison of all eight-case study short-term rental regulatory programs.

Seward, AK

In 2019, Seward introduced a permit application for all short-term rentals and began using automated software that tracks vacation rental apps and websites 24/7 so city staff can compare that information to tax rolls. This ensures vacation rental owners are in compliance with the program, including remitting both city and borough sales tax, as well as the city's local bed tax. The regulatory program for Seward is unique in several aspects:

- A City of Seward and Alaska State Business license is required.
- There is no short-term rental application fee.
- Principal owner is required to be on-site in single family and two-family zoning districts.

Palmer, AK

In 2018, Palmer introduced a permit application for all short-term rentals. This ensures vacation rental owners are in compliance with the program, including remitting both city and borough sales tax, as well as the city's local bed tax. The regulatory program for Palmer is unique in two key aspects:

- There are 5 permit types, the most of eight case studies evaluated.
- Certain permit types and zoning districts require adjacent property notification.

Other Alaska Cases

Sitka, AK is currently considering a one-year moratorium and a short-term rental regulatory program. Juneau, AK is currently considering a short-term rental regulatory program.

Taos, NM

On April 1, 2022, the City of Taos Planning Department began accepting applications for short term rentals, with a maximum of 120 permits available in the City. Applications are submitted through an online portal. The regulatory program for Taos is unique in several aspects:

- A maximum of 120 Short-Term Rental permits available.
- Short- term rentals are explicitly prohibited from the Central Business District and Historic Districts/Overlays.
- Violations can result in a misdemeanor offense.

Aspen, CO

In December 2021, Aspen City Council approved a temporary moratorium on the issuance of short-term rental (STR) permits. Council's decision to impose this moratorium was a direct response to community impacts from under-regulated land use. Ordinance No. 26, Series 2021 was a necessary tool to create space for engagement, analysis, policy development, and decision making. This temporary moratorium on the issuance of STR permits is currently in effect and is scheduled to extend until September 30, 2022, with the City accepting applications in October of 2022. There will be three permit types differentiated based on the permittee's residency, zone district, and usage of the unit, and each permit type has different regulatory and financial requirements:

- *Lodge-Exempt (STR-LE) Permit*
 - Available to lodging and condo-hotel properties which meet the definition of “lodge” and/or “condo-hotel” per Ordinance No. 9, Series 2022.
 - No annual limit on the number of nights per year the STR may operate.
 - Not limited by number in any zone district where STR is a permitted use.
 - One permit may cover the entirety of the lodge and/or hotel.
 - Batch filing of taxes is allowed.
- *Owner-Occupied (STR-OO) Permit*
 - Available to title property owners who reside in their City of Aspen residential property as their primary residence for a minimum of 6 months per year.
 - Limited to 120 STR rental nights per year.
 - Not limited by number in any zone district where STR is a permitted use.
 - Permittee must submit two pieces of documentation indicating that the STR address is the permittee's primary residence.
- *Classic (STR-C) Permit*
 - Available to non-owner occupied OR owner-occupied residential properties.
 - No annual limit on the number of nights per year the STR may operate.
 - Limited by number in certain residential zone districts; new applicants will be subject to a waitlist in zones with capped numbers of available STR-C permits.
 - Property owner name required on the application; LLCs without a verifiable name of a natural person will not be accepted.

Durango, CO

The City of Durango has allowed and regulated 'Tourist Homes' in certain parts of the City since 1989. The rise in popularity of online vacation rentals has led to the adoption of regulations that limit this use to appropriate areas. The goal of Durango's vacation rental program is to provide opportunities for property

owners to pursue this use while reducing potential impacts on neighborhood character and housing availability for City residents.

Vacation rentals are only permitted in the following zones: the Central Business zone, Mixed-Use zones, select Planned Development zones, and Established Neighborhoods (EN) 1 & 2. There is a cap on the number of available permits in the EN zones, with a total of 22 vacation rentals allowed in EN-1 and 17 in EN-2. In the other zones where vacation rentals are permitted, caps are applied on a development-specific basis, so that only a certain number of residential units may be permitted as vacation rentals within a certain building or development. Caps have been reached in most cases and properties must be placed on a wait list before being eligible to apply.

Pacific Grove, CA

Pacific Grove, CA provides two types of short-term rentals: a Short-Term Rental License for renting an entire dwelling unit, and a Home Sharing License for renting individual rooms of a residence. The regulatory program for Pacific Grove is unique in several aspects:

- Rentals are limited to Coastal and Commercial zones.
- The subject property must comply with the 55-foot Zone of Exclusion at the time of application. The zone of exclusion is the distance of fifty-five (55) lineal feet from an existing STR parcel boundary.
- Licenses are capped, with a maximum limit of 250 City-wide.
- Owner or property manager must reside within 30 minutes of property.

Palm Springs, CA

In April 2017 Palm Springs, CA amended the City's adopted Vacation Rental Ordinance. The new Ordinance imposed additional restrictions on occupancy and use of Vacation Rental properties in Palm Springs, and additional enforcement oversight. The regulatory program for Palm Springs is unique in several aspects:

- There are two main permit types: Vacation Rental Owner and Vacation Rental Agency, with an Estate Home Addendum for homes with more than 4 bedrooms.
- No limits on the number of rental nights, but a maximum of 36 contracts annually.
- Owner or property manager must respond to property within 30 minutes.
- Rentals are allowed in all zoning districts, though applications are limited to single family, duplex, and condominiums.

McCall, ID

The City of McCall, ID adopted new codes regarding Short-Term Rentals (STR) within the City on effective March 01, 2020. McCall is the least restrictive of the eight evaluated case studies, with no limits on zoning, the number of rental nights, the number of total rental permits, and no requirement for principal owner or operator to be on-site. McCall has two types of permits, less than 20 persons in a rental requires a declaration of compliance form, and 20 or more persons at a property requires a conditional use permit.

Summary of Case Study Findings

Most case study regulatory programs were created or updated recently, in roughly the 2017-2022 time period, in reaction to a new technology that has been highly utilized in only the last 10 years or so. While each of the case studies created a unique approach to a regulatory framework that fit their community, they generally fell 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

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 Operator Certificate Vacation Rental Agency Operator Certificate Estate Home Addendum for homes with more than 4 bedrooms Homershare Certificate	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
# 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. A maximum of 36 contracts annually	No limit
Principal Owner On-site Required	Yes, in single family 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
Inspections for Life Safety	Yes	Must comply with building codes	Yes	Yes	Must comply with building codes	Yes	Yes	Not required
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 Homershare 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
Enforcement Mechanism	Inspections, licenses, citizen complaints, permitting, fines/penalties	Permit Registration Suspension or Revocation	Violations can result in misdemeanor and revocation of STR permit	Inspections, citizen complaints, audits, permitting, fines/penalties	Permit Registration Suspension or Revocation	License denial, suspension, and revocation	License denial, suspension, and revocation, criminal sanctions, administrative penalties	Inspections, citizen complaints, licenses, permitting, fines/penalties

been high enough to cover mortgages on single-family homes. You can find that deal on a rare occasion, but it is usually a distressed sale. Most of our single-family home investments were in other areas of the state where rent fees would cover the mortgage with a little left over.

Homer is a destination that many in the world desire to move to, at least for some part of the year, and they are doing just that. So, unless we stop nonresidents from moving to Homer, this will always be a market driver. In addition, the world is trying to recover from the turmoil the pandemic created. As a result, inflation is high, and expenses on most everything are high, including construction costs. So, taxing ourselves into affordable housing will not work. *However, the solution that will help the issues at hand is tax incentives to create long-term rentals.*

Imposing taxes on something makes the costs higher for the consumer. But on the other hand, creating tax incentives gives the free enterprise an incentive to create what is needed. Right now, it does not financially make sense for someone to lease out their home for a fixed long-term rental as current market value rents do not cover the principal payment, interest, taxes, and maintenance on their home. There is currently no incentive to rent your property as a long-term rental. So be cautious about taxing a single sector; you could be next. Let's look at all the possible tax options; a beer tax, a fishing pole tax, a meal tax, a flight tax, a kayak tax, and on and on. These are all possibilities for the City of Homer to tax. **TO BE CLEAR, I DON'T LIKE ANY OF THOSE**, nor am I recommending these additional taxes; I'm just making a point on taxing a single sector.

Some final thoughts:

The City of Homer's recent case study only pulled rental availability data from Craigslist. Craigslist is not the best way to find rentals today; it is outdated, and there are many better options now with endless social media options.

Please don't assume every nice person is qualified to own or rent. As long-term rental owners, we see many unqualified applicants. Yes, this is something that should be considered. Some people do not qualify to live on someone's property: too many dogs or cats, owner of a dangerous breed, a criminal history, no job or not enough income to cover rents, no or bad rental history, no or poor credit, and many other factors. To make a long-term rental work, the owner needs to know that their property will not incur damage, that rents are paid, and that they will make some sort of profit in order to make the trouble of being a landlord financially beneficial.

If Short term rental owners are not paying the required sales tax, then the City needs to enforce the law/rules on the books; not look for ways to create new ones.

I appreciate your consideration of creating tax incentives instead of additional private sector taxation.

Thank you.

Dave Mastolier
Long-time Homer resident.
(907)399-1775

2885 Kachemak Drive
Homer, AK 99603

Department of Commerce, Community, and Economic
Development

DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING

[State of Alaska / Commerce / Corporations, Business, & Professional Licensing / Business Licensing / PropertyRentalFAQs](#)

BUSINESS LICENSING

AirBnB, mother-in-law apartments, and property rental FAQs

1. I want to operate an AirBnB. Do I need an Alaska Business License?

Airbnb is an accommodation-sharing online marketplace which lets people rent out their properties or spare rooms to guests.

Yes, if you are collecting rental income then you are engaged in business activity and an Alaska Business License is required.

Per [AS 43.70.020\(a\)](#) a business license is required for the privilege of engaging in a business in the State of Alaska.

Per [AS 43.70.110\(1\)](#) “Business” means a for-profit or non-profit entity engaging or offering to engage in a trade, a service, a profession, or an activity with the goal of receiving a financial benefit in exchange for the provision of services, or goods, or other property.

Per [AS 43.70.020\(f\)](#) a business license may cover multiple lines of business. For more information go to: [Multiple Lines of Business FAQs](#)

In addition, if your business structure is an entity (i.e. corporation, LLC, LLP, LP, etc.), per Alaska Statute Title 10, then you must register your entity prior to obtaining an Alaska Business License; for more information go to: [Corporations Section](#)

TIP: prepare before you begin to get licensed by going to: [How To Get Licensed](#)

2. I have a “mother-in-law” apartment and I want to rent it out. Do I need an Alaska Business License?

A “mother-in-law” apartment is a small apartment attached to or next to a house, ostensibly intended for occupancy by a mother-in-law or other relative, but potentially also rented out to a stranger.

Yes, if you are collecting rental income then you are engaged in business activity and an Alaska Business License is required.

Per [AS 43.70.020\(a\)](#) a business license is required for the privilege of engaging in a business in the State of Alaska.

Per [AS 43.70.110\(1\)](#) “Business” means a for-profit or non-profit entity engaging or offering to engage in a trade, a service, a profession, or an activity with the goal of receiving a financial benefit in exchange for the provision of services, or goods, or other property.

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TIP: prepare before you begin to get licensed by going to: [How To Get Licensed](#)

3. I have a room I want to rent it out. Do I need an Alaska Business License?

Yes, if you are collecting rental income then you are engaged in business activity and an Alaska Business License is required.

Per [AS 43.70.020\(a\)](#) a business license is required for the privilege of engaging in a business in the State of Alaska.

Per [AS 43.70.110\(1\)](#) “Business” means a for-profit or non-profit entity engaging or offering to engage in a trade, a service, a profession 62 an activity with the goal of receiving a

financial benefit in exchange for the provision of services, or goods, or other property.

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TIP: prepare before you begin to get licensed by going to: [How To Get Licensed](#)

4. I have rental property I want to rent out. Do I need an Alaska Business License?

Yes, if you are collecting rental income then you are engaged in business activity and an Alaska Business License is required.

Per [AS 43.70.020\(a\)](#) a business license is required for the privilege of engaging in a business in the State of Alaska.

Per [AS 43.70.110\(1\)](#) “Business” means a for-profit or non-profit entity engaging or offering to engage in a trade, a service, a profession, or an activity with the goal of receiving a financial benefit in exchange for the provision of services, or goods, or other property.

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TIP: prepare before you begin to get licensed by going to: [How To Get Licensed](#)

5. Will I need a business license from my local government, municipality, city, or village?

Check with your local government or agency for any additional business licensing requirements, potential restrictions per local ordinances, and/or sales tax requirements.

6. IMPORTANT – Check with other agencies.

After you have met the requirements of this Division there will be other agencies you need to work with to ensure compliance with local, state, and federal government requirements.

For more information go to: [Business Structure FAQs and click your entity type.](#)

For additional resources, which may provide technical, informational or advisory assistance, go to:

- [Alaska Small Business Development Center](#)
- [IRS Small Business Center](#)
- [Small Business Assistance Center](#)
- [U.S. Small Business Administration](#)
- [Workshops for Small Business](#)

In addition, you may wish to contact a professional association or organization affiliated with your business activity.

If you need further assistance you are advised to seek the services of an attorney or other qualified professional.

7. Where can I find additional information on landlord and tenant rights?

[Landlord and Tenant Information](#)

[The Alaska Landlord & Tenant Act: what it means to you](#)

In addition, landlords and tenants should read and familiarize themselves with the Alaska Uniform Residential Landlord and Tenant Act ([AS 34.03.010 – 34.03.380](#)).

Complaint FAQs

[Complaint FAQs](#)

This Division does not provide legal advice. The information contained within these webpages is provided for your convenience and is not to be interpreted as legal advice. It is

your responsibility to know what your registering, reporting and filing requirements are based on your specific business activities. Not knowing what is expected of you may not preclude you from the legal obligation to meet these requirements and compliance with the law. You are encouraged to seek the advice of a professional, such as a Certified Public Accountant (CPA) and/or Attorney if you need additional assistance.

Contact Us

When contacting this office, please direct your questions to the appropriate Section: Corporations, Professional Licensing, or Business Licensing. Each Section specializes in its own requirements per Alaska statutes and regulations.

Professional Licensing Section

Email: License@Alaska.Gov

Corporations Section

Email: Corporations@Alaska.Gov

Business Licensing Section

Email: BusinessLicense@Alaska.Gov

Mission Statement

Ensure that competent, professional and regulated commercial services are available to Alaska consumers.

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8:00am-11:30am

12:30pm-3:00pm

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Landlords or Lodging Providers

Helpful Tips Regarding the Sales Tax Code



Sales Tax Division
Finance Department
Kenai Peninsula Borough
Soldotna, Alaska 99669
salestax@kpb.us Email
(907) 714-2170 Office
(800) 478-4441 Toll Free
(within the borough)

Introduction

The Kenai Peninsula Borough Finance Department (Department) is responsible for educating and confirming compliance with the Borough's Sales Tax Code (Code).

Education

Written Material - The Borough makes information available in order to assist sellers in understanding their responsibilities under the KPB Code. This includes: KPB Code publication; jurisdictional calculation charts; return forms; notification of changes in the KPB Code; forms required to claim refunds, to file a protest, or to apply for a resale or exempt certificate. Forms are found on our webpage: kpb.us/finance-dept/salestax

Assisting Sellers - The Staff in the Finance Department are willing and glad to answer any of your questions concerning sales tax. This includes specific questions regarding the KPB Code or help with compilation of returns. Please feel free to call upon the Staff if you have questions.

Confirm Compliance

Random Review of Borough Records - The Department monitors significant account changes, delinquent accounts, and changes in industries to ensure all sellers are treated fairly according to the KPB Code.

Random Audits - The Department performs audits on sellers to: check the correctness of the Borough's records; determine the accuracy of the seller's reported sales versus their bookkeeping records; and to answer the seller's questions.

Confirm Registration - The Department investigates and assists in registering all sellers conducting business in the Borough.

Reminders

As a seller registered to collect sales tax there are a few items you may want to keep in mind.

Landlord - Defined as any seller who is providing rent or leasing services for land, building, or dwelling units regardless of the amount of time (nightly or longer).

Temporary Lodging - The KPB Code requires that all temporary lodging (lodging services provided for less than 30 days to the same party) be taxed on a per room - per night basis subject to the first \$500 maximum per sale transaction, on a per room - per night basis, KPB 5.18.430(D).

Utilizing \$500 Maximum Gross Sale Exemption - Sales tax shall be applied only to the first \$500 of each separate sale, rent, or service transaction except:

- 1) The payment of rent, whether for real or personal property, in excess of \$500 and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each. This means that a lease agreement needs to be broken down into individual months, KPB 5.18.430(A).

Example: A 3 month rental for \$900 equates to 3 months of \$300 each month, therefore, in a 6% tax jurisdiction, \$54 in tax is collected for the 3 months, or \$18 per month.

- 2) When it relates to temporary lodging (refer to above).
- 3) Recreational sales shall be treated on a per person per day basis and therefore the maximum tax computation shall be calculated on a per person per day basis. For purposes of this subsection, the term "person" means an individual human being.

Using an online marketplace or online travel agency for booking lodging - When landlords utilize online facilitators to market their rental properties whether for monthly rentals or recreational lodging, it is the responsibility of the property owner to properly collect and report the correct sales tax. When creating the online listing, it is incumbent on the landlord to assess sales tax based on the total price of rental; total price includes all additional

charges such as cleaning or pet fees passed on to the tenant. The rate of sales tax is to be based on the total sale, taxing at the jurisdiction rate where the property is located. Recreational lodging is taxed based on the total per unit per night charge, and is only eligible for “Maximum Tax”, consideration when the nightly per unit rate exceeds \$500.

- Examples of online market places are: VRBO, AirBnB, Orbitz, Tripadvisor, etc..

Determining Taxing Jurisdiction

The taxing jurisdiction for rentals is the place where the real property is located.

- Restriction on Imposition of Tax - The seller shall, whenever feasible, separately state the tax to the buyer on each taxable transaction, KPB 5.18.410(A).
- Agent - The seller is acting as an agent for the Borough by collecting and remitting sales tax to the Borough. Taxes collected from the buyer are Borough funds.
- Determination of Charging Tax - The seller is responsible for all sales tax collected and those taxes that should have been collected. It is the responsibility of the seller to determine if a sale is exempt or not exempt from sales tax. If there is doubt, collect the sales tax and contact the Borough for a determination. A refund to the buyer is possible.
- Personal Property Tax - All businesses are required to file a Business Personal Property Statement with the Borough Assessing Department prior to February 15th of each year. Business Personal Property consists of items used to operate a business, such as washers, dryers, all types of furniture, etc. For more information on what items are taxable contact the Assessing Department at 262-4441.
- Accounting Records - If the seller's business is audited by the Borough, the seller's accounting records, federal tax returns, and filed sales tax returns will be reviewed to determine if reported gross sales coincide. Therefore keeping accurate and complete records is very important.

Package Deals

If sellers are providing a recreational package by themselves or with another business which offers recreational services (services provided by a seller for amusement, relaxation, diversion of attention, or play), the sales tax is to be calculated on each activity on a per-person per day basis at the rate of the jurisdiction where each day's service is rendered. The lodging component of the package is taxed on a per room per night basis at the rate of the jurisdiction where the lodging facility is located.

- Use of Resale Certificates by the Seller of Recreational Packages.
If any of the services included in the package are provided by other businesses and the seller of the package provides a valid resale certificate to those businesses, then the provider of the services would not charge sales tax to the package seller. If the seller of recreational packages does not have a valid resale certificate, the provider of the services would charge tax to that seller.
- Reporting the Sale of Package Deals – Assuming that no individual activity costs the purchaser of a package more than \$500 per person per day, the seller of the package collects sales tax on the full price of the package for the jurisdictions in which the activities of the package take place. The seller of the package would report the entire sale in gross sales. The provider of the service would report the sale as a sale for resale (a non-taxable item) if a valid resale certificate was provided by the seller of the package deal. If there was no valid resale certificate provided, the provider of the services would report the sale in his gross sales and also report the sales taxes collected.

Your Rights

If the seller disagrees with the Borough's final audit result, estimate result, exemption determination, or other sales tax determination, the seller has the right to appeal the final determination to court within 30 days.

- 1) If the seller disagrees with the written determination of the Borough Auditor, a protest may be filed with the Finance Director, KPB 5.18.580. The Director will review the methods used, documents presented, and results of the audit or estimate. The Director will issue a written decision regarding the validity of the audit or estimate. If the determination involves estimate results, as opposed to audit results, the Borough may require the seller to submit to an audit. If the seller disagrees with the Director's final written decision, the decision may be appealed within 30 days of distribution to the Superior Court in Kenai, Alaska.

- 2) If the seller or consumer believes a sale is exempt, either the seller or the buyer may protest taxing the sale by filing a protest with the Borough within 60 days of the date of the sale. The Mayor will issue a written determination regarding the exemption. The seller must continue to collect the tax until the Borough issues a determination regarding the exemption. If the exemption is allowed, the sales tax paid will be remitted to the consumer with the determination. The determination may be appealed within 30 days of distribution to the Superior Court at Kenai, Alaska, KPB 5.18.250.

- 3) If a written decision has been issued by the Mayor regarding application of the KPB Code to a particular factual situation, the decision may be appealed by the seller or taxpayer within 30 days of distribution to Superior Court at Kenai, Alaska, KPB 5.18.140(C).