HOMER HOUSING POLICY WORKGROUP RECOMMENDATIONS 2024 - 2025

MISSION

The #1 priority for the Homer Community for the next 10-20 years, per the Comp Plan Survey, is to "increase the supply and accessibility of affordable housing." Our mission is to identify policy tools that can help achieve both affordable and attainable housing.

> "Affordable Housing" is defined by HUD as **"**housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities."
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> "Area(wide) Median Income" for a household of 4 is $107,400 (huduser.gov). City of Homer median household income is $69,757 and non-family household income is $55,263 (US Census). By these measures, the monthly cost of attainable housing in Homer, including utilities, taxes, and insurance, is between $1,105 and $3,222.

VISION

Homer is a place where every community member has a home that they can afford. Attainable housing is the bedrock of sustainable economies, and community, family, and individual wellbeing.

Bed Tax

The City of Homer should advocate for a Kenai Peninsula Borough Bed Tax to provide much-needed revenue to institute programs and policies favorable to attainable housing and to provide slight disincentive to seasonal rentals in our neighborhoods, which contributes to rising housing costs.

• Definitions: Generally, the tax applies to stays of less than 30 continuous days at hotels, motels, inns, bed and breakfasts, lodges, VRBOs, Airbnbs, and other peer-to-peer rentals.

• Pros of this Approach:

1. There is a lot of money that can be raised from bed taxes. Consider, eg, in 2022, Seward raised over $700,000 with a 4% bed tax, Juneau raised over $2 million with a 9% bed tax, Anchorage raised over $12 million with a 12% bed tax.
2. The proposed KPB bed tax was estimated to raise $854,289 during the first year and about $5.3 million each year after.
3. An estimated 868,000 individuals traveled to the Kenai Peninsula in 2016
4. 49 other Alaska municipalities levy bed taxes which range from 4% to 12%
5. Funds could be used to create programs to incentivize attainable housing, such as those instituted in Valdez or Juneau.
6. Bed Taxes have not been shown to significantly harm tourism, and in the survey done by the Homer Comp plan, the public prioritized access to affordable/ attainable housing far above all other priorities.
7. We have an opportunity now as a Bed Tax was proposed at the Kenai Peninsula Borough Assembly in the Spring 2024; it was tabled, and a working group has been formed to look into it this winter. City of Homer Reps should be advocating strongly for passage with an attainable housing agenda.
8. Bed taxes can and should be tied to property tax exemptions for year-round rentals and year-round occupancy, allowable under **AS 29.45.050, allowable exceptions. AML said that the catch-all allowable exemption for “economic development” is very flexible and can capture this type of exemption**… Could tie exemptions to income, hardship, or families, or young business owners….Juneau has one for multi-family housing. Nome and North Pole also have similar structures.

• Cons of this Approach:

1. It is a challenge to get a tax passed in the Borough: Borough Assembly members voted down a bed tax in 2017 and 2018. In 2019, assembly members passed an ordinance to put the tax to a vote, but it was vetoed by the borough mayor. Assembly members then lacked the votes to override that veto.
2. A tax would have to be approved by a ballot measure and would take significant outreach.
3. Outreach at the level of the Chamber of Commerce will be time-consuming and take coordination.

• What are the fiscal implications of this policy?

One of the easiest, most direct ways to raise revenue to su

• Relevant data, examples, etc.

• The Soldotna City Council passed a bed tax last December, despite opposition from hotel operators. The city's four percent tax applies to all lodging booked within the city and takes effect in 2025 and is used to support a "Tourism Enhancement Fund."

• Homer News Article on KPB Bed Tax Discussion 2024

Short Term Rentals

Update language in current HHC Title 21.51.100 from "bed and breakfast" to "short term rental (STR)" will work to increase the supply and accessibility of affordable and attainable housing by protecting residentially zoned areas in the City of Homer for long-term residential use:

HHC 21.51.100 Short Term Rental (STR) facilities.

(i) This section applies to **STR** facilities in all districts in which such use is permitted or conditionally permitted.

(ii) a. A **STR** must be accessory to and in a dwelling occupied by the operator as the operator's primary residence.

(iii) b. A **STR** is limited to a maximum of five bedrooms for overnight guests.

(iv) c. Serving food to overnight guests is allowed.

(v) d. Signage is restricted to one residential sign that must be a building sign and otherwise comply with Chapter 21.60 HCC. [Ord. 08-29, 2008].

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• Definitions:
"Accessory building" means an incidental and subordinate building customarily incidental to and located on the same lot occupied by the principal use or building, such as a detached garage incidental to a residential building.

"Accessory use" means a use or activity that is customary to the principal use on the same lot, and which is subordinate and clearly incidental to the principal use.

"Bed and breakfast" means a dwelling in which an individual or family resides and rents bedrooms in the dwelling to overnight guests, if the bed and breakfast use is accessory to the principal use of the dwelling as the primary residence of the operator. If the dwelling has six or more bedrooms available for rental to overnight guests it is a hotel and not a bed and breakfast. (current HHC Title 21.51.100)

"Residential Zones" include Rural Residential (RO), Urban Residential (UR) and Residential Office (RO) as set forth in the HHC Title 21.

"Short-term rental" (STR) means a dwelling unit as defined by HHC Title 21, or portion thereof, that is offered or provided to a guest for compensation for a period of less than 30 consecutive days. Short-term rentals may be in standalone buildings, individual rooms in single-family homes, units in apartments, condominiums, townhouses, and multifamily dwellings. They may be operated as a bed and breakfast, not to include rooming house, commercial accommodations such as lodging, hotels, motels, dormitory, and hostels, as defined in Title 21.

• Pros of this Approach:

1. Protects Homer's housing market from escalating purchase prices due to competition with the hospitality industry.
2. Protects Homer from experiencing a shortage of property suited for quality residential neighborhoods due to the encroachment of the hospitality industry.
3. Protects the integrity of neighborhoods by ensuring neighbors are individuals and families, not businesses and transients.
4. Allows home-owners and tenants to afford to reside in neighborhoods with the benefit of income generated by STR businesses within or accessory to their homes.
5. Compatible with the existing zoning ordinance addressing bed-and-breakfasts and implements the original intention of HHC Title 21.51.100.
6. Protects the residential market from speculation by hospitality industry investors.
7. Stems competition by operator-absent STRs for visitor rentals operating in other than residential areas, i.e., benefits hotels, motels and STRs operating in nonresidential zones.

• Cons of this Approach:

1. Individuals and companies that have purchased and operated or intend to purchase and operate operator-absent STRs in Homer's residential zones will lose this hospitality business opportunity in residential zones.
2. Expansion of the hospitality industry in Homer will be limited to non-residentially zoned areas.
3. Visitors to Homer will not have the opportunity to rent STRs distinct from the operators' primary residential premises in residentially-zoned neighborhoods.

• What are the fiscal implications of this policy?

Residential property values will not reflect inflation due to hospitality industry purchases, potentially resulting in lower valuations and tax revenue for the city.

Revenue from STRs is more likely to circulate back through the City's economy, as the owners will be residents (absentees may take revenue to different, non-local economy).

Local Resident Incentives

Increase the property tax exemption for developed residential property occupied as a primary residence.

• Definitions:

"Residential property" means property located in areas within the City of Homer zoned residential (Rural Residential, Urban Residential and Residential Office)

"Developed residential property" means property within areas zoned for residential that have one or more residential units built in compliance with City of Homer Title 21 regulations.

"Primary residence" means the residence that qualifies the occupant for the Alaska Permanent Fund Dividend. For purposes of this policy, the property may be a primary residence of the owner, a renter, or leaser.

• Pros of this Approach:
1. Encourages owners of property lying in areas zoned for residential use to build residential units.
2. Encourages use of residential property for primary occupancy.
3 Discourages use of residential property for short term or other transient purposes.

• Cons of this Approach:

1. Creates a burden for property tax payers to provide evidence that their property is being used for residential purposes as a primary residence.
2. Decreases revenue to the City of Homer from property meeting this policy.
3.Increases administrative burden of property tax collection.

• What are the fiscal implications of this policy?

This policy decreases the amount of tax revenue.from residential property.

• Relevant data/ Examples

Long-Term Rental Incentives

Offer property tax exemptions to property owners offering year-round residential rentals

• Definitions:

“Year-around residential rentals” means housing units rented or leased 12 months of the year.

• Pros of this Approach:
1.Encourages property owners to make residential units available to individuals and families seeking a stable, permanent home.
2.Discourages short-term and transient use of residential properties.
3 Protects the integrity of neighborhoods by rewarding property owners who provide for individuals and families to reside in their units who are neighbors rather than strangers and transients.

• Cons of this Approach:

1. Creates a burden for property tax payers to provide evidence that their property is being used for residential purposes as a primary residence. - Though potentially avoidable if we first establish a policy that requires the reporting of any/all rentals both short and long term, and use that as our baseline list. Then get to skip having each individual needing to submit proof of primary residence.
2. Decreases revenue to the City of Homer from property meeting this policy.
3.Increases administrative burden of property tax collection.

• What are the fiscal implications of this policy?

This policy decreases the tax revenue from residential property.

• Relevant data/ Examples

Incentives for new construction of long-term rentals and assistance for first-time-home-buyers such as the programs in Valdez[1], Juneau[2], and Anchorage.[3]

City Promote Affordable Housing

Make suitable City owned parcels available to developers (at or below market value, even free….), and subsidize construction costs that the City has authority over (utility hookups, permit fees, etc),will work to increase the supply and accessibility of affordable and attainable housing by making a large multifamily development economically viable.

• Definitions:

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• Pros of this Approach:

1.City already owns the land.

2. Utilities are on site.

3. Prime land along Main Street would enable people to walk to work/services.

• Cons of this Approach:

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[1] https://www.valdezak.gov/807/Housing-Incentive-Program

[2] https://juneau.org/newsroom-item/juneau-affordable-housing-fund-awards-2-million-to-local-affordable-housing-projects

[3] https://aahlt.org/

1. Land could not be used for other City needs in the future.

2. Policies etc. that would have to change to allow below market sale or lease?

• What are the fiscal implications of this policy?

Increase property tax revenue from new development.

Loss of potential revenue if sold or leased below market.

Increased demand on utilities (water, sewer)

• Relevant data, examples, etc.

Potential lots include 1.3 acres on Main Street (old library site) and 1.6 acre site of the old police station.

Tax Dark Homes

Advocate for an Alaska Statute allowing municipalities to tax vacant homes (a) disincentivizing the demand for second homes in Homer and (b) providing much-needed revenue to institute programs and policies favorable to attainable housing.

• Definitions:

• Pros of this Approach:

1. Simplest way to tax absentee owners
2. Raises revenue from folks who have a lot of disposable income: revenue can be used to support attainable housing projects.
3. Puts downward pressure on vacation homes, which can help open up stock for locals and move the affordability needle.
4. Encourage visitors to stay in bed and breakfast's/hotels.
5. Support from AML, Kelly Cooper and members of the AK Legislature

• Cons of this Approach:

1. This is not currently legal. This would change title 29. Senator Dunbar introduced it SB 77.
2. Always difficult to pass a tax.
3. Long-range goal, needs lobbying in Juneau first.

• What are the fiscal implications of this policy?

Raises revenue from folks who have a lot of disposable income: revenue can be used to support attainable housing projects.

• Relevant data, examples, etc.

KPB says that 25% of homes from Homer out to Voznesenka have out-of-area owners.

Census estimates a 20% vacancy rate for Homer. High vacancy rates are associated with seasonal tourism and second homes.

British Columbia's " speculation and vacancy tax" is designed to turn vacant homes into housing for people in British Columbia. The tax rate is: 2% for foreign owners and untaxed worldwide earners; 0.5% for Canadian citizens or permanent residents of Canada. The revenue collected through the tax supports affordable housing in the areas where the tax applies.

Zone for Affordability

"Inclusionary zoning" will require new multi-family developments to set aside a minimum proportion of units as "attainable."

Definitions:

Inclusionary Zoning: A zoning overlay that requires/incentivizes a minimum number of "attainable" housing units in every new multi-family development.

Attainable: Attainable housing is housing that is affordable to people earning around the Area Median Income (AMI). Households living in attainable housing and earning between 80% and 120% of the AMI should not need to spend more than 30% of their income on housing costs. (attainablehome.com).

Pros of this approach:

1. Guaranteed increase of attainable housing stock with each new multi-family development

2. Does not rely on taxpayer subsidies or grants - subsidized by the remaining market rate units

Cons of this approach:

1. Most new developments in Homer are single-family.
2. Could disincentivize developers from building in certain areas, or building multi-family at all
3. Does not produce a large number of attainable units at once

What are the fiscal implications of this policy?

- Increased tax revenue if a site is developed with multi-family as opposed to single-family housing.

Relevant data, examples, etc

- https://groundedsolutions.org/resources/inclusionary-housing-united-states/