



## **Committee of the Whole Report**

### **For the Meeting of November 23, 2017**

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**To:** Committee of the Whole **Date:** November 16, 2017  
**From:** Chris Coates, City Clerk  
**Subject:** Short Term Rental Business Regulations – Community Engagement Results and Draft Short Term Rental Business Regulation Bylaw

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#### **RECOMMENDATION**

That Council:

1. Direct staff to report back to Council in Quarter 1 of 2018 with finalized short term rental business licence fees, in conjunction with the short term rental implementation plan; and,
2. Direct staff to bring forward the short term rental regulation bylaw in Quarter 1 of 2018 for introductory readings.

#### **EXECUTIVE SUMMARY**

On September 21, 2017, Council approved a proposed short term rental (STR) regulatory framework. Council further directed staff to engage with stakeholders on proposed business regulations contained in the framework to refine the proposed approach and to report back in Quarter 4 of 2017 with the bylaws required to enact the regulations.

During the month of October, staff informed the community of the proposed regulations through fact sheets, updates to the website, social media, and at an open house held October 30, 2017. Participants were invited to provide specific feedback on three components of the business regulations; (1) principal residence (2) business licence fees and (3) operating requirements, either at the open house, or through email submissions. The majority of feedback received was from STR operators or individuals employed in the industry.

Most of the feedback related to where short term rentals would not be allowed (i.e. prohibited in secondary suites and garden suites unless occupied by the principal resident) as well as the non-principal residence business licence fee of \$2,500 for STR's that can continue as a non-conforming use. Most open house participants felt that the operating requirements were reasonable.

No changes to principal residence or operating requirements are recommended. Permitting STR in the usual place where an individual makes their home (i.e. principal residence) is consistent with previous Council direction and City of Victoria housing policy. Operating requirements have been kept simple (i.e. posting a business licence number on advertisements) and are aligned with best practises for regulating STR.

Staff recommend finalizing business licence fees when the STR implementation plan including schedule, refined resourcing proposal and impacts to the financial plan is brought to Council for consideration in Quarter 1 of 2018. Aligning the business licence fees with the implementation plan

will allow staff to better estimate the required fees to cover the cost of the program. Additional analysis will also determine the most appropriate fee structure (e.g. a tiered system, flat fee or one-time administrative fee).

Should Council approve these recommendations, staff will report back in Quarter 1 of 2018 with final business licence fees and an implementation plan as well as the STR regulation bylaw for reading and adoption. The new rules would come into effect shortly after.

## **PURPOSE**

The purpose of this report is to provide Council with the results of public consultation on the proposed business regulations as well as a draft of the STR business regulation bylaw for consideration. Staff are also seeking Council approval to finalize the business licence fees in Quarter 1 of 2018 alongside the implementation plan prior to bylaw adoption.

## **BACKGROUND**

### Previous Council Direction

On September 21, 2017 Council approved a proposed STR regulatory framework. The regulatory framework included allowing STR in principal residences, subject to obtaining a business licence and complying with operating requirements.

Council also approved an enforcement strategy on September 14, 2017, which involves engaging a third party monitoring service to proactively identify STR addresses and non-compliant operators, and hiring new City staff, both temporary and permanent, to oversee the program, process new business licence applications, and pursue punitive action on non-complaint operators such as fines, licence revocation and court action.

This report responds to the following Council Motion from September 21, 2017:

*Direct staff to engage stakeholders on the proposed business regulations, and report back to Council in Q 4 of 2017 with the bylaws required to enact these regulations.*

### Communications and Engagement

During the month of October 2017, City staff informed the community, including neighbourhood, tourism and housing associations as well as STR operators and host platforms, of the proposed regulatory changes to STR, and to solicit feedback on those changes.

The following communications and engagement tools were used:

- STR webpage on the City's website
- Fact sheets
- Ads in local papers
- Stakeholder emails
- Social media
- Open House
- Feedback period for email submissions

Approximately 130 people attended the Open House, which was held on October 30, 2017. Attendees were asked to provide feedback on three components of the business regulations; (1) principal residence (2) business licence fees (3) operating requirements. Of the approximately 130 individuals in attendance at the open house, 68 self-identified as owners/operators of short term rentals and 22 identified as being employed in the short-term rental industry. The remainder did not

identify their affiliation with the topic. Staff also received over one hundred email submissions from stakeholders.

A summary of community engagement on the business regulations is included as Appendix A. Feedback from the Open House is attached as Appendix B. E-mail submissions are included as Appendix C.

A large volume of electronic feedback was also submitted directly to Council. These emails were shared with staff but have not been included in the engagement summary as they were not part of the consultation process on the proposed business regulations.

#### Draft STR Regulation Bylaw

The September 21, 2017 Committee of the Whole Report identified a proposed list of requirements that STR operators would need to adhere to. These requirements have been expanded upon and refined in the draft STR regulation bylaw, attached as Appendix D, and include:

- Proof of Principal Residence
- Business Licence Requirement
- Business licence fees (rates have not been finalized)
- Letter from Strata Councils (proof that the STR is not operating contrary to Strata Bylaws)
- Letter from property owners (proof of permission to operate STR for renters)
- Compliance with City Bylaws
- Business Licence numbers posted on all STR advertisements
- Responsible Person
- Penalties

A supplementary report, Zoning Bylaw Amendments - Schedule D, Home Occupations will be presented to Council on November 23, 2017. The Zoning Bylaw amendments, attached as Appendix E are required to permit STR in zoning per the regulatory framework (as home occupations and in principal residences in all dwelling types) and are consistent with the provisions identified in the above draft STR regulation bylaw.

## **ISSUES & ANALYSIS**

### General Feedback on STR

Much of the feedback received was outside of the scope of the proposed business regulations but has been included in this report for context. Key themes included:

- Support for STR, including the ability to supplement income for operators and provide flexible accommodation for visitors
- A lack of understanding that entire unit STRs were never a permitted use outside of transient accommodation zones
- Frustration at the decision to remove STR as a permitted use in transient accommodation zones
- Concern that long term rentals in the City would not be increased with these proposed changes as the units are occupied on a part-time basis by operators, or their family and friends
- Concern around a lack of data to support decision making
- Concern around the cost and difficulty of enforcement
- Frustration with the lack of public consultation on the topic

## Business Regulation Feedback

### *Principal Residency Requirement*

- At the open house, 71 of 94 participants were opposed to the proposal for STRs in principal residences only
- Many attendees reported that they were currently operating STRs in dwelling units that were not their principal residences (e.g. in transient zones or in secondary suites)
- Most of the feedback suggests that principal residence should include secondary suites (e.g. basement, garden suite) if the operator lives on the property

Despite this feedback, no change to the principal residence requirement is recommended. Secondary suites and garden suites are permitted in zoning in Victoria in recognition of the need of infill rental housing. The Victoria Housing Strategy 2016-2025, which aims to improve housing affordability by increasing the supply and diversity of housing in the City, specifically identifies the removal of barriers to secondary suite and garden suite development as a way to increase the supply of long-term rental housing.

Earlier this year, through actions stemming from the Strategy, Council approved the removal of Schedule J – Secondary Suites, which contained restrictions limiting where secondary suites could be developed, as well as the removal of the rezoning requirement for garden suites for the express purpose of increasing the supply of long term rental housing in Victoria.

This recommendation is also consistent with previous Council direction to staff. In March 9, 2017, Council passed a motion prohibiting entire secondary suites (basement suites, garden suites) for use as short term rental.

### *Operating Requirements*

- 41 of 56 open house participants agreed with the proposed operating requirements to post business licence numbers on all advertisements and comply with existing City bylaws
- In general, people felt that the requirements were reasonable and would not be overly difficult to achieve

No changes to operating requirements are recommended. Requirements are aligned with best practise for regulating STR (keep it simple and use business licence numbers to monitor compliance).

### *Business Licence Application and Fees*

- 81 of 92 open house participants opposed the proposed business licence fees
- In particular, many felt that the \$2,500 non-principal residence fee was too high and punitive, referencing lower business licence fees for large hotels

The current proposed fee structure includes two tiers – one for principal residence (\$200) and one for non-principal residence (\$2,500). The latter only applies to legal non-conforming units.

The proposed fee structure was developed to (a) recover the costs of administering the program, (b) 'level the playing field' between STR operators and traditional accommodation providers (c) ensure that operators pay a fee commensurate with revenue generated (d) discourage casual operators.

Upon review, staff recommend further analysis before a final fee structure and rate is adopted. As part of the development of the implementation plan, staff are currently collecting additional data on the scale and scope of STR in Victoria. This information can be used to better estimate

how many existing STR's may be eligible for business licences under the new rules and the type of fees that can be expected.

In addition, based on community feedback, staff are considering alternative fee structures, including a flat fee that all STR operators would pay, regardless of unit type, a tiered structure based on number of rooms (existing licence fees are based on this model) or a one-time registration fee with a lower annual business licence fee to reflect the high start-up cost of the program, with lower operating costs. Staff will report back to Council on options in Q1 of 2018 following this analysis, in conjunction with the implementation plan.

## **OPTIONS & IMPACTS**

### **Option 1 (Recommended): Finalize business licence fees in Quarter 1 of 2018 in conjunction with the STR implementation plan prior to bylaw adoption**

Staff recommend aligning the finalization of the business licence fees with the implementation plan to ensure that business licence fees and the fee structure are set appropriately. This recommendation will delay the adoption of the business regulation bylaw to Quarter 1 of 2018 but will not affect the date at which the new rules will be enacted, currently scheduled for March 2018.

### **Option 2: Approve of \$200 and \$2,500 as the business licence fee structure and give first, second and third reading of the STR regulation bylaw in Quarter 4 (not recommended)**

Staff do not recommend this option based on the feedback received through the engagement process. Additional data on the scale and scope of STR in Victoria is currently being collected as part of the implementation plan that can be used to inform final fees and fee structure. Adoption of the bylaw in 2017 will not lead to quicker implementation as new staff and the third-party monitoring firm need to be retained prior to enactment of the new rules.

#### *Accessibility Impact Statement*

There are no impacts on accessibility associated with the recommendations contained in this report

#### *2015 – 2018 Strategic Plan*

This work is identified as a key priority in the Strategic Plan under Objective 6: Make Victoria More Affordable 2017 Actions: Strengthen policy and regulations related to Short Term Rentals.

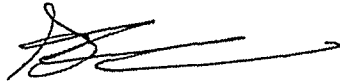
#### *Impacts to Financial Plan*

On September 14, 2017 Council approved a resourcing strategy that anticipates an annual cost of approximately \$512,000, which includes third-party monitoring, three additional staff, a legal contingency fund and communication costs to widely broadcast the new rules, regulations and consequences of non-compliance. Staff will report back to Council in Quarter 1 of 2018 with an implementation plan including a schedule, further refined resourcing proposal and impacts to the financial plan. The objective in establishing this new regulatory regime is to achieve cost recovery from the licence fees and fines. Additional data will greatly assist in identifying the fees that could accomplish cost recovery, recognizing that it could be a challenge to fully recover costs as that is contingent on uptake of licences.

#### *Official Community Plan Consistency Statement*

The recommended approach aligns with the directions in the Official Community Plan of "Land Management and Development" and "Housing and Homelessness"

Respectfully submitted,

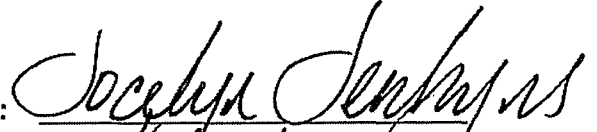


Shannon Jamison  
Legislative Planning Analyst



Chris Coates  
City Clerk

Report accepted and recommended by the City Manager:

  
Date: Nov 16, 2017

**List of Attachments**

- Appendix A - STR Business Regulation Community Engagement Summary
- Appendix B - STR Business Regulation Open House Community Engagement Feedback
- Appendix C - STR Business Regulation Email Submissions
- Appendix D – Draft STR Business Regulation Bylaw
- Appendix E – CoTW Zoning Bylaw Amendments, Schedule D, Home Occupations