

## REPORTS OF COMMITTEES

### 1. Committee of the Whole – June 15, 2017

#### 5. Short Term Vacation Rentals – Regulatory Options

**Motion:**

It was moved by Councillor Isitt, seconded by Councillor Loveday, that Council direct staff to:

1. Limit short term rentals in Victoria to the greatest extent possible through appropriate language in the *Zoning Regulation Bylaw*, housing agreements, or other available tools to ensure that all new residential zoned units are used for the primary purpose of housing, rather than as short-term rentals (STR).
2. Bring forward a comprehensive scheme of business regulations for existing and future short term rentals. Such regulations may include:
  - a. requirements for a business licence for all short-term rentals
  - b. business licence fees
  - c. requirement that business activity comply with applicable strata rules
  - d. establishing appropriate rules for operation of short-term rentals.
3. Work with the BC Assessment Authority to ensure that properties used for short-term rental are properly assessed as Class 6- business and other and request the province to revise the regulations to facilitate appropriate assessment of properties used for transient accommodation.
4. Report back with a short-term rental enforcement strategy that will detail considerations for proactive enforcement of City-wide short-term rental including:
  - a. benefits and challenges of manual (staff led) enforcement vs. enlisting third party STR management assistance;
  - b. fines and escalatory action for non-compliance;
  - c. audit options to monitor adherence to rules and regulations;
  - d. engaging STR host platforms for regulatory cooperation;
  - e. additional policies, regulations, and programs to ensure compliance with regulations;
  - f. expediting the time frame for rolling out enforcement;
  - g. creating a dedicated short-term rental webpage for clarity and transparency regarding new regulations that outlines the City's progress on reducing short-term rental impact on long-term rental housing availability; and
  - h. establishing a monitoring system to evaluate success of short-term rental regulations and the Short-Term Rental Enforcement Strategy.

**Carried Unanimously**

#### 4. UNFINISHED BUSINESS

##### 4.3 Short Term Vacation Rentals – Regulatory Options

Committee received a report dated June 8, 2017, from the Director of Sustainable Planning and Community Development regarding regulatory options for short-term rentals (STR) in downtown Victoria where both residential use and transient accommodation is permitted.

**Motion:** It was moved by Councillor Alto, seconded by Councillor Isitt, that Council direct staff to:

1. Limit short term rentals in Victoria to the greatest extent possible through appropriate language in the *Zoning Regulation Bylaw*, housing agreements, or other available tools to ensure that all new residential zoned units are used for the primary purpose of housing, rather than as short-term rentals (STR).
2. Bring forward a comprehensive scheme of business regulations for existing and future short term rentals. Such regulations may include:
  - a. requirements for a business licence for all short-term rentals
  - b. business licence fees
  - c. requirement that business activity comply with applicable strata rules
  - d. establishing appropriate rules for operation of short-term rentals.
3. Work with the BC Assessment Authority to ensure that properties used for short-term rental are properly assessed as Class 6- business and other
4. Report back with a short-term rental enforcement strategy that will detail considerations for proactive enforcement of City-wide short-term rental including:
  - a. benefits and challenges of manual (staff led) enforcement vs. enlisting third party STR management assistance
  - b. fines and escalatory action for non-compliance
  - c. audit options to monitor adherence to rules and regulations
  - d. engaging STR host platforms for regulatory cooperation
  - e. additional policies, regulations, and programs to ensure compliance with regulations
  - f. expediting the time frame for rolling out enforcement
  - g. creating a dedicated short-term rental webpage for clarity and transparency regarding new regulations that outlines the City's progress on reducing short-term rental impact on long-term rental housing availability
  - h. establishing a monitoring system to evaluate success of short-term rental regulations and the Short-Term Rental Enforcement Strategy

Committee discussed:

- The issues associated with the lack of regulation on short-term rentals.

**Amendment:** It was moved by Councillor Young, seconded by Councillor Coleman, that the motion be amended in the following point:

3. Work with the BC Assessment Authority to ensure that properties used for short-term rental are properly assessed as Class 6- business and other **and request the province to revise the regulations to facilitate appropriate assessment of properties used for transient accommodation.**



On the amendment:  
CARRIED UNANIMOUSLY 17/COTW

*Councillor Young withdrew from the meeting at 11:54 a.m. and returned at 11:54 a.m.*

*Councillor Loveday withdrew from the meeting at 11:55 a.m. and returned at 11:56 a.m.*

**Main motion as amended:**

It was moved by Councillor Alto, seconded by Councillor Isitt, that Council direct staff to:

1. Limit short term rentals in Victoria to the greatest extent possible through appropriate language in the *Zoning Regulation Bylaw*, housing agreements, or other available tools to ensure that all new residential zoned units are used for the primary purpose of housing, rather than as short-term rentals (STR).
2. Bring forward a comprehensive scheme of business regulations for existing and future short term rentals. Such regulations may include:
  - a. requirements for a business licence for all short-term rentals
  - b. business licence fees
  - c. requirement that business activity comply with applicable strata rules
  - d. establishing appropriate rules for operation of short-term rentals.
3. Work with the BC Assessment Authority to ensure that properties used for short-term rental are properly assessed as Class 6- business and other and request the province to revise the regulations to facilitate appropriate assessment of properties used for transient accommodation.
4. Report back with a short-term rental enforcement strategy that will detail considerations for proactive enforcement of City-wide short-term rental including:
  - a. benefits and challenges of manual (staff led) enforcement vs. enlisting third party STR management assistance
  - b. fines and escalatory action for non-compliance
  - c. audit options to monitor adherence to rules and regulations
  - d. engaging STR host platforms for regulatory cooperation
  - e. additional policies, regulations, and programs to ensure compliance with regulations
  - f. expediting the time frame for rolling out enforcement
  - g. creating a dedicated short-term rental webpage for clarity and transparency regarding new regulations that outlines the City's progress on reducing short-term rental impact on long-term rental housing availability
  - h. establishing a monitoring system to evaluate success of short-term rental regulations and the Short-Term Rental Enforcement Strategy

On the main motion as amended:  
CARRIED UNANIMOUSLY 17/COTW





whether it is possible to 'opt-in' or 'opt-out' of transient zoning, and aligning business licence issuance with strata rules.

Staff determined that it is not possible to opt in or out of zoning. Further, zoning is not an effective tool to reduce existing STR units where they are currently permitted in zoning (transient zones) as legal non-conforming status would still apply in these buildings even if they were rezoned (the entire building would retain the right in zoning to operate as STR). Making changes in zoning is primarily only useful for preventing future STRs, and as such, staff have included a recommendation to prohibit short-term rental in future developments, unless expressly requested (i.e. consideration for future hotel uses).

Effective regulation of STRs and mitigation of STR impacts is possible through business regulations. STRs are businesses and, as such, are subject to regulation by the City. The City does not have the power to enforce strata rules but it can, as part of business regulations, require that strata rules be complied with as a condition of the issuance of a business licence. There are several other aspects of STRs that business regulations can address; therefore, it is recommended that Council consider directing staff to develop a comprehensive system of business regulations to govern STRs.

Following the development of an STR business regulation system, staff can move forward with a Short-Term Rental Enforcement Strategy. The strategy will outline a range of considerations for the proactive enforcement of STRs City-wide, both legally recommended and which have seen success in other jurisdictions, including appropriate fines, outsourced management of STRs, and several other options and their resource implications.

## PURPOSE

The purpose of this report is to respond to Council direction to explore three regulatory options for STRs in condos with transient zoning so they are limited to the greatest extent possible, and to provide further options for regulating STRs.

## BACKGROUND

At a Council Workshop on STRs held on January 19, 2017, Council decided on a regulatory direction for each of the six most common scenarios where STRs are occurring in Victoria. The decisions were as follows:

	Scenario	Current Regulation	Regulatory Direction Approved by Council January 19
1	Entire condo with no transient zoning	Prohibited	Proactively enforce current prohibition in zoning so STRs cease
2	Entire condo with transient zoning	Permitted	Proactively enforce current zoning rights through business license registration; Monitor use through business license tracking
3	1-2 bedrooms within occupied condo	Prohibited	Permit and proactively enforce through business license registration and tracking (neutral effect on rental market, adds flexibility and affordability for primary residents and fairness across housing types and tenures)
4	Entire homes	Prohibited	Proactively enforce current regulations so STRs cease
5	Entire secondary suites (including garden suites)	Prohibited	Proactively enforce current regulations so STRs cease
6	1-2 bedrooms within occupied SFD	Permitted	Proactively enforce current zoning rights through business license registration; Monitor use through business license tracking



Staff recommended not to remove zoning rights in Scenario 2 because:

1. This action will not reduce the number of STRs currently operating downtown, as entire buildings containing STR units will be entitled to continue to operate even after the zoning is changed due to legal non-conforming regulations. Legal non-conforming rules under the Local Government Act provide that when a non-conforming use is permitted in any part of a building, **the entire building will maintain the right to that use** even after the zoning changes until such time as every unit ceases STR operations for a period of 6 months without indicating its intention to continue operations.
2. Enforcing regulations in buildings with legal non-conforming status will be highly challenging as enforcement would involve monitoring all existing STRs until such time as all STRs cease operations for 6 months without any of the units providing 'intent to continue'. As the variables involved, including the number of STR units in any one building, and the fact that it could be argued that STR operations are often seasonal in nature and may habitually discontinue for more than six months at a time, it is extremely unlikely that adequate evidence could be collected to justify a removal of the legal non-conforming status.

Instead, it was suggested by staff that the City would preserve more residential units by proactively enforcing regulations in locations that do not permit STRs and where no legal non-conforming statuses would apply. With proactive enforcement, STRs could cease immediately in:

- all condos that do not have transient accommodation as a permitted use
- secondary suites and garden suites
- whole single-family homes.

Subsequently, it would be likely that several units of housing would be returned to the long-term rental pool. Prohibiting transient accommodation in all new residential developments in the City would prevent the STR market from proliferating further.

At the Council meeting of February 23, 2017, Council elected to refer Scenario 2 "entire homes in transient zoned condos" back to Committee of the Whole to explore whether specific regulatory options could be enacted to restrict STRs in transient zones. After discussion at the March 2, 2017 Committee of the Whole meeting, Council passed the following new motion:

***"Scenario 2: Entire condo with transient zoning (downtown)***

*Direct staff to provide advice on what tools are available to limit the number of Short Term Vacation Rentals where they are currently allowed, and that this report includes options for:*

*(a) a City-initiated rezoning to remove transient accommodation as a permitted use from residential strata property, with an "opt-out" process where stratas can apply to retain transient accommodation as a permitted use, where a majority of strata lot owners in a residential strata indicate their support for that use.*

*(b) a business license scheme for Short-Term Vacation Rentals that is consistent with the Strata Property Act and does not include granting licences for stratas that do not allow Short-Term Vacation Rentals in their bylaws.*

*(c) maintaining transient accommodation as a permitted use, with the option of an "opt-in" mechanism for a City initiated rezoning to prohibit transient accommodation as a permitted use, where a majority of owners of units in a residential multi-unit building (condominium) downtown indicate their preference for this rezoning."*



## ISSUES & ANALYSIS

For options (a) and (c), there is no possibility of 'opting in' or 'opting out' of zoning, and it would not be appropriate to set a pre-determined numerical criteria which determines whether or not a strata property is rezoned or not based on a percentage of owners in favour of a specific use. While the City could choose to rezone to entirely remove transient accommodation as a permitted use, it would not likely achieve any meaningful results as buildings containing STR units would all retain non-conforming rights to operate as STRs legally. Further, rezoning transient zones and monitoring activity to demonstrate that the non-conforming use has ceased would be time consuming, costly, and would raise public expectation that this would achieve a reduction in STRs, which it would not. Therefore, zoning is not recommended as the main response to STR regulation except to prohibit STRs in all future rezonings. Other, more appropriate tools, are recommended below.

### Business Regulations

For option (b), STRs are businesses and, as such, are subject to regulation pursuant to the City's business regulation power. At this time, there are no specific business regulations directed at STRs within the City's bylaws; however, given the proliferation of STRs and growing number of public complaints about their impacts on neighbouring properties, it is evident that there is a need for such regulation. Exact regulations will have to be developed based on direction from Council and input from the community; however, at a minimum, consideration for STR business regulations are expected to include the following:

1. Requirement for business licences
2. Licence fees
3. As part of business licence application, requirement to demonstrate compliance with strata rules
4. Establishment of appropriate rules for operation of STRs.

### Taxation

Although STRs constitute as a business use of property, they are largely classified by BC Assessment as residential, and therefore, do not pay the same taxes as hotels and other businesses; however, the rules under the Assessment Act allow for classification of at least some STRs as businesses. Exact rules are technical and have to be applied to each property individually; however, BC Assessment is prepared to review and consider evidence related to individual properties and reclassify those properties that should properly fall into Class 6 – business or other. It is recommended that Council direct staff to work with BC Assessment to ensure that properties used as STRs are properly classified.

### Upcoming Enforcement Strategy

Staff have previously been directed to develop a comprehensive enforcement strategy outlining in detail all of the options available to Council to restrict STRs and enforce these regulations. The following are some of the solutions currently being considered:

- analyse options and resource requirements for proactive enforcement, including manual (staff-led) enforcement and/or enlisting third party STR management assistance
- analyse best practices and options for fines and prosecution for non-compliance
- establish an audit system to monitor adherence to rules and regulations
- engage STR host platforms for regulatory cooperation
- consider additional policies, regulations, and programs to ensure compliance with regulations

- create a dedicated STR webpage for the public to be aware of regulations, and the City's progress on reducing STR impact on long-term rental housing availability
- expedite the time frame for rolling out enforcement
- establish a monitoring system to evaluate success of STR regulations and the enforcement strategy.

Following the implementation of the STR Enforcement Strategy, it is anticipated that the City would soon see a significant reduction in STR units in Victoria.

**Impacts to Financial Plan**

While the recommendations for this report are regulatory in nature and do not have a direct financial impact, proactive enforcement of regulations will have significant resource implications, depending on the level of enforcement chosen by Council. A detailed analysis of financial impacts will be included in the Enforcement Strategy report.

**CONCLUSION**

There is no simple solution available to address issues raised by STRs. Therefore, staff recommend that Council adopt a comprehensive approach including proactively enforcing existing zoning rules, developing zoning changes to prevent STRs in new developments, and exploring proper tax assessment to limit STRs to the greatest extent possible, as well as, adopting new business regulations to mitigate impacts of existing STRs.

Respectfully submitted,



Lindsay Milburn  
Senior Planner - Housing Policy  
Community Planning



Jonathan Tinney  
Director  
Sustainable Planning and Community Development

**Report accepted and recommended by the City Manager:** \_\_\_\_\_

**Date:** \_\_\_\_\_



June 9, 2017

**List of Attachments**

1. Appendix A: COTW Workshop Report – January 19 2017





**Committee of the Whole Report  
For the Meeting of January 19, 2016**

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**To:** Committee of the Whole **Date:** December 23, 2016  
**From:** Jonathan Tinney, Director, Sustainable Planning and Community Development  
**Subject:** Short-Term Vacation Rental Council Workshop – January 19, 2016

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### **RECOMMENDATIONS**

1. That Council receive this report to guide and inform the short-term vacation rentals workshop on January 19, 2017; and
2. That staff report back with policy, regulatory and enforcement recommendations based on the workshop discussion.

### **EXECUTIVE SUMMARY**

The purpose of this report is to guide Council's workshop on short-term vacation rentals (STVR). The report provides a foundation for the workshop by considering STVR use in the context of City goals and objectives specific to housing and economic development, clarifies where zoning currently permits STVRs, and presents the following scenarios where STVRs are occurring in the City of Victoria:

1. STVRs in multi-unit residential buildings Downtown (currently allowed in zoning);
2. STVRs in multi-unit residential buildings outside of Downtown (currently not allowed in zoning);
3. STVRs in single-family dwellings as home occupations (currently allowed in zoning);
4. STVRs in single-family dwellings comprising the entire home (currently not allowed in zoning);
5. STVRs in separate secondary and garden suites (currently not allowed in zoning).

The above scenarios are detailed in Appendix A: STVR Regulations Matrix, and include detailed pros, cons, enforcement considerations and recommended approaches for each. It is recommended that Council discuss how STVRs should be handled in each scenario, and that staff report back to Council with recommended policy, regulatory and enforcement solutions based on the workshop discussion.

### **PURPOSE**

The purpose of this report is to guide Council's discussion at a workshop on short-term vacation rentals (STVR), and to provide information, analysis and recommended approaches for consideration.

## BACKGROUND

On June 9, 2016, Council directed staff to develop options for policy guidelines and regulation of short-term vacation rentals along with associated resource considerations to prohibit the use of units of property zoned as residential for the primary purpose of providing commercial accommodation (**Appendix C**). A further report to Council on October 27, 2016, attached as **Appendix D**, advised that after analysis and research, it was determined that the impacts of STVRs on the rental housing market in Victoria are not fully understood, and that there are complex considerations associated with zoning rights and enforcement that could result in unintended consequences should Council elect to prohibit STVRs outright. Supported by economic consultation, staff recommended enforcing existing zoning regulations while also enforcing an uptake of business licenses in order to monitor the situation and collect data to bring back to Council for future policy decisions at a later date. After some discussion, Council deferred a decision and requested a workshop be held in January 2017 to discuss in more depth.

## ISSUES & ANALYSIS

### Part 1: Baseline Information

#### 1. Context

The City of Victoria is experiencing a wide range of housing challenges, with one of the most acute being a lack of affordable rental housing supply. Steps are being taken at all levels of government to increase the supply of housing options in this City, including a suite of actions currently underway as part of the Victoria Housing Strategy and hundreds of approved purpose-built rental housing units at varying stages of development; but the situation's acuity means all actions that can provide any measure of relief should be considered.

Short-term vacation rentals, which in some instances may occupy units that would otherwise have been used for long-term rental, are perceived to be having a small but measurable impact on rental housing supply. However, because of wider economic implications, including STVR's role in the City's economic development objectives such as tourism, small business development, and resident flexibility and choice, Council may wish to consider regulatory changes to ensure good use of City and taxpayer resources, and to avoid repercussions such as driving the STVR market underground.

#### 2. What are Short-Term Vacation Rentals (STVR)?

STVRs are short-term rental accommodation located in residential settings. An STVR normally takes one of the following basic forms: shared accommodation (e.g. a pull-out couch in a resident's home); a private bedroom with shared amenity space (the 'home based B&B' model); or the use of an entire living unit or single family dwelling. While STVRs have existed in varying forms for as long as people have been traveling, they have proliferated with the advent of the internet as listings are relatively simple to set up and maintain, and can be economically and socially beneficial for both the operator and user. They can also come with a range of issues if regulated poorly or not at all.

#### 3. In what ways are STVRs beneficial to Victoria? How are they detrimental?

Some purported benefits of permitting STVRs include:

- Revenue generation for local residents, businesses, and the tourist economy;



- Extra income for residents to defray Victoria's high cost of living and homeownership;
- Visitors can access Victoria with more flexibility and affordability (for example STVRs are appealing to families with children and often cheaper and with more amenities than hotels);
- Enhances and supports the local tourism market, drawing visitors to local businesses;
- Appealing for visitors who need to be located near a particular area or who are looking for 'the local experience' as STVRs are located in more neighbourhoods than hotels.

Meanwhile, concerns around STVRs in Victoria have centred on:

- STVRs that are operating in self-contained apartments or homes are displacing some local renters, on a scale that is not fully known but is estimated to be up to one percentage point of the total vacancy rate;
- STVRs are operating at an advantage over hotels as they do not pay the same fees, licenses, and taxes while providing the same service;
- As existing regulations are not currently proactively enforced due to limited complaints, the City misses an opportunity for additional revenue generation through licenses and other sources;
- Additional parking, garbage, noise, and other associated nuisances may be experienced by neighbours.

#### 4. What are the existing regulations?

STVRs are currently regulated through the *Zoning Regulation Bylaw*. There are only two instances in which STVRs are permitted in zoning in Victoria: in multi-unit residential or mixed-use buildings where transient accommodation is a permitted use in zoning, and in single-family dwellings as an accessory use through the home occupation regulations. Please see maps of these two areas in **Appendix B: Maps**. Only the first scenario has the potential to impact the availability of long-term rental housing, as a bedroom in a house does not have an alternative use as a rental unit. However, the relationship is not reciprocal, as not all condos that house STVRs would automatically be in the rental market if they weren't STVRs. For example, some might be occupied part-time by the owner (e.g. in the case of 'snowbirds') so not available for long-term rental.

STVR Type	Current Regulation
<b>Multi-Unit Residential Buildings</b>	
Properties with no transient zoning	Not Permitted
Properties with transient zoning	Permitted
1-2 bedrooms within occupied unit	Not Permitted
<b>Single-Family Dwellings</b>	
Entire Homes	Not Permitted
Secondary Suites	Not Permitted
Garden Suites	Not Permitted
1-2 bedrooms within occupied SFD	Permitted

It is important to note that in practice, STVRs exist in nearly every housing form in the City. This may be attributed to a lack of clarity in how this use is currently regulated in zoning, and partly because the City does not currently have the resources to proactively enforce existing regulations and instead operates on a complaints basis.

## Part 2: Workshop Discussion

### **1. Consistency with City Policies**

In order for changes to serve their intended purpose, the City must be clear about the goals regulating STVR will seek to achieve before determining what regulatory changes or enforcement practices may be needed. Also, establishing and enforcing rules around STVR will have wider-reaching implications than their intended application. In order to ensure the City makes decisions that are aligned with its broader objectives, linkages must be made to Victoria's housing and economic development goals. Some of the objectives STVR policy may be guided by include:

#### *Strategic Plan Strategic Objectives*

- Engage and Empower the Community (*Objective #2*)
- Strive for Excellence in Planning and Land Use (*Objective #3*)
- Create Prosperity Through Economic Development (*Objective #5*)
- Make Victoria More Affordable (*Objective #6*)

#### *Official Community Plan Goals*

- All residents have access to appropriate, secure, affordable housing (*Section 13.A*)
- Victorians have the knowledge and abilities to support a vibrant regional economy and the capacity to creatively adapt to economic change (*Section 14.C*)
- Victoria is the headquarters of the Provincial Government, a premier tourism destination and a gateway to Vancouver Island (*Section 14.D*)
- Victorians can support themselves and their neighbours in difficult times (*Section 15.D*)

#### *Downtown Core Area Plan*

- Provide zoning...to accommodate a strong concentration of commercial employment uses, along with such complementary uses as multi-residential development, hotels, restaurants, public institutions, personal service businesses and retail stores. (*Section 3.1 Land Use*)
- Ensure that the City of Victoria Economic Development Strategy includes policies and strategies that are focused on improving the economic resiliency of the Central Business District (*Section 3.3 Economic Resiliency*)
- That the Historic Commercial District is able to attract and accommodate growth in the tourism, retail and entertainment sectors. (*Historic Commercial District Objective #4*)
- To successfully maintain and strengthen the Inner Harbour District as the focus for tourism, government, culture, heritage, and economic development. (*Inner Harbour District Objective #2*)
- Support the retention of existing and the development of new tourist and visitor attractions and facilities in order to continue to support and increase the number of tourists and visitors to the Inner Harbour District and surrounding area. (*Section 3.89 Tourism*)

#### *Victoria Housing Strategy Goal*

*"...to increase the supply and diversity of non-market and market housing across the housing spectrum and throughout Victoria that meets the current and future needs of low and moderate income households"*



Some underlying goals that meet these objectives that Council may wish to consider include:

- That STVRs do not displace housing units that may otherwise be used for long-term affordable rental (for example secondary suites or purpose-built rental apartments)
- That homeowners (and renters where permissible) have the option to use their primary residence as a STVR to offset the high cost of living in Victoria
- That homes are utilized primarily as homes and not STVR businesses (restricting commercial operators)
- That visitors to Victoria have choice and flexibility to choose accommodation that works for their budget and needs
- That STVRs operate legally and are fairly licensed
- That regulations are enforceable (and enforced).

## 2. Short-term vacation rental scenarios in Victoria

There are six scenarios where STVRs are regulated through the *Zoning Regulation Bylaw* and may have a potential impact on the availability of long-term rental housing. An exploration of these, including options and pros and cons of each, is appended to this report in **Appendix A: STVR Regulations Matrix**.

### Impacts to Financial Plan

Proactively enforcing STVR regulations will require significant investment. While policy planning aspects could be completed with existing resources, additional staff time would be required to:

- Identify physical STVR addresses (they are not normally identified on the sharing platform);
- Track and monitor booking activity online;
- Verify illegal operations in person through repeat or ongoing observation, neighbour consultation, etc.;
- Gather evidence of bylaw infractions;
- Proceed with bylaw enforcement including delivering tickets, warnings, and violation notices; and
- Monitor and verify the legal operation or continued closure of STVRs.

Without a determined regulatory approach and analysis of the number of STVR units in existence, it is difficult to estimate the funding required to support these changes. For example the proactive enforcement of a full prohibition on STVR would be highly complicated to enforce due to the resulting legal non-conforming status that would apply to existing operations. For each approach, at least one, but likely several full time staff would be required to execute the steps listed above, whether enforcing a prohibition or legal operations. For illustrative purposes, the addition of one new dedicated full-time bylaw officer has an annual total cost of \$140,000. If funding were sourced through property tax, this would equate to a 0.12% increase in property taxes. Funding could also potentially be sourced through significantly higher business license or permit fees, but further analysis would be required to determine an appropriate fee structure.

There are also private organizations that have devised automated software that can execute several of the steps above; utilizing these services would likely reduce the additional staff cohort required in-house. For example Host Compliance, which Vancouver, Toronto, Los Angeles, and other jurisdictions are working with, would charge approximately \$122,000 to complete the above steps in addition to any required staff support at City Hall.

Staff recommend Council consider directing staff to undertake a preferred regulatory approach during the course of this workshop, following which an analysis of enforcement options and associated costs can be performed to more accurately estimate resources required.

## CONCLUSION

Regulations of short term vacation rentals in Victoria must be crafted to prevent the loss of long-term rental units, but also be balanced with Victoria's economic development goals. The regulations must be outcomes-based, enforceable, and enforced, in order for them to achieve the City's desired outcomes. This report has intended to provide a basis of understanding of the context and types of STVR that may be impacting the rental market while posing questions that Council can use as discussion points to move forward with a motion on this topic.

Respectfully submitted,



Lindsay Milburn  
Senior Planner - Housing Policy  
Community Planning

Att.



Jonathan Tinney  
Director  
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:

Date:

  
Jan 12, 2017

## List of Attachments

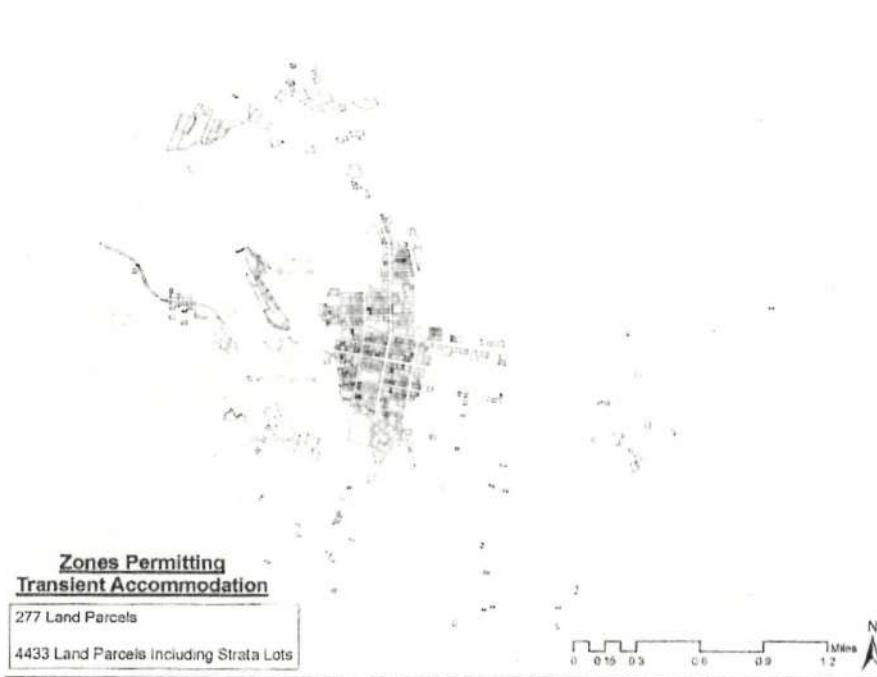
1. Appendix A: STVR Regulations Matrix
2. Appendix B: Maps
3. Appendix C: COTW Report – Short Term Vacation Rentals – June 9 2016
4. Appendix D: COTW Report – Short Term Vacation Rentals – October 27, 2016



## Attachment 1: STVR Regulations Matrix

	STVR Type	Current Regulation	What would happen if permitted? Pros/Cons	What would happen if prohibited? Pros/Cons	Issues/Comments	Recommendation
Multi-unit Residential	Entire condo with no transient zoning	Prohibited	<ul style="list-style-type: none"> <li>Increased number of STVRs overall</li> <li>Negative impact on rental housing supply for units that are converted to STVR from long term rental</li> </ul>	<p><i>Currently prohibited, but not proactively enforced.</i></p> <ul style="list-style-type: none"> <li>If proactively enforced, could result in some units being converted into long term rental</li> <li>Non-conforming status would not apply to existing STVR in these buildings, so may be most effective way to reduce STVR in long-term condo rentals overall</li> </ul>		<ul style="list-style-type: none"> <li>Proactively enforce current prohibition in zoning so STVRs cease</li> </ul>
	Entire condo with transient zoning	Permitted	<p><i>Currently permitted but business license use not enforced</i></p> <ul style="list-style-type: none"> <li>If permitted with enforced use of business licenses City could collect more data to monitor situation and build flexible, data-based regulation strategy</li> <li>City would see increased revenue collection from license fees</li> <li>Maintain current owners rights of use; simpler to enforce than prohibition and resulting non-conforming uses</li> <li>May be taking the place of some long-term rentals, but number is not yet known (see bullet on data collection)</li> </ul>	<ul style="list-style-type: none"> <li>Some new units would be added to pool of long term rental (caveat: next bullet)</li> <li>Buildings with existing STVR operators can continue operating as legal non-conforming; challenging to enforce</li> <li>Number of STVRs could spike upwards as current owners exercise right to operate before bylaw change</li> <li>No guarantee of significant increase to long term rental supply as not all condo owners are able or willing to rent unit to long term tenant</li> <li>Increase in vacancies in units where owners are not able or desirous of renting units long term (e.g. snow birds, workers who travel)</li> <li>No improvement to housing affordability (condos not typically affordable rentals when rented long term)</li> <li>If enforcement focused on this area, may lead to increased STVR in affordable secondary rental market (secondary suites, etc.) in residential neighbourhoods where enforcement more challenging</li> <li>Owners may have purchased their properties expressly to operate as STVR</li> </ul>	<p>23.4% of condos in Victoria are in the rental market</p> <p>The condo rental market is not typically affordable rental housing – rents are on average 23% higher than in the primary rental market</p> <p>Council may wish to consider different regulations for commercial operators that run multiple STVRs as a commercial business.</p>	<ul style="list-style-type: none"> <li>Proactively enforce current zoning rights through business license registration</li> <li>Monitor use through business license tracking</li> </ul>
	1-2 bedrooms within occupied condo	Prohibited	<ul style="list-style-type: none"> <li>Income opportunity for resident (improving housing affordability) with neutral impact to long term rental housing supply – would not improve nor detract from supply as no increase to self-contained units</li> <li>Permitting this use would demonstrate equality across housing types and tenures as owners and renters (if landlord permits) of both condos and single family dwellings would have equal right to operate an STVR from their home</li> </ul>	<p><i>Currently prohibited, but not proactively enforced</i></p>	<p>Even if STVRs are permitted in zoning, they may be prohibited by strata</p>	<ul style="list-style-type: none"> <li>Permit and proactively enforce through business license registration and tracking (neutral effect on rental market, adds flexibility and affordability for primary residents and fairness across housing types and tenures)</li> </ul>
Single Family Dwellings	Entire homes	Prohibited	<ul style="list-style-type: none"> <li>Increased number of STVRs overall</li> <li>Possible negative impact on rental housing supply if homes could otherwise be long term rental</li> <li>Possible neighbourhood impact if not conscientiously managed (noise, trash, etc.)</li> <li>Mortgage helper for homeowner</li> <li>Prevents vacancies in homes that may not be available for long term rental</li> </ul>	<p><i>Currently prohibited, but not proactively enforced.</i></p> <ul style="list-style-type: none"> <li>In some instances homes may be rented to long term tenants</li> </ul>		<ul style="list-style-type: none"> <li>Proactively enforce current regulations so STVRs cease</li> </ul>
	Entire secondary suites (including garden suites)	Prohibited	<ul style="list-style-type: none"> <li>Would provide homeowners with opportunity for mortgage helper without being locked in to Residential Tenancy Act</li> <li>Flexibility of use (e.g. save for visiting friends/family when not in use)</li> <li>Current Housing Strategy Initiative relaxing secondary suite regulations would not be serving purpose of adding affordable housing stock if permitted to be used as STVR</li> <li>Could lead to evictions if owner decides to convert long term units to STVR</li> <li>Secondary suites are often affordable rental units, and are sometimes more appropriate for families if they are larger; therefore conversion to STVR could mean loss of long term affordable and family rental housing</li> </ul>	<p><i>Currently prohibited, but not proactively enforced.</i></p> <ul style="list-style-type: none"> <li>If proactively enforced, could result in some units being converted into long term rental</li> </ul>	<p>Challenging to enforce both permissive use and prohibition as secondary suites are often not legally registered with City so locations not known</p>	<ul style="list-style-type: none"> <li>Proactively enforce current regulations so STVRs cease</li> </ul>
	1-2 bedrooms within occupied SFD	Permitted	<p><i>Currently permitted but business license use not enforced</i></p> <ul style="list-style-type: none"> <li>Allows homeowners way to earn extra income to offset mortgage costs with no impact to rental availability</li> <li>Useful data collection point</li> </ul>	<ul style="list-style-type: none"> <li>May encourage some homeowners to develop secondary suites for use as mortgage helper</li> <li>Requires amendment to Home Occupation Bylaw to remove B&amp;B use, and non-conforming use regulations would apply – enforcement would be extremely challenging</li> </ul>		<ul style="list-style-type: none"> <li>Proactively enforce current zoning rights through business license registration</li> <li>Monitor use through business license tracking</li> </ul>

Attachment 2: Maps



Zones where self-contained STVRs are permitted



Zones where STVRs are permitted in up to two bedrooms of a single family dwelling





**Committee of the Whole Report  
For the Meeting of June 9, 2016**

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**To:** Committee of the Whole **Date:** May 30, 2016  
**From:** Jocelyn Jenkyns, Deputy City Manager  
**Subject:** Short Term Vacation Rentals

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**RECOMMENDATION**

That Council:

1. Direct staff to develop options for policy guidelines and regulation of short term vacation rentals along with associated resource considerations and report to Council with recommendations by September 2016.
2. Advise the Minister of Community Sport and Cultural Development that Provincial policies for Short Term Vacation Rentals should be consistent with other industry accommodation options in connection with Hotel Taxes and with designations of property class by BC Assessment Authority to reflect the commercial nature of the accommodation being provided based upon the extent of rental use.

**EXECUTIVE SUMMARY**

The purpose of this report is to identify current City policy and regulation related to short term vacation rentals (STVRs) including:

- Home Occupation Bylaw
- Exiting Zoning for Short term vacation rentals in multi-family zones
- Licensing regulations
- Current taxation policy

City staff seek direction from Council regarding the development of options for policy guidelines and to identify regulation and resource considerations related to all types of short term vacation rental sites. And, in response to the recent request for comments from the Minister of Community, Sport and Cultural Development, issues of interest and concern are identified in the report that Council may wish to consider bringing forward to the Minister in response to is request for feedback.

**PURPOSE**

The purpose of this report is to provide information regarding the existing City policy guidelines and regulation related to STVRs in Victoria, as well as the actions that are being taken in other jurisdictions. Tourism and hotel perspectives are also contained related to the travel economy.

## BACKGROUND

### Short Term Vacation Rental Accommodation in Other Jurisdictions

Many cities are searching for ways to control STVRs. Control can mean different things, according to how many resources are allocated to this issue. The following information provides a quick summary of what is going on in a few other cities/provinces throughout Canada.

#### *Vancouver: Beginning to consider regulation*

- On April 5, Vancouver City Council passed a motion regarding strengthening regulation on STVRs, directing City staff to bring forward recommendations on how to restore a meaningful balance to the situation that protects rental stock. Current Vancouver bylaws state a person cannot rent a unit for less than 30 consecutive days unless they have a bed and breakfast license.
- The motion was referred to the Standing Committee on Policy and Strategic Priorities. See Appendix A for this motion.

#### *Whistler: Enforcement focuses on Zoning*

- The Resort Municipality of Whistler (RMOW) has land use regulations for STVRs. Bed and Breakfasts, pensions and chalets located in residential neighbourhoods are spot zoned. There is a limit on the numbers and a policy on how they were approved to avoid over concentration in any one particular area. There have been no new tourist accommodation rezoning applications approved in over a decade. Tourist Accommodation use is prohibited where not specifically listed as a permitted use. RMOW enforcement is complaint driven for illegal nightly rentals which seems to surge annually in the late fall. Unauthorized use or occupation of land, buildings or structures can result in fines of \$1,000 per day to the property owner. Whistler has a GIS Interactive Mapping Tool for both owners and tourists to see if the property is properly zoned or if the property is subject to a land use contract (currently looking to terminate and incorporate into zoning bylaw). Appendix B outlines Whistler's enforcement policy in its Tourist Accommodation, Complaint and Action Policy.

#### *Tofino: Using business licences and data mining to regulate and track*

- On March 15, 2016, Tofino city council unanimously passed a motion to crack down on accommodations offered on websites without a business licence. Tofino Council says it is responding to concerns that Tofino does not have enough affordable housing for either its seasonal workforce, or for its year-round residents on more modest incomes. Further, Tofino has now undertaken data mining to determine how many unlicensed STVRs are in existence.
- City staff have been directed to examine how to educate property owners about bylaws and enforcement. There may be a change in zoning requirements, and may put a limit on how many short-term accommodation licences it issues. There is evidence that long-term rentals are being turned into short-term ones which decreases rental options.

#### *Ontario: Partnership between Airbnb and Provincial government*

- Recently, the Government of Ontario struck a pilot project deal with Airbnb through which the government will get data and some revenue through Airbnb operators voluntarily registering. According to Airbnb, 82 per cent of its Ontario hosts are renting out their principal residence for about 40 days a year. The partnership includes protecting consumers, ensuring accessibility rights and safety obligations are met, and that tax laws



are being respected. However, the joint announcement of the government and Airbnb did not include a crackdown on individuals who rent out their homes but don't declare that income.

*Quebec: STVRs must pay hospitality tax*

- Quebec is the first province in Canada to regulate STVRs. In October 2015, Quebec passed legislation that, once implemented, will require patrons of STVRs to pay the provincial hospitality tax. STVRs must be certified by the tourism industry and pay a 3.5 % lodging tax.

**Tourism Victoria: Views on STVRs**

Tourism Victoria has outlined several issues relating to STVRs. Below is a summary of these thoughts, as shared by Paul Nursey, President and CEO.

- STVRs that provide a similar service as hotel accommodation must abide by all rules, laws and regulations. A "level playing field" should apply.
- There must be an equity in taxation: business tax ratio applied to residential operating as business; and an equity in regulation.
- Local tourism employers are focused on the availability of workforce housing for potential employees.

The Tourism Industry Association of British Columbia (TIABC) has formed a coalition to work on these issues. The coalition includes:

1. Tourism Industry Association of BC
2. British Columbia Association of Destination Marketing Associations
3. BC Hotel Association
4. BC Lodging and Campground Association
5. Canada's West Ski Areas Association: This group also represents resorts.

TIABC has invited both Airbnb and Uber to engage with TIABC policy committee and work towards solutions. TIABC is raising funds from its coalition partners to study the tax impacts at the province, federal and municipal level. A case study is being discussed as a project to be completed. See Appendix D for a resolution that the TIABC has developed to be sent to the Provincial government and Appendix E for a one-page briefing note that TIABC is planning to share with the Ministry of Finance.

**Hotel Tax**

In British Columbia an 8% Provincial Sales Tax (PST) is charged on all STVRs by hotels, motels, cottages, inns, resorts and property managers representing 4 or more units. A unit of accommodation is the basic unit sold to the customer. In a hotel or motel, a unit of accommodation is generally a room or suite.

In addition to the 8% PST, currently, all participating areas of BC are charging an Municipal Regional District Tax of 2%. The MRDT is charged in participating areas to raise revenue for destination marketing to generate increased overnight stays.

If less than four units of accommodation are offered, there is no requirement to charge PST and MRDT. Thus, not all STVR's would need to charge the MRDT even if it were enforced. However, because STVR's are sometimes attracting the same customers that might stay in a hotel, the impact of them not only on hotels but also on tax revenue has been cited as a significant concern.

## **ISSUES & ANALYSIS**

The overall number for STVRs in Victoria is very hard to estimate, address and contact information is usually concealed in internet listings, making it time-consuming and extremely difficult to identify a property. Based on approximate mapping, units are located across the city, with the majority in the downtown core and the downtown adjacent portions of Fairfield and James Bay (likely due to the concentration of multi-unit development there). Based on a review of a number of STVR rental sites, the number of rental units within the approximate boundaries of the City is between 200 and 300 units.

### **Housing/Rental Availability:**

One of the main concerns regarding STVRs is a perceived loss of long-term rental units when landlords choose short-term visitors over long-term leases.

While hard data on the exact prevalence of long-term to short-term conversion is scarce, anecdotal evidence suggests strongly that it is occurring. That said, not all STVR suites represent a net reduction from the rental pool as many listings are for rooms within a larger suite, or for units rented by owners who spend only a portion of their time in Victoria and as such were never part of the long-term rental pool.

This is causing some concern amongst the public given the tightness of the current rental market. The current vacancy rate is 0.6% (Fall 2015), down from 1.8% in 2014. This despite the addition of 350 purpose-built rental units to the local marketplace. Currently more than 500 additional rental units were approved by Council in 2015.

In terms of scale (based on available data) Victoria is currently home to approximately 27,000 rental housing units. If the range of STVR suites all found their way back into the rental market, the vacancy rate would increase to between 1.2 and 1.7%.

## **Regulation of the STVRs**

### **Zoning**

Land use bylaws, often in conjunction with business regulation bylaws, have been used to impose a variety of regulations that effectively limit where STVRs can be found and how they operate. These regulations can include limiting the dwelling type (single family home), location (not within a certain distance of another to limit the impact on the neighbourhood), the number of days/weeks that these locations can be used as a primary residence, and whether a secondary use is allowed under the regulation.

The City of Victoria zoning bylaw allows STVRs which are classed as transient accommodation for the temporary accommodation of visitors, and without limitation includes hotels, motels, vacation rentals and bed and breakfast accommodation outright in a number of multi-family housing zones.



These zones currently represent approximately 1,486 existing housing units across the city (as well as significant additional sites that allow for future development not included in this number) which are largely congregated in the downtown area and adjacent neighbourhoods.

In Zones where Home Occupation Use is permitted a licence may be obtained to rent up to two bedrooms for transient accommodation with limited regulations in Schedule "D" of the zoning bylaw. Home Occupation uses can occur in most single-family areas. This allows for the rental of rooms and shared accommodation as long as the homeowner is living in the establishment. See Appendix C for a map of all parcels where transient accommodation is permitted including single-family dwellings and strata condominium parcels.

STVRs have a significant impact on the day to day operation of residential strata and are not favoured by most Strata Corporations, for a variety of reasons. There is interest from local Strata Corporations to be involved in this entire discussion as it moves forward.

### **Bylaws**

Hotels, businesses that rent out accommodation for overnight guests are regulated by the Hotel Keeper's Act/Hotel Guest Registration Act.

A Bed and Breakfast operator with four or more rooms of accommodation must be registered and charge PST.

Homeowners renting out more than two rooms, may require a a business licence with family residence remaining as the principal use of the dwelling.

In all cases, a business licence is necessary to operate a STVR.

### **Enforcement**

While City regulation focuses on bylaws and zoning to address room rental operations, enforcement is problematic. Transient accommodation is specific in part 5.1 of the zoning bylaw and is described in more detail in the previous section of this report under Zoning. Private vacation rental suites in homes or entire condo units are not currently regulated, licensed (there are a number of home occupation licences), taxed, or inspected as are commercial hospitality industry properties (e.g. hotels, bed-and-breakfasts.)

The City of Victoria's Bylaw and Licensing Services investigates complaints received from the public approximately 10 to 20 per year. The majority of complaints are about rentals in multi-family condo apartment style properties.

Enforcement challenges involve the time to identify the property, contact an absentee property owner, gather sufficient evidence to prove the tourist use and decipher whether a transaction involved. Often owners claim it is just friends and family and that no money is paid. Bylaw Officers have communicated that there seems to be confusion about what "transient accommodation" means as "temporary" is not clearly defined. The owner is often present and a spare room is rented. Boarder and Boarding Houses are permitted uses in residential zones. Serving a ticket to a non-compliant absentee-property-owner is another obstacle.

To expand the scope of enforcement and create equity among STVRs, several additional regulation possibilities exist. These include amending the zoning bylaw, creating a business regulation bylaw

so violations could lead to revoking a licence, and adopting a written prescriptive enforcement policy for staff to follow.

#### OPTIONS & IMPACTS

Council may wish to consider directing staff to develop options for policy guidelines and regulation of STVRs along with associated resource considerations and report to Council with recommendations by September 2016.

In addition Council may wish to provide comments to the Minister of Community, Sport and Cultural development that suggest Short Term Vacation Rentals should be treated similarly to other commercial accommodations both in terms of discretionary Hotel Taxes at the discretion of each local government but also in terms of the Provincial approach to establishing that STVR's, based upon a determined rental use threshold, be designated, at least in part as (property) Class 6 Business by BC Assessment Authority.

#### *2015 – 2018 Strategic Plan*

The impacts of STVRs connect directly to the City of Victoria's Strategic Plan Objectives of #1) Innovate and Lead, #3) Strive for Excellence in Planning and Land Use, #6) Make Victoria More Affordable and #13) Demonstrate Regional Leadership.

#### *Impacts to Financial Plan*

The assessment of resource implications for increasing regulation for STVRs will be done within existing resources and budgets, with the assistance of consultants.

#### *Official Community Plan Consistency Statement*

This initiative is consistent with the policy direction of "Land Management and Development", "Housing and Homelessness" in the Official Community Plan.

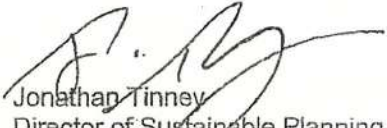
Respectfully submitted,



Mary Chudley  
Policy Analyst  
Legislative and Regulatory Services



Chris Coates  
City Clerk



Jonathan Tinney  
Director of Sustainable Planning  
and Community Development



Jocelyn Jenkyns  
Deputy City Manager



Report accepted and recommended by the City Manager: \_\_\_\_\_



Date: \_\_\_\_\_

June 3, 2016

**List of Attachments**

Appendix A – City of Vancouver Motion on Notice, Action to Strengthen Regulation of Short-Term Rentals, April 5, 2016.

Appendix B – Whistler’s Tourist Accommodation, Complaint and Action Policy

Appendix C – STVR Permitted Sites, City of Victoria

Appendix D – TIABC Resolution

Appendix E – TIABC Briefing Note

Appendix F - Young Anderson “To Air (bnb) is Human” Regulating the Share Economy



**Committee of the Whole Report  
For the Meeting of October 27, 2016**

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**To:** Committee of the Whole **Date:** October 7, 2016  
**From:** Jonathan Tinney, Director, Sustainable Planning and Community Development  
**Subject:** Short-Term Vacation Rentals

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**RECOMMENDATION**

That Council direct staff to:

1. Maintain current development rights throughout the city regarding transient accommodation, monitor short-term vacation rental impact through business licenses for all existing and future operations, and report back on results of data collection in Fall of 2017 for future policy considerations.
2. Prepare a communications strategy to raise awareness of the requirement for business licenses.
3. Prohibit short-term vacation rentals through the use of housing agreements in the following circumstances:
  - a. Affordable housing projects funded by the Victoria Housing Reserve Fund;
  - b. Affordable housing units provided as a community amenity contribution for projects receiving bonus density;
  - c. Purpose-built rental housing proposed as part of rezoning applications.
4. Report back with options for a strategic enforcement approach by December 2016.

**EXECUTIVE SUMMARY**

The purpose of this report is to present Council with options and associated resource considerations for regulating short-term vacation rentals (STVR) in Victoria.

On June 9, 2016, after considering a staff report on short term vacation rentals in Victoria, Council directed staff to develop options for policy guidelines and regulation of short-term vacation rentals along with associated resource considerations, and to report back with recommendations to prohibit the use of units of property zoned as residential for the primary purpose of providing commercial accommodation.

Gleaning information from a broad range of sources, including experience from other municipalities, professional economic assessment, and research, City staff first worked to determine the extent of the issue in Victoria, and then examined a range of options for managing and regulating STVRs. After careful analysis, it was determined that there are four possible options that could be appropriate for Victoria, ranging from outright prohibition to increased



permissiveness. Each option has pros and cons, and a detailed analysis is attached to this report in Attachment 5: Analysis of Options.

Prohibition of STVR use would remove property owners' existing development entitlements and may not reduce the number of STVR units in areas where it is currently permitted in zoning, as the use would become legal non-conforming and likely be allowed to continue. Due to this and other challenges identified in this report, the recommended approach is to allow STVRs where currently permitted in zoning, and improve uptake of business licenses through a concerted educational campaign and increased enforcement. Consistent use of business licenses would allow staff to accurately monitor the market – the number and location of STVRs, market growth, and other trends – and with this accurate data, be better able to understand the true effect STVRs are having on housing availability and affordability in Victoria. Staff could then report back in Fall of 2017 on the data collected and recommend new evidence-based approaches as necessary.

Once Council has confirmed a policy approach following consideration of the new information provided in this report, staff will follow up with a comprehensive enforcement plan to ensure compliance and for the collection of meaningful data.

## PURPOSE

The purpose of this report is to provide information, analysis and recommendations for Council to consider regulating short-term vacation rentals.

## BACKGROUND

On June 9, 2016, Council considered a staff report on the issue of short-term vacation rentals as it currently pertains to the City of Victoria. The report provided a selection of policy measures undertaken by other jurisdictions around the province and country, and following the staff presentation of this report, Council approved the following motions:

1. That Council direct staff to develop options for policy guidelines and regulation of short term vacation rentals along with associated resource considerations and report to Council with recommendations by September 2016 to prohibit the use of units of property zoned as residential for the primary purpose of providing commercial accommodation.
2. That Council advise the Minister of Community Sport and Cultural Development that Provincial policies for Short Term Vacation Rentals should be consistent with other industry accommodation options in connection with Hotel Taxes and with designations of property class by BC Assessment Authority to reflect the commercial nature of the accommodation being provided based upon the extent of rental use.

This report focuses on item #1, with analysis and recommendations on policy guidelines and regulation of short term vacation rentals.

## ISSUES & ANALYSIS

The regulation of the short-term vacation rental market is a divisive issue, and has garnered significant media attention. The proliferation of online platforms and hosts in recent years has local policymakers in cities across the globe working to implement policy and legislation to ensure all stakeholders are protected. Because of the urgency to get a handle on the situation, authorities often have to act without the benefit of long-range data.



In the June 9, 2016 report to Council, staff outlined information on existing policy guidelines and regulation related to STVRs in Victoria, as well as described actions that have been taken by some other jurisdictions in Canada. The stage of the regulatory process other municipalities are in are varied: for example Tofino is using business licenses to data-mine and track the issue to better understand the impact of STVRs, while Whistler uses limited spot zoning to restrict their proliferation. Vancouver meanwhile is proposing a plan to permit STVRs only in principle residences, and with the mandatory use of business licenses. Larger jurisdictions have taken more extreme steps: San Francisco has set up an Office of Short Term Vacation Rentals, including a storefront where citizens who want to establish STVRs must come in person to apply for a permit, provide proof of permanent occupation at the home, and follow strict guidelines in the operation of their STVR accommodation. And at the most extreme end of the scale, the City of Anaheim has recently banned all future STVRs in residential areas of the city and has given existing operators 18 months to cease operations.

While there may be universal themes across jurisdictions, to avoid unintended consequences, the best approaches to regulate STVRs appear to be those tailored to the specific issues in that particular region, based on data gathered in that particularly area. For example in one city, fully prohibiting STVRs outright may be the best solution if it is truly shown that leaving the market unrestricted will have a severely detrimental effect on rental affordability and vacancy rates; but in another, the burden of enforcement, suppression of the ability for homeowners to generate income to afford their properties, or impact on loss of tourism dollars due to restricting the types of accommodation allowed may outweigh the problem. While there is not enough large-scale research to determine which approach(es) are best, research shows one thing clearly: that the best strategy is one that is balanced, researched, evidenced-based and municipality-specific.

### Victoria-Specific Issues

There are a few issues that pertain specifically to Victoria's situation:

- The extent to which STVRs are impacting affordability or limiting the availability of rental stock in the city is not widely understood. Preliminary analysis suggests STVRs may have some impact on rental availability but likely no impact on affordability. Further analysis is required.
- There are currently no regulations specifically addressing STVRs, except in the *Zoning Regulation Bylaw* and its *Schedule D - Home Occupation* regulations which allow STVRs in some zones as either principal or accessory uses. Preliminary investigation indicates that a number of existing STVRs are not in compliance with current regulations.
- There are immediate challenges to prohibition for the existing zoning in the downtown commercial areas where STVRs are currently allowed (as both residential use and transient accommodation are permitted). Prohibiting STVRs outright will remove current owners' rights, but will also permit existing STVRs to continue as legal non-conforming uses.
- Should development rights be removed in the *Zoning Regulation Bylaw*, existing legal STVRs would be allowed to continue as a non-conforming use provided they are not discontinued for 6 months in accordance with Section 528 of the *Local Government Act*. Further, if a use is permitted in part of a building as a legal non-conforming use, it is permitted everywhere in the building (all condominium units). Monitoring non-conforming uses to determine if they have ceased for 6 months or longer would likely prove extremely challenging.
- Enforcement of regulatory changes is key to the success of regulation, but enforcement approaches differ depending on which option is selected.



## Current Regulations

The City of Victoria regulates STVRs through its requirement for business licencing, and through the *Zoning Regulation Bylaw* which permits transient accommodation in some zones as well as through *Schedule D - Home Occupations*.

The *Home Occupation* regulations permit the use of up to two bedrooms in a single family dwelling for transient accommodation as a permitted home occupation use, accessory to residential use. As well, certain downtown zones list transient accommodation as a permitted use. This report does not propose changing the *Home Occupation* regulations, as this type of operation does not intrude on the regular rental market.

The *Zoning Regulation Bylaw* also permits secondary suites as an accessory use in single-family residential zones. Strata-titling of secondary suites is not permitted, so these accessory units are part of the residential rental pool. Transient accommodation use as a home occupation is limited to the single-family dwelling and not permitted within the secondary suite.

The current regulations have not been explicitly communicated since the emergence of web-based STVR platforms, and enforcement has thus far been exercised on a complaints basis only. It is therefore, likely that there are numerous STVR operations not in compliance with existing rules. This poses challenges for enforcement, but also makes it difficult to collect data on the number and location of STVRs in order to understand their true impact.

## Current Situation – Actual Impact

Because the City of Victoria does not have long or short-range data on the true impact of STVRs on rental stock in the city, staff engaged the opinion of Coriolis Consulting to determine with deeper analytical certainty how the issue of STVRs is currently affecting the rental housing market in this city. More specifically, staff were interested in determining what the effect might be of postponing restrictions on STVRs for a period of time so that data can be collected to determine the true effect of the problem and make an informed policy decision. The opinion letter from Coriolis is appended to this report in Attachment 1.

Using one available platform as an example – AirBnB – Coriolis provided a brief analysis of the situation, which is outlined below:

- There are approximately 300 rental units on AirBnB that are being rented out as 'entire suites' at any given time.
- This number could be an overstatement – not all units would necessarily be available for regular rental if STVR were restricted (owner-occupied/temporary rentals; condos purchased for STVR use that would otherwise be owner-occupied, etc.).
- Using the estimated 27,000 rental units in the city as a comparison, 300 STVR units represent 1.1% of total rental units.
- Not all units would be available for regular rental so true impact would likely be less than 1.1% increase to vacancy rates.
- Adding these 300 units back into regular rental stock might increase vacancy rates to some degree, but would not likely improve affordability.

Based on available data, Coriolis concluded that it is not possible to argue that there is a significant and persistent negative impact of STVR on rental housing stock, and provided instead

a set of options and recommendations which align with staff's recommended policy direction and are outlined in the next section of this report.

### **AirBnB Data**

Following the completion of Coriolis' analysis, AirBnB provided information to the City with data from that particular platform that corroborates the numbers indicated in Coriolis's analysis, and may actually demonstrate that the number of potentially displaced rental units is overestimated.

In a document provided to the City of Victoria from AirBnB, appended to this report in Attachment 2, the platform reports that from September 15, 2015 – September 15 2016, there were 539 hosts in Victoria with listings on their website. However this number does not distinguish between those sharing a room in their home vs. renting out an entire suite or home, the latter of which is the only type of STVR that has the potential to impact the availability of regular rental stock. A non date-constrained search on the platform shows the number of STVRs being rented as entire units is in the range 300+ units. Of these, it is also likely that not all are displacing permanent rental stock, as Airbnb states that the number of days hosted annually for a typical listing is 49, meaning the average listing may *not* be acting as an STVR for an average of 316 days per year and could be either the hosts' permanent residence, only available for family or other purpose, or may not otherwise be available for long term rental.

### **Correspondence Received on the Topic of Short Term Vacation Rentals**

While in the process of writing this report, staff received correspondence expressing positive support for STVRs in the community. Please refer to the letters in Attachments 3 and 4, which list the perceived and experienced benefits of STVRs and provide suggested policy options for their regulation. The letters stress the value of STVRs for income supplementation and improved affordability for low-moderate income homeowners; the positive economic impact of STVRs on communities and local businesses; and the benefits of flexible options for travelers visiting Victoria for reasons such as work, study, and family support.

### **OPTIONS & IMPACTS**

At the request of Council, City staff reviewed a broad range of regulatory options that have been adopted by other jurisdictions, some of which were identified in the previous report presented to Council on June 9, 2016. Weighing these against the local situation as established by the economic opinion solicited by Coriolis Consulting, staff have narrowed possible options for regulating STVRs as follows:

- Option 1: Prohibit STVRs throughout the city
- Option 2: Continue to permit STVRs but with limitations
- Option 3: Maintain current development rights in zoning; communicate licensing requirements for data collection; and prohibit STVRs for affordable housing projects funded by the City, affordable housing units provided as community amenity contributions for bonus density and purpose-built rental projects through housing agreements.
- Option 4: Permit STVRs throughout the city to a greater extent

Staff have summarized the key pros and cons of each of these options below; however for a more detailed analysis please see the attached document Options and Analysis (Attachment 5).



**Option 1: Prohibit STVRs throughout the city (not recommended)**

**PROS**

- If combined with proactive enforcement, ensures maximum retention of rental stock.
- May provide returned revenue to hotel industry.

**CONS**

- Removes property owners' existing development entitlements.
- Prohibition would be imposed when it is not yet known whether the existing STVRs are affecting units within the rental pool.
- Prohibition may not reduce the number of STVRs in areas where it is currently permitted in zoning as the use would become legal non-conforming and be allowed to continue.
- Not aligned with the Downtown Core Area Plan which encourages mixed land uses to accommodate commercial employment along with complementary uses such as multi-unit residential, hotels and others (particularly in the Central Business District, Historic Commercial District and the Inner Harbour District).
- Would necessitate creating a separate set of zones for transient accommodation vs. residential accommodation downtown, and would require site-specific rezoning applications for any new transient accommodation uses.
- May drive STVRs 'underground' and likely to other areas of the city.
- Additional enforcement resources would be required.

**Option 2: Allow to a lesser extent by enforcing time limitations**

**PROS**

- Maintains existing property owners' rights in downtown core where transient accommodation use is permitted

**CONS**

- Most complicated option to track; would require all available platforms to share booking information, and a mechanism to collate data.
- Most complicated option to enforce. It is not known whether STVRs are affecting units in the rental market, so enacting this option could potentially be complicated and time consuming with little impact.

**Option 3: Maintain current development rights for STVRs; communicate business license requirements; monitor and collect data for future policy decisions; prohibit STVRs through housing agreements for circumstances where affordable rental housing and home ownership is proposed; and report back with an enforcement strategy. (Recommended option.)**

**PROS**

- Provides opportunity to monitor and collect data to create comprehensive policy based on Victoria's specific situation and needs.
- Keeps STVRs 'above ground' and easier to monitor and enforce.
- Ensures affordable rental housing projects in receipt of assistance through Victoria Housing Reserve Fund are not permitted to be used as STVR ensuring these units remain in the rental market. Other purpose-built rental projects and affordable housing units provided as community amenity contributions for bonus density could also be included in this initiative.

#### CONS

- Data quality dependent on business license uptake.

**Option 4:** Permit STVRs throughout the city to a greater extent

#### PROS

- Assists with housing affordability as another form of “mortgage helper”, particularly for low-moderate income homeowners.

#### CONS

- Would impact the rental pool as STVRs would also be permitted in townhouses, apartments, secondary suites and garden suites.

Option 3 is the approach staff recommend Council consider as the best policy decision. Based on the analysis provided by Coriolis and information provided by the largest platform for STVRs (AirBNB), which shows the current impact to the rental market is minimal, and because of the need to make a policy decision backed by region-specific evidence, this option will allow adequate time to accurately track and monitor STVR operations in order to inform a Victoria-specific long range policy. It will also ensure the best use of City time and resources.

#### **Resource Considerations**

The June 9 Council decision directed staff to include resource considerations associated with each option presented. After a careful analysis, staff determined that some aspects of the regulation of STVRs could be handled with existing city resources, for example data collection and analysis. However staff also determined that the bulk of additional resources required would be to provide increased enforcement. For each of the options outlined above, enforcement is key to the positive outcome of regulations.

Each approach presented above has its own range of enforcement options, each with their own pros and cons. Enforcement options will require specific analysis, taking into account budget and other accommodations for additional staff; enforcement methodology; penalization terms, and a range of other considerations. Therefore in order to recommend an appropriate enforcement approach and accurately estimate resource considerations, staff recommend Council consider directing staff to conduct a separate analysis of enforcement approaches specific to the regulatory option Council elects to adopt, and report back with a resource analysis of that option.

#### **Taxation**

This report does not address the issue of applying a tax to STVR operators similar to the hotel tax, as a decision to involve the provincial government on this issue was identified and assigned in the earlier report. However, the impact of taxation will not preclude the application of any of the options listed above.

#### *2015 – 2018 Strategic Plan*

The regulation of STVRs align with a number of the City of Victoria's Strategic Plan Objectives: #1 Innovate and Lead; #3 Strive for Excellence in Planning and Land Use; #6 Make Victoria More Affordable, and #13 Demonstrate Regional Leadership.



*Impacts to Financial Plan*

Implementation of the recommended approach would not have any impact on the Financial Plan and could be accommodated under current staff resources. However the application of increased enforcement to ensure the success of the selected option will likely have a financial impact, as the current annual business licence fee of \$100.00 would not offset any increased enforcement costs that may result dependent upon the regulatory option selected. Should Council approve the approach staff has recommended of creating an enforcement options analysis, implications of increased enforcement to the financial plan would be addressed on the subsequent report to Council.

*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".

**CONCLUSION**

The regulation of short term vacation rentals is a complex matter, as these unique operating models have both positive and negative economic and social implications. While their proliferation is universal, policy to manage them must not be, as each municipality must enact a set of regulations that responds to that city's specific needs. After careful analysis and evaluation, staff have determined that the best approach to regulating and understanding the potential impact of STVRs on Victoria's rental housing affordability and supply is through continuing to permit their use in appropriate zones with the requirement that all operators use of business licenses; monitoring the data collected through licensing; and fully prohibiting STVRs in affordable rental housing projects funded through the Victoria Housing Reserve and purpose-built rental housing.

Respectfully submitted,



Lindsay Milburn  
Senior Planner - Housing Policy  
Community Planning



Jonathan Tinney  
Director  
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager: \_\_\_\_\_

Date: October 21, 2016

**List of Attachments**

1. Attachment 1: Coriolis Consulting Opinion Letter dated October 6, 2016
2. Attachment 2: AirBnB Statistics for September 15 2015 – September 15 2016
3. Attachment 3: Email to Mayor and Councillors dated September 27, 2016
4. Attachment 4: Letter dated October 6, 2016
5. Attachment 5: Analysis of Options

# Short Term Vacation Rentals Council Workshop

January 19, 2016



## Workshop Agenda

1. **Background (5 min):**
  - a. City objectives and policies
  - b. Considerations
  - c. STVR Types and Zoning
2. **STVR Discussion:**
  - a. Multi-unit buildings (3 scenarios)
  - b. Single-family dwellings (3 scenarios)

*\*Council to discuss each scenario and provide motions on each*
3. **Next Steps**





## City Policies

1. Strategic Plan Objectives
  - Make Victoria More Affordable
  - Create Prosperity Through Economic Development
2. Official Community Plan Goals
  - Residents have access to affordable housing
  - Support a vibrant economy
  - Victoria is a premier tourism destination
3. Downtown Core Area Plan
  - Land uses that include commercial employment uses, multi-unit residential and uses that support tourism
4. Victoria Housing Strategy goals
  - Housing that meets the needs of low and moderate incomes



Short Term Vacation Rentals

## Considerations

Other impacts to housing supply

- ❖ Provincial and federal investments
- ❖ New purpose-built rental housing units soon to enter Victoria market
- ❖ Victoria Housing Strategy



Short Term Vacation Rentals

## STVR Types and Zoning

- Private room vs entire unit
  - ❖ Occasional vs full time use
  - ❖ Homeowners vs commercial operators
- Business license required



Short Term Vacation Rentals

STVR Type	Current Regulation
<b>Multi-Unit Buildings</b>	
Properties with no transient zoning	Not Permitted
Properties with transient zoning	Permitted
1-2 bedrooms within occupied unit	Not Permitted
<b>Single-Family Dwellings</b>	
Entire Homes	Not Permitted
Secondary and Garden Suites	Not Permitted
1-2 bedrooms within occupied SFD	Permitted



Short Term Vacation Rentals



# Zoning



Short Term Vacation Rentals

# Zoning



Short Term Vacation Rentals

# Workshop Discussion



Short Term Vacation Rentals

## Scenario 1: Entire unit in multi-unit building (condominium) outside downtown

× Transient Zoning (STVR currently prohibited)

What would happen if permitted? Pros/Cons	What would happen if enforced? Pros/Cons
<ul style="list-style-type: none"><li>• More STVRs overall</li><li>• Long-term rental supply</li></ul>	<ul style="list-style-type: none"><li>• More supply</li><li>• No non-conforming status</li></ul>

Recommendation: Stop

Motion?



Short Term Vacation Rentals



**Scenario 2: Entire unit in multi-unit building (condominium) downtown**

✓ Transient Zoning (STVR currently permitted)

What would happen if continued? Pros/Cons	What would happen if prohibited? Pros/Cons
<ul style="list-style-type: none"> <li>• Data-based regulation strategy</li> <li>• Maintain owner's rights</li> <li>• Displacement of long-term tenancies - number unknown</li> </ul>	<ul style="list-style-type: none"> <li>• Some STVRs would convert to long-term rental</li> <li>• Non-conforming status</li> <li>• No improvement to affordability</li> </ul>

**Recommendation: Continue to permit**

**Motion?**

**Scenario 3: 1-2 bedrooms within occupied condo**

× Home occupation bylaw (STVR currently prohibited)

What would happen if permitted? Pros/Cons	What would happen if prohibited? Pros/Cons
<ul style="list-style-type: none"> <li>• Income opportunity</li> <li>• Equality across types and tenures</li> </ul>	

**Recommendation: Permit**

**Motion?**

### Scenario 4: Single family dwellings – entire homes

× Transient zoning (STVR currently prohibited)

What would happen if permitted? Pros/Cons	What would happen if enforced? Pros/Cons
<ul style="list-style-type: none"><li>• Mortgage helper</li><li>• STVRs not decreased</li><li>• Negative impact on housing supply</li></ul>	<ul style="list-style-type: none"><li>• Some homes may revert to long-term rental</li><li>• Less flexibility for owners</li></ul>

**Recommendation: Stop**

**Motion?**



Short Term Vacation Rentals

### Scenario 5: Single family dwellings – secondary suites (including garden suites)

× Transient zoning (STVR currently prohibited)

What would happen if permitted? Pros/Cons	What would happen if enforced? Pros/Cons
<ul style="list-style-type: none"><li>• Mortgage helper</li><li>• STVRs not decreased</li><li>• Negative impact on affordable housing supply</li></ul>	<ul style="list-style-type: none"><li>• Some homes may revert to long-term rental</li><li>• Less flexibility for owners</li></ul>

**Recommendation: Stop**

**Motion?**



Short Term Vacation Rentals



### Scenario 6: Up to 2 bedrooms within single family dwelling

✓ Home occupation bylaw (STVR currently permitted)

What would happen if continued? Pros/Cons	What would happen if prohibited? Pros/Cons
<ul style="list-style-type: none"><li>• Mortgage helper with no impact on long-term rental market</li></ul>	<ul style="list-style-type: none"><li>• Legal non-conforming</li></ul>

Recommendation: Continue to permit

Motion?



Short Term Vacation Rentals

## Recommendations

1. That Council receive the report to guide and inform the short-term vacation rentals workshop on January 19, 2017.
2. That staff report back with policy, regulatory and enforcement recommendations based on the workshop discussion.



Short Term Vacation Rentals

# Short Term Rentals Strata Options



	Scenario	Current Regulation	Regulatory Direction Approved by Council January 19
1	Entire condo with no transient zoning	Prohibited	Proactively enforce current prohibition in zoning so STRs cease
2	Entire condo with transient zoning	Permitted	Proactively enforce current zoning rights through business license registration; Monitor use through business license tracking
3	1-2 bedrooms within occupied condo	Permitted	Permit and proactively enforce through business license registration and tracking (neutral effect on rental market, adds flexibility and affordability for primary residents and fairness across housing types and tenures)
4	Entire homes	Prohibited	Proactively enforce current regulations so STRs cease
5	Entire secondary suites (including garden suites)	Prohibited	Proactively enforce current regulations so STRs cease
6	1-2 bedrooms within occupied SFD	Permitted	Proactively enforce current zoning rights through business license registration; Monitor use through business license tracking



## March 2 Council Direction:

- Available tools
- Opting in/out of Zoning
- Business regulations → *Strata Property Act*



Short Term Rental – Strata Options

## Opt-in, Opt-out

- Opt-in/out: not possible
- Not appropriate to set a threshold
- Rezoning not likely to reduce existing STR



Short Term Rental – Strata Options

## Available Tools

1. Zoning
2. Proactive enforcement



Short Term Rental – Strata Options

## Available Tools

3. Business Regulations
  - Strata permission
4. Taxation



Short Term Rental – Strata Options



## Next Steps

- Enforcement strategy
- Principle dwellings / occasional use



Short Term Rental – Strata Options

## Recommendations

### That Council direct staff to:

1. Limit short term rentals in Victoria to the greatest extent possible through appropriate language in the *Zoning Regulation Bylaw*, housing agreements, or other available tools to ensure that all new residential zoned units are used for the primary purpose of housing, rather than as short-term rentals (STR).
2. Bring forward a comprehensive scheme of business regulations for existing and future short-term rentals. Such regulations may include:
  - a. requirements for a business licence for all short-term rentals
  - b. business licence fees
  - c. requirement that business activity comply with applicable strata rules
  - d. establishing appropriate rules for operation of short-term rentals.



Short Term Rental – Strata Options

## Recommendations

### That Council direct staff to:

3. Work with the BC Assessment Authority to ensure that properties used for short-term rental are properly assessed as Class 6 – business and other
4. Report back with a short-term rental enforcement strategy that will detail considerations for proactive enforcement of City-wide short-term rental including:
  - a. benefits and challenges of manual (staff led) enforcement vs. enlisting third party STR management assistance
  - b. fines and escalatory action for non-compliance
  - c. audit options to monitor adherence to rules and regulations
  - d. engaging STR host platforms for regulatory cooperation
  - e. additional policies, regulations, and programs to ensure compliance with regulations
  - f. expediting the time frame for rolling out enforcement
  - g. creating a dedicated short-term rental webpage for clarity and transparency regarding new regulations that outlines the City's progress on reducing short-term rental impact on long-term rental housing availability
  - h. establishing a monitoring system to evaluate success of short-term rental regulations and the Short-Term Rental Enforcement Strategy.

