

Options to Address the Equity in the Approval Process of Short-Term Rentals

Short-term rentals take two forms, rentals of an entire home, where guests rent the whole dwelling for the duration of their stay, and shared home rentals, where guests rent out rooms within a host's residence. Currently, Zoning Bylaw 12800 does not provide direction on entire home short-term rentals. However, existing definitions and regulations in Zoning Bylaw 12800 guide decisions on shared home rentals, which are regulated as Major Home Based Business - Bed and Breakfast Operations.

The zoning regulations for Major Home Based Businesses and Bed and Breakfast Operations were created in 1993 and reflect a traditional bed and breakfast business model. As a Major Home Based Business, this use is generally listed as discretionary in residential zones. As a discretionary use the application fees are higher compared to Minor Home Based Business applications, and development permit decisions are subject to notification requirements. The notification process provides neighbouring property owners the opportunity to appeal the Development Officer's decision to the Subdivision and Development Appeal Board. It also extends timelines and adds uncertainty to the development permit approval process.

Administration has heard from residents and members of the accommodations industry that the existing zoning regulatory framework creates an inequitable environment for short-term rental operators. Some of the feedback received has indicated that entire home rentals require additional measures in place to respond to nuisance-related concerns; other feedback has noted the reduced impacts associated with shared home rentals due to the presence of a resident host.

In considering the options to ensure equity between entire home rentals and shared home rentals, Administration has identified the following zoning options to balance the regulatory burden on short-term rentals concerning development permit and notification requirements.

- Option 1:** Address equity of short-term rentals through the Zoning Bylaw Renewal initiative
- Option 2:** Remove the development permit and notification requirements for qualifying short-term rentals
- Option 3:** Remove the shared home rental regulations from the Zoning Bylaw and associated development permit and notification requirements

Option 4: Introduce a development permit requirement and potentially a notification requirement for entire home short-term rentals.

Regardless of the option chosen, a comprehensive review of the regulation of home based businesses will occur as part of the Zoning Bylaw Renewal initiative. However, Administration supports Option 2 to alleviate the regulatory burden faced by shared home rental operators. This approach would:

- provide parity between shared home rentals and entire home rentals by removing development permit and notification requirements for qualifying shared home rentals;
- reduce the costs and uncertainty of permitting for independent homeowners; and
- provide an interim solution until a comprehensive review of the regulation of home based businesses can be done as part of the Zoning Bylaw Renewal initiative.

A summary of each approach, including identification of the equity outcomes and additional considerations required is outlined below. Other notification options to allow neighbours to find contact information of short-term rentals operating within their neighborhood are identified on page 7 of this attachment.

Option 1 - Address the Equity of Short-Term Rentals through Zoning Bylaw Renewal

Over the past number of years, successive amendments have been made to Zoning Bylaw 12800 to respond to newer forms of development and land use; however, through this process, the number of regulations in Zoning Bylaw 12800 have grown and the bylaw has become increasingly complex. The complexity of the bylaw has led to increased development permit timelines and uncertainty in the development permit process. In response to this issue, Administration initiated the Zoning Bylaw Renewal project to proactively review the rules that regulate development in Edmonton in order to simplify and streamline the bylaw, while also bringing it into alignment with higher policies and initiatives. One of the principles of this work is to make the regulations in the new zoning bylaw efficient, effective, and adaptive, so that the bylaw can better respond to newer forms of development and business models, such as short-term rentals. Another intent of this work is to ensure clarity on the outcomes the zoning regulations are intended to provide more certainty to what can be developed and how land can be used in Edmonton. Part of this work will include a holistic review of how home based businesses are regulated, beyond the issue of bed & breakfasts and short-term rentals, and will also take a comprehensive look at how all forms of housing will be addressed, regardless of user or tenure.

Given the timing of this issue, and resources dedicated to the Zoning Bylaw Renewal initiative, Administration's preference would be to consider changes to address the equity of short-term rentals as part of the Zoning Bylaw Renewal project. Taking a holistic approach in reviewing how development and land use is regulated in Edmonton will ensure the regulations in the bylaw are integrated and can adapt to unconventional business models in alignment with the principles of the initiative. This approach will also ensure the regulations are better equipped to manage land use impacts and efficiently implement the City's larger city building goals.

Equity Outcome:

- Efficient, effective, and adaptive regulations that focus on land use impacts will reduce regulatory hurdles for new and emerging businesses, such as short-term rental operators, and clearer regulations can provide more certainty and equitable opportunities for all Edmontonians.

Considerations:

- This option would require a longer timeline to implementation, meaning that regulatory equity between shared and entire home short-term rentals would align with the timing of the new Zoning Bylaw.

Option 2 - Remove Development Permit and Notification Requirements for Qualifying Short-Term Rentals

The current regulations for shared home short-term rentals, which are considered Bed and Breakfast Operations, were created almost 30 years ago and are based on a traditional bed and breakfast business model. At the time, it was considered that there might be a land-use impact associated with this activity akin to other Major Home Based Businesses in the Bylaw, and therefore was classified as a Major Home Based Business. Because the Major Home Based Business use tends to be listed as a discretionary use, its approval requires the development officer to exercise discretion in issuing a development permit; it also requires the approval to be subject to notification.

Administration has not received a significant volume of complaints related to operators renting out a portion of their residence on a short-term basis. Furthermore, the range and scale of uses and activities now permitted in most residential zones has expanded since 1993, and a growing city must be able to accommodate greater diversity of uses in these zones. As a result, the shared home short-term rental business model now aligns with the intent of the Minor Home Based Business framework, which captures home based businesses that generate minimal to no off-site land use impacts.

This approach would consider adding the classification of shared home short-term rentals in Zoning Bylaw 12800 to Minor Home Based Business for shared home rentals up to two guest rooms. In doing so, new shared home short-term rentals with up to two guest rooms would be exempt from requiring a development permit if the land use was listed as permitted in the zone and the operator complies with the regulations. This approach would also remove the notification requirements. However, shared home short term rentals with more than two guest rooms, or those that require non-resident staff, would require a development permit for a Major Home Based Business. Entire home short term rentals, where there is no primary resident, would not be captured as either a Minor or Major Home Based Business.

Equity Outcome:

- This approach provides parity with entire home rentals in that both short-term rental models would not require a development permit or notification to neighbouring property owners (in most cases).
- Removing the development permit requirement for qualifying shared home rentals would reduce the burden of start-up costs by not having to pay the permit application fee.
- Removing the development permit requirement for qualifying shared home rentals provides more certainty to residents looking to rent their homes on a short-term basis. It eliminates the need for the Development Officer to exercise discretion and removes the notification requirement and potential for appeal.
- This approach would also provide opportunities to operators living within properties located in Direct Control zones, which typically exclude Major Home Based Business as a listed use due to development rights associated with this land use activity.

Considerations:

- Although this approach would not remove the Bed and Breakfast Operation regulations, it would limit the amendments required to be made to the Zoning Bylaw, and would not address interrelated definitions and regulations, such as those related to lodging houses, apartment hotels, and definitions for dwelling and household. This would serve as an interim solution until the Zoning Bylaw Renewal is completed.
- This approach would still require operators of shared home short-term rentals to obtain a development permit if their home was located in a Direct Control zone or a zone where the Minor Home Based Business

use was listed as discretionary (i.e., AG, AGU, CB1, CB2, CNC, CO, CS3, CS4, CSC, TMU), which typically coincides with residential uses being listed as discretionary.

- Administration is of the opinion that removing the development permit requirement for qualifying short-term rentals reduces red tape and increases the likelihood of operators obtaining Business Licenses for their rentals. If more operators obtain business licenses, this will provide the City with the most comprehensive information regarding rentals in Edmonton and allows for a more consistent standard for all rentals across the board.

Option 3 - Remove Development Permit and Notification Requirements for Shared Home Rentals (Major Home Based Business - Bed and Breakfast Operation)

Administration has heard from shared home short-term rental operators that the process to obtain a development permit for a shared home rental is difficult due to the additional costs associated with the development permit application fee and the uncertainty of obtaining approval due to the notification requirements. Operators have suggested that the rationale to require a development permit to minimize nuisance impacts is not warranted due to the presence of an on-site manager who can address concerns as they arise. Feedback has also been received, indicating that the impact of renting out a home for short stay guests has no more impact than the residential use of the home by long term tenants.

Equity Outcome:

- Same as Option 2
- This approach aligns with the Zoning Bylaw Renewal initiative to simplify the Zoning Bylaw and to regulate development efficiently and effectively to minimize off-site land use impacts.

Considerations:

- This approach may require clarification and amendments to related definitions and regulations to limit unintended consequences that may enable defacto lodging houses and apartment hotels. This option requires further scoping and public engagement, and would be more effectively addressed as part of the Zoning Bylaw Renewal initiative.

Option 4 - Introduce a Development Permit Requirement for Entire Home Rentals

Administration has heard residents' concerns for some entire home short-term

rentals routinely being used for parties and events, or activities associated with crime. Part of the concern associated with entire home rentals is that the residents feel that the City has not established an effective and responsive mechanism to address the nuisance concerns associated with short-term rentals, and the transitory nature of guests has made some residents feel unsafe in their homes and/or neighbourhood.

Shared home short-term rental operators have also noted the lack of equity in having to obtain permits when entire home rentals do not. The accommodations industry indicated concern for an unlevel regulatory environment for short-term rentals in comparison to traditional hotel accommodations as it relates to permits, licenses, safety requirements, and property taxes. This group contends that the lack of regulation has given commercialized entire home short-term rental operators an unfair advantage in the accommodations economy.

Although a development permit requirement for an entire home short-term rental could be introduced into Zoning Bylaw 12800, the permit requirement would only create duplicate regulation addressing the nuisance concerns related to on-street parking, noise, untidy properties, and crime. These nuisances are already managed through other bylaws and jurisdictions, such as Traffic Bylaw 5590, Community Standards Bylaw 14600, and the Edmonton Police. Therefore this approach is not recommended, as outlined in February 25, 2020 Urban Planning Committee report CR_7579, Short-Term Rentals - Potential Bylaw Amendments.

If directed to create a development permit requirement for entire home rentals, Administration would need to specify which aspects of the operation it would regulate to manage land use impacts. Administration would need to identify whether or not the regulations and staff resources would be effective in ensuring and monitoring compliance. For example, regulations to limit the number of guests in a rental and the rental duration would be difficult to monitor and enforce due to the transitory nature of short-term rentals. Additional considerations are noted below.

Equity Outcome:

- This approach would provide equity with shared home short-term rentals because both would require a development permit.

Considerations:

- Monitoring and ensuring compliance with occupancy thresholds would be dependent on reviewing the information provided through online listings and operator's self-reporting through permit applications. This

approach may limit enforcement and maintain reliance on complaints from the public.

- Development permits and notifications would not eliminate nuisance concerns; however, a notification may help neighbours identify the location of short-term rentals.
- Notifications added to the development permit approval to allow neighbours to appeal the Development Officer's decision will require additional resources to administer and increase fees for this type of approval. Notification for the purpose of raising awareness could be achieved through passive forms of notifications as identified in section below regarding other notification options.
- The use of zoning regulations to attempt to regulate an industry that is also regulated by other community standards bylaws would create an unnecessary duplication of enforcement powers. As an example, bylaws already exist that regulate such issues as noise and nuisance, and having additional requirements on noise and nuisance in zoning regulations would therefore create an unnecessary level of red tape.
- If regulations were created to manage nuisances associated with a short-term rental, a development permit subject to these provisions could be revoked for non-compliance. Ultimately, the City has abilities to enforce nuisance issues related to short-term rentals under other bylaws, and creating regulations and a development permit process for short-term rentals would be a duplication of these powers.

Other Notification Options

As part of the options explored to create a notification process for all short-term rentals, Administration has identified two options to raise awareness to neighbours of short-term rentals operating in their neighbourhood as noted below. These options do not require implementation through Zoning Bylaw 12800.

Option 1 - Introduce a Signage Requirement for Short-Term Rentals in Operation

This option would require all short-term rental operators to display a sign with host contact information as well as general information for registering a complaint regarding a concern associated with a short-term rental. The sign could be required to be posted in a location visible from the sidewalk adjacent to the property, or a place visible to other tenants within a multi-unit housing development while the short-term rental is in operation. This requirement could

be implemented through Zoning Bylaw 12800 or through Business Licence Bylaw 13138.

The City has implemented sign requirements through the Zoning Bylaw, such as the development permit sign requirements for new residential development. Administration has found that minor issues associated with residential construction can often be resolved before complaints are made to the City. A requirement to post a sign with the operator's contact information could help neighbours address their concerns with the operator, making this an option that would allow the short-term rental industry to self-regulate to a degree. Neighbours can use the information on the sign to report a concern to the City to initiate an investigation and deploy enforcement.

Equity Outcome:

- If the sign requirement is applied to all short-term rentals, it would create parity for both business models, and equal awareness to neighbours for short-term rentals operating in their neighbourhood.

Considerations:

- Ensuring compliance with a signage requirement will be difficult to monitor to ensure its posting for the duration of a rental period due to the transitory nature of short-term rentals. Posting the sign would require voluntary compliance by operators and/or reliance on complaints by neighbours.
- Consideration could be given to requiring the posting of a sign regardless of when a short-term rental is in operation; however, this approach may raise security concerns for entire home short-term rentals in between bookings, while the home is vacant.
- In discussions with residents who are neighbours of problem short-term rentals, Administration heard that a notification process for short-term rentals should serve a purpose and is only helpful if it allows neighbours feedback to factor into the approval process of a rental. Residents expressed concern that passive forms of notification would continue to put the onus on neighbours to monitor short-term rentals for the compliance with City bylaws.
- This approach could open the short-term rental operator to harassment from any upset neighbours and could also put the City in the middle of that dispute.

Option 2 - Create an Online Short-Term Rental Registry

This option could require all short-term rentals operators to register with the City so that locations can be displayed on an online map, where residents can

locate short-term rentals operating in their neighbourhood and to find necessary information (such as the host's name, number, and information to register complaints) should an issue arise. This approach would be similar to the Secondary Suite map available on the City of Edmonton's Open Data Portal.

Equity Outcome:

- Same as Option 1

Considerations:

- This approach may raise privacy and security concerns for short-term rental operators, especially for entire home rentals that are vacant in between bookings.
- An online registry may not be accessible to all members of the public, as this approach would require access to the internet and a computer in order to view the information.
- Similar to Option 1, passive notification could be viewed as putting the onus on neighbours to monitor short-term rentals for compliance with City bylaws.