

# Bylaw 18942

## Options to Manage the Impacts of Short-Term Rentals

### Recommendation

That Urban Planning Committee recommend to City Council:

That Bylaw 18942 be given the appropriate readings.

### Purpose

To amend the Business Licence Bylaw 13138 to create a business licence classification for short-term rental accommodations.

### Readings

Bylaw 18942 is ready for three readings.

A majority vote of City Council on all three readings is required for passage.

If Council wishes to give three readings during a single meeting, then prior to moving third reading, Council must unanimously agree “That Bylaw 18942 be considered for third reading.”

### Position of Administration

Administration supports this Bylaw.

### Previous Council/Committee Action

At the March 20, 2018, City Council meeting, the following motion was passed:

That Administration initiate engagement with residents and stakeholders to prepare a report with options to manage the impacts of short term rentals and return to Urban Planning Committee in First Quarter 2019.

### Report Summary

This report presents background information on short-term rentals in Edmonton and proposes to amend the Business Licence Bylaw 13138 to create a licensing classification for these rentals.

### **Report**

Short-term rentals are rentals of dwelling units that typically last for less than 30 consecutive days. The rental unit may comprise of an entire home or may be a private room, a shared room, or space in a home where the host lives. Short-term rentals may be operated by the property owner, a long-term tenant, or a management company; and transactions are usually completed through online platforms such as AirBnB, VRBO, HomeAway and Flipkey.

### **Overview of Short-Term Rentals in Edmonton**

Short-term rentals in the city have grown steadily, as evidenced by the increase in listings from 44 in 2014 to 2,420 as of May 2019.

Data from the 2019 listings includes the following:

- 2,146 rental units, of which 63 percent are entire units, 36 percent are private rooms, and 1 percent are shared rooms,
- Rental units are located throughout the city, with the highest number of units being in the Downtown area, and
- 1,434 hosts, of whom 82 percent operate only one unit, indicating that commercial scale short-term rental hosts are not prevalent.

There were 36 registered citizen complaints associated with short-term rentals between April 2018 and May 2019. These were primarily related to untidy and unsightly issues such as waste being placed out too early, and business license concerns. Further information on short-term rentals in the city can be found in Attachment 2, Overview of Short-Term Rentals in Edmonton.

### ***Benefits of short-term rentals***

Short-term rentals are often a supplemental source of income for hosts, a primary motivation identified by hosts during public engagement. Data from a consulting company, Host Compliance, shows that between May 2018 and May 2019, short-term rental hosts in the city earned an estimated total revenue of \$6,914,693.

Short-term rentals also provide diverse accommodation options and potential economic savings for guests, and may contribute to increased tourist activity to the city.

### ***Challenges of short-term rentals***

A survey of Edmontonians found that there are perceptions that short-term rentals cause neighbourhood disruptions due to an increase in noise, parking, and garbage disposal concerns. The high volume and frequent turnover also creates concerns for safety and a loss of sense of community or character.

The increasing prevalence of short-term rentals may negatively impact long-term rental housing, with a greater impact in municipalities where the housing vacancy rate is low. Property owners may decide to operate more short-term rentals because they are perceived to be more profitable than long-term rentals. This would cause the availability of long-term rentals to decrease and, as a result, cause rent to increase.

Differing regulatory requirements may create an uneven playing field between traditional accommodation providers and short-term rental providers. Industry has raised concerns related to the disparity between the level of inspections and the application of the provincial tourism levy for traditional accommodation as compared to short-term rentals.

A summary of findings from the public engagement can be found in Attachment 3, Public Engagement Findings for Short-Term Rentals.

### **Regulatory Options for Short-Term Rentals**

Regulations may take various forms based on the particular impacts of short-term rentals in a city. Administration reviewed regulatory requirements implemented in other jurisdictions and balanced the options with engagement responses to recommend a Business Licence Bylaw amendment. Further information on short-term rental regulations in other jurisdictions can be found in Attachment 4, Review of Short-Term Rental Regulations in Other Jurisdictions.

Regulatory options include the following:

#### **1. *Quantitative-focused Approach***

This approach involves setting restrictions based on quantitative measures that limit various aspects of short-term rentals such as the number of units allowed in the city or in particular neighbourhoods; the number of guests per unit; the number of bookings per unit; or the number of times or nights a unit can be rented out per year. For example, the City of Toronto's proposed regulations cap the number of nights a host can rent an entire home as a short-term rental at 180 per year. The goals of quantitative restrictions include managing neighbourhood impacts of short-term rentals and protecting long-term housing supply.

#### **2. *Impact-focused Approach***

This approach addresses the impact that the short-term rental activity is likely to have on neighbours and the community. It may involve imposing fire safety and insurance requirements, permanent residence requirements for hosts, and obligations for hosts to provide contact details to guests.

The proposed bylaw amendment is based on an impact-focused approach due to the concerns regarding neighbourhood impacts and safety raised during the public engagement.

### **Bylaw 18942**

This bylaw creates the Short-Term Residential Rental Accommodation business licence classification which is defined as providing a portion or all of a private residence for rent for 30 consecutive days or less.

The following conditions will apply to Short-Term Residential Rental Accommodations:

**1. *Requirement for the licensee (host) to provide the guest with an approved information guide relating to City's bylaws***

During the licensing process, Administration will provide licensees with an information guide covering provisions of the Community Standards Bylaw 14600 regarding noise and unsightly properties; Traffic Bylaw 5590 regarding the use of public streets and boulevards; and Waste Management Bylaw 17555 regarding the collection, removal and disposal of waste from residential properties. Hosts will be required to ensure that the information guide is made available to their guests.

**2. *Requirement for the licensee to post a contact number on the rental property***

Licensees will be required to post their contact phone number in the rental property so that the guest can contact them to address any concerns. This may allow the host to resolve concerns promptly and help to minimize disruptions to neighbours.

**3. *Prohibition of unlicensed business activity***

Bylaw 18942 prohibits any person from engaging in or operating a business from a short-term residential property unless a licence has been issued for that business activity. This is intended to mitigate safety concerns and neighbourhood disturbances that could arise from the existence of a business operation in an unapproved location.

**4. *Notification to Alberta Health Services***

The City will notify Alberta Health Services whenever a Short-Term Residential Rental Accommodation licence is issued so that Alberta Health Services can follow up on compliance with health regulations.

**5. *Fees and Fines***

The proposed fee for the Short-Term Residential Rental Accommodation business licence is \$92. The fine for failing to meet a condition under the Short-Term Residential Rental Accommodation classification is \$2,000.

Bylaw 18942 also includes the following:

**1. *Removal of the Bed and Breakfast licence classification***

The Bed and Breakfast business licence classification is removed from the Business Licence Bylaw. Bed and breakfast business activities are captured within the definition of the Short-Term Residential Rental Accommodation classification and will be licensed in this classification.

**2. *Operating business in wrong licence category***

Bylaw 18942 creates a new offence for operating a business in the wrong licence classification. It also clarifies that a licence review can be initiated if a licensee's customers breach the Business Licence Bylaw.

**3. *Housekeeping amendment***

Bylaw 18942 includes a housekeeping amendment to section 31(b) under the Alcohol Sales (Minors Prohibited) classification. This is to ensure wording consistency between similar provisions throughout the bylaw.

**Other Considerations Outside of This Amendment**

In preparing Bylaw 18942, Administration considered the following options:

**1. *Requirement for a valid development permit for the rental use.***

A development permit for a Major Home Based Business will be required where the host resides at the rental property as is the case for shared home rentals and bed and breakfast business models. The number of sleeping units that can be rented within a private residence operating as a Major Home Based Business is limited to two. The land use impact in these business models is similar to a home based business where multiple customer visits to the property are expected to occur in addition to the activities of the host.

There will not be a development permit requirement where the host does not reside at the rental property and the whole home is exclusively used by the guest. In this case, there is no discernable land use impact as the guest's activity would mirror that of the permanent resident.

**2. *Requirement for the property owner and platform operator to hold a valid business licence.***

The amendment proposes that property owners or hosts must have a valid business licence if they are renting out a portion or all of the premises for 30 consecutive days or less.

Platform operators (e.g. AirBnB) will not be required to hold a business licence because the business transactions are occurring outside of Edmonton's jurisdiction.

### **3. Requirement for regular safety code inspections.**

The requirement for a safety code inspection of the rental property is only applicable where there are changes to the physical floor plan of the property and construction cost of renovations or alterations exceeds \$5,000. Once construction is completed, a final inspection occurs to determine compliance with the building permit.

### **4. Requirement for other rental accommodation standards applicable to commercial rental properties, such as hotels.**

Requirements applicable to commercial rental properties such as hotels include fire inspections, Alberta Health Services notification and the provincial tourism levy. In terms of whether these same requirements will apply to short-term rentals:

- Fire Rescue Services advised that the provincial *Safety Codes Act* and the Safety Codes Quality Management Plan does not reference fire inspections on residential properties other than for specific reasons to which the Act may apply.
- Alberta Health Services will be notified whenever a Short-Term Residential Rental Accommodation licence is issued.
- The Province advised that the tourism levy applies to all rental accommodations where four or more bedrooms are available for rent separately at the same time at the same location. Therefore, this levy would not apply to shared rental accommodations which are restricted through zoning regulations to only renting two rooms. The levy would also not apply to whole home rentals with less than four bedrooms available to rent separately. The Province further advised that it is not currently considering the application of this levy on short-term rentals.

### **5. Compliance with the new bylaw amendment**

While existing enforcement mechanisms are in place to deal with licensing and external property concerns, Administration anticipates that voluntary compliance, education, and awareness will be the primary approach to eliciting behavioural change and bylaw compliance.

### **Next Steps**

Administration will monitor the progression of short-term rentals and their impact on long-term housing and on quality of life in the city. If required, updates will be made to the bylaw and to the current business licence classifications as part of the ongoing business licence bylaw renewal.

## Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmontonians are connected to the city in which they live, work and play			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Development of a livable, safe and sustainable community	Percentage of short-term rental accommodations with licences	Currently N/A	100%
	Vacancy rate	5.3% (2018, Q4)	3%

## Public Engagement

Administration carried out public engagement focused on obtaining information on stakeholders' perspectives and experiences regarding short-term rentals and short-term rental regulations in March and April 2019. The public engagement consisted of the following:

- Eleven in-depth interviews with municipal regulators, tourism agencies, the hospitality industry, and platform providers.
- Nine in-depth interviews with tourism / hospitality organizations, Business Improvement Areas, multi-unit short-term rental hosts, and a community league.
- Two focus group discussions: one with short-term rental hosts in Edmonton, and another with Edmontonians who have been guests of short-term rentals outside of Edmonton.
- Two online surveys: one with Canadian travelers who reside outside Edmonton (751 respondents) and one with Edmontonians (752 respondents).

A summary of findings from the public engagement can be found in Attachment 3, Public Engagement Findings for Short-Term Rentals.

## Budget/Financial Implications

It is forecasted that the proposed fees for the Short-Term Residential Rental Accommodation business licence may generate \$197,000 in additional revenues. The Business Licensing Program operates on a cost recovery model with the revenues first covering the administration costs associated with the Program and the remainder being transferred to Corporate Revenues.

## Attachments

1. Bylaw 18942
2. Overview of Short-Term Rentals in Edmonton

3. Public Engagement Findings for Short-Term Rentals
4. Review of Short-Term Rental Regulations in Other Jurisdictions

**Others Reviewing this Report**

- A. Laughlin, Acting Deputy City Manager, Financial and Corporate Services
- G. Cebryk, Deputy City Manager, City Operations
- R. Smyth, Deputy City Manager, Citizen Services
- B. Andriachuk, City Solicitor
- C. Owen, Deputy City Manager, Communications and Engagement