

DATE OF MEETING FEBRUARY 11, 2019

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SUBJECT **SHORT-TERM RENTAL ACCOMMODATION**

OVERVIEW

Purpose of Report

To provide Council with information on an upcoming process to develop new regulations for short-term rental accommodations in Nanaimo.

Recommendation

That the “Short-Term Rental Accommodation” report dated 2019-FEB-11 be received for information.

DISCUSSION

On 2018-SEP-17, Council adopted the Nanaimo Affordable Housing Strategy (the “Strategy”), which establishes the City’s priorities in addressing housing affordability over the next ten years. Increasing the supply of rental housing is a key objective of the Strategy, and the regulation of short-term accommodations was identified as an important step in achieving this objective.

The Strategy defines short-term rental accommodation as “the rental of a room or an entire residential dwelling unit on a temporary basis (i.e., less than 30 days)”. While online home-sharing platforms such as Airbnb have popularized short-term rentals, this definition also includes the rental of entire dwelling units such as those advertised through HomeAway and Vacation Rental By Owner (VRBO), which have existed in Nanaimo for many years. The only short-term rental accommodations currently regulated by “Zoning Bylaw 2011 No. 4500” (the “Zoning Bylaw”) are “Bed and Breakfasts”, which are allowed in all zones where single residential dwellings are a permitted use.

The Strategy recommended seven actions to regulate short-term rental accommodations:

1. Restrict short-term rentals (i.e., less than 30 days) to dwelling units where the owner is currently residing on the property, either in the main dwelling or the secondary suite.
2. Require all short-term rental operators (including bed and breakfasts and others) to obtain a business licence and to display their business licence number in all listings.
3. Support fair taxation for all types of short-term accommodation, including hotels, bed and breakfasts, and other types of short-term rentals.
4. Ensure that zoning regulations that apply to bed and breakfasts are extended to short-term rentals.
5. Assess the implications of requiring different business licences for properties located in areas zoned as residential versus properties located in areas zoned as commercial.
6. Determine an appropriate fine for listing a short-term rental without a valid licence.
7. Prepare an explanatory guide that outlines short-term rental operator requirements.

As part of the Strategy implementation, Staff are now bringing forward to Council a process and public engagement plan for moving forward on the action items listed above.

Nanaimo's Rental Market Context

The Affordable Housing Discussion Paper, which provided the research to support the Strategy's policy recommendations, found that there were 416 homes or rooms advertised for short-term rental in Nanaimo towards the end of 2017. Approximately half of those listings were for entire homes, indicating that over 200 units potentially available for long-term rental were instead being used for short-term rental. This number may have grown significantly over the past year; in Kelowna, the number of short-term rentals grew 69% between the winter of 2017 (1,172 listings) and spring of 2018 (1,979 listings). This figure reflects both an overall growth in the short-term rental market and increased demand during the summer months, which are trends that Nanaimo is likely to follow.

Nanaimo's current vacancy rate of 2.4% (November 2018) is well below the 5% threshold indicator of a healthy rental housing market. This demonstrates that there is a continued need for more long-term rental housing in Nanaimo. Increased demand for short-term rentals in the summer may also threaten the tenancy of long-term renters who may face seasonal and/or permanent eviction so the owner can use the unit for short-term rental.

Bed and Breakfast Regulations

Section 16.6 of the Zoning Bylaw defines a Bed and Breakfast as the "partial use of a single residential dwelling for transient tourist accommodation in which rooms are rented on a short term basis, and may include the provision of breakfast served on the premises." This definition specifically excludes the rental of accommodation to one party for more than 14 days. Bed and breakfast facilities may be established in any single residential dwelling, as long as the dwelling is a permitted use and the operator lives in the dwelling unit. There is a limit on the number of guests and rooms permitted, depending on the zoning of the property. The current bed and breakfasts regulations found in the Zoning Bylaw are included as Attachment B.

Currently, bed and breakfasts do not need to obtain a business licence. One of the recommendations of the Strategy is to require that all short-term rental operators, including bed and breakfasts, obtain a business licence and display it in all listings. The Strategy also recommends ensuring consistency in the zoning regulations that apply to bed and breakfasts and all other types of short-term rentals. As part of the process of developing regulations, Staff will consider whether the current parking requirement applied to bed and breakfasts (one parking space per sleeping unit) is appropriate for short-term rentals in all zones, or whether the parking requirement should vary based on proximity to the downtown and/or access to transit.

Municipal Best Practices

There is an emerging consensus among municipal governments that short-term rentals should be regulated and licensed, though the extent to which they are permitted varies widely. The Strategy recommends that the City introduce new regulations to restrict short-term rental accommodations to dwelling units where the owner is currently residing on the property, either in the main dwelling or in the secondary suite. This is generally consistent with regulations recently introduced in cities such as Vancouver, Victoria, and Kelowna, where vacancy rates are low, and short-term rentals have been identified as problematic for the rental housing stock.

Attachment A provides information on short-term rental regulations in comparable B.C. municipalities, as well as their respective business licensing and enforcement strategies.

Public Input to Date

The impact of short-term accommodations on the availability of long-term and affordable rental units was a significant concern raised by the public and stakeholders during the consultation that took place as part of the development of the Affordable Housing Strategy. Primary concerns raised included the impact of short-term rentals on the housing stock, as well as the impact on neighbourhood character and social cohesion. While there was strong support for introducing new regulations for limiting the impact of short-term accommodations, there was also interest in continuing to allow some short-term rentals as long as they are treated and taxed as a business.

Online Accommodation Platform Tax

The Strategy recommends that the City support fair taxation for all types of short-term accommodation that is consistent with the taxes paid by hotels. In 2018, the Province of British Columbia extended the Municipal and Regional District Tax (MRDT), which is applied to hotels, motels and resorts, to include an Online Accommodation Platform (OAP) tax. As of October 2018, online accommodation providers (e.g., hosts using Airbnb, VRBO, and others) must register and collect the 3% OAP MRDT. Through an agreement with the Province, Airbnb collects and remits both the 3% OAP MRDT and 8% provincial sales tax. On 2019-JAN-21, Council directed Staff to submit the necessary documentation to Destination BC to access OAP revenue and allocate it to the Housing Legacy Reserve for the purpose of funding affordable housing initiatives. Early estimates of the potential OAP revenue for Nanaimo is \$60,000 - \$80,000 per year.

NEXT STEPS

Planning Staff have conducted a preliminary best practices review, but more work is required to determine optimal regulations for preserving long-term rental housing stock, allowing short-term rentals where appropriate, limiting neighbourhood impacts, and ensuring compliance and enforcement are both realistic and cost-effective. Once draft regulations have been prepared, there will be an opportunity for stakeholders (local businesses, neighbourhood associations, tourism industry representatives, short-term accommodation providers, and/or short-term rental platforms) to provide feedback through a focus group. There will also be an online survey available to the general public for a minimum of three weeks, which will be advertised through the City's website and social media. In the spring of 2019, Staff will prepare a report for Council that includes the proposed draft regulations as well as a summary of the public engagement input.

SUMMARY POINTS

- The Affordable Housing Strategy identified the need to regulate the short-term rental accommodation market as a key step in increasing the availability of rental housing.
- The only type of short-term rental accommodation presently regulated by the Zoning Bylaw applies to bed and breakfasts, which are permitted in single residential dwellings in residential areas (provided the operator also occupies the dwelling), but do not require a business license.
- Staff will consult with stakeholders and the public and then return to Council with proposed regulations for short-term rental accommodations that aim to protect the long-term rental market, while ensuring fairness in zoning, licensing, and taxation between all types of short-term accommodation providers.

ATTACHMENTS

ATTACHMENT A: Municipal Case Studies of Short-Term Rental Regulation

ATTACHMENT B: Bed and Breakfast Regulations (Section 6.16 of Zoning Bylaw 4500)

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