

**Community Services Report to
SPC on Community and Protective Services
2019 September 11**

**ISC: UNRESTRICTED
CPS2019-1070**

Short Term Rental Tiered Licence Category

EXECUTIVE SUMMARY

In response to Council direction, Administration has drafted amendments to the Business Licence Bylaw 32M98 to create a new tiered licence category for Short Term Rentals (STR) as well as revise the Lodging House licence category. Working collaboratively across service lines has identified opportunities to simplify licencing costs and grant citizens rapid access to STR licences. Administration has consulted external stakeholders and evaluated regulatory frameworks in other municipalities to inform this work. The proposed STR tiered licence category and amendments represent a continuum of options for operators to provide accommodations with affordable licence costs, ensuring the safety of guests and owners, and preserving the vibrancy of Calgary neighborhoods.

The proposed STR tiered licence framework recommended in this report has also been designed to minimize red tape. This made-in-Calgary approach will allow the vast majority of STR operators, approximately ninety-three per cent of the host community, to submit their business licence applications online, be charged a lower fee and be issued a licence in a shorter time frame. Guests and hosts will benefit from a solution which balances regulation and autonomy.

ADMINISTRATION RECOMMENDATION:

That the SPC on Community and Protective Services recommend that Council give three readings to the proposed amendments to the Business Licence Bylaw 32M98 (Attachment 1).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 December 17, Council received the Short Term Rental Scoping Report CPS2018-1328 and directed Administration to:

1. Undertake work to create a new tiered licence category in the Business Licence Bylaw 32M98 for Tourist Accommodation and bring forward amendments to this bylaw to Council through the SPC on Community and Protective Services no later than 2019 Q3;
2. Revise the Lodging House licence category in the Business Licence Bylaw 32M98 to clarify the definition and scope for application to rooming, lodging, and boarding houses, and bring forward amendments to this bylaw to Council through the SPC on Community and Protective Services no later than 2019 Q3;
3. Develop a public education campaign to be launched following approval of the above bylaw amendments;
4. Continue its advocacy urging the Government of Alberta to deliver on its commitment to improve the administration of the existing Destination Marketing Fee to enhance transparency and accountability and create a level-playing field with the application of the fee to short-term rentals as well as hotels; and
5. Ensure any recommendations are resourced within the existing approved 4-year budget.

On 2017 November 20, Council approved Notice of Motion C2017-1180 directing Administration to explore the Business Licence, Land Use, Fire and Safety Codes requirements that would ensure that Short Term Rentals, Bed and Breakfasts and Lodging Houses are subject to the appropriate level of safety and oversight. Council directed Administration to provide a scoping

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report with options (including costs of implementation) and recommendations through the SPC on Community and Protective Services no later than 2018 Q4.

BACKGROUND

In 2017 November, Council directed Administration, through Notice of Motion C2017-1180, to examine STRs given the increasing popularity of online platforms that connect travelers with private accommodations, considered to be a part of the sharing economy. A cross-departmental project team was formed with representatives from Calgary Community Standards, Calgary Growth Strategies, Calgary Building Services, Law, Calgary Housing, Calgary Fire Department, and Intergovernmental and Corporate Strategy to respond to the Notice of Motion and to develop options to ensure these dwellings are subject to the appropriate level of safety and oversight.

Administration presented a scoping report to Council on 2018 December 17 with recommendations for a regulatory framework for STRs and Lodging House licence categories. Specifically, Administration recommended amendments to the Business Licence Bylaw 32M98 to create a STR tiered licence category and to revise the existing Lodging House licence category. A public education campaign to communicate any approved changes in existing/new licence categories was also recommended to encourage compliance. Council directed Administration to proceed with the recommendations, to be resourced within the existing approved 4-year budget and return with amendments to the Business Licence Bylaw 32M98 through the SPC on Community and Protective Services no later than 2019 Q3.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

To address the creation of a STR tiered licence category, the existing definitions in the Business Licence Bylaw 32M98 were reviewed to ensure regulation would distinguish category types, clarify licence requirements and create continuity with all other accommodation licence categories. As a result of this review, Administration identified the opportunity to remove the business licence requirement for Bed & Breakfast operators given that an appropriate level of safety and oversight is already achieved through the existing inspection and permitting process. The alignment provides accommodation operators fairness, flexibility and choice.

Attachment 2 provides a summary of the proposed amendments to the Business Licence Bylaw 32M98 relating to STRs and Lodging Houses, which establish key licence requirements identified in the scoping report presented to Council on 2018 December 17. Safety codes (Alberta Building Code [ABC] and Alberta Fire Code [AFC]) requirements are the basis for licence requirements given their importance to life and building safety. Provincial regulations were also examined, specifically provincial statutes (Residential Tenancy Act [RTA] and Inn Keepers Act [IKA]), to assess responsibilities/obligations of landlords and tenants based on conditions of ownership, duration of stay and cohabitation.

To inform the drafting of the proposed amendments, Administration undertook best practices research to assess trends of regulation in other municipalities. The focus of the research examined passed regulation and challenges of implementation. Insight collected through research was considered with Calgary's economic and social climate creating a made-for - Calgary solution. Administration's recommendations have also been informed by engagement

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with STR operators (see Attachment 3). The STR tiered licence category and associated fees align with feedback from stakeholder engagement.

If Council approves the proposed amendments, Administration will implement the changes to take effect 2020 February 1. A public education campaign to provide guests, operators and other members of the public with information/responsibilities of STR properties is planned following approval of the bylaw amendments. The development of policy will occur after approval and identify the conditions under which a STR and Lodging House licence would be issued to the applicant, conditions of operations, collection of information, limitations and the enforcement/inspection activities.

Council also directed greater advocacy for improved transparency and accountability of the Destination Marketing Fee (DMF). Advocacy efforts directed to the Alberta Minister of Economic Development, Trade and Tourism are underway. Administration will continue to investigate opportunities for improved clarity and role of the DMF with potential policy changes based on provincial government direction to determine the application of the DMF to STRs.

Through Administration's analysis of STRs, the sharing economy emerged as an underlying driver of change. Administration will continue to monitor the sharing economy to increase awareness about future opportunities and potential requirements for purposeful regulation in emerging subsectors.

Stakeholder Engagement, Research and Communication

The recommendations in this report have been informed by engagement and research conducted as part of the development of the Short Term Rental Scoping Report CPS2018-1328, presented to Council 2018 December 17. In addition, from 2019 May 1-12, Administration engaged STR hosts through online platforms to collect feedback on safety requirements, licence fees based on accommodation offerings, information sharing and evaluation of taxes. A summary of this engagement is included in Attachment 3.

Administration conducted research with several municipalities (Edmonton, Kelowna, Vancouver and Toronto) to evaluate proposed/existing STR frameworks. Ongoing engagement with internal service lines and communication with external stakeholders has ensured the identified recommendations consider stakeholders and support service line alignment.

Strategic Alignment

The development of a STR tiered licence category aligns with Council Directives from One Calgary based on the needs outlined in A Prosperous City (P1,P2, P3,P5) and A City of Safe & Inspiring Neighbourhoods (N1), which identify:

- (P1) Diversifying the economy and reducing dependency on the resources sectors;
- (P2) Grow the travel and tourism industry;
- (P3) Calgary's new economic strategy must include policies that will attract growth industries to Calgary;
- (P5) Provide a sufficient supply of affordable housing; and

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- (N1) Calgarians want neighbourhoods and public spaces that are safe, accessible and inclusive for all Calgarians.

Social, Environmental, Economic (External)

Administration is committed to striking a balance between preserving the economic benefits of STRs in the city's market and ensuring community concerns relating to public safety and oversight are appropriately addressed within the Calgary context. STRs provide economic opportunities to homeowners in Calgary and offer tourism and travel options to visitors.

Financial Capacity

Current and Future Operating Budget:

Future operating costs associated with the bylaw amendments proposed in this report will be recovered through the STR tiered licence fee.

Current and Future Capital Budget:

There are no current or future capital budget impacts associated with this report.

Risk Assessment

The complexity and ease of accessibility of the sharing economy represents an unknown risk for future regulation and compliance. There is a risk that continued expansion in the ways citizens repurpose their property may outpace existing regulation. To mitigate this risk, Administration will continue to monitor the sharing economy to consider future opportunities and potential requirements for purposeful regulation.

STRs represent a rapidly evolving submarket of the sharing economy. Without the proposed bylaw amendments, there will be no oversight mechanism to achieve compliance to current health, safety, and community standards. Monitoring this market is important to inform a proactive policy response to address issues, such as affordable housing, as the economy and rental housing market change. By collecting information through the licensing process, Administration will be positioned to assess and understand the evolving role of STRs in Calgary.

REASON(S) FOR RECOMMENDATION(S):

This report responds to Council's direction to develop a STR tiered licence category and revise the Lodging House category in the Business Licence Bylaw 32M98.

ATTACHMENTS

1. Attachment 1 – Proposed Amendments to the Business Licence Bylaw 32M98
2. Attachment 2 – Proposed Tiered Licence Categories
3. Attachment 3 – Licencing short-term rentals Stakeholder Report Back: What We Heard