**Presentation to City of Calgary Community & Protective Services Committee**
**by the Alberta Hotel & Lodging Association**
**Wednesday, September 11, 2019**

The Alberta Hotel & Lodging Association's membership includes over 80 hotels and 80% of the hotel rooms in the City of Calgary.

While the tiered licence category proposed is a good start, it is just that – a start. We believe the proposed structure overlooks an entire segment of Short Term Rentals (STRs) – those which operate on a commercial scale. Given that 80% of Airbnb's revenue in Calgary comes from whole-home rentals, not the rental of individual rooms in a home or condominium, this appears to be a significant gap in the proposed bylaw.

**Commercial Short Term Rentals are a reality in Calgary, and they continue to grow.** A 2017 CBRE study on Airbnb and the hotel sector in Canada found that in Calgary from April 2016 to March 2017:

- Revenue generated by multi-unit, entire-home hosts increased by 146%.
- 30% of units were rented out for more than 90 days, earning 70% of total revenues.

In the two years since this research was published, this segment of the accommodation has only grown.

**Hotels are not afraid of competition, and do not wish to regulate homeowners who occasionally rent a room in their own home.** But true home-sharing occurs in the owner's principal residence. Savvy operators are turning home-sharing into a new class of investment, converting residential units into ghost hotels, avoiding the normal costs of doing business, and creating additional demands on municipal resources like police, waste removal and bylaw enforcement. Taxpaying Calgarians are in fact subsidizing these business owners, who pay residential property taxes on their commercial enterprises.

**The short-term rental industry operates with little to no regulation.** Online platforms are being used to operate de facto hotels, resulting in lost tax revenue, a reduction in affordable long term housing stock, community nuisances, and criminal activity.

**Airbnb is a $30 billion corporation** that reaps tremendous profits from its hosts, without paying one penny of tax itself to operate anywhere in Canada, including the City of Calgary. Calgary hotels pay municipal, provincial, and federal taxes. Digital online rental companies like Airbnb reap the profits without paying their fair share.

Licensing alone will not address the challenges created by commercial scale Short Term Rentals. Current economic conditions, and the continued growth of Calgary's housing inventory through new construction and the conversion of downtown office space, will fuel further STR activity in the coming years. Calgary needs rules for short term rentals that work whether the residential vacancy rate is near 1% as we saw in 2013, or near 6%, as it was in 2016.

Hotels do not oppose true home-sharing. Calgarians have been generating extra money by renting their *principal* residence for many years. But purchasing multiple homes or condominiums and renting them out on a nightly basis is not home-sharing – it is a business. A Google search for Calgary's own Braydon Ross, who, according to the licence plate on his Lamborghini, is "Mr. Airbnb" reveals the scale of commercial Short Term Rental activity. Mr. Airbnb purchased a one bedroom condo in downtown Calgary in January of 2017. By July, he was running 90% occupancy at rates from $180 - $320 per night. He went on to acquire two more properties that same year. As of April 2019, Mr. Airbnb was managing over 100 properties. Why should Calgarians be subsidizing Mr. Airbnb by allowing his business to pay residential property tax rates?

Calgary hotels simply ask that everyone in the short term rental business be subject to the same regulatory and tax obligations.

We encourage Council to consider the impact of commercial scale short term rentals on the property tax base. According to a 2018 report by Altus Group, Calgary's commercial property tax rate is 3.06 times the residential property tax rate. Those who operate commercial short term rentals in residential properties benefit from a significantly lower tax rate, even as they diminish the assessed value of traditional hotels that play by the rules, employ Calgarians, and pay commercial property taxes.

We understand that council wants a solution that is made for Calgary, and we appreciate that administration has looked at tools implemented by other jurisdictions. Late last month, Edmonton passed a bylaw implementing a licence fee similar to what is proposed here, and directed its administration to explore additional bylaw changes to manage concerns regarding STRs, including:

- A development permit process for "whole home" properties;
- Increased property tax rates, fees, or levies in lieu for "whole home" properties;
- Measures to hold online rental platforms accountable for complaints about hosts;
- Complaint thresholds that would result in licence suspension and/or removal.

**In addition to passing the proposed amendments to 32M98, the AHLA encourages the City of Calgary to direct administration to:**

1. **Explore additional bylaw changes for STRs that mitigate neighbourhood issues.**
2. **Identify mechanisms to recover some of the property tax lost by the City of Calgary when commercial STR operators shift revenue away from hotels whose property tax assessments are based on their room revenues.**
3. **Limit short term rentals to the owner's principal residence.**
4. **Require platforms to register with the city and list only those rentals with a valid business licence.**

We appreciate the city's continued attention to this issue, and look forward to working together to achieve find a balanced approach that protects Calgarians and their neighbourhoods, and provides a level playing field for all short term accommodation providers.

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