

## Council Innovation Fund Application – Short Term Rental Economy

### RECOMMENDATIONS:

That the Executive Committee recommend that Council:

1. Approve the Council Innovation Fund Application for one-time funding in the amount of \$324,070; and
2. Direct Administration to report back to the Executive Committee on outcomes no later than Q4 2024.

### HIGHLIGHTS

- The proposed investment from the Council Innovation Fund will provide the City of Calgary with recommendations for the development of a localized regulatory framework for the short term rental market.
- **What does this mean for Calgarians?** The outcomes from this innovation fund would result in the creation of flexible short term rental regulations that adapt to market conditions and that are informed by the perspectives of housing advocates, the hotel industry, and residents, and reflect The City's commitment to responsive government, and a strong enabling economy for hospitality and tourism.
- **Why does this matter?** The short term rental market has changed since the February 2020 regulations came in. This work will support regulatory reform in response to a changing market. Further, increased information on the short term rental market will help to improve enforcement of regulations. Overall, this will enable Administration to ensure alignment between the policy and regulatory mix and Council priorities, including those concerning downtown revitalization, social equity, land use planning, hospitality, and tourism.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Previous Council Direction and Background is included as Attachment 1.

### DISCUSSION

In Calgary, as is the case around the world, the expansion of the short term rental (STR) economy continues to have wide-ranging implications – not just for individuals, but also for communities, various sectors, and policymakers. In February 2020, the City of Calgary implemented regulations for STRs to help address these concerns. However, the COVID-19 pandemic has had a lasting impact on the STR market, such that the sector is now different from that which existed when regulations were designed and adopted.

This application to the Council Innovation Fund (CIF) is to support a startup project grant for the City of Calgary to engage in a research partnership with experts at the University of Calgary School of Public Policy under the Urban Alliance partnership. The focus of which is conducting a detailed study of Calgary's short term rental market. The aim of the study is to understand the STR market more deeply and generate new ideas to improve it. The work will evaluate the topography of the existing market, the impacts of STRs on adjacent markets, and regulatory compliance and enforcement practices. The opportunities would be translated into a new regulatory approach to managing the STR market, and provide a smart practices design, implementation, and evaluation guide to ensure that the policy and regulatory mix is viable and sustainable in the long term. Please see Attachment 2 for full details of the CIF application.

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### **Project Benefits – Why is the project needed, and why now?**

Jurisdictions across Canada have struggled to land on the right policy and regulatory mix for managing the STR market. Challenges include determining how to revise regulatory approaches as the market changes, and how to match the policy and regulatory mix to the specific issues facing a local jurisdiction to achieve desired objectives. Following considerable changes to the STR industry over the past five years, on 2022 July 28, Council approved Notice of Motion EC2022-0829 – *Addressing Short Term Rental Licensing*, directing Administration to revise the existing fee structure for STRs, update the “Good Host Guide” and “Good Guest Guide”, and modernize the business license requirements. These changes should be informed by an understanding of stakeholder perspectives, including those of housing advocates, the hotel industry, and residents. This will enable Administration to make revisions that ensure alignment between the policy and regulatory mix and Council priorities, including those concerning downtown revitalization, social equity, land use planning, and hospitality and tourism.

### **Current Context**

Since the amendments to the Business Licence Bylaw (31M2019) came into effect on 2020 February 02, several events have occurred that have dramatically impacted the STR market in Calgary:

1. The COVID-19 pandemic caused abrupt cancellations, declines in reservations, increased refunds to guests, and new travel and public health regulations. The impacts of the pandemic have resulted in a different sector from what previously existed. Some hosts have exited the market, while others have entered it to alleviate economic strain in their home.
2. On 2021 April 01, changes to the Government of Alberta *Tourism Levy Act* came into force which included the extension of the tourism levy to STRs offered through online marketplaces (e.g. Airbnb).
3. Mounting tensions due to the rapid proliferation of STR activity in Canada have resulted in a growing number of local and provincial governments stepping into the regulatory fold, many of whom have found it challenging to match the policy and regulatory mix to the specific issues they are facing to achieve the desired objectives.
4. Governments have increasingly been on the receiving end of calls to strengthen regulatory efforts, most often from housing advocates, the hotel industry, and residents with concerns centered on the competitiveness of the market and the quality of life in neighbourhoods. Platforms have turned attention to ensuring flexibility for guests, complying with various regulations, and addressing neighbourhood concerns (e.g. parties).

Sound and sustainable revisions to Calgary’s current STR regulations will rest on a strong understanding of these dynamics. Gaining additional knowledge in the following areas will further support effective changes:

- The current nature of Calgary’s STR market post-COVID, its interaction with large events (e.g. Stampede), and its impacts on related competitive markets.
- The impact of the existing regulatory mix on the STR market and its applicability to the existing issues in the market.
- A detailed understanding of regulatory approaches across Canada and their impacts.

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- The role digital platforms (e.g. Airbnb) can play in the co-regulation of the STR market.
- How to enforce existing or new regulations.

This information will support the development of a regulatory design and implementation guide specific to the conditions in Calgary that Administration can use to monitor, evaluate, and update its regulatory mix as the market changes.

### **Project Partner**

Urban Alliance is a strategic partnership between the City of Calgary and the University of Calgary to work together to tackle challenges and to find ways to make life better for all Calgarians. The University of Calgary School of Public Policy academic experts will leverage their expertise in policy design, implementation, evaluation, understanding of the STR market in Canada and internationally, and expert knowledge of municipal government authorities and processes to conduct the analysis required. This research will support Administration and City Council to make evidence-based decisions in updating and evaluating the current policy and regulatory mix related to STRs in Calgary.

### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Please see Attachment 3 for the letter of support from the Calgary Planning Commission for this Council Innovation Fund application.

The Calgary Hotel Association and the Government Relations representative from AirBnB were also contacted by Councillor Mian to inform them of this application.

### **IMPLICATIONS**

#### **Social**

Land use redesignations are often accompanied by concerns from the community regarding the types of housing options that they will enable, including the possibility of the proliferation of STRs and their potential impact on residents and neighbourhood character. Understanding where STRs are, as well as their impacts, benefits, and relationship with secondary suites, housing affordability, and the accommodation industry, will aid evidence-informed decision making to inform land use policy that fosters vibrant communities.

#### **Environmental**

N/A

#### **Economic**

This work will help to identify opportunities for The City, including, along with the STR market being a potential source of revenue, leveraging the market for economic growth. For example,

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Calgary's STR market already plays a vital role in providing accommodation during major events that draw tourists from around the world (e.g. Stampede, the Olympics, Stanley Cup playoffs) – particularly when the existing stock of tourist accommodation is insufficient to meet demand. Knowing what and where short term housing stock exists will help The City better plan for such events and can also strengthen future bids. With the right policy and regulatory approach, the STR market could play an important role in activating Tourism Calgary's vision to make Calgary the ultimate host city by closing Calgary's hosting infrastructure deficit, connecting visitors to Calgary's identity, personality, and culture, and ensuring inclusive and accessible accommodation that meets a wide range of needs.

### **Service and Financial Implications**

#### **Council Innovation Fund request**

\$324,069.74

This request is for one-time funding.

### **RISK**

The overall risk profile of the project is low, with risks predominantly associated with project timelines. Timelines have been set to mitigate timeline risk.

Operational and financial risk: the University of Calgary is an Urban Alliance partner and ensures financial oversight.

### **ATTACHMENT(S)**

1. Previous Council Direction and Background
2. Application for Council Innovation Fund
3. Calgary Planning Commission Letter of Support
4. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corp Planning & Financial Services	Inform
Stuart Dalgleish	Planning & Development Services	Approve