



FINAL REPORT: FLEXIBLE OPTIONS FOR THE CITY OF CALGARY'S SHORT-TERM RENTALS REGULATORY FRAMEWORK: DESIGN, IMPLEMENTATION, AND IMPACT

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This research paper was produced as part of the City of Calgary–Urban Alliance Agreement made effective on 12 January 2023 (Research Services File Number 1060024). The City of Calgary is collaborating with researchers at the University of Calgary (UCalgary), under the Urban Alliance partnership, on a multi-year study of Calgary's short-term rental (STR) market. The goals of the study are to build a comprehensive evidence base on Calgary's STR market (including impacts, challenges, and opportunities), and to use this information to recommend a tailor-made STR policy framework for Calgary that can be adapted as market conditions change. The authors thank the City of Calgary for funding this work.

Executive Summary

Overview

Since the City of Calgary first implemented STR regulations in February 2020, the STR market has continued to evolve. Not only is the market different and much larger but the evidentiary-base related to the social impacts of STRs has significantly expanded. On December 6, 2022, Council unanimously voted to engage the University of Calgary in a multi-phase study to develop an updated regulatory approach that is flexible, aligns with City priorities, and addresses current and emerging challenges.

In the first phase of this study, the objective was to develop a holistic, data-driven, and stakeholder-informed understanding of Calgary's STR market as well as STR regulation broadly. As part of this phase, the "Phase 1 Report Package" was created containing the foundational evidentiary base. The second phase focused on translating these research findings into improved planning and regulatory processes. This Final Report is the outcome of this work.

In this Final Report, we set out a framework for STR regulations. Within that framework, we identify potential policy objectives that could be selected by the City to improve STR regulation in Calgary. These policy objectives include: managing local impacts (e.g., housing affordability, preservation of neighborhoods), managing the guest experience (e.g., safety and security standards), and managing City impacts (e.g., recouping costs imposed by STR on City resources). Each objective is matched to a range of policy strategies and policy tools that could be implemented to achieve the policy objective. For each policy tool, we examine how it can be effectively implemented, and the impact and trade-offs it could have on the STR market as well as STR-adjacent markets such as housing and tourism. These are summarized in Tables 1 through 3 below.

We do not make any specific recommendations regarding which path the City of Calgary should take. Within Calgary's policy environment there are competing tensions and actors that must be balanced. We are coming out of a time of unprecedented inflation, housing costs (including rents) have soared, and long-term rental vacancy rates are at historic lows. In addition, the STR market contributes to the financialization of housing. We believe it is up to the elected officials to determine the objectives of the STR regulation, the exact strategy they want to take within that objective and when, and which policy tool they most support given the potential impacts and trade-offs. This policy guide helps them make those decisions both now and in the future.

Having said that, we believe there are some quick wins that could help the City strengthen the STR regulations already in place. They are:

1. Audit the dedicated complaint line (3-1-1) with a focus on STR complaints: identify avenues for improving responses to STR complaints.

2. Work with AHS to revoke/suspend STR licenses of STR properties that have failed a Minimum Health and Housing Standards inspection.
3. Either the City on its own or with the provincial government as a partner, begin discussions with Airbnb and VRBO to move towards active STR regulation enforcement.
4. Require *all* digital platforms to include a mandatory license field that must be filled before an STR listing can be made public.
5. Regularly consult with the fire marshal on gaps in fire and safety issues related to STRs.

The STR Market in Calgary

The City of Calgary had 5,657 active Airbnb/VRBO listings in July 2023, declining to 4,950 active listings in September 2023.¹ 78 percent of those active STR listings were “entire home/apartments” and 71 percent displayed a valid license number.

The revenue earned in the STR market has climbed sharply, from below \$1 million in January 2017 to \$22 million in July 2023, and \$11 million in September 2023. Most of this revenue (91 percent) has accrued to “entire home/apartment” listings. The majority of STR listings and listing growth has been concentrated in Centre communities (particularly the Beltline) and developing communities (particularly Seton, Livingston, and Cornerstone). Permanent listings—STR listings that are rented or available to be rented full-time, spanning multiple years—made up 26 percent of all STR listings in September 2022. The remainder of the listings were temporary (e.g., on the market for two weeks during Stampede) or term listings (e.g., on the market for a semester).

There is a spectrum of “commercial” listings. Using data from July 2023, we estimate 876 (15 percent) were permanent listings, 2,399 (42 percent) listings were listed by a multi-listing host and 2,513 (44 percent) were entire home/apartment listings. However, listings can span two or more of these “commercialization” characteristics. The most commercialized listings are those that span all three characteristics and are permanent entire home/apartment listings listed by multi-listing hosts. In July 2023, 270 STR listings (4.8 percent) spanned all three characteristics. An additional 1,370 listings (24 percent) spanned two of the three commercialization characteristics (e.g., were permanent listings by multi-listing hosts in a private room or were entire home/apartments listed temporarily by a multi-listing host or were permanent entire home/apartment listings listed by a single listing host, etc.). Different STR regulation impacts different parts of this commercialization spectrum.

STR Regulations in Calgary and Canada

It is evident that the regulation of the STR market is an increasingly common and accepted practice in Canadian jurisdictions—licensing or registration requirements are widespread. Restrictions are appearing more frequently in some jurisdictions, but these vary greatly by jurisdiction and legislative environment. There is no “one-size-fits-all” when it comes to the

¹ STR listings are always higher in July due to Stampede.

regulation of STRs. Regulations span the gamut along two dimensions: complexity and restrictiveness. On this scale, Calgary's current STR regulations are relatively permissive and not complex, focusing on tracking STRs and ensuring guest safety. Some caution is warranted in assuming that restrictive regulations used elsewhere have been effective (e.g., in addressing housing affordability). Causal empirical evidence is sparse, and many regulatory tools have not been causally analyzed.

Perceptions of Calgary's STR Market

We conducted an engagement study that included an online public survey, interviews, and focus groups to understand experiences with and perspectives on Calgary's STR market. STRs in Calgary are polarizing. Over half of survey respondents indicated they were unsupportive of the STR market while roughly one-third noted their support. Survey respondents were most concerned about the extent to which the STR market is causing housing pressures; however, STRs were viewed as a good option for medium-term stays (MTRs; e.g., medical or research/work stays).

Interview and Focus Group participants expressed the view that the STR market is becoming more contentious and visible, and its presence has contributed to the housing crisis. Some participants expressed concerns about regulatory fairness and competitive concerns, with traditional tourist accommodation (e.g., hotels, B&Bs, etc.) being held to higher standards and paying higher property tax rates than STRs. However, others made mention of the benefits of STRs. STR hosts noted their benefits included being able to supplement their income, meet new people, provide a high-quality product that was demanded by the market, and supporting vibrant neighbourhoods. STRs were noted as housing that filled a gap in the housing market, offering short and medium-term rentals to newcomers to Calgary wanting a place to stay for a few months while they looked for permanent housing, to Calgarians facing either renovations or repairs on their current home, and to those from rural Alberta coming to Calgary for lengthy medical treatments.

A large proportion of survey, interview, and focus group participants voiced support for regulation, both in terms of existing regulations and in relation to a strengthening of the framework. Participants were looking for a regulatory framework that balances the benefits of the STR market, protects the right to housing (as established in the National Housing Strategy), and considers the numerous social outcomes. Participants also clearly stated that the City of Calgary needs to consult with the public before making policy decisions and pointed directly to the lack of consultations that occurred in British Columbia (B.C.) on its STR regulations. Overall, participants are eager to see a sophisticated regulatory framework that is co-developed with stakeholders, addresses the many facets of the STR market, and avoids overly restrictive regulations that are not backed by empirical causal evidence or consultation.

STR Regulatory Analysis

Developing effective and efficient STR regulation consists of three interlocking pieces: defining STRs, selecting policy objectives and corresponding policy tools, and setting effective enforcement. All three pieces work together to form a complete STR regulation. These pieces should not be set on its own without consideration of the other pieces, lest they work against each other to confound the regulatory objective.

Defining STRs

There are two main approaches to defining STRs: by length of stay and by distinguishing “licensed” rentals from “leased” rentals. Since Calgary first implemented STR regulations in 2020, the STR definition for Calgary has been based on the number of days of a stay. This aligns with the common perceptions of “STRs” and is consistent with the majority of jurisdictions in Canada. However, length of stay definitions incentivizes operators to establish minimum stays at least one day longer than the regulated number, thereby avoiding regulation. This occurred in Toronto, Vancouver, and Montreal after restrictive STR restrictions were introduced.

The definition of STRs could instead be extended to cover all licensed rentals. This would *exclude* long-term rentals covered by a lease agreement but would *include* all STRs and MTRs not covered by a lease. The advantage of this strategy is that it eliminates gaps in regulatory coverage for MTRs, better ensuring the safety of guests and that STR regulatory objectives are better met and not just sidestepped. The disadvantage of this strategy is the potential confusion it causes and the potential for it to pick up other rental types such as Corporate Rentals or medium-term stays in hotels.

Policy Objectives and Tools

There are three broad policy objectives that STR regulation can address: managing local impacts, managing guest experience, and managing City impacts. For each major objective, we identify potential strategies that may achieve those objectives, and policy tools that could be used. These are summarized in Tables 1-3, showing that there are a wide variety of policy tools a government can use to regulate STRs.

Table 1: Managing Local Impacts: Policy Measures by Objective, Goal, Strategy, and Enforcement

Objective	Goal	Strategies	Tools	Enforcement	Comments
Manage local impacts	Housing Affordability	Reduce quantity of STRs generally	Limit STR licenses to one license per person per STR unit License Quota License Moratorium	Can be enforced using a valid drivers license and cross-referencing of addresses. Moratorium requires additional data collection on LTR vacancy rates. Requires platform cooperation and pro-active City enforcement.	If the City of Calgary wishes to restrict STRs with the objective of improving housing affordability, our review suggests that while restricting STRs will likely reduce STR listings, reduce LTR rents, and reduce housing prices, it will not solve the problem of housing affordability on its own, but it has the potential to be part of the

		Reduce quantity of commercial STRs	Personal Residence Requirement (PRR) Night caps	PRR can be enforced using a valid drivers license. Night caps are very difficult to enforce even with platform cooperation. Requires platform cooperation and pro-active City enforcement.	solution. Which policy tool is used to do this should be carefully considered as some policy tools are better than others at addressing housing affordability, and all policy tools come with trade-offs.
		Reduce quantity of STRs in affordable units	Prohibit STRs in Residential Affordable Housing Units Prohibited Buildings List	Enforced through host attestation, inspections, and cross-referencing addresses. Requires platform cooperation and pro-active City enforcement.	Ability to enforce must be considered for each.
		Reduce quantity of STRs in communities with high STR activity	STR License Quota by Community Use of Land Use Bylaw (LUB)	LUB requires additional administrative resources for new processing requirements. Requires platform cooperation and pro-active City enforcement.	
Preserving Neighbourhoods		Reduce STRs in high-STR activity areas	STR License Quota by Community Use of Land Use Bylaw Restrict proportion of STRs in apartments/condos Specify how far on STR much be from another (spatial restrictions)	Requires platform cooperation and active City enforcement through data analysis. Condo boards should be consulted. Requires cross-checking of license applications to ensure apartment/condo and/or spatial restrictions are met.	
		Enhanced host responsibility/ presence	Live-in-host or manager-on-site requirement Tiered Licensing (personal residence vs secondary residence) STRs in secondary properties require a development permit	Very difficult to actively enforce due to inability to observe host presence. Physical inspections could be used to support enforcement. Enhanced by platform co-operation	
		Improved avenues for neighbour involvement and concerns	Dedicated complaint line: audit Neighbour notification through LUB permit application Neighbour notification via licensing regime plus strike system	Requires platform cooperation and active City enforcement through data analysis.	
		Improved parking requirements	Increase the minimum parking stalls for STRs Limit STR guests to parking in the dwelling units' appointed parking stalls	Likely not possible to observe where STR guests park	

Table 2: Managing Guest Experience: Policy Measures by Objective, Goal, Strategy, and Enforcement

Objective	Goal	Strategies	Tools	Enforcement	Comments
Manage guest experience	Guest Safety and Security	Enhance Fire and Emergency Safety	Regularly consult with the Fire Marshal on gaps in fire/emergency safety Identify and apply similar fire codes used for hotels to entire home STRs and/or STRs where host is absent	Enhanced through random fire inspections and platform cooperation Requiring these additional measures only in STRs where the host is absent may be difficult to enforce as it is not possible to observe the presence (or lack) of a host	To date, Calgary STR regulations have focused on guest safety and security. While Calgary has done an excellent job at this, there are some gaps that could still be addressed, particularly compliance with AHS Minimum Health and Housing Standards. This will require working with AHS to determine the best route forward. Regular consultations with stakeholders can identify other guest safety and security gaps experienced/observed.
		Enhance Compliance with Health and Housing Standards	Require a successful AHS inspection for compliance with Alberta's minimum health and housing standards Require compliance with Alberta's minimum health and housing standards. Inform AHS when an STR Becomes Licensed. Work with AHS to maximize enforcement.	Consult with AHS. Depends on AHS resources Enhanced through random AHS inspections and platform cooperation Requires data sharing between AHS and the City, and the revocation of STR licenses for failed inspections	
		Enhance Guest Security	Consult with AHLA and STR hosts/guests to identify best guest security practices Mandate Door and Window Locking Systems Mandate Human and Sex Trafficking Awareness Training	Locking systems enforced through photographic evidence and/or physical inspection. Trafficking training enforced with the production of a certificate/credential All enhanced by platform cooperation.	
	Operational Standards	Aesthetics	Minimum furniture and lighting requirements (including pieces required and quality)	It is likely that these operational standards would be difficult to enforce. While they could be inspected upon an STR license application or renewal, there is no guarantee they would remain this way. Since digital platforms already handle complaints from guests related to operational standards, the best method of enforcement may be to work with digital platforms.	Digital platforms do not currently enforce any operational standards. It is likely that some of these operational standards would be difficult for the City to enforce proactively as they are difficult to observe.
		Odors	Free of strong odors (particularly from waste/garbage)		
		Preventing overcrowding/over booking of guests	Restrict overlapping bookings. Restrict number of guests.		
		Improved parking requirements	Increase the minimum parking stalls for STRs Limit STR guests to parking in the dwelling units' appointed parking stalls		

Table 3: Managing City Impacts: Policy Measures by Objective, Goal, Strategy, and Enforcement

Objective	Goal	Strategies	Tools	Enforcement	Comments
Manage City Impacts	Recover Costs Imposed by STRs and their Guests on the City	Collect fees from STR operators and platforms based on a cost-recovery basis.	Evaluate and increase STR license fees (if required) based on a cost-recovery basis Impose a license requirement and fee on digital platforms with the fee based on a cost-recovery basis	Effective enforcement requires platform cooperation and active enforcement. For the platform license and fee, if the fee is based on number of bookings, that data comes from the platform and verification may be difficult. A one-time fee would mitigate this difficulty.	The cost of licensing and enforcing STR regulations is minimal. If the City were to engage in more active enforcement, it is likely that these STR license fees would no longer reflect the cost of administration and enforcement. STRs impose an externality on the housing market and on neighbours. Such externalities can be internalized through regulatory mechanisms that require STR hosts to internalize their costs.
		Collect fees from STR operators to internalize externalities	Increase Property Taxes on STRs (an STR Mill Rate) Accommodation Levy		STR guests use City services but are less likely to be City residents and thus do not pay for these services. Currently, STRs pay an accommodation levy of 4 percent to the provincial government. The revenue is used to promote Calgary (and Alberta) tourism.
		Collect fees from STR operators to support STR guest use of City services	Increase Property Taxes on STRs (an STR Mill Rate)	Effective enforcement requires platform cooperation and active enforcement. The Accommodation Levy requires permission from the province (currently not permitted in municipalities).	All of these will increase the costs of operating an STR—costs that will result in “marginal” STRs leaving the market and increased STR prices for STR guests.
	Maintain/Improve Tourism (and Economic Growth) to Calgary	Ensure STRs pay the same taxes and fees as hotels	Increase Property Taxes on STRs: set STR Mill Rate equal to the commercial mill rate	Effective enforcement requires platform cooperation and proactive City enforcement through data analysis.	Tourism has been cited as a significant driver of economic activity in Calgary. Increased tourism appears to be anticipated and encouraged by organizations including Tourism Calgary and Travel Alberta as a driver of economic activity. STRs are a substitute to and competitive form of accommodation to traditional tourist accommodations. STRs lower the price of all tourist accommodations and increase the variety of accommodations. In this view, the City may choose to regulate STRs with the objective of maintaining STRs as a viable substitute to hotels for tourists: maintaining STRs may lower accommodation prices overall and maintain variety of accommodation choice.
		Ensure the safety and operational standards of STRs are similar to that of hotels	Update Guest Safety and Security Standards and Operational Standards in Line with that Required of Hotels	Enforcement can be made more effective with random fire inspections and platform cooperation.	
		Avoid Over-Restrictions on STRs	No specific policy tool: to be balanced against other objectives.		

Enforcement

Any regulation is only as good as the possibility of effective implementation, and effective implementation requires effective enforcement. The problem with this is that STRs are visible to the public (e.g., via online platforms like Airbnb) but are not visible to enforcement agencies. For an STR regulation to be enforceable, STRs must be able to be detected and monitored.

Regardless of what decisions the City makes related to STR regulations, tackling the issue of effective and rigorous enforcement so as to achieve the objectives of the regulations needs to be included in the regulatory decision-making process. Enforcement must be co-designed with the regulations to improve implementation success. The best method of enforcement is to enter into a data sharing agreement with STR digital platforms (e.g., Airbnb, VRBO) for information on hosts (their identification), exact locations of listings, and license numbers (or lack thereof). Active checking of these listings for valid license numbers combined with the removal of illegal listings from platforms will increase the likelihood of identifying and removing illegal STR listings.

Conclusion

The goals of this multi-phase study were to gain an in-depth understanding of Calgary's STR market, the challenges and opportunities it presents, and to use this knowledge to develop an updated regulatory approach that was:

- Flexible, effective, and transparent
- Addresses current and emerging challenges
- Aligns with City priorities related to housing, land use, economic development, downtown revitalization, equity, hospitality, and tourism.

Overall, this policy guide provides a set of evidence-based and flexible STR regulatory tools that the City could choose from. The objectives of the City may change over time as the policy environment changes. As the City's objectives changes, this policy guide will continue to be a useful tool in helping the City to determine what policy tools best meet its objectives.