

Community Services Report to
SPC on Community and Protective Services
2018 December 05

ISC: UNRESTRICTED
CPS2018-1328

Short Term Rental Scoping Report

EXECUTIVE SUMMARY

Administration worked through a cross-departmental team to develop a scoping report, providing options to apply the appropriate level of safety and oversight to the market of Short Term Rentals (STRs) which for the purpose of this report includes both Home Sharing and Vacation Home Rentals. A review of the traditional accommodation types of Bed and Breakfasts (B&Bs) and Lodging Houses has also been completed. The scoping report presents how STRs, B&Bs, and Lodging Houses are currently regulated, what the market for STRs looks like in Calgary, and how The City of Calgary could regulate safety and oversight in these market segments.

Following the collection and analysis of information, stakeholder input, and exploring the current and possible future regulatory structures within The City, Administration identified several options for consideration. Though impacts related to nuisances, taxation, and tourism were identified during stakeholder consultation, the recommendations appropriately address safety and oversight as per Council's direction. Administration's recommendations take into account the need to preserve as many of the benefits of STRs, B&Bs, and Lodging Houses as possible while limiting undue negative impacts to neighbours and other local community members.

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ADMINISTRATION RECOMMENDATIONS:

That the SPC on Community and Protective Services recommends that Council:

1. Direct Administration to 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. Direct Administration to 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; and
3. Direct Administration to develop a public education campaign to be launched following approval of the above bylaw amendments.

RECOMMENDATION OF THE SPC ON COMMUNITY AND PROTECTIVE SERVICES, DATED 2018 DECEMBER 05:

That Council:

1. Direct Administration to 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. Direct Administration to 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. Direct Administration to develop a public education campaign to be launched following approval of the above bylaw amendments;
4. **Direct Administration to 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. **Direct that any recommendations are resourced within the existing approved 4-year budget.**

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PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 November 20, through Notice of Motion C2017-1180 Short Term Rentals Policy and Bylaws (Attachment 1), Council directed Administration to explore the Business Licence, Land Use, Fire and Safety Codes requirements that would ensure STRs, B&Bs and Lodging Houses are subject to the appropriate level of safety and oversight (commensurate with their scale and purpose), and provide a scoping report with options (including costs of implementation) and recommendations through the SPC on Community and Protective Services no later than 2018 Q4.

BACKGROUND

Administration was directed to look at STRs given the increasing popularity of online platforms that connect travelers with private accommodations. B&Bs, which have land use requirements, and Lodging Houses, which have business licence requirements, are also included as part of this Council-directed work. In 2018 January, a cross-departmental project team formed with representatives from Calgary Community Standards, Calgary Growth Strategies, Calgary Building Services, Law, Calgary Housing, Calgary Fire Department (CFD), 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.

The Short Term Rental Scoping Report (Attachment 2) contains the results of the project team's work.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City has existing methods to address most concerns related to the operation of STRs, B&Bs, and Lodging Houses (Attachment 2, Section 5). Administration's work identified that the STR market in Calgary comprises less than one per cent of the housing stock. Council's direction to explore the business licence, land use, safety codes (Alberta Building Code [ABC] and Alberta Fire Code [AFC]) requirements that would ensure STRs, B&Bs, and Lodging Houses are subject to the appropriate level of safety and oversight led Administration to specifically look at each of the areas through the lens of ensuring the safety of citizens and visitors to Calgary. In addition, Administration looked at regulatory oversight through the lens of Bylaw Education & Compliance. Each of the areas is examined (Attachment 2, Section 8). Considering all the areas analyzed in relation to the Calgary context, Administration has determined that at this time a business licence is the most appropriate tool to providing regulatory oversight for STRs, including B&Bs, and rooming houses.

Administration has identified five options in response to Council's direction. These options are not mutually exclusive and Council may wish to consider them individually or in combination. The options take into account the issues, impacts, and opportunities identified by internal and external stakeholders, practices in other jurisdictions, and the goal of ensuring STRs, B&Bs, and Lodging Houses are subject to the appropriate level of safety and oversight commensurate with their scale and purpose. The options for consideration are explored below. Further details for

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each option and the implementation plans are found in the Short Term Rental Scoping Report (Attachment 2, Section 9) including a chart illustrating the costs for each option. Considerations for tourist accommodation outside of safety and oversight, such as taxation, collection of fees or levies, or zoning restrictions, would require further direction from Council as they are outside the scope of the Notice of Motion.

1. Option 1 - Maintain Status Quo

While not recommended, one option is to maintain the status quo and utilize the current legislative and enforcement tools (summarized in Attachment 2, Section 5) available to ensure minimum levels of public safety. Currently, two Business Licence Inspectors are working on complaints related to the Lodging House category, taking them away from other duties. Administration has determined that the cost of maintaining the status quo is \$320,000 annually. In the absence of clarity to the current Lodging House category, and to address the increased complaints, a request to fund these positions through the Business Licence Reserve Fund was included in One Calgary.

2. Option 2 – Undertake broad-based public engagement

The second option is to conduct a broad-based public engagement on the direction The City should take on STRs. Given that the current STR market comprises less than one per cent of Calgary housing stock, Administration does not recommend proceeding with a broad-based public engagement at this time. Administration estimates that the one-time cost of this option is \$100,000, which would need to be funded by the mill rate. Moreover, the targeted stakeholder engagement included as part of option 3 would collect specific feedback to inform amendments to the Business Licence Bylaw that are recommended in this report.

3. Option 3 - Develop a Tiered Business Licence for Tourist Accommodation Operator

The third option, recommended by Administration, is to develop a tiered business licence category for Tourist Accommodation Operator capturing both STRs and B&Bs and applying requirements and conditions appropriate to scale and type of operation. Administration has determined that the one-time cost of technology upgrades associated with developing the new category would be \$10,000 and the targeted stakeholder engagement cost would be \$20,000, both funded from the Business Licence Reserve Fund. In addition, the two existing Business Licence Inspector positions mentioned in Option 1, that are currently funded through the Business Licence Reserve Fund, would more appropriately be funded through cost recovery from licence fees for the new category. Based on approximately 2,500 inspections annually, CFD would require up to two new Fire Safety Codes Officer positions dependent on the final approved tiers. The maximum cost for these positions would be \$356,000 annually for operations and a one-time capital cost of \$34,500 per officer for equipment, which would be funded by fire inspection fees.

4. Option 4 - Revise the Lodging House Business Licence Category

The fourth option, also recommended by Administration, in conjunction with option 3, is to revise the current category of Lodging House to reflect its original intent of protecting the safety of tenants of rooming and boarding houses and align with language in the ABC and AFC. Administration has determined that the one-time cost to revise this licence category is \$5,000 for system changes, to be funded by the Business Licence Reserve Fund.

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5. Option 5 - Funding for Public Education

The fifth option, also recommended by Administration, is to undertake a public education campaign in relation to rental properties, including short term rentals. Administration estimates that the one-time cost for a public education campaign is \$32,000 to be funded by the Business Licence Reserve Fund.

Administration's Recommendations

Administration recommends conducting targeted engagement regarding changes to the Business Licence Bylaw prior to drafting the amendments to this bylaw as noted in options 3 and 4 above. Business Licencing is the best tool for ensuring consumer protection, public safety, and service quality. In addition, business licencing offers the opportunity for monitoring and reporting about the industry, allowing Administration to look at trends, identifying emerging issues, and, most importantly, providing education and enforcement services.

Administration also recommends directing funds toward a public education campaign as noted in option 5 to be initiated after amendments to the Business Licence Bylaw are passed.

Administration's recommendations take into account the need to preserve as many of the benefits of STRs, B&Bs, and Lodging Houses as possible while limiting undue negative impacts to neighbours and other local community members by ensuring consumer protection, public safety, and service quality.

Stakeholder Engagement, Research and Communication

Meetings with stakeholders internal to The City, external partners and industry organizations were conducted to inform this scoping report. Topics discussed with stakeholders included modernizing current bylaws, encouraging additional tourism opportunities, enabling property owners to have access to an additional income source, mitigating effects on the affordable housing stock, and addressing issues related to nuisances, public safety and consumer protection. A summary of the targeted external stakeholder input is included in Attachment 2, Section 7.

Strategic Alignment

The recommendations in this report align with Council Directives from One Calgary associated with A Prosperous City, which include:

- building a resilient local economy;
- supporting tourism and travel as growth industries; and
- providing sufficient supply of affordable housing.

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 that 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. On the

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other hand, STR operators need to be aware of the impacts these rentals may have on neighbours and the overall social dynamic of communities.

Financial Capacity

Current and Future Operating Budget:

If Administration's recommendations were to be adopted, there would be an ongoing operating cost of up to \$356,000 annually for CFD recovered from fire inspection fees. In addition, there is a one-time cost of \$62,000 for targeted stakeholder engagement, a public education campaign, and technology upgrades, all to be funded by the Business Licence Reserve Fund.

Current and Future Capital Budget:

If Administration's recommendations were to be adopted, there would be a one-time capital cost of up to \$69,000 for vehicles to CFD to be funded by fire inspection fees.

Risk Assessment

There is a risk that without a clear regulatory framework for STRs, B&Bs, and Lodging Houses, complaints will continue to be investigated on a case-by-case basis, which may lead to delays in resolving issues due to a lack of clarity on the rules. Without implementing a license category now, there is also a risk that should Calgary's housing market change and STRs represent a greater portion of the housing supply in the future, more work would be required to track STRs, understand trends and implement reactionary regulation.

Jurisdictions that have implemented a level of regulation to govern vacation home rentals and/or home sharing operations have mitigated these risks and have seen increased compliance to current health, safety, and community standards rules among operators. In addition, the regulatory framework has provided clarity and has enabled staff to deal with issues and/or complaints in an expedited manner.

There is also a risk that amendments to the Business Licence Bylaw could be viewed as adding red tape and reducing economic opportunities to property owners who wish to capitalize on the market. This risk would be mitigated by ensuring that the Business Licence Bylaw amendments provide the appropriate level of regulatory oversight to address concerns related to the growing vacation home rental and home sharing market while clarifying rules related to the shared long term accommodation of rooming and boarding houses.

REASONS FOR RECOMMENDATIONS:

This report responds to Council direction to complete a scoping report to identify options for providing the appropriate level of safety and oversight for STRs, B&Bs, and Lodging Houses. Administration's recommendations to make bylaw amendments to the Business Licence Bylaw 32M98 to develop a new, tiered Tourist Accommodation Operator licence category and to revise the Lodging House licence category are aimed at preserving as many of the benefits of STRs as possible while limiting undue negative impacts to neighbours and other local community members. Following bylaw amendments, Administration's recommendation for a public

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education campaign would help to provide operators, guests, and other members of the public with information about the responsibilities at rental properties and where to direct concerns.

ATTACHMENT(S)

1. Attachment 1 – Notice of Motion C2017-1180
2. Attachment 2 – Short Term Rental Scoping Report