

TO:	COMMUNITY AND PROTECTIVE SERVICES COMMITTEE FEBRUARY 19, 2020
FROM:	G. KOTSIFAS, P. ENG. MANAGING DIRECTOR, DEVELOPMENT & COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL
SUBJECT:	SHORT-TERM ACCOMODATIONS PROPOSED REGULATIONS

RECOMMENDATION

That on the Recommendation of the Managing Director, Development and Compliance Services and Chief Building Official, the following actions be taken with respect to Short-term accommodations:

- (a) This report **BE RECEIVED** for information purposes; and
- (b) Civic Administration **BE DIRECTED** to amend all necessary By-laws to address Short-term accommodations and hold a Public Participation Meeting before the Community and Protective Services Committee (CPSC).
- (c) Civic Administration **BE DIRECTED** to continue consulting with Short-term accommodation platforms on the further collection of Municipal Accommodation Tax.

PREVIOUS REPORTS

- April 25, 2017 – CPSC – Short-Term Accommodations – Information Report
- May 1, 2018 – CPSC - Short-Term Accommodations – Information Report
- June 25, 2018 – SPPC – Municipal Accommodation Tax – required agreements and by-laws.

BACKGROUND

In 2017, Civic Administration was directed to report back at a future meeting of CPSC, with respect to short-term rentals to address zoning, licensing, and taxation. Staff presented a number of regulatory options, and at that time Council determined that it was not necessary to regulate short-term accommodations.

On October 16, 2019, Council resolved:

*That the Civic Administration **BE REQUESTED** to report back to the Community and Protective Services Committee with respect to potential regulatory options that could be put in place to address short-term rental accommodations in London; it being noted that the communication dated September 26, 2019, from Councillor A. Hopkins, was received with respect to this matter.*

The term short-term accommodation (STA) has been used to describe the use of all or part of a dwelling unit for sleeping and lodging accommodations for a short period of time. Traditionally, hotels, motels, hostels and bed/breakfasts only offered these services. Short-term rentals are occurring in a variety of dwelling types including: detached houses, townhouses, and apartment buildings. STA's are typically operated by owner occupants, tenants, property investors and management companies. They are often listed on internet platforms such as Airbnb, Homeaway, Vacation Rentals by Owner (VRBO), Craigslist and Kijiji.

Staff are aware that the issue of STA's requires an acknowledgement of the sharing economy coupled with the municipal role of public safety and residential stability. In Ontario, home-sharing is one of the fastest growing sectors in the sharing economy. The growth of home-sharing globally has been driven by consumers looking for greater choices, flexibility and lower costs, and hosts looking for the opportunity to earn extra income.

2018 PUBLIC SURVEY RESULTS

In 2018, an online survey was posted on the City's getinvolved.london.ca portal, seeking input from Londoners, including short term accommodation users and property owners. A total of 811 responses were received. The following are some key survey observations:

- ¾ of the respondents are home owners
- 19% live near a STA
- 55% have stayed at a STA
- 14% have operated a STA
- 80% feel that property owners should be permitted to operate a STA
- 12 % feel that STAs should not be permitted
- 72% feel the entire home should be permitted as a STA
- Property maintenance and personal safety was ranked as a very important element
- Traffic and loss of rental units was ranked as least important

In terms of regulations, the survey results indicated:

- 6 out of 10 respondents supported regulating STA's
- 40% supported licensing individual rental properties
- 34% supported licensing rental platforms
- 35% supported limiting STA's to principal residences only.

CONSULTATION

STA Community Information Meeting

On December 5, 2019, City of London staff hosted a community meeting to discuss possible short-term rental accommodation regulations. The following is a summary of feedback that was received during this meeting:

- Approximately 70 people attended and 90% of attendees were Airbnb hosts.
- Many landlords host STA's because of problematic tenants and the difficulties of evicting tenants.
- STA's provide options for family related hospital stays and are normally cheaper than hotels for longer stays.
- Improves conditions of houses.
- STA is part of sharing economy.
- Economic impact can include: cleaning services, linens, towels, restaurants.
- Affordable housing for hosts.
- Helps first time homeowners.
- Bringing people together.
- Party houses can be an issue / noise can be an issue.
- Problem with absentee landlords.
- Impact on rental market.
- Garbage issues – (by-law already in place).
- 180 maximum day restriction will have the same issues.
- Stronger enforcement of existing by-laws is required.
- Use existing Rental by-laws to licence STA.
- Generally, attendees did not think principle resident regulations should be implemented.

London Housing Advisory Committee

On December 11, 2019, Staff presented an overview of the STA regulation options to the London Housing Advisory Committee. The Committee was advised that staff would be presenting a report to the Community and Protective Service Committee in Q1 2020, outlining a recommendation and next steps in the process.

ADVANTAGES AND DISADVANTAGES OF STA's

Advantage of STA	Disadvantage of STA
Income opportunities for residents who host, to help supplement income, pay their rent, mortgage or other costs.	Loss of units for the long-term housing supply, with fewer units available to renters.
Accommodations for family visitors close by in the neighbourhoods where the families live.	Absent hosts / allowance of disruptive parties and excessive numbers of guests.
Flexibility for families being able to rent a unit in their home, while preserving the unit for visiting relatives, or for elderly family members or young family members re-uniting with the household.	Disruption by way of excessive guest traffic, garbage, parking and noise.
Greater affordability for diverse lifestyles.	Loss of confidence by neighbors for their personal security, possible criminal incidents and property damage.
Increased tourism and travel from a greater variety of accommodations options and diverse prices.	At the public meeting, hosts felt that STA properties were better managed than long term rentals.
Typically, cheaper than hotels for extended stays, especially for stays for medical reasons.	Tenants and condo owners placing properties online without the landlord or condominium board's consent or knowledge.
Contributes to sharing of the economy.	Impact on hotel industry.

Pros of regulating STA	Cons of regulating STA
<p>Hotels Hotel operators are generally not against STA's when it comes to the company's original intention of allowing people to make available their own homes for short-term accommodations. What they dislike, is the commercialization of Airbnb and the ghost hotel concept.</p>	<p>Investor Hosts People who have purchased homes or condo units specifically for short-term rental income could be affected by short-term rental regulations.</p>
<p>Resident Hosts Eliminating rental units from the market provides a benefit to hotels.</p>	<p>Offshoot businesses There are property managers and cleaning companies, for example who might lose homes in their portfolios if it is decided that investment properties are prohibited from being in the short-term rental market.</p>
<p>Residential neighbourhoods From a municipal perspective the most common reason for implementing short-term rental regulations is the need to protect neighborhoods from problematic properties.</p>	<p>Short-term rental customers Removing competition from the short-term accommodation market will give visitors fewer choices. The removal of potentially hundreds of short-term rental units will narrow the selection for tourists and business traveller.</p>

REGULATORY APPROACH IN OTHER CITIES

Ottawa	<ul style="list-style-type: none"> • December 2019, Ottawa City Council approved the framework for the City of Ottawa to write a short-term rental bylaw. • Including regulations that hosts will only be allowed to rent out a property if it's their primary residence and will have to pay a \$100 licence fee to the City. • The new short-term bylaw still yet to be written and approved by Council.
Toronto	<ul style="list-style-type: none"> • Licensing of short-term rental companies and registration of operators will begin in spring 2020. • Within a person's primary residence, regulations include permission to rent up to three bedrooms in a unit for an unlimited number of nights per year (up to a maximum of 28 days per stay) or their entire home for a maximum of 180 nights per year. • Operators will be required to pay registration fee of \$50 per year and post their City-issued registration number in all advertisements. • These regulations have been appealed.

Niagara-on the Lake	<ul style="list-style-type: none"> • All Short-term Rentals within the Town of Niagara-on-the-Lake must be licensed in order to operate. • This includes: Bed and Breakfast Establishments, Cottage Rentals, Country Inns, Vacation Apartments and Villas.
Collingwood	<ul style="list-style-type: none"> • The Town of Collingwood does not allow for short-term accommodations unless the home is approved as a Bed and Breakfast. • The investigation into such units in the Town of Collingwood are complaints driven, and homeowners found to be conducting a short-term accommodation business may be issued a fine.

Airbnb Statistics: January 1, 2019 – January 1, 2020

- In the last 12 months, Airbnb hosts in London earned approximately **\$7.7** million sharing their home.
- The nights hosted in a typical listing is **106** nights annually.
- The average length of stay per guest on our platform in London is 4.1 nights.
- Of the **1,100** active listings in London, **53%** are entire homes and **46%** are private rooms within a home.
- **24%** of the listings include 31 day stays.
- **33%** of the listings include 7-21 day stays.
- There were **57,000** inbound guest arrivals from January 2019-January 2020.
- The listings also include options for boutique hotels, traditional bed and breakfasts, and corporate housing providers that advertise on the platform.
- Listings can include entire homes or a private room in a home.
- For example, one weekend the entire home can be listed and then the next weekend, 2 bedrooms are listed in the same house, varying the total # of listings.

CITY OF LONDON

Municipal Accommodation Tax

In January 2018, Municipal Council endorsed the implementation of a transient accommodation tax and directed Civic Administration to report back with the necessary implementation documentation. At the Strategic Priorities and Policy Committee on June 25, 2018, Civic Administration presented the necessary by-laws and agreements to implement the Municipal Accommodation Tax (MAT) program. At Council the next day, Municipal Council approved the by-laws and agreements for implementation effective October 1, 2018. At that time, it was determined that short-term rentals would be exempt from MAT, pending further review. The decision on how to license short-term rentals impacts the process for collecting MAT on these properties. After Council approves the licensing process for short-term rentals, Civic Administration will bring forward the necessary by-laws and agreements to begin collecting MAT on these establishments.

Enforceability

Under current regulations, enforcement can be difficult. To act on a violation, a by-law enforcement officer must:

- Identify the unit that is being rented.
- Prove that it is being rented on a short-term basis.
- Prove the number of days that the unit has been rented.

With most online platform bookings, the general neighbourhood of a rental unit is shown to potential guests, along with photos. Usually the exact location and name of the host is concealed until after the rental transaction has been completed. After determining the address, perhaps aided by a complaint, the officer must find evidence that the unit is rented on a short-term basis. The fact that a location is advertised is not adequate evidence for a charge.

Possible Regulations

The following is a sample of regulations for consideration:

- **License platforms** – Similar to licensing transportation network companies (as part of the vehicle for hire regime). Conditions may be placed on the licensees such as advertising regulations and data sharing;

- **License operators** - Municipalities may license hosts/operators or utilize existing licensing regimes (i.e. rental housing) to ensure compliance with the municipality's community safety by-laws.
- **Principal residences** - Several municipalities have imposed restrictions on income properties as STA's to protect the availability of long-term rental stock where only principle residences can be used as short-term rental accommodations. A principle residence can mean a dwelling unit owned or rented by an individual person, either alone or jointly with others, where the individual person is normally the resident.
- **Consecutive days of rental** - Municipalities have explored the regulatory option of establishing a cap on the number of consecutive days a unit can be rented in order to distinguish short-term rentals from long-term rentals;
- **Maximum number of days** - Municipalities have considered the regulation of restricting the number of days per year a unit can be rented out on a short- term basis. This regulation is directly related to the use of properties as principal residences;
- **Maximum number of guests** - Municipalities have deliberated on restricting the number of permitted guests. The purpose of this regulation is to address "party houses".
- **Local Contact Requirement** – Municipalities have discussed a requirement to have a local contact available at all times to respond to issues, and who is available to attend to the short-term accommodation within a one (1) hour from the time of contact by telephone or email. This will help to alleviate concerns associated with long distance landlords and help to encourage responsible behaviour and limit disturbance within the neighbourhood.

STAFF RECOMMENDATIONS

Based on the above list of possible regulations, the following regulatory approach is recommended:

1. Amend the **Residential Rental Units Licensing By-law** (CP-19) to create a new class of a rental licence to allow for STA's.

The applicant would be required to:

- Apply for a Short-term accommodation rental licence and meet eligibility conditions required by the Residential Rental Unit Licence By-law.
- Publish the valid City registration number with any advertising.
- Provide details on the proposed property, proposed rental accommodation, maximum occupancy, whether the property is the principal residence of the applicant, and other relevant information required by the City.

2. Amend the **Business Licensing By-law** (L.-131-16) to licence platforms who provide for STA's.

This amendment would include the registration of all web platforms which list STA properties in London. The licencing of web platforms is particularly helpful from an enforcement perspective. As an example, the web platforms can provide information on the hosts and the properties they rent, by requiring hosts to post their registration numbers which can then be confirmed by the City.

The minimum requirements of a short-term rental platform may include:

- Inform London hosts when they list that the City of London now regulates short-term accommodations and requires the registration of host properties.
 - Provide a space in host listing web-forms for the host to enter their municipal licence number.
3. Amend the Z.-1 **Zoning By-law** to amend existing 'Lodging House, Class 1' definition and 'Lodging House, Class 2' definition.
 - Currently, both Lodging House definitions include restrictions on number of 'persons'.
 - This house keeping amendment would remove the word 'persons' and replace with 'maximum number of bedrooms'.
 - This amendment would better align with the Residential Rental Unit Licencing By-law.

CONCLUSION

Regulating and licencing STA's will help to ensure that occupants are provided with safe accommodations and that STA operators are made aware of their responsibilities to comply with all City of London By-laws and regulations. These new regulations will assist in to protecting the character, amenities, and quality of existing residential neighbourhoods. The following amendments are recommended:

- Amending the Residential Rental Units Licensing By-law to create a new class of a rental licence to allow for STA's.
- Amending the Business Licensing By-law to licence STA platforms.
- Amend the Z.-1 Zoning By-law to clearly define Short-term accommodations.

On June 26, 2018, Municipal Council approved the necessary by-laws and agreements to implement a Municipal Accommodation Tax effective October 1, 2018. At that time, it was determined that short-term rentals would be exempt from MAT, pending further review. If Council approves the licensing process for short-term rentals, Civic Administration will bring forward the necessary by-laws and agreements to begin collecting MAT on these properties.

Civic Administration recognize that STA's are one of the fastest growing sectors of the sharing economy, and that municipalities play a key role in ensuring public safety and residential stability. Civic Administration recommends that a public participation meeting be held to receive public comments on draft by-law amendments to a number of by-laws, to regulate STA's.

PREPARED BY:	SUBMITTED BY:
O. KATOLYK, MLEO (C) RPP CHIEF, MUNICIPAL LAW ENFORCEMENT OFFICER	G. KOTSIFAS, P. ENG. MANAGING DIRECTOR OF DEVELOPMENT AND COMPLIANCE SERVICES AND CHIEF BUILDING OFFICIAL