

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Infrastructure, Development and Enterprise Services Public Services
Date	Monday, February 7, 2022
Subject	<b>Long-term and Short-term Rental Housing Report</b>

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## Recommendation

1. That Council approve the approach to licence short-term rentals in principal residences under the City's Business Licence By-law (2009)-18855.
2. That Council direct staff to engage key stakeholders and the public to develop a short-term rental category along with regulations under the City's Business Licensing By-law (2009)-18855 and report back to Council in the fourth quarter of 2022.
3. That the Business Licence fee for short-term rentals and associated costs be included in the 2023 budget confirmation.
4. That staff continue to use the proactive enforcement and education approach to manage long-term rental housing in Guelph.

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## Executive Summary

### Purpose of Report

The purpose of this report is to address the Council resolution directing staff to report on the effectiveness of the recommended alternative approach to the Rental Housing Licensing Program as described in Report 14-29, dated August 5, 2014, Rental Housing Licensing Recommended Approach. The recommended alternative approach addresses long-term rental housing in Guelph.

This report also follows up on Council direction from May 2016, which directed staff to study the issue of short-term rentals in Guelph.

Staff are seeking Council direction to draft an amendment for the City's Business Licence Bylaw (2009)-18855 to add a licensing category for short term rentals and to engage the public and stakeholders to help develop the regulations under this category.

### Key Findings

Long-term rental housing in Guelph is typically considered to be residential rental accommodation lasting a period of 30 days or more (often months or years) and contributes to the general housing supply for residents of Guelph. Short-term rental housing is typically considered accommodation lasting up to 30 days, which serve

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visitors to Guelph and generally does not contribute to Guelph's permanent housing supply.

The recommended approach, which addresses long-term rental housing, has continued to build upon the successes of past City initiatives to improve the safety and well-being of tenants and to address other issues associated with long-term rental housing.

The short-term rental market in Guelph is growing. Staff recognize that short-term rental platforms are active and growing in Guelph, and unlike hotels and bed and breakfasts, premises operating under these platforms are not licensed.

Bed and breakfast owners in Guelph have stated that short-term rentals are not treated consistently. There is a health and safety aspect (fire) in permitting these short-term rentals, in addition to zoning and/or parking issues in some residential areas. Proponents of short-term rentals have asked the City to consider a permit so short-term rentals can occur lawfully and fairly with bed and breakfast and hotel establishments.

As with all business licences or licence categories, the cost to implement and run the program is based on a cost recovery model and is not covered through the tax base. Costs are recovered through user fees, specifically licensing fees in this case.

Staff did consider deregulating the existing licence regulations associated with bed and breakfasts and hotels/motels, however due to health and safety concerns are recommending that the licence programs for these establishments continue to ensure required inspections are completed. Any costs for startup and the user fees (business licences) would be approved by Council during the 2023 budget process.

### **Financial Implications**

There are no new financial implications related to the long-term rental housing portion of this report.

Adding a new licensing category for short term rentals will result in an increase in revenue, but as business licensing fees are calculated on a full cost recovery basis, any additional revenue realized will offset the costs of administration, enforcement and compliance.

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## **Report**

This report is a result of a collaborative effort between Infrastructure, Development and Enterprise Services and Public Services.

Long-term rental housing in Guelph is typically considered to be residential rental accommodations lasting a period of 30 days or more (often months or years) and contribute to the general housing supply for residents of Guelph.

Short-term rental housing accommodations are typically considered accommodations lasting up to 30 days, which serve visitors to Guelph, and generally do not contribute to Guelph's permanent housing supply.

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## **Background**

### **Long-term Rental Housing**

In 2014, Council approved in principle the recommended alternative approach to a rental licensing program for long-term rentals as described in [Report 14-29](#). At that time, Council also referred a proposed expansion package for one full-time proactive inspector and a comprehensive communications and education plan to the 2015 budget process.

The recommended approach included the following:

1. Enhance the Building Services **proactive enforcement program** to further build upon current successes by addressing issues related to rental housing and overcome existing challenges.
2. Work with partners and stakeholders to research, develop and implement a comprehensive **education/communications** plan designed to discourage disruptive behavior and further address rental housing issues.

The benefits of the recommended approach were summarized as follows:

- Improved neighbourhood conditions with a primary focus on non-compliant properties;
- Tenants will be better informed of basic safety hazards and may choose not to live in unsafe units or may initiate inspection requests to ensure their units are safe and legal;
- Improved education initiatives may assist in the identification and prevention of zoning, parking and property standards issues;
- Community-driven campaigns designed to increase neighbourhood cohesion and foster changes in behavior; and
- Strengthened partnerships and empowerment of stakeholders to improve the safety and wellbeing of residents and to create and maintain vibrant neighbourhoods for all to enjoy.

At the December 14, 2020 meeting, City Council passed the following resolution for staff response:

1. That staff report back in 2021 on the effectiveness of the recommended alternative approach to the Rental Housing Licensing Program as described in Report 14-29, dated August 5, 2014, Rental Housing Licensing Recommended Approach; and
2. That the Report directly respond to the issues identified in Report 13-32, July 15, 2013, Rental Housing Licensing Cost/Benefit Analysis.

The long-term rental housing portion of this report will summarize the programs and initiatives that have taken place in support of the recommended approach as approved by Council as described in the August 5, 2014 report, and respond to the issues that were identified in the July 15, 2013 report.

### **Short-term Rental Housing**

Under the City's Business Licence Bylaw, the City regulates hotels and Bed and Breakfast establishments.

Staff have received concerns regarding the rapid growth of nightly rentals offered in Guelph through platforms such as Airbnb and VRBO.

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In May 2016, Council directed staff to study the issue of short-term rentals in Guelph. Following this direction, staff spoke to various stakeholders within the community and investigated how other cities are regulating this type of visitor accommodation to help identify the impacts of the local short-term rental market.

## Overview

### Long-term Rental Housing

The recommended approach has continued to build upon the successes of past City initiatives to improve the safety and well-being of tenants of long-term rental housing units.

Staff have taken various steps to address the objectives set out in [Report 14-29](#). As previously noted, objectives were divided into two key areas:

1. Enhance the Building Services **proactive enforcement program** to further build upon current successes by addressing issues related to rental housing and overcome existing challenges.
2. Work with partners and stakeholders to research, develop and implement a comprehensive **education/communications** plan designed to discourage disruptive behavior and further address rental housing issues.

The following is a summary of the work completed to meet the objectives set out in [Report 14-29](#) for enhancing the Building Services **proactive enforcement program** (See Attachment-1- Objectives and Results, for further details):

- Creation and implementation of a search warrant program to help overcome issues related to gaining access to buildings suspected of non-compliance
- Streamlining of enforcement measures to provide for the ability of one inspector to perform a number of inspection functions (i.e., Zoning, Additional Residential Dwelling Unit, and Building Code Act Enforcement)
- Adding an additional full-time employee to further enhancing Building Services Proactive Enforcement and Legal Program
- Creating a formalized Legal Procedures Manual which includes a zero-tolerance approach for repeat offenders
- Application for and subsequent approval of increased set fines for offences for those who do not voluntarily comply with municipal regulations
- Monitoring the effectiveness of the proactive program

Although the funding to work with partners and stakeholders to research, develop and implement a **comprehensive education/communications plan** as part of the recommended approach was not funded in the 2015 budget, staff was able to initiate and participate in several education/communication initiatives. This has included:

- Development and promotion of a tenant safety program, which educates tenants of basic safety requirements and promotes the availability of free tenant safety inspections
  - Ongoing participation on the Town and Gown Committee and related activities to promote the safety and well-being of neighborhoods
  - Participation at University of Guelph's Off-Campus Living Rental Fair
  - Participation at Neighbourhood Group Meetings; and
  - Education sessions for local real estate professionals
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The culmination of the work above has contributed to a number of successes. During the period of 2014-2019, this includes:

- Proactive education to thousands of tenants of long-term rental housing units;
- Regional media coverage promoting safe residential rental units in Guelph and the ongoing availability of free tenant safety inspections by the City;
- Proactive education to hundreds of local real estate professionals;
- Over 1750 proactive inspections of long-term rental housing units;
- Over 580 proactive Building Code Act violations identified by cross-trained zoning inspectors; tenants benefited from a reduction in the number of inspections required and ability to work with a single inspector to resolve issues;
- Used as an absolute last resort, 40 search warrants were successfully executed on 23 properties, each of which resulted in the identification of non-compliance with the Two-Unit House Registration By-law and/or the Ontario Building Code Act;
- Over 240 convictions and over \$256,000 in fines registered against property owners that did not voluntarily comply with the Zoning By-law, Two-Unit House Registration By-law, and/or the Ontario Building Code Act; and
- Registration of nearly 1400 Two-Unit Houses (now Additional Residential Dwelling Units).

Also see Attachment -2 Summary of Key Indicators

The second portion of the resolution passed by City Council on December 14, 2020, is that this report responds directly to the rental housing issues identified in Report 13-32, which are summarized as follows:

- health, safety, and well-being;
- neighbourhood destabilization and deterioration;
- disruptive behaviour;
- lack of information about housing stock and inequality amongst housing providers;
- enforcement challenges; and
- funding implications to various stakeholders including the City tax base, business owners and tenants.

The response to the issues identified are included in Attachment-3 Objectives and Results.

Overall, the recommended approach has been effective. Staff have been proactive at continuing to educate the community about safe living accommodations and continue to proactively search out unsafe living conditions to help tenants and ensure a safe rental housing supply in the city.

Existing legislation is being successfully used to address the health, safety and well-being of tenants, with assistance from staff only a call or email away for tenants who want it.

While a licensing program could off-set the cost of tenant safety programming from the tax base to rental owners, it would also result in increased overhead program costs which could eventually be passed onto tenants, potentially further increasing challenges to housing affordability in the city.

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Increased efforts by staff, coupled with an overall increase of rental housing supply appears to have had a positive impact on neighbourhoods. Building Services staff has noted a significant decline in residential zoning and building concerns related to rental housing. Additionally, the City's Noise Control and Nuisance Parties By-laws have been used to address disruptive behaviour within neighbourhoods with concentrations of long-term residential rental units. This collaborative work between service areas has not gone unnoticed. The Old University Neighbourhood Residents' Association recently acknowledged that addressing unruly behaviour and neighbourhood concerns have come a long way and cited "significant successes" and a return to a more balanced neighbourhood<sup>1</sup>.

The recommended approach has been and continues to be a successful approach to managing challenges related to long-term rental housing in Guelph. Therefore, staff are not recommending any changes at this time.

### **Short-term Rental Housing**

In the last decade, there has been rapid growth in online marketplaces that connect people looking for short-term accommodation with people who want to rent or sublet their own accommodation for the same purpose. These platforms charge a fee for hosting listings, managing bookings and payment, and sometimes providing insurance. One of the largest short-term rental platforms started in 2008 and now has over two million listings in more than 34,000 cities.

Staff have recognized short-term rental platforms are active and growing in Guelph, and unlike hotels and bed and breakfasts, premises operating under these platforms are not licensed.

Bed and breakfast owners in Guelph have stated that short-term rentals are not treated consistently. There is a health and safety aspect (fire) in permitting these short-term rentals, in addition to zoning and/or parking issues in some residential areas. Proponents of short-term rentals have asked the City to consider a permit so short-term rentals can occur lawfully and fairly with bed and breakfast and hotel establishments.

### **Short-term Rental Market Summary**

The following sections summarize recent information about short-term rental activity in Guelph. The data comes from a report prepared for the City by Host Compliance, a company the City has engaged to help identify the short-term rental market in Guelph across multiple on-line platforms.

The short-term rental market in Guelph is large and growing. In June 2019, Host Compliance found 150 active, unique listings in Guelph. The absolute number of active short-term rental listings in Guelph changes daily as new listings are added and others are removed. This is the most recent data due to challenges surrounding Covid-19.

In June 2016, Host Compliance found data which shows that Airbnb is by far the largest short term rental platform in Guelph, comprising 96% of the active listings. Another 3% of listings are on other platforms such as Homeaway or one of seven other websites in the Homeaway family. The third largest site is Flipkey with 1% of local listings.

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<sup>1</sup> Old University Neighbourhood Residents' Association Fall 2021 Newsletter

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As the number of short-term rental listings grows in Guelph, so does public debate about the positive and negative impacts of the use of the local housing. Those concerned about short-term rentals say there is an increased concern of noise and property damage and increased housing costs within residential neighbourhoods. Proponents of short-term rentals say these premises make Guelph a more attractive tourist destination and provide extra income to Guelph residents and businesses.

Following this consultation, staff identified the following objectives for future short-term rental regulations in Guelph:

- Health and Safety: ensure rented residential space meets fire, building and by-law regulations
- Tax and Regulatory Equity: Treat accommodation providers equitably from a tax and regulatory perspective
- Supplemental Income: allow residents to earn income from renting their home occasionally
- Tourism: Support growth in tourism and support for City and University events
- Transparency and Ease: A regulatory, licensing and enforcement system that is easy to understand, inspires high levels of voluntary compliance, and has effective means of preventing unlawful behaviour

The issuance of a short-term rental licence would be subject to the following limitations:

- The unit is a safe accommodation as defined by Guelph Fire and Building
- The use of the property for short-term rental must not violate City zoning, property standards maintenance, or nuisance by-laws.
- The short-term rental must be a Principal Residence.

Lessons learned from other cities regarding short-term rentals recommend a simple, inexpensive, online licensing system where applicants post copies of the above evidence. They must self-declare the evidence is true and that they will comply with short-term rental regulations. The City would need to audit licences and conduct random or complaint-based regulatory inspections on a regular basis to discourage fraud and to ensure compliance with health and safety and maintenance upkeep standards.

For regulatory simplicity, the current requirements and licensing process for existing bed and breakfast establishments would be removed and replaced by this approach, i.e., allowing bed and breakfast operators to obtain a short-term rental licence instead. Provision of breakfast would no longer be a requirement under the City's Licensing Bylaw.

If Council adopts a licensing model for short-term rentals, staff will implement a proactive enforcement system to obtain high levels of compliance. Depending on the regulations proposed by the public and stakeholders, additional staff and resources may be required to administer and/or enforce this licensing category. Because regulation enforcement is challenging with both online platforms and non-compliant short-term renters, staff will focus on three key frames to enable a strong enforcement environment:

- Utilize the City's Bylaw authority to establish a clear and consistent enforcement escalation path.
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- Utilize technology and third-party vendors to establish and communicate Guelph's guidelines and standards, and to identify violations.
- Coordinate with stakeholders and the public to communicate legal short-term uses and to leverage the City's complaint-driven online process to report concerns.

Staff are seeking Council direction to draft an amendment for the City's Business Licence By-law (2009)-18855 to add a licensing category for short-term rentals. Staff are further seeking Council direction to engage the public and stakeholders to help develop the regulations under this category.

## **Next Steps**

### **Long-term Rental Housing**

Staff will continue to use the recommended approach to manage challenges related to long-term rental housing in Guelph.

### **Short-term Rental Housing**

If Council endorses the proposed licensing approach, staff will consult with the public and key stakeholders (e.g., bed and breakfast business owners, tourism and University of Guelph Off-Campus living, short-term rental platforms, etc.) to refine the associated regulations including key issues for further discussion include taxing short-term rental revenue, and whether additional regulations are needed to prevent conversion of long-term room rentals to short-term rental instead.

Staff will also work with short-term rental platforms regarding cooperation in compliance and enforcement efforts. Some platforms have indicated they do assist with compliance in other jurisdictions. City of Guelph compliance and enforcement staff will need to be provided access to short-term rental platforms such as AirBnB to effectively identify short-term rental properties.

Based on lessons learned from other municipalities as indicated previously, it is recommended that Guelph's compliance and licensing system be transparent and easy to use. Specifically, the program should:

- Be simple, fast, and inexpensive for operators to comply with the regulations and for staff to monitor (e.g., simple regulations, online permitting, no initial inspection, average fees).
- Set financial penalties for non-compliance at an appropriate level to encourage voluntary compliance. Penalties should be representative to allot for additional staff resources, investigation, and inspection times.
- Enforcement staff to work with prosecutions to ensure legal actions against continued or repeat offenders are implemented to ensure compliance. Allow staff to maintain swift and consistent enforcement against non-compliant operators.

If directed by Council to proceed, staff will provide a follow-up report of the new licensing category in the fourth quarter of 2022. This will allow time for staff to develop regulations with input from stakeholders and the public for Council's consideration, along with a public information campaign. This report will also identify the associated costs to implement and maintain the program. Council will have the ability to approve any costs including FTEs and the user fee/business licences during the 2023 budget process.

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## **Financial Implications**

### **Cost for Implementation**

The estimated initial start-up cost to implement amendments to the Business Licence By-law to create and administer the short-term rental licence category would be approximately \$67,350 for an estimated existing 150 businesses within Guelph. This cost includes administration, inspection, and education.

### **Fees and Revenues**

As directed previously by Council, licence fees are based on a cost recovery model and are used to offset any administration, education, and compliance costs.

Based on the licensing fees of hotels and bed and breakfasts, staff anticipate that in the first year of implementation, the initial cost to inspect will be approximately \$241 per location, alongside a one-time application fee of \$208, totaling \$449 with an annual renewal fee starting in the following year and initially set at \$224.

2023 Fees:

- Inspection fee: \$241
- Application fee: \$208
- Renewal fee: \$224

First year: Inspection fee + application fee = \$449

Second year and each year thereafter: Annual renewal of \$224

### **Long-term rental housing**

There are no new financial implications related to this report.

### **Short-term rental housing**

Adding a new licensing category for short-term rentals will result in an increase in revenue, but as business licensing fees are calculated on a full cost recovery basis, any additional revenue realized will offset the costs of administration, enforcement and compliance.

Any additional costs required to implement and maintain the program will be identified for Council's approval and included in the 2023 budget process.

## **Consultations**

### **Long-term Rental Housing**

By-law Compliance Security & Licensing

Planning Services

### **Short-term Rental Housing**

Fire Services

Building Services

Finance

Economic Development and Tourism

Legal Services

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## **Strategic Plan Alignment**

Building our Future - Working to enhance community well-being and safety through direct service and program delivery

## **Attachments**

Attachment-1 Objectives and Results Relating to Long-term Rental Housing

Attachment-2 Summary of Key Indicators Relating to Long-term Rental Housing

Attachment-3 Responses to Identified Issues Relating to Long-term Rental Housing

## **Departmental Approval**

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