

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Public Services
Date	Tuesday, March 7, 2023
Subject	<b>Business Licensing – Short-Term Rental Accommodations</b>

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## Recommendation

1. That staff be directed to create a new schedule under the City's Business Licensing By-law (2009)-18855 to regulate the licensing of short-term rental accommodations that incorporates the recommendations contained within this report.
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## Executive Summary

### Purpose of Report

The purpose of this report is to provide Council with information regarding the regulation of short-term rentals, and to seek Council's direction to create a new schedule under the City's Business License By-law (2009)-18855 to regulate and licence short-term rental accommodations.

### Key Findings

Short-term rentals (STRs) are typically considered an accommodation rental for less than 30 days. These rentals generally serve visitors to Guelph and are not intended to be permanent housing solutions for area residents.

Under the City's [Business License By-law \(2009\)-18855](#), the City regulates hotels and bed and breakfast establishments. STRs are not currently licensed within the City of Guelph.

On [May 24, 2016](#), Council directed staff to study the issue of STRs in Guelph. On February 7, 2022, Council considered [Staff Report - 2020-138 -Long-Term and Short-term Rental Housing Report](#)

On [February 28, 2022](#), Council passed a motion directing staff as follows:

- engage key stakeholders and the public to develop a short-term rental category and regulations under the City's Business License By-law (2009)-18855
- engagement to include consideration to principal and non-principal residence licensing requirements
- Final report to Council with recommendations on the regulations of licensing STRs.

In June 2022, a Short-Term Rental Working Group (working group) was formed. During meetings held in July, August, and September, the group provided input on STR regulations, including where licences should be limited to principal residences.

During the months of November and December 2022 public engagement activities including townhalls, open office hours, and an online public survey took place. In January 2023 the working group met, to review the public's feedback and provide their thoughts and comments to staff on STR regulations.

Staff's recommendations to Council have taken into consideration feedback received from the public, stakeholders, and comparator municipality research. Staff are recommending a regulatory approach that will address local concerns while still permitting individuals to provide for short-term accommodations within their personal homes and dwelling units, and permit short-term accommodations in non-primary residences under certain conditions.

### **Strategic Plan Alignment**

The licensing of STRs is aligned with the strategic plan priorities of Building our Future as the licensing of STRs will enhance community well-being and safety through direct service and program delivery.

### **Financial Implications**

Adding a new licensing category for STRs 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**

### **Definitions**

Short-term rental means all or part of a dwelling unit that is used to provide sleeping accommodation for any rental period that is less than 30 consecutive days and does not include a hotel, motel, or bed and breakfast.

### **Background**

#### **Current Short-term Rental Market in Guelph**

In January 2023, the City's data provider, who has developed tools to quantify the number of STR listings across multiple online host platforms, located 212 STR accommodation listings associated with 169 unique rental units in Guelph. These numbers represent live listings, which are not the same as the total number of units available in Guelph as not all listings are available to rent at any given time.

The data provider reported that Guelph has seen a 28 per cent growth in STR listings over the last two years and that Guelph's listings are spread across several online platforms. Airbnb has the largest number of listings (over 90 per cent), and HomeAway, VRBO, Flipkey and Bookings.com are the next most used. It is estimated that the median cost to book a STR for the night in Guelph in 2022 was \$83 CAD.

Further the data provider indicates there are 154 rentals listings considered "entire home" (72.64 per cent of active units) and 58 rental listing considered "private rooms" (27.36 per cent of active units) with a minimum night stay of 5.2 nights.

#### **The impact of Short-term accommodation**

Canadian research indicates that the profitability of STRs has caused both commercial and individual landlords to leave the long-term rental market, thus

resulting in a depleted supply of long-term housing. Notwithstanding comments received during public engagement and working group meetings, researchers have shown that it is the commercial operators who manage multiple listings that generate over 50 per cent of all Airbnb revenue in 2019. In conducting research on the impact of the short term accommodation market, staff reviewed a Canadian Journal of Urban Research article entitled [Short-term rentals in Canada: Uneven growth, uneven impacts](#), which states that in Canada, STR revenue is concentrated amongst the top 10 per cent of hosting companies and contrary to the marketing rhetoric that the industry is "...powered by local hosts."

Global research concluded that the continued growth of the industry has happened to the detriment of affordability and availability in cities throughout the world by not only encouraging the conversion of apartments and homes into dedicated STRs, but also by increasing the economic value of properties that can host STRs either full-time or part-time.

While it is difficult to directly link the cause and effect of these occurrences in the local market, there is evidence. The average price of a home, and the average cost of renting in Guelph has increased, with the average rent hitting all-time highs.

[City of Guelph's Growth Management and Affordable Housing Monitoring Report 2021](#) states that the average vacancy rate for all primary rental units in Guelph in 2021 was 2.0 per cent, down slightly from 2.2 per cent in 2020 and the City has continued to fall below a balanced and healthy vacancy rate of 3.0 per cent for the tenth year in a row.

As well, the number of short-term accommodations across all platforms in Guelph has experienced a 28 per cent growth between 2021 and 2023.

## **Regulating STRs**

There are two main regulatory tools available to local municipalities to regulate STRs

1. Zoning By-laws which set out rules about how land can be used
2. Licensing By-laws which establish rules around how businesses may operate

Under the City's [Business License By-law \(2009\)-18855](#), the City regulates hotels and bed and breakfast establishments.

STRs are not currently addressed in the City's Official Plan or Zoning By-law, nor are they currently licensed within the City of Guelph.

## **Staff Direction**

On [February 28, 2022](#), Council passed a motion directing staff as follows:

- engage key stakeholders and the public to develop a short-term rental category and regulations under the City's Business License By-law (2009)-18855
- engagement to include consideration to principal and non-principal residence licensing requirements
- Final report to Council with recommendations on the regulations of licensing STRs.

## **Summary of Public Engagement**

### **Stakeholders – Short-term Rental Working Group (working group)**

The public engagement strategy included development of a Short-term Rental Working Group (working group) consisting of 13 (thirteen) individuals chosen from applications submitted representing:

- hotel, motel, inn, bed and breakfast owner/operators
- unregulated short term rental owners/operators, users
- long-term renters
- landlords
- realtors
- public-at-large and
- business owners

The working group's mandate included, sharing insights, ideas, concerns and reviewing options and feedback from greater public engagement to create possible recommendations regarding direction and business licensing by-law amendments or other regulatory actions.

The group met in July, August and September 2022 with discussions facilitated by the City's consultant, Rebecca Sutherns, CEO, Sage Solutions.

In January 2023, the working group was provided with public engagement feedback and met on two occasions to discuss and review six licensing scenarios which were provided by staff and based on public feedback and municipal comparator research. The working group's agendas and minutes are located on [guelph.ca/short-term rentals](https://guelph.ca/short-term-rentals).

While not all members attended the first of two meetings which were held in January, attendance was high at the final meeting resulting in 11 of the 13 members present. Opportunities for written comments were provided for those who were unable to attend to ensure that all stakeholder viewpoints were received and considered. Discussions at the final meetings were to consider six scenarios resulting from the community engagement. Staff received valuable information and feedback from the working group discussions. A summary of working group feedback are contained in the [January 19, 2023](#) and [January 26, 2023](#) meeting minutes.

### **Greater Public Engagement**

In November and December 2022, the City commenced public engagement with a specific targeting of 14,255 residences in areas where STR were currently located. These residences received STR information cards delivered by a Canada Post maildrop. The information cards included details on public engagement activities. Targeted residences were identified from address and postal code information supplied by STR hosts to host platforms which was gathered by staff through their data provider.

### **Survey**

An online survey was completed through the City's online engagement platform [haveyoursay@guelph.ca](https://haveyoursay@guelph.ca). The survey was open to the public from November 22 to December 11, 2022 and consisted of ranking, yes/no and open-ended questions where participant feedback and comments could be provided. A total of 174 surveys were completed. Survey results are included with this report as Attachment 1.

## **Townhalls**

A total of three townhall meetings were held and facilitated by the City's consultant, Rebecca Sutherns, CEO, Sage Solutions. Townhall discussions and questions were built upon the initial work that was conducted with the working group on how to best shape the emerging short-term rental by-law so that it reflected a made-in-Guelph approach.

A total of 12-16 individuals attended the three sessions with some participants attending more than one session. City staff attended each session to provide project introduction, background information and answer questions.

Summaries of each session were prepared by the City's consultant and are included with this report as Attachments 2, 3, and 4.

## **Open Office Hours**

Open office hours were available for the public to speak to City staff regarding the project during various times, on November 29, December 2, 6 and 9, 2022 with one call received.

## **Staff Recommendations**

Staff's recommendations are the result of collaborative efforts between, the working group and City staff across various departments. Staff are recommending the licensing of STRs to address potential health and safety concerns.

As directed by Council in 2009, staff may create licensing programs where the City itself has an interest (for example, licensing of businesses that issue City parking tickets), or where there may be an impact to public health and safety. Council's direction in 2009 is that the City does not license for consumer protection.

The main regulations proposed to address STRs are as follows:

### **Principal Residences, Plus One**

Traditionally, the short-term accommodation of the travelling public has been served by hotels, motels, hostels with bed and breakfast accommodation considered an alternative to those traditional suppliers.

Today, the sharing of a private home, or "hosting", on a short-term basis has become popular and is present in Guelph in all types of dwellings and utilized by more than just tourists. Short term hosts on the working group indicated that in addition to tourists, short-term renters include residents requiring short-term accommodation for household renovations or damage repairs, residents requiring accommodations for guests attending family events, and new residents seeking long-term rentals, while utilizing short-term accommodation while they conducted their search.

Staff completed a municipal comparator analysis to determine which municipalities limited STRs to principal residences defined as a dwelling unit owned or rented by an individual person, either alone or jointly with others, where the person is the resident. This information was shared and discussed with the working group. A copy of the comparator analysis is included with this report as Attachment 5.

While the survey results showed a preference for restricting principal residences, there were comments both in support and against this regulation. In addition, some

members of the working group did not support restricting STRs to principal residences.

To address the differences of opinion while still maintaining safety of the public, staff are recommending a principal residence plus one approach. This is comparable with regulations for bed and breakfast owners to reside on the premises as defined in [Schedule 3](#) of the Business Licensing By-law and hotel staff available on premise 24 hours, 7 days per week, and that the host must reside in the City of Guelph.

Staff recommend that in addition to a primary residence, one additional STR location be permitted. This regulation helps ensure that STRs are truly part of the sharing economy, powered by local hosts and not commercially operated pseudo-motels.

With the limiting of STRs in Guelph to principal residential units plus one, the City will be able to provide a healthy variety of accommodation options to support the tourism industry, allow residents to use their principal residences to earn additional income and offset their housing costs, and protect our community's existing stock of long-term rental housing.

To obtain a licence, the host will be required to submit documentation to demonstrate they reside in Guelph. Tenants who wish to operate a STR will be required to submit a letter from the landlord which clearly demonstrates their permission. Condominium residents will also require letters from the condo board before they can be licensed.

### **Licensing the Provider/Host**

From a public safety/nuisance perspective, the licensing of the property where the STR takes place helps municipal staff address property related issues. Licensing the individual hosts affords the City an opportunity to educate the provider, and the user, about local by-laws and community expectations. It also requires owners and hosts to be more responsible for their operations.

### **Dwelling Types**

Staff recommend that all dwelling types be permitted to be a STR provided they meet City Zoning requirements.

### **Inspections**

As part of the application process, applicants will be required to declare that the proposed short-term accommodation complies with all applicable laws, regulations and by-laws, including the Zoning, Property Standards By-laws and the Fire Protection and Prevention Act and the Building Code Act. This will allow staff to prioritize and process applications in a timely manner, possibly even allowing for inspections to occur after issuance of the licence.

To ensure declaration accountability it is intended that applicant violations of the declaration may result in the revoking of a license for a significant length of time.

### **Rental Period**

At this time, staff are not recommending a maximum limit on cumulative rental days per year; this will allow hosts who supplement their income by home-sharing to continue this practice throughout the year. If the licensing program proceeds, this recommendation will be reviewed as part of staff's one-year review.

## **Municipal Accommodation Tax**

On February 28, 2022, Guelph City Council approved to implement the provincially legislated [Municipal Accommodation Tax \(MAT\)](#) on local short-term stay accommodation by adopting [By-law \(2022\)-20691](#). These accommodations include hotels, bed and breakfasts, and shared accommodation providers like STRs.

The four per cent tax is applied to the accommodation fee only and not to other fees such as valet parking, laundry service, continental breakfast, etc.

Implementation of a short-term licensing by-law would provide an avenue for applying the Municipal Accommodation Tax equitably across STR providers and other accommodation properties.

The funds collected are reinvested in tourism promotion and tourism products. This tax helps the City grow its investment in tourism without increasing taxes for local residents.

## **Next Steps**

### **Implementation/Timeline**

To allow time for STR hosts and staff to adjust to the new Short-Term Licensing category, if approved, staff are recommending that the new business category be implemented as of July 1, 2023.

Upon receiving direction from Council, Operations and Legal staff will finalize an amendment to the City of Guelph's Business Licence By-law.

STR accommodation regulations will include:

- Compliance with all City by-laws
- Short Term Rental applicants provision of 24/7 contact and
- Insurance

### **Compliance**

The City's Bylaw Compliance Officers will be the primary staff responsible for compliance of the City's Business Licensing By-law.

### **Fees and Revenues**

Staff are recommending that the licensing of STRs be fair and consistent with current fees approved by Council for the licensing of hotels and bed and breakfasts.

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 licence fee of \$208, totaling \$449 with an annual licence renewal fee starting the following year and initially set at \$224.

If the licensing program is approved, these fees will be reviewed at the one-year by-law review.

## 2023 Fees

Activity	Fees
Inspections	\$241
Short-Term Rental Business Licence	\$208
Licence Renewal	\$224

## Set Fines

Upon Council approval of the new short-term rental schedule, staff will present set fines for the various violations to the Regional Senior Justice for approval. The set fine recommended by staff will be based on the set fines of other Guelph by-laws, as well the set fines approved for other neighbouring municipalities.

## Financial Implications

The estimated startup-up costs to implement amendments to the Business Licence By-law to create and administer the short-term rental licence category would be approximately \$75,881 for an estimated existing 169 short term rental units within Guelph. This cost includes administration, inspection and education which will be offset by the additional revenue realized through the issuance of the short-term rental licences as the business licensing fees are calculated on a cost recovery basis.

## Consultations

Fire Services

Building Services

Finance

Economic Development and Tourism

Legal Services

## Attachments

Attachment 1 – Short Term Rental Online Survey Results

Attachment 2 – Short Term Rental Townhall Meeting Notes - November 30, 2022

Attachment 3 – Short Term Rental Virtual Townhall Meeting Notes - December 8, 2022

Attachment 4 – Short Term Rental In-Person Townhall Meeting Notes - December 8, 2022

Attachment 5 – Municipal Comparator Analysis

## Departmental Approval

### Report Author

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