



REGULATING SHORT-TERM RENTALS IN VANCOUVER

Phase 2 Council Update

July 11, 2017



Agenda

1. Introduction
2. Analysis & Engagement
3. Proposed Approach
 - Policy Framework
 - Implementation
4. Next Steps

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Credit: Daily Hive

Purpose

To review proposed approach to legalize short-term rentals (STR), to be referred to Public Hearing expected in the Fall of 2017.

Project Timeline

Phase 1: Apr-Oct '16

Analyzed, consulted, and developed a draft regulatory framework for Council review.

October 2016

Council Presentation

Phase 2: Nov-Jul '17

Refined regulations through further consultation/analysis; prepared implementation plan.

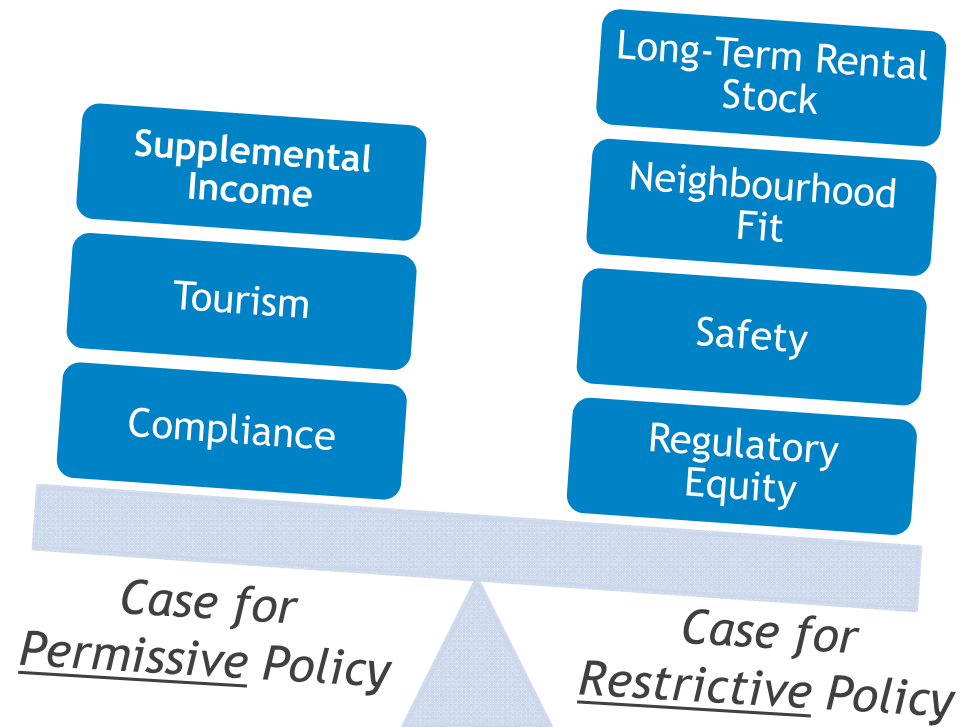
Public Hearing
Fall 2017

Phase 3: Aug-Apr '18

Implement required processes, systems, resourcing, etc. and enact STR regulations.

Striking a Balance

The City's role in regulating the STR market is to balance competing objectives; enabling STR, while taking steps to protect the public good.



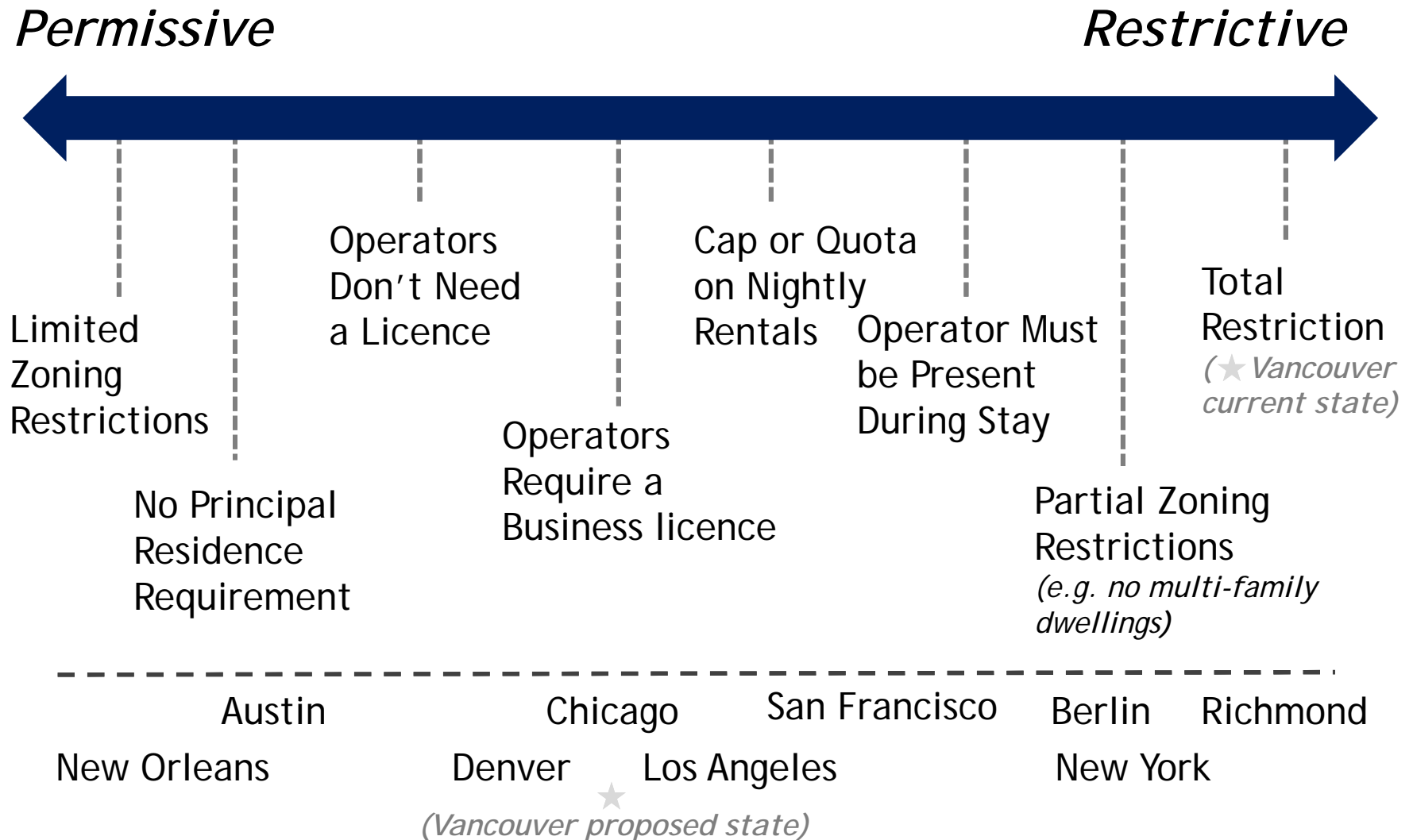
Related City Projects



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Comparative Policy Analysis

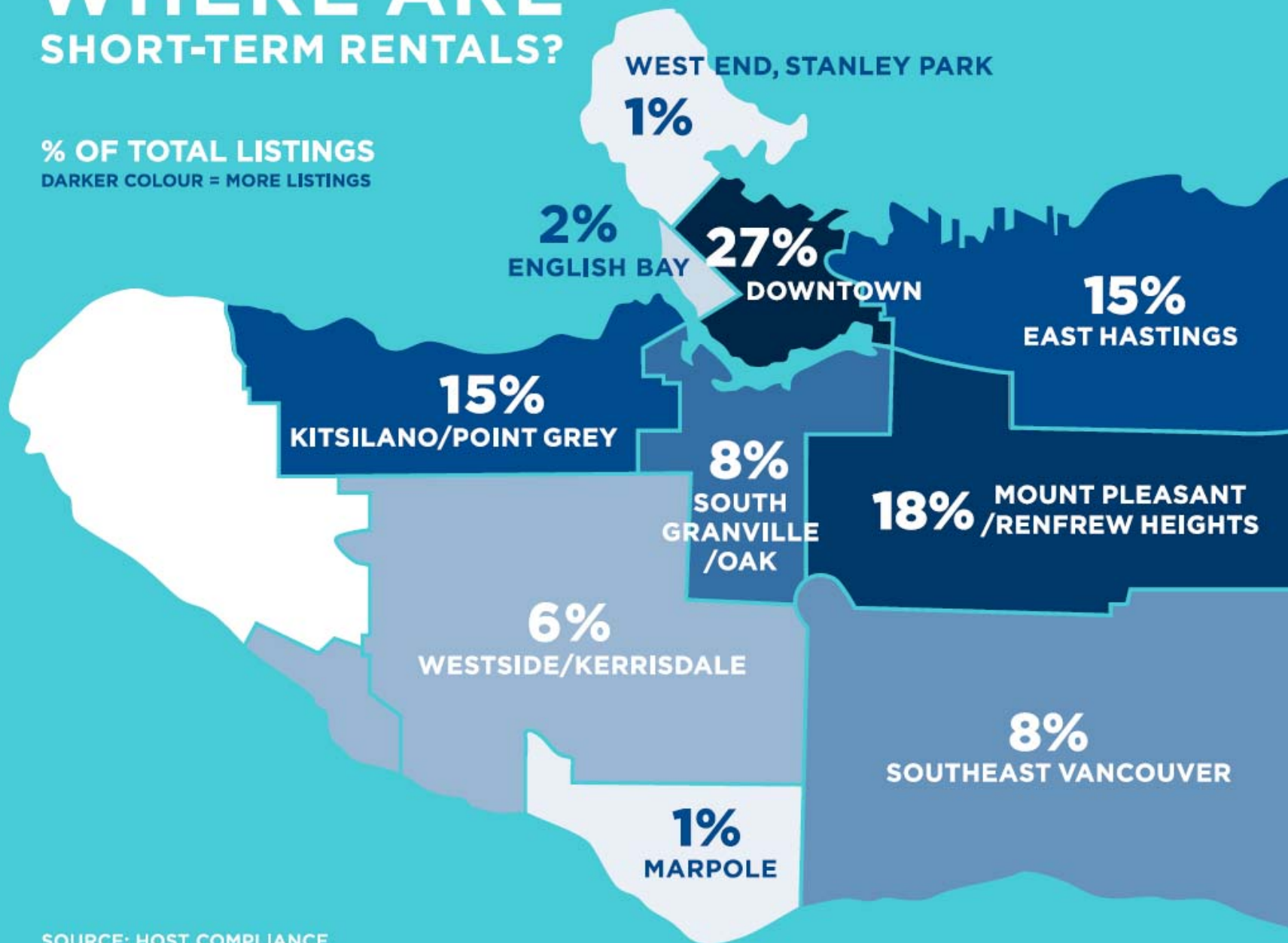


STR Market in Vancouver

Metric:	June '16	April '17
STR Units in the City of Vancouver	5,353	5,927
STR Operators Managing Online Units	4,471	4,948
Operators Controlling >10 Listings	25	13
Annual STR Operator Turnover	n/a	72%

WHERE ARE SHORT-TERM RENTALS?

% OF TOTAL LISTINGS
DARKER COLOUR = MORE LISTINGS

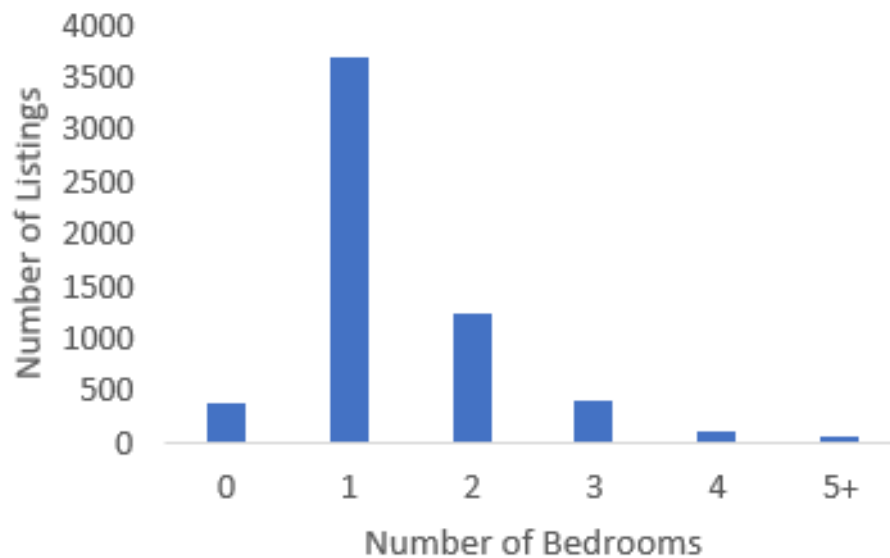


SOURCE: HOST COMPLIANCE

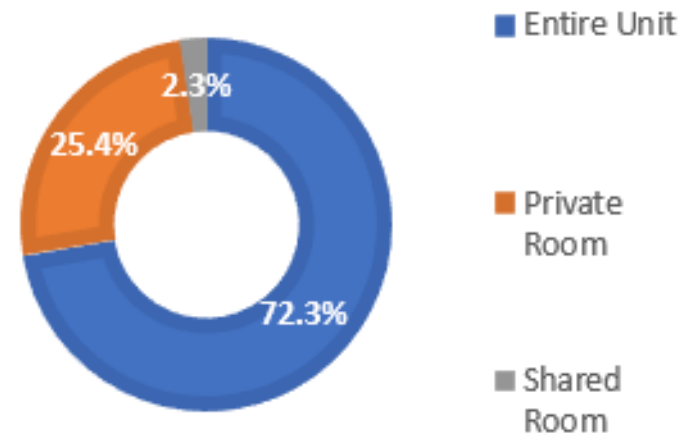
MARKET SHARE OF STR PLATFORMS IN VANCOUVER:



NUMBER OF BEDROOMS PER LISTING:



LISTING TYPES:



Threat to Residential Rental Market

Fragile long-term rental market (0.8% rental vacancy rate) + Strong Financial Incentive To Rent Short-Term (200%-300% net income) = *Threat to Long-Term Rental Availability and Affordability*

Over 1,000 units in existing STR market believed not to be principal residences, which may potentially be added or returned to the long-term rental stock

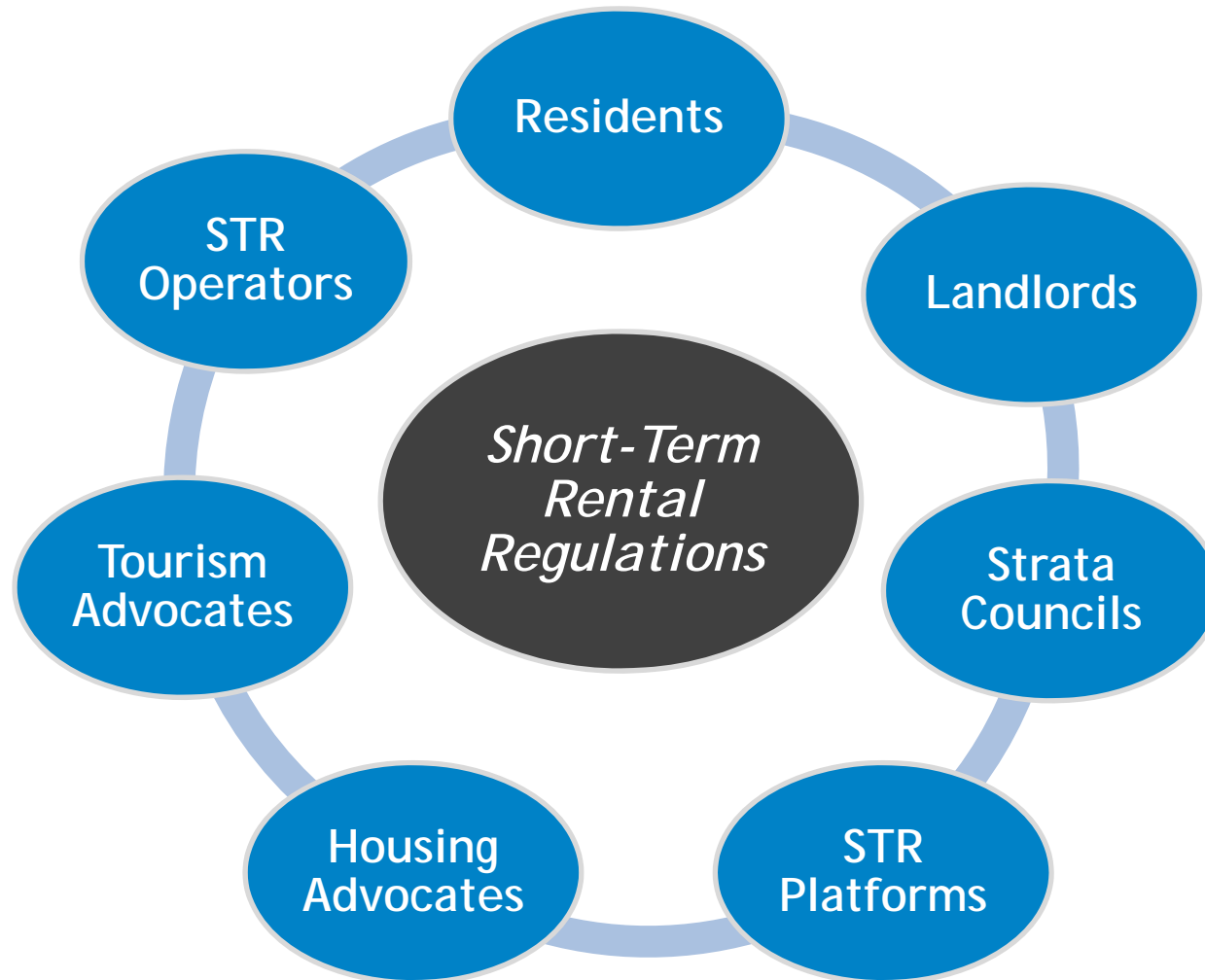
Taxation Considerations

Taxes	Jurisdiction	Conditions
Sales Tax	Federal Provincial	<ul style="list-style-type: none">▪ PST applies for Operators of 4 or more units▪ GST applies if annual sales of > \$30k
Income Tax	Federal Provincial	<ul style="list-style-type: none">▪ “Rental income” is taxed differently than “business income”
“Hotel Tax” (MRDT)	Provincial	<ul style="list-style-type: none">▪ 3% tax used to promote tourism▪ Applies for Operators of 4 or more units
Business Property Tax	Provincial Municipal	<ul style="list-style-type: none">▪ For commercial use, not applicable to long-term rentals
Destination Marketing Fee	n/a	<ul style="list-style-type: none">▪ 1.5% voluntary fee on hotel stays in Vancouver used to promote tourism

Secondary Suites

- >30,000 secondary suites in Vancouver
 - only 2,210 active rental licences (~7%)
 - CoV projects underway to expand types of secondary units and to increase legal, registered units
- Allowing STRs for non-principal secondary units
 - creates greater STR benefits for some residents
 - misaligns with housing strategy and vacancy tax
 - complicates licensing and enforcement
- Hosts who STR their secondary suites indicate that
 - STRs help improve home affordability, and
 - many are not interested in renting “long-term”

Key Stakeholders



- STR policy affects many stakeholders
- Staff consulted for more than one year
- Diverse opinions for and against enabling STR

What We Heard

Through consultation and stakeholder engagement, there were difficult trade-offs which emerged.

“Improve Rental Affordability / Vacancy Rate”



“Enable Supplemental Income”

“Ensure Neighbourhood Fit in Residential Areas”



“Support Local Business in Non-Tourist Areas”

“Provide Equity for STR, Hotel, and BnB Industries”



“Foster Compliance with STR Operators”

General Perceptions of Short-Term Rentals

Vancouver residents hold diverse opinions regarding STR. The figure below summarizes the results of a *Talk Vancouver* public survey.

They make it harder to find affordable long-term rental housing

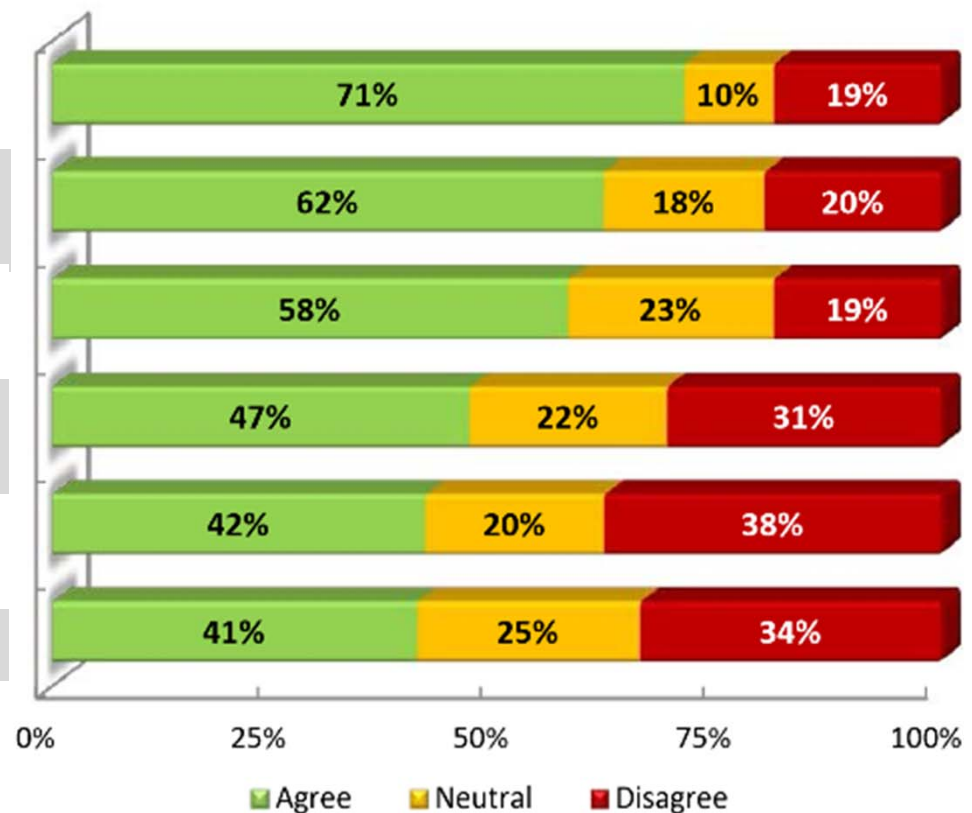
They make Vancouver more appealing as a tourist destination

They bring tourist spending to local shops outside of the Downtown core

They are an important source of supplemental income for residents

They reduce safety in buildings and neighbourhoods

They increase noise and property damage



Source: Talk Vancouver Public Survey (August 2016).

Priorities for Short-Term Rental Policy

Vancouverites have differing priorities regarding regulations for short-term rentals, based on the Talk Vancouver survey results summarized below.

Protecting the supply of affordable rental housing (i.e. monthly)

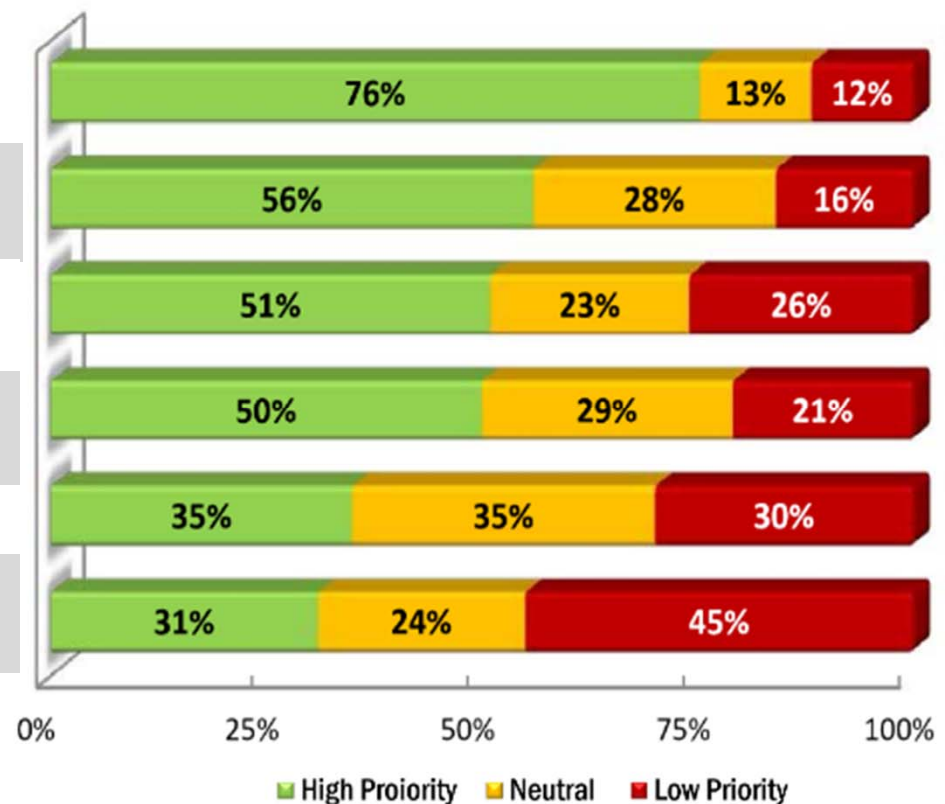
Keeping residential areas and buildings quiet and safe

Collecting business taxes from short-term rental properties

Regulating all types of tourist accommodation facilities

Supporting tourism

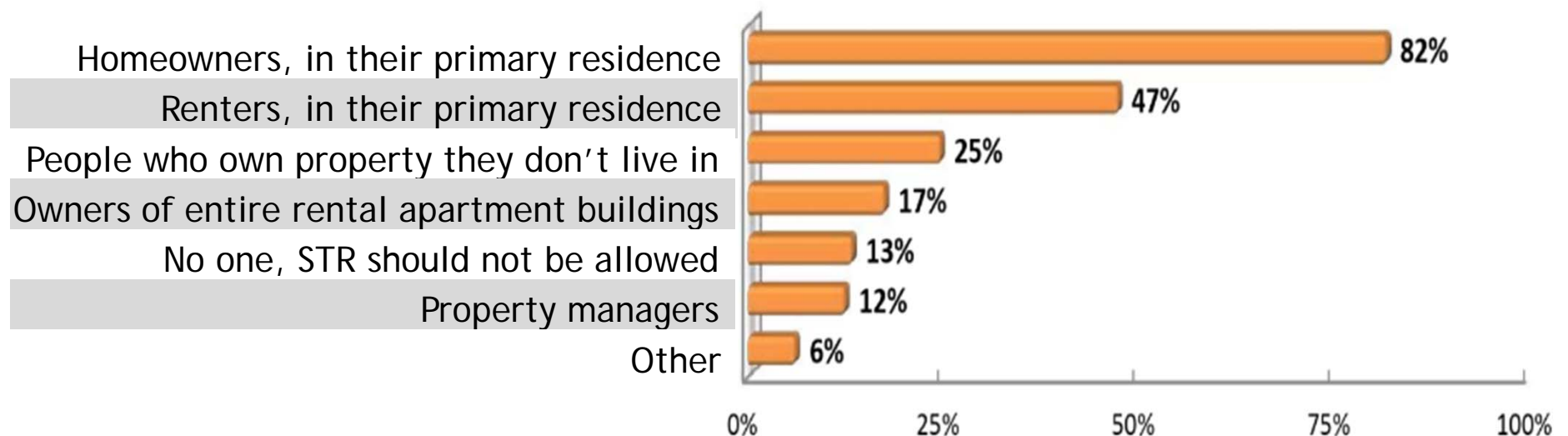
Allowing residents to earn income from short-term rentals



Source: Talk Vancouver Public Survey (August 2016).

Support for Principal Residence Requirement

There was strong support for allowing STR in a homeowner's principal residence. More than 80% of respondents said a homeowner should be allowed to STR their principal residence; 47% said renters should be allowed to do the same.



Source: Talk Vancouver Public Survey (August 2016).

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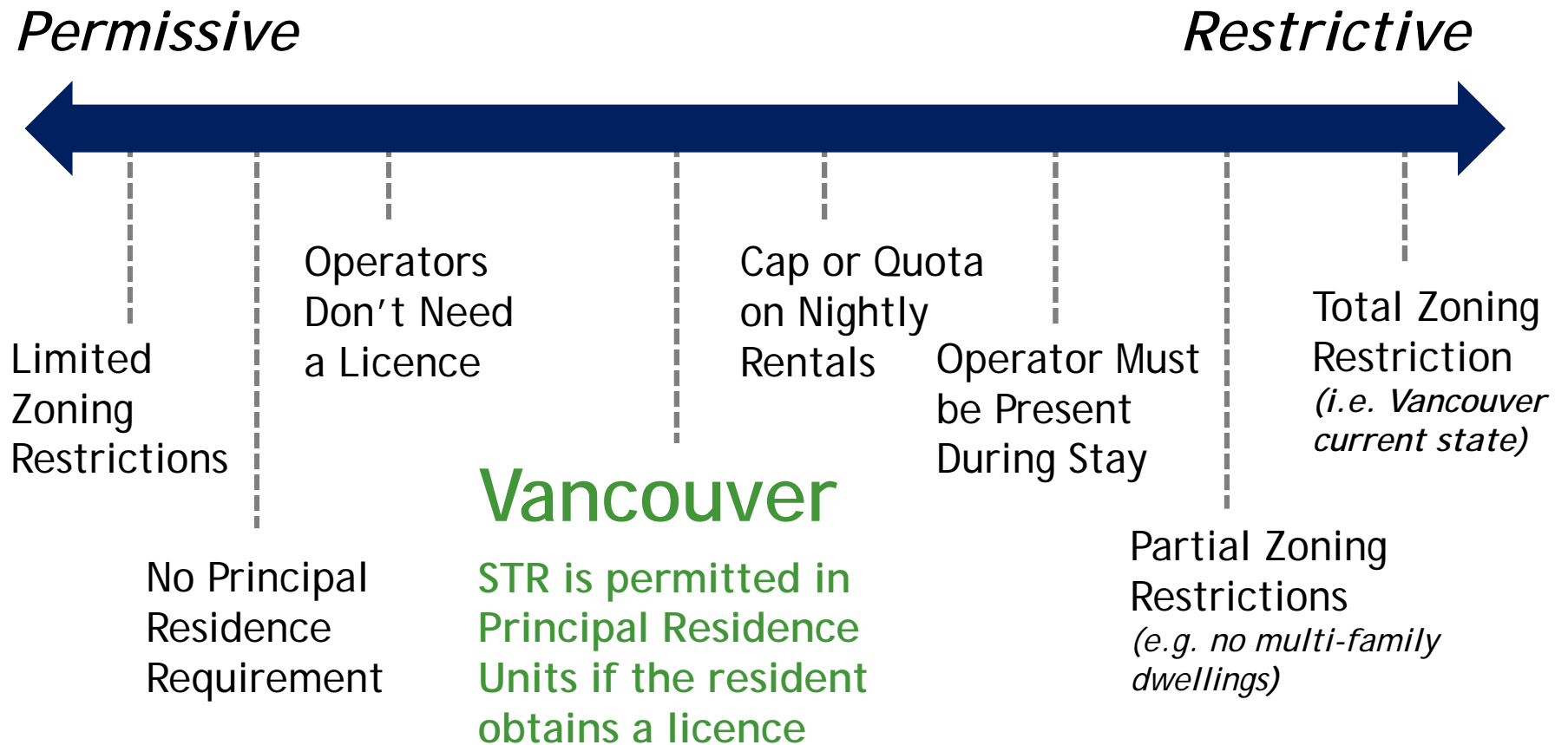


Credit: TravelandLeisure.com

Guiding Principles

1. Protect long-term rental supply
2. Ensure health and safety
3. Encourage neighborhood fit
4. Enable supplemental income
5. Support the tourism industry
6. Promote regulatory equity
7. Encourage compliance

Comparative Policy Analysis



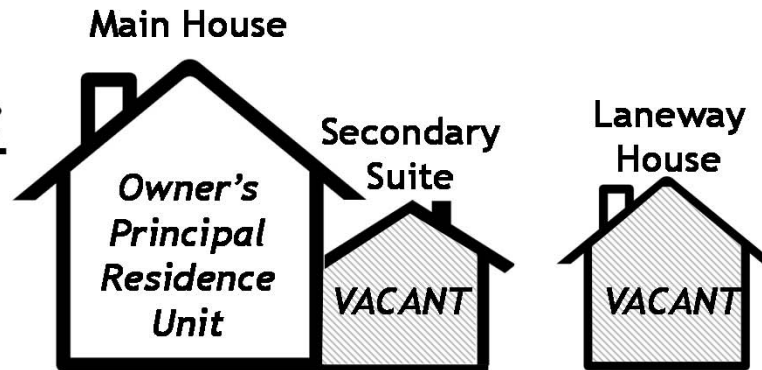
Proposed Policy Framework

- Enable STR of Principal Residence Units* in all residential dwelling units.
- Enable owners and renters to STR (renters require owner permission).
- Prohibit STR of secondary residences (even if Empty Homes Tax is paid).
- Prohibit STR of secondary suites or laneways houses which are not Principal Residence Units, or STR of any illegal dwelling unit.
- Require Operators to obtain a business licence and pay a licence fee.
- Require Operators to comply with City requirements covering building safety, neighbourhood fit, and STR advertising and bookings.

*Note: "Principal Residence Unit" is "the usual dwelling unit where an individual makes his or her home, being the dwelling unit where an individual lives and conducts his or her daily affairs, such as paying bills and receiving mail, and is generally the residence used for government records for things like income tax, Medical Services Plan, driver's licence and vehicle registration".

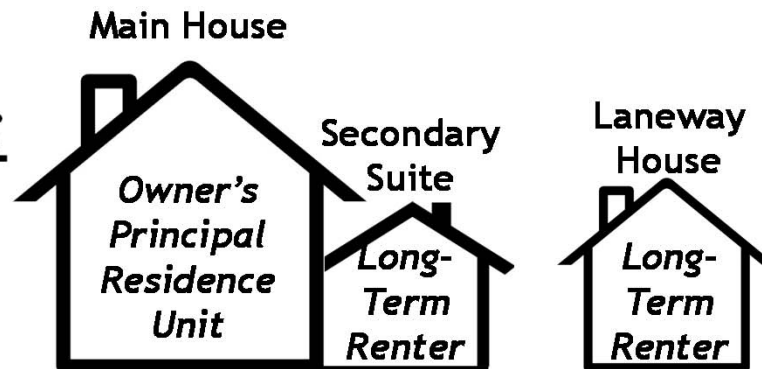
Policy Framework Scenarios

Scenario A:



Eligible for STR: ✓ ✗ ✗

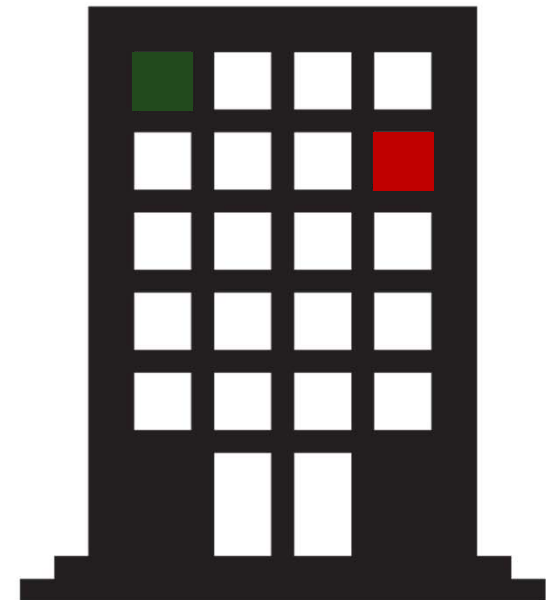
Scenario B:



Eligible for STR: ✓ ✓ ✓

Scenario C:

- ✓ *Principal Residence Unit*
- ✗ *Secondary Residence*





Sofia & Ricardo

“We own a three bedroom house and our kids have both moved out. We want to list our spare bedrooms on Airbnb so we can host visitors to Vancouver.”

If Sofia and Ricardo want to host guests who will stay fewer than 30 days at a time, they must apply for a short-term rental licence.



Marrisa

“I’ve been renting my apartment for two years and sometimes list it on Airbnb when I’m away to help cover my rent. My landlord doesn’t know, but my tenancy agreement is vague about short-term rentals.”

Even if Marrisa’s tenancy agreement is vague, she still needs to request permission from her landlord to rent on Airbnb. She’ll need proof in writing in case the City of Vancouver asks to see it as a condition of her short-term rental business licence.

Will and Andy

“We built a laneway house on our property for when friends and family visit. We’ve recently retired and would like to rent the laneway house on Airbnb when we don’t have company to generate supplemental income.”



Because their laneway home is not their principal residence, Will and Andy are not eligible to rent it short-term. Laneway homes are very important to Vancouver’s long-term rental stock and should be rented for periods of at least 30 days.



Dev

“I own an investment condo downtown and am rarely in Vancouver, so I want to rent it full-time on Airbnb. Renting short-term is more work, but I’ll make more money than having a long-term tenant.”

Short-term rentals are not allowed since this is not Dev’s principal residence. If his strata bylaw allows rentals, his condo must be rented for a minimum of six months of the year in periods lasting at least 30 consecutive days, in order to avoid the Empty Homes Tax.

Licensing

- The proposed regulations establish a new type of business licence for “Short-Term Rental Operators” .
- licencees must pay an annual fee of \$49 and meet conditions in the Licence By-law and licence agreement.
- All Operators would be subject to compliance and enforcement actions, and licence revocation processes.
- Operator names would be posted publicly, however the City would not post Operator addresses publicly.

Taxation

1. Staff recommend the Provincial Government review tax equity between hotels, bed and breakfasts, and STR.
2. Staff also recommend the Provincial and Federal Government take steps to ensure that STR Operators pay taxes per existing laws.
3. In addition, staff are proposing to work with STR Platforms to apply a transaction fee of up to 3% which would be remitted to the City of Vancouver.

Safety & Neighborhood Fit

- All STR's must be legal dwelling units and comply with relevant codes.
- STR's will have enhanced safety requirements, including:
 - Provide a fire plan (posted by entrance/exits), smoke detectors, and fire extinguishers;
 - Provide a 24/7 contact person during the STR stay;
 - Be subject to audits and inspections.
- Operators will meet good neighbour requirements.

STR Compliance Framework



Audit/Inspection Processes

- All licenced STR Operators will be subject to a regular system of audits and inspections.
- The City may request documentation to prove all declarations made during the licence application.
- All STR Operators will be required to allow City property, building, and fire inspectors to access the dwelling unit.
- Audits and inspections apply regardless of whether a complaint is received, following a risk-based approach.

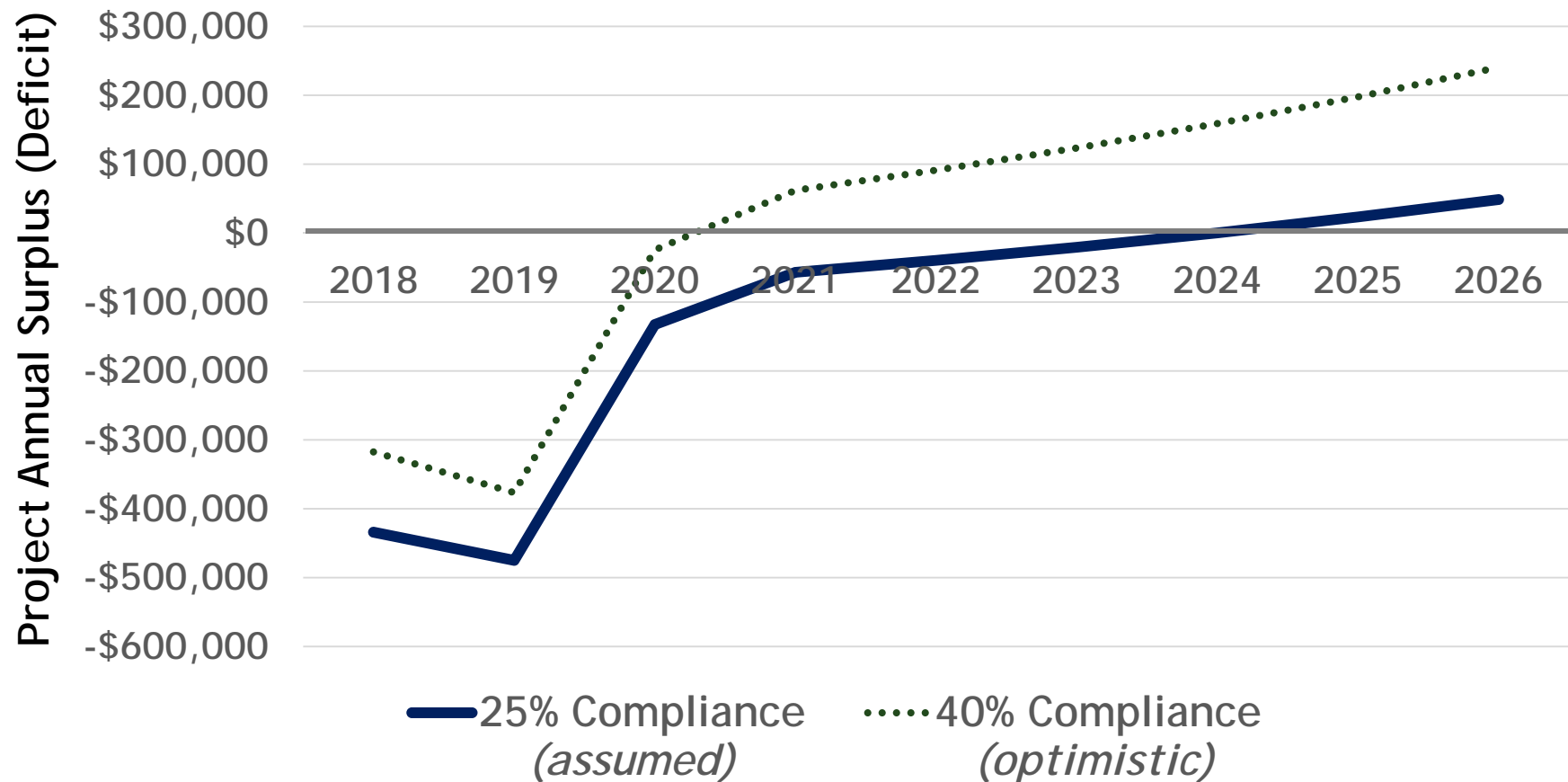
Prioritizing Compliance Efforts

- **“Tier 1” - Commercial Operators.** Commercial Operators advertising units without a licence, or having obtained licences through misrepresentation.
- **“Tier 2” - Unlicensed Personal Operators.** Personal STR Operators advertising STR units without a licence, identified by STR Platforms, online, and/or complaints.
- **“Tier 3” - Alleged Nuisance Operators.** Licensed STR Operators subject to a community complaint regarding noise, safety, or other violation of City bylaws.

Compliance for Existing STR Operators

- Ongoing STR compliance and enforcement actions have prioritized
 - large-scale commercial operators, and
 - Unsafe or nuisance conditions
- Compliance has been
 - Primarily compliant based (e.g. 311, media),
 - Targeted proactive efforts (e.g. AirBnB)
- Where voluntary compliance cannot be achieved, the City has pursued prosecution and issued MTIs.

Break-Even Analysis



Preliminary Program Financials

	2018	2019	2020
Implementation Cost	\$118,000		
Operations Cost	\$618,000	\$618,000	\$290,000
License Fee Revenue	\$126,000	\$79,000	\$87,000
Transaction Fee Revenue	\$58,000	\$64,000	\$70,000
Net Operating Cost (excl. implementation cost)	\$434,000	\$475,000	\$133,000

Options for improving/achieving cost recovery: increasing compliance, decreasing program costs, and/or raising licence fees.

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Implementation Next Steps

Activity:

Timing:

Public Hearing on Zoning Bylaw Changes

Fall 2017

STR Licence System Development and Testing

Aug 2017 – Mar 2018

Business Documentation and Training

Oct 2017 – Mar 2018

Program Metrics and Reporting

Oct 2017 – Mar 2018

Staff Onboarding

Jan – Mar 2018

Communications and Online Materials

Jan – Mar 2018

Launch STR Program

April 2018

Conclusion

- Policy goals are to protect long-term rental supply, ensure health and safety, encourage neighborhood fit, enable supplemental income, support tourism, promote tax and regulatory equity, and encourage compliance.
- Staff believe the proposed regulations reflect a balanced approach across the above goals, and are committed to continuous review of STR regulations to ensure that our policy supports the public good over the long-term.

