



# REGULATING SHORT-TERM RENTALS IN VANCOUVER

Public Hearing

October 24, 2017



# Agenda

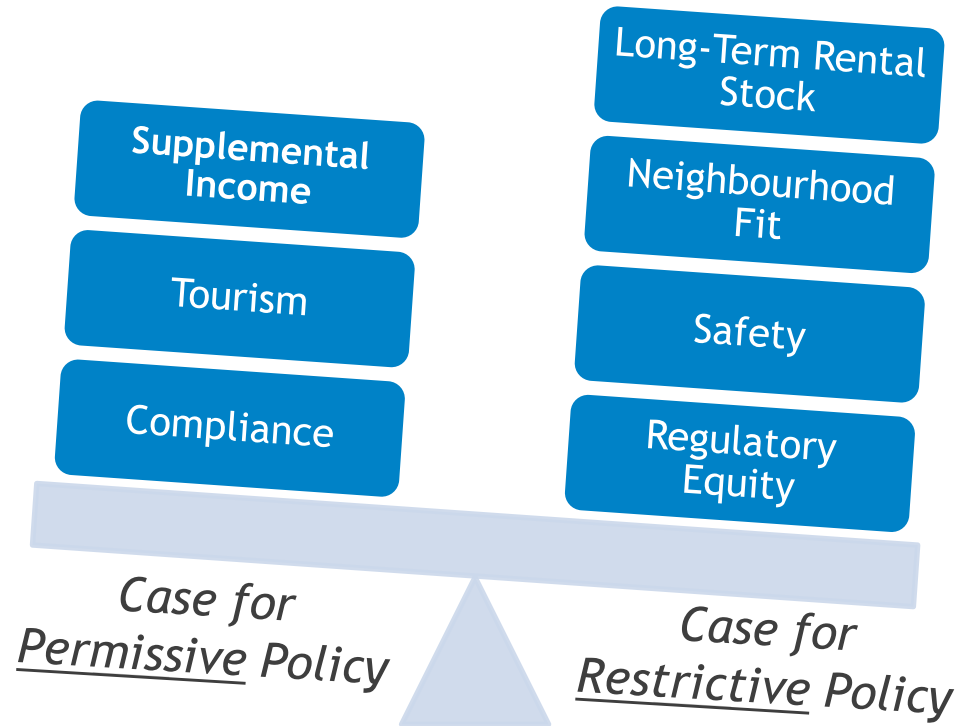
1. Introduction and Context
2. Proposed Regulations
3. Outstanding Council Questions

# Agenda

- 1. Introduction and Context**
2. Proposed Regulations
3. Outstanding Council Questions

# Striking a Balance

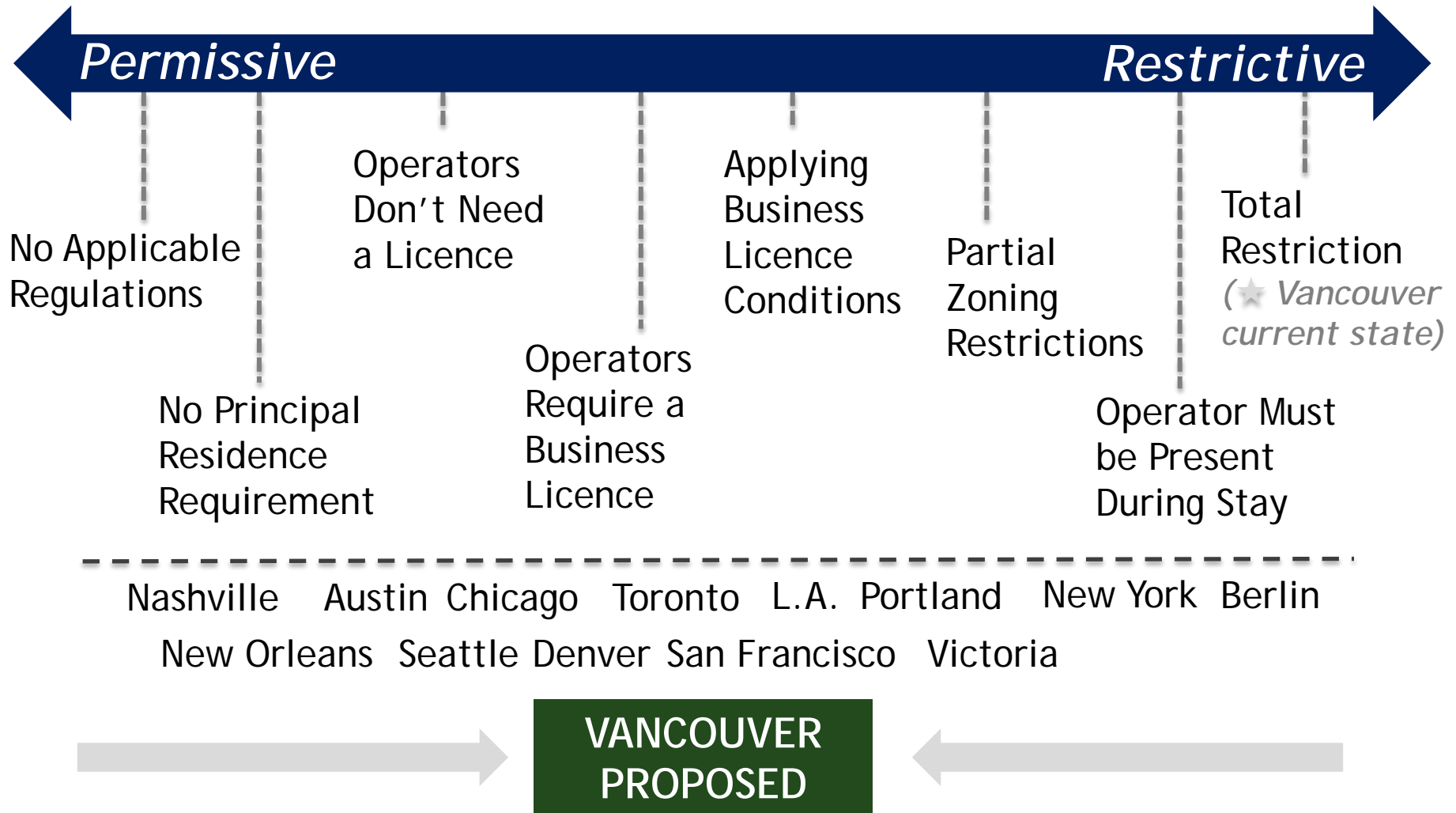
*Short-term rentals (<30 days) are currently not allowed in Vancouver.* The City's objective in legalizing short-term rentals is to balance competing priorities; enabling short-term rentals, while taking steps to protect the public good.



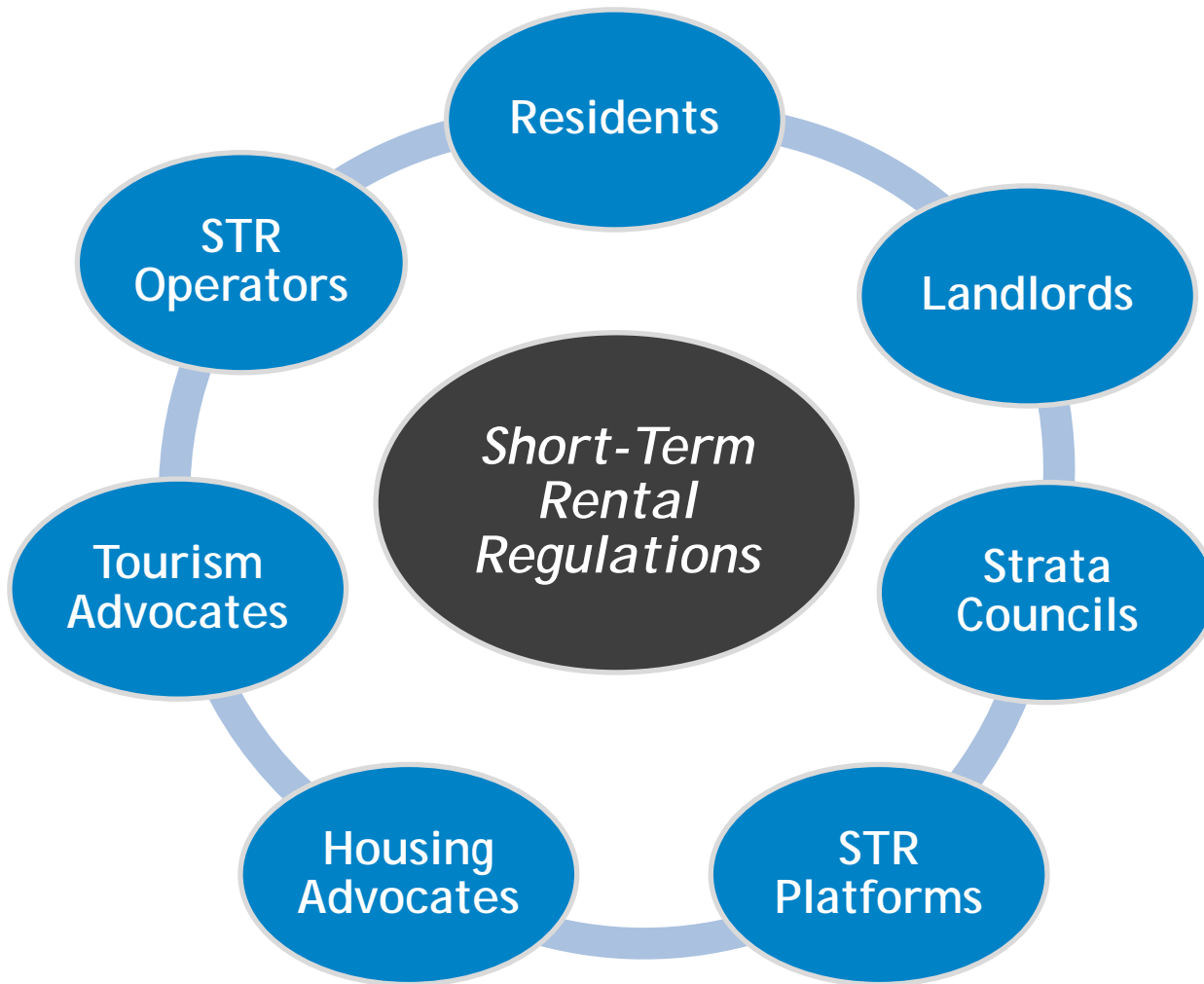
# Related City Projects



# Comparative Policy Analysis



# 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”*

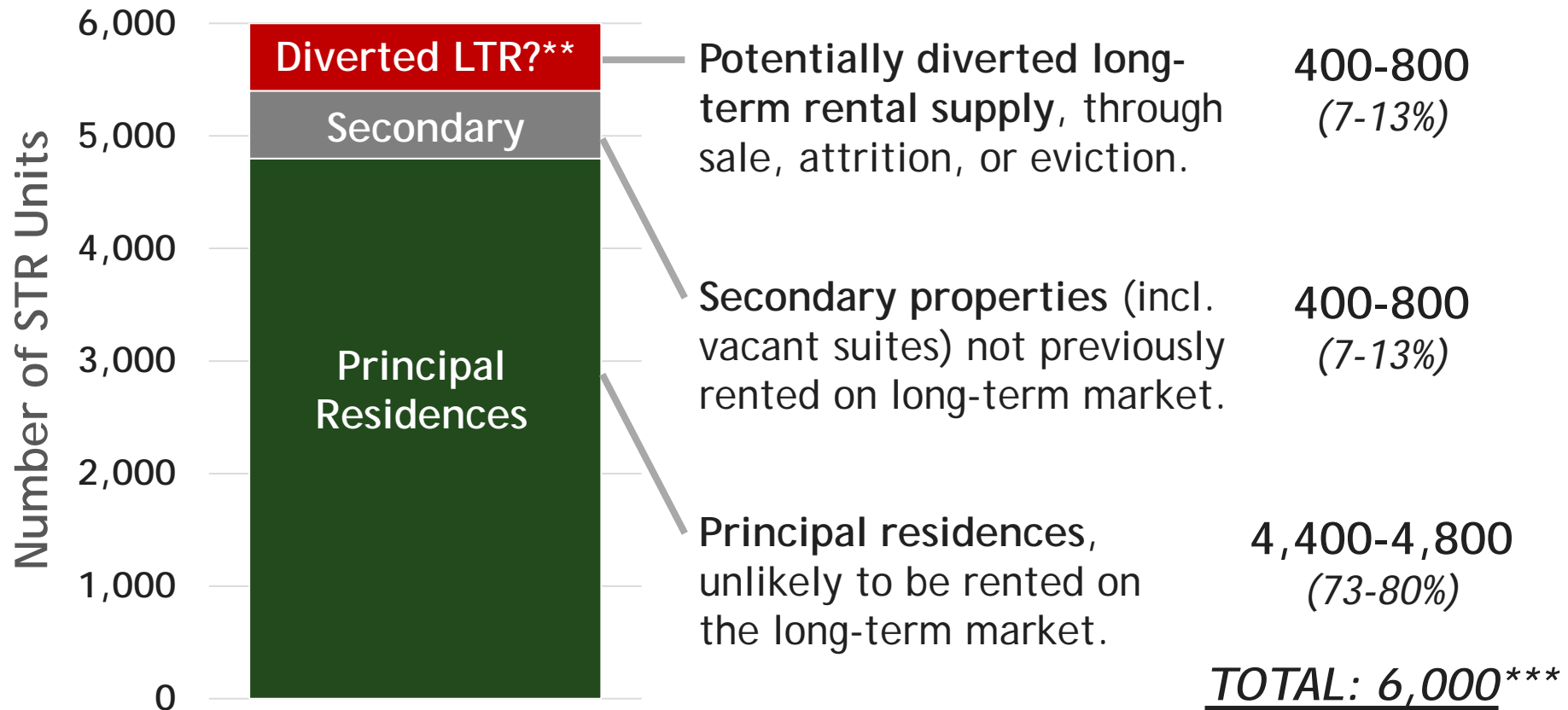


# Sources of STR Market Supply

Sources of STR Market Supply\*:

Description:

# of Units:

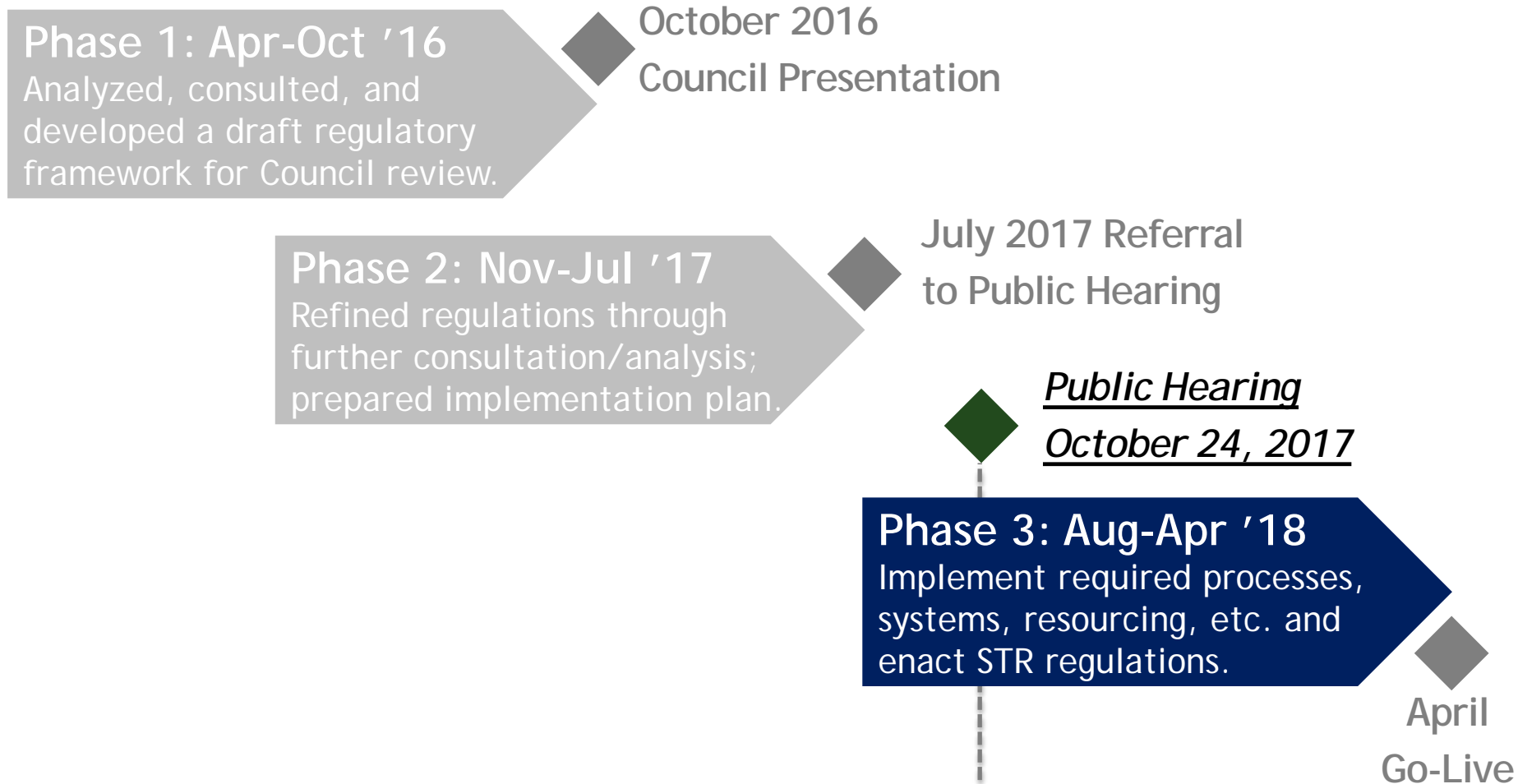


*\*Represents best estimates using imperfect data. Confidence interval: +/-20%.*

*\*\*Based on multiplying the estimated number of non-principal residence units in the existing STR market by the percentage of total dwelling units which are rented +/- 20%.*

*\*\*\*Host Compliance, April 2017*

# Project Timeline



# Agenda

1. Introduction and Context
- 2. Proposed Regulations**
3. Outstanding Council Questions



# 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

# Summary of Proposed Regulations

Under the proposed regulations, residents may short-term rent any residential dwelling unit (e.g. a house, an apartment, etc.), provided:

1. It's their Principal Residence
2. They obtain a business license, and meet:
  - ✓ Building and fire safety requirements;
  - ✓ Good neighbour requirements;
  - ✓ Advertising and booking requirements.

*Note: Secondary suites and laneway homes are defined as distinct dwelling units and are eligible for STR provided they are a principal residence unit.*

# Principal Residence Unit Requirement

All STR accommodation would need to be in a “Principal Residence Unit”, defined as:

*the usual dwelling unit where an individual lives, makes their home and conducts their daily affairs, including, without limitation, paying bills and receiving mail, and is generally the dwelling unit with the residential address used on documentation related to billing, identification, taxation and insurance purposes, including, without limitation, income tax returns, Medical Services Plan documentation, driver's licenses, personal identification, vehicle registration and utility bills.*

# Business License Requirements

Licencees must pay an annual fee of \$49 and meet requirements in the Licence By-law and licence agreement described below.

## Building/Fire Safety\*

- ☐ Lawful dwelling unit
- ☐ Fire safety plan
- ☐ Interconnected smoke alarms
- ☐ Fire extinguishers
- ☐ Emergency contact

## Neighbourhood Fit

- ☐ Principal residence
- ☐ By-law compliance (e.g. noise, parking)
- ☐ Strata permission
- ☐ Landlord permission
- ☐ Licence registry

## Advertising/Booking

- ☐ Posting licence # in online listings
- ☐ Resident must hold the licence
- ☐ One unit/licence
- ☐ One booking/unit

*Note: All Operators would be subject to compliance and enforcement actions. Permission is required for renters primarily due to health & safety requirements.*



# Context on Secondary Suites

In 1989, the City of Vancouver began a permitting program for Secondary Suites focusing on:

- Improving safety for existing unpermitted suites;
- Increasing long-term rental supply.

Secondary Suite in the Zoning and Development By-law means:

*“a smaller dwelling unit within a larger one-family dwelling or two-family dwelling, which must have separate external access and may have shared internal access, but does not include a lock-off unit”.*

# Secondary Suite Scenario

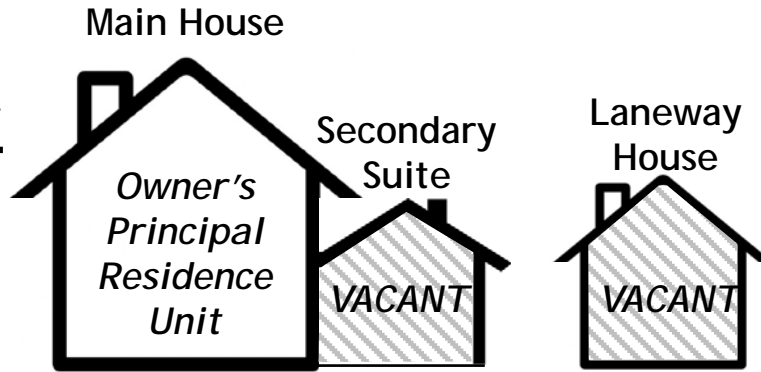


Grandma lives in a legalized secondary suite and wants to short-term rent it while she's on vacation in Italy. Can she rent this suite?

*YES, Grandma can short-term rent because she is the principal resident, provided she has a business licence and it's a legal secondary suite.*

# Secondary Residence Scenarios

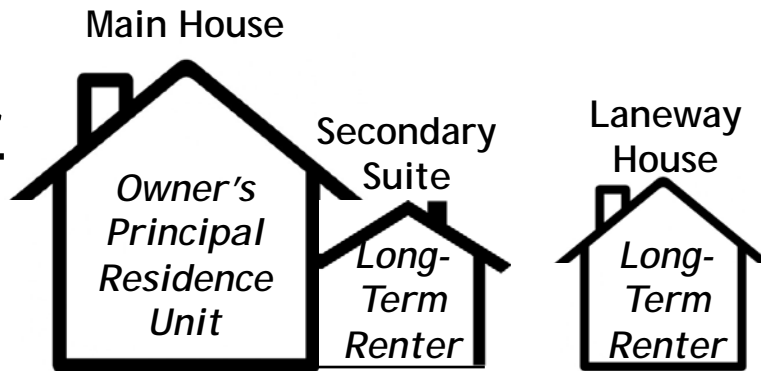
## Scenario A:



Eligible for STR:



## Scenario B:



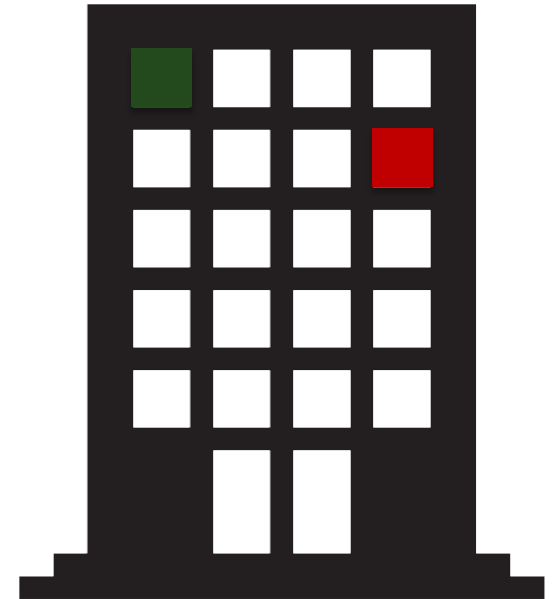
Eligible for STR:



## Scenario C:

✓ *Principal Residence Unit*

✗ *Secondary Residence*



Note: Unregistered, illegal secondary suites will face enforcement action beyond STR enforcement.

# Audit/Inspection Processes

- All licensed 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.

# STR Compliance Framework



# Prioritizing Compliance Efforts

- **“Tier 1” - Commercial Operators.** Commercial Operators advertising units without a licence, or having obtained licences through misrepresentation.
- **“Tier 2” - Unlicensed Operators.** 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.

# Platform Regulations

- Staff are not yet recommending a new business licence type for STR Platforms (e.g. AirBnb, VRBO, etc.)
- The City is currently reviewing options for regulating online platforms - *for STR and other online platform-based services* - to require:
  - Posting licence numbers
  - Sharing anonymized market data
  - Collecting transaction fees (which is expected to require Provincial support)
- Ongoing Provincial partnership to enable regulations



# Taxation

1. Since the City does not have sales tax authority; 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 STR Platforms apply a transaction fee of up to 3% which would be remitted to the City of Vancouver.

# Changes Since July Council Report

Draft by-laws reflect the following changes since July:

1. Maintaining the existing “Bed and Breakfast” business licence (*i.e. no changes for existing Bed and Breakfast operators*)
2. Creating a new offence for “marketing” STR
3. Removing the licence requirement for insurance
4. Aligning inspection powers with the Licence By-Law and Fire By-Law

# Implementation Next Steps

## Activity:

## Timing:

Public Hearing on Zoning Bylaw Changes

October 2017

STR Licence System Development and Testing

Aug 2017 - Mar 2018

Business Documentation and Training

Oct 2017 - Mar 2018

Communications and Online Materials

Jan - Mar 2018

*Launch STR Program (proposed)*

*April 2018*

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1. Introduction and Context
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- 3. Outstanding Council Questions**

# Key Outstanding Council Questions

1. How is STR impacting the LTR market? (*incl. more data*)
2. How many secondary suites currently in the STR market?
3. Will existing hosts rent long-term if prohibited from STR?
4. Will STR Platforms require hosts to enter licence numbers?
5. Will STR Platforms collect the proposed transaction fee? And if not, will the City seek tax authority?
6. What evidence is required to support enforcement?
7. How will we know whether the program is effective?

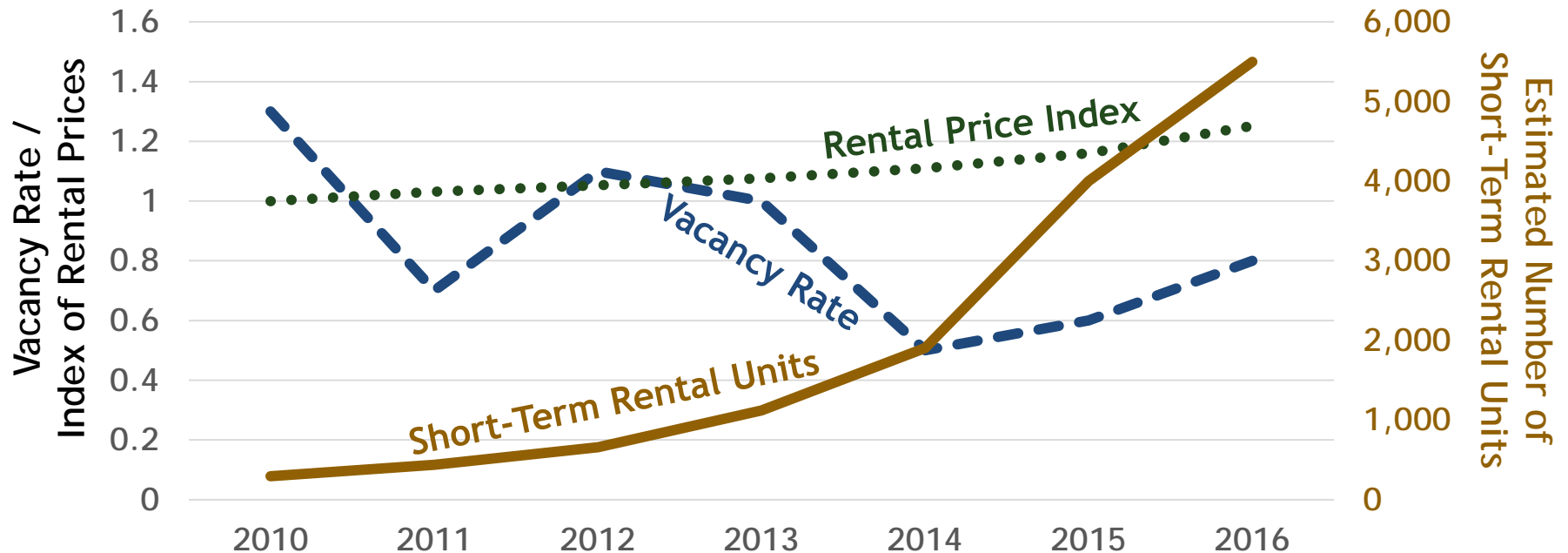
# 1. STR Impact on LTR Market

- Over 1,000 dwelling units in existing STR market not believed to be principal residences
- Estimated 400 - 800 active STR units diverted from LTR units\* through sale, attrition, or eviction, with an additional 400-800 STR units coming from secondary residences
- Very fragile long-term rental market (0.8% rental vacancy rate; equating to ~1,200 vacant units)

*\*Based on multiplying the estimated number of non-principal residence units in the existing STR market by the percentage of total dwelling units which are rented +/- 20%.*

# 1. STR Impact on LTR Market

Since 2010, average rent for a 1br. apartment increased by \$250, the vacancy rate decreased from 1.3% to 0.8%, while the STR market has grown exponentially.



*Note: the vacancy rate and rental prices are impacted by many factors, and it is very difficult to isolate the specific impact of growth in the STR market.*



## 2. Secondary Suites in the STR Market

- 309,418 total dwelling units in Vancouver
- 30,125 total secondary suites in Vancouver\*
- 5,925 permitted secondary suites (20%)
- Based on a manual review of online listings, an estimated 500 - 1,000 secondary suites are currently active in the STR market (2% - 3%)

*\*Not including 2,734 permitted laneway houses (excluded in census figures on secondary suites)*

### 3. How Many STR Hosts Would LTR?

- Staff met with approximately 30 AirBnB hosts
- Many say they prefer the flexibility of STR, and would be unlikely to LTR, especially their principal residence
- Staff also surveyed 676 hosts; 115 (17%) reported they would LTR if prohibited from STR
  - Note: ~80% of STR units are currently believed to be principal residences, unlikely to become new LTR

## 4. Will STR Platforms Require Hosts to Enter Business Licences?

- In the October 5, 2016 Council Meeting, AirBnB's representative said: *"In various cities where we have agreements, we build in a mechanism on the listing to put a licence number. We can do that."*
- Since then AirBnB has yet to confirm whether they will **require** their hosts in Vancouver to have licence
- All STR Operators are required to post their licence number in listing descriptions, regardless of whether Platforms provide a feature to require this

## 5. Will STR Platforms collect the proposed transaction fee? And if not, will the City seek tax authority?

- AirBnB or other Platforms have *not yet confirmed* whether they will collect the proposed voluntary transaction fee on STR bookings
- The City is not currently seeking tax authority, but recommends the Provincial Government review tax equity between hotels, bed and breakfasts, and STR

## 6. What evidence is required to support enforcement?

- Staff are recommending a new type of offence for *marketing* STR without a business licence, in addition to other offences for failing to comply with conditions
- Evidence may include an online advertisement, inspection findings, and confirmed bookings
- The City would prioritize enforcement of suspected commercial operators (i.e. with multiple listing) and unlicensed listings

# 7. Measuring Effectiveness

Staff will analyze the following information before/after implementation of the proposed regulations:

- “Screen-scraped” online data, and any information obtained from STR Platforms
- CMHC Rental Market Reports (on rental prices, vacancy/availability, geographic distribution, etc.)
- Community complaints and stakeholder feedback
- # of licences vs. # of listings
- Residential Tenancy Board complaints relating to STR

# APPENDICES





# Summary of Council Questions from July:

## Reasons for Regulating:

- Current impact to long-term rental market?
- Evictions related to STR?
- Why regulate if market growth is slowing?
- Why not allow STR of non-principal units?

## License Conditions:

- Eligibility for licence?
- Why not charge a higher price (at least for some)?
- Why do renters need landlord permission?
- Impact on traditional Bed and Breakfasts?

## Enforcement/Compliance:

- How to enforce policy?
- What makes this different from MMRU?
- Why is compliance assumed to be so low?
- Impact of “transient businesses”?

## Additional Data:

- Number of secondary suites and illegal suites?
- Number of STR-related evictions?

## Secondary Suites:

- How many secondary suites used currently?
- Why must suites be a principal residence unit?
- Impact on hospital patients and students?
- What loopholes exist?

## Financial Impact:

- How confident is staff in revenue assumptions?
- How much revenue from the transaction fee?

## Policy Objectives:

- Will STR units not eligible for a licence be returned/added to the long-term rental market
- Are we incentivising long-term rentals?

## Policy in Other Cities:

- What is the approach of cities focused on LTR?
- Is there a best-in-class?

## STR Platforms (e.g. AirBnB):

- Do STR Platforms support the proposal?
- Will Platforms require licence numbers?
- Will Platforms collect the transactions fee?

# Other Outstanding Questions

## Question:

## Answer:

How does a “night cap” minimize negative neighbourhood impacts?

- Staff are not proposing a “night cap” given that it’s very challenging to enforce
- Some other cities have a night cap, but have struggled with enforcement

Can you explain why there has been a decrease of 22% in STR units in the West End?

- This may be a statistical anomaly, as there were only 66 West End STR units in the baseline June 2016 data, and we’re using “point-in-time” data
- It may also be the result of trends in strata rules

Do we have analysis from the VEC and Tourism Vancouver on the seasonal impacts of STR?

- In peak periods hotel vacancy exceeds 90%, and it’s clear that in these times, STR enables people to visit Vancouver who would otherwise have no suitable or affordable place to stay

Have the former commercial operators returned their STR units to the long-term market?

- At least 9 new LTR licences obtained in buildings used by former commercial operators since April
- There may also be other ticketed STR units now rented long-term under pre-existing LTR licences

# Other Outstanding Questions (cont.)

## Question:

## Answer:

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Did the Olympics impact the rapid growth of the short-term rental market in Vancouver?

- Potentially, but given that the rapid growth in STR globally (not just in Vancouver) commenced in 2009/2010, the same time as the Olympics, the specific impact of the Olympics is hard to isolate

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Are we tracking crime statistics/safety issues in residential neighbourhoods with increases in STRs?

- The number of STR-related complaints in 2016, 2015, and 2014 was 144, 19, and 4 respectively
- So far in 2017, the City has received over 300 complaints, exceeding last year's pace by >3x

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Are there problems /opportunities related to non-conforming illegal secondary suites and STRs?

- Illegal secondary suites are considered "unlawful dwelling units" and are not eligible for STR
- Eligibility for any permitted, but non-conforming secondary suites would be reviewed case-by-case

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Where are long-term rentals in Vancouver?

- The CMHC Rental Market report provides the geographic distribution of LTR in Vancouver

# Other Outstanding Questions (cont.)

Question:

Answer:

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Will the policy increase:

- A. Availability of rental stock?
- B. Affordability of rental stock?
- C. Security of tenure?
- D. Safety?

- Staff believe that the proposed regulations will address the current financial incentive to short-term rent secondary properties, increasing stability of tenure, long-term rental supply, and potentially helping to stabilize rental prices
- Building and fire safety requirements are designed to improve safety and facilitate compliance

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Can you provide more scenarios illustrating how the policy works?

- See Appendix C of the July 5 Policy Report for a more extensive list of potential scenarios

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Have the proposed regulations changed the market, even if they have not been implemented?

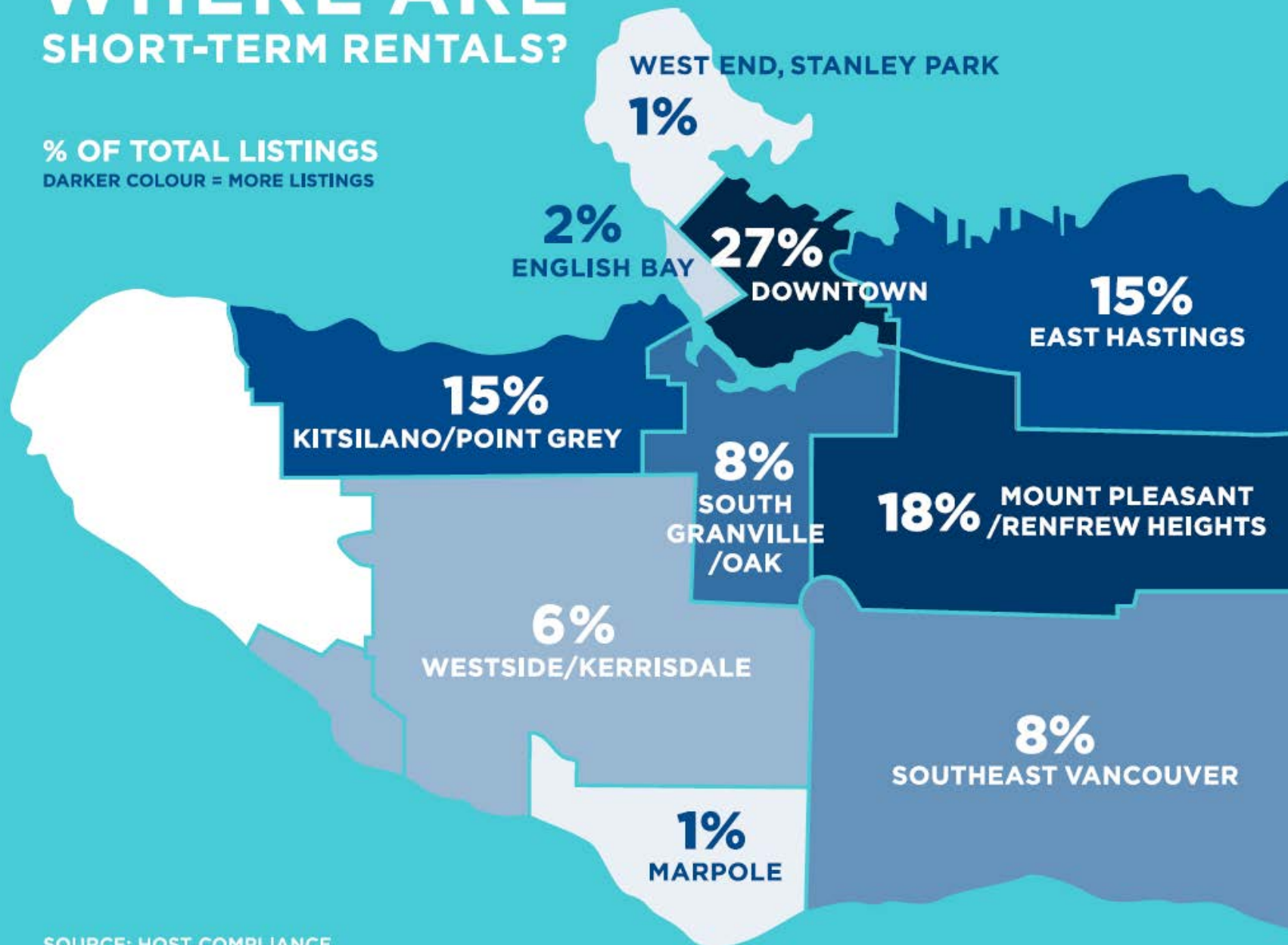
- Staff do not have evidence that the announcement of the proposed regulations have impacted the existing STR market (as the latest “screen-scraped” online data is from April 2017), but the volume of 3-1-1 calls has increased since July

# 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%

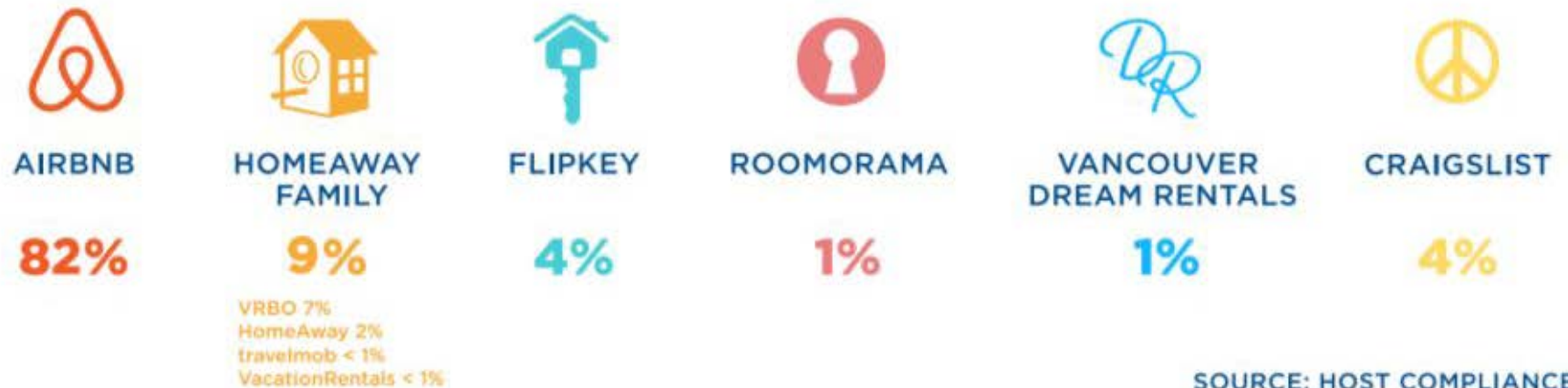
# WHERE ARE SHORT-TERM RENTALS?

% OF TOTAL LISTINGS  
DARKER COLOUR = MORE LISTINGS

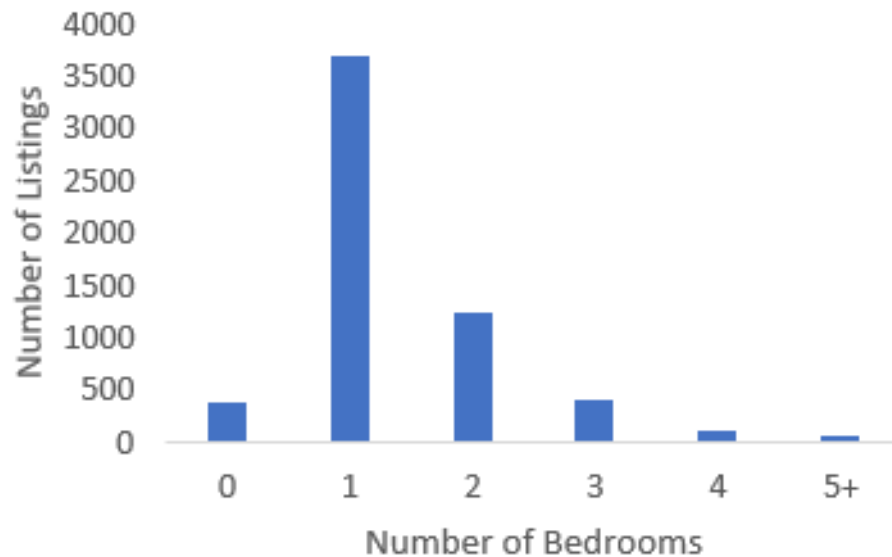


SOURCE: HOST COMPLIANCE

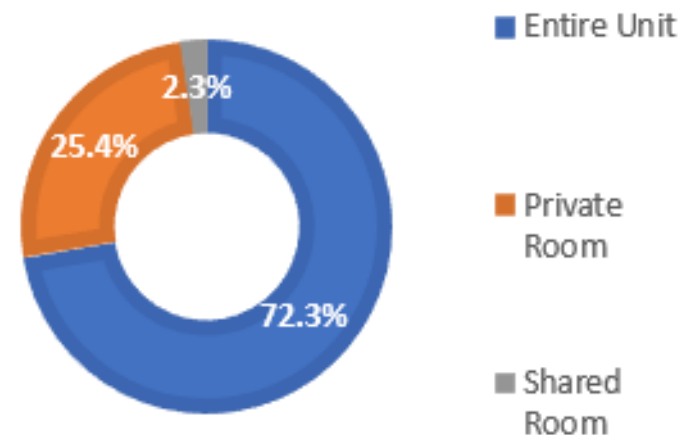
## MARKET SHARE OF STR PLATFORMS IN VANCOUVER:



## NUMBER OF BEDROOMS PER LISTING:



## LISTING TYPES:



# Related Taxation

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



# 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

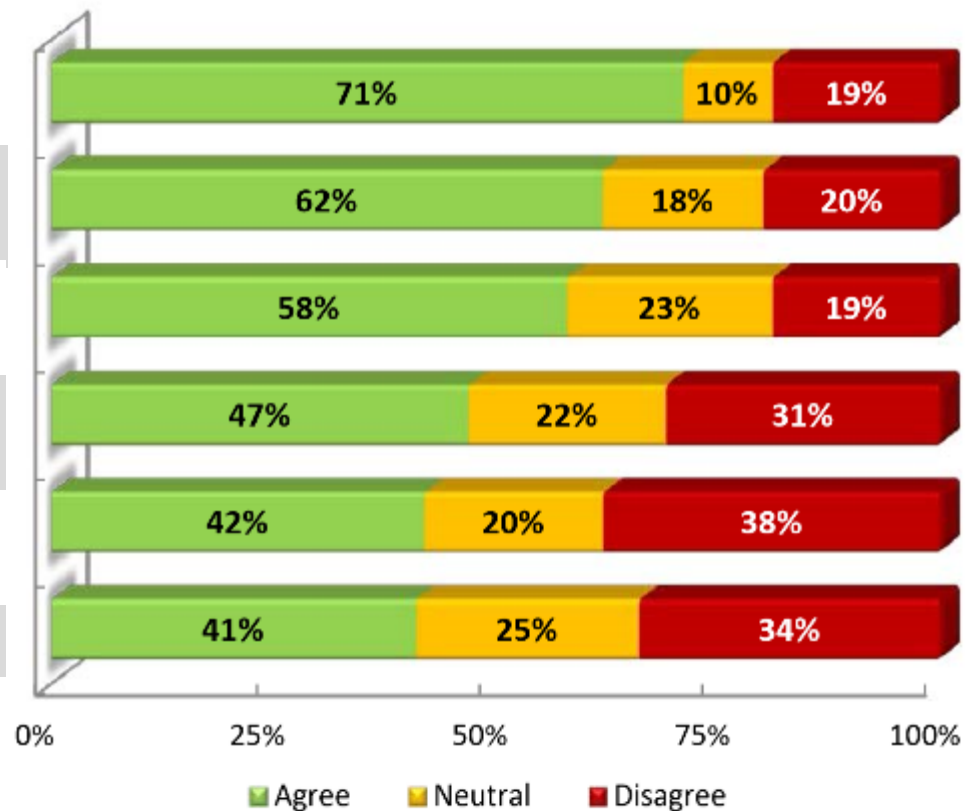
They make Vancouver more appealing as a tourist destination

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)

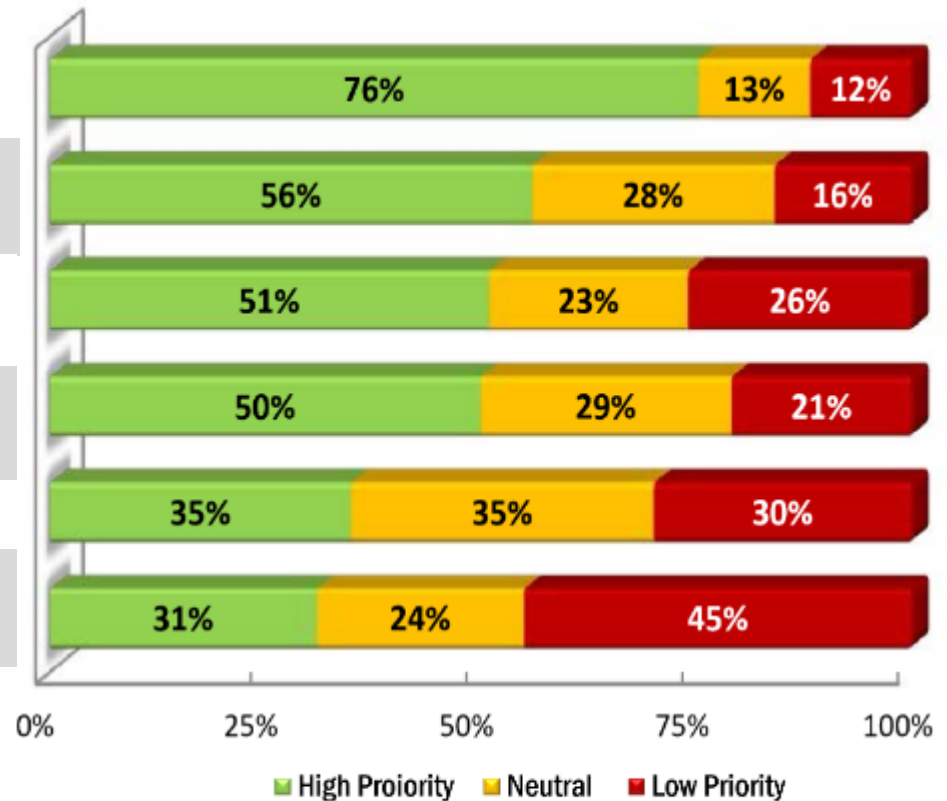
Keeping residential areas and buildings quiet and safe

Collecting business taxes from short-term rental properties

Regulating all types of tourist accommodation facilities

Supporting tourism

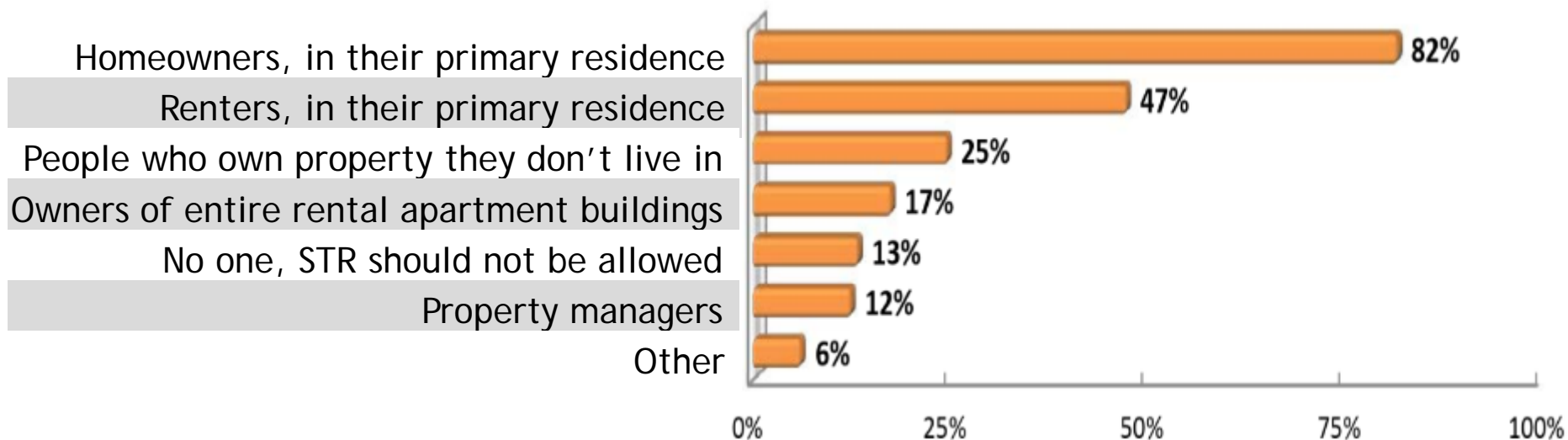
Allowing residents to earn income from short-term rentals



Source: Talk Vancouver Public Survey (August 2016).

# Support for Principal Residence Requirement

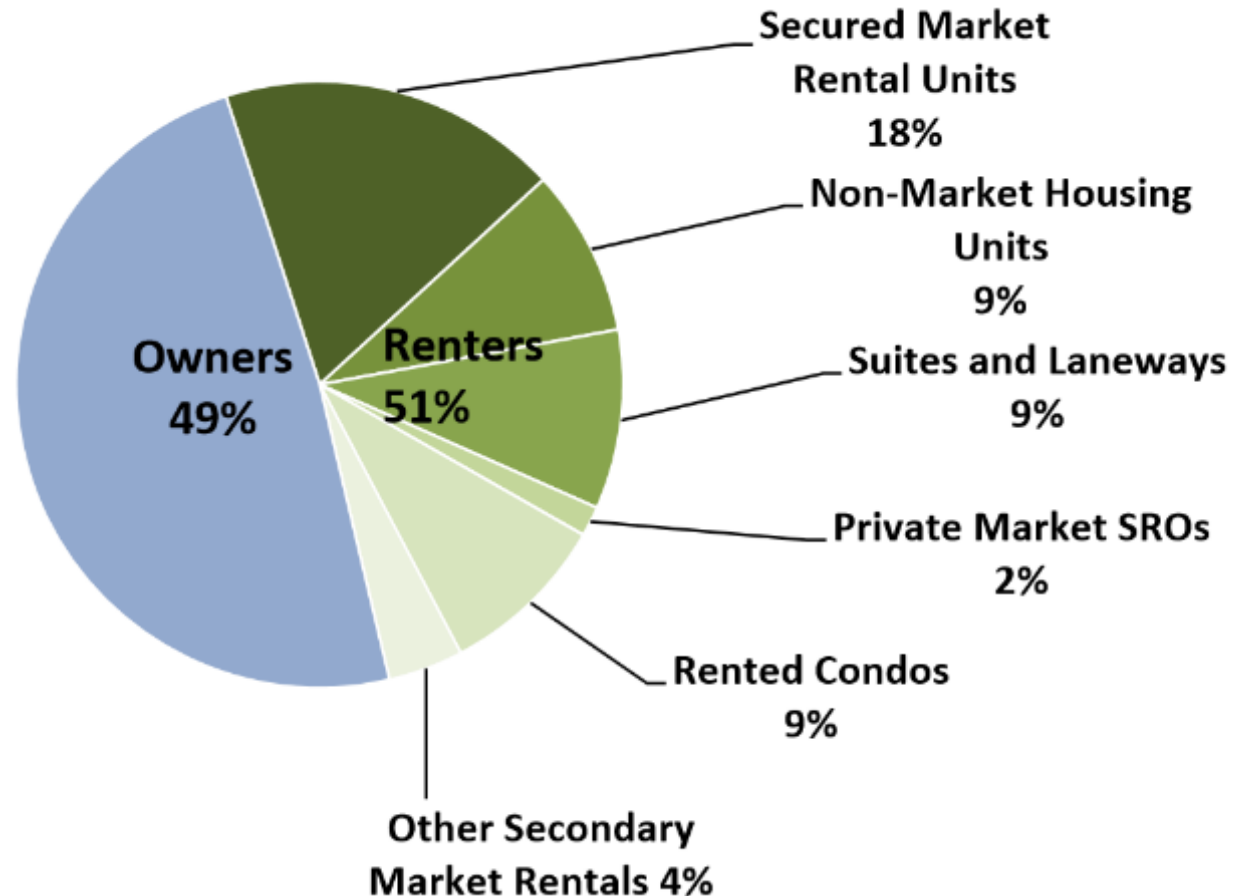
There was strong support for allowing STR in a homeowner's principal residence. More than 80% of respondents said a homeowner should be allowed to STR their principal residence; 47% said renters should be allowed to do the same.



Source: Talk Vancouver Public Survey (August 2016).

# Overview of Vancouver Housing Market:

In 2016 there were 309,418 occupied dwelling units in the City; 157,803 (51%) of which were estimated to be occupied by renters.

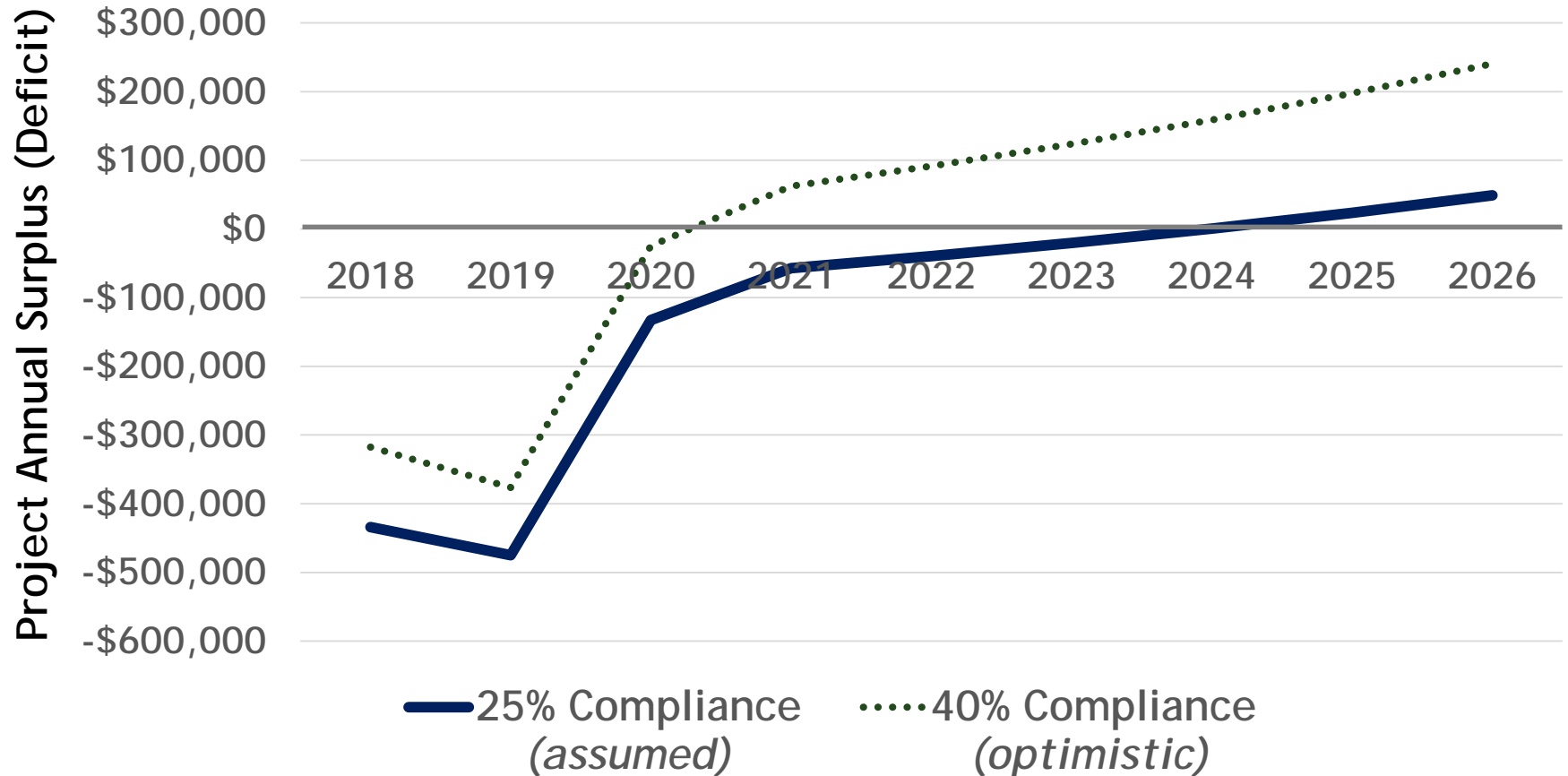


Source: Statistics Canada, Census (2016); City of Vancouver, Vancouver Housing & Homelessness Strategy Reset (March 2017).

# 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.*

# STR Building Safety Requirements (cont.)

	Single Family Dwelling	Duplex, Rowhouse, or Secondary Suite	Multi-Family Dwelling
Fire Safety Plan	<i>New Requirement</i>	<i>New Requirement</i>	<i>New Requirement</i>
Interconnected Smoke Detector	<i>New Requirement</i>	<i>New Requirement</i>	<i>New Requirement</i>
Fire Extinguisher on Every Floor	<i>New Requirement</i>	<i>New Requirement</i>	<i>New Requirement</i>
Automated Sprinkler System	<i>n/a</i>	<i>If Adjoined to Another Dwelling Unit, Requires Either Sprinklers or Fire Separation by 2023</i>	<i>Already Required in Most Multi-Family Dwellings</i>
Fire Separation Between Units	<i>n/a</i>		<i>Already Required</i>
Fire Alarm	<i>Required for &gt;10 occupants</i>	<i>Required for &gt;10 occupants</i>	<i>Already Required in Most Multi-Family Dwellings</i>



# Jurisdictional Review of STR Policy:

Jurisdiction	Operator Licence/ Registry	Company Licence	Principal Residence Only	Night Cap	Safety Provisions	Nuisance Provisions	Hotel Tax Applied to STRs	STR Specific Tax
Vancouver (Proposed)	✓	✗	✓	✗	✓	✓	✗	Under review
Toronto (Proposed)	✓	✓	✓	✗	✓	✓	✗	Under review
Province of Quebec	✓	✗	✗	✗	✗	✗	✓	✗
Austin	✓	✗	✗	✗	✓	✓	✓	✗
Chicago	✓	✓	✗	✗	✓	✓	✓	✓
Denver	✓	✗	✓	✗	✗	✗	✓	✗
Los Angeles (Proposed)	✓	✗	✓	✓	✓	✓	✓	✗
Nashville	✓	✗	✗	✗	✓	✓	✓	✗
New Orleans	✓	✗	✗	✓	✓	✓	✓	✓
New York City	✗	✗	✓	✗	✓	✗	✓	✗
Philadelphia	✓	✗	✓	✓	✓	✓	✓	✗
Portland	✓	✗	✓	✓	✓	✗	✓	✗
San Francisco	✓	✗	✓	✓	✓	✗	✓	✗
Santa Monica	✓	✗	✓	✗	✓	✓	✓	✗
Seattle (Proposed)	✓	✓	✗	✗	✓	✗	✓	✗

✓ = Included in STR Regulations

✗ = Not Included in STR Regulations

*Note: See Appendix G of report for additional detail.*

# Tier 1 – Commercial Operators

- Proceed directly to evidence-gathering and enforcement measures for commercial operators.
- Collect evidence via the online STR platform, and consider an on-site inspection.
- Issue an enforcement order to the STR Operator, and review options for an injunction or City prosecution via a long-form Information (up to \$10,000 per violation).

# Tier 2 – Unlicensed Operators

- If known, provide a letter referring the Operator to the STR regulations and licence application.
- If unknown, collect evidence to determine the address and the Operator's identify.
- If non-compliance is determined, issue an enforcement order to cease unlicensed business activity and an MTI.
- Other prosecution options may be considered.

# Tier 3 – Alleged Nuisance Operators

- Investigate licensed STR Operators subject to complaints.
- If a credible complaint is received, provide a letter to the STR Operator summarizing the complaint, and referring the Operator to the STR regulations.
- If activity persists, the Operator would be issued an MTI, and potentially an enforcement order to cease STR.
- Revocation proceedings may apply.

# Business Case for Short-Term Rentals

There is strong financial incentive to rent short-term versus long-term. Staff estimate that STR units generate approximately 200% to 300% more net income.

## Estimated Long-Term and Short-Term Rental Gross Revenue

	Long-Term Rental (over one month)		Short-Term Rental (full-time STR over one month)	
	One Bedroom	Two Bedrooms	One Bedroom	Two Bedrooms
Downtown	\$1,434	\$2,222	\$4,302	\$6,888
Kitsilano / Point Grey	\$1,314	\$1,818	\$3,614	\$5,000
East Hastings	\$1,000	\$1,305	\$2,500	\$3,263