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**REPORT TO ELECTORAL AREAS COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 09, 2022**

SUBJECT Regulation of Vacation Rentals on the Southern Gulf Islands and Salt Spring Island

ISSUE SUMMARY

To provide information on measures to restrict or control tourism accommodation, including the power to regulate business through the issuance of business licenses for Salt Spring Island and Southern Gulf Islands by requesting the Province pass enabling regulation through an Order in Council.

BACKGROUND

On July 14, 2021, the Electoral Areas Committee passed the following resolution:

That the Electoral Areas Committee request staff to provide a report outlining the possibility of the Capital Regional District pursuing measures to restrict or control tourism accommodation, including the power to regulate business through the issuance of business licenses for Salt Spring Island and Southern Gulf Islands by requesting the Province pass enabling regulation through an Order in Council.

The Capital Regional District has received a similar request by way of resolutions from the Islands Trust Salt Spring Island Local Trust Committee, North Pender Island Local Trust Committee, South Pender Island Local Trust Committee, and the Galiano Island Local Trust Committee. While Local Trust Committees are the land use authorities for the islands, the LTCs lack the full range of tools for enforcement and administration of vacation rentals that can be utilized by municipalities. Please see the letter from Islands Trust, dated November 9, 2021 and attached as Appendix A.

In addition, in 2019, the Union of B.C. Municipalities (UBCM) and the Province convened a Joint Advisory Group on Short-Term Rentals. In 2021, the advisory group released a report with 13 priorities for action for the Province to consider in order to establish a regulatory framework for the short-term accommodations industry (see Appendix B). Key among the requests for action include greater regulatory tools for local government:

- *Amend the Local Government Act to allow regional districts to implement business licensing, by approval of the regional district board, as a tool to regulate short-term rentals.*
- *Increase the allowable fines that local governments can levy against short-term rental hosts operating out of compliance.*
- *Explore whether provincial bylaw notice adjudicators have sufficient information and awareness of short-term rental issues to understand these offences, preventing undue cancellation of violation notices.*

As discussed in the UBCM report, short-term vacation rentals can be problematic for communities by reducing the available long-term rental housing stock for residents. It can also encourage

buyers to acquire secondary homes in popular tourist destinations, such as the Gulf Islands, by offering a revenue stream to non-resident owners while still allowing them flexibility to access the property for personal use. The introduction of the Provincial Speculation and Vacancy Tax was designed in part to address some of these issues, however, the SSI and the SGI are exempt from the tax.

ALTERNATIVES

Alternative 1:

The Electoral Areas Committee recommends to the Capital Regional District Board:

That the Regulation of Vacation Rentals on the Southern Gulf Islands and Salt Spring Island report be received for information.

Alternative 2:

That the Capital Regional District Board request the Province of British Columbia bring forward an Order in Council to grant the Capital Regional District the authority to regulate business in the Salt Spring Island and Southern Gulf Islands Electoral Areas.

IMPLICATIONS

The regulatory tools available to local governments to regulate vacation rentals in residential zones include zoning bylaws, temporary use permits, and business licensing, all of which can be enforced by ticketing, fines or a court-issued injunction.

Regulation by Land Use Bylaw

On Salt Spring Island and in the Southern Gulf Islands, land use regulation is under the authority of the Islands Trust. Under the *Islands Trust Act*, Local Trust Committees (LTCs) have land use authority to adopt Official Community Plans and zoning regulations to regulate short-term vacation rentals. LTCs can permit or prohibit vacation rentals outright in accordance with zoning requirements within land use bylaws.

A contravention of a land use bylaw can be enforced by issuing a municipal ticket or a bylaw adjudication notice, or in more serious cases, obtaining a statutory injunction order from BC Supreme Court to prevent the continued use of the property in contravention of the bylaw. In cases where the rental is occurring in a secondary suite or guest cottage that is not authorized by zoning, the injunctive order can include the power to dismantle and remove the unauthorized suite at the owner's expense. Many local governments in BC use some or all of these enforcement tools under their land use bylaw to effectively regulate unauthorized vacation rentals.

While land use bylaws can be effective in regulating vacation rentals and are relatively simple to enforce, there are some limitations due to the fact that land use bylaw provisions are typically general and permissive in nature, rather than site-specific. Once a vacation rental use is permitted in a zone, the LTCs no longer have control over how the specific use is carried out at an individual property level. Some LTCs get around this by continuing to prohibit short-term vacation rental uses, but allowing them under temporary use permits and controlling the use on a conditional, case by case basis. Where there is a desire to further regulate how the use is carried out, to

monitor the extent of the use, or to collect data to inform adaptive management of vacation rental use, business licenses may be a more effective regulatory tool.

Regulation by Business Licensing

Under the *Local Government Act*, Regional Districts do not have business licensing authority. Regional Districts are different from municipalities in this respect, as municipalities have authority to regulate business by imposing a system of licenses, permits or approvals under section 15 of the *Community Charter*.

Regional Districts can request business licensing authority from the Province. If granted, it is enabled by an order-in-council or regulatory change. The UBCM request would enable this authority outright through a change to the *Local Government Act* and remove this as a barrier for Regional Districts that want to use business licensing to manage issues such as short-term rentals. However, currently, if the CRD would like business licensing powers, it must first be granted the authority by the Province.

Once granted the authority to regulate business by the Province, the CRD would have to adopt a business licensing bylaw which would then be used to define which categories of business it would regulate and set the conditions and requirements of the licensing regime. Normal provision of a business licensing bylaw would include the following:

- a requirement to obtain an annual permit for a fee (usually \$100-\$150);
- appointment of a License Inspector or Director;
- assignment of powers to the Inspector to set conditions on the issuance or cancellation of licenses and the appeal process for those decisions;
- power to conduct inspections;
- general conditions on the license such as the form, requirement to display, requirements to update information, renewal and transfer;
- specific conditions based on business type, such as home-based, commercial, personal services or inter-municipal.

If CRD were to regulate vacation rentals through business licensing, all vacation rental owners would need to purchase an annual business license issued by the CRD. Owners would need to comply with any of the terms and conditions placed on the license, which may include a requirement for an inspection of the property. Typically a business license would not be issued for any vacation rentals that are not compliant with the applicable zoning bylaws, so only those rental properties that are authorized by zoning would be licensed.

One of the benefits of licensing is that it can provide consumer protection by establishing minimum standards for businesses that are licensed. It also provides the local government a way to track and compile metrics on the number of businesses operating in the region.

Enforcement of License Contraventions

Business licensing would provide another avenue for enforcement against unauthorized vacation rental properties. Fines could be issued to a business that is operating without a license, or is operating in contravention of the terms and conditions of a license. Where a business is not complying with the requirements of a business license, the license can also be revoked by the License Inspector, however, under the *Community Charter* revocation of the license is a decision

that is subject to a right of appeal to the Regional Board. In addition, prior to revoking a license, the License Inspector must observe the rules of procedural fairness and provide the business owner an opportunity to be heard and make submissions before a decision is rendered, similar to what is required when a local government files a Section 57 Notice of Building Contravention on title of a landowner’s property. The administrative law requirements that are triggered by revocation of a business license can make enforcement of a license contravention a more challenging and expensive process than enforcing compliance with a land use bylaw.

Financial Implications of Establishing a Business Licensing Function

A business license function would require new funding from the SGI and SSI electoral area for the administration and overhead of the regulatory service, as well as funding to enable Bylaw Enforcement Officers to enforce the provisions of the business licensing bylaw. A software system, such as Tempest, would be necessary to track and issue licenses, automate the renewal process and generate invoices. Business owners would need access to payment options to pay the annual license fee. Systems currently utilized by CRD Bylaw Enforcement staff could be customized to administer business licenses, however, it would require an estimated 2.0 additional FTEs for administration, operation and enforcement of the new regulatory service, depending upon the scope of the regulation. Some of the costs of the new service could be offset by the revenue generated from collection of the license fees, however, the offset would depend on the number of businesses subject to the licensing requirement. For example, if all business in the SGI and SSI electoral area required annual business licenses, the revenue offset would be greater than if the regulation was limited to vacation rentals. If Islands Trust zoning continued to prohibit vacation rentals, uptake of a business license program would be limited further.

CONCLUSION

Short-term vacation rentals can be regulated by land use bylaws or through business licensing. CRD does not currently have the authority under the *Local Government Act* to regulate business, however, the authority can be granted by the Province by an order-in-council, and enabled by the Board through the adoption of a business licensing bylaw. Establishing a business license function would require new funding be raised from the SGI and SSI electoral areas for increased staffing associated with administration and enforcement of the business license function. It is anticipated that some of the increased costs could be offset by the revenue generated from annual license fees. Staff recommend further analysis on financial impacts would be required prior to implementation.

RECOMMENDATIONS

The Electoral Areas Committee recommends to the Capital Regional District Board:

That the Regulation of Vacation Rentals on the Southern Gulf Islands and Salt Spring Island report be received for information.

Submitted by:	Justine Starke, MCIP, RPP, Manager, SGI Service Delivery, Corporate Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Letter from Islands Trust, dated November 9, 2021

Appendix B: Priorities for Action on Short-Term Vacation Rentals (Report of the Joint UBCM-Province Advisory Group on Short-Term Rentals).



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November 9, 2021

File Number: 12-14-6500-20

Justine Starke
Manager, Southern Gulf Islands Service Delivery
Capital Regional District
Via email

Dear Justine:

Re: Local Trust Committee Business Licensing Resolutions

I am writing to you concerning a number of resolutions recently adopted by local trust committees encouraging the Capital Regional District to explore business licensing. Trustees and residents in the Trust Area have been grappling with the impacts of short term vacation rentals for years, and most LTCs have policies and regulations in place to attempt to mitigate those impacts. However, it has become apparent to many trustees and residents that zoning and other land use regulations are insufficient to manage the impacts of vacation rentals. Consequently, a number of LTCs have adopted resolutions (please see attached) requesting that the CRD consider the implementation of business license regulations within the Salt Spring and Southern Gulf Islands electoral areas for tourist accommodation, specifically for enforcement and administration of vacation rentals.

Sincerely

Robert Kojima,
Regional Planning Manager
Islands Trust

Attachment: Table of Resolutions

Local Trust Committee	Date	Resolution
Galiano Island Local Trust Committee	July 5, 2021	<p>GL-2021-065 It was Moved and Seconded, that the Galiano Island Local Trust Committee requests that the Capital Regional District explore the implementation of business licensing for tourist accommodation and specifically for short term vacation rentals.</p> <p style="text-align: right;"><u>CARRIED</u></p>
Mayne Island Local Trust Committee	June 21, 2021	<p>MA-2021-042 It was Moved and Seconded, that the Mayne Island Local Trust Committee request that the Capital Regional District explore the implementation of business licensing for tourist accommodation and specifically for short term vacation rentals.</p> <p style="text-align: right;"><u>CARRIED</u></p>
North Pender Island Local Trust Committee	June 24, 2021	<p>NP-2021-078 It was Moved and Seconded, WHEREAS the North Pender Island Local Trust Committee is implementing additional policies and zoning to regulate and manage short term vacation rentals on North Pender island, the Local Trust Committee lacks the full range of tools for enforcement and administration of vacation rentals;</p> <p>THEREFORE the North Pender Island Local Trust Committee requests that the Capital Regional District explore the implementation of business licensing for tourist accommodation and specifically for short term vacation rentals.</p> <p style="text-align: right;"><u>CARRIED</u></p>
Salt Spring Island Local Trust Committee	May 25, 2021	<p>2021-108 It was MOVED and SECONDED,</p> <p>Whereas the Salt Spring Island Local Trust Committee wishes to see appropriate regulation and management of short term vacation rentals on Salt Spring Island but lacks the full range of tools for enforcement and administration of vacation rentals;</p> <p>Therefore the Salt Spring Island Local Trust Committee requests that the Capital Regional District explore the implementation of business licensing for tourist accommodation and specifically for short term vacation rentals.</p> <p style="text-align: right;"><u>CARRIED</u></p>
South Pender Island Local Trust Committee	May 7, 2021	<p>SP-2021-044 It was Moved and Seconded, that whereas the South Pender Island Local Trust Committee is implementing additional policies and zoning regulations to regulate and manage short term vacation rentals on South Pender Island, the Local Trust Committee lacks the full range of tools for enforcement and administration of vacation rentals;</p> <p>therefore, the South Pender Local Trust Committee requests that the Capital Regional District explore the implementation of business licensing for tourist accommodation and specifically for short term vacation rentals.</p> <p style="text-align: right;"><u>CARRIED</u></p>

PRIORITIES FOR ACTION ON SHORT-TERM RENTALS

Report of the Joint UBCM-Province Advisory Group on Short-Term Rentals

FINAL REPORT

June 30, 2021

Supported by

Housing Policy Branch

Office of Housing and Construction Standards

Ministry of Attorney General and Minister responsible for Housing

Executive Summary

The Province's Rental Housing Task Force recommended in December 2018 that the Province work with local governments to develop, implement, and enforce short-term rental rules to better protect long-term rental stock (Recommendation #11). In the May 2019 response to the Task Force recommendations, the Province agreed to address this recommendation in 2020 through further consultation with stakeholders and local governments. In fall 2019 the Province and UBCM established a Joint Advisory Group on Short-Term Rentals. The purpose of this group was established as follows:

The Advisory Group will facilitate discussions with local governments about the impacts of STRs and tools for addressing them. Information generated by the Advisory Group will help **inform the Province's consideration of potential policy approaches to STRs**, including possible measures to support local governments interested in taking further actions to address STR impacts.

Housing affordability and availability are topics of utmost concern for all levels of government in British Columbia. The Advisory Group is particularly concerned about impacts of short-term rentals on long-term rental housing. While these impacts are hard to measure with available data set, the diversion of housing units from long-term supply is a significant problem affecting housing in many communities. The Advisory Group's work is informed by the need to take sensible precautionary steps to avoid negative outcomes for British Columbians.

The Advisory Group considered input from experts in various aspects of provincial legislation, research on short-term rental activity and broader rental housing data, and a series of stakeholder organizations. Through the Advisory Group's discovery and discussion process, a series of principles and outcomes were articulated that guided the identification of possible measures for the Province to consider. These principles were: recognition of regional differences, subsidiarity, fairness, future-proofing, and evidence-based policy balanced by precaution. The outcomes address various stakeholder viewpoints and seek to recognize both the opportunities and drawbacks presented by short-term rental platforms.

The priorities and requests to the Province in this report are intended to spark further discussion and exploration of potential policy approaches in the areas of platform accountability or regulation, data sharing, taxation, local government regulatory tools, capacity, and broader efforts to improve data sources and analysis on rental housing.

This Report represents the work done by the Advisory Group to understand the impacts of short-term rentals and suggest priorities and ideas to inform the Province's future work in this area. This report does not indicate formal endorsement by UBCM or the Province of these proposals.

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Background

Short-term rentals are the rental of a home, or room within a home, for a temporary stay (usually fewer than 30 consecutive nights). While vacation rentals and in-home bed-and-breakfasts have been a part of tourism accommodation for decades, the short-term rental industry saw significant growth with the advent of online platforms such as Airbnb and HomeAway (now VRBO).

The broad access and ease of transactions provided by these platforms led to a shift in the frequency of use and types of accommodation being listed for short-term use, with units not previously considered “tourism-oriented” being made available to travellers. The online accommodation bookings industry continues to evolve and grow despite the COVID-19 pandemic reducing worldwide travel, and hosts are now able to offer broader “experiences” and adjacent services via these platforms.

This shifting landscape in the accommodations industry has affected communities differently throughout the province. Impacts causing concern include:

- **Housing Availability:** The use of housing units for travellers has reduced long-term rental housing capacity at a time when housing availability and costs are already under pressure. While many short-term rental hosts use part of their primary residences for hosting, other types of spaces such as basement suites or accessory dwelling units also appear frequently on the platforms. Existing data on vacancy in the primary rental market (purpose-built apartments) shows no consistent correlation with short-term rental listings or bookings activity, but the true impact of short-term rentals is in the secondary market (other housing forms), which is more fluid and difficult to measure. The lack of consistent definition of what constitutes a “permanent dwelling” and limited capacity of local governments to monitor listings makes it nearly impossible to determine the actual scale of diversion from rental housing stock in a statistical sense, but observations by local governments indicate there is a significant unmeasured threat to long-term housing. As 70% of B.C.’s renter households rely on secondary rental market housing, and in some communities up to 100% of rental housing is in the secondary market, there is a strong case for responding to the potential impacts of short-term rentals even in lieu of appropriate data sources.
- **Housing Affordability:** The potential for earning revenue from short-term rental use of properties (whole or in part) often supports higher property prices than local incomes can support. This impacts housing cost in the rental market due to price competition and may be driving up the purchase price of homes in the resale market, as buyers are willing to pay a premium for units (especially condos) with potential for short-term rental use. Data to isolate and attribute this impact is not readily available, but anecdotal evidence appears in numerous B.C. communities.
- **Land Use:** In some cases, previously residential-use properties have been converted to commercial use despite local land use policies. Where short-term rentals represent a full-time business model, these properties are no longer serving their intended purpose as dwellings for local residents. In other communities (especially remote areas), the ease of promoting vacation rentals of properties has attracted tourism for which local governments are not equipped to regulate or support with infrastructure.

- **Public Impacts:** Increasing transient use of properties without oversight by hosts has contributed to noise, parking, garbage, safety, and disruption complaints. In some cases, short-term rental activity has been linked to public health risks via out-of-region visitors contributing to COVID-19 outbreaks.
- **Local Government Capacity:** Between the staff and Council time required to consult, evaluate options, and adopt short-term rental policies, and the licensing and enforcement staff time required to monitor listings and properties, regulating short-term rentals represents a significant (and new) imposition on local government capacity.

Short-term rentals also offer some benefits to communities and travellers:

- **Interim Worker Housing:** Employees arriving in a community for new employment, or for a temporary assignment, may use short-term rental housing while arranging for a permanent residence or to avoid occupying a rental unit only for a short period, freeing that unit up for a long-term residential tenant.
- **Tourism:** Short-term rentals provide some benefits to communities that are seeking to expand their tourism economies as a diversification strategy:
 - Short-term rentals expand tourist accommodation capacity, particularly in places with emerging tourism sectors where traditional lodging businesses have not yet established sufficient capacity.
 - Family travel: short-term rental units may be larger and provide more facilities that support families with children or specific accommodation needs, compared to hotels/motels. This opens up tourism in a community to different demographic segments.
 - Sports/group travel: teams or groups wishing to travel together may find an entire home with several bedrooms a more affordable way to travel for tournaments or events compared to the cost of booking multiple hotel rooms. Kamloops and Burnaby are two examples of communities with significant special event facilities where attendance may exceed local hotel capacity.
- **Economic Activity:** Hosts earn additional income on their short-term rentals (which may or may not be reported on tax returns) and visitors contribute in other ways to local economies through hospitality and experiences in the host community.

The challenge for the Province and local governments is to find a balance in regulating short-term rental activity to enhance the benefits and opportunities presented by the industry while reducing the detrimental effects on housing and neighbourhood livability.

An increasing number of local governments in B.C. have developed policies, or are in the process of doing so, to respond to the new opportunities, challenges, and impacts that short-term rentals bring to their communities. The Union of BC Municipalities (UBCM) identified short-term rentals as an ongoing issue of concern for local governments in 2016. Workshops and resolution discussions on the topic were featured at UBCM conventions in 2016, 2017, and 2018. A UBCM Special Committee on Housing included a series of

recommendations to address short-term rental regulation and taxation in the January 2018 report “*A Home for Everyone: A Housing Strategy for British Columbians*”.

Participating Organizations

The Advisory Group formed in January 2020 with representatives of nine local governments and participants from UBCM and the Ministry of Municipal Affairs and Housing (as it was then), and now also includes the Ministry of Attorney General and Minister responsible for Housing. Communities represented on the group were (in alphabetical order):

- City of Burnaby
- Islands Trust
- City of Kelowna
- City of Nelson
- Regional District of Thompson-Nicola
- Village of Tofino
- City of Vancouver
- City of Victoria
- Resort Municipality of Whistler

Process

The Advisory Group held in-person meetings in February and early March 2020, including presentations and discussions to inform the group’s members about community objectives, housing impacts as measured by available data, and legislative context. The group heard presentations from:

- Housing Policy Branch (Ministry of Municipal Affairs and Housing)
- Residential Tenancy Branch (Ministry of Municipal Affairs and Housing)
- Property Tax and Assessment Branch (Ministry of Municipal Affairs and Housing)
- Tax Policy (Ministry of Finance)

The onset of the COVID-19 pandemic put the Advisory Group’s process on hold during the spring and summer of 2020. Group members shared, via email, updates on the impacts of the pandemic on their communities and observations about how the short-term rental activity in their community changed (or not) while travel was affected by public health orders. Following the fall 2020 election, housing policy moved under the mandate of the Ministry of Attorney General and Minister responsible for Housing. The Advisory Group reconvened in April 2021.

Virtual meetings comprised the second stage of the Advisory Group’s deliberations. In addition to local government representatives sharing the expertise and experiences from their own communities, the Advisory Group received presentations and written submissions from:

- Housing Policy Branch (Ministry of Attorney General and Minister responsible for Housing)

- Tourism Vancouver
- BC Hotel Association
- BC Real Estate Association
- Harvard Business School (on the evolution of short-term rentals and online accommodation platforms)

The Advisory Group participated in a virtual collaboration session on May 12 which captured and delved into numerous themes that had emerged from the presentation and discussions held throughout this process. A draft of this report was provided to government relations personnel from Airbnb and Expedia (owner of the VRBO platform) for comment and feedback to the panel prior to this report being finalized.

Principles

The Advisory Group identified five principles that inform the outcomes and priorities presented in this report.

- **Recognition of Regional Differences:** Economic and housing conditions vary among regions and communities. Any proposed outcomes or actions need to recognize and allow for these differences, including the need to balance needs within a community (e.g. tourism, economic development, housing).
- **Subsidiarity:** Law-making and implementation are often best achieved at a level of government that is most effective and closest to the issues affected. The federal, provincial, and local governments have different but overlapping roles in housing policy and land use planning. Subsidiarity as a guiding principle encourages complementary legislation while accommodating local circumstances.
- **Fairness:** As much as possible and where feasible, all businesses operating in an industry within a given market should be subject to the same restrictions and requirements under the law. Similarly, residents in a community should be subject to the same expectations and have access to the same types of protections or benefits.
- **Future-Proof:** The travel industry was evolving prior to the COVID-19 pandemic, which caused an abrupt and dramatic change to how and why people seek and use accommodation. The online accommodation booking industry is dynamic and any legislation or programs implemented in 2021 or 2022 need to consider the rapid changes and market reach of this platform-based industry. Relying only on local governments to adopt bylaws and pursue enforcement of this industry has already produced a fragmented regulatory landscape.
- **Evidence Based Policy balanced by Precaution:** Outcomes and priorities should be informed by multiple types of evidence, including quantitative data, qualitative research, observations, and experiences of governments in B.C., Canada, and elsewhere. Where the available data or evidence falls short of the reliability necessary for conclusive analysis, governments should exercise caution but also act to prevent likely harms.

Outcomes

Drawing from the perspectives and experience of local government representatives from a diverse range of communities, the Advisory Group identified a series of important outcomes of potential legislation or programs for various stakeholders. These outcomes will be achieved by complementary and collaborative work across orders of government.

- B.C. households seeking rental housing are not excluded from finding and affording housing that meets their needs as a result of suitable units being repurposed or developed specifically for short-term rentals instead of long-term tenancies.
- Local governments are able to set and enforce land use policies that designate residential property primarily for the purpose of providing long-term residences, while allowing ancillary uses that are aligned with community objectives.
- Local governments have sufficient and timely access to short-term rentals data, and capacity to enforce the land use policies and regulatory schemes set in their jurisdiction.
- All operators within the industry are subject to a clear and consistent regulatory structure, with the same level of accountability to B.C. communities.
- Businesses operating accommodation services via online platforms are held accountable for the same safety, labour practices, neighbourhood impacts, and taxes as accommodation providers operating in more traditional business models (e.g. hotels, motels, B&Bs, campgrounds, etc).
- Hosts, travellers, and neighbours are kept safe and have enjoyable experiences (or fewer negative experiences) resulting from short-term rental accommodations.
- Local governments and the Province have improved capability, through data sources and analysis, to understand the interaction between short-term rentals and the housing market.
- The Province continues to monitor and report on trends and impacts from the short-term rental industry to inform and support local governments.

Priorities

The following needs and ideas emerged during the Group's process as the most likely actions to lead to the desired Outcomes, while being informed by and respectful of the Principles described above. The Advisory Group acknowledges these ideas and priorities will likely require further analysis and collaboration to determine feasibility. Numerous other jurisdictions have introduced more stringent legislation and requirements for the short-term rental industry. Actions to address the impact of short-term rentals in British Columbia may carry some risk, but this needs to be balanced against the significant pressures facing rental housing in many communities.

Provincial Platform Regulation and Accountability

Priority: Where local governments have enacted regulatory tools, such as requiring business licenses for the operation of a short-term rental, these policies are only as strong as the capacity of the local government to enforce them. Platforms have a direct business relationship with their hosts which provides a greater opportunity to detect and deter non-compliant activity.

The Province has greater capacity to use legislative authority to regulate all online accommodation platforms offering services within the province. This framework could echo the provincial regulation of other travel or real-estate related industries such as travel agencies, home inspectors, and ride-hailing (e.g. Lyft, Uber, etc.). The parameters of a provincial framework need to be explored further, but the Advisory Group considers there to be many potential inclusions that would significantly address negative impacts of the short-term rental industry:

- Commercial operators (hosts with numerous short-term rental properties possibly listed across platforms and across communities) could be required to register as businesses through the B.C. Corporate Registries.
- While some platforms provide a field where hosts can display their business license or permit information, this could become a mandatory inclusion for all listings in B.C. where local governments have permit or license requirements. There needs to be validation of this information so that hosts are not providing false data simply to get their listing online. The Province could hold platforms accountable through provincial regulation to validate this information with local governments.
- Hosts could be asked to commit to a statutory declaration to the Province, via their platform, that their listing is compliant with provincial and local government requirements.
- Hosts could be held accountable to the province for standards regarding safety/hygiene, insurance, and consumer protection.

Rationale: Regulation of an industry at the provincial level, to the extent where common objectives exist, provides for greater clarity for the industry and efficiency for enforcement. A provincial regulatory framework is more future-proofed than relying on individual local governments to

keep abreast of advances in the technology and business models of online accommodation platforms and then update bylaws or policies in a patchwork form across the province.

Provincial regulation of other industries, such as ride-sharing, travel agencies, payday loans, and home inspections among others, provide standards that are intended to protect all British Columbians from safety and financial hazards that could be common if business activities are left unregulated. This applies to the customers in an industry as well as labour practices.

Requests:

1. Introduce a **provincial regulatory framework**, similar to those in place for ride-sharing and other regulated industries, for platform accountability and information validation for online accommodation platforms and short-term rental hosts.

Data Sharing

Priority: Local governments need data on short-term rentals that allows them to understand STR activity in their community, develop bylaws or policies to support community objectives, and enforce those bylaws or policies. The Province needs data on short-term rentals to understand trends across the province, monitor impacts on the housing market, and enforce tax policy.

Types of data that are needed include property information (address, ownership, unit type, legal tenure), host details (including multiple-property hosts), bookings (frequency of use and income), licensing information (if any), and information on complaints relating to public safety or neighbourhood impacts such as noise or standards of property maintenance.

In addressing this priority, governments need to consider appropriate protection for the personal privacy of short-term rental hosts, as data collected for a business purpose may not be redacted under FOIPPA as personal information. As short-term rental activity indicates potential vacancy of properties, it presents a security and safety threat to hosts if their property information or demographic details are released through a Freedom of Information Request.

Rationale: Current practices require governments to contract with third-party data providers or assign staff to manually scan online accommodation platforms, which are costly and inefficient approaches that may not always yield accurate and complete data. Requiring all participants in the online accommodation industry to adhere to common standards of data-sharing provides fairness in the industry and reduces the burden of tracking property listings across multiple platforms.

Requests:

2. Require all online accommodation platforms to **make data available through a provincial interface** from which local governments can pull information on property listings, hosts, bookings, and complaints in their community.

3. Require online accommodation platforms to **validate business license or permit information** with local governments to avoid false information in listings.

Taxation

Priorities: Undertaking a business activity, regardless of locale, should be subject to consistent taxation according to the law. Taxation provides revenue to governments to financially support (in part) the infrastructure and programs that create tourism opportunities and offset the potential negative impacts of the business activity, such as the pressures placed on local housing markets by short-term rentals. The collection and remittance of taxes does not prevent negative impacts on housing affordability and availability but is part of a coherent and aligned regulatory framework.

Tax Collection and Remittance

The Province regulates that the process by which Provincial Sales Tax (PST) and Municipal and Regional District Tax (MRDT) are collected and remitted as applicable on sales of short-term accommodation provided in B.C., including all accommodation listed on an online accommodation platform. Short-term rental hosts are required to register for the PST and MRDT (if applicable) unless they only list their accommodation on a platform that is registered to collect PST and MRDT.

The Province has negotiated with Airbnb to collect and remit taxes on behalf of hosts, but there are numerous other platforms not participating in these agreements, and current legislation does not allow the Province to require platforms to collect PST and MRDT (only to register voluntarily). All platforms operating in this industry should be subject to the same requirements for short-term rental bookings in the province.

Using Tax Revenues to Address Short-term Rental Impacts

Areas that have the MRDT in place can opt to direct tax revenues from online accommodation providers to housing purposes in their community, but not to the compliance and enforcement of short-term rental policies. Non-MRDT communities have more limited means to raise revenues to offset compliance and enforcement costs. Options to direct PST revenues from short-term rentals to the originating communities would support compliance and enforcement efforts.

The Advisory Group heard from industry stakeholders that the differing rates and coverage of MRDT is challenging for tourism operators and short-term rental hosts; making the MRDT consistent throughout the province could simplify administration and reduce confusion. Revisions to the MRDT could also yield tax revenue from short-term rentals that could support local communities to offset neighbourhood impacts by enabling more personnel to be allocated towards enforcement.

Addressing Commercial Use of Residential Property in Taxation

UBCM has previously endorsed a members' resolution calling for the Province to amend legislation so that properties used for short-term rental accommodation may be eligible for split classification between Class 1 and Class 6 under the Assessment Act. This would be consistent with the split classification of strata accommodation properties and "bed and breakfast" residential properties. The Advisory Group acknowledges the challenges involved in applying classification to short-term rental listings, and in keeping with the principle of fairness, supports a wider use of split classification so that commercial accommodation activities are taxed fairly. Higher property tax rates for commercial properties raise revenue directly for local governments to apply to the regulation and enforcement of the industry.

Rationale: Applying a consistent expectation across the industry to collect tax at the point of booking provides for tax fairness among all accommodation hosts (short-term rentals, traditional B&Bs, hotels, etc). This promotes accurate and complete collection of tax revenues which may be applied towards compliance and enforcement efforts.

Requests:

4. Introduce legislation to **make tax collection at the point of booking a requirement** for online accommodation platforms.
5. **Share PST revenues from short-term rentals with the local governments** affected by the taxed business activity.
6. Investigate further changes to the MRDT to **increase consistency across the province** and expand the uses of tax revenue to offset impacts to housing and neighbourhoods.
7. Explore options to **expand split classification of properties** so that commercial use of property for short-term rental accommodation is reflected in property tax assessments.

Regulatory Tools for Local Governments

Priority: Local governments have a variety of objectives that inform their policies on short-term rentals and need a flexible yet comprehensive suite of regulatory tools to help achieve those objectives. One of the most effective tools for addressing the impact of short-term rentals on housing availability and affordability is to prohibit listings that aren't within a host's principal residence. Additional conditions are used by local governments in response to specific community concerns, including having on-site or on-call property oversight, limiting the number of nights per year, and requiring off-street parking. The resource "Regulating Short-Term Rentals" published by Generation Squeeze provides an excellent reference for local governments seeking to identify options for their jurisdictions.

Some of the regulatory tools in use to implement this requirement include business licensing, temporary use permits, zoning bylaw definitions, and ticketing/fines. Yet not all local governments have access to the same tools, or some of these tools could be improved:

- Regional districts are currently required by the *Local Government Act* to request authority from the Province to issue business licenses. Enabling this authority by default would remove a barrier for regional districts wishing to adopt business licensing bylaws by choice, as a tool to manage short-term rentals and other industries as identified by the regional district. (The Province may also consider configuring the *Local Government Act* so that regional districts could adopt a licensing framework for specific industries instead of having to license all businesses).
- Increasing the allowable fines that can be levied through the Municipal Ticket Information system or Bylaw Enforcement System will enable local governments to apply deterrents to illegal short-term rental activity. Strata corporations are able to levy fines of up to \$1,000 *per day* for contraventions of strata bylaw prohibiting short-term rentals. This is a high fine in the context of a strata corporation, though it may be insufficient in other environments; some jurisdictions outside Canada are levying fines of \$1,000 for a first offence, \$5,000 for a second offence, and \$10,000 for a third offence.
- The Bylaw Enforcement Notice Adjudication process (Ministry of Attorney General) provides an avenue for citizens to dispute tickets; some communities have noted that after pursuing investigation and levying a bylaw notice to a short-term rental host who is not complying with local laws, the Provincial adjudicator may cancel the violation notice.

Rationale: Enabling local governments to use regulatory tools that fit their community's objectives acknowledges regional differences between communities and supports the principle of subsidiarity (placing regulations at the point closest to the resident/business that allows for efficient implementation).

Requests:

8. Amend the *Local Government Act* to **allow regional districts to implement business licensing**, by approval of the regional district board, as a tool to regulate short-term rentals.
9. **Increase the allowable fines** that local governments can levy against short-term rental hosts operating out of compliance.
10. Explore whether provincial bylaw notice adjudicators have sufficient information and awareness of short-term rental issues to understand these offences, **preventing undue cancellation of violation notices**.

Capacity Supports for Local Governments

Priority: Local governments vary widely in their objectives for regulating short-term rentals and the extent or impact of short-term rental activity in their communities. They also vary in size, and organizational capacity to develop, consult on, implement and enforce policies relating to short-term rentals. Building on past collaboration and outreach, the Province and UBCM can continue to jointly support all local governments in learning about, implementing and enforcing short-term rental policies by providing opportunities for knowledge sharing and community-to-community peer support.

A useful model for this is the [BC Ideas Exchange](#), which focuses on local economic development practices and knowledge-sharing activities such as web-based toolkits, webinars and conference workshops. The [“Regulating Short Term Rentals” Toolkit](#) written by Third Space Planning with support from the Federation of Canadian Municipalities and others is an example of the type of content that can be shared with local governments.

Local governments have indicated the value of having knowledgeable people available to consult directly in addition to the plethora of written and online resources. Direct outreach to local governments helps bridge the capacity gap; this model is demonstrated by the Regional Economic Development Managers that support local governments through the Ministry of Forests, Lands, Natural Resource Operations and Rural Development.

Rationale: Capacity for policy development and implementation is a major constraint facing local governments. Simply having the legislative authority to pass bylaws and implement licensing does not mean a local government (especially a small one) has the staff time or expertise to carry out research and consultation prior to policy implementation, to respond to public pressure from short-term rental hosts opposed to policies that limit their business opportunities, or to enforce policies that are passed by Council. The Province and UBCM can act jointly to support capacity development.

Requests:

11. Allocate Provincial resources to collaborate with UBCM on an **outreach program to support local governments** in identifying and implementing policy options that address housing priorities and needs, including short-term rental regulation and enforcement.

Improve Availability of Data on Short-Term Rentals and the Rental Market

Priority: Local governments and the Province need better data on both the availability and cost of housing in the rental market. Rental market data from CMHC pertains predominantly to the primary (purpose-built rental) market, and is only available at an annual frequency, which poses serious challenges and limitations to understanding the impacts of short-term rentals on the rental market. Data on the secondary rental market (i.e. basement suites, rental houses, etc.) is largely non-existent, thus measuring the impacts of short-term rentals more broadly remains an impossible task. Even where data exists, a further challenge comes in

distinguishing rental units that could potentially form permanent housing from properties that are unlikely to be used as permanent housing, even if removed from short-term rental use (e.g. temporary listings, remote vacation properties or residences located in designated tourist accommodation zones).

The Advisory Group is aware of the challenge of establishing data sources on the secondary rental market and raises this as a priority for the Province to work on with CMHC and using municipal data where available.

In addition to improving data on the secondary rental market, the Advisory Group noted that data on short-term rentals are not incorporated into the Housing Needs Reports required for all communities. If data-sharing becomes a requirement for online accommodations providers, this information can be included in Housing Needs Reports to help Councils recognize trends or challenges and adapt policies according to local needs.

Rationale: Through the Advisory Group process it became evident that gaps in data on the rental market made it difficult to measure and compare the impacts of short-term rentals on rental housing availability and cost in communities. Existing rental housing data from Canada Mortgage and Housing Corporation (CMHC) varies in coverage among communities, with data coverage of up to 55% in some larger metropolitan areas, but as little as 10% coverage in smaller communities. By contrast, it is known from Census data that roughly 70% of all renter households in British Columbia occupy rented dwellings in the secondary rental market, yet there are very few reliable data sources available to understand this very large segment of the rental market.

These data gaps confound meaningful discussions of what policies are really needed to address housing affordability across the spectrum of housing. The gaps also increase the risk that local government policies targeting short-term rentals will fail to respond to emerging trends in housing (or developing industries) or provide the necessary housing to meet future demands.

Requests:

12. Allocate Provincial resources and collaborate with the federal government (Statistics Canada and CMHC) and local governments **to improve the collection and analysis of data on secondary rental housing**, particularly as relates to short-term rental impacts.
13. **Expand the Housing Needs Reports data requirements** to include showing data on short-term rental listings and usage, utilizing platform data collected through a provincial regulatory framework.