

## A FRAMEWORK FOR CANADIAN REGULATORS

# DEVELOPING A MODERN APPROACH TO SHORT-TERM RENTALS IN A DIGITAL ECONOMY

## THE LANDSCAPE

Governments at all levels are grappling with the implications of the growing short-term rental industry. There is an acute need for provincial, and municipal governments to put in place a modern regulatory framework to address the stresses and unintended consequences created by short-term accommodation rentals.

## OBJECTIVES

- Minimize the displacement of affordable and accessible housing
- Minimize community nuisance while protecting public safety and with adherence to municipal bylaws
- Ensure a level competitive playing field by collecting appropriate taxes and tourism levies
- Enable compliance while minimizing the administrative burden for hosts, home-renting platforms and governments.

## THE ROADMAP

Based on emerging best practices, municipal regulators should adopt these five steps when developing regulations.

### 01

#### RESEARCH

- Understand how short-term rentals and the commercialization of principal residences are impacting on communities and neighborhoods. Consider leading and best practices from other jurisdictions.

### 02

#### EXISTING REGULATION

- Review the policies and regulations that are in place today. Canadian municipalities should also review what is in place and being contemplated at the provincial level. Provincial registry with platform accountability is the best practice, as it allows the municipal governments and / or regional districts to identify all STRs in their jurisdiction which enables appropriate enforcement and reduces the administrative burden of municipal staff.

### 03

#### CONSULTATION

- Consult with the local business community, including housing and hospitality to assess the impact of short-term rental on the community. Also review the community plan, neighbourhoods, and the livability goals of the community along with the access to transportation and amenities.

### 04

#### APPLY REGULATORY TOOLS

- Review each of the eight key tools and how they can best be applied in response to local conditions.
- Engage stakeholders on proposals and pass regulations that are sustainable and effective over the long term. Best practice is to ensure specific locations and home sharing only and to ensure commercial licenses are restricted to one year of operation only as they have the greatest negative impact on affordability and livability.

### 05

#### MONITOR AND ASSESS

- Actively monitor the reported results against expected outcomes. Pay close attention to resident complaints
- Proactively investigate regulatory compliance and refine policy as circumstances and experience dictate.

# 8

# REGULATORY TOOLS TO MODERNIZE SHORT-TERM RENTAL ACCOMMODATIONS

Following a scan of the regulatory approaches taken in communities and cities around the world, the following 8 elements have consistently been applied:

## HOST REGISTRATION & FEES

---

Requires that any property offered for home-sharing be registered with the local government. For the benefit of hosts and municipalities, platform companies must facilitate the registration process. Along with the collection of an annual fee to recover costs, registration enables the monitoring and reporting of rental activity. Proof of principal residence status should be required during registration.

## PLATFORM REGISTRATION & FEES

---

Require registration of the rental platform companies along with a significant annual fee and an ongoing fee for each booking. Rental platform companies must be prohibited from listing any property that is not registered. STR platforms must also face hefty prohibitive fines if they contravene municipal regulations.

## PRINCIPAL RESIDENCE RESTRICTION

---

Limits residential short-term rentals to a host's principal residence only, regardless of length of stay. This both protects the rights of tenants renting non-principal resident units and prohibits the operation of ghost hotels and/or large-scale commercial enterprises operating under the veil of home sharing. A significant issue remains in that short-term rentals are permitted in areas without proper zoning but with some limitations. In jurisdictions where commercial STRs (non-principal residence STRS) have proliferated, they should be phased out in ways that protect both hosts and local tourism markets through tools such as Temporary Use Permits.

## CAP ON USAGE

---

Limits the number of days that a home can be rented through a home-renting platform. This helps to moderate the decline in available housing stock and the nuisance factors associated with the conversion of ordinary residences into commercial operations. Caps typically run from 30 to 180 days per year. Some condominium boards put the cap at zero days and some regulations require explicit approval from homeowner's associations before short-term rentals can be offered.

## REPORTING

---

A requirement at the platform and host level is to report to government on all home-renting activity. This includes mandating that platform companies issue periodic real-time data to hosts on nightly rental activity and income with a copy to government authorities.

## TAXATION/LEVIES

---

Special provisions at the platform level to conveniently collect and remit various taxes and/or levies on behalf of hosts. This creates a level playing field with commercial operators and provides revenue to the government to cover the costs of managing home-sharing activity. All short-term rentals are a business and therefore are deemed responsible for holding a business license and paying commercial property taxes, insurance etc.

## ENFORCEMENT/PENALTIES

---

Mechanisms to ensure regulations are applied and enforced (e.g. confirm principal residence with a driver's license). Effective enforcement can only be achieved with reliable and timely reporting of activity from the platform. Penalties help to ensure the system is operating as intended through compliance.

