



City of Richmond

Report to Committee

To: General Purposes Committee

Date: October 18, 2019

From: Laurie Bachynski
Director, Corporate Business Service Solutions

File: 08-4150-03-01/2019-Vol 01

Re: **Municipal and Regional District Tax (MRDT) Revenue from Online Accommodation Platforms**

Staff Recommendation

1. That staff be directed to submit the necessary documentation to Destination BC for allocation of future Online Accommodation Platform (OAP) Municipal and Regional District Tax (MRDT) revenue to affordable housing initiatives in accordance with the City's Affordable Housing Strategy.
2. That Municipal and Regional District Tax Imposition Bylaw No. 9631, Amendment Bylaw No. 10099, to add "affordable housing initiatives" as a permitted use for Online Accommodation Platform (OAP) MRDT revenue be introduced and given first, second and third reading.

Laurie Bachynski
Director, Corporate Business Service Solutions
(4335)

Att. (3)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law	<input checked="" type="checkbox"/>	
Affordable Housing	<input checked="" type="checkbox"/>	
Bylaws	<input checked="" type="checkbox"/>	
Finance	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The City of Richmond is a designated recipient of a 3% Municipal and Regional District Tax (MRDT), commonly known as the “hotel tax”, for the period July 1, 2017 to June 30, 2022. These funds are administered by the City through partnerships with the Richmond Hotel Association and Tourism Richmond.

The purposes for which these funds may be expended are established in the *Provincial Sales Tax Act* and accompanying Designated Accommodation Area Tax Regulation 93/2013 and are prescribed in the City of Richmond Municipal and Regional District Tax Imposition Bylaw No. 9631 as follows:

- a) tourism marketing, programs and projects;
- b) sport hosting marketing, programs and projects; and
- c) destination enhancement initiatives, including capital and non-capital investments in and operation of tourism attractions (including construction or renovation of infrastructure); major events; tourism product development; and direct sales.

In October 2018, changes were made to the legislation that allow the City to use MRDT funds collected through Online Accommodation Platforms (OAPs), such as Airbnb, for affordable housing initiatives.

This report supports Council’s Strategic Plan 2018-2022 Strategy #6 Strategic and Well-Planned Growth and #7 A Supported Economic Sector as follows:

- 6.5 *Ensure diverse housing options are available and accessible across the housing continuum; and,*
- 7.0 *Facilitate diversified economic growth through innovative and sustainable policies, practices and partnerships.*

Background

Overview

In 2018 the Province of BC made changes to the *Provincial Sales Tax Act* to expand the collection of the Municipal and Regional District Tax (MRDT) to include all short-term rental accommodations. The changes also allow local governments to use MRDT revenue collected through Online Accommodation Platforms (OAPs), such as Airbnb, to fund affordable housing initiatives.

Since October 2018 the City of Richmond has been receiving Online Accommodation Platform (OAP) MRDT revenue in addition to General MRDT revenue, both of which are described below:

General MRDT: revenues collected from traditional accommodation providers, including hotels and motels, bed and breakfasts, and vacation rental reservation systems that list properties with verifiable property managers.

Online Accommodation Platform (OAP) MRDT: new revenues collected from online marketplaces that facilitate transactions for renting short-term accommodation (many of which operate across jurisdictions) and typically list basement suites, individual rooms, or other forms of accommodation (such as trailers or motor homes).

In Richmond the General MRDT revenue is administered and managed under two contracts, the terms of which coincide with the Provincial Regulation that is in effect from July 1, 2017 to June 30, 2022. These two agreements govern the distribution of revenue among the tourism partners (the Richmond Hotel Association, Tourism Richmond, and the City of Richmond), and designate Tourism Richmond as the City's destination marketing organization. In 2018 approximately \$6.5 million of General MRDT revenue was received and used to fund tourism marketing and development in Richmond.

While General MRDT revenue cannot be used for affordable housing initiatives because of the above-noted partnerships and corresponding legal agreements, the City has the discretion to use all or part of future Online Accommodation Platform (OAP) MRDT revenue to fund affordable housing initiatives.

Analysis

Since the Provincial legislation changes came into effect, \$238,466.70 in Online Accommodation Platform (OAP) MRDT revenue was received by the City of Richmond over the nine-month period from October 2018 to June 2019. This amount has been added to General MRDT revenue and used to fund tourism marketing and destination enhancement initiatives.

Starting January 1, 2020, the City can allocate Online Accommodation Platform (OAP) MRDT revenue to affordable housing initiatives. Funds would be transferred to the City's Affordable Housing Reserve and spent on future projects in accordance with the City's Affordable Housing Strategy. As directed by City Policy 5008, the Affordable Housing Reserve is intended to support a range of City activities, including the acquisition of sites for affordable housing development; administration costs related to affordable housing projects; research and analysis; and other administrative related expenditures. In the last decade, the Affordable Housing Reserve has provided funding for a range of projects including the construction of the Storeys and Kiwanis Towers developments, as well as advancing actions in the City's Affordable Housing Strategy (2017-2027) and Homelessness Strategy (2019-2029). Specific affordable housing initiatives, including those which may directly or indirectly benefit the tourism and hospitality sector, will be brought forward for Council's consideration as they are developed.

Based on the amount of revenue received to date, it is estimated that the City will receive approximately \$320,000 of Online Accommodation Platform (OAP) MRDT revenue annually. Only a rough estimate can be provided at this stage as this new tax has not yet been in place for a complete annual cycle. This amount may also fluctuate as the number of short term rental

accommodation units rented using online booking platforms changes or as the City increases enforcement of illegal short term rentals.

Status of Short-Term Rentals in Richmond

In 2017 the City of Richmond introduced regulations to strengthen the City's bylaws related to short-term accommodation rentals (rentals of less than 30 days). There are currently two types of short-term rentals permitted in Richmond and these are described below.

- **Bed and Breakfast (B&B)** can be operated in a single detached housing dwelling unit where the home owner resides in the home and runs the business. A business licence is required and operators can host no more than six guests in up to three rooms. In addition, B&B's approved since 2017 can be no less than 500m apart.
- **Boarding and Lodging** applies when the owner or occupier of a residential unit hosts up to two guests at a time. This is a permitted use in all residential units and has existed in the Zoning Bylaw since it was first adopted. There is currently no requirement to obtain a business licence for Boarding and Lodging.

Both types of legal short-term rentals must be "hosted" by permanent residents of the residential unit. The short-term rental of an entire house or residential unit, with no permanent resident, is not permitted in Richmond under any circumstance. There are currently 67 licenced B&B's in Richmond operating 194 rooms. The number of boarding and lodging operations cannot be provided as there is currently no licensing system for this form of short-term rental.

Along with the above noted regulation changes, staff have also increased enforcement activity against illegal short-term rental operations. This has resulted in the issuance of approximately 200 tickets and the closure of over 600 illegal operations since 2017. Enforcement of illegal short-term rentals continues to be a priority for the City's bylaw enforcement department.

Implementation

Allocating future Online Accommodation Platform (OAP) MRDT revenue to affordable housing initiatives would require an amendment to Municipal and Regional District Tax Imposition Bylaw No. 9631, as well as submission of an Affordable Housing Plan to Destination BC by November 30, 2019. It would not impact the established tourism development partnership model under which General MRDT is administered and used to fund tourism marketing and destination enhancement initiatives.

Consultation with Tourism Partners

The Richmond Hotel Association and Tourism Richmond were consulted regarding the allocation of future Online Accommodation Platform (OAP) MRDT revenue to affordable housing initiatives, and both parties expressed their endorsement of this recommendation. Individual letters from the Richmond Hotel Association and Tourism Richmond are attached for reference.

Financial Impact

It is estimated that the City will receive approximately \$320,000 annually in Online Accommodation Platform (OAP) MRDT revenue. Beginning January 1, 2020, these funds can be transferred to the City's Affordable Housing Reserve and used to fund affordable housing initiatives.

Conclusion

Since October 2018 the City has been receiving a new stream of MRDT revenue from Online Accommodation Platforms (OAPs), such as Airbnb, that facilitate transactions for renting short-term accommodation. Moving forward the City has the discretion to use this revenue to fund affordable housing initiatives without impacting the established tourism development partnership model under which General MRDT is administered and used to fund tourism marketing and development in Richmond. In order to implement this change an amendment to Municipal and Regional District Tax Imposition Bylaw No. 9631 is required, as well as submission of an Affordable Housing Plan to Destination British Columbia by November 30, 2019.



Katie Ferland
Acting Manager, Economic Development
(604-247-4923)

- Att. 1 Municipal and Regional District Tax Imposition Bylaw No. 9631
- Att. 2 Letter of Endorsement from Richmond Hotel Association
- Att. 3 Letter of Endorsement from Tourism Richmond



Municipal and Regional District Tax Imposition Bylaw No. 9631

The Council of the City of Richmond enacts as follows:

- 1) The Lieutenant Governor in Council is hereby requested to issue a regulation under Section 123(1) of the *Provincial Sales Tax Act* in respect to imposing a tax on accommodation purchased within the whole of the City of Richmond from and including July 1, 2017 to and including June 30, 2022.
- 2) The tax to be imposed under the provisions of the regulation referred to in section 1 of this Bylaw is requested to be three percent of the purchase price of the accommodation.
- 3) The purposes for which the amount paid to the City of Richmond out of the revenue collected from the tax to be imposed under the provisions of the regulation referred to in section 1 of this Bylaw may be expended are:
 - a) tourism marketing, programs and projects;
 - b) sport hosting marketing, programs and projects; and
 - c) destination enhancement initiatives, including capital and non-capital investments in and operation of tourism attractions (including construction or renovation of infrastructure); major events; tourism product development; and direct sales.
- 4) This Bylaw is cited as “**Municipal And Regional District Tax Imposition Bylaw No. 9631**” and is effective July 1, 2017.



City of Richmond
6911 No. 3 Road
Richmond, BC
V6Y 2C1

Attn: Katie Ferland, Acting Manager, Economic Development

The Richmond Hotel Association submits this letter of endorsement to the City of Richmond with regards to the City's application of the Online Accommodations Platform Municipal and District Revenue Tax (MRDT) Revenue towards affordable housing initiatives.

The Association membership was polled for feedback and the result, without exception, was to endorse this very important initiative.

Regards,

A handwritten signature in blue ink, appearing to read "Steve Veinot". The signature is fluid and cursive.

Steve Veinot
Richmond Hotel Association Chair
Cc: Andrew Nazareth, Debbie Morris



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Richmond, British Columbia
Canada, V6X 3M1
604 821 5474
info@tourismrichmond.com

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Richmond, BC
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Attn: Katie Ferland, Acting Manager, Economic Development

Tourism Richmond submits this letter of endorsement to the City of Richmond with regards to the City's application of the Online Accommodations Platform Municipal and District Revenue Tax (MRDT) Revenue towards affordable housing initiatives.

We recognize the need for affordable housing initiatives and projects in Richmond. Realizing the City's vision of becoming the most appealing, livable and well-managed community in Canada requires a significant investment of time, human resources and funding.

We all work to attract people to our city. We are confident the additional revenue generated by the Online Accommodations Platform MRDT will go a long way to help create the ideal live-work-play city for residents, Tourism Richmond stakeholders and visitors alike.

Sincerely,

A handwritten signature in black ink that reads "Nancy Small". The signature is written in a cursive, flowing style.

Nancy Small
Chief Executive Officer
Tourism Richmond



Municipal and Regional District Tax Imposition Bylaw No. 9631 Amendment Bylaw No. 10099

The Council of the City of Richmond enacts as follows:

- 1. The Municipal and Regional District Tax Imposition Bylaw No. 9631 is amended as follows:
a) by adding the phrase "Except as provided in Section 4," to the beginning of Section 3; and
b) by renumbering Section 4 so it appears as Section 5 and by adding the following as Section 4:
4) The amounts paid to the City of Richmond out of the revenue collected from the tax imposed on purchases through online accommodation platforms may be expended on affordable housing initiatives.
2. This Bylaw is cited as "Municipal and Regional District Tax Imposition Bylaw No. 9631, Amendment Bylaw No. 10099" and is effective January 1, 2020.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept.
APPROVED for legality by Solicitor

MAYOR

CORPORATE OFFICER