



To: Mayor and Councillors
From: Carli Williams, P.Eng.
Manager, Business Licence and Bylaws
Date: November 13, 2019
File: 12-8060-02-01/2019-Vol 01
Re: **Amended Licencing Requirements for Short-Term Boarding and Lodging**

At a recent meeting of the General Purposes Committee, the staff report “Review of Licencing and Enforcement of Short-Term Rentals”, dated October 1, 2019, from the General Manager of Community Safety was referred to staff to:

...review the ownership and occupation requirements in relation to boarding and lodging sites and that such requirements be consistent with current regulations related to the ownership and occupation requirements of bed and breakfast sites, and report back.

The staff report recommended a number of bylaw amendments to enable a business licensing program for short-term boarding and lodging. The bylaw amendments proposed in the report specified that short-term board and lodging businesses must be operated by the permanent resident of the residential unit and that they must have the permission of the owner and the strata (if applicable). This is consistent with the pre-existing definition of boarding and lodging in Richmond Zoning Bylaw No. 8500 and supports best practices by ensuring that no one can operate more than one short-term rental at any given time.

The amended bylaws attached to this memo add an additional requirement such that short-term boarding and lodging businesses can only be run by owners of the residential unit and further that owners must be individuals and not corporations. This makes the rules for short-term boarding and lodging consistent with the rules for bed and breakfast business, which is the only other form of legal short-term rental.

Having consistent rules will make it easier to explain the requirements but it may have a negative impact on compliance. One of the goals of a licencing program for short-term boarding and lodging is to legalize and identify all of the short-term boarding and lodging operations. Many of the boarding and lodging operations identified through the bylaw enforcement program are occurring in multi-family homes (condos, townhouses, etc) and run by tenants. These operations will be required to shut down as a result of the proposed amended bylaws or risk enforcement and fines.

Should Council wish to proceed with the amended bylaws that limit short-term boarding and lodging to operations run by individual property owners only, it is recommended that the wording in the original staff report for recommendation 2b) be replaced with:

- b. That each of the following Bylaws **to limit short-term boarding and lodging to operations run by individual property owners** be introduced and given first, second and third readings in order to implement a licencing program, including new ticketing provisions:
 - i. Business Licence Bylaw No. 7360, Amendment Bylaw No. 10067;
 - ii. Business Regulation Bylaw No. 7538, Amendment Bylaw No. 10068;
 - iii. Municipal Ticket Information Bylaw No. 7321, Amendment Bylaw No. 10069;
 - iv. Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122, Amendment Bylaw No. 10070; and
 - v. Consolidated Fees Bylaw No. 8636, Amendment Bylaw No. 10089; and

All other recommendations in the original staff report remain the same and are not impacted by this change.



Carli Williams, P.Eng.
Manager, Business Licence and Bylaws
604-276-4136

Att. 4

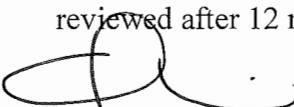
pc: SMT
Anthony Capuccinello Iraci, City Solicitor
Barry Konkin, Manager, Policy Planning
Katie Ferland, Acting Manager, Economic Development

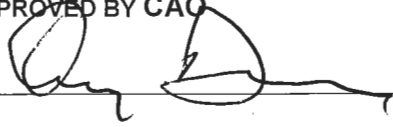


To: General Purposes Committee **Date:** October 1, 2019
From: Cecilia Achiam **File:** 12-8275-01/2019-Vol 01
General Manager, Community Safety
Re: **Review of Licencing and Enforcement of Short-Term Rentals**

Staff Recommendation

1. That Richmond Zoning Bylaw No. 8500, Amendment Bylaw No. 10066, to clarify the definition of Boarding and Lodging, be introduced and given first reading;
2. That a business licencing program for Short-Term Boarding and Lodging be introduced and:
 - a. That, subject to the 2020 one-time expenditure process, a new temporary Full-Time Licence Clerk position be approved as a one-time expenditure to be reviewed after 12 months in order to administer the business licencing program; and
 - b. That each of the following Bylaws be introduced and given first, second and third readings in order to implement a licencing program, including new ticketing provisions, for Short-Term Boarding and Lodging:
 - i. Business Licence Bylaw No. 7360, Amendment Bylaw No. 10067;
 - ii. Business Regulation Bylaw No. 7538, Amendment Bylaw No. 10068;
 - iii. Municipal Ticket Information Bylaw No. 7321, Amendment Bylaw No. 10069;
 - iv. Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122, Amendment Bylaw No. 10070; and
 - v. Consolidated Fees Bylaw No. 8636, Amendment Bylaw No. 10089; and
3. That, subject to the 2020 one-time expenditure process, the addition of two temporary full-time bylaw enforcement officers, as described in this staff report "Review of Licencing and Enforcement of Short-Term Rentals" dated October 1, 2019, from the General Manager, Community Safety be approved as a one-time expenditure to be reviewed after 12 months.


Cecilia Achiam
General Manager, Community Safety
(604-276-4122)

REPORT CONCURRENCE	
ROUTED TO:	CONCURRENCE
Economic Development	<input checked="" type="checkbox"/>
Finance Department	<input checked="" type="checkbox"/>
Law	<input checked="" type="checkbox"/>
Affordable Housing	<input checked="" type="checkbox"/>
Policy Planning	<input checked="" type="checkbox"/>
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: CJ
APPROVED BY CAO 	

Staff Report

Origin

During the January 14, 2019 Council meeting, Council made the following referral:

That staff be instructed to report back on a licencing program, including an analysis of resources for its implementation, to regulate boarding and lodging in order to create a public registry.

During the March 25, 2019 Council Meeting, Council made the following referral:

That staff review the bed and breakfast business license application process, specifically the screening process for owners of multiple properties.

During the May 27, 2019 Council Meeting, Council made the following referral:

- 1) *That the City conduct more assertive enforcement of short-term rentals, including issuance of multiple tickets, and proactive enforcement; and*
- 2) *That staff explore hiring additional Bylaw staff to actively investigate every short-term rental and bed and breakfast listing in Richmond and report back.*

This report supports Council's Strategic Plan 2018-2022 Strategy #1 A Safe and Resilient City:

Enhance and protect the safety and well-being of Richmond.

Analysis

History

Issues related to short-term rentals were discussed at several meetings of Council in 2017. Short-term rentals include any residential unit rented for less than 30 days. In consideration of the issues related to regulation of short-term rentals, Council considered the following impacts:

- **Effect on Rental Housing Stock** – Residential units offered for short-term rental can decrease the availability of long term rentals. The vacancy rate has improved slightly since the start of the short-term rental program, from 0.6 to 0.7%. However, the rental vacancy rate is influenced by a range of direct factors – from rental construction trends to provincial regulations.
- **Land Use Conflicts** – Short-term rentals may have a number of impacts on residential neighbourhoods, including parking and noise, and these continue to be the main issues of concern expressed by complainants.
- **Level Playing Field** – When the short-term rental enforcement program began, those offering short-term rentals were not subject to the same taxes paid by hotels. However,

the Province changed the regulations and the Municipal and Regional District Tax (“MRDT”) now applies to all short-term rentals.

- **Health, Fire and Safety** – Hotels must comply with certain building and fire code standards whereas short-term rentals are located in houses or strata lots and not subjected to the same requirements. Under the current regulations, bed and breakfast businesses are inspected but other forms of short-term rentals are not (including those offering boarding and lodging).
- **Economic Benefits** – Short-term rentals can provide economic benefits to residents and the local economy by generating supplementary income for homeowners and providing alternate forms of accommodation for visitors. There is also a benefit to the City through collection of the MRDT to fund tourism marketing and development.

In consideration of the impacts and benefits of short-term rentals, Council established the following principles to guide the development of regulations:

- Preserve affordable long-term housing;
- Provide opportunities for revenue to assist in home ownership;
- Continue to enable sport hosting and cultural exchanges; and
- Prohibit illegal hotel operations and “party houses”.

As a result, staff were directed to limit short-term rentals to boarding and lodging¹ and bed and breakfast businesses², as already permitted in Richmond Zoning Bylaw No. 8500 (the “Zoning Bylaw”). The feedback from public consultation indicated a general desire to retain “boarding and lodging” use for the purpose of sport hosting, home stay and student exchange type programs that are well-established in the community. Staff also confirmed that these long-standing practices rarely generated any complaints or concerns from the community.

Staff were further directed to enhance regulations related to bed and breakfasts and strengthen the enforcement against illegal operations. As part of the bylaw changes to enhance regulations, the requirements to run a bed and breakfast now include that the operator must own the premises and must be an individual and not a corporation. In Richmond, all legal short-term rentals are required to be “hosted” with the operator living on the premise. As such, a legal short-term rental does not displace rental units, either entire suites or homes.

Along with changes to the rules governing bed and breakfast businesses, staff also undertook a targeted enforcement campaign to identify illegal short-term rentals. In 2017, the CAO authorized four temporary Bylaw Officers for a six month period to specifically address the proliferation of short-term rental listings in Richmond to be funded from vacancies in Community Bylaws. These temporary resources were devoted to enforcement of short-term rentals, to identify as many addresses from the listing sites as possible and to develop a procedure to investigate and enforce all suspected illegal operations. Since this enhanced enforcement period, the staffing level in Community Bylaws has returned to its full regular

¹ Boarding and lodging means sleeping unit accommodation, without cooking facilities, that is supplied for not more than 2 boarders.

² Bed and breakfast is the commercial accommodation of guests for periods of 30 days or less in a single detached dwelling unit.

compliment and enforcement of illegal short-term rentals has become part of the regular work load of the property use inspection section.

With the dedicated resources and efforts in 2017, the number of short-term rental listings in Richmond has seen a significant decrease from almost 1,600 listings in 2016 to holding steady between 600-800, depending on the season. It should be noted that this is the total number of listings and includes both legal and illegal operations. In addition, each listing does not represent a separate address as many properties have multiple listings and/or advertise on multiple sites.

As a comparison of magnitude, there is approximately 4,700 active short-term rental listings in Vancouver in March 2019³. While it is likely impossible to fully eliminate illegal short-term rental operations, the results achieved by the City have seen a significant improvement.

Best Practices for Regulating Short-Term Rentals

A report, recently presented to the Federation of Canadian Municipalities from the Urban Politics and Governance research group from McGill University (report can be found at <http://upgo.lab.mcgill.ca/airbnb/>), looked at the impact of short-term rentals on Canadian housing markets. This report made three key recommendations:

1. Hosts should only be allowed one operation and should not be permitted to operate short-term rentals at multiple locations;
2. Cities should not allow full-time, entire-home rentals; and
3. Platforms should be responsible for enforcement and engaged in the process to identify and discontinue illegal operations.

Staff have carefully reviewed these recommendations and can confirm that these are either already addressed in the City's current regulations or will be by the proposed business licencing program and bylaw changes outlined in this report.

Enforcement Data

As directed by Council, enforcement of illegal short-term rentals is one of the highest priorities by staff in Community Bylaws. Addresses are identified and case files are opened based on complaints received as well as by enforcement staff monitoring internet postings.

Since the start of the targeted enforcement campaign in 2017, staff have identified and shut down over 600 illegal operations and collected \$94,000 in fines (see Tables 1 and 2). While progress on shutting down illegal operations is continuing, it has been staff's experience that illegal short-term rental operators are getting increasingly more sophisticated and it is more difficult and requires more time to collect evidence for enforcement. As an example, internet listings used to include addresses but this is rarely the case for current listings. It is also common to find multiple listings for one address.

³ <https://www.cbc.ca/news/canada/british-columbia/city-of-vancouver-cracks-down-on-820-short-term-rentals-1.5056914>

The statistics in Tables 1 & 2 indicate that there has been less short-term rental enforcement (investigation of illegal short-term rentals) within the property use portfolio over time due to the reduction of listings and less dedicated resources. Enforcement staff follow up on every listing they find but do not always have time to undertake proactive enforcement and files can be time consuming and take several months to be resolved.

Table 1: Summary of Enforcement of Illegal Short-term Rentals

Action	2017	2018	2019 YTD	Total
Number of Addresses identified	289	272	63	624
Home Inspections	404	685	76	1156
Tickets issued	87	87	21	190
Order to comply (verbal or written)	286	243	51	580
Operations that have ceased short-term rental	289	271	53	614

Table 2: Tickets and Revenue collected from Illegal Short-Term Rentals

Year	Tickets Issued	Revenue Collected
2017	87	\$ 41,800
2018	87	\$46,200
2019 YTD	21	\$6,000

Recommendation 1 – Bylaw Changes to Clarify Boarding and Lodging

Boarding and lodging is currently defined in the Zoning Bylaw as “...sleeping unit accommodation, without cooking facilities in the sleeping units, that is supplied for remuneration for not more than 2 boarders, and which may or may not include meal service...”. The proposed bylaw amendments clarify that boarding and lodging is a secondary use and can only occur when it is secondary to the main principal residential use. This means that boarding and lodging must be “hosted” in that it can occur only in conjunction with a permanent resident within the same residential unit. Renting out entire units (entire houses, secondary suites or condos without a permanent resident living in the same unit) for less than 30 days is not permitted. This is an important pillar of the current regulations and is consistent with recommendations for best practices in regulating short-term rentals. Prohibiting entire home rentals prevents “party houses” and the conversion of long term housing over to short-term rentals.

Approval of this recommendation requires only a bylaw amendment and has no associated costs. While each of the recommendations may be considered separately, the bylaw amendment put forward in this recommendation is needed to strengthen enforcement regardless of any changes to service levels.

Recommendation 2 - Business Licencing Program for Short-Term Boarding and Lodging

While bed and breakfast businesses are permitted in single family zones only, boarding and lodging is permitted in nearly all residential zones, including multi-family units. Regardless of the location, legal short-term rentals in Richmond are required to be hosted by a permanent resident of the home or suite. While there is a well-established licencing regime for bed and breakfast businesses in Richmond, there is currently no requirement for boarding and lodging to be licenced. This poses a number of problems related to enforcement, tracking the locations and verifying legal operations.

This report recommends a licencing program specific to short-term boarding and lodging, including bylaw amendments, fees and ticketing to recover the cost of administering the program. The new program would only apply to for-profit operations and would exempt not-for-profit short-term boarding and lodging such as sport hosting and cultural exchanges. A licencing program for short-term boarding and lodging would enable the City to pursue agreements with internet providers, such as Airbnb, to publish business licence numbers to confirm legal operations and not allow listings of illegal operations.

Licencing short-term boarding and lodging will not affect the number of residential units available for long term housing but it will provide several benefits. A licensing program would mean that all forms of legal short-term rentals are licenced and on a level playing field in terms of taxation and safety standards. This includes hotels, bed and breakfasts and boarding and lodging. It would also increase transparency throughout the community around what is permitted related to short-term rentals and provide assurance to visitors that they are staying in a legal accommodation. Any licencing program put in place by the City would not exempt individual owners from the requirement to comply with their strata bylaws or renters from getting the permission of the property owner to provide boarding and lodging.

While the Business Licence Bylaw No. 7360 (the “Business Licence Bylaw”) requires licences in order to carry on commercial undertakings of any kind, this has not been interpreted to include boarding and lodging. The bylaw amendments proposed by this report include changes to the Business Licence Bylaw and to the Business Regulation Bylaw No. 7538 (the “Business Regulation Bylaw”) to add short-term boarding and lodging as a regulated business and make it clear that a licence is required for commercial (for-profit) operations.

The proposed new licencing program will also include application requirements for those applying to host boarding and lodging. All applicants will be required to provide identification to prove that they live in the unit and that they have the permission of the property owner and the Strata Corporation (where applicable). The strata will retain its authority to allow/prohibit short-term rentals regardless of the proposed licencing regime. Identifying the host of each operation will ensure that hosts cannot operate short-term rentals in more than one location. A business licence process will provide access to the residential unit for inspections to check compliance for other bylaws such as the Building Regulation Bylaw No. 7230. The proposed fee for this licence will be \$143, the same as the base fee for other businesses.

A licencing program for boarding and lodging, as described in this report, will represent an increase in service level that will require additional resources and staff but is cost neutral to the

operating budget. Staff will have to review and process applications, undertake inspections and maintain a registry. While there are currently 70 licenced bed and breakfast operations, it is expected that there will be many more licenced boarding and lodging operations.

If endorsed, it is proposed that one full-time clerk position be added to the licencing group, at a cost of \$80,000, in order to service the additional workload. There are currently 600-800 listings for short-term rentals and there could be more once a legal scheme is put in place. It is estimated that the cost of an additional clerk will be recovered by an increase in fees collected. There is no net cost to this program but Council approval is required in order to create a new position.

Recommendation 3 – Hiring Staff for Proactive Enforcement of Illegal Short-Term Rentals

At the start of the short-term rental enforcement campaign in 2017, the CAO approved four temporary staff for six months to provide dedicated enforcement. Since that time, enforcement of illegal operations has been distributed among the four permanent staff in the property use group that provide enforcement of several other community bylaws in addition to illegal short-term rentals. Since June 2019, the CAO has approved two additional temporary staff in response to recent Council's direction conduct more assertive enforcement and this recommendation proposes that this funding be extended for at least another year.

Past experience indicated Community Bylaws will not be able to sustain an increase in service level to conduct more assertive enforcement on short-term rentals without additional staff. If Council wishes to establish a higher level of service specifically for the enforcement of illegal short-term rentals, it would require additional bylaw enforcement officers. The additional officers would be dedicated to enforcement of illegal short-term rentals in the spring and summer, when there are the most listings, and can help the team on other bylaw enforcement matters in the winter if the workload decreases. Alternatively, staff could be redeployed from other areas of Community Bylaws but this would result in a corresponding decrease in service level to other areas and is not recommended.

A bylaw enforcement officer working in this capacity (enforcement of illegal short-term rentals) has a cost of \$120,000 annually (salary, benefits, inspection vehicle and equipment) and collects approximately \$20,000 in bylaw fines (tickets). If endorsed, staff will request funding for a one-time expenditure so that there is no on-going impact to the operating budget or taxes. This funding would be reviewed each year based on the need and effectiveness of the additional resources and to determine if further funding is warranted as part of the budget process. While adding additional staff will result in more enforcement, it is unclear whether this will be effective in preventing new illegal operations or if there will be a continuing need for enforcement once other measures, like the licencing program for boarding and lodging, are in place.

In addition to an increase to staff resources, staff investigated third-party internet listing services that could be used to help with enforcement of illegal short-term rentals. These programs use data from multiple sources (Airbnb, Expedia, Hotels.com, etc.) to identify addresses of current listings and provide statistics about how many are operating and what type of accommodation is being offered.

There are several internet listing services currently in the marketplace but their effectiveness is limited and the price to obtain minimum service is \$50,000 annually. None of the services are able to identify addresses within multi-family properties (condos or townhouses) and they do not search the Chinese language sites. In consideration of limited effectiveness and the cost, this is not recommended as a cost effective approach at this time.

Bed and Breakfast Application and Licencing Requirements

Current regulations for bed and breakfast businesses require that they be operated by an individual who owns and resides in the house. The house cannot be owned by a corporation and the business cannot be run by someone who is not an owner and occupier of the house. The Business Licence Bylaw requires individuals to provide government issued identification and a utility or tax bill to prove their residence. Staff also undertake an inspection of the home.

Council recently considered an appeal by an individual who was refused a business licence for a bed and breakfast because the home is owned by a corporation. While it appeared as though this individual was potentially the single shareholder of the corporation, staff were able to locate another residential property owned by the same individual. As a result, staff were asked to review the process of screening property owners who apply for a bed and breakfast business.

Searching property records for properties owned by the same person is possible but cannot be relied upon under the current Provincial regulations. Staff have no way to determine if the identities of a person listed on one record is the same as the identity of a person on another record (even if their name is the same). It is recommended that this type of search be used to inform the process in cases where the owner volunteers ownership information of other properties or is appealing to Council to overturn a rejection. Performing a search on all applications will be onerous and ineffective. It is not recommended at this time. Staff will continue to monitor the provincial property record system and revisit the feasibility of enabling owner-occupiers who wish to operate a bed and breakfast business under a corporate registration in the future.

Summary of Recommendations and Response to Council Referrals

This report responds to three separate referrals from Council related to short-term rentals. In response, staff recommend a number of changes to bylaws and service level increases that can be approved separately or altogether. Each recommendation incrementally increases the City's response to enforcement of illegal short-term rentals. There are additional expenses associated with recommendations 2 and 3; however, a portion of these costs will be recovered by additional licence fees and bylaw fines. Table 3 summarizes how each of the Council referrals has been addressed in this report and Table 4 summarizes the revenue and cost related to each separate recommendation.

Table 3 – Summary of Responses to Council Referrals

Referral	Recommended Response	Benefits
<p><i>That staff be instructed to report back on a licencing program, including an analysis of resources for its implementation, to regulate boarding and lodging in order to create a public registry.</i></p>	<p>Clarify language in the Zoning Bylaw that boarding and lodging is a secondary use and can only occur in dwelling with a principal resident.</p>	<p>This prevents whole home rental and ensures that long term housing is not converted to short-term rental.</p>
	<p>Hire new Licencing Clerk to administer short-term boarding and lodging business licence program.</p>	<p>Clerk will be responsible to review applications, maintain registry and schedule inspections.</p>
	<p>Update Business Regulation, Business Licence, Municipal Ticket Information, Bylaw Notice and Consolidated Fees bylaws to implement new licencing program for short-term boarding and lodging.</p>	<p>Bylaw changes will ensure a level playing field with all types of short-term rentals and clarify that short-term rentals are “hosted” and do not allow whole home rentals or rentals from anywhere but a person’s principal residence.</p>
<p><i>That staff review the bed and breakfast business license application process, specifically the screening process for owners of multiple properties.</i></p>	<p>No change to existing process.</p>	<p>Appeals to this requirement should continue to be handled on an individual basis based on the specific circumstances of the business in question.</p>
<p><i>That the City conduct more assertive enforcement of short-term rentals, including issuance of multiple tickets, and proactive enforcement.</i></p>	<p>No direction needed from Council at this time, staff have been instructed to issue multiple tickets.</p>	<p>Consistent enforcement with significant consequences will encourage compliance.</p>
<p><i>That staff explore hiring additional Bylaw staff to actively investigate every short-term rental and bed and breakfast listing in Richmond and report back.</i></p>	<p>One-time finding to hire two additional Bylaw Enforcement Offices to be dedicated to enforcement of illegal short-term rentals.</p>	<p>Dedicated resources will provide proactive and consistent enforcement of illegal short-term rentals and need for on-going funding will be reviewed each year.</p>

Table 4 – Summary of Revenues and Costs of Recommended Initiatives

Recommendation		Expense	Revenue from tickets and licences	Net Funding Request
1	Clarify language in Zoning Bylaw	N/A	N/A	N/A
2	Licencing Program for Short-Term Boarding and Lodging <ul style="list-style-type: none"> • Addition of Licencing Clerk • Bylaw changes to support program 	\$80,000	\$80,000	\$0
3	One-time funding for 2 Additional Bylaw Officers dedicated to Short-Term Rentals	\$240,000	\$40,000	\$200,000
TOTAL		\$320,000	\$120,000	\$200,000

Financial Impact

The recommendations in this report can be considered and approved separately and the expenses and revenue of each option are shown in Table 4. The only recommendation with an associated net cost is Recommendation 3. Should Council approve Recommendation 3, staff will make a request for a one-time expenditure of \$200,000. This funding will be renewed annually and will have no impact on the operating budget or on taxes.

Conclusion

The City’s current regulations only permit short-term rentals to occur in licenced bed and breakfasts in single family zones or as boarding and lodging in all residential zones. This prevents legal short-term rentals from depleting long term rental stock while providing an opportunity for residents to generate additional income to assist with the rising cost of housing.

If approved, the recommendations in this report provide improvements to the licencing program for legal short-term rentals and the enforcement program for illegal operations. Each recommendation can be considered separately but it is recommended that all three be approved.



Carli Williams, P.Eng.
 Manager, Community Bylaws and Licencing
 (604-276-4136)