



City of Richmond

Report to Committee

To: General Purposes Committee
From: Cecilia Achiam,
 General Manager, Community Safety
Re: One Year Review and Bylaw Amendments for Short-term Rentals

Date: November 26, 2018
File: 12-8275-09/Vol 01

Staff Recommendation

1. That Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122, Amendment Bylaw No. 9899, to add penalties related to short-term rentals, be introduced and given first, second and third readings;
2. That Richmond Zoning Bylaw No. 8500, Amendment Bylaw No. 9898, to reinstate a provision to allow a 5-room bed and breakfast business at 13333 Princess Street, be introduced and given first reading; and
3. 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.

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

Att. 1

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

Staff Report

Origin

During the March 27, 2017 Council meeting, the following staff referrals were made:

- 1) *That:*
 - a. *the information regarding tax requirements including whether a hotel tax should apply to short-term rentals provided in this report be received for information; and*
 - b. *staff be directed to engage the Province of British Columbia to discuss regulatory changes to the Provincial Sales Tax in regards to the Municipal and Regional District Tax, including the definition of accommodation providers;*
- 2) *That staff conduct a one-year review of the City's proposed short-term rental regulation, and include issues surrounding a requirement for the operator of the short-term rental to be the owner of the property and report back to Council; and*
- 3) *That staff consider options and report back on the issue of short-term rentals for multi-family dwellings.*

This report supports Council's 2014-2018 Term Goal #3 A Well-Planned Community:

Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.

Findings of Fact

Issues related to short-term rentals were discussed at several meetings of Council in 2017. 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.
- **Land Use Conflicts** – short-term rentals may have a number of impacts on residential neighbourhoods, including parking and noise.
- **Level Playing Field** – Hotels pay taxes and fees whereas short-term rentals are not subject to the same regulations.
- **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.
- **Economic Benefits** – Short-term rentals can provide economic benefits to residents and the local economy.

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 lodging and bed and breakfast businesses, as already permitted in Richmond Zoning Bylaw No. 8500. Staff were further directed to enhance regulations related to bed and breakfasts and strengthening the enforcement against illegal operations.

In order to implement these changes, there were a number of changes to the regulations for bed and breakfast businesses, including the addition of buffer distances, allowing only owner-operators and limiting the number of rooms to three in the ALR. There were also increases made to the penalties for operating a bed and breakfast outside of the regulations. A summary of all of the changes adopted in 2017 plus those proposed in this report is provided in Attachment 1.

Along with changes to the rules governing bed and breakfast businesses, staff also undertook a targeted enforcement campaign to identify illegal short-term rentals. Staff resources devoted to enforcement of short-term rentals were temporarily increased in 2017 in order to identify as many addresses as possible and develop a procedure to investigate and enforce all suspected illegal operations. Since that time, the enforcement of illegal short-term rentals is being handled by regular full time staff.

Analysis

Enforcement

Enforcement of illegal short-term rentals in Richmond is both proactive (inspectors look for listings on web sites or follow up on known addresses) and reactive (inspectors responding to specific complaints). In all cases the goal is compliance with all of the City’s bylaws.

Table 1: Enforcement of Illegal Short-term Rentals

Action	2017	2018 Jan-Oct	Total
Number of Addresses identified	289	252	541
Home Inspections	404	670	1074
MTI issued	87	75	162
Order to comply (verbal or written)	286	236	522
Operations that have ceased short-term rental	285	239	524

Since the start of the campaign, staff have identified 541 addresses and issued 162 MTI tickets to illegal short-term rental operations. These statistics are reported monthly to the Community Safety Committee but the full summary of enforcement action from 2017 until the end of October 2018 is noted in Table 1.

Enforcement of illegal short-term rentals is generally more time consuming than other investigations undertaken by staff. Inspectors must attend an address several times in order to collect sufficient evidence to write a ticket or contemplate prosecution in court. There is sufficient staff in Community Bylaws and Licencing to deliver the current level of service as described in this section of the report. Should Council feel that enforcement needs to be increased or if the allowable number of short-term rentals increases, due to either market forces or changes in City regulations, staffing levels should be reconsidered at that time.

Data on Short-Term Rentals

The practice of short-term rentals was brought forward to Council as an emerging issue in 2016. When staff began the analysis, approximately 1,586 short-term rental listings in Richmond were discovered online on numerous websites during the initial analysis in November 2016. The same short-term rentals units were often listed on multiple sites.

Table 2 – Statistics on Short-Term Rental Listings

Annual Average Metrics	
Monthly Number of Listings	610
Monthly Number of Hosts	340
Listings by a Host	1.80
Listing Composition	Private Room: 55% Entire Unit: 42% Shared Room: 3%
Percentage of Listings in ALR	3%
Price per Night (Excludes fees)	Entire Unit: \$148.83 Private Room: \$62.53
Estimated Total Annual Bookings	3,255 (44.4% booking rate)
Forecasted Monthly Listings	620 to 800

There are several on-line platforms that provide listings for short-term rentals. While Airbnb is the site most often referred to in the media, other sites include booking.com, Expedia, VanSky, Craigslist and HomeAway. The City has been using data from Airbnb (the most easily accessible platform) to track trends for short-term rentals in Richmond. Based on Airbnb data, it appears that the number of listings for short-term rentals has stabilized and that it varies throughout the year, roughly correlating to the availability of hotel rooms. In 2018, the average number of short-term rental listings in Richmond is approximately 610. However, during times when hotel rooms are fully booked, the Airbnb listings were as high as 800 (shown in Table 2).

One gap in information is whether a short-term rental listing is legal or not. With the exception of “Entire Unit” listings which are not legal in Richmond, Airbnb does not provide data on whether a listing is for legal short-term rentals (licenced bed and breakfasts or boarding and lodging) or illegal operations. Moving forward, with the recommendations in this report, staff propose to create a licencing requirement that would make it easier to differentiate between legal and illegal operations. Staff are also exploring other platforms for getting listing data from operators other than just Airbnb. This information could then be reported out monthly along with the enforcement data.

Upon review of the 2018 files and investigations that have been completed, approximately two-thirds of short-term rentals investigated by staff have obtained compliance by converting a short-term rental to a long-term tenant (greater than 30 days). In other cases the houses are put up for sale, the owner moves back in or the property owner applies to run a legal bed and breakfast business. Staff will continue to monitor the outcomes of investigations and are working to improve reporting, especially as the number of rooms returned to long-term rental affects the housing supply.

Licensed Bed and Breakfast

As part of the campaign to raise public awareness about the Richmond specific rules governing short-term rentals, staff produced communications material to explain the regulatory regime and options for offering legal short-term rentals. Since the beginning of 2017, the number of licensed bed and breakfasts has increased from 19 to 52. Staff continue to receive applications for additional businesses but most are turned away as there are very few areas in the City that are beyond 500m from an existing business. The locations of the licensed bed and breakfasts are now published directly on the City’s website at <https://map2.richmond.ca/BnB/> for public viewing prior to making an application.

Council established the 500m buffer in 2017 in order to preserve the residential neighbourhood character envisioned in the Official Community Plan for single family zones. At this point, staff are not recommending a change to the 500m buffer between licenced bed and breakfast (B&B) businesses. While most, if not all, of the licenced bed and breakfasts comply with City bylaws, the City still receives complaints from neighbours for issues such as parking and noise. These complaints are investigated by staff who also undertake regular inspections. A reduction in the 500m buffer may lead to more B&B businesses being established and increase nuisance and have a negative impact to area residents.

Enhancement of Enforcement Tools

The bylaw amendments made in 2017 related to short-term rentals also included amendments to the Municipal Ticket Information Authorization (MTI) Bylaw No 7321. This provided enforcement officers with the authority to issue \$1,000 tickets for a variety of offences related to illegal short-term rentals or operating bed and breakfast businesses contrary to the regulations established by Council. Any disputes of these tickets are forwarded to Provincial Court for adjudication; a process which can take longer than a year and involves several court appearances by City staff. A summary of fines issued and collected is shown in Table 3.

Table 3 – Revenue collected from tickets issued to Illegal Short-Term Rentals

Year	Tickets Issued	Revenue Collected
2017	87	\$ 41,800
2018 YTD	75	\$36,000

In order to expand enforcement options and speed up the process of adjudicating any disputes, it is recommended that amendments are made to the Notice of Bylaw Violation Dispute Adjudication Bylaw. Tickets under this bylaw (BVN's) are permitted to include a maximum fine of \$500 and the offences would mirror those in the MTI Bylaw. This would offer the benefit of having escalating fines (\$500 for BVN then \$1000 for MTI) and minimize the time required in Provincial Court.

Housekeeping Changes to Bylaws

Several changes were made to the Zoning Bylaw in 2017 to address the proliferation of illegal short-term rentals. This amendment unintentionally removed zoning provisions to allow up to five bedrooms as part of a bed and breakfast business at a designated heritage home at 13333 Princess Street. This exception (of five bedrooms) was granted by Council in exchange for formal heritage protection as result of negotiations for a heritage restoration project predating the implementation of the Zoning Bylaw amendments in 2017 related to short-term rentals. It was not the intent of the bylaw amendment to remove this exception. Staff recommend reinstating the provision to allow five rooms at this address to restore the original intent of the site specific rezoning.

Consideration for Short-term Rentals in Multi-Family Buildings

Under the current bylaws, the only type of short-term rental that can be legally offered in multi-family buildings is boarding and lodging. This is 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...”

Similar to bed and breakfast businesses, boarding and lodging is a “hosted” rental and the Zoning bylaw does not allow any other types of residential rentals shorter than 30 days. “Hosted” means that the host of the short-term rental resides at the same home, in addition to the renter(s), and it is an accessory to the primary purpose of residential use. Empty residential units (unhosted) whether they are apartments, basement suites or houses cannot be rented for less than 30 days in the City of Richmond.

In addition to the City bylaw regulations, the Provincial government recently changed the legislation governing strata corporations to give them the authority to set bylaws that prohibit short-term rentals. If they choose to pass a bylaw, stratas were also given the authority to issue fines from the strata corporation to any strata member using their unit as a short-term rental.

Given the concerns about housing affordability, security issues inside condo buildings and the recent change to strata regulations, it is not recommended that the City change its approach to allowing short-term rentals. To provide more certainty for users and better record keeping for the City, staff recommend moving forward with a licencing regime that would clarify the rules for boarding and lodging (hosted rentals only) in multi-family buildings. Richmond's current approach, including expansion of the licencing program to include boarding and lodging, is consistent with recent recommendations from the Hotel Association of Canada and the British Columbia Hotel Association.

Proposed Licencing Program for 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 residents. There is currently no requirement for boarding and lodging to be licenced which poses problems for tracking the locations and verifying legal operations.

It is recommended that staff be directed to bring forward a licencing program specific to boarding and lodging, including bylaw amendments and fees to recover the cost of administering the program. The new program would have to consider that not all types of boarding and lodging are for-profit, for example, sport hosting and cultural exchanges would be exempt. The new program would also set expectations for regular inspections. This will not affect the number of residential units available but it will increase transparency throughout the community around what is permitted related to short-term rentals and provide assurance to visitors that they are staying in legal accommodation.

Additionally, the existence of a short-term rental licencing program would enable the City to pursue agreements with willing internet providers, such as Airbnb, to publish business licence numbers to confirm legal operations. Fees for the licencing program would be set as low as possible in order to encourage compliance while still recovering the costs of inspecting the units and keeping a public registry.

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. The proposed licencing program would simply provide additional transparency without adding any barrier to hosting legal short-term rentals. Any new program would include consultation with key stakeholders including sport hosting and cultural exchange programs.

Consultation with the Province on Tax Requirements and Impact on the Hotel Industry

Staff advised Council through a series of memos earlier this year of their advocacy to senior staff at the Ministry of Finance and changes to the three per cent Municipal and Regional District Tax (MRDT) as part of the 2018 BC Budget. The changes to the MRDT accomplished a number of goals, including enabling on-line platforms to collect taxes, but they did not amend the threshold for collecting the MRDT. Currently, only operators providing four or more rooms are required to remit the tax.

Also in 2018, the Tourism Industry Association of BC and the British Columbia Hotel Association released a paper titled “Developing a Modern Approach to Short-term Rentals in a Digital Economy. In this paper, the associations outlined eight regulatory tools that should be applied to the regulation of short-term rentals. They include:

- Host Registration Fees;
- Platform Registration and Fees;
- Principle Residence Restriction;
- Cap on Usage;
- Health and Safety Standards;
- Reporting;
- Taxation/Levies; and
- Enforcement/Penalties.

The regulatory changes implemented in 2017, plus those proposed in this report, consider the hoteliers feedback and further reinforce the direction from Council on regulation of short-term rentals.

Financial Impact

None.

Conclusion

Several amendments were made to bylaws in 2017 to address the proliferation of short-term rentals. This report provides an update on enforcement activity and recommends bylaw amendments to enhance enforcement provisions and reinstate an unintended change to a site specific zone. Also recommended is Council direction to establish a licencing program for boarding and lodging that will clarify the regulations and allow staff to track the locations.



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

Att. 1: Summary of Adopted and Proposed changes to Bylaws Related to Short Term Rentals

Bylaw Changes adopted in 2017

Bylaw change	Highlight
Enhance Existing Bed and Breakfast business regulations	<ul style="list-style-type: none"> • B&B must be operated by property owner or an immediate family member (spouse, child or spouse's child) • Property owner must be an individual, and not a corporation • B&B must be principal residence of owner-operator and operator must provide annual verification of residency as part of licence renewal process • B&B operators must notify neighbours of the operation and provide contact information as condition of licence • B&B's limited to maximum 3 rooms with 2 guests maximum per room • Explicitly prohibit B&Bs in homes with secondary suites, granny flats or coach houses, or with boarding and lodging • Encourage B&B operators to carry adequate liability and property damage insurance in the Richmond B&B Code of Conduct
Enhance Regulations Related to Short-Term Rentals	<ul style="list-style-type: none"> • Add explicit prohibition of "short-term rental" (less than 30 days) of Dwelling Units • Require site specific rezoning for "agri-tourism accommodation" in Agricultural Land Reserve (ALR)
Increase Fines and Penalties	<ul style="list-style-type: none"> • Add rental for less than 30 days without a Licence as an offence for ticketing • Increase daily Municipal Ticketing fines related to B&B's from \$250 to \$1,000 per offence • Increase the maximum fine for conviction for an Offence under the Business Licence Regulations through prosecution in Court from \$2,000 to \$10,000
500m buffer between B&B's	<ul style="list-style-type: none"> • Mitigate over commercialization of single family residential neighbourhood

Proposed changes

Expand Penalties	Add penalties for illegal short term rentals to the Notice of Bylaw Violation Dispute Adjudication Bylaw
Housekeeping Changes	Restore intent of site specific zone
Investigate Licencing Program for Boarding and Lodging	<ul style="list-style-type: none"> • Licence/register locations providing boarding and lodging • Ensure operators have permission of strata and owner • Recover fees to fund inspection program • Provide transparently for neighbourhoods and tourists



**Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122,
Amendment Bylaw No. 9899**

The Council of the City of Richmond enacts as follows:

1. Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122, as amended, is further amended at Part One – Application by adding the following to the list in Section 1.1 in alphabetical order:

“Richmond Zoning Bylaw No. 8500, as amended;”.
2. Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122, as amended, is further amended by adding, the table in Schedule A attached to and forming part of this Bylaw to Schedule A of Bylaw No. 8122 as a new “Schedule – Richmond Zoning Bylaw No. 8500”.
3. This Bylaw is cited as “**Notice of Bylaw Violation Dispute Adjudication Bylaw No. 8122, Amendment Bylaw No. 9899**”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating Dept.
<i>[Signature]</i>
APPROVED for legality by Solicitor
<i>[Signature]</i>

MAYOR

CORPORATE OFFICER

SCHEDULE A to BYLAW NO. 9899

<p align="center">Schedule - Richmond Zoning Bylaw No. 8500</p> <p align="center">Designated Bylaw Contraventions and Corresponding Penalties</p>							
A1 Bylaw	A2 Description of Contravention	A3 Section	A4 Compliance Agreement Available	A5 Penalty	A6 Early Payment Option	A7 Late Payment Amount	A8 Compliance Agreement Discount
Richmond Zoning Bylaw No. 8500	Period of Time from Receipt (inclusive)		n/a	29 to 60 days	1 to 28 days	61 days or more	n/a
	Bed and Breakfast - not operator's principal residence	5.5.3	No	\$ 500.00	\$ 450.00	\$ 525.00	n/a
	Bed and Breakfast - operator not owner or family member	5.5.3A	No	\$ 500.00	\$ 450.00	\$ 525.00	n/a
	Bed and Breakfast - excess guest rooms	5.5.5	No	\$ 500.00	\$ 450.00	\$ 525.00	n/a
	Bed and Breakfast - excess guest capacity	5.5.5A	No	\$ 500.00	\$ 450.00	\$ 525.00	n/a
	Bed and Breakfast - excess guest room capacity	5.5.6	No	\$ 500.00	\$ 450.00	\$ 525.00	n/a
	Dwellings – rentals for less than 30 days	5.20.1	No	\$ 500.00	\$ 450.00	\$ 525.00	n/a



Richmond Zoning Bylaw No. 8500
Amendment Bylaw No. 9898
(ZS11 London Landing Amendment)

The Council of the City of Richmond, in open meeting assembled, enacts as follows:

- 1. Richmond Zoning Bylaw No. 8500, as amended, is further at Part 15.11 [Single Detached Heritage (ZS11) – London Landing (Steveston)] by deleting and replacing subsection 15.11.11.1 with the following:
“1. A bed and breakfast use may have up to five (5) guest rooms, is limited to accommodation of a maximum of ten (10) guests at one time, and may have two (2) facia signs each with a maximum dimension of 0.6m by 1.2 m.”.
2. This Bylaw is cited as “Richmond Zoning Bylaw No. 8500, Amendment Bylaw No. 9898”.

FIRST READING

PUBLIC HEARING

SECOND READING

THIRD READING

ADOPTED

Five horizontal lines for recording readings and adoption.



MAYOR

CORPORATE OFFICER