

Date: 2021-06-07

Subject: **Budget Amendment and Recommendation Report: Policy Review and Proposed Adoption of the Short-Term Rental Business Licensing By-Law**

Secondary Title: Request for an Additional Hire and to Obtain Short-Term Rental Data. Summary of the Virtual Stakeholder Engagement and Public Open House.

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Report Number: Planning, Bld & Ec Dev-2021-728

Recommendations:

1. THAT the report titled, 'Budget Amendment and Recommendation Report: Policy Review and Proposed Adoption of the Short-Term Rental Business Licensing By-Law' presented to the Committee of Council be received;
2. THAT revenues generated from the program will offset direct and indirect costs of this program including requesting the approval of one (1) new Licensing Administration Clerk to be hired in 2021 to assist with the licensing for the new class of licence; and,
3. THAT the Short-Term Rental Licensing By-Law, attached as Appendix 1 to this report, be enacted.

Overview:

- **On May 10, 2021, staff brought forward a report to the Planning and Development Committee outlining the review and stakeholder engagement of the City's Short-Term Rental Policy Review and proposed draft Short-Term Rental Business Licensing By-Law.**

- **Following the May 10th report, staff was directed to move forward with public consultation and the final Short-Term Rental Business Licensing By-Law for adoption in June 2021 and implementation of the program in September 2021.**
- **Staff hosted a virtual public open house on May 27, 2021, to provide an overview of the proposed licensing program and draft By-Law.**
- **The attached Short-Term Rental Business Licensing By-Law was amended to reflect the input received from stakeholder and public consultation.**
- **Staff are working with Purchasing to issue a Request for Proposal to obtain software services from a third-party to provide access to Short-Term Rental data within the City and potentially surrounding municipalities.**
- **The Clerk's Office is requesting a new Licensing Administration Clerk be hired in 2021 to assist with the licensing for the new class of licence.**
- **Staff will report back to Planning and Development Committee in Q4 2022 with an update on the first year of implementation.**

Background:

Staff brought forward a staff report to Planning and Development Committee on May 10, 2021, providing an overview on the Short-Term Rental (STR) policy review that occurred over the past year, and included a draft of STR Business Licensing By-Law.

The report highlighted the current challenges faced by the City regarding the non-regulation of Short-Term Rentals such as:

- the depletion of the available long-term rental housing stock as STRs are more profitable for renting;
- neighbourhood concerns about the influx of short-term renters in the community who may not respect communal property; and,
- properties being rented for parties and potentially bringing criminal activity to an area, vehicles parked on the front lawns, parking in excess of 3 hours overnight on residential streets, blocking sidewalks, and general upkeep of the property (i.e. snow clearing and refuse removal).

Many of these concerns would be addressed through existing By-Laws (i.e. noise, refuse) administered by our By-Law Enforcement division.

Short-term Rentals

Short-term Rental online platform such as, Airbnb, VRBO, Homeaway, FlipKey fall within the 'sharing economy'. The term 'sharing economy' describes online platforms that connect consumers to each other, in order to sell or rent things to one another.¹

It is forecasted that the home and auto sharing economy will grow 50% globally by 2025. Home sharing has increased in popularity because it provides a more personal alternative to hotels during vacations or business travel.² The extra income obtained through short-term rentals is typically for mortgage payments.³

There are many options available to those renting out, or renting, through STRs. Homes, apartments, condos, individual rooms, couches and timeshares all qualify as a home rental, meaning that people can continue to live in their home, and have the opportunity to rent out a portion to make extra money. Home sharing is a complicated business model as it contains a variety of companies, many that serve as a third party host for consumers to connect, while others rent out to consumers themselves.

Current Situation:

Following the Committee's 'best practice' review it was recommended that a regulatory framework to license STRs be developed. Policy staff worked with a variety of internal departments such as, Legal, Clerk's, By-Law Enforcement, Fire & Emergency Services and Zoning to draft the STR Business Licensing By-Law (refer to Appendix 1).

The framework of the Licensing By-Law includes:

- limiting STRs to the principal residence only to eliminate investment properties being purchased for the purpose of STRs;
- capping the number of consecutive days to 28 days;
- capping the number of nights per year to 180;
- no more than 3 bedrooms being rented in a principal residence to individual tenants;
- license being renewed on an annual basis; and,
- compliance with the Residential Tenancies Act (RTA).

The STR Business Licensing By-Law proposes an application fee of \$150 based on the estimate of costs incurred by the City in administering each license application. This amount is in line with the average licensing fees charged by surrounding municipalities.

The intent is to review the licensing application fee, after the first year of the program, to determine whether it accurately reflects staff time to process and enforce the licensing requirements.

¹ <https://www.thesimpledollar.com/insurance/home/sharing-economy>

² Ibid

³ Ibid

Prior to finalizing the STR Licensing By-Law, public and stakeholder engagement was conducted. The following organizations were consulted during stakeholder engagement: Ontario Restaurant Hotel & Motel Association (ORHMA), Greater Toronto Hotel Association (GTHA), Federation of Rental Providers in Ontario, Inside Airbnb, Greater Toronto Apartment Association, CAPREIT (Canadian Apartment Properties – REIT), Hotel Association, Expedia, Airbnb and Fairbnb.

The virtual stakeholder engagement meeting was held, in mid-April (2021), to receive input on the work completed to date. The majority of the group generally supported the City's direction of registering/licensing STRs. The group also reviewed the draft Licensing By-Law and provided staff with various comments that are noted in the attached table included in Appendix 2, along with the Committee's response to each of the concerns.

On May 27, 2021, staff conducted a virtual public open house to provide an overview of the City's policy review and key moves of the proposed STR licensing program to obtain input and feedback. There were general concerns regarding how the program would be administered, monitored and enforced for those participating in the Short-Term Rental market, and how it may impact the neighbourhood character.

A few residents noted their concerns regarding the 28-day consecutive cap for individuals needing to rent a furnished place while working or finding permanent residence in the City. Staff took these comments back to the Steering Committee for review and discussion. The comments received and staff's responses are outlined in Appendix 2.

Key Amendments/Moves Following Stakeholder & Public Engagement

Following the Steering Committee's review of the stakeholder and public input a few sections of the original draft STR Business Licensing By-Law were amended and further clarification was provided regarding the program's administration. Below is an overview of the key amendments and items of clarification:

- Limitation of the 28 consecutive day cap is too restrictive and potentially violates the Ontario Human Rights Code in regards to protected class (citizenship).

Staff agree that a STR can be rented on a nightly, weekly or 28-day block to the same person or different individuals as long as the number of days per calendar year does not exceed the 180-day cap. Therefore, the concern that individuals are not able to rent beyond 28 days is no longer an issue.

- Request for proof of citizenship is unreasonable and goes beyond the intent of STRs.

Staff agreed that the proof of citizenship is not necessary to participate in hosting STR and removed the requirement.

- The STR platform providers noted concerns with restricting the STR to the principal residence as hosts rely on the additional income.

Staff feel it is appropriate to restrict STRs to the principal residence to reduce the number of investment properties being taken off the market from home ownership and long-term rental stock for STR use. The reduction of long-term rental stock because of STRs also puts an upwards pressure on the costs of long-term rentals reducing the level of housing affordability.

- Request to permit STR in multi-unit dwellings.

Staff reviewed this comment and discussed a variety of housing types that would fall within this category (e.g. stacked townhouses, back-to-back townhouse, double duplex, duplex, triplex, quadruplex, etc.) and that it would be difficult to provide the clear distinction of what would qualify for the STR program. Therefore, staff are recommending that STRs be permitted in all housing forms as long as, the individual resides in the home and it's considered their principal residence. If a tenant is renting they will be required to provide consent from the property owner or landlord that they are permitted to rent the unit on the STR market.

- Are STR permitted in two-unit registered dwellings?

Yes, since staff are recommending STRs be permitted in multi-unit dwellings including those in registered two-unit dwellings. The tenant is still required to prove that it is their principal residence and obtain consent from the property owner.

This can also assist the City to evaluate whether any structural changes were made to the two-unit dwelling from the original two-unit registration application.

- Will the City consider eliminating the 3 bedroom cap?

No, the cap will remain as anything beyond 3 bedrooms is considered a lodging house and may have additional Building and Fire Code requirements.

- Removing the 180-day calendar cap?

No, staff feel it is appropriate to limit the number of days per year to distinguish short-term versus long-term rentals, and move towards improving the availability of longer-term rental stock.

- Reducing the amount of insurance coverage from \$2 million to \$1 million similar to other Greater Toronto Area municipalities.

No change, as the insurance coverage is consistent with other licensed categories in the City.

Corporate Implications:

Financial Implications:

The recommendation outlined in this report is cost and revenue neutral.

Based on a Short Term Licence fee of \$150, the City is estimating revenues of \$90,000⁴ annually. All revenues will be allocated to the City Clerk’s Office operating budget. Total expense associated with administering the program is estimated at \$129,000, of which \$79,000 is for the Licensing Administration Clerk and \$50,000 for Third Party Software Services. Savings up to \$39,000 will be incorporated within the 2022 budget submission, pending Council approval.

	Amount
Revenues	\$90,000
Expenses	\$129,000
Licensing Administration Clerk	\$79,000
Third Party Software Services ¹	\$50,000
Internal Divisional Savings ²	\$39,000
Net Financial Impact	\$0

¹ Sufficient funding available within the Planning, Building, & Economic Development department to offset the first year expense. Any additional funding required for recurring costs will be requested as part of the 2022 budget.

² Total program cost will be evaluated and savings of up to \$39,000 will be identified as part of the 2022 budget through a combination of revenue increases or operational savings.

Other Implications:

There are no other implications associated with this report at this time.

⁴ \$90,000 is based on the assumption that 600 STR units register in the City’s STR Licensing program

Term of Council Priorities:

This report directly aligns with the Strategic Direction – Brampton is a City of Opportunities by proposing policies and zoning provisions that create complete communities. Brampton’s Housing Strategy examines opportunities to improve the availability of housing stock for all income levels, including the availability and affordability of rental housing stock.

Living the Mosaic – 2040 Vision:

This report aligns with Action #5-2 ‘Housing’ of the Planning Vision of adopting a Brampton-made comprehensive housing strategy. By recognizing the need to develop a comprehensive housing strategy with an action plan that fosters solutions for lower-income, affordable, seniors, students, shelter, family, emergency and other special-needs housing.

Conclusion:

Following the May 10, 2021, report to Planning and Development Committee, the internal Steering Committee had the opportunity to review all stakeholder/public input and feedback received from the Planning and Development Committee meeting and virtual consultations conducted in April and May (2021). This resulted in several amendments to the final draft of the Short-Term Rental Licensing By-Law and providing clarification on various sections of the Licensing By-Law as noted in this report.

Staff are requesting that the STR Business Licensing By-Law move forward for adoption at this time and the implementation take into effect on September 30, 2021. Our Clerk’s Department will be responsible for the administration of the program and By-Law Enforcement Division will continue to deal with complaints/violations. Staff will continue to proceed with hiring the software services of a third party to provide access to STR data across the City to assist with the efforts of administrating this program, along with the hiring of the additional staff.

Policy staff will monitor the program during the first year working with Clerk’s and By-Law Enforcement to evaluate the resources required and if any amendments are required to strengthen the program to meet the needs of the City. Staff will report back to the Planning and Development Committee at the end of Q4 2022 providing an update on the program.

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Attachments:

Appendix 1 – Proposed Short-Term Rental Business Licensing By-Law
Appendix 2 – Stakeholder and Public Consultation Comments & Staff Responses