

REPORT TO: Council

FOR: CoW

REPORT FROM: Community Planning & Infrastructure

PRESENTED: June 11, 2019

FILE: Short Term Rentals

SUBJECT: Short-Term Rentals – Phase 2 Engagement Update + Preferred Option Selection

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**Recommendation:**

That Council approve the following resolutions:

**THAT** Council receive the Phase 2 Short-Term Rental Engagement Summary;

**THAT** Council endorse Short-Term Rental Regulatory *Option C* described in the Short-Term Rentals – Phase 2 Engagement Update + Preferred Options Selection report dated June 11, 2019;

**AND THAT** Council direct staff to report back with draft bylaw amendments required to enact the Option C regulatory framework, along with an implementation plan, schedule and resourcing to implement the framework.

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**1. Objective:**

To present the Short-term Rental Review Phase 2 engagement summary and seek Council direction on the selection of a preferred regulatory option for implementation of a Short-term Rental (STR) regulatory framework.

**2. Background:**

Following an initial update on the state of STRs, Council passed the following motion on October 2, 2018:

THAT the District of Squamish endorse the short-term rental review work plan and engagement program, including the scope and level of public engagement as presented in the September 18, 2018 Staff Report;  
AND THAT the District of Squamish initiate the short-term rental engagement program, starting with a community-wide survey, and report back to the community and Council with results to inform the development and further consultation on regulatory options and a preferred approach.

Following a second update on STRs, a summary of the Phase 1 engagement, and the presentation of three alternative regulatory options, Council passed the following motion on February 5, 2019:

THAT the District of Squamish Council receive the Phase 1 Short-Term Rental Engagement Summary;  
AND THAT the District of Squamish initiate further community consultation on the identified alternative regulatory options as presented in the January 29, 2019 report from Community Planning as part of the ongoing short-term rental engagement program.

### **3. Project Information:**

Rationale on the District's STR review project and engagement plan are detailed in the [September 18, 2018 staff report](#).

#### **Host Compliance STR Status Report (Attachment 1)**

The District has continued close monitoring of STR activity in the community throughout 2019. An updated status report from Host Compliance, a third party monitoring service under contract with the District, is presented in Attachment 1. As of May 2019, the total number of unique STR properties increased to approximately 500+/-, an increase of 120 properties from the 380 unique properties reported in May 2018. The percentage of whole home rentals has also increased to 80% up from 75% in August of 2018 (in comparison to partial or shared units which comprise 20% of STR listings). Given the number of multi-unit developments currently in construction, STR activity is likely to continue rising.

#### **Phase 2 Alternative Regulatory Options**

Three distinct alternative regulatory options crafted for further community and stakeholder consultation are detailed in the [Phase 2 Alternative Regulatory Options Report](#). These options were synthesized and informed by community survey results, ongoing stakeholder feedback, research on other municipalities' STR regulatory frameworks and best practices, and District policy, including affordable housing-related reports. The three options presented specific options related to residency, rental unit type, rental frequency (though use of unit or night caps) and intensity of use (guest or density caps). For full summary and discussion of the options, please see the [January 29, 2019 Staff Report](#).

The STR options aimed for a balanced regulatory approach with a moderate level of regulation; this approach garnered the highest level of support through the Phase 1 survey results. For clarity, prohibiting STRs was not presented in the Phase 2 options as this requires a very high level of enforcement and resourcing to be effective, which is unlikely to be feasible or effective (staffing, cost of enforcement). Further, full bans have largely proven ineffective in other jurisdictions that have attempted to impose them.

Ongoing through Phase 2 consultation, the District clarified that current regulations do not permit short-term rentals in residential dwellings or residential zones (single family, duplex, townhouse units) or accessory dwellings (secondary suites, coach houses), with the exception being licensed traditional Bed and Breakfast accommodations. In essence, the current regulatory situation equates to a ban. With limited enforcement action, and limited zoning compliance with 500+/- STRs actively operating, maintaining this status quo was not recommended. In the absence of major enforcement action, it is likely that STRs will continue to proliferate.

Regulating and licensing STRs, and collecting revenue to offset management and enforcement costs, was seen as a preferable approach. Using available tools (zoning, business licensing and inspections) the District would likely be able to manage STRs, achieve health and safety compliance, as well as address neighbourhood livability issues. On the other end of the regulatory spectrum, a highly permissive approach was not presented in the Phase 2 Options,

with concern for greater potential negative impacts to the supply of long-term rentals and workforce housing availability, neighbourhood livability, and resident and visitor safety.

### **Phase 2 Engagement Summary (Attachment 2)**

Engagement activities undertaken in Phase 2 (February through May 2019) included hosting five focus group sessions with key stakeholders identified during engagement planning and early outreach, as well as a drop-in community open house. Public inputs, insights and preferences were recorded and are presented in the Phase 2 Engagement Summary document. These inputs have been considered in Staff's recommendation for a preferred regulatory option in Phase 3.

### **Phase 3 Preferred Option Selection (Attachment 3)**

The Phase 2 options presented three distinct regulatory approaches which aimed for a moderate level of regulation. The options were predominantly based on residency (whether the STR operator lives in the STR unit (primary residence), on the same property (and short-term rents their accessory residence), or does not live in the unit or on the property (investment), as outlined in Figure 1.

*Staff recommend Option C for Council endorsement.* The rationale in support of Option C is discussed in detail in the Phase 3 Preferred Option Selection Report (Attachment 3); the key rationale for Option C is outlined in the following sections.

Option C is the more restrictive of the three approaches and only allows short-term rentals if located in someone's principal residence (a principal residence is where a host/operator lives for most of the year and that is the residential address they use for mail, bills, ID, taxes, vehicle registration, etc.). Staff are also recommending that STRs are not permitted in accessory dwelling units (secondary suites and coach houses), which was a sub-option of Option C.

Initially allowing STRs in accessory dwelling units at this time presents several risks. The main risk is that with the strong financial incentive to rent short term, owners with accessory dwellings (whether legal units or not) will choose short-term rental over long-term rental, making this form of (more) affordable housing unavailable for long-term rental. The City of Kelowna has recently decided against allowing STR of accessory dwellings for this reason.

Another risk is related to the unknown level of success at the implementation stage. Allowing STRs in accessory dwelling units, specifically prohibited at this time, would mean that all of the existing stock of accessory dwelling units would become potentially eligible for STR operation. If the District does not achieve a high level of compliance with enacted regulations, and the District decides to allow STR within accessory dwellings, it would be very difficult to reverse and subsequently establish where non-conforming status applies (which units would be 'grandfathered'). Therefore, staff recommend a form of phased regulation: allowing and regulating STRs in principal residences first, proceeding with implementation, and then taking stock before considering expanding regulation to include accessory dwelling units.

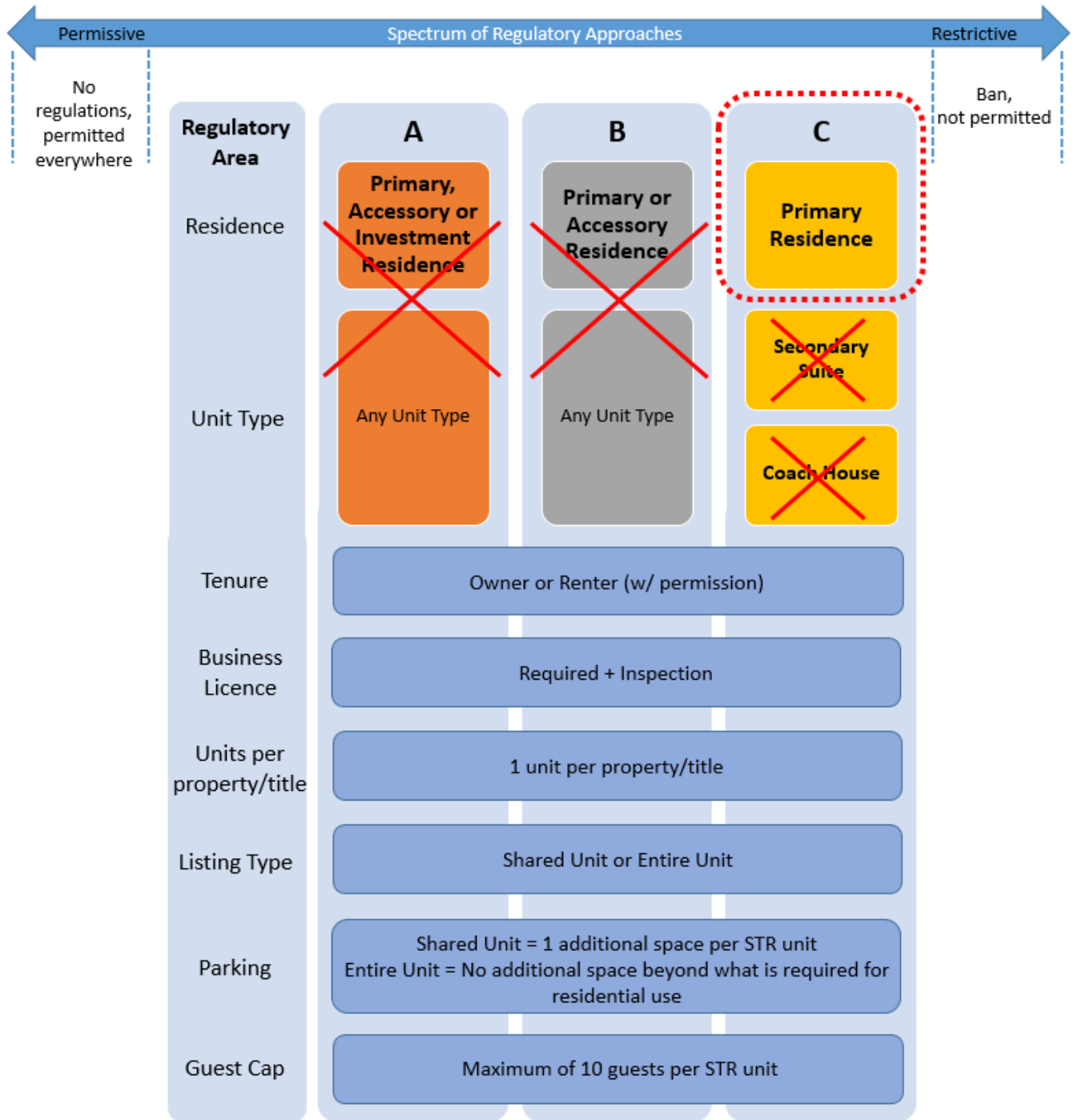


Figure 1: Diagram of the three proposed regulatory options, with Option C as the recommended option.

## District of Squamish Policies and STR Project Goals

Using existing policy documents, including the Squamish2040 Official Community Plan, 2019-2022 Council Strategic Plan, and 2016 Housing Task Force Report, and based on community and stakeholder feedback, the following goals for STR regulation in Squamish are identified:

1. Protect the long-term rental housing supply for Squamish residents;
2. Support residents' diverse housing needs and options;
3. Manage STR impacts on neighbourhood livability;
4. Establish a balanced and fair approach to regulation and enforcement; and,
5. Support tourism and ensure authorized visitor accommodations meet all required health and safety standards.

Feedback during Phase 2 highlighted that these five goals should not necessarily be equally weighted. Housing as a core need (shelter) was raised in several focus groups, with the suggestion that it should be addressed as the highest priority, above supporting tourism and neighbourhood livability. The District's rental vacancy rate has been below 1% since 2015 and many in the community have been increasingly struggling to find secure, affordable long-term rental housing.

Staff assert that Option C best meets the goal to protect the long-term rental housing supply, as it restricts short-term rental to principal residences only, while the owner or permanent tenant is temporarily away. This allows residents to STR all or part of their principal residence, but moderates the total number of possible STRs and reserves secondary or accessory dwelling units for potential long-term rental (although some public input has suggested that these units will not be rented long-term for a variety of reasons). Staff estimate that upwards of 250 STR units or licences may be possible based on the current analysis of the Host Compliance data under Option C, which would legalize slightly less than half of the entire unit short-term rental listings and most of the partial or shared unit listings.

Given the ongoing housing market issues (high prices, limited supply of all types including workforce, rental, and for-sale affordable housing) housing affordability and diversity is one of the District's highest priority areas. Although Options A and B were the more preferred options from the Phase 2 community open house feedback, Options A and B are not recommended, as those options may incentivize the further commodification of the District's housing supply. Staff note that the preference for Options A and B was predominantly expressed by STR operators and regular hosts who favoured the more permissive approaches. While fewer recorded inputs were received from resident non-STR hosts, it is important to continue to highlight those facing significant housing challenges already (from both an individual and business perspective) who may be further negatively impacted by a highly permissive STR framework that allows short-term rental of investment and/or accessory dwellings.

Option C is aligned with prioritizing housing as a basic human need. The recommended option aims to encourage investors in real estate to long-term rent their investment.

Although the housing issues facing our community are much larger than can be solved through the regulation of short-term rentals, there are upwards of 500 STR units in the District (according to Host Compliance data), and under a conservative scenario, staff have estimated that up to 133 STR units could be available for long-term rental, based on their rental frequency (>90 days/year). Even if a modest percentage of these units were rented long-term, it would have a positive impact on the community's long-term rental supply.

### Key Criteria

The following criteria were used to conduct a comparative analysis of the three options. Note staff's evaluation is based on a qualitative review of the inputs and options relative to overall project goals, defined objectives and anticipated impacts; available information and insights from other jurisdictions have informed the assessment and subsequent recommendations for the Phase 3 selection of a preferred approach.

- *Effect on Long-term Rental Supply:* Option C may present the best opportunity to protect, maintain and grow Squamish's supply of long-term rental housing and positively impact rental housing availability and vacancy rates. Option A is the least likely to have a positive impact on the long-term rental situation, and may contribute to a loss of long-term rental units as it allows a broader spectrum of housing types to be rented short-term.
- *Neighbourhood Impacts:* Many of the potential neighbourhood impacts (safety, parking and noise) can be managed through zoning, business licence regulations, an inspection system, and other bylaw regulations. While no option is presented as clearly better than the others in regards to neighbourhood impacts, with a primary residency requirement (Option B, C), it could be reasoned that neighbourhood impacts may be more likely to be better managed, compared to investment properties where the owner or a property manager may not be regularly present. Also, by moderating the number of STRs in a neighbourhood, the exposure to potential impacts would also be reduced (such as nuisance, traffic, transient activity, and shifts in neighbourhood character/feel, for example).
- *Compliance + Enforcement.* Option C would likely result in lower voluntary compliance and the need for a higher level of enforcement as it is the more restrictive and limiting of the three options. In some respects, Option C is more straightforward to enforce as the regulations are less flexible compared to other options when it comes to short-term rental of accessory dwelling units. The effectiveness of municipal enforcement will be determined by the level of consistent resourcing and effort put towards implementing the regulations. Higher levels of enforcement could be required initially, with less resourcing needed over time as the regulations settle into effect. Initial resourcing should align with best estimates of the amount of enforcement required to achieve a satisfactory level of compliance. Subsequent resourcing should be reviewed as part of overall STR project monitoring and evaluation post-implementation. If adequate resourcing is not available, at a minimum, the adoption of a STR regulatory framework will establish clear rules to play by, and will allow the District to license and inspect units

to address life safety, manage neighbourhood issues and generally track STRs in the community

- Regardless of which option is selected, there was strong community feedback to see parking regulations included in the regulatory framework. Staff are proposing two different approaches. For shared units, there would be a requirement for 1 additional parking space, and, for entire units, there would be no additional parking requirement beyond what is required in the Zoning Bylaw for the residential unit (assuming that if the principal residents are away, their parking space(s) are available for the STR visitors to use).
- There was very little feedback in support of employing caps as part of a regulatory framework; enforcement challenges were cited as the main rationale, along with challenges around fairness if the number of units or licences were to be capped.
- *Regulatory Fairness.* As with the neighbourhood impacts criteria, likely no one option is clearly better than the others in regards to regulatory fairness. Development of the detailed regulatory framework, including business licensing, fees (including licensing and utility fees) and safety related inspections should keep regulatory fairness in mind and attempt to design applicable STR regulations in alignment with the local regulations that commercial accommodation providers must adhere to. Although Option C does not recommend including accessory dwelling units in the initial regulation, staff recommend revisiting this option in Year 2 of implementation.

Initial STR Strategy: Proceed carefully, monitor and re-evaluate impacts

Staff recommend a strategy that establishes more restrictive regulations initially, followed by a program of close monitoring, so that the regulations can be adapted to address shifting conditions (changes in the short-term rental and long-term rental markets, and tourism and commercial accommodation sectors) and lessons learned from implementation. Monitoring and evaluation will enable staff to review both intended and unintended consequences of the STR regulations and make adjustment to suit. This approach would include examining inclusion of accessory dwelling units in the STR regulation in the future once enforcement implications are well understood. This strategy is preferred over a more permissive initial regulatory approach that could be tightened up in future as it is much safer from a legal perspective to start from a more restrictive position and loosen up regulations moving forwards than vice versa.

Staff seek Council's endorsement on a preferred option to move forwards with the drafting of a regulatory framework and relevant bylaw amendments, as well as feedback or direction on specific regulatory aspects that Council would like staff to focus on or refine as part of the Phase 3 detailed framework.

**4. Implications:**

**a. Budget:**

The proposed short-term rental regulation review and engagement is being conducted by planning staff and resourced as part of existing operating budget. Specific budget implications for regulating, licensing, compliance monitoring and enforcement of short term rentals will be dependent upon the selected/preferred regulatory approach as determined through the STR review process.

Additional Bylaw Enforcement resources will be required in 2020 and beyond, depending on the regulatory option selected. An implementation plan that includes analysis and recommendations on administration and enforcement resources will be brought forwards in tandem with the draft bylaw amendments required to enact the regulatory framework. Some or all of the costs associated with enforcing the regulations may be recoverable through business licensing revenue and ticketing. It is anticipated that it may take a year or two of up-front investment in compliance-seeking before a high-level of compliance is achieved and licensing revenue comes close to full cost recovery. Business licence fees will need to balance cost recovery for enforcement and licencing inspections with affordability for hosts/operators to encourage compliance.

Staff estimate a minimum requirement of 0.5 full time employee (FTE) resourcing in the Bylaw Enforcement department for the first year of implementation. As a best practice, compliance costs in 2020 should also incorporate legal expenses associated with pursuing extreme non-compliance cases.

Future budget implications will be presented as a preferred regulatory framework is developed for consideration by Council in Phase 3.

**b. Organizational Impact:**

The STR regulation review and engagement program is a priority project for Planning Services and relates to housing affordability, a strategic District and community priority. STR regulation development involves community planning, public safety (Bylaw Services, Building, Fire), Finance and Communications departments and will require increased operational work to review, operationalize, implement and enforce.

**c. Policy:**

Addressing short-term rentals is advanced several key District objectives and policies, as outlined in the Squamish2040 Official Community Plan:

- **Affordable Housing Objectives 12.7**
  - a. Increase the supply, availability and access to affordable housing units across the local housing spectrum/continuum.
  - b. Manage and preserve affordable housing units in perpetuity.
- **Workforce Housing Objective 12.9a.** Provide adequate and affordable workforce housing in the community.
- **Purpose Built Rentals Policy 12.12f.** Develop policy and regulations addressing short term/vacation rentals that reduce the available inventory of rental housing, and monitor and resource adequate enforcement of unauthorized rentals.



- **Sustainable + Diverse Business Growth Objectives 24.3**
  - a. Support diversified and sustainable economic growth and productivity.
  - b. Enhance employment infrastructure to meet local business needs.

**d. Bylaws:**

Key District bylaws that are pertinent to any future short-term rental regulation scheme include the District’s Zoning Bylaw, Business Licence Bylaw, and Fees & Charges Bylaw. The District’s Noise Regulation, Notice Enforcement and Municipal Ticket Information Bylaws are also applicable.

**5. Council Priority Areas**

**Economic Development**

This project will contribute to strategic economic goals to support business growth, by addressing a core component of local business infrastructure (housing) necessary to sustain economic development (see Place Pillar, *Hardwired for Business, Economic Action Plan 2017-2019*).

**Healthy Community**

Developing a framework for STR regulation in consultation with the community facilitates action planning to address housing affordability and support local housing needs.

**Open and Transparent Government**

Per the approved engagement program, the District has committed to Consult (IAP2) the community early and ongoing in developing regulatory options for Council consideration. Phase 3 engagement activities will follow the typical legislated requirements for local government bylaw amendments including a Public Hearing and associated statutory notifications. A Public Information Meeting prior to first readings of the STR regulations will provide an opportunity for public input prior to formal bylaw amendment readings. Updates to the project page [www.squamish.ca/short-term-rentals](http://www.squamish.ca/short-term-rentals) are ongoing throughout the process.

**6. Next Implementation Steps:**

Next steps to continue with Phase 3 of the short-term rental review will be the drafting of detailed regulations and amendments to the Zoning Bylaw, Business Licence Bylaw, Fees and Charges Bylaw, and potentially the Municipal Ticket Information and Notice Enforcement Bylaws.

**7. Attachments:**

1. Host Compliance STR Report (May 2019)
2. STR Phase 2 Engagement Summary (May 2019)
3. STR Phase 3 Preferred Option Selection Report (June 11 2019)
4. BC Community Scan: STR Regulations Comparison Table (June 11 2019)

**8. Alternatives to Staff Recommendation:**

THAT Council endorse Option \_\_;

AND THAT Council direct staff to report back with bylaw amendments required to enact the Option \_\_ regulatory framework, and a plan, schedule and resourcing to implement the framework.

or

THAT the District of Squamish defer the discussion on and selection of a preferred option to a future Committee of Council.

## **9. Staff Review**

### **Prepared By:**

Aja Philp, Planner

Sarah McJannet, RPP MCIP, Planner

### **Reviewed By:**

Jonas Velaniskis, Director of Community Planning

Gary Buxton, General Manager of Community Planning & Infrastructure

Robin Arthurs, General Manager of Corporate Services

### **CAO Recommendation:**

That the recommendation of Planning Services be approved.

Linda Glenday, CAO