

DATE OF MEETING | October 26, 2020

AUTHORED BY | DAVID STEWART, SOCIAL PLANNER

**SUBJECT                      SHORT-TERM RENTAL REGULATIONS**

## **OVERVIEW**

### **Purpose of Report**

To provide Council with information related to short-term rental accommodation and recommend related amendments to the City of Nanaimo's Business Licence, Zoning, and Parking bylaws.

### **Recommendation**

That the Governance and Priorities Committee recommend Council direct Staff to:

1. Prepare amendments to the City of Nanaimo's "Business Licence Bylaw 1998 No. 5351", "City of Nanaimo Zoning Bylaw 2011 No. 4500", and "Off-Street Parking Regulations Bylaw 2018 No. 7266" in order to:
  - a) add a definition to "City of Nanaimo Zoning Bylaw 2011 No. 4500" for "Short-Term Rentals";
  - b) add the definition of "Permanent Resident";
  - c) permit short-term rentals in Residential, Commercial, Downtown, and Corridor zones where the operator is a permanent resident of the dwelling unit or suite;
  - d) apply existing limits on the number of guests and guestrooms permitted within a bed and breakfast to all short-term rentals;
  - e) continue to allow short-term rental guestrooms within a secondary suite provided the total number of long- and/or short-term rental rooms does not exceed two per dwelling unit (house and suite);
  - f) require a business licence for all short-term rentals and bed and breakfasts within the city of Nanaimo based on proof of residency (including two of the following: voter registration, income tax returns, British Columbia driver's licence, British Columbia medical services card, Home Owner Grant application, and British Columbia identification card); and
  - g) require one additional parking space for each short-term rental.
2. Prepare an explanatory guide and operator declaration form for short-term rentals that outlines short-term rental operator requirements, including providing contact information to Staff and neighbouring residences where the owner can be reached within 24 hours.
3. Consult further with stakeholders and the public regarding Council's recommended option before returning to Council with bylaw amendments

## **BACKGROUND**

On 2018-SEP-17, Council adopted the Nanaimo Affordable Housing Strategy (AHS), which established the City's priorities in addressing housing affordability over the next ten years. The regulation of short-term rental accommodation was identified as a strategy to protect and increase the supply of rental housing as an important step in achieving the objectives of the AHS.

This review of short-term rental (STR) accommodation is a direct recommendation of the AHS. It also addresses requests from hotel operators to require licensing for STRs and responds to gaps in the City's existing regulations regarding potential social and economic impacts of STR accommodation.

The overall purpose of the review is to determine if bylaw and policy changes are required to address STRs in Nanaimo. The project is intended to:

- ensure STR accommodations do not impact the long-term rental housing supply in a negative way;
- ensure STR accommodation operators are good neighbours; and
- ensure equity among STR providers, including B&Bs, hotels, and motels.

“Short-term rental” refers to the rental of a room or an entire residential dwelling unit on a temporary basis (i.e., less than 30 days per calendar year) often through an online platform such as Airbnb, HomeAway, or Vacation Rentals By Owner (VRBO). For the purposes of this report, the term *short-term rental* is intended to include bed and breakfast (B&B) accommodation.

A B&B is considered a type of STR accommodation, but is not inclusive of all STR accommodations available, as a B&B is limited to a partial use of a single residential dwelling only. Other STR accommodation options, such as the short-term rental of an entire residential dwelling unit or the rental of a unit or room within a multiple-family dwelling, are currently not permitted within the city of Nanaimo. A chart summarizing which STR accommodation options are currently permitted as a B&B is included in Attachment A - Current Regulations Summary.

Section 16.6 of “City of Nanaimo Zoning Bylaw 2011 No. 4500” (the “Zoning Bylaw”) defines a bed and breakfast as the “partial use of a single residential dwelling for transient tourist accommodation in which rooms are rented on a short-term basis, and may include the provision of breakfast served on the premises.” B&B facilities may be established in any single residential dwelling, as long as the operator lives in the dwelling unit. There is a limit on the number of guests and rooms permitted, depending on the zoning of the property. In low-density residential zones (i.e., R1, R2) the maximum number of guests permitted is 4, and up to 9 guests are permitted in high-density residential (i.e., R8) and mixed-use zones. B&Bs do not currently require a business licence in the city of Nanaimo and are not otherwise tracked by the City. A Single Family Dwelling, depending on zoning, may have up to 2 to 4 bedrooms used for B&B rooms that can be located in a self-contained secondary suite or the main dwelling unit, but not both.

## **DISCUSSION**

### **Affordable Housing Strategy (AHS)**

Section 1.3 of the AHS includes a series of actions specifically around short-term rentals. These include:

- a) Restrict short-term rentals (i.e., less than 30 days) to dwelling units where the owner is currently residing on the property, either in the main dwelling or the secondary suite.
- b) Require all short-term rental operators (including bed and breakfasts and others) to obtain a business licence and to display their business licence number in all listings.
- c) Support fair taxation for all types of short-term accommodation, including hotels, bed and breakfasts, and other types of short-term rentals.
- d) Ensure that zoning regulations that apply to bed and breakfasts are extended to short-term rentals.
- e) Assess the implications of requiring different business licences for properties located in areas zoned as residential versus properties located in areas zoned as commercial.
- f) Determine an appropriate fine for listing a short-term rental without a valid licence.
- g) Prepare an explanatory guide that outlines short-term rental operator requirements.

The above AHS recommendations informed the City's STR review, including Staff's recommended options.

### **Short-Term Rental Accommodation Tax - Municipal and Regional District Tax (MDRT)**

The AHS recommends the City support fair taxation for all types of STR accommodation that is consistent with the taxes paid by hotels. In 2018, the Province of British Columbia extended the Municipal and Regional District Tax (MRDT), which is applied to hotels, motels and resorts, to include an Online Accommodation Platform (OAP) tax. The MDRT includes up to 3% tax on the purchase of accommodation within select regions on behalf of municipalities, regional districts or eligible entities. Council directed City all funds to the Nanaimo Hospitality Association, except for the portion collected through OAP from online accommodation providers (short-term rental platforms). The revenue collected through OAP is directed to the Housing Legacy Reserve Fund. Between December 2018 and December 2019, the City received \$90,603 OAP funding toward the Housing Legacy Reserve. STRs are not required to pay MDRT where the following conditions apply:

- the accommodation is not listed on an online platform;
- revenue is less than \$2,500 per year; and
- the accommodation charge is less than \$30 per day (\$210 per week).

STR operators are also required to charge 8% Provincial Sales Tax (PST) on all accommodations.

### **Short-Term Rentals in Nanaimo**

Prior to impacts of COVID-19, the number of STR accommodations in Nanaimo fluctuated yearly and seasonally, with an overall trend towards an increased number of STRs. In 2017, the Affordable Housing Strategy found there were 416 active STRs in Nanaimo. More recently

in February 2020, there were 549 individual STR rentals in Nanaimo<sup>1</sup>. Since the impacts of COVID-19, this number for May 2020 was 524 unique rentals. The 549 number is used throughout this report as it represents the more typical STR situation in Nanaimo.

Prior to March 2020, 86% of the STRs in Nanaimo were listed for less than half a year, and 61% were listed as available for less than 90 days in a year. As such, the majority of STRs in Nanaimo are seasonal and a short-term use. STRs are located in all Nanaimo neighborhoods. A map showing the location of STRs in Nanaimo as of February 2020 is included as Attachment B.

### **COVID-19 Impact**

The current COVID-19 pandemic has had an adverse impact on the tourism industry, including both hotel and STR operators. Post COVID-19, some STRs may choose to no longer operate, while others and new STRs may be established as provincial residents are encouraged to travel locally.

While the STR review began before the current pandemic, the work continued during the pandemic, and the report is now presented to Council in order to ensure the City is prepared to move forward post COVID-19. Should Council proceed with bylaw changes or choose to enforce the status quo, Council may choose to direct Staff to delay enforcement of any future bylaws in order to allow STR operators to rebound from the impact of COVID-19 on the tourism industry.

### **Public Consultation**

The impact of STR accommodations on the availability of long-term and affordable rental units was raised as a significant concern by the public and stakeholders during the AHS consultation. Concerns included the impact of STRs on long-term rental housing stock (low vacancy rates, limited rental supply), as well as the impact on neighbourhood character and social cohesion. While there was strong support for introducing new regulations for limiting the impact of STR accommodations, there was also interest in continuing to allow some STRs as long as they are treated and taxed as businesses.

Approximately half of AHS survey participants rated 'a short-term rental policy that encourages homeowners to prioritize long-term rentals' as a 'good idea'. The remainder did not support the idea or were neutral on the subject.

A separate public consultation process was held exclusively regarding the City's STR review. The consultation included surveys, an open house, and direct stakeholder engagement with Tourism Nanaimo/Vancouver Island, the hotel industry, and the Neighbourhood Network.

The Open House took place on 2019-NOV-21 at the Departure Bay Kin Hut. Approximately 40 people attended the open house and provided feedback.

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<sup>1</sup> Host Compliance. February 2020.

A total of 86 survey responses were received, of which 66 were completed online and 20 were paper surveys completed at the open house<sup>2</sup>. A summary of the STR public consultation, including the survey responses, is included in Attachment C.

Prior to Staff bringing forward bylaw amendments to Council for consideration, a copy of this report will be shared with stakeholders and members of the public who expressed an interest in the STR review. Stakeholders and engaged residents will have an opportunity to comment on the proposed options, including Staff's and Council's recommended option. Staff will include comments received from the stakeholders and the public within the follow-up report to Council.

### **Benefits of Short-Term Rentals**

STRs provide a unique form of accommodation not often offered by hotels or motels. They offer an expansion of temporary accommodation options available for travellers, students, or short-term workers (such as interns or medical staff). Some STR operators noted their accommodations help attract visitors to Nanaimo who might not otherwise visit. STR hosts also say that they can help promote the city and the local economy when visitors arrive.

Some STR operators noted that in order to attract guests and maintain positive reviews, they need to ensure their buildings and properties are maintained to a high standard.

The ability to rent a whole dwelling unit or room on a short-term basis allows residents and property owners additional income while maintaining flexibility with their use of space that would not be possible through a longer-term rental.

### **Short-Term Rental Concerns**

A primary concern with STRs is their potential impact on the availability and affordability of long-term rental options. In addition, STR rentals may also increase noise, traffic, disturbance and loss of social cohesion within a neighbourhood. All of these concerns are more apparent with respect to entire home rentals where the operator is not a permanent resident. Where the STR operator does not live on the premises, neighbours are faced with a daily or weekly rotation of 'temporary neighbours' with no opportunity to establish a relationship with the property owner or a long-term tenant.

Of the 86 survey respondents, 73% indicated they are aware of an STR in their immediate neighbourhoods, while 22% said they experienced noise or disturbance in their neighbourhoods directly relating to a STR property.

#### *Rental Impact*

Nanaimo's primary rental vacancy rate of 2% (October 2019) is well below the 5% threshold indicator of a healthy rental housing market. As noted in the AHS, there is a high demand and continued need for long-term rental housing in Nanaimo. While it is difficult to quantify the impact of STRs on the long-term rental market, studies in larger Canadian municipalities have indicated the STR market can negatively impact the availability of long-term rentals in a

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<sup>2</sup> Note: The survey did not ask respondents to identify if they own or operate a STR. 6 of the 20 paper survey respondents noted in their comments that they are STR operators.

community.<sup>3,4</sup> Renting out a room or entire dwelling unit as an STR can be more lucrative than renting the same space out as a long-term rental, thus discouraging property owners from making spaces available for long-term rental. A recent study in the City of Vancouver noted that the STR of a one-bedroom unit for 9 to 12 days per month generates the same monthly revenue as renting the same property on a long-term basis.<sup>5</sup>

If all 549 of the STR listings in Nanaimo were to be converted to long-term rental units, it would represent a 6% increase in the number of long-term primary rental units in Nanaimo; however, approximately 86% of Nanaimo STRs are seasonal rentals available for less than half the year and 29% are for room rentals within an existing dwelling. It is not realistic to assume all STRs would be made available as long-term rentals. A chart showing the percentage of STRs versus long-term rentals in Nanaimo is included as Attachment D.

Of those that completed the survey, 65% felt STRs have some impact on the availability of long-term rental housing in Nanaimo, with 32% indicating they felt the impact was significant. A number of Protection Island residents noted STRs are having an impact on rental availability specifically on Protection Island.

### **Municipal Best Practices**

Historically, most municipal bylaws address B&Bs only and fail to acknowledge or regulate other forms of STRs; as such, STR forms such as an entire home rental are considered prohibited. With the emergence of online platforms, such as Airbnb, and the increase in entire home STRs, a number of municipalities have since established new, more permissive regulations that directly address all STR types.

Staff reviewed the approaches of 12 other BC municipalities to regulating STRs and B&Bs. A summary of this research is included as Attachment E.

### **Short-Term Rental Operators Guide**

The AHS recommends Staff prepare an explanatory guide that outlines STR operator requirements. Such a guide could be provided to all STR operators at the time of a business licence application and should include the following information:

- Building and Fire safety requirements
- Zoning Regulations
- Parking Requirements
- Operational best practices, including how to respond to neighbourhood concerns and manage disruptive guests.

Staff recommend all operators be required to provide confirmation they have read and understood the guide. Operators should also be required to provide Staff with contact information where they can be reached within 24 hours.

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<sup>3</sup> Wachsmuth, David. Short-term rentals in Canada: The first comprehensive overview

McGill University. 2019. <https://upgo.lab.mcgill.ca/2019/06/20/short-term-rentals-in-canada-paper/> and

<sup>4</sup> Ottawa, City of/ Maclaren Municipal Consulting. Regulation of Short Term Accommodation. 2019. [https://documents.ottawa.ca/sites/documents/files/RAS\\_FinalSTRSept23\\_en.pdf](https://documents.ottawa.ca/sites/documents/files/RAS_FinalSTRSept23_en.pdf)

<sup>5</sup> Vancouver, City of. Policy Report: Regulating Short-Term Rentals in Vancouver. July, 2017 <https://council.vancouver.ca/20170711/documents/rr1.pdf>

## Zoning Bylaw Considerations

As part of the STR review, Staff and Council are asked to consider a number of separate and related topics as they relate to STRs, including:

- a) *Should STRs be allowed as an entire home rental?*
- b) *Should STRs be restricted to a primary residence only?*
- c) *Should STRs be allowed in Multiple Family Dwellings?*
- d) *Should STRs be allowed in Secondary Suites?*
- e) *Should the Zoning Bylaw limit the length of individual guest days permitted by an STR?*
- f) *Parking Requirement – per bedroom, per property? Should additional parking be required for entire home stays?*
- g) *Should the City enforce a cap on the number of STR rental days (total number of days within the year an STR can operate)?*

These discussion questions are summarized in Attachment F. They were also addressed as survey questions (see Attachment C) and included in the municipal best practices review (Attachment E).

## Business Licensing

With the emergence of online STR platforms and entire home listings, there is growing consensus among municipal governments that STRs should be regulated and licensed. Of the 12 BC municipalities reviewed, 8 either require business licences or are considering requiring business licensing for STRs. Where a business licence is required, fees vary greatly between municipalities, ranging from \$49 (Vancouver) to up to \$1,500 (Nelson/Victoria) per year. Some municipalities chose lower fees to encourage STRs to obtain a business licence while others opted for larger fees to offset licensing, inspection, and enforcement costs. Staff recommend the business licence application fee be set at \$165 per year to maintain consistency with the fee charged for most other municipal business licences, including those for hotels and home-based businesses.

It was noted, of the survey respondents, 57% supported requiring STRs to obtain business licences.

## Inspections

Given the large number of STRs in the city, one anticipated challenge with business licensing is building and fire compliance inspection. While some municipalities require all new STR licence applications to be inspected, other larger municipalities rely on self-compliance checklists and/or random inspections.

In Nanaimo, with the exception of home-based businesses, all other business licence application types require building and fire inspection. Considering there are approximately 549 STRs in Nanaimo, existing Staff capacity would be strained if the City were to include inspections as a requirement of business licence approval, likely resulting in the need for additional Building Inspections and/or Fire Staff. Increased inspection requirements would also lengthen the business licence and approval timeframe. As an alternative, Staff recommend a building and fire safety compliance declaration form be provided to STR licence applicants to sign and complete. The checklist may also include other STR best practices (such as providing

operator contact information to neighbours) and be included with an explanatory guide as recommended within the AHS.

## **Enforcement**

Like many other Zoning Bylaw regulations, enforcement of STR regulations may be challenging for municipal Staff. Currently, City of Nanaimo Staff have been enforcing illegal STRs on a complaint basis only. To date, the City has sent letters seeking voluntary compliance to ten separate STR operators; four of these were referred to Bylaw Services for follow up enforcement, of which three are now in compliance. Recently, Staff have received a number of complaints regarding STRs, but have not yet taken action on them given the ongoing STR review.

Other municipalities have taken a more active enforcement approach. A number of communities use Host Compliance, a technology company that provides software to monitor STR rentals and compliance. Host Compliance can maintain an address inventory of STRs in the municipality, and for an additional fee, can monitor rental activity, assist with enforcement by generating compliance letters and maintain a 24/7 STR neighbourhood complaint hotline to respond to neighbourhood concerns. A summary of Host Compliance fees is included as Attachment G.

Of the 12 municipalities contacted by Staff, 6 use Host Compliance to monitor and enforce STR activity. Those municipalities who have primary residency restrictions in place have advised that the regulation has generally been enforceable, with the exception of some challenges encountered issuing tickets to out-of-province property owners. Most municipalities require proof of primary residency as part of the business licence application. Staff are not recommending proceeding with Host Compliance at this time, but will monitor licensing and enforcement activity for a year after bylaw adoption. Staff will bring forward a report with a recommendation regarding Host Compliance one year after implementation.

To assist with enforcement, Staff recommend the Zoning Bylaw and “Business Licence Bylaw 1998 No. 5351” be amended to require fines for unlicensed or non-complaint STRs.

## **Options Summary**

Given the number of separate considerations related to the licensing and regulation of STR rentals, the City has a number of regulatory options to choose from. A summary chart of options, including pros and cons, is included for review in Attachment H. These options are discussed below in the ‘Options’ section of this report. It is important to note that given the number of possible decisions related to STRs, there are others options available to Council not detailed in this report including:

- No longer permitting any form of STRs in secondary suites;
- Not permitting entire home rental for short-term rental;
- Allowing short-term rental of individual rooms in multiple-family dwellings (individual strata councils may choose to restrict this and would be reasonable for enforcement);
- Not requiring business licences for STRs;
- Requiring a cap on the number of short-term rental days; and/or
- Removing the maximum number of guests and guest rooms permitted in an STR, but include a permanent residency restriction (hybrid of options 1 and 3).



Council may direct Staff to bring forward a bylaw that addresses any of the above additional options.

## OPTIONS

1. That the Governance and Priorities Committee recommend that Council direct Staff to:
  1. Prepare options for amendments to the City of Nanaimo's "Business Licence Bylaw 1998 No. 5351", "City of Nanaimo Zoning Bylaw 2011 No. 4500", and "Off-Street Parking Regulations Bylaw 2018 No. 7266" in order to:
    - a) add a definition to "City of Nanaimo Zoning Bylaw 2011 No. 4500" for "Short-Term Rentals";
    - b) add the definition of "Permanent Resident";
    - c) permit short-term rentals in Residential, Commercial, Downtown, and Corridor zones where the operator is a permanent resident of the dwelling unit or suite;
    - d) apply existing limits on the number of guests and guestrooms permitted within a bed and breakfast to all short-term rentals;
    - e) continue to allow short-term rental guestrooms within a secondary suite, provided the total number of long- and/or short-term rental rooms does not exceed two per dwelling unit (house and suite);
    - f) require a business licence for all short-term rentals and bed and breakfasts within the city of Nanaimo based on proof of residency (including two of the following: voter registration, income tax returns, British Columbia driver's licence, British Columbia medical services card, Home Owner Grant application, and British Columbia identification card); and
    - g) require one additional parking space for each short-term rental.
  2. Prepare an explanatory guide and operator declaration form for short-term rentals that outlines short-term rental operator requirements, including providing contact information to Staff and neighbouring residences where the owner can be reached within 24 hours.
  3. Consult further with stakeholders and the public regarding Council's recommended option before returning to Council with bylaw amendments.
    - Advantages: Provides clarity on what is allowed as an STR and provides a regulatory mechanism. Consistent with the recommendations of the AHS that involved significant public input. Would allow residents to rent out their entire homes while on vacation for up to 30 days in a calendar year, but would not permit entire homes to be operated as permanent or semi-permanent STRs. An effective primary residency restriction will minimize the impact of STRs on the long-term rental market and mitigate neighbourhood impacts. Reduces the likelihood of property investors owning multiple homes and running them as tourist accommodation businesses. Addresses concerns of impacts on hotel/motel tourism accommodation businesses. Requiring a business licence will allow Staff to monitor and enforce STR safety and compliance.
    - Disadvantages: If the primary residency restriction is not properly enforced, this could negatively impact the city's long-term rental vacancy rate. Continuing to allow the use of secondary suites as STRs makes it easier for homeowners to use suites for more lucrative STRs versus longer-term rental.

- Financial Implications: Requiring STRs to obtain business licences will require increased administrative costs and Staffing demands. If inspections are to be required for all STRs, additional Staffing resources may be required. Fees would apply if Host Compliance software is used to help monitor STR activity.
2. That the Governance and Priorities Committee recommend that Council direct Staff to prepare amendments to the City of Nanaimo's "Business Licence Bylaw 1998 No. 5351" to require a business licence for a bed and breakfast use and amend "City of Nanaimo Zoning Bylaw 2011 No. 4500" in order to:
1. require bed and breakfasts to obtain a business licence; and
  2. clarify that the short-term rental of an entire home or suite is not permitted.
- Advantages: This option maintains the status quo of existing regulations with the additional requirement that new and existing B&Bs obtain a business licence. This would affect 71% of STRs in Nanaimo that are currently entire home rentals. As the most restrictive option, it would, through active enforcement, minimize the negative impacts associated with STRs, including the impact on the rental market, particularly for families and those needing rentals of two or more rooms. This would also have maximum impact for addressing the concerns of business owners who run hotels and motels.
  - Disadvantages: By continuing to prohibit entire home rentals, approximately 71% of existing STRs in Nanaimo would not be permitted to operate. If the bylaw is enforced, these STRs would have to close in order to comply, creating a financial hardship for STR operators and reducing the amount and type of short-term accommodation options available for visitors to Nanaimo. Alternatively, if the bylaw is not actively enforced, STRs will continue to operate illegally without obtaining a business licence and will continue to be unregulated.
  - Financial Implications: Requiring STRs to obtain business licences will require increased administrative, enforcement and inspection costs, and Staffing demands.
3. That the Governance and Priorities Committee recommend that Council direct Staff to bring forward amendments to the City of Nanaimo's "Business Licence Bylaw 1998 No. 5351", "City of Nanaimo Zoning Bylaw 2011 No. 4500" and "Off Street Parking Regulations Bylaw 2018 No. 7266" in order to:
1. add a definition to the Zoning Bylaw for "Short-Term Rentals" to include the rental of a room or an entire residential dwelling unit for a period of up to 30 days in a calendar year;
  2. permit short-term rentals in Residential, Commercial, Downtown, and Corridor zones where the operator is a permanent resident of the dwelling unit or suite;
  3. remove existing limits on the number of guests and guestrooms permitted within bed and breakfasts or short-term rentals;
  4. continue to allow short-term rental rooms within a secondary suite, provided the total number of long- and/or short-term rental rooms does not exceed two;
  5. require a business licence for all short-term rentals and bed and breakfasts within the city of Nanaimo; and
  6. require one additional parking space for all short-term rentals.

- Advantages: The above option is the least restrictive of the options presented and the only option that will permit all or nearly all of the STRs currently operating in Nanaimo. The option will allow the most flexibility for Nanaimo residents who wish to operate an STR and a greater variety of accommodation options for tourists.
  - Disadvantages: The option will allow property owners to operate year-round STRs on multiple properties. This option is likely to have the most impact on the availability and affordability of long-term rentals, particularly for families and those needing rentals of two or more rooms. These rentals will compete with the hotel industry (while paying residential taxes); remove units from the long-term rental market; and, without an operator present, may negatively impact neighbourhoods.
  - Financial Implications: Requiring STRs to obtain business licences will require increased administrative and inspection costs and Staffing demands, but as the most permissive option, the need for active enforcement would be reduced.
4. That the Governance and Priorities Committee recommend that Council direct Staff to bring forward amendments to the City of Nanaimo's "Business Licence Bylaw 1998 No. 5351", "City of Nanaimo Zoning Bylaw 2011 No. 4500" and "Off Street Parking Regulations Bylaw 2018 No. 7266" in order to:
1. permit short-term rentals only in designated tourist zones, such as zones that currently permit hotels or are located in near popular tourist areas of the city (downtown, waterfront);
  2. add a definition to the Zoning Bylaw for "Short-Term Rentals" to include the rental of a room or an entire residential dwelling unit for a period of up to 30 days in a calendar year;
  3. remove existing limits on the number of guests and guestrooms permitted within bed and breakfasts or short-term rentals;
  4. continue to allow short-term rental rooms within a secondary suite, provided the total number of long- and/or short-term rental rooms does not exceed two;
  5. require a business licence for all short-term rentals and bed and breakfasts within the city of Nanaimo; and
  6. require one additional parking space for all short-term rentals.
- Advantages: This option limits the impact of short-term rentals only to specific areas of the city that already have a high demand for short-term stays. The option will clarify existing zoning regulations by allowing the short-term rental of any dwelling unit where a hotel use is permitted.
  - Disadvantages: This option will limit the availability of short-term rentals in the city to specific areas and may cause confusion among potential operators. If Council chooses this option, more discussion may be required regarding which areas of town are appropriate for short-term rental accommodation.
  - Financial Implications: Administrative costs for this option would be similar to that of other options with slightly more Staff time spent on education and enforcement of zoning requirements.

### **SUMMARY POINTS**

- “Short-Term Rental” refers to the rental of a room or an entire residential dwelling unit on a temporary basis.
- The short-term rental of an entire home is currently not permitted within the city of Nanaimo. The rental of rooms within a single residential dwelling while the operator is living on site is permitted as a bed and breakfast.
- There are 602 short-term rental listings in Nanaimo with 549 unique rental listings, of which approximately 71% are for entire home rental.
- Best practices amongst municipalities require short-term rentals be permitted within an entire dwelling unit, provided the operator is a permanent resident of the STR dwelling unit and has obtained a business licence.

### **ATTACHMENTS:**

- ATTACHMENT A: Current Regulations Summary
- ATTACHMENT B: Short-Term Rental Listings Map
- ATTACHMENT C: Short-Term Rental – Public Consultation Summary
- ATTACHMENT D: STR Rental Impact
- ATTACHMENT E: Short-Term Rentals – Other Municipalities
- ATTACHMENT F: Bylaw Consideration Summary
- ATTACHMENT G: Host Compliance Fees
- ATTACHMENT H: Short-Term Rental Regulatory Options Summary

#### **Submitted by:**

Lisa Bhopalsingh  
Manager, Community Planning

#### **Concurrence by:**






Bill Corsan  
Director, Community Development

Dale Lindsay  
General Manager, Development Services

Laura Mercer  
Director, Finance

# ATTACHMENT A

## CURRENT REGULATIONS SUMMARY

Use	Permitted within the Zoning Bylaw as B&B
Short-Term Room Rental within a Single Family Home – Owner Present	
Short-Term Room Rental within a Single Family Home- Owner not Present	
Short-Term Rental of Entire Home	
Short-Term Room Rental- Apartment Condo or Townhouse	
Short-Term Rental of a Secondary Suite	



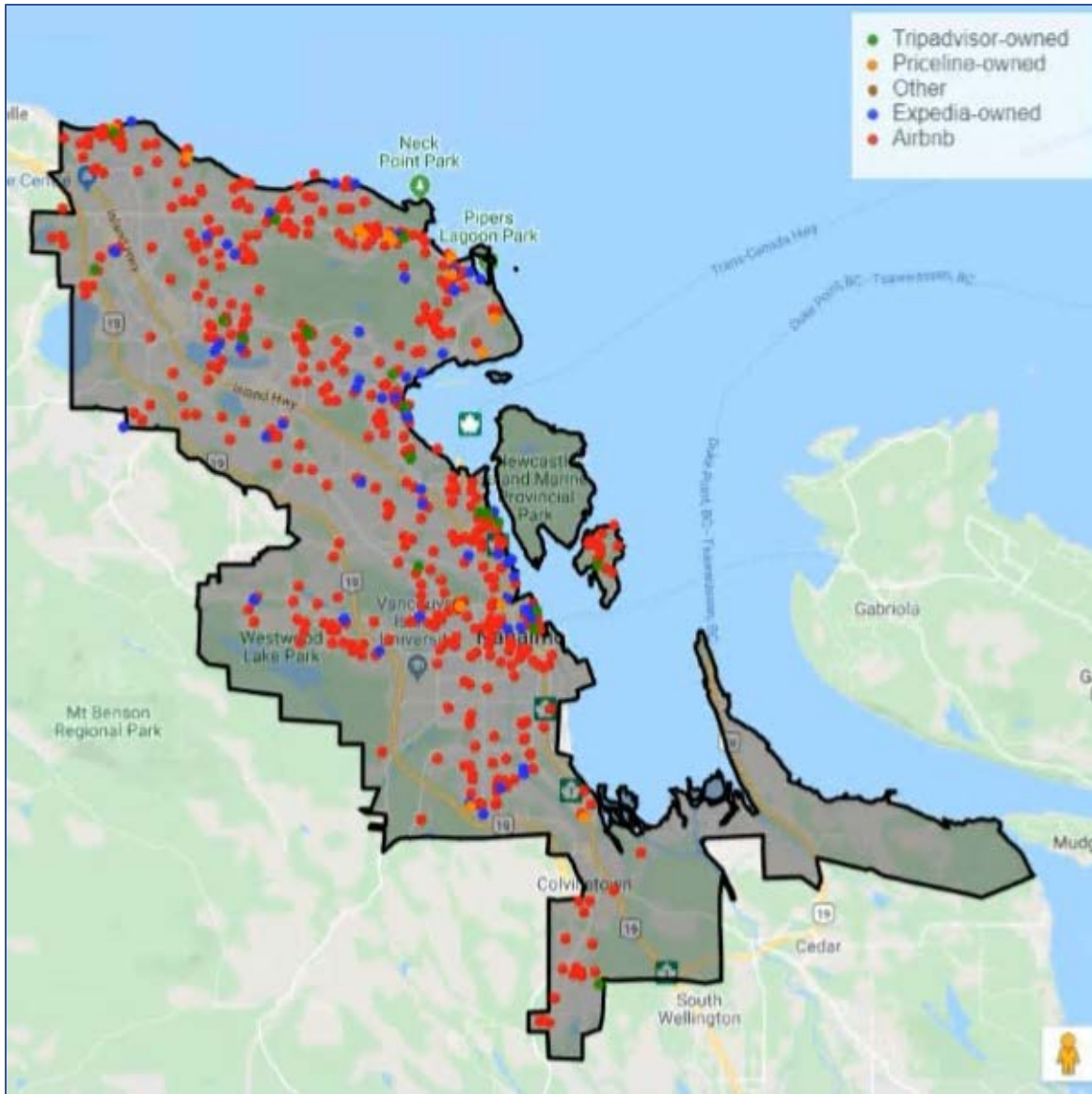
Use is not permitted within residential zones



Use is permitted

# ATTACHMENT B

Short-Term Rental Listings Map



## **ATTACHMENT C**

Short-Term Rental -  
Public Consultation Summary

Short Term Rental- Survey  
and Open House Summary

## Tourism Vancouver Island Comments

- STRs provide necessary and unique accommodation not provided by hotels.
- Want experience to be safe/positive. Noted problems with shared spaces.
- Support AHS recommendations.
- Business licensing essential - important for tracking and professionalism.
- Onsite ownership considered a tourism best practice.
- 2017 Tourism survey indicated only 10% of visitors stayed at a vacation rental or guest house - number likely low as survey was conducted at hotels and frequent tourist hotspots.



# Hotel Industry Comments

Encourage regulation of STRs - 8 regulations:

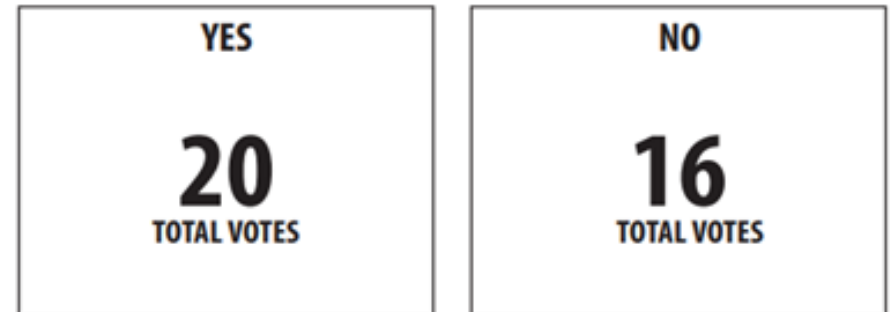
1. Host registration and fees
2. Platform registration and fees
3. **Principle residence restriction**
4. Cap on usage - # of days
5. Health and Safety Standards
6. Reporting
7. Taxation/ Levies- level playing field with hotel operators
8. Enforcement

# Open House Feedback Panels

**Should Short-Term Rentals be permitted in an entire home?** Place a sticker to indicate your answer:



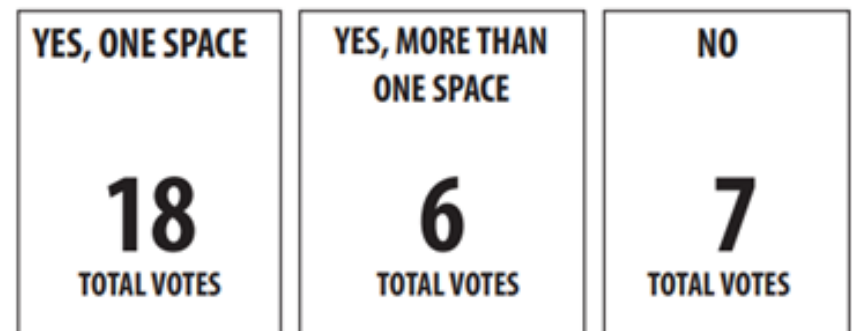
**Should Short-Term Rentals be limited to the primary residence, where the owner is still residing on the property?** Place a sticker to indicate your answer:



**Should Short-Term Rentals be permitted in apartments, condominiums and townhouses?** Place a sticker to indicate your answer:



**Should Short-Term Rentals require additional parking?** Place a sticker to indicate your answer:

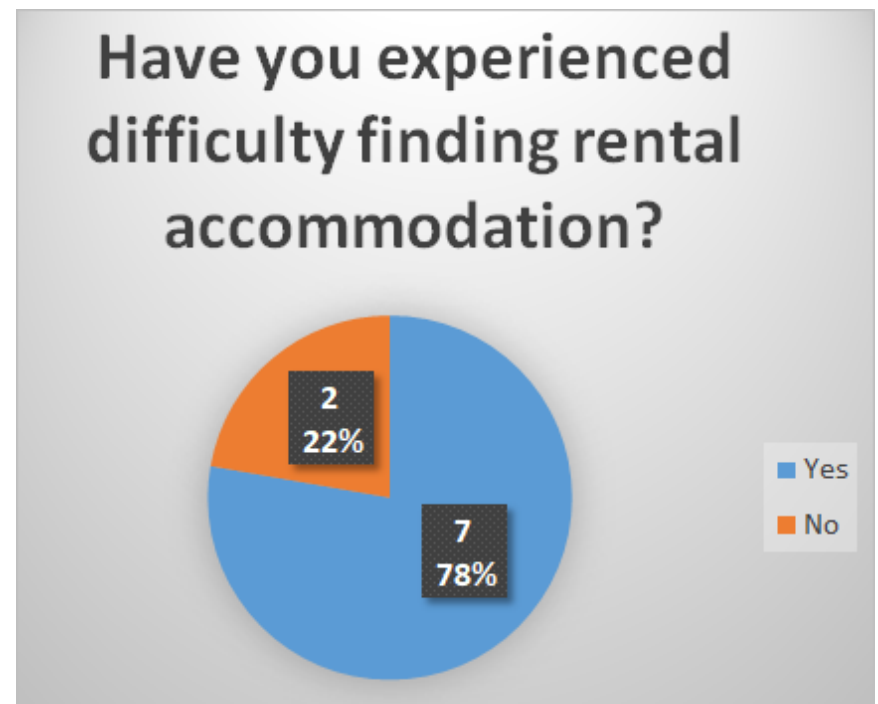
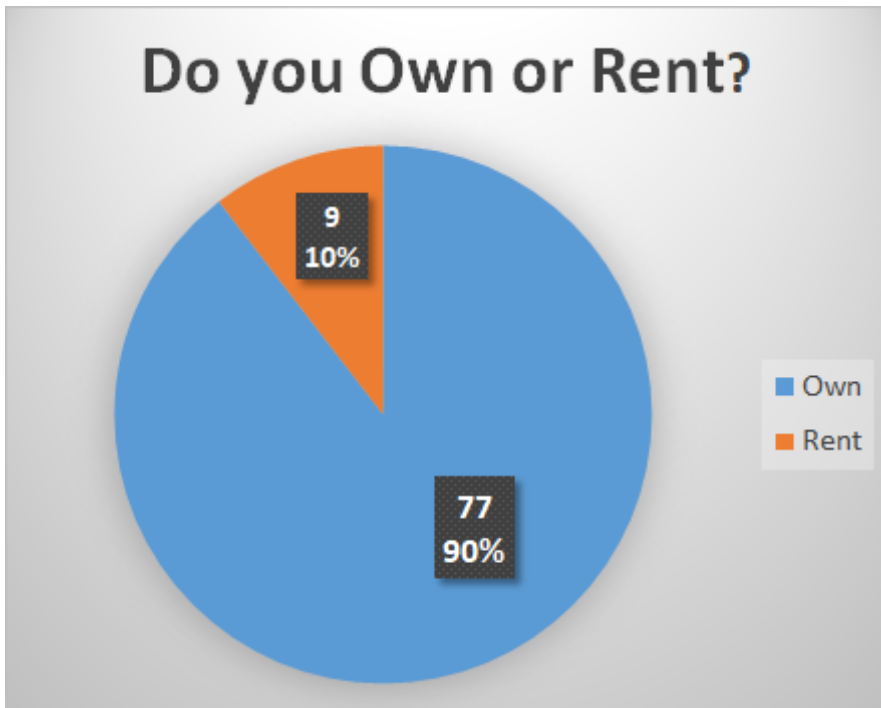


# Survey Response Summary

# Short-Term Rental Survey Responses

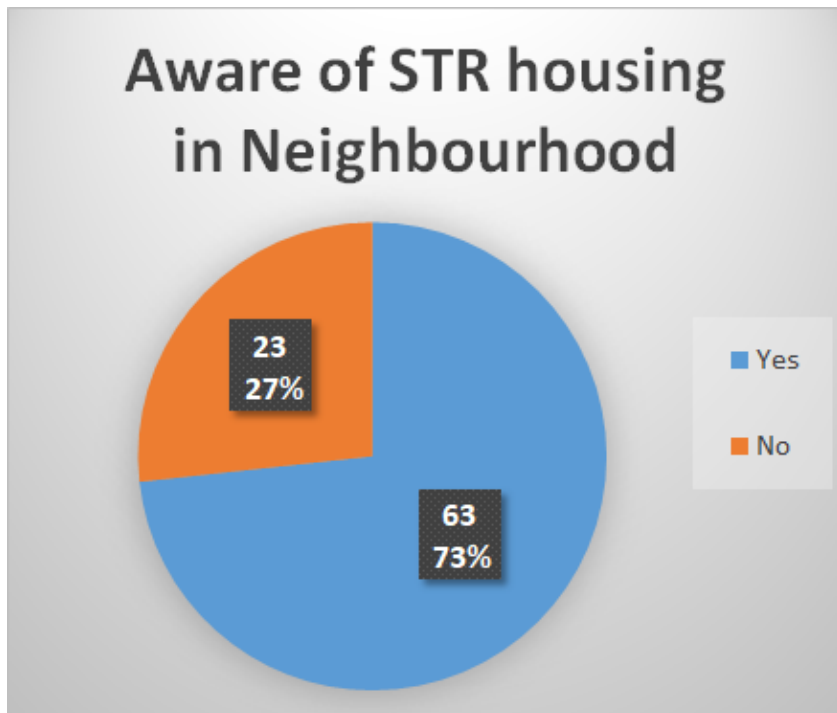
**Do you currently own or rent where you currently live?**

**Difficulty Finding Rental  
(sample size 9)**

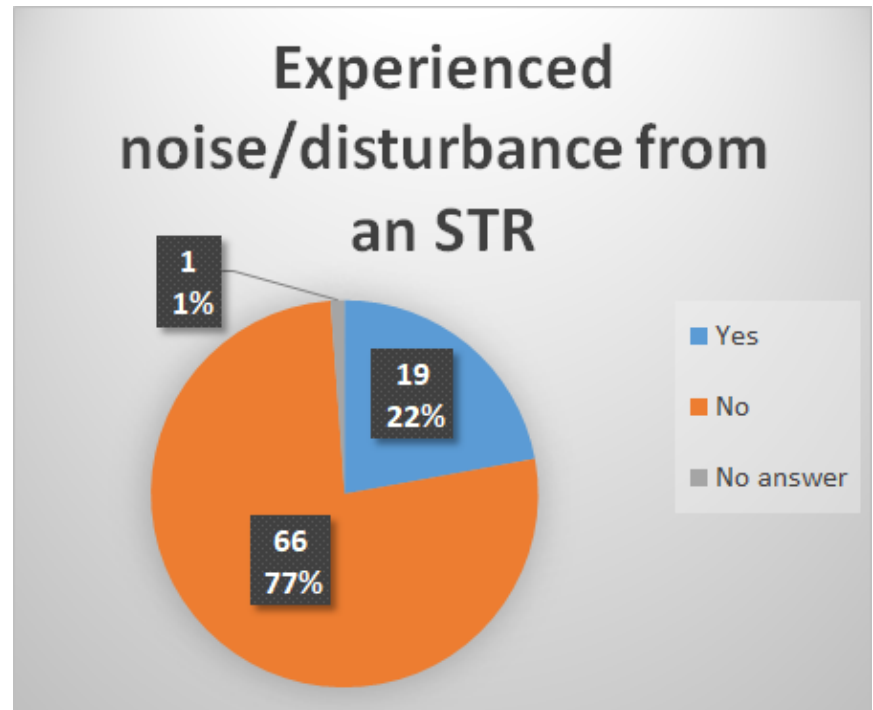


# Short-Term Rental Survey Responses

**Are you aware of STR housing in your neighbourhood?**

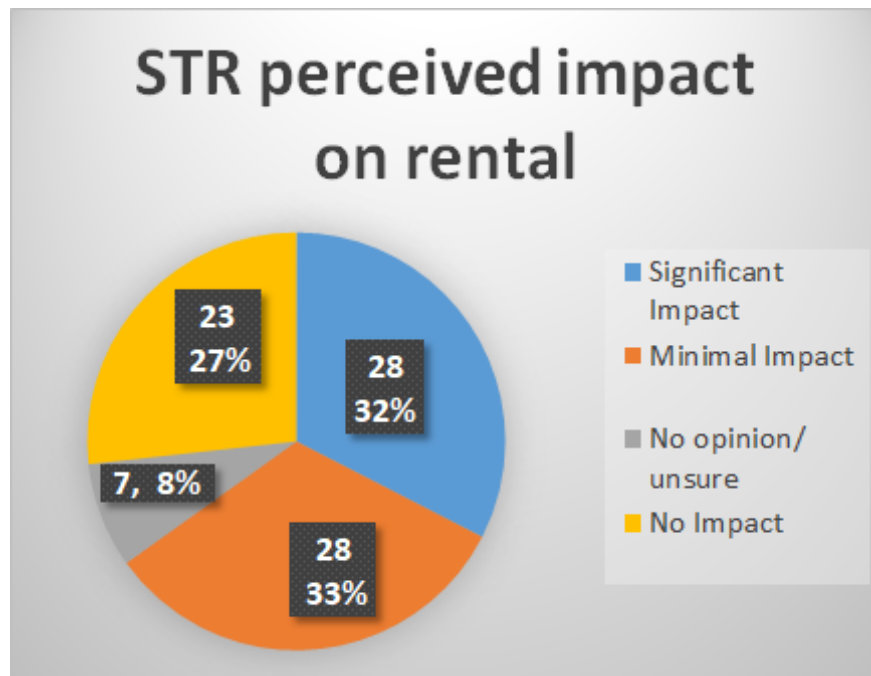


**Have you experienced noise or disturbance in your neighbourhood directly relating to a STR property?**

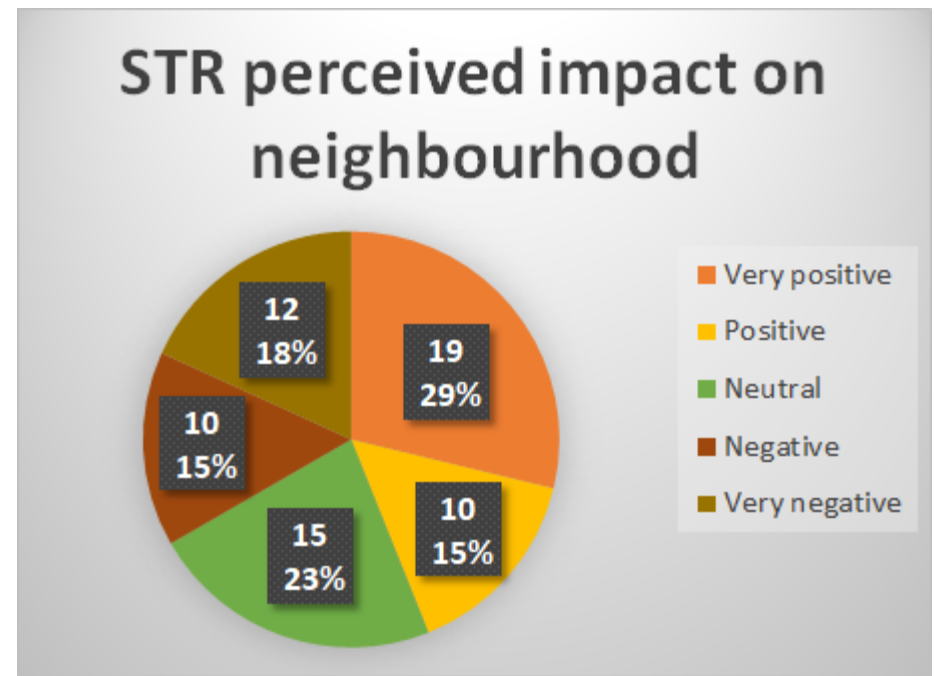


# Short-Term Rental Survey Responses

Do you believe short-term rentals impact the availability of rental housing in Nanaimo?

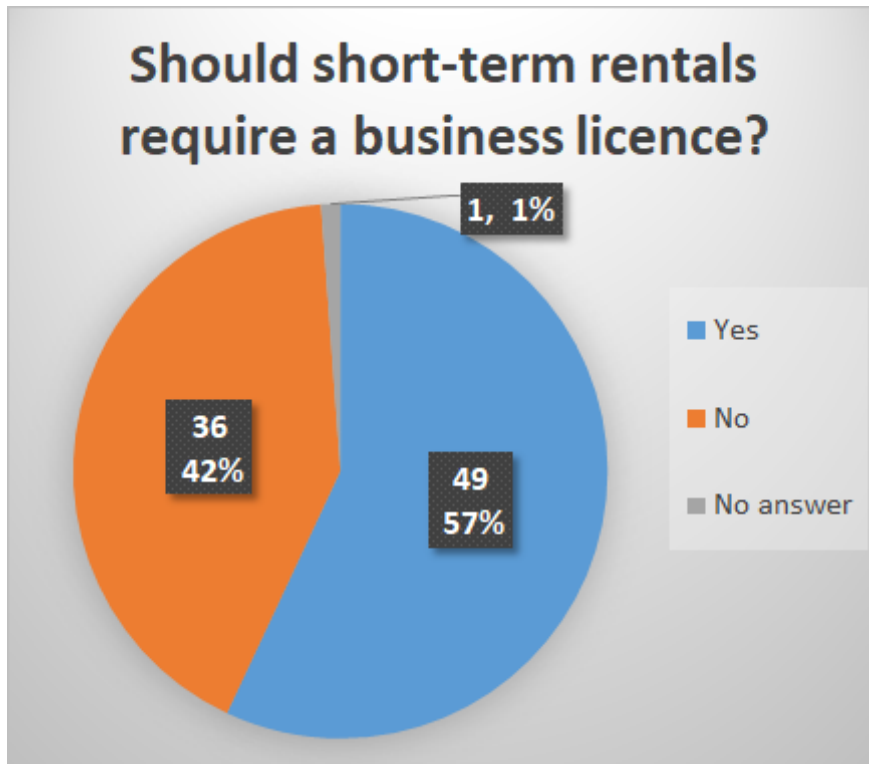


Overall, what impact do you expect short-term housing will have/has on your neighbourhood?

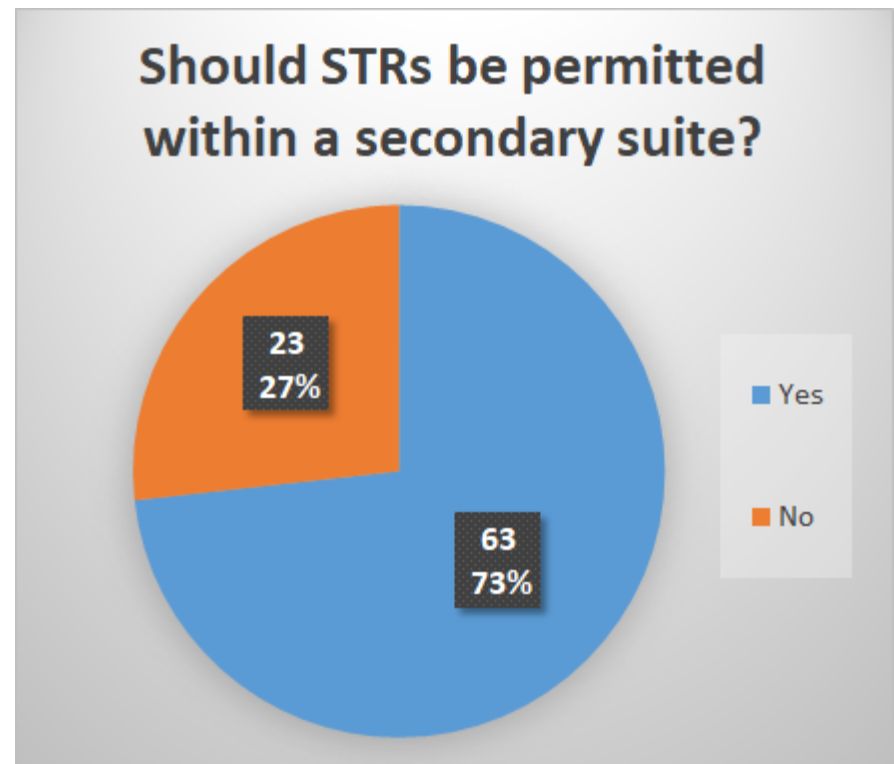


# Short-Term Rental Survey Responses

Should STRs require a business licence?



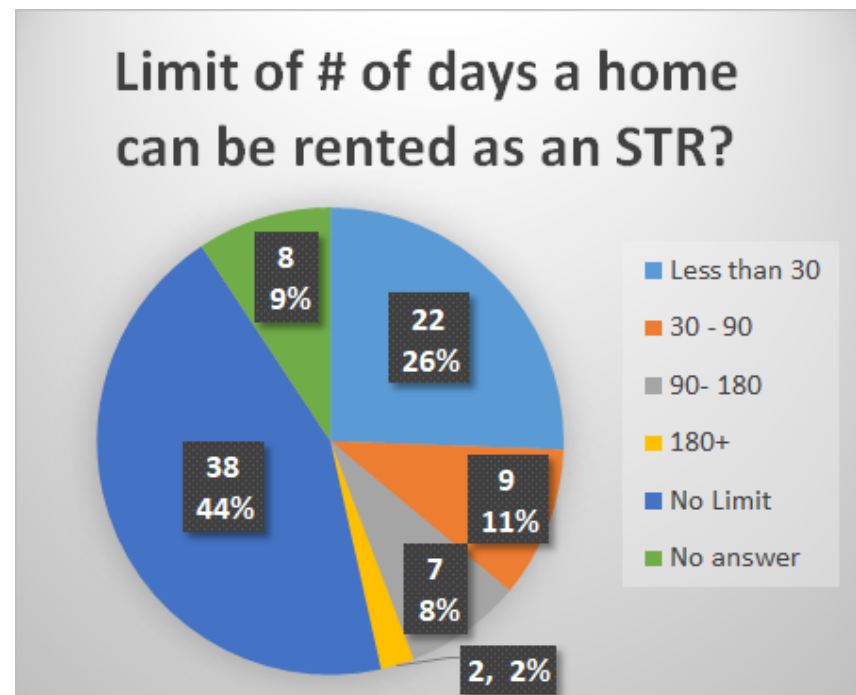
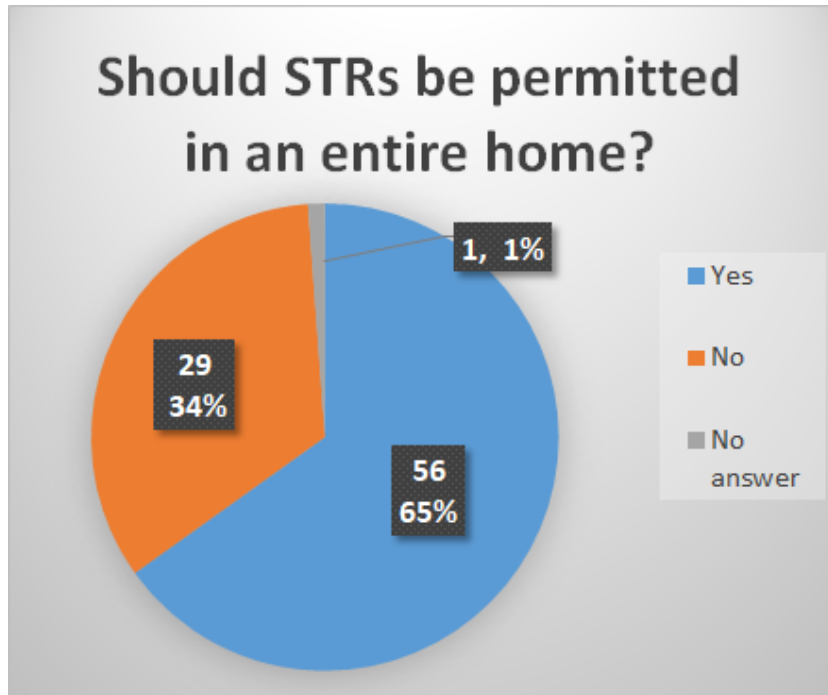
Should STRs be permitted within a secondary suite?



# Short-Term Rental Survey Responses

Should STRs be permitted in an entire home?

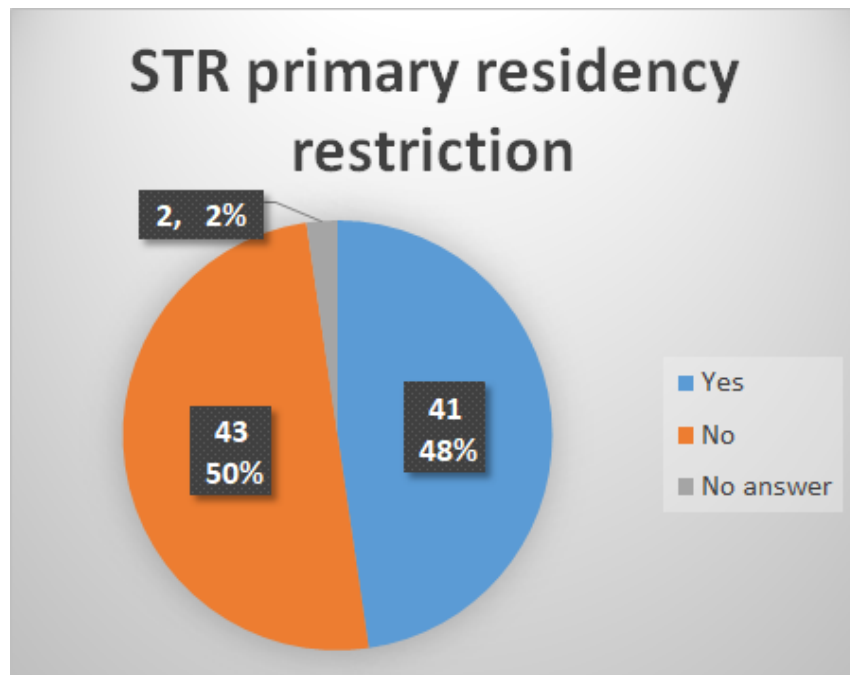
If an entire home is permitted, should there be a limit to the number of days the home may be rented as an STR?



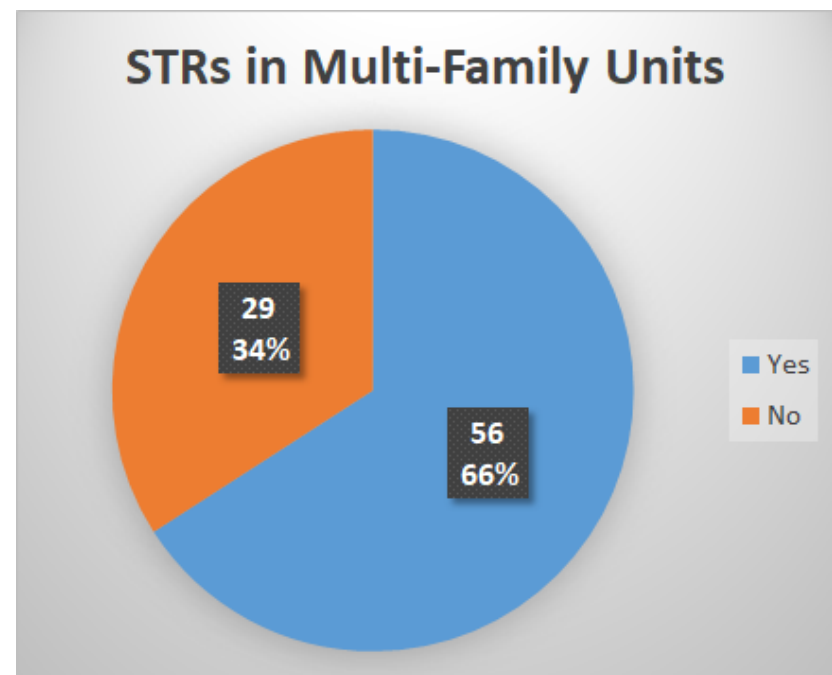


# Short-Term Rental Survey Responses

Should STRs be limited to the primary residence, where the owner is still residing on the property?



Should STRs be permitted in apartments, condominiums and townhouses?



# Public Comment Themes - STR Operators

- Unique accommodation type
- Economic contribution - guests and operators
- No or minimal impact on rentals or affordability
- Long term tenancy problems
- Income and flexibility
- Property maintenance

# Public Comment Highlights - STR Operators

- “I am sure that at least 80% of my guests would not visit our town if they hadn’t seen my space on Airbnb. They are certainly not hotel guests.”
- “...two separate sets of guests decided to move to Nanaimo after staying in a neighbourhood that showed what Nanaimo truly has to offer.”
- “I travel 6 months/yr, if I left my house vacant while I traveled how does that help the housing situation?”

## Public Comment Highlights - STR Operators (part 2)

- “My rentals are not affordable housing. They are boutique rentals.”
- “Short-term rental suites are generally much better cared for than longer term rentals. Owners have a much greater stake in upkeep or their business would fail”
- “The vast majority of local Airbnb owners are excellent neighbours... after all, complaints on these platforms are what sinks these businesses”

# Public Comment Highlights - Rental Availability

- “There is nothing for rent [that is] affordable or available especially for young people.”
- “The rental market has been significantly affected by Airbnb. We live on Protection Island where most rentals have now turned into Airbnb. They do not meet the B&B rules and have made it very difficult for many new and long time rental residents”.
- “Several previous long-term rental housing on Protection have been turned into short-term Airbnb rentals.”
- “Almost nothing is available that I can afford.”
- “Rent prices are out of control, everything has suites (as a family, you just want a full house), lots of available rentals just nothing that suits or needs.”

# Public Comments - Opposed to STRS

- “Where STRs go hell follows in terms of impacts on neighbourhoods, employees, renters and home buyers.”
- “This is fueled by greed. Many rentals owned by non-residential and off shore owners.”
- “Need close shops etc. for visitors. Student rentals and school exchange students may be treated more leniently. Hotels must be protected fairly. They will not invest otherwise.”

## Public Comment Highlights – Opposed to STRs (part 2)

- “I did not purchase a home next to a motel or short-term rental. I live in a quiet residential zoned area and now I have an Airbnb next door. New and different loud inconsiderate people on deck overlooking my previously quiet back yard. Home owner away working in oil patch.”
- “Short-term rentals have some benefits, but it really impacts a neighbourhood when there are too many close together, as it turns the neighbourhood into a tourist area instead of a residential area”

# Public Comment Highlights - STR Support

- “Leave Airbnbs and hard WORKING individuals alone. Am I right? Assuming that you are blaming Airbnbs for our junkie homeless problem?”
- “Short-term rentals contribute significantly to city tourism...some people specifically choose short-term rentals when travelling.”
- “Please stop restricting everything everywhere. Give people the freedom and opportunity to take responsibility.”

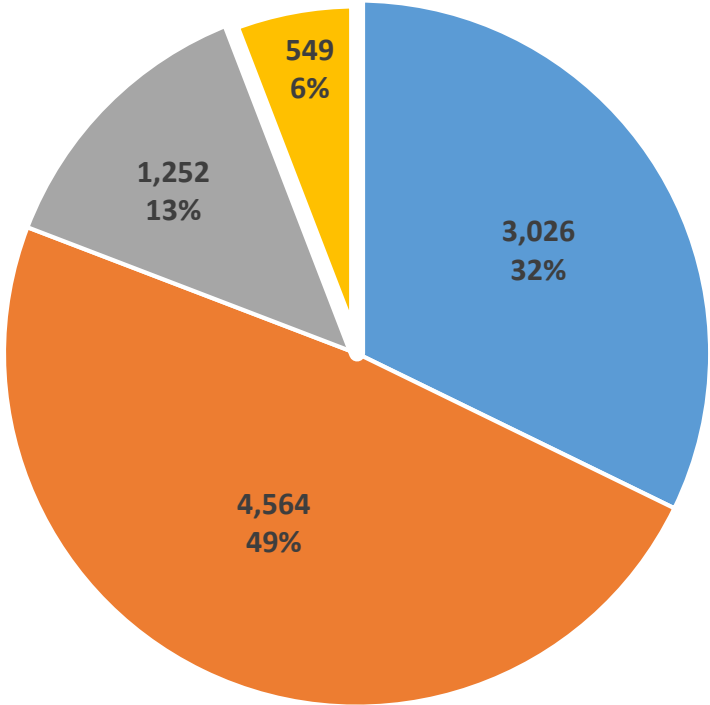


# Public Comment Highlights- STR Support (part 2)

- “Short-term rentals bring tourists to our town, that would not visit Nanaimo otherwise. Guests explore Nanaimo downtown, spend money, tell their friends and have positive experiences which helps our city grow in a sustainable way. Some spaces are not suitable as long-term rentals.”
- STRs “can make the neighbourhood more vibrant. Bring money into the community...business licences do not provide anything. I have had a business licence for a number of years and never received any services/inspection/guidance.”

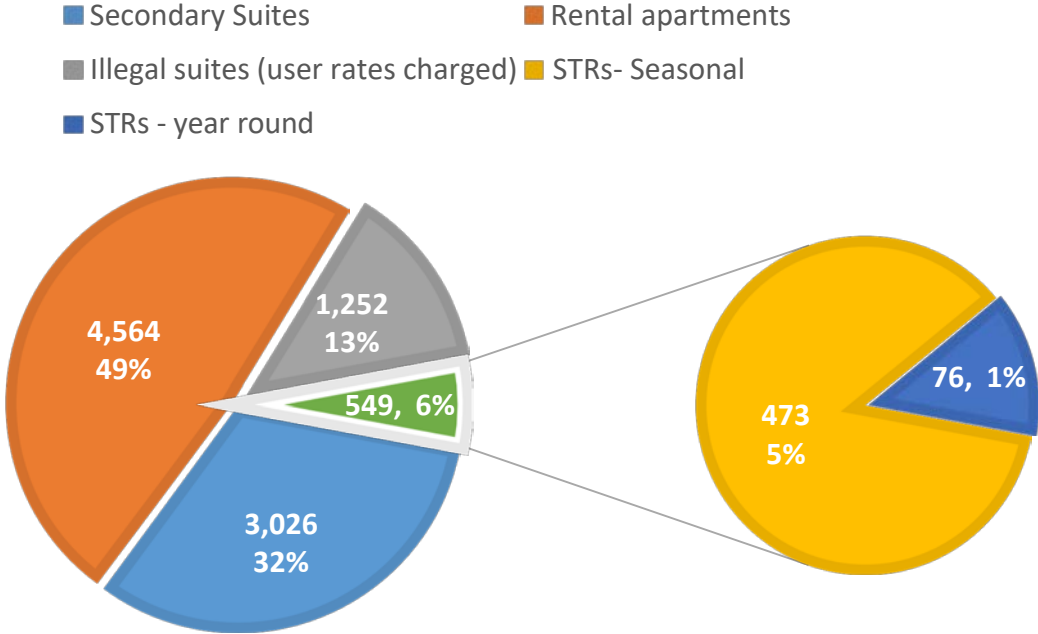
# STR Rental Impact

STR % of Rental Market



- Secondary Suites
- Rental apartments
- Illegal suites (user rates charged)
- STR total

YEAR ROUND VS. SEASONAL RENTALS



## ATTACHMENT E

<b>SHORT-TERM RENTALS – OTHER MUNICIPALITIES</b>							
<b>City</b>	<b>Primary Residence (PR) Requirement?</b>	<b>Entire Home Rental Permitted?</b>	<b>Allowed in entire Secondary Suites?</b>	<b>Allowed in Multiple Family Units</b>	<b>Limit on # of days whole house can be rented out?</b>	<b>Business Licence Fee</b>	<b>Definition of Primary Residency</b>
Vancouver	Yes	Yes	No	Yes	No number limit but must be the primary residence	\$49 per annum, \$51 to renew	the home where you live, as an owner or tenant, and use for bills, identification, taxes, and insurance
Victoria	Yes	Yes, only occasionally. (not defined) while the operator is away.	Only in special tourist zone	Only in legally non-conforming unit	No numbered limit but must be primary residence	\$150 (PR residential) - \$1500 (other/commercial)	means the usual place where an individual makes their home
Tofino	Yes-	Yes- B&B's regulated separately	Yes	Prohibited in most multi-family zones	No number limit but must be the primary residence	\$450 for basic + \$150 for additional bedrooms	means a person who normally resides in a dwelling on the lot and for these purposes a person cannot normally reside at more than one location within the District of Tofino
Kelowna	Yes, in most zones. No PR requirement in tourist zones	Yes	No	Yes	"Principle resident" occupied 8 months/year	\$345 for principle residence, \$750 for 2 <sup>nd</sup>	Where you live for at least 8 months

City	Primary Residence (PR) Requirement?	Entire Home Rental Permitted?	Allowed in entire Secondary Suites?	Allowed in Multiple Family Units	Limit on # of days whole house can be rented out?	Business Licence Fee	Definition of Primary Residency
RDN	TUP required where owner is not a permanent resident	Technically No	Yes (rooms in place of suite)	Yes	None	None required	Resident occupied properties are those that have a permanent tenant or owner occupant in place and a room or a separate unit on the property rented as a STR
Fernie	Yes	Yes	No	Yes	No	\$100 + \$150 Home inspection fee	The dwelling unit that you reside in, and that you stipulate for legal purposes, including voter registration, filling of income taxes, British Columbia Driver's Licence, British Columbia Medical Services Card, Home Owner Grant, and British Columbia Identification Card
Whistler	Use only permitted in tourist zones	Yes, Use only permitted in tourist zones	No	Only in tourist zones	N/A	165 annually, plus \$10 per additional accommodation unit that is operated by one licence holder.	N/A
Nelson	Yes	Yes	Yes, one per lot. Not permitted in new laneway house	Yes in most zones. Bylaw also includes a short term rental zone.	Varying business license cost. Cap on # on STRs in the City and within an area.	Varies by length of stay and # of b/rms from \$80 (2 or less rooms in a house) to \$1,564 (guest suite). Average \$800.	No definition provided.

City	Primary Residence (PR) Requirement?	Entire Home Rental Permitted?	Allowed in entire Secondary Suites?	Allowed in Multiple Family Units	Limit on # of days whole house can be rented out?	Business Licence Fee	Definition of Primary Residency
Squamish (proposed)	Yes- recommended		No- not recommended	Yes- recommended	None recommended	Required- fee not yet specified	<b>N/A</b>
District of North Vancouver (proposed)	Recommended		Staff recommendation	Not recommended by Staff	None recommended	N/A	Principal Residential Dwelling Unit is the address where a person lives most of the year, pays their bills, cooks meals, and receives government mail
City of North Vancouver	Does not permit Short-Term Rental in residential zones. Boarding and lodging permitted.						
Lions Bay	TUP required onsite ownership or property manager required	Yes, where property manager is provided.	No	Max one dwelling per parcel	None	None required	Preference in granting TUPs will be given to Owners living on site and in Lions Bay.

# ATTACHMENT F

## BYLAW CONSIDERATION SUMMARY

Consideration	Staff Comment	Nanaimo Current Status	PROs	CONS
<i>Should STRs be allowed as an entire home rental?</i>	The AHS encourages the City to restrict STRs to dwelling units where the owner is currently residing on the property, either in the main dwelling or the secondary suite. It is unclear if “currently residing on the property” was intended to mean the operator is on site when guests are present or simply the property is the operator’s primary residence.	Not permitted in Zoning Bylaw.  71% of STRs are entire home rental.	Unique accommodation type for families and large groups wishing to stay together.  Legalizes existing units.  Provides additional income for property owners.	Property owner not on site when guests are present.  Impact on long-term rental market.  Impact on hotels.  May cause noise and other negative impacts to neighborhood.
<i>Should STRs be restricted to a primary residence only?</i>	Primary residency restriction is used by nearly all municipalities that permit entire home STRs.  The definition of primary residence varies between municipalities but generally means the dwelling unit a person normally resides and declares for legal purposes, such as the address on their driver’s licence, income tax, BC ID, voter registration, BC Care Card, and/or the property declared on a home owner grant. If entire home rentals are to be permitted, Staff strongly recommend a primary residency restriction be included.	B&Bs only permitted. Operator must be on site.	Prevents owners of second homes from operating them as STRs.  Protects long-term rental market.	May be difficult to enforce.

Bylaw Consideration Summary

Consideration	Staff Comment	Nanaimo Current Status	PROs	CONs
<i>Should STRs be allowed in Multiple Family Dwellings?</i>	Regardless of whether the City chooses to permit STRs in multiple family dwellings, strata regulations or property rental agreements may further prohibit it. While the City is not responsible for enforcing strata regulations, the City may choose to require strata or property owner permission as a condition of business licensing.	Not permitted.  11% of STRs are in multiple family dwellings.	Legalizes existing uses.  Negative impacts are minimal.	May contradict strata or property management regulations.  Will impact long term rental availability if primary residency restriction not enforced.  May impact neighbours.
<i>Should STRs be allowed in Secondary Suites?</i>	If the City chooses to no longer permit STRs within a secondary suite, this will result in a number of existing properties becoming non-compliant.  Staff recommend that the existing regulation remain.	A B&B room may be located within a self-contained suite in place of secondary suite space. A SFD may have up to 2 bedrooms used as either a B&B room or a long-term secondary suite.	Currently permitted.  Self-contained suites with cooking facilities are highly desired by B&B guests and are provided by a number of existing B&Bs in Nanaimo.	Continuing to allow a B&B or STR in a secondary suite space may impact the number of longer-term rental spaces available; allows owners to remove long-term suite spaces for more lucrative STR space.

Bylaw Consideration Summary

Consideration	Staff Comment	Nanaimo Current Status	PROs	CONs
<p><i>Should the Zoning Bylaw limit the total number of guest days permitted by an STR?</i></p>	<p>The AHS encourages the City to ensure that zoning regulations that apply to B&amp;Bs are extended to STRs.</p> <p>Staff recommend the existing B&amp;B bedroom limits be applied to all STRs.</p>	<p>Within low density dwelling zones (R1/R1a/R1b to R5, R7, R10, R13, R14, AR1, AR2, and COR1), the maximum number of guestrooms is limited to 2 and maximum number of guests to no more than 4.</p> <p>Within mixed use or higher residential density zones (R6, R8, R9, R15, COR2, COR3, CC1, CC2, CC3, CC4, Downtown, W2, W3, and W4), the maximum number of guestrooms increases to 4 and the maximum number of permitted guests increases to 9.</p>	<p>Reduces the amount of noise, traffic or other negative neighbourhood impacts from STRs.</p> <p>Maintaining the existing cap will limit larger STRs to higher density or mixed use zones that can better accommodate the additional traffic or noise the uses may generate.</p>	<p>For entire home rentals, capping the number of guests may not be practical or enforceable; however, this may be addressed through the business licence application.</p>
<p><i>Parking requirement - per bedroom, per property? Should additional parking be required for entire home stays?</i></p>	<p>Visitors to Nanaimo often arrive by vehicle or rent a vehicle in order to explore sites through the island. While it may be argued that for entire home rentals, guests may be able to use the hosts' normal parking space, that space may not always be available.</p> <p>Staff recommend one additional parking space be required <u>per STR</u> for all STR types.</p>	<p>1 space required per B&amp;B sleeping unit.</p>	<p>Single consistent regulation.</p> <p>Additional space will accommodate most STR guest needs.</p>	<p>Additional parking may not be available in multiple family dwellings.</p> <p>1 per STR rate less than currently required, may not be sufficient to accommodate multiple guests.</p>



Bylaw Consideration Summary

Consideration	Staff Comment	Nanaimo Current Status	PROs	CONs
<p><i>Should the City enforce a cap on the # of STR rental days?</i></p>	<p>STR rentals can be tracked to some extent by companies such as Host Compliance; however, most municipalities have found capping the number of rental days to not be an enforceable or effective regulation. Adopting and enforcing a clear primary residency restriction has been proven to be more effective.</p> <p>Of the 12 municipalities reviewed by Staff, none limit the number of days an STR can be rented out.</p>	<p>No existing requirement.</p>	<p>Recommended by hotel industry and rental advocates.</p> <p>If enforced, can eliminate year round, entire home rentals and reduce the impact of STRs on the long-term rental market.</p>	<p>Difficult to enforce.</p>

# ATTACHMENT G

## HOST COMPLIANCE FEES

Service Offered	Description of Service	Yearly Fee (per STR listing/rental unit) – prices in USD (CDN conversion in brackets)	Yearly fee for 600 STRs – USD (CDN conversion in brackets)
<b>Mobile-Enabled Registration/ Tax Collection</b> \$	Mobile/web forms and backend systems for streamlining registration and tax collection processes and capturing required documentation, signatures and payments electronically	\$9.11 (\$12.83)	\$5,466 (\$7,970)
<b>Address Identification</b>	<b><u>Required with any Host Compliance package.</u></b> Automated monitoring of 50+ STR websites and online dashboard with complete address information and screenshots of all identifiable STRs in Nanaimo's jurisdiction	\$22.50 (\$31.68)	\$13,500 (\$19,009)
<b>Compliance Monitoring</b>	Ongoing monitoring of STRs for zoning and permit compliance coupled with systematic outreach to illegal short-term rental operators (using Nanaimo's form letters)	\$12.00 (\$16.90)	\$7,200 (\$10,138)
<b>Rental Activity Monitoring</b>	Ongoing monitoring of Nanaimo's STR listings for signs of rental activity. Enables data-informed tax compliance monitoring and other enforcement practices that require knowledge of STR activity level	\$16.00 (\$22.53)	\$9,600 (\$13,518)
<b>24/7 Dedicated Hotline</b>	24/7 staffed telephone hotline and online platform for neighbors to report non-emergency STR problems, submit evidence and initiate automatic follow-up activities	\$9.60 (\$13.52)	\$5,760 (\$8,111)
<b>TOTAL</b>		<b>\$69.21</b>	<b>\$41,526 (\$58,472)</b>

# ATTACHMENT H

## STR Regulatory Options Summary

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
<b>Brief Description</b>	Entire home Rental with Primary Residency Restriction	Status quo with business license now required	Entire home- no primary residency restriction	STRs permitted in select zones
<b>Entire Home Rental Permitted?</b>	Yes	No	Yes	Yes, in select zones
<b>Unit Type</b>	Single Residential Dwelling, Secondary Suite, Multiple Family Dwellings	Single Residential Dwelling, Secondary Suite	Single Residential Dwelling, Secondary Suite, Multiple Family Dwellings	Single Residential Dwelling, Secondary Suite, Multiple Family Dwellings
<b>Residency Restriction</b>	Primary Residency Requirement	Operator must be on site when guests are present	None	Primary Residency Requirement
<b>Limit # of Guests</b>	4 - low density residential 9 - high density residential/ mixed use	4 - low density residential 9 - high density residential/ mixed use	No limit	4 - low density residential 9 - high density residential/ mixed use
<b>Limit # of Rooms</b>	2 - low density residential 4 - high density residential/ mixed use	2 - low density residential 4 - high density residential/ mixed use	No limit	2 - low density residential 4 - high density residential/ mixed use
<b>Cap on # of Rental Days</b>	None- operator must live on site at least 8 months a year	None	None	None- operator must live on site at least 8 months a year
<b>Parking</b>	One additional per STR			
<b>Business Licence</b>	Required			
<b>Inspections</b>	No- compliance checklist			