

Staff Report

Report To: Corporate Services Committee
Report From: Briana Bloomfield, City Clerk
Meeting Date: May 11, 2023
Report Code: CR-23-045
Subject: Short Term Rentals (STRs)

Recommendations:

THAT in consideration of Staff Report CR-23-045 respecting Short Term Rentals (STRs), the Corporate Services Committee recommends that City Council directs staff to continue with the next steps, phase I, as outlined in the report.

Highlights:

- Consultation will begin June 1 through the launch of the OurCity, STR site.
- Feedback from consultation will be presented at the Corporate Services Committee meeting in July.

Strategic Plan Alignment:

This report supports the delivery of Core Service.

Climate and Environmental Implications:

There are no anticipated climate or environmental impacts.

Previous Report/Authority:

[Report CS-22-027](#) – Municipal Accommodation Tax – Preliminary Report

Background:

Previous Council Consideration

On March 11, 2022, staff presented a report to the Community Development, Tourism and Culture Advisory Committee respecting Municipal Accommodation Tax (MAT). Highlights of the report include:

- Identifying next steps for implementing a MAT, including the implementation of a Short-Term Rental (STR) Licensing Program.
- Licensing STRs ensures that if a MAT is enacted that hotels, motels, campgrounds, and STRs will be treated equitably.
- Licensing STRs will have the added benefit of helping the City understand the housing stock dedicated to STRs.
- Reviewing the Zoning By-law to determine any required inclusion relating to STRs.

On September 12, 2022, City Council considered a motion respecting the ban of STRs in certain areas. At that time, Council did not approve the ban of STRs in order to wait for staff reports on options for how the issue can be addressed.

Description of STRs

Short Term Rentals (STRs) are generally defined as rentals taking place for a period of 29 days or less that fall outside of the traditional commercial accommodations such as hotels and motels. STRs occur in various forms of residential dwellings such as single-detached dwellings, semi-detached, apartments, etc.

STRs can generally occur in several distinguishable ways:

- **Operator's Residence and Operator Present:** A property owner rents one or more bedrooms in the dwelling and is also present in the dwelling. This is similar to a traditional bed and breakfast.
- **Operator's Residence and Operator Not Present:** A property owner rents the entire dwelling while the dwelling is not being used, but does use the dwelling themselves. This would be similar to a traditional cottage rental when the owner may rent their cottage periodically when not using to assist with paying the "carrying costs" of the cottage.

- Investment Real Estate: A property owner may purchase a property, with no intention of residing or using the property, but rather rents it out as an STR to generate income.
- Multiple Dwelling Units: a property has additional dwelling units within the main building and/or detached structures and rents out one or more of the units as a STR, possibly residing in one of the units or not.

The exact number of STRs within Owen Sound is unknown. Information provided by STR licensing vendors suggests that there are between 75 and 115 STRs in Owen Sound which may fluctuate month to month throughout the year.

Current Approach

Currently, by-law complaints relating to STRs are addressed through various regulatory by-laws such as the Noise By-law, Traffic By-law, and the Waste Management By-law. The City's By-law Enforcement team enforces by-laws during regular office hours and Police Services enforces by-laws outside of regular office hours.

In the last two years, By-law Enforcement has responded to 12 complaints at four different properties that relate to STRs. Of the 12 complaints, seven were not found to be a violation. The other five complaints were: two related to trespassing concerns (referred to Police Services) and three complaints led to education being provided to the property owners (pool gate left open, noise, and garbage bins outside for an extensive period of time). Police Services was unable to provide metrics relating to STR complaints.

Analysis:

Impacts of STRs

The impacts of STRs in a community can be both positive and negative. An assessment of community views and the identification of specific issues related to STRs in Owen Sound has not been undertaken at this time.

The benefits of STRs include, but are not limited to:

- Increased options for visitor and employment-related accommodations;
- Additional income for property owners;

- Increased capacity for visitors, especially during peak times which broadly benefits the tourism sector;
- An inviting, home-like atmosphere, similar to traditional bed and breakfasts; and
- Increased MAT revenue.

Conversely, the possible negative impacts of STRs, include, but are not limited to:

- Environmental (e.g. exceeding capacity of approved sewage/septic);
- Parking (e.g. inadequate supply at STR);
- Noise complaints;
- Building Code, Fire Code and other safety concerns;
- Housing affordability;
- Housing availability;
- Compatibility with existing neighbourhoods;
- Neighbourhoods with few permanent residents and a lack of sense of community; and
- Competition with existing traditional accommodation providers such as hotels.

Licensing of STRs

A common tool for regulating STRs is through a licensing program. Owen Sound has a Business Licensing By-law which could be updated to include STR licensing. Licensing provides the opportunity to address the impacts of STRs identified above by balancing the needs of property owners with potential land use impacts and the needs of visitors looking for safe, adequate and properly maintained short-term accommodation premises. Licensing also facilitates any actions required for compliance and enforcement.

There are examples of municipalities that have implemented a STR licensing program, but it is important to note that while some elements of each licensing program can be broadly applied to any municipality, there are unique aspects of each program that are relevant only to that particular community. That is why it is important to obtain feedback through a public consultation process.

Resources Required for STR Licensing

If Council elects to implement a STR licensing program, there are substantial resources that would be required for successful implementation. Depending on the inspection requirements, renewals, and ongoing communications with STR owners, an estimate of one (1) licensing coordinator per one hundred (100) STRs appears to be the norm, thus requiring one (1) licensing coordinator for Owen Sound (based on current estimated STRs in the municipality). Depending on the final licensing requirements, there may also be an increased demand on the time of municipal building and fire officials. Depending on the volume of complaints and number of STRs operating illegally, there may also be a need for additional by-law enforcement staff.

A third-party service provider could also be used to provide address identification, compliance monitoring, and a 24/7 hotline to address complaints relating to STRs.

Costs for additional staff and a third-party service provider could be built into the STR program so that it is a completely user supported business unit.

A licensing fee estimate has not been provided at this time, however licensing fees from other Ontario municipalities range from \$250 to \$2,500, with an annual renewal required. An appropriate fee schedule for Owen Sound requires further investigation.

Zoning By-law

The Zoning By-law is a legal document used to regulate the use of land. It defines uses that are permitted in the different zones and also describes where buildings or structures may be located and standards for lot sizes, parking, building height, setbacks, etc.

The City's Planning & Heritage Division is currently undertaking a review of the City's Zoning By-law. This process will examine any required inclusions relating to STRs to complement a future licensing by-law.

Options to Consider

Option A – Status Quo

Council may choose to remain with the status quo and not address STRs through licensing or zoning. Council could continue to use its current regulatory by-laws like the Noise By-law, Traffic By-law, and Waste Management By-law to address complaints.

If choosing this option, Council should be aware that the STR industry continues to evolve and grow and the negative impacts associated with STRs could become more prevalent. It would also put hotels and motels at a disadvantage should they be required to pay a MAT and STRs not be required to pay.

Option B – Ban STRs

Council may choose to ban STRs which would address the negative issues associated with STRs. However, there are also many benefits to permitting STRs in a community and Council may want to take advantage of this economic development opportunity in a more regulated way.

A related interim option would be to ban STRs until a licensing program can be prepared and presented to Council. While this would potentially address some of the negative impacts in the short term, an interim ban would:

- extend the timeframe for the implementation of a licensing program;
- negatively impact those currently operating STRs with little to no warning;
- open the City to legal ramifications and enforcement issues; and
- strain By-law Enforcement staff as resources are not currently in place to accommodate an influx of complaint calls.

At this time, an interim ban is not recommended by staff.

Option C – Implement a Licensing Program

Council may choose to implement a licensing program requiring all STRs be licensed. This option provides the most comprehensive regulatory framework and enforceability for non-compliance.

The licensing process allows the municipality to gather useful information, collect fees, and establish set fines. Implementing a licensing program also creates equity with traditional accommodations by ensuring all providers are subject to operating costs.

Before an option is selected, it is recommended that public consultation occurs concerning STRs and the above-noted options. Attached to the report is a draft survey that will be utilized to obtain feedback if Council directs staff to move forward with the next steps outlined below.

Next Steps

Staff is recommending that public consultation be undertaken as outlined below. The public feedback will be provided in the next report to the Corporate Services Committee in July.

Next Steps – Phase I		
Task	Purpose	Timeline
Launch OurCity Site	Consultation Will include a survey Survey will be available in print at City Hall or via a tablet in the lobby	Open June 1 Survey Commenting Deadline June 25
Media Advisory and other social media platforms	Notify public that consultation process has begun and promote participation	June 1 to 25
Report to Corporate Services Committee	Survey results, preliminary costs, decision on options, and next steps	July

Should Council decide to move forward with a licensing program, outlined below is a draft of potential next steps. Depending on decisions made throughout the process and/or any new information that arises, the timelines may need to be adjusted. It is important for Council and the public to understand the process and timing required to implement a licensing program.

Next Steps – Phase II		
Task	Purpose	Timeline
Create STR Webpage	Include FAQs, links to reports, next steps	July 28
Report to Corporate Services Committee	Draft Licensing By-law and proposed set fines	September 14

Next Steps – Phase II		
Task	Purpose	Timeline
By-law provided to Council for approval	By-law to come into effect March 1, 2024	October 23
Media Advisory and other social media platforms	Notice that new Licensing By-law comes into effect March 1, 2024	October 27
Set Fines and Short Form Wording Application	Apply to Ministry of Attorney General	October 27
Obtain a service provider to collect MAT and implement licensing program	Create, issue, evaluate and award RFP and finalize service agreement	October 24 to December 15
Hire Licensing Coordinator	Create job description, post, review applications, hire	October 24 to January 1
Implementation of Licensing System	Implement licensing system e.g. online application process, inspection bookings, renter's guide, etc.	January 8 to March 1
Media Advisory and other social media platforms	Notify STRs of Licensing By-law coming into effect	February 26
Send letter to STR's	Notify STRs of licensing requirements	March 4

Financial Implications:

The potential financial implications are outlined in the analysis section of the report. Municipal costs and licensing fees will be examined in a future report.

Communication Strategy:

The communication strategy has been noted in the next steps chart.

Consultation:

Director of Community Services, Manager of Legislative Services, Manager of Planning & Heritage, Manager of Corporate Services, Manager of Human Resources, Communications Advisor, By-law Enforcement Officers

Attachments:

Survey Questions

Recommended by:

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Submission approved by:

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