

Staff Report

Report To: Corporate Services Committee
Report From: Briana Bloomfield, City Clerk
Meeting Date: July 13, 2023
Report Code: CR-23-065
Subject: Short Term Rentals (STRs) – Feedback and Next Steps

Recommendations:

THAT in consideration of Staff Report CR-23-065 respecting Short Term Rentals (STRs) feedback and next steps, the Corporate Services Committee recommends that City Council direct staff to:

1. Implement a STR licensing program as follows:
 - a. Using the staff recommended approach as outlined in the report; and
 - b. Using option 1, respecting resources; and
2. Continue with the next steps, phase II, as outlined in the report.

Highlights:

- There were 583 responses to the STR survey.
- A majority of respondents (75%) support the implementation of a STR licensing program.
- Staff recommend implementing a licensing program, taking a modest approach in the first year to collect more data.

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

[Report CR-23-045](#) - Short Term Rentals (STRs)

Closed Report CR-23-066 – Short Term Rentals - Legal Opinion

Background:

At the May 11, 2023, Corporate Services Committee meeting, Staff Report CR-23-045 respecting Short Term Rentals (STRs) was presented. Committee directed staff to continue with the next steps as outlined in the report. The next steps were as follows:

Next Steps – Phase I

Task	Purpose	Timeline
Launch Our City Site	Consultation Will include a survey (questions attached to the report)	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 13

As noted above, the purpose of this report is to provide an overview of the survey results, feedback from the public, decide on which options to move forward with, preliminary costs, and review of next steps.

Analysis:

Survey Results and Feedback

Attached to the report are the:

1. survey results, including the public comments provided in response to the last question of the survey (Attachment No. 1);
2. correspondence items that were requested to be provided to the Committee (Attachment No. 2, Attachment No. 3, and Attachment No. 4); and
3. public comments from all survey questions presented by theme (Attachment No. 5).

Below are some high-level observations of the feedback:

- There were 583 respondents to the STR survey. Of the respondents, seven percent (7%) or 40 were completed by STR operators.
- Fifty-eight percent (58%) of respondents are aware of an STR in their neighbourhood, and twenty-seven percent (27%) of respondents have been disrupted by an STR. Of those who were disrupted, half (49%) indicated that a disruption occurred sometimes, i.e., approximately once a month.
- The most cited drawbacks of STRs are:
 - noise;
 - number of people at the property; and
 - parking.
- The most common drawback listed in the 'other' category is housing affordability and availability.
- The most cited benefits of STRs are:
 - additional visitors to the City and support for local economy;
 - supplement other accommodation options; and
 - allows for multiple families to stay together.
- The most common benefit listed in the 'other' category is supplemental income for owners.
- A majority of respondents (54%) believe that STRs should be restricted to an operator's principal residence. Of the STR

respondents, fourteen percent (14%) are operating through an investment property.

- A majority of respondents (75%) believe that STRs should be licenced in the City of Owen Sound.

Options to Consider

Staff Report CR-22-045 presented three (3) options for the Committee to consider:

- Option A – Status Quo
- Option B – Ban STRs
- Option C – Implement a Licensing Program

Option A – Status Quo - Not Recommended

STRs are already causing concern in the community, and as the STR industry continues to evolve and grow, the drawbacks of STRs could become more prevalent. Further, the concerns related to STRs (as identified by survey respondents) are better addressed through a licensing program than through the status quo. A licensing program will create parameters within which STRs will be required to operate.

Licensing will also provide a way to include STRs in the City's Municipal Accommodation Tax (MAT). During MAT consultations, hotel and motel operators commented that STRs should also be subject to MAT to provide a level playing field for short-term accommodations.

Option B – Ban STRs – Partially Recommended

A full ban is not recommended. Although a ban would address negative issues associated with STRs, it would also adversely impact the benefits of STRs. A ban may also result in an underground market of STRs, which will continue to cause issues in neighbourhoods, and the MAT will not be collected, resulting in fewer funds to put back into the community. In addition, after a review of the survey results and public feedback, the most identified challenges related to STRs can be addressed through licensing and existing enforcement tools.

While an outright ban is not recommended, a restriction of STRs to principal residence properties is recommended by staff. This will primarily address the common concern respecting the impact of investment properties on housing availability and affordability. This restriction can be done through the zoning by-law or the licensing by-law. Should Committee support this restriction,

staff will bring forward a subsequent report with a recommendation on the best way to implement this provision.

Option C – Implement a Licensing Program - Recommended

The majority of survey participants responded that STRs should be licensed/regulated. Implementing a licensing program will provide a mechanism for education about and enforcement of STRs. A licensing program will also produce concrete data on the number of STRs in the community and the number of complaints being received. In addition, it will provide an avenue for the collection of the MAT from operators.

Solutions for Areas of Concern

The feedback received through public consultations identified the most common areas of concern respecting STRs. The following information provides potential solutions to address those concerns. Solutions are based on research of other STR by-laws/licensing programs and staff expertise. Attachment No. 6 is a broad research project by Grey County staff on STRs to illustrate how this issue is being addressed in other communities in Ontario. It is not a detailed analysis or a formal opinion from the County.

As noted in the Grey County research, there is no one size fits all approach, and municipalities should consider the best approach for them. The size and complexity of solutions can come with great cost implications.

Challenge No. 1 – Housing Availability and Affordability

One of the key themes identified from the survey comments relates to the impact of STRs on housing availability and affordability in Owen Sound.

Solution:

- Only permit STRs where it is the operator's principal residence and/or a unit on the principal address property. This will reduce the number of investment properties used for STRs.

Challenge No. 2 – Noise/Nuisance

Through both the survey and public consultation, noise and disruptive behaviour were ranked high in the documented challenges of STR properties.

Solution:

- Set occupancy limits in a licensing by-law based on 2 persons per legal bedroom, plus 2 additional persons (i.e., in common areas) to a maximum capacity of 10 people. Limiting capacity will address some of the problems associated with 'party houses' but still allow families to stay together in one STR. This approach also scales the number of guests allowed based on the residence size.
- Update the Noise and Public Nuisance By-laws to improve enforceability and include information on these by-laws in a Visitor Code of Conduct. The municipality will provide the Code to all STR owners, who can add information that may be unique to the property. Posting the Visitor Code of Conduct on-site will be a requirement under the licence.
- Ban the use of fireworks at STRs in the Fireworks By-law. This was mentioned in the survey comments and recommended by staff to reduce noise/nuisance complaints.
- Monitor the number of tickets issued and suspend or revoke the STR licence should there be three (3) tickets issued in a six (6) month period or four (4) tickets issued in a calendar year. The tickets issued will include the STR licensing by-law, Noise By-law, Public Nuisance By-law, etc. Unfounded complaints will also be tracked/monitored.

Challenge No. 3 – Parking

Inadequate parking supply was identified as another top concern in the survey and public consultations.

Solution:

- Require STR operators to provide a site plan with their licence application. The site plan will need to identify the number of parking spaces available for the STR. Restrictions will be applied based on the maximum number of guests allowed and availability of parking spaces on the property.
- Include general parking information in the Visitor Code of Conduct, including that on-street parking is not permitted from December 31-March 31, the location of municipal lots, and how to purchase a parking pass.

Challenge No. 4 – Safety

Concerns for personal/property safety and the safety of occupants of STRs were identified as concerns.

Solution:

- Require STR owners to include a fire safety plan as part of their licence application.
- Require STR owners to provide proof of having general liability insurance (\$2 million) and coverage for bodily injury and property damage as a condition of an STR licence.
- Provide licence application material to the Building Division, By-law Division, Engineering Division and Fire Department for inspections as deemed necessary by the official.
- Include expectations and rules in the Visitor Code of Conduct.
- The occupancy limits outlined in Challenge No. 2 may also assist in addressing safety concerns.

Challenge No. 5 – Garbage

Survey respondents cited concerns regarding excess garbage at STR properties. Some of the challenges with waste can be mitigated with the solutions already identified above, such as capacity limits and the Visitor Code of Conduct. Other solutions include:

- Require STR owners to include a site plan as part of their licence application package where parking, buildings and enclosed garbage bins are to be located.
- Include waste collection information in the Visitor Code of Conduct.

Additional Solutions

Six additional solutions are not being recommended at this time. The description of the solution and explanation for not recommending the solution is attached to the report as Attachment No. 7. They are being presented to the Committee should it wish to add one or more of the solutions to the licensing requirements.

Short Term Rental Licensing Program

Staff recommended approach:

In order to balance the need for a municipal response to STRs with the relatively low number of STRs and STR violations in the City (of which staff are aware), staff are recommending a moderate approach as follows:

- An annual licence for any residence that offers rentals of twenty-eight (28) days or less (including Bed and Breakfasts).
- Licences will not be transferable between owners or properties – every STR will have its own licence, which will require renewal upon new ownership.
- Licences will not be granted where a residence has outstanding enforcement issues (i.e., property standards issues) or financial issues (i.e., tax or water arrears).
- Licences will permit two (2) people per legal bedroom and two (2) people in the common area to a maximum of ten (10) people.
- On-site parking will be limited to the number of vehicles the property can accommodate as determined by the City during the application process.
- The STR will only be permitted in an owner's principal residence.
- There will be an option to suspend/revoke/deny a licence.
- The applicant will provide:
 - site and fire safety plans;
 - proof of insurance;
 - proof of principal residency;
 - proof of MAT registration;
 - written permission from the owner in the case of a tenant; and
 - written permission from the condominium board, if applicable.
- City officials will conduct inspections as part of the application process, as required.

- There will be offences for:
 - advertising without a licence;
 - advertising without the licence number;
 - advertising in contravention of the by-law, e.g., 16 people when only 10 are permitted;
 - not displaying the licence at the property; and
 - not providing the Visitor Code of Conduct to renters.
- Officers will hold both the owner and renter accountable for violations.

Resources Required

Staff are presenting two options for Committee to consider regarding the resources required to implement a licensing program.

Option 1 – Part-Time Licensing Coordinator: Recommended

The municipality lacks concrete data on how many STRs exist in the City and the number of complaints associated with STRs. Staff are proposing a modest approach to implementation and enforcement which can be reviewed and adjusted as more data is available. Staff are proposing a cost-neutral program to ensure that the taxpayer is not supporting the program. The number of STRs used for the calculations (65 STRs) is based on estimates provided by potential third-party service providers. A range was provided, with sixty-five (65) at the low end. Using a conservative number allows the program a greater chance of being cost-neutral.

Like the City's current business licensing program, the STR licensing program should be set up so that STR owners want to comply with the program. Should the licensing program be straightforward and affordable, more STRs will opt-in, providing the City with more licensed STRs and increased MAT revenue.

As mentioned in Staff Report CR-23-045, an estimate of (1) licensing coordinator per one hundred (100) STRs appears to be the norm. Staff are proposing the hiring of a contracted part-time licensing coordinator. The coordinator will set up the online application form, create the visitor code of conduct, review applications and site plans, circulate applications and site plans to City divisions, consult with STR operators, set up inspections, issue licenses, review websites to find unlicensed STRs, send compliance letters,

track complaint calls, and provide additional by-law support where necessary.

Option 1 does not include a third-party monitoring system. Should there be a large number of operators who do not obtain a licence and/or there is an influx in complaint calls to By-law Enforcement or Police Services, a third-party monitoring system may need to be implemented, which could be added at a later date.

Item	Amount	Notes
STR Licensing Coordinator	\$31,000	Includes salary and mandatory employee-related costs. This position will be part of the one-year review of the STR program.
Total Expenses	\$31,000	Job duties outlined above.
Licensing Fee	\$32,500	\$500 annual licence fee based on 65 STRs. Includes \$50 non-refundable application fee. This revenue could fluctuate depending on the number of STRs that obtain licenses.
Net Revenue	\$1,500	The annual licence fee will be reviewed as part of the annual fees and charges review and one-year review of the STR program.

Option 2 – Part-Time Licensing Coordinator and Third-Party Service Provider: Not Recommended

This option is more robust and requires more resources than Option 1. Should Committee feel there is a large number of STRs and a large number of complaints that need to be addressed, this option should be implemented.

Option 2 includes the use of a third-party monitoring system to provide: STR address identification, a 24/7 complaint hotline, and other compliance monitoring supports. Due to the volume of STRs, staff are of the opinion that

address identification can be undertaken by the Licensing Coordinator. Further, the hotline is meant to direct complaints to the correct enforcement agency. However, the survey results indicate that complainants are already aware of whom to contact (homeowner, by-law enforcement, police, the hosting platform) and do not require an agency to direct their call. The STR page of the City's website can also publicize this information.

This option also includes the hiring of a contracted, part-time coordinator who will be responsible for the same tasks identified in Option 1, except for the implementation of the online application form, reviewing websites for non-compliance and tracking complaints (this would be done by the third-party contractor). The Licensing Coordinator would also be required to manage the third-party service contract and liaise with the service provider respecting each STR.

Item	Amount	Notes
Third-Party Contractor	\$17,000	Contractor to provide address identification, compliance monitoring, 24/7 hotline, rental activity monitoring
Subtotal	\$17,000	Amount based on a third-party quote. Will be subject to an RFP.
STR Licensing Coordinator	\$31,000	Includes salary and mandatory employee-related costs.
Total Expenses	\$48,000	
Licensing Fee	\$48,750	\$750 annual licence fee based on 65 STRs. Includes \$50 non-refundable application fee.
Net Revenue	\$750	The annual licence fee will be reviewed as part of the annual fees and charges review.

In both options above, staff are not recommending the hiring of additional Building, By-law, or Fire staff at this time; however, this will be reviewed as the licensing program evolves. Utilizing existing full-time staff and augmenting with a part-time licensing coordinator with the funding through STR licensing is recommended.

Costs of regular/ongoing inspections have not been built into the licence fee. Part of the justification for this approach is to ensure that the licence fee is manageable and reasonable for STR operators.

Next Steps

Should Committee decide to move forward with implementing a licensing program, as outlined in the report, staff recommend that the following next steps be taken:

Next Steps – Phase II

Task	Purpose	Timeline
Create STR Webpage	Include FAQs, links to reports, next steps	July 28
Report to Corporate Services	Draft Licensing By-law, proposed set fines, method of restricting to principal residences, and a summary of complimentary zoning provisions to support licensing	September 14
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
Zoning By-law Amendment	Address STR related updates	Q4 2023

Task	Purpose	Timeline
Reports to Corporate Services	To update the Fees and Charges, Fireworks, Noise, and Public Nuisance By-laws	Q1 2024
Hire Licensing Coordinator	Create job description, post, review applications, hire	October 24 to December 15
Implementation of Licensing System	Licensing Coordinator to implement licensing system, e.g., online application process, procedures, licence, inspection bookings, visitor code of conduct	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 STRs	Licensing Coordinator to notify STRs of licensing requirements	March 4
Review of Licensing Program	Report to Corporate Services Committee to review the first year of the licensing program	Q2 2025

Financial Implications:

Staff are recommending the implementation of a cost-neutral licensing program. Various costs are outlined throughout the analysis section of the report and may fluctuate depending on the model Committee decides to implement.

STRs will also be subject to the City's MAT which will be money the City can put back into the community. Based on the current number of STRs, the average rent of \$176 per day and an estimated occupancy of 50%, the total annual MAT related to STR's is estimated to be \$68,000.

Communication Strategy:

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

Consultation:

Director of Community Services, Manager of Legislative Services, Manager of Corporate Services, Chief Building Official, Environmental Superintendent, By-law Enforcement Officers, Fire Inspector, Police Inspector, Third-Party Service Providers, and City Solicitor

Attachments:

1. Survey Results
2. Correspondence from John Tamming
3. Correspondence from Benson Ho and Nick Lee
4. Correspondence from Diane McIntosh
5. Themes from Feedback
6. Grey County STR Research
7. Additional Solutions Not Recommended

Recommended by:

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