

## Staff Report

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**Report To:** City Council  
**Report From:** Briana Bloomfield, City Clerk  
**Meeting Date:** November 20, 2023  
**Report Code:** CR-23-097  
**Subject:** Rental Cap and Principal Residence Requirements for STRs

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### Recommendations:

THAT in consideration of Staff Report CR-23-097 respecting the rental cap and principal residence requirements for short-term rentals, City Council:

1. Provides direction to staff respecting the rental cap maximum to be included in the revised Short-Term Rental Licensing By-law;
2. Provides direction to staff respecting whether the rental cap and the principal residence exemptions in the C1 and MC zones are to be included in the revised Short-Term Rental Licensing By-law;
3. Provides direction to staff respecting whether there should be a \$750 licensing fee for short-term rentals located in C1 or MC zones; and
4. Directs staff to bring forward the revised Short-Term Rental Licensing By-law for approval.

### Highlights:

- There are multiple enforcement tools to address nuisance concerns.
- The difference in the MAT to be collected through STRs with a 90-day rental cap versus a 180-day rental cap is \$633.60 per licence.
- Exemptions to commercial zones should only be applied in C1 and MC zones and should include a higher licensing fee.
- The STR by-law will be reviewed after it has been in place for a year.

## **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)

[Report CR-23-065](#) – Short-Term Rentals – Feedback and Next Steps

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

[Report CR-23-070](#) – Short-Term Rentals – Draft By-law and Short Form Wording

## **Background:**

This report provides additional information for Council as requested at the meeting held on October 23, 2023, through Resolution No. R-231023-021:

"THAT City Council postpones By-law No. 2023-115 (Short-Term Rental By-law) until a staff report is presented respecting:

1. The implications of a 90-day rental cap versus a 180-day rental cap; and
2. A review of the principal residence requirement in commercial zones where a residential use is permitted."

## **Analysis:**

In creating the Short-Term Rental Licensing By-law (the "STR By-law"), staff took into consideration the [survey results](#), the [key themes](#) from those survey results, and best practices from other municipalities that have implemented a short-term rental licensing program.

Once the program has been implemented for a year, a staff report will be presented to Committee to review the program. Staff will also be monitoring

the program throughout the year, and should any updates require immediate attention, they will be brought to Committee for consideration.

## **Rental Cap**

Staff report CR-23-070 provided information on a rental cap provision for the STR By-law. This report noted that the rental cap needs to balance nuisance concerns with financial considerations for both the STR operator and the City. At the October 23, 2023, Council meeting, Council requested further information on these implications which are outlined below.

## **Nuisance Considerations**

As outlined in Staff Report CR-23-045, By-law Enforcement has responded to twelve complaints at four different properties that relate to STRs in the last two years. Of the twelve complaints, seven were not found to be a violation. The other five complaints include: two related to trespassing concerns (referred to Police Services) and three complaints that 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.

Since May, when Staff Report CR-23-045 was presented, there have been two additional by-law complaints relating to noise from a STR.

Nuisance concerns relating to STRs will be addressed as follows:

- Update the Noise, Public Nuisance, and Fireworks By-laws.
- Include information in the Visitors Code of Conduct relating to the most common by-law infractions. The Visitor Code of Conduct must be posted at the STR.
- Occupancy limit of 2 people per legal bedroom, plus 2 additional people in common areas to a maximum capacity of 8 people.
- Include a principal residence requirement.
- 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.

## **Financial Considerations**

From the survey results, the main benefits noted of short-term rentals include:

- bringing additional visitors to the City and supporting the local economy; and

- providing supplemental income for owners.

Since Council resolved to have a rental cap of 90 days, staff have received emails from members of the public who have concerns about the limited number of days. These emails have been forwarded to Council, with highlights being that:

- Limiting the rental cap will not result in STRs becoming a long-term rental unit.
- Less money will be spent in the City by operators and visitors.
- This type of accommodation is needed in the City, in particular for individuals who are working in Owen Sound but live elsewhere.
- The lower cap will reduce the amount of the municipal accommodation tax that will be collected and put back into the City.
- Operators may need to sell their homes without the income from STRs.

Staff Report CR-23-070 noted that Brampton, Mississauga, Oshawa, and Toronto have rental caps of 180-days. Of the Grey and Bruce County municipalities that are licensing STRs, none have a rental cap. Collingwood has a 180-day rental cap while the City's other comparator municipalities of Brockville, Orangeville, Orillia, and Stratford do not have a rental cap.

Staff have found that an average STR rental in Owen Sound is \$176/night. Outlined below are potential financial implications on the municipal accommodation tax (MAT) for a range of rental cap options.

<b>Number of Days</b>	<b>Nightly Rental</b>	<b>Total (days/rental)</b>	<b>MAT (total/4%)</b>	<b>65 STR Licences</b>
90	\$176.00	\$15,840.00	\$633.60	\$41,184.00
120	\$176.00	\$21,120.00	\$844.80	\$54,912.00
150	\$176.00	\$26,400.00	\$1,056.00	\$68,640.00
180	\$176.00	\$31,680.00	\$1,267.20	\$82,368.00

Staff is providing information on the potential effect on an operator's monthly mortgage payment based on a range of rental cap options. This calculation is based on an average three (3) bedroom house price from September 2023 which is \$579,800.00 (according to the Canadian Real Estate Association, Grey Bruce Owen Sound Stats) and an average monthly

mortgage payment of \$3,180.00 per month (25 years at 5% interest on \$546,900 which is the average house price minus the minimum downpayment). The STR income has been determined by multiplying the number of days rented by the \$176/night rental fee divided by 12 months of the year.

<b>Number of Days</b>	<b>Mortgage Payment minus STR income</b>	<b>Remaining Monthly Mortgage Payment</b>	<b>Annual Mortgage Payment</b>
90	\$3,180 - \$1,320	\$1,980.00	\$23,760.00
120	\$3,180 - \$1,760	\$1,420.00	\$17,040.00
150	\$3,180 - \$2,200	\$980.00	\$11,760.00
180	\$3,180 - \$2,640	\$540.00	\$6,480.00

In addition to the financial considerations outlined above, staff are concerned that with a 90-day rental cap, operators may determine it is not worth their while to operate or operate without a licence. If operators do not opt-into the program, there would be less licensing revenue and ultimately more cost to the general taxpayer.

### **Principal Residence Requirement**

The purpose of the principal residence requirement is to ensure that properties are not being purchased strictly for short-term rentals in residential neighbourhoods. Requiring that the STR be the operator's principal residence means that they can only have one STR and that they have a tie to the community. It is also to assist in reducing the number of properties that are used for short-term rentals versus long-term rentals.

At the October 23, 2023, Council meeting, Council requested additional information on the principal resident requirement in commercial zones where a residential use is permitted. Currently, the principal residence requirement applies to commercial zones.

Planning Division staff note that should Council consider including exemptions in the STR By-law related to commercial zones, this should only occur in the Core Commercial (C1) and Mixed Use Commercial (MC) zones. Attached to the report is a map showing the location of the C1 and MC zones. The C1 zone is designated as River District Commercial by the City's

Official Plan, 2021 (OP). The OP notes that the River District is intended to provide a full range of commercial, institutional, recreational, and residential uses. Generally, this area functions as the social, cultural, business, and recreational focal point of the City. Permitted uses include hotels, motels, visitor accommodations, restaurants, entertainment, bars, nightclubs, and theatres.

The MC zone is designated as Waterfront Mixed Use. The Waterfront Mixed Use designation is intended to integrate a broad array of industrial, residential, office, retail and service uses, institutions, entertainment, recreation and cultural activities, and parks and open space, in a compact urban form, at higher development densities. An active harbour is to be retained with small boat marinas. Activities and uses that support recreation and tourism, such as hotels, convention facilities, restaurants, theatres, parks, and museums are appropriate to locate here.

In summary, the River District and Waterfront Mixed Use designations, given their location adjacent to the waterfront, historic character and hub of entertainment and cultural uses, are intended to be the core of the City's tourism industry. STRs can provide an alternate form of tourism accommodation in these areas.

The C2 (Retail Commercial), C3 (Neighbourhood Commercial) and C4 (Arterial Commercial) zones are located within designations (East & West City Commercial, Residential and Arterial Commercial) that are intended to provide medium to high-density residential uses in the form of apartment units above commercial spaces or in separate buildings or other forms of higher density development such as townhouses.

Should Council decide to provide an exemption to the principal residence requirement relating to C1 and MC zones, staff recommend that an exemption to the rental cap also be provided in those zones. This ensures that properties are not sitting vacant and encourages economic development within our community. In addition, staff recommend that a higher licensing fee of \$750 be implemented for an STR that is located within a C1 or MC zone as enforcement of the STR By-law in these areas may be more complex. Should Council move forward with exemptions for STRs in the C1 or MC zone, and approve a higher licence fee, notice of a change to the Fees and Charges By-law and a by-law amendment will be required. This can all be tied into the Fees and Charges update for the other STR licensing fees.

It is staff's recommendation that Council select one of the following two options as it relates to the C1 and MC zones:

- Option 1 – leave by-law as written, the rental cap and principal residence requirement will apply to all STRs.
- Option 2 - provide an exemption in the C1 and MC zones to the rental cap and principal residence requirement.

#### Option 1 – Leave By-law as Written

Factors to consider relating to option 1:

- All zones that allow residential use throughout the City will be treated the same.
- Current STRs in the C1 and MC zone will no longer be able to operate if they are not a principal residence.
- There may be fewer STRs in the municipality which equates to less:
  - MAT;
  - licensing fees;
  - visitors; and
  - economic benefits.

#### Option 2 – Provide an Exemption in C1 and MC Zones

Factors to consider relating to option 2:

- It meets the intent of the Official Plan and Zoning By-law.
- It may provide additional accommodation options for visitors in areas meant to support tourist activities.
- It may provide additional revenue to the City through the MAT and the licensing fee.
- It may provide additional economic benefits to the City.
- There is no guarantee an STR is being operated by someone local.
- Long-term rentals may be removed from the market in the C1 and MC zones.
- There may be absentee landlord issues.
- There may be complaints due to a mix of residential uses occurring simultaneously.

### **Bed and Breakfasts**

The question of the difference between Bed and Breakfasts and other STRs came up at the last Council meeting. The Bed and Breakfast definition in the STR By-law matches the definition from the City's Zoning By-law as follows:

“Bed and Breakfast” means a home business where the resident operator provides short-term lodging for compensation to the travelling and vacationing public. Guest rooms or suites may include a private bath but do not include cooking facilities. Breakfast and other meals, services, facilities or amenities may be offered exclusively to guests. A bed and breakfast does not include a hotel, boarding or lodging house, group home, group residence or any other home licensed, approved or supervised under any general or special Act.

This means that the Bed and Breakfast operator must reside at the property while it is being operated and the units cannot be self-contained with cooking facilities. A Bed and Breakfast is also subject to the Home Business regulations in the Zoning By-law which provides parking requirements. The STR Coordinator can work with applicants to review their licensing options.

In the STR By-law a Bed and Breakfast will require a STR licence, but will be exempt from the following requirements:

- The rental cap will not apply to bed and breakfast establishments as the operators are present when the room(s) are rented, and this is often their sole income.
- The group rental provision will not apply to bed and breakfasts as they are typically booked per room and not on a group basis.
- The maximum number of people will not apply to bed and breakfasts as the number of rooms that can be rented is prescribed through the parking requirements in the zoning by-law.

## **Financial Implications:**

The financial implications have been outlined throughout the report.

## **Communication Strategy:**

The next steps in the implementation of the Short-Term Rental Licensing program were outlined in Staff Report CR-23-070.

## **Consultation:**

Manager of Legislative Services, STR Licensing Coordinator, Manager of Planning & Heritage



**Attachments:**

1. Map of the C1 and MC Zones

**Recommended by:**

Briana Bloomfield, City Clerk

Kate Allan, Director of Corporate Services

**Submission approved by:**

Tim Simmonds, City Manager

For more information on this report, please contact Briana Bloomfield, City Clerk at [bbloomfield@owensound.ca](mailto:bbloomfield@owensound.ca) or 519-376-4440 ext. 1247.