

DEVELOPING A MODERN APPROACH TO SHORT-TERM RENTALS IN A DIGITAL ECONOMY

A Framework for Canadian Regulators

Governments at all levels are grappling with the implications of the growing short-term rental industry. There is an acute need for federal, provincial, and municipal governments to put in place a modern regulatory framework to address the stresses and unintended consequences created by short-term accommodation rentals.

OBJECTIVES:

- Minimize the displacement of affordable and accessible housing
- Minimize community nuisance while protecting public safety and with adherence to municipal bylaws
- Ensure a level competitive playing field
- Collect appropriate taxes and tourism levies
- Enable voluntary compliance while minimizing the administrative burden for hosts, home-renting platforms and governments.

ROADMAP TO A MODERN FRAMEWORK FOR LOCAL GOVERNMENTS

Based on emerging best practices, municipal regulators should adopt these five steps when developing regulations.



RESEARCH:

Understand how short-term rentals and the commercialization of principal residences are impacting on communities and neighborhoods. Consider leading and best practices from other jurisdictions.



EXISTING REGULATION:

Review the policies and regulations that are in place today. Canadian municipalities should also review what is in place and being contemplated at the provincial level.



CONSULTATION:

Consult with the local tourism, hotel and housing sectors to assess the impact of short-term rentals on the community. Also consult with hosts who use the various platform companies.



APPLY REGULATORY TOOLS:

Review each of the eight key tools and how they can best be applied in response to local conditions. Engage stakeholders on proposals and pass regulations that are sustainable and effective over the long-term.



MONITOR AND ASSESS:

Actively monitor the reported results against expected outcomes. Pay close attention to resident complaints. Proactively investigate regulatory compliance and refine policy as circumstances and experience dictates.

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REGULATORY TOOLS TO MODERNIZE SHORT-TERM RENTAL ACCOMMODATIONS

Following a scan of the regulatory approaches taken in communities and cities around the world, the following 8 elements have consistently been applied:

1. HOST REGISTRATION AND FEES

Requires that any property offered for home-renting be registered with the local government. For the benefit of hosts and municipalities, platform companies should facilitate the registration process. Along with the collection of an annual fee to recover costs, registration enables the monitoring and reporting of rental activity.

5. HEALTH AND SAFETY STANDARDS

Regulations that require certain standards for safety (e.g. smoke detectors, fire extinguishers, pest control). This provides some minimal level of protection for guests.

2. PLATFORM REGISTRATION AND FEES

Require registration of the rental platform companies along with a significant annual fee and an ongoing fee for each booking. Rental platform companies must be prohibited from listing any property that is not properly registered.

6. REPORTING

A requirement at the platform and host level to report to government on all home-renting activity. This includes mandating that platform companies issue annual information slips to hosts on rental income with a copy to government authorities.

3. PRINCIPAL RESIDENCE REGISTRATION

Limits home-renting to a principal residence only. This prohibits the operation of ghost hotels and/or large scale commercial enterprises operating under the veil of home sharing. A significant issue remains in that short-term rentals are permitted in areas without proper zoning but with some limitations.

7. TAXATION/LEVIES

Special provisions at the platform level to conveniently collect and remit various taxes and/or levies on behalf of hosts. This creates a more level playing field with commercial operators and provides revenue to government to cover the costs of managing home sharing activity.

4. CAP ON USAGE

Limits the number of days that a home can be rented through a home-renting platform. This helps to moderate the decline in available housing stock and the nuisance factors associated with the conversion of ordinary residences into commercial operations. Caps typically run from 30 to 180 days per year. Some condominium boards put the cap at zero days and some regulations require explicit approval from homeowner's associations before short-term rentals can be offered.

8. ENFORCEMENT/PENALTIES

Mechanisms to ensure regulations are applied and enforced (e.g. confirm principal residence with a driver's license). Effective enforcement can only be achieved with reliable and timely reporting of activity from the platform. Penalties help to ensure the system is operating as intended through voluntary compliance.