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To: "Direct to Mayor and Council - DL"

CC: "City Manager's Correspondence Group - DL"
"Krishna, Kaye" <Kaye.Krishna@vancouver.ca>

Date: 11/27/2018 8:04:35 PM

Subject: FW: STR Memo for Council - from Requests to staff - Regular Council - November 13, 2018

Attachments: DBL - STR Memo to Council (DRAFT) - 26.11.18.pdf

Greetings Mayor & Council,

Please find attached a memo on Short-term Rentals in response to a request for information made in the Regular Council Meeting on November 13, 2018. The memo provides the following information:

1. Overview of the City's short-term rental regulatory and enforcement framework;
2. Current state of short-term rental market and enforcement in Vancouver;
3. Next steps of the program; and
4. Summary of Council decisions and links to Council reports and by-law amendments.

We hope this update is useful for you. Please let me or Kaye Krishna (kaye.krishna@vancouver.ca or 604.679.0475) know if you have questions about the content herein.

Best

Sadhu

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MEMORANDUM

November 26, 2018

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Katrina Leckovic, City Clerk
Neil Monckton, Chief of Staff, Mayor's Office
Anita Zaenker, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Rena Kendall-Craden, Civic Engagement and Communications Director
Kathryn Holm, Chief Licence Inspector
Iain Dixon, Assistant Director, Legal Services

FROM: Kaye Krishna, General Manager, Development, Buildings and Licensing

SUBJECT: Short-term Rental Regulations and Enforcement

Introduction

The purpose of this memo is to inform Council on the City of Vancouver's short-term rental (STR) regulations, market and enforcement actions by staff. This memo is organized as follows:

1. Overview of the City's short-term rental regulatory and enforcement framework;
2. Current state of short-term rental market and enforcement in Vancouver; and
3. Next steps.

An appendix follows, summarizing previous Council decisions and reports on short-term rentals.

1. Overview of the City's short-term rental regulatory and enforcement framework

In the Zoning & Development By-law, short-term rentals (STR) are defined as the rental of a home, or room within, for less than 30 days and long-term rentals are considered any home or room rented for more than 30 days. STRs are predominantly marketed via online platforms such as Airbnb, HomeAway, VRBO and FlipKey. Prior to Council's enactment of STR regulations on April 18, 2018, rental accommodations of less than 30 days were only permitted in licensed hotels and bed and breakfasts. Upon initial data analysis in 2016, there were over 5,000 illegal STR listings in Vancouver, the number of which had doubled year-over-year from the prior two years.

Over the course of a year and a half, staff conducted analysis (e.g. comparative, market, economic, tax), held multiple rounds of engagement (with residents, hosts, platforms, other stakeholders, other cities), evaluated various policy and enforcement alternatives, and put forward final recommendations that Council voted on following a public hearing in Q4 2017. Key steps in the policy development process and the reports delivered to Council can be found in Appendix A.

The overarching approach of the STR policy is to take a balanced approach toward regulation, acknowledging the pros and cons of STRs as well as the lessons learned from other cities. The key principle of the policy is to protect the long-term rental supply for people who want to live and work in Vancouver. The following additional guiding principles also inform the approach:

- ensure health and safety;
- encourage neighbourhood fit;
- enable supplemental income;
- support the tourism industry;
- promote regulatory equity; and
- encourage compliance.

On April 18, 2018, Council enacted amendments to the Zoning and Development By-law No. 3575, Licence By-law No. 4450 and Ticket Offences By-law No. 9360 that allow for STRs in a principal residence, subject to the principal resident obtaining a business licence. Furthermore, the business licence number must be displayed in any material or online listing used to market the STR unit¹.

Additional key provisions of the City's STR regulations are:

- STRs are only permitted in secondary suites and laneway houses that are legal dwelling units and occupied as a principal residence;
- Prospective STR operators must obtain landlord authorization and/or ensure strata by-laws permit STRs, where applicable, before applying for a business licence;
- STR operators may have multiple listings for the same licensed STR unit. However, only one confirmed reservation (booking) may be allowed at a time;
- A person may not hold more than one STR business licence;
- STR operators agree to audits or inspections to verify information that was provided in the business licence application if required; and
- STR operators must adhere to fire safety requirements, which includes fire exit plans at all entrances and exits, interconnected smoke alarms on every bedroom and floor, and fire extinguishers on every floor.

Following Council's enactment of STR regulations, STR operators began applying online or in-person for STR business licences. A registration period from April 19 to August 31, 2018 was provided to current and prospective STR operators to allow time to understand and fully comply with the City's STR regulations. During this period, City staff led a communication and education campaign, alongside efforts by Airbnb and Expedia to educate and support hosts in understanding and complying with the new rules. Also during this time, staff pursued

¹ For the purposes of this memo, a STR unit is the dwelling unit used to operate a STR, whereas STR listings refer to the online advertisement for a STR unit on a platform.

enforcement against operators that would clearly not comply with the new STR regulations, such as unsafe dwellings or commercial operators with more than one STR unit.

As of September 1, 2018, all STR operators were required to hold a STR business licence to operate, and to include the valid business licence number in all online listings. After this date, anyone not in compliance with STR regulations was subject to enforcement.

Enforcement actions are driven by responding to complaints, proactively identifying potential illegal operators through data analysis, and proactive audits of suspicious licenced operators. Enforcement actions include:

- warning letters where non-compliance is suspected;
- site inspections to confirm safety and compliance;
- fines of \$1,000²;
- legal orders to comply with the by-laws; and
- referrals to the City's prosecutor's office.

A key component of the City's enforcement strategy is STR platform collaboration³, specifically with Airbnb, which represents over 80% of the Vancouver STR market. In April 2018, the City signed a Memorandum of Understanding (MoU) with Airbnb, where the platform agreed to:

- Create a mandatory field on Airbnb listings for existing Airbnb operators to include a valid City of Vancouver STR business licence number, or provide a valid exemption reason, as of September 1, 2018;
- Require all new Airbnb operators to include a licence number or exemption reason in the same mandatory field as of April 19, 2018;
- Deactivate all listings without a licence number entry in the mandatory field on August 31, 2018; and
- Provide data on all active Airbnb operators in Vancouver on a quarterly basis.

On September 1, 2018, Airbnb deactivated 2,482 Vancouver-based listings that did not include a business licence number or exemption reason.⁴

To support the enforcement work, staff have developed new processes and data analytics tools to gather and consolidate information from a variety of data sources to monitor STR operator compliance. These data sets include Airbnb data, 311 and VanConnect complaints, third-party screen scrape data, licensing data, and inspection data.

Analyzing these diverse datasets to determine and drive proactive enforcement efforts against non-compliant operators is a significant shift from the City's traditional complaint-based enforcement approach. This is allowing City staff to identify and act on non-complaint operators even in the absence of a complaint and using sophisticated data analytics tools. As the datasets

² Fines can be less than \$1,000 if paid within the due date (like parking tickets), and can be more depending on the number of violations or repeat behavior.

³ The City is unable to regulate online businesses not physically located in Vancouver or British Columbia, so cooperation of platforms relies on negotiation with each platform company. Expedia, which owns VRBO and HomeAway, has partially supported the roll-out of Vancouver's STR regulations but has stopped short of requiring fields or sharing data. Only Expedia and Airbnb have cooperated with the City; no other platforms have responded to requests.

⁴ Source: <https://www.airbnbvcitizen.com/a-bright-future-for-home-sharing-in-vancouver/>

grow and the tools evolve, the City's ability to observe trends, predict issues, and proactively address issues or concerns will increase.

Vancouver residents are advised to report suspected illegal STRs to the City by calling 3-1-1, completing an online form at <https://vancouver.ca/doing-business/short-term-rentals-report-concerns.aspx>, or submitting a report through the VanConnect app.⁵

2. Current state of Short-term Rental Market and Enforcement in Vancouver

STR Market and Business Licences in Vancouver

As of November 14, 2018, the City of Vancouver has approximately 4,100 dwelling units available as short-term rentals, with just over 2,800 operators.⁶ This represents a 23% decrease in the number of STR units in the City since staff first began collecting data on the STR market in 2016, and a near 40% decrease since staff last presented STR market data to Council (see Table 1).

Table 1 – Key STR Market Trends

Month, Year	Number of active STR units in the City of Vancouver	Number of active STR operators
June 2016	5,353	4,471
April 2017	5,927	4,948
March 2018	6,667	5,522
September 2018	3,742	data unavailable
November 2018	4,103	2,834

Similar to what staff previously reported in April 2018, the majority of STR units continue to be “entire units” with over 80% of operators in Vancouver only listing one STR unit (see Table 2). Operators with more than ten listings are commercial operations that have been specifically targeted for enforcement by staff. All 14 of these suspected commercial operators with 10 or more listings are currently subject to audits and enforcement.

Table 2 – Types of Vancouver Short-term Rentals:

Types of STRs	June 2016	April 2017	March 2018	November 2018
Percentage of STR units advertised as “Entire Units”	74%	72%	70%	71%
Percentage of “Private Bedrooms” or	26%	28%	30%	30%

⁵ As is the case for all city-wide issues, the City does not use social media to track and manage issues so it is important for all residents to utilize the City's key systems for logging complaints.

⁶ Source: Host Compliance LLC (November 2018). STR platforms do not normally make their data available to municipalities, unless as part of an agreement or settlement. Municipalities have relied on third party vendors to collect and synthesize data on STRs. The City of Vancouver has worked with Host Compliance LLC to gather data on STRs since June 2016. All STR market data presented here are from reports and data provided by Host Compliance in June 2016, April 2017, March 2018 and November 2018.

"Shared Units"				
Percentage of STR managing only one listing	83%	85%	83%	79%
Percentage of STR operators managing two listings	10%	10%	11%	12%
Percentage of STR operators managing three or more listings	7%	5%	6%	9%
Number of STR operators controlling more than ten listings	25	13	14	14

Market share by individual STR platforms has largely remained unchanged over the past two years, with Airbnb remaining the largest platform in operation in Vancouver with over 80% of STR market share (see Table 3).

Table 3 – Market share of STR platforms in Vancouver:

STR Platform	Share of the STR market (%) ⁷			
	June 2016	April 2017	March 2018	November 2018
Airbnb	85%	82%	88%	86%
Expedia Group (i.e. VRBO, HomeAway)	8%	9%	8%	12%
TripAdvisor (i.e. Flipkey)	4%	4%	3%	3%
Craigslist	1%	4%	0%	0%
Other	2%	2%	1%	0%

With regard to STR business licensing, staff have issued 3,040 STR business licences as of mid-November. This implies that approximately 74% of the total STR units in Vancouver have complied with the City's licensing requirement. Research undertaken by staff indicate that Vancouver has among the highest licensing/registration compliance rates upon STR regulation among other jurisdictions in the world (see Table 4).

Table 4 – Short-term rental licensing/registration compliance rates in other jurisdictions⁸

Jurisdiction	Month and year STR regulations came into effect	Licensing/registration compliance rate (%)
Vancouver	April 2018	74%
Denver	June 2016	71%
New Orleans	March 2017	53%
Portland	August 2014	45%
San Francisco	February 2015	18%
Austin	October 2012	14%
Louisville	December 2015	12%
Chicago	March 2017	2%

⁷ Percentages might not add up to 100% due to rounding.

⁸ Primary source: City of Denver Department of Excise and Licence (December 2017).

Enforcement since September 1, 2018

Since September 1, 2018, Staff have opened 1,517 investigation casefiles against 1,395 suspected unauthorized STR units⁹ in Vancouver as a result of citizen feedback and proactive data analysis based on other data sources. Of the 1,517 casefiles,

- 759 have been closed¹⁰,
- 451 are currently under investigation or audit, and
- 301 were determined to be in violation of regulations and subject to enforcement.

Staff have pursued the following enforcement actions on these cases:

- wrote 291 warning letters against property owners and operators of suspected unlicensed STR units;
- referred 51 STR units for inspection by City Inspectors;
- flagged 318 licensed STR units for audit;
- issued 107 tickets against property owners and operators of unlicensed STR units and issued 107 Licence Orders to property owners of unlicensed STR units; and
- referred six (6) operators to prosecution.

Staff have also been monitoring units removed from the Vancouver STR market. Since April 2018, 931 units that were previously listed as STRs are not currently advertised. This is not unexpected as STR operators are known to list and delist units depending on their personal circumstances and availability in their principal residence. Staff will continue to determine ways to collect and monitor data to evaluate the dynamic nature of the online market. Staff also continue to explore ways to consistently and accurately track how many previously listed STR units have been converted to long-term rental units. Since April 2018, 1,527 Long-term Rental business licences were issued, however it is not possible to draw direct causal relationships to the STR policy and LTR licensing.

3. Next Steps

While we are encouraged by the results of the first 10 weeks of program launch, staff continue to push for increased compliance with the licensing requirements and to enforce against unauthorized STR activity. Because many of the enforcement actions are reliant on accurate data from outside sources (complaints, Airbnb, third party screen scrape, etc.), ongoing efforts will be made to improve data inputs and improve the sophistication of analytics systems to track trends and issues.

Staff will continue to advance the partnership discussions and scope with Airbnb, and continue to pursue similar agreements with other STR platforms. In addition, further discussions are planned with strata and landlord stakeholders to identify and evaluate potential partnership agreements. Finally, staff will continue to advocate for province-wide regulatory tools, such as taxing and licensing, to help establish parity and strengthen enforcement of STR's in British Columbia.

⁹ Note that there are multiple casefiles for some STR units.

¹⁰ A closed casefile refers to STR units that have been found to be in compliance with the City's regulations, or casefiles with insufficient material proof to initiate further enforcement actions, or duplicate casefiles.

As with any new regulatory program, staff will continually evaluate the program's effectiveness and to monitor the evolution of STR programs around the globe, learning from others as the sharing economy continues to change and grow. Staff will report back to Council in 2019 with a one-year report, evaluating the program and bringing recommendations for program improvement.

Please do not hesitate to contact me or Kathryn Holm, Chief Licence Inspector, if you have any questions or concerns.

A handwritten signature in black ink, reading "Kaye Krishna". The signature is fluid and cursive, with the first name "Kaye" and last name "Krishna" clearly distinguishable.

Kaye Krishna
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Appendix A

Previous Council Decisions on Short-term Rentals

Council directed staff to evaluate the impact of STR's in Vancouver starting in 2016. The following table provides a list of all Council decisions on STRs (more recent to least recent) and the accompanying reports and memos from staff that informed those decisions:

Table 5 – Council Decisions on STRs (2016 to 2018)

Council meeting date	Summary of council decisions	Accompanying documents
July 24, 2018	Council approved and enacted amendments to the Licence By-law No. 4450 to strengthen enforcement tools for Licence By-law offences, including those related to STRs.	Council report: https://council.vancouver.ca/20180724/documents/p1.pdf By-laws for enactment: https://council.vancouver.ca/20180724/documents/bylaws.pdf
April 18, 2018	Council enacted amendments to the Zoning and Development By-law No. 3575, Licence By-law No. 4450 and Ticket Offences By-law No. 9360 that were previously approved on November 14, 2017. Council also received a report on staff's progress in implementing the City's STR regulatory program and actions in response to motions passed by Council on November 14, 2017.	Council report: https://council.vancouver.ca/documents/pspc7_000.pdf By-laws for enactment: https://council.vancouver.ca/documents/pspcbylawsconsolidated.pdf
November 14, 2017	Council approved amendments to the Zoning and Development By-law No. 3575 and Licence By-law No. 4450 that allow STRs in a principal residence. Council also approved amendments to the Ticket Offences By-law No. 9360 to strengthen offences for unauthorized STRs. In addition, Council passed motions for additional actions from staff in regards to STRs.	Council Minutes: https://council.vancouver.ca/20171114/documents/regu20171111min.pdf
October 24 and 26, 2017	Council heard from speakers on the issue of amendments to the Zoning and Development By-law No. 3575, Licence By-law No. 4450, and Ticket Offences By-law No. 9360, and referred discussion and decision to the Regular Council meeting on November 14, 2017 as unfinished business.	Memo to Council: https://council.vancouver.ca/20171024/documents/phea1memo.pdf Draft by-laws: https://council.vancouver.ca/20171024/documents/phea1summary.pdf
July 11, 2017	Council instructed staff to prepare amendments to the Zoning and Development By-law No.	Council report: https://council.vancouver.ca/

	3575, Licence By-law No. 4450, and Ticket Offences By-law No. 9360 aligned with recommendations set out in staff's report. Council also agreed to refer to Public Hearing the amendments to the aforementioned by-laws.	20170711/documents/rr1.pdf
October 5, 2016	The Standing Committee on Policy and Strategic Priorities reviewed staff report on a draft regulatory framework for STRs and heard from community members, a representative from Airbnb, and local stakeholder groups. Committee directed staff to continue consultation and report back with proposed regulations and a corresponding implementation plan.	Council report: https://council.vancouver.ca/20161005/documents/pspc1c.pdf
April 6, 2016	The Standing Committee on Policy and Strategic Priorities heard from speakers and directed staff to report to Council on STRs, the impact of STRs on the housing stock, options to mitigate negative impacts and jurisdictional comparisons. The Committee directed staff to seek co-operation from Airbnb and other STR platforms, and consult local stakeholders.	None

Since the City began implementing STR regulations after enactment of enabling by-law amendments by Council on April 2018, a number of news releases pertaining to implementation milestones and enforcement statistics were released by staff on the City's website. A brief description and link to each news release has been included below as information for Council:

Table 6 – Short-term Rental related news releases

Data of news release	Brief description of news release	Link
September 5, 2018	Announcement that STR enforcement is fully in effect and enforcement outcomes to date	https://vancouver.ca/news-calendar/new-regulations-see-43-percent-reduction-in-short-term-rentals.aspx
July 24, 2018	Outcomes from initial STR enforcement and reminder to STR operators to obtain a business licence by August 31 to avoid fines	https://vancouver.ca/news-calendar/initial-short-term-rental-enforcement-sees-legal-actions.aspx
May 31, 2018	Outcomes from initial STR enforcement	https://vancouver.ca/news-calendar/initial-short-term-rental-enforcement-sees-legal-actions.aspx
April 19, 2018	Start of STR business licence application intake	https://vancouver.ca/news-calendar/city-legalizes-short-term-rentals-in-vancouver.aspx

April 11, 2018	Announcement of MoU with Airbnb	https://vancouver.ca/news-calendar/city-signs-first-mou-in-canada-with-airbnb-for-short-term-rentals.aspx
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