

## **Proposed Regulations for Short-Term Accommodations**

### **APPLICATION SUMMARY**

The Administration is proposing amendments to Bylaw No. 8770, Zoning Bylaw, 2009 and Bylaw No. 8075, Business License Bylaw, 2002, regarding updating existing regulations for short-term accommodations.

The proliferation of short- term accommodations globally has been driven by online hosting platforms such as Airbnb and Vrbo, where transactions are facilitated between short-term accommodation hosts and guests.

The City of Saskatoon (City) has been regulating short-term accommodations through the use of regulations applicable to bed and breakfast homes and hostels; however, these regulations are intended for medium-scale businesses and need to be updated to address changes in the accommodation industry. Updated definitions and an appropriate level of regulation are required.

#### **RECOMMENDATION**

That a copy of this report be forwarded to City Council recommending that at the time of public hearing, City Council consider Administration's recommendation that the proposed amendments to Bylaw No. 8770, the Zoning Bylaw, and to Bylaw No. 8075, the Business License Bylaw, as outlined in Option 3 - License Exemption for Small-Scale Homestays; License required for Short-Term Rental Properties and in the proposed development standards, be approved.

#### **BACKGROUND**

At its meeting on July 20, 2015, the Standing Policy Committee on Planning, Development and Community Services (Committee) considered a request from bed and breakfast home operators to undertake a review of requirements for short-term accommodations in dwellings that operate through online booking websites and hosting platforms. The Committee referred this request to the Administration for a report on this matter.

A report, submitted to the Committee on December 2, 2015, recommended that existing bed and breakfast home regulations be replaced by short-term accommodation regulations and that these regulations apply to all operators providing short-term accommodations in a dwelling. The report indicated that further research into short-term accommodations was required before an appropriate regulatory process to replace bed and breakfast homes could be developed.

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The Committee resolved:

“that the Administration undertake appropriate consultation with community stakeholders on the issue of regulating short-term accommodations in residential areas and report back to committee in due course.”

At its meeting on December 3, 2019, the Standing Policy Committee on Planning, Development and Community Services received an Information Report providing an overview of the results of engagement that was undertaken, including three options for potential regulations. The Committee resolved:

1. That the Administration provide a decision matrix that clarifies which public interests the proposed regulations address, if there are areas of concern raised that the Administrative recommendations do not address, and to provide clarification of what the City’s jurisdiction is in developing these regulations, with a report provided for the consideration of the Municipal Planning Commission.
2. That the Administration provide a cost comparison of the municipal costs associated with operating a hotel or motel, versus operating a short-term accommodation in the rental property of a host and that a report be provided to Municipal Planning Commission of this matter.
3. That the Administration report further on the potential risks to the attainable housing rental market by short-term accommodations, including a literature scan and review of local rental availability across the cost spectrum as additional context to vacancy rates.”

### CURRENT STATUS

In October 2019, there were 610 active short-term accommodation listings available in Saskatoon through Airbnb alone. This represents an increase of more than 500 listings since December 2015, and is equal to approximately 0.05% of the total housing stock in Saskatoon. Airbnb listings do not provide a complete representation of all the properties being used as short-term accommodation as there are various hosting platforms and other means of advertising. The vast majority of short-term accommodations are operating outside of the current zoning and licensing regulations. Currently, there are only 15 licensed businesses.

Airbnb provided the City with additional statistics for Saskatoon listings in 2019:

1. Average number of guests hosted per short-term accommodation is 2.1;
2. 60% of listings are whole home listings where the host either does not reside at the residence or is away during the rental period; and
3. 38% of guests staying in Saskatoon were from Saskatchewan.

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### **DISCUSSION**

#### City of Saskatoon's Current Approach

The Zoning Bylaw currently regulates short-term accommodations through the bed and breakfast homes or the hostels approval process, which permits the accommodation of guests for less than seven days. Both of these uses are required to obtain a building and development permit and a business license.

Additional regulations require that bed and breakfast homes obtain a special building permit inspection to confirm safety requirements, such as working smoke detectors, and that a maximum of three bedrooms in the home may be used to accommodate guests. Further, in certain zoning districts, bed and breakfast homes and hostels also require discretionary use approval.

With respect to hostels, there are two levels of regulation:

1. A "Hostel type I" use may host up to five guests and is permitted in most medium- and high-density residential and institutional zoning districts; and
2. A "Hostel type II" use may host more than five guests and is permitted in most medium- and high-density residential and institutional zoning districts, subject to discretionary use approval.

Hostels are prohibited in low-density residential zoning districts.

#### Proposed Amendments

The purpose of this review is to update existing zoning and land use regulations for short-term accommodations to address changes in the industry. Through the consultation process, numerous comments about short-term accommodations and the City's jurisdiction to regulate this land use were raised by stakeholders both within and outside of the scope of the project. A table of those comments showing how and if they were addressed in this review is provided in Appendix 1. A comparison of municipal charges related to operating a hotel, compared to operating a short-term rental property, is provided in Appendix 2.

#### Options

It is proposed that the regulation of this industry be addressed through the Zoning Bylaw and the Business License Bylaw; a summary of proposed changes is provided in Appendix 3.

Proposed zoning regulations will include new land-use definitions to address the full range of short-term accommodations that accommodate stays of less than 30 days, and will replace the definition for bed and breakfast homes. Definitions will also be included to identify the types of short-term accommodations that are permitted within various zoning districts. The term "homestay" will refer to accommodations in the principle residence of the host while the term "short-term rental property" will refer to accommodations in a rental property.

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The Business License Bylaw will establish conditions under which a commercial business license is required and specify the information to be included with a business license application. The application fee for a commercial business license is \$125 and the annual renewal fee is \$85.

Three proposed options to regulate this industry have been identified and are as follows:

### **Option 1 – License Homestays and Prohibit Short-Term Rental Properties**

This option proposes that:

- a) homestays be permitted in all zoning districts that permit dwellings;
- b) all homestay hosts be required to obtain a commercial business license; and
- c) short-term rental properties be prohibited in all zoning districts.

#### **Advantages**

1. Requiring a business license for all homestays provides an opportunity to remind hosts of potential land use conflicts and ensures that all properties adhere to development standards.
2. Licensing requirements allow the City to maintain a database of all homestays, regardless of the number of guests that they accommodate.
3. Prohibiting short-term rental properties protects the long-term rental housing stock by ensuring dwellings that would have otherwise been available to long-term renters are not converted into short-term accommodations.

#### **Disadvantages**

1. Requiring all sizes of homestays to obtain a business license may be cost prohibitive for small operators who are only listing a bedroom or couch in their own home during special events. A small scale homestay is similar in operational scale as hosting boarders, which does not require a business license.
2. Short-term rental properties offer a home-like environment in a dwelling that someone does not otherwise reside at, and this form of short-term accommodation appears to be a popular option for the traveling public, or those coming to Saskatoon for business, medical or other purposes. Prohibiting this form of accommodation will remove an option that appears to serve the needs of a high percentage of people seeking accommodation through online rental platforms.

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### **Option 2 – License Homestays and Short-Term Rental Properties**

This option proposes that:

- a) homestays be permitted in all zoning districts that permit dwellings;
- b) all homestay hosts be required to obtain a commercial business license;
- c) short-term rental properties be permitted in all zoning districts that permit dwellings. Discretionary use approval would be required in low and medium density residential zoning districts; and
- d) all short-term rental property hosts be required to obtain a commercial business license.

### **Advantages**

1. Requiring a business license for all homestays provides an opportunity to remind hosts of potential land use conflicts, and ensures that all properties adhere to development standards.
2. Licensing requirements allows the City to maintain a complete database of all short-term accommodations regardless of the number of guests that they accommodate.
3. Permitting short-term rental properties will provide an additional accommodation option for people traveling to Saskatoon.
4. Facilitates the ability to mitigate potential land use impacts, as different regulations are provided for short-term rental properties in different zoning districts.
5. Requiring discretionary use approval in low- and medium-density residential zoning districts provides opportunity for review to ensure the use will not result in undue impacts, and strikes a balance between the wide-ranging community input received regarding whether or not this use should be permitted to operate in the city.

### **Disadvantages**

1. Requiring all sizes of homestays to obtain a business license may be cost prohibitive for small operators that may only list a bedroom or couch in their own home during special events. A small-scale homestay is similar in operational scale as hosting boarders, which does not require a business license.
2. Permitting short-term rental properties may result in the conversion of dwellings that would have otherwise been available to long-term renters.

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### **Option 3 – License Exemption for Small-Scale Homestays; License required for Short-Term Rental Properties**

This option proposes that:

- a) homestays be permitted in all zoning districts that permit dwellings;
- b) homestay hosts, hosting one or two guests, would not require a business license; those hosting more than two guests would require a commercial business license; and
- c) short-term rental properties be permitted in all zoning districts that permit dwellings. Discretionary use approval would be required in low- and medium-density residential zoning districts.
- d) all short-term rental property hosts be required to obtain a commercial business license.

#### **Advantages**

1. Providing an exemption to obtaining a business license for small-scale homestays will provide flexibility to casual hosts that only offer accommodations to one to two guests in their own home;
2. Allows every dwelling to have a short-term accommodation in the home of the host, regardless of whether the dwelling has on-site parking;
3. Permitting short-term rental properties will provide an additional accommodation option for people traveling to Saskatoon; and
4. Facilitates the ability to mitigate potential land use impacts as different regulations are provided for short-term rental properties in different zoning districts.
5. Requiring discretionary use approval in low- and medium-density residential zoning districts provides opportunity for review to ensure that the use will not result in undue impacts, and strikes a balance between the wide ranging community input received regarding whether or not this use should be permitted to operate in the city.

#### **Disadvantages**

1. One of the purposes of the Business License Bylaw is to collect business data. Not requiring small-scale homestays to obtain a business license will result in a foregone opportunity to collect data and monitor the number of short-term accommodations operating throughout the city.
2. Permitting short-term rental properties may result in the conversion of dwellings that would have otherwise been available to long-term renters.

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### Recommended Option

The Administration is recommending Option 3 - License Exemption for Small-Scale Homestays; License required for Short-Term Rental Properties. This would require a business license for a homestay where accommodations are provided for more than two guests at any one time, or in a secondary suite of a house that the host does not reside in. A license exemption would be provided for hosts that have two or fewer guests in their principle residence.

Short-term rental property hosts would be required to obtain a business license. While this land use would be permitted in all zoning districts that permit dwellings, discretionary use approval would be required in low- and medium-density residential zoning districts. Discretionary use approval provides a means to assess potential land use impacts in a residential neighbourhood, such as clustering of short-term rental properties and or cumulative effect of multiple uses requiring discretionary approval operating in close proximity.

Discretionary use approval is proposed to be classified as a standard application delegated to the Administration for review and approval based on the following evaluation criteria:

1. Limit concentration of short-term rental properties, which could impact the residential character of the neighbourhood and if applicable, limit the availability of rental housing; and
2. Evaluate the cumulative impact on the residential characteristics of an area in consideration of other approved discretionary uses in the vicinity of the proposed short term rental.

### Proposed Development Standards and Business License Application Requirements

Development standards and licensing requirements for short-term accommodations can be established to maintain the amenity and character of the area and minimize potential land use conflicts. The following considerations are proposed:

#### **Maximum Number of Guests**

The table below outlines the proposed maximum number of guests at any given time:

<b>Homestay (home of the host)</b>	<b>Short-Term Rental Property (rental property of the host)</b>
<ul style="list-style-type: none"><li>• One-Unit Dwelling: 6</li><li>• Secondary Suite: 3</li><li>• Two-Unit Dwelling, Townhouse, or Multiple Unit Dwelling: 2</li></ul>	<ul style="list-style-type: none"><li>• One-Unit Dwelling: 6</li><li>• Secondary Suite: 3</li><li>• Two-Unit Dwelling, Townhouse, or Multiple Unit Dwelling: 6</li></ul>

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The proposed number of guests reflects existing regulations in the Zoning Bylaw, which limits the number of people that can reside in a secondary suite, the number of boarders that can reside in a dwelling and the number of guests that can stay in a hostel.

**Paved On-Site Parking:** Two paved on-site parking spaces would be required (one for principle use and one for guests), consistent with current requirements for bed and breakfast homes, and home-based businesses with a non-resident employee. Consistent with current regulations, on-site parking would not be required in zoning districts which do not require on-site parking for multiple-unit dwellings.

### **Additional Permissions**

Business license applications for short-term rentals must include additional approvals as follows:

1. If the host does not own the dwelling, written permission from the property owner is required; and
2. For dwellings within a condominium, written permission of the condominium corporation is required.

**Permit Requirements:** Currently, operators of bed and breakfast homes are required to complete a special building inspection to identify safety requirements through the building permit process. This would no longer be required as short-term accommodations would be considered an accessory use to a dwelling, similar to a home-based business, and would be regulated through business licensing. The host would be required to sign a declaration stating that the dwelling is in compliance with life safety requirements, such as working smoke detectors.

### **Restrict the Number of Short Term Rental Units in Multiple-Unit Dwellings and Townhouses**

Concerns have been raised about the potential for multiple-unit residential dwellings to take on the characteristics of a hotel if the majority of units are used for short-term accommodation.

Hotels are defined in the Zoning Bylaw as:

“a building or portion of a building offering temporary sleeping accommodations to the general public and may provide additional services, such as restaurants, meeting rooms, entertainment and recreational facilities”

Hotels are a prohibited land use in all residential zoning districts, as well as the majority of institutional and commercial zoning districts.

To ensure a distinct delineation between the new proposed short-term rental property land use and the hotel land use, the Administration is recommending that no more than

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40% of the units in a multiple-unit dwelling or townhouse be permitted to operate as a short-term rental property. This would apply both to apartments and condominiums.

A similar approach in designating percentage maximums is currently used in the Zoning Bylaw to ensure the principle use permitted on a site remains the focus. Examples include secondary suites in one unit dwellings, retail stores with an accessory manufacturing use and live/work units.

This development standard will preserve the amenity of residential areas by ensuring that multiple-unit dwellings and townhouses primarily serve to provide residential occupancy and not temporary accommodations. This will also prevent multiple-unit dwellings from being converted to ghost hotels, which are apartments or condominiums in which the majority of units are short-term rental properties with little or no residential occupancy.

### **Restrict New Short-term Rentals When Vacancy Rates are Low**

The Canada Mortgage and Housing Corporation projects the rental vacancy rate for Saskatoon in 2020 at 6.5%, which remains historically high, however the city has experienced significant fluctuation and was below 3% vacancy as recently as 2013 and below 1.5% in 2007.

Regulations under the Business License Bylaw are proposed to specify that all applications for a new short-term rental property license be denied when the Canada Mortgage and Housing Corporation rental vacancy rate is below 1.5%. This is similar to current restrictions placed on condominium conversions and ensures provision of rental units are prioritized at such times.

### Comments from other Divisions

The Building Standards Division and the Neighbourhood Planning Section, Planning and Development Division did not have any concerns with the proposed regulations. The provision of attainable housing incentives for purpose-built rental includes checks and balances to ensure properties that receive incentives are rented at below market rate and cannot be converted to short-term rentals.

### Approaches in Other Municipalities

A municipal scan of short-term accommodation regulations from other Canadian municipalities was undertaken; a summary of that information is included in Appendix 4. A literature review of university studies, peer reviewed journal articles and planning periodicals is provided in Appendix 5.

### Implications

Financial implications will depend on the level of regulation to be implemented and the number of business license applications received. At this time, it is anticipated that the license application review process can be managed with existing staff resources. If

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compliance is low, additional staff will be required to implement additional education and enforcement measures within this industry.

The Business License Program is not supported by the mill rate and the cost of operating the program is recovered entirely through business license application fees. Fees are currently \$125 for new applications with an \$85 annual renewal fee.

### **COMMUNICATIONS AND ENGAGEMENT**

In considering the appropriate regulations, the Administration conducted a multifaceted stakeholder and public consultation; a detailed Community Engagement Summary is provided in Appendix 6.

### **PUBLIC NOTICE**

Once this application has been considered by the Municipal Planning Commission, it will be advertised in accordance with Policy No. C01-021, Public Notice policy, and a date for a public hearing will be set. A notice will be placed in the Saskatoon StarPhoenix two weeks prior to the public hearing.

### **APPENDICES**

1. Scope of Short-Term Renal Regulatory Review
2. Comparison of Municipal Costs
3. List of Proposed Amendments
4. Municipal Scan
5. Literature Review
6. Community Engagement Summary

### **REPORT APPROVAL**

Written by: Mark Wilson, Licensing and Permitting Manager, Community Standards

Reviewed by: Jo-Anne Richter, Director of Community Standards

Approved by: Lynne Lacroix, General Manager of Community Services

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