



TIABC POLICY ON SHORT-TERM VACATION RENTALS IN BC

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PURPOSE

This policy brief reinforces the critical importance of having regulations introduced and enforced within each community to address the growing issue of tourist accommodation rentals within private residential homes.

Short-term vacation rentals (STVR) are a significant factor to the loss of affordable and available rental housing for residents and workers in BC communities.

Strengthened requirements for online accommodation platforms (OAP) reporting will enable better data collection to support local community policy and enforcement, and to help mitigate current loss of PST and MRDT tax revenue.



BACKGROUND & CONTEXT

Short-term, vacation rentals in private homes have grown exponentially as a trend over the past decade and a half, largely because of technology and consumers embracing the 'sharing economy'.

Entire homes (including condos/apartments) or portions of homes are being rented for a minimum of one to several nights in communities throughout British Columbia, with the average stay per guest at four nights. Many of these accommodations are being managed by commercial operators and not confined to single room rentals in the host's own primary residence.

Although both supply and demand for short-term vacation rentals dropped significantly for part of the pandemic (akin to traditional accommodation), especially in larger centres, STVRs enjoyed record occupancy in Canada in summer of 2021 compared to 2019.

Some resort communities, particularly those with seasonal employees, are seeing housing issues negatively impact labour markets because homeowners are able to generate significantly more revenue through nightly rentals, as compared with monthly leases to longer-term tenants. These communities have a hard time housing staff and therefore maintaining the staff required for their businesses.

Social license is more important than ever. Support for a destination's visitor economy must originate from its residents. If tourism starts to take over residential neighbourhoods, consequently removing local character and liveability, residents will push back. Local sense-of-community must therefore be respected and protected through thoughtful planning and regulation.

In October 2018, the Province of BC changed the definition of short-term rentals to require property owners to register this activity and to collect the 8% PST and MRDT (up to 3%). Changes also enabled Online Accommodation Platforms (OAP) to collect and remit the PST and MRDT. Specifically, OAPs located in BC must collect the taxes, while OAPs located outside of BC for BC rentals were enabled by the regulation (i.e. may collect taxes), but not required to collect and remit.

While most cities and communities have regulations in place to deal with private room rentals, enforcement is sporadic, and few homeowners are prosecuted for breaking local bylaws.

Communities with a proliferation of short-term rentals are often hard-pressed to dedicate staff resources to not only identify offenders, but also enforce local regulations. In fact, most communities do not have sufficient personnel and choose to invest in other more pressing priorities.



BACKGROUND & CONTEXT

Guests who book private accommodation generally have limited protection against a bad landlord or inadequate accommodation through the online service they use, which by and large approves each property. Moreover, guests may not be covered for loss of personal effects in the event of a fire or other catastrophe.

Similarly, homeowners who don't comply with city regulations could be liable for a guest's misfortune while staying at their home, and may not have adequate insurance coverage (i.e. cannot obtain insurance) in the event of an incident.

TIABC is not against short-term vacation rentals and understands consumer choice in today's travel environment. However, TIABC is a strong advocate for provincial and/or local regulations corresponding to regulation applied to traditional accommodation.

Room rentals in private homes are here to stay. Services such as Air BnB are among the highest valued companies in the world. AirBnB lists private nightly accommodation for rent in some 220 countries around the world. In Nov 2021, the market cap of Airbnb was \$125.4 Billion (USD), more than Marriott, Hilton and Hyatt combined who have globally owned bricks and mortar properties within their portfolios.

In BC, private rooms for nightly rental are also being offered through services such as Craigslist.

In Vancouver and to some degree other larger centres in BC, real estate investment fuels the economy. With a relatively tight rental market, homes, condos, apartments, and rooms command high rental rates yet remain in demand. As with other larger BC cities, many rental units are owned by absentee landlords. Therefore, the transient nature of short-term room or home rentals is changing the face of communities throughout the province.

In November 2021, UBCM requested that the province establish a regulatory framework for the short-term rental industry similar to ride-hailing and other regulated industries. Requests included:

- The need for complete and accurate data on ST rentals from hosts and OAPs to support effective local regulation and enforcement (i.e. this would be enabled by requiring OAPs to make information available on listings, hosts, bookings, and to publish host business licences or permits while allowing local government access to a provincial interface)
- Make tax collection of PST and MRDT at the point of booking a requirement for all OAPs.

TIABC ANALYSIS OF CURRENT STVR POLICY

A. Most local governments have bylaws and regulations in place that restrict or limit a property owner from renting rooms by the night. However, each community has exceptions that permit rentals under certain conditions.

B. Municipalities have been generally reluctant to add inspection personnel to identify and enforce regulations vis-à-vis room rentals in private homes. A recent exception is the City of Victoria that is trying to tackle the shortage of affordable long-term rental housing by adding inspectors to uncover and address illegal rentals.

C. Tourism operators in resort communities that already have difficulty in attracting staff say that lack of seasonal and affordable rental accommodation is affecting their recruiting abilities even further. The increased presence of online accommodation in resort and urban communities increases long-term rental rates, further exacerbating the lack of affordable housing. Operators have called on the provincial government to address the issue regarding tourism short-term rentals and put more power into the hands of municipalities to implement and enforce new regulations.

D. Without adequate housing, staff shortages will grow; existing workers will experience burnout, service levels will drop, and the customer experience will be affected.

E. If monthly housing is not stabilized, any remaining rental housing stock will increase in cost due to the erosion of the community base, while future tourism investment decisions may be delayed or dropped.

F. Although there may be an impact on PST and MRDT collection, the province has thus far maintained that it is largely a municipal issue and not one it will deal with through any legislation at this time.

G. Currently there is significant tax leakage vis-a-vis the contracting of accommodation through online accommodation platforms who only pay PST and MRDT on the net amount they pay an accommodator, as opposed to the gross amount they charge to a client that books accommodation through the OAP.

TIABC POLICY RECOMMENDATIONS

- LOCAL GOVERNMENTS

1. TIABC recommends that all operators of private short-term vacation rentals should be licensed and registered within each community and agree to comply with local regulations. Licenses or permits should be posted on all online marketing platforms in which the property is advertised.

2. TIABC recommends that local governments should consider processes to identify operators of nightly room rental units and either compel homeowners to comply with local regulations or prosecute offenders.

3. In regions where local regulation does not exist, civic government should consider developing bylaws in consultation with the accommodations' community.

4. Local communities should consider implementing a platform accountability measure that requires online accommodation platforms to enforce local regulations by monitoring and removing illegal listings or bad operators that don't comply with bylaws.

5. TIABC suggests that communities should consider restricting private short-term vacation rentals (e.g. as a percentage of the overall rental pool in resort communities or as a percentage in an area/neighbourhood) and encourage landlords to enter into longer-term leases, perhaps through an incentive.

6. TIABC recommends that private short-term vacation rentals be primarily limited to rooms within a host's principal residence or secondary vacation properties that are unoccupied for certain times of the year.

7. All operators of nightly room rentals should pay MRDT. In the event that the community does not collect MRDT via accommodation providers, another levy mechanism should be considered to be put toward similar initiatives that MRDT revenues provide.



TIABC POLICY RECOMMENDATIONS

- PROVINCIAL GOVERNMENT

1. TIABC recommends that the Province of BC implement a platform accountability measure that requires online accommodation platforms to enforce local regulations by monitoring and removing illegal listings or bad operators that don't comply with bylaws.

2. TIABC recommends that the Province of BC establish a mandatory principal residence requirement to eliminate commercial multi-listing units and increase the availability of housing stock for long-term renters.

3. TIABC supports the mandatory collection of PST and MRDT at source by respective booking platforms and remitted to the province on behalf of accommodation providers.

4. TIABC supports the requirement for all booking platforms to collect and disclose all such STR data required by the municipality and/or Province to properly monitor and govern these transactions and their adherence to local bylaws and legislation.

5. TIABC supports the establishment of a centralized registry of information that can be established at a provincial level to allow effective interface for local governments to access for accurate and complete data for enforcement of regulations within their own communities. OAPs would be responsible for populating the registry with information on rental units by type, community, and other pertinent details.

6. TIABC recommends that PST and MRDT is calculated, collected, and remitted on the gross amount an online accommodation platform (OAP) charges a guest for a booking, as opposed to the net amount an OAP pays to a hotel for contracting rooms for resale.





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