MEMO: District of Sechelt Short-Term Rental Regulations

To: Andrew Allen, RPP, Director of Planning & Development
From: Odete Pinho, Planner, EcoPlan International
Subject: Recommended Revisions to Draft Short-term Rental Regulations
Date: April 4, 2022

Overview

The District of Sechelt (DoS) is seeking to improve regulations for the management of Short-Term Rentals (STRs) in residential neighbourhoods. The 'What We Heard' report dated March 30, 2022, summarizes public consultation inputs. The report provides specific public feedback on draft STR regulations, which were prepared by EcoPlan consultants and invited for public input from February to mid-March 2022. Public consultation findings will be presented to the DoS Committee of the Whole on April 13, 2022, to seek Council direction before revising STR regulations.

This memo outlines the consultants' recommended changes to STR regulations, based on input received. To advance draft STR bylaws in Spring 2022, Council direction is requested on several topics. Public feedback received provided clear support for STRs with principal residency requirement when a home or property is occupied by an owner or authorized full-time resident. However, concerns were identified with the draft STR Commercial category, allowing STRs operating in secondary residences (where it is not the owners' principal residence). Whether to permit STRs of secondary residences is the key decision requiring Council direction. The consultant recommends not allowing any STR Commercial licenses. However, should Council members wish to retain this category, then using Temporary Use Permits, which have additional measures for neighbours' input and DoS management controls, is recommended. Ultimately, this is a strategic decision for Council members to advise on desired direction.

This memo summarizes recommendations for specific STR regulatory elements and seeks Council direction and confirmation prior to drafting revised STR regulations. STR regulatory topics discussed in this memo include:

1. Principal Residency Requirement
2. STRs for Secondary Residences
3. Permitted Unit Types
4. Business Licence Fees
5. Compliance and Enforcement
6. Guest Limits
7. Onsite Parking
8. Day Limits

Finally, once a new STR regulatory program is established and implemented, it will require monitoring and reporting to Council to assess if the STR regulations are having desired effects (and elements that may need adjustment). A recommended monitoring program is provided to assess effects after one year of implementation, and beyond, to inform the STR program success and areas for improvements.

1. **STR's Principal Residency Requirement**

Context: We heard general public support for STR's that are permitted to operate in an owner or authorized full-time residents' principal dwelling (rooms in main home) or property (suite, cottage, cabin, etc). In essence, these are STRs with an on-site operator or designated responsible person who lives on-site. The support comes from seeing these STRs as having a higher degree of accountability and responsibility by having someone on-site. This is consistent with the primary Council objective of ensuring good 'neighbourhood fit'. This objective was also supported by the community through the survey. We also heard a desire to simplify this category and allow both STR suite (room in home) and STR accessory (self-contained unit on property) to operate both - not excluding one type of business licence per property.

Recommendation for Revising STR Regulation: Create an STR business licence category based on principal residency requirement (requires provincial/ federal government documentation like income tax, drivers' licence, proof of homeowner grant). Principal residency requirement can also be met by a long-term resident who lives in the home or on the property full-time and has proof of owner authorization to be the on-site designated responsible person. No caps or limits placed on the number of allowable STRs that meet principal residency requirement in the community, in a neighbourhood or on the STR operators' property.

2. **STR's for Secondary Residences (Un-hosted)**

Context: The highest tension and opposition exists around permitting STR's of secondary residences, which are not hosted by a principal on-site resident. In the draft regulations a cap of 30 'STR Commercial' category was proposed for secondary residences, where there is no owner or on-site operator. Many implementation questions were raised including how to determine the appropriate number (cap or limit) of STR Commercial and practical conditions around how licences would be allocated for this category (first-come-first-served? Lottery? Issues of fairness/ equity), rewarding 'good operators', removing licences of 'poor operators'. Many concerns were also raised about the STR commercial category, it's impact on residential neighbourhoods and larger housing availability concerns in the District of Sechelt. STR Commercial category was the most controversial aspect of the draft regulations.

Recommendation for Revising STR Regulation: We understand that there is a long history of seasonal home use in Sechelt and for that reason, a limited number of STR commercial category was recommended. Best practice in most British Columbia communities is to not permit any secondary residences to be STRs. (ie. Tofino, Squamish, Fernie). The consultant recommends not allowing STRs in secondary residences and only permitting STR's that meet the principal residency requirement. The market and STR operators will find ways to adjust to new regulatory conditions (ie. some owners may be able to add a long-term resident to the home or property) and other means (each is case specific). The Landlord Tenancy Act permits for fixed-term rentals, where both parties agree to the end date (ie. for seasonal residents).

Alternative Recommendation – Temporary Use Permits for STR Commercial:
If Council supports retaining an STR Commercial, then the consultant recommends using Temporary Use Permits (TUP) for this category. STRs of non-principal residences are a commercial use and are more

likely to create more negative impacts. These should be regulated at a higher standard than STRs in an operators principal dwelling or property with an on-site resident.

TUP's are applied in the District of Sechelt to temporary commercial uses. They may be issued for up to 3 years and can be renewed once for an additional 3 years (total 6 years). TUP's require have higher management controls, neighbourhood notification requirement, opportunity for public input, staff review and Council approval. TUP's are more onerous for the applicant to acquire. Once a TUP is issued, this is an incentive for complying with management conditions to retain the permit in good standing. Should Council prefer this direction, the added demands of processing TUP's, associated DoS staffing demands and budget implications, will also need to be considered.

3. Permitted Unit Types

Context: We heard a desire to see rental of legal suites that meet fire safety and building inspections. We also heard a desire to consider a wider range of other STR rental types including: homes in strata buildings, recreational vehicles, tents, or yurts.

Recommendation for Revising STR Regulation: The consultant recommends that STRs may take place in other structures that are deemed 'habitable spaces' and meet building and fire safety inspections. Regulations related to building safety are meant to protect health and well-being of guests by ensuring STR occurs in safe and habitable dwelling units. Require STR operators to provide a self-declaration that the unit is a legal dwelling and is subject to building inspection prior to issuance of business licence to verify compliance with building, electrical, plumbing and codes. Units that cannot meet the definition of habitable space by the building department should not be considered as allowable units for STR. We also recommend that STR rental units be permitted in strata buildings, but only be permitted with proof of strata council approval.

4. Business Licence Fee

Context: We heard strong support for the District of Sechelt to follow a cost-recovery principle in setting business licence fees. Business licencing fees, not taxes, should be designed to recover the full costs of STR regulatory program, to pay for licencing system, communications, proactive compliance monitoring and enforcement. Advice was received that a fair fee should reflect approximately the revenue of a 3-day long weekend a year. STR rental revenues of principal residence units vary greatly in revenues (ie. room in home versus an entire home). It is not clear if it is preferrable to simplify the STR business licence to have one category which meets principal residency requirement, or two categories as originally proposed with STR accessory (for room in principal residence) and STR suite (for self-contained unit on property of principal residence).

Recommendation for Revising STR Regulation: Setting the right licence fee is important in achieving compliance. Factors in fee-setting include the type of STRs being permitted, the anticipated cost of the program (regulatory requirements, enforcement), the number of STRs in the community and the degree of compliance that is expected to be achieved. For STRs occurring in primary residences/ properties, a proposed average fee of $750 per year is recommended (ie. 200 STRs x $750 = $150,000). The consultant believes this rate would cover proactive host compliance monitoring ~$16,000 (data reports plus online licence system set up) and one full-time employee to cover added costs of communications, application review and enforcement. The consultant recommends STR Accessory (for room in principal residence) business licence fee of $600/ year and STR Suite (for self-contained unit on property of

principal residence) business licence fee of $900/ year. STR Commercial (if supported by Council) would have greater staffing demands, monitoring and enforcement impacts. The recommended TUP application fee for STR Commercial is $1200 (non-refundable application fee). Should the TUP application be successful, an additional annual business licence fee of $3000 per year is recommended. Note, these fees are comparable with District of Squamish.

5. **Compliance and Enforcement**

Context: We heard strong support for District of Sechelt to undertake proactive monitoring and added enforcement, with associated staffing to achieve high compliance with STR regulatory and management conditions.

Recommendation for Revising STR Regulation: Bylaw staff and third-party monitoring company can review the STR listings online via web-scraped data and compare with business licencing data for inconsistencies and follow up action. It is essential to require STR operators to post the business licence number on all online advertising. To establish an effective enforcement program, staff and/or a third-party monitoring company can use business licence number as a first step in determining compliance with regulations. STR operators without the licence number listed on the online advertisement would be subject to investigation and enforcement (eg. warning letter, fines, legal proceedings) until compliance is achieved; either the STR operator applies for and receives a licence or removes the listing. Fines for not including the business licence number should be severe to reflect the importance of meeting this essential condition. Fines of up to $500/ day for non-compliance are recommended.

6. **Guest Limits / Health and Safety**

Context: We heard concerns with the number of guests and people-per-home and per-bedroom. In the draft regulations guest limit was tied to parking requirement, with one on-site parking stall required per bedroom and maximum of three parking spaces (or three bedrooms) allowable. In practical terms, it is challenging for the District of Sechelt to regulate and enforce total guest numbers, however we heard a clear desire for STR guest limits. Guest limits are used to protect health and safety of guests (avoiding over-crowding) and to reduce potential noise complaints from neighbours by restricting how many people can be allowed within the STR.

Recommendation for Revising STR Regulation: Bedroom limit is a basic standard that justifies health and safety inspections. Add a guest limit based on room numbers in the STR. In the business licence, state that it is a violation to advertise more people than the safe capacity of the home, given the number of bedrooms. STR listings must include the guest limit, which matches the number of guests permitted in the business licence. Guest limit can be enforced proactively by comparing the guest limit identified in the business licence with the guest limit on the listings. For example, if the business licence limit is six, but the listing indicates 10 guests are permitted, the listing would be identified as non-compliant with regulations. If the listing is not in alignment with the permit, a warning letter, fine or revocation of business licence can be used.

7. **Onsite Parking**

Context: We heard that street parking is a concern and creates conflicts with neighbours for a variety of site-specific reasons. Issues of safety, especially on cul-de-sac streets, were especially a concern (ie. barrier to movement for vehicles and fire trucks). We also heard that having requirements for STRs to accommodate all guest parking on-site might not be realistic in several site-specific contexts. Parking

regulations of one onsite parking space per bedroom in the house was proposed. It is the STR hosts responsibility to limit street parking and communicate to guests that they know parking limits on site and reduce the number of guest vehicles on the streets. Parking standards are important to regulate, however they are only meaningful if they can be enforced by the District of Sechelt.

Recommendation for Revising STR Regulation: Change parking requirement to a minimum of one on-site parking space per two bedrooms in the STR rental. As part of the business licence application, DoS staff would need to confirm that there is sufficient parking (through aerial photos or inspections) prior to issuance of a business licence. Should parking and street conditions be limited (ie cul-de-sac, fire department flagging of streets of concern), then the allowable STR room numbers may be limited to reflect the conditions. STR operators will also be encouraged to share parking details with guests as part of the business licencing program.

8. Day Limits

Context: Restricting the total number of days that a home, dwelling or room can be STR rented is potentially a tool for ensuring that a home is primarily used for residential purposes, however it was identified a significant 'loophole' and is extremely challenging, if not impossible, for the District of Sechelt to enforce. It is not possible to draw lines between less commercial, more commercial. We heard that it is undesirable to set day limits of any kind.

Recommendation for Revising STR Regulation: Remove any reference to day limits from regulations for any STR licence category.

Summary

Table 1 on page 6, summarizes the draft STR regulations that were consulted on in February/ March 2022, compared with the recommended revisions to STR regulations proposed by the consultant in April, 2022. The recommended revisions were informed by the public consultation and findings summarized in the 'What We Heard' report, dated March 2022.

9. Evaluation, Monitoring, Reporting to Council & Continuous Improvements

Regulations can only be successful if clear on what success actually looks like and what the problem is that is trying to be addressed. After establishing the STR regulatory and enforcement program, there should be a commitment to monitoring and evaluation. Conducting an annual review of the program and producing a report to Council that includes proposed program improvements and an assessment of the impact of the regulations is essential for a successful program. Data can be used to help evaluate the impact of the District of Sechelt STR regulations in achieving desired goals related to neighbourhood compatibility, housing, business regulatory equity, tourism, health, and safety compliance.

Table 2 summarizes recommended monitoring and evaluation parameters for assessing STR program effects. Data and sources are identified for monitoring of the new STR regulatory and licensing program.

Table 1: Summary Table Comparing Draft Regulations & Recommended Revisions

The following table summarizes the draft STR regulations consulted on in February/ March 2022, compared with the recommended revisions proposed in April 2022.

STR Regulation/ Tool	Draft Regulations – Consultation Feb/ March 2022	Proposed Revisions to STR Regulations April 2022 (based on consultation inputs)
Principal Residency STRs	*Applied to owners' home, property or authorized full-time resident.* STR Suites (in principal home) STR Accessory (on principal property)	STRs with principal residency requirement are supported. Allow both STR Suites and STR Accessory to apply to owners' property. No restrictions on limiting to one licence type.
STR's Commercial	STR Commercial applied to secondary residences. Cap 30 licenses. Limit 1 licence per owner	Consultant recommends no STR Commercial. Seeking Council direction. If Council supports STRs for secondary residences, recommending Temporary Use Permit to add neighbours' input/ consideration and added management controls.
Permitted Unit Types	No proposed restrictions on unit type.	Require STR operators to submit self-declaration - unit is a legal dwelling and is subject to building inspection to verify compliance with codes.
Business Licence Fee	$250/yr STR Accessory $750/ yr STR Suites $3000/ year STR Commercial	$600/ yr STR Accessory (room in principal residence), $900/ year STR Suite (self-contained unit). Consultant does not recommend STR Commercial. Should Council support STR commercial, recommend Temporary Use Permit $1200 application fee + $3000/ year licence fee.
Compliance & Enforcement	Proactive monitoring with warning letters & fines up to $500/day. Business licence must be displayed on all online advertising platforms.	Third-party STR monitoring provides daily/ weekly/ monthly data reports. Must have business licence listed on all online advertising – most serious offence with fine for non-compliance $500/day. Budget for 1 full-time DoS staff person.
Guest Limits	Based on parking capacity. 1 stall per STR room/ maximum 3 onsite parking spaces	Guest limit based on bedroom number in the home. Violation to advertise more people than the safe capacity of the home, given the number of bedrooms in a home. Subject to inspection.
Health/Fire safety Inspections/ Check	Staff verification required to ensure legal suite and meets safety requirements	Add requirement referencing only legal suites may be STRs and must meet fire safety, building and code compliance. Any 'habitable unit' can be considered for STR.
Parking	All STR guest parking must be on site. One on-site parking stall per STR bedroom. Maximum 3 onsite parking spaces (3 bedrooms).	As part of the business licence application, staff would need to confirm that there is sufficient parking (through aerial photos or inspections) prior to issuance of a licence. Should parking and street conditions be limited (ie cul-de-sac, fire dept review), then the allowable STR room numbers may be limited to reflect conditions.
Day Limits	STR Commercial category where unit for rent at least half the year and actually rented 90 nights /year.	Remove any reference to day limits. Would be extremely challenging, if not impossible, for the municipality to enforce.

Table 2: Recommended Short-term Rental Regulation Indicators for Assessing STR Program

Measure	Interval/ Method/ Source
Short-Term Rental Market Data	
• Active STR Listings by unit type (entire homes; private rooms) • STR Rental Frequency (# nights per year) • STR Average Daily Rate • STR Geographic Distribution	Daily, monthly, quarterly and annual basis through web-based third-party compliance monitoring service (Granicus). *Consider Future Demand Analysis (through AirDNA point in time data of how future dates are pacing (occupancy/ rate booked).*
Short-Term Rental Business Licence Data	
• # STR Municipal Business Licenses issued by type and location/ distribution • STR Licence revenue & cost recovery • % compliance with licencing	Annual; Seasonal (District of Sechelt) Annual; Seasonal (Web-based third-party compliance monitoring service, Granicus).
STR Enforcement Metrics	
• STR inspections (flagged; completed) • STR audits (flagged; completed) • STR infractions (#, penalty type) • Warning Letters Issued • Violation Tickets Issued • # Licences suspended, # Legal Orders • STR Complaints (by type)	Annual; Seasonal (District of Sechelt)
Accommodation Data	
• Residential Inventory by type (# dwelling units, #secondary suites) • Visitor Accommodation Inventory by type (hotel/motels, campgrounds/ RV, STRs) • Commercial Hotel Occupancy • Provincial Municipal and Regional District Tax (MRDT) revenue from Online Accommodation platforms (OAP)	Annual, District of Sechelt Annual, BC Assessment actual use codes; principal residences through Homeowner Grant data Occupancy Data (monthly, quarterly and annual), Sunshine Coast Tourism MRDT Data (monthly, annual), Province of BC
Community Surveys	
• Conducting surveys / community and STR operators – Qualitative input on progress in meeting 'neighbourhood fit' objective	Annual - District of Sechelt
Long-Term Rental Market Data	
• CMHC Rental Vacancy and Rent $ Rates • Rental housing data (#renters, rent cost, affordability/ % of income on shelter, income gap, overcrowding)	CMHC: Annual (note: to date vacancy rates have not been available for District of Sechelt) Canada Census: Every 5 years
Visitor Data	
• Total visitation by Visitor type (day vs overnight % and by accommodation type stayed in) • Visitor spending (direct) by visitor type	Annual, Sunshine Coast Intercept Survey *Visitor spending and total visitation estimates are dependent on Value of Tourism modelling completed by Sunshine Coast Tourism / Destination BC on an annual basis.*