



MEMORANDUM

TO: ADVISORY PLANNING COMMISSION
FROM: JAMES VAN HEMERT, CONSULTING TOWN PLANNER
SUBJECT: SHORT-TERM VACATION RENTALS
DATE: 3/21/2022

The challenge

Many residential property owners are renting out rooms as short-term vacation rentals, but the Town does not know the extent of this (who and where and how often), does not collect any taxes, and the property owners do not apply for business licenses.

Definitions

The Town's Zoning Bylaw establishes the following definitions:

SHORT-TERM VACATION RENTAL means a building that contains a room, or a set of rooms, which may have a kitchen; and that is offered for rent to the travelling public on a temporary basis of 31 days or less and is subject to all the conditions listed under Part VI Conditions for Short Term Vacation Rentals.

BED AND BREAKFAST means an owner-occupied single detached dwelling containing a maximum of two (2) rooms without cooking facilities intended primarily for the temporary overnight accommodation for the travelling public, with breakfast meals prepared and served to guests by means of a common kitchen and dining facilities used by the owner-occupier.

The Town's Zoning Bylaw does not define the term 'Air B and B' which is an online advertising and reservation platform on the Internet, and it is only one of a proliferation of platforms. The term now is used somewhat generically as referring to any type of private accommodation rental reserved via the Internet.

What is happening legally?

One property in the town is zoned for short term vacation rental, 38 North Shore Drive, zoned C-3 Lakefront and Riverfront Commercial. Short term vacation rental is not a permitted use in any other residential zones.

Bed and breakfast accommodations are a type of short-term vacation rental and are specifically permitted as an accessory use in the R-2 Urban Residential zone and the R-5 Detached and Duplex Residential zone. A bed and breakfast may also be permitted in other residential zones subject to a site-specific rezoning. One such property on North Shore Drive is permitted in this fashion.

What is the Province and other communities doing?

Tax collection

On February 8, 2018, the Province established an agreement with Airbnb to collect up to 11% in taxes on short-term rentals. Other platforms are enabled to collect taxes as well. The taxes include the 8% provincial sales tax (PST) and, where applicable, a municipal and regional district tax (MRDT) of up to 3% on accommodations. Revenues from the provincial sales tax (PST), anticipated at \$16 million annually, will be used to improve housing affordability.

The Cowichan Valley Regional District collects 2%. Many communities collect 3%.

The MRDT tax must be used to fund tourism marketing, programs, and projects. Affordable housing was added as a permissible use of funds in 2018.

Zoning for Short Term Vacation Rentals

Most communities address short term rentals in some manner through their Zoning Bylaws. Tourism oriented communities have the most robust and detailed regulations. The District of Tofino, for example, permits short term rentals as a home occupation in all 'single family' dwellings and in secondary suites subject to various conditions such as maximum number of guests, owner occupation, maximum number of bedrooms, etc.

What Lake Cowichan is doing now?

For short term rentals we receive none of the accommodation taxes and we issue no business licenses. As previously noted, most of the short-term rental activity is illegal.

What is happening illegally?

A quick search on the Internet for 'Air B n Bs' reveals several properties advertising rooms. It is likely that many more properties are being advertised via other platforms and it is likely that the numbers increase dramatically during the summer months. It is noted that a 10% MRDT tax is levied on all the properties within the Town and the surrounding Electoral Areas.

Opportunities

- 1) The Town could require business licenses for all properties offering short term rentals.
- 2) If business licenses are required, the activity should be legal, and therefore permitted in the Zoning Bylaw. We would need to consider where and under what conditions short term rentals would be permitted. The Town could also consider expanding the area in which bed and breakfasts are permitted and the number of bedrooms.
- 3) Taxes. Not so much. It appears that except for a possible 1% catch, the Town doesn't have much opportunity here. Even if the Town did receive authority for a portion of the allowable 3% for local governments, it would need to use it primarily for promoting tourism.

Housing affordability as a considerations

It is well documented that the proliferation of short-term vacation rentals, facilitated by online platforms, has reduced housing affordability, particularly in larger urban centres and tourist-oriented communities. Any attempt to further legalize and/or encourage short term rentals needs to be weighed against the competing objective of housing affordability.