



Committee of the Whole Report

Report Number: ML2023-001

Meeting Date: April 4, 2023

Title: Short Term Rentals – Regulation Options

Author and Title: Aaron Sloan, Manager

Recommendation(s):

That Report ML2023-001, **Short Term Rentals – Regulation Options**, be received;

That Option 2 be approved, and that staff be authorized to proceed with “Soft Start” Short Term Rental licensing program implementation;

That the draft Short Term Rental Licensing By-Law 2023-xx, as attached in Appendix H, be brought forward to Council for approval;

That Council direct Staff to bring forward an amendment to the Fees By-Law Schedule A-13, Short Term Rentals establishing an Annual License Fees;

That Council authorize the Treasurer to establish a 2023 operating budget not to exceed \$400,000, for the MLEL division to fund staffing, equipment and resources to fund the implementation of a Short Term Rental (STR) licensing program, to be funded from annual STR licensing fees;

That Council authorize funding from the uncommitted portion of the Contingency Reserve for any deficit incurred in 2023 to an upset level of \$300,000;

That Council authorize the creation of a Short Term Rental Reserve and any future operating surplus in the Short Term Rental (STR) licensing program be transferred to the Short Term Rental Reserve to be used to fund the program in future years;

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

That this recommendation be brought forward to Council for consideration at the next Regular Council Meeting.

Background:

Since 2017, Council and Staff have been mindful of the Short Term Rental (STR) businesses operating in the City of Kawartha Lakes. Over the past 5 years, Staff and Council have received petitions, deputations and information both from the public, various agencies, and staff resulting in the following resolution and this report.

At the Council Meeting of June 21, 2022, Council adopted the following resolution: **COW2022-06.8.8** that the Memorandum from Councillor Yeo, regarding **Short Term Rentals**, be received; and that Staff continue to monitor and track complaints, and bring back a report in Q1, 2023, with budget considerations and options to regulate and license short term rentals in Kawartha Lakes.

This report addresses that direction.

Rationale:

To prepare for this culminating report to Council, Staff in Municipal Law Enforcement and Licensing (MLEL) have investigated, assembled and monitored STR information, had stakeholder consultations and reviewed the concept of the sharing economy¹. Since 2017, staff have also completed extensive consultation, municipal comparisons, market research and developed MLEL approaches that provide education resources, fees for calls to service and enforcement of municipal nuisance by-laws in response to STR issues.

Kawartha Lakes is known for its beautiful lakes, towns, villages and environment. That's what makes us cottage country, and this is why people love to visit us. Short Term Rentals are a perfect way for visitors, tourists and Kawartha Lakes residents to enjoy what the municipality has to offer.

Cottages were first developed in Kawartha Lakes beginning in the late nineteenth century as summer vacation retreats. At the turn of the century, most cottages were privately owned and used only by their owners, their families and their guests and were concentrated on the City's larger lakes which were accessible by train and steamship.

¹ <https://www.ontario.ca/page/sharing-economy-framework>

Throughout the first half of the twentieth century, the number of cottages in the City expanded rapidly with the extension of the City's road network and growth in car ownership allowing for new lots to be purchased for cottage construction in more remote lakes, as well as the development of cottage resorts which generally included a cluster of small cottages available for rent for those who did not want to or could not afford to own their own private cottage. Cottaging remained a primarily seasonal pursuit, with the cottage closed for the colder months, until the second half of the twentieth century when year-round cottages and permanent residences on the lake became more common.

Today, Short Term Rentals play an important role within the tourism ecosystem in Kawartha Lakes, contributing to the tourism accommodation supply, visitation, visitor spending, and employment in the local tourism sector. STR's account for approximately 88% of the total current tourism accommodation supply in Kawartha Lakes. The largest segment of the overnight market to Kawartha Lakes is served by private cottage rentals through Airbnb and other sharing economy participants. The Home Sharing Guide for Municipalities 2018² released by the Minister of Finance (**Appendix A**), discusses that the home sharing economy is one of the fastest growing sectors in the **sharing economy**. The sector is driven by consumers looking for greater choices, flexibility, lower cost and the opportunity for property owners to earn income. Examples of the sharing economy include: ride/car sharing (Uber, Lyft), office sharing (Innovation Cluster), popup knowledge and repair centers, and Short Term Rentals (Airbnb, VRBO). STR's are present in over 190 countries around the world.

Conceptually, STR's are not new to our economy, but have surged in popularity due to promotional platforms and electronic information access/processes. STR's have been around for many years, but prior to the mid 1990's, they were advertised/listed in local newspapers or other media as vacation or cottage rentals and viewed as a low cost alternative to a hotel or upgrade to the typical hotel stay.

Statistics Canada – Measuring Private Short-term Accommodation

In review of the Measuring Private Short-term Accommodation document³, attached as **Appendix B**, staff noted that across Canada the revenues generated by STR's is

² Home Sharing Guide for Municipalities 2018, <https://files.ontario.ca/home-sharing-guide-for-ontario-municipalities.pdf>

³ Statistics Canada – Measuring Private Short-term Accommodation – https://www150.statcan.gc.ca/n1/en/pub/13-605-x/2019001/article/00001-eng.pdf?st=uSn0yC_-

estimated to be \$2.8 billion (in 2018) and that the revenue increased 940% from 2015 to 2018.

What is a Short Term Rental (STR)?

An STR is the use of a residential dwelling unit as a place of accommodation or temporary residence, or occupancy by way of concession, permit, lease, license, rental agreement or similar arrangement for fewer than thirty (30) consecutive calendar days with on or off-site management/owner throughout all or part of the year.

Short term rental space can also be considered as a space that is rented to provide sleeping accommodation as defined in the previous paragraph, and space that provides accommodations to persons traveling for work or as an interim housing option, until permanent housing options can be located.

What an STR is Not.

An STR is not a motel, hotel, country inn, bed and breakfast establishment, tourist establishment (cabins or rentals accommodations permitted by specific zoning), or other similar commercial accommodation use.

STR Council History

Since 2017, Council has directed staff to research and gather information on STR's and Council has received public correspondence, deputations and staff reports that staff detail research options, location tracking, numerous bylaw amendments and establish fees for service.

Staff Reports are attached as **Appendix C:**

- September 26, 2017 - **LIC2017-001**
- June 19, 2018 - **LIC2018-004**
- August 14, 2018 - **LIC2018-005**
- June 4, 2019 - **LIC2019-02**

Council resolutions were passed directing (2018-2023 summary):

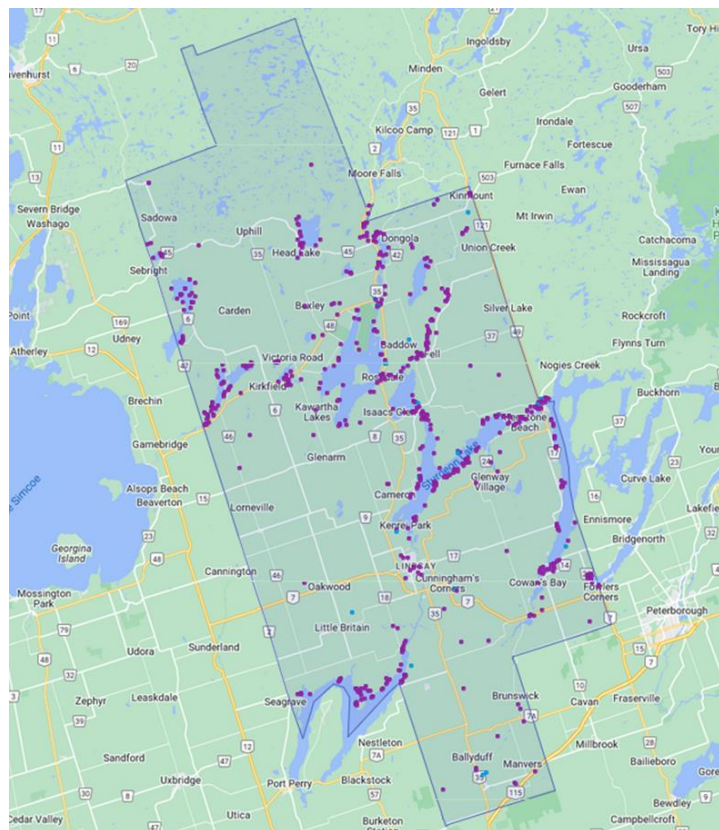
- Ongoing and additional consultation with interested parties;
- The Establishment of a tracking tool to monitor and collect issue type and location data;
- That a public forum, survey, public education and City STR website be implemented;

- An amendment to the Fees By-Law to establish a fee for STR general inspections (all Regulatory By-law Inspections not including Property Standards and Clean and Clear);
- Amendments to various nuisance by-laws and enforcement practices; and
- Regular reporting back, most recently with options to regulate and license STRs.

The Short Term Rental Market in the Kawartha Lakes

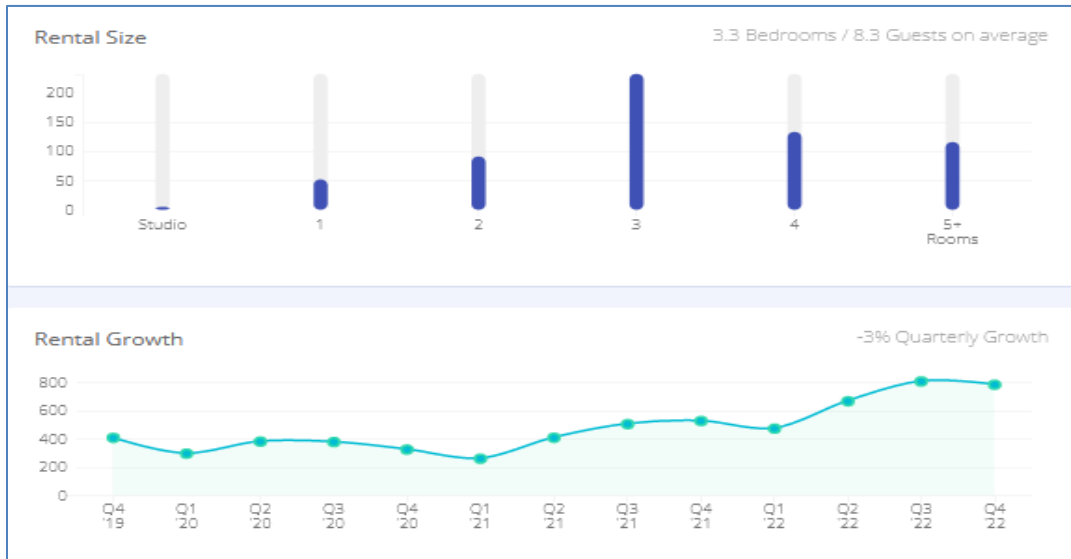
Using data compiled from Host Compliance and AirDNA, the City of Kawartha Lakes is estimated to have between 600 and 800⁴ individual Short Term Rentals (STR). The STR rental data is a snapshot in time and changes seasonally, currently average daily rental rate is \$310.00 with an estimated 43% occupancy over the year, which peaks to 83% in August. 96% of the STR rentals are entire homes, which typically offer 3+ bedrooms and allow for approximately 8 guests per stay.

Short Term Rental Locations in the City of Kawartha Lakes are currently estimated between 600 to 800 units.



⁴ <https://www.airdna.co/vacation-rental-data/app/ca/ontario/kawartha-lakes/overview>
Data may include duplicate locations.

Since 2019, data shows that the rental market (400 units, 2019) has increased to the current estimated numbers. The data shows, use and ownership increases/decreases seasonally, however ownership is trending to continue to grow. (See the chart below.)



Public Consultation

Staff have been meeting with the public in various capacities, noting that in 2018, a public consultation occurred, surveys in 2018 and 2022, followed by two public information centers (February 2023, 150 people in attendance and March 2023, with 50 people in attendance). In 2018, staff also set up a municipal website with a STR specific page to allow STR owners and the public to learn about STRs and connect with staff. An email str@kawarthalakes.ca was also established to allow the public to directly submit comments/questions by email.

The STR email address to date has received well over 1000 emails.

Staff and Council have received a number of written submissions, deputations and petitions regarding STR's. The submissions speak in favour and against targeted regulation.

Key Themes From Public Comments:

Some **positives** of STR's:

- Provides income for hosts, many use the income in a limited way, such as to pay municipal taxes or property upgrades;
- Create tourism connection to STRs to promote local parks and conservation areas;
- Provides visitors with alternative locations to hotel and motels, accommodation tailored to specific needs;
- STRs add to the supply of overnight accommodations, that support local events and businesses;
- STR locations are used by workers or people that are in between houses or temporary workers to the area;
- Promotes the use of a cottage, when it would otherwise sit vacant, while the owner is absent;
- Job creation to support businesses ancillary rentals (boats, snow machines etc.), grass cutting and maintenance and by extension businesses in summer tourism employment and connecting services such as retail, entertainment, food and beverage;
- Promotes the Kawartha Lakes as a destination of choice across social media. (creates family memories and area pictures) and,
- STRs support farm diversified uses.

Some specific **concerns** identified:

- Some renters do not respect the community;
- STRs and renters change the residential character of the neighbourhood;
- Concern that septic systems reach capacity and being over used;
- Impact of STR renter activity on the environment (burning non-firewood, fuel spills for boats, littering);
- Lack of STR owner involvement or quick action when alerted about or responding to reported issues;
- STR fires create smoke and unsafe use issues, public input suggest that fire pits should be banned at all STR's and allow only propane fire appliances;
- Nuisance concerns should be responded to faster, and with a greater increase to service fees;
- A complete ban on Fireworks at STRs
- Concerns with health and safety issues example HVAC, insurance and fire safety;
- If regulatory licensing is created to establish fee for hosted and un-hosted STR's, the municipality should lower fee over long term, for owners without demerit points or violations;

- The draft licensing by-law does not contain any exemptions for the occasional rental or agricultural rentals;
- Service and licensing fees will cause some STR owners hardship;
- Request to limit/restrict STR units licensed and available generally in the municipality and designate specific rental periods;
- Creation of an aggressive implementation plan with many provisions effective before the Summer of 2023;
- The municipality should ban ownership of STRs (non-hosted) that are owned by non-Kawartha Lakes residents for example numbered companies or commercial corporations; and,
- Commercialization of STRs and regulation will drive the STR underground (i.e. Ghost Hotels)

2022/2023 Short Term Rental - Jump In Survey Results.

Staff conducted a public survey which was live from mid December 2022 through to mid February 2023. The survey resulted in a high number of responses/completion numbers as detailed below:

1,051 – Engaged participants (completed survey),

1,578 – Informed participants (combined visits and completed survey),

4,310 – Aware participants (sharing, visits etc.)

The survey was web searched or accessed online using Kawartha Lakes, Facebook, Google, The Peterborough Examiner, Explore Fenelon Falls, Lindsay Advocate, Bing and Nexicom. Communications Advertising and Marketing (CAM's) engaged other **Media – News media and Radio** (published stories and interviews).

The survey results (redacted to remove private information) are attached as **Appendix D** to this report. During the public information center, staff presented a slide deck to provide information about the survey, answer questions and explain process to the public in attendance. The slides are attached as **Appendix E** to this report.

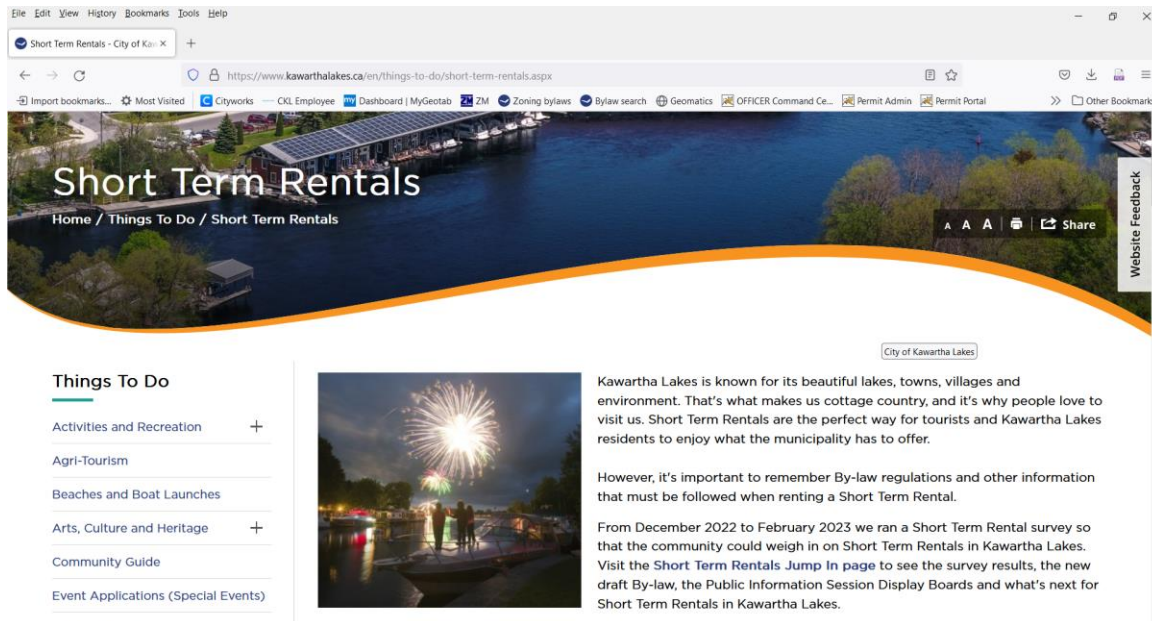
In considering the results from the 2022/23 survey staff have noted the following highlights:

- **(Q13) 80%** of the respondents have never made a complaint to MLEL, Police or Fire Services;
- **(Q15) 58%** of the respondents live near an STR, **15%** operate and **12%** have used one;

- **(Q18) 66%** of the respondents agree or somewhat agree that STR's bring tourism to the area;
- **(Q19) 74%** of the respondents think STRs should be regulated and licensed.

Municipal Webpage⁵

In 2018, staff created a City of Kawartha Lakes information webpage to provide STR facts about the issues, studies and education to owners and users. The webpage has a multifunction role to educate, support enforcement and to connect users to tourism using the "Things to Do" menu. The general content will change if a licensing program is adopted, and the page will remain as an information resource.



The STR webpage also provides information under the headings:

- What is a Short Term Rental?
- Bylaw Inspection Fees
- What do I need to know if I'm Renting a Short Term Rental?
 - Fire Pit and Open Air Burns
 - Waste and Recycling
 - Parking
 - Noise
 - Pets

⁵ <https://www.kawarthalakes.ca/en/things-to-do/short-term-rentals.aspx>

- Fireworks
- Property Standards
- Who do I call to make a complaint about a Short Term Rental property – contact information
- History of Short Term Rentals In Kawartha Lakes

The STR webpage provides printable posters, which includes general information for rentals, resident and property owners. The posters are attached as **Appendix F** to this report.

Since 2018⁶, staff have been tracking Short Term Rental (STR) complaints related to nuisances. STR’s yearly totals compared to all occurrences are detailed in the chart below.

Year	STR’s	All Occurrences	% of all Occurrences
2019	23	2149	1.07%
2020	23	1998	1.15%
2021	40	2367	1.73%
2022	138	2194	6.28%
2023 (Mar. 3 rd)	7	245	2.9% (not year end)

Yearly Occurrences – Type Specific to Short Term Rentals

2019 - Occurrence Type	Count	2020 - Occurrence Type	Count
Clean and Clear, Long Grass	3	Zoning	3
Discharge of Fire Arms	1	Noise	8
Zoning	3	Fireworks	1
Noise	7	Property Standards	4
Open Air Fires	6	Parking	2
Fireworks	1	Trailer Park	1
Property Standards	1	Fencing	1
Parking	1	Snow and Litter	1
		Bylaw Query	2
Total	23	Total	23

⁶ 2018 data shows 10, STR related nuisance complaints, this data has been excluded due to a tracking /reporting form error (discovered at year end), the total number 10 with 478 unknown issues/locations.

2021 - Occurrence Type	Count	2022 - Occurrence Type	Count
Zoning	6	Zoning	7
Bylaw Query	3	By-Law Query	3
Noise	18	Noise	72
Clean and Clear, Long Grass	3	Clean and Clear, Long Grass	16
Property Standards	1	Trailer Parks	1
Litter	3	Open Air Burning	10
Fireworks	3	Fireworks	15
Encroachments	1	Property Standards	4
Animal at Large (dog)	1	Parking	4
EMCPA/Covid Pandemic	1	Snow and Litter	1
Total	40	Bylaw Query	3
		Animal Attack (Dog)	1
		Animal at large (dog)	2
		Encroachment	2
		Total	138

In 2022, Municipal Law Enforcement and Licensing staff received **138 STR** related complaints. These same complaints are applicable to **53 unique locations**.

The main **complaint themes** include concerns of excessive **noise** (music), **domestic waste** (garbage left out), **open air burning** (campfire pits to close to hedges and structures) and other non-bylaw related complaints, such as **alcohol and drug use**, unsafe boating, public nudity, **trespassing**, properties being rented for parties and potentially bringing criminal activity to an area, vehicles parked on the front lawns, and parking in excess of 3 hours or overnight on residential streets (seasonally).

Reflecting on the 2022/2023 public survey (Jump In) the negative experiences of the respondents lists **loud noise/music** as the number one issue, followed by overcrowding, general rowdiness, lack of enjoyment of their own property, and trespassing.

Since 2018 the following bylaws have been amended to enhance municipal response to issues involving STRs.

- **By-law 2020-017** – being a By-Law to require the owners of yards to clean and clear them;
- **By-law 2021-072** – being a by-law to regulate animals;

- **By-Law 2019-124** – being a by-law to regulate noise;
- **By-Law 2016-112** – being a by-law to regulate property standards;
- **By-Law 2016-110** – being a by-law to regulate open air fire, times, establish precautions and permits;
- **By-Law 2007-236** – being a by-law to regulate sale and discharge of Fireworks;
- **By-Law 2012-173** – being a By-Law to Regulate Parking; and
- **By-Law 2018-234** – being a by-law to establish and require payment of fees

The various by-laws listed above have also been amended to allow MLEL options to invoice and collect **service fees** for enforcement services provided in response to an STR complaint.

The Payment of Fees bylaw has been updated to include **service fees** (not fines) for occurrence inspections:

Year	2021	2023
First Occurrence	\$112.00	\$115.00
Second Occurrence	\$225.00	\$232.00
Third Occurrence	\$445.00	\$458.00
Fourth Occurrence	\$894.00	\$921.00
Fifth Occurrence	Fees Double	Fees Double (\$1842.00)
Fees established for Compliance Orders \$113.00, Certificate of Compliance \$232.00.		

Service Fees Chart Schedule A-13 2018-234 being a By-Law to Establish and Require Payment of Fees for Information, Services, Activities and Use of City Property, as amended.

What Are Other Municipalities Doing About STR’s?

Staff in doing the STR research have reviewed all 444 municipalities in Ontario for comparators, and note that the issue of STR’s is not approached in a standardized fashion. Likely, this is because the issues around STR’s are uniquely different in each municipality (geographic location, popularity of area and attractions, population base, proximity to lakes, cities etc.). Many municipalities do not view STR’s in a way that contemplates regulation, however during the consultation staff took note that **85 municipalities** are directly regulating or in stages of study and consultation, moving towards regulation. See **Appendix G** for location specific information.

Staff also note that STRs are a global issue of concern, with regulations established in other parts of Canada, and the USA that include licensing and MAT tax collection (Municipal Accommodation Tax is a specialized tourism tax).

In **Appendix G** staff have included a list of comparators, consultations and provided a chart.

Zoning Land Use Regulation

A residential use, which is inclusive of a dwelling unit, is permitted through the City's zoning by-laws. Where a residential use is permitted, it is permitted without rental limitations, which allows the unit to be rented out either full-time, seasonally or temporarily. Zoning by-laws do not require the owner to be present on their property if the dwelling is being rented. This is because zoning by-laws are structured to regulate the use of land, rather than the nature of a dwelling's occupancy. Despite this, the City's zoning by-laws allows for limited commercial uses within residential areas, such as bed and breakfasts and other home-based businesses, when the owner lives at the property. Though it is a challenge to enforce owner occupancy requirements through zoning by-laws, Staff feel that a bed and breakfast is different than an STR because the owner is required to live at the property.

Furthermore, Staff does not recommend attempting to prohibit STRs through zoning because this would be at odds with other matters in the Ontario Provincial Policy Statement (PPS), such as policies to support the economy and tourism industry over the short and long term. When considering trends and advancements in the sharing economy, and with agri-tourism and the need for diversified property uses, particularly in rural and agricultural areas, STRs help achieve these PPS goals. They help support the 'farm to table industry' and allow people to access the farming community and lifestyle during a short term vacation. Comparable to this would be fishing and hunting STRs.

Housing

There is some indication that STRs impact the housing market. Although this item was not specifically studied for comment in this report, Council should be aware that this concern has been raised to staff. Some opinions provide that STR purchases effectively remove a long term residential location from the market, and create a transient economy. STR owners are also still long term owners, however the base use of the property is transient. STR hosts earn more nightly revenues from weekend or weeklong rentals than they would if the house was rented by the month or by yearly lease. This marketing strategy results in the host being willing to invest more in a prime location at the time of purchase, setting area purchase fees, due to competition, that are greater than the true market value, simply knowing that the rental revenue will quickly offset

the upfront high costs. The resultant impact of STRs displacing long term rental units in Kawartha Lakes is unknown at this time.

Impacts to Septic

Citizens in this process have expressed concern with regard to sewage system capacity on the STR properties based on increased frequency of the rental and occupant load. Staff when considering septic systems note that capacity is based on three main factors, occupant load, fixture units and total finished area of the living space. Occupant load for residential uses are based on 2 persons per sleeping room. If a licensing process is implemented, staff will circulate the application for comments, and through the requirements of the application staff would request the applicant to provide a copy of their septic use permit/installation report (different name depending upon the age of the system).

Tourism

Licensing STRs provides an opportunity to boost consumer confidence in the quality and safety of shared economy accommodations in Kawartha Lakes. As noted in the [Kawartha Lakes Destination Development Plan \(DDP\)](#) the vibrant short-term rental market of cottage product represents the largest majority of the Kawartha Lakes accommodation supply.

The DDP includes two action items directly associated with the support and collaboration with the STR market in Kawartha Lakes. These are action items; 2.14, Create itineraries for Visiting Relatives and Family (VRF) and Airbnb hosts; and 2.15, Establish a database of Airbnb/VRBO owners to share municipal information, tourism marketing and event calendar information.

By being licensed with the municipality we are able to promote STR accommodations to visitors, and share tourism information with property owners to enhance their guest's stay.

Municipal Accommodation Tax

In 2017, the Province of Ontario introduced a Municipal Accommodation Tax (MAT) through legislation, which provides guidance and the ability for municipalities to add and collect a tax through accommodation rental bookings in their municipalities. The purpose of the program is to build support and enhance tourism and development in the municipality. The revenues generated from a MAT program go to attracting visitors

and developing tourism infrastructure to enhance growth and enhancing tourism offerings. The tax is charged to visitors and remitted by rental operators. The MAT tax, if collected in Kawartha Lakes, may be applicable to STRs as well as bed and breakfast, hotels, motels, and any other rental accommodation.

While MAT research is not the current direction of Council pertaining to this report, staff is aware of the potential MAT connection to STRs as a support resource for tourism initiatives.

Options:

The STR issue is a weighty and multifaceted issue, which may have financial impacts on operators and violators; however, options to Council should align all STRs with guiding legislation and balance enjoyment of the renters, residents and owners alike.

Considered, is potential impact on affordable housing, tourism opportunities, challenges to regulations, public health and safety (concerns), STR economy, and promotion and competition within the resource.

Option 1 - Continue with Current Practice – Currently MLEL staff provide education, track locations, provide general nuisance by-law enforcement (noise, parking, debris etc.) and have created an invoice to charge owners service fees for MLEL response and investigation. The service fees increase upon repetitive complaints/investigations. This process allows for some service cost recovery and embedded in the process, is a 2-year time period to reset the service fee chart back to the first occurrence.

Year	2021	2023
First Occurrence	\$112.00	\$115.00
Second Occurrence	\$225.00	\$232.00
Third Occurrence	\$445.00	\$458.00
Fourth Occurrence	\$894.00	\$921.00
Fifth Occurrence	Fees Double	Fees Double (\$1842.00)
*Fees established for Compliance Orders \$113.00, Certificate of Compliance \$232.00.		

A very small portion of the STR public responses suggested that these service fees be doubled.

Service fees are cost recovery, while in some ways they appear to be punitive, they should not be used in the same fashion as a fine or legal action. Service fees do not provide a long term enforcement solution and property owners with few occurrences may view the fees (invoice) as the cost of doing business.

Staff have been using the service fee process since 2019 and it has not been shown to reduce the number of complaints received, it has created an additional level of administration being completed by investigative staff, removing them for a period of time from their investigative roles. Considering the overall workload and capacity of Municipal Law Enforcement and Licensing staff to respond to and investigate approximately 2200 occurrences per year, the 138 (6%) STR related occurrences (included in the total) have created additional work. The additional work can be categorized as pre-investigation (history and tracking), violation research/analysis, issuance of letters and service fees. In considering the capacity of each Officer, generally 200-250 occurrences per year are within their capacity, more than this creates service delays that impact the team. The administrative role manages the general occurrence intake and STR's (reporting) have increased this workload (occurrence creation, phone calls and processing of location specific information.). In this option staff requested:

1x Administrative Assistant – to provide dedicated support to staff, front counter service (phone and emails), application input/review/support, invoicing and notices, specific to Short Term Rentals and other MLEL functions as assigned.

If Council wishes to continue with this route, the cost of the additional administrative staff, is not budgeted in 2023, costs will be approximately \$72,000 and will be requested as part of the 2024 budget process.

Option 2 - Licensing By-Law – Recommended (inclusive of Option 1)
MLEL have researched and provided information in this document that discusses the implementation of a licensing by-law. A draft version of the bylaw is attached as **Appendix H**. The by-law will be used to guide staff, establish reasonable operational regulations, and is written with regard to public, renters and STR owner concerns.

As directed by Council, staff have considered the creation and implementation of a Licensing By-Law. Staff advise Council that there is no legislative requirement for the Municipality to implement a STR licensing program or by-law. As provided, staff have referenced a number of municipalities that have licensing programs in place or are in

the study stages, moving towards an STR program implementation; these numbers are increasing and conversely staff are being contacted to consult and assist others.

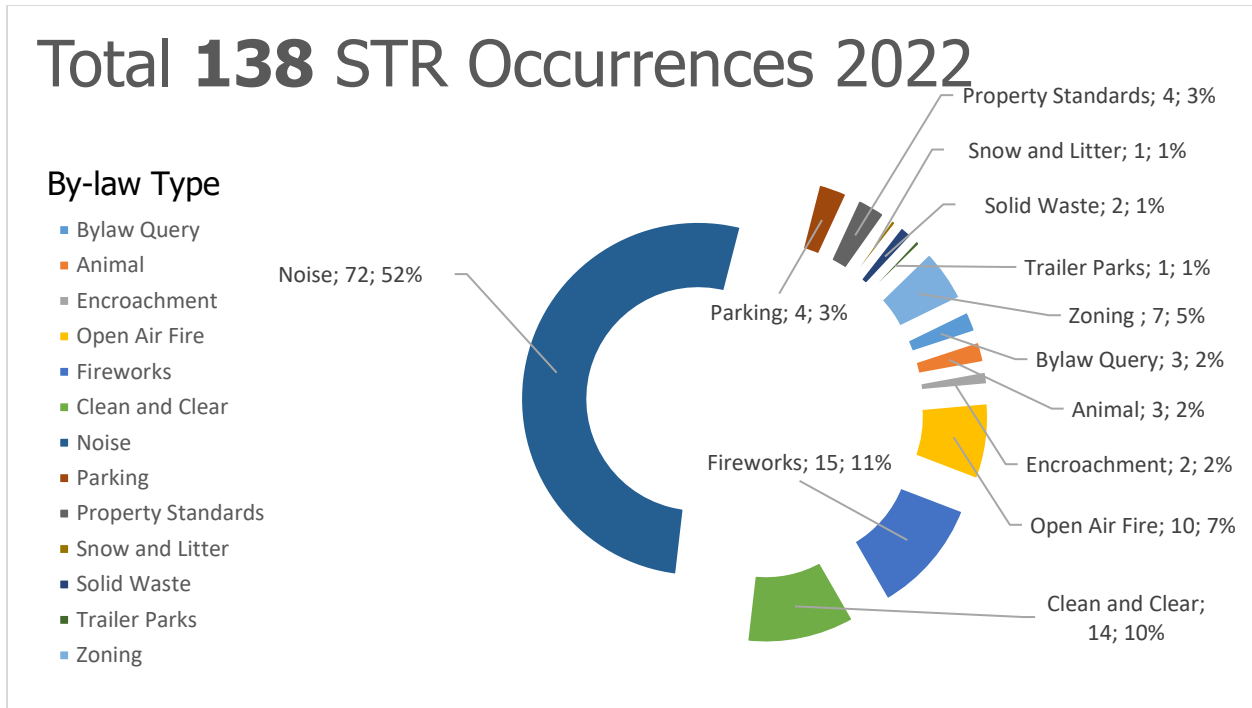
The Municipal Act, 2001 (the Act), offers that a municipality may license, regulate and govern any business, wholly or partly carried on within the municipality, even if the business carried on is from a location outside of the municipality. Further, the Act provides the municipality with the authority to pass licensing regulations to address issues of health and safety, well-being of persons, consumer protection and nuisance control. The Act allows for the municipality to pass by-laws with respect to fees and charges for services or activities provided or done on behalf of the municipality.

Currently MLEL staff provide education and service fees for nuisance occurrences responded to. The service fee system and education component in the first option will remain in place if a licensing by-law is adopted. In this licensing option, regulations will include license fees, ability to issue orders, various enforcement options, insurance requirements, demerit point system, appeal system for owners, license suspension and revocation process. Staff also note that serious issues or continued offences using a licensing by-law could see the application of section 447 of the Act for closure of the premises for the continued contravention of the by-law.

What Do Owner/Renters Get For a License?

The intention of a licensing program is to create equal standards for all STR accommodations to use, to educate and guide owners and renters, and to create a focused control mechanism to address complaints (consequence and legal process). Creating a licensing program offers options that would see an education program, registration of hosts and locations, creation of a database to allow staff faster response, investigation of issues reported and other enforcement activity through fines and prosecution. Additionally, owners and renters will be able to access a database that connects the STR location with other tourism resources in the area.

Considering that MLEL staff investigate STR's as general occurrences and based on the issue reported, STRs account for 138 occurrences, which is approximately 6% (2194) of the complaints made in 2022.



Soft Start

If Council was to choose to proceed with a Licensing By-law (Option 2), Council is advised that an immediate “soft start” rollout of the program will occur prior to the summer in 2023. A soft rollout is being considered for the following reasons:

- budget implications, to allow for additional staff to be hired and trained,
- time to set up the licensing program processes and policies,
- time to create and enhance a public education program (media and website),
- study known locations and preplan inspections system and review,
- establish a system to alert STR owners (similar to a warning compliance letter) and,
- time to allow STR owners to come forward on a voluntary basis to register.

Full program implementation would begin in January 2024. Staff anticipates that with the soft roll out of the licensing program and regulations, that imposed licensing fees will be utilized to fund and sustain the program. Council may refer to the Financial/Operation Impacts to view the recommended staff levels needed to operate a new licensing program, and in support of MLEL services generally, and as follows:

1x administration, 2 Licensing Enforcement Officers, and 1 Municipal Law Enforcement Officers.

The **draft by-law** in **Appendix H** speaks to many issues raised by Council, staff, the public and STR owners, including:

- STR – prohibitions without a License
- Max occupancy limit to 2 renters per bedroom
- Yearly License – expires April 1
- Insurance requirements
- Required contact person with 30/60 mins response (contact or onsite)
- Site requirements – parking, floor plans, fire safety
- Appeal process – suspension, revocation, denial of License
- Compliance orders
- Demerit Point System – potential to impact current and future license

This version of the draft Licensing by-law will permit STR's in all residential areas and the total number City wide is also not limited. If Council selects to set an STR limit or limit area proliferation, further study may be needed to regulate specific areas or property use type, and future by-law amendments may be required.

Council should also be aware that the cost of licensing fees associated with a by-law will likely be passed on to the renter as part of the rental fee. A fee may create a financial barrier to some STR renters. The recommended fees are set to an amount to cost recover for full program implementation.

Options 3 - Area Specific Prohibitions By-Law – Not recommended. Council could consider a ban on STRs (entirely or area specific). An outright ban will impact current STRs and will impact tourism in a negative way. The Ontario Land Tribunal, a quasi-judicial body unique to Ontario that hears appeals of municipal decisions, recently reviewed a bylaw amendment in Oro-Medonte Township that tried to control short-term rentals and prohibit their operation in residential areas. The amendment, the tribunal chair found, was an overreach and it was revoked.

Options 4 - Zoning Regulation – Not recommended. Council could choose to regulate STRs in zoning by-laws. This option would require STRs to be considered through the Planning Act prescribed process(es) for consideration. Staff is of the opinion that zoning could eventually be used to provide some guidance and regulation of STRs, but will not be the primary enforcement tool. Further that a site by site zoning consideration will add another level to an application, increase inspection fees, processing times and create the need to study impact on the surrounding land uses.

Zoning by-laws are not typically used to control non land based issues, such as noise, domestic waste, occupancy type or other nuisances. Municipalities are generally not using zoning to control STR issues, instead opting to use business licensing regulations.

Other Alternatives Considered:

Staff considered a STR registry bylaw (without revenue or enforcement) – the voluntary registry would simply be a process to collect owner contact information, promotion via tourism, share information with Emergency Services (Police, Fire and EMS) and track locations for other enforcement activity. There is no current system registry in place, no current bylaw drafted, and implementation will result in additional costs and provide minimal regulation and enforcement value.

Council could also consider adding to the draft Licensing by-law (Option 2), specific regulations that target the maximum number of days any STR can be advertised or utilized as a rental. For example, the rental could only be rented from April to September or the total rental days cannot exceed 180 days per year. (this distinguishes long term rentals from short term locations). This item was removed from the original draft after consultation that discussed established STRs and the opinion that this limitation would impact not only their revenue, but the associated tourism already established to support vacationers to our municipality.

As an addition to the draft licensing bylaw, Council could also consider inserting the following:

- Establish, minimum stay periods, such as not permitting rental to occur starting on a Friday night or prohibit rentals of less than 3 days.
- Limit to all municipal licenses (per area such as ward or city wide)
- Limit rental to principal residence (hosted), allowing additional STR units on a hosted property⁷
- Restrictions on STR locations by location #limits and prohibition on property types for example areas zoned industrial or agricultural and creation of ineligible building types.

⁷ Canada Revenue Agency – considers the following as a principal residence:

- It is a housing unit, a leasehold interest in a housing unit, or a share of the capital stock of a co-operative housing corporation you acquire only to get the right to inhabit a housing unit owned by that corporation.
- You own the property alone or jointly with another person.
- You, your current or former spouse or common-law partner, or any of your children lived in it at some time during the year.
- You designate the property as your principal residence.

- Create Exemptions – for example, License fee reduction if no complaints are received; waiving capacity limits in the event an STR is needed as shelter during a municipal /provincial emergency.
- A complete ban on all open air burning (fire-pits), limiting to propane or gas appliances (propane fire place)

The above-noted items are not recommended for inclusion in a licensing by-law at this time. However, implementation of the program would include monitoring and annual reporting to council with recommendations should changes be needed to the program.

Council could decide that the STR Licensing program be implemented in 2024, to consider further Licensing By-Law review, staffing and overall education and roll out of the program. Council could approve option 2, and staff would prepare for full program launch in 2024, and recommend staffing and resources needed through the 2024 budget process.

Alignment to Strategic Priorities

This proposal aligns with the four strategic priorities within the 2020-2023 Kawartha Lakes Strategic Plan which are:

1. Healthy Environment
2. An Exceptional Quality of Life
3. A Vibrant and Growing Economy
4. Good Government

Financial/Operation Impacts (Option 2):

Municipal Law Enforcement and Licensing services utilize a tax and licensing supported budget. Licensing historically, has a budget that is primarily supported by licensing fees collected across the numerous programs currently in place. Section 391(1) of the Municipal Act permits a fee or charge to individuals to support a cost recovery model. If Council adopts a STR licensing by-law, creating a new program, staff is recommending that the program is supported by direct STR fees to offset any dependence on general property tax collection.

The creation of a new program in Option 2 comes with anticipated costs which include, but may not be limited to new staff (administration and MLEL), equipment (i.e. vehicles, computers, uniforms, other staff equipment, software licenses as examples) advertising

(print media), website and licensing processing. The goal of establishing a licensing fee model is to recover these costs (zero dependence on the general tax levy), to support inspection costs, and processing inputs from other divisions. The Licensing fee will also be used to support the STRs in a direct way through the creation of an education program, website, location advertising, mapping and connection to area items (example webpage links to local points of interest, restaurants, retail etc.).

Council within the 2023 budget process has approved budget of \$36k specifically earmarked to support the STR program and services of a third party data research company. Data research is an integral part of the STR study and location data collection. Data research services will be required in both options one and option two. Staff wishes to continue to work with the research company and notes that while the 2023 budget approval was made based on early 2022 projections, it now requires an additional \$12,000 to continue. Council is advised that an annual fee of approximately \$48,000 will be required in future budget, which will be offset/recovered by STR licensing fee.

Short Term Rental By-Law - Fees

Item	Fee
Application type: Annual STR License Hosted Un-Hosted	\$300.00 \$1,200.00
Application processing Inspections (if required and conducted by staff): Fire Septic Licensing	Covered in application licensing fee
Other inspections: Heating Ventilation and Air Conditioning (HVAC) Wood Energy Technical Transfer (WETT) Electrical Safety Inspection	Applicant to provide in their application package at their cost. (multi-year approach)
Burn permit (if required)	As per Schedule C-4 Fees by-law
Appeal (Municipal By-law Appeals Committee MBA)	\$400.00
Revenue potential (based on 600 STRs)	\$450,000.00 (based on 300 hosted and 300 un-hosted STR's only and no other service fees calculated)

Item	Fee
Approximate Annual Revenue Total	\$450,000.00
2022 Investigative Service Fees (Revenue)	\$23,000 .00(Based on 138 STR complaints)

***Council should note the consultation data provided shows that the 1st year licensing model is likely to only achieve 40% entry compliance rate (when introducing STR licensing).** A soft roll out will likely reduce this further for the first year. However, service fees may see a slight increase due to the popularity of STRs as a municipal issue at present.

Staff

Licensing fees compared with other Municipalities vary across a broad range. Within the comparators mentioned earlier in this report and including municipalities such as Huntsville, who have approximately 250 STR’s, they have hired an administrator and an inspector to support their operation needs.

Suggested supports are based on the STRs in the City of Kawartha Lakes (estimated 600-800) and MLEL division growth needs would be as follows:

1x Administrative Assistant – to provide dedicated support to Licensing staff, front counter service (phone and emails), application input/review/support, invoicing and notices, specific to Short Term Rentals (other duties as assigned). As detailed in Option 1 and 2, this position is required to immediately support MLEL operations and the STR program.

2x Licensing Enforcement Officers – to provide direct inspection, license approvals, education and enforcement services. (with existing and future Licensing Enforcement Officer to work 40 hrs per week, with shifts that occur on the weekends)

1x Municipal Law Enforcement Officer – Concurrent with the STR licensing regulations and Licencing Enforcement Officers, a MLE Officer will connect the STR program to the other nuisance by-law regulations and processes that are functions that occur outside of licensing services (generally). The additional officer will serve to balance the Licensing officer teams and can be additional utilized to support all Municipal Law Enforcement Services, thereby managing an occurrence workload.

The suggested staff expansion will also require a fleet vehicle, the current estimated cost of a single fleet mini van is approximately \$1052.00 per month, not including the initial set-up. MLEL currently have 6 vehicles utilized by up to 9 officers (11 seasonally,

summer staff). While the vehicles are shared based on scheduling and need, one additional vehicle will be required.

Vehicle Type	Total Annual Charge Rates	Annual Capital Replacement Cost	Average Annual Operating Cost	2023 Hourly Charge Rate	2023 Monthly Charge Rate
Vans - Mini	\$ 12,621	\$ 4,500	\$ 8,121	\$ 13	\$ 1,052

Staff equipment:

- Vehicle set up – computer mount, 2-way radio, emergency lights and fire extinguisher
- Uniform – shirt, sweater, pants, duty belt (inner and outer belt and accessories) vest, safety (3 season) jacket, boots, gloves toque
- Computer
- Portable radios
- Cell phones
- Miscellaneous items

The anticipated costs to create and implement a licensing program are approximately:

Anticipated Costs	Cost
Staff:	
Licensing Enforcement Officer x2	\$150,000.00
General MLE Officer x1	\$87,000.00
Administrative x1	\$68,000.00
Total	\$305,000.00
Training (\$2000.00/person)	\$8,000.00
Equipment, and Supporting Vehicle	\$19,000.00
Vendor Agreement - Date Research Services	\$48,000 (\$36,000 in 2023 budget)
Revenue Contingency (education, media, website, tax inserts)	\$20,000.00
Estimated Total	\$400,000.00

*Full cost and revenue anticipated in 2024, reduced revenue in 2023 as program rollout starts.

The rollout in 2023 is expected to be higher in cost than revenue as the Short Term Rental(STR) Program is in its initial stages. Therefore, Staff may require an alternative funding source in order to get the program operational in 2023. Staff are

requesting that Council authorize the use of the uncommitted portion of the Contingency Reserve, to an upset limit of \$300,000 to offset any 2023 deficit. This represents eight (8) months of operations. The reserve funding will only be used to offset any deficit in the program, if required, and only in the 2023 year.

As stated above the STR program is expected to break even in 2024. As the program becomes more established and more licenses are sold Staff anticipate that there could potentially be a surplus in the program in future years. Staff are recommending that any surplus from this program be transferred to a Short Term Rental Reserve in order to assist in funding the program in future years.

Consultations:

- Treasury and Finance
- Economic Development
- Planning
- Fire Prevention
- Building – Septic
- People Services
- Risk
- Legal

Attachments:

Appendix A – The Home Sharing Guide for Municipalities 2018



home-sharing-guide-
for-ontario-municipali

Appendix B - Measuring Private Short-term Accommodation



Measuring Private
Short-term Accommo

Appendix C – Past Reports to Council



June19ShortTermRe
ntalReport.pdf



LIC2018-004 - Short
Term Residential Rent



LIC2018-005 - Short
Term Residential Rent



LIC2018-005 - Short
Term Residential Rent

Appendix D – Full 2022/2023 Survey Results (redacted)



Short Term Rental
Survey Report_redact



Short Term Rental
Survey Answers_rede

Appendix E - PIC Survey Slides



KL Short Term Rental
Info Session Display B

Appendix F – Information Posters



STR---Information-forSTR---Information-for
-Complaints Poster.pc-Renters-and-Owners



Appendix G - Research – 444 Municipalities



Copy of
Municipalities and the

Appendix H – Draft Licensing By-law



Short Term Rentals
By-Law.docx

Department Head email: critchie@kawarthalakes.ca

Department Head: Cathie Ritchie