
Short-Term Rental Stakeholder Consultation Report

TORONTO MUNICIPAL LICENSING & STANDARDS ENGAGEMENT

MaRS Solutions Lab

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MaRS Solutions Lab

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MaRS Solutions Lab is an innovation lab that helps to solve complex social challenges and helps build a strong innovation economy. The lab develops new approaches and brings together stakeholders from across society to help solve these problems collaboratively. It uses systems and design thinking, and builds on leading practices from similar labs around the world. The lab also helps governments to modernize their policies and public services to keep pace with changes in society, and equips people and organizations with tools and techniques to create change. MaRS Solutions Lab is part of MaRS Discovery District in downtown Toronto.

For more information, please visit our website: www.solutions-lab.marsdd.com

Table of Contents

Background		3
Executive Summary		4
Short-Term Rentals		7
Consultation Approach		8
Industry and Expert Consultation	11	
Enforcement Suggestions		20
Additional Insights		21
Appendix		24

Background

As a rising number of people in Toronto and around the world are renting rooms or whole properties for short periods, questions and concerns have been raised about how to mitigate issues while also promoting the benefits of short-term rentals. On January 28, 2016, City of Toronto Executive Committee directed City staff to produce regulations for short-term rentals in Toronto. The Executive Director of Municipal Licensing & Standards and the Chief Planner and Executive Director of City Planning were asked that the report address the current state of short-term rentals in Toronto, a comparison of regulatory approaches, an investigation of the impacts on municipal issues, a review of municipal codes and taxation, and a consultation with residents and industry stakeholders.

The City released its interim report, EX18.12 Developing an Approach to Regulating Short-Term Rentals, on October 2016. It included an analysis of the current state and growth of the short-term rental market in Toronto, regulatory approaches, and a jurisdictional scan. The report highlighted four key issues that municipalities need to manage that tend to arise from short-term rentals. These include:

- Neighbourhood impacts
- Impact on housing availability and affordability
- Impact on economic development and tourism
- Taxation

Executive Committee also called for consultation with industry stakeholders and experts. Therefore, on behalf of the City of Toronto's Municipal Licensing & Standards division (ML&S), MaRS Solutions Lab convened and facilitated two half-day workshops on regulation for short-term rentals in order to help uncover both issues and insights into short-term rental regulation. Participants were invited to discuss how best to protect the interest of neighbourhoods, property owners, tourists, and the city's housing stock. The goals of the workshops were to:

1. Identify the main issues, concerns, and opportunities related to short-term rentals
2. Prototype potential regulations for short-term rentals in the City of Toronto

The first workshop was held on March 23, 2017 at MaRS Discovery District, bringing together diverse stakeholders from the private sector, civil society, and academia. The second workshop was held on March 27, 2017 at the Lillian H. Smith Library and brought together municipal and provincial government stakeholders. This report contains the outcomes that have been presented to City staff and will serve to inform their approach to regulation of short-term rentals.

Executive Summary

The consultation workshops by MaRS Solutions Lab (described above) brought together key stakeholders from across the GTHA on short-term rentals. These participants helped to highlight the key issues and impacts of short-term rentals, as well as raise key considerations for regulation of short-term rentals in the City of Toronto. Each workshop activity was framed around the municipal issues already identified in the City staff interim report, including neighbourhood impacts, impact on housing availability and affordability, impact on economic development and tourism, and taxation.

IDENTIFIED ISSUES, CONCERNS, AND OPPORTUNITIES

In each of the two workshops, participants identified the main issues, concerns, and opportunities that short-term rentals present within Toronto and prioritized them through a vote. The outcomes of Workshop 1 helped to surface the implications of the definition for “short-term rentals” and the effect the subsequent regulation would have on residents’ individual freedom. Workshop 2 helped to surface insights on how to ensure community safety and stability.

Workshop 1: March 23, 2017

Identified topics:

1. Creating a shared definition of “sharing economy” and “short-term rental”
2. Commercial vs residential taxation
3. Affordable tourism
4. Housing affordability
5. Property rights

Workshop 2: March 27, 2017

Identified topics:

1. Housing stock
2. Commercial vs residential tax line
3. Ability to enforce bylaws
4. Residential stability
5. Fire safety

KEY REGULATORY LEVERS

By first identifying *what* to regulate, we can better define *how* to regulate. The workshops surfaced the public values that were identified as most important to participants. This helped stakeholders to determine the framework for regulation that would enable these public values. Many of the regulatory frameworks for short-term rentals include a particular combination of levers that define the thresholds for operation. The workshop framework was based on the common regulatory levers that emerged from a jurisdictional scan of short-term rental regulations. Participants discussed the impacts of these levers and identified what combinations would best balance the issues and benefits of short-term rentals in Toronto.

The key regulatory levers that were identified were **residence type** (that is, someone’s primary place of residence, secondary suite, or investment property) and **type of dwelling** (apartment, condo, house, all types, or none). Workshop participants opted for a variety of combinations, generally balancing the ease of enforcement with ease of compliance, to prevent short-term rental activities from going underground where only select scenarios are covered through regulation. In this way, while **operator presence** (present or away) has dominated many conversations as a means to define short-term rental activity, it was unclear how effective enforcement could be achieved and ultimately ignored as an option.

Discussion around the extent of the activity being classified as residential or commercial practice was dependent on four levers: **length of each stay** (1 to 29 nights), **stays in total** (1 to 365 nights), and **lodging tax** and **property tax assessment** (yes, no or voluntary and commercial or residential, respectively). All participants indicated that **licensing** (platform, operator, none, both) was needed, but the specifics of who would be licensed and the licensing structure would be influenced by the other levers. Participant also questioned the enforceability of **length of each stay** and **stays in total**.

Zoning permissions/restrictions posed a dilemma for many participants. The workshop exercise asked participants to consider how a zoning designation would affect what activities would be allowed in different zones, but some interpreted this as considering rezoning land use designations. The discussion around zoning did acknowledge that changing or adding land use designations would have greater implications beyond short-term rental. Some still saw this as a highly influential lever by setting firm restrictions on where short-term rental activity could take place.

Two new levers were identified: **data sharing** and **number of occupants**. Data was deemed an important element in regulation because it would provide support enforcement measures and enable future analysis of short-term rental activity and its impact on the city. Limiting the number of occupants in a space may enhance fire safety, but faces similar enforcement concerns as other levers and protects for very particular cases.

ADDITIONAL INSIGHTS

There were a number of key insights that emerged through the workshop that helped to identify the areas where regulation for short-term rental could have a significant impact for residents and stakeholders.

Stakeholders acknowledged the **complexity of regulation** and its implications with respect to short-term rental regulation. They described a number of competing interests and issues to balance, but identified a limited number of ways for regulation to actually achieve the desired outcomes.

The concerns identified under neighbourhood issues were centred on **accountability**, whether by the operator and/or the platform. Communities want opportunities to swiftly resolve issues arising from short-term rental activity. Identifying who would be held accountable is just the start of facilitating resolution.

While **condominiums** are largely under provincial legislation with the Condo Act, they also form a significant part of the housing stock in Toronto. Condos may have separate regulations that need to be considered, but condo boards and residents want to be considered as part of new regulations for short-term rentals.

Stakeholders expressed a desire for **scalable regulation** to balance the range of casual to commercial activity in short-term rentals. Casual operators were described as infrequently renting out their primary home, as opposed to commercial operators who would own a property or multiple properties dedicated for short-term rentals. With such varying levels of involvement, scaling the regulation to fit commercialization of the activity was important for many. In this way, **zoning** was seen as a key tool to help distinguish between casual and commercial activity. It was a definitive piece of regulation that could

enable a distinct understanding of where a short-term rental could and could not operate. However, the risk is potentially creating concentrated zones of short-term rentals in the City.

It is worthwhile noting that there appeared to be a **discrepancy between participants' selection of desired impacts and the levers they chose for regulation scenarios**. For example, most participants identified affordable housing stock as a key issue, but chose to allow short-term rentals throughout the year and across all dwelling types, with no minimum night requirements. The implication of this is that it opens up opportunity for all types of operators, including those who are intending to provide dedicated rental space such as apartment buildings. This openness also creates a large supply and a wide variety of short-term rentals to be overseen, which is counter to what many participants identified as a need to create enforceable regulations with minimal burden on the licensing system.

Short-Term Rentals

In less than a decade, short-term rentals have become a much more common option for travelers. The shift in travelers' desires and needs is reflected by the proliferation of online platforms such as Airbnb, VRBO, HomeAway, Flip Key, Roomorama, Craigslist, and Kijiji in more than 190 countries. The scale and speed at which this style of accommodation has grown in popularity has raised questions and concerns among Toronto residents about whether short-term rentals are permitted in the City and whether they should be subject to further regulation.

Lacking a specific definition, short-term rentals are a type of accommodation that generally take place in a residential unit over a short period of time. They fall outside of established accommodation types such as hotel, motel, bed and breakfast, renting and subletting. These established accommodation types are not licensed by the City of Toronto but are required to operate in accordance with provincial legislation such as the Innkeepers Act, the Fire Code, the Accessibility for Ontarians with Disabilities Act, the Taxation Act and the Workplace Safety and Insurance Act. ML&S has been enforcing existing by-laws as they relate to short-term rentals but taking action has been challenging.¹ Cities across the globe are facing similar challenges and can be found in various stages of research and regulation of short-term rentals.

In North America alone, many cities are taking different approaches to regulation. The jurisdictional scan in the interim report highlights American cities such as New York, San Francisco, and Seattle. Each has permitted short-term rentals on the basis of the type of residence (primary and/or secondary) and presence of the operator (required or not) or the number of nights rented within a year. These restrictions are then coupled with different licensing requirements and taxation policies, where the particular regulatory combination aims to support the public value of short-term rentals within the individual context of each city.

In the Toronto context, City staff have classified a number of short-term rental issues raised by the Executive Committee, residents, stakeholders and the media into four categories of municipal issues: Neighbourhood Impacts, Impact on Housing Availability and Affordability, Impact on Economic Development and Tourism, and Taxation. Finding the appropriate regulatory balance between these goals and the ability to enforce them is the challenge ML&S is now faced with.

¹ Tracey Cook and Keesmat, Jennifer. "Developing an Approach to Regulating Short-Term Rentals" (EX18.12 Report for Action for the City Council Executive Committee, Toronto, Ontario, October 11, 2016).

Consultation Approach

Objectives & Goals

How can we design smart regulation for short-term rentals that protect the interest of neighbourhoods, property owners, tourism, and the city's housing stock?

The goals of this consultation were to bring stakeholders to a common understanding of the key issues and impacts of short-term rentals, and discuss and provide insights on prototype regulations for short-term rentals in the city of Toronto. Each activity was framed by the municipal issues identified by the City staff interim report. During the facilitated design workshop, stakeholders were asked to:

- Identify the main issues, concerns and opportunities that short-term rentals have in the Toronto context
- Define what the positive and negative impacts are for neighbourhoods, housing, economic development & tourism, and taxation
- Co-design a desired regulatory framework to inform preliminary ideas for possible smart rules for the regulation of short-term rentals

The first workshop was held on March 23, 2017 at MaRS Discovery District with diverse stakeholders from the private sector, civil society, and academia. The second workshop was held on March 27, 2017 at the Lillian H. Smith Library and brought together municipal and provincial government stakeholders. The outcomes will be used by City staff to inform their proposed approach to regulating short-term rentals.

Approach

Regulation is a method by which government can promote and mitigate for public value. They set the parameters for society to operate within by balancing public and private interests with risk and uncertainty. As regulating short-term rentals is complex and has many stakeholders with competing perspectives, the workshops surfaced the public values that that were most important to stakeholders and began to define the regulatory levers that would enable them.

To ensure that the many perspectives were heard and that participants appreciated the complexity of the issues, a combination of design, systems thinking, and strategic foresight techniques were used towards the creation of the workshops in this consultation. These techniques were used to provide an open space for participants to contribute and frame the problem, to foresee the impacts of regulatory scenarios, and to co-design regulatory options. Two workshop activities were used: issues mind mapping and a regulatory dashboard.

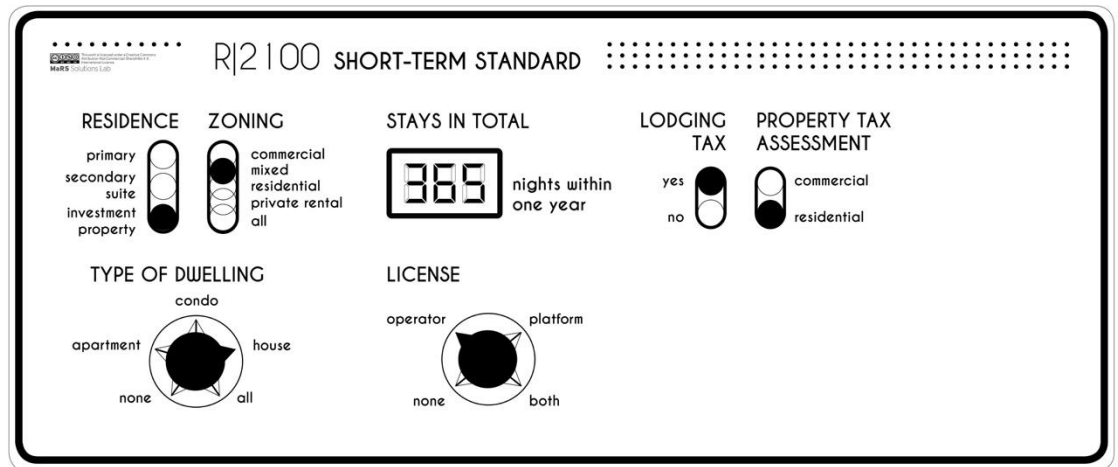
Tools

ISSUES MIND MAPPING

Participants surfaced the issues, concerns, and opportunities of short-term rentals in Toronto in a plenary discussion through an Issues Mind Map. An Issues Mind Map is a visual sense making tool that helps guide participants through finding a shared understanding of the challenge. The topic of short-term rentals was located in the centre of a large sheet and was surrounded by the titles of the key municipal issues. As participants called out the issues, concerns, or opportunities within short-term rentals, they were then mapped and drawn towards the key municipal issue that it described. An additional category of “other” was used to capture issues that were not reflected by the City’s report. Once the mind map was complete, participants were given three votes to select the top issues to be addressed.

REGULATORY DASHBOARD

Serving as a simple discussion framework, the Regulatory Dashboard was designed by MaRS Solutions Lab to help inform and engage stakeholders on regulation. It displays regulatory options as a control panel with a variety of settings, where each control is not independent of the other but operate in combination to create impacts on the public value. The dashboard facilitates a common language between external and internal stakeholders, illustrates the complexity of the issues by identifying interdependencies, and derives input on prototype regulation through identifying anticipated impacts. Participants are empowered to change the parameters and better understand how regulatory options influence and impact society.



Short-Term Standard Regulatory Dashboard, MaRS Solutions Lab 2017

To be used in multiple rounds during one session, the dashboard is first presented with pre-set combinations of regulatory controls and participants are asked to react by describing the impacts of the settings. Being provided a tangible prompt enables participants to ground their perspectives and offer specific feedback. In the final round, they are given the opportunity to reverse the process and determine the impacts they want to achieve and which settings would achieve them.

Industry and Expert Consultation

On March 23, 2017, the first workshop was held for advocacy groups, industry representatives, and experts at MaRS Discovery District. The diverse group of stakeholders were convened for a half-day facilitated co-design workshop to discuss and provide feedback on regulating short-term rentals in the city of Toronto, and to co-design possible solutions.

Participants

There were 50 workshop participants from the private sector, civil society, and academia. They included short-term rental platform operators (e.g. Airbnb, Masterkey, etc.), rights and advocacy groups for workers or tenants (e.g. Fairbnb, Advocacy Centre for Tenants Ontario, Unite HERE Local 75, etc.), and established accommodations and housing industry (e.g. Condo Owners Association of Toronto, Federation of Ontario Bed & Breakfast Accommodation, Corporate Housing Providers Association, DelSuites, Ontario Restaurant, Hotel and Motel Association etc.). Participants were seated at tables for the duration of the event and were divided such that a diverse set of perspectives were represented at each table.

A full list of groups represented at the event can be found in the Appendix.

Issues, Concerns and Opportunities

Participants identified the main issues, concerns, and opportunities that short-term rentals present within Toronto through an issues mind mapping exercise. They were asked to prioritize them in a vote and the items that received the most votes were:

1. Defining "sharing economy" and "short-term rental"
2. Commercial vs casual operator tax
3. Affordable tourism
4. Housing affordability
5. Property Rights

Prototyping Regulation

During Workshop 1, participants engaged in three rounds of the Regulatory Dashboard. In the first two rounds, each table received a pre-set scenario and reacted with their perceptions of the short-term rental regulations' impact on the municipal issues. In the third round, the tables determined their own settings after aligning on what impacts they wanted to promote and mitigate.

LEVERS AND SETTINGS

A jurisdictional scan uncovered most common regulatory levers of short-term rentals regulation to be the following, where settings were based on the Toronto context:

Residence Type Dwelling owned or rented by operator

Primary – Operator’s main place of residence

Secondary – Additional property owned or rented by operator

Operator Presence Identifies property owner or tenant

Present – Operator sharing space with guest

Away – Operator not present

Type of Dwelling Building structure type

House, Condo, Apartment, All, None

Length of Stay Minimum duration of consecutive nights of stay

1 to 30 – 1 is the least restrictive, 30 is approximately one month

Stays in Total The total amount of nights a space is rented in a year

0 to 365 – 0 is a ban, 365 is up to a full year

Zoning The land use designation of a property as regulated by the City's zoning by-laws

Residential, Commercial, Mixed-Use, Private Rental (a new sub-category that would fall under existing zoning designations)

Hotel Tax Classification of a property based on use

Yes, No, Voluntary

Registration Who the city licenses or registers

Operator, Platform

Impacts on Municipal Issues

Summarized from the first two rounds of pre-set regulatory scenarios, participants identified the potential positive and negative impacts on the four key municipal issues on short term rentals. The potential negative impacts largely outnumbered the positive ones but there were also many points of contention among and between tables. The points of contention present opportunities where the range of impact could be quite wide and regulation would help to manage it. They also centered around where there is a lack of consistent data (or no data at all) coupled with the changing nature of cities and its complexities. Can a neighbourhood remain static or is gentrification or other shifts a reflection of the community? Can housing remain affordable if there remains a large foreign buyer market for property in Toronto?

MUNICIPAL IMPACTS OF SHORT-TERM RENTALS

<p>Neighbourhood</p>	<p>Potential Positive Impacts</p> <ul style="list-style-type: none"> • Someone is always occupying the space – benefit to making use of space that is otherwise vacant • Extra income of operator reinvested into the neighbourhood 	<p>Potential Negative Impacts</p> <ul style="list-style-type: none"> • No pride of ownership when it comes to taking care of the property or respect for neighbours • Disruption of residential feel of community (e.g. more transient) • Dangers and nuisances associated with increased occupancy (Note: participants may have misunderstood. In practice, occupancy threshold is hard to violate) • Decreases long-term rental pool • Condos more vulnerable to wear & tear; residents are subsidizing through maintenance fees
	<p>Points of Contention</p> <ul style="list-style-type: none"> • Increased noise and utility use by renters / How is the noise different from regular residential use? (e.g. family of 8 in a single home) • Unknown renters and sense of security and safety / Diversity for community (assumed friendly neighbours and renters) • Loss of character of neighbourhoods / Neighbourhoods are not static, especially in large cities 	
<p>Housing Affordability</p>	<p>Potential Positive Impacts</p> <ul style="list-style-type: none"> • Monetizing under-utilized space 	<p>Potential Negative Impacts</p> <ul style="list-style-type: none"> • Increases insurance premiums • Less long-term rental available leading to decrease in housing availability and affordability
	<p>Points of Contention</p> <ul style="list-style-type: none"> • Removes long-term rental options / Not taking housing off the market if only permitted in primary residence; creating options • Affordability versus availability of housing stock • Income enables people to afford their housing / Cannot necessarily claim income to subsidize mortgage and if you need to subsidize housing costs, is it affordable to begin with? • Rising rental prices not because of short-term rentals / Increased rental prices because operators know they can charge more for short-term rentals • Foreign investment is a bigger problem for housing availability and affordability 	
<p>Economic Development & Tourism</p>	<p>Potential Positive Impacts</p> <ul style="list-style-type: none"> • Mass tourism accounts (e.g. conventions) want to know the city has enough rooms to host participants • Neighbourhood’s reputation can be advanced • Renter flexibility (e.g. access to kitchens and local grocers to accommodate dietary restrictions and budgets; large suites for families) 	<p>Potential Negative Impacts</p> <ul style="list-style-type: none"> • Platform operators increasing competition among hosts, leading to hosts generating less income • Negative impact on the hotel industry • Unfair competition with traditional accommodations facing commercial operations costs • Unreliable tourist accommodation

	<p>Points of Contention</p> <ul style="list-style-type: none"> • Takes tourists out of the downtown core – brings potential tourist dollars into other neighbourhoods / Highest concentration still in downtown core and tourist areas • Small, local businesses benefit / Depends on the business – but a dental place will not benefit from transient people, compared to a restaurant • Usefulness of data, where data on the economic value realized by short-term rental platform companies is currently generated by these companies themselves, often with no independent audit • Self-employment, added income, and supporting businesses (e.g. cleaning, neighbourhood, etc.) / Promotion of precarious employment and supply chain impacts for hotels (e.g. security, linens, etc.) • Affordable tourism / If short term rental is taxed similarly to hotel-type operations, affordability advantage may be lost 	
<p>Taxation</p>	<p>Potential Positive Impacts</p> <ul style="list-style-type: none"> • Could be built into platform administration system • Source of revenue for the city • Perceived fairness across the accommodations sector 	<p>Potential Negative Impacts</p> <ul style="list-style-type: none"> • Less affordable for visitors
	<p>Points of Contention</p> <ul style="list-style-type: none"> • What is the extent of short-term rental use and would taxes be scalable based on use? • Tax earmarked towards housing affordability / Tax earmarked for tourism promotion efforts • New revenue opportunity for the City / May not generate much revenue 	

Self-Selected Regulatory Scenarios

Participants were given carte blanche to select their own control settings for regulating short-term rentals, on the basis of the impacts they wanted to promote and mitigate. Of the combinations of selections that were made, three scenarios emerged. One that most resembled home sharing by only allowing the primary home, the second most resembled secondary property sharing by only allowing activity in a secondary property while the operator is not present, and the third scenario opened up options for both primary and secondary residence but relied heavily on zoning to define where the activity could take place.

Tables with the described impacts of each scenario can be found in the Appendix.

SCENARIO 1 **MOST RESEMBLING HOME SHARING**

Several tables aligned with a similar set of parameters that most resembled home sharing on the basis of allowing the activity only in the primary home. The tables differed in their suggestions of where additional regulatory measures or exceptions would be needed. These differences were:

- Stays in Total capped by the type of room offered – scaled regulatory options stratified by total nights per year and use cases of short-term rental listings (e.g. multiple private rooms with shared public space, whole residence occupation, multiple private units within a building, etc.)
- Condos would be given specific exceptions because of their corporation status

By most resembling home sharing, this scenario balances many of the issues by creating a clearer differentiation from established accommodations styles. This differentiation mitigates the perception of unfair impact on the hotel industry and the potential job losses associated with it.

Residence Type **Primary** (with clear definition of primary)

Operator Presence **Away, Both, Managed**

Type of Dwelling **All**

Length of Stay **1-30 nights minimum**

Stays in Total **365**

Zoning **All**

Hotel Tax **Yes**

Registration **Both**

SCENARIO 2 **MOST RESEMBLING SECONDARY PROPERTY SHARING**

One table selected only secondary properties with a minimum requirement of three nights stay, referring to this as “regulation on minimum.” This differentiation for short-term rentals also makes it distinct from hotel and B&B, but making it less competitive for the consumer. Licensing and taxation were key regulatory settings that were seen as promoting good practices for short-term rentals, where each system would maintain the quality of operators and consumers within the short-term rental market.

Though it attempts to mitigate issues for established accommodations operators like hotels, this scenario may still allow “ghost hotels” to operate. It could affect the long-term rental market, as well.

Residence Type **Secondary**
 Operator Presence **Away**
 Type of Dwelling **All**
 Length of Stay **3 nights minimum**
 Stays in total **365**
 Zoning **Mixed-use**
 Hotel Tax **Yes**
 Registration **Both**

SCENARIO 3 LEAST RESTRICTIVE

While this was the most open for who people could participate in short-term rentals and how, many of the impacts listed were options for regulation (through policy or tools and education) to mitigate the risks. There was a heavy emphasis on the use of zoning regulation to limit short-term rental activity to particular land use areas. As this is reliant on zoning regulations, the effect on the established industry could vary widely with the other parameters being quite open. There is potential for this definition of short-term rental to encourage concentrations of short-term rentals and purpose-built developments based on land use restrictions.

Residence Type **Both**
 Operator Presence **Both**
 Type of Dwelling **All**
 Length of Stay **1 night minimum (condo: 30 days consecutive)**
 Stays in total **365**
 Zoning **Residential, All, private rental**
 Hotel Tax **Yes** (rename to "accommodation tax")
 Registration **Both**
 New Lever **Categories: Commercial**

Impacts of the Regulatory Levers

Participants questioned and tested the intention and meaning of the regulatory levers. They were invited to add and change them as they saw fit. As the tables determined their own regulatory settings, it also clearly emerged which ones were the most important for creating smart regulation and which were considered not necessary due to difficulty in enforcement. A third category emerged where these levers could be best used to mediate concerns regarding the varying scales of commercialization, where higher-use and higher-risk operators would be regulated differently than low-use and low-risk operators.

KEY LEVERS

Residence Type – Primary, Secondary

This setting was the most common one used to distinguish the proposed regulation scenarios. Where a primary home would indicate that the operator would either be present while the renter was or that they would only be away from their home a limited amount such that the short-term rental activity would pose

a lower risk. It also intimated that each operator would only be able to list one property. The main concern was how would one identify or prove that the property was an individual's primary residence.

One table had brought up that ownership of the property was not reflected as a setting, but there was also no indication of how that would affect short-term rental activity differently than if it were not owned by the operator.

Type of dwelling Apartment, Condo, House, All, None

Everyone indicated that short-term rental regulations would apply to all types of dwellings. It is important to be consistent with reforms and not disadvantage or advantage certain types of properties. While condos are under their own regulation and corporate structure, including them was preferable to ensure overarching regulatory framework and potential for recourse. Condos would have the opportunity to develop exceptions that would be fitting for their needs. Some participants were not interested in a multi-unit residential building being used for short-term rental activity.

Registration/licence – Platform, Owner, None, Both

All participants determined that both the platform and the operator should be licensed. There were many questions about what licensing would entail and how that would translate to existing operators such as corporate housing (though they operate under residential tenancy rules). One suggestion was that the platform would be licensed with the City and that the operators would be licensed through the platform. Either way, it should be standardized to make it easier to enforce. Some suggested that fees and rules should not be prohibitive in order to encourage compliance. There could also be a scalable system that would be based on the number of properties registered with the operator (risk-based regulation).

Hotel Tax – Yes, No, Voluntary

There was contention around describing the tax as a hotel tax and others opted for “**accommodations**” as an alternative. Everyone agreed that a tax should be in place. One table suggested a 3% charge, which is aligned with the current destination marketing fee, but others could see more tax obligations being a requirement if short-term rentals are permitted to operate commercially in order to provide the level-playing field asked for by the tourism industry. This introduced a new taxation setting called **commercial**.

Ultimately, the main point of agreement was that the tax should be transparently collected and spent towards affordable housing. Many saw this as a means to mitigate the housing affordability issues, but some identified that a tax would not provide a significant amount of revenue and the resources required for enforcement would make it difficult to accumulate enough to actually impact the issue. There was one suggestion of dedicating tax revenue to the TTC, and another calling for returning it back to the tourism industry.

DIFFICULT TO ENFORCE LEVERS

Operator presence – Present, Away

The operator would be the one that has listed the rental. No one indicated that the presence of the operator would be required, mostly because attempting to enforce operator presence did not seem feasible to do without great expense. If enforcement around certain issues became “weak”, then this

would jeopardize other rules. This was not a key setting for most stakeholders, but some saw this as an opportunity to create an alternative setting that would fit between present and away. This new setting would require providing support and safety measures that could be enacted quickly, as needed, but not require someone to be onsite at all times. They called this in between setting **regulated operator** or **managed**, where regulation would stipulate the minimum standard of what an operator must comply with for that category.

Stays in Total – 1 to 365 nights

Similar to Operator Presence, many tables indicated that stays in total would also be difficult to track and enforce. While online platforms can track accumulated stays, if an operator is on multiple platforms, it would be difficult to accurately account for this information. In this way, participants either did not specify or indicated 365 days. Two tables did propose that Stays in Total could become a lever to assess risk of the short-term rental, where for higher use as an short-term rental and the implied increase in risk, there was a matching increase in regulation. One suggestion was a 120-day limit for when the operator is present and a 90-day limit for when the operator is away.

LEVERS THAT DEFINE THE SCALE OF OPERATION

Length of Stay – 1 to 29 nights

Everyone used the existing ideas around long-term tenancy to set the maximum at 29 days where 30 days or over is currently considered a residential stay. Otherwise, the minimum was generally set to 1 day with the exception of one table that wanted to prevent weekender or partying guests and set the minimum to 3 days. Condos were cited as an exception where in one scenario the minimum would be 7 days and in another it was 30 days, ultimately rendering condos only a residential tenancy.

Zoning – Residential, Commercial, Mixed-Use, Private Rental

Zoning as a lever posed some difficulties. It appeared that there were misconceptions about how zoning can be applied and effectively used. Many saw the complexity in re-zoning areas and did not want to pursue it. While there was some confusion about this lever, it was also seen as potentially very effective in creating delineations of where short-term rentals could take place by creating a new use within existing zones. The choices of each table varied quite greatly, but all of them did include at least the Residential setting. Others wanted to introduce a “**private rental**” designation that would encompass short-term rentals and include other private rentals such as tourist homes, rooming houses, and boarding houses.

DATA SHARING AS A NEW LEVER

Participants were able to introduce new levers that they felt would be important for regulating short-term rentals. **Data sharing** was introduced as a lever because it could be used to inform legislative decision-making and enforcement of regulation, while also providing accountability data. Data sharing was a common requirement, and would require transparency and access from the platforms to be effective.

Enforcement Suggestions

Participants of both workshops surfaced enforcement issues as an important consideration for regulation – it should be clear what the activity is, but also how it will be enforced without creating undue burdens on regulators. Suggestions from workshop participants for approaches to enforcement are as follows:

EXISTING SYSTEMS

There are a number of existing safety and enforcement methods in place for established accommodations. The City of Toronto could use these methods or leverage the platforms as a means to implement and enforce non-policy based regulations:

- Platforms build enforcement administration tools into their system. For example, taxes could be collected and remitted to the City through platforms
- “Good neighbour” policies & tools that can be built into platforms or into operations
- Corporate housing policies and methods
- The Federation of Ontario Bed and Breakfast Association has accreditation done by third parties for individual operations
- Leveraging condo management and services to register guests and regulate use, where condos could have operators proactively pay an increased amount into maintenance

LICENSING REQUIREMENTS

Many participants agreed to licensing requirements for both the platform and the operator. Questions around what licensing would look like and a scaled system for operators at different levels of commercialization also arose and with the following suggestions:

- Licensing permit similar to a driver’s licence – take a course to get a permit. The permit can be taken away from delinquent hosts. It must be an accessible process, where the fee would be cost-recoverable for the program.
- Platforms would be licensed by the City and would, in turn, register and license owners. It would be the platform’s responsibility to register and track the users of their services.
- Platforms would be required to share data with the City, where the information would help to empower the regulatory process and rooting out abusers of the system.
- Standard operating procedures and clear communication of enforcement methods (regular checks, honor system, etc.).

Additional Insights

There were a number of key insights that also emerged through the consultation process which helped to identify the areas where regulation for short-term rental could have a significant impact for residents and stakeholders. They are summarized below:

COMPLEXITY OF REGULATION

Stakeholders of the consultation acknowledged that this is a complex issue with a number of competing interests and issues to balance, and that there are a limited number of ways for regulation to actually achieve the desired outcomes.

“It’s a lot of factors to take into account”

“So much of this is on a building by building basis. It really depends on the community in the building, it’s so different from one place to the other. The tricky part to designing policy is this, because it depends.”

ACCOUNTABILITY

Neighbourhood issues were often summarized as the need to build accountability, from either the operator and/or the platform. Communities want opportunities to swiftly resolve any issues they are faced with and being able to distinctively identify who would be accountable is the start of facilitating resolution. What would constitute accountability would vary with each community and the customs of that community. The neighbourhood of a residential block is different from that of a condo hallway. Each community has their own norms for noise, safety, etc. These different communities have different needs that enable them to feel satisfied that the preservation of their neighbourhood remains.

“You don’t know who is down the hall when you let your kids out – is that something you can accept? No, I cannot, and I don’t know anyone who would, and I know thousands of people. I’m not ok with the transient nature of people flowing in and out, but if they’re around a bit more, than it would be nice to get to know them. But then do you say a few days, or 6 months? Is the transient nature really a negative impact? So much of this is on a building by building basis.”

DIFFERENCE OF THE CONDO CONTEXT

While condominiums are largely under provincial legislation with the Condo Act, they are also a significant part of the housing stock in Toronto. Condos have separate regulations that need to be considered but condo boards and residents do not want to be left out of municipal regulations in case issues arise. Condos operate as a micro-community, prompting participants to call for longer minimum stays of anywhere from 7 to 30 days.

“Short-term rentals are being subsidized by the actual residents. Everyone is paying for amenities like the concierge and visitors are using them more frequently.”

“Some condos were built for the intention of short-term rentals. The problem is with innocent home buyers that end up in a hotel unwittingly.”

SCALED REGULATION

Stakeholders expressed a desire to see a scalable system that regulates based on extent of use. Casual operators were described as infrequently renting out their primary home, as opposed to commercial operators who would own dedicated (and possibly multiple) properties for short-term rentals. With such varying levels of involvement, scaling the regulation to fit commercialization of the activity was important for many. Participants wanted to leverage the number of occupants, the length of stay, the total number of nights rented, rental income, and more as ways to differentiate the levels of activity. Other than the casual and commercial cases, participants generally did not identify what type of regulation would be needed for those operating in between.

“There should be 3 levels of tax: 1 for if I live there and rent it out; 1 if I live there and I rent it out while on holiday; 1 if I rent it out commercially (as a secondary property).”

In a similar way, zoning was seen as a key piece of regulation for determining casual versus commercial activity. It could offer a definitive piece of regulation that would enable a distinct understanding of where a short-term rental could and could not operate. The workshop exercise asked participants to consider how a zoning designation would affect what activities would be allowed in different zones, but some interpreted this as considering rezoning land use designations. The discussion around zoning did acknowledge that changing or adding land use designations would have greater implications beyond for short-term rental.

DISCREPANCY OF IMPACTS DESIRED AND LEVERS CHOSEN

It is worthwhile noting that there appeared to be a discrepancy in participants' identification between the desired impacts and the levers they chose for particular policy regulation scenarios. For instance, most participants identified affordable housing stock as a key issue, but chose to allow short-term rentals throughout the year and across all dwelling types, with no minimum night requirements. This opens participation up to all types of operators, including those who are intended to be providing dedicated rental space such as apartment buildings. This openness also creates a large supply and a wide variety of short-term rentals to be overseen, which is counter to what many participants identified as a need to create enforceable regulations with minimal burden on the licensing system.

Appendix

Workshop 1 Participants

ACORN Ontario
Advocacy Centre for Tenants Ontario
Airbnb
Brookfield Condominium Services
Canadian Centre for Policy Alternatives
City Gate Suites
Condo Owners Association
Corporate Housing Interiors Limited and Custom Home Interiors Inc.
Corporate Housing Providers Association
Cornerstone Marketing Realty Brokerage
Couture Condominium Board of Directors
Custom Home Interiors, Obvious Advantage Inc.
DelSuites Inc.
Department of Geography, York University
Expedia
Fairbnb
Federation of Ontario Bed and Breakfast Association
FirstService Residential
Greater Toronto Hotel Association
H&P Properties
HighStreet Accommodations
Iverness High Park Bed and Breakfast
Liberty Village Residents Association
manageAir
MasterKey Alliance
Miller Thomson LLP
Mowat Centre
Ontario Restaurant, Hotel and Motel Association
Premiere Suites
Sager Real Estate
Silver Hotel Group
Sonder
Ted Rogers School of Hospitality and Tourism Management, Ryerson University
The Federation of Metro Tenants' Associations
The Rosemont Residences
Toronto Furnished Apartments Ltd.
Toronto Premium Vacation Rentals
Tridel
Unite HERE Local 75

Workshop 2 Participants

City Planning, City of Toronto

Corporate Finance, City of Toronto

Economic Development and Culture, City of Toronto

Fire Services, City of Toronto

Legal Services, City of Toronto

Ministry of Municipal Affairs and Housing

Municipal Licensing & Standards, City of Toronto

Toronto Building, City of Toronto

Tourism Policy and Corporate Initiatives, Ministry of Tourism, Culture and Sport

Ministry of Economic Development and Growth

Ministry of Finance

Ministry of Government and Consumer Services

Strategic Initiatives & Intergovernmental Finance, City of Toronto

Treasury Board Secretariat, Corporate

Children's Services, City of Toronto

Treasury Board Secretariat, Corporate Policy, Agency & Open Government

3 Municipal Impact Scenarios

MUNICIPAL IMPACTS TO PROMOTE AND MITIGATE OF SCENARIO 1

<p>Neighbourhood Impacts</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Knowing who is held accountable/accountability & liability of who uses property • Communicating with neighbours about short-term rental (notice on door/window) • Others in community may benefit from visitors in area; economic influx in area • Clarity on where short-term rental use is permitted 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Potential disruption due to inexperience/ lack of education • Limit or prohibit one-night party rentals • Commercial and casual balance • May raise mistrust between hosts and their neighbours due to the perceived danger of the hosts frequently allowing strangers into the community
<p>Housing Affordability</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Flexibility for people to share homes • Limiting multi-unit operators • Allows for long-term rental market & short-term stays to co-exist • Limiting impact to mostly larger suites • Maintain property rights (owner + tenant) to enjoy unit/ manage affairs • Better disclosure during planning of construction and sale of new housing • Market cap on dedicated development for short-term rentals • Plain language of condo regulation 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Min of 7 day stays in condos to avoid deterioration of building/ community (no secure infrastructure) • May impact affordability and availability of housing • Market cap on dedicated development for short-term rentals
<p>Economic Development & Tourism</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Growth of tourism • Diversify tourism spending in neighbourhoods • Income opportunity for operators • Enables alternative use cases (e.g. recent hires new to city, immigrants, etc.) • Others who are hired/ peripheral economy (e.g. cleaners) 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Impact on hotel jobs and hotel industry

<p>Taxation</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Definitions would help on all fronts (including ensuring right taxes are paid) • Fair & equitable rules across the board • Transparency + data to support accountability • Right of audit to ensure HST is paid • Holding tech companies accountable + fairness • Revenue stream to the City 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Question if % of tax should be based on income thresholds • Cost to buyers/consumers
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MUNICIPAL IMPACTS TO PROMOTE AND MITIGATE OF SCENARIO 2

<p>Neighbourhood Impacts</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Potential for increased diversity (assumed?) • Social cohesion • Less turn-over; more respectful guests • Positive impact on local business 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Loss of character in neighbourhoods • Potential for parties and weekenders in residences • Transience in community
<p>Housing Affordability</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Income stream for operators to remain in their homes • Limit impact on hotels & B&Bs 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Not willing to accept any negative affects to housing affordability/availability
<p>Economic Development & Tourism</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Geographic diversity • Affordable tourism • Increase traffic for local business • Family friendly accommodation 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Increase congestion • Increased competition for existing operators, driving down revenue for hosts • Loss of income
<p>Taxation</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Affordable housing tax (community + social housing) • Licensing + permit (fee income, education) • Commercial taxation 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Willingness to accept increased taxes and taxation enforcement

	<ul style="list-style-type: none"> • Business write-offs 	
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MUNICIPAL IMPACTS TO PROMOTE AND MITIGATE OF SCENARIO 3

<p>Neighbourhood Impacts</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Protecting purely residential neighbourhoods through zoning restrictions by limiting to Residential or private rental • Allows people to offset their cost of living • Familiarity with the community • Safety + security (via contact info) • Diversity/ variety • Integrate outside people in the community • Operator accreditation (needs definition) • Operator is “present” or responsible • Complaint resolution based on regulatory standards • “Good neighbour” policies & tools whether online or built into operation • Fines for noise + garbage 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Safety + security • Neighbourhood tension • Increased criminal & anti-social activity
<p>Housing Affordability</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Max efficiency of use • Providing options • Creates potential revenue for affordable housing (via tax) • Property rights • Emergency/ relief housing • Properly insured properties • Better data on all issues 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Decrease value in condos • Uncontrolled occupancy • Increased maintenance fees % of profit goes to condo funds • No limit on number of day/stays • Regulations for building safety
<p>Economic Development & Tourism</p>	<p>Impacts to Promote</p> <ul style="list-style-type: none"> • Enable small short-term rental businesses • Allows for distributed & affordable travel • Data sharing by operators 	<p>Impacts to Mitigate</p> <ul style="list-style-type: none"> • Creating overall market instability in the accommodations industry • Unreliable tourist accommodations

	<ul style="list-style-type: none">• Operator accountability/ responsibility• Creates local jobs (e.g. cleaning/ furnish/ design)	
Taxation	Impacts to Promote <ul style="list-style-type: none">• Affordable housing taxation• Fair rules for taxations• Perceived fairness across the accommodations sector	Impacts to Mitigate <ul style="list-style-type: none">• Willing to be taxed (e.g. HST + hotel tax)