

**Type:** Open Session

**Report To:** Corporate Services Standing Committee

**Meeting Date:** October 7, 2024

**Subject:** Short Term Rentals

### **Recommendation(s)**

1. That report BYL-24-06, Short Term Rentals, dated October 7<sup>th</sup>, 2024, be received for information.

### **Purpose**

The purpose of this report is to review the potential of a Short Term Rental By-law and licensing program.

### **Background**

On December 4<sup>th</sup>, 2023, Town of Grimsby Council passed resolution C-23-338, which stated:

*Whereas implementing a short-term rental tax or licensing system within our municipality can aim to enhance both the regulatory framework for short-term rentals and the promotion of tourism.*

*Whereas such a system could ensure compliance with local regulations and contribute to the municipality's revenue stream.*

*Whereas revenue generated from this initiative can be allocated towards establishing a pilot project fund designated for legal representation for local tenants. This fund would be dedicated to providing legal representation and support services to local tenants facing housing related legal challenges. The provision of legal aid for tenants will contribute to a more equitable and fair housing environment within our community.*

*Therefore be it resolved that staff conduct a comprehensive study on the potential implementation of a short-term rental tax or licensing system and the establishment of the pilot project fund. The study should encompass an analysis of similar initiatives in other municipalities, potential revenue projections,*

*administrative requirements, and the feasibility of allocating a portion of the revenue for tenant legal representation.*

On March 4<sup>th</sup>, 2024, Report BYL-24-01 Short Term Rental By-law and Licensing Program Information Report (**Appendix “A”**) was discussed at the Corporate Services Standing Committee meeting. The report covered common elements of a Short Term Rental By-law and licensing program, definitions of Short Term Rentals (STRs) and Bed and Breakfasts (B&B), a community engagement timeline, and a proposed process for the internal project team.

### **Current State**

The Town of Grimsby does not licence STRs or B&Bs. The Town of Grimsby Zoning By-law permits B&Bs in some zones and prohibits STRs.

Municipal Law Enforcement staff use the Zoning By-law to investigating complaints involving illegal STRs and B&Bs. This can be a long and cumbersome process to achieve compliance. When compliance is not achieved, Municipal Law Enforcement staff complete and apply for a Part III summons and compel the suspected individuals to provincial court and begin the trial process. This process takes multiple visits to the provincial courthouse and can take an onerous amount of time to complete the trial process along with sentencing.

Some of the associated concerns about Short Term Rentals, such as noise, parking, and nuisance can be addressed under other Town By-laws. Tickets for these violations can be issued under a Part I ticket or Administrative Monetary Penalty System (AMPS).

### **Local Area Municipalities**

Staff reviewed surrounding Niagara Region municipalities and found that a majority of the municipalities have a STR By-law with a licensing program. A STR By-law is the piece of legislation that dictates what the municipality determines the operating rules, items needed to apply for a licence, and consequences for violations under a STR By-law. The Zoning By-law would manage land use and allowances for STRs and B&Bs. The licensing program would require residents to make application to operate a STR or B&B and supply the items listed within the application sections in a STR By-law. Once the application has been reviewed and accepted, a Municipal Law Enforcement Officer completes an inspection of the property prior to issuing the licence.

The Town of Grimsby along with the Township of West Lincoln are the only municipalities within the Niagara Region that do not have a STR By-law and licensing program. The By-law and licensing programs vary depending on the needs of that

municipality and the program starts by aligning the Zoning By-law with the intention of Council. For example, the City of Niagara Falls allows STRs only in the tourist zone while the Town of Niagara-on-the-Lake allows them in almost all zones.

The Town of Lincoln approved a By-law and licencing program in September 2024. The Town of Lincoln amended the Zoning By-law to outline what specific types of STRs are permitted within the zone and dwelling/structure. Similarly, when the City of St. Catharines began exploring their STR program, it also started with a review of the City's Official Plan and Zoning By-law.

### Definitions

Below are the most commonly found definitions of a STR and B&B:

**"Short Term Rental"** means a rental operated out of an entire Dwelling Unit, including related lands and buildings, that provides rental accommodations for a period not exceeding 28 consecutive days.

**"Bed and Breakfast"** wherein the use of a single detached dwelling for the rental of Guest Room(s) or bed(s) to the travelling public for overnight accommodation on a period not exceeding 28 consecutive days, with a meal provided to guests only, where the Owner or Long-term Tenant is present and readily available while guests are in attendance.

### Analysis/Comments

In recent years, STRs have presented regulatory challenges for municipalities across Ontario. A STR By-law and licensing program protects the health and safety of people residing in residential properties, minimizes potential impacts to surrounding neighbourhoods, and protects the residential character of areas. A licensing program provides satisfaction to guests and residents that properties have been inspected to ensure compliance with safety standards, based on provincial legislation and municipal By-laws. Implementing a licensing program, accompanied with a By-law to assist with enforcement, results in a strong municipal licensing program.

### Internal Project Team and Initial Research

In early 2024, Town Staff, led by the Coordinator of Municipal Law Enforcement, coordinated an internal project team to further investigate the motion. The internal project team was composed of 9 members from multiple departments, including I.T./S.I., Planning, Building, Fire, Legislatives Services, Finance, and Communications. This project became a key component of staff workplans for 2024.

Over six months, the team met multiple times to brainstorm, research, share, and assessed all options and possibilities to implementing a STR By-law and licensing program. Departmental resources (time, staff, and budget) were also evaluated for a variety of ideas and options.

### **Options Explored**

The four main options that Staff explored are:

- 1) Short Term Rental By-law, B&B and STR licensing program
- 2) Short Term Rental By-law and a B&B (only) licensing program
- 3) Short Term Rental By-law with no licensing program
- 4) Do not implement a Short Term Rental By-law nor a licensing program

With each of these options there were additional questions that would need to be considered: Should there be limits placed on the number of STRs permitted? Should there be specific locations considered? How would housing needs be balanced with respect to providing a range and mix of housing options and providing STRs opportunities? What are the implications of a licensing program? What about second or third units, could they be a potential STR? How can some of the potential neighbourhood issues expressed be considered as part of a STR program?

### **Zoning By-law**

The Town of Grimsby Zoning By-law speaks to B&Bs and allows them in specific zones and types of structures. Because STRs are not listed as a permitted use, they are therefore prohibited. As noted in the “Current State” section above, Municipal Law Enforcement staff can use the Zoning By-law to investigate matters involving illegal STRs and B&Bs and can issue a Part III charge to try and achieve compliance. However, this process can be long, cumbersome, and expensive. Currently Municipal Law Enforcement staff respond on a complaint basis.

In developing their STR programs, most municipalities have undertaken a focused study to determine the specific issues and opportunities in their communities (i.e., agricultural tourism, tourism areas, downtowns). This has then been incorporated through an amendment to the Official Plan and Zoning By-laws, or as part of the review of the documents. By incorporating the results of a study into the Official Plan and Zoning By-law, it ensures that there is a legal framework for the land use and sets the stage for a potential licensing program.

### **Tenant Legal Fund**

The approved motion asked Staff to investigate the possibility of a fund to use monies obtained through the licensing fees from B&Bs and/or STRs and offer these monies to local tenants who are facing housing related challenges and require legal representation.

Staff relied on legal counsel to explore the validity of this idea. Legal counsel advised municipalities do not have authority to use fees collected through a STR licensing program to create a tenant legal fund, nor fix the amount of its fees at such a level to deliberately generate positive revenue. Such a program would have to be revenue neutral. If the Town were to use these funds for a tenant defence fund, this could expose the Town to significant liability.

### **Outcomes**

Based on research, legal advice, and public consultation, staff recommend the Town does not proceed with a STR By-law and licensing program at this time. This recommendation is based on ensuring large policies and By-laws (i.e. Zoning, Official Plan) are aligned with potential licensing programs and enforcement efforts. It also does not cause a sudden financial strain on the 2025 budget.

If the Town was to begin licensing B&Bs and/or STRs, the municipality would have a duty to provide services and ensure property owners are following a STR By-law. Failure to provide services when running a licensing program or failure to enforce a By-law could open the Town to liability. Alternatively, by not passing a By-law nor implementing a licensing program, the Town reduces risks and liabilities associated with short term rentals.

Town staff recognize the importance of providing policy around short term accommodations. A study would outline next steps for Council's consideration – whether to proceed with a By-law and / or licensing program, the details of what might be appropriate in the Town (i.e., locations, limits on numbers), and draft documents (Official Plan/Zoning By-law amendments, STR By-law and licensing program). The results of the study would be incorporated in the Official Plan, Zoning By-law, and form the basis for the By-law and enforcement program.

### **Options**

The Corporate Services Standing Committee could undertake either of the options listed below.

1. That report BYL-24-06 be received for information. **(Recommended)**
2. That Committee request Council direct staff to complete a Short Term Accommodation Study, and the cost of the Study (approximately \$100,000) be included as part of the 2025 budget.

Staff are concerned that a STR By-law and licensing program will not be successful at this time, due to its broad scope and heavy resource demand. If the Committee wishes to pursue a program, a study should be completed that will identify the direction for the program, any amendments to the Official Plan or Zoning By-law that would have to be made, and the enforcement guidelines and details of the By-law that would need to be put in place.

### Strategic Priorities

Priority: Responsible and Progressive Growth

Direction: Improve the health and safety of residents

Action: Increase opportunities for public consultation, feedback, and engagement

### Financial Impact

Should the Committee wish to pursue Option 2, staff need direction to include the funds in the 2025 budget to complete a Short Term Accommodations Study. The approximate costs of a study are approximately \$100,000.

### Community Engagement

In May, the Town began community engagement with a question-and-answer section on the Let's Talk Grimsby page. As of August, 25 questions have been asked.

On June 20<sup>th</sup>, 2024, Town staff held an Open House where residents could ask questions and engage in a presentation made by Henry Boese, Coordinator of Municipal Law Enforcement. The presentation has been attached as **Appendix B**. Following the Open House, attendees stayed back to ask a wide variety of questions in a one-on-one format.

On August 6<sup>th</sup>, 2024, a survey launched on Let's Talk Grimsby to learn more about what residents think about STRs and B&Bs in the Town of Grimsby. A total of 60 people took part in the survey and the results can be found in **Appendix C**. Some respondents left additional feedback in paragraph form. To protect respondent privacy, staff have analyzed the responses and provided a high level summary.

## Conclusion

In conclusion, after researching and analyzing all potential options, undergoing public consultation, and consulting with legal counsel, staff recommend that Council receive this report for information and do not proceed with a Short Term By-law or licensing program at this time. A By-law and licensing program would be premature given key policy documents are not updated to support enforcement and resources required would have a large budget impact. Municipal Law Enforcement Staff will continue to enforce short term rentals on a complaint basis.

Respectfully prepared by,



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Respectfully reviewed and submitted by,



Victoria Steele  
Director of Legislative Services / Town Clerk

Respectfully approved by,



Sarah Kim  
Chief Administrative Officer

## Attachments

- **Appendix A** – Report BYL 24-01, Short Term Rental By-law and Licensing Program Information Report
- **Appendix B** – Open House Presentation
- **Appendix C** – Survey Results and Feedback Summary