

District of Squamish
PO Box 310
Squamish, BC, V8B 0A3

January 5, 2022

Re: Short Term Rentals Review

Dear Mayor and Council,

Last year, the District of Squamish implemented regulations focused on eliminating secondary suites and carriage houses from the Short-Term Rental (STR) market and allowing for STRs only in the host's principal residence. The District's approach to regulating STR's was guided by the following project goals with an emphasis on the first:

1. Protect the long-term rental housing supply for Squamish residents;
2. Support residents' diverse housing needs and options;
3. Manage STR impacts on neighbourhood liveability;
4. Establish a balanced and fair approach to regulation and enforcement;

and,

5. Support tourism and ensure authorized visitor accommodations meet all required health and safety standards.

In considering the One Year Review of the Short Term Rentals Program, it appears that The District of Squamish is not using all their own project goals as the criteria to determine the success of their approach regulation.

Tourism Squamish and the Squamish Chamber of Commerce share the District's concern with unaffordable rental rates, a reality that undermines staff retention in our industry. We also share concerns that an unregulated STR market can have negative effects on communities and visitors. Consequently, Tourism Squamish and the Squamish Chamber of Commerce support enforceable, accessible, and equitable regulation of the STR market. Unfortunately, the particular regulatory framework implemented by the District in 2021 does not meet these criteria.

The details of the regulations create significant administrative and cost barriers to compliance for local hosts, and favour the affluent, while potentially forcing women and other marginalized hosts to choose between their safety and their income. Further, evidence suggests that the regulations may not have met the goal of increasing affordable long-term rentals because most hosts who exited the market in

2020/2021 were earning only marginal revenues (less than \$10,000/year in revenue and less than comparable revenue on the LTR market), suggesting that their reasons for entering the STR market may be idiosyncratic and not purely profit-driven. Regardless, the regulations did decrease the number of STR units on the market and the resulting lack of supply has likely contributed to substantially increased prices and occupancy rates in that market. This in turn has led to conditions ripe for the creation of a nonlocal grey market in STR condos and houses, like what has been experienced in other tourist locations around the world. We see evidence of a nascent grey market of this sort in Squamish now and are concerned that, should the District continue to undermine local hosting of STRs while not acting to expand the supply of legitimate tourist accommodations, Squamish will face a significant enforcement challenge going forward.

Tourism Squamish and the Squamish Chamber of Commerce favour an end to prohibition of secondary suite and carriage house STR to be replaced by a training, permitting and inspection process. Tourism Squamish and the Squamish Chamber of Commerce could work with the District to provide training to potential regulated STRs. Should the District seek to continue its prohibition policy, we provide several suggestions below on how the details of the regulations could be adjusted and supported by other programs to increase accessibility and equity, while undermining the growth of an STR shadow market.

A unique problem and specific solution

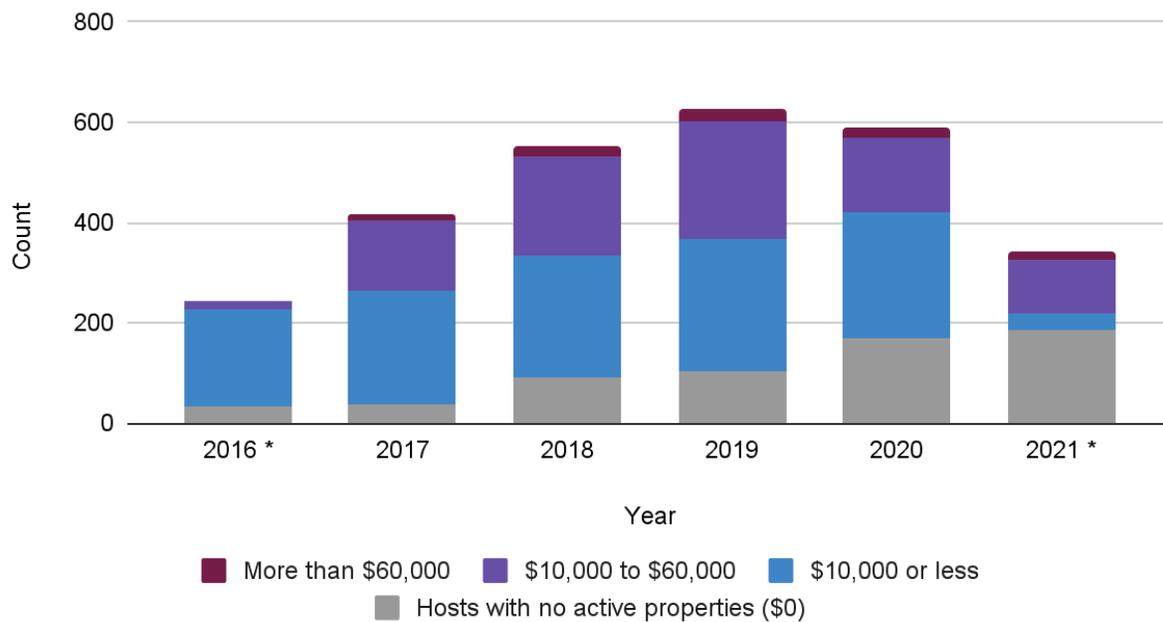
Research from around the world demonstrates that long term rental prices increase in areas with larger proportions of STRs. Usually, however, the STRs in question are independent units: houses or apartments purchased by investors and rented to visitors, often with the support of professional management companies. This type of STR was not prevalent in Squamish in 2019/2020 when the District sought to create regulations. Instead, the District perceived a threat to affordable housing in another form: the rental of secondary suites and carriage houses by hosts living on the same property. The lack of purpose-built affordable housing in Squamish has meant that for some time lower income renters relied on more marginal accommodations in the community, including non-legal and/or non-registered secondary suites. With the growth of the STR market since 2016, some landlords chose to become hosts and list their suites on AirBnB and similar services. By 2019, there were 769 active STR listings in Squamish. The District decided to take measures in 2020, implementing an outright prohibition on STR of secondary suites and carriage houses. Only the host's own principal residence could be rented short term.

Evidence suggests that Squamish hosts have largely complied with the District's regulations: The number of active STR listings dropped to 489 in 2021. The largest single-month drop in listings came when the District announced its policies in February 2020, before the pandemic. In other comparable jurisdictions in BC, STR listing numbers have now returned to their pre-pandemic levels. This is not the case in Squamish. Consequently, we do believe that the District's regulations, rather than Covid-19, have been largely responsible for continued decline in the number of STR visitor accommodations in Squamish.

Impact on affordability unclear

What is not clear, however, is whether the policy has led to a corresponding increase in supply in the long-term rental market. The evidence we see makes us question the assumption that the removal of secondary suites and carriage houses from the STR market would force landlords to list these units on the LTR market. As the figure demonstrates below, prior to 2020, a significant portion of STR hosts earned less than \$10,000/year in revenue on the platform. This is less than a landlord could earn renting a secondary suite on the LTR market. Regardless of motive, it is these marginal income hosts that largely left the market after the implementation of the District’s regulations. While some of these hosts may have transferred their units to the LTR market after the regulatory change, some may have chosen to leave them empty or reabsorb them back into their primary home instead. No data currently exists to provide certainty on this question.

Number of Hosts by Revenue Category and Year



Accessibility challenges: TUP details undermine local hosts

The District’s current policy is not only likely to face enforcement issues in the coming years, it is also neither accessible nor equitable. With respect to accessibility, the rules surrounding the Temporary Use Permits were complicated and time-limited, while the price of \$3,000 was well beyond what most STR operators were willing or able to pay: the median revenue of the bottom 99% of hosts is \$3,744/year. With a short window of two weeks for applications, the District created significant bureaucratic obstacles to compliance. This is likely why the District received only 14 applications out of a potential 30 permits in 2021.

Negative impact on Tourism Industry

While it is unclear whether the District's regulations succeeded in increasing long term rental supply, it is clear that the regulations had a significant negative impact on the tourism industry and on the supply of visitor accommodations in Squamish. Both occupancy rates and prices of STRs and hotels have increased. Once these high levels of occupancy are reached, there are fewer options available for a visitor's preferred unit types, rates, and dates. With reduced inventory, there is the risk of displacement to other destinations. The visitor experience and resident sentiment towards visitors can also be impacted due to lack of overnight options. In August 2021, the occupancy rate for hotels was 85% in Squamish and the occupancy rate for STRs was 79%. At these levels, it is likely that on some weekends, all rooms were booked in Squamish and visitors had to leave town to find accommodations. This, of course, would bring a corresponding loss of income to the economy. Moreover, prices for STRs in particular have risen substantially from an average of \$196 in 2019 to \$259 in 2021. Currently, on the weekend of July 8, 2022, STR rates listed on Airbnb for two people average \$391/night. As these units are rented in the coming months, Airbnb will adjust pricing and prices will rise. Thus, for those hosts willing and able to stay in the STR market after the regulatory shift, the market is now very lucrative.

Equity challenges: Details favour the affluent and could put women and marginalized community members at risk

We are also concerned that the District's current regulations discriminate against lower income and female hosts by creating structures that undermine their inclusion in the market. In particular, the current policy of supporting hosts to rent their principal residences means that affluent hosts who have a second residence can continue to operate with few limitations. More flexible hosts can live in their secondary suites or carriage houses while renting their principal residence. This is less feasible for others, such as those with larger families. Moreover, the removal of the right to rent secondary suites means that hosts might choose to remove separations between them and the strangers who rent their rooms. This brings the property into compliance with the regulations on STR, but may also put women, the elderly and other marginalized individuals in danger. Given that STR has historically been the purview of lower income women (traditionally running rooming houses and bed & breakfasts, but now running Airbnbs out of their homes), the District's policy creates circumstances where women and other marginalized people may need to choose between safety and income - or for some, between safety and remaining in their homes.

Enforcement challenges: Incentivizing the creation of illegal STRs owned by nonlocals.

This is obviously a problem for tourism operators in Squamish who may lose business due to the high price and lack of accommodations, but we also believe it will likely soon become a problem for the District and its enforcement staff. As mentioned, in other jurisdictions the major policy challenge of STRs is the purchase and rental of significant numbers of condos and houses, often by nonlocal investors, as STR properties. This type of activity took place even in locations like New York City and London where STR has long been regulated or prohibited and city bureaucracies are large. By one estimate, two thirds of revenues in New York City during STR prohibition were derived from illegal units. The vast number of these units swamped the City's enforcement capacity until New York could leverage its size to convince Airbnb to take enforcement action on the platform. Smaller jurisdictions find this type of agreement with Airbnb hard to achieve. While this has not yet become a major problem in Squamish, we do see units that fit this profile on the market in 2021. International Airbnb investment is a significant phenomenon and

with the now-lucrative nature of STR in Squamish, we expect to see more nonlocals entering the market in 2022 supported by one of the many property management companies in Vancouver advertising their services in this regard. These hosts are less likely to pay attention to local regulations and it is far harder to take enforcement action against them: finding them and their units takes considerable staff time, as does enforcing fines. Unlike secondary suites and carriage houses, these hosts purchase condos and full houses that would CERTAINLY be residential housing if not for their use in the STR market. Moreover, it is hard to tell whether a unit listed online is a host's principal residence or an investment property. Very few hosts list business numbers despite the District's rules. Thus, given the District's focus on prohibiting secondary suites while allowing principal residences - full homes or condos - to be used as STR properties, we are concerned that the District's own regulations might empower these nonlocal hosts and that the higher prices caused by the regulations might incentivize this type of real estate investment in Squamish.

Solutions

In order to ensure the regulatory framework for STRs is enforceable, accessible, and equitable, Tourism Squamish and the Squamish Chamber of Commerce would like to see an end to the prohibition of STR in secondary suites and carriage houses. Instead, a training, permitting and inspection process should be instituted that is affordable to most hosts, given the low revenues many earn. While the inspection and permitting process will likely dissuade marginal hosts from entering the market and thus limit the numbers, it will ensure a greater supply of high-quality visitor accommodations. This would in turn lower STR prices and dissuade international STR investment in Squamish that would negatively impact the LTR inventory. It could also prevent women and marginalized residents from putting themselves in unsafe living situations for the sake of their incomes and homes. Tourism Squamish and the Squamish Chamber of Commerce are willing to support the District in this policy shift by helping to provide training as we discuss below.

If the District is unwilling to shift its policy away from prohibition of secondary suites and carriage houses, Tourism Squamish and the Squamish Chamber of Commerce request that the details of the policy be changed to enable local hosts where doing so cannot impact the long term housing market. We request that the District enable local host STR's by taking three steps:

1. Adapting its Temporary Use Permit policy to make it more accessible to locals. The District should:
 - a. Decrease the price from \$3,000/year to \$750/year.
 - b. Either allow for ongoing applications or have multiple application periods during a given year.
 - c. Remove term limitations: allow reapplication and re-approval on an ongoing basis.
 - d. Simplify the rules related to where and how many TUPs are allowed with quotas based on the whole community rather than specific areas.

2. Ensuring STR rules and secondary suite rules are coherent:
 - a. Given that only one secondary suite and carriage house is allowed for long term rental on a given property, allow for STR of additional secondary suites on properties where one LTR is already in operation.

- b. Where a unit is not a legal or registered suite and does not meet the requirements for such, allow the unit to be rented as an STR where safe to do so and in compliance with all safety regulations.

- 3. Supporting the expansion of non-dwelling unit STR:
 - a. Create a program that allows for the fabrication of tiny homes, microhomes, three-season cottages or yurts on properties with adequate land in Squamish. These units could be rented STR as they are not suitable for long-term rental but could provide visitor accommodation in the high season. This would limit the grey market by decreasing average STR prices in the summer.

 - b. Consider the creation of a list of authorized builders/products. As many of these could be local, this would also support the local economy.

Should the District choose to adapt its regulations to make them more enforceable, accessible, and equitable, Tourism Squamish and the Squamish Chamber of Commerce will also act to support the District's regulatory framework by creating a training program for potential STR operators, which would support their legal engagement with the industry. The program could include training on the regulations and compliance requirements, as well as how to provide a high-quality STR experience. It would also allow for relationship building between Tourism Squamish, the Squamish Chamber of Commerce, the District and STR operators who currently operate removed from our community relationships. Ideally, this engagement would increase compliance and decrease the cost of enforcement, while enabling local STR in a manner that keeps prices down and undermines the growth of a nonlocal grey market.

In closing, we encourage you to allow for more time to further assess and explore alternate options that meet the needs of Squamish residents, Squamish visitors and the tourism economy prior to moving ahead with another year of prohibitive regulations.



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