STAFF REPORT TO COMMITTEE OF THE WHOLE

Report Prepared By: Jake Belobaba, Director of Development Services

Reviewed By: Allison McCarrick, CAO

Meeting Date: March 11, 2025 File No: 3900-16/3360-25-02

RE: Short-term Rental Regulation

RECOMMENDATION:

That the Committee recommend that Council:

- 1. Give first and second readings to "Official Community Plan Bylaw 2022, No. 2200, Amendment Bylaw 2025, No. 2205"; and
- 2. Undertake consultation and a public hearing pursuant to the *Local Government Act*.

EXECUTIVE SUMMARY:

This report presents a regulatory framework to execute Council's direction under Resolution CS 2024-180. Specifically, the report contains a draft of Bylaw No. 2205 which, if approved, will establish a Temporary Use Permit (TUP) program to allow a limited number of Short-Term Rentals (STR's) in zones where they are not currently permitted. The proposed regulations are intended to align with the CVRD's draft Workforce Housing Strategy which was referred to Council in August of 2024.

The proposed regulatory framework preempts new Provincial regulations under the *Short-Term Rental Accommodations Act (STRAA)* that take effect May 1, 2025 and will prevent unauthorized Short-Term Rentals from listing on platforms such as AirBnB and VRBO.

PREVIOUS COUNCIL DIRECTION:

Resolution	Meeting Date	Resolution
CS 2024-054		That Council direct staff to bring forward for Council consideration: a) zoning amendments consistent with provincial SSMUH requirements to allow duplexes in restricted zones on all lots between 280-4050m2 in size; b) zoning amendments consistent with provincial SSMUH requirements to allow one single- family dwelling, one secondary suite and one coach house in restricted zones on lots smaller than 280m2; c) OCP amendments to align development permit requirements to be consistent with new SSMUH requirements; d) amendments to relevant bylaws to increase fines for illegal nightly rentals, and make existing STR rules clearer and aligned with provincial terminology;



Resolution	Meeting Date	Resolution
		e) an Amenity Cost Charge Bylaw; f) amendments to the Town's DCC bylaw to allow for a DCC charge for a new Fire Hall and shared provincial highway projects; g) amendments to the applicable bylaws to delegate the approval of "minor" DVPs to staff; and h) amendments to the applicable bylaws to increase range of staff-issuable DPs, including DPs for residential developments of four units or less.
CS 2024-180	2024-08-06	That Council: 1. Give first, second and third readings to "Short-Term Rental Bylaw, 2024, No. 2188"; 2. Pursuant to Section 59 of the <i>Community Charter</i> . a. Receive written representations prior to adoption of Bylaw 2188; and b. Direct staff to publish notice, no more than 10 and no less than 3 days prior to final consideration of Bylaw 2188: i. online; and ii. in one issue of the Ladysmith Chronicle; and 3. Direct staff to bring forward amendments to "Official Community Plan Bylaw 2022, No. 2200" for Council consideration that: a. Establish a Temporary Use Permit program to allow the conversion of a limited number of dwelling units outside of zones where "tourist accommodation" is a permitted use, to Short-Term Rentals; and b. Establish policies for considering applications under recommendation 3(a) that: i. prioritize the protection of long-term housing; and ii. consider temporary worker housing, tourism offerings, impacts on residential neighbourhoods, impacts on existing and proposed tourism offerings and similar issues.
CS 2024-199	2024-09-03	That Council adopt "Short-Term Rental Bylaw, 2024, No. 2188".
CS 2024-207	2024-09-24	That Council support moving the Cowichan Region Workforce Housing Strategy initiative forward.
CW 2024-045	2024-09-10	That the Committee recommend that Council provide a resolution in support of moving the Cowichan Region Workforce Housing Strategy initiative forward.
CS 2024-182	2024-08-06	That Council receive the Cowichan Region Workforce Housing Strategy and companion documents presented at the CVRD Committee of the Whole meeting on June 26, 2024 and shared with municipalities as part of the engagement process prior to the strategy's implementation.
CS 2024-183	2024-08-06	That Council invite Barry O'Riordan, CVRD Manager of Economic Development, and/or CitySpaces Consulting to give a presentation on the Cowichan Region Workforce Housing Strategy at the September Committee of the Whole meeting.

INTRODUCTION/BACKGROUND:

Existing regulations for STR's in Ladysmith

Official Community Plan Policy 3.14 of the OCP is a housing policy that specifically applies to STR's:

"3.14. Monitor the impact of short-term rental accommodation on long-term rental housing supply. Consider the short-term rental recommendations of CVRD's Workforce Housing Strategy (2022) once complete."

Section 3 of Part D of the OCP lists policy 3.14 as a "short-term" implementation action, i.e. intended to be completed within three years of the adoption of the OCP. Monitoring of STR's was made possible through the Province's Short Term Rental Data Portal (described below) and the CVRD's Workforce Housing Strategy is nearing completion. Strategy #3 of the <u>current draft of the Workforce Housing Strategy</u> recommends adopting a business licencing program and providing opportunities for STR's through TUP's or rezoning while considering the impacts on the long-term housing market.

Zoning and Business Licencing Bylaws

Under section 3.1 of Ladysmith's Business Licence Bylaw, any business in Ladysmith—including a Short-Term Rental—requires a valid business licence. Outside of the C-2, C-4, CD-7 and A-RR¹ zones, nightly rental is limited to bed and breakfasts, i.e. renting one or more bedrooms within the owner's principal residence. A map of zones that allow tourist accommodation is provided in Attachment B.

Some changes were made to bed and breakfast and tourist accommodation regulations under Bylaw No. 2187 and Council adopted new business regulations for nightly rentals under Bylaw No. 2188 in September of 2024. However, a "Short-Term Rental"—i.e. renting an entire dwelling unit for nightly accommodation—has always required a business licence and has never been a permitted use outside of the C-2, C-4, CD-7 or A-RR zones.

As noted below, Ladysmith currently has approximately 50 STR's, at least half of which are operating contrary to the Town's bylaws.

The Short-Term Rental Accommodations Act and STR Portal

In the fall of 2023, the Province enacted the *Short-Term Rental Accommodations Act* (*STRAA*). The *STRAA* has three purposes:

- 1. To return STR's to the long-term housing market;
- 2. To give local governments stronger tools to enforce short-term rental bylaws; and
- 3. To establish a new Provincial role in the regulation of STR's.

The *STRAA* applies to STR's offered to the public through online platforms such as Airbnb, VRBO, Expedia, and FlipKey. The *STRAA* does not apply to hotels and motels, RV Parks and campgrounds. Under section 13(a) of the *STRAA*, STR operators must post a valid business licence number in their listing, and platforms must share listing data with the Province each month. The Province can then share this data with local governments and does this through the Short Term Rental Data Portal (the "STR Portal").

¹ Nightly rental is only allowed in certain areas in the A-RR zone.

Under the *STRAA*, a local government can issue "Notices of Noncompliance" and "Takedown Requests" through the STR Portal. A Notice of Noncompliance is a notification to the STR operator and platform advising them that a valid business licence number has not been posted. A "Takedown Request" requiring the listing to be removed is issued by the local government to the platform. To date, the Town has not issued a Notice of Noncompliance or Takedown Request to any STR operator.

Under section 6 of the STRAA, all STR's must be registered with the Province. As of May 1, 2025, short-term rental platforms are required to verify that all STR listings have a valid registration number. Where a STR does not have a valid registration number, platforms must remove unregistered listings in two phases:

- From May 1 to 31, 2025, platforms must stop advertising any STR's that do not have a valid registration number and prevent any new bookings.
- After June 1, 2025, platforms must also cancel any existing bookings for unregistered STR's.

Operating without a valid registration number may also result in administrative monetary penalties for the STR operator.

By extension, these provincial requirements will effectively shut down all unauthorized STR's in Ladysmith; a Provincial registration number requires a Town business licence, which requires compliance with all Town bylaws including zoning. This means many existing STR's in Ladysmith will be unable to advertise on the most common advertising and booking platforms come May 1st.

STR's in Ladysmith

The Town received access to the STR Portal on July 2, 2024 and staff shared an initial summary in the August 6, 2024 report to Council. Largely, the general makeup of the STR market in Ladysmith appears the same. However, the STR Portal has been upgraded since staff first gained access in 2024 and updated highlights are provided below:

- There are approximately 50 active listings in the STR Portal. A small number of these (likely 2) may be the same STR offered on multiple platforms. As many as 14 of these listings have a valid business licence. Of the remaining 36 listings, approximately 28 (77%) of these listings are for complete dwelling units, only two of which appear to be in zones that allow tourist accommodation.
- 18 of the 28 non-compliant listings noted above (64%) appear to be secondary suites. At least six of these suites (33%) are legal suites constructed with building permits² all within the last 10 years. The Town has approximately 195 lawfully constructed suites and another 11 under construction, which suggests

•

² Staff confirmed this by cross-referencing listings with utility data.

approximately 3% of the Town's secondary suites are being used for unauthorized STR's.

- There is a diversity of unit sizes and types ranging from bachelor suites to homes with five or more bedrooms. There are a number of listings for apartments or condos.
- Virtually all listings are marketing extended periods of availability and staff estimate
 that for approximately 11 out of the 28 of the noncompliant listings (39%) the
 owners do not live on the property. It appears unlikely that many listings are
 temporary listings where the owner rents their principal residence while they're
 away from home.
- The 28 noncompliant listings represented approximately 1,590 room night stays between May and December 2024. The average and median number of room night stays during the listing period were low; 59 and 60, respectively. 10 out of the 28 noncompliant listings (36%) had fewer than 10 room nights booked during the listing period, 8 of which had no bookings at all. When all active listings for complete homes are considered, the top ten STR operators accounted for 58% of all room night bookings.
- It would appear that even with low booking numbers, a STR Operator can make as much or more than a typical monthly rent in Ladysmith. According to CMHC, the median monthly rent in Ladysmith for a 2-bedroom unit dropped to \$1,221/month or \$14,652/year in 2024. The 2-bedroom units listed on online STR platforms range from \$142-\$588/Night. At those rates, booking for only 10 nights per month results in approximately \$1,420-\$5,880 in monthly revenue.
- According to the CMHC Rental Market Survey, the Town's total rental housing stock is 214 units and rental vacancy increased substantially between 2023 and 2024—from 0.7 to 3.3% (see Attachment C.). Generally, a 3% vacancy rate is considered ideal. The Rental Market Survey occurs annually each October and with a rental housing stock of only 214 units, Ladysmith's vacancy rate can be easily influenced by temporary spikes or dips in housing characteristics. For example, the addition of 10 new, vacant units during the 2024 Rental Market Survey would have increased the vacancy rate to 4.5%.

PROPOSAL:

If approved, Bylaw No. 2205 will establish TUP guidelines that will allow a limited number of noncompliant STR's to remain in operation if they apply for and receive a TUP from Council. Staff based the guidelines on the recommendations of the Workforce Housing Strategy and the guidelines are intended to strike a balance between housing needs, fostering tourism growth and accommodating the travelling workforce. Under the proposed guidelines, STR's will be limited until the Town's vacancy rate—calculated as the two-year average of the CMHC Rental Market Survey—is at or above 3% and preference will be given to accommodation options that fill a niche in the local accommodation market. The

current average of the 2023 and 2024 vacancy rates is 2%, meaning, as drafted, the guidelines would allow the issuance of up to 10 TUP's for STR's.

Exceptions to the vacancy limitations are also provided in cases where the owner can demonstrate the STR will be used for temporary worker housing, or the unit is unlikely to be affordable to low and middle-income renters under normal market conditions. For example, a TUP could be issued to an STR operator that has a contract with a company that rotates workers through Ladysmith.

TUPs can be issued for a period of up to three years with one renewal. Issuing a TUP is a discretionary decision of Council and TUP guidelines need not be strictly applied, giving Council significant flexibility when considering TUP applications. Under the Town's fees and charges bylaw, the TUP application fee is \$1,500.00 plus notification costs.

Bylaw No. 2205 will also add a policy supporting site-specific rezoning applications where an applicant can demonstrate that the benefits of their opposed STR's to the Town's tourism industry will outweigh the corresponding loss of housing stock. Bylaw No. 2205 is provided in Attachment A.

ANALYSIS:

With the forthcoming Provincial requirement for registration, staff reviewed the proposed TUP program in the context of the available alternatives. A comparative analysis is provided below:

- 1. Maintain the status quo. This option is likely to see 52% of STR's in Ladysmith shut down as of May 1st. Under the current bylaw framework, staff cannot issue business licences to non-compliant STR's, which in turn prevents the STR's from obtaining provincial registration numbers and advertising on online platforms. This option would deviate from the recommendations of the Workforce Housing Strategy and Council's direction under resolution CS 2024-180 and is therefore not recommended.
- 2. Legalize STR's through blanket zoning. Under this alternative, Council would direct staff to prepare bylaws to expand the zones where STR's are permitted. This could be some or all zones where residential uses are permitted. This approach would also not align with the recommendations of the Workforce Housing Strategy (which recommends approving STR's in a more focused way), may lead to a proliferation of STR's and corresponding reduction in rental housing stock, and may jeopardize the hotel development market in Ladysmith. These potential impacts are outlined in the August 6, 2024 report to Council. Additionally, staff note that the Town remains subject to the *Housing Supply Act* which gives the Province the power to directly intervene in the Town's bylaws and permitting processes. If housing challenges persist in Ladysmith and permissive rules on STR's are seen as a contributing factor, the Province could theoretically direct the Town to amend its zoning. Approaching STR's on a more case-by-case approach is expected to be a safer course of action in this regard.

- 3. Legalize STR's only through site-specific zoning. This option is supported by the Workforce Housing Strategy and remains available regardless of Council's chosen direction on the proposed TUP program. Section 460(2) of the Local Government Act requires Council to consider any application by an owner to rezone their property, meaning any owner can apply to rezone their property to allow an STR at any time. The key differences between site-specific zoning and a TUP program are noted below:
 - a. Due to non-conforming use rights, zoning does not have an "expiry date" like a TUP does. This makes it harder to shut down STR's if they become a problem or to adjust the supply of STR's to adapt to housing or tourism market conditions.
 - b. Rezoning applications are more expensive and time consuming for the applicant and the Town. Current rezoning fees are \$2,000 plus notification costs. A rezoning application also requires a public hearing, and provincial approval in most cases.

Because the site-specific rezoning option remains available by default and the proposed TUP program will add additional flexibility to the Town and STR operators, staff do not recommend relying exclusively on site-specific rezoning applications to bring unauthorized STR's into compliance.

4. TUP program (recommended): The TUP program offers a compromise between blanket zoning and maintaining the status quo, allowing Council to evaluate STR's on a case-by-case basis and in the context of current vacancy rates. This course of action aligns with Council's previous direction under CS 2024-180. A more detailed explanation of the benefits of a TUP program are outlined in the August 6, 2024 report to Council.

ALTERNATIVES:

The Committee can recommend that Council:

- 1. Maintain the status quo.
- Legalize STR's through blanket zoning.
- 3. Consider legalizing noncompliant STR's only through site-specific zoning applications.
- 4. Amend Bylaw No. 2205 and consider the bylaw as amended.
- 5. Refer the matter back to staff for further review.
- 6. Defer consideration of proposed bylaw.
- 7. Take an alternative course of action.

FINANCIAL IMPLICATIONS:

Application fees for TUP's are expected to cover the typical costs of processing them.

LEGAL IMPLICATIONS:

N/A

CITIZEN/PUBLIC RELATIONS IMPLICATIONS:

A public hearing is required prior to adopting the proposed bylaw under section 464 of the *Local Government Act*.

INTERGOVERNMENTAL REFERRALS:

Sections 475 and 476 of the *Local Government Act* outline requirements for intergovernmental referrals for OCP amendments. Staff will provide a recommendation to Council when the bylaw is considered by Council.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS:

TUP applications will be circulated amongst the Fire, Engineering, Bylaw and Building departments when they are received.

ALIGNMENT WITH STRATEGIC PRIORITIES:

□ Core Infrastructure	⊠ Economy
☑ Official Community Plan Implementation	□ Leadership
□ Waterfront Area Plan	□ Not Applicable

I approve the report and recommendation(s).

Allison McCarrick, Chief Administrative Officer

ATTACHMENTS:

- A. Bylaw No. 2205/Proposed TUP Guidelines.
- B. Map of Tourist Accommodation Zones.
- C. CMHC Rental Market Survey for Ladysmith.

ATTACHMENT A TOWN OF LADYSMITH

BYLAW NO. 2205

A Bylaw to Amend "Official Community Plan Bylaw 2022, No. 2200"

The Council of the Town of Ladysmith in open meeting assembled enacts the following to effect changes to "Official Community Plan Bylaw 2022, No. 2200":

- 1. Add as policy 3.14 of Part C the following:
 - "3.14 where Short-Term Rentals are not permitted under the zoning bylaw:
 - Council may issue Temporary Use Permits (TUP's) in accordance with the guidelines in Schedule A.2; or
 - approve rezoning applications where the applicant can demonstrate the benefits of the tourism offering provided by the Short-Term Rental outweighs the loss of housing"
- 2. Add Schedule A of this bylaw as Schedule A.2 to the OCP

Citation

3. This Bylaw may be cited for all purposes as "Official Community Plan Bylaw 2022, No. 2200, Amendment Bylaw 2025, No. 2205".

READ A FIRST TIME on the	day of	, 2	2025
READ A SECOND TIME on the	day of		_, 2025
PUBLIC HEARING HELD PURS	UANT TO SECTION 46	64(1)(a) of the Loc	al Government Act on the
day of	, 2025		
READ A THIRD TIME on the _	day of	,	2025
ADOPTED on the	day of	, 2025	
		-	
			Mayor ()
		Lo	rnorate Officer (S. Bouma)

Schedule A

Temporary Use Permit Guidelines for Short-Term Rentals

Introduction

The purpose of these guidelines is to balance the role of Short-Term Rentals in providing tourist and travelling workforce accommodation and the need to preserve long-term housing stock. In the context of these guidelines, a "Short-Term Rental" means a dwelling unit rented for nightly accommodation in a zone where dwelling units are a permitted use, but where nightly rentals are not. The objectives of these guidelines are:

- 1. To limit Short-Term Rentals in Ladysmith until rental vacancy rates are consistently at or above 3%.
- To allow Temporary Use Permits for Short-Term Rentals that provide unique, high-quality
 accommodations that make Ladysmith a preferred tourism destination; while preserving generic
 housing stock for residents.
- 3. To support housing for both the travelling workforce and permanent workforce.
- 4. To complement regional and provincial initiatives to address the impact of Short-Term Rentals on the housing market.

Guidelines

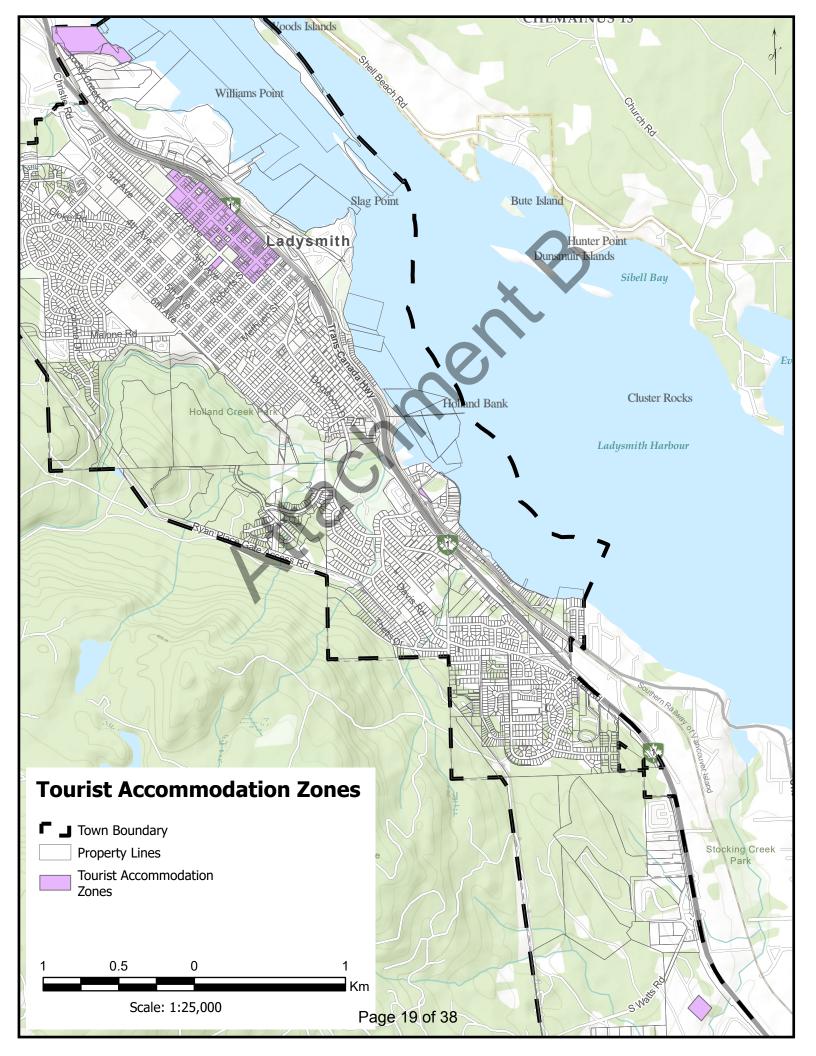
1. The number of TUP's issued by Council should be based on the average of CMHC's Rental Market Survey for Ladysmith for the preceding two calendar years, as shown in the table below:

Residential Vacancy Rate	Number of Issued TUP's
0%	0
0-1%	5
1-2%	10
3% or higher	No Limit

- Short-Term Rentals should not be provided in housing units that tend to be more affordable or serve populations in greater need of housing such as secondary suites, apartments, and older housing stock.
- 3. Notwithstanding guidelines 1 and 2, TUP's may be issued where the applicant is able to demonstrate that:
 - a. the Short-Term Rental will be limited to rentals for workers temporarily working in Ladysmith; or
 - b. the Short-Term rental provides a unique, high-quality tourism offering within a ten-minute walk of Ladysmith's waterfront or Downtown.
- 4. Short-Term Rentals should not provide redundant accommodation products that would otherwise be available in the conventional accommodation market (e.g. hotels and motels)
- 5. Short-term rentals should accommodate guest parking on site.

Official Community Plan Bylaw 2022, No. 2200, Amendment Bylaw 2025, No. 2205 Page 3

- 6. Short-term rentals should not generate a nuisance for neighbouring properties. The Short-Term Rental should have adequate noise mitigating features and policies that mitigate disruptions to neighbours.
- 7. The layout, form and function of proposed Short-Term Rentals should ensure a comfortable, memorable and convenient guest experience including:
 - a. A cohesive design theme incorporating color schemes, furniture styles, and decorative elements;
 - b. Privacy and ease of movement into and within the Short-Term Rental
 - c. A spacious and well-designed layout with adequate ceiling heights (minimum of 2.4 meters) and lighting.
 - d. On-site amenities that provide tourist appeal, such as ocean views, decks and patios, hot tubs, swimming pools, water access and outdoor cooking and dining areas.
 - e. Kitchens purposely designed and equipped to maximize functionality, convenience and comfort, including full-sized appliances arranged in a convenient "work triangle", dishwashers, sufficient storage for housewares, small appliances and groceries and a mix of task and ambient lighting. Small kitchens and gally kitchens are generally discouraged.
 - f. Divided work and living areas to support the use by the travelling workforce.
- 8. Short-Term rental units must be compliant with the BC Building Code and the Town's Building Bylaw. Units constructed without permits must be brought into compliance with the BC Building Code and other safety regulations prior to the issuance of a business license.
- 9. Temporary Use Permits may include conditions to mitigate the loss of housing stock caused by converting the residential unit to a Short-Term Rental, such as contributions to the Town's affordable housing reserve.
- 10. Short-Term Rentals should be booked for a minimum of 60 days per year under normal market conditions. Temporary Use Permits may include conditions requiring a minimum number of bookings per year.
- 11. Short -Term Rentals should be available year-round and secure bookings year-round. However, proposals where the Short-Term Rental operates in peak travel season and the dwelling unit is used for rental housing in the off-season may be considered. Temporary Use Permits may contain conditions regulating the use of the Short-Term Rental during certain times of the year.



Primary Rental Market Statistics — Ladysmith (T)



Number of Private Apartment Units						
Bachelor	11	11				
1 Bedroom	106	105				
2 Bedroom	96	97				
3 Bedroom +	1	1				
Total	214	214				

Private Apartment Vacancy Rates (%)								
Bachelor	**		**					
1 Bedroom	**		**					
2 Bedroom	1.5	d	6.3	b				
3 Bedroom +	**		**					
Total	0.7	b	3.3	С				

Private Apartment Average Rents (\$) Oct-23 Oct-24								
Bachelor	**		**					
1 Bedroom	781	С	859	С				
2 Bedroom	1,353	а	1,484	а				
3 Bedroom +	**		**					
Total	1,056	С	1,191	а				

Private Apartment Availability Rates (%)							
	Oct-23	Oct-24					
Bachelor	**	**					
1 Bedroom	**	**					
2 Bedroom	**	**					
3 Bedroom +	**	**					
Total	**	**					

Private Apartment Estimate of Percentage Change (%) of Average Rent						
	Oct-23	Oct-24				
Bachelor	**	**				
1 Bedroom	**	**				
2 Bedroom	**	**				
3 Bedroom +	**	**				
Total	**	**				

Source: CMHC Rental Market Survey

The following letter codes are used to indicate the reliability of the estimates:

- a Excellent, b Very good, c Good, d Poor (Use with Caution)
- Data suppressed to protect confidentiality or data not statistically reliable.
- ++ Change in rent is not statistically significant. This means that the change in rent is not statistically different than zero (0). (Applies only to % Change of Average Rent Tables).

The Percentage Change of Average Rent is a measure of the market movement, and is based on those structures that were common to the survey sample for

The information contained in this document is a printable version of information originally contained on CMHC website application https://www03.cmhcschl.gc.ca/hmiportal. CMHC makes considerable effort to ensure that the information and analysis on this application is reliable, but cannot guarantee that it is accurate or complete. The content of the application is general in nature and is not intended as a substitute for professional advice when making significant financial decisions. You understand and agree that by using this document and the information it contains, you will be bound by the terms of use of the CMHC website (http://cmhc.ca/en/imno/imno_003.cfm), and in particular, you agree that you may not hold CMHC liable for any consequences that arise if you choose to rely on this information and analysis to make a financial decision.



