

# STR FOCUS GROUP SUMMARY

As part of a larger engagement with the public and stakeholders regarding Short Term Rentals (STRs), two focus groups were held: one on November 21 from 7:00 – 9:00 pm and one on November 22 from 2:00 – 4:00 p.m. Both were held at City Hall, and facilitated by an independent facilitator.

Collectively, twelve people attended these meetings, including one individual who attended both meetings, and one member of the media who attended on November 22.

A sign-in sheet was circulated so that those who wished to could be contacted with respect to further information on STRs, including receiving a copy of the engagement summary, and being advised of the planned January 2018 follow up meeting. (The sign-in list is attached to the end of this report for this purpose).

***The factual content of this summary has not been verified or validated, but rather, reflects the conversation in the two engagement sessions.***

## DISCUSSION QUESTIONS

Following a brief introduction, and background on short term rentals and the City's interest in this issue, participants were invited to discuss the questions that follow. Questions were not necessarily discussed in the order presented below.

- What are the benefits of short term rentals?
- What are the issues or challenges presented by short term rentals?
- Should STRs be required to register with the City? Why? Why not?
- Should STRs be required to get a license and pay a licensing fee? Why? Why not?
- Should zoning be changed to allow for STRs?
- Should STRs pay a tourism levy if one is introduced?
- If so, who should remit the tax: the operator or the online platform?
- Should there be a cap on the number of days a resident can rent their home as an STR?
- Should there be restrictions on the renting an entire home?
- Should there be a limit on the number of STRs in any neighbourhood?

- What health and safety standards should STRs have to meet?
- What liability insurance should be required?
- Are there any other things the City should be considering with respect to STRs?

## BENEFITS

*Participants identified a wide range of benefits for travellers, for STR operators, and for the local tourism economy. As one participant summarized, STRs provide many of the same benefits that B&B accommodations provide, but without the license.*

### *Benefits to travellers:*

STRs provide diversity for tourists, and offer a range of accommodation options and styles that match the interests of a broad range of travellers. STR accommodation also often offers a more affordable choice of accommodation, making Yellowknife easier to afford as a destination. It was noted that Yellowknife has no hostel (which is often a 'go-to' option for affordable accommodations).

For visitors, STRs provide a local experience for those who choose this type of accommodation. Visitors can match their interests and style of travel with the accommodations, can experience local traditions and culture, and see the community from a local's perspective.

STRs may also provide some travellers with a better match for their travel needs. For example, some travellers may wish to cook for themselves, an option that does not often exist in traditional hotel accommodations. Likewise, STRs do not require an onsite resident, which can provide more privacy and comfort for the traveller, if this is what is sought.

### *Benefits to operators*

STRs provide residents with options for the use of their living space. It can allow renters and owners to supplement their income (in an economy with a high cost of living), and allow for better use of their resource (their home). Revenue goes straight into the hands of locals.

STRs are flexible. They allow residents to fill and empty space quickly and easily. For those working from home, for example stay at home parents, STRs have the potential to provide an income stream and flexibility of hours.

Short term renters provide more flexibility for owners/operators, as they can turn over tenants more frequently, thus reducing the risk of long term problem tenants.

### *Benefits to tourism economy*

The availability of short term rentals, such as those marketed through on-line platforms like AirBnB, VRBO and others, keeps Yellowknife current with other destinations, and is responsive to the evolution of the sharing economy and how travellers plan and research their travel. Travellers expect every community to have listings on popular STR websites such as AirBnB.

STRs allow the accommodation market to be dynamic, and to expand and contract quickly in response to demand. When demand is high, and hotel accommodations are at or near capacity, STRs can add inventory into the market quickly.

STRs, like B&B accommodations, generally provide an experience where visitors interact closely with the residents who host visitors in their homes. Local hosts become tour guides, sources of information, and ambassadors for visitors.

## CHALLENGES AND SHORTFALLS

*Overall, the challenges of STRs relate to the lack of a level playing field between STRs and B&Bs, and potential risks to neighbourhoods and visitors in an environment where standards are either not required (through regulation/licensing) or not enforced.*

### *Safety and Risk*

STRs may be inadequately insured, creating risk for operators, visitors, and potentially neighbourhoods. Some web platforms for marketing and promoting STRs provide insurance for their members, however the effectiveness of this insurance was questioned by some

participants. AirBnB, for example, recommends that its members be licensed, and meet all municipal requirements. If these recommendations are not followed, participants wondered whether that could create problems accessing this platform's insurance, for example.

With no or limited insurance, some participants identified that this creates risk for visitors and operators, should there be problems. Others feel that this risk is mitigated when STR operators live in or near their rental property and therefore are able to monitor activity.

If STRs are not licensed or somehow regulated — in a way that is enforceable — there would be no ability to have built standards or assurances for safety. The business licensing process (for B&Bs for example) requires that a number of standards are met, and these standards provide some expectation of the safety of accommodations. STRs, if unlicensed, would not have to meet any standards; safety may be compromised if there are not inspections.

In addition to personal and property risk, there is risk to the tourist experience. Without an onsite resident/host, language and cultural barriers and a lack of tourist supports (available through hotels and B&Bs, for example) could leave visitors with a suboptimal experience.

### *Impact on long term rentals*

Some participants identified the situation created by STRs in other cities, reducing the stock of long term rentals — and thus pushing up the cost of rent for locals — in favour of short term rental. Some participants suggested that there was no current evidence of this being the case in Yellowknife. While this is a potential issue, participants noted that it does not appear to be a current problem in Yellowknife: more information would be needed to validate this.

### *Impacts on neighbourhood character*

A high density of STRs in a single (condo or apartment) building, or in a single neighbourhood could potentially be detrimental to the character of a neighbourhood. One participant noted that if the City does not provide some leadership with respect to regulating STRs, this responsibility

would be “downloaded” onto condo corporations. STRs can create liability for neighbours, particularly in condos or apartment buildings.

When a home based business establishes in a neighbourhood, the licensing process currently provides an opportunity for residents to have input into what’s happening in their neighbourhood. If STRs are not licensed, neighbourhoods could lose that ability to have input and influence the character of their local area.

Parking, especially in the downtown area, is an issue which will be exacerbated by a growth in STRs.

### *Lack of equity*

Participants often cited the lack of a level playing field between B&B accommodations and unlicensed/regulated STRs. There is a cited lack of equity when licensed establishments (B&Bs) must follow due process of licensing, meeting standards and paying associated costs, and STRs do not.

## REGISTRATION AND LICENSING

*There is a continuum of municipal intervention, ranging from no requirements, to requiring STRs to be registered with the City, to requiring STRs to be licensed and to pay a fee to be licensed. The conversation focussed primarily on whether STRs should or should not be licensed. Again, the issues centred on equity, standardization/quality assurance, and enforceability.*

### *Pro licensing*

Some participants identified that STRs are like small, home-based businesses, and should be required to get a business license like any other small business. The current business licensing process was identified by some as slow and onerous. If STRs are going to be required to license their business, the process should be made easier and more responsive: STRs by their nature are dynamic, and responsive to market demands and operator schedules and needs,

which change quickly. In support of this model, some suggested that the City institute an easy access portal, and make business licensing for STRs (and similar businesses) a quick process.

STRs should be a category under the bylaws relating to B&Bs and appropriate and reasonable standards should be required without limiting the variety of accommodation experiences enabled through STRs.

A licensing or registration process gives the community/neighbourhood a say in what happens in their neighbourhood, which can protect against unwelcome changes to neighbourhoods caused by the existence of a number of STRs.

Some participants noted that STRs should be licensed to mitigate against safety issues: STRs should have to meet the same standards of licensing as STRs, be bonded, and have a criminal records check. Licensing will provide for the visitor an expectation and assurance of quality and basic safety standards.

One participant suggested that if the City does not require licensing (and associated standards), this then becomes the defacto approach for other outgrowths of the sharing economy or small independent businesses such as food trucks.

### *Anti-licensing*

While some participants noted that some accountability for STRs is needed, others noted that it does not make sense for STRs to get a business license, and they felt it provided no benefit to the licensee or the visitor. Regulations already exist, such as the territorial tenancy act, and further regulation is not needed.

Whether STR or B&B, regulation and licensing creates barriers to entering the marketplace, and therefore encourages “off-book” establishments. There are too many layers of regulation currently. It is not beneficial to add more that won't be followed or enforced. Additional regulation that creates barriers to entry and limit STRs create disincentives to live and stay in Yellowknife.

Some participants voiced the opinion that the City should not have a say in what an owner does with their own property.

If the objective of licensing is to ensure standards to meet expectations of travellers, regulations and licensing themselves can't standardize the experience, or ensure that the expectations of travellers are met, even with established corporate accommodation experiences such as hotels. In Yellowknife, for example, there is a wide variation in hotel experience from the high end to the low end of the spectrum, yet both are licensed and regulated.

There should be no barriers to entry for STRs: let the market decide.

### *Equity in licensing and requirements*

STRs should be licensed, according to some, to provide a level playing field between B&Bs and STRs. Also in support of a level playing field, but from the opposite perspective, others suggested that neither STRs nor B&Bs should require licensing.

The distinction between and B&B and an STR, this discussion suggested, was the need for licensing, and the associated standards and requirements for licensing.

### *Other licensing considerations*

Many participants agreed that a review of the business licensing process must be completed in tandem with the consideration of any licensing requirements for STRs. They suggested that the business licensing process is cumbersome and flawed, and not appropriate in its current form, for STRs. It could be an effective tool, but not in its current form. Likewise, when looking at business licensing requirements and processes, the similarities and distinctions between STRs and B&Bs should be examined and clearly defined.

The issue of enforcement was raised. Any licensing requirements placed on STRs would have to be enforced. If they are not enforced, or if they are not enforceable, then they should not be put in place. There is a lack of enforcement of current rules, so it does to make sense to add more rules that can't or won't be enforced. Currently enforcement is driven by complaint. If there

are no complaints, compliance with existing regulations and standards (for business licensing, for example) is not verified. Just because a business provides evidence of compliance at the time of securing a business license does not mean that compliance continues throughout the lifetime of the business.

More public education is required with respect business licensing: when it is needed, why it is needed, and the benefits it provides to licensees and their customers.

## OTHER TOOLS FOR MANAGING STRS

*The range of additional (or alternate) approaches offered as mechanisms for managing STRs were generally considered either unnecessary or ineffective.*

### *Zoning*

Participants reacted strongly when asked if zoning was an appropriate tool to manage STRs. Zoning was identified as a clunky tool. As one participant suggested, zoning would be like a “sledge hammer” for this job. It is not the way to manage STRs.

### *Frequent of rental, number of STRs*

Limits on the number of STRs in a neighbourhood/building, and limits on the number of rental nights were discussed, but did not find traction with many participants. As one participant noted, limiting the number of STRs creates a first come, first served approach, which is not a fair approach. Additionally, the question becomes what is the “tipping point” for too many STRs in one neighbourhood?

Any such limits must be enforceable and enforced.

Limiting the rental of whole homes as STRs was discussed. Some participants felt that having an on-site landlord (ie not renting whole homes) limits the risk of party houses. Others noted that the review system provided by on-line marketing platforms (such as AirBnB) is sufficient mitigation to address this risk.

Neighbourhoods evolve. Some participants felt that the neighbourhood should self-regulate. That is, as the number of STRs becomes higher than the threshold for a resident, the resident can choose to move to another neighbourhood that better meets their needs. Communities should be allowed to evolve.

## STANDARDS FOR STRS

***Standards are seen as a means of creating a level playing field for operators, while supporting quality and meeting travellers' expectations. The wide variety of accommodation experiences that exist as STRs makes standardization difficult.***

### *Variety of accommodation experience*

Unlike a traditional hotel or B&B, STRs can provide unique experiences, such as tent stays, houseboat rentals, tree-house accommodations, for example. With such a wide range of accommodation options and experiences, setting standards becomes difficult if not impossible because it is not a standardized experience.

Rather, say those who advocate for STRs, the approach should be that operators provide full disclosure, strong communication of the nature of the experience, and let the traveller select their experience understanding the nature of the accommodation being provided. Marketing platforms, such as AirBnB, provide a rating and review process for both owners and travellers, which can help travellers understand the quality of accommodations, as well as any challenges or limitations of the accommodation. More regulation is not necessarily better, as it could get in the way of enabling unique travel/accommodation experiences that are sought by some travellers and offered by some STR operators.

People who seek out STRs as accommodation options have different expectations than travellers who seek out more traditional hotel or B&B accommodations.

## *Insurance*

Some participants felt that STR operators should be required to carry insurance, especially those who operate in apartments and condos. If the STR is not licensed, it cannot get specific insurance for the operation of the home as an STR. Home insurance is not sufficient. It was noted that some marketing platforms (such as AirBnB) offer insurance.

## TOURISM LEVY

***Both B&B and STR operators agreed that STRs should participate in any tourism levy that is introduced. The levy should be easy to administer and be used exclusively to support destination marketing.***

A tourism levy, which is a tax on each room night that is remitted to an entity to support tourism marketing, is being proposed for Yellowknife but is not currently in place.

Participants generally agreed that the approach should be “everybody or nobody”. If a levy is put into place, STRs should be required to participate, so long as the owner/operator does not have to handle the administration. The process of collecting and remitting the levy could (or should) be done by the online marketing platform. (This is a service provided, for example, by AirBnB, an online marketing platform used by many STRs).

The levy must be specifically targeted and spent on tourism to grow Yellowknife as a destination.

## OTHER ISSUES

### *Definitions*

The definition of B&B versus STR needs to be considered and articulated. )The definition should also consider where short term rentals by corporate entities, or even staff housing fall within the definitions.) This is important so that visitors know what they are going to be getting and can make an informed choice. It is also important that definitions are clearly articulated before decisions are made with respect to licensing and regulation of this industry. For example, how

does staff housing fit into the equation? Is it considered an STR? What about STR accommodation provided by corporations or on a large scale?

### *Associated City bylaws and requirements*

The matter of managing STRs should not be looked at in isolation. The issue of STRs demonstrates the need to also review and assess other City processes such as business licensing, and enforcement of existing regulations.

### *Sharing economy*

A dialogue and some policy direction on the the sharing economy in general is needed. The City should not be taking an ad hoc approach with respect to STRs, but identifying clear policy with respect to its approach to the sharing economy overall.

Such a conversation — about the City's approach to the developing sharing economy — and specifically regarding short term rentals, requires input from the clientele. No decisions should be made until research has been completed with those who choose STRs as an accommodation option.