

Market Stabilization: Regulating Short-Term Rentals

Office of the Third Party Housing Policy Statement September 6 2018

Background

Across Prince Edward Island there has been substantial growth in short-term rentals through online platforms such as AirBnb, VRBO, HomeAway and more. This rapid growth of AirBnb+ has led to concerns from Islanders about the numbers of long-term rental units being removed from the market for short-term rentals, particularly in the summer months. While this is not the sole cause of the current housing crisis, it is a significant contributing factor and one that is very visible in its scope and impact.

Through the development of our **Integrated Housing Framework** (*see attached*), we have clearly identified market disruption as one of the root causes of the current housing situation in PEI. Extensive research into other jurisdictions in Canada and around the world show that this is not a unique problem for PEI, and confirm that the time to act is now.

Stabilizing the short term rental market requires immediate implementation of a regulatory framework that addresses commercial host activity; impact on housing availability and affordability; tax avoidance; and the impact on economic development.

A **short-term rental** is commonly defined as: “the rental of a dwelling (house, townhouse, condominium, apartment, secondary suite) on an online platform for a period of less than 30 days”

Regulatory Options

The Airbnb platform has consistently come out in support of regulatory options, because it reduces the issues surrounding the removal of long-term rental units from the market while still allowing for the site to operate.

Airbnb already offers to collect and remit taxes or levies on behalf of the host when they are required by the government. Most jurisdictions who are looking at any options have also required some form of licencing, as this would make compliance measures easier to coordinate. Currently short-term rentals are required to register for a tourism operator license to meet health and safety regulations and industry inspection standards.

In designing a regulatory framework, common regulatory characteristics from other jurisdictions were considered, and include licenses; principal residence restrictions; restricted stay lengths; levy and / or sales tax; and zoning by-laws. These will serve to control usage, level the playing field, and limit use while supporting the economic opportunity these platforms offer.

Call to Action

Short Term Rental Regulations (provincial)

Immediately require and enforce all short-term rentals to comply with existing provincial legislation / regulations:

- Business license and registration including HST remittance
- Tourism license and registration including health and safety inspection and occupancy data
- Implement a province-wide occupancy levy of 2% at point-of-sale charged to consumer, as currently exists for hotels, bed and breakfast, and motel accommodation providers in Charlottetown and Summerside only (*levelling the playing field*)

Short Term Rental Regulations (municipal)

- Strongly encourage municipalities to manage short-term rental terms via bylaws to protect local residents
- Place priority for split-use properties on the long term resident (i.e. tenants cannot be offered a short term lease to make way for a summer AirBnb rental)
- Require commercial property registration (with associated tax profile)

Platform Service Provider License Fee

- Service providers like AirBnb must be licensed by province and comply with reporting / data requirements

Phased-in transition to Principal Residence Restrictions

- By-laws or regulations that require short-term rentals are hosted in principal residence only, and permit short-term renting for a limited number of days per year
 - This could include secondary suites within the primary residence.
- Secondary residences would be permitted if they are non-winterized / seasonal properties (i.e. a summer home or cottage) owned in addition to the primary residence.

Given there are currently a high proportion of short-term rental properties in PEI that are not owner-occupied, this transition would need to take place over a period of time to limit economic and market disruption.

Update Rental of Residential Properties Act

- Better support the needs of landlords as well as tenants to ensure market fairness

Regulatory Examples and Sources

[Vancouver Regulations](#)

[Toronto Regulations](#)

[Airbnb Occupancy Tax](#)

Zohra Jamasi: “[Regulating Airbnb and the Short-Term Rental Market: An overview of North American regulatory frameworks](#)” Canadian Centre for Policy Alternatives’ Ontario office - June 2017

Fact and Figures from CMHC

- <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/rental-market>
- <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/housing-market>
- <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/housing-market-indicators>