



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 3010-01-2401

From: Director of Development Services

Date: April 2, 2025

Subject: Bylaws to Regulate Short-term Rental Accommodations

PURPOSE:

For Council to consider first and second readings of the three bylaws in order to permit the operation of short-term rentals in Courtenay and regulate their use:

1. *Business Licence - Amendment Bylaw No. 3133, 2025 (short-term rental accommodation)* to amend *Business Licence Bylaw No. 2523, 2008*;
2. *Municipal Ticket Information - Amendment Bylaw No. 3139, 2025 (short-term rental accommodation)* to amend *Municipal Ticket Information Bylaw No. 2435, 2006*; and
3. *Zoning - Amendment Bylaw No. 3134, 2025 (short-term rental accommodation)* to amend Zoning Bylaw No. 2500, 2007.

Staff is also recommending that Council set the date of a Public Hearing for *Zoning - Amendment Bylaw No. 3134, 2025 (short-term rental accommodation)* to April 30, 2025.

EXECUTIVE SUMMARY:

At the regular meeting of Council on April 24, 2024 Council passed a resolution directing staff to prepare bylaw amendments to “Business Licence Bylaw 2523, 2008”, Zoning Bylaw No. 2500, 2007” and “Municipal Ticking Information Bylaw No. 2435, 2006” to address *Bill 35 Short-Term Rental Accommodation Act*.

In the April 24, 2024, Council report staff recommended that short-term rentals (STR) be limited up to 27 days per stay rather than up to 90 days as permitted in the legislation. Staff also recommended permitting STR in all residential zones. On April 24, 2024, a report was released and posted on a provincial webpage summarizing the impact of Bill 35 on the number of short-term rentals in the province and the impacts of STR restrictions on rental housing rates. In addition, the City of Courtenay received the updated Housing Needs Report in August 2024 which raised issues on the impact of STR on rental supply. Neighbouring municipalities have initiated bylaws for STR which serve as a comparison for staff’s analysis in the revised recommendations for Council’s consideration. Revised recommendations included in the proposed *Zoning Bylaw No. 2500, 2007* amendment to extend the length of stay from 27 days to up to 90 days to allow for longer short-term stays and to limit STR to low-density residential housing forms such as single residential dwelling units, secondary suites, and accessory dwelling units. Multi-residential housing forms have complex issues associated with Strata Corporations which require future consideration for vacation rentals that staff will undertake at a later date with OCP and Zoning Bylaw updates.

BACKGROUND:

Bill 35 focuses on three key areas:

1. Returning more short-term rentals to the residential rental housing market:
 - Short-term rentals are defined by the Province as:
“Short-term rentals are accommodations provided to members of the public in a host’s property, in exchange for money, for a period of less than 90 consecutive days. They are

generally tourist accommodations that are often found in residential or resort areas. They may be advertised via online platforms such as Airbnb, VRBO, or Booking.com, and may also be advertised on other web forums including Facebook Marketplace, or found in classified ads in newspapers.

Short-term rentals do not include accommodation that was intended to be provided for 90 days or longer, but which unexpectedly ends before 90 days have passed.”

- Short-term rentals in B.C. must meet the provincial principal residence requirement which limits short-term rentals to:
 1. The home where the host lives for a longer period of time in a year than any other place.
 2. **Plus**, one secondary suite or accessory dwelling unit on the same property.
 - The legislation defines short-term rental as a period of time of less than 90 days. A local government has a choice to regulate below 90 days.
2. Establishing provincial rules and a system of enforcement:
- By May 1, 2025, all short-term rentals (STR) hosts must be registered with the provincial short-term rental registry in order to operate in B.C. This is to ensure that listed STRs are in compliance with the regulations in the Act including the principal residence requirement, display of business licensing (where required by local government) and being on the Province’s registry list.
3. Increasing fines and strengthening enforcement tools for local governments:
- Short-term rental operators and rental platforms are required to share data with provincial and local governments and to display provincial registration and municipal business licence numbers on all listings. Listings that do not follow these protocols must be promptly removed.
 - Maximum Provincial fines for contravention of short-term rental regulations in the Offence Act and the Bylaw Enforcement Ticket Regulation have been increased. Amendments to Courtenay’s Municipal Ticket Information Bylaw are proposed as part of this staff report to add short-term rental offences.

Bill 35 applies to communities with over 10,000 residents and that have a vacancy rate of less than 3%, therefore this applies to Courtenay. Those municipalities with a rental vacancy rate of over 3% for two consecutive years may request to opt out of the principal residence requirement. Given that Courtenay’s vacancy rate for 2023 was 1.1% and for 2024 was 5.1%, it has not had two years of above 3% vacancy and as such Courtenay may not opt out of the provincial minimum requirements.

In communities where Bill 35 requirements apply, the local government may not be more permissive than the provincial requirements however it can choose to be more restrictive. This is currently the case for the City of Courtenay where short-term rentals are not permitted at all but Bed and Breakfasts are permitted as per Part 15 Bed and Breakfast Accommodation section 6.15.1 in any single residential dwelling located in any residential or multi-residential zone subject to no more than two bedrooms for transient accommodation, principle use must be single residential and the residents of the building must be engaged in the operations.

New information since the enactment of Bill 35

Since the April 24, 2024, Council meeting the City has received more information about how other communities are implementing STRs, Courtenay's local housing needs and the impacts of short-term rental regulations.

Housing Needs Report August 2024

Preliminary short-term rentals (STR) information was presented in the April 24, 2024 staff report. Since that time, refinements to that data were made to show that although STR are not permitted in the Zoning Bylaw; that in 2023, there were 293 short-term rentals operating in the City for at minimum one day that year. And of those, nearly half were used 'commercially' (all year round for STR). By having regulations on STR the objectives are to have STRs operate legally, some of the current illegal 293 STRs move into long-term rental accommodation, and have the Province monitor platforms for compliance with both provincial and municipal regulations on STR.

The [2024 Housing Needs Report](#), similar to the 2020 Housing Needs Report, highlights the need to continue to ensure the supply of and policy support for rental tenure units, with an increased emphasis on affordable/below-market and deeply affordable units. Several reasons are cited for this primarily that homeownership is becoming increasingly unaffordable for the median household in Courtenay, that market rental rates (cost of rent) continue to rise, and that rental vacancy rates have been below a healthy range for most of the past decade. The report identifies that renter households on average are also more likely to be lower-income (\$50,400 vs \$82,000 median household income respectively) and more likely to be in Core Housing Need (26% vs 5% respectively) than owner households.

The information in the 2020 Housing Needs Report informed Courtenay Affordable Housing policies. Collectively the policies direct the City to view its housing policies within a larger housing and policy apparatus to create equitable policy interventions that consider the various types of housing [tenure], the community members who live in them and the community's housing needs as represented by a 'housing continuum' or 'housing wheelhouse'. To be equitable, the policy-making process should weigh the problems faced by the various segments of the wheelhouse and assign support proportionate to housing needs.

Staff recognize that based on existing housing data, it is unclear what the impacts of short-term regulation will be on influencing traditional housing metrics such as 'rental vacancy rates', 'average rents' or 'households in Core Housing Need'. There is however evidence indicating short-term rental restrictions have a positive impact on returning short-term rental units to the long-term market and reducing rents; where even if rents don't outright decrease, they increase less than they otherwise would have without short-term rental regulation ([Report on Short-term rental regulations in British Columbia, Wachsmuth, 2024](#)).

At the same time, homeowners in our community also need policies that support them, even if to a lesser degree than renters. For instance, short-term rentals can offer homeowners a source of revenue generation that may be increasingly necessary for many households to preserve homeownership or offer the opportunity for more flexibility granted by the short-term use to meet their needs.

The discussion above highlights that Council has choices as to the degree they would like Courtenay's short-term rental regulations to support the segments of the housing wheelhouse most concerned, renter or owner. Simply stated, the more restrictive Courtenay's short-term rental regulations are, the more the policy can be seen to benefit the rental segment of the wheelhouse. The less restrictive Courtenay's short-

term rental regulations are, the more likely they support owner households. There may also be other policy objectives that Council might like to consider as it relates to the regulation of short-term rental like economic development that are not already stated and which may be established through the upcoming OCP update.

Comparable communities

Since the adoption of Bill 35, other BC communities seem to be doing an array of different things, however, most do seem to be permitting short-term rentals at least to some degree. Communities seem to be weighing:

- Housing needs
- Economic/tourism needs
- Enforcement/capacity realities
- Previously existing policies/perceived fairness

Other community approaches fall within these general categories, listed as generally most to least restrictive of STRs:

1. Allow no STR at all - Campbell River, Saanich.
2. Allow STR only in dwellings that otherwise would not be part of the long-term rental stock (principal residence only) – Victoria.
3. Apply a cap on the number of STRs across the community and possibly even by area – Nelson.
4. Meet Bill 35 but restrict STRs from operating in apartments/purpose-built rental buildings and only allow one per property - Comox, Cumberland.
5. Meet Bill 35 verbatim, plus possibly some additional operational restrictions - Nanaimo, Kelowna.

DISCUSSION:

The proposed amendments to the Zoning, Business Licence and MTI bylaws for Council consideration, would permit one STR per parcel in one of the following low-density housing forms: single detached homes, accessory suites and accessory dwelling units where the operator has a principal residence on the parcel in question. This would be more restrictive than the provincial principal residence requirement which does not restrict STRs to certain housing forms, but less restrictive than the City's current absolute ban on STRs.

Proposed Bylaw Amendments

Proposed Zoning - Amendment Bylaw No. 3134, 2025 to Zoning Bylaw No. 2500, 2007

- Addition of a definitions in Division 3 Interpretation Part 1 Definitions:
 - "bed and breakfast accommodation" (previously undefined),
 - "principal residence" (in accordance with the provincial legislation definition), and
 - "short-term rental accommodation" (as a newly permitted use) where "*short-term rental accommodation*" is proposed to mean the rental of a *dwelling unit* or any portion of it for a period of less than 90 days, which is consistent with the provincial definition.
- Removing reference to bed and breakfast accommodations in Division 6 Part 3 Home Occupation
 - The bed and breakfast accommodation regulations are located in two Parts of Division 6 of the Zoning Bylaw (Part 3 Home Occupation and Part 15 Bed and Breakfast Accommodations) and

include inconsistencies across the two sections. Staff recommend removing the reference from Part 3 Home Occupation as bed and breakfast should remain as a distinct use.

- A new Division 6 (General Regulations) Part 20 Section 6.20 Short-term Rental Accommodation stipulates conditions of short-term rental accommodation use. These include:
 - May only be permitted within single residential dwelling, accessory dwelling unit or secondary suite dwelling types and only one may be permitted per parcel;
 - May not be permitted in combination with bed and breakfast accommodation or daycare use;
 - Shall not occupy more than three (3) bedrooms and shall not involve more than six (6) guests total;
 - One dedicated parking stall per short-term rental accommodation;
 - Shall be operated only by the owner of the parcel in question who has a principal residence on the parcel in question;
 - No nuisance activities shall be produced by the short-term rental accommodation; and
 - Requirement to obtain a Business Licence, as consistent with provincial legislation.

Proposed Business Licence - Amendment Bylaw No. 3133, 2025 to Business Licence Bylaw No. 2523, 2008

- New definitions of bed and breakfast accommodation and dwelling unit (previously undefined).
- New Business Licencing Conditions are proposed for short-term rental accommodation specific to the Business Licensing Bylaw including the requirements:
 - That the business licence be displayed in a prominent place with 24-hour contact information for the operator.
 - For a fire and safety plan, be located at entrances and exits from the dwelling unit, and in each approved bedroom and include prescribed safety information.
- Changes to Schedule A introduce new short-term rental accommodation and bed and breakfast accommodation business licence categories and associated licencing fees at \$300 and \$150 respectively. \$150 Affordable Housing Amenity Reserve Fund offset fee is proposed to be charged to short-term rental accommodations and placed in the Affordable Housing Amenity Reserve Fund as described further in the Financial Implications section.

Proposed Municipal Ticket Information - Amendment Bylaw No. 3139, 2025 to Municipal Ticket Information Bylaw No. 2435, 2006

- Adding a fine for an additional ticketing offence of \$100 for short-term rental accommodation and some numbering anomalies between the Business Licencing Bylaw and the Municipal Ticketing Information Bylaw are corrected. The \$100 fine is consistent with other fines within this Bylaw.

Alternative short-term rental zoning option – Principal residence only

If Council wishes to take a more precautionary approach to the number of STR likely to be licenced they could consider only permitting STRs in dwelling units that are occupied as a principal residence and restrict STRs from operating in additional dwelling units on those same properties.

This more restrictive option would be closer to how the City of Victoria regulates short-term rentals as they permit STRs only within a principal residence (whether that be the principal residence of a homeowner or

renter). This model would limit the impact on housing availability for residents in that STRs would only be available from the temporarily unoccupied homes of residents or within an area of the home that continues to be occupied by residents. The same conditions of use identified in the draft *Zoning - Amendment Bylaw No. 3134, 2025* could still apply (e.g. only one per property, number of guests and bedrooms, only operated by the owner of the property who has the principal residence on the property).

Staff have included this option as Option 2 in the Resolutions as follows:

- Only permit short-term rentals as a permitted use within a single residential dwelling unit, secondary suite, or accessory dwelling unit that is primarily used as the property owner's principal residence;
- Only one short-term rental may be permitted per parcel;
- May not be permitted in combination with bed and breakfast accommodation or daycare use;
- Shall not occupy more than three (3) bedrooms and shall not involve more than six (6) guests total;
- One dedicated parking stall per short-term rental accommodation;
- Shall be operated only by the owner of the parcel in question who maintains their principal residence on the parcel in question;
- No nuisance activities shall be produced by the short-term rental accommodation; and
- Requirement to obtain a Business Licence, as consistent with provincial legislation.

Should Council provide direction to amend the presented bylaws in alignment with option 2 or another option brought forward through resolution, staff will bring forth amendments to the bylaws for first and second reading, prior to proceeding to a public hearing, at the next available Council meeting. Additionally, after the public hearing for the proposed *Zoning - Amendment Bylaw No. 3134, 2025*, Council could consider making amendments to the proposed bylaws. These amendments may result in rescinding first and second readings and holding an additional public hearing.

Monitoring Short-term Rentals (STR) impact on housing needs

Regardless of STR regulations adopted, staff recommend that the annual primary rental market vacancy rate be monitored for three consecutive years. After those three years, staff should prepare a report to Council detailing the changes in the data over that time including possible recommendations for changes to short-term rental regulations as the data relates to Courtenay's latest Housing Needs Report. Staff recommend utilizing the Canada Mortgage and Housing Corporation (CMHC) Primary Rental Market Vacancy Rate for all primary rental housing within the Courtenay Census Subdivision (CSD).

POLICY ANALYSIS:

The Official Community Plan (OCP) contains the following policies that either directly apply to STRs or may inform an approach to regulating STRs and which may support a more restrictive approach than the provincial minimum regulatory requirements:

- **Affordable Housing 12:** Ensure short-term rental accommodation limits impact on the long-term rental housing supply. Explore options such as requiring owner occupation of short-term rental accommodations and business licenses.
- **Affordable Housing 14:** Remain aware of local equity-priority and demographic needs for housing over time and focus support and incentives, including housing agreements, on residents who need it most

including, but not limited to, seniors, Indigenous residents, low to moderate-income earners, and those at risk of homelessness. Use the weighted housing wheelhouse 'Intervention Priority by Tenure' information within the Courtenay Affordable Housing Strategy Options Study to inform the level of City effort and support for different tenure priorities. Update the weighted housing wheelhouse as new housing information becomes available to define specific housing needs as they evolve.

- **Affordable Housing 9:** Do not permit the conversion of existing occupied multi-residential rental buildings to strata ownership until, and only when, the vacancy rate as reported by CMHC exceeds 3% for a period of at least 12 months.

FINANCIAL IMPLICATIONS:

The New fees proposed to be added to the Business Licence Bylaw would allow the recovery of administrative costs for licencing short-term rental accommodations and add a specific licence fee for bed and breakfasts which were formally charged the general home occupation fee of \$75. These fees are proposed to be \$150 for both short-term rental accommodation and bed and breakfast licences to cover the cost of administrating the licencing program. An additional \$150 Affordable Housing Amenity Reserve Fund offset fee is proposed to be charged to short-term rental accommodation licences and placed in the Affordable Housing Amenity Reserve Fund. The rationale for this \$150 offsetting the short-term rental accommodation is based on the knowledge that approximately 293 non-conforming STR units were operating in Courtenay in 2023. In order to mitigate the short-term rental accommodations potential impact on the long-term rental housing stock, staff are recommending that this offset fee be charged and allocated for affordable housing incentives. For example, an average two-bedroom dwelling unit of 800 square feet at an approximate \$400 per square foot construction cost today, would result in a two-bedroom unit costing approximately \$320,000. Staff recommend reviewing the contributions as part of the monitoring process for any adjustments.

A new category of fines to be added to the Municipal Ticket Information Bylaw would address the contravention of the Business Licencing Bylaw should a short-term rental be operating without a municipal business licence or in contravention of the licencing conditions.

Short-term rentals of less than 27 continuous days are subject to Municipal and Regional District Tax (MRDT), which is in place for the City of Courtenay. Staff recommend permitting a STR to operate for up to 90 days as consistent with provincial legalisation. Any STRs that operate for less than 27 consecutive days will have to pay the MRDT.

ADMINISTRATIVE IMPLICATIONS:

In accordance with the Bylaw Compliance Policy, in the initial months post-adoption, staff will focus on raising awareness of the new regulations and providing information to property owners and residents to encourage voluntary compliance. If the number of complaints and incidences of non-compliance exceed the operational capacity of the Bylaw Division, recommendations for additional resources would be brought forward to Council for consideration during the 2026 budget process.

STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following strategic priorities:

- Buildings and Landscape - Develop a short-term rental policy

PUBLIC ENGAGEMENT:

Section 464 of the *Local Government Act* states that a Zoning Bylaw must not be adopted until a public hearing is held in the instance where the Bylaw is not consistent with the OCP. As the Courtenay OCP Bylaw No. 3070 does not provide policy direction on Short Term Rentals, a public hearing must be held.

In addition to providing public notice in accordance with the LGA, and providing for the public to ask questions of staff and provide written comments, an online Social PinPoint page will be created with the information contained within this report identifying the Public Hearing and the opportunity to provide official comment.

Staff will inform the public of the changes to the bylaw based on the IAP2 Spectrum of Public Participation by updating the information on the City's website. Additionally, this information will be included in a Bylaw Good Neighbour brochure for homeowners and tenants which is anticipated to be available for public distribution later this year.

RECOMMENDED OPTIONS:

1. THAT Council give first and second reading to "Business Licence - Amendment Bylaw No. 3133, 2025 (short-term rental accommodation).
2. THAT Council give first and second reading to "Municipal Ticket Information - Amendment Bylaw No. 3139, 2025 (short-term rental accommodation)".
3. THAT Council give first and second reading to "Zoning - Amendment Bylaw No. 3134, 2025 (short-term rental accommodation)".
4. THAT Council give first and second reading to "Zoning - Amendment Bylaw No. 3134, 2025 (short-term rental accommodation)"; and
THAT Council direct staff to provide notice for a Public Hearing on Wednesday, April 30, 2025.
5. THAT Council direct staff to monitor the Canada Mortgage and Housing Corporation (CMHC) Primary Rental Market Vacancy Rate for three consecutive years following the adoption of Zoning Amendment Bylaw No. 3134, 2025 (Short-Term Rental Accommodation); and

THAT following the three-year monitoring period, staff report back to Council with an analysis of the impact of short-term rental regulations on the local rental housing supply.

ALTERNATIVE OPTIONS:

6. THAT Council direct staff to revise *Zoning Amendment Bylaw No. 3134, 2025 (Short-Term Rental Accommodation)* to permit short-term rentals only within a principal residence that would be available when the homeowner or principal resident is not occupying the home; and

THAT all other provisions of *Zoning Amendment Bylaw No. 3134, 2025* be retained, including:

- Permitted use within a single residential dwelling unit, secondary suite, or accessory dwelling unit
 - Limiting one short-term rental per parcel
 - Prohibiting short-term rentals in combination with a bed and breakfast or daycare use on the same property
 - Establishing a maximum number of bedrooms and guests
 - Requiring off-street parking
 - Requiring the rental to be owner-operated
 - Prohibiting nuisance activities
 - Requiring a valid business licence.
7. THAT Council direct staff to monitor the Canada Mortgage and Housing Corporation (CMHC) Primary Rental Market Vacancy Rate for three consecutive years following adoption of *Zoning Amendment Bylaw No. 3134, 2025*; and

THAT following the three-year monitoring period, staff report back to Council with an analysis of the impact of short-term rental regulations on the local rental housing supply

8. THAT Council provide alternative direction to staff.

ATTACHMENTS:

1. Business Licence - Amendment Bylaw No. 3133, 2025 (short-term rental accommodation)
2. Zoning - Amendment Bylaw No. 3134, 2025 (short-term rental accommodation)
3. Municipal Ticket Information - Amendment Bylaw No.3139, 2025 (short-term rental accommodation)
4. April 24, 2024 Staff Report

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