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## MANAGEMENT REPORT

**Date:** April 8, 2024  
**To:** Mayor and Council  
**From:** Adam Betteridge, Director of Building and Planning Services  
**Report Number:** COU24-036  
**Attachments:** None

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**Title:** Accommodation Licensing Fee Implementation

**Objective:** To hear and consider comments from the public regarding the establishment of fees for license applications under the City's Accommodation Licensing By-law #130-2022.

**Background:** Short Term Rental Accommodations (STRAs) in the City of Stratford are currently regulated through the following City By-laws:

- Comprehensive Zoning By-law #10-2022 (hereinafter referred to as "Zoning By-law" or "ZBL"); and,
- By-law #130-2022 to license, regulate and govern the provision of short-term rentals through the City including inns, STRAs, hostels, rooming houses and boarding houses, this commonly referred to as the "Accommodation Licensing By-law".

The current provisions and regulations in the City's ZBL for STRAs were the result of an extensive deliberative process, ultimately being finalized and incorporated as part of the City's review and adoption of the ZBL in early 2022.

On August 29, 2022, a virtual Public Meeting was held to give Council an opportunity to hear comments with respect to the then proposed (draft) Accommodation Licensing By-law. A number of comments and question were brought forward. At its October 11, 2022 Regular Meeting, Council considered, along with additional comments from the public, Report No. ITS22-026 and then passed resolution no. R2022-416 which provided the following summarized direction relevant to this Report:

- Approved the Accommodation Licensing By-law effective January 1, 2023;

- Approved revisions to the Bed and Breakfast Establishment By-law No. 180-2004 (B&B By-law) effective January 1, 2023; and,
- That licensed establishments under the Accommodation Licensing By-law and the B&B By-law are exempt from paying licensing fees for the 2023 season, from April 1, 2023, to March 31, 2024.

The purpose and intent of the Accommodation Licensing By-law is to ensure that occupants of STRAs and the other short-term accommodation uses (B&Bs not included given such are regulated through the Bed & Breakfast Licensing By-law #180-2004) are provided with safe accommodations in terms of fire and building safety and that the accommodations comply with all Applicable Law including but not limited to the City's Property Standards and general sanitary requirements. The Accommodation Licensing By-law also ensures that short-term rental operators/owners are made aware of their responsibility to comply with City by-laws and other regulations. Since the adoption of the Accommodation Licensing By-law, licensing fees and their specific amounts (i.e. the application fees required to obtain a license) have not been established.

As noted, STRAs are not subject to the City's B&B By-law, however revisions were approved to the B&B By-law in order that both by-laws (B&B and Accommodation) would be consistent. Such revisions pertained to the provisions for the appeals process, insurance, and offences and penalties.

In addition to the ZBL and Accommodation Licensing By-law, STRAs are subject to a four percent (4%) mandatory tax through the City's Municipal Accommodation Tax ("MAT") By-law #93-2022.

Lastly, the City Solicitor, working in close consultation with the Chief Administrative Officer and Staff from Corporate Services, By-law, Building, and Planning, is near completion of an Administrative Monetary Penalty By-law (an "AMP" by-law), that is intended to provide the City with an ability to prosecute non-compliant STRAs through the use of AMPs resulting in an increased level of enforcement on STRAs. Such will be brought forward in a separate report in the near future.

**Analysis:** The City's Accommodation Licensing By-law was passed on the basis that there would be an implementation period whereby licensed establishments under the Accommodation Licensing By-law would be exempted from paying licensing fees for the 2023 season. To maintain fairness to existing B&B licensees, the City also waived B&B licencing fees. Licensing fees for the City's Accommodation Licensing By-law have not yet been established.

Under the framework of the *Municipal Act, 2001, S.O. 2001, c. 25*, municipalities possess the authority to establish fees for services, including fees to license establishments offering short-term accommodation. This authority enables local governments to recover costs associated with the administration, enforcement, and provision of these services. However, when setting such fees, municipalities must

adhere to principles of fairness and transparency, ensuring fees are not prohibitive and that they reflect the actual cost of service provision. The Act stipulates that fees cannot be established as a revenue-generating tool beyond recovering costs. Furthermore, municipalities are required to conduct consultations and provide justifications for the fee amounts, ensuring they are reasonable and directly related to the service provided. This regulatory environment ensures that while municipalities have the flexibility to manage and regulate STRAs effectively, they must also balance financial sustainability with fairness and accessibility for service users.

### Municipal Scan

Staff reviewed licensing fees, renewal processes, and enforcement mechanisms across multiple municipalities. This review, summarized further below, included Lambton Shores (Grand Bend), South Bruce Peninsula, North Bruce Peninsula, Niagara-on-the-Lake, Collingwood and Owen Sound to understand their approaches towards STRA management. Key highlights from the municipalities surveyed are as follows:

- Lambton Shores (Grand Bend) requires a licensing fee of \$500, with an equal amount for each annual renewal. Operators without a license face a \$900 fine and the municipality employs a demerit system for license revocation.
- South Bruce Peninsula has set its licensing fee at \$800 and an annual renewal fee at \$350. The application package includes noise by-law and fire safety information. The fine for operating without a license is \$600.
- North Bruce Peninsula differentiates its licensing with a Class A/B License at \$500, plus an inspection fee every three years as part of the renewal process. Unlicensed operations are fined \$900, with additional inspections required.
- Owen Sound also sets its licensing and annual renewal fees at \$500. Licenses cannot be applied for or renewed if there are outstanding fines or violations.
- Niagara-on-the-Lake licensing and annual renewal fees are \$279/per room. Notably, Niagara-on-the-Lake has initiated a STRA compliance pilot program to enhance its ability to manage STR compliance and enforcement. This pilot program offers 24/7 support for complaint resolution, aiming to assist By-law Enforcement Officers and improve community service in response to rising STR complaints.
- Collingwood's fee is approximately \$350. Notably, Collingwood has imposed a cap of 200 issued licenses. Once 200 licenses have been issued, new applications will be placed on a waitlist.

In addition to the above, Staff also evaluated the actual service cost related to the STRA licensing program. The City already administers a similar licensing/enforcement program under the B&B By-law whereby the review and inspection process is similar,

especially with the inspection component. Reviewing and renewing STRA and B&B licenses demands significant administrative effort across multiple departments, generally consuming six (6) to ten (10) hours of staff time per license/property. The current application fee amount to obtain a B&B license in the City of Stratford is currently \$201.00 plus \$122.00 for each additional room. These rates adjust annually with Consumer Price Index as published by Statistics Canada.

The City’s By-law Division staff advise that there has been more administration and enforcement time associated with individual STRAs in the City compared to individual B&Bs. Although there is no specific data to confirm that STRAs require more administration and enforcement than B&Bs, it is apparent that STRAs pose greater challenges in ensuring compliance. Consequently, it is proposed that the licensing fee for STRAs be set higher to reflect these additional enforcement needs.

Administrative Monetary Penalties (“AMPs”) are being developed to address non-compliance.

Accordingly, it is proposed that the STRA license application fee structure be set at \$402.00 (double the current B&B license fee), with the same additional charge (\$122.00) for each extra room. This increased fee adjustment is suggested to reflect the heightened administrative, enforcement, and service provision costs specific to STRAs, and sets the fees in-line with other jurisdictions.

Specifically, the fees recommended to be added to and form part of Schedule “B” of the City’s Fees & Charges By-law (and be reviewed annually) are:

<b>Item</b>	<b>Fee</b>
i) Application Fee for Short Term Rental Licence (First Room, and per Application/Licence)	\$402.00
a. Plus the following applicable amount per additional room:	\$122.00
ii) Late Filing Fee (per Application/Licence)	\$68.00
iii) Transfer processing Fee (per Application/Licence)	\$33.00
iv) Appeal Fee (Short Term Rental & Bed and Breakfasts)	\$180.00

Also included in the above is an “Appeal Fee”. An option to appeal is set out in both the Accommodation Licensing By-law as well as the B&B By-law; both refer to the charge as specified in the Fees & Charges By-law.

Appeal fees are a part of the appeal procedure for the licensing of these accommodations. Where an Officer refuses to issue or renew a license or where the

Officer elects to suspend or revoke a license, the licensee can appeal their decision to the Appeal Committee in accordance with the requirements of the applicable by-law.

A part of the procedure is the requirement for the licensee to pay a fee for the appeal request. Staff recommend that this fee be set at \$180.00. This fee would be the same for both the Accommodation Licensing By-law as well as the B&B By-law.

Public Notice of the City's consideration of establishing such fees was issued in accordance with the City's public notice policy. Members of the public are invited to provide comments, and any comments received in advance (i.e. provided to Staff) will be provided for Council and public information by Staff at the public meeting.

If the recommendations of this Report are supported, revenue will be created through the fees for short-term accommodation licenses.

Using 2023 as a guideline, there were twenty-eight (28) STRA licenses issued. Five (5) STRA licenses were cancelled, not completed or declined. For 2024, to date, the City has issued seven (7) licenses, and foresees that approximately thirty (30) licenses from 2023 will be renewed. Staff estimate that the City could issue approximately forty (40) to seventy-five (75) licenses per year and could increase based on the enforcement of existing un-licensed STRAs, which is expected to improve with the implementation of an AMP by-law.

The proposed licensing fees are designed to cover the costs associated with administration and enforcement, aiming to avoid the need for funding from municipal property taxes. Any surplus generated will be accounted for in the By-law Division's finances and affect the City's financial status. Since it is intended that fees merely cover expenses, Staff will assess fee structures against actual costs and revenues during annual budget reviews, maintaining a focus on financial responsibility and transparency.

### **Financial Implications:**

#### **Financial impact to current year operating budget:**

The 2024 budget was prepared without any estimated STR licensing revenues. Based on estimated license volumes, there could be additional revenues created of \$20,000 to \$35,000 that will effectively be used to offset the costs to administer the by-laws. In addition to licensing revenues, the City could also anticipate Municipal Accommodation Tax (MAT) revenues. These revenues are based on seasonal room availability volumes and accommodation values and will be analyzed as the program matures.

#### **Financial impact on future year operating budget:**

As the City licenses more of the STRAs, there will be additional revenues from the licensing, revenues from the Municipal Accommodation Tax, with nominal increases to costs.

## **Alignment with Strategic Priorities:**

### **Strengthening our Plans, Strategies and Partnerships**

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

### **Widening our Economic Opportunities**

Strengthening Stratford's economy by developing, attracting and retaining a diversity of businesses and talent.

## **Alignment with One Planet Principles:**

### **Equity and Local Economy**

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

### **Culture and Community**

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

### **Travel and Transport**

Reducing the need to travel, encouraging walking, cycling and low carbon transport.

**Staff Recommendation: THAT the report titled, "Accommodation Licensing By-law Fee Implementation" (COU24-036), be received;**

**AND THAT Schedule "B" of the City's Fees and Charges By-law 117-2023 be amended to establish license application fees for the City's Accommodation Licensing By-law 130-2022 as recommended in Report COUC24-036.**

**Prepared by:** Adam Betteridge, MPA, MCIP, RPP, Director of Building and Planning Services

**Recommended by:** Joan Thomson, Chief Administrative Officer