

January 11, 2023

Hamilton, Ontario

Hamilton City Council

Dear councillors,

I am writing to you today in regards to the proposed regulations for short-term rentals in Hamilton. While not privy to the staff report itself, I have made some educated guesses based on press coverage. Short-term rentals are a win-win for Hamilton, and banning or restricting them is a short-sighted view that council should not pursue. Licensing and regulation would be a better path forward, for guests, hosts, and the city of Hamilton.

Let's look at some numbers for context. CMHC's Rental Market Report of Feb 2022 (<https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2021-en.pdf?rev=a5a0eaac-6f70-4058-8aa3-e6d307685910>) indicates that there were approximately 35,000 private primary rental units in Hamilton in 2021. A report from SPRC Hamilton (<https://www.sprc.hamilton.on.ca/wp-content/uploads/2020/03/SPRC-Hamilton-Rental-Landscape-Primary-Private-Rental-Stock.pdf>) indicates that as of 2016, private primary rentals consisted of 51% of available housing. Assuming this trend held, that would give us approximately 70,000 rental units in Hamilton, including private secondary and subsidized.

AirDNA is a short-term rental data aggregator that is used by those in the short-term rental (or STR) industry to help make business decisions. The most recent data indicates that Greater Hamilton (including Binbrook, Mt. Hope, Ancaster, Flamborough, Waterdown) has 1,354 STRs available. Earlier in the year it was at 765, some of the increase being attributable to summertime-only rentals. I expect the number to drop to between 800-1000 in 2023. Of the 1,354, 268 (or 20%) are private rooms, 11 (or 1%) are shared rooms, and 1074 (or 79%) are "entire home" rentals. Entire home rentals consist of self-contained units, so could be a condo, part of a duplex or triplex, or an entire single-family home.

If we can accept that Hamilton has approximately 70,000 rental units (understanding that there are numerous illegal and uncounted rooming houses, etc), then short-term rentals make up about 1.9% of the rental stock in Hamilton. The "entire home" category makes up 1.5% of rental stock. Keep in mind, this is a percentage of rental stock only, not total available housing in Hamilton.

One common argument against allowing STRs in a municipality is that they decrease affordable housing availability. I would argue that they do not affect affordable housing, since these units would never be rented out on the bottom end of the rental market. With the exception of shared accommodations, most STRs have to be appealing, in a nice neighbourhood, and well-maintained, in order to attract guests. As long-term housing, these units would tend to be on the upper end of the rental scale.

It is true that some STRs could be used as regular, long-term rentals (LTRs). If all the "entire home" rentals were converted to LTRs, that would theoretically add 1074 units. This would not materially reduce rental

prices, or alleviate the rental shortage. The City would also face a loss of tourist and other revenue with the reduction in short term stays.

The thousands of stays that Hamiltonians host every year through AirBnB and other platforms are beneficial to the City of Hamilton as a whole. These units provide overflow accommodation for local events, when hotels are full. The following is taken from a Norfolk County report on alternative accommodations: *Airbnb reports that home sharing guests “stay longer than traditional tourists, spend more on local businesses, and are more likely to be return guests to the market as a result of their experience.” The average economic impact of a same day visitor in Southwest Ontario is \$73, while the economic impact of an overnight visitor increases to \$171 per day.* (https://www.norfolkbusiness.ca/development-process/alternative-accommodation-business/#_ftn9)

I have only anecdotal evidence for this, but I would also argue that Hamilton has become a destination for travelers that would not otherwise stay here. AirBnB has created a new type of travel and accommodation that simply did not exist before, and that extends to cities such as Hamilton. As a host, my wife and I have hosted hundreds of people over the years that stayed with us because Hamilton is midway between Niagara Falls and Toronto, and having a place that their whole family could stay in made this a possible vacation destination. Had their only other choice been a hotel, they simply would not have made the trip. My point here is that short term rentals produce new revenue for cities, and this should not be overlooked.

Without getting too far down the rabbit hole, the real culprit in soaring housing prices and the resultant unaffordability is the massive increase in money supply in the last several years. Organic factors such as increased immigration, housing supply shortage, shortage of purpose-built rental stock, and low interest rates have been pushing prices up, especially since 2015, but the increase in M2 since the COVID crisis has pushed prices to a fever pitch. Houses have become commoditized – this is a macroeconomic trend that dwarfs any effect STRs might have.

Another argument against short-term rentals is that they encourage bad behaviour, in the form of parties, and disrupt neighbourhood life. This has been a problem in the past, but platforms such as Airbnb have taken steps to stop these types of bookings before they happen, and to ban guests that engage in such behaviour. Short-term rentals as a category has matured, and hosts no longer can get away with the “list it and forget it” attitudes that were common in the early days of AirBnB. Hosts need to be more business-like and pay attention to their listings and neighbourhoods. In our case, we have actually hosted the families of neighbours of our short-term rental, since we cultivated good relationships and have nice, clean, well-maintained properties.

All in all, STR hosts need to be better landlords than regular, long-term landlords. The reason is that they need to stay in good standing with platforms like AirBnB in order to continue to attract new guests. The way to do this is by getting good reviews from guests, and the way to do that is to have a superior listing that is well-maintained. A short-term landlord can’t afford to ignore that leaky faucet or unkempt lawn.

My wife, Kirsten, and I own Joyhill Property Management. We manage short, mid, and long-term properties, and without a doubt, the owners of short-term rental properties want them in tip-top condition, as opposed to long-term owners that are much less concerned with maintenance and having the property beautify the neighbourhood.

So the benefits to the city include increased tourism revenue, well-maintained properties, and increased visitor presence in the City of Hamilton.

Consider some jurisdictions that have banned STRs, with a few exceptions for in-home stays while the owner is away. These include Toronto and St. Catharines. There are 297 listings in St. Catharines, some brand new. There are over 12,000 in Toronto. Can staff keep up with finding and fining the listings that are operating in contravention of their STR bylaws?

In 2017, Toronto had 12,714 STRs operating. That number is now 11,095 and climbing. Clearly the much-vaunted legislation has had little effect on the number of STRs and certainly has had no effect on affordable housing. This is the road that Hamilton is looking at going down – spending at least a quarter of a million dollars per year for no appreciable effect.

There is another trend amongst investors that will affect housing, and affordable housing, to wit. You may know that the Landlord-Tenant Board system is essentially broken. Landlords are looking at 8-12 months just to get a hearing for eviction of non-paying tenants. I have heard time and again from investors that they do not want to go back to long-term rentals given this scenario, and want to explore short-term rentals. If they are forced to go the long-term route, they are generally upgrading their rental units to upscale accommodations, increasing the rent past market rent, and only renting to tenants with high incomes and impeccable credit scores. Some landlords are only renting by the room to maximize income. “Regular” renters are effectively being squeezed out of the market, or having to live in substandard housing. Restricting short-term rentals will have no effect on this problem either.

A better approach would be to license and regulate short term operators to weed out the bad apples and ensure that the rest are operating to standard. Many jurisdictions have also implemented a lodging tax, similar to that levied on hotels. Most professional hosts, while not volunteering to pay extra, would be in favour of this approach as it creates some certainty in business planning. This would be a great way to turn a challenge into an opportunity.

Hamilton is a growing, vibrant city, becoming a destination in and of itself. Having a flourishing STR industry could only benefit the city financially and culturally. AirBnB is in 191 countries, over 100,000 cities, with over 5.6 million listings. It’s not going anywhere, nor are the many other platforms like VRBO, booking.com, and so on. It would make more sense for the City to acknowledge that short-term rentals are a permanent part of the landscape and benefit from them, rather than fight them.

I would be happy to provide more information, to organize a group of local hosts to give input to the City on short-term rentals on an ad-hoc or permanent basis, and even to organize tours of local short-term rentals to give councillors a taste of what it’s all about.

Wishing you all the best in your deliberations,
Mark Krikke