

To: Lord Mayor, Councillors

From: John Foreman, President, NOTL BBA

March 2, 2021

Subject: Briefing Note on the STR Situation in 2021,

2020 was an extremely difficult year for STRs, especially B&Bs. Despite the progress made against the COVID 19 pandemic, 2021 is not looking much better. The purpose of this briefing note is to explain the situation that STR owners are facing in 2021 and identify actions by the Town which could help ensure that licensed, tax paying STRs have a fair chance to survive and continue to play a vital role in the support of the tourism industry and business community in Niagara on the Lake. This briefing note expands upon information contained in the BBA's letter to Council of Feb 19, 2021.

STRs provide accommodation for tourists visiting Niagara on the Lake and so our activities are heavily driven by the cycles of the tourist season. The peak season for STRs is June through September. Approximately 2/3 of the year's bookings are in these 4 months. However, the rest of the year is still important to STR owners. In the Fall, Christmas shopping trips and the Shaw Christmas shows drive a strong weekend business. In January and February, the various seasonal festivals (e.g., Ice Wine Festival) also drive weekend business. March and early April are slow. Late April and May are primarily weekend business and depend a lot on the weather (NOTL being especially beautiful in Spring).

The number of room-nights our members booked in 2020 was dramatically down from 2019, due to a combination of forced closures due to COVID 19, lower number of tourists (especially Americans) and also reduced capacity due to the requirement to accommodate social distancing. In my own case, in 2020 we booked only 18% of the room-nights that we did in 2019. Other B&B owners I talk to were generally in the 15% to 25% range. Cottage rentals were a little higher, bringing the average up to the 30% range (although cottage rentals were less affected by social distancing requirements, they were especially hit by the lack of American guests who often book the same week year after year).

Of course, we were all shut down until July due to the pandemic, but the even bigger impact for B&Bs was that they did not generally open all of their rooms for reasons of safety and COVID protocol compliance.

In my case, we operated only one room at a time (of our 3 rooms) in 2020 in order that we could comply with social distancing requirements. After a room was used, we would leave it dormant for 48 hours, and give it a thorough cleaning, before using it again. Thus, we toggled our way through the season, alternating two rooms but one at a time.

Some B&Bs were able to operate more than one room, if their particular set-up allowed it (e.g., serving at separate tables or in shifts or in-room).

In all cases, the cost and effort of serving our guests and cleaning the rooms was far above normal, and the associated income was far below normal.

The decrease in income has had a dramatic impact on many of our members. The STR “business” is not particularly lucrative. Income is limited by the number of nights you are able to fill a room and the amount you can charge per night, less of course the associated expenses. In my own case, of the 365 nights last year, we had guests on 48 nights, compared with 133 nights in 2019. Total rooms rented in 2020 were 59, compared with 336 in 2019, down 82%.

And of course, there are expenses to cover, which did not decrease in proportion with the reduced number of rooms booked. B&Bs are generally larger (and older) homes and thus have higher than average maintenance, utility and tax expenses.

Most of our B&B owners are in their 60s, running a B&B as a semi-retirement venture to supplement their income before full retirement (myself included). The average duration for running a B&B is five years. Most of our cottage owners purchased their property as a retirement home and are renting it out to cover costs until they are able to move to NOTL (there are very few Corporate owners or multiple-unit owners). In most cases, the loss of two years income is a significant blow.

Most of our members (especially B&Bs) rely on their STR income to cover not just the STR expenses, but also their living expenses and as well as any mortgages or loans. As “self-employed” individuals, getting or renewing a mortgage or loan from a bank is difficult at the best of times, but far more difficult under the current situation when income is very uncertain.

Most STR owners rely on a strong summer to carry them through the winter. In the spring, deposits for upcoming summer stays carry them until the season begins. This past year has been a “perfect storm” situation. Cancelled summer stays meant not only lost income, but also that deposits had to be returned. Fall business was meagre and winter business was non-existent. The deposits that would normally come in spring are not coming this year as there is too much uncertainty for people to book ahead (especially American guests).

For 2021 it is too early to know to what level STRs will be able to operate and whether there will be a “recovery”. Experts are saying that masks and social distancing will be with us right through 2021 and maybe longer. If so, STRs (and especially B&Bs) will be looking at another very bad year. Even if the peak tourist season is more robust than last year, most STRs will not be able to operate at their normal capacity due to the need to comply with the safety protocols. In my own case, we are assuming that at best we can operate at half capacity.

A number of our members, especially B&B owners, are closing their doors for good (and selling their houses) as they could not carry their debt. Ironically, despite the strong real estate market, B&Bs are proving difficult to sell. It takes a special type of person to want to run a B&B, and to be willing to undertake the care of a historic home. Overall, NOTL will definitely have fewer B&Bs at the end of the pandemic. That is a trend we want to reverse, as we believe that B&Bs add character to Niagara on the Lake, as well as serving a valuable role in the Tourist Accommodation sector.

The suggestions provided below will not solve all of these problems. But flexibility in consideration of these difficult times would be helpful and appreciated.

We would like to ask for your consideration of the following requests:

1. **Flexibility re Licenses and Invoices:** Many of our members are considering remaining closed in 2021 for safety reasons (public & personal), but they will not be able to make that decision until the pandemic situation is more clear, which may possibly not be until well into the summer. We request that the Town be flexible with 2021 licence fees and renewals to accommodate this special situation.

In particular, we request:

- a. That STRS be allowed to delay paying their 2021 fees without penalty until they are able to determine whether they will open or not. We suggest a target date of June 30 (we note that the deadline for paying was extended last year).
 - b. That STRs who choose not to open in 2021 be allowed to put their license on Hold for 2021 (no License fee required) and that they be allowed to resume operations in 2022 without having to go through the entire application process again (which our members are being told by Town staff they would need to do).
2. **License fee reduction for 2021:** In recognition of the likelihood of another difficult year, we would like to request a one-time reduction in License fees for 2021 (we note that Stratford has voted to waive STR fees entirely for 2021 due to the pandemic). We suggest one of the following two approaches:
 - 1) Prorate 2021 license fees based on the number of months that an STR is able to be open in 2021
 - 2) Reduce annual License fees by a blanket 33% in recognition that 2021 will be a year of forced closures and lower capacity due to COVID 19 restrictions

These are difficult times for all citizens and businesses in Niagara on the Lake. Some businesses, including some STRs, will not make it. However, the STR Bylaws need not be a factor in those losses. The entire Niagara community is hoping for 2021 to be a year of recovery. Many investments are being made, particularly in tourism, to help NOTL return to its former prosperity and energy. As had been presented to Council last December by many voices, STRs (both hosted and unhosted) are an integral part of the NOTL tourism ecosystem, and we should want them to be part of the recovery. We believe that the requests we have identified above are fair and would help ensure that licensed, tax paying STRs have a fair chance to survive.

We respectfully request that you consider these recommendations. We would welcome further discussion on this.

Regards,

John Foreman
President, NOTL BBA