

BMC's Licencing Policy on Short Term Rentals

Preamble:

Mumbai has been constantly evolving as globally engaged city over the past 150 years. Mumbai as the business capital of India, has made a rapid economic transition over past 100 years, from manufacturing hub to services, and has expanded its national and cross-border roles. City has witnessed and is continuously experiencing emerging Business and setting examples of Mixed-land use for sustainable city development.

Various sections of MMC Act 1888, provision for regulating businesses, namely u/s. 312, 313A, 328, 328A, 337, 355, 390, 394. Categories of business are included through circulars and notifications from the departments. Amidst the changing landscape of emerging businesses and service delivery scenarios, there is a need for supporting emerging business at local body level, which could provide additional revenue sources.

In recent years there has been a rise in the use of online platforms like Oyo, MakeMyTrip and Air BNB (collectively known as "Online Travel Agencies" (OTA) amongst others to rent out residential properties on short term basis under "Home Stay" category for students, tourist and business travellers. These OTAs serve to aggregate demand for such short term rentals.

This trend is globally increasing and is an evolving business. Nowadays, people visiting Mumbai for trade/business and tourist prefer to stay in residential properties which are cheaper and convenient. These places are comparatively cheaper in rates than residential hotels and have become popular in middle-class traders/corporate staff for a shorter stay of 4 to 7 days. These residential properties are managed by the commercial platforms like Oyo, Air BNB, Stay-Vista etc. There are advertisements on their platforms; these can be termed as Short Term Rentals (STR).

While the online platforms are professionally run as companies, there is no regulation for the properties listed on such online platforms. While, emergence of OTAs has aggregated demand for STRS, the supply side in

Mumbai is regulated under the category of "Lodging House License" u/s 394 of MMC Act in non-residential premises.

The supply side, comprising commercial properties in Mumbai under the said business category are majorly listed under "Keeping a lodging House", regulated by MOH at ward level u/s 394 of MMC Act 1888. However, residential properties used for short term rentals are currently not regulated by BMC. It is presumed that for STR in residential premises, current rule for "Leave & License agreement, with police NOC and society NOC, might be adopted. As STR is a commercial activity, there is a need to regulate the same u/s. 394 of MMC Act 1888 to ensure compliance to health & lodging norms.

Scope and Objective

To support and regulate supply side of STRs and home stays and the demand side of OTAS under the new business category of "Short Term Rentals" in residential premises, which is currently not recognized under any business category under provisions of MMC Act 1888 considering Ease of Compliance, Ease of Doing Business, Ease of Monitoring and an additional revenue source for BMC, in line with the BMC's Municipal EODB Framework approved vide No. MGC/F/6194 dt. 05.04.2022

Policy Components:

Licensing

Since "Keeping a Lodging House" is regulated u/s 394 by MOH, similar regulations may be extended for listing properties with the online platforms by the property owners/ aggregators, with prior approval/license from BMC. Only such licensed properties may be listed on the various online platforms for Short Term Rentals and obtaining a licence from the BMC shall be mandatory.

Proposal from the office of Executive Health Officer (EMO) vide no. **HO/34412/C, dt 25.01.2024 with due approvals to be considered as part of this policy document for the purpose of regulating such business, with conditions as below:**

1. License can only be granted in an independent building with room/rooms for residential lodging purpose irrespective of change of user / reservation status of premises or commercial status.

As the main purpose is to allow such businesses in residential premises and at the same time to regulate it and generate the revenue, the insistence of change of user/commercial status will be contradictory to the Ease of Doing Business.

2) The License will be issued only in the building/premises which already have O.C. or Part OC

3 NOC from other permanent Residents/Society of premises is required.

4) Fire NOC/compliance may be relaxed for Residential Flats (up to 10 rooms) or Bungalows utilized for Residential lodging (As the premise is already having residential flats which are occupied. Since it will be already an existing residential building which will have fire compliance)

5) Building and Factory Dept. N.O.C. is not required as it is not commercial lodging house.

6) To apply the current fees structure of commercial lodging houses & to waive off the Trade Refusal Charges In addition 1% at net revenue of such units, shall be paid as 'License Charges annually. This fee shall be paid monthly by the owner/aggregator to BMC via the BMC's online portal. Net revenue shall be defined as the revenue generated by the unit not of the OTA commissions.

7) No display of signboard/neon board of Short Term Rentals to be allowed on such premises.

License Category

A separate sub-category of Short Term Rentals under MOH license u/s 394 of MMC Act 1888, will be added in the online module of business permissions as per terms & conditions rates and procedures approved by EHO office.

Criterion

Permission/license from MOH will be the mandatory criterion for listing of residential property under Short Term Rentals, with NOC from Society and intimation to police about guest details,

Special Terms & Conditions for license u/s 394 by MOH:

1. The room or rooms to be provided shall not be less than 9.2903 sq. meters (100 sq. ft.) each in floor area, not less than.
2. 8 feet on any side and not less than 9 feet in height.
3. The Number of lodgers accommodated in each room shall be such as to have for each lodger a floor space not less than 2.3226 sq. meters (25sq.ft.) and air space not less than 7.076c. meter (250 cubic feet)
4. The room or rooms so provided shall be well lighted and well ventilated.
5. The floorings of rooms shall be paved and shall have smooth and even surface
6. The rooms shall be lime washed at least twice year and the wood work oil painted every three years
7. No person suffering from any contagious infectious or loathsome disease shall be employed in any capacity or shall be allowed to lodge on the licensed premises.
8. The premises shall be kept in a clean and sanitary condition at all times.
9. A clean bed and bed-sheet shall be provided to each lodger
10. The owner/aggregator shall maintain an online reporting system with the local police jurisdiction of the unit and the owner/aggregator shall obtain a

police license as required under the law in addition to the monthly report to be submitted to the BMC online. The owner/aggregator shall be responsible for undertaking and obtaining the KYC documents and maintain the records as required for a minimum period of 5 years.

11. The owner of the premises who meets the above criteria must engage with an aggregator who either directly or through its associate company must have experience in operating and owning at least 1 Five star category hotel of at least 250 rooms and must have a net worth either directly or through its associate company a net worth of at least Rs. 500 crore. For the purpose of this regulation the term 'Associate' shall be as defined as, "an entity shall be deemed an 'Associate company' in relation to another entity if either of the two exercises control over the other, or both entities fall under the dominion of a common set of promoters encompassing their immediate family members".

12. Every property must have insurance coverage of Rs. 40 lacs at least.

Property Tax

Residential properties listed for Short Term Rentals may be considered for commercial property tax charges. (A moderate property tax rate between residential and commercial rates may be considered, so as to promote the said business and not a deterrent).

Duration

License to operate a "Short Term Rentals may be granted for a period of 10 years and renewed thereafter through the online module/mobile app, by just mention of previous licenses no. Non adherence to the license terms and conditions shall entail a penalty equal to 50% of the revenue generated from the unit for the first instance of violation and 100% of the revenue generated from the unit for every instance thereafter.

The said policy has received administrative approval and will be implemented shortly.