

**Date:** 2023-11-02

**Subject:** **Proposed Residential Rental Licensing Pilot Program for Wards 1,3, 4, 5 and 7(RM 23/2023 and 25/2023)**

**Contact:** Jeffrey Humble, Manager, Integrated City Planning

**Report Number:** Planning, Bld & Growth Mgt-2023-921

**Recommendations:**

1. That the report from Integrated City Planning to the Committee of Council Meeting of November 29, 2023, re: **Proposed Residential Rental Licensing Pilot Program for Wards 1, 3, 4, 5 and 7 (RM 23/2023 and 25/2023)**, be received;
2. That the attached business licensing by-law (attachment 1) for the residential rental pilot program be approved and the program be launched on January 1, 2024;
3. That the following licensing fee structure be implemented for applications submitted in 2024, as part of the initial launch of the pilot program: 0 to 3 months one hundred percent (100%) licensing fee waived; 3 to 6 months fifty percent (50%) of the licensing fee waived; and 6 months onward zero percent (0%) of the licensing fee waived;
4. That for the two-year term of the RRL pilot program commencing on January 1, 2024, a licensing fee renewal be required on January 1, 2025
5. That the dedicated task force for the Residential Rental Licensing Pilot Program commence in Q4 2023 and continue for the term of the pilot; and,
6. That staff bring forward a mid-term and final report to Council evaluating the RRL pilot program and seek further direction from Council.

**Overview:**

- **The Residential Rental Licensing (RRL) Pilot Program is being established for Wards 1,3,4,5 and 7 to protect tenant health, safety and character of neighbourhoods.**
- **The two-year RRL pilot program is expected to be launched in Q1 2024 with the target date of January 1, 2024.**
- **The RRL will apply to Additional Residential Units (ARU) and single housekeeping units (defined as a unit in which an occupant has exclusive possession of any part of the unit) that are being rented within the applicable wards of the pilot.**
- **The RRL pilot program will apply to properties renting a maximum of four (4) or less dwelling units, dwelling units intended or used for rental housing, and owners or operators of rental housing.**
- **Applies to four units within a single housekeeping unit or principal dwelling plus two ARUs.**
- **The RRL pilot program will include between 150 to 225 random inspections per year.**
- **The proposed licensing fee, as part of the pilot program, is \$300.**
- **Staff have included a 2024 budget request of \$625,000 and a subsequent 2025 budget request of \$750,000 to fund the resources needed to launch and run the program, pending Council approval.**

**Background:**

On September 20, 2023, [staff presented a proposed framework](#) for the Residential Rental Licensing (RRL) pilot program based on Council's direction in late March 2023. The report included a request for additional staff resources to support the launch of the program. The RRL program is being established as a two-year pilot commencing in Q1 2024 in Wards 1, 3, 4, 5 and 7 as identified by Council, and implemented as a measure to address the escalating number of housing-related complaints in the area.

[Council supported](#) the preliminary framework presented by staff and requested that the final implementation plan – including the licensing by-law, application form, and process of the RRL pilot program – be presented in late Q4 2023, with a target launch date of January 1, 2024. Staff submitted a budget request for funding in 2024 to hire additional staff needed to commence the program and incorporate a strategic communications strategy.

## Residential Rental Licensing (RRL) Task Force

A Residential Rental Licensing (RRL) Task Force has been created with representation from key divisions including Enforcement and By-Law Service, Fire and Emergency Services, and Building, as well as area Ward Councillors (Councillor Keenan, Councillor Santos and Councillor Power). Once the pilot program commences into the first quarter the RRL Task Force will meet on a regular basis and address any challenges over the course of the two-year program.

## Lodging Houses

Staff presented the framework of the RRL pilot program at a town hall meeting for Wards 3 and 4 held at City Hall on October 17, 2023. Approximately sixty (60) residents attended the session noting concerns with the illegal lodging houses pertaining to safety, parking, property standard issues, compliance with Building and Fire Codes, and the need to address problem properties. They also inquired about the uptake of the program and enforcement measures that can be taken to improve their neighbourhoods.

The city currently licenses lodging houses and enforces illegal lodging houses through business licensing by-law [184-2023](#). The intent of the RRL pilot program is to require owner's of ARUs and single housekeeping rental units to obtain a business licence in order to operate within the applicable wards, and not to address the issue of illegal lodging houses.

## **Current Situation:**

Staff have met with the area Ward Councillors on the RRL Task Force to further discuss the items brought forward (see table below) at the September 20, 2023, Committee of Council meeting, and have included them in the pilot program.

<b>Committee of Council Discussion</b>	<b>Opportunities</b>	<b>Considerations</b>
<p><u>Proposed licensing fee structure for applications submitted in 2024 (1<sup>st</sup> year of the pilot program)</u></p> <ul style="list-style-type: none"><li>• <b>0 to 3 months:</b> One hundred percent (100%)</li></ul>	<p>Incentivizing more individuals to sign-up at the initial phase of the pilot program.</p>	<p>What will be the status of the application submission to qualify for the waiver? Staff recommend a complete application, including all supporting documentation be submitted and ARU registration. This may present a challenge as many applicants will require assistance with their application</p>

<p>of the licensing fee waived.</p> <ul style="list-style-type: none"> <li>• <b>3 to 6 months:</b> Fifty percent (50%) of the licensing fee waived.</li> <li>• <b>6 months and beyond:</b> Zero percent (0%) of the licensing fee waived.</li> </ul>		<p>submission requiring additional resource time, potentially impacting the applicant's submission.</p> <p>May lead to a potential loss of revenue in the first year of the program depending on the number of applications submitted within the first six months of the program, which could impact the program's capital budget depending on how the pilot program is structured.</p> <p>It's anticipated awareness of the RRL pilot program will take over 4 months to educate landlords of the program and applicants may not qualify for the licensing fee waiver.</p>
<p><u>Annual renewal for the pilot program preferred</u></p>	<p>Landlords are operating a business and an annual renewal should be required.</p>	<p>Education and enforcement are key to promoting the program and having landlords apply for the RRL, which may take six (6) to nine (9) months from the program launch date. Therefore, having individuals renew when a licence is obtained close to the end of year may not be seen as reasonable to the applicant.</p> <p>There will be an impact on the resources required to administer renewals which may require additional staff time to follow-up with each applicant.</p> <p>Staff recommend keeping the pilot program as a one-time fee and evaluate the annual renewal option if the program is continued beyond the two-year pilot.</p>

<u>Single housekeeping unit being included in the RRL pilot program</u>	Capturing number and incorporated companies that are operating in the City to require a business licence similar to the ARUs.	Staff have included single housekeeping units into the program and will evaluate whether the RRL pilot program is effective dealing with property standard complaints.
<u>Not exempting the licensing fee for ARUs that have registered in the past two years (since 2021) as recommended by staff</u>	Should pay the fee as well since the landlords are operating as a business.	Staff continue to support the fee exemption for ARUs that have registered in the past two years as each applicant has paid the required fees and inspections, and the additional fee may hinder applying for a business license. These recently registered ARUs will be required to obtain a licence.
<u>Providing adequate parking</u>	Ensuring adequate parking is provided for the tenants.	A parking plan will be required as part of the online application form.

Previous Committee of Council discussion included the possibility of licensing exemptions based on immediate familial relationships between the tenant and landlord. In Ontario, prevailing law and human rights duties would preclude establishing a licensing system based on such relationship distinctions. As per the Ontario Human Rights Code, licensing bylaws seek to regulate rental housing by requiring that landlords operate their properties according to certain standards such as, provisions related to garbage and snow removal, maintenance, health and safety standards, and parking.

Instead, the pilot program will include a property owner declaration that the dwelling unit is not being rented to anyone for monetary consideration for registered the ARU or single housekeeping unit within the applicable wards and may still be subject to inspection by the City.

## Corporate Implications:

### Financial Implications:

As noted in the [previous report](#) (refer to attachment 3) to Committee of Council on September 20, 2023, staff estimate the cost of the two-year pilot program will be \$625,000 in 2024 and \$750,000 in 2025 and the total revenue is estimated to be \$225,000 in 2024 and \$225,000 in 2025, resulting in a total shortfall of \$925,000.

Should Council proceed with the license fee waiver for 2024 and annual licensing fee, this will impact the projected revenues, as follows:

Item	Estimated Revenue Impact	Comments
Fee Waiver	\$225,000 Revenue Loss	Assuming all projected licenses in the year 2024 will be deemed complete in 0-3 months, this would result in a lost revenue of \$225,000 over the two-year pilot
Annual Licensing Fee	\$225,000 Additional Revenue	Assuming the licenses registered in 2024 will be up for renewal in 2025, this would result in an additional \$225,000 of revenue over the two-year pilot program
Net Total	\$0	

### Communications Strategy

Since September 2023, staff have moved forward with preparing a web page for the program and property tax buck slips that will be mailed out to all residential households in the City in December 2023/January 2024 to notify the public of the pilot program and which wards are affected. After Council endorses the by-law for RRL pilot program, staff will update the webpage and continue to implement other communication measures to educate residents and inform industry stakeholders of the pilot program.

The communications strategy will focus on the health and safety aspects of the RRL pilot program, the overall benefits for renters and operators alike, as well as, helping to maintain continuity within city neighbourhoods.

### **Strategic Focus Area:**

This report aligns with the City's Strategic Focus on Healthy and Well-being by supporting the City's Community Safety and Action Plan by introducing a Residential

Rental Licensing Pilot Program and Code of Conduct that protects the health and safety of individuals in the rental housing market and outlines the responsibilities of landlords.

**Conclusion:**

This report outlines the requirements of implementing a RRL two-year pilot program commencing on January 1, 2024, within Wards 1,3,4,5 and 7, as directed by Council. The RRL pilot program will focus on registered ARUs and single housekeeping units to obtain a business license through education and outreach within the applicable wards. The RRL Task Force will meet on a regular basis to addresses any challenges and evolve the pilot program as needed during the two-years.

The objectives of the pilot program are to protect the health, safety and well-being of residents. The intent of the two-year pilot is to evaluate whether implementing a business licensing program for residential rental properties is an effective measure to reduce the number of property standard complaints and preserve the character of neighbourhoods.

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**Attachments:**

- Attachment 1 – Proposed Residential Rental Licensing By-Law
- Attachment 2 – On-line RRL Application Form Template
- Attachment 3 – Staff report to Committee of Council on September 20, 2023
- Attachment 4 – Infographics of Permitted and Non-Permitted Units