

**Date:** 2023-08-25

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

**Contact:** Mirella Palermo, Policy Planner, Integrated City Planning  
Jeffrey Humble, Manager, Integrated City Planning

**Report Number:** Planning, Bld & Growth Mgt-2023-629

**Recommendations:**

1. That the report from Mirella Palermo, Policy Planner, Integrated City Planning, to the Committee of Council Meeting of September 20, 2023, re: **Residential Rental Licensing Pilot Programs for Wards 1,3,4,5 and 7 (RM 23/2023 and 25/2023)**, be received;
2. That the proposed Residential Rental Licensing (RRL) Pilot Program Framework, as outlined in this report, be approved in principle for the two-year pilot program, with target implementation as of January 1, 2024;
3. That City staff proceed with a stakeholder and public engagement plan as outlined in the report to obtain feedback and comment on the RRL Pilot Program for inclusion in the final recommendation;
4. That staff be requested to report back to Council with the final recommended Residential Rental Licensing (RRL) Pilot Program, including appropriate by-laws, application forms, process and implementation steps in Q4 2023;
5. That staff move forward to create a Residential Rental Licensing Task Force once the program commences in Q1 2024; and,
6. That staff include the cost of the pilot program in the 2024-2026 Capital Budget Submission.

**Overview:**

- **This report addresses Referred Matters (RM) 23/2023 and 25/2023 to report back to Committee of Council on a two-year Residential Rental Licensing (RRL) pilot program.**
- **The objective of the RRL Pilot Program is to protect the health, safety, and human rights of persons, and preserve the character and stability of residential areas.**
- **The pilot program will be launched in Wards 1,3,4,5 and 7, and assessed to determine if the safety of rental housing has improved and if the number of housing related complaints has decreased.**
- **The RRL pilot program is scheduled to commence in Q1 2024.**
- **Staff will conduct stakeholder and public engagement with various groups to educate them about the upcoming RRL two-year pilot program.**
- **Staff recommend that a Residential Rental Licensing Task Force be created to administer and monitor the pilot program.**
- **That Council support the request to hire additional contract staff (two Property Standard Officers, one Business Analyst, two Business Licensing Clerks, one Plans Examiner) to administer the RRL pilot program, in a phased approach depending on the uptake of the program. The request for funding will be included in the 2024 – 2026 capital budget.**
- **The Non-Parking Administrative Monetary Penalties System (AMPS) By-Law 218-2019 shall apply to properties that do not obtain a business license within the prescribed period of time and/or fail to comply with the City's existing by-laws.**
- **The Fire Protection and Prevention Act (1997) penalties shall apply for properties that have Fire Code violations such as, smoke and carbon monoxide alarms.**

**Background:**

In late March 2023, [staff prepared a report to Committee of Council highlighting the City's current registration/licensing programs, Landlord Code of Conduct, and overview of rental licensing programs adopted by other municipalities](#). Following that report, staff were directed to prepare a two-year residential rental pilot program in Wards 1,3,4,5, and 7, starting in Q1 of 2024, to include an implementation strategy and the resources required (refer to Attachment 1 – Staff's response to Council Resolution C077-2023 / CW113-2023).

Staff reviewed eleven municipalities in the Greater Toronto Area and found the majority have implemented a rental licensing program in the past few years to deal with rental housing complaints. In June/July 2023, staff interviewed the cities of Waterloo, Windsor and Hamilton to understand strengths and challenges of their rental housing licensing programs. Each municipality emphasized the importance of having dedicated staff, meeting on a regular basis to deal with issues, reporting back to Council on a periodic basis, and creating a flexible pilot program to address unforeseen challenges. Refer to Attachment 2 for the details of each interview.

## **Current Situation:**

### Proposed Residential Rental Licensing (RRL) Pilot Program Framework

Staff are recommending the following framework for the City's Residential Rental Licensing Pilot Program over the two-year period, commencing in Q1 2024. As directed by Council, the objective of the RRL pilot program is "to protect the health and safety, human rights of persons to protect the residential amenity, character and stability of residential areas. To proactively mitigate potential risks that may exist within a particular business sector and provide enforcement mechanism to respond to complaints relating to that sector."

For the purpose of this pilot program, a residential rental unit is to be defined as a Dwelling Unit which is occupied or offered for occupancy in exchange for Rent or services in lieu of paying Rent, with "Dwelling Unit" meaning one or more habitable rooms designed or capable of being used together as a single and separate housekeeping unit by one person or jointly by two (2) or more persons, containing its own kitchen and sanitary facilities, with a private entrance from outside of the unit itself.

### ***Who is required to obtain a RRL?***

1. Rental properties that are operating in Wards 1,3,4,5 and 7 (during the pilot program)
2. Properties that are renting five (5) or less units
3. Owners of a Rental Housing Unit
4. Operators of a Rental Housing Unit
5. Dwelling units used or intended to be used for a Rental Housing Unit

### ***Exemptions from the RRL Pilot Program?***

1. Properties containing 5 or more units
2. Hotels/Motels
3. Lodging House (subject to Business Licensing By-law 332-2013)

4. Supportive Residential Housing Types 1 and 2 (subject to Supportive Housing Residences Registration By-law 254-2021)
5. Home for Special Care
6. Long-Term Care Homes
7. Residential Care Homes
8. Senior Care Residence
9. Short-Term Rentals (subject to Short-term Rental By-law 165-2021)

***What are the application requirements?***

1. Application Form, including:
  - a. property owner/applicant information
  - b. number of dwelling units, number of bedrooms for each unit, and status (rental unit or principal address)
  - c. ARU registration information
  - d. Declaration of compliance with applicable law, including Building Code, Fire Code, City by-laws
  - e. consent for dwelling unit inspection and/or random inspection during license period
2. Floor Plans
3. Property Standards and Safety Self-Certification Checklist
4. Proof of Property Ownership (including Corporate Ownership, if applicable)
5. Criminal Records Check
6. Parking and Storage Plan with property details such as, garbage disposal, snow removal, grass cutting, disposal of cigarettes, parking etc.
7. Owner Authorization (if applicant is not the property owner)
8. Insurance Coverage Declaration
9. Electrical System Inspection
10. Gas or Fueled Appliance Inspection
11. Emergency Information Package

***Special exemptions to the RRL pilot program***

1. A property that has registered for an Additional Residential Unit (ARU) or Second Unit with the City in the past two (2) years (i.e. Registered within 2022 or 2023). A RRL will be issued for the property however, a license fee will not be required.
2. Residential unit(s) not for rent by the property owner.
3. Sale of property (new property owner does not continue with the residential rental unit).

The following documentation will be needed to obtain a special exemption from the RRL program:

- a. Proof of property sale/ownership;
- b. Confirmation of the ARU registration date;
- c. Declaration signed by the new property owner stating the property/unit is no longer being rented;
- d. A follow-up inspection from Property Standards or Fire to confirm the unit is not occupied; and,
- e. If the property transfer occurs during the pilot program. The applicant who obtained the license may qualify for a partial refund provided all required documentation is provided to the satisfaction of the License Issuer (City Clerk's Office).

### ***Random Inspections***

Staff are recommending that random inspections be conducted for the pilot program targeting units that have registered for a second unit in 2021 or earlier, and units that may have been modified or received multiple complaints to the City over the past two (2) years.

Staff are suggesting between two and three percent (2-3%) of the total number of ARU be randomly inspected. This would equate between 150 to 225 annual inspections from Fire, Property Standards and potentially the Building Division. The City of Waterloo conducts between 100 to 120 inspections annually through their rental licensing program with one Fire Prevention Officer, spending less time reviewing applications.

It is recommended that City departments conduct joint inspections, as it would be more convenient for the property owners. Staff suggest applying an inspection cancellation or no show fee for inspections as needed, in accordance with existing by-law provisions available to Fire, Property Standards and Building Division.

### ***What are the penalties if a rental property is not licensed or comply with existing Property Standards By-Laws?***

Similar to other municipalities and business licensing programs implemented by the City many individuals may not see the value in obtaining a license to operate, especially properties that do not comply with Property Standards By-laws, Fire and Building Codes by modifying the additional residential unit.

The City's Enforcement and By-Law Services Division will apply the Non-Parking Administrative Monetary Penalty System (AMPS) By-Law [218-2019](#) to properties that fail to comply with the RRL program following the grace period (between 6 to 9 months) to obtain a license, or have other violations. The following table highlights the fines that

will be applied for various violations. Failure to pay the fines after fifteen (15) days will be deemed as unpaid taxes, as outlined in the Non-Parking AMPS By-Law.

**Table 1 – Non-Parking AMPS Violations**

<b>Violations</b>	<b>Fines (First Offence)</b>	<b>Second Offence</b>	<b>Subsequent Offence</b>
Operating without a RRL license (fine amounts to be confirmed in the Residential Rental Licensing By-Law)	\$600 (TBC)	\$900 (TBC)	\$1200 (TBC)
Additional Residential Units (ARU) Registration By-Law 157-2022 – Fail to register	\$750	\$1,000	\$1,250
ARU – Fail to comply with an order	\$250	N/A	N/A
ARU – Did obstruct or hinder inspection	\$750	\$1,000	\$1,250
Grass and Weed Cutting By-Law 166-2011	\$250		
Property Standards (PS) By-Law 165-2022 – Fail to comply with an order	\$500		
PS By-Law 165-2022 – Fail to provide adequate garbage containers for patrons	\$250		
PS By-Law 165-2022 – Cause or permit the conversion of a room into a bedroom without a building permit	\$250		
PS By-Law 165-2022 – Cause or permit a person to occupy a cellar, lobby, hallway, closet, bathroom, laundry, stairway, kitchen or any accessory building or shed for sleeping purposes	\$250		
Snow and Ice Removal By-Law 242-76 – failure to remove snow, ice or slush from sidewalk/building	\$250		
Fire Protection and Prevention Act 1997 (FPPA) Sec 30 – Failing to comply with an inspection order	\$20,000 per day		
Part 1 Ticket (FPPA) – Failing to install a smoke or carbon monoxide alarm	\$360		

***What is the proposed fee of the RRL pilot program and is an annual renewal required?***

Staff are proposing a fee of approximately \$300 (refer to Attachment 3 for proposed fee breakdown) per dwelling unit to obtain a RRL for the two-year pilot program. Given the program is only a pilot with a short duration period; an annual licensing requirement does not make sense at this time. If the residential rental license program continues on a permanent basis after the pilot program, annual and/or multi-year license renewals will be considered.

***Anticipated Uptake for RRL Business License***

Similar to past registration and business license programs implemented by the City, staff anticipate a slow uptake in the program. To implement a strong licensing program staff recommend that a dedicated team be assigned to the RRL program, including a dedicated Residential Rental Licensing Task Force, with representation from various departments across the City. Since the program is cross departmental it is recommended that a project manager /supervisor role be created in the future should the program expand City-wide permanently.

Our most recent Short-Term Rental Business Licensing Program saw a response rate of approximately twelve (12%) percent. Staff are anticipating a higher compliance rate for the STR program after Council endorses staff's house-keeping by-law amendments, which will strengthen Enforcement and By-Law Services ability to apply the Non-Parking AMPS By-Law.

The Second Unit Registration Program launched in 2015 experienced a slow uptake in the initial phases. This changed in 2019 onwards when strong enforcement measures were put in place and a dedicated Second Unit Task Force was created resulting in a dramatic increase in registrations.

Based on the Short-Term Rental program implemented staff anticipate that approximately, 15 to 20 percent (1,110 to 1,500 RRL applications) of the registered ARUs will apply for a RRL after receiving notification. Approximately, 2,400 of the recently registered (past two years) ARUs would be exempt from the licensing fee as part of the RRL pilot program special exemption, with the remaining 5,000 ARU registrations requiring a business licence. Therefore, the program would require over 4,550 (90%) of the ARU to apply for a licence (\$300) to recover the estimated expenses for the pilot program over the two years. Based on staff's expectation of receiving 1,500 licence applications, there would be a potential shortfall of approximately \$925,000 in the budget over the two years of the pilot program, as discussed in the Financial Implications section of this report.

**Table 2**  
**Existing Registered Additional Residential Units (ARUs) within Residential Rental Licensing (RRL) Pilot Program Area (as of July 2023)**

<b>Ward</b>	<b>Total Registered ARUs</b>	<b>Registered ARUs in 2022 and 2023 (proposed for exemption from RRL License Fee)</b>	<b>Registered ARUs before 2022 subject to RRL License Fee</b>
1	1293	311	982
3	641	158	483
4	2258	721	1537
5	2254	946	1308
7	1096	335	761
<b>Total</b>	<b>7542</b>	<b>2471</b>	<b>5071</b>

***What are the City resources needed to administer the RRL Pilot Program?***

To administer the RRL Pilot Program it is recommended that additional staff be hired, dedicated to the program. This approach was recommended by the other municipalities to increase the program’s compliance rates.

Over the two-year RRL pilot program, staff will be phased in depending on the current department needs. The City Clerk’s Office is requesting two (2) full-time contract staff to assist with processing the licensing applications. They plan to phase in the hiring of these two positions in 2024 based on the application intake.

The Enforcement and By-Law Services Division plans to bring on three (3) additional staff at the start of the RRL pilot program: two (2) full-time contract Property Standards Officers and one (1) Business Analyst full-time contact position. The Property Standards Officers will be involved in the compliance piece of the program. The Business Analyst will support their division, the RRL Task Force, monitor the program and recommend improvements for compliance. The division notes that without the additional staff, it will be very challenging to maintain the level of existing services as resources are currently being reallocated to deal with Proactive Property Standards Enforcement Pilot Programs, illegal Truck Yard investigations, and significant increase in requests for service. The reallocation of existing staff will impact existing services and will lead to a decrease in overall compliance to property standards violations.

The Building Division is requesting one (1) Plans Examiner be hired in the second year of the program if needed.



The Fire Prevention Division, Fire and Emergency Services, cannot hire contract staff and will utilize existing staff for the pilot program and assess the resource requirements should the RRL program continue permanently.

### Dedicated Task Force for the Residential Rental Licensing Program

In July 2018 the Second Unit Task Force pilot project was launched to assist with the investigation of illegal second units, multiple unit houses and lodging houses to ensure they comply with the Zoning By-law. The Task Force is a collaboration between the Enforcement and By-Law Services Division, the Building Division and Fire Prevention Division. The goal of this coordinated effort is to ensure safety standards are met and the well-being of the occupants who reside in these houses. Currently, the Second Unit Task Force operates under Enforcement, By-Law Services, and Property Standards sections to manage illegal units.

It is recommended that a separate Task Force be created for the RRL Pilot Program to monitor the uptake of residential rental licenses and by-law violations occurring in the applicable wards. Similar to the original task force created for the Second Units, this will be a collaboration between the Building Department, Enforcement and By-Law Services, Clerk's Office and Fire Prevention Division.

### ***Stakeholder Partnership***

To incentivize the RRL program for landlords, staff suggest exploring opportunities to work with existing post-secondary institutions to develop a rental house find program in the City. Google reviews from past tenants, education of tenant responsibilities, rental Code of Conduct, landlord responsibilities may be included as part of the program.

### **Corporate Implications:**

#### Fire Division

When the RRL pilot program commences, Fire Prevention Officers (FPO) will be involved in the random inspections of rental units to ensure Fire code compliance with safety standards for smoke and carbon monoxide in accordance with the Fire Code. With current inspections, Fire Prevention Officers (FPO) have noted the following challenges:

1. Access to units to gain entry – many times individuals residing in the home will not answer or FPO are not able to contact the property owner to schedule an inspection.
2. Multiple visits to a property due to no entry or non-compliance.

3. Property owners not complying with orders issued by the Fire Department that leads to legal action which can be a lengthy process through the court system.
4. Appeals with the Fire Marshal's Office. Under the Fire Protection and Prevention Act owners/occupants have the right to review the order with the Ontario Office of the Fire Marshal, which can account for extra time.
5. Any non-compliance issues reviewed by FPO will be addressed under our jurisdiction of the Fire Code.

These challenges will continue with the launch of the RRL pilot program.

### Enforcement and By-Law Services

When the RRL pilot program commences, Property Standards Officers (PSO) will be involved in the random inspections of rental units to ensure compliance with safety standards under the Property Standards By-Law and Zoning By-Law. With current inspections PSO have noted the following challenges:

1. Access to units to gain entry – many times individuals residing in the home will not answer or respond to PSO notices or orders issued by the PSO.
2. Non-compliance leads to legal action which can be a lengthy process through the court system.
3. Appeals to the Property Standards Appeals Committee, to be known as the New Administrative Tribunal under the Building Code, owners/occupants have the right to appeal the order with the Property Standards Appeals Committee which can account for extra time.
4. Any non-compliance issues identified by the PSO requiring building permits will be referred to the Building Department.
5. If additional resources are not provide for this program, other initiatives will be impacted depending on the scope of work and other inspections may be delayed such as;
  - a. Proactive Property Standards Enforcement Pilot Project;
  - b. Illegal Truck Yards and Unauthorized Land Use Initiative; and,
  - c. Proactive Heritage Pilot Project.

### Building Division

The Building Division will coordinate with Fire and Property Standards on an as need basis for inspections. If modifications to the dwelling unit have occurred the applicant will be directed to re-apply for the Additional Residential Unit registry, which may impact the number of applications being reviewed by a Plans Examiner.

### Financial Implications:

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, as follows:

<b>Item</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Property Standards Officer (2 F/T Contract)*	\$ 287,424	\$ 293,172	\$ 580,596
Business Analyst (1 F/T Contract)*	\$ 123,412	\$ 125,880	\$ 249,292
Business Licensing Clerk (2 F/T Contract)*	\$ 167,048	\$ 170,389	\$ 337,437
Plans Examiner (1 F/T Contract)*	\$ -	\$ 127,316	\$ 127,316
Communications/Other Costs	\$ 47,116	\$ 33,243	\$ 80,359
<b>Total Cost</b>	<b>\$ 625,000</b>	<b>\$ 750,000</b>	<b>\$ 1,375,000</b>
Estimated Revenue	\$ 225,000	\$ 225,000	\$ 450,000
<b>Net Cost</b>	<b>\$ 400,000</b>	<b>\$ 525,000</b>	<b>\$ 925,000</b>

\*Inclusive of salary, benefits, WSIB and other staff related costs

The Residential Rental Licensing Pilot Program will be included in the 2024-2026 capital budget submission, pending Council approval.

Staff will monitor the deployment of the program so that these funds are used most efficiently and opportunities for cost-savings may be realized. Staff will also look to potential funding opportunities from the Province with the dissolution of Peel Region, which may result in a revised budget request in 2025.

### Communications Strategy

After Council endorses the framework of the RRL pilot program, staff will move forward with the following communication to educate residents within the applicable wards of the upcoming 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.

Following this report, staff will engage with various stakeholder groups such as, ACORN of Peel, Real Estate Board, BILD (Building Industry and Land Development Association), landlord association, etc., about the upcoming RRL Pilot Program. The City Clerk's Office will conduct a mailing to all the registered ARUs within the applicable wards in December 2023/January 2024, advising of the program's requirements to obtain a licence within 9 to 12 weeks from receiving the letter.

During this time, staff will coordinate with Strategic Communications and develop a staged approach for outreach beginning in late Q4 2023/early Q1 2024 that will include

traditional media (print and digital), social media, a project page on the City’s website, digital tiles at various community spaces and property tax 'buckslips' to drive awareness. Other tactics carried out from Q2 2024 onwards will include mobile signage at strategic locations, advertisements through ethnic media and radio series interviews, direct mailings and transit shelters.

**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 for implementing a RRL two-year pilot program commencing in Q1 2024 within Wards 1,3,4,5 and 7, as directed by Council with the objective of protecting the health, safety and well-being of residents. The RRL pilot program will focus on registered ARUs to obtain a business license through education and outreach, and then on entire rental homes within the applicable wards. To achieve a 15 to 20 percent uptake in the RRL pilot program, it’s recommend that staff hire the full-time contract positions as noted in this report and create a dedicated RRL Task Force. Staff will report back with the final RRL pilot program before the end of Q4 2023, with implementation commencing in Q1 2024.

Authored by:

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**Attachments:**

- Attachment 1 – Council Resolution C077-2023 / CW113-2023
- Attachment 2 – Municipalities Interviewed on Residential Rental Licensing Programs as of June/July 2023
- Attachment 3 – Proposed Residential Rental License Pilot Program Breakdown Fee Breakdown