

Re: LS15.3a

Framework for a Multi-Residential Rental Property Licence

Tenant Issues Committee

Staff Presentation

November 2, 2016

Presentation outline

1. Introduction
2. Consultation findings
3. Proposed Program
 - Building owner requirements
 - Implementation
 - Cost recovery
4. Future work
5. Next steps

Council and Committee Directives

- **June 26, 2014:** L&S Committee directed ML&S to review the feasibility of licensing landlords in Toronto
- **June 25, 2015:** L&S Committee directed ML&S to report on potential measures to encourage compliance with Property Standards bylaws relating to rental properties, including a Live Safe (Rent Safe) program
- **June 25, 2015:** L&S Committee requested ML&S to report on regulatory options for ensuring safe and adequate rental housing in Toronto, including next steps and consider whether a standard of rental properties with 6 units or greater is appropriate for a licensing regime.
- **July 7, 2015:** City Council directed ML&S to report on a cost recovery model for the MRAB program.
- **June 7, 2016:** City Council directed ML&S to conduct public consultation on the proposed framework for a multi-residential rental property licence.

Public Consultation

- **July – October 2016**
- **7 public meetings – 250 participants**
- **Online survey – 560 respondents**
- **9 stakeholder meetings**
- **Consultation results available:**
www.toronto.ca/mlshaveyoursay
- **Tenant Issues Committee (November 2, 2016)**

Public Consultation

Staff consulted:

- Tenants
- Building owners and property managers
- Enforcement agencies (ESA, TSSA)
- Relevant City divisions
- Industry associations
- Social housing providers
- Ministry of Housing

Goals of Consultation

- Learn about the issues affecting living conditions in rental apartment buildings
- Identify solutions to improve the quality of rental apartment buildings
- Determine the type of building information the City should collect
- Identify ways to improve communication between landlords and tenants
- Collect feedback on the program proposed in June 2016 staff report

What we heard: Issues

In buildings where issues were identified, some of the common problems include:

- Elevators are frequently out of service
- Issues with pests (bed bugs, cockroaches) and mould
- Lack of response from landlords/superintendents to repair requests
- Lack of cleanliness in common spaces such as hallways, staircases, garbage rooms etc.
- Inadequate heating due to outdated systems
- Weak communication between landlords/property managers and tenants related to service disruptions
- Tenants fear intimidation from landlords/property managers if they make complaints to the City
- Quality of repairs is poor

What we heard: Solutions

Participants identified the **following ways to improve living conditions** in rental apartment buildings:

- Escalating penalties/fines for non-compliant landlords
- Regular building inspections by the City of Toronto
- Rating system for rental apartment buildings
- Information about buildings should be available to the public
- Property managers/maintenance staff need training in customer service and what to do during emergencies
- Require landlords to hire professionals to make repairs
- Engage tenants about their rights and responsibilities
- Require landlords to plan for future capital repairs

What we heard: Access to Information

Example of building information that stakeholders want to access:

- contact information for building owner
- history of charges, complaints and work orders
- record of violations from other agencies (e.g. Toronto Fire Services)
- laundry room (hours of operation, number of laundry machines)
- history of mould and pest infestations
- type of amenities available
- description of accessibility features
- security systems (e.g. cameras)
- cleaning schedule
- restrictions (e.g. no pets)
- charges not included in the rent (e.g. parking)
- smoking/non-smoking status
- how often are appliances/cabinets replaced
- number of superintendents in the building

What we heard: Notification

Landlords should notify tenants about events that may affect more than one unit including,

- service disruptions: water shut off, elevator maintenance, power outage
- fire alarm testing
- major repairs/maintenance work in common spaces
- change of ownership or property managers

Information should be made accessible in various ways including,

- Posting information on bulletin boards on the main floor
- Email
- Notices should be made in writing and delivered to every unit. Some tenants do not have email accounts
- Notices of any disruption posted on every floor
- Translation in other languages should be available, if needed
- Superintendents could organize regular meeting with tenants, although respondents recognize that there is a lack of meeting spaces

What we heard: Concerns

- Costs of the program should not be passed on to tenants
- Efforts should be focused on penalizing bad landlords
- Minimize duplication of efforts between different levels of government
- Any changes must have a real impact on living conditions in rental apartment buildings

Proposed Program

Program scope

- All buildings with three or more storeys and ten or more units
 - Private property owners and rental co-operative: 2,906 buildings, 275,409 units
 - TCH buildings: more than 350 buildings
 - Social housing providers: more than 200 buildings
- Excludes houses with rentals (i.e. secondary suites, etc.), condominiums

Program Goals

- promote preventative maintenance in rental apartment buildings
- strengthen enforcement of property standards violations
- enhance tenant engagement and access to information
- recover program costs

Building Owner Requirements

Registration and Fee

- Submit required information and pay fee

Tenant Service Request

- Have a process for receiving and tracking tenant repair requests
- Retain records of repair requests for a minimum of 12 months
- Make records and process available for inspection, upon request

Pest Management

- Demonstrate that provincially licensed pest management company has been used for pest management, when required

Building Owner Requirements

Waste Management Plan

- Have a waste management plan that addresses adequate storage, waste removal and waste diversion
- Make plan available to ML&S inspectors

Cleaning plan

- Have a plan with regular cleaning of all common areas (both interior and exterior)
- Make plan available to ML&S inspectors

Preventative Maintenance

- Demonstrate provincially licensed and qualified contractors have been used to maintain HVAC and plumbing systems

Building Owner Requirements

- Tenant notification**
- Install notification board in central location for posting work orders, property standards appeals, vital service disruptions and cleaning plans
- State of good repair capital plan**
- Have a state of good repair capital plan
 - Make plan available to ML&S

Required Property Information

Owner/representative contact information

Year built

Type of construction

Availability of cooling spaces (interior or exterior)

Accessibility features, if any

Smoking status of the building

Number of units & floors

Number of occupied units

Mechanical systems:

- heating system type
- cooling system type (if applicable)
- Year replaced, if at all

Required Property Information

Available amenities:

- party room
 - pool
-

Laundry facilities

- Hours of operation
 - Number of laundry machines
-

Elevators (if applicable)

- Number of elevators
 - Year they were replaced, if at all
-

Parking structures (example of structure; including # of spots)

Program Implementation

Risk Assessment Initiative

- First year of program, MLS staff will conduct pre-audits of all rental apartment buildings in order to:
 - Establish base line assessment of living conditions
 - Prioritize buildings for audit based on risk assessment
 - Determine frequency of site visits for the remaining buildings

Program Components

- Registration
- Building owners submit required information and pay fee
- Pre-audit
- ML&S staff conduct a risk based assessment of building to determine if an audit is needed
 - Staff apply risk assessment tool, which focuses on health & safety, structural sufficiency, and building envelope
 - Assessment includes background research and surface level observations of the property
- Audits
- Comprehensive inspection of all common areas in the building (e.g. garage, mechanical rooms)
 - Mobile administrative office present during each audit for tenants to bring forward concerns
 - Issue orders

Program Components

Tenant & landlord
information portal

- MLS will make building information and inspection data available on a user-friendly website
- Templates and resources will be available to building owners/property managers

ML&S
Site Visits

- Frequency of visits based on risk
- Site visit includes:
 - ✓ Check compliance with required plans
 - ✓ Check electrical work and elevator maintenance log book (refer to regulatory agency)
 - ✓ Opportunity for landlord education
 - ✓ Pre-audit assessment, if needed

Program Funding

Cost of program

- Existing MRAB program: \$3.2 million
 - 16 municipal standards officers, 1 supervisor, 1 support assistant
 - 6 FTE municipal standards officers (District based) for in-suite complaints
 - Overhead and indirect costs
- Enhanced Program (as per June report): \$3.9 million
 - Additional staff and associated overhead and indirect costs: manager, supervisor, support assistant
 - Program implementation costs
 - Stakeholder engagement budget
- Proposed program (November 2016): \$4.4 million
 - Additional staff and associated overhead and indirect costs: two municipal standards officers, data analyst

Paying for the program

- Existing program is fully funded by tax base (\$3.2M)
- Directive from Council: explore options for full cost recovery for MRAB

Paying for the program

Factors to consider in cost recovery analysis:

- Consider the ratio of benefits to the public compared to direct users of the program
- Ensure minimum level of reliable funding from tax base
- Ensure costs are not prohibitive to property owners and tenants
- Minimize costs for compliant property owners and recover costs from non-compliant property owners
- Consider unique needs of social housing providers, including Toronto Community Housing (TCH)

Paying for the program: Approach

Cost of proposed program: \$4.4 M

Step 1: Determine the percentage of funding from fees vs. tax base

Step 2: Determine the approach to cost recovery

- One fee for all buildings in program

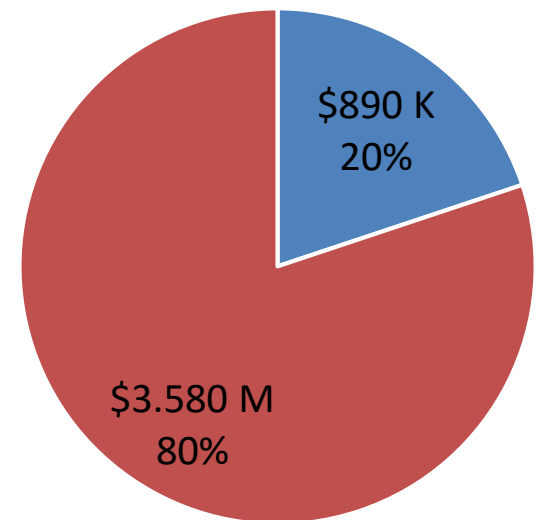
or

- One fee for all buildings AND fees for enforcement activity (i.e. audit)

Paying for program: Example 1

- 20% of budget recovered from tax base
 - Covers cost of program for social housing providers, including Toronto Community Housing
- 80% of budget recovered from a registration fee
- Annual registration fee: \$13.00 per unit per building
 - Cost of building with 100 units: \$1,300
 - 70% of buildings in program have less than 100 units

Paying for the program: Example 1

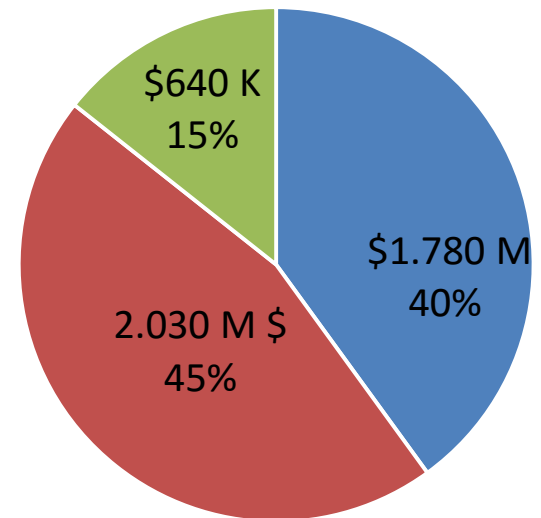


- Tax base
- Registration fee

Paying for program: Example 2

- 40% of budget recovered from tax base
 - Covers cost of program for social housing providers, including TCH
 - Provides sustainable funding source for program
- 60% of budget recovered from fees
 - 45% from registration fee
 - 15% from enforcement activity fees
- Annual registration fee: \$8.00 per unit per building
 - Cost of building with 100 units: \$800
 - 70% of buildings in program have less than 100 units
- Enforcement activity fees: charge fee for audits and re-inspections
 - Depends on size of building and time required for audit
 - Average fee: \$7,250 for audit, \$750 for re-inspections

**Paying for the program:
Example 2**



- Tax base
- Registration fee
- Enforcement activity fee

Regulatory Options

- The program can be implemented through one of the following regulatory tools:
 - a **regulatory by-law** or,
 - a **licensing by-law**
- Measured each approach against the program's purpose, goals and outcomes
- Focused on outcome expectations of tenants
- Assessed against the requisite enforcement tools
- Reviewed the benefits and limitations of each approach with Legal Services

Regulatory Options

Assessment revealed:

- Licensing is not needed to:
 - impose the proposed requirements and conduct inspections
 - collect building information
 - create a system of administrative monetary penalties
 - impose significant fines including special fines
- Licence revocation may not be achievable due to the impact on the landlord-tenant relationship

Future Projects

Administrative Monetary Penalties (AMPs) Implementation

Determine other inclusions or exclusions to the program or fees (i.e. condominiums, CRB program)

Explore feasibility of facilitating public facing rating system for rental apartment buildings

Review for quality assurance and update performance standards

Next Steps

**Licensing and Standards
Committee**

November 30, 2016

City Council

December 13, 2016

Implementation

Spring/Summer 2017
