

Municipal Licensing & Standards Budget Update - Rental Apartment Buildings Program

Date: January 12, 2017

To: Budget Committee

From: Executive Director, Municipal Licensing and Standards

Wards: All

SUMMARY

This report provides information on a revised program budget arising from City Council's decision on item LS15.3 at its meeting on December 13, 14 and 15, 2016. This report outlines the difference between what City Council approved and the 2017 Preliminary Operating Budget currently being considered by Budget Committee.

Item LS15.3, *Rental Apartment Buildings: Results of Public Consultation and Proposed Regulatory Regime* outlines a new regulatory by-law for rental apartment buildings that requires property owners to register their residential apartment building(s) with the City of Toronto, submit required information, have plans and processes in place for inspection, and pay all applicable fees. City Council directed that the total program budget of \$5,181,500, be funded as follows: 53 percent from a \$10.60/unit/annum registration fee (\$2,767,139); 12 percent from revenues resulting from audit and enforcement activities (\$637,200); and the remaining 35 percent remain on the tax base (\$1,777,161). This direction increased the preliminary program budget by adding six (6) Full-Time Equivalent (FTE) staff.

Municipal Licensing and Standards will provide public notice and report to the March 6, 2017 meeting of Licensing and Standards Committee on: the new regulatory by-law for rental apartment buildings; and the applicable amendments to Chapter 441, Fees for the new registration fee and new audit and enforcement activity fees for City Council approval.

RECOMMENDATIONS

The Executive Director, Municipal Licensing and Standards recommends that:

1. City Council adjust the 2017 Preliminary Operating Budget for Municipal Licensing and Standards to reflect City Council's decision on LS15.3, resulting in an increase of \$0.324 million in gross expenditures and \$0 net for an additional 6 full time equivalent positions.

FINANCIAL IMPACT

The current 2016 annual operating budget for the MRAB program is \$3.18 million and includes salaries and benefits for 24 FTE, material and equipment, and indirect and overhead costs.

The staff report to the November 30, 2016 meeting of Licensing and Standards Committee outlined a proposed annual budget of \$4.4 million, which included the current full costs of the MRAB program plus the proposal to add six (6) new FTEs. It also included an amount of \$100,000 for stakeholder engagement and \$227,575 in one-time costs to cover implementation and the development of an online information portal. The total proposed annual program budget in the staff report was \$4.4 million.

At its meeting of December 13, 14 and 15, 2016, City Council directed that the total program budget be \$5,181,500, and funded 53 percent recovered from a \$10.60/unit/annum registration fee (\$2,767,139); 12 percent recovered through revenues from audit and enforcement activities (\$637,200); and 35 percent remain recovered from the tax base (\$1,777,161).

This revised program budget of \$5,181,500, as directed by City Council, includes the current costs of the MRAB program of \$3.18 million, the staff proposed six (6) new FTEs, stakeholder engagement, one-time costs to cover implementation and the development of an online information portal, and Council directed addition of \$738,596 for six (6) new additional FTEs. The expense resulting from the addition of these additional six (6) FTE are cost recovered through the corresponding adopted increase to the staff proposed per unit registration fee (from \$8 to \$10.60).

Table 1 below describes the annual financial impact of the current program compared to the new program as City Council directed at its meeting of December 13, 14 and 15, 2016.

Table 1 - Annual Financial Impact

| (\$000's) | Gross | Revenue | Net Expenditures | Positions |
|---------------------------|------------|------------|------------------|-----------|
| Total Current Program (a) | \$3,182.98 | --- | \$3,182.98 | 24 |
| Total New Program (b) | \$5,181.50 | \$3,404.34 | \$1,777.16 | 36 |
| Change (c=b-a) | \$1,998.52 | \$3,404.34 | (\$1,405.82) | 12 |

* The above table includes all relevant divisional costs (direct and indirect).

Program costs included in the 2017 Preliminary Operating Budget are consistent with the original staff recommendations included in the November 30, 2016 report to the Licensing and Standards Committee. Table 2 below illustrates the incremental impact of Council's decision on the 2017 Preliminary Operating Budget for Municipal Licensing and Standards.

Table 2 - 2017 Municipal Licensing and Standards Budget Impact

| (\$000's) | Gross (a) | Revenue (b) | Net Impact (c=b-a) | FTE |
|---|-----------|-------------|--------------------|------|
| Current 2017 Preliminary Budget | \$182.9 | \$1,332.9 | \$1,150.0 | 6.0 |
| Incremental Approved Increase | \$324.3 | \$324.3 | \$0.0 | 6.0 |
| Total Revised Recommended Budget Change | \$507.2 | \$1,657.2 | \$1,150.0 | 12.0 |

The Current Preliminary Budget includes a gross expenditure increase of \$0.183 million for an additional six full time equivalent positions and the respective operating costs for mid-year implementation in 2017. The incremental Council approved increase of \$0.324 million reflects increased expenditures for six more full time equivalent positions as approved by City Council on December 13, 2016. Accordingly, the revenue reflects the cost recovery for only half of 2017. The new program has an anticipated implementation date of July 2017 with some of the above expenditures to be incurred in the latter part of 2017.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of December 13, 14 and 15, 2016, City Council approved a new regulatory by-law for rental apartment buildings and directed the Executive Director, Municipal Licensing and Standards report to Budget Committee during the 2017 Operating Budget process on the program budget and the twelve additional Full-Time Equivalent staff required to implement the program proposed.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.LS15.3>

COMMENTS

Municipal Licensing and Standards is developing a new regulatory by-law for rental apartment buildings, that are 3 or more storeys and 10 or more units, in response to a number of City Council directives including recovering the costs of an enhanced MRAB program. In its report to Licensing and Standards Committee, ML&S detailed the findings of staff research and public consultations that took place from August to October 2016. The report proposed improvements to existing enforcement activities and regulations that will help:

- strengthen enforcement of City by-laws;
- enhance tenant engagement and access to information;
- promote preventative maintenance in rental apartment buildings to prevent the deterioration of standards; and
- recover program costs.

The improvements include the creation of a regulatory by-law, which would impose legal requirements for rental building owners, improve access to information about the quality of rental apartment buildings and provide new opportunities for higher fines.

The report also identified additional inspection activities to help benchmark the quality of the housing stock in rental apartment buildings and enhance the proactive enforcement of property standards. Lastly, the report outlined a process for recovering the costs of existing and proposed inspection, audit and enforcement activities based on a combination of property tax revenues, rental apartment building registration fee and user fees for non-compliant building owners.

At its meeting of December 13, 14 and 15, 2016, City Council approved a new regulatory by-law for rental apartment buildings that requires property owners to register their residential apartment building(s) with the City of Toronto, submit required information, have plans and processes in place for inspection and pay all applicable fees. At this meeting, City Council directed that the total program budget be \$5,181,500, and funded 53 percent recovered from a \$10.60/unit/annum registration fee (\$2,767,139); 12 percent recovered through revenues from enforcement and audit activities(\$637,200); and 35 percent recovered from the tax base (\$1,777,161).

The total program budget covers the cost of 36 FTE; an additional 12 FTE more than the 2016 program budget. The additional staff will be responsible for stakeholder engagement, improvements to technology and implementation of the new program.

Municipal Licensing and Standards will provide public notice and report to the March 6, 2017 meeting of Licensing and Standards Committee on the new regulatory by-law for rental apartment buildings, new registration fee of \$10.60 per unit/annum and new audit and enforcement activity fees for City Council approval.

CONTACT

Tracey Cook
Executive Director
Municipal Licensing and Standards
416-392-8445
Tracey.Cook@toronto.ca

SIGNATURE

Tracey Cook, Executive Director
Municipal Licensing and Standards