

AUDIT AT A GLANCE

Audit of Short-Term Rental Program and Municipal Accommodation Tax: Strengthening Bylaw Enforcement and Enhancing Municipal Accommodation Tax Collection Processes

WHY THIS AUDIT MATTERS

Short-term rental services have disrupted housing markets across Canada, with conversion of long-term rental housing stock to short-term. The City's Short-Term Rental Program aims to limit short-term rental activity to principal residences and safeguard long-term rental residential housing. Our audit identifies ways to improve the overall effectiveness and efficiency of the Short-Term Rental Program, ensuring compliance with bylaws and the accuracy, completeness, and timeliness of the Municipal Accommodation Tax (MAT) remittances.

BACKGROUND

City Council approved regulations to govern short-term rentals in late 2017 and 2018. The Municipal Licensing and Standards (MLS) Division is responsible for ensuring that short-term rental operators and companies comply with the bylaws. The Revenue Services Division is responsible for collecting MAT on short-term rental transactions.

BY THE NUMBERS

Key program data from program inception on August 31, 2020, to February 29, 2024

- **18,164** Applications
- **8,377** Currently Approved Operators
- **3** Licensed Companies (2 active)
- **2.4 Million** Short-Term Rental Nights Booked
- **\$20 Million** in Municipal Accommodation Tax
- **\$3.7 Million** in Registration/Renewal/Nightly Fees*
- **3,633** Complaints (98% Closed)*
- **155** Charges Laid (144 Resolved)*
- **84,678** Listings Removed for Non-Compliance*
- **1,741** Operators Permits Revoked**

*As of December 31, 2023

** As of April 30, 2024

HOW RECOMMENDATIONS WILL BENEFIT THE CITY



The 15 recommendations in this report will help MLS and Revenue Services to further improve the effectiveness and efficiency of the Short-Term Rental Program and the collection of MAT revenue.

WHAT WE FOUND



1 Strengthen the Risk-Based Compliance Framework to Help Achieve the Bylaw's Intended Goals and Objectives

- The 2024 amendments to the bylaw, adopted by City Council on April 17, 2024, aim to address some of the enforcement challenges and strengthen compliance with the bylaw.
- The short-term rental bylaw is challenging to enforce.
- Data analyses revealed potential non-compliance with the principal residence requirement:
 - 1,438 operators may have exceeded the 180-night rule.
 - 545 operators may have exceeded the 3-bedroom rule.
 - 170 owners may have more than one short-term rental property.
- In the absence of a proactive, risk-based compliance framework that integrates advanced data analysis:
 - Compliance processes are manual and labour-intensive.
 - At least 10% of transactions were non-compliant or pirated and were not detected by licensed companies.
 - At least 250 potentially unregistered or illegal short-term rentals advertising on websites like Craigslist, Kijiji, and Facebook, or websites operated by unlicensed short-term rental companies.



2 Improve Program Effectiveness and Efficiencies and Enhance Key Performance Indicators

- Limited technology and staffing (at time of audit) hindered MLS' ability to review short-term rental data thoroughly.
- 86% of registration applications needed lengthy manual reviews. Approved applications took, on average, 3 weeks while denied applications took about 4 months, highlighting the need for streamlining the review process.
- No centralized system for tracking inquiries, complaints, leading to inefficiencies and delays in staff responses.
- MLS does not regularly measure and track key performance indicators to evaluate program effectiveness and efficiency.



3 Ensure Municipal Accommodation Tax Payments are Accurate, Complete, and Processed in a Timely Manner

- MAT remittances may not always be accurate or complete and were not being processed by Revenue Services in a timely manner in cases where operators remitted MAT themselves and filed reports late.
- Ensuring the accuracy of MAT payments is challenging as the transaction data provided by short-term rental companies does not include the necessary details for reconciliation.
- Just over half of the required MAT reports were submitted late. Another 20% of the required MAT reports were not filed for 2021-2023.