

**Presentation to the Audit Committee
on July 5, 2024
Agenda Item AU5.7**

**AUDITOR
GENERAL**

TORONTO

Audit of Short-Term Rental Program and Municipal Accommodation Tax:

Strengthening Bylaw Enforcement and Enhancing Municipal Accommodation Tax Collection Processes

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Presentation Overview

- Why This Audit Matters
- Audit Objectives
- Background
- Key Audit Findings
- Recommendations

Why This Audit Matters

- Short-term rental services can negatively impact long-term rental housing stock
- The City's Short-Term Rental Program aims to restrict short-term renting to principal residences





Audit Objectives

1. Are there opportunities to **strengthen** the Licensing and Registration of Short-Term Rentals **Bylaw and its regulations** to help achieve its intended goals and objectives?
2. Is Municipal Licensing and Standards **effectively and efficiently enforcing** the Licensing and Registration of Short-Term Rentals Bylaw?
3. Are the remittances of the **Municipal Accommodation Tax** for short-term rentals **accurate, complete**, and processed by Revenue Services in a **timely** manner?

Short-term Rental Program - Background



18,164

Received Applications



8,377

Currently Approved
Operators



2.4 million

Total Nights of Stay



\$23.7 million

Total Program Revenue
(including \$20 million in MAT)

Note: Data was from program inception on August 31, 2020, to February 29, 2024

Compliance and Enforcement Efforts



3,633

Complaints Received
(98% Closed)*



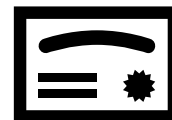
155

Charges Laid
(144 Resolved)*



84,678

Takedown Requests for
Non-compliant Listings*



1,741

Operator Permits
Revoked**

*As of December 31, 2023, ** As of April 30, 2024

Key Audit Findings and Recommendations

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

B. Improve Program Effectiveness and Efficiencies and Enhance Key Performance Indicators

C. Enhance Processes to Ensure the Remittance of the Municipal Accommodation Tax Is Accurate, Complete, and Processed in a Timely Manner

A. Principal Residence Requirement

6 high-risk indicators of potential non-compliance:



A. Strengthen the Risk-Based Compliance Framework

- In the absence of a proactive, risk-based compliance framework that integrates advanced data analysis:

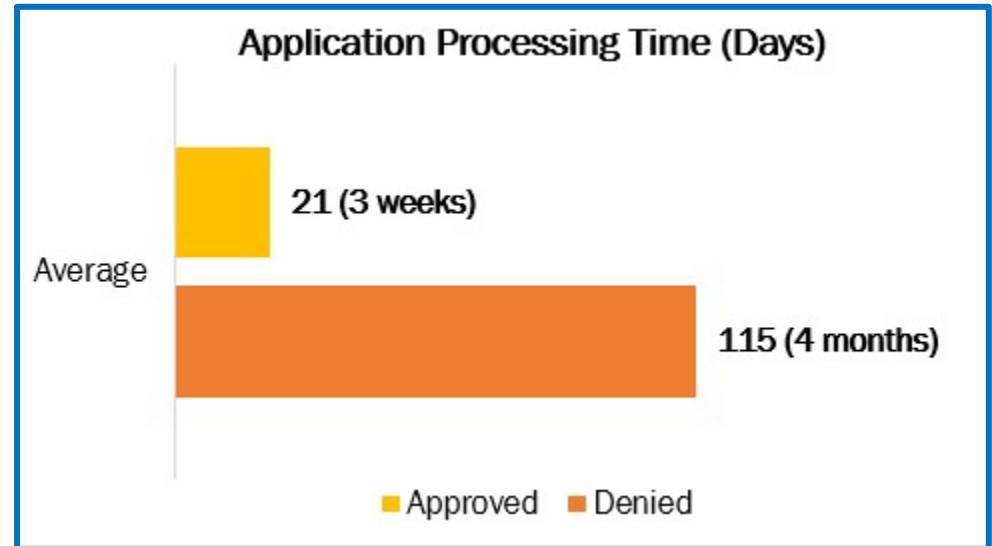
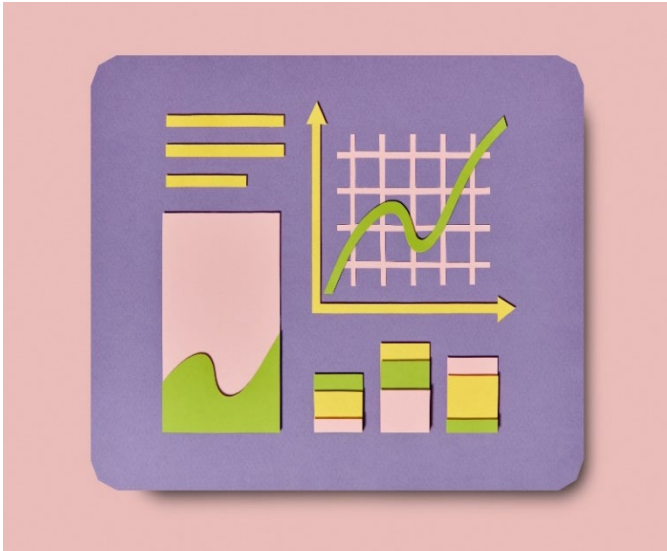
At least **10%** of transactions were non-compliant or pirated

At least **250** potentially unregistered or illegal short-term rentals

Short-term rental units located in a condo that does not permit them

- Risk-based sampling techniques will assist in identifying potential non-compliance

B. Improve Program Effectiveness and Efficiencies



- Limited technology and staffing (at time of audit)

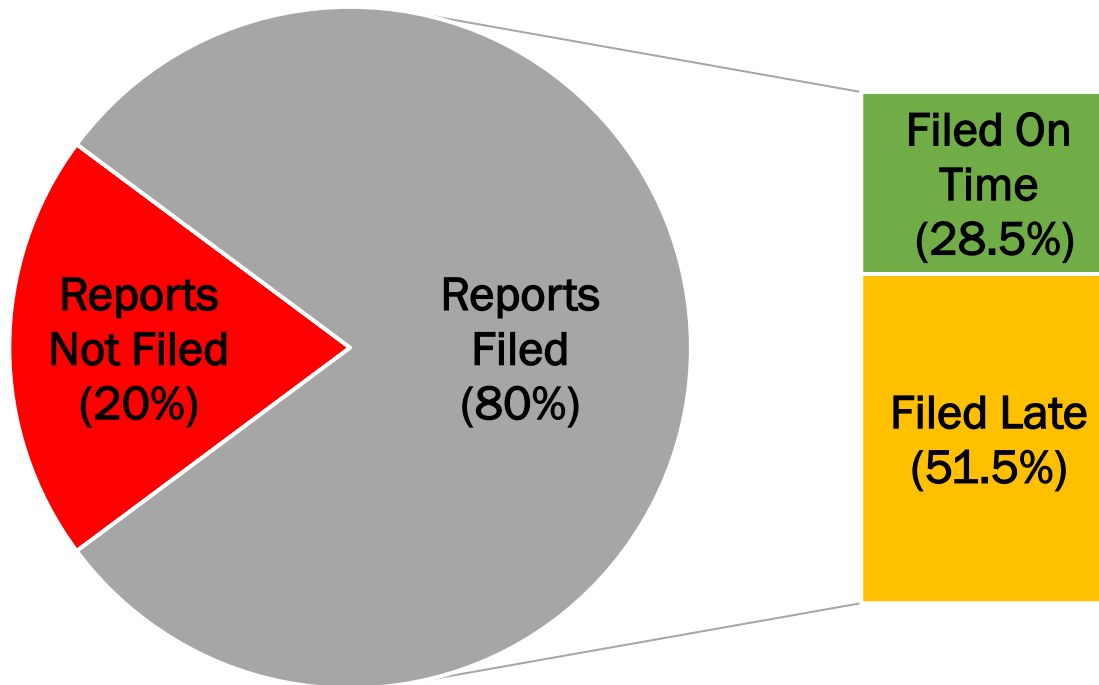
- A need for streamlining the application review process

B. Enhance Key Performance Indicators



- Implementing KPIs with meaningful targets is essential for guiding the City's efforts to regulate the short-term rental market, as well as providing accountability for the program

C. Ensure the Remittance of the Municipal Accommodation Tax Is Accurate, Complete, and Processed in a Timely Manner



15 Recommendations

Implementing the **15** recommendations contained in this report will further improve the effectiveness and efficiency of the Short-Term Rental Program and the collection of MAT revenue.



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