Short-Term Rental Program
Audit Committee Presentation

July 2024
Municipal Licensing and Standards Division

- The Short-Term Rental (STR) By-law (Chapter 547) permits property owners and tenants to short-term rent their principal residence for a rental period of less than 28 consecutive days.

  - Its primary goals are to **limit short-term rental activity in Toronto to principal residences** and to **protect critical rental stock** by maintaining access for tenants to long-term accommodation.

- **Short-term rental operators** are required to register with the City and can rent up to three bedrooms for an unlimited number of nights per year or their entire home for a maximum of 180 nights per year.

- **Short-term rental companies** are required to obtain a licence to operate in Toronto and abide by data-sharing and advertising requirements outlined in the bylaw.

April 2024 report adopted by Council introduced changes intended to:

- **Prevent commercialized STR activity**

- **Clarify the bylaw** to support STR operator compliance and enforcement efforts

- **Curtail non-compliant behaviour** by registered and unregistered STR operators

- Strengthen **compliance mechanisms** and improve **data-sharing** and **data-verification requirements** with STR companies

- **Enhance enforcement and compliance capabilities** through staffing increases and updates to program fees

Program Components	Current State	Future State*
Staffing Complement	**17 FTE**	**40 FTE***
Program Cost	**$2.65 million**	**~ $5.51 million**
Program Revenue	**$1.79 million**	**~ $5.52 million**

- Enhancements to staffing for enforcement, program administration, and customer service will be supported through revenue from fee increases.

Program Components	Current State	Future State
STR Company: Application Fee	**$5,321.85** *one time*	**$10,000.00** *per year as of June 30, 2024*
STR Company: Nightly Fee	**$1.06**	**$1.50** *per night as of June 30, 2024*
STR Operator: Registration Fee (Annual)	**$53.22**	**$375.00** *per registration/renewal as of January 1, 2025*

*Program revenues and costs in 2024 are projected to be lower as new fees and staffing are phased in.
**Of the net-new 23 FTE, 21 FTE will be dedicated to MLS STR and 2 FTE will be dedicated to TSD.

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Bylaw Implementation Approach

Council-adopted amendments to the short-term rental bylaw will be implemented in three phases.

- Phase 1 **(June 30, 2024)**: Amendments related to enhancing data-sharing and advertising requirements, clarifying definitions and changes to the short-term rental company fees and nightly fees.

- Phase 2 **(September 30, 2024)**: Amendments related to strengthening the principal residence requirement and preventing commercial STR activity.

- Phase 3 **(January 1, 2025)**: Changes to operator registration requirements and increases to the operator registration fee.
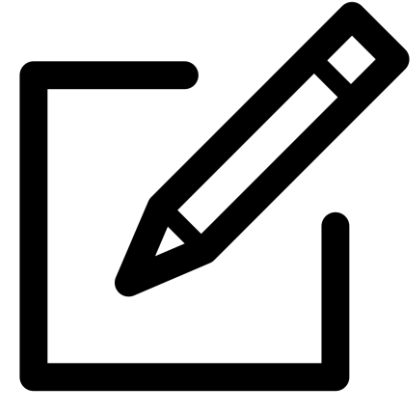
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Management accepts the Auditor General's report and agrees with all 15 recommendations.

Many are either underway or planned as part of the program changes adopted by Council in April 2024.

- <u>April 2024 report adopted by Council</u> included additional compliance and enforcement staffing resources that will help facilitate change and expand the program.
- Opportunity to move towards a comprehensive, proactive and risk-based compliance and enforcement framework.
  - Additional resources will enable applicant interviews and site visits, improved customer service and application processing times
  - New resources for compliance will enhance frequency and depth of audits and enable continued use of external auditors
  - Considering risk indicators to identify STR operators who use property managers and verify STR operators' permission by condo bylaws

- Work underway with Technology Services (TSD) to develop an Application Programming Interface (API) to enhance verification processes
- MLS and TSD are working on a roadmap for modernization and consolidation of MLS systems used to manage the STR program
- Enhancing dashboards and new KPIs to measure effectiveness

Implementation Timelines for Audit Recommendations

- Program and staffing resource expansion by end of 2024
- Compliance and enforcement framework updated in Q1 2025
- Technology changes starting in 2025