

Short-Term Rental By-law Implementation Update

Date: March 21, 2024

To: Planning and Housing Committee

From: Executive Director, Municipal Licensing and Standards

Wards: All

SUMMARY

Toronto Municipal Code Chapter 547, Licensing and Registration of Short-Term Rentals regulates short-term rental activity by requiring short-term rental operators to be registered and short-term rental companies to be licensed with the City and abide by operational standards and regulatory requirements. The regulations - in conjunction with zoning provisions - permit property owners and tenants who are registered as short-term rental operators to rent their principal residence (i.e. where they ordinarily reside) for a period of less than 28 consecutive days. The primary principles of Chapter 547 are to limit short-term rental activity to principal residences and to protect critical rental housing stock by maintaining access to long-term accommodation for tenants.

This report responds to City Council direction to provide an update on the implementation of the City's short-term rental regulations and assess their impact on Toronto's short-term rental market. The report provides an overview of program data and revenues, contextualized by new research conducted by experts from the School of Urban Planning at McGill University, and outlines bylaw interpretation challenges and the City's response to enforcement challenges such as "ghost hotels". It also discusses the medium-term rental market (i.e. rental periods of 28 days or more), emerging activity related to third-party international student housing providers, and the impact of the bylaw's implementation on Toronto's hotel industry.

Through this report, Municipal Licensing and Standards is recommending a suite of bylaw amendments that aim to uphold the program's principles, further prevent commercialized short-term rental activity, and address enforcement and bylaw interpretation challenges. Proposed amendments include: i) strengthening the principal residence requirement through improvements to registration standards, ii) amending definitions to clarify the bylaw, iii) enhancing advertising, data sharing and data verification requirements with short-term rental companies, iv) streamlining the process to revoke a short-term rental operator's registration and v) introducing additional measures to curtail rental activity by unregistered operators. In addition, enhancements to administrative, enforcement and compliance resources are proposed through updates to the program's fee structure. This report also proposes that City Council request the Province of Ontario to clarify legislative authority of medium-term rentals and to take action to preserve long-term housing stock by addressing the Provincial Ombudsman's recommendations related to the Landlord and Tenant Board.

This report was developed with input from the Housing Secretariat, Technology Services, Revenue Services, City Planning, and Economic Development and Culture divisions.

RECOMMENDATIONS

The Executive Director, Municipal Licensing and Standards recommends:

1. City Council amend Chapter 547, Licensing and Registration of Short-Term Rentals to:

(a) Require an applicant for a short-term rental operator registration to submit, upon request, at least two documents in addition to government-issued identification to demonstrate to the satisfaction of Municipal Licensing and Standards that the proposed short-term rental is their principal residence;

(b) Amend the definition of principal residence to clarify that an operator's principal residence cannot include another space on the same property as a proposed or existing short-term rental that meets or could readily be modified to meet the definition of a dwelling unit;

(c) Insert a definition of "dwelling unit", for the purposes of determining an operator's principal residence, as a "separate or self-contained living accommodation for a person or persons living together as a single housekeeping unit in which both food preparation and sanitary facilities are provided for the exclusive use of the occupants of the unit, and includes, for the purposes of this Chapter, a secondary suite, laneway suite, garden suite, or similar accommodation";

(d) Limit operators to renting a short-term rental for a cumulative total of 180 nights per calendar year, regardless of whether the rental is a partial-unit or entire-unit rental;

(e) Require an applicant for a short-term rental operator registration or its renewal to attend an in-person interview, upon request, at a time and place designated by Municipal Licensing and Standards, and provide any information or documents Municipal Licensing and Standards may require to evaluate the applicant's eligibility for a short-term rental operator registration;

(f) Clarify that Municipal Licensing and Standards may require an operator to attend an inspection of their short-term rental at any time during the term of their registration and that the operator must comply with directions given by Municipal Licensing and Standards during that inspection;

(g) Clarify that a short-term rental operator registration is tied to the address listed on the registration issued by Municipal Licensing and Standards and require Municipal Licensing and Standards to refuse an application for a short-term rental operator registration or its renewal related to any address for which a

short-term rental operator registration had been revoked in the 12 months preceding the application date, except where applicant can demonstrate to the satisfaction of Municipal Licensing and Standards that the property has been sold;

(h) Limit short-term rental operator registrations to one per dwelling unit, regardless of how many people may live in that dwelling unit, to be implemented by permitting only the operator who has held a registration related to the dwelling unit for the longest continuous period of time to renew their registration;

(i) Require the records short-term rental companies must keep to include the full name of the short-term rental operator as listed on their corresponding registration issued by Municipal Licensing and Standards;

(j) Clarify the requirements for short-term rental advertisements, verification of operator registration information by licensed short-term rental companies, and the removal of short-term rental advertisements by unregistered operators by amending 547-1.3 to include the following requirements:

(i) Require that no person shall advertise a short-term rental unless it displays the operator's registration number in a prominent location on the main page of the advertisement.

(ii) Require that no person shall advertise, facilitate the advertising or rental of, or broker a short-term rental unless the operator is registered as such with Municipal Licensing and Standards and is using their full name, address and registration number on record with Municipal Licensing and Standards.

(iii) Require every short-term rental company to verify the above information, at each instance they provide such services, in a manner prescribed by the Executive Director, by reference to the short-term rental registration data maintained and provided by Municipal Licensing and Standards for this purpose.

(iv) In addition to the above, require a person, within 24 hours of being requested to do so by Municipal Licensing and Standards, to remove an advertisement that does not comply with the above requirements or that relates to an unregistered operator and cancel all future bookings made with respect to that short-term rental.

(k) Amend the process to revoke an operator's registration such that if an operator delivers a written response to Municipal Licensing Standards' notice of intent to revoke their registration, the response shall be reviewed by the Executive Director, or their designate, who shall make a final decision that is no longer subject to further appeal or review;

(l) Require short-term rental operators, in addition to providing emergency information and an exit diagram to guests, to post a physical copy of such

information in a conspicuous place within the short-term rental for the duration of a guest's rental period;

(m) Require short-term rental companies to verify the validity of listings on their platforms that claim to be hotels by reference to a list of registered hotels provided by Municipal Licensing and Standards and to remove any listings that do not correspond with the list;

(n) Prohibit a multi-tenant house operator from obtaining a short-term rental operator registration related to that multi-tenant house;

(o) Remove 547-2.2 D given its time-limited application during the City's pandemic response.

2. City Council direct the Executive Director, Municipal Licensing and Standards and the Chief Technology Officer to develop an Application Programming Interface (API) to facilitate the secure delivery of and access to short-term rental registration data for the purposes of operator validation by licensed short-term rental companies.

3. City Council request the Province of Ontario to clarify the application of the Residential Tenancies Act with respect to rentals of 28 days or longer.

4. City Council request the Province of Ontario to commit to the preservation of long-term rental housing stock by addressing the Provincial Ombudsman's recommendations related to resource and process-based constraints impacting the operation of the Landlord and Tenant Board.

5. City Council direct the bylaw amendments in Recommendation 1 come into effect on the following dates:

a. The amendment in Recommendation 1 (o) to remove time-limited provisions related to the City's pandemic response come into effect immediately on the date a by-law is adopted.

b. The amendments in Recommendations 1 (b), (c), (i), (j) i - iv, (k), (l), (m) and (n) to enhance data verification processes, advertising requirements and bylaw compliance and enforcement measures come into effect on June 30, 2024.

c. The amendments in Recommendations 1 (a), (e), (f), (g), and (h) addressing strengthening registration requirements and the principal residence requirement come into effect on September 30, 2024.

d. The amendment in Recommendation 1 (d) to limit partial-unit rentals to 180 nights come into effect on January 1, 2025.

6. City Council amend Toronto Municipal Code Chapter 441, Fees and Charges, Appendix C - Schedule 12, Municipal Licensing and Standards by amending fees in the below table:

Ref No.	Service Fee	Description	Category	Fee Basis	Fee	Annual Adjustment
465	Private Properties	REVISED Short-Term Rental Company: Application Fee	Full Cost Recovery	Per application	REVISED \$10,000.00	REVISED Yes
NEW	Private Properties	REVISED Short-Term Rental Company: Renewal Fee	Full Cost Recovery	Per renewal	REVISED \$10,000.00	REVISED Yes
466	Private Properties	Short-Term Rental Company: Nightly Fee	Full Cost Recovery	Per night booked	REVISED \$1.50	Yes
467	Private Properties	Short-Term Rental Operator: Registration Fee (Annual)	Full Cost Recovery	Per application	REVISED \$375.00	Yes

7. City Council direct that the amendments to Chapter 441 come into effect as follows:

- a. The changes to the Short-Term Rental Company Application Fee, Short-Term Rental Company Renewal Fee, and Short-Term Rental Nightly Fee shall come into force on June 30, 2024.
- b. The changes to the Short-Term Rental Operator Registration Fee shall come into force on January 1, 2025.

8. City Council increase the 2024 Operating Budget of Technology Services Division by \$0.243 million gross and net; and increase the 2024 Operating Budget of Municipal Licensing and Standards by \$0.777 million gross, \$1.020 million revenue, and -\$0.243 million net, fully funded from increased licence fee revenues.

9. City Council increase the approved staff complement of Technology Services Division by 2 positions; and increase the approved staff complement of Municipal Licensing and Standards by 21 positions to support the implementation of the proposed changes outlined in this report.

10. City Council authorize the City Solicitor to make amendments to the Toronto Municipal Code, including such technical, stylistic, organizational, or other clarifications to its existing provisions, as may be necessary, in their opinion, to bring these and past adopted recommendations related to short-term rentals into effect or to increase the clarity and readability of its provisions.

FINANCIAL IMPACT

In 2023, MLS' short-term rental program generated \$1.79 million in fee revenue while program costs were \$2.65 million, resulting in a total shortfall of \$0.86 million. This shortfall substantially constrains MLS' ability to conduct inspections, administer the program and manage complaints and inquiries.

To implement this report's proposed enhancements to the administration, enforcement, and compliance of the City's short-term rental program, MLS has identified the need for an expanded enforcement and compliance staff complement. This includes 14 additional staff within MLS' Rental Standards Unit, 5 additional staff within MLS' Business Licensing and Regulatory Services Unit and 2 additional staff within MLS' Policy and Strategic Support Unit at a total cost of \$2.26 million. In addition, 2 more staff for Technology Services are needed to sustain the program's technology solutions, at a cost of \$0.32 million. The proposed staff complement aims to address both net new resource requirements to adequately implement the proposed regulatory updates, and meet existing program needs. Along with associated technology and equipment costs, this would result in estimated program costs increasing from \$2.65 million to \$5.51 million annually.

Pursuant to the City's User Fee Policy, MLS' licensing fees are determined on a cost recovery basis. As such, the estimated increase in program costs would be fully offset by projected revenues from the proposed updates to MLS' short-term rental licensing and registration fees. Projected revenues from the updated fees (based on 2023 licensing volumes) would result in total annual fee revenues of \$2.13 million in 2024 and \$5.52 million in 2025 and onwards, assuming licensing volumes remain stable. Projected fee revenues for 2024 are lower than 2025 due to the recommended phased implementation of fee amendments where the updated Short-Term Rental Company Renewal and Application Fees and Short-Term Rental Nightly Fees would come into effect on June 30, 2024 and the updated Short-Term Rental Operator Registration Fee would come into effect January 1, 2025.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

EQUITY IMPACT

The City's short-term rental regulations strive to balance public interest in community stability, housing availability, and affordability with operator interest in leveraging their property to provide supplementary income and broader industry engagement in Toronto's housing market. The regulations are designed to limit short-term rental activity

in Toronto to principal residences and permit both property owners and tenants to rent out their principal residence for a short period of time. Limiting short-term rental activity to principal residences intends to curb the financialization of rental homes and complements many other City initiatives designed to preserve Toronto's rental housing supply. Notably, the proliferation of short-term rental activity and higher revenue potentials compared to a conventional residential tenancy can incentivize the migration of rental units from the long-term rental market to the short-term rental market. Prohibiting the registration of investment properties and secondary suites as short-term rentals is critical to addressing commercial activity within Toronto's short-term rental market and supports the City's existing commitments to maintain and increase access to rental housing through the HousingTO 2020-2030 Action Plan.

Since Chapter 547's implementation in 2020, Toronto's post-pandemic rental housing market continues to face lower vacancy rates, higher rental rates and limited new rental housing construction. As the City continues to implement its rental housing initiatives through the HousingTO 2020-2030 Action Plan and related strategies, the City's short-term rental regulations support residents who face existing barriers in Toronto's rental housing market by targeting supply-based concerns. This report presents a suite of bylaw amendments that have been analyzed for potential equity impacts on Indigenous, Black and equity-deserving communities. The proposed amendments aimed at strengthening the regulations' principal residence requirements and closing related regulatory loopholes are intended to continue to permit property owners and tenants to operate short-term rentals from their principal residence while supporting the City's existing efforts and commitments to increase the availability of rental opportunities for long-term tenants and promote security of tenure.

DECISION HISTORY

On March 25, 2022, the Planning and Housing Committee adopted Item PH32.17 Short-Term Rental Update and Regulations Enforcement Issues, requesting an update on the short-term rental market and regulations including enforcement challenges, bylaw interpretation and the medium-term rental market.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.PH32.17>

On July 14, 2021, City Council adopted Item PH24.2 Short-Term Rental Updates and Exploring Their Conversion to Longer-Term Housing amending Toronto Municipal Code Chapter 547 to clarify processes for the removal of advertising listings facilitated by unregistered operators on short-term rental platforms.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH24.2>

On March 10, 2021, City Council adopted Item PH21.10 Update on Short-Term Rental Regulations requesting a report-back on standards and practices related to reporting potential human trafficking associated with short-term rental units, enhancing data-sharing and complaint tracking processes and clarifying listing validation procedures with short-term rental companies.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH21.10>

On January 19, 2021, the Planning and Housing Committee adopted Item PH20.7 Update on Short-term Rental Regulations directing Municipal Licensing and Standards

to report directly to City Council with an interim update on the implementation of short-term rental regulations.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH20.7>

On June 29, 2020, City Council adopted MM22.16 Moving Quicker to Maintain Rental Housing, requesting Municipal Licensing and Standards to report to the Planning and Housing Committee with a status update on the City's regulation of short-term rentals and enforcement.

<https://secure.toronto.ca/council/agenda-item.do?item=2020.MM22.16>

On November 18, 2019, the Local Planning Appeal Tribunal dismissed the appeals made against the Zoning By-law amendments that established provisions for short-term rentals in Toronto.

<https://www.omb.gov.on.ca/e-decisions/PL180082-NOV-18-2019.pdf>

On January 31, 2018, City Council adopted Item EX30.4 Implementation of Municipal Accommodation Tax (Hotel and Short-Term Rental Tax) implementing a tax of 4% on transient accommodations such as hotels and short-term rentals.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.EX30.4>

On December 5, 2017, City Council adopted Item LS23.1 Licensing and Registration Regulations for Short-Term Rentals, creating a separate Toronto Municipal Code Chapter for short-term rentals and established the rules and regulations for short-term rental companies and operators.

<https://secure.toronto.ca/council/agenda-item.do?item=2017.LS23.1>

COMMENTS

Overview of Chapter 547

Toronto Municipal Code, Chapter 547, Licensing and Registration of Short-Term Rentals, regulates the registration of short-term rental operators and the licensing of short-term rental companies. The bylaw, in conjunction with zoning provisions, permit property owners and tenants, who are registered under Chapter 547 as short-term rental operators, to rent their principal residence (i.e. where they ordinarily reside) for a rental period of less than 28 consecutive days.

The goals of Chapter 547 are to limit short-term rental activity in Toronto to principal residences and to protect critical rental stock by maintaining access to long-term accommodation for tenants. The regulations were developed based on the following policy principles:

- permit people to rent their homes for short periods;
- minimize negative impacts on housing affordability and availability;
- enable greater diversity in tourism accommodations;
- maintain community stability, including in vertical communities;
- minimize nuisances; and
- create regulations that are fair and easy for people and companies to follow.

Overview of Short-Term Rental By-law Implementation

In December 2017 and January 2018, City Council approved the City's short-term rental regulatory framework, which is comprised of:

- A licensing and registration program governed by Chapter 547, Licensing and Registration of Short-Term Rentals;
- Provisions in the Zoning By-law that permit short-term rentals in all housing types in residential zones and residential components of mixed-use zones; and
- A Municipal Accommodation Tax for short-term rentals.

Following City Council's decision, the Zoning By-law amendments were appealed to the Local Planning Appeal Tribunal (LPAT). While under appeal, the regulations were not in effect. In November 2019, the LPAT dismissed the appeal, while further leave to appeal was denied by the Divisional Court. Following this, the licensing and zoning regulations came into effect, with the short-term rental program and associated fees being implemented as of August 31, 2020, and the collection of the Municipal Accommodation Tax as of January 1, 2021.

Since the launch of the short-term rental operator registration portal in 2020, staff have continued to register short-term rental operators, bring short-term rental companies into compliance with the licensing requirements, undertake investigation and enforcement efforts, and share short-term rental registration data publicly. This report examines the program's efficacy in upholding its principles through an analysis of licensing and registration data, compliance and audit data, complaints data, and enforcement data. This analysis is contextualized by external research of Toronto's short-term rental market, feedback received from engaging with the public and stakeholders, and a jurisdictional scan of comparable municipalities.

This implementation evaluation identified several successes, including:

- The City's short-term rental bylaw is likely responsible for between 3,320 and 5,100 housing units returning to the long-term market, according to external research conducted by Dr. David Wachsmuth and Bridget Buglioni from McGill University's School of Urban Planning.
- The creation of a dedicated short-term rental enforcement team.
- The deployment of data-discovery techniques to enhance proactive compliance and enforcement actions.
- The receipt and review of over 17,000 short-term rental applications since the launch of the City's online registration portal in 2020.
- The removal of over 84,000 unregistered and non-compliant listings on short-term rental platforms since 2021.
- The publication of a short-term rental operator registration data set on Open Data and the establishment of data validation processes with licensed short-term rental companies.

This implementation evaluation also identified several challenges, including:

- Ongoing non-compliant activity regarding the principal residence requirement and 180-night limit on entire-unit rentals including addresses with multiple registrations.

- Differing interpretations of the principal residence requirement by bylaw enforcement officers and short-term rental operators, in particular with respect to secondary suites.
- Underestimating enforcement and compliance resource needs resulting in service impacts to bylaw enforcement and program administration as registration and licensing fee revenues have not met cost-recovery principles.
- Existing data validation processes used by licensed short-term rental companies to validate operator registration information have created inefficiencies and can result in non-compliant activity whereby unregistered operators leverage available registration data to falsify short-term rental listings.
- Protracted timelines to revoke a registration permit an operator who is not compliant with the bylaw to continue to short-term rent until their registration is revoked.

Short-Term Rental Operator Registrations

Chapter 547 establishes registration requirements for short-term rental operators; the bylaw requires property owners and tenants to register with the City to operate short-term rentals in their principal residences (i.e where they ordinarily reside). To do so, short-term rental operators must register online and pay an annual registration fee (\$53.22 in 2023) to legally operate in Toronto.

Since the launch of the online short-term rental registration portal on August 31st, 2020, MLS has received a cumulative total of 17,221 registration applications and approved 14,474 registration applications. As of December 31, 2023, 8,147 short-term rental operator registrations are active and approved to operate in Toronto. Per City Council direction in [PH21.10 Update on Short-Term Rental Regulations](#), the City shares short-term rental operator registration data through its Open Data portal (updated daily) and program data through its webpage (updated monthly). A summary of operator registration and renewal data is provided in the table below.

Table 1: Short-Term Rental Operator Registration and Renewal Data

Operator Registration and Renewal	Totals (August 31, 2020 - December 31, 2023)
Registration applications received	17,221
Registration applications approved	14,474
Registrations active (as of December 31, 2023)	8,147
Registrations cancelled by operator or by the City for failure to renew	4,710
Registration applications denied	1,804
Registrations revoked	1,226

Operator Registration and Renewal	Totals (August 31, 2020 - December 31, 2023)
Registration applications appeals filed	701
Registration renewal applications processed	6,570
Registration renewal applications refused	100
Registration and registration renewal applications currently under review	1,229

Short-Term Rental Market Activity and Operator Revenues

Currently, short-term rental companies remit stay data and transaction records, which provides the City with additional insight into operator market activity and revenues. Table 2 outlines an annual comparison of short-term rental operator registrations, short-term rental market activity and operator revenues. Since 2021, the City has seen year-over-year increases in short-term rental operator registrations with a two-fold increase in operator revenues. Notably, in 2023, registered short-term rental operators made a total revenue of \$214.9 million. In addition, short-term rental market activity (as analysed using the number of nights booked through licensed short-term rental companies) demonstrates that the ratio of nights booked between entire-unit rentals and partial-units rentals has been increasing toward partial-unit rentals.

Table 2: Year-Over-Year Comparison of Approved Short-Term Rental Operator Registrations, Stay Data and Operator Revenue Statistics

Program Data	2021		2022		2023	
Registered Short-Term Rental Operators	4,331		6,108		8,147	
Number of Nights Booked through Licensed Short-Term Rental Companies	Entire	Partial	Entire	Partial	Entire	Partial
	308,507	138,886	581,945	296,237	591,950	396,575
Total Nights Booked (Inclusive of Entire-Unit and Partial-Unit Rentals)	447,393		878,182		988,525	

Program Data	2021		2022		2023	
	Entire	Partial	Entire	Partial	Entire	Partial
Average Short-Term Rental Operator Revenues Per Registration	\$38,509	\$23,731	\$60,290	\$42,731	\$54,764	\$38,316
Total Operator Revenues (Inclusive of Entire-Unit and Partial-Unit Rentals)	\$62.6 million		\$178.7 million		\$214.9 million	

Note: Short-term rental operator revenue includes cleaning fees charged and does not include any Municipal Accommodation Tax (MAT) remitted.

Geographic Distribution of Short-Term Rental Operator Registrations

Complementary to Chapter 547 regulations, the Zoning By-law permits short-term rentals in all housing types in residential and residential components of mixed-use zones. Through its registration process, the City is authorized to collect information on the addresses and housing types registered as short-term rentals; this permits the City to monitor the dispersion of Toronto's short-term rental market and the concentration of short-term rental registrations on a ward-by-ward basis.

Nearly half of Toronto's short-term rental operator registration activity is concentrated on a geographic basis in the City's downtown wards and more than one third of active short-term rental registrations are registered as condominiums.

- As of December 31, 2023, 47% of all active short-term rental registrations in Toronto were registered within Davenport, Spadina-Fort York, University-Rosedale and Toronto Centre. Spadina-Fort York contains the highest concentration of active short-term rental registrations at 2,078 (25% of all active short-term rental registrations). See Attachment 1 for a full ward-by-ward breakdown of active and approved short-term rentals registrations.
- Further, 2,864 condominium units are registered as short-term rentals (35% of all approved and active short-term rental registrations) with single-family detached, semi-detached and multi-residential as the next most common housing types.

Licensing Short-Term Rental Companies

In order to legally operate in Toronto, short-term rental companies must pay a one-time licence application fee (\$5,321.85 in 2023) to obtain a licence as well as a fee for every night booked through their platform (\$1.06 in 2023). Since program implementation, the City has licensed three short-term rental companies: Airbnb (licensed on December 18, 2020), Booking.com (licensed on June 4, 2021) and PodsLiving.com (licensed on June 1, 2022). Any short-term rental reservation and transaction activity on an unlicensed

short-term rental company's website is considered in contravention of the bylaw and can be referred to the City for further investigation.

MAT-STR Tax Revenue

All short-term rentals within the City of Toronto are subject to a Municipal Accommodation Tax (MAT). The MAT is a sales tax on transient accommodations including hotels and short-term rentals, based on rental fees paid by guests. On May 1, 2023, City Council approved an increase to the MAT rate from 4% to 6%. At the time of adoption, this increase was estimated to generate \$41.6 million net total revenue (from both revenue streams of the MAT-STR and Hotel MAT) for the City's 2023 Budget. Since the program's implementation, reported MAT-STR revenues have grown from \$2.44 million in 2021 to \$6.92 million in 2022 and \$8.60 million in 2023. As per Ontario Regulation 436/17 Transient Accommodation Tax, the City is required to share MAT revenue with Destination Toronto and outline financial accountability measures to exclusively fund tourism marketing activities and programmatic initiatives.

All short-term rental operators are required to collect the 6% MAT and submit quarterly reports through the City's online MAT reporting tool. Operators are required to file a quarterly MAT report even if the MAT was collected by the short-term rental company or if no tax was collected (i.e. their short-term rental was not rented for that quarter). Non-compliance with this requirement may result in the revocation of a short-term rental registration or denial of a registration's renewal. Short-term rental companies can enter into a Voluntary Collection Agreement (VCA) with the City to collect and remit the MAT on behalf of operators. To date, Airbnb is the sole licensed short-term rental company to have signed a VCA. Staff are not proposing any changes to the MAT-STR through this report.

Program Compliance

Monitoring compliance with Chapter 547's requirements is critical to upholding the bylaw's policy principles and preserving critical long-term rental housing stock. By leveraging data discovery methods and conducting ongoing audits of short-term rental listings, City staff cross-reference internal registration data to identify non-compliance, enhance voluntary compliance, and direct enforcement resources to higher-risk operations. Through these proactive efforts, potential bylaw violations can be identified and further investigated.

In 2023, 562 potential bylaw breaches were identified through these proactive efforts and referred to the City's short-term rental enforcement unit; 326 were related to exceeding the 180-night limit on entire-unit rentals, 218 were related to breaches of the principal residence requirement whereas the remaining 18 breaches pertained to activity whereby a registered operator was renting out more than one unit or more than three bedrooms concurrently and/or using one registration across multiple addresses.

Chapter 547 authorizes the City to undertake program compliance efforts. Known as a "takedown request", the City requires short-term rental companies to remove any listing within 24 hours that relates to an unregistered or non-compliant operator. This process is facilitated by the City's data sharing agreements with short-term rental companies and

serves as an effective program compliance tool and consumer protection measure that permits the City to respond to illegal activity in Toronto's short-term rental market. Since compliance efforts began in 2021, the City has issued a total of 84,678 takedown requests to short-term rental companies (1,750 takedown requests in 2021, 61,288 takedown requests in 2022 and 21,640 takedown requests in 2023). Staff note that the volume of takedown requests has been steadily declining as operators have been brought into compliance and enforcement actions are undertaken against operators attempting to circumvent the bylaw. According to the research undertaken by Dr. David Wachsmuth and Bridget Buglioni, there has been a sharp decline of short-term rental listings with invalid registration numbers; their research found that 0.3% of short-term rental listings had an invalid registration number in July 2023, compared to 2.6% in February 2021.

Short-term rental companies also have a responsibility to undertake program compliance. Chapter 547 requires them to verify that the information posted in advertisements on their platforms matches the short-term rental registration data publicly available on the City's Open Data portal. In July 2023, as part of the Open Data Policy and Digital Infrastructure Strategic Framework, MLS began publishing additional registration information on the Open Data Portal including of the registered operator's short-term rental property address (including street number, street name, unit if applicable) and property type. These additions enhance existing data sharing practices between the City and short-term rental companies to ensure a coordinated response to non-compliant behaviour.

To bolster program compliance, Municipal Licensing and Standards is working with Technology Services to undertake the development of an Application Programming Interface (API); this API would provide an automated means for short-term rental companies to complete their validation and verification processes against the City's short-term rental registration data. The integration of an API into the City's short-term rental program will add rigour to the existing short-term rental registration data validation process by requiring short-term rental companies to validate additional fields. Further, the implementation of an API would permit: i) timely and automated enhancements to the City's data sharing practices with short-term rental companies for validation purposes, ii) place additional onus on licensed short-term rental companies to undertake program compliance through the data validation process and iii) curtail pirating behaviour within Toronto's short-term rental market (i.e. unregistered operators falsifying publicly available short-term rental registration data to facilitate illegal listings).

Technology Services anticipate that the API will be implemented by Q3 2025. Additional opportunities to expand the API's use to support other bylaw compliance efforts pertaining to stay data validation and verification could be explored. MLS will continue to update short-term rental operator registration data to Open Data to permit the public to validate short-term rental listings and uphold principles of transparency, accountability and data accessibility as per the City's Open Data Policy. Further enhancements to short-term rental registration and enforcement data published on Open Data and related City platforms (as per Council direction in PH21.10 - Update on Short-term Rental Regulations) will be integrated by the end of Q1 2024.

Program Enforcement

Complementary to compliance efforts, the bylaw's principles and operational requirements are upheld using a progressive and proactive enforcement approach, where staff investigate and address non-compliant behaviour in Toronto's short-term rental market. Prior to Chapter 547's implementation, Municipal Licensing and Standards would investigate complaints received through 311, often related to property standards, zoning or noise issues associated with short-term rentals. Since Chapter 547's implementation, the City's existing complaint-based short-term rental enforcement strategy has been augmented by a comprehensive data-driven approach, as outlined in the previous section.

Municipal Licensing and Standards has a dedicated team of nine bylaw enforcement officers who investigate complaints and non-compliant behaviour related to short-term rentals regulated by Chapter 547. Noise-specific complaints regarding short-term rentals are investigated by the dedicated noise team, which is comprised of 26 bylaw enforcement officers. Since January 1, 2021, the City has received 3,633 complaints through 311 about short-term rentals. As of December 31, 2023, 97% (3,533) of the complaints received have been closed and 69 remain under active investigation.

The City's progressive enforcement approach includes a spectrum of interventions ranging from providing education to resolve an issue through to issuing a charge. Chapter 547 provisions permit the City to prohibit renewal of registration for non-compliant operators and revoke a registration if there are reasonable grounds to do so. Since program implementation (and as of December 31, 2023), the City has revoked 1,226 registrations, submitted 155 charges for non-compliant behaviour per Chapter 547 to the courts and 144 charges have been resolved by the courts. In addition, when officers are conducting inspections of registered short-term rental properties proactively or in response to a complaint, any deficiencies noted under Toronto Municipal Code, Chapter 629, Property Standards can result in the issuance of a Notice of Violation (NoV) or a charge. Since program enforcement efforts began in 2021, 51 NoVs and 116 charges have been issued to registered short-term rentals under Chapter 629.

While the City's enforcement efforts have been successful through revoking registrations and issuing charges against non-compliant operators, the program's overall enforcement and compliance resource needs were underestimated when Chapter 547 was adopted and the program teams were established. Given higher-than-expected program costs and user fees that do not achieve cost-recovery, this has resulted in redistributing staffing resources from other units as an interim measure to meet the short-term rental program's enforcement and compliance needs.

Impact of Toronto's Short-Term Rental Regulations

To address Council's direction to provide an update on Toronto's short-term rental market, the City obtained research led by Dr. David Wachsmuth and Bridget Buglioni from McGill University's School of Urban Planning; their report updates previous research conducted for the City in 2021. This section highlights their key findings related to Toronto's short-term rental market and regulatory compliance. As set out in greater detail in their report, appended as Attachment 4, their analysis included data from multiple short term rental companies operating in Toronto, including listings posted on

Vrbo (which is not a licensed short-term rental company in Toronto) and excluded listings posted on Booking.com.

A notable conclusion from their research points to the success of the City's regulatory framework, stating that the regulations could be “responsible for between 3,320 to 5,100 homes present on the long-term rental market that otherwise would be dedicated short-term rentals.” Their research used a trend analysis to estimate how much housing loss could have been attributed to short-term rental activity in the absence of the pandemic and the City's regulations. Their conclusion noted that “it is reasonable to assume that the lingering gap between the pre-pandemic trend of housing loss and the actual 2023 figures can be attributed to the City’s short-term rental regulations.”

Further, their findings note that apparent compliance with Chapter 547's advertising requirements was high, with only 0.3% of short-term rental listings operating without a valid license number in 2023 (compared to 2.6% in 2021). However, their research highlighted that of all listings in their review with a valid short-term rental registration number, an estimated 16% were considered at high risk of violating at least one aspect of the City's short-term rental regulations, namely the principal residence requirement. Examples of these purported violations include: i) registration numbers being used at an address which differs from the address which it was issued to, ii) registration numbers being used at multiple properties or for more than three bedrooms in the same property, and iii) registration numbers being used for properties which are not a principal residence.

Scale of Short-Term Rental Market

Wachsmuth and Buglioni's analysis found that if the pre-pandemic/pre-regulatory market trend had continued, Toronto would have had approximately 8,910 dedicated short-term rentals available in May 2023 (i.e. 134% higher than 3,810 accounted for in their analysis).

Consistent with the City's short-term rental operator registration data, their research found that short-term rental activity is concentrated in Spadina-Fort York, University-Rosedale, and Toronto-Centre; these wards accounted for two-fifths of all active listings sampled at the time. According to their findings, in May 2023, 1 out of every 100 dwelling units in Spadina-Fort York was an active short-term rental.

In 2020 and early 2021, the combined shock of a pandemic and the City's new regulations resulted in high-performing short-term rentals switching to the long-term rental market. In 2023, the researchers note that if listings are transitioning from the short-term to medium-term or long-term markets, this is often due to the listing's poor financial performance and low reservation activity on the short-term rental market. As this is expected behaviour in a competitive market, they conclude that Toronto could be experiencing an intensification of activity among existing short-term rentals rather than the introduction of new housing units into the short-term rental market.

Short-Term Rental Operator Revenues

Wachsmuth and Buglioni's analysis estimated that in 2022, short-term rental operators in Toronto collectively earned \$175.1 million or an average of \$29,300 per active host. In May 2023, their scan of Toronto's short-term rental market discovered that one third of active listings were multi-listings. Their research defines multi-listings as operators who have multiple listings operating simultaneously; multi-listings can constitute one operator advertising three or more private-room listings active on the same day or multiple entire-home listings operating concurrently (in contravention of the bylaw). Their analysis states that these multi-listings earned approximately 25% of total host revenue in May 2023. Further, they found that Toronto's short-term rental market frequently offers property owners greater potential revenue than conventional leases, especially in transit-accessible neighbourhoods.

Short-Term Rental Activity in Canada: Additional Research

Further to Council's direction, staff reviewed additional external research that investigated the impact of short-term rental activity on housing affordability and availability on a national scale.

- [A June 2023 Statistics Canada](#) retroactive study investigated short-term rental revenue growth compared to commercial accommodations (hotels, resorts, bed and breakfasts etc.) from 2017-2021; short-term rentals in Ontario have accounted for a greater revenue share, from an estimated 7.7% in 2017 to 18.5% in 2021, of the province's accommodations services subsector.
- [An October 2023 Conference Board of Canada](#) study analyzing the impact of short-term rentals found a correlation between short-term rental activity and higher rents (i.e. a one percentage point increase in the share of short-term rentals was associated with a 2.3% increase in rents). However, the authors did not find evidence of a significant causal relationship between rent levels and short-term rentals or short-term rental regulations. Their findings also noted that the introduction of regulations limiting short-term rentals to principal residence decreased the number of commercial short-term rental units by approximately 50%.
- A [December 2023 Desjardins Economic study](#) reviewed research on short-term rentals and concluded that neighbourhoods with a high prevalence of short-term rentals have faster-rising rents, lower vacancy rates for long-term rentals and higher home sale prices. Further, their findings reiterated that investors are incentivised to short-term rent their properties due to higher revenues (as opposed to the long-term rental market) and that commercial activity (i.e. for-profit operators with multiple listings) presents a challenge despite regulations limiting short-term rental activity to principal residences.

The conclusions from this research also reinforced the importance of a multi-pronged regulatory approach with sufficient resourcing and disaggregated data disclosure on behalf of short-term rental companies, and further emphasized the importance of addressing commercial activity within the short-term rental market.

Jurisdictional Scan

Staff reviewed short-term rental regulatory and licensing frameworks from other North American municipalities (see Attachment 3). This scan found that Chapter 547 aligns with many of the practices of other jurisdictions, including:

- Many Canadian and American jurisdictions use a licensing regime for short-term rentals. It is common to require operators and companies to submit documentation for review and approval, including government-issued identification, property details and emergency contact information.
- Most other jurisdictions in Canada with a short-term rental licensing regime limit an operator to short-term renting their principal residence, though there are some examples (e.g. Ottawa) where municipalities permit the licensing of vacation homes and secondary suites.
- It is common practice to limit short-term rentals to a maximum stay of 28-31 days and municipalities such as Mississauga, Brampton and Oshawa do not permit short-term rentals for more than 180 nights per calendar year.
- Licensing and registration fees vary across Canadian jurisdictions, ranging from annual fees of \$53.00 in Ottawa to \$1000.00 in Vancouver. Some municipalities such as Hamilton and Calgary charge a separate administration or inspection fee.

Overview of Public Consultation and Stakeholder Engagement Outcomes

In October 2023, City staff undertook a public consultation and stakeholder engagement process to i) provide an update on the short-term rental program's implementation ii) seek feedback on existing regulations and iii) receive input on the proposed bylaw amendments outlined in this report. Feedback received from operators, short-term rental companies and the general public about the proposed changes was varied, depending on the proposal. Details about the feedback received for existing regulations and the opinions about the proposed bylaw amendments have been summarized and included in Attachment 2.

Staff conducted an outreach campaign via email that provided stakeholders with several opportunities to provide input and was accompanied by a social media campaign through Facebook, Instagram and X (formerly known as Twitter) from October 11th to October 30th, 2023. The social media campaign reached an audience of 1.77 million people and the dedicated City webpage received 16,200 views.

Through the consultation and engagement process, the City hosted over 640 participants across:

- **3 public consultations:** Attendees included short-term rental operators, housing and tenant advocates, residents, hotel and tourism stakeholders, and property management and condominium stakeholders.
- **2 company engagement sessions:** Attendees included representatives from licensed short-term rental companies.
- **1 operator-specific meeting:** Attendees included short-term rental operators and property management stakeholders.

Additional input received during the engagement period included 3,500 responses to an online public survey, 96 email submissions, 34 responses to an operator-specific survey issued by Municipal Licensing and Standards, and 34 responses to a hotel-industry specific survey issued by Economic Development and Culture.

Proposed Amendments to Chapter 547

Through this report, staff are proposing a suite of amendments to better achieve the bylaw's primary goal of limiting short-term rental activity to principal residences. Staff have reviewed program data, received input from MLS' enforcement and compliance teams, consulted with City staff across several Divisions and have taken into consideration feedback received from stakeholder engagement and public consultation process to inform the proposed amendments outlined below.

1. Strengthening the Principal Residence Requirement

Chapter 547 permits an operator to advertise and short-term rent their principal residence as an entire unit rental for a maximum of 180 nights per calendar year or as a partial unit rental (i.e. up to 3 bedrooms) for an unlimited number of nights per year. The principal residence requirement was designed to prevent commercial short-term rental activity while mitigating regulatory burden for compliant operators.

Specific provisions within the bylaw provide the City with auditing and enforcement powers for non-compliant operators. Since implementation, the City has identified non-compliance with the principal residence requirement and associated breaches of the 180-night limit as two of the most important concerns for the efficacy of the City's short-term rental regulatory framework. The City has received feedback from advocates and stakeholders that the requirements are not rigorous enough to prevent short-term rental operators from skirting the bylaw and registering properties that are not their principal residence which undermines the program's broader objective of preserving rental housing stock in Toronto.

For a program facing existing resource constraints, MLS' enforcement team have estimated that approximately 80% of enforcement staffing resources are dedicated to investigating complaints pertaining to the principal residence requirement, including short-term rental activity in secondary suites. Notably, Wachsmuth and Buglioni's research found that 16% of short-term rental listings with a valid registration number are at risk of violating Chapter 547, most likely due to a violation of the principal residence requirement. As such, the City is proposing several amendments to strengthen Chapter 547 and its principal residence requirement.

a. Requiring Additional Documentation and Information to Verify Principal Residence

Chapter 547 outlines the information and documents that an operator must provide to register their principal residence address as a short-term rental. This includes valid government-issued identification, contact information and address (which must match the government-issued identification) and emergency contact information for an alternate contact who is available 24 hours during the rental period, and associated

property details of their short-term rental. As noted, applicants must provide a valid government-issued identification (either an Ontario Driver's Licence or Ontario Photo Card) to demonstrate the address being registered as a short-term rental is their principal residence.

When the bylaw was initially designed, the evidence required for an operator to submit as proof of principal residence was intended to minimize the number of barriers in place to register an operator. Through the City's registration process, staff validate an Ontario Driver's Licence and its contents against a Ministry of Transportation database and will validate an Ontario Photo Card upon inspection. While these efforts have improved the City's ability to monitor the validity of principal residence registration, staff have noted that an applicant or operator can change the address listed on an Ontario Driver's Licence with relative ease to match the address they seek to register as a short-term rental. This activity demonstrates how an operator can skirt the bylaw's principal residence requirement to register a property that is not their principal residence as a short-term rental; this activity can result in the registration of investment properties and secondary addresses as short-term rentals that could alternatively be used for long-term housing.

Proposed Amendment

Staff recommend adding more rigour to the standard of documentation required for applicants and registered operators to submit to Municipal Licensing and Standards to prove that the property they seek to register as a short-term rental is their principal residence. Specifically, an applicant would be required to submit, upon request, at least two documents in addition to their government-issued identification. For registered operators, this information would be requested upon renewal or during a complaint investigation or inspection. The documents proposed to fulfill this requirement could include, but are not limited to, utility bills (i.e. internet, phone, hydro), purchasing and rental agreements, vehicle insurance and/or registration, notice of assessments and related employment and/or financial statements.

The City is also recommending increasing the amount of information collected about the property being registered as a short-term rental to include additional detail around the location and description of each unit and their respective layouts. The City has the authority to collect this information through Chapter 547-4.1 however, staff are proposing to collect this additional information to ensure bylaw enforcement efforts are based upon an accurate description of the property and to preserve existing housing stock for long-term accommodation by preventing the registration of properties that are not principal residences.

b. Amending the Principal Residence Definition and Adding a Dwelling Unit Definition

One of Chapter 547's primary tenets is the preservation of long-term rental housing stock from short-term rental activity. Preserving potential long-term rental units such as secondary suites from being used as a short-term rental is critical to the maintenance of long-term rental housing affordability and availability in Toronto. Secondary suites are defined in the Zoning By-law as a "self-contained living accommodation for an additional

person or persons living together as a separate single housekeeping unit, in which both food preparation and sanitary facilities are provided for the exclusive use of the occupants of the suite, located in and subordinate to a dwelling unit".

The current prohibition in Chapter 547 on short-term renting secondary suites operates by way of the principal residence requirement; if an operator resides in one dwelling unit (for example, the main floor of a house), another dwelling unit (such as a basement apartment) cannot also be their principal residence. Per this prohibition, a secondary suite located on the same property should not be permitted to be used as a short-term rental, except by a long-term tenant if it is their principal residence.

Through implementation, staff have identified enforcement challenges with respect to determining what constitutes an operator's principal residence. These challenges are most prevalent when conducting on-site inspections and attempting to differentiate a secondary suite from areas of a dwelling unit that form part the operator's principal residence. For example, staff will identify modifications made to secondary suites, such as removing a door or removing an oven, to claim it constitutes as part of the operator's principal residence.

In addition to these considerations, the Zoning By-law has recently been amended to include several new forms of living accommodation in addition to secondary suites that are suitable for long-term rental accommodation, such as laneway suites and garden suites. These should also be precluded from use as short-term rentals if they are not an operator's principal residence to preserve and increase long-term housing stock.

Proposed Amendment

Staff recommend addressing these bylaw interpretation and related compliance challenges by amending Chapter 547's principal residence definition (the text highlighted in bold is the amendment to the existing definition) and adding a definition of a "dwelling unit" as follows:

PRINCIPAL RESIDENCE – A dwelling unit **on a property that is** owned or rented by an individual person, either alone or jointly with others, where the individual person is ordinarily resident, **but shall not include another space on the same property as a proposed or existing short-term rental that meets or could readily be modified to meet the definition of a dwelling unit.**

DWELLING UNIT – Separate or self-contained living accommodation for a person or persons living together as a single housekeeping unit in which both food preparation and sanitary facilities are provided for the exclusive use of the occupants of the unit and includes, for the purposes of this Chapter, a secondary suite, laneway suite, garden suite, or similar accommodation.

Staff are proposing these definitional amendments and additions to clarify the bylaw, address enforcement challenges and strengthen the principal residence requirement such that: i) operators can only claim one dwelling unit as their principal residence, regardless of how they use accessory dwelling units, ii) operators cannot make minor modifications to another space on the same property that could otherwise be a long-

term rental and claim it as part of their principal residence and iii) preserve additional accommodation types that should be used as long-term accommodation.

2. Updating the 180-Night Limit

Chapter 547 permits registered operators to short-term rent their entire unit for a maximum of 180 nights per calendar year; this is referred to as an “entire-unit rental”. Further, operators are permitted to rent out up to three bedrooms within their home for an unlimited number of nights per year; this specific use is regulated through the Zoning By-law and this rental activity is permitted through Chapter 547 as a “partial-unit rental”. This rental activity is reinforced by Chapter 547’s principal residence requirement whereby an operator can only short-term rent a property that is their principal residence.

The 180-night limit on renting an entire unit was implemented to uphold Chapter 547’s objectives of permitting people to rent their homes for short periods while minimizing the negative impact to housing availability and affordability. The 180-night limit provides operators and the public with clarity regarding short-term rental activity, aligns with an acceptable interpretation of what a principal residence is and defines how it can be used as a short-term rental. Given the high turnover rate of stays associated with short-term rental activity, the 180-night limit is also intended as a community stability measure to limit nuisances and mitigate broader neighbourhood impacts such as noise and waste.

The 180-night limit strengthens the bylaw’s principal residence requirement to prevent commercial operations and requires that the short-term rental remains an operator’s principal residence for a majority of the year (i.e. 6 months). Comparative Ontario municipalities such as Mississauga, Brampton and Oshawa have provisions within their licensing by-laws that limit short-term rental activity for both entire-unit and partial-unit rentals to 180 nights. Further, comparative international municipalities with substantive tourism sectors such as San Francisco, London, Vienna, and Berlin have 90-day limits on short-term rental activity.

Non-compliance with the 180-night limit presents a critical challenge for the program’s broader objective of preserving rental housing stock in Toronto. For example, staff have identified occurrences where multiple bedrooms in a principal residence are listed concurrently as partial-unit rentals. This activity results in an operator circumventing the 180-night limit and effectively converting their principal residence into entire-unit short-term rental operating 365 days per year. As noted in the Wachsmuth and Buglioni research, a scan of Toronto’s short-term rental market in May 2023 discovered that a third of active short-term rental listings were multi-listings. Multi-listings constitute one operator advertising three or more private-room listings that are active on the same day. Their findings concluded “extremely few cases where an operator listing three private room listings in one dwelling unit have not converted the entire dwelling unit into a dedicated short-term rental”.

Further, staff have noted through an analysis of stay data that the rental ratio between entire-unit rentals and partial-unit rentals has been steadily increasing towards partial-unit rentals. In 2022, the ratio was 64% for entire-unit rentals to 36% for partial unit-rentals whereas in 2023, the ratio was 59% entire-unit rentals to 41% for partial unit-rentals. In instances where non-compliant activity with the 180-night limit is being

investigated has by the City, staff have noted instances where short-term rental operators have attempted to revise their stay data retroactively.

Proposed Amendment

Complementary to the proposed principal residence requirement amendments, staff are recommending strengthening Chapter 547 by limiting all short-term rentals to a rental period of a maximum of 180 nights per calendar year, regardless of whether the rental is for a partial unit or an entire unit. Given the emergence of this activity within Toronto's short-term rental market, applying the 180-night limit to partial-unit rentals is a measure that will permit operators who opt into the home-sharing model afforded by partial-unit rentals to continue to do so for 6 months of the year whilst preventing short-term rentals from becoming commercial operations.

Similar to the application of the 180-night limit to entire-unit rentals, staff are recommending that the 180-night limit on partial unit rentals be implemented without consideration for the number of bed-sitting rooms rented concurrently. In other words, whether an operator is short-term renting one bedroom or three bedrooms within their principal residence on a given night, this rental activity counts as one night towards their 180-night limit per calendar year.

3. In-Person Interview

Through the registration and renewal process, MLS may request additional documentation from an applicant or an operator (Chapter 547-4.2) or inspect a property (Chapter 547-5.2). However, given the online basis of the City's registration portal, there are limited opportunities for staff to interact with an applicant or an operator outside of investigating non-compliant behaviour. Currently, Chapter 547 contains no formal authority for staff to conduct an in-person interview with an applicant.

Proposed Amendment

Staff are recommending requiring an applicant to attend an in-person interview with an employee of Municipal Licensing and Standards, when requested to do so, at its offices or any other location designated by the Executive Director and to bring any information or documents that may be required to evaluate the applicant's eligibility to be issued a registration under Chapter 547. Providing staff with the authority to conduct an in-person interview improves the City's ability to: i) verify an applicant or operator's eligibility to short-term rent under the Chapter and ii) review and inquire about the supporting documentation provided. An in-person interview could also be conducted at an applicant's proposed short-term rental, providing officers with an opportunity to view the property prior to granting a registration. This proposal supports the City's administrative efforts to review and issue registrations and bolster proactive enforcement efforts by providing an opportunity to educate applicants on the bylaw. Representatives from property management companies, or any other individual affiliated with the property (i.e. spouse, sibling, roommate etc.) would not be permitted to attend an interview on an operator's behalf.

4. Annual Inspection of Registered Short-Term Rentals

As noted prior, MLS has the authority to inspect a property registered under Chapter 547-5.2. Since the program's implementation, MLS has conducted inspections of properties in response to complaints and has used inspections as an effective compliance and enforcement tool to educate operators on the bylaw's requirements, identify bylaw breaches, undertake revocations, and issue charges as appropriate. MLS will refer any property to the appropriate City division based on respective discoveries that fall outside of MLS' jurisdiction (e.g. MLS would refer the property to Toronto Building if construction is taking place without a permit).

Proposed Amendment

To bolster the principal residence requirement, staff are recommending operationalizing an annual inspection of all registered short-term rental units and amending Chapter 547-5.2 to require the operator to attend and comply with directions received at the inspection. This proposal strengthens the principal residence requirement and addresses non-compliance with respect to secondary suites by permitting the City to inspect the property and review the associated documentation to verify its validity as a principal residence. Given the scale of the City's short-term rental market and its nearly 8,200 registered short-term rental operators, staff are proposing a phased implementation of this recommendation.

5. Issuing Registrations to the Principal Residence Address and Limiting Registrations to One per Dwelling Unit

As per Chapter 547's registration requirements, a short-term rental registration is issued to an individual operator and any revocation of a registration prohibits an operator from applying for a new registration for one year. However, a regulatory loophole has emerged whereby if an operator's registration has been revoked, another individual residing at the same principal residence address (e.g. a spouse, sibling, roommate) can apply for a new registration under their name. This activity effectively resets the 180-night limit on a principal residence and permits the address to continue operating as a short-term rental.

In other cases, properties will be transferred between individuals residing at the same principal residence address, or an individual may claim a separate, new tenancy within a separate dwelling unit. This activity has presented a compliance and enforcement challenge for the City to monitor given that a new registration permits an operator to establish a new listing and reset the 180-night calendar limit.

Proposed Amendments

Staff recommend closing this regulatory loophole by issuing a registration to an operator as well as their principal residence address and stipulating that when a registration is revoked, no individual could apply for a new registration related to that address for one year. This regulatory change would not impact compliant operators and aligns with the program's principle of permitting people to rent their home for short periods.

Staff also recommend limiting operator registrations to one per dwelling unit. This complements the previous proposal by clearly tying a registration and regulatory requirements, such as the 180-night limit on short-term rentals, to a single operator. During consultations, staff received feedback from short-term rental operators concerned about how this proposal would be operationalized. To clarify, registrations will be designated to one individual and regarding dwelling units with multiple existing registrations, staff propose this change be operationalized by allowing the operator who has held the registration for the longest period of time to renew their license while precluding other operators from doing so; this process could take at most a year to bring into effect due to the renewal period.

MLS is proposing that despite the above recommendations, a new registration could be issued if the property is sold to a new owner, who would be required to provide proof of purchase to support their application. Should individuals move or have their relationship to the property owner change, these individuals would be responsible for notifying the City.

6. Amending 547-1.3 - Compliance Requirements for Short-Term Rental Advertisements

547-1.3 contains provisions that stipulate compliance requirements for short-term rental companies with reference to short-term rental advertisements. Staff have identified opportunities to strengthen requirements for short-term rental operator registration data verification processes in addition to enhancements to the City's ability to curtail illegal short-term rental activity by unregistered operators. The suite of proposed amendments to 547-1.3 are outlined below.

a. Advertising Requirements

Chapter 547 outlines the City's advertising requirements for short-term rentals, which includes displaying the operator's registration number as issued by MLS within the listing and/or advertisement. This provision was intended as both a compliance and consumer protection measure; conducting data scrapes of active short-term rental listings to locate an operator's registration number is critical and constitutes real-time data that can actively support enforcement efforts. However, the City has noted through its audit and compliance efforts an inconsistency in the location of the operator's registration number in a listing on a short-term rental platform.

Proposed Amendment

To streamline investigation and audit processing timelines, staff recommend amending Chapter 547 to prohibit a person from advertising a short-term rental unless the advertisement displays the operator's registration number in a prominent location on the main page of the advertisement.

b. Name Registration

Chapter 547 outlines requirements for short-term rental companies to prohibit operators from advertising their short-term rental using any other name than the name that they

have registered with at the City. As part of the City's compliance efforts, staff have noted that short-term rental operators may post names on listings that do not correspond to the full name that has been registered with the City such as pseudonyms or property management companies. This activity causes discrepancies between the City's registration data and the stay data that short-term rental companies are required to remit to the City on a monthly basis. In the instance of a discrepancy, the City will issue a takedown request of the listing.

Through its consultation process, staff received feedback from short-term rental operators about takedown requests being issued for minor discrepancies in name or address (e.g. the difference between St. or Street) and the resulting impact on their ability to operate. Representatives from short-term rental companies noted that transitioning to the proposed Application Programming Interface (API) will help address these instances by automating data validation processes for short-term rental registration data.

Proposed Amendment

To address these discrepancies, staff recommend an amendment to Chapter 547 to clarify that the records that short-term rental companies must keep include the full name of the short-term rental operator as listed on their corresponding registration issued by Municipal Licensing and Standards. This information can be used to verify that transactions and listings are compliant as the City can confirm that the full name of an operator remitted on stay data matches the name issued on their registration as per the City's registration data. Due to privacy concerns, staff are not recommending that short-term rental operators be required to advertise their listing using their full, legal names. This recommendation is being proposed to bolster existing data validation processes in advance of implementing the proposed API and this provision could be revisited as short-term rental registration data verification practices improve.

c. Verification Process

Chapter 547 requires short-term rental companies to verify that an operator is registered and using their corresponding registration number on their listing. Currently, short-term rental companies conduct their data validation processes using the City's publicly available Short-Term Rental Registrations data set. Improving data sharing activity between the City and short-term rental companies is critical to the City's ability to monitor compliance and ensures the City can undertake the necessary enforcement actions when non-compliant activity is identified. Feedback received from licensed short-term rental companies stated their support for a modern, digital approach through an Application Programming Interface (API) to validate registrations and address the City's enforcement needs.

Proposed Amendment

To advance the program's service delivery and data sharing practices with short-term rental companies, staff recommend two amendments. The first amendment would clarify Chapter 547 to require that short-term rental companies to verify the full name, address, and registration number of the operator, as listed on the registration issued by

MLS, including for the purposes of data sharing. The second amendment would generalize the bylaw's reference to its data verification process so that the provision no longer specifies that short-term rental companies must refer to the Open Data Portal. This amendment to the provision would permit MLS to require companies to validate additional data fields through the implementation of an Application Programming Interface (API), or another method prescribed by the Executive Director, while continuing to publish and upload short-term rental operator registration data to Open Data. Through these efforts, the City will continue to permit the public to validate short-term rental listings as per the City's Open Data Policy, aligned with the Digital Infrastructure Strategic Framework's Democracy and Transparency principles, and concurrently enhance compliance with the bylaw's operational and advertising requirements.

d. Cancellation of Reservations for Unregistered Operators' Listings

Chapter 547-1.3 includes provisions that: i) require short-term rental companies to ensure that operators are registered with the City prior to permitting them to advertise on their platforms and ii) remove listings operated by unregistered operators within 24 hours of the City's request. However, despite the City's collaborative efforts with short-term rental companies to remove an unregistered operator's listing, future reservations for the identified listing are not cancelled and can proceed as booked.

Under Chapter 547, there is no provision that requires short-term rental companies to cancel future reservations for unregistered operators. However, by not cancelling reservations, this permits illegal short-term rental activity by unregistered operators to continue. Bookings facilitated by unregistered operators pose a risk to guests as well as operators who are compliant with the bylaw. Feedback received from short-term rental companies noted that this proposal would be feasible however, existing reservation-related business practices that reaccommodate guests in response to cancellations would be impacted.

Proposed Amendment

As both a compliance and a consumer-protection measure, staff are recommending amending Chapter 547-1.3 to explicitly require short-term rental companies to cancel all future reservations that relate to non-compliant advertisements facilitated by unregistered operators within 24 hours from the date of the request.

7. Shortening the Revocation and Appeal Process

Chapter 547-2.9 outlines the City's authority to revoke the registration of a short-term operator and establishes a two-step revocation process. As the first step, MLS issues a written notice of its intent to revoke a registration, when it has reasonable grounds to believe that the operator should not be entitled to a registration, such as a breach of the bylaw. When this notice has been issued, an operator has 10 days from the date of the notice to provide any response or materials and request a review by MLS staff, who then provide a written decision. As a second step, the operator can then request review of this decision by the Executive Director, Municipal Licensing and Standards within 30 days of receiving the written decision. Once a final decision is made by the Executive

Director, revocation is immediate, and the operator is prohibited from re-applying for a new registration for one year. The combined total of these two review periods can be up to 40 days; this results in a registered operator who is suspected to be in breach of the bylaw continuing to operate in the time afforded by the revocation process.

When consulted on the proposed shortening the revocation time period, short-term rental operators and companies identified that shortening the 40 day appeal process may not afford the operator adequate time to gather the appropriate documentation as part of their case.

Proposed Amendment

Staff are recommending amending Chapter 547-2.9.C to remove the second 30 calendar day appeal period to create efficiencies and curtail activity undertaken by non-compliant operators in the duration of the revocation process. MLS is proposing that once a written notice of intent to revoke has been issued, an operator would have 10 business days to provide a response and that the review and decision would be done by the Executive Director, Municipal Licensing and Standards, or their designate. The decision by the Executive Director would be final, and if the decision is to uphold the revocation, it would apply immediately. This proposed change is a protective measure for compliant operators and short-term rental guests.

8. Emergency Contact Information

Chapter 547 requires operators to provide guests with emergency contact information and fire exit diagram information pertaining to their short-term rental as a safety measure. This information is typically remitted to a guest upon confirmation of their reservation and this requirement is stipulated in the City's Good Operator Guide issued to registered operators.

Proposed Amendment

In order to strengthen Chapter 547's safety measures and improve compliance amongst operators, staff are recommending a requirement that the operator must post a physical copy of the emergency contact information and fire exit diagram in a conspicuous place in the rental for the duration of the guest's rental period. This provision will ensure that guests have access to this information in case of an emergency.

9. Prohibiting Concurrent STR and MTH Licences

On December 14, 2022, City Council adopted a new regulatory framework for multi-tenant houses to include a new Licensing By-law (Chapter 575) and amendments to the Zoning By-law that permit multi-tenant houses city-wide. This new framework will introduce consistent standards, regulatory oversight, and effective enforcement to protect the safety of tenants and respond to neighbourhood concerns.

Chapter 575 defines a multi-tenant house (MTH) as a building with four or more dwelling rooms and up to one dwelling unit. The specific use regulations for short-term rentals in the Zoning By-law permits an entire dwelling unit or up to three bed-sitting

rooms within a dwelling unit to be used as a short-term rental. A dwelling unit within a multi-tenant house could be registered as a short-term rental if it is the occupant's principal residence, which could be occupied by either the tenant or the owner. Chapter 575 does not require the licensed operator of a multi-tenant house to reside within their property. Presently, Chapter 547 does not have a provision that prohibits a multi-tenant house operator from obtaining a short-term rental operator registration related to that multi-tenant house.

Proposed Amendment

The intent of Chapter 575 is to preserve the use of multi-tenant houses for affordable long-term rental housing. Permitting a multi-tenant house operator to obtain a short-term rental registration would undermine the principles of both Chapter 575 and Chapter 547. While short-term rental operations do not pose an immediate risk to the implementation of the City's forthcoming multi-tenant house framework, staff have identified an opportunity to incorporate preventative measures to ensure that rental stock at multi-tenant houses are not converted into short-term rentals.

Staff recommend prohibiting licensed multi-tenant house operators from obtaining a short-term rental registration related to that multi-tenant house. This activity will be monitored for compliance by both short-term rental and multi-tenant house licensing and enforcement teams once the framework is implemented on March 31, 2024.

10. Registered Hotel List

Chapter 547 exempts hotels and motels from the definition of a short-term rental. However, this exemption has been used by unregistered operators who will post an advertisement on a short-term rental company platform claiming to be a hotel. In response to this illegal activity, the City will issue a takedown request to the short-term rental company to remove this listing.

Proposed Amendment

To strengthen this exemption, staff are recommending adding a provision to Chapter 547 that would require all short-term rental companies to check a list of registered hotels provided by the City prior to allowing a short-term rental operator to claim their exemption status as a hotel.

Short-Term Rental Fee Revenues and Proposed Changes

The City of Toronto's short-term rental program charged the following fees in 2023:

Table 3: 2023 Short-Term Rental User Fees

Fee Description	Fee Basis	Fee
Short-Term Rental Company Application Fee (One-Time)	Per application	\$5,321.85

Fee Description	Fee Basis	Fee
Short-Term Rental Company <i>Nightly Fee</i>	Per night booked	\$1.06
Short-Term Rental Operator <i>Registration Fee (Annual)</i>	Per application	\$53.22

In 2023, the short-term rental program had an estimated revenue of \$1.79 million; year-over-year increases in registrations received and approved has resulted in an increase in program revenues. A summary of annual program revenues is provided below:

Table 4: Annual Overview of Short-Term Rental Program Fee Revenues 2020-2023

Revenue Source	2020	2021	2022	2023
Short-Term Rental Company <i>Application Fee</i>	\$5,000	\$5,000	\$5,100	n/a
Short-Term Rental Company <i>Nightly Fee</i>	n/a	\$447,228	\$930,614	\$1,268,104
Short-Term Rental Operator <i>Registration Fee</i>	\$144,800	\$170,850	\$387,673	\$524,270
Total	\$149,800	\$623,078	\$1,323,387	\$1,792,374

Overview of Proposed Changes to the Short-Term Rental Fee Structure

The adoption of the City's short-term rental regulations enabled the collection of short-term rental operator registration and short-term rental company licensing fees; these fees were designed to recover the ongoing costs of short-term rental program administration and regulatory enforcement. When proposing the fee structure in 2017, City staff operated on assumptions regarding the projected level of short-term rental activity with ~8,000 registered short-term rental operators and one short-term rental company licensed within the first year of implementation. At adoption, the program had an estimated annual cost of \$1.17 million and included a net increase of five (5) FTE staff and three (3) temporary FTE staff.

As of December 31, 2023, the City has 8,147 registered short-term rental operators, 3 licensed short-term rental companies, and an estimated annual program cost of \$2.65 million with 17 FTE staff and the equivalent of 2 FTE staff from Technology Services supporting the program. While the assumptions in 2017 projected similar volumes to current program registrations, staff underestimated the resources and effort required to sustain related administrative, technology and program-related demands. The

significance of the shortfall between projected program revenue and costs constrains the program's ability to address complaints and inquiries, conduct timely investigations and facilitate the program's administrative elements.

During the City's consultation process, community members, industry representatives and short-term rental operators noted a dissatisfaction with the program's ability to meet demand and uphold existing City service standards. For example, the City's current service standard for approving registration applications is 5 days from initial receipt. At adoption of the regulations, this process was initially proposed as an automated review. However, since implementation, staff have noted a more in-depth review of each application is required than was originally anticipated. Of the registrations received and approved in 2023, 49% met the City's service standard, but for registrations requiring additional review and correspondence with the applicant by staff, this process can take an average of 24 days.

The City solicited feedback on the potential for changes to the program's fee structure, which were well received by consultation participants; short-term rental operators were supportive of an increase to the existing registration fee if it would support the program to address existing service and enforcement challenges. Further, a jurisdictional scan of short-term rental registration and licensing fee structures across Ontarian and Canadian municipalities was conducted. Toronto's short-term rental fee structure for operators is considerably lower compared to other municipalities within Ontario that are operating in a smaller short-term rental market. In 2023, municipalities including Ottawa (\$110), Mississauga (\$250), and Vaughan (\$360) have operator registration fees that are higher than the City's current structure. However, Toronto is one of the only municipalities to charge a nightly fee.

Given increasing, and previously underestimated, program costs and insufficient resources to address ongoing service, compliance, technology and enforcement demands, the City is proposing to amend the short-term rental program's fees and increase related staffing resources. Costs recovered through amended fees would fund the additional staffing positions to deliver on the program's service standards and emergent needs identified by operators, companies and community residents. The request for additional staff is primarily driven by the enforcement and compliance activities MLS is aiming to undertake to implement the proposed updates to the City's short-term rental regulatory regime. If the proposed amendments are adopted, activities would include undertaking annual on-site inspections of registered short-term rentals, conducting in-person applicant and registered short-term rental operator interviews, undertaking additional verification of principal residence documentation and expanding the City's short-term rental registration data verification processes with short-term rental companies. These activities will require significant resources to collect and store registration information and support investigations and review.

Through a comprehensive, cost-recovery fee analysis, staff are recommending increasing the short-term rental operator registration fee to \$375.00 (from \$53.22), increasing the short-term rental company one-time application fee to an annual \$10,000.00 licensing fee and increasing the nightly fee to \$1.50 per night (from \$1.06). These proposed changes and projected revenues would enable the short-term rental program to operate in a cost-recovery model.

The cost projections and proposed fee amendments reflect direct costs for MLS' short-term rental program. Through 2024, MLS will be conducting a comprehensive User Fee Review which will assess direct and indirect costs for MLS' programs. Review outcomes may potentially lead to additional fee increases to reflect full cost recovery for programs supported by MLS' user fees, including the short-term rental program.

Proposed Staffing Enhancements

To the existing staffing complement of 17 full time equivalents (FTEs), staff propose adding 23 FTEs to administer the proposed regulatory updates and meet existing program needs. These 23 new positions would all be fully funded by the increase in user fees. As outlined in Table 5, this includes 14 additional staff within MLS' Rental Standards Unit to support program enforcement, 5 additional staff within MLS' Business Licensing and Regulatory Services to advance program compliance efforts, and 2 additional staff to support recruitment and retention. Lastly, 2 more staff within Technology Services Division are required to deliver on the proposed regulatory updates, as well as to sustain the program's technology solutions.

Table 5: Proposed Short-Term Rental Program Staffing Enhancement

Division	Staffing Complement Increase	Net New Annual Expenditure
Municipal Licensing and Standards - Rental Standards	14 FTEs	\$1,481,160
Municipal Licensing and Standards - Business Licensing and Regulatory Services	5 FTEs	\$517,776
Municipal Licensing and Standards - Recruitment and Retention	2 FTEs	\$262,314
Technology Services	2 FTEs	\$324,000
Total	23 FTEs	\$2,585,250

As the policy goal of this program is to protect Toronto's critical long-term rental stock, the projected impact of regulatory changes could decrease the number of registered short-term rental operators over time. If the proposed changes are adopted, MLS would monitor the impact of updated regulatory requirements on Toronto's short-term rental market to determine whether licensing fees and/or enforcement and compliance resources should be re-assessed.

Additional Items and Responses on Outstanding Council Directives

a. Federal Support for Enforcement

In November 2023, through the Fall Federal Economic Statement (FES), the federal government discussed the impact of short-term rental activity on long-term rental housing availability and announced that the federal government intended to: i) deny income tax deductions for expenses incurred to earn short-term rental income, including interest expenses, in provinces and municipalities that have prohibited short-term rentals and ii) deny income tax deductions when short-term rental operators are not compliant with the applicable provincial or municipal licensing, permitting, or registration requirements. These measures would apply to deny all expenses incurred on or after January 1, 2024. Federal officials have outlined plans to consult on draft Income Tax Act amendments prior to passing reforms for the 2024 tax filing season and City staff will monitor the outcomes accordingly. Staff note that additional clarity around the income tax deduction proposals is needed as the intention behind the use of the term “prohibition” is unclear and more detail around how the federal government would determine who qualifies as a non-compliant operator is necessary.

Further, the FES proposed \$50 million over three years, starting in 2024-25, to support municipal enforcement of short-term rentals as well as exploring options to collect short-term rental data on a national basis. Staff have met with federal partners and are in active discussions regarding the announced short-term rental enforcement supports however, details regarding the funding allocations and the eligibility criteria are not available at the time of this report's publication.

b. Ghost Hotels

In response to Committee direction from [2022.PH32.17 Short-Term Rental Update and Regulations Enforcement Issues](#), this section outlines the City's compliance and enforcement efforts regarding “ghost hotels”. “Ghost hotels” have no formal definition in Chapter 547 but are generally understood as residential units that are not owner occupied and have been converted into short-term rentals. These units are more likely to be managed by property management companies and are typically concentrated within vertical communities such as condominiums.

Chapter 547 permits both tenants and property owners to register their principal residence as a short-term rental. However, it does not permit a short-term rental operator to hold more than one short-term rental registration (as an operator is not permitted to have more than one principal residence). There are no provisions within Chapter 547 that prohibit the operation of third-party property management companies. Even if an operator solicits a property management company to operate their short-term rental on their behalf, Chapter 547's requirements - such as providing additional documentation for proof of principal residence upon request - apply to the registered operator.

Ghost hotel activity contravenes the principal residence requirement as operators are registering and short-term renting properties that are not their principal residence. This activity is contrary to Chapter 547's principles of maintaining community stability and minimizing the negative impact to housing availability by removing potential long-term

housing stock from the rental market. The City monitors ghost hotel activity through its data discovery methods. When this activity is suspected, it is documented for further monitoring and referred to enforcement for investigation. From an enforcement perspective, the City is leveraging its existing resources to gather evidence, issue revocations and lay charges against non-compliant operators. In addition, inspections of short-term rental units and engagement with condominium property management (where relevant) assist the City in gathering evidence.

Recommendations in this report that strengthen the principal residence requirement (such as requiring additional documentation and conducting annual inspections of short-term rental addresses, as well as limiting partial unit rentals to 180 nights and limiting registrations to one per dwelling unit), will enhance ongoing enforcement and compliance initiatives and help reduce the prevalence of ghost hotel activity.

c. Medium-Term Rentals

Chapter 547 defines a short-term rental as "all or part of a dwelling unit rented out for less than 28 consecutive days in exchange for payment." Residential tenancies between 28 days and up to a year that do not have a standard 12-month lease are not specifically defined in provincial legislation nor in the City's short-term rental regulatory framework and are generally referred to as a "medium-term rentals". Through Chapter 547, MLS does not receive stay data for transactions with rental periods of 28 days or longer. Further, the City does not collect data for this particular subset of Toronto's housing market nor does it have oversight of this rental type.

Previous research conducted by Dr. David Wachsmuth from the School of Urban Planning at McGill University in 2021 found that in response to Chapter 547's implementation, short-term rental companies converted 8,400 short-term rental listings in Toronto to 28-day minimum rentals for failing to register under the new bylaw. This activity significantly increased the number of medium-term rental listings advertised within the City's existing medium-term rental market.

As part of [2021.PH24.2 Short-Term Rental Updates and Exploring their Conversion to Rental Housing](#) and [2022.PH32.17 Short-Term Rental Update and Regulations Enforcement Issues](#), Planning and Housing Committee directed staff to review the medium-term rental market, including its impact on the housing markets and enforcement challenges, as well as third-party international student housing providers. The below sections provide an overview of the medium-term rental market in Toronto.

Legislative Authority

Residential tenancies, including medium-term tenancies 28 consecutive days or longer, are regulated by the Province of Ontario under the Residential Tenancies Act, 2006 (RTA). The RTA is a comprehensive provincial statute that governs residential tenancies. Among other things, it regulates rent increases and evictions, sets out the rights and responsibilities of landlords and tenants, and provides for the adjudication of disputes through the Landlord and Tenant Board (LTB). The RTA specifically excludes living accommodations intended to be provided to the travelling or vacationing public from its application and provides the LTB with exclusive jurisdiction to determine whether a rental constitutes a tenancy to which the RTA applies.

The City chose to define a short-term rental as a rental of less than 28 days, as it is a tenancy that definitively is not subject to the RTA. This definition provides certainty in a compliance and enforcement context and excludes seasonal rentals, corporate apartments, stays for film crews or entertainment workers, medical stays, housing for newcomers, insurance relocations, student residences, and other potential use cases for medium-term rentals less than a year.

The City does not have the authority to determine whether a rental is subject to the RTA, nor to impose tenant protections on rentals that have been specifically excluded from the application of the RTA. The determination by the Landlord and Tenant Board of whether a particular rental is subject to the RTA is based on individual facts and on a case-by-case basis.

Toronto's Medium-Term Rental Market

To address Council direction to provide an update on Toronto's medium-term rental market, the City obtained a report from Dr. David Wachsmuth and Bridget Buglioni, who included in their scope of research a review of medium-term rentals. Their findings are based on a "point-in-time" review, between May and July 2023, of medium-term rental listings on traditional short-term rental platforms, long-term rental platforms and approximately 20 small, dedicated medium-term rental platforms.

Their report defines a medium-term rental as a "minimum stay of at least 28 days but less than one year". This section will highlight key findings with the remainder of their research appended for reference as Attachment 4.

Scale of Medium-Term Rental Market

Prior to the pandemic, Wachsmuth and Buglioni found that medium-term rentals accounted for a marginal percentage of all time-limited rental housing types. In their report, the researchers' scan of rental platforms identified 11,270 medium-term rentals active in Toronto between May and July 2023 and estimated an average vacancy rate of 11.3%. Their research posits that the post-regulatory supply of medium-term rentals available on short-term rental platforms are short-term rentals that have been converted to medium-term rentals by the short-term rental company.

Despite the growth of medium-term rentals, the researchers found that medium-term rentals: i) are disproportionately inactive (i.e. not accepting reservations), ii) receiving a disproportionately low rate of reservations (if they are active), and iii) receiving a disproportionately low amount of revenue. Table 6 provides an annual comparison of the proportion of medium-term listings on short-term rental platforms and their respective revenue.

Table 6: Medium-Term Rental Daily Displayed Listings (%) and Host Revenue (%) (2019, 2021 and 2023)

Year	% of Medium-Term Daily Listings Compared to All Listings on STR Platforms	% of Medium-Term Host Revenue Compared to All Revenue on STR Platforms
2023*	71.0%	31.1%
2021	72.0%	34.4%
2019	6.0%	2.1%

* Note: Data sourced from Wachsmuth's and Buglioni's research did not include annual data from 2020 and 2022.

Medium-Term Rental Revenues and Operations

The researchers' findings note that on dedicated medium-term rental sites, medium-term rental units are available at higher rents than comparable units on a long-term rental site. However, on short-term rental platforms, medium-term rentals consistently command lower nightly rate than short-term rentals and lower monthly rates than long-term rentals in the same neighbourhoods.

Medium-term rentals are typically available for a 30-day minimum and are not typically advertised as tourist accommodations. Dedicated medium-term rental sites are usually operated by third-party property management companies who represent homeowners or investment real estate properties. Wachsmuth and Buglioni's research notes that medium-term rental sites cater to a less-price sensitive audience, specifically in the example of corporate housing, compared to the mass-market consumer of short-term rental and long-term rental companies.

Consultation Findings

As part of its stakeholder engagement and public consultation process, the City solicited feedback about Toronto's medium-term rental market. Many respondents that provided written feedback noted that the medium-term rental market has predated Toronto's short-term rental market and services a need for temporary workers, newcomers, and medical stays and is not exclusive to tourist accommodation. Staff received feedback that the medium-term rental market presents a lower revenue potential compared to the short-term rental market. Staff also received a diversity of opinions from stakeholders regarding whether or not medium-term rentals should be regulated.

Further, as part of the City's stakeholder engagement process, the City received written correspondence from short-term rental companies that noted that the primary audience booking medium-term rentals through their platforms are Toronto residents requiring an alternative arrangement during a renovation, or other long-term guests travelling for industry reasons (healthcare, construction or film/television). Additionally, the City engaged with representatives from Toronto's corporate housing sector; corporate housing is a medium-term rental that offers temporary, fully furnished accommodations for stays of 30 days or longer. These medium-term rentals facilitate corporate relocation and immigration, medical and hospital stays, emergency insurance housing and relocation for film and production purposes and are arranged on business-to-business

basis through agreements (i.e. residents are not subject to a standard residential tenancy).

Third Party International Student Housing Providers

This section responds to Committee direction regarding rental market activity by third party property management companies within Toronto facilitating medium-term rentals for international students. With increasing demand for (and limited supply of) on-campus housing and the compounded cost of tuition and related living expenses, international students may be reliant upon the medium-term rental market to secure stable housing on a term-by-term basis. Medium-term rentals offer international exchange and full-time international students alternatives to on-campus housing, and a market of private, third-party student housing providers has emerged to facilitate these housing options. In some cases, however, these arrangements can pose several risks to student well-being and to community stability as purpose-built rentals are being converted into medium-term rentals.

Similar to medium-term rentals arranged through short-term rental platforms, these rental types may not always be residential tenancies formalized by lease agreements, and are typically facilitated through a company's private website for 30-day to 4-month terms. These rental types are not subject to the City's short-term rental regulations and due to the nature of these arrangements, students who attain housing through these companies may not be subject to any tenant protections through the RTA. Staff have been made aware of activity such as rental increases and requests to vacate the property prior to the end of their agreements, from Councillor's offices whose constituents include international students. As part of this update, staff engaged representatives from Toronto's post-secondary institutions to discuss related resources and initiatives implemented by their administrations to address the proliferation of off-campus housing options and the impact of third-party housing providers on the housing options available for international student populations.

These representatives from Toronto's post-secondary institutions noted common strategies amongst their administration's efforts to circulate resources pertaining to securing off-campus housing and educating international and domestic students regarding their rights and responsibilities within the off-campus housing market. Notably, representatives described existing partnerships with third-party services responsible for validating and listing off-campus housing options, but an inability to validate all third-party housing providers for which they do not have partnerships or service agreements with. Further, representatives highlighted supports available for students to seek recourse regarding complaints filed against off-campus, third-party housing providers or redirecting to community legal clinics.

Key Considerations

Determining the policy or regulatory basis for differentiating a medium-term rental from other types of residential tenancies is challenging and regulating these types of rentals would be an unprecedented action by the City. Expanding Chapter 547 to include some or all medium-term rentals could have substantive regulatory, resource, and market-based implications. If medium-term rentals were to be regulated by the City, staff would

have to establish policies and regulations to delineate the scope and requirements of a medium-term rental by-law, review enforcement and administrative resources, technology and data needs and establish a new suite of fees.

Regarding medium-term rentals, staff recommend that City Council request additional direction from the Province to clarify the criteria the Landlord and Tenant Board would employ to determine whether a medium-term rental tenancy is subject to the RTA, in what circumstances the RTA applies to tenancies of 28 days or greater and whether municipalities have any jurisdictional authority to regulate medium-term tenancies not subject to the RTA. Without this clarity, definitive municipal action on the medium-term rental market would be premature and staff do not recommend taking steps to regulate the medium-term market at this time.

Further, a recent amendment to Chapter 778, Vacant Home Tax noted any property that is not a short-term rental (as defined by Chapter 547) and is being rented for 28 consecutive days or more but does not have a lease in place, is subject to the Vacant Home Tax. A report back from Revenue Services on the feasibility of encompassing medium-term rentals within the Vacant Home Tax framework as part of its 2024 Annual Report is anticipated in Q4 2024. MLS will be monitoring their considerations for any regulatory impacts.

d. Chapter 547 Implementation and Impact on the Hotel Industry

This section responds to Council direction from [LS23.1 - Licensing and Registration Regulations for Short-Term Rentals](#) to report back on the impacts of short-term rental regulations on Toronto's hotel industry. The Visitor Economy Office, in the City's Economic Development and Culture (EDC) Division, deployed an online survey to members of the Greater Toronto Hotel Association (GTHA) and the Ontario Restaurant Hotel and Motel Association (ORHMA). This survey complemented the consultation process led by the Municipal Licensing and Standards (MLS) and was open from December 4th to 29th, 2023. Thirty-four responses were received (representing approximately 40% of industry associations Toronto-based membership), with 97% of the survey respondents working at a hotel property and 3% with an accommodation industry association.

The respondents' answers varied when asked to describe the impact that the City of Toronto's regulations on short-term rental operators and companies have had on the hotel industry: 9% of respondents indicated that the current regulation's impact was positive, 29% indicated somewhat positive, 29% indicated negative, 3% indicated somewhat negative, 18% indicated not applicable, and 12% indicated other. In summary:

- The positive and somewhat positive respondents' comments expressed that although increased enforcement is required, the regulations had set limits that level the playing field between hotels and short-term rentals and could potentially result in fewer unlicensed short-term rentals.
- The respondents that selected negative and somewhat negative impact communicated that the current regulations have too many loopholes exploited by larger companies, that short-term rentals affect the employment of hotel staff due

to reduced occupancy, and that the regulations and taxation for hotels and short-term rentals should be equal.

- The “other” category contained comments including lack of consistent enforcement and insufficient educational resources on the bylaw. One respondent stated that leisure travel is not the bulk of hotel business (as it is for short-term rentals), so they felt that short-term rentals had minimal impact on the hotel industry.

In addition to feedback regarding negative or positive impact, respondents were asked if the regulations enable greater diversity in tourism accommodations. Fifty percent of respondents selected “yes”, 44% selected “no”, and 6% selected “other”, stating that although the regulations promote greater diversity in tourism accommodation, they also remove rental housing stock. Most respondents (62%) did not think the regulations promote tax equity between short-term rental operators and the hotel industry. This opinion was further examined when asked what regulatory changes could support the hotel industry. Several respondents felt that true tax and regulatory equity would be achieved when short-term rentals were subject to the same regulatory and tax categories that hotel properties are. Examples included health and safety regulations, paying commercial property taxes when the property is used as a short-term rental, auditing operators, and prohibiting short-term rentals in certain zoning areas (as required for hotels).

Letters were also received from several hotel industry associations. While one major association indicated support of some of the proposed regulatory amendments to Chapter 547, other associations provided recommendations in addition to the proposed changes, which included suggestions such as the need for density control to ensure that specific areas do not become “de facto ghost hotel districts”, stronger regulations/fines for platforms allowing illegal listings, additional proof of validation of principal resident (e.g., notarization), and re-defining the short-term rental period to 90 consecutive days.

Based on the results of the online survey and letters from industry associations, City staff will continue to monitor the impact of the proposed regulatory updates on the hotel industry once implementation is under way. Continuing to engage the hotel industry to advance the recovery of the hospitality sector post COVID-19 and to adequately prepare for major events, such as the 2026 FIFA Men’s World Cup, will be essential to effectively respond to visitors’ needs and ensure a balanced accommodation sector.

Implementation Considerations and Next Steps

If the proposed changes to Chapter 547, Licensing and Registration of Short-Term Rentals and Chapter 441, Fees and Charges are adopted, staff are recommending a phased approach to implementation.

The following amendments related to improving compliance measures and enhancing data-sharing and advertising requirements are recommended to come into effect on June 30, 2024: i) amending the revocation process, ii) requiring operators to post emergency contact information and exit diagrams within the rental unit, iii) prohibiting licensed MTH operators from applying for a short-term rental registration, iv) requiring companies to remit records that include the operator’s full name as listed on their

registration issued by MLS, v) clarifying the registration information short-term rental companies are required to verify against City data, vi) requiring companies to prominently display the operator's registration number in short-term rental advertisements, vii) cancel reservations for unregistered operators' listings, and viii) checking a list of registered hotels to verify the validity of an operator claiming status as a hotel.

It is also recommended that the amendments to the definitions of principal residence and dwelling unit come into effect on June 30, 2024. The June 30, 2024 timeline will grant MLS with the authority to undertake the necessary compliance and enforcement efforts against non-compliant operators whilst concurrently monitoring and supporting the implementation of other important initiatives such as the multi-tenant house licensing framework. It would provide time to carry out the related engagements with licensed short-term rental companies, ensure sufficient communications are issued regarding compliance requirements and permit a reasonable timeline for implementation prior to enforcing the new requirements.

Amendments related to strengthening the principal residence requirement including: i) requesting additional documentation to verify principal residence address, ii) conducting an annual inspection of registered short-term rental addresses, iii) implementing the option to conduct an in-person interview, iv) limiting the number of registrations to one per dwelling unit, and v) issuing registrations to the principal residence are recommended to come into effect on September 30, 2024. Given the operational nature of these changes, the bylaw amendments will grant MLS with the necessary authorities to establish new processes and update existing ones. It also ensures sufficient time for related technology system-based changes to come into effect to facilitate the issuance of registrations according to the new regulatory changes.

The fee changes related to Short-Term Rental Companies Application Fee, Renewal Fee and Nightly Fee are recommended to come into force on June 30, 2024. The changes related to the Short-Term Rental Operator Registration Fee and applying the 180-night limit to partial unit rentals are recommended to come into force on January 1, 2025. This ensures an equitable approach to implementation for operator registrations issued prior to the adoption of these amendments.

The additional staffing resources, related hiring timelines and training requirements to implement these new processes will require sufficient preparation and would be phased into the existing staffing complement no later than Q3 2024.

Staff will continue to work with Technology Services on a number of these program changes, as well as the development and implementation of the Application Programming Interface (API) to support the verification of short-term rental operator registration data, to be operational in Q3 2025.

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ATTACHMENTS

Attachment 1: Short-Term Rental Operator Registrations Ward-by-Ward Breakdown
Attachment 2: Public Consultation and Stakeholder Engagement Summary
Attachment 3: Jurisdictional Scan of Short-Term Rental Licensing Frameworks
Attachment 4: Short-Term and Medium-Term Rentals in the City of Toronto - Market and Regulatory Analysis