

Response to Audit Committee's Request on Whether the Audit of the Short-Term Rental Program and Municipal Accommodation Tax, outlined in the Auditor General's 2024 Annual Report (January 29, 2025), Includes 181 and 219 Dundas Street East

Date: March 21, 2025
To: City Council
From: Auditor General
Wards: All

SUMMARY

On February 12, 2025, when the Audit Committee considered AU8.1, "Auditor General's 2024 Annual Report – Demonstrating the Value of the Auditor General's Office", the committee adopted a motion¹ to request that the Auditor General report directly to the March 26, 27, and 28, 2025 meeting of City Council on whether the review of the Short-term Rental Operations, outlined in the Auditor General's 2024 Annual Report (January 29, 2025), includes 181 and 219 Dundas Street East.

This report provides a response to the Audit Committee's request. Our audit of the City's Short-Term Rental Program and Municipal Accommodation Tax ([2024.AU5.7](#)) did not specifically include 181 and 219 Dundas Street. Our online search for illegal short-term rental listings may have included these locations, however it is not possible to link the online listings to specific addresses.

As supplemental information for City Council, we used the data extract from our audit of the short-term rental database and transactions from two licensed companies and found 70 transactions at 181 Dundas St. E. and 52 at 219 Dundas St. E. between 2021 and 2023. As of February 29, 2024, when we extracted the short-term rental registration data for our audit, both locations had one active permit each.

In a subsequent update on March 11, 2025, Municipal Licensing & Standards (MLS) confirmed that all active short-term rental permits at 181 and 219 Dundas Street East had been canceled or revoked following investigations. MLS also engaged with property

¹ <https://secure.toronto.ca/council/report.do?meeting=2025.AU8&type=decisions>

management at both locations and verified that short-term rentals are prohibited under the respective condominium by-law declarations.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The recommendation in this report has no financial impact.

DECISION HISTORY

On June 20, 2024, the Auditor General issued a report², "[Audit of Short-Term Rental Program and Municipal Accommodation Tax: Strengthening Bylaw Enforcement and Enhancing Municipal Accommodation Tax Collection Processes](#)". The report presented the results of an audit of Toronto's Short-Term Rental Program and Municipal Accommodation Tax collection processes, providing 15 recommendations to strengthen bylaw enforcement and enhance tax collection. Implementing the recommendations will help the City improve the effectiveness and efficiency of its short-term rental regulations and ensure accurate tax remittance.

In a subsequent meeting on February 12, 2025, when the Audit Committee considered AU8.1, "Auditor General's 2024 Annual Report – Demonstrating the Value of the Auditor General's Office", the committee adopted a motion to request that the Auditor General report directly to the March 26, 27, and 28, 2025 meeting of City Council on whether the review of the Short-term Rental Operations, outlined in the Auditor General's 2024 Annual Report (January 29, 2025), includes 181 and 219 Dundas Street East.

COMMENTS

This report provides a response to Audit Committee's request to report directly to the March 26, 27, and 28, 2025 meeting of City Council on whether the review of the Short-term Rental Program, outlined in the Auditor General's 2024 Annual Report (January 29, 2025), includes 181 and 219 Dundas Street East.

² <https://secure.toronto.ca/council/agenda-item.do?item=2024.AU5.7>

Our audit of the City's Short-Term Rental Program and Municipal Accommodation Tax (2024.AU5.7) did not specifically include 181 and 219 Dundas Street. Our online search for illegal short-term rental listings may have included them, however, it is not possible to link the listings to specific addresses. Illegal short-term rental listings often do not include identifying details, such as the property address or operator's name, making it difficult to trace illegal units. In such cases, investigations and enforcement efforts typically rely on public complaints to find illegal operators.

Toronto Municipal Code Chapter 547, along with zoning regulations, allows individuals to rent out their principal residence for stays of less than 28 consecutive days.

Individuals who want to rent out their principal residence must register with the City of Toronto. Since individuals can have only one principal residence, they can register only one dwelling unit and cannot legally operate more than one short-term rental. Secondary or investment properties cannot be used for short-term rentals.

At the time of our audit, individuals could rent up to three bedrooms in their principal residence for an unlimited number of nights per year and/or the entire home for up to 180 nights annually. Starting January 1, 2025, they must register as either an entire-unit or partial-unit operator for the full registration period.

Our audit found that enforcing the principal residence requirement is challenging. While complaint-based investigations can help identify units operating without a permit or violating the principal residence rule, the audit report recommended a proactive, risk-based approach. This includes using risk factors and advanced data analysis to detect non-compliance and applying risk-based sampling to check if short-term rental operators are allowed by their condominium bylaws to rent out their homes.

As supplemental information for City Council, we used the data extract from our audit of the short-term rental database and transactions from two licensed companies and found 70 transactions at 181 Dundas St. E. and 52 at 219 Dundas St. E. between 2021 and 2023. During this period, the two properties had some inactive permits due to permits either being cancelled by MLS for non-payment or cancelled by the operators. As of February 29, 2024, when we extracted the short-term rental registration data for our audit, both locations had one active permit each.

Supplemental information for these two properties as of February 29, 2024:

Address	Number of Transactions (2021-2023)	Permit Denied	Active Permits	Inactive Permits	Reasons for Inactive Permits
181 Dundas St. E.	70	1	1	7	4 canceled by MLS (non-payment) 3 canceled by operators

Address	Number of Transactions (2021-2023)	Permit Denied	Active Permits	Inactive Permits	Reasons for Inactive Permits
219 Dundas St. E.	52	0	1	3	2 canceled by operators 1 canceled by MLS (non-payment)

In a subsequent update on March 11, 2025, MLS confirmed that all active short-term rental permits at 181 and 219 Dundas Street East had been canceled or revoked following investigations by their enforcement team. MLS also engaged with property management at both locations and verified that short-term rentals are prohibited under the respective condominium by-law declarations. This outcome highlights the importance of our audit recommendation to improve the permit approval process by proactively verifying compliance with condominium by-laws.

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SIGNATURE

Tara Anderson
Auditor General