



City of Kingston
Report to Administrative Policies Committee
Report Number AP-18-016

To: Chair and Members of the Administrative Policies Committee
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Paige Agnew, Director, Planning, Building & Licensing Services
Date of Meeting: November 8, 2018
Subject: Residential Rental Licensing

Executive Summary:

The *Municipal Act, 2001*, was amended in 2007 allowing municipalities to license any business or activity that is considered appropriate in pursuing the public good. Residential rental licensing by-laws regulate residential rental units by requiring that landlords operate their properties according to certain standards to ensure that the health and safety of the residents is protected. An information report ([Report Number 18-001](#)) was presented to Council on December 19, 2017 with an overview of the concept of residential rental licensing and a review of other Ontario municipalities that have residential rental licensing programs in place.

In July 2018, staff undertook consultation on a draft framework for a potential residential rental licensing program in Kingston. The draft framework was proposed as a proactive approach to addressing illegal, unsafe and substandard rental units in the City. The draft framework focused on properties containing 1-3 rental units, short-term rentals, and boarding, rooming and lodging houses. Information and stakeholder sessions were held between July 11 and 13, 2018, supplemented by an online survey. A summary of the draft framework, the feedback received at the information and stakeholder sessions, the results from the survey, a costing model, quantitative data from other municipalities that have residential rental licensing programs in place, and information on rents from various municipalities were presented to the Administrative Policies Committee through [Report Number AP-18-011](#). Since that time, staff have facilitated additional engagement sessions, consulted with the Ontario Human Rights Commission, and looked at establishing a collaborative community-based approach to addressing illegal, unsafe and substandard rental housing in the City.

Based on consultation with the hotel and tourism industry, this report recommends that Council approve in principle, the implementation of a licensing program for short-term rentals, with a draft short-term rental licensing by-law to be presented for Council's consideration and

November 8, 2018

Page 2 of 15

implementation in 2019. Should Council endorse a proposed licensing program for short-term rentals, changes would be made to the Municipal Accommodation Tax program and by-law to include short-term rentals.

This report also recommends that Council approve in principle, the implementation of a licensing program for properties containing 1-3 residential rental units, boarding, rooming and lodging houses and those containing more than 4 rental units that do not have a registered Site Plan Control agreement in place. The report further recommends that a working group be established for a period of twelve months to complement the residential rental licensing program. Should Council support the recommendation, staff will develop an implementation plan working alongside the working group, including investigating options and incentives that recognize compliant property owners and support other property owners to bring rental units into compliance. A draft by-law will be developed in consultation with the working group and brought forward for the Administrative Policies Committees' consideration in 2020. It is anticipated that an amendment to the Fees and Charges By-Law would also be presented at the same time. The residential rental licensing program would be phased in across the City over a five-year period, with the first phase commencing in the third quarter of 2020.

Staff were recently made aware that a group of landlords are commissioning a separate consultant study regarding residential rental licensing, which is anticipated to be completed in November 2018. The recommendations coming out of this work can be vetted through the Residential Rental Licensing Working Group, as appropriate, as part of the development of the draft residential rental licensing by-law. The City is committed to establishing a collaborative process with landlords as staff understand that the City has a low vacancy rate and that retaining existing units in the market is important. Staff are committed to work with property owners that may need to bring their units into compliance through this process.

It is important to note that in the absence of a residential licensing program, it will not be possible for City staff to proactively address tenant concerns related to quality of housing and welfare of residents. Enforcement related to quality of housing would continue to be based on a complaint system should Council not support this licensing program.

Recommendation:

That it be recommended to Council that a licensing program be established for short-term rentals; and

That staff be directed to report back with a short-term rental licensing by-law in 2019; and

That staff be directed to report back in 2019 with amendments to the Municipal Accommodation Tax By-Law to include short-term rentals; and

That it be recommended to Council that a licensing program be established for properties containing 1-3 residential rental units, boarding, rooming and lodging houses, and those containing 4 or more rental units that do not have a registered Site Plan Control agreement in place; and

November 8, 2018

Page 3 of 15

That staff be directed to report back with a residential rental licensing by-law in 2020; and

That staff be directed to include the costs associated with implementing a short-term rental licensing program and a residential rental licensing program in the 2019 budget deliberations; and

That a Residential Licensing Working Group be established in accordance with the composition and mandate as outlined in Exhibit A of Report Number AP-18-016; and

That the City Clerk be directed to invite the public to submit applications to participate on the Residential Rental Licensing Working Group; and

That the applications received for the Residential Rental Licensing Working Group be forwarded to the Nominations Advisory Committee for consideration and recommendation to Council for final approval.

November 8, 2018

Page 4 of 15

Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

Lanie Hurdle, Commissioner, Community Services

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Denis Leger, Commissioner, Corporate & Emergency Services	Not required

November 8, 2018

Page 5 of 15

Options/Discussion:**Background**

Through the consideration of an Interim Control By-Law in the Williamsville, Sydenham and Portsmouth Electoral Districts in early 2017, Council directed staff to report back with options and recommendations to help guide appropriate infill and intensification in the three Electoral Districts. A number of short-term and long-term recommendations were brought forward by staff to address the complexity of land use and other issues that were identified through the Interim Control By-Law discussion. The recommendations were approved by Council at its May 2, 2017 meeting ([Report Number 17-139](#)) and staff have been working to implement those recommendations over the past year. One of the long-term recommendations was for staff to re-evaluate the concept of residential rental licensing, building off the experience of other municipalities that have considered residential rental licensing programs.

An information report was presented to Council on December 19, 2017 with an overview of the concept of residential rental licensing and a review of other Ontario municipalities that have residential rental licensing programs in place ([Report Number 18-001](#)).

In July 2018, staff undertook consultation on a draft framework for a potential residential rental licensing program in Kingston. The draft framework was proposed as a proactive approach to addressing illegal, unsafe and substandard rental units in the City. Information and stakeholder sessions were held between July 11 and 13, 2018, supplemented by an online survey. An information report ([Report Number AP-18-011](#)) was presented to the Administrative Policies Committee on August 9, 2018 with a discussion of the following items:

- potential advantages and limitations of residential rental licensing;
- a summary of Kingston's rental housing stock;
- a draft residential rental licensing framework including the scope, process, phasing, costing model and proposed application requirements;
- a summary of feedback received at the information and stakeholder sessions and the results from the survey;
- quantitative data from other municipalities that have residential rental licensing programs in place; and
- information on rents from other municipalities.

Since that time, staff have facilitated additional engagement sessions, consulted with the Ontario Human Rights Commission, and looked at establishing a collaborative community-based approach to addressing illegal, unsafe and substandard rental housing in the City.

This report recommends that Council approve, in principle, the implementation of a licensing program for properties containing 1-3 residential rental units, short-term rentals, boarding, rooming and lodging houses and those containing 4 or more rental units that do not have a registered Site Plan Control agreement in place. The report also recommends that a working group be established to complement the residential rental licensing program. Should Council

November 8, 2018

Page 6 of 15

support the recommendation, staff will develop an implementation plan working alongside the working group, and bring forward a draft by-law for Council's consideration in 2020.

Public Consultation Summary

Between July 11 and 13, 2018, staff undertook public consultation on the concept of residential rental licensing and the draft residential rental licensing framework was presented in [Report Number AP-18-011](#). Four public information sessions were held as follows:

- Information Session 1: Wednesday, July 11, 10 to 11:30 a.m.
- Information Session 2: Wednesday, July 11, 5:30 to 7 p.m.
- Information Session 3: Thursday, July 12, 10 to 11:30 a.m.
- Information Session 4: Thursday, July 12, 5:30 to 7 p.m.

In addition to the information sessions, three stakeholder sessions were held as follows:

- Stakeholder Session 1 (representatives from Queen's University): Thursday, July 12, 2 to 3:30 p.m.
- Stakeholder Session 2 (representatives from Kingston Rental Property Owners Association): Friday, July 13, 9:30 to 11 a.m.
- Stakeholder Session 3 (representatives from neighbourhood and community associations): Friday, July 13, 2 to 3:30 p.m.

The public engagement process was supplemented by an online survey through the City's online engagement platform, Get Involved Kingston. The survey was open from July 10 to 23, 2018.

The information and stakeholder sessions were attended by landlords and residents; however, they lacked participation from tenants and the vulnerable housing population. A summary of the comments received and the results from the survey were included in [Report Number AP-18-011](#).

Since that time, staff have facilitated the following additional engagement opportunities:

- Stakeholder Session (vulnerable housing sector): Wednesday, August 8, 3:30 to 4:30 p.m.
- Stakeholder Session (staff of the Alma Mater Society (AMS) of Queen's University): Tuesday, August 21, 10:30 a.m. to 12 p.m.
- Information booth at the Queen's University Sidewalk Sale: Wednesday, September 5, 9 a.m. to 3:30 p.m.

Staff have had difficulties reaching out to the vulnerable housing sector. Invitations to the stakeholder session on August 8, 2018 were sent out to a number of representatives of the vulnerable housing sector; however, the session was attended by only one participant.

The second session was held with staff of the AMS of Queen's University who are currently renters. Additionally, an information booth was set up as part of the Queen's University Sidewalk

November 8, 2018

Page 7 of 15

Sale on September 5, 2018. This event included an opportunity to visit the City's booth and learn about the proposed residential rental licensing program. Participants at the information booth were requested to fill out a short two-question survey about their rental accommodation. The following is a summary of the main comments received at the three events. Detailed feedback received is included in Exhibit B.

- Overall, residential rental licensing is an excellent idea; however, there is a concern that landlords could raise rents.
- Largest consideration is the cost; however, the benefits speak for themselves.
- Tenants will feel comforted by increased safety.
- 122 respondents filled out the two-question survey at the City's information booth at the Queen's University Sidewalk Sale. 30 respondents indicated that they were concerned that their rental unit may be unsafe or illegal, and 105 respondents indicated that having a residential rental licensing program would make them feel more comfortable about their rental accommodation (Exhibit C).

In addition to the above, a Public Meeting was held at the Administrative Policies Committee meeting on August 9, 2018. Eleven individuals provided oral comments regarding the proposed residential rental licensing program. The meeting minutes are included in Exhibit D and written correspondence received after the meeting is included in Exhibit E. The following is a summary of the key points raised through the comments:

- All landlords should be licensed equally.
- The proposed program would have a negative impact on small landlords.
- Concern about the impact on affordability, possible rent increases and rental housing supply.
- Concern that the proposed program would discourage people from creating second residential units.
- Residential rental licensing duplicates existing by-laws.
- 'Bad' landlords would continue to operate illegal rental units without a license.
- Residential rental licensing is a proactive and tangible step for all tenants.

Consultation with the Ontario Human Rights Commission

In 2014, the Ontario Human Rights Commission (OHRC) released a guide to assist municipalities in ensuring that their rental housing regulatory practices do not create barriers and discrimination in housing for groups protected by the Ontario Human Rights Code (the Code). The Code prohibits actions that discriminate against people based on any of the fourteen protected grounds which include age, family status, marital status, receipt of public assistance, etc. The guide, [Room for everyone: Human rights and rental housing licensing](#), gives an overview of human rights responsibilities in licensing rental housing and makes the following recommendations to help municipalities protect the human rights of tenants:

- Consider the Ontario Human Rights Code before drafting the by-law and refer to the Code in the by-law;
- Consult with Code-protected groups;

November 8, 2018

Page 8 of 15

- Make sure that meetings about the by-law do not discriminate;
- Roll out the by-law in a consistent, non-discriminatory way;
- Work to secure existing rental stock;
- Avoid arbitrary bedroom caps;
- Avoid gross floor area requirements that exceed the Building Code;
- Eliminate per-person floor area requirements;
- Eliminate minimum separation distances;
- Enforce the by-law against the property owner, not the tenants;
- Protect tenants in cases of rental shut down;
- Monitor for impacts on Code group; and
- Make sure licensing fees are fair.

Staff have consulted with the OHRC on the draft framework proposed in [Report Number AP-18-011](#). The OHRC has indicated that they would have concerns if the City included provisions in the draft by-law around minimum separation distances, bedroom caps, per-person floor area requirements and living spaces that go beyond the Building Code requirements, if the program was not applied City-wide, or if the program would have an adverse effect on one group of tenants over the other. None of these provisions are being contemplated as part of the draft by-law. The goal of the proposed program is to ensure safe and legal rental housing, regardless of who the tenant is. The program is proposed to be rolled out City-wide in phases. A monitoring program is proposed to measure the effectiveness of the program on a yearly basis. Additionally, consideration has been given to ensure that the proposed licensing fees are as low as possible to minimize impacts in the event that they are passed on to tenants through increased rents. The OHRC also recommended that as part of the proposed phasing, the City roll out Phase 1 of the program to more than one area.

The OHRC has indicated that it will not be providing official written comments on the draft by-law.

Residential Rental Licensing

A residential rental licensing program is being proposed as a proactive approach to addressing illegal, unsafe and substandard rental units in the City. The primary purpose of residential rental licensing is to protect the residents of rental units by ensuring that the units comply with applicable regulations that relate to health, safety and welfare of residents, and to provide a mechanism to address illegal construction and conversions.

The proposed by-law will be drafted under the City's authority within the *Municipal Act* which permits municipalities to pass by-laws respecting the health, safety and well-being of persons, and the protection of persons and property. Furthermore, the by-law will be drafted in consideration of the Ontario Human Rights Code and the recommendations of the Ontario Human Rights Commission.

As noted in [Report Number AP-18-011](#), in addition to the Building Code and Fire Code regulations, the City has a number of regulatory by-laws in place to address concerns related to

November 8, 2018

Page 9 of 15

property standards, general maintenance and upkeep of rental properties and illegal units and conversions. However the existing tools present the following limitations:

- Resource intensive;
- Typically reactive complaint-driven enforcement;
- Tenants may not be reporting violations fearing retribution from landlords;
- Challenges with gaining entry into properties suspected of non-compliance with the Building Code, Fire Code, Property Standards By-Law or the zoning by-law; and
- No inventory of the number of illegal rental units in the City.

Although the existing by-laws and regulations allow the City to address concerns that are visible to the public, the ability to gain access remains a significant barrier to effective enforcement of any life safety concerns found within rental units that are not well maintained or have been constructed illegally. A residential rental licensing program would work alongside the current by-laws to legalize a legitimate business and also provide an established process for legal non-conforming units to register their properties and receive civic addressing. Also, enforcement staff could be deployed more effectively with upfront expectations of regular inspections reducing the time spent to reactively enforce complaints.

It is proposed that the proposed rental licensing program apply to properties containing:

- 1-3 residential rental units;
- boarding, rooming and lodging houses; and
- 4 or more rental units that do not have a registered Site Plan Control agreement in place.

The reason behind this approach is that most complaints related to property standards and illegal construction are related to buildings containing 1-3 units. Buildings containing four or more units are subject to the Site Plan Control By-Law and are typically constructed as purpose built rentals. There is little opportunity to create additional living space or additional units through internal conversions or addition of floor area in larger rental buildings. Additionally, these types of buildings have on-site or local property maintenance staff available should building issues arise. Site Plan Control is managed through a legal agreement which is registered against the title of the land to which it applies and is binding on current and subsequent owners of the property.

Based on Municipal Property Assessment Corporation (MPAC) data, it is estimated that the City has 24,602 residential rental units on 6,916 properties. The number of properties containing 1-3 residential rental units across the City, based on updated MPAC information, is estimated to be approximately 6,110, which represents approximately 88% of all rental properties. The total number of rental units on these properties is estimated to be approximately 8,616.

It is also proposed that any properties containing 4 or more rental units that do not have a registered Site Plan Control agreement in place be included in the scope. Based on MPAC data, it is estimated that these include approximately 706 properties with a total of 10,124 units. Staff note that the City's Site Plan Control records date back to the late 1970s. Many of the 706

November 8, 2018

Page 10 of 15

properties were built prior to 1970 and the City has no record of Site Plan Control on these properties.

By-Law Number 2006-213, A By-Law To License, Regulate And Govern Certain Businesses, already regulates lodging houses. It is proposed that lodging houses be removed from By-Law Number 2006-213 and consolidated within the proposed residential rental licensing program.

The emergence of short-term rentals in private dwellings, such as those advertised on on-line residential rental platforms, such as Airbnb, Vacation Rentals By Owner (VRBO) and others, has facilitated the hosting of hundreds of new rental properties throughout the City. In most instances, private dwellings advertised on these on-line platforms are offered for rent for short durations, commonly being for durations of less than a month. Short-term rentals were included as part of the draft framework presented in [Report Number AP-18-011](#). It is recommended that short-term rentals be addressed through a separate licensing program to be implemented in advance of a licensing program for properties containing 1-3 residential rental units, boarding, rooming and lodging houses, and those with 4 or more rental units that do not have a registered Site Plan Control agreement in place.

Based on consultation with the hotel and tourism industry and the need to align tourism accommodations as much as possible, staff are recommending that the short-term rental units be licensed and subject to the Municipal Accommodation Tax in 2019.

The total number of short-term rental units across the City is estimated to be approximately 1,000 located on 333 properties. A June 12, 2018 report to Council regarding the Municipal Accommodation Tax Implementation Plan ([Report Number 18-175](#)) specifically identified addressing short-term rentals through a rental licensing program. By-Law Number 2018-095, the Municipal Accommodation Tax By-Law, came into effect on August 1, 2018, and currently exempts short-term rentals. Should Council endorse a proposed licensing program for short-term rentals, changes would be made to the Municipal Accommodation Tax program to include short-term rentals.

Staff have worked with Watson & Associates Economists Limited on a costing model for the proposed licensing programs. The Residential Rental Licensing Fees Review report prepared by Watson & Associates Economists Limited is included in Exhibit F. The costing model considered direct and indirect costs, support function costs and overhead costs apportioned to the municipal departments involved. Given the total number of properties to be licensed, it is proposed that the licensing programs be rolled out City-wide in phases. A phased-in approach is proposed to stagger the increase in the staffing complement that will be required to administer and enforce the programs. The Fees Review report includes the costing model for a three-year and a five-year phasing option. A five-year phase-in is recommended. The costing model for the five-year phase-in is provided below. The costing model anticipates cost-recovery at year 5.

November 8, 2018

Page 11 of 15

Proposed 5 Year Phase-In	Residential Rental Licensing	Short-Term Rental Licensing
Total properties to be licensed:	1,363 each year	67 each year
Total application fee:		
Base fee per property	\$335.00	Not applicable
Per unit fee	\$74.90	\$174.10
1-unit rental	\$409.90 (every 5 years)	\$174.10 (every 5 years)
2-unit rental	\$484.80 (every 5 years)	\$348.20 (every 5 years)
3-unit rental	\$559.70 (every 5 years)	\$522.30 (every 5 years)
Annualized rate:		
1-unit rental	\$81.98	\$34.82
2-unit rental	\$96.96	\$69.64
3-unit rental	\$111.94	\$104.46
Additional staffing (FTE) required:	6.6	0.4
Total annual cost	\$737,641	\$34,815

It is proposed that the licensing program be funded by the rental housing providers, and not by the general tax base.

Through the consultation sessions, staff received several comments regarding the potential increase in rents as a result of residential rental licensing. As noted in [Report Number AP-18-011](#), based on a comparison of average rents for the last three years in municipalities that have residential rental licensing programs in place and those that don't, it was not possible to determine from the information if the increase in rents was indicative of possible impacts of residential rental licensing or other market factors.

The *Residential Tenancies Act, 2006* governs residential tenancies in Ontario and sets out rights and responsibilities for landlords and tenants and the parameters around raising rents. Each year, the Province announces the rent increase guideline for the following year. A rent increase guideline is the maximum amount by which a landlord can increase the rent for a current tenant without approval from the Landlord and Tenant Board. Under certain circumstances, the Act allows a landlord to apply for an above guideline increase to the Landlord and Tenant Board. A landlord can apply for a rent increase above the guideline for any of the following reasons:

- The landlord's costs for municipal taxes and charges have increased by an "extraordinary" amount. An increase in costs for taxes is considered "extraordinary" if it is greater than the guideline plus 50% of the guideline.
- The landlord did extraordinary or significant renovations, repairs, replacements or new additions to the building or to individual units. This type of work is called a "capital expenditure".

November 8, 2018

Page 12 of 15

- The landlord's costs for security services increased, or the landlord began providing security services for the first time.

It is possible that the proposed licensing fee may be included in the calculation of an "extraordinary" increase in municipal taxes and charges. The City does not have jurisdiction over rent control. However, the residential rental licensing fees are proposed to be as low as possible and the application requirements are proposed to be minimal to minimize impacts in the event that the costs are passed on to tenants through increased rents.

Staff also received comments regarding the potential loss of rental units as a result of residential rental licensing. The Planning Division has initiated amendments to the Official Plan and the five principal zoning by-laws to broaden second residential unit permissions across the City within single-detached, semi-detached, linked and row house dwellings as well as in accessory structures to implement provincial direction ([Report Number PC-18-051](#)). Once these amendments are in effect, the number of rental units across the City has the potential to substantially increase. It is also noted that there are a number of purpose-built rental developments (i.e. multiple-unit apartment buildings) that have received planning approvals or are under review, which would further add to the supply of rental accommodation.

Staff believe that both landlords and tenants would benefit from residential rental licensing. Landlords will be able to advertise their units as being licensed by the City. It is proposed that a registry be created on the City's website with an inventory of licensed rental properties, thereby providing greater visibility into the number of rental units and geographic locations of licensed rental units. The proposed program would be applied equally to existing and new rental housing. Without a licensing program, there is the potential for landlords that are operating unsafe and illegal rental units to have an unfair advantage over the landlords who are in compliance with the applicable regulations related to health and safety. Residential rental licensing would provide safer rental accommodation and improve the quality of life for renters, which would benefit the community overall. It would also provide a greater level of certainty to renters and future investors that the units meet all applicable legislation, by-laws and regulations. The residential rental licensing program is proposed to be supplemented by a tenant education program to assist in the identification of substandard and illegal rental units.

The proposed program would help build a comprehensive rental housing inventory in Kingston which would provide further information on understanding the City's rental housing supply. Staff will evaluate the effectiveness of the program on an annual basis and propose adjustments and improvements as necessary. The proposed application fees will also be reassessed and the fees may be adjusted in order to achieve, but not exceed, cost recovery.

Staff are recommending an endorsement, in principle, of a licensing program for short-term rentals with the direction to report back to Council with a draft by-law in 2019. At the same time, staff are also recommending an endorsement, in principle, of a residential rental licensing program with the direction to report back to Council with a detailed implementation plan in 2020.

November 8, 2018

Page 13 of 15

Working Group

Through the consultation sessions held in July, staff saw a strong commitment from the participants towards a collaborative partnership of stakeholders to address illegal, substandard and unsafe rental housing in Kingston. It is proposed that a working group be established to complement the proposed residential rental licensing program. It is recommended that the composition of the working group consist of:

- One member of Council;
- One representative of Queen's University;
- One representative of St. Lawrence College;
- One representative of the Alma Mater Society (AMS) of Queen's University;
- One representative of the student government of St. Lawrence College;
- One representative of the Kingston Rental Properties Owners Association (KRPOA);
- One member of the public who is an operator of a 1-3 unit residential rental development;
- Two representatives of the social housing and vulnerable housing sectors; and
- Two members of the public who are tenants of a 1-3 unit residential rental development.

The proposed terms of reference for the working group are included in Exhibit A. The term of the working group is proposed to be twelve months from the date of appointment. The working group is intended to serve as a forum to host discussions, share knowledge and provide input towards the development of a draft by-law and an implementation plan. Working alongside the working group, staff will also investigate options and incentives to recognize compliant property owners and support other property owners to bring non-compliant rental units into compliance.

Staff were recently made aware that a group of landlords are commissioning a separate consultant study regarding residential rental licensing, which is anticipated to be completed in November 2018. The recommendations coming out of this work can be vetted through the Residential Rental Licensing Working Group, as appropriate, as part of the development of the draft residential rental licensing by-law.

Draft Short-Term Rental Licensing By-Law and Residential Rental Licensing By-Law Components

Staff intend to report back to the Administrative Policies Committee in 2019 with a draft short-term rental licensing by-law for its consideration, and in 2020 with a draft residential rental licensing by-law. The following provides a brief description of the various items contemplated for inclusion in the draft by-laws:

- Definitions: to assist with the interpretation of the by-law.
- Scope: types of properties to be licensed.
- Licence issuance: provisions outlining when a license may be issued or denied.
- Exemptions: a list of the types of rental accommodation that would be exempt.
- Revocation or suspension of license: conditions when a license could be revoked or suspended.
- Enforcement and inspection: provisions around enforcement and inspection of rental units subject to the by-law.

November 8, 2018

Page 14 of 15

- Orders: provisions related to the issuance of orders for contravention of the by-law and how the City may recover costs.
- Penalty: provisions related to penalties for anyone who contravenes any provision of the by-law and fines if convicted.

Timeline for Next Steps

Should Council support the recommendation of this report, the following tentative timeline is proposed for the next steps:

- Short-Term Rental Licensing:
 - 2019: Presentation of a draft short-term rental licensing by-law for consideration by the Administrative Policies Committee and Council. An amendment to the Municipal Accommodation Tax By-Law will also be presented.
- Residential Rental Licensing:
 - December 2018 – February 2019: Working group recruitment and appointment.
 - February 2019 – February 2020: Development of a draft-by law and implementation plan working alongside the working group.
 - March 2020: Presentation of the draft residential rental licensing by-law and implementation plan for consideration by the Administrative Policies Committee and Council. An amendment to the Fees and Charges By-Law would also be presented at the same time.
 - April – June 2020: Hiring and training of additional staffing complement to support the residential rental licensing program.
 - July 2020: Proposed by-law to come into effect.

It is proposed that the residential rental licensing by-law come into effect in July 2020. This will allow time for the hiring of additional staff and training; development of an online application process through the Development and Services Hub (DASH), initiation of an education and public awareness program, and also provide time to landlords to make any necessary changes to their units to bring them into compliance with the by-law.

Existing Policy/By-Law:

Municipal Act, S.O. 2001, c. 25, as amended

Notice Provisions:

An e-mail notification of this report and meeting was sent to individuals who have expressed an interest in residential rental licensing and have provided their contact information.

Accessibility Considerations:

Not applicable

November 8, 2018

Page 15 of 15

Financial Considerations:

Should Council endorse the recommendation of this report, the costs associated with implementing a short-term rental licensing program and a residential rental licensing program will be presented as part of the 2019 budget deliberations.

Contacts:

Paige Agnew, Director, Planning, Building & Licensing Services 613-546-4291 extension 3252

Laura MacCormick, Deputy Director, Planning Division 613-546-4291 extension 3223

Lacricia Turner, Manager, Licensing & Enforcement 613-546-4291 extension 3222

Sukriti Agarwal, Project Manager, Planning Division 613-546-4291 extension 3217

Other City of Kingston Staff Consulted:

Lisa Capener-Hunt, Manager, Building Services & CBO, Planning, Building & Licensing Services

John Henderson, Housing Program Administrator, Housing & Social Services

Exhibits Attached:

Exhibit A Proposed Terms of Reference – Residential Rental Licensing Working Group

Exhibit B Summary of Comments Received at Stakeholder Sessions (August 2018)

Exhibit C Survey Results (Queen’s University Sidewalk Sale)

Exhibit D Meeting Minutes, Administrative Policies Committee Meeting, August 8, 2018

Exhibit E Public Comments

Exhibit F Residential Rental Licensing Fees Review, Watson & Associates Economists Ltd.

Proposed Terms of Reference for the Residential Rental Licensing Working Group

Committee name: Residential Rental Licensing Working Group

Composition (As appointed by Council):

- One (1) member of Council;
- One (1) representative of Queen’s University;
- One (1) representative of St. Lawrence College;
- One (1) representative of the Alma Mater Society (AMS) of Queen’s University;
- One (1) representative of the student government of St. Lawrence College;
- One (1) representative of the Kingston Rental Properties Owners Association (KRPOA);
- One (1) member of the public who is an operator of a 1-3 unit residential rental development;
- Two (2) representatives of the social housing and vulnerable housing sectors; and
- Two (2) members of the public who are tenants of a 1-3 unit residential rental development.

Term of Appointment: Twelve months from the date of appointment.

Meetings: At least six meeting to be held over a 12 month period. Additional meetings may be held if needed at the call of the Director of Planning, Building and Licensing Services.

Mandate/Terms of Reference:

1. The Residential Rental Licensing Working Group’s role is consultative and is to:
 - Provide feedback on the draft Residential Rental Licensing By-Law which is anticipated to be presented to Council for approval in 2020;
 - Provide input related to potential incentives for landlords to bring units into compliance;
 - Contribute towards the development of an implementation plan for the residential rental licensing program; and
 - Provide advice and recommendations related to education programs and communications to assist with the implementation of the residential rental licensing program.
2. For clarity, it is not the mandate of the Residential Rental Licensing Working Group to debate the merits or limitations of residential rental licensing. The Residential Rental Licensing Working Group is intended to be a collaborative

partnership of stakeholders to complement a residential rental licensing program in Kingston.

3. Residential Rental Licensing Working Group meetings will be open to the public.

Meeting Notes

Stakeholder Session (representatives from the vulnerable housing sector): Wednesday, August 8, 3:30 to 4:30 p.m.

Attendees: 1 representative of the vulnerable housing sector

- This is a good opportunity to address illegal units, however fear that some landlords may take units off the market.
- Overall, residential rental licensing is an excellent idea but do not want to see landlords raise the rents.
- Because of the low vacancy rate, we cannot afford to tip things anymore in the negative direction.
- Consultation should be undertaken with as many people as possible.

Stakeholder Session (Staff of the Alma Mater Society (AMS) of Queen's University): Tuesday, August 21, 10:30 a.m. to noon

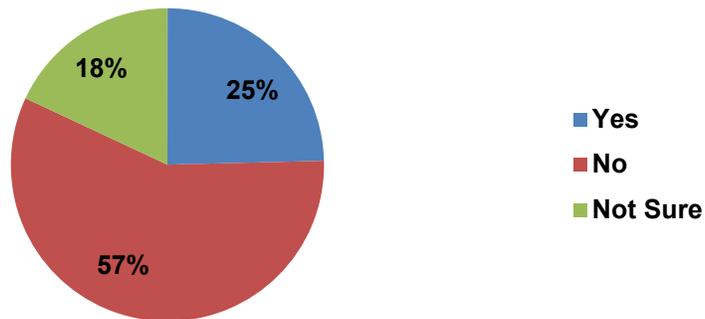
Attendees: 14

- Student tenants typically have low expectations regarding property standards; they are more concerned about affordability.
- There is a distinction between property standards and legal regulations. This wouldn't affect how nice the apartment looks; it's about the building's structural safety.
- Largest consideration is the costs; however the benefits speak for themselves.
- Tenants should be educated on their rights.
- What will the City do to ensure there is a greater housing stock?
- Concern that landlords will continue to hide from the City.
- Supportive of residential rental licensing.
- Concern with the inspections as part of the Queen's Landlord Contract program – inspectors would come, but just gloss over safety concerns.
- Students are not going to be analyzing hidden cost increases. They're going to feel comforted by increased safety.
- Everyone can benefit from such a program, but there should be a balance between cost and safety considerations.
- The program would make landlords more accountable.

Survey Results – Information Booth at Queen’s University Sidewalk Sale, September 5, 2018

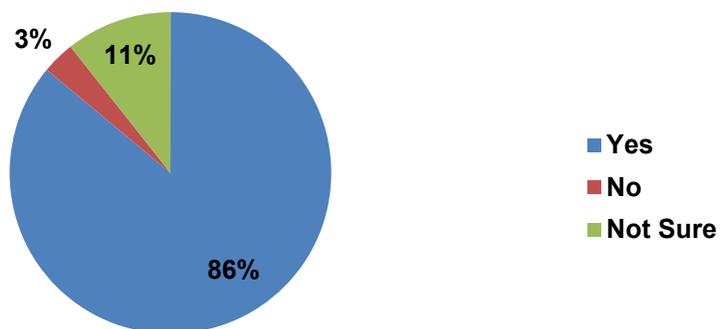
Question 1: Are you concerned that your rental unit may be unsafe or illegal?

Answer Choices	Responses	Percentage
Yes	30	25%
No	70	57%
Not Sure	22	18%
Total	122	



Question 2: Would having a rental licensing program -which would require landlords to obtain a rental licence and may include an inspection by a City of Kingston Officer - make you feel more comfortable about your rental accommodations?

Answer Choices	Responses	Percentage
Yes	105	86%
No	4	3%
Not Sure	13	11%
Total	122	





**City Of Kingston
Special Administrative Policies Committee
Meeting Number 05-2018
Unconfirmed Minutes
Thursday, August 9, 2018
5:30 p.m., Council Chamber, City Hall**

Committee Members Present

Councillor Holland; Chair
Councillor Osanic
Councillor Schell
Councillor Stroud

Regrets

Councillor Boehme
Councillor Candon

Staff Present

Sukriti Agarwal, Acting Project Manager, Planning
Paige Agnew, Director, Planning, Building & Licensing
Dan Hazell, Supervisor, Licensing & Enforcement
Greg McLean, Program & Policy Coordinator
Debbi Miller, Manager, Communications & Public Engagement
Derek Ochej, Committee Clerk
Lacricia Turner, Manager, Licensing & Enforcement

Others Present

Larry Graham, President, Centred Performance Inc.

Members of the public were present

This is not a Verbatim Report

Public Meeting to Order

Councillor Holland, Chair, called the public meeting regarding Residential Rental Licensing – Status Update and Next Steps to order at 5:32 p.m.

Councillor Holland introduced Larry Graham as the facilitator for the public meeting. Mr. Graham provided the Committee and members of the public with an overview of the format of the meeting and the guidelines for participation.

Ms. Agnew conducted a PowerPoint presentation regarding Residential Rental Licensing – Status Update and Next Steps, a copy of which may be obtained by contacting the City Clerk's Department.

Councillor Stroud sought clarity regarding vacancy rate calculations. Ms. Agnew clarified that the Canadian Mortgage and Housing Corporation's (CMHC) vacancy rate of 0.7 per cent for Kingston rental housing is based on buildings with four units or more.

Councillor Stroud inquired if there was any data available relating to the vacancy rate for rental units with one-to-three units. Ms. Agnew stated that staff is working to gather data that would provide a clearer picture of the vacancy rate for one-to-three unit buildings. She further stated that there could be thousands of illegal rental units or bedrooms in Kingston and that staff need to get a better understanding of the total number.

Councillor Stroud spoke to the consensus regarding the goal of ensuring safe housing stock in Kingston. He sought further details regarding next steps for achieving that goal. Ms. Agnew responded that several options are being examined for achieving that goal and that many issues will need to be addressed regardless of whether or not the residential rental licensing system is approved by Council. She stated a main issue is identifying illegal units in Kingston. Ms. Agnew spoke to a partnership with Utilities Kingston to better identify illegal rental units through utilities data. She stated that property standards and building by-laws will remain in place, adding that due to their complaint driven nature they are limited in effectiveness.

Councillor Schell sought further information regarding the impact of residential rental licensing on insurance for illegal units. Ms. Agnew responded that under the proposed licensing system, proof of valid insurance would be required in order to obtain a license. She further stated that older properties may have difficulties in obtaining valid insurance if repairs are required to the building.

Councillor Holland opened the floor to comments from members of the public.

Karen Pagratis, resident, sought further information regarding the inspection process and the applicability of the current Building Code to older buildings. She inquired as to how the licensing system would handle property standards issues that are the result of tenant behaviour. She inquired as to why the proposed licensing system was not being extended to buildings with four units or more. Ms. Pagratis stated that the proposed

licensing system functions like a user fee and that it would have a negative impact on smaller landlords. She suggested that another manner for solving the problems associated with illegal rental units be examined.

In response to Ms. Pagratis' comments, Ms. Agnew stated that inspections of properties would be arranged with the consent of the property owner and would be completed by a building inspector. Regarding the Building Code, Ms. Agnew stated that only the Fire Code has retroactive powers and that properties would only need to be in compliance with the Code as it was at the time of construction. Regarding the size of buildings that would be subject to the proposed licensing systems, Ms. Agnew stated that research conducted by staff showed that buildings between one-to-three units were the largest area of concern.

Ms. Turner stated that any complaints related to property standards issues would be subject to the current process for resolving those issues.

Shawn Leclaire, President, Kingston Rental Properties Owners Association, stated that he would like to see more data on the performance of the existing by-laws in order for a proper analysis to be conducted. He stated that the proposed licensing systems would increase costs for landlords and reduce the rental inventory and affordability of housing. Mr. Leclaire spoke to the timing of the report, stating that final approval should be delayed to allow those currently running for City Council to provide their opinions on the topic. He stated that the proposed licensing system should apply to all rental properties and that targeting buildings with one-to-three units was unfair and may lead to the elimination of smaller landlords. Mr. Leclaire stated that the cost of any rental licensing system should be borne by the entire tax base as all tax payers benefit from the availability of housing for the transient population. He concluded his statements by stating that the proposed licensing system would not address the issue of illegal and unsafe units.

Gary Kembel, Board Member, Kingston Rental Property Owners Association, expressed concern with the increased costs associated with a rental licensing system, adding that costs may be passed on to tenants and could negatively impact certain populations such as students. Mr. Kembel spoke to the costs associated with obtaining documents in order to obtain a license under the proposed system. He stated that the proposed licensing system would not be any more effective than the current by-laws in place regarding property and housing standards and that a licensing system would merely duplicate an existing system.

Treena Garrison, resident, stated that the proposed licensing system is too large in scope and that consideration should be given to prioritizing the most important issues

and developing individual solutions. She stated her believe that a licensing system would not achieve the positive outcomes desired. Ms. Garrison spoke to the Queen's University rental licensing program, and inquired if properties participating in this program would be exempted from the proposed licensing system. She expressed support for the collection of additional data regarding vacancy rates and housing stock and for expanding the licensing system to all rental properties. Ms. Garrison stated that she was in support of delaying the potential approval of the system until the new Council had been inaugurated.

Soren Christensen, Commissioner of Municipal Affairs, Alma Mater Society, stated that a licensing system is a proactive and tangible step in protecting the safety of rental tenants and for improving property standards. Mr. Christensen spoke in support of upcoming engagement sessions with students, stating that data gather by the Alma Mater Society has shown that many students are dissatisfied with their standard of living. He expressed concern that a licensing program may lead to an increase in rental costs for tenants.

Marguerrita Kluensch, resident, sought clarity on what would be considered a single-unit building. She stated that the proposed licensing system was discriminatory as it only applied to buildings with one-to-three units. Ms. Kluensch stated that applying the same fee to a single-unit house and to a basement apartment was unfair and that such fees may discourage people from renting secondary suites. She stated that the proposed system would result in a loss of housing stock and would negatively impact vulnerable persons and smaller rental property owners. Ms. Kluensch concluded her statements by expressing support for a program that would incentivize landlords to legalize their properties.

In response to the Ms. Kluensch's question regarding unit size, Ms. Agnew stated that any self-contained unit would be considered a single unit regardless of floor space or size.

Mary Farrar, 1 Place d'Armes Unit 83, asked if staff could provide a rationale for why buildings with one-to-three units are being targeted under the proposed licensing system. She stated that many residents have expressed concern that the system is unfair. Ms. Farrar expressed doubt that older homes would not have to abide by the current Building Code and stated that she would like to see that point clarified in a future report.

Ms. Agnew responded that the proposed licensing system is based on a review of complaints and areas of issue identified by property standards and by-law data. She further stated that very few complaints were received with respect to illegal or substandard housing in large-sized rental buildings.

Polina Buchan, resident, sought clarification on how the proposed licensing system would complement the City's encouragement of secondary suites. She expressed concern that the licensing system would discourage people from creating secondary suites. Ms. Buchan stated that more data should be collected on rental units and used to create more specific solutions to problems. She suggested that only absentee landlords should be subject to the proposed licensing system.

In response to Ms. Buchan's questions, Ms. Agarwal stated that all secondary units would require a building permit and therefore have to comply with Building Code, adding that the proposed licensing system would represent an additional step as compliance would have been confirmed through the building permit. Ms. Agnew provided additional details regarding the proposed zoning by-law changes with respect to secondary suites. She stated that the intention of the proposed licensing system is not to penalize property owners but to ensure that residents live in safe units.

Joe Brites, 66 Main Street, stated his primary concern with the proposed licensing system was that the system discriminated against smaller property owners by not including property owners of buildings with four units or more.

Paul Martin, resident, stated that the impetus for the proposed licensing system was direction from Council based on issues surrounding student housing in the Queen's University area. He stated that the property standards by-law can address many of the issues that the proposed licensing system would address, adding that Kingston Fire and Rescue can conduct inspections of potential illegal units. Mr. Martin stated that a licensing system would cost the community due to the funding requirements for inspections, adding that owners of illegal units would not come forward to seek compliance voluntarily. He stated that good property owners should not be penalized due to the problems caused by a small number of landlords, adding that the Landlord Tenant Board is available for tenants to seek redress from landlords.

In response to Mr. Martin's comment, Ms. Agnew replied that in spite of the current by-laws and policies in place, the complaint driven nature of those by-laws has proven ineffective as many residents are living in sub-standard conditions. She stated that concerns remain regarding illegal units.

Barbara Jones, 27 Point St. Mark Drive, inquired about the impact of the proposed licensing system on short-term rental properties such as those listed on Airbnb.

Ms. Agnew stated that short-term rental properties would be subject to the proposed licensing system.

Councillor Holland closed the public meeting.

Meeting to Order

Councillor Holland called the regular meeting to order at 7:31 p.m.

Approval of Agenda

Moved by Councillor Osanic
Seconded by Councillor Schell

That the agenda be amended to include the addendum, and as amended, be approved.

Carried

Confirmation of Minutes

There was none.

Disclosure of Pecuniary Interest

There were none.

Delegations

- a) Gary Kembel and Shawn Leclaire, Kingston Rental Property Owners Association, were present to speak to the Committee regarding Residential Rental Licensing – Status Update and Next Steps.

Note: The delegation was withdrawn with the consent of the Committee.

Briefings

- a) Paige Agnew, Director, Planning, Building and Licensing, was present to speak to the Committee regarding Residential Rental Licensing – Status Update and Next Steps.

Note: Briefing 'a' occurred at the start of the public meeting.

Business

a) Residential Rental Licensing – Status Update and Next Steps.

Councillor Holland opened the floor to comments or questions from the Committee.

Councillor Schell sought clarity on the by-law violation statistics that were included in Briefing 'a'. Ms. Agnew clarified that the by-law violations were related to property standards and building permits.

Councillor Schell stated that Council's intent regarding a rental licensing system was to ensure the health and safety of rental unit tenants and to eliminate illegal units, adding that many people have confused that intent with managing property standards issues. Ms. Agnew responded that staff has undertaken a scoping exercise, which has resulted in other issues independent of the licensing system becoming involved. She stated that the primary focus of the proposed licensing system remains the elimination of illegal rental units.

Councillor Schell inquired if any feedback has been received from the insurance industry regarding the proposed licensing system. Ms. Agnew responded that staff had not received any feedback from the insurance industry regarding the proposed licensing system.

Councillor Osanic asked about the fines for illegal rental units. Ms. Turner spoke to the process for addressing illegal rental units, stating that the first approach is to determine if violations could be addressed proactively by the owner. She stated a secondary approach is to involve the City's Building Department in order to achieve compliance, adding that if compliance could not be achieved in that method, the City's Legal Services Department could pursue legal action.

Councillor Osanic inquired about the costs associated with hiring additional property standards officers as opposed to implementing a rental licensing system. Ms. Agnew stated that further details on that suggestion could be included in a follow up report, adding that the estimated cost of a property standards officer was \$ 75,000 to \$ 80,000 per year.

Regarding the hiring of additional property standards officers, Councillor Stroud inquired if the costs of the additional officers would be spread across the entire City tax base. Ms. Agnew clarified that the costing options regarding net new staff proposed in the Report applies to licensing agents that would facilitate the proposed licensing program and does not include the hiring of property standards officer. Regarding the funding for

new staff, Ms. Agnew stated that the proposed costing options would be funded by user fees generated from the licensing system so as to not increase the burden on residential tax payers.

Councillor Stroud stated that he would be in favour of program that would not see all of the cost borne by property owners in order to ensure that costs are not passed on to renters. Ms. Agnew responded that staff could address potential incentives for property owners to comply with a licensing system in a future report to the Committee.

Councillor Stroud stated that he would like to see some form of licensing system succeed, adding that there is an opportunity for collaboration towards the creation of a system that would invoke little cost for property owners.

Councillor Schell inquired if staff could review the Queen's University rental licensing system. Ms. Agnew stated that such a review would be possible, cautioning that certain special permissions have been granted to Queen's under the Residential Tenancies Act that would not be available to other rental property owners.

Councillor Schell discussed the differences between affordable housing and market housing rented by private landlords. She stated that the proposed licensing system would operate in a similar manner to the business licensing system. Councillor Schell spoke to the difference in Building Code standards for new builds versus existing properties that were subject to less rigorous standards and the impact of these costs on property owners.

Councillor Holland requested that Councillor Osanic assume the role of Chair.

Councillor Holland spoke to the lack of public comments from tenants regarding the proposed licensing system. She stated that the complaint-based by-law system has not worked well, adding that tenants are not apt to complain as they do not wish to alienate their landlord or that they may not be aware of their rights as tenants. Councillor Holland sought further details regarding future public engagement with tenants. Ms. Agnew acknowledged Councillor Holland's comments regarding public engagement with tenants, adding that the proposed licensing system is attempting to take the onus for tenant advocacy off of tenants. She stated that staff attempting to reach out to tenant organizations and groups in order to obtain feedback on the proposed system.

Councillor Holland inquired about other methods to mitigate the problems of illegal rental units, asking if the cost for increased and ongoing public education could be

included in the future report. Ms. Agnew responded that information regarding increased public education could be included in the future report.
Councillor Holland resumed the role of Chair.

Councillor Stroud stated that the vast majority of tenants would likely be in favour of a system that would increase their safety, adding that some tenants may have become accustomed to living in substandard housing due to limited housing availability.

Motions

There were none.

Notices of Motion

There were none.

Other Business

There was none.

Correspondence

See agenda and addendum.

Date of Next Meeting

The next meeting of the Administrative Policies Committee is Thursday September 13, 2018 at 5:30 p.m.

Adjournment

Moved by Councillor Osanic
Seconded by Councillor Schell

That the meeting of the Administrative Policies Committee adjourn at 8:05 p.m.

Carried

Agarwal,Sukriti

From: DIANNE COOK <[REDACTED]>
Sent: Wednesday, August 29, 2018 3:04 PM
To: Agarwal,Sukriti
Subject: Re: Update on Residential Rental Licensing

While I understand that the younger generations probably find this kind of on-line involvement very in keeping with their life-long experience, I am an older adult who doesn't generally use social media, still living in the laptop and e-mail era and challenged by myriads of passwords when they can't be mnemonic.

I will only say that licencing residential rental properties sounds like a good idea, though I am sceptical about whether it will work. It would require a lot of staff time monitoring how well properties were kept up and, considering costs in staff time, I suspect it might prove to be not much different than the current system, which seems to rely on citizens informing on their neighbours or their landlords. The snitch will probably wait a long time to see any significant or lasting improvement, and may never know if the City has taken any action.

I suppose it would make it easier for the City to get in touch with delinquent landlords. I am not optimistic it would solve the problem of having invested one's savings in the purchase and maintenance of a home in the hope that it will increase in value over time and provide a nest egg when one must move on -- only to see its value decline as the neighbouring properties go downhill.

=====

On 08/29/18, "**Agarwal,Sukriti**" <sagarwal@cityofkingston.ca> wrote:

Good morning,

You are receiving this email because you are the primary contact for an organization or business that we believe might have an interest in residential rental licensing or because you have requested to be included in correspondence relating to this matter.

An information report with a draft framework for a residential rental licensing program was presented at the Administrative Policies Committee meeting on August 9, 2018 for input from the Committee and residents ([Report Number AP-18-011](#)). The draft framework focuses on properties containing 1-3 rental units, boarding, rooming and lodging houses and short-term rentals. Several comments were received, many of which were new and others reflected comments received at information and stakeholder sessions held in July.

Staff had previously indicated that a recommendation report is expected in September. However, based on the input received, the date the proposed program is presented to the Administrative Policies Committee is being moved to November 8. The meeting will be open to the public. Once the report is received and considered by the Committee, it will then be brought forward to a future Council meeting.

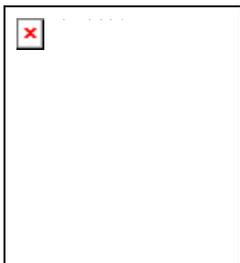
For more information, please refer to the project website:

<https://www.cityofkingston.ca/city-hall/projects-construction/residential-rental-licensing>

Please do not hesitate to contact me if you have any questions.

Thanks,

Sukriti



Sukriti Agarwal, MCIP, RPP, AICP

Project Manager, Planning Division

Planning, Building & Licensing Services

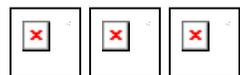
City of Kingston

Located at: 1211 John Counter Boulevard

216 Ontario Street Kingston, ON K7L 2Z3

613-546-4291 extension 3217

sagarwal@cityofkingston.ca



This E-mail contains confidential information intended only for the individual or entity named in the message. If the reader of this message is not the intended recipient, or the agent responsible to deliver it to the intended recipient, you are hereby notified that any review, dissemination, distribution or copying of this communication is prohibited. If this communication was received in error, or if you wish to stop receiving communications

from the City of Kingston, please notify us by reply E-mail and delete the original message.

Agarwal,Sukriti

From: Steven Testart <[REDACTED]>
Sent: Wednesday, August 29, 2018 7:20 PM
To: Agarwal,Sukriti
Subject: Re: Update on Residential Rental Licensing

Thank you very much Sukriti,

You saved me so much time as I had not been able to get to this important information as there was no reference to it in the Executive Summary.

I certainly hope that our elected councilors find these two exhibits and have the opportunity to read them before voting on whatever staff recommends.

Just the knowledge that staff is trying to control rentals was enough for me to stop considering renting rooms in my house to students and travellers. That contributes to our low vacancy rates in Kingston.

Thank you again

Steven Testart
[REDACTED]

On 29 August 2018 at 10:29, Agarwal,Sukriti <sagarwal@cityofkingston.ca> wrote:

Hello,

The feedback received at the information and stakeholder sessions is included in Exhibits E and F of Report Number AP-18-011 available at this [link](#).

My understanding is that a summary of the feedback received at the August 9th meeting will be made available as part of the meeting minutes prepared by the Office of the City Clerk. A summary will also be included in the staff report to be presented on November 8th.

Thanks,

Sukriti



Sukriti Agarwal, MCIP, RPP, AICP

Project Manager, Planning Division

Planning, Building & Licensing Services

City of Kingston

Located at: [1211 John Counter Boulevard](#)



[216 Ontario Street Kingston, ON K7L 2Z3](#)

[613-546-4291](#) extension 3217

sagarwal@cityofkingston.ca

From: Steven Testart [mailto: [REDACTED]]

Sent: Wednesday, August 29, 2018 10:24 AM

To: Agarwal,Sukriti

Subject: Re: Update on Residential Rental Licensing

Do you have any data on the feedback received from the public?

Steven Testart



On 29 August 2018 at 09:22, Agarwal,Sukriti <sagarwal@cityofkingston.ca> wrote:

Good morning,

You are receiving this email because you are the primary contact for an organization or business that we believe might have an interest in residential rental licensing or because you have requested to be included in correspondence relating to this matter.

Exhibit E

An information report with a draft framework for a residential rental licensing program was presented at the Administrative Policies Committee meeting on August 9, 2018 for input from the Committee and residents ([Report Number AP-18-011](#)). The draft framework focuses on properties containing 1-3 rental units, boarding, rooming and lodging houses and short-term rentals. Several comments were received, many of which were new and others reflected comments received at information and stakeholder sessions held in July.

Staff had previously indicated that a recommendation report is expected in September. However, based on the input received, the date the proposed program is presented to the Administrative Policies Committee is being moved to November 8. The meeting will be open to the public. Once the report is received and considered by the Committee, it will then be brought forward to a future Council meeting.

For more information, please refer to the project website:

<https://www.cityofkingston.ca/city-hall/projects-construction/residential-rental-licensing>

Please do not hesitate to contact me if you have any questions.

Thanks,

Sukriti



Sukriti Agarwal, MCIP, RPP, AICP

Project Manager, Planning Division

Planning, Building & Licensing Services

City of Kingston



Located at: [1211 John Counter Boulevard](#)

[216 Ontario Street Kingston, ON K7L 2Z3](#)

[613-546-4291](tel:613-546-4291) extension 3217

sagarwal@cityofkingston.ca

This E-mail contains confidential information intended only for the individual or entity named in the message. If the reader of this message is not the intended recipient, or the agent responsible to deliver it to the intended recipient, you are hereby notified that any review, dissemination, distribution or copying of this communication is prohibited. If this communication was received in error, or if you wish to stop receiving communications from the City of Kingston, please notify us by reply E-mail and delete the original message.

Agarwal,Sukriti

From: Martin Spilchen <[REDACTED]>
Sent: Wednesday, August 29, 2018 10:47 AM
To: Agarwal,Sukriti
Cc: Agnew,Paige; Turner,Lacricia; Capener-Hunt,Lisa; ygkmartin@gmail.com; Karen Spilchen
Subject: Re: Update on Residential Rental Licensing

Dear Sukriti,

Thank you for the update however this just keeps dragging on and on.

I would like to provide a new bathtub (Bath Fitter insert) for one of my tenants which if licensing goes through I will not need to do so I am in limbo right now.

Should it go through and the city make us jump through hoops, cost us thousands to comply, we will be converting our (legal non-conforming) duplex back into a single family home and selling it off along with my other two rental properties.

This will not only put the people in our duplex out on the street but we have a family of 7 in one property and a young professional in the other.

All in all this has the potential to put 4 families (13 people) out looking for another rental and with the already low vacancy rate, not to mention all the other people that will be looking for a new place once it goes through it will be a housing crisis unlike any this city has ever seen.

Presently there are four Councillors that have indicated they can't even vote on this as they would have a conflict of interest given they own rental properties themselves. This would leave unfair representation for thousands of residents.

Here are links to a couple of articles that should be considered:

Canada has the fastest growing homeless rate -

<https://news.nbcm.ca/canada-now-has-the-fastest-growing-homeless-rate-worldwide-1-million>

St. Catharines ends effort to create rental bylaw -

<https://www.stcatharinesstandard.ca/news-story/8840805-city-ends-efforts-to-create-rental-bylaw/>

This is just crazy, people are in wait and see mode, it is preventing investors from adding to the badly needed rental housing stock and is really hurting tenants. This city needs to stop dragging their heels and make a decision.

Sincerely,

Martin Spilchen

██████████ Dr.

Kingston ON. ██████████

██████████

Sent from my iPhone

On Aug 29, 2018, at 9:22 AM, Agarwal,Sukriti <sagarwal@cityofkingston.ca> wrote:

Good morning,

You are receiving this email because you are the primary contact for an organization or business that we believe might have an interest in residential rental licensing or because you have requested to be included in correspondence relating to this matter.

An information report with a draft framework for a residential rental licensing program was presented at the Administrative Policies Committee meeting on August 9, 2018 for input from the Committee and residents ([Report Number AP-18-011](#)). The draft framework focuses on properties containing 1-3 rental units, boarding, rooming and lodging houses and short-term rentals. Several comments were received, many of which were new and others reflected comments received at information and stakeholder sessions held in July.

Staff had previously indicated that a recommendation report is expected in September. However, based on the input received, the date the proposed program is presented to the Administrative Policies Committee is being moved to November 8. The meeting will be open to the public. Once the report is received and considered by the Committee, it will then be brought forward to a future Council meeting.

For more information, please refer to the project website:
<https://www.cityofkingston.ca/city-hall/projects-construction/residential-rental-licensing>

Please do not hesitate to contact me if you have any questions.

Thanks,

Sukriti

<image001.png>

Sukriti Agarwal, MCIP, RPP, AICP

Exhibit E

Project Manager, Planning Division
Planning, Building & Licensing Services

<image002.png> <image003.png> <image004.png>

City of Kingston
Located at: 1211 John Counter Boulevard
216 Ontario Street Kingston, ON K7L 2Z3
613-546-4291 extension 3217
sagarwal@cityofkingston.ca

This E-mail contains confidential information intended only for the individual or entity named in the message. If the reader of this message is not the intended recipient, or the agent responsible to deliver it to the intended recipient, you are hereby notified that any review, dissemination, distribution or copying of this communication is prohibited. If this communication was received in error, or if you wish to stop receiving communications from the City of Kingston, please notify us by reply E-mail and delete the original message.

Agarwal,Sukriti

From: Agarwal,Sukriti
Sent: Thursday, September 13, 2018 4:15 PM
To: 'Joe Brites'
Subject: RE: Update on Residential Rental Licensing

Hello,

Further to my email below, I've just received the information related to the properties with multiple cases. Approximately 26% of the properties containing 1-3 rental units have had a repeat yards, garbage or property standards case over the last years.

Thanks,

Sukriti

From: Agarwal,Sukriti
Sent: Thursday, September 13, 2018 3:55 PM
To: 'Joe Brites'
Cc: Agnew,Paige; Turner,Lacricia; Capener-Hunt,Lisa
Subject: RE: Update on Residential Rental Licensing

Good afternoon Joe,

Thank you for following up. Please see below for responses to Questions 1 and 2. We are looking into the third question and I will get back to you once we have been able to pull up the information on the number of properties containing 1-3 rental units which have had multiple cases over the last 5 years. It is difficult to calculate the percentage of complaints that have been directed at landlords or property managers who are repeat offenders as landlords and property managers can change over time.

1. Based on Municipal Property Assessment Corporation (MPAC) data, it is estimated that the City has 24,602 residential rental units on 6,916 properties.
2. The number of properties containing 1-3 residential rental units across the City is approximately 5,520. The total number of rental units on these properties is estimated to be approximately 7,880 (approximately 32% of all rental units).

Thanks,

Sukriti

From: Joe Brites [REDACTED]
Sent: Thursday, September 13, 2018 10:00 AM
To: Agarwal,Sukriti
Cc: Agnew,Paige; Turner,Lacricia; Capener-Hunt,Lisa
Subject: Re: Update on Residential Rental Licensing

Hi

I sent you a few follow up questions on the 30th of August and have not heard back. Perhaps the e mail went into your spam folder automatically and you never saw it. I know this happens to me sometimes. Anyway I have copied the body of the original e mail below.

- 1) As far as you know what is Kingstons Rental housing stock in total ?
- 2) What percentage of that stock is represented by 1 to 3 unit structures ?
- 3) In the past 3 years what percentage of complaints have been directed at landlords or property managers who are repeat offenders?

This question speaks to the argument I have heard made that there are bad landlords who get flagged repeatedly & as a result may be distorting the numbers for the entire 1 to 3 unit demographic. For example I know that 871 Division St has been an almost constant headache for the City for about 3 years .

Thank you
Joe Brites

Agarwal,Sukriti

From: Ewen MacKinnon <[REDACTED]>
Sent: Tuesday, September 18, 2018 4:35 PM
To: Agarwal,Sukriti; Contactus
Cc: Agnew,Paige; Turner,Lacricia; Capener-Hunt,Lisa; Mayor of Kingston
Subject: Re: Update on Residential Rental Licensing

Good afternoon Sukriti,

Thank you for the update. I want to take this opportunity to provide additional comments for consideration on this matter.

Since classes resumed at Queen's and SLC we have been receiving an unusually high number of inquiries from people (mostly students) looking for places to rent immediately, but we have no availability and we do not know any other landlords that do. Many of the people contacting us have said that they will not be able to stay in Kingston much longer if they are not able to find a suitable place to live as they cannot afford to stay in a hotel or similar type of short term accommodation. People leaving Kingston solely because they can't find a place to live will have a negative impact on the local economy as well as on Kingston's reputation as a whole.

Our research shows 20-40% increases in market rents since the spring, which is a result of the extremely low vacancy rates currently in Kingston. Licensing will reduce supply and basic economic principals suggest that reduced supply combined with a constant or increasing demand will result in even rents going higher, faster. Any type of residential licensing scheme will severely affect availability and affordability. Now is quite simply not the right time to be pursuing this initiative.

The online survey data you previously provided, while not scientific or statistically accurate due to the online nature of the poll, shows that over 91% of tenants are satisfied. The vast majority of tenants have not had any problems with their rental housing or problems they did have were resolved by their landlord. This clearly demonstrates that there really is no problem to solve and suggests that a few bad landlords might be the problem. These bad landlords alone should be dealt with through increased enforcement and penalties, which are both already in the City's tool kit. These options should be pursued further before an additional layer of cost and bureaucracy, with unproven results, is added to the mix.

I strongly encourage Kingston to pursue other options to meet the stated goals of licensing rather than taking steps that will negatively impact supply at a time when the residential rental market is already at its breaking point.

Please add these comments to the official correspondence submitted to the City of Kingston on this matter.

Sincerely,

Ewen MacKinnon

--

Ewen MacKinnon

President
MacKinnon Development Corporation

office: 613-531-4498
cell: 613-572-7276
web: mackinnondev.ca

On Wed, 29 Aug 2018 at 09:22, Agarwal,Sukriti <sagarwal@cityofkingston.ca> wrote:

Good morning,

You are receiving this email because you are the primary contact for an organization or business that we believe might have an interest in residential rental licensing or because you have requested to be included in correspondence relating to this matter.

An information report with a draft framework for a residential rental licensing program was presented at the Administrative Policies Committee meeting on August 9, 2018 for input from the Committee and residents ([Report Number AP-18-011](#)). The draft framework focuses on properties containing 1-3 rental units, boarding, rooming and lodging houses and short-term rentals. Several comments were received, many of which were new and others reflected comments received at information and stakeholder sessions held in July.

Staff had previously indicated that a recommendation report is expected in September. However, based on the input received, the date the proposed program is presented to the Administrative Policies Committee is being moved to November 8. The meeting will be open to the public. Once the report is received and considered by the Committee, it will then be brought forward to a future Council meeting.

For more information, please refer to the project website:

<https://www.cityofkingston.ca/city-hall/projects-construction/residential-rental-licensing>

Please do not hesitate to contact me if you have any questions.

Thanks,

Sukriti

Sukriti Agarwal, MCIP, RPP, AICP

Project Manager, Planning Division

Planning, Building & Licensing Services

City of Kingston

Located at: 1211 John Counter Boulevard

216 Ontario Street Kingston, ON K7L 2Z3

613-546-4291 extension 3217

sagarwal@cityofkingston.ca

This E-mail contains confidential information intended only for the individual or entity named in the message. If the reader of this message is not the intended recipient, or the agent responsible to deliver it to the intended recipient, you are hereby notified that any review, dissemination, distribution or copying of this communication is prohibited. If this communication was received in error, or if you wish to stop receiving communications from the City of Kingston, please notify us by reply E-mail and delete the original message.

Agarwal,Sukriti

Subject: FW: Correction: Re: Landlord Licensing Survey Feedback

From: McLaren,Jeff
Sent: Monday, October 01, 2018 8:40 AM
To: Agnew,Paige
Cc: [REDACTED]
Subject: FW: Correction: Re: Landlord Licensing Survey Feedback

Hello Director Agnew,

I received this email with a request to pass it on to those in charge of the new landlord licensing proposal.

The sentiments expressed are ones I have heard repeatedly from people at the doors.

Thank you for your consideration,

Jeff McLaren
Cell: (613) 328-1638
Work: (613) 888-4327
www.jeffmclaren.ca

P.S. I also make myself available Sundays at the Chit-Chat Café in the Frontenac Mall from 4:00 - 5:00 pm to hear your concerns. Please join me sometime.

-----Original Message-----

From: Daniel Sokolowski [REDACTED]
Sent: Sunday, September 30, 2018 10:34 PM
To: McLaren,Jeff
Subject: Correction: Re: Landlord Licensing Survey Feedback

I am a landlord that your proposal would impact and I am truly disappointed, angry, and strongly against it.

Considering it only targets properties of three units or less I see this as nothing more than a money grab. You failing to include 4 plus unit property owners conveniently excludes large corporations like Homestead.

I find this discriminatory and I haphazardly conclude you choose to do so to avoid the lobbying against it you would receive from someone of bigger pockets.

Also, given the fact that as of April 30, 2018 we are required to provide a standardized lease, I see the goals of this licensing program made obsolete and redundant. The 14 page long lease document, in particular section 'J) Maintenance and Repairs' outlines and educates the tenant as to the landlords responsibilities and if these are not met to seek assistance through Landlord and Tenant Board (LTB).

Your desire to prevent bad landlords will not work - those that fail to comply with LTB's standard lease requirement will not suddenly have a change of heart and decide to license with the city so they can

be inspected – it's totally illogical to expect they would. Tax payers money would be better spent on tenant education through billboards in strategic locations and TV ads.

Kingston is also struggling with low vacancy and is pushing aggressively for the average Joe to turn portions of their houses into second units through rebates and grants. Having the recurring licensing costs and the time hassle of the program – however small - will only discourage new entry into the market. For me it will result in passing the monetary and time costs to my tenants.

I also have a problem with the actual questions in your survey. The latest results from 'New Permissions Survey' shows the respondents to be in favor of licensing but I would argue that these results are skewed because of leading questions like:

- Q3: Would you have any concerns if one of your neighbours wanted to build a second residential unit inside their (single detached, semi-detached, row or linked) home?

- Q4: Would you have any concerns if one of your neighbours wanted to build a detached second residential unit (often referred to as a coach house) in their back yard?

These questions were designed to tell a pro licensing story by cleverly failing to determine the actual root cause of people's concerns. Are these respondents concerned because of the possible noise and length of construction, or the impact on their backyard skyline view the detached unit will have? The respondents concerns might actually have nothing to do with the ongoing rental activity that will occur at the property.

I would argue that if the below questions were asked instead we would have gotten a different story, one where the public is against the licensing proposal:

"Given that the landlord by law is required to provide a standardized lease informing the tenant of their rights and to seek assistance with the Landlord and Tenant board, do you find a landlord registry and conducting this survey to be an ineffective use of tax payers money? "

"Do you find that the rule of three units or smaller which excludes corporation like Homestead to be unfair and discriminatory to the smaller landlords that will be impacted by this licensing program?"

"Given the fact that the landlord must voluntarily register with the city as part of this proposed program, do you think bad landlords will actually choose to register and be inspected by the city?"

"Would you be in favor of the licensing program if it would lead to possibly higher average rents?"

"Compared to the costs a licensing program, do you believe a billboard and TV advertising campaign educating tenant of their rights and existence of the Landlord and Tenant board to be a more effective use of tax payers money?"

My wife and I work really hard between juggling our daily jobs, raising two kids and being landlords. The rental business is not as easy as people imagine and it has potential for great risks. Risks which we have experienced first hand and also witnessed others go through forcing them to fold and quit. But we choose to continue still and we do so that we can leave a financial legacy to our children - we should not be punished for our success and this licensing proposal is a disguised tax that does just that.

Please come to your senses and don't introduce it.

--

Daniel Sokolowski

<http://danols.com/>

Office: 613-817-6833

Kingston, ON K7L 1H3, Canada



Residential Rental Licensing Fees Review

City of Kingston

SUBMITTED:

October 11, 2018

Watson & Associates Economists Ltd.

905-272-3600

info@watsonecon.ca

Table of Contents

- 1. Introduction 1
 - 1.1 Background 1
 - 1.2 Legislative Context for Residential Rental Licensing Fees Review 1
 - 1.2.1 Municipal Act, 2001 1
- 2. Activity Based Costing Residential Rental Licensing Fees 3
 - 2.1 Methodology 3
 - 2.2 Costing Category Definition 4
 - 2.3 Application Processing Effort Cost Allocation 5
 - 2.4 Direct Cost Departments 6
 - 2.5 Indirect Costs 7
- 3. Residential Rental Licensing 8
 - 3.1 Background 8
 - 3.2 Option 1: 3-Year Phase-In 9
 - 3.3 Option 1: 5-Year Phase-In 10
 - 3.4 Option 2: 3-Year Phase-In 12
 - 3.5 Option 2: 5-Year Phase-In 13
 - 3.6 Market Comparison 15
- 4. Residential Rental Licensing Fees Review Study Conclusions 17
 - 4.1 Conclusions 17
- Appendix A – Residential Rental Licensing Fees Municipal Survey 18





1. Introduction

1.1 Background

The City of Kingston (City) retained Watson & Associates Economists Ltd. (Watson) to undertake a review of the City's planning application and licensing fees. In addition to reviewing existing fees, the City also retained Watson to develop a costing model for the proposed Residential Rental Licensing program currently under consideration by the City. The scope of this assignment includes developing an activity-based costing model and offer recommended fee structures for full costs recovery of service.

This report summarizes the legislative context for the fees review, provides in detail the methodology utilized to assess the full costs of residential rental licensing services, recommends full cost recovery fee structure options, and presents the financial and market implications of the recommended fees.

1.2 Legislative Context for Residential Rental Licensing Fees Review

The context for the scope of this fee review is framed by the statutory authority available to the City to recover the costs of service. Part XII (s.391) of the *Municipal Act* governs the imposition of fees and charges for recovery of municipal costs of service not expressly provided for under another statute. The following summarizes the provisions of the statute as it pertains to fees.

1.2.1 *Municipal Act, 2001*

Part XII of the *Municipal Act* provides municipalities and local boards with broad powers to impose fees and charges via passage of a by-law. These powers, as presented in s.391 (1), include imposing fees or charges:

- “for services or activities provided or done by or on behalf of it;
- for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and
- for the use of its property including property under its control.”



This section of the Act also allows municipalities to charge for capital costs related to services that benefit existing persons. The eligible services for inclusion under this subsection of the Act have been expanded by the *Municipal Statute Law Amendment Act*. Moreover, the amendments to the Act have also embraced the broader recognition for cost inclusion within municipal fees and charges with recognition under s.391(3) that “the costs included in a fee or charge may include costs incurred by the municipality or local board related to administration, enforcement and the establishment, acquisition, and replacement of capital assets”.

Fees and charges included in this review, permissible under the authority of the *Municipal Act* would include residential rental licensing fees that are not specifically provided for under the statutes identified above.

In contrast to cost justification requirements under other legislation, the *Municipal Act* does not impose explicit requirements for cost justification when establishing fees for municipal services. However, in setting fees and charges for these services, municipalities should have regard for legal precedents and the reasonableness of fees and charges. The statute does not provide for appeal of fees and charges to the L.P.A.T., however, fees and charges may be appealed to the courts if municipalities are acting outside of their statutory authority. Furthermore, no public process or mandatory term for fees and charges by-laws is required under the Act. There is, however, a requirement that municipal procedural by-laws provide for transparency with respect to the imposition of fees and charges.

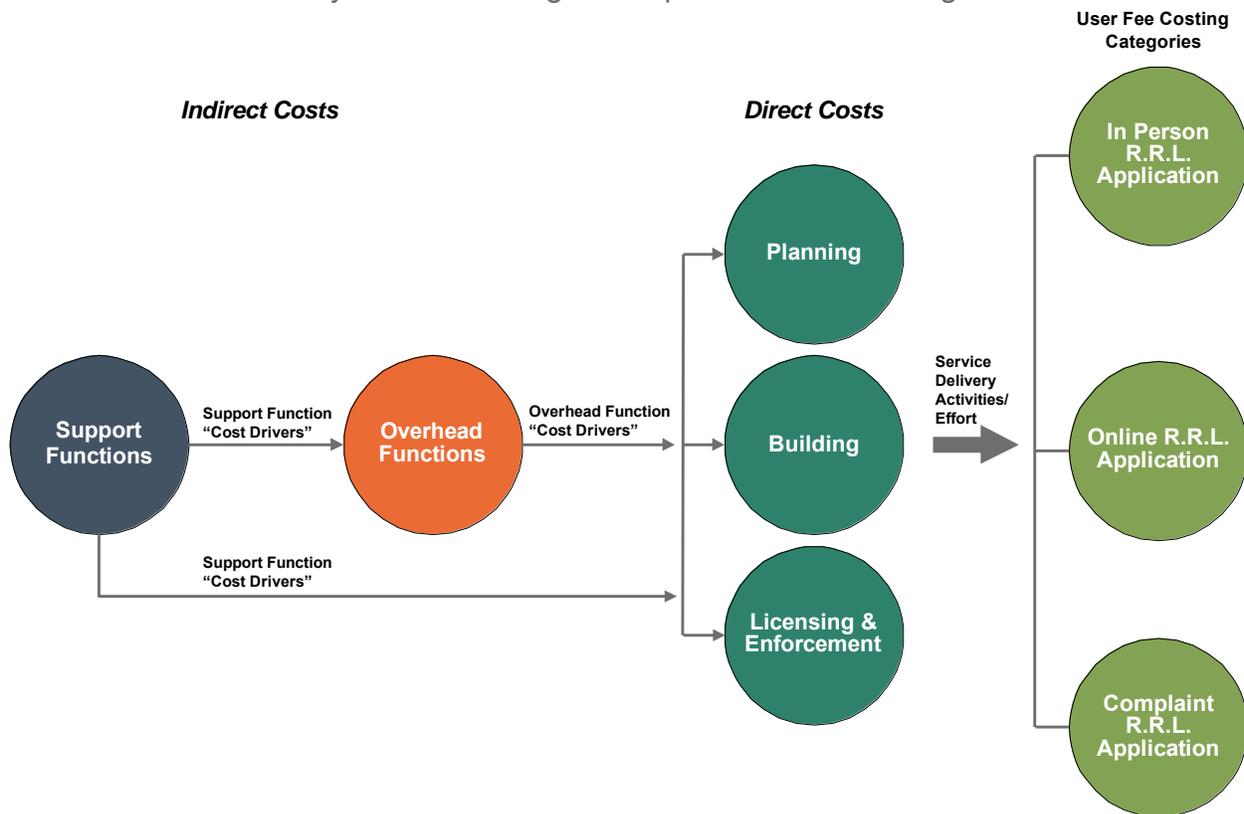
2. Activity Based Costing Residential Rental Licensing Fees

2.1 Methodology

An activity-based costing (A.B.C.) methodology, as it pertains to municipal governments, assigns an organization's resource costs through activities to the services provided to the public. Some of the service channels provided by municipalities are the planning review and licensing processes. Conventional municipal accounting structures are typically not well suited to the costing challenges associated with these processing activities, as these accounting structures are business unit focused and thereby inadequate for fully costing services with involvement from multiple departments. An A.B.C. approach better identifies the costs associated with the processing activities for specific license types and thus is an ideal method for determining full cost recovery residential rental licensing fees.

As illustrated in Figure 2-1, an A.B.C. methodology attributes processing effort and associated costs from all participating municipal departments to the appropriate application fee service categories. The resource costs attributed to processing activities and application categories include direct and indirect support costs. Indirect support function and corporate overhead costs are allocated to direct departments according to operational cost drivers (e.g. information technology costs allocated based on the relative share of departmental personal computers supported). Once support costs have been allocated amongst direct departments, the accumulated costs (i.e. direct and indirect costs) are then distributed across the residential rental licensing fee service categories based on the business unit's direct involvement in licensing process activities. The assessment of each business unit's direct involvement in residential rental licensing review process activities is accomplished by tracking the relative shares of staff processing effort across each fee category's sequence of process steps. The results of employing this costing methodology provides municipalities with a better recognition of the costs utilized in delivering licensing processes, as it acknowledges not only the direct costs of resources deployed but also the indirect support required by those resources to provide services.

Figure 2-1
Activity-Based Costing Conceptual Cost Flow Diagram



R.R.L. – Residential Rental License

The following sections of this chapter review each component of the A.B.C. methodology as it pertains to the City’s residential rental licensing fees review.

2.2 Costing Category Definition

A critical component of the full cost user fees review is the selection of costing categories. This is an important first step as the process design, effort estimation, and subsequent costing is based on these categorization decisions. Moreover, it is equally important in costing licensing application fees to understand the cost/revenue relationships under the City’s proposed by-law.

The fee categorization process for residential rental licensing fees occurred at the project initiation stage of the study process and through subsequent discussions with

City staff. City Licensing Department staff provided significant input into the various residential rental licensing application costing categories and application characteristics to inform the fee structure design recommendations.

The residential rental licensing fee categories reflect differing levels of processing effort by application types. This level of disaggregation within application types is in direct response to the comments of the L.P.A.T. for other user fees (i.e. planning application fees) and reflects an evolution in the costing methodology to exceed the statutory requirements and to better understand the factors influencing processing effort. While not statutorily required, this methodology has been extended to residential rental licensing applications to better understand the implications on full cost recovery of services.

Table 2-1 summarizes the costing categories for various residential rental licensing fees included in the A.B.C. model and later used to rationalize the proposed fee structure options.

Table 2-1
Residential Rental Licensing Costing Categories

In Person
Online
Complaints

2.3 Application Processing Effort Cost Allocation

To capture each participating City staff member’s relative level of effort in processing residential rental licensing applications, process map templates were prepared for each of the above referenced costing categories. These process map templates outline the typical process steps anticipated to be undertaken for each costing category identified previously. The finalized process templates were circulated to City staff and initial effort estimates were provided through internal business unit discussions.

The effort estimates received were applied against anticipated average annual application volumes, assuming a 3-year or 5-year licensing period, to assess the average annual processing time per position spent on each application fee category. Annual processing effort per staff position were measured against available staff



processing capacity to determine overall service levels. The results of the initial capacity analysis were reviewed with City staff. Effort estimates were subsequently refined in consultation with the participating departments to better reflect current staff utilization levels. These refinements provided for the recognition of efforts within the residential rental licensing processes ancillary to direct processing tasks, i.e. application oversight activities by departmental senior management and administration.

2.4 Direct Cost Departments

The following City departments are directly involved in processing residential rental licenses included in the review:

- Planning
- Building
- Licensing and Enforcement
- Chief Administrators Office
- Community Services, Commissioner
- Planning, Building, Licensing and Enforcement Services, Director

Based on the results of the resource capacity analysis summarized above, the proportionate share of each individual's direct costs is allocated to the respective license fee categories. The City's 2018 Operating Budget was used to generate the direct cost allocations within the model and include the cost components such as:

- Labour costs (e.g. salary, wages, and benefits);
- Employee related costs (e.g. mileage, conferences, etc.);
- Utility costs;
- Administrative costs (e.g. postage, printing, supplies, etc.);
- Operating supplies;
- Services/contracted work;
- Vehicles and equipment costs; and
- Other miscellaneous service costs.



It should be noted that transfers to reserves (reserve funds) and transfers to capital have been excluded from the direct service costs, as these reflect financing costs and not service costs.

2.5 Indirect Costs

An A.B.C. review includes indirect support costs that allow direct service departments to perform development review functions. The methodology employed within the costing model used for this assignment assumes that indirect costs will approximate those generally witnessed in other Ontario municipalities having undertaken extensive step model costing. These models generally result in indirect cost attributions of 20-25% of total direct costs. As such, the modeling herein assumes indirect cost attributions for building permit fees of 23% of direct costs.

3. Residential Rental Licensing

3.1 Background

Process maps were developed for the proposed residential rental licensing program. Staff identified two application methods, in person or on-line, as well as a third potential stream where an application is triggered as a result of a complaint. A distinction was made between front-end and back-end processing activities for property standards enforcement activities. Process maps for back-end activities for property standards enforcement were developed with the licensing fees reviews discussed in an earlier section.

Once the process maps for front-end steps had been developed, staff provided time estimates and expected volumes used to calculate staff capacity utilization. The City is considering two potential options for the coverage of the licensing program, including:

- Option 1
 - 1-3 unit rentals, including 6,110 properties with 8,616 dwelling units; and
 - Short-term rentals of 333 properties with 1,000 dwelling units.

- Option 2
 - 1-3 unit rentals, including 6,110 properties with 8,616 dwelling units;
 - Short-term rentals of 333 properties with 1,000 dwelling units; and
 - 4 or more units, without site plan control, including 706 properties with 10,124 dwelling units.

For each of these options, further analysis was prepared for a 3-year and 5-year phase-in programs. Moreover, within each of the program options, two further scenarios were considered: one including short term rentals, while the other separates short-term rental properties from longer-term rentals.

Under these program costing alternatives, a fee structure consisting of a base fee on a per property basis with a variable fee charged on a per dwelling unit basis was developed for the City's consideration.



3.2 Option 1: 3-Year Phase-In

Phasing-in the Residential Rental Licensing Program, for the properties/dwelling units anticipated under Option 1, over a 3-year period would result in 2,148 properties and 3,205 dwelling units licensed annually. Under this option, 333 dwelling units of the 3,205 total dwelling units annually would be short-term rentals. The staff capacity requirements to license this annual level of activity are presented in Table 3-1 below. The table also separates the staff time utilized in processing applications on a per property basis from that which is spent on a per unit basis. Under this option, the City would require approximately 8.6 F.T.E.s. of staff effort, with licensing short-term rentals included in the program. Without short-term rentals the additional staff resource capacity would total 8.0 F.T.E.s.

The staff resource capacity utilization estimates were used to determine the annual costs of the Residential Rental Licensing Program. These costs along with the additional F.T.E.s required and fee options are presented in Table 3-2. Annual costs (direct and indirect) of administering this program are forecast to be \$0.94 million. The resulting fee would be a base fee of \$329 per property plus \$73.70 per dwelling unit.

The fee structure alternative where short-term rental would be separate from the residential rental licensing program would be \$331 per property and \$74.00 per dwelling unit. Under this fee structure, the charge per short-term rental dwelling unit would be \$172.10.

Table 3-1
Staff Capacity Utilization – Option 1 - 3-Year Phase-in

Staff Position	FTE	In Person Application		Online Application		Complaint Application		Total Utilization (%)
		No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	
Community Services								
Commissioner	1	0.9%	0.3%	3.2%	1.1%	0.3%	0.1%	6%
Planning, Building, Licensing and Enforcement Services								
Director	1	1.7%	0.6%	6.4%	2.2%	0.6%	0.1%	12%
Planning								
Development Manager	1	0.7%	0.3%	2.8%	0.9%	0.2%	0.1%	5%
Building								
Chief Building Official	1	0.7%	0.3%	2.8%	0.9%	0.2%	0.1%	5%
Deputy Chief Building Official	1	0.7%	0.3%	2.8%	0.9%	0.2%	0.1%	5%
Licensing and Enforcement								
Manager	1	4.4%	1.5%	16.5%	5.6%	1.5%	0.4%	30%
Supervisor	1	4.6%	1.5%	17.1%	5.8%	1.5%	0.4%	31%
Licensing Agent	7.6	15%	5%	56%	19%	5%	1%	100%

Table 3-2
Residential Rental Licensing Program – Option 1 - 3-Year Phase-In

Description	With Short-Term Rentals	Without Short-Term Rentals	Short-Term Rentals
Total Annual Costs	\$943,650	\$886,269	\$57,381
Additional FTE's	8.6	8.0	
- Licensing Agents	7.6	7.1	
- Direct Support	0.9	0.9	
Fee Structure - Base Fee Per Property and Per Unit Fee			
Base Fee	\$329.00	\$331.00	
Per Unit Fee	\$73.70	\$74.00	\$172.10

3.3 Option 1: 5-Year Phase-In

Phasing-in the Residential Rental Licensing Program, for the properties/dwelling units anticipated under Option 1, over a 5-year period would result in 1,289 properties and 1,923 dwelling units licensed annually. Under this option, 200 dwelling units of the 1,923 total dwelling units annually would be short-term rentals. As per Table 3-3 below, the staff capacity requirements to license this annual level of activity would require approximately 5.2 F.T.E.s. of staff effort, with licensing short-term rentals included in the

program. Without short-term rentals the additional staff resource capacity would total 4.9 F.T.E.s.

As summarized in Table 3-4, and based on the staff resource capacity utilization estimates, annual costs of administering this program are forecast to be \$0.59 million. The resulting fee under a per property fee structure would be \$341 per property plus \$76.20 per dwelling unit.

The fee structure alternative where short-term rental would be separate from the residential rental licensing program would be \$342 per property and \$76.60 per dwelling unit. Under this fee structure, the charge per short-term rental dwelling unit would be \$176.70.

Table 3-3
Staff Capacity Utilization – Option 1 - 5-Year Phase-in

Staff Position	FTE	In Person Application		Online Application		Complaint Application		Total Utilization (%)
		No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	
Community Services								
Commissioner	1	0.5%	0.2%	2.0%	0.7%	0.2%	0.0%	4%
Planning, Building, Licensing and Enforcement Services								
Director	1	1.1%	0.4%	4.0%	1.4%	0.4%	0.1%	7%
Planning								
Development Manager	1	0.7%	0.3%	2.8%	0.9%	0.2%	0.1%	5%
Building								
Chief Building Official	1	0.7%	0.3%	2.8%	0.9%	0.2%	0.1%	5%
Deputy Chief Building Official	1	0.7%	0.3%	2.8%	0.9%	0.2%	0.1%	5%
Licensing and Enforcement								
Manager	1	3.0%	1.0%	11.2%	3.8%	1.0%	0.3%	20%
Supervisor	1	3.1%	1.1%	11.7%	4.0%	1.0%	0.3%	21%
Licensing Agent	4.6	15%	5%	55%	19%	5%	1%	99%

Table 3-4
Residential Rental Licensing Program – Option 1 - 5-Year Phase-In

Description	With Short-Term Rentals	Without Short-Term Rentals	Short-Term Rentals
Total Annual Costs	\$585,685	\$550,340	\$35,345
Additional FTE's	5.2	4.9	
- Licensing Agents	4.6	4.3	
- Direct Support	0.7	0.6	
Fee Structure - Base Fee Per Property and Per Unit			
Base Fee	\$341.00	\$342.00	
Per Unit Fee	\$76.20	\$76.60	\$176.70

3.4 Option 2: 3-Year Phase-In

Phasing-in the Residential Rental Licensing Program, for the properties/dwelling units anticipated under Option 2, over a 3-year period would result in 2,383 properties and 6,580 dwelling units licensed annually. Under this option, 333 dwelling units of the 6,580 total dwelling units annually would be short-term rentals. The staff capacity requirements to license this annual level of activity are presented in Table 3-5 below. The table also separates the staff time utilized in processing applications on a per property basis from that which is spent on a per unit basis. Under this option, the City would require approximately 11.4 F.T.E.s. of staff effort, with licensing short-term rentals included in the program. Without short-term rentals the additional staff resource capacity would total 10.8 F.T.E.s.

The staff resource capacity utilization estimates were used to determine the annual costs of the Residential Rental Licensing Program. These costs along with the additional F.T.E.s required and fee options are presented in Table 3-6. Annual costs (direct and indirect) of administering this program are forecast to be \$1.25 million. The resulting fee under a per property fee structure would be \$323 per property plus \$72.30 per dwelling unit.

The fee structure alternative where short-term rental would be separate from the residential rental licensing program would be \$324 per property and \$72.50 per dwelling

unit. Under this fee structure, the charge per short-term rental dwelling unit would be \$169.10.

Table 3-5
Staff Capacity Utilization – Option 2 - 3-Year Phase-in

Staff Position	FTE	In Person Application		Online Application		Complaint Application		Total Utilization (%)
		No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	
Community Services								
Commissioner	1	0.9%	0.6%	3.4%	2.2%	0.3%	0.1%	8%
Planning, Building, Licensing and Enforcement Services								
Director	1	1.8%	1.1%	6.9%	4.3%	0.6%	0.3%	15%
Planning								
Development Manager	1	0.6%	0.4%	2.3%	1.4%	0.2%	0.1%	5%
Building								
Chief Building Official	1	0.6%	0.4%	2.3%	1.4%	0.2%	0.1%	5%
Deputy Chief Building Official	1	0.6%	0.4%	2.3%	1.4%	0.2%	0.1%	5%
Licensing and Enforcement								
Manager	1	4.4%	2.8%	16.6%	10.4%	1.5%	0.7%	36%
Supervisor	1	4.6%	2.9%	17.2%	10.8%	1.5%	0.7%	38%
Licensing Agent	10.3	12%	8%	45%	29%	4%	2%	100%

Table 3-6
Residential Rental Licensing Program – Option 2 - 3-Year Phase-In

Description	With Short-Term Rentals	Without Short-Term Rentals	Short-Term Rentals
Total Annual Costs	\$1,246,350	\$1,189,977	\$56,373
Additional FTE's	11.4	10.8	
- Licensing Agents	10.3	9.8	
- Direct Support	1.1	1.1	
Fee Structure - Base Fee Per Property and Per Unit Fee			
Base Fee	\$323.00	\$324.00	
Per Unit Fee	\$72.30	\$72.50	\$169.10

3.5 Option 2: 5-Year Phase-In

Phasing-in the Residential Rental Licensing Program, for the properties/dwelling units anticipated under Option 2, over a 5-year period would result in 1,430 properties and 3,948 dwelling units licensed annually. Under this option, 200 dwelling units of the 3,948 total dwelling units annually would be short-term rentals. As per Table 3-7 below,

the staff capacity requirements to license this annual level of activity would require approximately 7.0 F.T.E.s. of staff effort, with licensing short-term rentals included in the program. Without short-term rentals the additional staff resource capacity would total 6.6 F.T.E.s.

As summarized in Table 3-8, and based on the staff resource capacity utilization estimates, annual costs of administering this program are forecast to be \$0.77 million. The resulting fee under a per property fee structure would be \$334 per property plus \$74.70 per dwelling unit.

The fee structure alternative where short-term rental would be separate from the residential rental licensing program would be \$335 per property and \$74.90 per dwelling unit. Under this fee structure, the charge per short-term rental dwelling unit would be \$174.10.

Table 3-7
Staff Capacity Utilization – Option 2 - 5-Year Phase-in

Staff Position	FTE	In Person Application		Online Application		Complaint Application		Total Utilization (%)
		No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	No. of Properties/Property Driven	No. of Units/Units Driven	
Community Services								
Commissioner	1	0.6%	0.4%	2.2%	1.4%	0.2%	0.1%	5%
Planning, Building, Licensing and Enforcement Services								
Director	1	1.2%	0.7%	4.4%	2.7%	0.4%	0.2%	10%
Planning								
Development Manager	1	0.6%	0.4%	2.3%	1.4%	0.2%	0.1%	5%
Building								
Chief Building Official	1	0.6%	0.4%	2.3%	1.4%	0.2%	0.1%	5%
Deputy Chief Building Official	1	0.6%	0.4%	2.3%	1.4%	0.2%	0.1%	5%
Licensing and Enforcement								
Manager	1	3.1%	1.9%	11.6%	7.3%	1.0%	0.5%	25%
Supervisor	1	3.2%	2.0%	12.1%	7.6%	1.1%	0.5%	27%
Licensing Agent	6.2	12%	8%	45%	28%	4%	2%	99%

Table 3-8
Residential Rental Licensing Program – Option 2 - 5-Year Phase-In

Description	With Short-Term Rentals	Without Short-Term Rentals	Short-Term Rentals
Total Annual Costs	\$772,457	\$737,641	\$34,815
Additional FTE's	7.0	6.6	
- Licensing Agents	6.2	5.9	
- Direct Support	0.8	0.8	
Fee Structure - Base Fee Per Property and Per Unit Fee			
Base Fee	\$334.00	\$335.00	
Per Unit Fee	\$74.70	\$74.90	\$174.10

3.6 Market Comparison

There are several municipalities that currently license residential rental properties. These include the Cities of London, Oshawa, Thorold, Waterloo, and North Bay. As summarized in Table 3-9 below, and illustrated in Figures 3-1 and 3-2, the City's calculated fees are comparable to those charged in other municipalities. For example, the City's annualized licensing fee if the 3-year phase-in is implemented would be \$132-\$135, which is comparable to the lower end of the market range (\$149 to \$478). A similar result is observed for the 5-year phase-in scenario.

Table 3-9
Comparison of Residential Rental Licensing Program Fee Structures

Description	Option 1		Option 2	
	3-Year Phase-In	5-Year Phase-In	3-Year Phase-In	5-Year Phase-In
With Short-Term Rentals				
Fee Structure - Base Fee + Variable				
Base Fee (per property)	\$329.00	\$341.00	\$323.00	\$334.00
Variable Fee (per unit)	\$73.70	\$76.20	\$72.30	\$74.70
Without Short-Term Rentals				
Fee Structure - Base Fee + Variable				
Base Fee (per property)	\$331.00	\$342.00	\$324.00	\$335.00
Variable Fee (per unit)	\$74.00	\$76.60	\$72.50	\$74.90
Short-Term Rentals (per unit)	\$172.10	\$176.70	\$169.10	\$174.10

Figure 3-1

Annualized Residential Rental Licensing Fees Across Select Municipalities (3-Year Option)

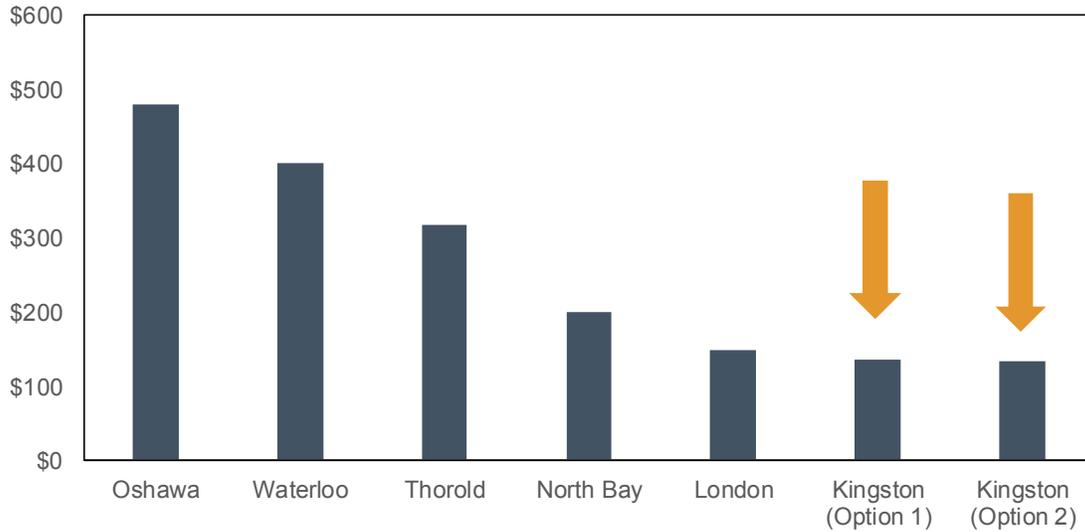
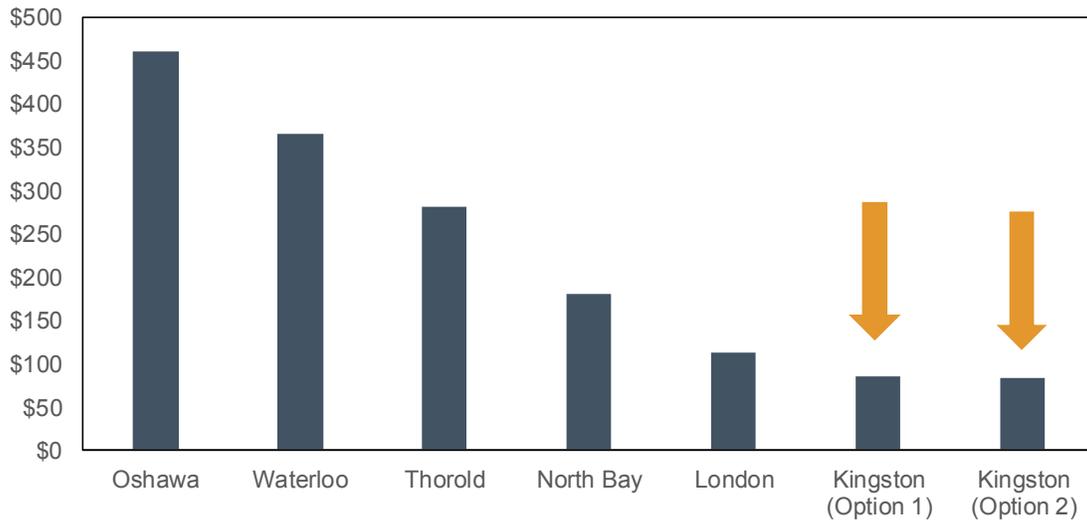


Figure 3-2

Annualized Residential Rental Licensing Fees Across Select Municipalities (5-Year Option)





4. Residential Rental Licensing Fees Review Study Conclusions

4.1 Conclusions

Summarized in this technical report is the legislative context for the residential rental licensing fees review, the methodology undertaken, A.B.C. results and full cost of service, and fee structure recommendations. In developing the recommended cost recovery fee structure, careful consideration was given to market competitiveness and to the recent trends pertaining to user fee costing methodologies and fee structure design.

The intent of the residential rental fee review is to provide the City a recommended fee structure for Council's consideration to appropriately recover the service costs from benefiting parties. The municipality will ultimately determine the level of cost recovery and phasing strategy that is suitable for their objectives.



Appendix A – Residential Rental Licensing Fees Municipal Survey



Survey of Residential Rental Licensing Fees (with Short-Term Rentals)

Fee Category	Kingston (Option 1: 3-Year Phase-In)	Kingston (Option 1: 5-Year Phase-In)	Kingston (Option 2: 3-Year Phase-In)	Kingston (Option 2: 5-Year Phase-In)	London	Oshawa	Thorold	Waterloo	North Bay
Fees/Fee Structure									
Preliminary Consultations/Application Fee (excludes licence)						\$75		\$68	
Initial Application/Licence (includes licence)	\$403	\$417	\$395	\$409	\$165	\$500	\$500	\$412 - \$758	\$300
Renewal									
Renewal (60 or more days before expiry of current licence)						\$360			
Renewal (less than 60 before expiry of current licence)	\$403	\$417	\$395	\$409	\$55	\$500		\$204 - \$413	\$300
Renewal (before expiry of current licence)							\$400		
Renewal (after expiry of current licence)							\$500		
Inspection (each)						\$75			
Fire Inspection					\$171				
Term of Licence	3 years	5 years	3 years	5 years	1 year	1 year	2 years	1 year	2 years
Licensing Costs per year									
Total Initial Licence Fee	\$403	\$417	\$395	\$409	\$336	\$575	\$500	\$412 - \$758	\$300
Total Licence Renewal Fee	\$403	\$417	\$395	\$409	\$55	\$360 - \$500	\$400 - \$500	\$204 - \$413	\$300
Annualized Comparison									
Based on 3-Year Term	\$134		\$132		\$149	\$478	\$317	\$401	\$200
Based on 5-Year Term		\$83		\$82	\$111	\$459	\$280	\$364	\$180

Note: The above fees have been rounded.



Survey of Residential Rental Licensing Fees (without Short-Term Rentals)

Fee Category	Kingston (Option 1: 3-Year Phase-In)	Kingston (Option 1: 5-Year Phase-In)	Kingston (Option 2: 3-Year Phase-In)	Kingston (Option 2: 5-Year Phase-In)	London	Oshawa	Thorold	Waterloo	North Bay
Fees/Fee Structure									
Preliminary Consultations/Application Fee (excludes licence)						\$75		\$68	
Initial Application/Licence (includes licence)	\$405	\$419	\$397	\$410	\$165	\$500	\$500	\$412 - \$758	\$300
Renewal									
Renewal (60 or more days before expiry of current licence)						\$360			
Renewal (less than 60 before expiry of current licence)	\$405	\$419	\$397	\$410	\$55	\$500		\$204 - \$413	\$300
Renewal (before expiry of current licence)							\$400		
Renewal (after expiry of current licence)							\$500		
Inspection (each)						\$75			
Fire Inspection					\$171				
Term of Licence	3 years	5 year	3 years	5 year	1 year	1 year	2 years	1 year	2 years
Licensing Costs per year									
Total Initial Licence Fee	\$405	\$419	\$397	\$410	\$336	\$575	\$500	\$412 - \$758	\$300
Total Licence Renewal Fee	\$405	\$419	\$397	\$410	\$55	\$360 - \$500	\$400 - \$500	\$204 - \$413	\$300
Annualized Comparison									
Based on 3-Year Term	\$135		\$132		\$149	\$478	\$317	\$401	\$200
Based on 5-Year Term		\$84		\$82	\$111	\$459	\$280	\$364	\$180

Note: The above fees have been rounded.