

Rental Accommodations in Canada

Housing policy in Canada has long been dominated by the desire to increase home ownership. According to Hulchanski (2007), policies at all three levels of government have contributed to a policy environment that privileged owners over renters. Examples of this support include capital gains exceptions on primary residences and mortgage insurance programs that cover up to 95% loan-to-value ratios. The capital gains exception alone costs the federal government \$1.5 billion annually. This system emerged during a time when less than 20% of the population lived in rental housing and most of these individuals were of low socioeconomic status.² These policies are becoming less tenable in a climate where Canadians are increasingly relying on rental housing to meet their shelter needs. CMHC reports that rental housing demand has greatly outpaced the growth in supply which has resulted in Ontario reaching its lowest recorded rental vacancy rate in 2017.³ The trend toward increased reliance on rental housing is global. The OECD reports a revival of reliance on the private rental sector among its member nations. As a result of this trend, De Boer and Bitetti argue that governments need to strike an appropriate regulatory balance between the needs of tenants and property owners to effectively support the growth of quality rental housing.⁴

The arrival of short-term rental (STR) platforms (Airbnb, VRBO, HomeAway, Flipkey etc.) has stimulated the growth of a new category of rental accommodation which reduces the supply of long-term rental units. As described in this report, these short-term accommodations have created new opportunities for property owners to profit from their investments and for municipalities to grow their tourism industry. However, these rentals also reduce the housing stock available for permanent rental and guests can be a nuisance to neighbouring residential properties. A 2016 study of Airbnb in Sydney Australia revealed that as much as half of the city's vacant rental properties have been converted from permanent rental housing to short-term accommodations.⁵ In tight housing markets, slight changes to the vacancy rate can have a significant impact on the availability and affordability of rental housing. Low vacancy rates make it harder for individuals to find suitable shelter, especially those who are already struggling to find accommodation such as low-income earners.

Social housing and related policies are beyond the scope of this study; however, it is important to consider in its impact on the supply and regulations for the broader rental market especially in the context of consumer protection for vulnerable populations. Changes to one part of the market can cascade throughout the entire system causing unintended consequences. In Canada, at least 235,000 people are homeless and nearly

the scan was able to illuminate many aspects of rental market regulation. The most significant challenge was finding data on the effectiveness of regulation and enforcement efforts since few municipalities have sufficient data on rental housing (especially in the secondary market). Where it was possible, estimates were made based on the number of employees allocated to the implementation and enforcement of these regulations.

Canadian Jurisdictions

The inter-jurisdiction scan included five municipalities in Canada: Toronto, Oshawa, Calgary, Edmonton, and Vancouver. Each of these regions is grappling with marked housing market challenges and have adopted similar, but distinct, policy responses. Decision making at the federal level has had an impact on all five regions and this section of the report highlights these shared aspects of housing policy.

Housing policy in Canada relies heavily on the private market for the distribution, allocation, and maintenance of housing. As a result, federal programs have been primarily ownership-driven, with policies seeking to promote, facilitate and boost Canadian homeownership.

The Canadian Mortgage and Housing Corporation (CMHC) is responsible for the implementation of federal housing policy. Established in 1946, CMHC was originally tasked with making the amortized mortgage market work for home buyers and for private investors in rental housing.⁵⁹ It has since implemented a host of other federal programs with homeownership at their core; including, the Assisted Home Ownership Program, the Canadian Homeownership Stimulation Plan, the Registered Homeownership Savings Plan, and the Mortgage Rate Protection Program.⁶⁰

The federal government first announced its plans for a national housing strategy in the 2017 budget, representing a major turning point in Canadian housing policy, and re-establishing a federal role in the provision, maintenance, and repair of affordable housing. The National Housing Co-Investment Fund, the Canada Housing Benefit and secured funds for community housing initiatives were at the core of the funding tied to this strategy. However, much of the funding for these programs is not projected to be available until 2020.⁶¹

The federal government's role in housing policy has never extended to areas around health, safety, or consumer protection. Such areas have been developed and implemented by subnational levels of government, typically involving a set of provincial standards and additional by-laws filling local needs by city councils. Better understanding

these approaches is important for Ottawa in order to develop a rental housing framework that best addresses rising concerns.

Ontario

Two regions in Ontario were included in this study. Since any recommendations will need to be implemented in Ontario, it is essential to gain an understanding of provincial legislation that can impact municipalities' ability to regulate rental housing. The *Residential Tenancies Act* (RTA) is Ontario's core piece of legislation regarding rental housing. It sets standards that protect tenants and assist landlords in understanding their rights and responsibilities in a rental agreement, and establishes the Landlord Tenant Board which is tasked with dispute resolution. The *Rental Fairness Act* (RFA), a recent amendment to the RTA, places more stringent protections for tenants in an increasingly expensive and precarious rental market. Operating alongside the RTA is the *Ontario Human Rights Code* which identifies access to adequate and affordable housing as a human right. These laws are said to affect approximately 1.4 million renter households in Ontario, representing 28% of Ontario's households. The *Condominium Act* also has an impact on rental housing in Ontario as many Condo owners rent out their units on the secondary market or use these units as full-time short-term rental units.

Ontario Human Rights Code

The *Ontario Human Rights Code* protects against discrimination in Ontario by prohibiting actions that discriminate against people based on a protected ground in a protected social area. The *Code* has primacy over all legislation in Ontario – unless the other legislation specifically states it applies despite the *Code*. The right to accommodation is specifically recognized in the *Ontario Human Rights Code*, ensuring everyone has equal opportunity to access housing and its benefits without discrimination on any of the grounds protected in the *Code*.

“Every person has a right to equal treatment with respect to the occupancy of accommodation, without discrimination because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, marital status, disability or the receipt of public assistance.”

– Subsection 2(1) of the *Code*

The *Code* additionally outlines the types of rental housing discrimination that are prohibited, such as screening rental applicants based on protected grounds, denial of

accommodation based on protected grounds, deferential treatment relating to statutory obligations of a landlord during occupancy, or deferential treatment as a result of association. Further specified under types of rental housing discrimination is systemic/institutional discrimination, and the presence of “seemingly neutral rule[s]” that serve to discriminate against specific groups. This could include an inflexible “no pets” policy that would have greater impacts on a person with a disability who uses a service animal.

Several Ontario municipalities (such as Oshawa, Kitchener-Waterloo and London) have faced challenges, in court and before the Ontario Human Rights Commission, when enacting licencing by-laws for rental accommodations. In *1736095 Ontario Ltd. v. Waterloo (City)*, Justice DiTomaso wrote:

“In general, by-laws can come into conflict with the Code when they either intend to target particular groups based on Code grounds in their creation or enforcement, or where they tend to have an adverse impact on people from Code protected groups. Where licensing by-laws are not connected to a rational purpose, target particular geographic areas where residents are known to be from Code-protected groups, and a negative impact results (example loss of affordable housing, or higher scrutiny from officials), this could be problematic from a human rights perspective.”

Residential Tenancies Act, 2006

The RTA establishes the Landlord Tenant Board and has broad jurisdiction over a range of areas within Ontario’s rental housing markets. It sets housing standards and serves to protect and promote the rights of tenants and landlords entering leases. One way in which it does this is through the provision of a standard lease that is now required for all new leases within the province. It employs “easy-to-use” language and ensures mandatory fields are covered in rental agreements and makes clear the responsibilities of landlords and tenants on issues surrounding rent, termination of tenancies, maintenance and repairs, and void/unenforceable conditions (e.g. pets).

The RTA sets additional standards for unit maintenance and repair. Under this section, landlords are responsible for the maintenance and upkeep of their rental unit and property while ensuring good workmanship. When damage is caused by tenants or their guests, responsibility for the subsequent repairs falls on the tenant. This section of the RTA ultimately assigns responsibility for repair while specifying standards for the interior

services. It is less common for citizens of Calgary to rent than other Canadian cities such as Toronto or Vancouver. As a result, the rental vacancy rate is substantially higher than in other parts of Canada, leaving accessibility and affordability issues a low priority in Calgary. Instead, housing policies focus on tenant health and safety and consumer protection. The *Alberta Rental Tenancies Act* settles most consumer protection issues related to rental housing. The Community Standards By-law and the *Alberta Minimum Housing and Health Standard* regulation (discussed above) are the two most significant policies that affect tenant health and safety. The supportive relationship between the municipal and provincial enforcement professionals is the most distinctive aspect of rental housing policy in this region.

Traditional Rental Accommodations:

Calgary requires apartment building owners or managers to hold a valid municipal business licence. When multiple buildings are under the same ownership, each building requires a license.

Municipal enforcement of by-laws is undertaken by several groups with different areas of interest. This includes police, fire services (fire code), and community peace officers. AHS also works in the city to enforce public health standards related to housing. Community peace officers enforce the Community Standards by-law, covering all external aspects of housing (lawn maintenance, garbage, hoarding, illegal parking) and nuisance (noise, illegal construction). The City uses both passive and proactive approaches to enforcing by-laws, although they use a complaint-based approach for most issues. One identified challenge is the higher tolerance of vulnerable populations towards negligent landlords. To address this issue, the municipality works directly with the AHS in the Safe Housing Inspection Program (SHIP). The different enforcement groups coordinate their efforts and once a week they work together to blitz a specific area or building. Despite having a patchwork of regulations in place, SHIP allows all stakeholders to pool together their resources and work collaboratively. By conducting inspections on the same day, City and AHS officers are able to reduce the burden on landlords and tenants alike.

Enforcement officers make efforts to educate landlords on their responsibilities rather than punishing them for being negligent. When an infraction is identified, enforcement officials work with landlords to solve the problem. For most offences, landlords are given 17 days to fix the issues before they are re-inspected. If the issues persist, fines of up to \$500 can be levied. This approach is believed to be very effective. It is rare that a landlord will not comply with requests to make repairs, remove garbage or cease any illegal behaviour. In the rare event that a landlord refuses to comply, the City

can take them to court and much larger fines can be levied. In one instance, a landlord was fined over \$300,000 for failing to properly maintain units in 16 properties. SHIP is only enforced once per week and targets vulnerable populations occupying low-end rental housing. Enforcement officials would like to use this approach for all rentals, but the needed resources are not available. SHIP identifies target areas by analyzing complaint locations and tips from police or child services. The programme only covers multi-tenant buildings and does not inspect rented condominiums, single-family dwellings or secondary suites.

In 2018 Calgary approved amendments to their Land Use By-law to legalize secondary suites. The City wants owners of illegal secondary suites to apply for development permits and licenses to legalize their units. To encourage this, Calgary is waiving development fees and has created a secondary suite registry to promote available licensed suites. For existing suites to be converted, they must comply with all existing building code, fire code, and health and safety regulations. An inspection by City Planning and Fire Services is required to legalize an already existing secondary suite.

Short-Term Rentals:

Calgary does not have by-laws in place for short-term accommodations. This is understandable since Calgary is not dealing with a housing shortage and can accommodate the added demand of tourists.

Hotels & Motels:

In addition to provincial regulations on hotel and motel accommodations, Calgary also requires a municipal license to be obtained. This type of license extends to the following types of accommodations:

- Apartment building operators renting three or more units
- Bed and breakfasts
- Hostels
- Hotels
- Inns
- Lodging houses
- Motels
- Motor inns
- Office building operators

Like all businesses, hotels and motels require land use approval and a fire inspection prior to issuing a licence. It is unclear how regularly re-inspections must take place. However, different kinds of inspections are required for different business types.

Bed & Breakfast:

The municipal licence required for hotels and motels also applies to operators of bed and breakfast accommodations.

Rooming Houses:

Rooming houses are referred to as “lodging houses” in the City of Calgary, and are included in the list above requiring a municipal business licence. To obtain a licence, properties must undergo land use, fire, and health inspection.

Student Housing:

Calgary has a sizeable student population but no specific regulations addressing student-centred housing concerns. Calgary’s higher rental vacancy rate greatly minimizes the presence of housing vulnerabilities faced by students in other larger and more expensive cities.

Edmonton

Population: 1,321,426

Median Household Income: \$ 94,447

Number of Renting Households: 151,715 (30% of households)

Total Number of Households: 502,140

Vacancy Rate: 5.3% (2018)

Edmonton is a large city in Northern Alberta with an economy that is strongly connected to the energy sector. This sector tends to be very cyclical, but when it is thriving, so is Edmonton, with a median household income among the highest in Canada. Like Calgary, it is less common for citizens of Edmonton to rent their housing compared with other Canadian cities – namely Toronto or Vancouver. Its high rental vacancy rate also keeps housing availability and affordability reasonable for Edmonton residents. Since AHS is responsible for rental housing health and safety (see above), the City of Edmonton’s by-laws are focused on business licensing and community issues like noise, garbage, unsightly properties, and lawn maintenance. The Community Standards By-law is administered by peace officers, who rely on complaints received through local 311 and an online system on the City website. Unlike in Calgary, Edmonton’s enforcement staff do

not work closely with AHS, but do share information about potential properties in need of inspection.

Table 5.0: City of Edmonton By-laws and Regulations

Applicable By-laws:	Public Health & Safety	Consumer Protection	Nuisance Control
Alberta Rental Tenancies Act Statutes of Alberta, 2004 Chapter R-17.1	n/a	X	n/a
Alberta minimum housing and health standards	X	X	n/a
By-law 14600: Community Standards	X	X	X
By-law 17555: Waste Management	X	n/a	X
Secondary or Garden Suites	X	X	n/a
By-law 13138: Business Licence By-law	X	X	n/a
Food Handling Permits	X	n/a	n/a

Traditional Rental Accommodations:

In Edmonton, landlords are required to hold a business license to operate a rental property. To obtain a licence a unit must be inspected (by Edmonton Fire Services) and have all building permits and zoning approvals. Owners will additionally be charged a \$235 fee. Operators of rooming houses require a different license but are subject to the same inspection process fees. Technically, all landlords are required to hold a licence; however, the City acknowledges that many landlords with a single unit (or multiple units at different addresses) are not licensed. Business licencing is seen predominantly as a consumer protection issue for the City; however, AHS is notified of the location when an application for a licence is received, to cover health and safety requirements. When unlicensed units are identified there is no penalty and landlords are encouraged to enter the licensing process.

Short-Term Rentals:

Edmonton is currently undertaking a study to determine the need for local by-laws directed at short-term accommodation. The City does not seek to be a regulator of this activity but is concerned about the community impact of this new type of property use. Affordable rental housing is not an issue of concern for the City so the negative impact on the rental housing supply stemming from STRs is not an issue. They are trying to

determine the nuisance issues that emerge and competitiveness issues between other businesses that provide short-term accommodations (i.e. motels, hotels, traditional bed and breakfasts). This research is currently underway, but preliminary ideas include STR business licensing and placing limits on the number of days a unit can be rented. The City is planning to publish this research and hold public consultations for an approach in early 2019.

Hotels & Motels:

Edmonton requires hotels and motels to obtain business licenses to operate. Consumer protection and health and safety regulations are regulated provincially.

Bed & Breakfast

Edmonton requires bed and breakfast operators to obtain a license to operate legally. They must also obtain a Food Handling Permit from the AHS if they are serving meals. B&Bs can have up to two guests per room and must have a parking space for each room.

Rooming Houses:

Edmonton requires rooming houses to obtain a Rental Accommodation Business License for Congregate Living if four or more individuals live in the property. This license requires a fire inspection and a consultation from the City. The total costs of inspections and licensing is \$374. The license must be renewed annually for \$230.

Student Housing:

Edmonton has a fairly sizeable student population but no specific regulations addressing student housing concerns. Edmonton's higher rental vacancy rate gives students more options for housing which reduces the likelihood of reliance on low-quality accommodations.

Oakland, California

Population: 419,987

Median Household Income: \$68,060 USD

Number of Renting Households: 97,538 (62% of households)

Total Number of Households: 158,084

Vacancy Rate: 3.3% (2017)

The City of Oakland is a mid-sized city located in the Bay Area of California with a large share of rental housing. It has been undergoing a rapid transformation as the

demand for housing in the region has surged, pushing long-time families out of the city and into the suburbs in favour of wealthier residents. As a result, many of the programs in place around rental housing aim to protect and preserve affordable housing for Oakland's long-time residents. Despite being a response to a different set of issues in the rental market, Oakland's housing quality standards (HQS) inspections and health and safety code enforcement programs could be similarly implemented and tailored to the Ottawa context.

Traditional Rental Accommodations:

The City of Oakland is responsible for implementing federal affordable housing policies within their city boundaries. Oakland's local housing authority conducts inspections for landlords who wish to rent their unit under the Section 8 Housing Voucher program which is funded by the federal Department of Housing and Urban Development (HUD). Although affordable housing is out of the scope of this project, the inspection and accreditation approach has proven effective and is worth considering for any municipality considering the implementation of a rental accommodation framework. Inspections are required to take place both before and throughout the resident's tenancy to ensure basic health and safety standards are met – different from housing or building codes. There are several types of inspections, each detailed below:

- A. **Move-In Inspections:** Move-in Inspections must occur after a Section 8 tenant has been screened and selected by a private landlord. For the inspection, all utilities must be turned on, repairs and renovations complete, smoke detectors installed and functioning and all appliances must be in working order. Because the government pays landlords directly for the rent of voucher holders, units must pass this initial inspection before rent payments can begin. Units will continue to be re-inspected, if necessary until they are found to be in compliance.
- B. **Annual Inspections:** Annual inspections are completed within 90 days of the end of the tenant's anniversary in the unit. Notices are sent to landlords in the mail with inspection information and must be found to remain in compliance with initial health and safety inspection standards.
- C. **Complaint Inspections:** Complaint inspections are conducted if an HQS violation is reported by an owner, participant or another source (neighbour, police, service worker etc.).
- D. **Quality Control Inspection:** Quality control inspections are completed on a randomly-selected group of annual inspections to ensure housing quality standards are met. This may result in more than one inspection for some landlords within a calendar year.
- E. **Pre-Qualifying Expedited Inspection:** This inspection can be conducted on rental units in advance of securing a Section 8 tenant. It is part of the federal

“Moving to Work” voucher pilot program that allows a large amount of policy flexibility to the 35 housing authorities participating in the demonstration. Pre-Qualifying Expedited Inspections are a component of the Oakland Housing Authority pilot. It is thus only available to landlords participating in the Moving to Work voucher program to incentivize greater landlord participation by removing some of the onerous inspection requirements under Section 8.

In addition to ensuring the health and safety of tenants, regular inspections are completed to determine and confirm the contract entered between the government and the landlord. For this reason, checklists collect other information about the home, including square footage, number of bedrooms, and unit amenities (e.g. washer/dryer, garbage disposal, ceiling fans, gated community, etc.) in addition to minimum standards around plumbing, paint, pests and rodents, and bathroom ventilation.

The City of Oakland has a progressive process in place to address tenant- and community-issued complaints regarding health, safety and code violations. Beginning with a simple courtesy notice in response to initial violations, landlords have 21 days to address the violation and sign an “owner certification form” which includes an agreement to maintain the property in the future. No inspection is required at this stage. However, following a courtesy notice, homeowners found in violation of codes or by-laws, are subject to fees and inspections. When a violation is verified by a building inspector, a notice of violation is issued outlining the violation(s) and needed corrections. A re-inspection notice will be issued if the violation(s) persists.

If the same, or a similar, violation is determined within the same 24 month-period, property owners will be charged an immediate fee and given 10 days to correct the violation. Re-inspection notices will be issued until the unit is in compliance with community standards and health and safety codes. There are different types of notices and orders issued for different kinds of violations (e.g. graffiti, garbage/recycling receptacles, order to abate- habitability or public nuisance etc.), with an increasing fee structure depending on violation severity, and the development of a compliance plan in more extreme cases. A compliance plan is an agreement with the property owner, agent or buyer to rehabilitate the property and correct housing violations and pay fee assessments within an agreed-upon timeline. There are additional procedures when property maintenance is the responsibility of a bank (in the case of foreclosure).

Short-Term Rentals:

Oakland’s planning code regulates STR activity differently than other municipalities. This is because there is no one activity category for short-term residential rentals. Rather,

rentals of all kinds fall under the categories “Permanent Residential Activities”, “Semi-Transient Residential Activities”, “Bed and Breakfast Residential Activities”, and “Transient Habitation Commercial Activities”.

Oakland currently prohibits the rental of any single-family home, duplex, apartment/condo, live/work unit, or room for less than 30 consecutive days based on the City’s definition of “permanent residential activities” – defined as occupancy of living accommodations on a 30-day basis or longer. Any short-term rental of fewer than 30 days is considered “transient habitation” (in essence, a hotel) in the Oakland Planning Code, and is only permitted in certain zones in downtown, along the waterfront, near the airport, along the highway and other specific planning areas. STRs operating within these approved zones still require a major “conditional use permit” (CUP) – which applies to hotels, motels and other forms of short-term rental accommodations.⁶⁷

Secondary units may only be rented on a 30-day or longer basis. Any rental of a secondary unit for less than 30 consecutive days is not permitted.

A 14% Transient Occupancy Tax (TOT) is applied on hotels, motels and other short-term rentals, including traditional bed and breakfasts, operating within the City of Oakland. This tax is applied to those occupying the units and paid to the operator, who then remits the TOT to the City Tax Administrator.

Boulder, Colorado

Population: 322,226

Median Household Income: \$74,615 USD

Number of Renting Households: 43,708 (35% of households)

Total Number of Households: 123,820

Vacancy Rate: 4.2% (2017)

Although a relatively small city boasting a population of just over 300,000, Boulder implements a rental housing licensing program for all residential rental units. Boulder’s rental licensing program was put in place to ensure certain minimum health and safety standards were met in rental housing. These standards relate to interior and exterior structure, lighting, ventilation and heating, fire safety, minimum space, and sanitary maintenance. Landlords are charged an application fee of \$105 per single-dwelling unit or per building for multi-unit buildings. Additional fees are charged to landlords under the City’s SmartRegs program. This program was created to increase the quality of old rental housing units to meet environmental efficiency standards. These fines are currently set at \$100 for those not compliant.

Traditional Rental Accommodations:

To comply with the licensing program, prospective landlords are first required to undergo an initial baseline inspection. This is also the case if a previous license has expired, or if ownership has changed during the licensing period. Renewal inspections are then required every 4 years to ensure continued compliance, with additional re-inspection if a homeowner is found to be non-compliant or requiring repair. There are four parts to each inspection to ensure the following requirements are met: General safety, plumbing facilities and fixtures, mechanical, and electrical and fire safety. Inspections are conducted by private companies, and homeowners are responsible for scheduling and paying for inspections prior to the license expiry.

Municipalities have traditionally used a licensing program to ensure that health and safety standards are met, to track revenue for tax purposes, or to limit activity in certain parts of the city. Boulder has taken an innovative approach and used licensing to reduce the environmental impact of rental housing through the SmartRegs program. Additional inspections are required for rental units working towards Boulder's SmartRegs energy efficiency standard. These standards are placed on rental properties built prior to 2002. The SmartRegs program awards points to properties based on the age and type of technology used for heating, windows, air conditioning, water heating, refrigeration efficiency, and occupant behaviour – using an in-home device that provides real-time energy monitoring, as well as attendance of an energy conservation class.

Short-Term Rentals:

In 2016, Boulder passed an STR ordinance allowing homeowners to apply for a license to rent their property for less than 30 days at a time. This ordinance excludes dwellings owned by the federal government, the state, or any of their agencies or political subdivisions, including permanently affordable housing. Eligible units must be the owner's principal residence (defined as the dwelling unit in which a person resides for more than 0.5 years) and cannot be owned by a trust or non-profit organization. In addition, the owner must verify that all smoke and carbon monoxide detectors are installed and in working order. No inspections are necessary for this license, and owners are charged a fee of \$130 (\$105 for the application + one-time \$25 business fee) upon the initial application. Licenses must then be renewed every four years, at a cost of \$105 to the owner.

Boulder has come across some issues with enforcement in the past, with surges in unlicensed rental units being advertised on Craigslist. The City has stated it intends to

review licensing inspection to better enforce the regulation, however it is unclear if such a review took place, and whether the outcomes led to any policy change. Currently, compliance is complaint-driven, and tenants are first encouraged to work with the City's Mediation Program if compliance cannot be reached one-on-one with their landlord. If the mediation program also fails to lead to a resolution, a formal complaint can be made, which can result in a landlord summons into the City of Boulder Municipal Court system to reach compliance.

Key Findings

This section of the report outlines the key findings of the literature review and the inter-jurisdictional environmental scan. The City of Ottawa should consider these findings as they seek to implement an optimal regulatory framework for rental accommodations.

- Municipalities should be sensitive to the complexity of the housing market due to its intersection with many other policy areas, institutions, and other levels of government.
- Most existing rental housing regulations in Canada are enforced at the municipal level through three approaches: Complaint-based, accreditation, and licensing. Each approach has benefits and drawbacks.

Complaint-based

- In this approach, the municipality waits until it receives a complaint from an external individual (tenant or neighbour) indicating that a violation has occurred and then investigate credible complaints.
- This approach requires the least resources since inspections are only triggered when infractions are most likely to be occurring.
- This approach is reactive, exposing some tenants to the risk of enduring non-compliant housing.
- This approach can be optimized using data analysis to determine the credibility of complaints and to identify problematic landlords.

Accreditation

- Accreditation schemes are voluntary landlord registration programs. Landlords have their property inspected to verify that they are compliant with all regulations.
- In some models, they are encouraged to join through free advertising or other incentives.
- This approach gives tenants peace of mind that they are living in a safe rental unit.
- Accreditation systems can be used to enhance the quality of housing frequently used by certain demographic groups (such as students or people living on low-incomes).
- Accreditation incorporates many of the positive aspects of a licensing regime without imposing additional red-tape on all landlords.

- Depending on the uptake, this approach can be as expensive as licensing.

Licensing

- This approach requires landlords to apply for a license in order to rent out their property. To obtain a license, landlords usually have their unit inspected by municipal enforcement officers and fire services.
 - Landlord licensing systems can be the most effective approach to enforcement.
 - Licensing regimes can also be expensive and time-consuming to implement.
 - Encouraging landlords to become licensed can be challenging. Incentives, such as access to renovation grants, can be used to entice landlords to register.
 - Licensing application and inspection fees are usually based on a cost-recovery model and range from \$300 to \$600 in Canadian jurisdictions.
 - Many municipalities are implementing a proactive licensing approach to effectively address community health and safety, consumer protection, and nuisance control.
 - Some landlords are resistant to the concept of landlord licensing.
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- Regardless of enforcement regimes, inspections can be completed by third-party inspectors who are accredited by the municipality but hired and paid by landlords.
 - Collaboration between by-law enforcement, fire services, and police services can reduce the cost and time spent by enforcement officials, tenants and landlords.
 - Landlords, even those operating a single unit (such as a basement apartment), are operating as a business and should be treated as such.

The proliferation of short-term rentals (STRs) has had a material impact on rental housing markets across Canada, requiring regulatory response from municipalities.

- Studies suggest that STRs can have some positive impacts on tourism and are popular among users (providers and travellers).
- There is ample evidence that an increase in STRs have reduced the availability of rental housing and contributed to the escalation of market rent in some cities.
- STRs have displaced traditional forms of short-term accommodation such as hotels, motels, and bed and breakfasts.

- Short-term rentals can be perceived as a nuisance in certain neighbourhoods. “Party House” provisions have been implemented in some municipalities to reduce this behaviour. Noise nuisance control is one of the most challenging regulations to design and effectively enforce.
- Municipalities considering a policy response to STRs should contemplate the benefits and consequences of these rentals.
 - Some municipalities have attempted to outright ban STRs whereas others have sought to limit which types of units can be used as STRs or how many nights a property can be rented.
 - Municipalities have tried to level the playing field between STRs and traditional overnight lodging (hotels, motels, and bed and breakfasts) by requiring both to keep guest registries, pay municipal accommodation taxes.
 - The most successful regulations have had enforcement support from the STR platforms.
 - An interpretation of the *Condominium Act* by the Superior Court of Justice has given condominium corporations the right to ban the use of properties as STRs.

Conclusion

This literature review and inter-jurisdictional scan have highlighted the key issues municipalities should consider as they seek to ensure rental accommodations meet health and safety standards without negatively affecting availability or affordability. Rental accommodations are becoming an increasingly important part of the housing market in many municipalities. As a result, efficient, effective and sustainable enforcement of by-laws will be essential for the economic, social and environmental well-being of municipalities. These issues are not affecting all municipalities equally and policy responses need to be tailored to the needs of each community. Balancing economic innovation and community needs requires municipalities to consider all policy levers within their control.

The emergence of STR platforms has resulted in some units that would otherwise have been rented out on a conventional monthly or yearly basis being taken off the long-term rental market and made available instead for short-term rental to tourists and other transient users. This does not describe all units offered on short-term rental platforms. Some units would undoubtedly have remained idle in the absence of platforms like Airbnb because their owners have no desire to make those units available for long-term rental. However, there has clearly been a negative impact on the supply of long-term rental accommodation because of the option to rent these units on a short-term basis. There are both positive and negative effects of this change.

Aside from the owners of units that are rented out on a short-term basis, the most obvious beneficiaries are budget tourists. The literature scan suggests that the lower cost of short-term rentals (relative to hotels and B-and-B's) likely increases the overall number of budget travellers visiting Ottawa, the total duration of their stays and their total non-accommodation expenditures. To the extent that this is a net increase in tourist expenditures, the economic impact is positive. However, to the extent that short-term rentals arise at the expense of traditional hotels and B-and-B operators, the effect of short-term rental platforms is chiefly to redistribute tourist spending, but not to increase it. While we have no clear-cut data, the literature scan suggests that there is likely to be some overall net increase in tourist spending because of short-term rental platforms, although this increase is probably modest.

The most significant negative effect of short-term rentals is the reduction in the supply of conventional, long-term rental accommodation. The effect of this reduction in supply is to force up rents and reduce the non-accommodation expenditures of tenants. This effect is likely greater than the modest increase in tourist spending discussed above.

Consequently, the overall impact of short-term rentals on the local economy and its permanent (or long-term) residents is likely negative. Regulations to limit the amount of short-term rental activity are essential in municipalities with very low vacancy rates such as Toronto and Vancouver but is less appropriate in regions with higher vacancy rates. If it is deemed necessary to implement a by-law for STRs in Ottawa, it is essential to consider how these regulations will be enforced and how this by-law will interact with other policies in the municipality.

This study makes it clear that enforcing rental accommodation by-laws is challenging but can be implemented efficiently, effectively, and sustainably. Ottawa is seeking to enhance sector compliance with property standards and other public safety requirements. Enforcement has traditionally relied on inspections by municipal enforcement officers that are triggered by complaints from tenants or neighbours. This approach limits the up-front investment from the municipalities but has yielded inconsistent results. Under this regime, tenants must be vigilant to ensure that their unit is compliant. Landlords with passive or unaware tenants are unlikely to have their units inspected. Some municipalities have implemented landlord licencing regimes to address this issue. Under most of these regimes, landlords' units must be inspected before receiving a license and be re-inspected at regular intervals. Although it is in its infancy, this approach has proven successful at improving student housing in Oshawa. Since the City of Ottawa is seeking to manage anticipated growth in post-secondary student population, a licensing program may be an effective option.

Licensing programs can greatly increase the effectiveness of by-law enforcement, but they do have two major challenges. Firstly, they greatly increase the cost of enforcing by-laws when compared to traditional complaint-based enforcement. To offset the costs of program administration and inspections, municipalities require landlords to pay fees (usually in the range of \$300-\$600). Alternatively, inspections can be completed by a third party that is paid directly by the landlord. Secondly, many landlords resist licensing which makes uptake challenging. If landlords refuse to participate, it is very difficult to pressure them to get licensed. Using tax incentives, renovation credits, or rent-subsidies (for low-income tenants) could help encourage landlords to register. Under a licensing regime, it is still important to maintain a complaint-based system so that tenants retain agency.

A complaint-based system and a licensing regime can be mutually reinforcing. Unlicensed landlords can be identified through complaints and then initiated into the licensing program. Using big data approaches could streamline the complaint-based system and increase the overall efficiency of by-law enforcement. Licensing programs should be designed to minimize the burden on landlords to ensure that the policy does

not cause a reduction in the supply or affordability of rental accommodation. Using a single registration and inspection approach for all types of rental accommodation is one way in which the process can be streamlined. This will ensure that all type of landlords face a level playing field regardless of whether or not they are renting on the traditional or short-term markets. This licensing data can be segregated on the back-end to ensure that the municipality is achieving its goals.

The City of Ottawa is facing a confluence of issues when it comes to the market for rental accommodation. These issues include health and safety, noise, consumer protection, environmental concerns, economic development, and other community needs. Ottawa will need to implement a policy framework for rental accommodation that addresses these issues while maintaining a level playing field among accommodation providers and that is flexible enough to adapt to innovation in the market. Addressing any of these issues in isolation will be a challenge, but in combination, they are extremely demanding. Fortunately, Ottawa is not alone in this challenge. Municipalities from all over Canada and the world are facing similar challenges and developing innovative policy responses to them. This report has sought to present relevant research, data and best-practices that Ottawa can use to inform evidence-based policy responses to the ever-changing, and increasingly important, rental accommodation landscape.

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