

## Staff Report 2025-0144

---

Meeting: General Committee Meeting

Meeting Date: September 9, 2025

Subject: Residential Rental Licence By-Law

Submitted By: Joel Assaly, Analyst, Municipal Law Enforcement, Community and Human Services

---

### RECOMMENDATION

That a by-law be enacted to establish a Residential Rental Licence By-law for the Town of Caledon, attached as Schedule “A” to Report 2025-0144; and

That staff be directed to develop an interactive public map of all licensed rental accommodations in the Town of Caledon, as detailed in the report; and

That the proposed fee structure be adopted and the Commissioner, Community Services, or designate, be delegated authority to waive fees associated with a Class C1: Multi-Tenant Units, Class C2: Additional Residential Units or Class C3: Short-Term Rental Accommodation licences, as detailed in the report; and

That staff be directed to report back at the end of 2026 on the implementation and status of the Residential Rental Licence program.

### REPORT HIGHLIGHTS

- Establish a new Residential Rental Licence By-law, replacing the outdated Two-Unit Registration By-law 98-86.
- Introduce a classification licensing system for short-term and long-term rental, enabling Municipal Law Enforcement to ensure that rental properties meet and continue to comply with building, fire and by-law standards.
- Establish a licensing system for long-term rentals to ensure the availability of safe housing options, aligning with Caledon’s housing objectives.
- Incorporate robust enforcement tools including administrative penalties, demerit points, and licence suspension or revocation.
- Balance education, compliance, and enforcement to protect community character and tenant safety.
- Ensure rental properties meet fire, building, and property maintenance standards.
- Establish a cap on short-term rentals to 300 at any given time.
- The Federal Government’s Housing Accelerator Fund (HAF) aims to fast-track the supply of housing across Canada in response to the national housing shortage. Caledon was the successful recipient of \$14M through the fund, conditional on the delivery of eight initiatives that realize 2,628 housing units by December 11, 2027. This proposed licensing bylaw is an explicit deliverable of the Town’s contribution agreement.

### DISCUSSION

#### Background

At the May 7, 2024 General Committee Meeting, Council directed staff to explore options to address ongoing concerns related to non-compliant and problematic rental properties within the Town of Caledon. In response to this direction, staff conducted a Council workshop on March 5, 2025, during which a proposed policy framework was presented. The framework introduces a licensing regime aimed at establishing greater oversight and accountability for rental properties in the Town.

- Historically, rental housing in Ontario—especially in suburban communities like Caledon—consisted primarily of purpose-built rental (PBR) buildings, which were professionally managed, regulated, and designed for long-term tenancy.
- Due to limited construction of new PBRs, the rental market has shifted toward informal, investor-owned condos, basement apartments, and single-family dwellings which account for 90% of rental stock since 2000. This is in addition to investor-owned short-term rentals.
- The Town has experienced a rise in complaints related to property standards, noise, occupancy, parking and safety. Many of these properties operate without oversight, creating risks for tenants and neighbourhoods. Staff also lack the tools to monitor or enforce compliance effectively under the current framework.
- The proposed By-law introduces a clear licensing system, allowing the Town to identify, inspect, and regulate rental properties. It strengthens accountability, enhances safety, and establishes consistent standards across all rental types.
- Caledon's population grew by over 31% since 2016 and is expected to grow by 48.6% between 2021 and 2031. With rental demand continuing to rise, the Town must act to manage this evolving market. Legal precedent supports municipal authority to regulate rentals, and the By-law aligns with strategic priorities around community safety, housing, and growth management.

#### Rental Market Context

Ontario's rental housing system has shifted dramatically over the past several decades. Purpose-built rentals (PBRs), once the backbone of long-term rental housing, have sharply declined in new construction, while the secondary rental market—basement apartments, additional residential units (ARUs), and investor-owned condominiums—now dominates. This trend is mirrored in Caledon, where strong population growth has coincided with rising demand for informal rental housing. The result is added pressure on municipal services and the need for stronger regulatory oversight.

#### Key Points:

- Nearly **90% of Ontario's PBR stock was built before 1980**; only **23,600 units were added between 2000–2022**, compared to over **223,000 between 1960–1979**.
- From 2012–2022, **condominiums made up 90% of apartment completions**, while PBR growth lagged under 5%.

- In Caledon, there are just **585 purpose-built rentals**, while **ARU permits have surged since 2021**.
- Caledon's population grew **31% between 2016–2025** (66,502 to 90,600), outpacing housing supply.
- Ontario needs **1.54 million additional homes by 2030**, yet completions remain far below the ~150,000 units/year target.

*For further detail, see Schedule A: Rental Market Trends and Growth Pressures.*

### **Impact of Rental Market Shifts on By-law Enforcement**

Over the past decade, Caledon's rental housing landscape has undergone a fundamental shift. Where rental activity was once concentrated in purpose-built, professionally managed apartment buildings—subject to clear provincial regulation and oversight—the majority of today's rental supply now exists in the form of informal, dispersed units such as basement apartments, additional residential units, investor-owned condominiums, and, increasingly, short-term rentals.

This evolution has created an entirely new enforcement reality for Municipal Law Enforcement. Unlike traditional purpose-built rentals, these housing types often operate without professional management, without routine inspections, and with little visibility to the municipality. As a result, By-law Enforcement is now expected to respond to a range of emerging issues that were largely non-existent a decade ago, including:

- Illegal or unsafe conversions of residential space into rental units
- Overcrowding and associated health, fire, and safety risks
- Disruption to neighbourhood character from transient short-term rental activity
- Increased noise, parking, and property standards complaints tied to unregulated rentals
- Complex investigations involving zoning, building, fire, and property maintenance violations

Addressing these trends requires a proactive regulatory approach, expanded inspection capacity, and stronger interdepartmental coordination. The proposed Residential Rental Licence By-law provides the legal framework to manage these challenges, but it also formalizes a new workload for By-law Enforcement—work which didn't exist a decade ago.

### **Licensing**

Under Section 151(1) of the *Municipal Act, 2001*, municipalities in Ontario are empowered to establish licensing systems for businesses. This authority enables municipalities to:

- Prohibit businesses from operating without a licence;
- Refuse, suspend, or revoke licences;
- Impose conditions on licences, including special conditions for specific businesses or at any time during the licence term; and
- Regulate both the business itself and the people and property involved in its operation.

These provisions give municipalities broad flexibility to manage and oversee local business activities in the public interest.

**Residential Rental Licence By-law**

The proposed Residential Rental Licence By-law establishes a comprehensive regulatory framework to oversee all forms of residential rental accommodations in Caledon. It is designed to respond to the significant changes in Ontario’s rental housing market—including the growth of short-term rentals, the rise of investor-owned condominiums, and the proliferation of informal rental arrangements such as basement apartments and rooming houses. These shifts have created gaps in oversight, increased complaints, and raised concerns about safety, property standards, and neighbourhood character.

The By-law is enabled through the licensing powers granted under Section 151 of the *Municipal Act, 2001*, which authorize municipalities to regulate, license, and impose conditions on businesses operating within their jurisdiction. It supports the Town’s ability to ensure that rental accommodations meet minimum health, safety, and property maintenance standards, while also enhancing accountability among property owners and operators.

To reflect the diversity of rental arrangements in Caledon, the By-law introduces three classes of licences:

Class C1: Multi-Tenant Units	Class C2: Additional Residential Units	Class C3: Short-Term Rental Accommodations.
<ul style="list-style-type: none"> <li>• Housing multiple individuals, not associated</li> <li>• Shared common areas (Bathroom, Kitchen)</li> <li>• Includes rooming or lodging arrangements</li> <li>• Rented for more than 28 days</li> </ul>	<ul style="list-style-type: none"> <li>• Self contained dwelling units</li> <li>• Approved through a building permit</li> <li>• May be used for long or short term rental accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>• Owners primary residence</li> <li>• Rented for 28 consecutive days or less</li> <li>• Rented for 180 nights per year or less</li> <li>• Cap of 300 short term rentals at any given time</li> </ul>

**Key By-law Features:**

- **Application and renewal requirements:** including site and floor plans, insurance documentation, and property maintenance plans.
- **Compliance tools:** including a structured demerit point system, administrative monetary penalties, and criminal record screening requirements for licence eligibility.
- **Public safety and residential integrity protections:** including enforcement of occupancy limits, zoning compliance, fire code adherence, and mandatory emergency plans.

**Rational:**

The proposed Residential Rental Licence By-law addresses critical challenges in the Town of Caledon’s rental housing landscape, driven by evolving market dynamics, population growth, and increasing community concerns. The By-law responds to the following key issues:

**1. Community Impacts and Safety Risks**

Caledon has seen a rise in complaints tied to unlicensed or poorly managed rental properties, including noise, overcrowding, illegal construction, parking and property neglect. The By-law introduces inspections, a demerit point system, and administrative penalties to enhance safety, maintain community standards, and protect tenants.

**2. Affordability and Housing Pressure**

Rapid population growth—Caledon has experienced a 31% increase in population growth since 2016—has driven demand beyond current housing supply. With Ontario needing 1.54 million homes by 2030 (CMHC, 2025), the By-law helps preserve long-term rental stock by regulating short-term rentals and limiting licences to prevent speculative practices.

**3. Closing Oversight Gaps**

The proliferation of informal rentals has exposed regulatory gaps that leave tenants vulnerable to unsafe or substandard conditions. This By-law mandates compliance with the Building Code Act, Fire Protection and Prevention Act, and municipal by-laws, including requirements for safety plans, and emergency procedures.

**4. Legal Authority and Municipal Mandate**

Section 151 of the *Municipal Act, 2001* empowers municipalities to regulate rental accommodations through licensing. Supported by recent case law (e.g., *Gorman v. Windsor*, *Yau v. Milton*), this By-law reflects a lawful and proactive approach to protecting public interest while aligning with provincial standards.

The Residential Rental Licence By-law ensures that rental accommodations in Caledon are safe, well-maintained, and compliant with municipal standards, while addressing community concerns and supporting sustainable growth in alignment with the Town’s 2023–2035 Strategic Plan.

**Phased Implementation of the Rental Licensing Program**

To support a smooth transition and allow for effective resource allocation, the Town of Caledon will implement the rental licensing program in two phases. This phased approach prioritizes the safety of much needed long-term rental housing stock, while allowing time for further policy refinement and public education related to short-term rentals.

**Phase 1 – Fall 2025**

- **Class C1: Multi-Tenant Housing** – Licensing required for rental accommodations rented for more than 28 days.
- **Class C2: Additional Residential Units (ARUs)** – Licensing required for self-contained rental units within or behind existing dwellings (e.g., basement apartments, coach houses).

**Phase 2 – Spring 2026**

- **Class C3: Short-Term Rentals** – Licensing will apply to primary residences rented for 28 consecutive days or less and no more than 180 nights per year. This phase will include a licensing cap, operational conditions, and enforcement mechanisms tailored to the unique nature of the short-term rental market.

**Growing Practice and Benchmarking:**

Staff conducted benchmarking with other Ontario municipalities—including Toronto, Mississauga,

Brampton, London, and Waterloo—all of which have implemented some form of rental housing licensing to:

- maintain community standards;
- ensure rental units comply with health, safety, and building standards; and
- improve transparency and accountability in the rental housing market.

The proposed By-law reflects a growing practice observed in these municipalities but is tailored to Caledon's specific housing composition, growth trends, and zoning policies.

### Legal Authority and Precedent

Recent case law affirms that Ontario municipalities have clear authority under Section 151 of the *Municipal Act, 2001* to license and regulate both long-term and short-term rental accommodations. In [Gorman v. City of Windsor \(2024 ONCA 191\)](#), the Ontario Court of Appeal upheld Windsor's rental licensing by-law as lawful and within municipal powers. Similarly, in [Yau v. Milton](#), the Court confirmed that municipalities may regulate short-term rentals without conflicting with the *Residential Tenancies Act* or the Charter. Together, these rulings support the Town's ability to implement the proposed licensing framework.

### Public Consultations

To inform the development of the Residential Rental Licence By-law, the Town of Caledon conducted public consultation to gather input from residents, landlords, renters, and other stakeholders.

Two public open houses were held on **Thursday, April 10, 2025** and **Thursday, April 24, 2025**, providing opportunities for in-person engagement, questions, and feedback on the proposed framework.

Additionally, a **community survey** was conducted to gather broader input on rental experiences and concerns in Caledon. The survey included questions on rental-related impacts (e.g., noise, parking, safety), attitudes toward licensing, support for regulatory tools such as inspections, primary residence requirements for short-term rentals, and demerit point systems. A copy of the survey is attached as Schedule C to this report.

### Program Evaluation and Reporting

The Residential Rental Licence By-law will be subject to ongoing monitoring to evaluate its effectiveness, operational impact, and overall implementation. Staff will track key indicators such as the number of licences issued, compliance rates, enforcement activity, and feedback from both the public and stakeholders. A comprehensive report will be brought forward to Council within one year of the By-law coming into effect to provide an update on progress, identify any challenges, and recommend adjustments to improve program delivery and effectiveness. This reporting process will help ensure the By-law continues to meet the Town's objectives for housing regulation and municipal enforcement.

## FINANCIAL IMPLICATIONS

To implement the Residential Rental Licence By-law and support enforcement of the existing Business Licensing By-law, two additional full-time, permanent Municipal Law Enforcement Officer 2 (MLEO2) positions are required. These positions were submitted as part of the 2026 Change in Service Level (CISL) request through the Municipal Law Enforcement budget.

## Staff Report 2025-0144

---

The dedicated officers will be responsible for proactive monitoring, application intake and review, inspections, and enforcement related to both short-term and long-term residential rentals, as well as a range of licensed businesses including taxicabs, food trucks, and patios. Given the complexity and regulatory demands of these by-laws, dedicated enforcement resources are necessary to ensure fair, consistent, and timely service delivery. Without these positions, the Town risks unlicensed and non-compliant operators going unchecked, which may lead to health and safety concerns and erode public confidence in the Town's enforcement capabilities. The current enforcement team is operating at capacity and cannot absorb these responsibilities without compromising service levels.

### Proposed Fee Structure

To encourage early participation and support a smooth rollout of the Residential Rental Licensing Program, a phased fee structure is proposed. Introductory rates will be available during the first 60 days following program launch to reduce financial barriers and promote voluntary compliance.

This report recommends that the Commissioner, Community Services is given delegated authority to waive fees.

### Phase 1: Long-Term Rentals (Class C1 and C2)

#### Applies to:

- Class C1: Multi-Tenant
- Class C2: Additional Residential Units

Licence Type	Standard Fee	Renewal Fee	Introductory Fee (First 60 Days)
Class C1: Multi-Tenant	\$350	\$150	\$150
Class C2: Additional Residential Units	\$350*	\$150*	<b>No Cost if a valid building permit was issued in 2021 or later</b>

\* Fees waived if owner is able to provide proof of affordability as defined below:

*(2025 Rates – to be updated annually)*

Unit Type	Rental Bachelor	Rental- 1 Bedroom	Rental- 2 Bedroom	Rental 3-Bedroom
Affordability Rate	\$1,163	\$1,624	\$1,856	\$1,976

Source: [Municipal development and community benefits charges, and parklands / ontario.ca](https://www.ontario.ca)

### Building Permit Issuance

To promote operational efficiency, all Class C2 units approved through the building permit process (2021 onward) will be eligible for licensing without additional inspections at the time of application. Licences will be valid for two years, after which a renewal is required. Inspections may be conducted as necessary to ensure ongoing compliance.

### Phase 2: Short-Term Rental Accommodations (Class C3)

#### Applies to:

- Class C3: Short-Term Rental Licences

## Staff Report 2025-0144

Licence Type	Standard Fee	Introductory Fee
Class C3: Short-Term Rental Accommodations	\$500	\$250

### Fire Inspection Fee – Licensing

In addition to the above licensing fees, a fire inspection fee will apply when the Town’s Fire Department is required to respond to a potential Fire Code violation related to a rental licence application or inspection. The proposed fire inspection fee is as follows:

Fee Type	Base Fee	HST	Total Fee
<b>Base inspection</b>	\$206.68	\$26.87	<b>\$233.55</b>
<b>Plus each tenant/occupancy up to 10,000 sq. ft. (929 m<sup>2</sup>)</b>	\$112.54	\$14.63	<b>\$127.17</b>
<b>Plus each tenant/occupancy over 10,000 sq. ft. (929 m<sup>2</sup>)</b>	\$112.54	\$14.63	<b>\$127.17</b>

### Rationale for Fee Structure

- **Encourages Early Compliance:** Introductory rates reduce the financial burden for property owners and incentivize early adoption of the program.
- **Supports a Phased Rollout:** Aligns with operational readiness, allowing focused education and enforcement during Phase 1.
- **Promotes Fairness:** Discounts for properties with approved building permits with no additional fees or inspections required.

The licensing program will be implemented using a phased approach to support operational readiness and promote voluntary compliance. In the first phase, Municipal Law Enforcement will begin accepting applications for Class C1: Multi-Tenant and Class C2: Additional Residential Unit licences. This phase has been prioritized to meet key requirements of the Housing Accelerator Fund and to allow staff to focus education, outreach, and enforcement efforts on the long-term rental market.

A second phase, launching in Spring 2026, will introduce licensing for Class C3: Short-Term Rental Accommodations.

### Host Compliance – Class C3: Short Term Rentals

To support the implementation of the Residential Rental Licence By-law, the Town has procured services from Granicus Host Compliance. Through their Address Identification and Compliance Monitoring platforms, Granicus will provide ongoing monitoring of major platforms such as Airbnb, VRBO, and Booking.com, including deduplication of listings, collection of owner contact information, and real-time compliance tracking. This service will enhance the Town’s ability to identify unlicensed operators, enforce licensing requirements, and maintain an up-to-date inventory of short-term rentals. The annual cost for these services is approximately \$13,083.67, representing an important investment in ensuring transparency, accountability, and community safety in the management of short-term rentals.

**COUNCIL WORK PLAN**

**Strategic Plan 2023-2035**

This report is directly related to the following priority in Caledon's 2023-2035 Strategic Plan:

Community Vitality and Livability

Details about Caledon's 2023-2035 Strategic Plan can be found at [caledon.ca/strategicplan](https://caledon.ca/strategicplan).

**ATTACHMENTS**

Schedule A: Residential Rental Licence By-law

Schedule B: Residential Rental Licence Benchmarking

Schedule C: Survey

Schedule D: Rental Market Trends and Growth Pressures