

Landlord Licensing Report
For
Investment Property Owners of Nova Scotia

**Landlord Licensing In the United States,
United Kingdom, Canada**

Prepared by
Kevin Russell
April 20, 2017

Table of Contents

Executive Summary.....	3
Objectives	5
Methodology.....	5
Background	5
What is a Residential Rental Licensing Program?	5
Targeted vs. Universal Licensing Programs.....	6
Proactive Driven Bylaw (PDB) vs. Complaint Driven Bylaw (CDB)	6
Strengthening Bylaws, Penalties, Enforcement and Education.....	7
United States.....	8
United Kingdom	8
Canada	9
Toronto	10
Ontario Human Rights Commission	10
Canadian Outcomes.....	10
LLLP Jurisdictions.....	10
LLLP Registration and Inspection Fees, Penalties	11
Opted Out Jurisdictions	11
Hamilton	12
Changing Student Rental Market Dynamics	13
HRM	13
University Student Rentals.....	13
Low-Income Renters	14
Rooming Houses	15
Current Rental Market	15
Student Rental Market.....	16
Low-Income Renters	16
Missing Components IPOANS' LLL Discussion Paper	16
Observations	17
Lines of Questioning	20
Conclusion.....	22

Executive Summary

HRM's decision to consider a Landlord Licensing Program (LLLP) perplexed income property owners leaving most to ask, "Why?" This document sets out to determine if an LLLP will be HRM's magic elixir in remedying income property bylaw noncompliance or should HRM consider alternative programs that satisfy the needs of HRM, taxpayers, tenants and income property owners.

Landlord licensing programs established roots in the U.S in 1967 spreading to the UK and Canada. In Canada, there has been limited support for landlord licensing programs. HRM creating Bylaw M200, *Respecting Minimum Standards for Residential Occupancies* completed the first step in the LLL implementation process. The second step, making bylaw M200 a proactive inspection driven bylaw would position HRM to commence a licensing program. Before making a final decision on M200's proactive component City council instructed city staff to meet with industry stakeholders then report back to council in fall 2017

Does HRM require an LLLP? The short answer, "no". HRM's population, student population and geographical size, absent triggering characteristics combined with current bylaw enforcement protocol gaps indicate HRM is ill suited to implement an LLLP. A program if implemented would yield few results other than antagonizing taxpayers, tenants, non-profit affordable housing groups and income property owners.

Canadian jurisdictions opting out implementing an LLLP did for the same overriding reason, *"city council did not see the value in adding another layer of enforcement and expense when an existing bylaw framework and enforcement regime was in place."* The question, *"jurisdictions with LLLPs better off than jurisdictions opting not to implement an LLLP."* There is no quantitative data or verifiable reports supporting either jurisdiction leaving one to surmise LLL is a zero sum gain.

HRM's nuisance, code, property and maintenance standards bylaws are manageable if current bylaws, enforcement protocols and penalties were strengthened and or restructured to meet HRM's current rental market dynamics.

Interdisciplinary collaboration between applicable municipal and provincial government departments, non-profit housing agencies, social/outreach workers and income property industry associations must be an ongoing component in achieving income property compliance. One missing stakeholder severely hinders success. Two areas of concern confronting HRM, the level of collaborative interest between municipal and provincial departments and the willingness of HPD to become an integral enforcement component.

LLPs are costly to implement and maintain as such either require ongoing taxpayer subsidization or high fees to underwrite program costs, either affects *“housing affordability.”* Program costs incurred will be passed on to tenants in the form of rent increases furthering burdening low-income earners ability to procure affordable housing options.

Converted Single Use Dwelling Rentals (CSDRs) are the driving force behind LLL in jurisdictions researched. CSUDRs experienced unregulated growth to meet student housing demand during the “double cohort” years. Unregulated growth resulted in most CSUDRS flying under bylaw enforcement radar leaving jurisdictions confronted with no understanding of market size and no understanding which properties are code compliant and which are not or which are legal and which are illegal. HRM is no different.

Market dynamics are changing low-income earners housing options and student rental demand. Renters deciding to move up to new rental stock is opening-up secure, code compliant affordable housing options for low-income earners in older buildings. However years of inability to have rising incomes low-income earners are unable to pay current market rents. Student and parent demand for secure purpose-built rental buildings combined with decreasing university student enrolment has resulted in ebbing demand for South End CSUDRs. As these trends continue South End income property owners are expected to repurpose their CSUDRs into more lucrative opportunities. The market is performing according to text book market supply and demand theory.

A private-nonprofit partnership is tackling affordable housing issues confronting low-income earners and income property owners serving this market. Housing NS and CMHC have been and continue to increase rent supplement programs to assist families and seniors ability to pay market rents. Programs implemented combined with programs to improve low-income neighbourhoods’ livability are improving low-income earners living conditions.

Jurisdictions researched increased bylaw noncompliance compliant calls in low-income neighbourhoods by investing in outreach workers to perform relationship building excursions to low-income neighbourhoods, the outcome; increased bylaw code compliance.

Tenant and income property owners’ rights educational campaigns proved to be a vital tool in increasing bylaw compliance in jurisdictions researched. Education is an untapped opportunity HRM must pursue in its efforts to reduce rental property bylaw noncompliance.

LLL narrative moving forward must focus on high cost vis-a-vis cost to taxpayers, renters and income property owners, demanding cost benefit analyses from HRM, HRM’s code compliance is a manageable issue, LLL negatively impacts housing affordability and collaboration will result in better outcomes.

Objectives

- 1) To gain an understanding of LLLPs across Canada, U.S. and UK
- 2) Determine reasoning behind jurisdictions opting not to implement an LLLP
- 3) Determine Halifax's suitability for an LLLP
- 4) Devise lines of questioning for remaining Stantec's focus group meetings and potential meetings with City Councillors
- 5) Determine missing components IPOANS LLL Discussion Paper

Methodology

This research was conducted from March 23rd to April 20th, 2017. Sources of information include:

- Public information via civic bylaws, ordinances, city council minutes
- Online research including third party references, American academic research papers, local news articles
- Information garnered from Stantec's stakeholder focus group meetings

Background

In June 2016 Halifax City Council passed bylaw M200, *Respecting Minimum Standards for Residential Occupancies*; the basis for HRM's proposed Landlord Licensing program. Superseding Bylaw M100, M200 currently is a complaint driven bylaw dealing with building code, property standards and maintenance violations. HRM's stated objective is to make M200 proactive or an *"inspection driven"* bylaw but before finalizing councillors instructed city staff to obtain feedback from industry stakeholders. An inspection driven bylaw employs bylaw inspection teams to proactively canvass neighborhoods identifying bylaw noncompliant properties for inspections.

HRM have not revealed how such a scheme would be financed however a jurisdictional scan shows LLLPs have annual registration and property inspection fees. Is HRM planning similar fee structures? Most likely, yes.

What is a Residential Rental Licensing Program?

To gain a better understanding of Residential Rental Licensing the following excerpt is from the American Bar Association's 2016 Research Paper, *"Targeted Rental Licensing Programs: A Strategic Overview"*

Generally: A residential rental-licensing program is put in place by a local government to require property owners to apply for and obtain a rental license prior to leasing their properties. The principal function of such a program is to protect and promote the health, safety, and welfare of tenants and to prevent the deterioration of housing stock by enforcing property maintenance codes. The program requires property owners to submit an application to obtain a rental license. The City or Town then inspects the property

prior to approving the application. There are three different types of rental licensing programs: no licensing, universal rental licensing, and targeted rental licensing.

No Licensing Program:

Municipalities operating without a licensing program must rely on building inspectors and the court system to assess fines for problem properties.

Universal Rental License

All owners of rental properties must annually re-apply for a license, pay associated fees, and undergo an inspection. This is the case no matter how compliant the landlord was in terms of maintenance and safety. There is no landlord rating system upon which to base the renewal of the license.

The benefit of this scheme is that it guarantees all rental units are subjected to annual inspections and license renewals, precluding the possibility of code violations.

Targeted Rental License (aka Performance –Based License)

Unlike a universal rental license program, the targeted rental license program is not a one-size-fits-all scheme. Properties are categorized based on the number of code violations and in some municipalities, by the amount of criminal activity, in order to distinguish compliant from non-compliant property owners.

Cooperative property owners are rewarded based on their continuing record of compliance, zero or few code violations and instances of criminal activity, with incentives such as paying reduced licensing fees and undergoing less frequent property inspections.

On the other hand, non-compliant property owners with recurring code violations and criminal activities carried out on their properties will be subject to more frequent application renewals and inspections, as well as higher fees.

Targeted vs. Universal Licensing Programs

Evidence concluded Targeted licensing programs targeted approach making effective use of capital and human resources are more effective than Universal licensing programs.

Proactive Driven Bylaw (PDB) vs. Complaint Driven Bylaw (CDB)

PDB is considered a vital component for success in an LLLP, however, jurisdictions based on their market dynamics can decide not to implement a PDB and still have successful outcomes. In a CDB program, code violations go underreported for varying reasons; tenants’ lack of experience in code knowledge, inability to properly communicate and fear of landlord retaliation being the most common reasons identified.

PDB enforcement inspectors proactively canvass neighbourhoods identifying properties with noncompliant property standards and or maintenance violations, once identified, a full property inspection commences. If a building’s occupant and or property owner refuses an interior inspection, inspectors will comply then seek a warrant to complete an inspection. Phone and email bylaw complaints continue to be investigated.

In a CDB program inspectors receive bylaw violation complaint notifications then proceed to investigate noted complaint. There are no requirements for inspectors to investigate for further code violations when on a property. There are documented cases of bylaw inspectors leaving a property and serious injuries occurring due to an unrelated bylaw noncompliance issue not being identified or investigated.

A discovery of a 12 room student CSUDR demonstrates a perceived protocol weakness in CDB enforcement. Even though the city knew 12 rooms existed due to a 2016 bylaw complaint there was no active enforcement underway. The 2016 zoning infraction file was closed after inspectors showed up in July, a time when all the students had gone home, and found no one living there. The house wasn't flagged for follow-up and the inspectors didn't report the house to the fire department. The city didn't go back since new owners took over and began renting out the bedrooms again. Since the file was closed and no further complaints were lodged there was no requirement for an inspector to return. Is this situation a weakness or perceived weakness? *“Wouldn't an interdisciplinary protocol process have avoided missed opportunities for continued inspections and re-inspections?”*

Strengthening Bylaws, Penalties, Enforcement and Education

Strengthening bylaws to encompass an LLLP's stated objective is the first recommended step jurisdictions undertake in developing an LLL strategy. For example, Halifax's Bylaw M200 superseded rooming house bylaw M100. M200's language and definitions were strengthened and expanded to align the bylaw's intent to the current rental market environment.

Eliminating violation citations in favour of immediately issuing tickets is an illustration of how jurisdictions can strengthen bylaw enforcement. For example, noise bylaw violations occurring after 11:00 pm immediately result in police issuing tickets. Serious code violations result in bylaw inspectors immediately issuing tickets. These simple modifications reduced nuisance bylaw noncompliance and shorter repair timeframes with most income property owners completing repairs before a follow-up visit.

Bylaw enforcement and or police must commit to undertaking enforcement seriously, if not, this protocol gap will undermine any attempt in ensuring a successful enforcement program. Understanding success is dependent on enforcement U.S. bylaw enforcement and local police departments work in tandem ensuring bylaws are strictly enforced. In short, a *“zero tolerance”* enforcement policy is required.

Jurisdictions providing access to robust navigable webpages providing layperson written bylaw and renter rights information and a simplified complaint process reduced bylaw noncompliance. Better understandings of neighbourhood dynamics were gained thru bylaw enforcement and police holding ongoing relationship building renter and bylaw rights informational seminars.

United States

Rochester, Minnesota introduced the first U.S. landlord licensing program in 1967. Landlord Licensing, known in the U.S. as Rental Property Programs (RPP), was created to ensure rental housing in at risk neighbourhoods met building code, property and maintenance standards bylaws. Local police departments are active enforcement and policy development partners. RPPs expanded throughout the U.S without much notice until 2008's subprime mortgage crisis occurred. Purpose-built rental buildings and single family dwellings across the U.S. experienced widespread foreclosures leaving many single family dwellings vacant, in disrepair and open to scavengers, squatters, and gangs perpetuating criminal activities. Purpose-built rental buildings began to rapidly deteriorate due to not having required financial resources to perform maintenance and or repairs. Real estate speculators seeing buying opportunities became instant property managers picking up distressed real estate assets at rock bottom prices converting single unit dwelling assets into rentals. It was discovered speculators didn't necessarily equate to responsible ownership with many executing a short term "milkers" strategy, taking rental payments then reinvesting the bare minimum to maintain properties. As properties continued to deteriorate neighbourhoods evolved into high-crime districts with increasing numbers of properties becoming unfit for habitation. As neighbourhood livability became untenable grass root movements emerged demanding local legislators to take action. The solution, enacting legislation making a 42 year-old modest low key landlord licensing scheme into a vigorous, zero tolerant enforcement program targeting converted single unit dwelling rentals and at risk purpose-built rental buildings.

United Kingdom

Housing Act 1985 was the UK's first legislative attempt to come to grips with a growing rental market "*a house which is occupied by persons who do not form a single household.*" As landlords became creative in providing living spaces not considered traditional living spaces resulted in parliament passing "*The Local Government and Housing Act 1989.*" The legislation expanded the definition to include any part of a building which "*would not (ordinarily) be regarded as a house*" and "*was originally constructed or subsequently adapted for occupation by a single household.*" Scotland in 2000 was first in the UK to introduce a licensing scheme by passing "*Houses in Multiple Occupation (HMO)*" legislation into law. HMO legislation provided local authorities the ability to license properties that must meet certain property standards. The law was partially in response to a fatal fire at a student flat in Glasgow which had no working smoke detectors, and metal bars preventing escape through a window. Dramatic increases in illegal shared living space rentals to meet affordable housing demand caused by large influxes of refugee migrants resulted in the UK parliament passing HMO legislation January 2017. Rogue landlords were

cramming multitudes of migrants into illegally converted dwellings and or commercial buildings offering squalid, unhygienic and unsafe living conditions. In addition, migrants were being scammed out of government living benefits. HMO legislation targets shared living spaces in converted dwellings and buildings. Purpose-built rental buildings were not included in HMO legislation.

Canada

In Canada, Ontario Municipal Act 2007 significantly increased municipal control over rental residential properties. The act gave municipalities the ability to license rental residential properties as it would any other business. As way of background, in 2003 Ontario dropped grade 13 dumping 10,000 additional students into the post-secondary system nationwide. This so called “*double cohort*” resulted in post-secondary institutions rapidly expanding to meet demand. En masse, real estate speculators stepped in aggressively buying single unit dwellings surrounding campuses converting them into CSUDRs. Oshawa, first to implement an LLLP (2008), specifically targeted students’ affordable housing option of choice, CSUDRs. London and Waterloo followed suit while Guelph, Kitchener, Hamilton, and Ottawa opted instead to direct bylaw enforcement to strengthen existing bylaws, enforcement protocols and develop stronger stakeholder relationships. Mississauga 2014 implemented an LLLP targeting “*Second Unit*” (basement apartment or in-law suites) in resident owned or investment properties. It is important to note Ontario implemented rent controls in 1975 capping rent increase to 1.5% subsequently in 1986 to link rent increases to the rate of inflation. In 1992 rent control was modified to offer a 5 year rent control extension to new units constructed after 1991 to encourage development which became permanent to all developments constructed after 1991. Rent control had a profound negative impact on income property owners’ ability to adequately raise rents to allow reinvestment in their assets. April 2017, the Ontario government implemented rent control legislation eliminating the 1991 built clause and to include all new rentals.

LLLP interest was limited outside of Ontario. Regina City Council decided against implementing an LLLP. Income property owners in Calgary, Vancouver and Victoria pay an annual business license which all business have to pay. Edmonton in addition to a business license has a complaint driven bylaw LLLP targeting CSUDRs and shared living spaces. Winnipeg has a complaint driven bylaw LLLP targeting shared living spaces. There doesn’t appear to be an appetite for LLLPs in New Brunswick, PEI, Newfoundland and Labrador or Quebec.

Tenant Advocacy Groups representing low-income tenants are increasingly active across Canada pitching to city councillors the need to have all apartment licensed claiming income property owners are not

maintaining their properties nor performing suite repairs, as a result, tenants pay high rents to live in squalid and unsafe living conditions.

Toronto

March 2017, Toronto announced a city-wide LLLP targeting the city's 350,000 rentals emulating the city's restaurant licencing program DineSafe to commence July 1st, 2017. After an inspection income property owners will be issued a "Pass or Fail" certificate to post in a building's lobby or vestibule. Noncompliant buildings will have a specified period of time to remedy code noncompliance issues, continued noncompliance results in escalating financial penalties and or occupancy permit revocation.

Substantial influxes of immigrants, largest student population in Canada, rent control, and shortage of purpose-built rental buildings combined with a 50.8% Secondary Rental Market made Toronto ripe for an LLLP. Tenancy Advocacy Group ACORN effectively lobbied city councillors to implement an LLLP were assisted by a number of high profile media stories showing squalid unsafe living conditions of the city's vulnerable population and working poor combined with stories of landlords evicting tenants under false pretenses allowing them to charge substantially higher rents to new tenants. These stories cemented in the public's mind a negative image of landlords as being uncaring and greedy.

Ontario Human Rights Commission

Complicating Ontario bylaw enforcement is a provincial human rights law preventing cities from discriminating about what a "family" is in its zoning law. This ruling created a significant loophole for large numbers of students or others to live in a "single-family dwelling" as opposed to a "lodging (rooming) house." Since a city can't define what a family is for zoning purposes a group of students can be considered a family depending on the way lease details and living arrangements were worked out with their landlord.

Canadian Outcomes

LLLPP Jurisdictions

The driving force behind jurisdictions implementing LLLPs, unregulated growth of CSUDRs to meet student demand for affordable rental options. City councils in a number of "university towns" voted in favour of implementing city-wide Targeted LLLPs focusing on CSUDRs. Prior to implementation newspapers were buzzing with articles and editorials about the need to control CSUDRs "out of control" growth. Problems described related to building permit violations, behavioural issues and usual problems associated when a sudden concentration of high-density living occurs. A few years after speculators stepped in there was noticeable appearance and structural deterioration giving concern speculators were "milking" their properties. To maximize a building's milking potential extra rooms were illegally added, it was not

uncommon to discover 25 room CSUDRs. As a result, 311 complaint calls from surrounding neighbours and tenants spiked as income property owners became increasingly bylaw noncompliant.

Post LLL implementation, the public, city councillors, income property owners and the press went quiet. That said, articles surfaced indicating program participation rates were not achieving projections and fee increases were required to fund revenue shortfalls. London with a 60% participation rate experiencing a \$1.2 million program deficit increased renewal fees from \$55.00 to \$165.00. Conversely, Waterloo provides an example how LLLPs can become a *“tax grab”*, in spite of a 50% participation rate Waterloo’s LLLP in 2012/13 generated an \$864,000 surplus yet decided to reduce the inspection cycle from 5 to 3 years without a reduction in corresponding fees.

No public adulation news articles or government press releases surfaced indicating neighbourhoods livability improved nor was quantitative data released showing improvement in property standards and or nuisance compliance or whether bylaw complaint calls increased as a result of implementing an LLLP.

LLLP Registration and Inspection Fees, Penalties

Registration fee schemes are based on *“per door”* or *“building classification.”* Jurisdictions charging a *“per door”* fee did not charge an initial inspection fee but if required charged re-inspection fees, *“building classification”* inspection and re-inspection fees vary, *“set dollar amount, per door, or per hour per inspector.”* Noncompliance penalties vary, instead of commencing with a citation immediately commence issuing tickets, continued noncompliance penalties escalate in stages with heavy fines assessed at each noncompliance stage and some jurisdictions assessed *“per day”* noncompliance fines. If noncompliance places tenants’ health and safety at risk jurisdictions have the ability to remove tenants housing them at an income property owner’s expense or contract out repairs to third party contractors with costs being billed back to the income property owner. Occupancy permit revocation is always on the table throughout the noncompliance period.

Opted Out Jurisdictions

Jurisdictions deciding not to implement an LLLP were also under immense public pressure to gain control of CSUDRs unregulated growth. City councils deciding against implementing an LLLP did for the same overriding reason, *“city council did not see the value in adding another layer of enforcement and expense when an existing bylaw framework and enforcement regime was in place.”* There was realization to meet current rental market dynamics, bylaws, enforcement protocols and penalties required strengthening. To accomplish this objective city council directed city staff to study the issue then return with a plan. Plans presented had hallmarks of an LLLP:

- Reconfiguring current bylaw enforcement personnel to create a dedicated proactive rental inspection team. Jurisdictions requiring to increase their staffing complement added 3 or 4 FTEs and vehicles.
- Inspection teams proactively in neighbourhoods identifying noncompliant properties. Once identified inspectors commenced property standards or maintenance inspections, if occupants and or a building owner did not allow an interior inspection, inspectors complied then obtained a warrant to complete an interior inspection.
- Strengthening enforcement noncompliance penalties implementing a zero tolerance policy.
- Building or nuisance noncompliance complaint calls to 311 and or police triggered property inspections.
- Develop relationships with social services, outreach workers, tenant advocacy groups, post-secondary institutions, residential tenancy board, income property associations and other identifiable stakeholders.
- Develop educational materials and a web presence to educate bylaw and renter rights to both tenants and landlords.

Although no quantitative data was released opted out jurisdictions reported a combination of proactive enforcement and education induced increase in bylaw complaints calls resulted in a reduction of bylaw noncompliance.

Hamilton

Hamilton debated Landlord Licensing several times since 2008, councillors struggled with costs to create the kind of proactive bylaw enforcement required to be effective. In 2010, based on a city council vote Hamilton opted to carry out an 18 month *“proactive bylaw enforcement”* pilot project. To allow for city staff further research time the pilot project was subsequently extended 4 months then by a further 9 months. Based on the pilot project’s success Hamilton city council decided there wasn’t a requirement to move ahead with an LLLP. However, after a 2016 fatal fire in a CSUDR resulting in the deaths of three students followed by the discovery of a 12 room CSUDR, LLL debate is back before council. Two city councillors representing districts with large student population proposed a mandatory LLLP pilot project for their districts.

Hamilton’s anti-poverty advocates dislike the idea of rental licensing because it serves to lower the number of affordable units available for low-income tenants raising the debate level to a moral issue, *“is it acceptable to leave low-income tenants to live in squalid, unhygienic, fire hazard laden apartments and rooms.”*

Changing Student Rental Market Dynamics

Income property developers stepped in to meet student and parent demands for purpose-built student rental buildings offering secure upscale living and amenities. This market dynamics change resulted in reduced student demand for CSUDRs. Waterloo' student rental market currently is experiencing an oversupply of 8,300 beds. Another factor ebbing CSUDRs demand, declining student enrolment. International student enrolment is increasing but not enough to make up for declines in Ontario student population enrolment. Both trends are expected to continue for the foreseeable future.

HRM

Discussions with Stantec Consulting revealed HRM is grappling with two divergent rental market issues, university students and low-income housing. This said, dialogue indicates HRM's bylaw noncompliance concerns might lie with unregulated growth of CSUDRs and rooming houses.

University Student Rentals

There are approximately 32,000 students attending HRM universities whereas approximately 11,000 students attend NSCC colleges. According to Student NS 77.5% of university students in Nova Scotia live off campus representing 24,800 students in HRM. With the exception of Mount Saint Vincent University, campuses are located in South End Peninsula Halifax resulting in a high concentration of student rentals in CMHC's Peninsula South and North zones. MSUV's students are spread out over Peninsula South and Mainland North zones. HRM's three NSCC campuses, one in North End Halifax, two in Dartmouth, spread college student rentals throughout HRM.



According to Statistics Canada, *2001 Census Special Tabulation based on CMHC Rental Zones* report, 67% or 9,000 of households in Peninsula South are renters while 61% or 10,000 of households in Peninsula North are renters.

South End Halifax experienced unregulated CSUDRs growth during the "double cohort" years, 2004 to 2008 when universities were rapidly expanding to meet increased demand caused by Ontario students deciding to study in Halifax. During this period real estate speculators stepped in buying SUDs converting them into CSUDRs. This rapid and sudden concentration of high density rentals resulted in nuisance bylaw violations spiking then subsequently discovering bylaw enforcement were ill equipped to respond to or resolve.

In spite of obtaining above market rents a number of speculators did not reinvest necessary financial resources into managing their assets. This lack of reinvestment resulted in asset deterioration across Peninsula South and North zones where windshield inspections show numerous property standards and maintenance bylaw violations.

Intensifying the situation, speculators maximized rental revenues by turning their rentals into larger “*shared living spaces*” by illegally adding rooms. These illegal conversions were flying under building and fire code compliance radar however when discovered dwellings had serious building and fire code violations; insufficient number of smoke detectors, fire extinguishers, no fire plans, proper fire exits or window egress, building envelope deficiencies and numerous wiring code noncompliance issues.

Surrounding residential property owners fed up with continual nuisance, property standards and maintenance noncompliance began demanding city council to resolve a noticeable lack of bylaw enforcement. Years of debates ensued with city council unable to come up with a legislative resolution decided each time to “*kick the proverbial can down the road*” offering weak commitments to pacify demands.

HRM doesn't have a concentrated college student rental quarter nevertheless college student CSUDRs exist. Neighbourhood characteristics surrounding college campuses consist of small owner occupied dwellings potentially containing one or two bedroom basement apartments. Owner occupied CSUDRs are better positioned to self-police nuisance, property standards and maintenance noncompliance, however, there is high probability most CSUDRs are building and fire code noncompliant.

Low-Income Renters

Low-income renters are attracted to affordable rents unfortunately mostly offered in neighbourhoods considered tough areas with high crime, drug use and at the low-end of the neighbourhood livability scale. Tenant base consists of individuals with mental and physical illness, low education levels and have been in and out of the criminal justice system. Source of income consists of income from low paying dead end jobs, DCS entitlements, disability benefits or CPP/OAS payments. Rental stock inventory consists of CSUDRs and or buildings mostly consisting of 4 to 24 units circa 60s through to the 80s. To maintain occupancy income property owners often charge “*DCS housing entitlement rents*” an amount insufficient to allow owners to reinvest in their assets. Properties and buildings are poorly maintained with most in need of urgent repairs, tenant complaints include; rodent and pest infestations, drafty windows, lack of heat, noise, high people traffic in hallways and common area cleanliness. Buildings are owned and managed by their owners operating on shoestring financial resources.

Institutional investors have made investments on the peripheral of problem areas but in spite of making major property and building investments results have been mixed as properties have been unable able to achieve sustained occupancy levels due to ongoing problematic social issues plaguing surrounding areas.

Rooming Houses

News articles emerged in 2015 reporting numerous examples of buildings police and fire services called rooming houses but which weren't showing up on HRM's list of licensed rooming house properties. One



building identified had 193 police calls pertaining to illegal drugs, rape, property damage and theft calls from January 2012 to the day the property was shut down by the city in October 2014. During this period Bylaw Enforcement debated whether the building identified was an illegal

room housing concluding the building did not meet HRM's rooming house definition, *"a shared a living space with locks on individual bedroom doors."* Since no locks were present the building didn't fit HRM's definition of a rooming house. In one of their 193 visits HPD ordered the landlord to install locks however the landlord never fulfilled the request. HRM Bylaw Enforcement took 6 months to shut the operation down for what were deemed serious building and fire code violations. It was reported the owner continues to operate 6 buildings in HRM. Low-income housing advocates believe there are rooming house operations in HRM purposely delisting from the city's rooming house registry in order to fly under the bylaw enforcement's radar in order to avoid inspections, penalties and potentially costly upgrades to meet code requirements. HRM officials do not deny the possibility delisting has occurred.

Current Rental Market

Halifax is experiencing a purpose-built rental building renaissance, since 2012 approximately 2000 upscale rental units came to market; in 2017 approximately 1,000 units are coming to market on the peninsula with more units coming to market in 2018. This renaissance is changing rental market dynamics as renters in search of upscale rental living are trading up to newer buildings. Having two full bathrooms in two bedroom units is having a profound effect on renters' decision making. Two renters could share an apartment but live independent of each other while sharing a common area. A single renter could pay \$800 to live in a mediocre "B" class building or live in an "A" class building with a compatible roommate each paying \$800. This trend resulted in increasing vacancy rates in "B" class buildings however increased vacancy was offset by income property owners targeting demographics previously not of interest. As "B" class buildings filled "C" and "D" buildings experienced vacancy increases opening a potential supply of affordable housing options. The market is responding accordingly to supply and demand market theory.

Student Rental Market

HRM's purpose-built rental building renaissance is partially being driven to meet a growing student and parent demand for purpose-built rentals offering secure upscale living and amenities. HRM's student university enrollment is in decline while International student enrolment is increasing but in insufficient numbers to offset declines in Nova Scotia student enrolment. This change in market dynamics is reducing CSUDRs demand.

Low-Income Rental Market

Private industry, non-profit affordable housing groups and government have collaborative initiatives underway seeking out solutions to ensure; better housing options for low-income renters, improvement to neighbourhoods' livability and ensure income property owners serving low-income neighbourhoods have the ability to charge market rents. The biggest gap in the process; as long as current DCS housing entitlements, disability and CPP/OAS payments remain at current levels without a rent supplement bump the ability for low-income renters to pay market rents is unattainable. Until there is real change in DCS' housing entitlement, disability and CPP/OAS payments or a strategy is in place to increase the number of rental supplements landlords will be unable to achieve market rents.

Missing Components IPOANS' LLL Discussion Paper

1. Data Base Registration Fee

In addition to points in IPOANS' LLL Discussion Paper, paying an annual \$10-\$15 flat per building registration fee should be a concession under consideration. An annual registration will allow HRM to develop a much needed rental property database which will end up benefiting both HRM and industry. Currently, CMHC numbers implies there are 46,000 rental units in HRM while other reports indicate 55,000 and another report indicates 85,000 a HRM rental property database will at some point confirm actual numbers. Knowing registered properties will allow HRM to focus its energies and resources on identifying unregistered income property owners who as research demonstrates are most likely code noncompliant.

2. Building Stronger Relationships With Non-Profit Housing Advocacy Groups

IPOANS strong relationships with non-profit advocacy should be leveraged in presenting alternative proposals to HRM.

3. HRM Commitment to Stronger HPD Engagement

A strong commitment is required from HRM stating HPD will be a fully engaged partner in bylaw enforcement. It's been reported police officers take it upon themselves to decide which violation

to enforce or not to enforce, a problem acuter during nighttime hours when most nuisance violations occur. HPD must be made aware disengagement potentially could lead to rental property employees and or persons making a complaint being seriously injured if deciding to take initiatives upon their own in resolving nuisance complaints.

Observations

1. Unexpected Social Issues Trigger Landlord Licensing Programs

In the U.S., evolution of high-crime districts followed by the 2008 subprime mortgage crisis. In the U.K., a fatal fire in a building and fire code noncompliant student flat followed by large influxes of refugee migrants being crammed by into squalid, unsafe, unhygienic, fire hazard laden shared living spaces. In Canada, rapid post-secondary expansion creating unregulated growth in converted single unit dwellings to meet student rental demand. Commonality in all three jurisdictions, lack of housing affordability for low-income earners propelled large population segments to seek out affordable living options at the expense of health and safety.

2. HRM is Not US, UK, Ontario, Toronto

HRM cannot be compared to US, UK, Toronto or for that matter Ontario universities towns. When compared to other jurisdictions HRM does not have; as large university population numbers or Secondary Rental Market, large high-crime low-income districts or large influxes of immigrants driving rental housing demand.

City	Halifax	Guelph	Hamilton	London	Ottawa	Oshawa	Toronto	Regina	Waterloo
Population	425,900	156,000	748,400	512,400	1,351,100	394,000	6,242,300	247,200	104,966
Secondary Market	34.8%	52.3%	46.1%	32.7%	43.0%	55.0%	50.8%	52.6%	43.0%
University Enrolment	31,450	29,260	31,630	44,370	72,830	18,700	87,000	13,910	56,740
College Enrolment	11,000	4,500	20,000	43,000	15,000	30,000	109,000	3,500	0
Total Student Enrolment	42,450	33,760	51,630	87,370	87,830	48,700	196,000	17,410	56,740

3. HRM's Income Property Bylaw Noncompliance Is Manageable

HRM's size in population, student population and geographical terms suggests bylaw noncompliance at this point in time is manageable without having to resort to another layer of

2001 Total Households by Tenure	Owned	Rented
Nova Scotia	360,020	71%
HRM	144,435	62%
Peninsula South	13,490	33%
Peninsula North	16,665	39%
Mainland South	8,455	52%
Mainland North	16,920	40%
Dartmouth North	11,370	30%
Dartmouth South	9,525	60%
Dartmouth East	18,200	82%
Bedford/Sackville	15,430	78%
County	34,380	90%

Source: Statistics Canada, 2001 Census Special Tabulation based on CMHC Rental Zones

bylaw enforcement. Rental areas are concentrated, defined, and identifiable allowing for precursory windshield inspections to identify noncompliant income properties. Using best practices developed in other jurisdictions CSUDRs could be identified by collaborating with Halifax Water and NSP to pinpoint SUDs with more than one connection or collaborating with DCS to isolate

buildings receiving multiple DCS entitlement cheques potentially identifying illegal operating rooming house.

4. Interdisciplinary Collaboration Key to Achieving Rental Property Compliance

Rental property compliance success is depended on interdisciplinary collaboration between applicable municipal and provincial government departments, non-profit housing agencies, social/outreach workers and income property industry associations.

5. Property Registration Allows Development of a Comprehensive Rental Database

An LLLP allows municipalities the opportunity to develop comprehensive rental property databases. Jurisdictions researched never had or gained control of SUD rental conversion numbers which created unregulated growth with no understanding to the depth of market size. High registration fees and or complicated fee structures negatively impacts registration participation. New York City's CDB enforcement program charges all rental buildings a flat \$13 annual registration fee. The need to be identifiable is more important than to be proactive.

6. Responsible Income Property Owners Burdened With Funding LLLPs

Registration premise, reward responsible income property owners punish irresponsible income property owners, however in reality poor participation rates result in responsible income property owners funding programs while irresponsible income property owners continue to operate with impunity.

7. Income Property Noncompliance Prevalent in Secondary Market Rentals

Secondary Market Rentals mainly consisting of CSUDs flying under municipalities' radar is the driving force behind implementing LLLPs. CMHC's Secondary Market Rentals numbers do not reflect reality.

8. Tenant, Landlord and Bylaw Rights Education Pivotal

Investment in a creative, multi-platform, continual tenant and landlord bylaw rights educational campaign play a pivotal role in increasing tenants and landlord engagement.

9. Enforcement Increases Compliance and Registration Rates

Jurisdictions implementing aggressive enforcement protocols combined with appropriate punitive penalties increased compliance and registration participation. For example, the ability to quickly shut down serious code noncompliant properties reverberate amongst operators. Jurisdictions implementing \$100 per day late fee penalties increased registration participation.

10. Police Engagement Key to Bylaw Enforcement

Police departments play an integral role in bylaw enforcement. An unengaged police force undermines bylaw compliance efforts, a serious enforcement protocol gap.

11. Effective Proactive LLLPs Require Sustained Taxpayers' Support

If Hamilton, Ontario has been in a quandary since 2008 about committing necessary finances to create an effective proactive LLLP, HRM will be hard press to commit the necessary finances create an effective LLLP anything less will deal a serious blow to taxpayers' and tenants' high-expectations. London, Ontario's subsidizes its program \$1.2 million per year with no tangible results.

12. HRM's Best Option Is Collaboration

IPOANS's Discussion Paper represents progressive collaboration on IPOANS part is a good starting point for collaboration. Statutory Self-Compliance, Mandatory Balcony Inspections, Balcony Max Load Decals, High Numbers of Police, Fire and 311 Calls Triggering Inspections, Annual Compliance Roundtable and Robust and Sustained Bylaw Rights Educational Programs are valid recommendations.

13. Sensitive Public Issue

HRM income property owners have significantly contributed to worthy causes across HRM earning them the status of *"good corporate citizens."* However, a small group of income property owners have not cultivated the same positive reputations therefore LLL has potential to garner widespread public support, a fatal event, grievous rental increase or insensitive responses could ignite negative public attitudes towards income property owners. IPOANS being viewed as collaborators could assist in offsetting any negative ambiguities towards income property owners.

14. Income Property Owners Arguments Can Be Invalidated

U.S. research papers divulge income property owners' arguments put forward to date can be easily invalidated. Canadian court challenges to jurisdiction's legitimacy to enact an LLLP have been upheld. Hence, it is important to develop lines of questioning demonstrating knowledge of issues and an openness to offer effective alternatives.

15. Non-Profit Advocacy Groups Same Goals

With the exception of ACORN, non-profit advocacy groups have similar outcome desires as IPOANS. Advocacy groups view LLL as a potentially expensive exercise yielding little results for monies spent, monies which could be better invested in alternative solutions.

Lines of Questioning

Questions going forward will be important in shaping LLL narrative. Instead of provoking conversations in defiant language tones questions should be based on known facts. Demonstrating IPOANS as a collaborative partner with sound alternative solutions combined with questions casting doubt on the “value” of implementing an LLLP provides an effective strategy in gaining public support. In addition to Stantec, city councillors and senior city staff officials who ultimately make final decisions to implement, not to implement or suggest a modified program must be targeted. Questioning should engage non-profit advocacy groups and low-income earners. Questions listed, in no particular order of importance, are meant to stimulate conversation, readers after reviewing the entire report most likely will have or develop questions of their own.

- 1. Will HRM’s proposed LLLP end up being a substantial burden on taxpayers? Can HRM city staff provide a cost benefit analysis showing how an LLLP will be underwritten? Does HRM have hard data showing Canadian jurisdictions that implemented an LLLP show marked improvement in bylaw compliance? Is HRM aware Hamilton and Ottawa cities with a much larger population decided against implementing an LLLP?***

Jurisdictions implementing an LLLP struggled with insufficient number of registrants to fund their program. Responsible income property owners end up partially funding programs with the remaining funds required coming from taxpayers. While irresponsible income property owners continue operating with impunity. No research to date has confirmed jurisdictions implementing an LLLP showed marked improvements in bylaw compliance.

- 2. Does HRM have an understanding of the magnitude of costs to implement an LLLP?***

Hamilton, Ontario with a population of 778,400, 52,000 university and college student population has struggled since 2008 to implement or not to implement an LLLP, each time deciding not to because of implementation costs to implement an effective program.

- 3. Does HRM have an excess of spare money hanging around?***

Toronto is increasing bylaw enforcement inspector complement by 12 FTE bring the total to 36 inspectors to inspect an estimated 350,000 units, based on 85,000 units scenario Halifax would require at a minimum 8.7 FTE to establish a meaningful inspection team complement which could potentially increase annual payroll \$670k to \$780k. Depending on vehicle requirements vehicles would add \$210k to \$260k. Unknown cost factors are IT development and back office support costs.

4. *Can't HRM direct staff to do the same as opted out jurisdictions?*

Jurisdictions opting out of implementing an LLLP directed staff to strengthen; existing bylaws, enforcement protocols, noncompliance penalties and develop strong relationships with stakeholders.

5. *What will be HPD's role? Given police involvement is key to LLLPs success wouldn't an unengaged HPD be a nonstarter to implementing an LLLP? If HPD were currently engaged in bylaw enforcement would current problems be as large of a problem as it is being perceived?*

The importance of having engaged police departments in LLLPs cannot be understated. Any program devised is doomed for failure without an engaged HPD. Income property owners have expressed views HPD officers display no interest in enforcing nuisance bylaws. In an April 11th CBC's Radio Noon talk-in show HRM's Chief of Police Jean-Michel Blais left the impression responding to nuisance calls is not a good use of HPD resources. His comments collaborates income properties owners view nuisance calls to HPD receive a low priority.

6. *Wouldn't it wiser to begin with a modest start then build on successes? Wouldn't at this point in time the need be identifiable outweigh the need to be proactive in pursuing the unknown?*

IPOANS recognizes the importance for HRM to develop a rental property database. Why not start with a simple registration program charging a \$10 per building registration fee. Research indicates responsible landlords will register while irresponsible do not register. To encourage registration implement a \$100 per day penalty against those who do not register. Then take 6 months digesting data and to collaborate with stakeholders on a course of action.

7. *Wouldn't it make sense to increase the number of Outreach Workers to work with low-income renters instead of hiring code inspectors?*

Low-income earners have a mistrust of government authorities as a result do not interact with government authorities. Jurisdictions employing outreach workers to go into low-income neighbourhoods assisting tenants with logging complaints were successful in decreasing noncompliance.

8. *Is HRM making a mountain out of mole hill?*

Yes, there are income property noncompliance issues but given HRM's population, student population and geographical size noncompliance is manageable. Rental areas are concentrated, defined, and identifiable allowing for precursory windshield inspections to identify noncompliant

income properties. Using best practices developed in other jurisdictions CSUDRs can be identified. Collaborating with Halifax Water and NSP in pinpointing SUDs with more than one connection or collaborating with DCS to isolate buildings receiving multiple DCS entitlement cheques to potentially identify illegal operating rooming house operations.

9. *Why doesn't HRM have renter and landlord rights webpages or hold informational seminars?*

Jurisdictions investing in creative easy to navigate renter and landlord right webpages and held ongoing seminars experienced high bylaw engagement among both renters and landlords.

10. *Why doesn't HRM Bylaw hold continual stakeholder meetings?*

Jurisdictions holding ongoing stakeholder roundtable discussions ended-up with better solutions in resolving bylaw noncompliance.

11. *Why doesn't HRM Bylaw work more quickly to shut down noncompliant properties?*

It took 6 months to shut down a building and fire code noncompliant rooming house. Would it not have it been more prudent to immediately shutdown to send a message to other noncompliant and or illegal operators?

12. *LLL is One Sided, What About Noncompliant Tenants?*

LLL is an arbitrary program in the sense bylaw enforcement view code noncompliance solely an income property owners' problem. No consideration is given that a tenant could be or is responsible for code noncompliance in his/her unit.

13. *Do Tenants Really Understand What They Are In For?*

Tenants will be supportive of an LLLP thinking such a program will level the playing field between tenants and income property owners. What tenants do not realize cost to implement will be ultimately passed on to tenants in the form of rent increases nor will tenants realize their privacy will be intruded upon with increased code compliance inspections. Tenants' lifestyles could be determined a root cause of suite code noncompliance and if unwilling to change their lifestyles could result in NSRTB hearings to evict. In short, LLL will not be the panacea tenants envision.

Conclusion

Costs, HRM's population, student population and geographical size, absent triggering characteristics, current enforcement protocol gaps concludes Landlord Licensing is not a route HRM should pursue. Pursuing will result in an ongoing taxpayer subsidized program yielding few results other than antagonizing taxpayers, tenants, non-profit affordable housing groups and income property owners.

HRM's best option for a successful compliance program is pursuing a collaborative approach with stakeholders. HRM is fortunate to have two key components to develop a successful collaborative outcome; an active income property association that believes more can be accomplished through cooperation and active affordable housing advocacy groups that understand rental market dynamics. Research has shown whether it is the US, UK, or Canada, police enforcement plays an integral role in nuisance bylaw enforcement. Unfortunately, HPD is not as engaged in bylaw enforcement as it should be. If HPD committed the necessary commitment to nuisance bylaw enforcement bylaw nuisance noncompliance would not be an issue.

There is a definite need for HRM to build a rental property database. HRM, like all jurisdictions research, have a CSUDRs market of an unknown size, a rental database would determine size in time. A database would benefit industry with accurate rental household numbers and a precise geographical areas where rentals are located.

Finally, as more "A" class buildings come to market "B" class tenants are choosing to move up which is increasing higher quality affordable housing options for low-income earners. HRM's current rental market is working to text book supply and demand theory. There is no reason for HRM to interfere.