



BRENDAN CHARTERS

Crash Course to REAL ESTATE ROYALTY

Climb the social and financial ladder by renting out a secondary suite

Homes in Canada are expensive. In the outlying GTA, the average price of a condo is over \$600,000—a single detached home is approaching \$1 million (\$914,000 in October of 2018) and a staggering \$1.31 million for the same product in Toronto proper. With the time and financial costs required to commute, which CMHC estimates at an average of between \$400 and \$800 per month—the perceived savings of living in a bedroom community and travelling into the core for work is seeming less of an ideal plan—especially when you factor in our weather and gridlock woes that are only worsening with intensification. One way to help bridge the gap, or help transition from condo living to a low-rise product, is to subsidize oneself by renting out a secondary suite within the building, or even outside of it, with the new option of laneway housing. In order to service the \$311,000 to \$386,000 of additional mortgage, you would hypothetically require to upgrade from a condo to a house, or to move from the suburbs into the city, you would need to add roughly \$1,500 to \$1,900 extra per month to cover it. No small amount, I know.



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RENT ON THE RISE

Coincidentally, the average rental amount for a one-bedroom apartment in the city of Toronto has also been climbing, and now sits at \$2,200 in the core, and \$1,200 in the outer lying GTA. If you look at those numbers, they start to offset each other, in some instances, creating a cash-flow-positive position. This means, for a bit of legwork, creating or finding a home with a secondary suite could be your ticket to upgrading your living situation by either transitioning from a condo to a single-family home, or by reducing or eliminating your commute. Does the thought of becoming a landlady or landlord sound good to you? Read on.



BEFORE YOU SIGN THE LEASE

Secondary suites or dwellings are permitted As-of-Right via provincial legislation in Ontario. Every municipality has their own governing rules that you want to familiarize yourself with—here are some of the keys.

A permit is required to create one, and is only allowed in a building aged five years or older. If an existing unit, Municipal Licenses & Standards, Fire and Electrical Safety Authority must have signed off for it to be legal. Minimum ceiling height 6’5” for at least 50 per cent of the area, with at least 97 sq.ft. of space per occupant, so the space doesn’t have to be huge.

Fire egress (to escape) and firefighter access (to enter to save you) are generally 3.8 sq.ft. and 1.0m clear respectively, with some fine print nuances that are important.

Fifteen to 30 minute fire separation and a Sound Transmission Rating minimum of 50 must be achieved for safety and privacy. Interconnected smoke alarms with the main dwelling unit are also a must for optimal safety and the lower separation. Sprinklers are the best, but carry a high upfront cost.

The unit must be smaller than the main dwelling, and if there is parking, the accessory dwelling must also have parking, except in the case of a laneway house, which negates all needs for parking at the property completely, other than for a pair of bicycles.

LANDLORD TRAINING

Once you have a compliant unit, you then need to learn the ropes when it comes to being a landlord. First, advise your insurer in writing of the tenancy. Second, read the new Ontario standardized residential lease and develop your own set of individual lease terms to insert under section 15 to protect



yourself and the property, and ultimately help govern the relationship. Spell out rules around guests, smoking, parking, access to and/or maintenance of the grounds, and utility splits, so it is clear and concise. Then, when selecting your tenants: Exercise caution. It’s one thing to rent a unit to a tenant, it can be altogether different to rent a space connected to your personal home to someone. Familiarize yourself with the laws and rights of the parties, which will rule your new business relationship. The website landlordselfhelp.com has great videos and podcasts that cover many potential hurdles you could face.

KNOW THE RULES

Thinking short-term rental such as Airbnb, VRBO, and the like? Not so fast! Many municipalities are working through by-law changes to restrict them, as in Toronto where the new bylaw is still under appeal, but can have large implications on the compliance and viability of your unit as a legal, short-term option. Setting up furnished, vacation-type rentals can be costly; therefore, you want to be sure you don’t get shut down if you are not fully compliant after having spent thousands of dollars on furniture, artwork, and supplies.

THE PAYOFF

Setting up a secondary suite has huge benefits to help pay down a mortgage. It also allows you to afford a better home, or a home in a better area, increase income, and pay increased dividends at the time of a sale. It can also be a lot of work, and as with anything, what you put into it, you will get out of it. The more seriously you take this business venture, the smoother it will run, and the better the yield will be for you in the end.

When planning your own secondary suite, remember there is real value in working with a professional to design and build the space. We recommend you start your search at the relevant professional associations to explore your options, including BILD & RenoMark—the home of the professional builder and renovator, to find the true industry professionals to help guide you to success.

Happy renting my Lady, my Lord. ♦

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