

CCIM INSTITUTE PRESENTS

CONDO CONVERSIONS: START TO FINISH



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Today's panel of professional consultants:

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THE BIG QUESTION - WHY CONVERT?

1. Quicker closings vs. new construction
2. More options for future disposition of property
3. Potential purchasers already occupying building
4. Water/storm/sanitary allocation existing
5. Keep cash flow from rental operations
6. Possible higher rate of return than as rental building
7. Older buildings often have excellent locations and densities not easily reproduced
8. Tarion does not apply to conversion of existing structures to residential condominiums (no Tarion enrollment required, no applicability of Tarion Builder Bulletin 19)



TYPES OF CONVERSIONS

1. **Conversions involving a change of use**
 - Most complicated
 - Such as converting a church into residential, or a factory into residential

2. **Conversions which retain same use**
 - Such as converting an apartment to a residential condominium

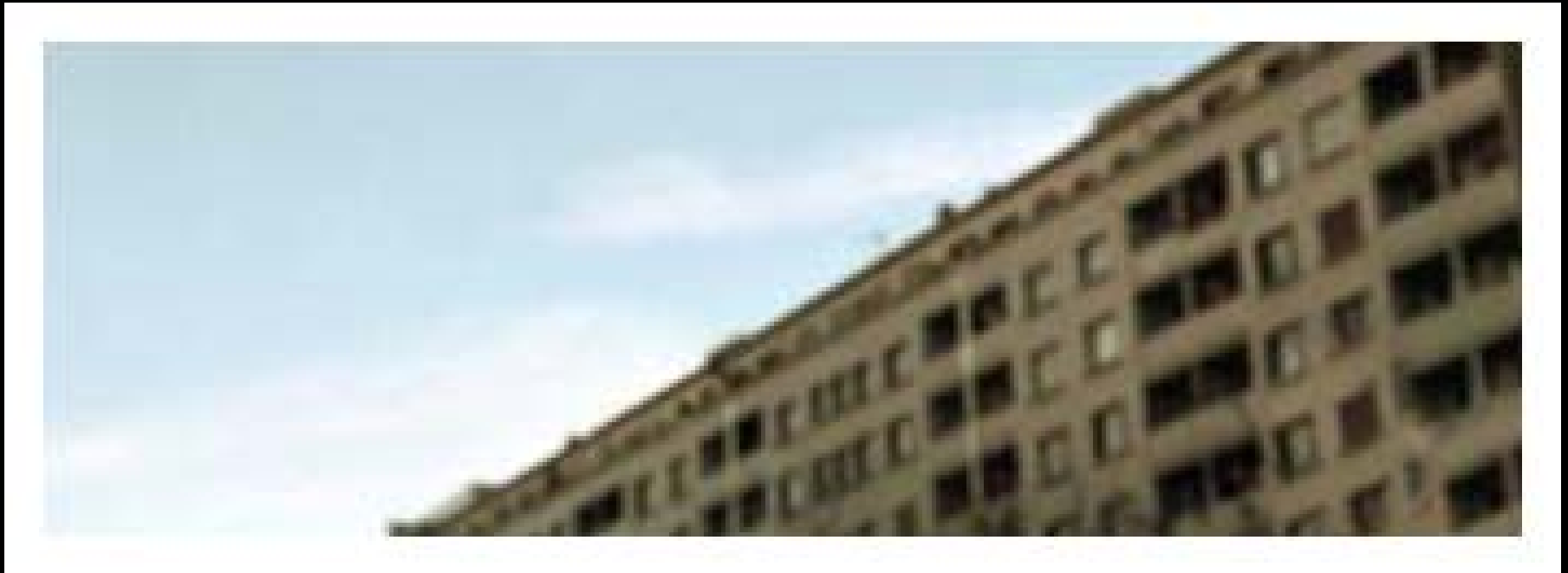
3. **Conversions involving additions**
 - Conversions involving additions to existing structures, such as new floors or new structures

CONDO CONVERSIONS: START TO FINISH

1. APPROVALS + PRE-MARKETING
2. MARKETING + SALES
3. RENOVATION + CONSTRUCTION
4. PRE-CONDOMINIUM REGISTRATION + OCCUPANCY
5. CONDOMINIUM REGISTRATION
6. POST CONDOMINIUM REGISTRATION



APPROVALS + PRE-MARKETING



STATUTORY CONSTRAINTS

1. *Condominium Act* and Regulations

- Marketing, registration and post-registration of condominium must comply

2. *Land Titles Act* and Regulations

- Section 144 of the *Land Titles Act* requires all lands upon which a condominium is situated to be 'Land Titles Absolute' – land may require 'upgrade'

STATUTORY CONSTRAINTS

3. Restrictions on conversion of employment lands to residential

- **Provincial Policy Statement (PPS) 2005 protecting Employment/Industrial Lands**
 - “...conversion of employment land only where it is demonstrated that the land is not required for long-term employment purposes and that there is a need for the conversion.”
- **Planning Act amendments prohibiting OMB appeals**
 - Provisions that remove the right of appeal of a refusal to convert employment areas to non-employment uses came into force January 1, 2007
- **“Long-Term Employment Land Strategy” of the City of Toronto – approved in 2007**
 - Objective to control the conversion of employment lands to residential
- **S. 2.2.4 of City of Toronto Official Plan**
 - “In Employment Districts, the needs of businesses will take priority in city-building decisions... The lands and buildings in the Employment Districts are important economic assets for new and expanding businesses.”

STATUTORY CONSTRAINTS

4. Restrictions on converting existing rental buildings to condominiums

- Restrictions can be made under Section 111 of the *City of Toronto Act, 2006* and Section 99.1 of the *Municipal Act*
- City of Toronto Official Plan s. 3.2.1 (6) and By-law 885-2007 :
 - Permit is required for conversion of rental buildings with 6+ units
 - Conversion not allowed unless:
 - All rents exceed mid-range rents
 - Supply and availability of rental housing has returned to ‘a healthy state’, having regard to vacancy rates, other policies
- Policies differ across GTA – e.g. Mississauga, Caledon, Richmond Hill, Vaughan, Ajax, have no policies; others like Whitby, Clarington, Oshawa tied to benchmark vacancy rates

STATUTORY CONSTRAINTS

5. *Ontario Heritage Act*

- Municipality can ‘list’ a property of an inventory of heritage properties or can ‘designate’ the property under the Act
- ‘Listing’ allows the municipality to review development and building applications affecting property
- ‘Designation’ is performed by way of a specific by-law and gives municipality right to refuse an application that will adversely affect the property's heritage attributes

STATUTORY CONSTRAINTS

6. *Environmental Protection Act*

- Obtaining a building permit to convert a property from a less sensitive use to a more sensitive use (e.g. industrial to residential) requires registration of a 'Record of Site Condition' (RSC) within the Environmental Site Registry
- An RSC is registered by a qualified person (usually engineer) after the property has been remediated to provincial standards

ASSEMBLING YOUR TEAM

1. Lawyers
2. Surveyor
3. Planner
4. Architect
5. Engineer
6. Property Manager
7. Marketing Consultant
8. Environmental Consultant
9. Real Estate Broker



PITFALLS

1. **Architectural Drawings & As-built Measurements**
 - Unavailable/obsolete

2. **Conversion Approval**
 - Political/legal hurdles

3. **Construction issues + contingencies**
 - Know your costs before you start

4. **Servicing infrastructure**
 - May be substandard requiring new reports and upgrades



PITFALLS

5. Planning issues

- Zoning, official plan amendments, parking, garbage, amenities, sprinklers, encroachments, widenings, conservation lands, additional density

6. Economic Viability

- Know your market

7. Condominium Management Assessment

- The reserve fund trap + the performance audit trap

8. Site Plan Approval

- Some modifications to property may initiate site plan approval process

9. OMB Referral

- Municipal opposition may trigger OMB hearing



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MARKETING + SALES



1. Design Advancement

- Unit layouts, suite sizes, marketing drawings, consultant coordination

2. Condition Survey and other studies

3. Condominium Production Meetings

- meeting with client, solicitor, surveyor, property manager, architect, marketing + sales team, planner

4. Preparation of Disclosure Documents by solicitor

- Disclosure statement, declaration, budget statement, rules, by-laws, property management agreement



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RENOVATION + CONSTRUCTION



1. Marketing Adjustments

- Revisions to condominium documents / disclosure to purchasers
- All drawings, contractor selection, building permit, pricing/tendering, start-up, servicing upgrades

2. Planning Approvals

- Minor variances, site approvals, balconies/terraces, encroachment agreements, servicing agreements

3. Draft Plan of Condominium to Delegated Planning Authority

- Draft Plan, condominium declaration, application, fees, as-built topographic + boundary survey

4. Non-Tarion monthly inspections + reports

- Similar to Bulletin 19 Reporting

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PRE-CONDOMINIUM REGISTRATION + OCCUPANCY



1. **Planning approvals**
 - Satisfying Draft Plan of Condominium conditions, executing condominium agreement
2. **Construction**
 - Building completion, as-built drawings, building start-up for services
3. **Legal matters**
 - lands converted to Absolute title, easements/widenings/reserves
4. **Condominium Final Plans**
 - As-built unit measurements, completion status verification
5. **Condominium declaration**
 - Updated Declaration, finalize Declaration (Schedules A to I), budget review and inflation bump, common expense percentages finalized, registry office pre-approval
6. **Occupancy Closings**



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CONDOMINIUM REGISTRATION



1. Condominium declaration

- Preapproval comment updates, all executed schedules
- Registration submission

2. Condominium final plans

- Preapproval comment updates
- Registration submission

3. Planning approval

- Condominium Draft Plan conditions' resolution + confirmation,



4. Record drawings

- Architectural + structural drawings,
- if architectural drawings not available, inadequate or not required under *Building Code Act*, drawings that are sufficient to enable the construction of the buildings prepared by a non-architect are deemed to be the architectural plans
- Registration submission

5. Closings

- Common expense increases and condominium budget finalizing
- Unit closings as soon as possible after condominium registration

POST CONDOMINIUM REGISTRATION



- 1. Condominium corporation start-up**
 - building maintenance and service contracts signed, subject to new board of directors approval
- 2. Turnover Meeting for owners' Board of Directors**
 - turnover meeting called within 21 days of transfer of 50%+ units
 - meeting held within 21 days after it is called
 - As-built drawings (architectural, structural, mechanical/electrical, landscape)
- 3. Performance audit by Condominium Corporation**
 - Pre-performance audit to developer and condominium corporation
 - Independent performance audit by condominium corporation
- 4. Reserve fund study**
 - Independent reserve fund study by condominium corporation

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QUESTION + ANSWER

