Toronto Regional Real Estate Board

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Multiplex Condo Ownership – TRREB Policy Solutions

The Provincial Government should investigate, develop, and legislate a streamlined **“strata” titling ownership model tailored to missing-middle and single-lot homes**, with a specific focus on multiplexes of six units or fewer.

TRREB has reviewed similar strata ownership for missing middle and plexes in Alberta and British Columbia, the Canadian jurisdictions most progressive in small-scale multiplex ownership. This approach is more simplified than Ontario’s current one-size-fits-all condominium rules.

Supporting Rationale

- **Incompatibility of Current Legislation:** The *Condominium Act* (1998) treats a two-story multiplex exactly like a 30-story high-rise. The complex, time-consuming setup and high compliance costs reduce the financial viability of missing middle projects which already face challenging pro-formas.

- **Demographic Demand:** Recent polling by Abacus Data for CREA highlights an urgent need for diverse ownership options in high-cost markets. Ontario needs scalable, liveable units that accommodate both young families and downsizing seniors to prevent further outmigration.

- **Weakening Rental Market:** Shifting rental dynamics have made rental multiplexes even less financially viable, particularly in outer areas of the Greater Toronto Area (GTA) where lower rents cannot offset high construction costs. While substantial progress has been made at the Landlord and Tenant Board (LTB), challenges with clearing the backlog of cases and speeding up hearing timelines compound the weakening of the rental market.

- **Limitations of Co-ownership:** Current co-ownership structures require joint and several liability on a single mortgage. Fractional financing is restricted and mostly limited to select credit unions.

- **Limitations of Co-ops:** Co-operative options do not offer direct real estate ownership. Buyers purchase shares in a corporation, which historically limits appreciation potential and restricts financing options.

Anticipated Benefits

- **Unlocking Equity and Density:** Encourage property owners to convert existing freehold low-rise properties into missing middle housing. This allows owners to optimize their home equity while living in one unit and potentially selling the others.

- **Improving Project Viability:** Enhance the business case for developers, making missing middle projects more financially attractive.

- **Spurring Conversion and Investment:** Drive the conversion of existing rental multiplexes into attainable homeownership opportunities. This would be subject to municipal rental replacement policies.

- **Attracting Traditional Financing:** Provide a clear ownership structure that major financial institutions (including the big five banks) can easily finance, unlike co-op or co-ownership models, which remain relatively niche.

- **Encouraging Diverse Typologies:** Potentially help standardize ownership pathways for secondary suites, laneway housing, and garden suites.

- **Limitations of Co-ops:** Co-operative options do not offer direct real estate ownership. Buyers purchase shares in a corporation, which historically limits appreciation potential and restricts financing options.

TRREB recommendations to OREA and the Province for Consideration

To reduce regulatory burdens while maintaining consumer protection, the provincial government should exempt ownership multiplexes (six units or fewer) and other ownership missing middle (including townhomes) from standard condominium registration and ongoing management requirements. A new simplified process could incorporate the following elements:

1. Registration and Approvals

- **Elimination of Municipal Draft Plans of Condominium:** Since multiplexes are increasingly permitted "as-of-right" provincially and municipally, requiring a municipal Draft Plan of Condominium (a current requirement of the *Planning Act*) should be eliminated if possible. It would be more efficient to grant *automatic* pre-approval for strata filing, or an *automatic* exemption from these requirements, upon meeting municipal zoning and provincial building codes.

- **Concurrent Registration:** Enable strata registration to occur simultaneously with the construction permitting process. At present, we believe it is sequential.

- **Expedited Streams:** Have municipalities establish a dedicated approval stream for missing middle strata. At present, under Section 9(2) of the *Condominium Act* and Section 51 of the *Planning Act*, these applications must follow the strict Draft Plan of Condominium review process noted above.

2. Design and Governance

- **Pre-Approved Design Integration:** Utilize standardized municipal, provincial, or federal housing design catalogues.

- **Pre-Approved Governance Structure:** These "off-the-shelf" designs could also feature pre-approved condominium bylaws and governance structures to speed up registration.

- **Flexible Financial Requirements:** Replace mandatory initial and monthly reserve fund contributions with flexible semi-annual or annual funding options to match the lower capital expenditure needs of smaller buildings. Similarly, eliminate or reduce the requirement for external parties to conduct periodic reserve fund studies.

- **Flexible Reporting Requirements:** Replace or eliminate mandatory periodic Condominium Authority of Ontario (CAO) disclosure and reporting requirements. These may not be necessary for a small complex of six units or fewer.

- **Simplified Management:** Remove the mandate for a formal Board of Directors in small-scale buildings. Dispute resolution could be handled via a specialized provincial tribunal or certified legal professionals.

- **Other:** The current requirement to register with the Condominium Authority of Ontario (CAO) should also be assessed. There are director training and disclosure requirements that may not apply to a smaller complex.

3. Other Considerations

- **Mandatory Standardized Disclosure Packages:** Sellers could be compelled to give buyers a clear, simple status certificate package before closing. This could include building rules, insurance details, and recent maintenance history so there are no hidden surprises.

- **Mandatory Building Insurance:** The building structure and shared spaces will still require a shared insurance policy.

- **Mandatory Maintenance Covenants:** Clear, legally binding property agreements could be tied to the land title. This would guarantee that all unit owners share the costs of roofing, structural repairs, and shared utilities. It will also allow the placement of a lien on units whose owners do not comply. This approach is used in parts of Europe for shared ownership properties.

- **A Low-Cost Dispute Tribunal:** Owners can use a fast, affordable tribunal or certified legal experts to solve neighbour disputes. This would avoid slow and expensive court cases. Alternatively, this model could use the existing Condominium Authority of Ontario (CAO), but in this case, registration of the strata with the CAO would likely still be necessary.

- **Strict Building Code Enforcement:** All buildings should comply with the Ontario Building Code and Fire Code. This will ensure safety and quality without needing extra municipal condo reviews.

- **End-User Mortgage Options:** Currently, challenges are impacting the ability to obtain an end-user mortgage for a multiplex readily. The federal government must ensure that there are adequate end-user mortgage options on the market and provide insurance for financial institutions to ensure they are adequately de-risked, thereby enabling them to create mortgage products for this typology. Without a competitive mortgage market, any governance changes are unlikely to increase uptake and supply meaningfully. Some progress appears to be finally occurring – the federal government has announced changes to the *Bank Act* to facilitate mortgage insurance for five to eight unit complexes and to amend insurance rules to permit more missing-middle end-user financing options.