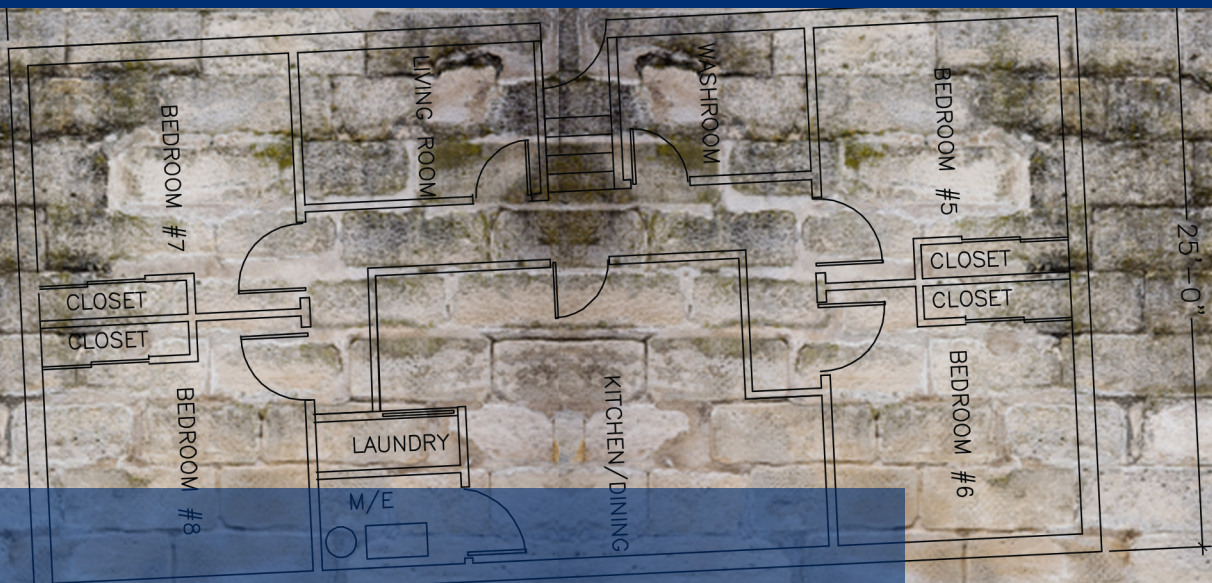


REPORT



The economics of rooming houses

Joy and Paul Connelly

January 2021

About the authors

Joy Connelly has worked in the affordable housing sector for over 40 years – the last 20 as a consultant to all three levels of government, housing sector organizations, and many non-profit housing organizations. Joy's experiences as a rooming house resident sparked her life-long interest in preserving and expanding Toronto's stock of safe, affordable rooms.

Paul Connelly brings his 35 years of experience in the non-profit and co-op sectors to help non-profit organizations understand their short- and long-term borrowing needs and financial potential. He has lived in shared housing and co-ops and in the ownership market, and he has been on the board of several non-profit housing and other organizations.

Copyright © Maytree 2021

ISBN 978-1-928003-26-7

Maytree
77 Bloor Street West, Suite 1600
Toronto, ON M5S 1M2
CANADA

+1-416-944-2627

Email: info@maytree.com

Website: www.maytree.com

Twitter: [@maytree_canada](https://twitter.com/maytree_canada)

Contents

Executive summary	1
Introduction	5
1. The economics of operating rooming houses.....	8
2. The cost of converting a family home to a rooming house	16
3. The costs of alternative housing	23
4. The costs of tenant displacement.....	26
Next steps and considerations	28
Example 1: Five-bedroom house	30
Example 2: Scarborough eight-bedroom bungalow	31
Example 3: Scarborough two-storey, nine-bedroom house	33
Example 4: Upgrades to meet Code in a 21-room house	35
Example 5: Upgrades to meet Code in an 11-room house	36

Executive summary

Over the past decade, the policy discourse on rooming houses, also known as multi-tenant houses, has focused on regulatory issues. Should rooming houses be legalized across the City? Should the houses be restricted to specific zones or to certain sizes? Should they be licensed? How will standards be enforced?

Missing from this discussion has been a shared understanding of the economics of creating and operating rooming houses, without which all regulatory questions are moot. To fill this gap, Maytree provided funding to investigate the economic viability of rooming houses to inform the City of Toronto's rooming house policies. The research included:

- Identifying the costs of operating a quality rooming house, drawing on analysis of 79 houses (549 rooms) owned by non-profit providers, supplemented by information from five inner suburban landlords renting a total of 42 rooms;
- Identifying the costs of converting a single-family home to a legal rooming house for a variety of typologies;
- Comparing the rents typically charged by rooming house operators and the alternatives in other rental and student housing; and
- Identifying the public costs of displacing tenants should a rooming house close.

The purpose of this small study is not to provide a comprehensive analysis of rooming house economics but rather to illustrate, by way of example, the considerations that must be addressed in any rooming house policy.

The findings

The economics of operating rooming houses

- Among the 549 non-profit rooms surveyed, the median cost was \$427/month *excluding* mortgage payments, property taxes, capital reserves, and community development/support staffing. Most of the houses surveyed were purchased before 1995 when housing prices were lower. Many receive property tax exemptions and participate in gas and insurance bulk purchasing programs not available to private-sector landlords. Yet even with these benefits, the cost of operating a room exceeds the rent affordable to an Ontario Works recipient.

- For-profit boarding houses funded and monitored by Habitat Services receive \$1,602/per tenant/per month in rents and subsidies, and rooming houses that do not provide meals receive \$1,013/per tenant/per month. Even with these subsidies – and with approximately one quarter of the rooms at double occupancy – some operators report having difficulty making a profit.
- The five inner suburban landlords interviewed for this study charged a median rent of \$500/month per room. These rents were achieved without government subsidies or benefits. Landlords kept rents low by providing free labour to manage and maintain their properties, paying property taxes at residential rather than commercial rates, and obtaining insurance as single-family homes.
- Only one of the five landlords interviewed operated houses as a business, earning an average of \$8,675 per year for an eight-room house. The remaining four owners saw room rentals as a way to offset their own housing costs to enable them to buy or remain in their home.

The costs of converting a family home to a Code-compliant rooming house

- Under the *Ontario Building Code*, each bedroom in a rooming house is considered a suite, and hallways that serve more than one bedroom are considered public corridors. Thus each bedroom and each corridor requires fire-rated separation, and any corridor leading to an exit cannot contain a living room, dining room, or kitchen. Larger rooming houses may require additional exits and fire alarm systems.
- Drawing on a small sample of houses, the costs to bring the house to Code were or were projected to be:
 - \$187,591 (incl. HST) to convert a downtown five-bedroom non-profit house from a family home to a rooming house.
 - \$74,467 (incl. HST) to convert a Scarborough three-bedroom bungalow with a legal basement suite to a rooming house with eight bedrooms, two kitchens, and two bathrooms.
 - \$127,577 (incl. HST) to convert a two-storey Scarborough house with finished basement into a rooming house with nine bedrooms, one kitchen, and five bathrooms.
 - \$249,665 (incl. HST) to bring an established 21-room non-profit rooming house to current Code standards.

- \$259,900+ (incl. HST) to license a semi-detached 11-room non-profit house. The project was not completed because it was uncertain whether one of the required changes was physically possible.
- Some private rooming house operators may have difficulty obtaining financing for renovations. Others may find the renovations lower the house's property value as purchasers seek to recoup the costs of removing safety measures that are unappealing in a single-family home.
- The cost of bringing a house to Code is much lower than the cost of creating new affordable housing. In the past, the City of Toronto has offered forgivable loans to private rooming house operators provided they keep rents affordable.

The cost of alternative housing and tenant displacement

- According to CMHC's October 2019 Market Rental Survey, the average market rent for an occupied inner suburban bachelor apartment ranged from \$932 to \$1,479/month. There were approximately eight vacant privately-owned bachelor apartments in Scarborough (1% of a universe of 840 apartments), 39 in North York (2.8% of a universe of 1,400 apartments), and a negligible number of units in Etobicoke (data suppressed to protect confidentiality or data not statistically reliable).
- Private-sector rooms are significantly cheaper than on-campus residences. At the University of Toronto's Scarborough Campus, purpose-built student housing ranged from \$790 to \$1,330 per month. Rooms advertised on Kijiji within a ten-minute walking radius of campus ranged from \$350 to \$750 per month, with a median rent of \$560. At York University's Keele Campus, purpose-built student housing ranged from \$771 to \$1,750/month. Rooms advertised on Kijiji within a ten-minute walking radius ranged from \$510 to \$850/month, with a median rent of \$650.
- A sudden displacement due to rooming house closure can be traumatic for vulnerable tenants and have significant public costs should a tenant not be able to find a home on their own. A 2018 study of the City of Toronto's Tenant Relocation Support Services (TRSS) found it cost an average of \$18,648 per tenant to support the relocation process and provide three years' housing allowances to enable the tenant to afford alternative housing. The study estimated the public cost of a displaced tenant falling into homelessness was \$24,033/person to cover shelter costs and associated services.

Next steps and considerations

When we began this project our goal was to illustrate the costs of creating and operating quality rooming houses with the hope that the City of Toronto, with its greater resources and access to information, would take up the work. In many ways this hope has been realized. City staff are now examining the fiscal impact on landlords of complying with proposed by-laws, licensing requirements, and buildings codes; seeking alternate ways to bring houses to Code; and exploring incentive programs and a phased approach to enforcement. We look forward to seeing the results of this work.

As it develops its rooming house policies, we also hope the City will consider:

- The impact on rents when setting maximum thresholds for the number of rooms permitted in a rooming house;
- Facilitating a clear, simple path to licensing; and
- Extending rent supplements or housing allowances to support rooming house tenants and stretch the City's subsidy dollars.

Introduction

Over the past decade, the policy discourse on rooming houses, also known as multi-tenant houses, has focused on regulatory issues. Should rooming houses be legalized across the City? Should the houses be restricted to specific zones, or to certain sizes? Should they be licensed? How will standards be enforced?

Missing from this discussion has been a shared understanding of the economics of creating and operating rooming houses, without which all regulatory questions are moot. Without this information, it is difficult for policy-makers to answer such basic questions as:

- “Are rooming house operators gouging? Or merely covering costs?”
- “What are the impacts of provincial and municipal regulations on the viability or affordability of rooming houses?”
- “Should we be promoting capital or operating subsidies for rooming house operators? And if so, what would be needed?”
- “Why do students choose rooming houses over university-owned student residences?”
- “What alternatives are affordable to rooming house tenants if they are displaced?”

Filling the information gap

To fill the information gap, Maytree provided funding to investigate the economic viability of rooming houses, and use the findings to inform the City of Toronto’s rooming house policies. The research included:

1. **Identifying the costs of operating a quality rooming house**, drawing on an analysis of 79 houses (549 rooms) owned by non-profit providers, supplemented by information from a small sample of privately owned rooming houses.
2. **Identifying the costs of converting** a single-family home to a legal rooming house for a variety of typologies, and examining the regulatory framework that drives these costs.
3. **Comparing the rents** typically charged by rooming house operators and the alternatives in other rental and student housing.
4. **Identifying the costs of displacement** should a rooming house close.

In this report we summarize our findings and have included our own observations and suggestions for further exploration. We do not see these findings as definitive. Rather, they are designed to illustrate, by way of example, the considerations that must be addressed in any rooming house policy.

Some of our findings first appeared in Maytree's *A human rights review of Toronto's multi-tenant homes policies*.¹

Acknowledgements

We wish to thank Maytree for the financial support that made this research possible and its staff for their encouragement throughout the process. We are also grateful to the non-profit and private-sector rooming house landlords who informed our analysis, the tenants we interviewed, and the agencies who introduced us to them: West Scarborough Community Legal Services, The Housing Help Centre, and Dixon Hall.

We would also like to thank Dean Goodman of LGA Architectural Partners and Nicole St-Pierre, NSP Consultant, who donated their services to an analysis of the costs of bringing rooming houses to Code.

We benefitted immensely from the insight, advice, and practical help of the Economics of Rooming Houses Advisory Group: Philippa Campsie, Regini David, Pablo Escobar, Melissa Goldstein, and Jeremy Withers. We also valued the opportunity to talk with Chris Persaud of Habitat Services and experts and advocates at York University, particularly Luisa Sotomayor, Allison Evans, and Nathi Zamisa. Thank you all for your continued advocacy for safe affordable homes of all types.

Any errors in the report are our own.

A word about terminology

Defining a rooming house is no simple matter. Within the City of Toronto, there are different definitions in Chapter 285 of the City of Toronto By-law (for the former City of Toronto), Chapter 166 (for Etobicoke lodging houses), and Toronto's zoning by-laws. The *Ontario Building Code* and *Ontario Fire Code* each have their own definitions.

This report uses the definition of "rooming house" now used in the former City of Toronto: "a building that contains dwelling rooms [a room for human habitation

1 Maytree. 2020. *A human rights review of Toronto's multi-tenant homes policies*. Accessed at <https://maytree.com/publications/human-rights-review-toronto-mth-policies/>

that may include either but not both culinary or sanitary conveniences] and may also contain one (1) or more dwelling units, where: (a) The dwelling rooms, in total are used or designed or intended for use as living accommodation by more than three (3) persons; and (b) The living accommodation is provided in exchange for remuneration.”²

Recently the City of Toronto adopted the term Multi-Tenant (Rooming) Houses to describe “where four or more people rent a room and share a kitchen and/ or washroom. The tenants may pay rent individually.”³ On November 17, 2020, Toronto City Council’s Planning and Housing Committee directed City staff to update the definition of multi-tenant houses to ensure consistency and clarity.”⁴

2 City of Toronto. 2018. “Rooming Houses: Chapter 285.” Accessed at <https://www.toronto.ca/wp-content/uploads/2018/01/8fab-Rooming-Houses-Chapter285.pdf>

3 City of Toronto. 2020. “What is a Multi-Tenant House?” Accessed at <https://www.toronto.ca/community-people/get-involved/public-consultations/multi-tenant-rooming-house-review/>

4 City of Toronto. 2020. “Planning and Housing Committee, PH18.2: Creating the Regulatory Framework for Multi-tenant Houses across Toronto, November 17, 2020.” Accessed at <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH18.2>

1. The economics of operating rooming houses

Landlords typically charge whatever the market will bear. But what is the *minimum* rent required to make a rooming house a viable business? And how do we know whether a rooming house operator is gouging?

At the outset we knew it would be difficult to find private-sector rooming house operators willing to share financial information. We therefore asked three of Toronto's largest non-profit rooming house owners to "open their books." Collectively these owners operate 79 rooming houses ranging from four-bedroom houses to a 59-room residential hotel. With very few exceptions, these houses are in the former City of Toronto where rooming houses are legal. Some, but not all, are licensed.

This information was supplemented with interviews with five private-sector owners renting rooms in Scarborough. In all cases, these owners rent rooms to referrals from local agencies or housing help centres. We also identified rents and subsidies available to private-sector owners affiliated with Habitat Services.

The experience of supportive housing providers

The sample:

The 79 houses (549 rooms) we surveyed represented a wide range of building forms and sizes, including:

- Two three-bedroom houses
- Sixteen four-bedroom houses
- Twenty-three five-bedroom houses
- Sixteen six-bedroom houses
- Eighteen seven to ten-bedroom houses
- Four houses with more than ten bedrooms, including one former residential hotel.

Our findings:

Without government subsidies, the median cost of a non-profit room exceeds the OW and ODSP shelter allowance

Monthly operating costs per bedroom ranged from \$364 to \$883/month, with a median cost of **\$537/month**. These costs included heat, electricity, water and waste management, insurance, property taxes (where paid), maintenance, capital reserve contributions (where made), mortgage payments (principal and interest),⁵ and administration. Costs do not include community development or support services to tenants.

The 2020 shelter allowance is \$390 for Ontario Works (OW) recipients, and \$497 for Ontario Disability Support Program (ODSP) recipients.⁶

Even when mortgage payments, property taxes, and capital reserve contributions were removed to permit an “apples to apples comparison” among the three non-profit providers, monthly costs ranged from \$257 to \$789, with a median cost of **\$427/month** – a rent affordable to an ODSP recipient but higher than the OW shelter allowance.

Non-profit operators enjoy benefits not available to private for-profit operators

Most of the houses included in the study receive property tax exemptions. All purchase gas and insurance through non-profit bulk purchasing programs not available to the private sector. Many have taken advantage of publicly funded grants or loans for major renovations or energy retrofits.

The greatest variations in costs could be attributed to maintenance costs

Maintenance costs varied from \$1,121 to \$5,725 per room per year. Many of the houses are old. Some are heritage properties. But the expenses of even newer-looking houses suggests significantly more wear and tear than we might expect in a single-family home or rental apartment.

On the other hand, the average electricity cost of \$34/tenant/month was much lower than expected. When asked, non-profit providers noted their tenants were less likely to own computers or other devices that draw on electricity.

5 Note that most of the houses surveyed were purchased before 1995 at a fraction of current house prices. Many mortgages have now been paid off, or benefit from mortgage subsidies.

6 City of Toronto. ND. “Monthly Ontario Works Amounts.” Accessed at <https://www.toronto.ca/community-people/employment-social-support/employment-support/employment-seekers-in-financial-need/ontario-works-rates/>

We did not observe any economies of scale in managing a large portfolio

There did not appear to be any relationship between the number of houses managed by the provider and the costs per room. Nor did we see a relationship between the number of rooms within a house and the monthly costs per room. However, we did observe that a large portfolio enabled the housing provider to choose how to allocate portfolio-wide expenses to make the best use of the funding available under house-specific programs.

The experience of Habitat Services

To supplement the information provided by the three supportive housing providers, we interviewed Chris Persaud, Director of Contract Monitoring and Intake at Habitat Services. Habitat Services funds and monitors 45 private-sector and non-profit boarding homes.

Operators of boarding houses receive \$1,602/per tenant/per month through a combination of rents and subsidies to provide a room, meals, and 24/7 staffing. An operator of a rooming house that does not provide meals receives \$1,013/per tenant/per month in rents plus subsidies; 24/7 staffing is not required. Habitat also provides individualized and group supports through its Housing Support Program and agency partners. Some Habitat operators have also received grants for one-time minor improvements.⁷

Even with these subsidies – and with approximately one quarter of the rooms at double occupancy – some operators are having difficulty making a profit, and some, particularly non-profit organizations paying their staff higher wages, may be losing money.

The experience of private owners

To learn more about the experience of private owners, we asked housing referral agencies to introduce us to “good landlords that provide decent housing” in the inner suburbs. Through these connections, we were able to interview five landlords on the condition that all names and addresses would be kept confidential. Unlike the information from non-profit organizations, the information on income and expenses could not be independently verified. Nonetheless, the information offers useful insights into the experiences of private-sector rooming house operators.

7 Habitat Services. 2019. *Annual Report: 2018-2019*. Accessed at <http://habitat-services.org/wp-content/uploads/2019-AR-Final.pdf>

Rooming houses as a business

Among the five owners interviewed, only one operates houses that meet the definition of a rooming house, i.e., four or more rooms, with shared kitchen and/or bathroom. This landlord owns and operates four houses in Scarborough. Each house is a bungalow with a legal second suite in the basement. On each floor there are four bedrooms (each rented separately), a kitchen, and two bathrooms.

The typical rent for the main floor is \$2,000/month (\$500/tenant) and \$1,750 (\$437/tenant) for the basement, including utilities. The average profit on each house is \$8,675/year. The owner renovated each house to meet the Code requirements for a second suite, and carries out all maintenance, repairs, grounds-keeping, and snow shoveling himself.

Here is a breakdown of average costs per house:

Item	Costs	
	Monthly	Annual
Property taxes	292	3,500
Water & sewage	83	1,000
Waste removal	27	325
Hydro	350	4,200
Gas	175	2,100
Insurance	100	1,200
Maintenance - repairs		
Grounds-keeping, snow shovelling etc.		
Mortgage P&I	2,000	24,000
Condo maintenance fee		
Total costs	3,027	36,325
Rent collected	3,750	45,000
Extra charges		
Total revenues	3,750	45,000
Profit	723	8,675

Note: Bolded numbers are those provided by the landlord and the basis for the other calculations.

Rooms for rent

Although the other four landlords did not operate rooming houses, they did represent a variety of arrangements that create affordable rooms.

- In all four cases, the houses are the only ones rented out by the landlord.
- In three of the four cases, the owner lives in the house. In the fourth case, the owner's son rents a room.
- In two cases, the landlord rented to a mix of singles and either couples or a family.
- In one case, the landlord shares a kitchen and bathroom with the tenants.

Find the cost breakdown for these houses in the table “Expenses and revenues for houses/apartments with rented rooms” on page 13.

Observations on the economics of rooms rented by private owners

The homes surveyed contribute to Toronto's affordable housing stock without public subsidies

The monthly rents among the 42 rooms represented in this survey ranged from \$320 to \$600/month with a median rent of \$500/month. In all but one case, these rents were achieved without government subsidy or benefits such as property tax waivers, bulk insurance, or other purchasing programs.

Instead, owners kept rents low by providing free labour to fill vacancies, complete repairs, maintain grounds, shovel snow, and other tasks typically performed by paid staff or contractors in other private and non-profit rental buildings.

None of the landlords surveyed made significant profits

Only one of the five landlords surveyed operated houses as a business, earning an average of \$8,675 per house per year, or a total income of \$34,700/year. However, this owner also provided all landlord functions himself, including renovations, repairs, and grounds-keeping. In this case, the income can't be viewed as a profit unless the landlord's time is assigned a value of zero. The owner observed it would be impossible to break even if he paid contractors to do this work.

The remaining four owners did not expect to make significant profits. Instead, most saw room rentals as a way to offset their own housing costs, enabling them to buy or remain in their home.

Expenses and revenues for houses/apartments with rented rooms

	House 1		House 2		House 3		Condo apartment	
	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual
Property taxes	217	2,600	392	4,700	321	3,850	55	660
Water & sewage	129	1,550	167	2,000	234	2,802	0	0
Waste removal	0		0	0	0	0	0	0
Hydro	90	900	150	1,800	86	1,032	100	1,200
Gas	65	780	208	2,500	68	816		
Insurance	129	1,548	83	1,000	112	1,344	50	600
Maintenance - repairs	175	2,100	167	2,000	500	6,000		0
Groundskeeping/snow shovelling			0	0	0	0	0	0
Mortgage P&I	3,156	37,872	2,917	35,000	2,400	28,800	0	0
Condo maintenance fee						0	720	8,640
Total expenses per house/apartment	3,961	47,350	4,083	49,000	3,720	44,644	925	11,100
Rent collected	1,800	21,600	3,600	43,200	1,000	12,000	640	7,680
Extra charges	90	1,080	525	6,300		0		0
Total revenues	1,890	22,680	4,125	49,500	1,000	12,000	640	7,680
						0		0
Profit/(Costs paid by owner)	(2,071)	(24,670)	42	500	(2,720)	(32,644)	(285)	(3,420)

House 1: Detached house. The owner lives upstairs. The three-bedroom basement apartment is currently occupied by a couple and two individuals who share full kitchen and bathroom. Each room rents for \$600/month. Costs are for entire house.

House 2: Detached house. Upper level is occupied by the owner's son and two singles who together pay \$1,400/month plus utilities. The lower level is occupied by a family of eight, paying \$2,200/month plus utilities. Costs are for entire house.

House 3: Detached house. The owner lives upstairs. The two-bedroom basement apartment is rented to two individuals, each paying \$500/month. Costs are for entire house.

Condo: Three-bedroom condominium apartment. The owner lives in the apartment and rents two spare bedrooms at \$320/month each. Costs are for entire unit. Utilities, grounds, and common area maintenance are included in condo fees.

All landlords operated as if they were private homeowners

All owners interviewed paid property taxes at residential, rather than commercial, rates. When asked, landlords said they relied on the lower rate to keep rents low.

All owners were also insured as single-family homes rather than as rooming houses. None reported any difficulty obtaining home insurance.

Further insights from the landlord interviews

Along with the information about their costs and revenues, the interviews yielded other insights into the landlord perspective.

Legal status

“If you legalize it [rooming houses], then you follow the rules. You will have a few bad apples, but most people are good. Renting out rooms is a good thing. It helps with the mortgage, and there are a lot of good people looking for a place to live. I don’t get why it’s a big deal.”

“If the government is wanting us to do renovations, they must pay. We are supporting government to give them shelter.”

“Government should put something in. You can’t charge the residents. They can’t afford it.”

All houses operated by the interviewed landlords had legal second suites. In most cases the second suites were in place before the landlord purchased the house. Landlords who created the second suite provided the labour themselves.

When asked, all landlords supported the legalization of rooming houses across the city and welcomed regulations that would ensure houses are safe and well run. However, *none* believed they would be able to afford additional renovations should these be required by a new regulatory regime. Without government grants or loans to cover government-mandated work, the landlords said they would either close altogether or rent their basements to families rather than singles.

Tenant mix

“Sometimes we rent to a family. Now we have a couple in one room and two singles in the others. It depends on who is looking.”

“It’s the same rent for a family or for four tenants. But the advantage of renting to singles is there’s less risk. If a head of family loses their income – no rent at all.”

Most landlords had a flexible approach to renting. Some preferred to rent to singles as a way to spread the risk of rent loss, or because it was easier to find single tenants than families who could afford the unit. However, some noted that if regulations prevented them from renting individual rooms, they would instead rent their basement or ground floors as suites to families, or to members of their own extended family.

Most described their biggest challenge as finding good, long-term tenants. Some reported turnovers every few months. One described a series of tenants who frightened or robbed her.

2. The cost of converting a family home to a rooming house

Many of Toronto's rooming houses are conversions from single-family homes. Some of these conversions entail renovations to increase the number of bedrooms or create additional kitchens or bathrooms. However, the most significant renovations can be those needed to meet the requirements for rooming houses set out in the *Ontario Building Code*.

Estimating the costs of these renovations for either non-profit or for-profit owners proved to be challenging. Most non-profit houses were purchased and renovated between 1980 and 1995. These providers do not have detailed records of those renovations, nor would the costs reflect today's prices. However, we were able to identify one non-profit organization that had converted a single-family home to a licensed rooming house in 2018. We also received information from a non-profit provider that obtained its first rooming house license in 2015 after operating unlicensed for 25 years, and another unlicensed rooming house that obtained estimates circa 2015 to bring their house to Code but could not afford to complete the work. All three houses were located in the old City of Toronto.

To estimate the costs of bringing suburban houses to Code, while maintaining the anonymity of landlords operating “under the radar,” we drew upon our interviews with rooming house operators, along with photos and descriptions of rooming houses in the news, to identify common rooming house typologies. We then identified two family houses advertised for sale in 2020 that resembled the descriptions of those houses and could provide floor plans of the existing house. We then engaged an architect and Code consultant to identify the renovations required to convert each house to a Code-compliant rooming house. A contractor affiliated with the architect then estimated the costs of the renovations.

What does it take to make a family home a Code-compliant rooming house?

To understand the *Ontario Building Code* (OBC) requirements for rooming houses, it can be helpful to picture the differences between a family home and a typical apartment building. A family home functions as a single unit where residents circulate freely throughout the house. An apartment building, on the other hand, is a collection of self-contained suites, each with a door opening onto a corridor, which in turn leads to enclosed stairways and eventually to the exits.

Under the OBC, **each bedroom in a rooming house is considered a suite**. As such, it must be separated from adjacent rooms and suites by a fire separation with a fire-resistance rating of 45 minutes (30 minutes for rooming houses with eight or fewer tenants).

Hallways that serve more than one bedroom are considered **public corridors**, and must be separated from the remainder of the building by a fire separation with a fire-resistance rating of 45 minutes. In a typical family home, stairways are often open to the living room and occupants might cut through the kitchen to a back door or through the living room to a front door. But a public corridor that serves as access to an exit cannot contain an occupancy within it. Therefore, a living room, dining room, or kitchen is not permitted to be located *in* the public corridor, and must be contained *within a room served by* the public corridor. Any door that opens onto the public corridor requires a latch and self-closing device.

The OBC also requires a **fire alarm system** in buildings that provide sleeping accommodation for more than ten people. The OBC states that the occupant load of a dwelling unit or suite is based on two persons per sleeping room or sleeping area. Therefore, a six-bedroom rooming house would be deemed to have an occupant load of twelve people and require a fire alarm system.

In general, all floor areas require access to **two exits**. However, the OBC allows one exit from rooming houses with an occupant load of eight people (that is, four or fewer bedrooms). A single exit for each floor area is also permitted in one- or two-storey buildings if the travel distance to an exit does not exceed 25 meters.

The OBC also sets minimum room sizes for each room, and minimum window areas. It does not require rooming houses to be sprinklered. However, sprinklers can be an alternative solution to OBC requirements such as the separation of the kitchen or living/dining room from the public corridor.

The costs of bringing a house to Code

Example 1: Downtown five-bedroom house

This non-profit converted a five-bedroom house in good condition from a family home to a five-bedroom rooming house. The process took three years, starting with an application for a license in February 2015 through to completion in 2018.

Requirements to bring the house to Code: fire-rated doors, fire separation walls, furnace room sealing, sprinkler system, separate water supply line for sprinkler system, interlocking CO₂ and smoke detectors, and permits. A sprinkler system was chosen as the most affordable way to meet the Code requirements for this three-storey house.

Total cost: \$167,087 + HST. These costs were subsidized by the Social Housing Improvement Program (SHIP). Had a private owner been required to borrow the entire sum (\$187,591 @ 4% amortized over 10 years),⁸ rents would have increased by **\$379/month/person** to recoup the costs.

Details of the work completed are on page 30.

Example 2: Scarborough bungalow with legal basement suite

This bungalow near Lawrence and Markham has a main floor with three bedrooms, a washroom, a living/dining room/kitchen, and two exits. The basement has two bedrooms, a large rec room, a kitchen/dining area, a bathroom, and an exterior door.

The renovations would divide the living room to create a fourth bedroom on the main floor, and divide the basement rec room into two new bedrooms.

Requirements to bring the house to Code: For each bedroom, fire rated walls, solid core doors with latch and self-closing device; for common areas on each floor, fire rated walls to divide living and kitchen areas from a separate public corridor; and a fire alarm system.

Cost: \$65,900 + HST, excluding permits and fees. If the owner needed to borrow the entire sum (\$74,467 @ 4% amortized over 10 years), rents would increase by **\$94/month/person** to recoup the costs.

Details are on page 31.

⁸ Private-sector rooming house operators typically have difficulty obtaining the low-interest loans and longer amortization periods available for owner-occupied homes.

Example 3: Scarborough nine-bedroom, two-story house

This two-storey house in North-East Scarborough has a kitchen, living/dining room, and family room on the main floor, four bedrooms on the second floor, and a finished basement with two rooms, a laundry, and a washroom. The conversion results in a rooming house with nine bedrooms and five washrooms.

Requirements to bring the house to Code: For each bedroom, fire rated walls, floors and ceilings; fire rated doors with closures; fire rated walls for corridors and stairs to the main door; and a new fire alarm system.

Cost: \$112,900 + HST excluding permits and fees. If the owner needed to borrow the entire sum (\$127,577 @ 4% amortized over 10 years), rents would increase by **\$143/month/person** to recoup the costs.

Details are on page 33.

Example 4: Downtown 21-room rooming house

This non-profit owner obtained a license for a 21-room non-profit rooming house in good condition that had been operating for over 25 years. Work was completed in 2015.

Cost: \$220,943 + HST, excluding permits and fees. If the owner needed to borrow the entire sum (\$249,665 @ 4% amortized over 10 years), rents would increase by **\$120/month/person** to recoup the costs.

Details are on page 34.

Example 5: 11-room downtown rooming house

This non-profit owner investigated the cost of the work required to obtain a license for a semi-detached non-profit rooming house. The project was not completed because it was uncertain whether one of the changes required was physically possible.

Estimated cost: at least **\$230,000 + HST** for the changes that could be implemented. If the owner needed to borrow the entire sum (\$259,900 @ 4% amortized over 10 years), rents would increase by **\$239/month**.

Details are on page 36.

Observations

The costs of bringing houses to Code could keep rooming house operators underground

Only 350 Toronto rooming houses are licensed. There are many unlicensed rooming houses in parts of the City where they are not permitted. But we are also aware of rooming houses in the old City of Toronto that are not licensed, largely because of the costs associated with complying with Code requirements.

Given the high costs of bringing a house to Code, owners may consider staying “under the radar,” even where rooming houses are legal. This may be particularly true of owners of houses with four to six tenants, where renovation costs are divided among fewer tenants.

Renovations to bring a house to Code can lower its property value

Bringing a house to Code makes it safer, but it does not make it more attractive to future purchasers. The market for a rooming house is relatively small, and most purchasers are seeking a single-family home, or a family home with a second suite. For these purchasers, renovations required to meet the Code for rooming houses may actually make the house less attractive.

When considering their offer, purchasers may seek to recoup the costs of removing such safety measures as:

- Enclosures that block light from stairways and halls;
- Enclosed corridors through what were once open-plan living and dining areas;
- Walls that divide kitchens from back doors; and
- Open industrial sprinkler pipes (or the low ceilings that hide them).

Private operators can find it difficult to obtain financing

The examples presented in this paper offer best-case borrowing scenarios. However, some owners may have difficulty obtaining financing. Owners already carrying significant debt on the property, or otherwise perceived as high risk, may have to turn to second-tier lenders with higher interest rates, shorter amortization periods, or both. This may be especially true in a post-COVID-19 environment where some of the challenges presented by shared accommodation, and the risks associated with rentals targeted to specific groups such as international students or other newcomers, have been exposed.

The cost of bringing a house to Code is *much* lower than creating new housing

The costs of bringing a house to Code are substantial, but on a per-tenant basis they compare favorably with the costs of creating new housing.

Consider the cost/tenant of the five examples in this report:

Project	Total Cost	No. of Tenants	Average Cost/Tenant
Downtown five-bedroom	187,591	5	37,518
Scarborough four-bedroom bungalow	74,467	8	9,308
Scarborough nine-bedroom	127,577	9	14,175
Downtown 21-bedroom	249,665	21	11,889
Downtown 11-bedroom	259,900	11	23,627
Total/average	914,175	54	16,929

These examples represent *only* the cost of bringing an existing, quality rooming house to Code. The conversion from a single-family home to a licensed rooming house could also entail licensing and permit fees, additional kitchens and bathrooms, and perhaps even additions to the existing house.

Nonetheless, the costs of preserving and upgrading these homes are far lower than the costs of replacing them with new affordable housing. To give a sense of scale, the recently announced CMHC Rapid Housing Initiative has budgeted \$1 billion for 3,000 new homes (or over \$300,000/unit).⁹ Single room occupancies are eligible under this program.

The City has offered loans for rooming house renovations in the past

City of Toronto funding for rooming house operators is not a new idea. For example, the 2015 Toronto Renovates Program offered a maximum \$24,000, 15-year forgivable loan registered on title for each “rooming house bed/unit” in a rooming house, boarding house, or bachelorette. Owners who received funding were required to keep rents at or below a maximum level set by the province (then \$543 for a rooming house and \$899 for a bachelorette).

9 Canada Mortgage and Housing Corporation. 2020. “Rapid Housing Initiative.” Accessed at <https://assets.cmhc-schl.gc.ca/sites/cmhc/nhs/rapid-housing-initiative/nhs-rhi-highlight-sheet-en.pdf?rev=9e8ba329-8b1e-4945-929f-30c22994652d>

Eligible expenses included safety upgrades, structural, plumbing, electrical, heating, and ventilation improvements, conversions of shared rooms to single occupancy, accessibility upgrades, fees, drawings, and other soft costs.¹⁰

In future, the success of such a program will depend on legalizing rooming houses across the City.

10 2015 Toronto Renovates Program Information Session, slide presentation. 2015. “Repair & Renovation Funding for Rooming Houses and Similar Accommodations with Single Room Occupancy.” Slide presentation on file with the authors.

3. The costs of alternative housing

For low-income tenants across the City of Toronto, the *only* affordable homes are shared accommodations.

This pattern holds true in Toronto's inner suburbs as well, where high rents, low vacancy rates, and, in some areas, few purpose-built bachelor apartments leave rooming house tenants with few self-contained alternatives.

Rents in bachelor apartments are significantly higher than the ODSP shelter allowance

According to CMHC's October 2019 Market Rental Survey,¹¹ the Average Market Rent for an **occupied inner suburban bachelor apartment** ranged from a low of \$932/month in South-West North York to \$1,479/month in Etobicoke Centre.

Because of the paucity of vacant bachelor apartments in the inner suburbs, CMHC was able to report the Average Market Rent for vacant bachelor apartments in only four of 13 inner suburban districts. The average rent for a **vacant inner suburban one-bedroom** ranged from \$1,171 in North Etobicoke to \$1,692 in North Central North York.

Vacant inner suburban bachelor apartments are almost non-existent

According to CMHC's October 2019 Market Rental Survey, there were approximately:

- **Eight vacant privately-owned bachelor apartments in Scarborough** (i.e., 1.0% of a universe of 840 apartments);
- **Thirty-nine vacant bachelor apartments in North York** (i.e., 2.8% of a universe of 1,400 apartments); and
- **Negligible number of units in Etobicoke** (i.e., data suppressed to protect confidentiality or data not statistically reliable).

11 Canada Mortgage and Housing Corporation. 2019. "Average Apartment Rents (Vacant & Occupied Units)." Accessed at <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/average-apartment-rents-vacant-occupied>

CMHC, Toronto Average Rents of vacant and occupied units, October 2019

Zone	Bachelor			1 Bedroom		
	Vacant Units	Occupied Units	% higher than occupied	Vacant Units	Occupied Units	% higher than occupied
Zone 01 - Toronto (Central)	1,542	1,312	15%	2,346	1,704	38%
Zone 02 - Toronto (East)	1,328	915	31%	1,751	1,277	37%
Zone 03 - Toronto (North)	1,492	1,253	16%	1,791	1,518	18%
Zone 04 - Toronto (West)	1,120	982	12%	1,532	1,334	15%
Zone 05 - Etobicoke (South)	1,320	952	28%	1,523	1,193	28%
Zone 06 - Etobicoke (Central)	**	1,479		1,610	1,448	11%
Zone 07 - Etobicoke (North)	**	804		1,171	1,132	3%
Zone 08 - York	1,361	992	27%	1,542	1,298	19%
Zone 09 - East York	1,173	1,001	15%	1,512	1,194	27%
Zone 10 - Scarborough (Central)	**	1,072		1,583	1,209	31%
Zone 11 - Scarborough (North)	**	1,051		1,448	1,199	21%
Zone 12 - Scarborough (East)	**	1,096		1,456	1,229	18%
Zone 13 - North York (Southeast)	**	1,002		1,522	1,264	20%
Zone 14 - North York (Northeast)	**	1,276		1,678	1,467	14%
Zone 15 - North York (Southwest)	**	932		1,490	1,169	27%
Zone 16 - North York (N. Central)	**	1,031		1,692	1,341	26%
Zone 17 - North York (Northwest)	1,020	951	7%	1,269	1,145	11%

Private-sector rooms are significantly cheaper than on-campus residences¹²

Shared houses near university campuses prompted special attention when the City last reviewed its rooming house by-law. Although campus housing offers a sense of safety and community – particularly for students new to Toronto – accommodations are both smaller and significantly more expensive than shared housing within a ten-minute walking radius. For example:

- **At University of Toronto's Scarborough Campus**, purpose-built student housing ranges from \$790/month for a shared basement bedroom (with bathroom and kitchen shared with five others) to \$1,330 month for a single room with kitchen and two bathrooms shared with six people (cable and laundry extra). Among the first 15 rooms advertised on Kijiji within a

¹² Rents were surveyed in May 2020 before the full impact of COVID-19 on student enrolments was known. A more robust post-pandemic survey would include follow-up calls or visits to ensure the advertised rents accurately reflected those actually charged.

ten-minute walking radius, the median rent was \$560. Rents ranged from \$350 for a shared room to \$750 for a large room in a condo townhouse.

- **At York University's Keele Campus**, purpose-built student housing ranges from \$771/month for a shared bedroom (and a common washroom with 23 other people) to \$1,750 for an apartment with kitchenette. Among the first 15 nearby rooms advertised on Kijiji, the median rent was \$650/month. Rents ranged from \$510 for a small room with shared kitchen and bathroom to \$850 for a large room with private bathroom.

Note that university residences must typically be vacated outside of term time. For example, York University charges \$35/night for students arriving, say, between September 1 and 5, and \$400 for students staying over Christmas holidays. University residences also charge extras not common to other rental housing, such as application fees, lock-out fees, and late cancellation fees.

4. The costs of tenant displacement

As discussed in Section 2, converting a house into a Code-compliant rooming house can be expensive. Some rooming house operators may close rather than do the renovations required to bring their houses to Code, and some rooming houses may be closed by Toronto Fire Services.

For tenants, losing a home – even one that is sub-standard – can be traumatic. Closures by the City can occur without prior notice, requiring tenants to relocate immediately. Connections with the neighbourhood, local services, and other tenants are disrupted. And the search for an alternative home can be exceptionally difficult for rooming-house tenants, many of whom have no savings, are seniors or students, or are newcomers who do not speak English well and may be unfamiliar with local resources.

The City’s Office of Emergency Management currently supports tenants displaced by closures, including providing two weeks’ accommodation after displacement. However, after two weeks, displaced tenants must either find a new home or enter the City’s shelter system.

To respond to the needs of displaced tenants, the City’s Shelter, Support and Housing Division created the Tenant Relocation Support Services (TRSS) program. Although designed for vulnerable residential hotel tenants displaced by redevelopment, this program suggests some of the costs that might be associated in creating a “soft landing” for tenants.

A 2018 study of the TRSS program found the displacement of tenants from four buildings cost an average of \$18,648 per tenant.¹³ These costs included:

- Departure payments, moving costs, and, in some cases, start-up costs;
- Three-year housing allowances or bridge subsidies to enable displaced tenants to find alternate housing;
- Wrap-around supports delivered by non-profit agencies to help vulnerable displaced tenants find a suitable home; and
- Follow-up supports for tenants needing ongoing support to keep their new home.

In some cases, these costs were recouped from the former landlord or developer.

13 Emily Paradis and Joy Connelly. 2018. *Tenant Relocation Support Services Program Final Evaluation Report*. Prepared for the City of Toronto Shelter, Support and Housing Administration Division, March 2018. Report on file with the authors.

The study estimated the costs of a displaced tenant falling into homelessness were \$24,033/person to cover shelter costs and associated services. These are pre-COVID-19 costs, and are lower than current costs.

Next steps and considerations

When we began this project, our goal was to illustrate, by way of example, the costs of creating and operating quality rooming houses. We knew that the differences between older non-profit rooming houses and new rooming houses, combined with the underground nature of suburban rooming houses, would prevent us from making definitive recommendations. Instead, our aim was to inspire the City, with its greater resources and access to information, to take up the work.

In many ways those hopes have already been realized. In September 2020, the City signaled its intent to develop a new city-wide zoning and regulatory framework for rooming houses. To promote the best possible outcome for that process, Maytree was asked by the City to conduct a human rights review of the proposed rooming house policy framework alongside staff from the Toronto's Housing Secretariat and City Planning, Municipal Licensing and Standards, Toronto Building, and Toronto Fire Services Divisions.

Our research helped to inform that review. We were therefore delighted to see the staff report presented on November 17, 2020, at the Toronto City Council's Planning and Housing Committee's meeting had already begun to consider the economics of rooming houses in their plans:

- The Housing Secretariat and Toronto Buildings Division intend to hire a consultant to find alternate, and ideally simpler and less-expensive, ways for rooming house owners to meet Code requirements.
- The Housing Secretariat will consider recommendations for an incentive program to assist eligible property owners to comply with Code requirements.
- The Chief Planner and Executive Directors of Municipal Licensing and Standards and the Housing Secretariat will estimate and report back on the fiscal impact on landlords of complying with proposed by-laws, licensing requirements, and building codes.
- The City will examine a phased approach to enforcement, recognizing that an abrupt or aggressive enforcement regime could drive rooming house operators out of business or further underground.

We look forward to seeing the results of their work. We also hope the City will consider the following suggestions arising from our conversations with tenants, rooming house providers, and advocates.

Consider the impact on rents when setting maximum thresholds for the number of rooms in the house

Many of the costs of operating a rooming house – mortgage payments, property taxes, insurance, and most building maintenance expenses – are fixed costs. The greater the number of renters who share those costs, the lower the rent.

To maximize the number of affordable rooms, and to avoid driving up rents, we suggest the City use the size and configuration of each house, rather than the zoning designation, to determine the maximum number of bedrooms permitted.

Under such a regulatory framework, the City's own property standards would continue to set minimum room sizes to promote healthy living and prevent overcrowding, and Building and Fire Codes would continue to govern safety and other livability features. We understand the City Planning Division also plans to recommend limits on the number of people who share a bathroom. It is these approaches, rather than an arbitrary cap on rooms, that will keep rents affordable and provide tenants with the best value for their rent.

Facilitate licensing approvals

The rooming house operators we interviewed supported legalization and regulation, but worried that obtaining a license would be a long and bureaucratic process. Their fears may be well-founded. In the one case examined in this study, it took three years for a non-profit provider to apply for and eventually obtain a license. Such delays increase costs and uncertainty, and can discourage rooming house operators from coming forward.


Offering rooming house operators a clear, simple path to licensing will help preserve and improve the affordable housing represented in this stock.

Consider extending rent supplements or housing allowances to rooming house tenants

Because inner suburban rooming houses often operate under the radar, few rooming house tenants or landlords have benefitted from housing allowances.

Yet the low rents offered in rooming houses – typically \$500 to \$600/month below the average rent for a bachelor apartment – would allow the City to stretch its subsidy dollars. The City should consider tying housing allowances or rent supplements to incentives to obtain licenses and to requirements to keep the rooms affordable in the long term.

Example 1: Five-bedroom house



The house:

- Three-storey detached.
- In good condition. No renovations required beyond those required to obtain a rooming house license.
- Downtown location.

Total renovation costs: \$187,591, partially subsidized by the Social Housing Improvement Program (SHIP).

Cost to borrow entire sum: \$379/month/room*
 *Amortized over 10 years @ 4.0%.

Pre-renovation expenses	
Architectural drawings	14,703
Consultant/project management	4,149
Fire-safety consultant and drawings	4,525
Sub-total (excl. HST)	23,377
Renovation expenses	
Supply and install six fire-rated (20 min.) slab doors, with new hardware	3,700
Supply and install five slab doors, with frames, hardware included	4,200
Build fire separation walls on the ground floor and basement area	3,200
Paint all new door frames, exposed sprinkler pipe, BX cables and places where the new drywall would be	5,800
Furnace room in basement will be sealed with fire blocking (45 min.) between walls and ceiling. Supply and install air intake pipe for the furnace and replace laundry sink	2,600
New 2" back-flow, 32 new sprinkler heads throughout. New supervisory valves and flow switches (one per zone). Fire stopping and testing upon the completion of the project	24,000
Fire system and exits	30,800
CO2/detectors/smoke/strobe interlock with battery back-up as per OEC 2015 (does not include monitoring)	10,850
Additional cost for metal conduit to cover BX cable. Labour and material included.	9,200
Shop drawings and sprinkler permit	5,000
Provide separate line for sprinkler system from the main city supply to the house	35,000
Sub-total (excl. HST)	134,350
Lost tenant rents during construction	9,360
TOTAL COST (incl. HST)	187,591

Example 2: Scarborough eight-bedroom bungalow



The house:

- Three-bedroom bungalow plus two-bedroom legal basement suite in good condition.
- Lawrence and Markham area.

Estimated costs to create two four-bedroom or one eight-bedroom rooming house: \$74,467 (incl. HST), excluding permits and fees.

Renovations required

Provide a 45-minute rating to each bedroom.

Provide 20-minute rated doors with closers in each bedroom.

Provide new walls to ensure there is a hallway linking every bedroom to an exterior door.

Provide a fire alarm system.

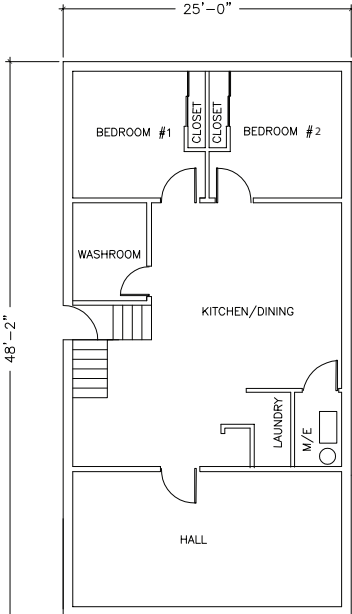
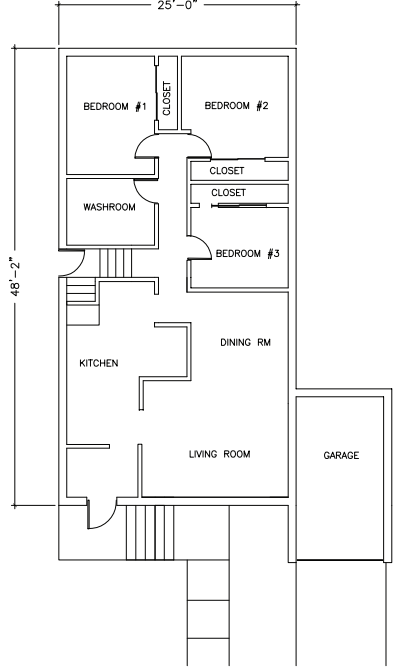
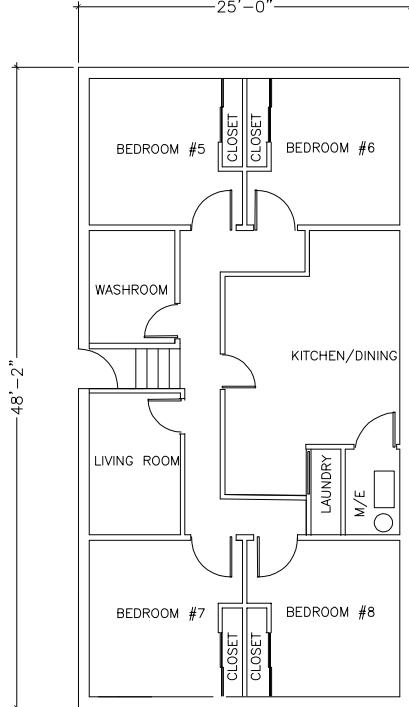
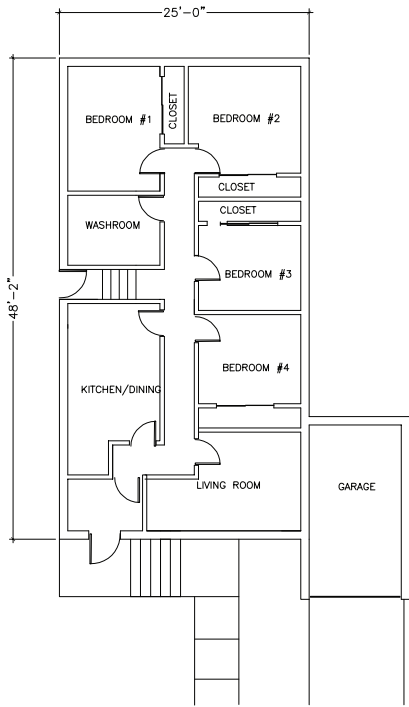
Minor repairs and repainting after the above work has been completed.

Potential impact on rents

If the owner needed to borrow the entire sum (\$74,467 @ 4% amortized over 10 years), rents would increase by **\$94/month/person** to recoup the costs.

Potential impact on livability and re-sale value

Most of the Ontario Building Code requirements will have little impact on livability or resale value. However, the required corridors to link bedrooms to the exterior door do diminish usable space, particularly in the basement, and could hamper conversion back to a single-family home with a second suite.

Floor plans before renovations	
Basement	Main Floor
 <p>Basement floor plan showing dimensions 25'-0" wide by 48'-2" deep. Rooms include: BEDROOM #1, CLOSET, BEDROOM #2, WASHROOM, KITCHEN/DINING, LAUNDRY, M/E, and HALL. A staircase is located near the washroom.</p>	 <p>Main floor plan showing dimensions 25'-0" wide by 48'-2" deep. Rooms include: BEDROOM #1, CLOSET, BEDROOM #2, WASHROOM, CLOSET, BEDROOM #3, KITCHEN, DINING RM, LIVING ROOM, and GARAGE. A staircase is located near the living room.</p>
Floor plans after suggested renovations	
Basement	Main Floor
 <p>Basement floor plan after renovations, showing dimensions 25'-0" wide by 48'-2" deep. Rooms include: BEDROOM #5, CLOSET, BEDROOM #6, WASHROOM, KITCHEN/DINING, LIVING ROOM, LAUNDRY, M/E, BEDROOM #7, and BEDROOM #8. A staircase is located near the living room.</p>	 <p>Main floor plan after renovations, showing dimensions 25'-0" wide by 48'-2" deep. Rooms include: BEDROOM #1, CLOSET, BEDROOM #2, WASHROOM, CLOSET, BEDROOM #3, KITCHEN/DINING, BEDROOM #4, LIVING ROOM, and GARAGE. A staircase is located near the living room.</p>

Example 3: Scarborough two-storey, nine-bedroom house



The house:

- Two-storey house with full finished basement in good condition, including basement with bedroom, bathroom, and large rec room; main floor with family room, bathroom, and large kitchen/dining/living area; and a second floor with four bedrooms and two bathrooms.
- North-East Scarborough.

Estimated costs to create a nine-bedroom, five-bathroom rooming house (three bedrooms in basement, two on main floor, four on second floor), excluding permits and fees \$127,577 (incl. HST).

Renovations to be completed

Provide a 45-minute fire rating for each bedroom wall, floor and ceiling.

Provide 20-minute rated doors with closures.

Provide new 45-minute rated walls so that the path of travel to each floor, including the stairs, is a rated route to the main door.

Provide new code-compliant fire alarm system.

Provide a new three-piece washroom on the ground floor.

Included in the budget is an allowance for miscellaneous work.

Potential impact on rents

If the owner needed to borrow the entire sum (\$127,577 @ 4% over ten years), rents would increase by \$143/month/person to recoup the costs.

Potential impact on livability and re-sale value

The Ontario Building Code requirements will have little impact on livability or re-sale value. Some of the house's most attractive features, such as its curved stairway, will remain. The renovations also offer a good ratio of bathrooms to tenants, with two tenants having their own en-suite bathrooms.

However, it should be noted the basement does not have its own kitchen or means of egress, and so would require further work should a new purchaser wish to create a second suite in the basement. The purchaser may also wish to restore the ground-floor bedrooms to their original use as a larger living/dining area and family room.

Floor plans before renovations		
Basement	Main Floor	2nd Floor
Floor plans after suggested renovations		
Basement	Main Floor	2nd Floor
<p>Key</p> <p>Existing walls</p> <p>New walls</p>		

Example 4: Upgrades to meet Code in a 21-room house

This non-profit housing provider had been operating an unlicensed 21-room rooming house for over 25 years. The house included many fire-safety features. All stairways were enclosed with doors at either top or bottom; exterior doors had wired glass; there were pull stations and fire extinguishers in several locations; and there was a steel exterior fire escape stair.

The City of Toronto Social Housing Unit covered the costs of Code consulting, fire alarm design, sprinkler system design and upgrading the fire alarm system. The housing provider paid for repairs to meet Code and installing the automatic sprinkler system.

Costs to meet licensing requirements	
Work Required	Cost (net of HST)
Code Consulting	17,200
Fire Alarm Design	14,200
Sprinkler System Design	17,100
Repairs to meet Code <ul style="list-style-type: none"> Repair damaged fire separations Install additional self-closing devices Replace glass in one door with wired glass Install new handrails on fire escape 	6,400
Install second exit on second and third floors ¹⁴	(Estimated at 300,000)
Upgrade fire alarm system	47,968
Install automatic sprinkler system	118,075
Total one-time expense (excl. HST)	220,943
TOTAL COST (incl. HST)	249,665
Annual ongoing expense to monitor fire system	720
Potential impact on rents	
If the owner needed to borrow the entire sum (\$249,665 @ 4% amortized over ten years), rents would increase by \$120/month/person to recoup the costs.	

¹⁴ Toronto Fire Services ultimately determined this change was not required.

Example 5: Upgrades to meet Code in an 11-room house

A neighbour wanted a non-profit provider to evict a particular tenant. When the provider responded that there were no legal grounds for an eviction, the neighbour complained to the City and MLS told the housing provider it needed to obtain a rooming house license.

The rooming house is a semi-detached house. The housing provider owns the attached house and operates it as a rooming house. The non-profit agency sought the advice of a consulting firm to determine the costs of applying for a license, but was unable to proceed because of lack of funds and uncertainty whether the renovations to meet Code requirements could be completed.

Anticipated costs	
Consulting costs to identify scope of work required: \$10,000 + HST	
Estimated costs to meet Code requirements: \$200,000 + HST	
Additional consulting costs to prepare permit and tender documents: \$20,000 + HST	
Additional impact on tenants: Relocation during renovations; permanent loss of access to their basement	

Projected work required to meet licensing requirements (no itemized costs available)	
Current status	Required work
Corridor and stair widths do not meet Building Code	Complete removal of all walls around stairs. Completely new stairs from ground floor to third floor. This work will affect both the heating and electrical systems
Walls and ceilings have ½ drywall on wood studs	Add 5/8-inch fire code drywall to walls and ceilings. Remove and replace baseboards and trim. Doors in fire separations require labeled doors and closers
Above work requires replacement of forced air ductwork. Building Code requires fire dampers at each fire separation	Replacement of forced air heating with hot water system
Both houses have inter-connected smoke detectors	New fire alarm system
No basement exit in one house. Portions of basement ceiling in both houses do not meet Building Code	Uncertain. May require closure to make both basements inaccessible to tenants
In both houses there is a 14-inch height difference between exit passageways and balconies, divided by two risers	Building Code requires three risers. No solution proposed. The consultant reports "correction will be difficult and expensive"
Potential impact on rents	
If the owner needed to borrow the entire sum for the changes that could be implemented (\$259,900 @ 4% amortized over 10 years), rents would increase by \$239/month.	



77 Bloor Street West, Suite 1600, Toronto, Ontario M5S 1M2 | www.maytree.com