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SkyViews

Apartment Report - Spring 2023

CLIFF'S CORNER

Welcome to Spring! It won't be long now before we'll be enjoying the warm sunshine and outdoor activites of the summer months here in Ontario! This newsletter's industry expert article is brought to you by the good people at Remi Network which publishes great articles about our industry. In this edition, they are discussing the updated processes of TSSA as it relates to elevators in apartment buildings.

In 2021's Federal Budget, the government announced a new tax that came into effect in January 2022 and which now applies to this year's tax filings. Dubbed the "Underused Housing Tax" or "UHT", it's purpose is to curtail vacant or underused housing - usually a result of foreign buyers sitting on real estate throughout Canada and adding to the affordable housing crisis. While it is targeting those foreign buyers, it may also impact our industry to some degree. The details of the tax, and how it impacts us, is admittedly ambiguous in the way it is written. Canadian citizens who own residential properties may be excluded but corporations or partnerships that own residential properties will still have to file a declaration. The definition of "residential" seems to be limited to buildings or houses with three dwelling units or less - a triplex or smaller - including condominium units. What is unclear is how this will impact owners of apartment buildings or townhouse complexes that have condo status with each unit owned by the corporation. As you prepare for this year's tax season, I would recommend discussing the UHT with your accounting firm to see what impact there could be on your real estate holdings.

If Skyview Realty can assist you in anyway with your multi-unit residential properties, I welcome you to contact us at anytime!

Cliff Ford
Sales Representative,
Director of Sales & Marketing

YOU HEARD IT FROM THE EXPERTS...

New Oversight Regime Set for Ontario Elevators
by Barbara Carss, Remi Network

A new oversight regime for Ontario's elevators and escalators will come into force on March 1, bringing shorter timelines for rectifying an extensive list of designated high-risk deficiencies and the potential for more shutdowns. For the regulator, the Technical Standards and Safety Authority (TSSA) of Ontario, the new compliance standards are another step in the evolution of an inspection and enforcement model that is grounded on a hierarchy of risk.

Dubbed an "outcome-based" approach, it devotes the most resources to the issues that pose the greatest or most prevalent threat to the public, and pays the closest attention to owners/operators of elevating devices with the weakest safety records. The frequency of periodic inspections are already based on license holders' risk profile, but the TSSA is now attaching a risk rating to the deficiencies inspectors may encounter.

The new compliance standards set out high-risk hazards and a stipulated period — from zero to 14 days — for correcting them. Less onerous inadequacies will be flagged as medium- or low-risk items that owners/operators will be expected to address within 90 days, but there will be no follow-up inspection on the TSSA's part.

"The compliance standard is a key tool in our transformation to become an outcome-based regulator," Sandra Cooke, the TSSA's manager of legal compliance, observed during a recent webinar about the looming changes. "It helps owners and contractors and our inspectors focus on high risk. What we're ideally hoping is that those things that are identified on the compliance standard will be dealt with long before TSSA shows up on a periodic inspection."

The incoming compliance standards have been posted on the TSSA's website since January 2022. Beginning March 1, they will be embedded in inspection protocol and real-time reporting tools so that any findings of non-compliance will automatically be logged in the TSSA's database and prompt a work order.

Some of the identified deficiencies could trigger an immediate shutdown of the elevator, or a bank of elevators. Many of these pertain to the condition of the brakes or hydraulic system, controller, governor, hoist way, landing and car doors. The remainder are tied to a 14-day schedule for repairs or replacement.

"We'll be back on day 15 for a follow-up and if they're not completed at that time, they (elevators) will be removed from service," Roger Neate,

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New Oversight Regime Set for Ontario Elevators

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the TSSA's safety director for elevators and amusement devices, affirmed during the webinar. "These are the really serious safety elements that we as an industry have agreed on. We're being transparent here: this is what they are; this is what everybody needs to be focusing on."

The slate of high-risk deficiencies was developed from the TSSA's historical data and with the aid of modelling software to forecast the likelihood of a failure and the potential safety repercussions associated with each non-compliance scenario. Elevating device manufacturers, engineers, technicians and building owners/managers were also asked for input.

Checklists for each category of elevating device — hydraulic elevators, electric/traction elevators and escalators — have been promised to summarize the key requirements for both owners/managers and their contractors. As of mid-February, the checklist for owners/operators of escalators is posted on the TSSA's website with the others still pending. However, industry service providers perceive they should be helpful for contract management and quality assurance.

Building owners/managers urged to engage with maintenance contractors

"Owners should be thinking about their elevators. They're an important aspect of the building, and the owner and the contractor need to be working together and responsible for potentially deficient items," says Tiffany Chan, senior consultant with KJA Consultants Inc., an engineering firm specializing in elevator design and maintenance management. "Checklists and a breakdown of these high-risk compliance items can give the owner a better picture of what can happen and what is happening with elevators in the industry."

Building owners' elevator maintenance contracts will typically entail a monthly or quarterly check of all the items highlighted in the new compliance standards and any adjustment or repairs that are revealed to be necessary.

Only certified and licensed technicians can conduct this work, which must be recorded in a logbook kept in the elevator machine room. Building owners carry the ultimate responsibility for the safety of their elevating devices, but contractors and the technicians they employ are compelled to meet industry safety standards as a condition of their licenses.

"We want owners to be engaged in the safety of their device," Neate stressed. "It's important that you check the log book because that's how you're going to know if these things are being completed and being completed at the frequency that they're supposed to be."

The risk prioritization approach now comes with an honour system for building owners/managers to address less pressing deficiencies. As well, compliance standards are meant to be dynamic so additional items could be flagged as high-risk in the future.

"We are going to be doing a safety audit program where we will be auditing these things that are low and medium risk to see how the enforcement is going," Cooke reported. "The primary responsibility for compliance lies with the owner/operator and so we're not following up, but there's an expectation that you want your elevator to be safe, you want your elevator to be compliant."

There's also a hint of some flexibility on compliance orders if repairs or replacement can't be completed within 14 days due to uncontrollable supply chain or labour pressures. For example, more than 14 days would typically be needed to replace an elevator's hoist ropes.

Although Neate reiterated to webinar attendees that owners/operators and their contractors should generally be aware of and proactively repairing or replacing deteriorating equipment before a TSSA inspector has to issue an order, Chan advises that sudden events can sometimes come into play. That could be flooding or unexpected water infiltration from elsewhere in the building, vandalism or sudden knocks inside the elevator cab or to the hallway door.

"Let your inspector know what the situation is. We do understand there are supply chain issues and your inspector will make accommodation for you in those circumstances," Cooke said.

Low-risk status not a justification for relaxed vigilance

The TSSA's outcome-based model brings differing value for service depending on where owners/managers and their elevating devices are plotted in the risk spectrum. For example, the fee structure for annual licenses was revised in 2021 to bundle in the cost of a periodic inspection and one follow-up, which were previously separately billed services. However, risk-based scheduling means that many elevators are not inspected that frequently.

"So you're paying for something you're not going to get. You're financing somebody else and you're not getting that service," contends Ray Eleid, chief executive officer of Solucore Inc., an elevator and escalator consulting firm.

He suggests a vigilant approach to maintenance contracts will be even more important in buildings that the TSSA has categorized as lower risk and placed on a lengthier inspection rotation. Meanwhile, when it comes to responding to compliance orders, a full-service contract may offer more cushion against extra costs than a contractor-based contract with fees for specified extra services.

"It's extremely important that owners call their contractors right away so these issues can be resolved within the compliance window," Chan says. "Depending on the existing maintenance contract between the building owner and the elevator contractor, some of these items will be covered under their maintenance contract so that would just be a matter of ensuring that the contractor completes it as part of the maintenance contract. However, if there are re-inspections required past the first follow-up, then there would be additional costs for the TSSA services."

Article by Barbara Carss
Remi Network
www.reminetwork.com

OAKVILLE

- Seller asking $11,500,000
- Recent improvements include exterior brick painting, hallway carpeting, new hot water tanks, & many units renovated
- Great Upside on rents of approx. $12,000/month
- Large corner lot for potential future redevelopment
- Tenants Pay Own Hydro
- 18 x 2 Bedrooms
- 12 x 3 Bedrooms
- 1 x 3 Bedroom House
- Professionally Managed
- Seller asking 3.7% CAP Rate
- Ex. 1st Mortgage to be Assumed by Buyer at 2.04%
- VTB 2nd Available at 2.0%
- Average Financing Rate at 2.024% may be Achievable

30 Suites + 1 House

BURLINGTON

- Asking $3,400,000
- Asking $377,778 per Suite
- Located in Quiet Neighbourhood next to a large park
- Windows replaced in 2006
- Roof replaced in 2020
- Owned and managed by the same family for over 30 years
- 1 x 1 Bedrooms
- 8 x 2 Bedrooms
- Great upside on rents
- Seller currently getting $1,900+ for 2 bedrooms
- Treat Financing as Clear
- Seller will consider a VTB 1st mortgage to facilitate the sale

9 Suites

HAMILTON

- Asking $45,000,000
- Potential to develop an additional 95 unit building on excess land at rear
- Great Upside on Rents
- Tenants Pay Own Hydro
- Boilers replaced in 2022
- Roof replaced in 2019
- Owner is leaving 25 units vacant for buyer to capture market rents from the start
- 4 x Bachelors
- 11 x One Bedrooms
- 107 x Two Bedrooms
- 26 x Three Bedrooms
- 1 x Four Bedrooms
- Potential to add additional units in ground floor excess storage space
- Ex. 1st Mortgage to be Assumed by Buyer at 1.9% until 2031

149 Suites + Development

MEET THE SKYVIEW TEAM

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President
Broker of Record

Cliff Ford
Sales Representative
Director of Sales & Marketing

Pat Villani
Sales Representative,
Associate Vice President

Atif Hussain
Corporate Controller

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INDUSTRY REPORT

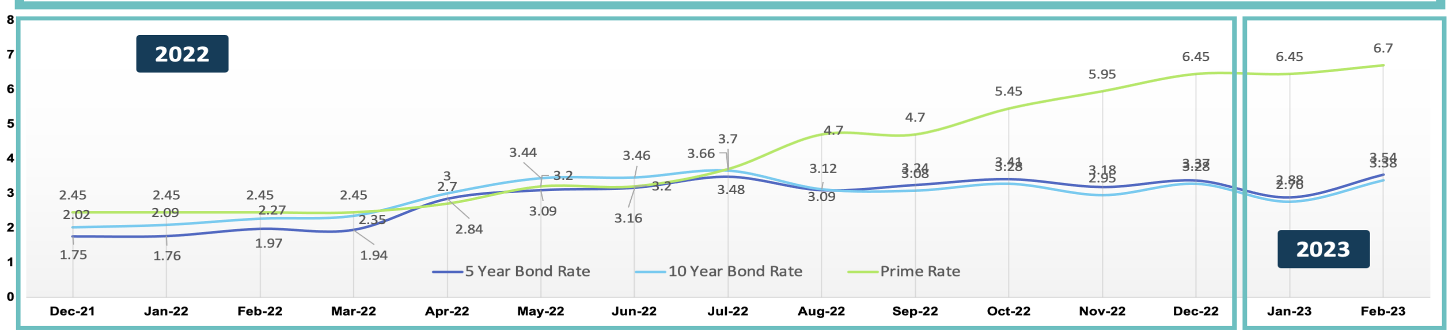
SKYVIEW'S RECOMMENDED SERVICES

MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

30 Charles St E, Toronto	Mar. 1, 2023	18 Suites @ $416,667	$7,500,000
405-411 Sidney St, Quinte West	Feb. 9, 2023	111 Suites @ $177,477	$19,700,000
3141 Jaguar Valley Dr, Mississauga	Feb. 7, 2023	41 Suites @ $292,683	$12,000,000
295 Dale Cres, Waterloo	Feb. 1, 2023	101 Suites @ $196,535	$19,850,000
55 Livingston Rd, Scarborough	Jan. 31, 2023	164 Suites @ $431,707	$70,800,000
547-552 Frontenac St, Kingston	Jan. 27, 2023	32 Suites @ $212,500	$6,800,000
528 Palmerston Blvd, Toronto	Jan. 20, 2023	7 Suites @ $607,143	$4,250,000
53 Dawes Rd, Toronto	Jan. 19, 2023	13 Suites @ $362,308	$4,710,000
305 Metcalfe St, Ottawa	Dec. 22, 2022	55 Suites @ $272,727	$15,000,000
2303 Eglinton Ave E, Scarborough	Dec. 15, 2022	169 Suites @ $295,858	$50,000,000
210 County Rd 8, Greater Napanee	Dec. 2, 2022	20 Suites @ $390,000	$7,800,000
37 Maitland St, Toronto	Dec. 1, 2022	37 Suites @ $472,973	$17,500,000
33 Maitland St, Toronto	Dec. 1, 2022	37 Suites @ $472,973	$17,500,000

SOURCE: Realtrack Inc. www.realtrack.com 1-877-962-9033

WATCH ON INTEREST RATES



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Spring 2023
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