



## Condominium Oversight in Ontario

### 2020 Value-for-Money Audit

#### Why We Did This Audit

- In 2012 and 2013, the Ministry of Government and Consumer Services (Ministry) initiated a review of the *Condominium Act, 1998* (Act) that resulted in reforms to the Act in 2015, including the creation of the Condominium Authority of Ontario (Condo Authority) and the Condominium Management Regulatory Authority of Ontario (Management Regulatory Authority).
- This is our Office's first audit of the condo sector and the two authorities since they were created in 2017.

#### Why It Matters

- Buying and maintaining a condominium home can be one of the most significant investments in a person's life.
- We estimated that the combined value of the entire condo sector in Ontario was at least \$300 billion. The condo sector continues to grow significantly in Ontario, particularly in the Greater Toronto Area.
- There have been a growing number of complaints and dissatisfaction from condo owners regarding condo board governance and condo management.

#### What We Found

- Initial condo fees set by developers are typically understated to encourage potential buyers. We found that 47 condo boards, or 73% of 63 condo boards that responded to our survey question, experienced significant increases in condo fees, ranging from 10% to over 30% in the first two years after the condos were registered. Three-quarters of about 690 condo owners who responded to our survey question, experienced increases in condo fees with some over 50% in the five years up to August 2020.
- The majority of condo boards that responded to our survey question did not have adequate amounts set aside in their reserve funds to plan for major repairs and replacements in their older buildings. As a result, they had to pay unexpectedly higher contributions by an average of 50% over a period of up to 10 years to address the shortfalls.
- In British Columbia and Alberta, condominium legislation enables the government to appoint an inspector or investigator to look into potential offences or non-compliance relating to developer misconduct. However, Ontario does not have such powers. Although Ontario courts can impose fines for offences such as developer misconduct or condo boards not keeping adequate records, the government has not prosecuted an individual or corporation for an offence under the Act in the last 10 years.
- We identified 472 individuals and companies that did not hold licences but were listed in the Condo Authority's public registry as providing unlicensed management services, as of February 2020. The Management Regulatory Authority does not proactively identify these unlicensed individuals and companies.
- The Management Regulatory Authority took limited action on nearly half of 200 of the owners' complaints we sampled. Our review found that while 103 (51%) of them were handled appropriately, the other 97 (49%) were closed too soon, without the underlying issues, such as leaks and floods, being resolved in a timely manner.
- Between 2018/19 and 2019/20, the Management Regulatory Authority conducted a total of only 18 inspections and six investigations, covering less than 1% of more than 3,650 licensed condo managers and management companies in Ontario. Full inspections were not conducted for every case to verify whether other key legislative requirements, such as contract management, are followed.
- We found that condo owners did not get part or all of the information to which they sought access in 21 (51%) of 41 cases before the Condominium Authority Tribunal (part of the Condo Authority). In these cases, condo corporations were not required under the law to maintain information such as lists of staff employed by the condo corporation and support for the condo board's approval of a contract renewal—information that is important to condo owners.
- We found that, as of March 2020, 1,083 condo directors were serving between two to over 30 boards. Neither the Ministry nor the Condo Authority collects necessary and basic information on condo board directors and the type of condo corporations they serve to help ensure all ownership interests are being adequately protected.

## **Conclusions**

- The mandates given to the Condo Authority and the Condominium Authority Tribunal are limited and do not sufficiently protect condo owners against common issues that they may encounter in their daily condo living. Many of the relevant 2015 amendments to the Act, that would provide more consumer protection, are not in force.
- The Condo Authority, designated in September 2017, does not yet have effective and efficient processes in place to carry out its mandated responsibilities. Its existing mandate does not enable the Condo Authority to take the necessary actions to protect the public interest and provide more public information.
- The Management Regulatory Authority, designated in November 2017, does not yet have effective and efficient processes in place to resolve complaints against licensees, to conduct proactive inspections of the licensees or to actively identify unlicensed individuals and companies.

Read the report at [www.auditor.on.ca](http://www.auditor.on.ca)