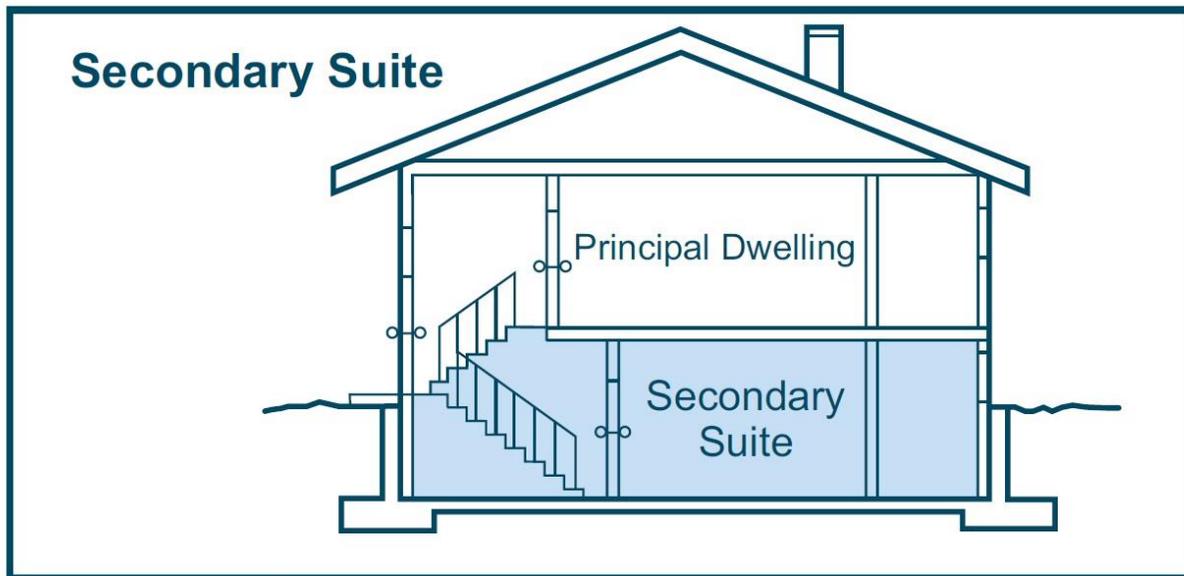


Suited Houses in Edmonton



Buying smart for fantastic cashflow

Suited houses in the City of Edmonton typically do not have permits. **There are currently approximate 15,000 non-conforming secondary suites in Edmonton.** In other words, there are a lot of “illegal” basement suites out there. The truth is Edmonton does not levy any severe penalties for illegal suites!

This guide has been edited and beefed up since 2011 to provide even more value to REIN members. This guide explains the details of having an illegal suite and how to obtain permits and legalize. There’s an update on the cornerstones grant (money for you!). I’ve got a few creative tips for managing a suited house once you own it. And best of all, a practical guide and ready-to-use checklist for shopping suited houses.

Keep an eye out for “*important notes*” steering you away from common pitfalls and “**key takeaways**” giving you the big picture view of what matters.

Part 1: City of Edmonton Requirements: Legal vs. Illegal

The city of Edmonton is very supportive of owners looking to develop secondary suites. The requirements are fairly lengthy, but here’s a summary of the most important points and an outline of the legalization procedure. The city doesn’t penalize you in any way for having an illegal suite. However, if they find you own an illegal suite, they will require you obtain permits and legalize.

Zoning Requirements

- Most common zoning permitted RF1, RF2, RF3, RF4, almost all residential zoning allows for suites.
- Semidetached not permitted: townhouse, side by side duplex

Important note: if you purchase a semi-detached property with a suite you are assuming a calculated risk

Reference: Bylaw 12800

Common Fire Safety Requirements

- Bedroom window size: opening of 3.8 square feet with no measurement of less than 15 inches
- 1/2 inch or fire rated drywall on walls and ceilings in basement. Furnace room, laundry room, common areas, storage rooms, underneath staircase. Remember: the lower suite needs to be a self contained fire proof unit.
- Inter connected smoke detectors with power source hard wired into house. If one goes off, they all go off.

- Basement Ceiling height of 77 inches
- Suites are separated and each have their own means of entry and exit. No shared entryway.

Reference:

http://www.edmonton.ca/for_residents/SecondarySuitesSafetyStandards.pdf

Key Contact: 780-496-3628 “Fire Prevention Officer”

Common Building Code Requirements

- Electrical Inspection always required. Common issues: reverse polarity, improper grounds, separate breakers for kitchen electrical, sufficient plug ins.
- Sufficient parking. 2 spots for upper, 1 per 2 sleeping units in suite. Dimension of 2.6m x 5.5m. Inside of garage can be used towards parking spots.
- Hand rail guidelines: no horizontal members except for top rail, vertical members must be 10cm apart, height minimum of 100cm.
- Stair risers need to be of consistent height
- Overall condition of foundation: a cracked foundation may result in a call for an engineering report
- Lot size minimum 360 m²
- Appearance of mold issues may require health inspection
- New suite development requires 2 furnaces; pre-existing suites may have 1 furnace

Key Contact: 780 496 3100 “Building Technical Advisor”

Important note: Most property managers will only manage non-conforming suites ONLY IF they meet most if not all fire and building safety requirements.

Key Takeaway: It's best to purchase places that have as many of the requirements as possible to minimize risk of future expenses obtaining permits.

The Legalization Process: Pre Existing Suite

How does the city discover an illegal suite? “Land Use Inspection”

Triggering Events

- Owner volunteers for inspection
- Neighbor complaint
- Tenant complaint

Two ways the Inspection will occur

1. The inspectors will first stop by the suite and attempt to gain access from the tenant
2. The inspectors will second schedule an appointment with you in writing

Important note: When they arrive, they are looking for: separate renting/tenants and a cooking facility aka 220v wiring, stove, fridge, kitchen are

Choose action to take

- A. Decommission suite
- B. Noncompliance to city orders
- C. Upgrade and get permits for suite

A: Decommission Suite

- Issue a letter stating this will be a “single family dwelling”
- Decommission 220v and cooking facility
- Only have 1 tenant

Important: if a suite is decommissioned, then to build a suite in the future will be subject to “new development” requirements including 2 furnaces

B: Non compliance to city orders

1. Orders to comply with date and time
2. Further non-compliance could result in: Fine up to 15k, prison time up to 6 months, order to complete work or even contempt of court. All penalties at discretion of judge

Important note: it's not a good idea to ignore city orders

C: Upgrade suite and obtain permits

- 1 year to obtain permits and begin work
- 1 year to complete
- This timeline will be at the discretion of city officials

Important note: work with the city officials to show them constant progress

Permit Application Process

Step 1 - Development Permit

http://www.edmonton.ca/bylaws_licences/service-basement-development-permit.aspx

Step 2 - Property Evaluation

Contact Housing & Economic Sustainability at 780-442-6284 or by email at SecondarySuites@edmonton.ca or Fire Prevention at 780-496-3628 to arrange for an evaluation of your property.

Step 3 - Evaluation Letter

This letter will be your “to do” list for work required to legalize the suite

Important note: Choose a contractor that knows the code requirements, paying twice to have work redone is never a good thing

Step 4 - Building Permit

Very unlikely permit will get rejected unless the property is irreparably in violation of building code

Cornerstones Grant: Apply at this point

Step 4a: Complete the work

City officials often very flexible in light of contractors experiencing delays in construction

Step 5 - Safety Reinspection

Step 6 - Compliance Letter

Step 6a – Cornerstones Money Issued

Reference:

http://www.edmonton.ca/for_residents/emergency_services/fire-prevention-secondary-proc.aspx

Key Takeaway: the legalization process is lengthy, but you can keep using your secondary suite for rental income during the process and the city is very flexible in helping you through it.

PART 2: Update on Cornerstones Grant Program – Release date “Spring 2013”

Key Features

- Program Duration 2013 – 2016

- 75 available grants for new construction per year, 75 for upgrading pre-existing per year

Big Changes From Cornerstones to Cornerstones s II

- Flat rate per repair item will be established. For example: maximum allowable money assigned for drywall work. Details not yet released
- City to cover only 50% of renovation cost instead of 75%
- Maximum grant funding of \$20,000 per unit down from \$24,000
- Unit tied into affordable housing requirements for 10 years, up from 5
- Only 2 grants per applicant per year changed from unlimited.

Reference:

<http://sirepub.edmonton.ca/sirepub/cache/2/wrgk1q5510cs1qy5sm1f1l55/14582001242013033130407.PDF>

Key Contact: 780-442-6284 “Secondary Suites Coordinator”

Important note: the city wants to give this money away, getting approval is fairly easy

Key Takeaway: If you have a property you want to get grant funding for, complete steps 1-4 of permit process. That way you'll have a big head start to get one of the available 75 grants.

Part 3: Quick Tips for Managing Suited Houses

Tip 1: Utilities

The best strategy was developed by LLR. On the lease have a portion for “rent” and a portion for “utilities” and then a final “total monthly rent”. Keep the utilities in the owner’s name and ensure that the flat rate billed covers the cost or more than covers the cost of the utilities on a monthly basis.

Tip 2: Heat in the winter

Often the thermostat will be in the upper suite and the lower tenant will get frozen out. The best tactic available is to install vent covers upstairs that fully seal. This diverts all hot air into the basement and then the heat will radiate up to the upper floor creating a more even heat distribution.

Tip 3: Tenant matching

Often the biggest argument comes into play when the upstairs tenant and downstairs tenant have difference of, for example, lifestyle, work schedule, noise level, cooking smells, pets, laundry

requirements or yard usage requirements. Screen the tenants based on these extra characteristics to minimize conflicts of personality to maximize longevity of the leases. Putting tenants together who are a good match is essential.

Key Takeaway: Minimize potential points of conflict between upper and lower tenant to maximize longevity of tenant experience.

Part 4: Shopping for Suited Houses

Location Features

Having great location attracts and keeps the best tenants. Future development also contributes to value added in the future. Check for these key features.

Upper and Lower Suite

At ACRES we learn that most of the tenant's buying decision comes from curb appeal, secure feel, and first impression when they walk in the door. These 3 features need to be independently assessed for the suite itself. Also check on the overall condition of the suite, a dirty worn out suite won't attract quality tenants. Finally, with your realtor complete the sound test, have 1 person upstairs and 1 down. Too much noise travel will result in continuous tenant turnover even with the best tenants.

Important note: if a house badly fails the sound test, this could be an instant deal breaker, sometimes sound travels through the vents.

Laundry

If the laundry is embedded in the basement suite this poses a security problem. a Second laundry facility would need to be installed for the upper suite, if necessary ensure there is space to do so.

Utilities

Separated utilities are a nice bonus from a management perspective and tenant perspective. A very nice bonus of any utilities are separate, especially furnace for individual climate control.

Permit Features

As mentioned in a key takeaway, the closer a suite is to legal, the less potential future costs could be associated with the suite. It's always best to be as close to legal as possible in the even that legalization is required.

Key Takeaway: Completing the due diligence checklist is an important part of assessing a property. Do not skip this step!

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Suited House Diligence Checklist Edmonton

Location Features:

Bus Stop___ LRT(or future)___ Grocery___ Park___ Major Road___ Employment___

Upper Suite:

(Rate 1 = poor, 2 = fair, 3 = good, 4 = excellent)

___ Curb Appeal
___ Secure Feel
___ First impression upon suite entry
___ Overall condition of suite

Expected rent_____

Garage rent_____

Lower Suite:

(Rate 1 = poor, 2 = fair, 3 = good, 4 = excellent)

___ Curb Appeal
___ Secure Feel
___ First impression upon suite entry
___ Overall condition of suite

Expected rent_____

___ **Sound Test** (Rate 1 = no sound reduction 1, 2 = voices clear/ steps loud, 3 = muffled, 4 = no sound)

Laundry

- Shared
- Separated for each suite
- Requires construction:

Utilities (Shared / Independent)

___ Furnace
___ Hot Water Tank
___ Electricity

Permit Features Present (Check for yes)

- Bedroom Windows 15 inches @ each dimension, 3.8sf
- Suite fully dry walled for fire separation
- Common and mechanical areas dry walled for separation
- Inter connected hard wired smoke detectors
- Basement ceiling height 77 inches
- Each suite has separate means of entry
- Sufficient parking spots 2.6m x 5.5m
- Lot size minimum 360 m²
- Hand rails 10cm distance between vertical members, 100cm high
- Consistent height of stair risers
- Foundation in good shape
- Suitable cooking facility
- Absence of mold/water damage

Renovation required to obtain permits: