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## **Renting the Basement Can Help with Homeownership**

It sounds tempting doesn't it? Rent out your basement and let the tenant pay your mortgage. With so many newcomers moving to Toronto, now is a great time to have a rental property. A basement apartment can rent anywhere from \$400 to \$800 a month depending on size, amenities and location. Income tax deductions are an added benefit for general maintenance of the whole property.

But before you buy that dream house with what looks to be a perfect rental space, make sure you know all the steps to making it legal and safe. Often homeowners are surprised to find they will need to spend thousands of dollars on upgrades before the apartment can be legal.

## **Safety Requirements**

"Inspections and red tape can often scare people away from becoming landlords," says Summer Nudel, Affordable Housing Education and Outreach Coordinator for Agincourt Community Services Association. Even if a basement looks like it can easily be converted into an apartment, it may still require serious upgrades to meet safety standards. "Many find the legalizing process confusing," Nudel adds.

Before a basement can be rented in the GTA it will have to pass inspections with the Municipal Licensing and Standards Office, the Electrical Safety Authority and the Fire Prevention Department. If the basement is unfinished, the first step for the homeowner is to get a building permit from the Buildings Division at the local civic centre.

## **High Application to Permit Ratio**

However, most homeowners who apply for a permit are accepted. "The city of Toronto wants people to have these suites because it's a good source of affordable housing, so they don't make requirements that are unrealistic for homeowners to comply with," points out Nudel. For example, in the district of Scarborough, 92 percent of applicants receive their permit.

When looking to purchase a home in Toronto with a rental suite, look for one that is detached or semi-detached with two parking spaces. The basement should have an average ceiling height of 6 ½ feet, plumbing fixtures for a kitchen and bathroom; and a separate entrance. The buyer should also look for loose wires or any other unsafe conditions that could require expensive repairs. New homes cannot be built with a suite ready to rent but savvy contractors are putting these features in place so that it can be rented later on. The law requires a home to be at least five years of age before a basement can be rented.

## **Insurance Benefits**

So why not just rent it out illegally? "An illegal basement apartment can cost the homeowner much more in the long run," explains Nudel, "mainly because you won't be able to get the proper insurance coverage. If the suite

is damaged, the insurance company is not responsible for repairing an illegal basement apartment.” Another big insurance benefit is the Landlord Shield Policy, which is available to landlords who live in the house with the rental suite. It covers lost rental income if your tenant moves out without notice. Not all insurance companies can offer this type of coverage but the Insurance Bureau of Canada will be able to refer you to the ones who do.

Once you are ready to rent out the unit, you will have to familiarize yourself with the *Tenant Protection Act* and the tenant selection process. Even with a separate apartment you are still sharing your home with a stranger so it’s important to have a good relationship with your tenant. There are many resources in Toronto that can help landlords with many legal and tenant-related issues. For more information on all aspects of renting out a basement apartment in Toronto call Agincourt Community Services Association at 416-321-6912 and speak with the Affordable Housing Coordinator.