



Video Transcript

Value-for-Money Audit: Condominium Oversight in Ontario (2020)

As part of our work on the 2020 Annual Report, we performed a value-for-money audit on condominium oversight in Ontario.

Buying and maintaining a condominium home can be one of the most significant investments in a person's life. The *Condominium Act, 1998* and the *Condominium Management Services Act, 2015* are the key pieces of legislation for the condo sector in Ontario. Although the creation, ownership and governance of condos are regulated by the Condo Act, every condo corporation governs itself.

The estimated value of the condo sector in Ontario was at least \$300 billion in 2018. The sector is growing, and so have complaints from condo owners about condo board governance and condo management.

The Condominium Authority of Ontario and Condominium Management Regulatory Authority of Ontario were created in late 2017 after a review of the Condo Act by the Ministry of Government and Consumer Services. The Condo Authority facilitates education for condo directors, maintains a public registry of condo corporations, and oversees and manages the operations of the Condominium Authority Tribunal. The Management Regulatory Authority licences, and handles complaints, inspections, investigations and enforcement of condo managers and management companies.

We looked at how well the two authorities were delivering on their responsibilities.

We found that the Condo Authority doesn't yet have the mandate to protect owners from common issues they encounter, or provide public information to help protect condo buyers. We concluded that many of the 2015 amendments to the Condo Act that would have provided more consumer protection are not yet in force, and the Management Regulatory Authority isn't yet an effective regulator in the areas of licensing and inspections.

These are some of the issues we found.

Condo fees set by developers are typically understated. For example, 47 condo boards, or 73% of 63 condo boards we surveyed, experienced increases in condo fees from 10% to over 30% in the first two years after registration. Most condo boards we surveyed did not have enough set aside in reserve funds for major repairs and replacements. This required them to pay higher contributions unexpectedly – an average of 50% higher over a period of 1 to 10 years.



Almost half of the 200 owner complaints we looked at – about issues like leaks or floods – were closed before the issue was resolved.

Owners did not get all the information they asked for in 21 of the 41 cases before the Condominium Authority Tribunal. Condo corporations are not required by law to maintain important information like condo corporation staff lists and records of contract renewals approved by condo boards.

Between 2018/19 and 2019/20, the Management Regulatory Authority conducted only 18 inspections and 6 investigations – less than 1% of more than 3,650 licensed condo managers and management companies in Ontario. As of February 2020, we found 472 individuals and companies that were not licensed, but listed in the Condo Authority's public registry as providing management services. As of March 2020, we found 1,083 condo directors were serving between 2 to over 30 boards. Neither the Ministry nor the Condo Authority collects information about these directors and condo corporations to help ensure all ownership interests are being protected.

Our report contains 20 recommendations, consisting of 46 actions including that the Ministry:

- set standards for key documents used in new condo unit purchases, such as sales contracts and disclosure statements; and
- provide the Condo Authority with inspection, investigation and enforcement powers.

That the Condo Authority:

- work with the Ministry to verify information condo corporations report when filing their annual returns, and

That the Management Regulatory Authority:

- define actions that should be taken for different types of complaints and
- Use enforcement when necessary against condo boards that employ unlicensed managers.