

# Lower Mainland condo owners selling whole buildings to developers

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When Catherine Davis **bought her condo** in Coquitlam five years ago, she thought she would stay there pretty much the rest of her life.

**The building was 32 years old,** but that had its advantages. Her apartment was big – 850 square feet – compared to more modern ones. It had a wood-burning fireplace, something now banned in new construction.

And the building, in a quiet residential part of Coquitlam, a few kilometres up the road from the Lougheed Mall, was surrounded by trees and had a beautiful outdoor space. She had a yard with a gate for her ground-floor apartment, perfect for her dog.

But Ms. Davis, who is 60, and her 82-year-old mother will be moving some time in the next year, one of many in a new group of migrants that people say the Lower Mainland is going to see much more of in coming years.

They are the condo dwellers who've decided to band together with everyone in their building and sell the whole thing to a developer.

**Theoretically, they get a lot more than they could have through individual sales. Plus, they have the relief of not paying massive special assessments to keep fixing up their old buildings. And then they're unleashed into the world with their money, looking for new homes.**

"I think a lot of people will be doing this," said Ms. Davis, a pet-insurance claims adjuster.

But, she warned, it's not an easy process.

"It took a long time, a lot of talking."

At \$238,000 / unit it will be very hard to find a replacement anywhere! - cjk

Her strata council's sale of their **21-unit building to Concert Properties for \$5-million – about 65 per cent more than the assessed value of all the units** – will close this May, as well as a recent sale of a group of owners in the West End to Bosa Properties, are the first two major deals such as this in the Lower Mainland.



Catherine Davis at her home in Coquitlam, B.C., on February 4, 2016. Concert Properties has just acquired their 21-unit building. (Jimmy Jeong for the Globe and Mail)

Until now, strata buyouts have mainly been duplexes, triplexes or very small complexes with a handful of owners, said Tony Gioventu, president of the Condominium Home Owners Association.

But condo experts such as Mr. Gioventu, real estate lawyers, and residents say it's just the beginning.

More than a million people in British Columbia live in strata-titled housing in the hundreds of buildings that have been constructed since the province's first strata act in 1966 made them legally possible.

Buildings are getting old. Developers are hungry for any new site in the land-squeezed Lower Mainland.

And city governments have been identifying new areas of density, which is fresh bait for redevelopment.

The wave is especially likely to grow because British Columbia is about to enact a new piece of legislation this spring so that strata councils no longer have to get 100-per-cent agreement among owners to sell, but only 80 per cent.

That will open the door for many more strata councils to force a sale on holdout owners, of which there is generally at least one in any building.

"I think a lot of people are waiting for this," said lawyer Peter Roberts, with the firm of Lawson Lundell, who worked with the residents in Ms. Davis's building.

"It's going to be a little easier, although it will be a guaranteed trip to court."

Judges will be monitoring what happens with those minority sellers and whether there is more going on than just that they don't like the group sales price. Owners who argue that they'll be forced out of their neighbourhoods and lose their friends and communities will likely get a generous hearing, he said.

Like Ms. Davis, Mr. Roberts warns that the road is long and difficult.

"It's a little mini-democracy that needs to make a decision. It's a clash between individual rights and the needs of the collective."

On top of that, there's a lot of process. Owners need to get notices of everything. Meetings need to be legally correct in every detail.

Ms. Davis's group experienced all of that firsthand for three years.

They were approached by a representative of Concert Properties in 2012, after Concert bought land around their building that was slated by Coquitlam city council for higher density. The Concert rep told everyone to come to them when they had agreement amongst themselves about selling.

"We had a 100-per-cent agreement a couple of years ago for about 24 hours," Ms. Davis said. Then that fell apart. The whole building spent the next two years talking incessantly: at strata council meetings, in each others' kitchens, in the laundry room.

Three people thought they could get a better price on their own. Other owners pointed out that, even if a few people got a bit more, they'd be ploughing money into maintenance in the building in the meantime.



Catherine Davis, right, and her mother, Paula Suttie. (Jimmy Jeong for the Globe and Mail)

And the maintenance was expensive. It was one of the main reasons most people were willing to move. The boiler was so old that every time it needed to be repaired, the repair company had to scour for parts

for the out-of-production machine all over North America. Pinholes kept appearing in pipes. The repair work on the underground garage was estimated at \$300,000.

Another man, the one who would prove to be the last holdout, kept coming up with new reasons why he didn't want to sell. It would be hard to move. He'd never be able to find another place to live.

The group offered to help him move. They found an apartment next door, even bigger than his current one. He still kept saying no.

In fact, he said no right until a court hearing set for January. (Strata councils that have more than 95 per cent of owners in favour of selling can, even without the promised new legislation, go to court to get a sale.) Then he withdrew. The appeal period ended Feb. 19, making the sale a go.

While that mini-drama was going on, other residents were going to city council meetings to make sure they understood where the councillors' heads were at when it came to what kind of development would be allowed in the area.

And, in the meantime, the residents were exchanging offers with Concert.

"Their first offer, we refused," Ms. Davis said.

"It was literally assessment value. That was absolutely a no."

Eventually, the group settled for the \$5-million on a building with an aggregate assessment of \$3-million. (Ms. Davis said the process really got on the fast track once residents hired their own lawyers, Mr. Roberts and a colleague.) As well, Concert will allow people to live in the building rent-free for a year after the May closing.

Concert CEO Brian McCauley said developers are doing some learning, too. They recognize they'll have to pay more than assessed value. They have learned they need to educate sellers on what kinds of benefits cities extract from developers, which reduces the amount they're willing to pay.



Ms. Davis says the process of selling the 21-unit building was not easy, and it 'took a long time, a lot of talking.' (Jimmy Jeong for the Globe and Mail)

And, he said, they can't work deals with sellers where the price is dependent on what happens during the rezoning.

"Most sellers are sophisticated enough (or get advice from industry brokers) as to what density is likely through rezoning," Mr. McCauley said.

Developers are also figuring out whether they want to pursue these kinds of deals on a regular basis. He said Concert won't make it part of the company's core business. The Coquitlam property interested the company only because it happened to own the land next door.

But Bosa Property vice-president Daryl Simpson said his company is looking at this type of land assembly as one more opportunity in a land-starved region.

Bosa paid almost double the assessed value for the seven-storey, 56-unit property on Barclay Street between Burrard and Thurlow. An owner on the fourth floor got \$608,000 for a unit valued at \$354,000.

Of course, there was a reason. The building is in a band that the city has identified in its West End plan as one where new developments can go to 550ft.

But, he said, buyers were dubious at first, even with that price.

"There is sometimes disbelief ... of what we're trying to accomplish," he said. "Overcoming a buyer's skepticism is sometimes a challenge."

Still, at least two large groups of residents have done it.

Now, they just have to find new homes.

Ms. Davis said it will be easier for owners who had paid their mortgages off and are close to retirement.

"A few of the people are looking at staying for the year rent-free and then retiring," Ms. Davis said. "One girl is thinking about moving to Hope after that."

Ms. Davis has to keep working for a while yet at her North Vancouver job, so retirement to outside the Lower Mainland is not an option.

She's just starting to look now, everywhere from Port Coquitlam to Maple Ridge with the extra she got for her apartment, valued at \$169,000, but sold for much more than that to Concert.