

SUMMER 2017

CondoChronicle

NEWSLETTER OF THE CCI NEWFOUNDLAND AND LABRADOR CHAPTER

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Canadian Condominium Institute
Newfoundland and
Labrador Chapter

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Welcome to our Summer edition of Condo Chronicle!

Our newsletter will continue to come to you electronically which will save our Chapter time and money and in the process also save a tree.

Congratulations to Woodlands on being our Front Cover Feature Condo. Thank you to Woodland's President John Connors for providing us with the article.

We appreciate your feedback and welcome your suggestions for our Newsletters or Seminars.

If you would like to contribute to our newsletter with an article, advertisement, or put forward your Condo Corporation as a future Feature Condo you may contact any of our Directors listed on this page.

Our Board of Directors thank you for your continued support of our Chapter.

Sincerely,

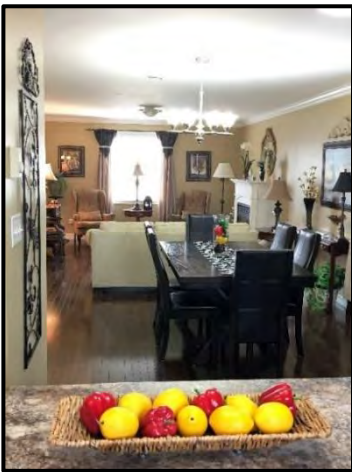
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Woodlands Condominiums – Afford to Dwell Well

By John Connors

Seniors and baby boomers are confronting a new challenge - the downsize dilemma. For many, the nest has been empty for some time, and they'd like to downsize their space and responsibilities; but they're not ready to give up their flower gardens, their patio decks and barbeques, their basements, their garages, their hobby rooms, or their privacy. The Woodlands Condominiums concept of duplex, triplex, and fourplex units provides an attractive introduction to condo living for those looking to downsize from larger residences while maintaining many of the features and conveniences of their previous homes.



Individual units have spacious patio decks and privacy fences. With the approval of the Board, residents who wish to can construct and maintain flower beds and shrubbery on the front and back of their units. Umbrella-style clothes lines are permitted within the privacy areas. All units have front driveways and landings, and 10 of the 46 units have attached garages. Small pets are welcome but are not allowed to roam.

The main floor areas range in size from 988 square feet to 1283 square feet. The largest with an attached garage included covers 1540 square feet. Main floor layouts vary;

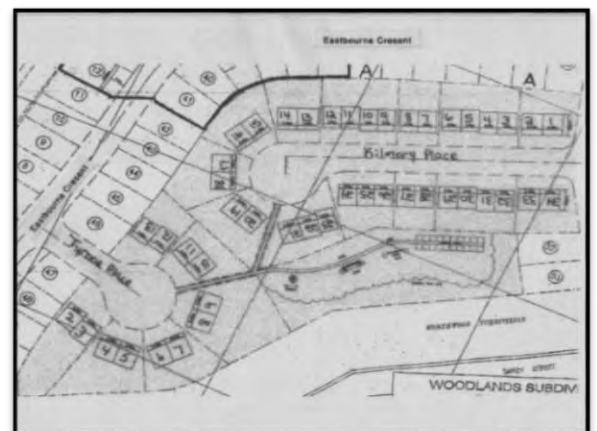
however, most feature a modern, open-space concept. All units have full basements, most of which are at least partly developed; many are fully developed.



The Woodlands Condominiums are located in the City's northeast, close to the Outer Ring Road, and comprise 46 units in 19 residential buildings of wood frame, vinyl siding, and poured concrete construction.

The condominium complex is located on two cul-de-sacs within six and a half acres of land. Thirty-four of the units are on Kilmory Place, and twelve are on Tyrone Place. The buildings occupy slightly less than 20% of the total land area. The condo community's perimeter fence runs a total distance of 2,169 feet.

The Woodlands Condominiums were constructed in 2003-2004 and, except for brief individual buy/sell interludes, have been fully occupied ever since. Most of the units are owned by residents or relatives of residents. There are no absentee owners in the sense of persons buying the units specifically for lease. Approximately half the units are still occupied by the original residents.



The Woodlands Condominium community has a large recreation area accessible by a walkway that links the two cul-de-sacs. Residents of units on the south side of Kilmory Place can also access the recreation area simply by walking out their back doors. The recreation area contains a horseshoe pit, a shuffleboard, lots of greenery, and berms created and

maintained by the residents. The recreation area's large open space also provides an inviting, easily monitored play area for visiting grandchildren or other young visitors.

A paved conversation area, the site of social events such as barbecues and outdoor potlucks arranged by the community's Social Committee, is adorned with flower pots and wooden benches donated by residents in memory of deceased family members. The Social Committee, committed to the concept that you can build a community without building a community centre, has also organized events such as a community garage sale, a Girls' Night Out, and Christmas gatherings. There's even talk of a street dance in the works. Since Woodlands is a 50+ condo community, most of the residents are retirees. Some are snowbirds who head south each winter; many others are highly mobile and spend significant periods of time vacationing, visiting relatives, or enjoying their cottages



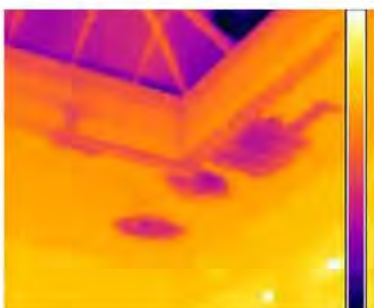
The two cul-de-sacs are maintained and cleared of snow by the City, which also collects garbage and recyclables. The Woodlands Condominium Corporation contracts out lawn care, grounds maintenance, and snow clearing from driveways, walkways, and front landings. The Corporation is self-managed, and the number of Directors has varied. The Board currently has nine members. Broader community involvement is encouraged through participation in committees of the Board such as the Maintenance Committee, the Grounds Committee, the Snow Clearing Committee, and the Social Committee.

The Woodlands Condominium Corporation has been able to keep condominium fees at reasonable levels, in part through careful management and in part because of an early start on building a Reserve Fund. Fees were raised from \$225 to \$240 per month in March 2017 to cover the increased cost of insurance that seems to have impacted all condominiums this year. A further increase of \$10 per month is scheduled for January 2018 to cover projected major Reserve Fund maintenance expenditures. The \$10 increase in Reserve Fund contributions will be in effect for three years, followed by further plateaued increases of three years' duration until 2032, after which Reserve Fund contributions will be tied to the inflation rate.

From the Woodlands Condominium community, it's just a stone's throw to the Outer Ring Road for residents seeking to escape from the city – and not much farther to the airport for snowbirds, world travellers, and others who vacation or visit relatives or friends outside the province. It's also just a few minutes' drive to the major box stores, supermarkets, and other facilities of the Stavanger Drive and Torbay Road area, as well as to the Clovelly Golf Course and the newly constructed Paul Reynolds Community Centre on Carrick Drive.

For many, the Woodlands Condominium concept offers an appealing solution to the downsize dilemma.

John Connors worked for 26 years at the Fisheries and Marine Institute of Memorial University in senior management positions such as Head of Academic Studies and Student Services, Head of the School of Maritime Studies, and Director of Marketing and Business Development. He also spent five years as Chair of the Marine Careers Secretariat, eight years as Executive Director of the Council of Marine Professional Associates (COMPASS), and ten years as President of ConnSult Solutions Inc, providing national and international management consulting services. He has served on the Woodlands Board of Directors for 11 years, seven of them as President.



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A Developer's Opinion: Condo Ownership vs. Rentals

By Gary Reardon

The history of condominiums in St. John's started in the late '70s through early '80s with projects such as The Brentwood and The Tiffany. Since then there have been well over a 100 projects registered and constructed in the Province, with 1000's of condominiums now occupied and 'turning' on a regular basis in the real estate market as owners age, pass away or move on to the next stage of life in an assisted living arrangement.

Prior to the advent of condominiums in our market, the only option for seniors who were downsizing was apartment rentals and there were few quality options offered in the late '70s or early '80s. St. John's was slow to catch on to the condo option and lagged our mainland counterparts. The best peer for comparison to our St. John's market would be Halifax where there has been and continues to be a very strong condo market and where condo living was an accepted lifestyle option long before it was an option in St. John's.

The local market moved along slowly through the '80s and '90s and then suddenly developers recognized an opportunity, so there was a great proliferation of new condominium projects in the 2004 - 2013 period.

The growth in condominium construction occurred coincidentally with the growing demand by an aging population and a strong rental market spurred by rentals related to short-term professionals moving to St. John's for engineering, procurement, commissioning and project management work related to several mega projects in different stages at that time.

At the same time, we had a relatively robust economy, high consumer confidence and a baby boomer generation with money to spend and invest.

Condominium buyers are typically comprised of a diverse group, including:

- single professionals who want a secure home with no maintenance issues;
- fifty-ish couples buying now to secure a place in a building for a later time, but absentee landlords in the interim;
- older couples looking to downsize or 'forced' to move by a medical issue (cardiac, knees, hips, etc.);
- older singles who have recently lost a partner and are looking for security and a change from their home and its memories; and, the last group
- investors looking to capitalize on appreciation and a positive cash flow.

Most projects built in and around St. John's in the 2004-2013 timeframe benefitted from this combination of buyers.

This combination of owner/livyer and absentee landlord/investor had never really existed before in our market. Typically, most owners in a condo project prior to 2004 were owners/livyers with few, if any, suites used as rentals.

As many condo owners - and especially condo board members and property management firms - now realize, there is a dilution of responsibility and a distinct lack of interest in the well-being of a property when up to one-half of the owners are casual landlord investors who don't get actively involved in the day to day management of the property.

This sometimes becomes evident in the appearance of the public areas and lack of decorum within the property, i.e., litter and noisy tenants. Absentee landlords are seldom in the properties they have invested in and don't always advise their tenants of the building guidelines, rules and regulations. In my experience, many landlords don't wish to become involved in the management of their property and leave the 'dirty work' to the

owners/livyers. They (rightly or wrongly) assume the owners will look after everything and keep their best interests in mind. There is also a 'we-they' mentality in some projects where the live-in owners often resent the lack of focus or attention by landlord/investor owners who (in many cases) are more concerned about cash flow and their investment than the day to day running of the project. Often, absentee landlords will 'fight' fee increases related to costs for updates or to freshen up the décor of the property. This sometimes manifests itself in resentment and occasionally animosity between the two divergent groups.

In my experience, in projects where there is a high percentage of landlord owners, it becomes difficult to fill positions on the board of directors. Ultimately, both groups will have to work together for the well-being of the homes where they live (for the livyers) and for the protection of their investment (for the absentee landlords). They will need to work cooperatively to deal with aging infrastructure, adequate reserves and ever climbing condominium fees that in some cases affect affordability and marketability.

I believe that we are entering a new phase in the St. John's condo market. We no longer (for the last 18 months or so) have the many short-term executives related to large projects to keep the investor units filled. This lack of tenants, combined with the dearth of new condominium projects over the last 3 years due to the economic slowdown and resultant lack of confidence, has led to a situation where we are now close to a balanced market where natural demand is keeping pace with available supply.

Many of the most recent (pre-2014) projects have now sold out and as investor owners suffer vacancies, I believe these units will sell to take up the growing demand as our aging population continues to seek the condo living option. As investors liquidate their rental units, many projects will revert to a majority ownership mix.

I believe the condo market will likely wallow for the next year or so, but it is likely we will see new condo projects in 2018 as demand outstrips available supply. Time will tell.

Gary Reardon is a St. John's based builder and developer with over 45 years' construction experience. His firm and joint venture partnerships have completed 14 condo projects to date. His work includes award winning heritage restoration projects such as The Carriagehouse and The Imperial projects in downtown St. John's. New multi-unit buildings such as the Summerville, Kings Gate and Centennial condominium projects. Six condominium townhome projects including Westview Village, Woodlands Condos, Twin Brooks, Brookside, Vanguard Village (Gander) and Whispering Creek Condos (Wolfville, NS). His firm - Reardon Construction and Development Limited was incorporated in 1988 and the firm is currently building residential and commercial condominiums at Brookside Preserve, 544 Water Street and the Hawthorne Condominiums project in Brigus. Reardon currently has 3 other condo sites in the design/hold stage.

Dealing With Pressure From Condominium Investors

By David Cumming

The priorities of Condominium Owners depend on whether they live in their Units as their primary residence or lease their Units for investment income. For Owners who live in their Units, the priority is maintaining a safe, clean and quiet home. For investors, the priority is maximizing the profit on their investment. In some Corporations, including the one I live in, the majority of Units are owned by investors.

These days, Condominium Directors are having to deal with pressure from Owners who purchased their Units as a property investment. In the last few years as the price of oil has declined and the real estate market contracted,

these Owners are putting pressure on the Directors of their Corporation to reduce condo fees to improve their profit margin as well as the selling potential of their Units in what is currently a strong buyers' market.

Investing in real estate is not a risk-free enterprise (see the Investment Risk Pyramid). There are risks associated with all forms of investments, and as can be seen from reviewing the Risk Pyramid, real estate is one of the higher risk investment strategies. Ensuring investors make a profit on leasing their Unit or are able to sell their property is not an obligation of the Board of Directors.

Investment Risk Pyramid



The legal obligations of Condominium Directors are clearly delineated in the Condo Act and governing documents of their Corporation. They include, among other things, establishing and maintaining a Reserve Fund; insuring the property; maintaining, repairing and, where necessary, replacing components of the Common Elements; as well as enforcing the Condo Act, Declaration and By-Laws. For Corporations consisting of

10 or more Units, an additional obligation includes funding an annual audit.

So what action can Directors take to improve the profit potential of the property? In my opinion, Directors should focus their energy on fulfilling their legal obligations:

Ensure the condo fees collected are sufficient to maintain their property and keep the Common Elements

looking clean and attractive. The gardens and landscaping amenities should be maintained to improve the overall appearance of the property – thereby enhancing the so called 'curb appeal'.

Have in place a long term plan for continual renewal of the Common Elements in phases over several years and communicate this strategy to all the Owners. For example, update the carpeting and wallpaper on one floor at a time, gradually replace the components of the landscaping (patios, fencing, etc.).

In addition, I have found that Owners who lease their Units benefit from a document describing the attractions of living in the condominium. Individuals who have never lived in your condominium are often unaware of the amenities of living there including the advantages inherent in the location (proximity to entertainment

venues, bus routes, schools), building security provisions, storage facilities, meeting rooms etc.

If your Corporation has a reputation for being well maintained and managed, this is a positive marketing factor relative to those Corporations that are getting progressively run down and have a reputation for being poorly managed. According to CCI statistics compiled as of June 2016, there are now some 148 Condominium Corporations with some 4,042 Units available in the province. This represents a lot of competition in a difficult market placing pressure on investor Owners who may be seeking a reduction in condo fees to improve their competitive position. In my view, reducing condo fees to placate investors is not recommended or, over time, a viable course of action beneficial for any of the Owners whether they live in their Units or lease them.

David Cumming has served on the Board of Directors of the Imperial Condominium Corporation for over 10 years – much of the time as President. The opinions expressed in this article are those of the author and do not necessarily represent or reflect the views of CCI Newfoundland and Labrador Chapter. Readers are encouraged to seek the advice of professionals to address specific issues or individual situations. This article may not be reproduced, in whole or in part, without acknowledgment to the author.

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Dispute Resolution Through Mediation

By David Cumming and Dr. Brenda Kelleher-Flight

Any time people live in close proximity, there is the potential for disputes. Condominium living is no exception. The Condominium Act requires that every Corporation operate according to its By-laws (Ref. Section 35). By-laws are a binding contract between the owners and the Corporation governing the conduct of the participants in the Corporation. They normally contain specific provisions for operating the Corporation including the use and occupation of the Units as well as the use of the Common Elements. Under Section 19 (1) (c) of the Act, the Corporation must 'take all reasonable steps' to ensure that the By-laws are enforced. The key word is 'reasonable.' This should not be interpreted to mean that flagrant violations of the By-laws can be ignored, however, there appears to be some flexibility in the interpretation / application of the legislation to make compromises in an effort to satisfy the aspirations of all the parties involved in a dispute.

Section 64 of the Act deals with the Resolution of Disputes. Options available to the parties in dispute involve mediation by a mediator certified through Alternative Dispute Resolution (ADR) Atlantic. If the mediation is unsuccessful, the dispute may either be referred to an arbitrator under the Arbitration Act or the parties may make application to the court and take the litigation route. Since the average size of a condominium in Newfoundland is only some 30 Units and litigation can be prohibitively expensive, the litigation option is generally beyond the means of most Corporations.

An example dispute between an owner and the Corporation resolved through mediation is outlined as follows:

An elderly owner falls ill and requires home care. The owner's daughter volunteers to attend to her mother, however, the daughter owns a dog and brings the dog into the condominium. The condominium has a 'no pets allowed' By-law. Some owners living on the same floor

file written complaints to the Board regarding this infraction and demand that the dog be removed from the premises immediately. The daughter refuses as the pet appears to bring some comfort to her mother and plans to bring in the dog even after the mother regains her health. The Board pursues the normal process for internal dispute resolution including writing a letter to the owner specifying the By-law being violated and requesting that the dog be removed from the property. When no action was taken, the Board invited the owner and daughter as well as the complainants to a Board meeting to discuss the problem. No resolution could be found.

In an attempt to resolve the issue, the Board decides to retain the services of a certified mediator to mediate this dispute. The steps involved in mediation are described as follows:

First, the mediator sets up a meeting with each party directly involved in the dispute. The mediator's intention was to listen to each party's story to ensure there was a clear comprehension of the situation from that party's perspective. The mediator asked each person to outline in writing the actions taken and the intentions when taking those actions.

Second, the parties were asked to meet with the mediator to continue the process. During this meeting, each party was provided the opportunity to tell his/her story without interruption. Then the mediator asked each party to outline what he/she wanted to accomplish during this meeting. When this list was completed, the mediator clarified the issue(s) to be resolved. When the parties were confident that the issues were accurately delineated, the mediator asked the parties to brainstorm potential solutions without judging any suggestion.

Next, the parties were asked to review each option and determine whether it was feasible given each party's

situation and the Corporation's limitations outlined in the relevant policies/By-laws. When the list was whittled down to those options which were realistic given the particular situation, the parties selected those that were mutually agreeable to them.

The parties asked the mediator to write out the agreement as they spoke. All parties read the agreement and signed the document signifying the issue(s) had been resolved.

In this particular case, the mediation process was deemed to be successful when it was agreed by all parties that the dog could stay for a defined length of time or until the owner regained her health – whichever came first. Either way, it was agreed that the dog would not become a permanent resident or visitor of the condominium.

Thus, with the participation of a certified mediator, a compromise was reached between the parties in dispute and the Board has satisfied the requirements of the legislation in that the By-law was enforced in a reasonable manner.

David Cumming has served on the Board of Directors of the Imperial Condominium Corporation for over 10 years – much of the time as President. Dr. Brenda Kelleher-Flight is an experienced conflict resolution coach and mediator certified by ADR Canada. The opinions expressed in this article are those of the authors and do not necessarily represent or reflect the views of CCI Newfoundland and Labrador Chapter. Readers are encouraged to seek the advice of professionals to address specific issues or individual situations. This article may not be reproduced, in whole or in part, without acknowledgment to both authors



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Number of Units: _____ Registration Date: _____

Development Style: ☐ Townhouse ☐ Apartment Style ☐ Other: _____

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