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Devil is in the details

Terry is a 23-year-old public servant, having recently graduated with a bachelor of commerce degree.

He is ready to buy his first home, and came to my office last month to review a 33-page offer prepared by the builder of the condominium tower where he wanted to live.

As we sat down to go over the form, I explained that my function was to highlight the legal red flags in the agreement, and not to attempt to encourage or discourage him from buying the condominium.

By the time he left my office an hour later, Terry was thoroughly disillusioned.

"This is unbelievable," he told me. "I was lied to."

Terry thought he was buying a 665-square foot one-bedroom unit in a highrise tower for \$267,500. It turns out that the agreement contained no guarantee of unit size and the price he would eventually have to pay for the unit was considerably higher than the price written on the first page of the offer.

Some of the nearly \$20,000 in extras buried in the small print were:

Two months' common expenses for the reserve fund.

\$1,500 + GST for the cost of utility meters and connection fees for water, gas and hydro service.

Estimated property taxes for the year of closing and the following year, even though the builder would not have to pay the taxes until the unit was assessed 18 to 24 months later.

The Tarion Warranty Corp. enrolment fee of \$565

\$100 for a status certificate and \$52.50 for the builder's Law Society levy.

An unlimited amount for any new or increased municipal or school board levies imposed after July 1, 2009.

Unlimited amounts for any utility security deposits and administration fees.

A \$175 administrative fee to hold Terry's deposit money in trust

The largest item, however, was buried in a paragraph of dense legalese, which makes the purchaser responsible for the provincial sales tax component of the new harmonized sales tax.

As I calculate it, this would add about \$10,000 to the purchase price.

"This was never mentioned in the sales office," Terry told me.

Unfortunately, we still weren't finished.

Buried in the thick volume of disclosure materials and never mentioned in the sales office or the offer were two more zingers.

All of the unit owners are required to share in the cost of buying two guest suites at \$121,000 each, plus three car share units at \$28,000 each, for a total of \$326,000.

Terry's share came to \$1,085.50, repayable over 10 years, plus interest at 4 per cent over the Bank of Canada 10-year bond rate.

The unit purchasers are also responsible for a so-called Green Loan, which could be as much as \$750,000 or almost \$2,500 for Terry's unit plus interest for 10 years.

Terry told me that all of these extra charges were either never mentioned in the sales office, or he was told incorrectly that they were included in the purchase price.

To top it all off, the floor plans attached to the offer had no measurements and no guarantee of the size of the unit allowing the builder to deliver a unit significantly smaller than what was promised to him in the sales room.

As he left my office, Terry sadly told me he was going to terminate the transaction.

"I don't feel comfortable in buying pre-construction anymore," he said.

Builders should be more "up front" with extra costs, he added.

Terry's experience points to three legislative changes that are badly needed in the process of buying new homes and condominium units:

- All extra charges must be clearly set out in dollar amounts on the front page of any builder agreement.
- Floor plans with measurements and square footage must be attached to every offer.
- Every sales person representing builders must be a trained, licensed and insured real estate agent who would be responsible professionally and financially for misrepresentations made in sales offices.