

From Times Colonist

Plugging The Leaks

The condo saga continues, with some losing their homes, others seeing retirement plans wrecked

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Times Colonist

When Margaret McLynn bought a condominium in The Manhattan, a 15-storey landmark at 938 Yates St., she imagined retiring there a couple of years from now.

But scaffolding mars the view from McLynn's two-bedroom suite on the 11th floor, a clue as to why the 63-year-old physiotherapist is rethinking that idea.

The workers clambering around the Victoria condo with hammers and drills are doing "building envelope" repairs, to use the construction industry jargon for leaky condos.

"It has clouded my vision of retiring," said McLynn, of the noisy -- and expensive -- work. She is one of the owners in the 126-unit building having to shell out an average of \$33,000 for the fix. Begun last month, the renovations are expected to take almost a year and cost more than \$4 million.

The Manhattan is the latest and possibly most prominent example of leaky condos in Victoria. More than five years after a provincial commission of inquiry dug into the issue, the faulty buildings are continuing to surface.

Renovation companies took out a total of \$9.1 million in permits in the city last year to repair defective "building envelopes." The sum was \$6.5 million in the previous year and \$5.688 million in 2001. These costs do not include engineering and consulting fees that can triple the actual outlay by condo owners.



And after the leaks are fixed, sometimes at the expense of people having to give up their homes, a messy legal residue is often left behind. Lawsuits from condo owners against developers, builders, engineers, architects and municipalities have been flying. The city of Victoria has started to set aside \$400,000 a year to deal with legal settlements.

Bob Macquisten, a lawyer for Staples McDannold Stewart, which does legal work for the city, said Victoria is dealing with about 30 claims, several of which have been settled out of court. He would not go into details.

When McLynn bought her ocean-view apartment in early 1996, a defective building that let rainwater in was the farthest thing from her mind. The developer was Bosa Construction, from Vancouver, the builder Victoria's Campbell Moore Group.

When she first toured the steel-and-concrete building "it looked very sound."

Just three years later, a report showed water was leaking into the building around windows and "joins" in the stucco exterior.

Like other condo buildings of the era, The Manhattan was well insulated but water entering the structure had nowhere to go. Now, workers are now ripping out the stucco and sodden insulation and will be installing a drainage system to ensure any seepage wicks away from the building.

"We knew people had concerns. But when I read the report my heart sank," McLynn said. The repair bill came in at four times the original estimate and she had to take out a second mortgage to handle the extra expense.

Others weren't so lucky. Many were forced to sell their suites.

It's a story that has been repeated many times around Victoria with buildings dating from the 1980s to the late 1990s.

Dozens of wood-frame apartment blocks using technology developed for buildings in southern California have failed miserably to stand up to coastal B.C.'s damp climate.

And larger structures, as the case of The Manhattan suggests, have not been immune. Just about the entire Songhees development, with high-priced apartments offering million-dollar harbour views, has been behind scaffolding for repairs.

The Manhattan's residents have hired a lawyer to look for ways to recoup their repair costs. McLynn has been able to benefit from some financial aid from the Homeowner Protection Office to cover interest payments on her second mortgage.

The office is a Crown corporation established after a recommendation by the Barrett Commission, headed by former premier David Barrett. It provides interest-free loans to owners of leaky condos without substantial means and offers relief from provincial sales tax on associated costs.

The city does not keep statistics on leaky condominiums, but Victoria is one of the most severely affected parts of the province, along with Vancouver.

Across B.C. more than 65,000 homes have been affected, according to HPO estimates, with repairs mounting above \$1.5 billion.

In his two-volume report Barrett spread around the blame for the condo crisis.

He blamed municipalities for their "inability to effectively monitor building quality."

He accused the provincial government (at that time the NDP) for failing to ensure the building code was interpreted properly.

And he laid into developers, builders, general contractors, architects and engineers for failure to take responsibility for the mess or to take steps to avert the problems.

The NDP government incorporated many of Barrett's recommendations, such as the establishment of the HPO, which has been continued under the Liberals.

Since the office opened in October 1998, it has issued 12,000 interest-free loans to owners of leaky condos to help pay for repairs totalling \$356 million. The loans, issued to the neediest according to a "means test," averaged \$25,642 for homeowners and \$38,000 for owners of co-operative housing units.

As well, HPO paid out \$9.5 million in grants for provincial sales tax relief in the same period.

Jan Calkins, office spokesperson, said more than half of the expected number of leaky condos have been repaired or are in the process of being fixed.

One of the lingering legacies of the leaky-condo crisis was the shattering of consumers' confidence in multi-family housing, something which has depressed condo prices while the rest of the housing market has soared.

That has been a serious concern for Victoria as it tries to persuade people to live downtown.

Calkins said a number of legislative measures have helped reassure condo buyers, including a requirement for all home builders to be licensed by the province, as recommended by Barrett. A mandatory home-warranty insurance scheme provides minimum coverage for up to five years for "building envelopes" and up to 10 years for structural damage.

The insurance scheme replaces the New Home Warranty Program, financed by house builders, that went bankrupt in 1999 under the deluge of leaky-condo claims. The new plan costs an average of \$750 to \$1,500 per home.

In 2000, regulations were brought in to require licensing of companies doing leaky-condo repairs. Their work also is covered by mandatory warranty insurance.

Murray Sluggett, Victoria's chief building inspector who directs a team of four inspectors, said so-called "rain-screen" technology is required by insurance companies now.

The technology involves creating a gap or cavity between the exterior and interior walls of a condo building to allow any water that penetrates the exterior to drain away.

Condo buildings erected since 1999 use rainscreens that seem to have prevented moisture problems. But, added Sluggett cautiously, "That's not to say there aren't any."

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CONDO FACTS

- Since 1998 the Homeowner Protection Office, a provincial Crown Corporation, has approved interest-free loans for 9,368 leaky condo owners in B.C.
- The average amount of the loans is \$27,209 for a total of \$254.9 million. The office has approved an additional \$101 million for 46 housing co-ops, covering 2,656 units.
- More homeowner loans went to residents of Victoria (16.1 per cent of the total) than any other B.C. community except Vancouver (25.9 per cent).
- A total of 1,169 loans have been approved for the capital, totalling \$41 million, compared to 1,466 loans totalling \$49.2 million for all of Vancouver Island. Leaky condos have been an issue for communities as far north as Campbell River but relatively few buildings are involved. Nanaimo is the most significant spot next to Victoria, with 151 loans approved for a total of \$3.2 million.

For information about HPO and its programs call 1-800-407-7757 or try the Web site www.hpo.bc.ca

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