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## Builders should be upfront about extra condo charges

Last week I had the opportunity to review a condominium builder purchase agreement with a couple of clients. They had been told in the sales office what they thought was the total purchase price and asked me to see if there were any surprises in the 39-page offer.

The salesperson had failed to mention that the price on the front page was not the final one and that there were a great many extras not included in that figure. I went through the offer with the clients, pointing out many such items.

The more I talked, the unhappier they became. I provided them with a long list of items classified as extras to be paid on closing in addition to the purchase price:

- The unit's proportionate share of the cost of installation of gas, hydro, sewers and water service and meters, to an unlimited amount.
- Any new taxes imposed on the unit by any level of government after the agreement was signed (think HST) also an unlimited amount.
- The Tarion warranty enrolment fee of \$502.
- An unlimited levy against the unit for parks or other municipal charges.
- Provincial sales tax on the appliances included with the unit.
- An extra \$300 for the paperwork to hold the purchasers' deposits in trust.
- \$150 to discharge the builder's construction financing and give clear title after closing.
- The builder's \$52.50 transaction levy payable to the Law Society.
- \$150 to subsidize the builder's legal fees.
- Interest on the balance of the purchase price from the day of final closing to the next banking day.
- The amount of any increase in municipal, education or transit development charges imposed between Oct. 10, 2008 and closing.
- An unlimited contribution to the builder's proportionate share of all costs associated with a development agreement entered into with the city.

The total cost of these extras could easily exceed \$10,000 to \$20,000. And since they are classified as extras or "adjustments," they are typically not eligible for mortgage financing. Not one of them was mentioned in the sales office.

To make the purchasers' cash flow even worse on closing, the offer requires that the purchasers prepay to the builder estimated property taxes for the year of closing and the year after another \$4,000 or \$5,000 for taxes that won't even be assessed for at least a year.

But that's not all. Buried in the thick binder of disclosure materials is a requirement for all the condo owners to jointly buy from the builder a \$185,000 guest suite and a \$215,000 superintendent's unit. The unit owners have to pay this money over 11 years with interest at 4 per cent over the 10-year Canada Bond rate.

Based on the proportionate share of the unit in the building, the extra cost to my clients for their share of these two units would total about \$555, plus interest for 11 years. This charge is not even mentioned in the purchase agreement.

I told my clients that if they wanted to proceed with the purchase, they should go back to the builder and amend the agreement to cap the extra charges. Some builders will do this and some will not.

I have no problem at all with builders charging whatever they want for houses or condominium units, and for imposing any extra charges they see fit.

My clients and I have a serious problem with the total lack of disclosure of the charges in the sales office a typical failure in many builder sales offices.

The better builders are open and transparent when it comes to disclosing extra charges in the sales offices. They are a credit to the profession and help support a positive public image for the home-building industry.

The rest of them are the ones who may force the government to step in and require full written disclosure of the total purchase price and all extras in a builder offer.

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