

## Sophia condo project falls into receivership

Developer cites municipal strike, labour costs, contractors who abandoned job

**Derrick Penner**

Vancouver Sun

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Bill Eden, head of the company developing the upscale Sophia condominium project in Mount Pleasant, said municipal strike delays, labour costs and contractors who abandoned the job contributed to about \$4 million in cost overruns that pushed the development into receivership.

Eden, in an interview Thursday, said that while construction has halted on the 81-unit, eight-storey building, pre-sale buyers "are not at risk at all" of losing their units.

They do, however, face some uncertainty over whether they might be asked to shoulder some of the additional costs to bring the project to completion.

The court-appointed receiver, David Bowra of the Bowra Group, said he has just begun his assessment of the Sophia project and it is premature to speculate on whether pre-sale buyers will be asked to shoulder any additional costs.

He added that his intent is to convince the project's financiers that it makes more sense to bring the project -- which is 85 per cent built -- to completion rather than liquidating it as is.

However, if there's a gap between the financing and sales revenue, "We're going to have to find [the money] somewhere."

"My advice to purchasers would be to sit tight for the next week or so," Bowra said. He is due to make his recommendations to B.C. Supreme Court in the next week to 10 days.



CREDIT: Steve Bosch, Vancouver Sun

**CONSTRUCTION HALTED:** The Sophia, an upscale condominium project in Mount Pleasant near 11th and Main, is in financial difficulties even though it is 85 per cent complete. The receiver plans to persuade backers to see the project to completion.

Eden said he is cooperating with Bowra and hopes to come up with a proposal that "meets everybody's needs.

"[Buyers] can either get their deposit back or work with the ruling of the court."

Eden said advance sales on the Sophia project started in the fall of 2005, and 78 were sold relatively quickly at prices of about \$400 to \$425 per square foot.

Since then, Eden said market prices in the neighbourhood around Main St. and Sophia St. have risen, and on paper at least, the value of the units is up between \$100,000 and \$200,000.

"Everybody's made a lot of money on these units," he added.

As far as the Sophia's costs go, Eden said the problems started last October when he was hit with cost overruns totalling \$2.2 million. He put up additional securities then, which he believed would get the project to the end of April.

However, within 60 days Eden said the project was hit with another \$2 million in additional costs "we just couldn't handle. That's what put us into receivership."

A "variety of issues" pushed costs up, he added. Last summer's municipal strike caused delays that added to his interest costs on financing. In September, he told The Sun that interest was racking up at a rate of \$300,000 per month.

He also faced extra inspection fees during the strike, lost a couple of his trade contractors, and had difficulty securing skilled workers.

In November, Eden blamed strike delays for cancelling two other condo projects before construction started.

The Sophia situation follows from another developer, Chandler Development Group Inc., being pushed into receivership on two high-profile projects, the 192-unit H+H project in Yaletown and the 108-unit Garden City building in Richmond.

Bowra is also the receiver in those cases, and said that while they faced some cost overruns, the receivership had more to do with the project financiers losing confidence in management of the development.

In his most recent report to B.C. Supreme Court, Bowra said the lenders on both buildings have agreed to finance completion of the projects, and the pre-sale buyers will be able to complete the purchases of their units at contract prices.

"Given the market conditions and the fact these people are in the money, I suspect the majority, if not all, will want to complete those transactions," he added.

However, in an interview Thursday, Bowra said about 22 units appear to have been pre-sold at prices significantly below prevailing market prices at the time, and he is seeking some direction from the court on how to handle those. He said

some of the buyers were "related parties" to the developer.

Bowra was also the receiver appointed to last spring's high-profile failure of the Riverbend condominium project in Coquitlam, where the developer attempted to cancel pre-sale contracts to re-sell them at higher prices when construction costs exceeded the revenue from the contract prices.

But Bowra doesn't see a trend developing, noting that "there haven't been too many [failures]."

Peter Simpson, CEO of the Greater Vancouver Home Builders' Association, added that while the industry has strained under labour shortages and inflation of costs, the failures are still isolated cases.

"Over the last four years, there were 78,000 new homes and condominiums delivered at the price agreed upon without incident," he said.

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## CONDO CONCERNS

Project: Sophia, Mount Pleasant,

Vancouver

Units: 81

Developer: Eden Group of Companies

Status: Being evaluated by the receiver.

Project: H+H Yaletown

Units: 192

Developer: Chandler Development Group Inc.

Status: Financing committed to complete, new disclosure statement being finalized.

Project: Garden City, Richmond

Developer: Chandler Development Group Inc.

Status: Financing committed to complete, new disclosure statement being finalized.

Source: Bowra Group receiver manager

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