

The Situation

The 258 units of Yellowknife Condominium Corporation No. 8 (Condo 8) are collectively responsible for the maintenance, repair, and replacement of roads, sewers, and water lines. No significant funds have been set aside to replace this infrastructure, which is now well past its life expectancy and increasingly expensive to maintain.

Condo 8 members pay full municipal taxes and even more for condominium fees every year. While we have secured some minor tax concessions from the City of Yellowknife (the City), our costs increase every year. We find the repair logistics increasingly challenging.

CMHC will no longer insure mortgages in Condo 8. Since CMHC insurance is required for all mortgages for trailer homes, it is extremely unlikely that anyone owning a unit in Condo 8 will be able to sell their home. No units have sold here for over a year.

The estimated cost to replace our aged infrastructure is \$15-\$20 million.

The Plan

We plan to repair the infrastructure of Condo 8 to a standard which the City will accept, assume ownership of, repair, and maintain. Funding for the project will be through a loan secured by the City, and repaid over 25 years through a Local Improvement Fee (LIF). We applied for external funding from the federal government over a year ago. Any external funds that do come in will reduce the amount we need to repay via LIF. It was recently expressed that if we start this project on our own, federal funds would likely not be available to us. Examples were given of such instances.

At the end of this project, we would be paying the LIF monthly and a small condo fee of probably less than \$20/unit/month.

Cost Scenarios

	3.00%	3.00%	3.00%	5.00%	5.00%	5.00%
interest rate	3.00%	3.00%	3.00%	5.00%	5.00%	5.00%
project cost	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000
years amortization	15	20	25	15	20	25
cost/unit	\$69,767	\$69,767	\$69,767	\$69,767	\$69,767	\$69,767
monthly payment	\$482	\$387	\$331	\$552	\$460	\$408
total paid	\$86,724	\$92,863	\$99,254	\$99,309	\$110,504	\$122,356
interest paid	\$16,957	\$23,095	\$29,486	\$29,542	\$40,737	\$52,589

The financed cost to repair our infrastructure is not much greater than our current condo fees. We can expect that our maintenance costs will soon exceed the financed cost of replacement.

Common Questions

Q1: What happens to the Local Improvement Fee if interest rates increase?

A1: Need answer from the City.

Q2: How can we hand off the project costs so that we don't end up doubling up on costs with LIF and condo fees?

A2: Need answer from the City. Bridge-financing may be an option.

Q3: This is unfair. Why don't we sue someone (city, lawyers, real estate agents, developers who worked here 30 years ago, etc.)?

A3:

- We got a legal opinion stating that all actions leading to our present situation were legal.
- Any court action would have a poor chance of success and likely drag things out for another 5-10 years.
- The City has 20-40 x deeper pockets than we do so even if we had a case, which we don't, we'd likely go bankrupt fighting this in the courts.
- Membership directed course is to improve infrastructure to a condition that the City will accept and maintain. We need the City's cooperation to reach this point.

Q4: Why don't we install septic tanks (utilidors, etc.)?

A4:

- For the City to take over, we need to develop to the City-standard.
- In 2008, Condo 8 commissioned Dillon Consulting Limited to prepare infrastructure replacement options for us. Their showed only about 30% savings over City-standard if we built a combination of trucked and piped services. Of the members who attended Dillon's presentations, the greatest number indicated a preference for the City-standard approach.
- If the City doesn't take over, we're stuck with double taxation forever. On the long term, this is more expensive than replacing to City-standard.
- We need the City to secure the loan for our infrastructure improvement.

Q5: Why do we want the City to secure a loan for us?

A5:

- We are considered enough of a risk that CMHC will no longer insure mortgages in Northlands.

- We are not likely to secure a loan on our own.
- The City has access to rates far better than any of us would be likely to get on our own. At this point, we can reasonably expect an interest rate of less than 5%.
- If the City collects local improvement fees, the delinquency of any unit does not spill over as extra burden on their neighbours.
- The City has more leverage to enforce fee payment than we do.

Q6: How can we afford this? Northlands is supposed to be affordable housing.

A6:

- It is relatively cheap housing, primarily because we haven't been paying what it would cost to keep things in good condition, or saving for replacement costs. Strictly speaking, under the Condo Act we should slap a \$65,000 special assessment on every unit and proceed with infrastructure replacement.
- We get no external funding to keep housing costs down.

Q7: Won't people go bankrupt if we have to pay more?

A7:

- People go bankrupt if they cannot afford to pay their expenses.
- The expenses of running the Condo Corporation are only going to increase the longer we wait.
- If we follow our plan, people will at least have the option to sell and recover some equity. If we do nothing, we're all trapped.

Q8: Someone else should pay. (City, government, etc.)

A8:

- The GNWT has no programs for which we would qualify as a group. Individual homeowners may qualify for assistance under CMHC or NWT Housing Corporation programs once the project is underway.
- We have applied for federal funding which might cover \$9 million of our estimated \$18 million improvement. We have been waiting to hear back for over a year. Our MLA (Wendy Bisaro) and our MP (Dennis Bevington) have been following up on our behalf. Things are not improving as we wait for free money which may never come.
- The only way someone else is likely to intervene is if we can no longer run things ourselves. If someone else steps in, it will be on their terms and most likely less favourable to us than if we set this up ourselves.

Q9: What will happen if our membership does not approve the plan?

A9:

- There has been some discussion about replacing sewer lines only, using an in-ground replacement technique. The rationale is that our water mains have more life left in them than the sewers do. This could be as much as 75% cheaper than replacing to the City-standard and may let us satisfy CMHC enough so that some members could sell their homes. The water mains would have to be replaced as well, but perhaps not for another 10-15 years. The cost of replacing the water mains alone could be about 80% of the City-standard replacement cost for both sewer and water lines. We would be obligated under the Condo Act to save money for this future repair. The cost of park management/overhead and delinquent accounts would make this option more expensive than repairing to the City-standard. We would continue to pay both condo fees and taxes. Sewer and water mains would remain under our homes, decks, and outbuildings which we would continue to need to remove/tear-down to perform repairs and maintenance.
- Through inaction we risk another large problem (such as sewage leaking into Frame Lake, or contamination of domestic water supply) cropping up which at a worst case (not including possible health issues) could see our homes condemned, resulting in a complete loss for all owners.

What Next?

Our MLA, Wendy Bisaro, has requested zero-interest financing for us from the territorial government.

We have asked the City to accept our roads in an unpaved condition. This was the arrangement when the other trailer parks handed over their infrastructure to the City and would be a significant saving for us. The City has committed to preparing a proposal for our membership to review by January 31, 2012. This proposal will outline the costs we need to approve in order for the City to begin work on our sewer and water pipes.

Once we have the proposal from the City, the Board will circulate a petition/form whereby owners can request the City to replace our infrastructure and fund it through a local improvement fee. We need agreement from 60% of units representing not less than 50% of assessed property values in order for the City to proceed with this approach.