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## REPORTING FOR DUTY

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# Condo owners may be losing millions

**Crime.** Fraud 'plaguing' property holders at rates 'much more widespread than one would like to believe': Advocate



JESSICA SMITH  
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Two condo owners in downtown Toronto became fraud

detectives when they learned that the contractor their condo corporation paid \$142,000 for low-flow toilets had disappeared.

In North York, a new condo-board president uncovered his property manager's \$1-million embezzlement.

Meanwhile, contractors Metro spoke to say fees in some condos are high because the bid rigging and kickbacks in their industry inflate the costs of maintenance and repairs.

"Condo owners in Ontario

lose millions of dollars a year because of bid rigging and fraud," alleges Anne-Marie Ambert, a retired York University sociology professor who was recently on the expert panel of the Ministry of Consumer Services' review of the Condominium Act.

The ministry is planning to update the legislation that governs condo corporations for the first time in 15 years. Recommendations are expected this fall.

Ambert represented the interests of condo owners on

the panel. She also runs the online Condo Information Centre.

Over four years, she's received 2,800 letters from condo owners, managers, board members, contractors and lawyers. Over half of them alleged financial problems, including rigged contract bidding, kickbacks, fraud and outright theft.

"It's plaguing condo owners," she said. "We're aware of it when there's a big scandal that goes into the news, but how widespread? I

think it's much more widespread than one would like to believe."

Det. Sgt. Cam Field of Toronto police's financial-crimes unit agrees. He said the unit has ongoing investigations into suspected cases of major condo fraud.

"Right now in Toronto there are condo corporations that have lost almost their entire reserve funds and other funds because of criminal behaviour on the part of their board or the property manager," said Field.

Field said the frauds his unit has investigated have left owners devastated and their condo funds bankrupt.

"That's bad enough on its own, but, taking that another step, if you want to sell your condo, a diligent buyer is going to look at the health of that condo corporation, look at the books, and say, 'This condo corporation is in a world of hurt and I'm not buying this unit,'" he said.

**FOR THE FULL STORY ON CONDO FRAUD AND THE CONDOMINIUM ACT REVIEW, TURN TO PAGES 12 AND 13.**



## LOVE WITH A DESI TWIST

Actress Parineeti Chopra waves to fans at the premiere of her film *A Random Desi Romance* at Roy Thomson Hall on Wednesday. Chopra defies socially conservative Bollywood mores in the film, playing a promiscuous, chain-smoking participant in a love triangle between three young people trying to scrape out a semi-legal living in Jaipur, India's famous "Pink City." More TIFF coverage, pages 30-35.

ALBERTO E. RODRIGUEZ/GETTY IMAGES

# Stolen money, kickbacks cost condo owners

**'Dirty secrets.'** Busy, uninformed residents make easy marks for greedy contractors and management



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When retired sociology professor Anne-Marie Ambert set up a website devoted to educating condo owners on their rights, people began to write her about their condo problems. When she posted some of the letters on her website, with the authors' names removed, more letters came in, along with complaints and confessions about the industry's "dirty secrets."

According to Ambert, one common problem is corruption related to maintenance and repairs.

Some letters sent to the Condo Information Centre are from contractors confessing to inflating their fees. They see the condo boards that make decisions as easy marks, especially those made up of owners in the building who have no expertise in property management or ac-

## Quoted

**"It can be a simple repair, and all of a sudden they're paying tens of thousands of dollars.... They could have got it for two or three if they'd gone to multiple bids and made an intelligent decision."**

Toronto police Det. Sgt. Cam Field on condo property managers who single-source repairs in return for kickbacks

counting.

"I've had contractors tell me that they do it," she said. "Things like excessively padding bills, bid rigging."

The letters, available online at [condoinformation.ca](http://condoinformation.ca), also tell of board members and managers caught receiving kickbacks — such as renovations at their homes and envelopes of cash — in return for their support of a company's bid.

Det. Sgt. Cam Field, with the Toronto police financial-crimes unit, said the most common condo fraud is the kind Ambert describes, when property managers "receive kickbacks for basically single-sourcing, going to the same person over and over again, without meaningfully shopping for the lowest bidder or the bidder that makes the most sense."

"It can be a simple repair, and all of a sudden they're paying tens of thousands

of dollars for it, when they could have got it for two or three if they'd gone to multiple bids and made an intelligent decision about what to get."

The unit also investigates embezzlement.

"The other problem we have is where a property manager misappropriates reserve funds and other funds within a condo corporation or multiple condo corporations and uses that money for their own purposes," he said.

Field said those fraud investigations can follow a familiar pattern, starting with an owner who's paying attention.

"Usually, it gets uncovered by some rather intrepid residents who see things they don't like and start making inquiries, going to board meetings," he said.

Then, a forensic audit will be done at great expense to the property owners.



Judy Sue and William Stratas stand outside of their condo building downtown at 38 Elm St. Inspired by their investigation of the into business together as Eagle Audit, offering fraud-auditing and investigation services for condos. JESSICA SMITH/METRO

"That can cost upwards of a half-a-million dollars. For every dollar they get ripped off, they're going to spend a portion of it trying to figure how much they've lost," he said.

The police are planning to launch a social-media campaign that will urge condo owners to be vigilant about their building's finances to

protect their investment.

"A lot of us are incredibly busy," said Field. "It's a new economy where having more than one job is not uncommon and we're working harder for the same amount of money and we don't have the time — but what we tell people is please, please go to every condo-board meeting and listen to these people."

Field doesn't know how often condo corporations are defrauded.

"It's probably more often than people would think. As we speak right now there are condos being ripped off and in a certain, alarming number of cases, people never realize it and it will never be discovered. That's the frightening part."

## Tales of greed

### Contractors on the bad and the ugly

In his 20 years working in condos, Fred Rosen, president and CEO of Spectrum, a flooring company, says he has seen corruption, but he doesn't think it's a pervasive problem.

"I'd say you're probably looking at less than 10 per cent of managers and contractors who are corrupt," he said.

Sometimes, a manager will offer to help his company rig the bids for a job, he said.

"The manager calls you up and says, 'I'd like you to quote on the job.' And

## Quoted

**"Be leery if they're always from the same three companies, because someone who's a crook will have two other crooks to put in bids with him."**

Fred Rosen, president and CEO of flooring company Spectrum, on looking out for bid rigging by companies

then he says, 'I'd like you to provide two other quotes for me.'"

Those quotes will be higher bids from other companies, which won't get the job — but will satisfy the board's requirement for competing bids.

"He can say that because he doesn't want to be bothered going through the whole exercise of the board, or he might say it because he prefers to work with you and doesn't want the board

to get mixed in — but it's his own agenda; he is deceiving someone from this point on," he said.

His company works in 700 to 800 buildings and he sees that scenario a couple of times a year, Rosen said.

"But maybe people don't approach us that frequently because we're a large company and because they know we don't do that, we don't go that way," he said.

"It's a moral choice as well. There's an old saying:

'You go to bed with dogs, you wake up with fleas.'

He offers other anecdotes of condo "impropriety." One manager asked his company for the small favour of cleaning the area rug in his home — which was decked out with furnishings and TVs from the building he managed, including a pile of rugs he was trying to sell. In another, a board member gave a contract to build a condo website to her live-in boyfriend for \$12,000.

Rosen's advice to condo owners on the lookout for bid rigging is: It's hard to catch, but always have three quotations.

"Be leery if they're always from the same three companies, because someone who's a crook will have two

other crooks to put in bids with him."

Another condo contractor, who has been in the field for 18 years, said in his corner of the industry, corruption is rampant. At his request, he remains anonymous.

"In our market, where jobs are tendered on a large scale and there are a number of bidders, the strong competitors are actually talking to each other," he said in a phone interview. "And the bids end up being exorbitantly higher than they should be in a normal competitive marketplace. So ... the condo corporations are being ripped off royally."

"I've seen jobs go for as much as double what they should be. Jobs that should be \$300,000 to \$400,000

are going for \$600,000 or \$700,000."

The contractor said boards would see four or five bids and "naturally assume that they are competitors, they're aggressively bidding, they want the work," he said. "You just don't know what the market should be so you're assuming the market will disclose a fair tender with sealed bids."

He said his company doesn't engage in bid rigging and will win jobs with honest low bids — but there is so much work to go around, he doesn't know of all the tenders.

He is wary of warning others and going public with what he knows. "I could be blacklisted.... I have a family."

JESSICA SMITH/METRO

# Condo embezzlement stories usually go unreported: Police



fraud at 38 Elm, Sue and Stratas have gone

The story of Manzoor Khan — the president of Channel Property Management who allegedly borrowed an estimated \$20 million against his buildings and fled the country in 2011 — was told in a shocking Torstar News Service investigation.

Khan was also accused of rigging bids, creating fake companies that would win work in his condos and then subcontract the work at a fraction of the price.

Stories of condo embezzlement usually go unreported.

In late July, Tim Toole, former president of Deaconwood Property Management, pleaded guilty to fraud over \$5,000 and possessing property obtained by crime, and has started serving a two-year penitentiary sentence, said Toronto police Det. Const. Christopher Briggs.

Toole embezzled nearly \$1 million from two North York condos: 20 Olive Ave., and 22 Olive Ave., said Briggs.

The fraud came to light when the board at 20 Olive elected a new president, who demanded to see financial records, which Toole refused to divulge, said Briggs.

That prompted the board to fire Deaconwood and ask the new property management company to conduct the audit, which identified the stolen money. Police found the funds had gone directly from the condo's bank account to Toole's.

## Licensing with 'real teeth'

Sue and Stratas would like to see property managers licensed by an independent body that would revoke licences for wrongdoing.

- "Our view is the licensing process needs real teeth, real consequences, and real review and vetting of individuals," said Stratas.

- Stratas said his experience has convinced him fraud is pervasive in the condo industry because there are many opportunities for people to rip off condo corporations. "To what extent they actually commit those financial crimes is only a question of the individual morals and self-restraint individuals may have."

The unsophisticated fraud might never have been discovered without the new president asking questions, said Briggs.

"They were very trusting of Tim," he said. "Everyone said the same thing: he talked a good game and gained everybody's trust. Until they made that change they had no idea."

Deaconwood also managed 9 Boardwalk Dr. Former resident Bruce Campbell alleges the building was taken for about \$90,000 because his board wasn't paying close enough attention.

Campbell, who became the board treasurer after Deaconwood Property Management shut down, went through his building's financial statements with an auditor and saw \$13,000 had been transferred from the current account through the reserve fund to an outside bank ac-

count, until about \$90,000 was missing.

When they went to the police, they learned about the charges in relation to the buildings in North York. The board at 9 Boardwalk decided that since there were "bigger fish" in line, they would write off the loss, said Campbell.

In the end, the loss was about \$1,000 per unit.

In a 2010 case, residents at 38 Elm St. recovered the money their building was allegedly defrauded of in an out-of-court settlement with their property management company.

July Sue and William Stratas were residents of the building in March 2008 when they got a "cryptic disclosure" from their board, said Stratas.

"Under the Condominium Act they had to make a disclosure that there was a litigation underway involving

the common elements of the building," said Stratas.

Stratas and Sue decided to investigate and went to court and retrieved the legal documents involving their condo. They learned that the contractor, Gregory Chatzisavvas, who the board had hired to provide low-flow toilets to the building — and was paid over \$142,000 upfront — had disappeared with the money.

At the next annual general meeting, they both ran for the board. Stratas was elected president and Sue, a certified general accountant who worked at RBC Royal Bank as a senior financial analyst, was elected treasurer.

Sue investigated the building's finances. What she found prompted the board to take the condo's property manager, Christine Maitland, the management company and Maitland's direct supervisor to court.

Sue outlined what she discovered and believes to be true in an affidavit filed with the court, along with supporting documents:

— Maitland had a "non-arms-length" relationship with the contractor, suggested by condo cellphone records and evidence that Maitland's daughter was married to a subcontractor that worked with Chatzisavvas.

— Maitland helped the contractor write correspondence to the board that purported to be from Chatzisav-

vas on the condo office computer.

— Maitland had stolen more than \$30,000 from the building and falsified records to cover it. That theft included keeping cash payments intended to be paid to other condo employees as Christmas bonuses.

— Two people had attempted to deposit a forged cheque drawn on the condo bank account for \$221,670, but the bank refused it because it lacked a date.

That affidavit convinced a judge to issue an order to open bank accounts belonging to the contractor and Maitland.

The settlement details are confidential, but the documents were given to a real-estate blog, which reported the management company settled for \$460,033.90.

Maitland, now known as Christine LePage, is currently a property manager with Newton-Irelawney Property Management Services. Reached by phone at her building, the Liberty At Discovery Place in Pickering, she had no comment.

"I cannot discuss anything," she said. "That was part of the final settlement."

In a statement of defence filed with the court, Maitland "vigorously (denied) all allegations of theft, fraud and misrepresentation during her employment" at 38 Elm.

JESSICA SMITH/METRO

## Call to action

If you have any concerns about what is happening in the condo where you live, contact us at [investigations@metronews.ca](mailto:investigations@metronews.ca)



Condos fill this view of the Toronto shoreline. An updated Condominium Act is expected to be introduced soon.

DAVID COOPER/TORSTAR NEWS SERVICE FILE

## Review

### Will updated Condo Act be enough?

The Ministry of Consumer Services has been reviewing the Condominium Act and consulting with the public and experts for more than a year. Recommendations for an updated act are expected soon.

According to a ministry spokesperson, the experts "have proposed a number of recommendations that strengthen transparency, accountability and owner involvement in a condo corporation's financial affairs, thereby limiting the potential for abuse."

One change already

announced is that the new act will require mandatory qualifications for condominium managers.

Anne-Marie Ambert said her experience on the expert panel has led her to believe the review will lead to improvements in owners' rights, but she is concerned there may be "glaring problems left behind."

Ambert has been calling for an impartial body to oversee and regulate the industry.

Trinity-Spadina MPP Rosario Marchese has also been calling for the creation of a tribunal.

"Ontario needs a strong and independent condo tribunal, empowered to handle all disputes ... quickly and cheaply. With-

out this, any reforms of the Condo Act are going to fall short," he wrote in a recent newspaper editorial.

Jeffery Cowan, the principal of Cowan Law and a columnist for Metro, said legislating condos can be difficult, especially when the lay-people who own condos are ultimately in charge.

"So it's tough, from a regulatory perspective, to make sure the law is adhered to," he said.

Condo boards are made up of people who own their unit and therefore have a stake in its success — but sometimes they're not the people who are best equipped to run the condo's business, he said.

JESSICA SMITH/METRO