

## Riding the Building Boom

Steve and Herb Dunton have launched a large development in the Fraser Valley and plan even bigger projects on the Sunshine Coast

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From the highway, Falcon Ridge is like a brown scar on the south slopes of Sumas Mountain. Only two rows of homes have been built. Earth-moving machines, more than a dozen of them, work on the steep hillside above.

Other developments are creeping up the mountain all around it, part of Abbotsford's plan to build as many as 40,000 homes in the area.

As you drive up the road, it is easy to see what makes the area one of the city's most prestigious new neighbourhoods: The view. Green farms spread across the valley floor like a carpet; Mount Baker rises from the southern horizon like a painting on the sky.

"I really love this development," said Steve Dunton, CEO of Columbia National Investments, the company developing the site.

He must. After 10 years, three geotechnical studies of the hillside costing more than \$1 million dollars and seemingly endless delays getting the lots serviced and approved by the city, fewer than half of the 90 lots in the first phase are built or approved for building. Another 48 are ready for approval now, Dunton said.

The land is so steep that even basement windows have a view over the roofs across the street.

Since heavy rains washed away two homes and killed one person in North Vancouver in January of 2005, building on steep slopes became more complicated, Herb Dunton said in an interview at CNI's Abbotsford offices.

"What was required of us by the city changed over and over," he said.

Abbotsford economic development manager Jay Teichroeb said the requirements for approval at Falcon Ridge were laid out in the development agreement, noting that some companies developing complex projects wait until all the approvals are in before marketing their lots. CNI did not.

"It's a very steep mountainside. Ultimately, council needs to be satisfied that what they are signing off on is safe, environmentally responsible and that the infrastructure will



CREDIT: Peter Battistoni, Vancouver Sun  
Developers Herb (left) and Steve Dunton of Columbia National Investments at their Falcon Ridge project in Abbotsford.

work," Teichroeb said.

Some builders who agreed to buy lots from CNI became frustrated waiting, Herb Dunton said, and some of those deals collapsed. "No one lost money," he said. And no one sued, either. But Abbotsford is a town where people in the business know each other and friendships were strained. "You just keep on going."

And they are. Steve and his brother, Herb, are among a handful of developers riding a building boom in fast-growing Abbotsford and they are dreaming even bigger.

Columbia National Investments made headlines last month when it unveiled a proposal for three large properties on the Sunshine Coast that includes a destination resort, a gravel mine and port facilities and potentially thousands of homes. The \$32-million price tag for the land on the Sunshine Coast and its potentially transformative scale make it one of the most ambitious projects in B.C.

#### HUNGRY FOR HOUSING

CNI projects underway and in the planning stages in the Fraser Valley cover about 325 hectares are potentially worth billions of dollars. Potentially.

In central Abbotsford, the Duntons have plans for a 943-unit seven-building residential complex on Gladwin Road. Apartment buildings already surround the empty lot. They have approval from the city to start the first of those buildings, containing about 60 units.

The second phase of Falcon Ridge is to include another 145 homes and up to 120 units in multi-family buildings.

And, on the eastern edge of the city, the Duntons own a sprawling forested site a stone's throw from the Trans-Canada Highway at Atkinson Road. There they envision a massive \$1-billion complex of residential, commercial and office space that could even include a convention centre.

Planners are not as enthusiastic about the plans for 2,200 residential units, so CNI is mulling carving the project into two phases beginning with 2.2 million square feet of commercial and office space.

Heavy machinery is processing rock and gravel on the property on Atkinson Road. Like the trucks and excavators up the road at Falcon Ridge, most of these machines are owned by CNI. The gravel comes from its own pit.

The Duntons are probably years away from nailing two pieces of wood together on Atkinson Road, but they have what every developer in B.C. wants -- land. About 3,900 acres in B.C., with deals to buy, but not closed, on another 900 lots in Alberta, another market hungry for housing.

"We own the land that will be developed next," said Steve Dunton.

So, how did they find themselves perched on the edge of the big time?

The brothers from Victoria ran a construction firm in the Parksville area before moving their business and their families to Abbotsford in 1993. Dunton Homes built about 130 houses and small projects over a decade on the Island and were able to build a modest empire.

"You've just got to make sure that you are not sitting in the coffee shop when the work is being done," Steve Dunton said.

"We found land to be a good way to make money and starting buying property as we were building on the Island. As people started to come to the Island we sold what we had left over," Herb Dunton explained. "That was profitable."

The Duntons moved to Abbotsford where they grew their company by adopting projects that were fraught with problems and solving them one at a time, he said.

By renovating buildings, swapping bad tenants for good and finishing half-completed buildings in Victoria, Seattle and Alberta among other cities, CNI built equity and cash flow that allowed them to begin land-banking.

When you are developing raw land, 90 per cent of the work is done before building begins, Herb says, and his brother agrees.

"You have to see what's coming next and have a vision for that land, then work through all the processes and all the players," Steve Dunton said.

In Abbotsford that means working with the Sto:lo First Nation, who have historical links to much of the area. A 1997 Supreme Court of Canada decision requires that natives be consulted on land-use in areas where aboriginal title is in question.

CNI had talks with the Sto:lo after they had identified a number of sites on Sumas Mountain of spiritual and archeological importance. Sumas band Chief Dalton Silver says caves sacred to his people are located above Falcon Ridge, though not on CNI's property.

Stories about the mountain and thunderbird caves go back thousands of years, he explained. The aboriginal community has a fundamental problem with the city's plan to allow thousands of homes to be built on the mountain. Sto:lo officials have met with CNI and other developers to secure access to sacred sites and to try to protect grave sites identified in the area.

While the talks have not satisfied Sto:lo concerns about heritage sites on the mountain, he said Steve and Herb Dunton came to meetings armed with potential solutions. "We disagreed about some things, but we can talk and it isn't hostile," Silver said. Silver said he hopes to restart talks on archeological sites through the treaty office.

Steve Dunton floated the idea of taking a fee for every lot developed on Sumas Mountain and creating a fund that would pay for improved housing for the Sto:lo. Not all the developers are in love with the idea and he admits it would cost him money. "But I still think it's a good idea."

Herb Dunton suggested that artifacts being recovered from collectors by the Sto:lo might be incorporated into a museum on the Aktinson Road site that would incorporate a sacred "lightning rock" that is located on the property.

As the company's plans grew in size, so too did the need for public relations and public face. Last year the Duntons hired a PR firm to manage CNI's image and media access.

"We didn't come out of nowhere. We've been building this company for a long time," Steve Dunton said, explaining that the scale of his operation now requires a more public presence. "When you start doing bigger projects people have to know you to trust you."

CNI takes building relationships seriously, he says.

Steve Dunton regularly travels to churches across the country to participate in mentoring programs for young business people. Empty homes in CNI developments are donated to house teens who complete drug rehabilitation with the Teen Challenge Network, a Christian residential recovery group.

"It just means those kids don't have the hassle of trying to figure out everything as soon as they complete the program," Dunton said.

## PREDICTING THE FUTURE

Steve Dunton has a canny eye for satisfying needs. He thinks the airport is the key to Abbotsford's future growth.

Cost pressures in downtown Vancouver and Calgary are creating a market, not for head office space, but for back offices. Vancouver is an hour away by car and Calgary is an hour away by air, he says, and that means Abbotsford is perfectly positioned to be a corporate meeting place. Its competitive advantage is affordability, and people are piling in.

"Abbotsford is one of the fastest growing communities in the country and one of the fastest growing economies in the country. Like other communities in the Fraser Valley we are experiencing some population pressure," said Abbotsford's Teichroeb.

Abbotsford receives development applications for up to 800 single family lots a year, he said.

If Abbotsford needs housing then CNI aims to serve that market with both high and low-density projects: single family on Falcon Ridge and high-density on Gladwin Road.

"[The Gladwin Road project] is consistent with Abbotsford's goals: densification in the urban core, a compact urban form. It helps us achieve that and it is close to the major commercial areas of the city," said Teichroeb.

The larger mixed-use project [on Atkinson Road] is on property that the city has identified for urban development; it is rare parcel not protected by the Agricultural Land Reserve. Teichroeb says that CNI is still in discussion with city staff about how and when to proceed. "The timing of those components and how they integrate with the city centre is still in question."

Back on the Sunshine Coast, the cost pressure on real estate is vertiginous and the community famously resistant to development. Its advantages are rural charm and proximity to the city. Cottages can run about \$400,000.

While no ground has been broken, CNI last month pitched a plan to the Sunshine Coast regional district to build a large residential community on the benchland above Sechelt and an up-scale resort with one or more marinas and up to 1,000 dwellings at Seaside Park, a 10-minute drive north of Langdale.

A third property at McNabb Creek is a more remote industrial site that could include a gravel mine, a petroleum and shipping port and even an oil refinery, according to CEO Steve Dunton. The three properties total 1,295 hectares (3,200 acres).

"All that Alberta oil is looking for ways to get to market," he said.

The Sunshine Coast properties were purchased for \$32 million from AJB Investments, part of the Surespan Construction group based in West Vancouver.

Pending applications by AJB for gravel mining permits at McNabb Creek leave open the possibility of developing a gravel mining operation.

When Steve Dunton told the Sunshine Coast Regional District his company could help get an inland highway built, he grabbed their attention.

"People would really like to see a road like the Inland Island Highway on Vancouver Island," said John France, chief administrative officer of the regional district.

Regional district chair John Rees warned: "The sheer size of these projects raises concerns for the local infrastructure and the water and how we would cope with that. If they use the existing road, the kind of numbers they are talking about are a real concern. It's a small road and we have had some fatalities this summer."

Dunton assured the board that the pace of change would be slow.

Rees confirmed that the regional district has not received any applications for rezoning or development.

Sunshine Coast MLA Nicholas Simons has started to poke around, collecting newspaper clippings and asking around to find out just who he is dealing with in the Dunton brothers. He won't be the only one.

"People up here are very involved in what happens, so no matter what goes ahead a lot of people will be overseeing it," Simons said.

The Duntons don't mind the scrutiny and draw constantly on the lessons they learned from fixing failed buildings.

"When you take over a troubled building, its reputation is shot and a lot of people have been hurt, sometimes through the criminal behaviour of its tenants or its owners," Herb Dunton explained. Throwing out drug dealers and undoing other people's past excesses takes force of will. "Those are lessons you use."

## THE FUTURE

The Lower Mainland is a magnet for immigrants from abroad and the rest of Canada and Dunton foresees a heavy collar of population growth on the fringes of the GVRD. His pattern of tackling large projects in Abbotsford, Mission, Chilliwack and Cultus Lake reflects a firm belief in his own predictions, which include one to two million people moving into the Lower Mainland over the next ten to 15 years.

"Whether it's at the high or the low end of the market all those people are going to need places to live."

Dunton concedes that development on the scale proposed for the Sunshine Coast is potentially transformative. "We have to wield that power with great humbleness. If we are going in and wrecking what they have, we shouldn't be doing it.

"With big properties like this you have a responsibility and we take that very seriously. Whether it is working with charities or building neighbourhoods, "CNI has a goal to give. Giving has to go to the very basis of what you do. We have to make sure that our core values are exactly where we want them to be and that when we take a project on that we don't steamroll anybody.

"I see 3,200 acres an hour from Vancouver as a new canvas to start the job on. We want to make sure that we put in enough parks and that we don't overburden the roads.

"We are looking for input because it is an environmentally sensitive place in some ways, but I think it is big enough that you can look after the environment -- even better than it has been looked after in the last hundred years -- and still accommodate these other uses."

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#### PREVIOUSLY PROBLEMATIC PROJECTS GIVEN A NEW LEASE ON LIFE

In addition to building multi-family projects, Columbia National Investments has a record of bringing projects back from the brink of disaster.

2612 - 2632 Bridge St., Victoria

- 44,000 s.f. commercial

- Purchased 1992, the building was renovated and re-rented, raising the annual income from \$80,000 to \$425,000 when it was sold 11 years later.

711 Broughton St., Victoria

- 20,000 square feet. commercial

- Exterior building envelope almost completed at purchase, but electrical, plumbing and interior finish were completed by CNI. New tenant Heritage Canada took one floor, and GT Group Telecom the remaining three floors, leased the ground floor to a travel agent and a deli.

Seabolt apartments, Hinton, Alta.

- 78-unit residential apartment block

- Purchased out of foreclosure in 1992. Renovated and stabilized the tenancy. Sold in 1995.

Normandy Chateau, Seattle, Wash.

- 39-unit townhouse, with pool and clubhouse

- Purchased for mortgage value. Units renovated and sold to individual owners.

Construction projects on Vancouver Island Uplands Estates, Nanaimo

- 26-unit townhouse condominium Morison Place, Parksville

- 15-unit apartment condominium complex in Parksville Randy Shore

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