

Kelowna condo project hit by financing crisis

Calgary companies stop building after losing bank funds

Geoffrey Scotton

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Two Calgary real estate firms are at the centre of a half-completed \$30-million Kelowna condo project that became a victim of the spreading credit crunch, after construction activity was halted Wednesday when bank financing dried up.

The 21-storey Lucaya condominium project on the edge of downtown Kelowna was shut down after construction crews were told the builder didn't have the money to complete the project, which was launched earlier this year.

Among the participants in the project are Navigator Development Corp. -- a unit of Octagon Properties Group Ltd. -- and equity investor Platinum Equities Inc. Both Octagon and Platinum are based in Calgary.

Marco DeDominicis, president and chief executive of Octagon Properties, did not return a call Friday.

Con-Forte Contracting Ltd., a formwork company affiliated with DeDominicis and which shares a Calgary address with Octagon, carried out Kelowna's largest cement slab pour -- 1,900 cubic metres -- for the base of Lucaya on May 28.

Philip Pincus, president of Platinum, said the decision to halt construction came after bank financing dried up. The project was about 33 per cent pre-sold and a substantial sum -- as much as \$17 million -- has been spent completing site work, engineering, the foundation, parkade and first floor.

"We are a financial partner only. Navigator Development, also known as Octagon, are the ones responsible for the construction and have been doing the development project," Pincus said.

"We're basically the victim of circumstances at this time as the result of the subprime mortgage situation in the U.S. Canadian banks have become very tight on cash and their lending has dramatically changed," Pincus said.

"As a result, they elected to not proceed with the financing of this project," he added, citing CIBC.

Pincus said the deposits of buyers purchasing condo units in the project will be protected.

"Deposits get returned if the project doesn't proceed. Their money is all held in trust. They're all protected."

However, Pincus said Platinum is working to find new partners and sources of financing and is confident the project will go ahead.

"It's \$17 million into this thing. No one wants to walk away. We're very confident that we will be able to move forward and complete this."

An official with the City of Kelowna's building permits office said Navigator applied for the \$30-million Lucaya building permit in December 2006 and it was issued in June 2008. The tower project was to have 86 units.

Weldon LeBlanc, chief executive of the Kelowna Chamber of Commerce, said the Lucaya stoppage is a surprise, given the vibrant economy and busy building atmosphere of the Okanagan city in recent years. However, he argued it reflects what has been a rapid deterioration recently worldwide in real estate fundamentals, credit markets and consumer confidence.

"Look at what's taking place not only here in Kelowna, but across North America and certainly globally, with the market shifting the way it is," LeBlanc said. "I'm sure there are many developments across North America and globally where developers are looking at and reassessing the numbers, in terms of making sure they can still go ahead."

gscotton@theherald.canwest.com

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