

# INPUT

LAND AND REAL ESTATE  
ISSUES IN BRITISH COLUMBIA

## BC Interior



# INPUT

*Input* is the official publication of **The Real Estate Institute of BC (REIBC)**.

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## PRESIDENT'S MESSAGE



**KEITH MACLEAN-  
TALBOT, RI**  
 REIBC PRESIDENT

Welcome to another edition of *Input*. This edition highlights one of REIBC's core values: Expertise. As described in our Vision, Mission and Values, this means continuous improvement of the depth and breadth of the knowledge of our members. Whether it is marketing, negotiating, structuring, lending, valuing, insuring, closing, managing, or one of the many other tasks in real estate, our professional RI members provide the expertise to be successful in any real estate matter.

In 2021 we welcomed 31 new Professional RI members at various stages of their careers. These new members now join a network of trusted, educated, and experienced professionals around the province. Having recently made the move from government to the private sector, I can attest to the strength of our network of RIs around the province who have been of immense help as I enter new areas. In a time where connections are challenging, it brings me great joy to see the support that RI members provide one another.

As I write this, the news cycle continues to churn between pandemic updates, real estate market stories, natural disasters, and government responses to all the above. Focusing on REIBC's Vision of "a real estate sector comprised of professionals operating with the highest standards of integrity and expertise," the Board has renewed its commitment to provide leadership in the real estate industry. Our path to success includes the professional articles within *Input Magazine*, our ProSeries online, and topical webinars on the latest trends, news, and best practices.

As a leading professional real estate membership organization since 1962, REIBC has a legacy of supporting and promoting its members. As we enter 2022, the Board will continue this focus, and as the President, I would like to thank our members and various real estate groups for their continued support.





COVER: East of Kamloops  
(2018). flickr/Murray Foubister

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## FROM THE EO'S DESK



**BRENDA SOUTHAM**  
EXECUTIVE OFFICER  
AND EDITOR-IN-CHIEF

And in the blink of an eye, we are in March of 2022. Time has a way of moving us through life fairly quickly, or so it seems these days. As we focus on 2022 and look forward to some changes to our lives, this issue of *Input* looks at recent happenings in the Interior region of our province.

We hear from the region's realtors, who discuss the residential markets and their experiences during a complicated time of buyer demand, wildfires, and the Covid-19 pandemic. Properties in the Interior have not decreased in value—they are increasing and for different reasons than I expected. We hear from an RI about the challenges of managing property transactions and why insurance must be thought about at an entirely different level than before. And we also hear about insurance with a provider's perspective on what they see now and for the future (hint: complex issues are arising and force majeure clauses have been key).

Wildfires in BC's Interior are having increasingly greater impacts. The Lytton fire of 2021 that burned this town to the ground was shocking, but perhaps not terribly surprising. Dr. Mathieu Bourbonnais of UBC Okanagan shares with us "BC's fire problem"—the factors that contribute to BC wildfires and the tools we can use to manage them. Our Ask a Lawyer columnists also look at wildfire, digging into liability and property issues that result from wildfire-related disasters, drawing from the Lytton experience.

Here in the Lower Mainland, we're not accustomed to heat waves, such as those we experienced last summer. BC is getting hotter, and air conditioning no longer a luxury, so we asked an engineer about the residential retrofit options available and how they work.

We thank our column contributors and appreciate their input (yes, pun intended). Each tells their own story and gives us some insight into the professional and personal lives of the members that make up our community.

Also in this magazine, we have the recap of our Presidents' Luncheon from December 2021—our first in-person event since 2019—which happened after Delta and just before Omicron. Could we have hit it any better? Some say you need to be lucky to be good, but I like to think you have to be good to be lucky!



### ABOUT

*Input* was established in 1976. It ran at 12 pages and stayed that size for a long time. It was more like a newsletter then: when something new happened in the real estate industry, one of our RIs wrote about it, but the publication didn't cover much industry information otherwise.

Many years later, *Input* runs at an average of 48 pages, sometimes a bit bigger or smaller, and our authors hail from around the globe. Our focus is on keeping readers informed with all aspects of the industry, particularly hot topics.

REIBC delivers *Input* to 4,000 people or organizations within the real estate industry.

Who receives *Input*?

- REIBC members
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**Please let us know your ideas for upcoming issues and how you like the magazine—and check out our Facebook and Twitter pages for up-to-the-minute information on REIBC activities.**

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**info@reibc.org**

## CONTRIBUTORS



**Casie Menhinick** has lived in rural communities for over thirty years, owning multiple pieces of real estate and leading successful businesses in the beautiful Interior region. She raised her family in the communities of Gold Bridge, Lillooet, and Ashcroft and has enjoyed an active recreational lifestyle. This has influenced Menhinick's identity as a rural property specialist in the communities of Lillooet, Lytton, Spences Bridge, Clinton, Ashcroft, Cache Creek, and Kamloops. Menhinick's current residence is in Ashcroft and her phone has not stopped ringing since her licence was approved. In her second full year in real estate, Menhinick surpassed the Diamond Award considerably with Royal LePage Westwin Realty and continued to maintain status as a top 100 REALTOR® in KADREA.

[@kamloopsandruralrealestate](#)



**Melissa Vike** is a licensed REALTOR® operating out of RE/MAX Real Estate (Kamloops). Regularly in the top 5% of producers in the Kamloops and District Real Estate Association (KADREA), she was named KADREA's REALTOR® of the Year in 2021. A firm believer in giving back to the community that supports her, Vike is an avid volunteer and donor to multiple community groups throughout Kamloops and Sun Peaks including, but not limited to, Rotary, Kamloops Foodbank, the Royal Inland Hospital Foundation, Sun Peaks Adaptive Sports, Sun Peaks Recreational Trail Association, and more. Vike is the founder and team leader of Vike Real Estate Group, which focuses on honest, quality service that is ahead of the curve.



**Blaine Porsnuk, RI**, has been a member of the Real Estate Institute of BC since 2008. He is currently a candidate member of the Appraisal Institute of Canada and proudly working as an associate with Kent Macpherson in Kelowna. Previously, he worked with BC Assessment in both the Nelson and Kelowna offices assessing commercial property.



**Neil Brown** is an insurance broker and assistant vice president at Arthur J. Gallagher Canada Ltd. Brown spent the first decade of his career in underwriting and sales roles, working for a leading global insurer in high-value property insurance. He specializes in arranging and managing insurance programs for successful families and individuals and is a member of Gallagher's national Family Risk Management Practice. Brown applies a collaborative, client-centric approach to his work and in navigating dynamic risk management scenarios. Brown is a competitive road cyclist and avid mountain biker.



**Paul Aucoin** is an author and business adviser. His passion is helping people realize their full potential and helping their businesses do the same. His book, *Bulletproof Your Mindset, Think Like a Business Owner*, is available everywhere in audio and text formats. Aucoin founded HVAC Systems and Solutions Ltd., a sales engineering company, in 1999 in the basement of his house and grew it to \$15M in sales and 23 employees before selling it in 2015. He participated in a business owner peer advisory group for 12 years and followed that as a contract facilitator. Some of Aucoin's greatest skills are helping to implement sales strategies and key business processes. He is certified in many of TTI's core assessments, including DISC, Driving Forces, and Emotional Intelligence (EQ).

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## CONTRIBUTORS



**Dr. Mathieu Bourbonnais**

is an assistant professor in the Department of Earth, Environmental and Geographic Sciences at the University of British Columbia Okanagan and has previously worked as a wildland firefighter. His research group studies fire regimes, fuels, habitat, and wildlife responses to changing landscape conditions.  
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**Nicole K. Wong, JD,**

is an associate at Lex Pacifica and advises clients in a wide range of commercial disputes. She was called to the Bar in British Columbia in 2020 after completing her articles at Lex Pacifica. Nicole received her Juris Doctor from the Peter A. Allard School of Law at UBC in 2019. Prior to attending law school, she completed her Bachelor of Science at UBC. [lexpacificacom](http://lexpacificacom)

## Strengthening communities. Protecting our land and water.



Since 1988, the Real Estate Foundation of BC has granted more than \$90 million for non-profit projects that advance sustainable land use and real estate practices in BC.



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# INTERIOR REMAINS ATTRACTIVE TO BUYERS

Casie Menhinick

**R**eal estate in BC's Southern Interior region continues to draw high interest from city dwellers despite heat domes, wildfires, mudslides, highway closures, and lack of health care in rural communities. Add to that equation a new influence since 2019: the COVID-19 pandemic. You may ask how it can be that the real estate market is strong at this time. I would be happy to provide some insight as a rural realtor to the region.

## MORE SPACE FOR THE SAME PRICE

Two years into a pandemic and the work-from-home model seems to only be strengthening in the professional world thanks to a sudden realization that the current metropolitan residential space is not adequate for two working professionals to have office space, incorporate gym life due to ongoing facility closures, and still maintain calm within their domestic domain. However, upsizing in their current market area is not attainable with soaring housing prices in the Lower Mainland (current Vancouver MLS® stats indicate an average house price of \$1,280,581) on top of an already unaffordable market for the average family. What many see as the new solution with work-from-home flexibility is to look towards more affordable housing that can still be within access to the city centre when needed. Most of the communities I represent average a three-and-a-half-hour drive from Vancouver, and with highways intact it's an easy commute. Even atmospheric rivers that tax our highways have not deterred homebuyers. It's been a steady flow of interest, whether for a full-time move or to invest in the rural housing market.

Although home prices continue to soar for most southern residents, these properties are still viewed as affordable, at a fraction of the cost to comparable Lower Mainland homes. This continues to provide excellent incentive to relocate. When analyzing comparables of similar-sized homes in different locations, you can see the attraction. Let's look at these together.

In Ashcroft, a 1979-built, 3,000 square-foot home, recently updated with five bedrooms and three bathrooms, on a larger 13,068-square-foot lot in a desirable neighbourhood, was listed at \$499,000 and sold in multiple offers for a historic \$53,000 over list price at \$552,000 in October 2021. A similar home in Chilliwack—3,168 square feet with four bedrooms and two-and-a-half bathrooms, of similar age and style with some updates—sold in June 2021 for \$945,000. A little further south from where we see many residents moving into the Interior, we find a 1985-built, 2,728-square-foot home on an 8,320-square-foot lot, in a comparable neighbourhood with similar updates, selling in November for \$1.42 million. A young family looking to own a home with privacy and space to work that is willing to move three and a half hours north of a southern location can substantially loosen the financial strain.

In addition to securing more affordable housing, new Interior residents seem to appreciate the slower pace of life, the friendliness of other residents, and the freedom to recreate and walk with little to no traffic on the trails. Parking is never any issue when running errands in town.

If you wish to upsize within the same price point as your Lower Mainland home, then consider the comparable



of selling your 2001-built, 3,500-square-foot home on 24th Avenue in Langley for \$1.825 million and purchasing a 5,620-square-foot, fully updated six-bedroom, four-bathroom, 1993-built executive home on 161 acres of rolling grassland. It includes your own pool, gym, outdoor riding arena, and more for \$1.889 million. Talk about an exciting option.

### LIFESTYLE CHANGE

If the financial argument for upsizing sounds attractive, what happens when homeowners downsize? Does it seem hard to understand why homebuyers would downsize away from theatres, fine dining, ski trails, post-secondary institutions, and major airports? Here are two examples of how my clients' lifestyles changed last year.

#### Scenario A:

The homeowners were living on 3.4 acres in a dated (1995) four-bedroom, three-bathroom home of roughly 2,000 square feet, 30 minutes outside of Squamish. Homeowner number one commuted to work in the construction industry and was often not home. Homeowner number two ran a busy farm but could not grow the business further due to the land size. They sold their property for \$1.55 million in the summer of 2021. (At the time, the Squamish River was flooding, while in the Interior, wildfires were breaking out.) In Forest Grove (near 100 Mile House) they purchased 175 acres of farmland with an updated three-bedroom, two-bathroom rancher and numerous outbuildings on lakefront for \$999,000. This

allowed homeowner number one to remain at home to grow the farm business with homeowner number two.

#### Scenario B:

A homeowner from Maple Ridge, who worked away from home most of the time, sold their 1980-built three-bedroom, two-bathroom home of 3,000 square feet on .75 acres for \$1.15 million. This sale allowed the purchase of an executive home in Ashcroft, with spectacular views and easy-to-maintain property: 1997-built home of three bedrooms and two bathrooms upstairs, with a three-bedroom, one-bathroom suite downstairs, for \$425,000. The homeowner immediately rented the suite for \$1,800 per month and let an upstairs room to a friend for \$500 per month (as the homeowner is away half the time). Due to market conditions, this Ashcroft home has increased over \$150,000 in value in one year, with no updates.

A few months after this purchase the homeowner was able to also purchase an investment property. The purchase price was \$295,000 for a 1977-built four-bedroom, two-bathroom home in a family-oriented neighbourhood that had a less than 1% vacancy rate. By spending \$60,000 on upgrades, including adding a one-bedroom suite to the lower level, the owner is now receiving \$3,300 per month in rental income, and the property has increased over \$130,000 in value in one year.

### WHERE IS THE NEW INTEREST LEADING?

Though I can produce numerous stats showing the attraction to the area, there are some downsides to the



interest. I have seen in almost all the small Interior communities that we are pricing out the local population.

It's a seller's market, and for those who own property this is enticing when considering a sale. For those remaining, taxes and insurance are increasing while the median wage remains the same. If an owner is selling to upsize or downsize locally or move away, they lose their equity in a seller's market or cannot get into another market elsewhere where the median prices are much higher.

Let's consider that the average price of a home in the communities one hour west of Kamloops is still under \$400,000, whereas a centre like Kamloops has a current average price (as reported by KADREA) of \$685,000 for 2021. These homes generally still require substantial updating. Seniors are stuck in large homes in rural areas that are becoming harder to care for but are still more affordable than downsizing and losing their equity in a strong market.

Recent reports regarding the real estate market in Thompson–Okanagan by the BC Assessment Authority describe the area as “robust” and “resilient” and state that most property owners in the area can expect “notable” increases in their 2022 tax notices.

According to the report, the typical Ashcroft single-family home was assessed at \$273,000 as of July 1, 2020. As of July 1, 2021, that figure had risen to \$367,000, an increase of 34%. Neighbouring communities of Cache Creek show an average increase of 38%, and Clinton up 14%. In Lillooet, a community heavily influenced for the last five years by homeowners from the Sea to

Sky corridor moving north away from escalating prices in Squamish, we see a jump of 33.46% for residential homes.<sup>1</sup>

I see firsthand how quickly our rural community housing prices are increasing due to ongoing low inventory and ever-increasing demand—a fact confirmed by British Columbia Real Estate Association's December 2021 Housing Market Update.

## ADAPTING TO CLIMATE IMPACTS

I live in Ashcroft and work in the neighbouring small communities that have headlined the news in recent years for wildfire activity. Many know that Lillooet and Lytton have always battled for the hot spot in BC and continue to adapt to that challenge. In the past, locals knew that we had to be prepared to conserve water, find shade for animals and children, and recreate differently. Many looked into permaculture and water storage and took advantage of the climate to grow food. Yards of purpose are more common than decorative lawns.

Times have intensified and now we also know to prepare emergency bags at the start of summer, have contingency plans in place, and make sure our home insurance is in order. Public spaces are developing reliable cooling stations during extreme heat events. Many communities have set up emergency response communication systems for easier evacuation and notifications. Municipalities are paying more attention to emergency access routes when subdivisions only have one point of access in and out. Ranchers are thinking ahead about





how to move large herds of cattle or horses, and more people are creating an abundance of rations or backyard gardens in case of restrictions or closures. Livestock are lost to heat stress and grazing land is lost to fires. The agriculture industry is struggling in the heat.

Reflecting on the past years, I feel like a pro at navigating through natural disasters. Maybe this is an asset in helping to educate newcomers concerned about what to expect. With a slower pace of life, and friendly communities that pull together to support one another through these challenges, the heart of each community seems to continually prevail. Though the people of the Interior have anxiety, fear, and questions about what will come next, they also adapt, prepare, and come together. The communities are resilient, and I believe this is a huge selling point for many newcomers.

Practicing real estate during a heat dome and wildfires makes one think. Even when your own home is not in danger you now leave for work each day prepared to possibly not go back. You look ahead each morning to see what route you will take to get home if a wildfire jumps a boundary. Contingency plans are in place, and your work supplies are not a briefcase and lunch but living essentials for if you need to stay put for a few days.

When I was in Lytton this past year listing a home on the day the fire started, it was not hard to wonder how people can live like this. The home I was in was a heritage

building and had no central air conditioning. It housed a family of five. But although hot, this was their normal. My vehicle became the better place to meet with homeowners as it was air conditioned, and I was packing huge supplies of water and other beverages with me. My vehicle supplies now also include rope, a shovel, an axe, a full first-aid kit, two days of clothes and toiletries, and a satellite emergency beacon.

So, amidst all this chaos the attraction remains, and communities are navigating another new way of life. We continue to petition for our hospitals to reopen and hopefully the trend of moving to rural locations will bring physicians and nurses to our area where we still suffer huge shortages of health care professionals. Here we offer more affordable living, the peacefulness of the areas, the friendly nature of the communities, and the space to welcome more people!

*All photos by Steven Gillingham Photography.*

## Sources

1. Roden, Barbara, "Property tax assessments show steep increase in many communities," Ashcroft-Cache Creek Journal, January 5, 2022. <https://www.ashcroftcachecreekjournal.com/news/property-tax-assessments-show-steep-increase-in-many-communities/>



## DEREK EDSTROM, RI

**DIVISIONAL DIRECTOR,  
PARTNERSHIPS AND INVESTMENTS  
CITY OF KELOWNA**



### WHAT DO YOU DO IN YOUR PROFESSIONAL ROLE?

My role is to lead a division at the City of Kelowna that focuses on strategic investments and planning of major civic capital. My division has several branches, but we are uniquely aligned in having branches that are planning for major capital working alongside branches that can help fund them through alternative revenues. Our responsibility is to challenge the status quo for how government delivers its initiatives.

### HOW DO YOU SPEND YOUR DAY?

I always try to walk or bike to work. Not only is it refreshing to start the day with fresh air and a thought-provoking podcast, but I believe it is important as a senior leader that I walk the talk around sustainability. My workday is varied depending on corporate or council priorities. We need to constantly balance how we address emergent issues with long-term initiatives. Reporting to council is an important part of my role and can consume large parts of my work week. I need to be purposeful with the meetings I take on to ensure equilibrium, connecting with my team and external relations.

### WHAT PREPARED YOU FOR THIS ROLE?

I have an honours finance business degree with additional professional designations in accounting (CPA CA) and finance (CFA). I had the opportunity to work with a Big Four accounting firm in its corporate financial advisory group where I was exposed to significant corporate decisions and transactions. Working for a large firm let me work internationally and see the world—something I have cherished. My current employment at City of Kelowna started 13 years ago in the Real Estate group. Being a part of this team challenged me to be bold in our initiatives and to bring an entrepreneurial perspective to

government. These characteristics have been instrumental as my career progressed.

### WHAT DO YOU ENJOY ABOUT YOUR WORK?

The connections made through negotiations and project teams. We are all proud when we see a physical project completed, whether heritage revitalization, a new park, or a redeveloped downtown site. However, for me, the true enjoyment is reflecting on the project with those that I built a relationship with during the initiative, regardless of which side of the table they sat on.

### ARE THERE COMMON MISUNDERSTANDINGS ABOUT THE WORK YOU DO?

The largest misunderstanding can be the public's negative perception of government bureaucracy while not being open to the potential benefits of government having an active business arm. There are not many other forces that affect our day-to-day lives more than local government. We are increasingly in a world that wants higher-quality services and more innovative services from government. My team has the enviable task of challenging the status quo of how we deliver initiatives through partnerships, alternative revenue, grants, business enterprises, and land development.

### WHAT TYPES OF ORGANIZATIONS EMPLOY YOUR POSITION?

Increasingly, governments, institutions, and large corporations are seeing the value of having a senior leader responsible for managing public-private partnerships, intergovernmental relations, and major capital business cases. It is always interesting to see the title they are given. Often it has the word "strategic" in it.



# SUN PEAKS OVERCOMES

Melissa Vike



*Dom Koric Photography*



I sit in my Sun Peaks home, watching the snow fall and the chairlift turn. It's a sight I wasn't sure I would see given the second year of these "unprecedented times." Taking a breath to ponder the last 24 months as a REALTOR® in a resort town, I try to break down some of the more significant events that have impacted the local real estate market. They seem to blur together, but as I emerge from the fog three words come to mind: community, vulnerability, and resilience.

Living in a resort community, in a true three-season resort, is a dream come true. The environment is stunningly beautiful, featuring the second largest ski area in North America, multiple lakes within a 15-minute drive or 45-minute walk, BC's highest-elevation 18-hole golf course, famous (and simultaneously infamous, depending on the day) mountain biking trails, and endless kilometres of hiking and snowshoeing. This landscape offers activities that are only limited by your imagination.

When you look closer, the people that make up this community are arguably some of the kindest and most generous on Earth (admittedly, I am biased). Those who choose to live here full-time have a passion for the outdoors that is palpable. They have chosen to find balance in life, committing to four-day work weeks to accommodate their children's four-day school week at the ski-in, ski-out school. It is not uncommon to see three generations skiing side-by-side during lunch breaks and recess.

Small business owners (who rest during the off-season) work tirelessly to bring magic to the tourists and residents alike when chairlifts are turning. Wine clubs, scotch clubs, trivia groups, and more registered full-time volunteers than there are residents make it a community that welcomes you in, where anyone belongs. However, the place where everyone belongs has shown its vulnerability over the last 24 months.

## RESILIENT MARKETS DESPITE TRIALS

The COVID-19 pandemic hit our tourist town hard in March 2020. I'm sure many of you in the industry also felt a pause during this time. Here, it lasted about three

weeks, while the world sat in shock under lockdown, separate but together. Six sales occurred in Sun Peaks during March 2020, compared to 19 sales in March 2019.

Try as they could, the resort was forced to shut down early, costing the community an estimated \$4.5 million, excluding statistics from Sun Peaks Resort LLP, the Sun Peaks Grand Hotel, and Bear Country, the largest three employers in the area. For a community that relies on earning most of its income in the winter months, this was a hard blow. An outlook of limiting capacity during the summer season also meant an unwelcome and uncertain future for locals, tourists, and business owners alike. As a new mom (now without daycare) and business owner outside of real estate, I felt this firsthand. But as we all know, the real estate market would come back with a vengeance, and we saw 20 sales in March 2021, capped only by the limited inventory available.

The resort was thorough and quick at implementing precautionary measures, and while other tourist destinations were getting hit with outbreak after outbreak, Sun Peaks received the Safe Travels stamp from the World Travel and Tourism Council. Nevertheless, government mandates needed to be followed and the visitors seemed to disappear.

In 2021, Sun Peaks became an evacuation centre for those displaced by early wildfires, bringing evacuees from Merrit, Kamloops, and Vernon, and in a tragic manner it gave hope for much-needed revenue to small businesses and investors. But in July, after the long-awaited loosening of pandemic-related restrictions, the community of Sun Peaks was hit by wildfire at our own doorstep.

The Embleton Mountain fire grew at its peak to an estimated 991 hectares, forcing the entire community of Whitecroft (located nine kilometres downhill from Sun Peaks) to evacuate. Sun Peaks was on evacuation alert throughout July. The municipality closed access for anyone other than residents and we all sat and wondered if the fire would jump the guard and head up the mountain. Another pause in the real estate market and, for business owners, a complete stoppage of income, once again highlighting the vulnerability of the area. For



homebuyers, however, faith was never lost in the market, prices continued to increase, and we saw flocks of buyers who, now able to work remotely, decided the community of Sun Peaks is where they belong.

We saw 19 sales between June 1 and July 31, compared to 12 during the same timeframe in 2020. It appears the balanced lifestyle, community, and shared passion for the area has rubbed off on more than a few. We saw a 45% increase in sales in 2021 over 2020, and a 36% increase in prices with a 52% decrease in days on market, showing an unprecedented faith, or perhaps newfound desire, for the lifestyle Sun Peaks provides. The community came back resilient with precautionary measures in place and hopes for a 2021/2022 ski season that would show profit for businesses and investors alike.

But on November 14, 2021, six days before ski operations opened for the season and mere weeks after the last wildfire was brought under control, we watched in shock as our province experienced flooding that washed out three major highways, including Highway 5—the Coquihalla—the main corridor between the Lower Mainland and the Interior.

Reservations tanked. Where December and January normally see 0%–1% vacancy, we were suddenly looking at only 40%–50% occupancy.

Again, a pause similar to March 2020, only this time I saw a different buyer emerge.

Being disconnected from the Lower Mainland, I started to notice a shift in the types of buyers I was working with. Yes, most were still looking for nightly rental income and a place to vacation, but they were also coming from nearby Kamloops. These were families interested in buying a legacy home for their children's children before they got priced out of the market. Many were looking for zoning that forbids nightly rentals—a quiet place to escape within a community that has proven time and time again it will come together until we are back to “precedented times.”

## COMMUNITY STRENGTH

Entering a new year, it appears there is no end in sight for the limited supply and skyrocketing demand for housing in Sun Peaks. The municipality is inundated with applications to legalize suites, and it has created the Sun Peaks Housing Authority to address balancing nightly rental revenue for property owners with long-term accommodation for the ever-important employees that keep the village buzzing. Limited options for immediate land development means that supply will likely be limited for years to come, hinting at a continuously strong real estate market.



The community itself never ceases to amaze me, and volunteers throughout the community created a new group at the beginning of the pandemic to address emergency events. Sun Peaks Community Helps emerged weeks into the pandemic, offering the first food bank at Sun Peaks with space donated by a local business owner, mental health support from local, licensed therapists, and financial aid to those most vulnerable. When the forest fires started ravishing Lytton, Lillooet, and surrounding towns, a few locals organized donation drives at a local hotel and even delivered supplies directly to evacuees. Thousands of dollars in donations came to support the displaced. When the forest fires were at our own doorstep, the community provided drinks, meals, equipment, volunteers, and accommodation to BC Wildfire Service. My mother-in-law's favourite phrase of "it takes a village" comes to mind, and let me tell you, this village of mine is second to none.

While there are never any guarantees in real estate, the Sun Peaks community has repeatedly proven its resilience, not only in the investment real estate market but in the housing market, by banding together and showing support for one another so that everyone can enjoy the magic that only a resort community can generate.

*All photos by Dom Koric Photography.*

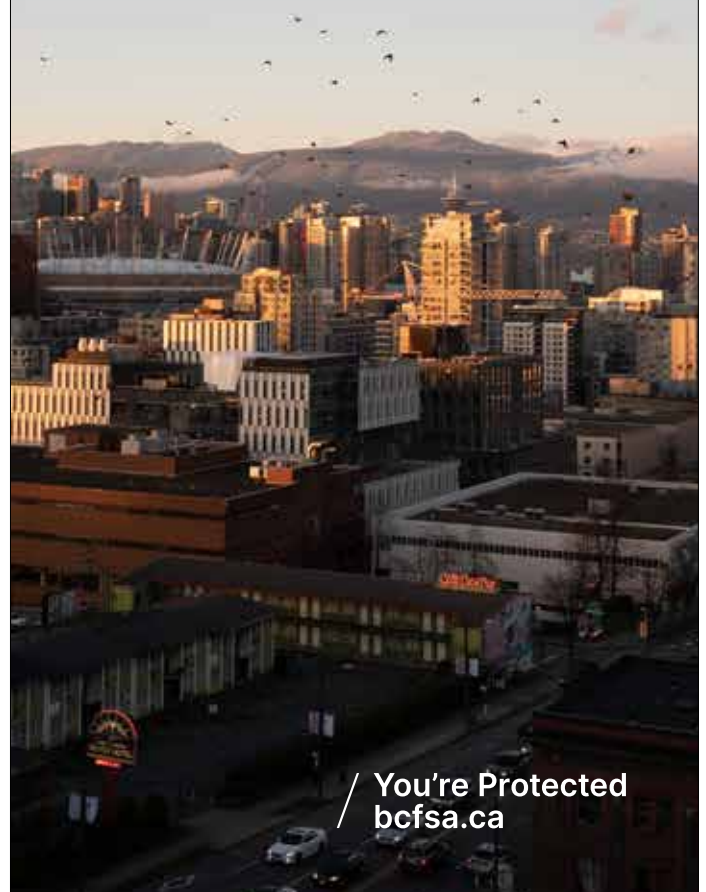


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# MANAGING PROPERTY TRANSACTIONS DURING OKANAGAN FIRE SEASON

Blaine Porsnuk, RI

In 2021, the Okanagan region experienced extreme environmental challenges, including wildfires and heat domes, during the summer months—which is typically the busiest time of the year for real estate transactions. Despite these events, the region also managed significant real estate market growth as agents continued to adapt to meet the needs of their clients. Realtors leveraged their knowledge of contract agreements by utilizing the force majeure clause to extend transaction deadlines, while developers executed due diligence in preparing for pending delays by arranging insurance needs prior to fire season.

## HOT MARKET

From April to September in 2021, there were 452 wildfires within the Kamloops Fire Centre, which includes the Okanagan Region.<sup>1</sup> Those fires destroyed a total of 497,492 hectares, which is approximately 57% of the total 868,203 hectares that burned across the province that year. In the Okanagan, several fires of note were: White Rock Lake fire (83,342 hectares), Nk'Mip Creek fire (19,335 hectares), Two Mile Road fire (2,499 hectares), and Brenda Creek fire (871 hectares).

In 2021, real estates values in the Okanagan region continued their upward trend due to the factors of high demand, decreased inventory, and low lending rates. For example, in the South Okanagan region as of December, the quantity of single-family dwelling listings decreased by 7.78% from the previous year.<sup>2</sup> During this same period, the number of single-family dwelling sales increased by 10.66% from 1,107 to 1,225. With the increased number of sales, the median price of single-family dwellings increased 20.82% from \$538,000 to

\$650,000. Similarly, the median sale price of single-family dwellings in the North and Central Okanagan also saw similar increases, of 17.92% and 22.21%, respectively.

## TRANSACTIONS AND INSURANCE

Real estate sales transactions can be negatively impacted by wildfires when new insurance policies are required to complete the transaction. When wildfires break out, insurance companies can place temporary limitations on the availability of new policies. These limitations can be placed over a specific area based on the imminent threat. For example, providers can place a limitation of no new policies within 25 kilometres of the active wildfire. The distance can vary from 25 to 75 kilometres at the insurance provider's discretion.

When pending real estate transactions are placed on hold due to the lack of an insurance policy, real estate agents can utilize the force majeure clause to extend the completion period of the sale. The force majeure clause is now becoming common in most contracts, and essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of both parties occurs, sometimes termed an "act of god." Most force majeure clauses suspend the requirement of both parties to complete the execution of the contract until after the act of god has been resolved. In the case of wildfires in the Okanagan region, the force majeure clause can allow for an extension to the pending agreement until the fire is under control and insurance providers continue to issue policies.

Local realtors in both Penticton and West Kelowna, where wildfires occurred in 2021, describe little



Top: South Okanagan (2015). Above: (2017). *flickr/Province of British Columbia*



Near Peachland (2018). *istock/SMJones*

meaningful impact to the transactions because of the implementation of the force majeure clause. With the high demand for housing in the region, motivated purchasers and vendors typically find ways to iron out delays to complete sales transactions. Those who intend to buy but don't complete a sale immediately are typically only delayed in their purchase. Of course, this is only a reflection of the current real estate market in the Okanagan and is not representative of the entire province. Opinions on the motivations of purchasers and sellers can vary within each region of the province.

With demand for housing continuing to grow in the Okanagan region, developers in the region must be aware of the insurance needs to complete their projects with reduced disruption from potential local wildfires. For example, two types of insurance products that developers need to obtain are a "course of construction" policy and a "commercial general liability" policy.

Course of construction (COC) or "builder's risk" insurance is coverage meant to protect property owners, developers, and contractors while major renovation or construction work is being completed. COC insurance typically covers costs to rebuild, labour to rebuild, existing structures, and more. What this policy does not typically cover are the tools and equipment used by contractors on site. A "commercial general liability" policy, also referred to as "commercial insurance," protects BC business owners from losses due to unforeseen events

that may occur during normal operations. This insurance covers costs associated with claims alleging third-party property damage or bodily harm.

Prior to the start of construction on a new development, a developer must align all the necessary trades with the materials and permits required to commence the project. To attempt to minimize delays, developers may try to complete the majority of this preparatory work during the cooler shoulder season in anticipation of the warmer weather. This means insurance policies need to be in place prior to wildfire season in order to reduce the chances of delay. If a developer does not have insurance policies in place it can mean further delays in construction and consequently lost revenue to the developer.

With climate impacts continuing to evolve and more extreme situations arising, such as atmospheric rivers and heat domes, the Okanagan real estate industry must adapt and stay flexible to keep in front of these changes and meet the needs of its clients.

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# ASSOCIATE MEMBER PROFILE

## ELIZABETH MODEL

### CEO

DOWNTOWN SURREY BUSINESS  
IMPROVEMENT ASSOCIATION



*Provided by Elizabeth Model.*

For the past two years, many people have used a hobby or other activity to provide solace or an escape from the realities of the pandemic. But how many can say they used the time to prepare for and compete in their hundredth Ironman triathlon?

That is exactly what Elizabeth Model, CEO of the Downtown Surrey Business Improvement Association, accomplished in September of 2021.

For those not aware of the demands of the Ironman, it is among the most grueling of all sports, requiring a 3.86-kilometre swim, 180.25-kilometre cycle, and 42.2-kilometre run.

Model was preparing to compete in her hundredth Ironman well before last year but the pandemic conspired against her. After 22 months of training, she was finally able to hit the century mark and, as she puts it, “get the monkey off my back.”

“I knew that if I continued to train, I would be ready to go if the opportunity presented itself, so I wanted to keep in shape and maintain the best fitness level possible.”

With public interest in Model’s inspirational journey high, she also used the event to raise money for a personal goal of seeing a sports museum built in Surrey. Supporters and businesses who

share Elizabeth’s vision of a permanent location to celebrate Surrey’s many noteworthy athletes were able to donate to the Surrey Cares Community Foundation endowment fund for a Surrey Sports Museum in her honour. Donations continue to be made at [SurreyCares.org](https://SurreyCares.org).

“This is a goal I shared with Bill McNamara, an incredible Surrey firefighter, community advocate and accomplished sports enthusiast,” says Model. “Bill passed before his dream could be realized, but I’ve committed to continue to work towards seeing a Surrey Sports Museum built in our community.”

Model ran her first marathon at age 40 and entered her first Ironman in 2005 at 45. In 2018, Model was the first woman to compete in every Ironman race in the world. She has raced on every continent and plans to continue racing at sites around the globe.

“It’s been quite a journey,” Model reflected. “I never started out thinking about numbers. It’s always been travel, keeping fit, and meeting wonderful people along the road of explorations.”

At 62, Model is not sure how many more Ironman events she will compete in but hopes to continue doing three or four events each year. Until the time when she decides to hang up her running shoes, she will continue to maintain her physical and mental wellbeing by rising at 4:45 a.m. to train without any distractions, go to work, unplug, sleep, and repeat.

If the pandemic has provided any lessons for Model, it’s the importance of having a passion that can serve as an escape during these challenging times. “For me, it happens to be training and competing—but I hope others can discover a hobby, sport or activity that can bring them greater peace of mind at a time when we all need it.”

# FIRE PROBLEM: WILDFIRE MANAGEMENT IN BC

Mathieu Bourbonnais

In 2021, BC endured another extremely challenging fire season. Approximately 868,000 ha burned last year. Record-breaking temperatures and drought during the late June heat dome, including the highest-ever recorded temperature in Canada (49.6 degrees Celsius on June 29, 2021 in Lytton), contributed directly to the complete destruction of the town in a wildfire on June 30. When fire conditions were at their worst in late June and early July, the province was averaging 40 new wildfires per day, which eventually overwhelmed fire suppression resources.

The summer of 2021 was not an outlier, however. In the last five years, we have lived through the three worst fire seasons on record in terms of area burned. In 2017, over 1.2 million ha burned—a new provincial record—and in 2018 we broke the record again with over 1.3 million ha burned. In three years (2017, 2018, and 2021) the province has spent a combined \$1.9 billion on fire suppression and a provincial state of emergency has been in place for 149 days in total. Hundreds of evacuation orders have been issued and tens of thousands of people have been evacuated, disproportionately impacting Indigenous and rural communities. Smoke from numerous large fires in southern BC blanketed much of the province, and indeed North America, this summer, forcing many people indoors because of poor air quality.

Recurring severe fire seasons have many people questioning what the future holds. Should we expect severe annual fire seasons that threaten our homes and livelihoods and redefine our summers to become increasingly common? It is becoming abundantly clear that our current approach to fire management is economically and socially unsustainable. Fire management is sometimes called a “wicked problem” because solutions are difficult to identify and the scale of the problem is immense. Despite the challenges, there has been considerable research to understand the root causes of the current “fire problem” and we have many of the tools needed to change the narrative.

## FIRE REGIMES AND LANDSCAPE MANAGEMENT

Like many contemporary environmental problems, climate change plays an important role in the occurrence of severe wildfire seasons. The relationship between wildfire and weather is relatively straightforward. If you have the right weather conditions—hot, dry, and windy—and an ignition source (generally lightning or people) there is a greater chance of a wildfire







*flickr/Province of British Columbia*





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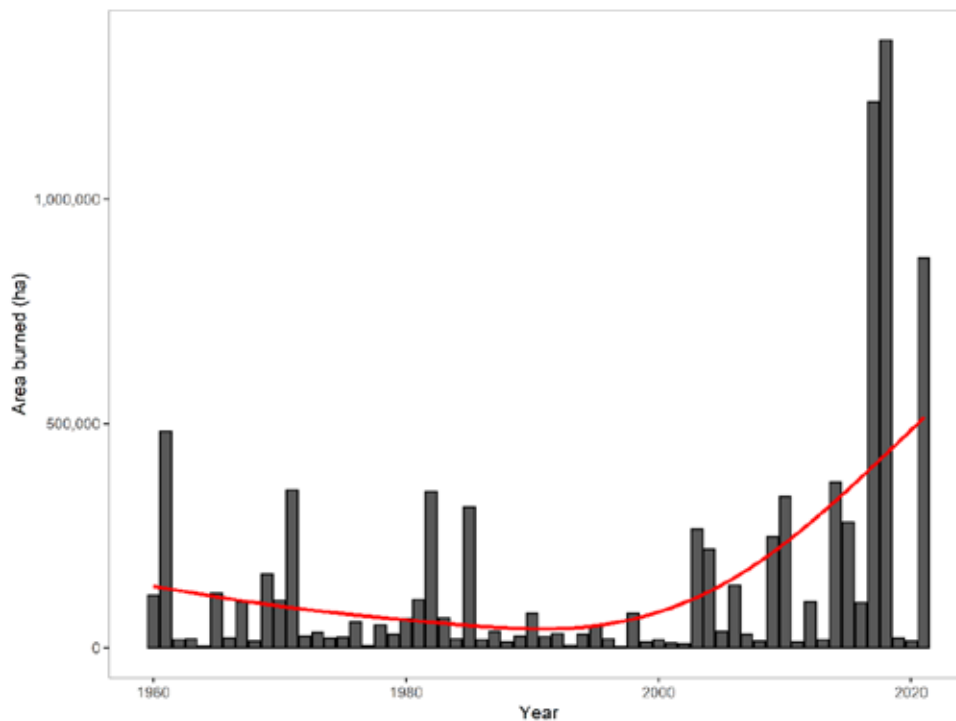
occurring. If these dry and windy conditions persist over a long period of time, then fuels continue to dry and the wildfire danger and suppression difficulty increases, especially when there are many wildfires burning at the same time.

Fire scientists have been warning for decades that climate change will create more conducive fire weather with prolonged periods of high temperature and drought, more variable and extreme precipitation, less winter snowpack, and longer fire seasons. In 2021, record-breaking high temperatures and drought conditions in southern BC occurred far earlier than normal in the fire season, creating conditions that allowed fires like Lytton Creek (83,671 ha), Sparks Lake (95,980 ha), Tremont Creek (63,548 ha), and White Rock Lake (83,342 ha), among others, to burn out of control for weeks despite the best efforts of fire suppression crews.

Climate and weather are only part of the story, however. Many of BC's forest and grassland ecosystems have evolved with fire. While large, high-intensity stand-replacing fires were relatively common historically,

vegetation in many ecosystems throughout BC have adapted to frequent, low-intensity ground fire. For example, trees like Ponderosa pine have thick bark that allows them to survive low-intensity ground fire and serotinous cones enveloped in a waxy substance which release seeds when melted by fire to take advantage of post-fire growing conditions. On the Pacific coast, Garry oak ecosystems, which today harbour an astonishing number and diversity of species at risk, recovered quickly following low-intensity fire that limited encroachment of fast-growing shrubs and trees like Douglas fir. Native bunchgrasses tend to be well spaced and retain moisture longer during the summer with a deep root system, limiting the spread of ground fire and allowing grasses to survive low-intensity fire. These vegetation types are adapted to the fire regime, which is defined by the commonly observed patterns of fire frequency, size, and intensity that occur over long time periods for a given region.

Many fire regimes in BC were strongly shaped by Indigenous communities, who proactively used fire as a tool to manage landscapes for millennia. Cultural



Area burned (ha) by year in British Columbia. Following a decrease in area burned pre-2000, the total area impacted provincially by wildfires has been trending up.  
*M. Bourbonnais*

burning, which generally involved the application of frequent low-intensity ground fire, was used to limit encroachment of shrubs and trees in grasslands, to promote growth of medicinal plants and foods, and to create habitat and browse for wildlife that were important food sources. In a recent study of global patterns of biodiversity, scientists found that landscapes where Indigenous use of controlled fire was practised tended to have a greater abundance of native species and habitat types compared to areas where active fire stewardship was limited.

Today, fire regimes are shifting dramatically from historic patterns as large and severe wildfires are becoming more common. Increasingly, it is clear that a legacy of fire suppression and landscape management in this province has contributed substantially to the problem. Over the last century, a provincial mandate of aggressive fire suppression, combined with a government ban on cultural burning by Indigenous communities, has been effective in limiting the frequency of low-intensity fires and excluding fire from many ecosystems. At the same time, forest management and silviculture practices, including harvesting techniques that replace diverse forests with monocultures of fire-receptive species like lodgepole pine and high-density tree farms across huge areas, suppressed regeneration of fire-resistant deciduous species and limited use of post-harvest burning and salvage to reduce fuel accumulation in cutblocks, resulting in a gradual “fueling” of the landscape. Whereas high-frequency fires historically would have limited the accumulation of ground fuels and acted as breaks preventing

the spread of new fires, today there is more forest, more available biomass, less fire-resistant grassland, more fire-receptive invasive species, and fewer fire breaks on the landscape. Effectively, we have created landscape and fuel conditions that promote the occurrence of large destructive wildfires.

## TOWARD PROACTIVE SOLUTIONS

After a severe fire season there is a tendency to regroup and evaluate what happened. Provincially commissioned reports in 2003 (the Filmon Report), following the “fire-storm” that destroyed hundreds of homes in Kelowna, and 15 years later in 2018 (the Abbott-Chapman report), following the first of two record-breaking fire seasons, made several similar recommendations: More funding and improvements were needed for fire suppression, prevention, and recovery.

Generally, there is broad public support for improved fire suppression. A common refrain is more airtankers and firefighters are needed to take up the fight to protect our communities. Consider, however, that a combined 2.5 million ha burned in BC in 2017 and 2018 despite spending \$1.26 billion on fire suppression. The return on investment is looking increasingly bleak. Improvements to fire suppression, including better response times and changes to strategy and tactics, will undoubtedly help, but proactive strategies rather than reactive management are clearly needed.





Fuel management demonstration. flickr/Province of British Columbia

In a white paper<sup>1</sup> released last summer, an international group of scientists and invited signatories from academia, Indigenous Nations, government, industry, and conservation groups presented a comprehensive strategy to help address the current fire problem based on the best available science. Given the overwhelming influence of weather and climate on fire regimes, urgent action to address climate change is clearly needed. As recent events have shown us, however, action on climate change is slow coming, so the question is, what other mechanisms do we currently have that will help change our trajectory? We have many of the tools, including increased use of mechanical thinning (the removal of trees and fuels to increase stand spacing and reduce available biomass) and prescribed fire (controlled applications of fire to achieve targeted ecological goals) to address fuel loads, planting and restoring deciduous forests, and conservation of fire-resistant ecosystems like wetlands, but a plan is needed that meets the scale of the problem, empowers Indigenous and local communities, and engages all levels of government and industry.

Programs, including the BC Community Resiliency Investment Program, do exist that provide funding to homeowners and communities to improve fire resilience. While a step in the right direction, the scale of the fuel

treatments under these programs and the financial investment, especially when compared to spending on fire suppression, do not meet the scale of the problem. Excess fuel accumulations in BC today are measured in the millions of hectares and billions of tonnes of biomass. Some suggest that we should only prioritize fuel treatments in the wildland urban interface (the area where the built environment meets undeveloped wildlands and fuels) surrounding communities. This may help limit impacts to our communities, but what about our watersheds, our drinking water sources, and habitat for wildlife? Ignoring these broader cultural and ecological values and focusing only on the built environment and infrastructure threatens far more than our homes given the recent trends we have seen with large destructive wildfires.

Landscape-scale changes to fuel complexes are needed but will require reform to landscape management and policy to ensure long-term, sustainable, and non-partisan investment to address the problem. Fuel treatments are not a one-time deal regardless of where they occur. Mechanical thinning and prescribed fire require continuous maintenance over time to manage fuel regeneration. A dedicated and well-trained workforce that extends beyond the fire service and includes Indigenous and local

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community members, as well as ways to deal with tons of excess biomass through prescribed fire or biofuels, are critically needed. A comprehensive landscape-scale plan will require engagement from all levels of government and collaboration with Indigenous Nations, industry, and scientists to develop innovative strategies to deal with excess fuels, increase the resilience of communities, and restore the positive effects wildfire can have in BC ecosystems.

### COLLABORATION REQUIRED

The "fire problem" in BC is not unique to the province. Similar trends of increased fire-conductive weather driven by climate change and challenges associated with fuel loads resulting from landscape management and fire suppression are prevalent throughout western North America, and indeed globally. For example, catastrophic wildfires in Australia in 2019–2020 burned over 59 million ha, and recent fire seasons in Siberia (2020; 25.5 million ha) and the Amazon rainforest (2019; 906,000 ha) threaten sensitive ecosystems that store billions of tons of carbon. Despite a long history of sharing fire suppression resources among provinces, territories, and states in Canada and the US, we still lack proactive strategies to work collaboratively across jurisdictions to redefine our relationship with wildfire and mitigate fire risk.

There are recent examples of progress, however, that we can point to as examples of proactive strategies, such as Bill SB-332 in California, which aims to remove some of the barriers limiting the use of prescribed fire for the public good, and the ongoing efforts of local communities to expand responsibly in wildland areas and deal with excess fuels. Despite concerning trends, there is still time to redefine the narrative to ensure a resilient future with wildfire on the landscape, but we must act quickly.

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# PRESIDENTS' LUNCHEON

Umesh Chand, RI  
REIBC Governor, Fraser Valley



Much excitement awaited the 2021 Presidents' Luncheon as it was the first face-to-face gathering organized by REIBC since 2019. Within the backdrop of the ongoing pandemic, the topic chosen for the speaker panel was "Positioning for the Next Global Event." The panel presentation was livestreamed to provide access especially to those outside of the Lower Mainland who could not make it to Vancouver. As expected, it was well attended, with over 150 registrations.

This year's panelists were Norm Taylor, the vice president and managing director at CMLS Financial, and Bob Ransford, vice president of Development at Century Group. André Gravelle, executive director of Real Estate Education at UBC School of Business, served as the moderator. All three are well-regarded leaders in the real estate industry. Feedback received has been really positive—an informative and lively session indeed!

Taylor and Ransford are both passionate about building sustainable communities. They discussed some of the major real estate financing and development projects they are involved in. The panelists went into some detail on strategies they employ to position themselves and their respective organizations for major global events. Some of the key areas they talked about were having a contingency plan in place, developing greater adaptability, having and promoting a positive attitude, capitalising on opportunities created, having a client-centred perspective, employing effective communication strategies, and maintaining transparency.

The discussion also centred on some of the key issues and events affecting our society at present and those that will likely affect us in the future, including housing affordability, debt burden on future generations, and climate change. It was recognized that affordability still presents itself as a key challenge. The discussion highlighted issues in getting key infrastructure projects approved in an efficient and timely manner. The importance of adapting to a situation where non-renewal resources are not favoured was also emphasized.

Complex changes brought by global events are inevitable. A key takeaway from the discussion was to be prepared by focusing on ways to process such change. Another takeaway was recognizing the importance of fostering partnerships in building sustainable communities.



From left: speakers Norm Taylor, Bob Ransford, and moderator André Gravelle.



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## ASK A LAWYER

## HOW ARE COSTS RECOVERED FOR WILDFIRE LOSSES?

John McLachlan, RI, LLB, and Nicole K. Wong, JD

**B**ritish Columbia saw a particularly challenging wildfire season in 2021. A 2021 wildfire summary issued by the Province reported that in a period of time from April 1 to September 30, 1,610 wildfires burned across 8,672 square kilometres, with firefighting costs reaching approximately \$565 million. As many in BC are aware, the fires devastated the village of Lytton, destroying approximately 90% of the village.

Although the Province has announced \$8.3 million in funding intended to help with rebuilding Lytton, destruction on such a large scale raises questions as to liability and who is to pay for the costs in such a situation. BC's *Wildfire Act* (the Act) and the associated *Wildfire Regulation* (the Regulation) provide a starting point. The Act and the Regulation grant the provincial government the power to seek cost recovery from those who start wildfires. There are specific cost recovery provisions against leaseholders and owners of lands along with other provisions that apply to all persons who contravene the Act.

### COST RECOVERY

Under section 25 of the Act, the Minister of Forests, Lands, Natural Resource Operations and Rural Development (the Minister) can set out certain costs after the government has carried out wildfire control activities on either Crown land or private land. These costs can include:

- the cost to the government of the fire control and suppression work;
- the value of any Crown timber, other land resources and other government property damaged or destroyed by the fire; and

- the costs the government has incurred or will incur to re-establish a free-growing stand of timber as a result of the fire.

The Minister can order that a person who caused or contributed to the fire or its spread is responsible for the above costs if that person:

- holds a leasehold interest on Crown land on which the fire originated;
- is an occupier of Crown land on which the fire originated; or
- is an owner or leaseholder of private land on which the fire originated.

Sections 26 and 27 of the Act give the Minister authority to set out costs against a person who is found to have contravened a provision in the Act. In addition to the potential costs listed above, a person in contravention of the Act may also be ordered to pay an administrative penalty of up to \$100,000.

Industry and commercial operators also have particular obligations and responsibilities under the Act and Regulation. Special attention is required with respect to hazard assessment and abatement; if high-risk activities are performed, additional steps may be necessary to mitigate the risk of wildfires.

### ORDERS - EXAMPLES

In essence, the Province can seek recovery of its fire-fighting costs from both individuals (e.g., homeowners, campers) and commercial enterprises (e.g., logging companies, railway companies) who have contravened or breached the Act or Regulation.





Lytton on July 24, 2021. flickr/Felton Davis

One example of an order against an individual was made against Bryan Cecil Parke. In 2019, Parke and the Province reached an agreement that Parke was to pay approximately \$500,000 for the fire suppression costs associated with a 2012 forest fire that started on his property near Pavillion Lake, approximately 120 kilometres west of Kamloops. The fire covered about 140 hectares and took around four months to put out. This was a reduction from the amount that Parkes was initially ordered to pay (\$921,957.67) after the Prince George Fire Centre manager found that Parkes had caused the fire by failing to contain a controlled fire on his property that he had ignited.

A recent example of an order against a corporation was issued by the BC Forest Appeals Commission in March 2020. This decision arose from CN Rail's appeal of an order of administrative penalties and fines in association with a fire started on June 11, 2015, near Lytton. It was found that this fire started as a result of rail cutting activities during an "extreme" fire hazard. Approximately 2,200 hectares of Crown land were impacted. CN Rail disputed the amounts assessed against it for fire control costs and the value of resources lost. The Commission actually increased the amount CN Rail owed as a result of the appeal, and CN Rail was ordered to pay to the government approximately \$16.5 million.

## PROPERTY FIRE INSURANCE

As seen from the examples above, the costs associated with wildfires and contravention of the *Wildfire Act* are not insignificant. However, the Act only accounts for the costs incurred by the Crown and provides no assistance for property owners or members of the community who have lost their homes or businesses. In these cases, individuals are often left to turn to their home and business insurance policies. Most policies cover fire damage, and if residents are required to leave their homes due to a mandatory evacuation order most policies will provide coverage for reasonable additional living expenses. However, these living expenses are usually only covered for a specific period of time, meaning that in cases where rebuilding is delayed or requires an extended period of time there is a possibility that finances will be exhausted before homes are rebuilt.

## CIVIL CLAIMS

Aside from fire insurance, there is also the option to start an action against persons alleged to be responsible for the fire. This has been the case with respect to the Lytton fire of 2021. A class action lawsuit has been filed on behalf of anyone who was injured and/or sustained



Lytton, July 1, 2021. Satellite image by Sentinel-2A satellite. *flickr/Antti Lipponen*

damages to their property or place of business as a result of the wildfire (*Moiseiwitsch v. CN Railway Company et al*, (S217469)). In this particular claim, CN Rail and CP Rail were both named as defendants. The claim alleges that the Lytton fire was caused by heat and/or sparks emanating from a freight train owned by CP Rail that was operated by CN Rail on tracks owned by CN Rail. The claim asks that the court require that both railway companies pay damages to those individuals, businesses, and governmental entities who suffered losses resulting from the Lytton fire. It appears that at least one overlapping claim has been filed addressing similar issues.

This court case has not yet been heard and none of the allegations have been proven in court. The next step is a certification application that is currently set for October 17 to 21, 2022, where the plaintiff will ask the court to

allow the case to proceed as a class action. It will be interesting to see how this matter proceeds, especially in light of the report published by the Transportation Safety Board in October 2021 that found there was no evidence that trains running near Lytton caused the Lytton fire. To date, the cause of the fire remains undetermined and is under investigation by the RCMP and BC Wildfire Service. Presumably, if further investigation finds a certain party contributed to or caused the Lytton fire, that party may be on the hook for recovery costs under the Act and potential lawsuits.

## OUTLOOK

The options of starting a claim or cost recovery under the Act both require a finding that a person has caused



or contributed to a fire or contravened the Act in some manner. In the case of wildfires caused by natural causes, such as lightning strikes, there may be no other way to recoup recovery costs aside from that which is covered by insurance policies.

With the changing climate and the increasing average global temperature, it is unlikely that the outlook for wildfire season in BC will improve as extreme weather becomes the norm. With wildfires in BC growing in number and intensity, we should anticipate an increase in claims under the *Wildfire Act* and civil claims initiated by people affected by wildfires.

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"Mars water bomber dropping water on the Garnett Forest Fire at the edge of the city of Penticton, BC" (2008). *istock/cfarish*



# PROPERTY INSURANCE IN BC'S INTERIOR

Neil Brown

There are many reasons why individuals purchase insurance for their homes and organizations purchase insurance for their properties, from securing financing and protecting investments to mitigating risks and attaining peace of mind. At its core, insurance is a contractual transfer of risk from one party to another. With the rise of extreme weather in British Columbia, this transfer is being viewed as more perilous as risks faced by property owners are increasing in both frequency and severity. From record-breaking wildfires to devastating floods, natural disasters in our province have garnered international attention in recent months, with some describing BC as being on the front lines of climate change in Canada. Our front row seats to tragedy and destruction allow us to witness and understand the change in risk profile of BC's Interior as it presents to insurance companies.

## RISK IS DYNAMIC

In many ways, BC's Interior represents our province's most tangible and concentrated example of this dynamic shift in risk. The region's rugged beauty and abundant natural resources make it an attractive place to call home, build a business, or travel on holiday. As these activities continue to interface with the natural landscape, a unique set of challenges has emerged in securing and maintaining insurance coverage.

Over the past several years, the global insurance marketplace has experienced challenging market conditions characterized by higher insurance premiums, stricter

underwriting, and reduced overall capacity. This scarcity mindset typically follows prolonged competitive market conditions—periods of price reductions and greater availability of insurance—and are often ushered in by increased claims and challenging economic conditions. Although this cycle is well established, heightened awareness around climate change makes a reversion to traditional, easier market conditions less likely. During the last hard market in the early 2000s, global warming had barely entered the public discourse. In the two decades since, citizens and corporations alike consider a changing climate to be among the biggest challenges facing our society.

During this time, the increased ability to collect and interpret significant amounts of data has allowed insurers to better understand their current exposures to extreme weather. They can also harness this data for its predictive powers, analyzing with unprecedented detail which geographies or types of property pose increased risks. Sophisticated modelling is now commonly used to determine a property's eligibility for flood and overland water coverage. While insurers view these tools as allowing them to sustainably offer coverage to a broader set of customers, there remain limited solutions for property owners that are most exposed.

Although technology for assessing and predicting wild-fire risk is not as developed as that for flooding, the dramatic increase in catastrophic fire activity will no doubt have profound impacts on how the industry manages exposures in the future. California offers a stark example of how insurers have responded to the pressures caused



Near Ashcroft (2017). flickr/Province of BC



by fire activity: All insurance companies are re-underwriting for wildfire risk and adjusting the concentration of homes insured in areas across the state. Some insurers have elected to leave the California market altogether.

### UNDERWRITING WILDFIRE RISK

Many homeowner policies have been non-renewed and this trend is expected to continue. Insurance companies purchase their own insurance through reinsurers who also have heightened concerns about the wildfire risk in California. In addition to increasing their premiums, they are mandating that insurance companies reduce their concentration of homes in certain areas as a condition of their reinsurance contracts. So not only do insurance companies have to increase their premiums, but they are also shrinking their appetites to meet the demands of the reinsurers.

Until recently, very few Canadian insurers had established underwriting guidelines related to wildfire. Those that have such guidelines examine factors like roof material, slope of lot, accessibility by firefighting services, defensible space around the property, and presence of plant material that could act as fuel. We can expect that scrutiny on these and other factors will only increase in the coming years.

A more common strategy by insurers is the application of moratoriums during wildfires, meaning that coverage cannot be added or amended for a location that is

within a certain proximity to an active fire as defined by the Government of BC. While most providers use a 50-kilometre measure, there have been instances of 100-kilometre moratoriums in recent years. This can present an incredibly challenging scenario for would-be buyers who need to complete a transaction during the wildfire season. Even if a home may never truly be at risk, its mere proximity to a fire could mean that no insurance company is willing to accept it until the fire has been substantially extinguished. To some extent, a force majeure clause provides some protection for buyers. However, in some cases sellers have started to remove this language from contracts.

### CONSIDER INSURABILITY

For those who own or plan to purchase property in the Interior, there are a number of factors to consider. While a property's remoteness can be part of its charm, limited accessibility by fire departments will reduce one's options for insurance and increase costs. Some property owners assume that a nearby body of water could act as a stand-in for fire hydrants, but that is generally not the case. The use of non-combustible building materials, establishing fire-resistant landscaping, and making regular efforts to clear brush will greatly reduce the chance of severe loss.

Technology and a thriving real estate sector have greatly increased the pace of transaction activity. As a result, buyers and their representatives may not be aware of the





Kingsvale, near Merritt (2021). flickr/BC Ministry of Transportation and Infrastructure



"Fire from Lytton" (2015). flickr/momo go

insurance challenges related to a property until they are close to completion. In an environment of increasing risk, insurability should be an important consideration when assessing investment potential, though all too often it is an afterthought. If there is limited or no ability to secure coverage to protect an asset, it becomes a far riskier investment. If insurance costs are higher than expected, this can have a meaningful impact on budgets or operations.

## WORKING WITH A BROKER

A licensed independent insurance broker with expertise and broad access to domestic and international insurance capacity provides an invaluable service for individuals or organizations seeking to secure or maintain adequate coverage. Working closely with property owners, realtors, mortgage brokers, and other industry professionals, insurance brokers bring a unique perspective on the risks facing those who own, purchase, and develop real estate. Increasingly, insurance brokers are being asked to provide advisory services ahead of transactions to help their clients broaden their understanding of the relative merits of a given property. As clients move forward to completing a purchase, understanding the everchanging landscape of the insurance marketplace and being able to obtain and place coverage is often the linchpin of completing a successful transaction.

While completing a deal can be charged with a sense of urgency, the risks facing property owners exist on a

longer time horizon. Over time, a client's needs will inevitably change based on individual priorities, organizational strategy, market conditions, or indeed a changing climate. Through ongoing risk assessment and management, insurance brokers act as trusted advisors to their clients.

It is clear that the natural environment we rely on for sustenance and livelihood is undergoing rapid changes. Our province will be pressed to adapt and mitigate in myriad ways. Despite this challenge, our need for shelter, to gather with others, and to create economic activity remain. Those who understand all the risks of property ownership are better equipped to make informed decisions for the short and long term.

**RI**

# LOOKING AT AIR CONDITIONING UPGRADES

Paul Aucoin

**W**e know our summers are getting hot. Six hundred people in BC died during the heat wave in June and July 2021, according to the British Columbia Coroners Service. We need to discuss what we can do about it.

Significant changes have occurred in the air conditioning (AC) industry in the past ten years. Those changes don't make headlines but are game changers for retrofitting existing spaces with AC or designing new spaces. Here are three subtle, yet critical, developments:

1. We can no longer consider air conditioning a luxury in BC.
2. AC units are less noisy, both indoors and outdoors.
3. AC units have become much more flexible in their design and application.

Not earth-shattering developments. But they have changed the answer to the question, *Can I upgrade my space to include air conditioning?* to a definite yes.

In BC, with rising residential prices, the incremental air conditioning add in new buildings is a small percentage of the total cost of the space. Installed prices can range from \$20,000 to \$40,000 and provide a major feature to promote.

## DEMAND FOR AIR CONDITIONING

House and apartment buyers want air conditioning. Those that don't have AC are experiencing buyer's

remorse as they swelter in the hottest days of summer. I am the president of our strata council in our six-storey, brand-new building, and many residents want to install AC. Currently, only the penthouse units have AC installed. Our ground floor amenity room is mostly unusable in the summer because it is so hot.

The need is immediate and will continue to grow. Until now, strata councils have easily squashed requests for upgrades. Allowing an upgrade can cause new issues that are not reversible, such as unwanted noise and poor aesthetics. But now those issues are easier to solve. Plus, what if a strata council turns down the request and someone suffers injury or death in their unit as a result?

## AC UNITS AND HEAT PUMPS

You can't tell if you have an AC unit or a heat pump just by looking at one. A heat pump has one internal difference, a reversing valve, which allows it to reverse the refrigerant cycle, allowing the hot and cold heat transfer coils to switch functions.

In all cases, we identify the outdoor unit as the condensing unit, and the indoor unit as the evaporator or blower unit. The typical indoor blower/evaporator has a fan and gas furnace. If it has AC, the coil usually sits on top, with the air blowing vertically into the supply ductwork. Heat pumps rarely have gas furnaces, as they use the indoor unit as a hot coil in the winter by enabling the reversing valve.



AC installation. flickr/Phytxer Home Services (Phytxer.ai)

The two units are connected with copper piping containing refrigerant, which cycles from a gas to a liquid, and back to a gas again, the same as your refrigerator. The compressor, for example, compresses the cooler gas to a hotter, higher pressure gas, sending it to the condensing coil in the system, which turns it back into a liquid.

## OUTDOOR NOISE

Some condensing units—the outside portion on an AC unit—are very loud, especially those ten years and older. Some were so loud that one on a neighbouring property could wake you up at night. AC units and heat pumps have 95% similar components and will have similar noise issues. But today's quiet and flexible designs bring benefits to you and your neighbours. Imagine sitting on your deck and having a barely audible hum beside you. What a great neighbour you are!

A friend of mine installed a heat pump close to his neighbour's bedroom window. The townhomes were within five feet of each other. He bought the upgraded model the contractor promised would be quiet, so as not to bother his neighbour too much. The day following a particularly hot evening, the neighbour encouraged my friend to enjoy the benefit of his new heat pump. They were flabbergasted—it had been operating all night, but neither had heard it. This was five years ago; today's models are even quieter . . . well, most of them. You can find quiet units from many North American manufacturers, but not all units are quiet. You need to check the decibels.

Sound ratings are established in decibels, or dB. A single number, dBA, is the spectrum across eight decibel bands

audible to the human ear, from 20 Hertz (Hz) to 20,000 Hz. It is a weighted sound level and is a useful number when comparing options.

In the past, it was common for condensing units to operate at 80+ dBA. Current noise levels for condensing units range from 45 dBA to 75 dBA. The ratings are logarithmic, so a 3 dBA difference is theoretically twice as loud. For example, a 60 dBA unit is twice as loud as one that is 57 dBA.

These ratings are not absolute. If the unit is not maintained, or is vibrating because of improper vibration isolation, or improper refrigerant charge, your quiet unit can become much louder. To further complicate matters, sound rebounds off hard surfaces and can multiply. Softer surfaces can reduce sound levels. Even the most rudimentary screen may provide noise reduction. I would strongly encourage you to inspect an operating unit to get a feel for what is acceptable.

Now you know enough to be dangerous, but hopefully you believe there are solutions out there. If you have a critical installation, consider hiring an acoustic engineer.

## INDOOR NOISE

The indoor units are the ones we must live with. Our neighbours don't care about these ratings, but we do! Again, these units have become quieter, but not as dramatically as the outdoor condensing units.





Heat pump installation. flickr/Phyxter Home Services (Phyxter.ai)

Your indoor unit has a heat transfer coil, commonly referred to as the evaporator coil, which typically sits immediately downstream of the air filter. It has vertical aluminum fins that are tightly spaced, often fifteen fins per inch, and they are wavy. You can't see through this coil, even though it's only three inches thick. This design results in high efficiency.

The downside of this highly efficient, tightly spaced coil is that it plugs easily. You must keep it clean. Change your filters, and even when moving into a new building, see if there is drywall dust lying in the ductwork. Any clogging will cause the unit to work harder, make it noisier, and could damage the unit.

Many of these indoor units have an option to have a variable-speed motor. These motors result in higher efficiency and typically quieter fan operation than single-speed fans.

## ENERGY USE

In many AC upgrades, there is a best option, in terms of price and ability to meet the aesthetic needs. Once the system type is selected, often you can select an energy upgrade version. Usually, an upgrade results in larger condensing and blower units, so keep that in mind. One upgrade that doesn't change the physical size is adding a variable speed or electronically commutated motor (ECM) in place of the standard blower motor. A variable-speed or two-speed compressor will also save energy in typical residential applications.

The biggest influence on energy use will be how you operate it. If you set your AC temperature at 24 degrees Celcius, and your neighbor sets theirs at 22 degrees, their energy bill will be higher. To reduce your energy consumption, open your windows at night and allow cool air to come into your space. Program your thermostat to allow your temperature to get hotter while you are away at work, and have it cool down when you get home.

Typical programmable thermostats, or the "learning thermostats," can reduce your energy consumption if you don't want to learn how to use all the functions of your programmable thermostat.

If you can use free outdoor air cooling, you will want to do so wherever possible. If it's possible to duct an outside air intake to your indoor unit during the installation, it will save you energy.

## MANY MORE OPTIONS

The simplest AC systems will be the cheapest to install. There is always a way to get air conditioning into a space, but if it gets complicated, you may run out of money. At some point, one has to decide whether it's cheaper to move than to renovate.

No matter whether you approach an architect, contractor, or engineer, they will gravitate to systems they have installed successfully in the past. They are familiar with the challenges that arise and they want to provide a product they can install and service. There are a lot of



Ductless mini split AC installation. flickr/Phyxter Home Services (Phyxter.ai)

options. Here are a few of the less-common ones, from those readily available to those that require engineering:

- Variable-speed and multi-speed indoor and outdoor units will operate most quietly and efficiently.
- Outdoor condensing units originally came with a fan blowing vertically upward. Now they also come blowing horizontally, allowing tight spacing to a wall, or attached to a wall. This can also help direct noise away from a problem area.
- An indoor exposed air conditioner can be located on your inside wall. No ducting required. Noise levels have reduced on these aesthetically pleasing units. Plus, they only need to operate when it's getting too warm. I know I don't mind a little noise when something is cooling me off.
- One of the most flexible systems on the market is a variable refrigerant flow (VRF) system. It can connect multiple indoor units to a single outdoor unit—something you could never do before. You will need to work with a knowledgeable designer and installer, as it requires special training. The technology was invented in 1982 but has only become more widely used in the last ten years. It combines ultimate flexibility, efficiency, and quiet operation. When you have a complicated retrofit, consider contacting the manufacturer's agents representing these products locally. They can direct you to knowledgeable installers and designers. And while this may sound expensive,

it could be the most economical choice, since it uses only one condensing unit.

Even less common—but could work for your situation—are these options:

- Don't have enough electrical power? An evaporative cooler could provide enough cooling effect on the very hot days to make your space tolerable. More commonly referred to as swamp coolers, they don't sound pleasant or very advanced. But there is a reason they have stood the test of time. They work!
- Another option, when you have very little power available, is to use a natural gas heat pump. The power comes from natural gas, much like your gas furnace at home. The gas produces energy to power a heat pump, providing either hot or cold water, which can be piped to an indoor air conditioning unit.
- A raw sewage heating and cooling unit, called SHARC, produces hot and cold water using the raw sewage as your condensing medium. This allows you to keep your roof clear of noisier condensing units which take up valuable penthouse space. SHARC units are typically installed indoors. The local SHARC office will advise if this could work for you. You could recommend it to provide AC to certain areas of a building, such as an amenity area or a penthouse unit. This made-in-BC product ships all over the world.

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