

# For the RECOrd



SEPTEMBER 2005

Public Trust in the Real Estate Marketplace

STRATEGIC PRIORITIES

## Preparing for a New Era Bruce Law, Chair of RECO

I am honoured to serve as Chair of RECO's Board of Directors and look forward to building on the foundation of success that has been laid over the past 8 years, fostering confidence and integrity in the real estate industry in Ontario.

Over the past year, the Board and management developed a long-term plan for RECO, establishing its service, program and strategic priorities for the future. Over the course of this fiscal year, the planning process will continue leading to a business plan for 2007 to 2009 which aligns the newly established corporate strategic priorities to program and service objectives.

RECO anticipates that the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) will be proclaimed in Spring 2006.

**It is an exciting time. As we prepare for a new era in real estate regulation, it is a time of renewal; a time to explore new opportunities for service excellence and achieve our commitment to delivering value to registrants, consumers, and government.**

The implementation of the new Act has been identified as RECO's top

priority over the course of the next year. You can expect this major initiative to include an increased focus on communications - newsletters, electronic communications, and special publications - in order to ensure that registrants are aware of the legislative requirements and enhanced professional standards in the industry.

In the coming months, the By-laws Committee will complete its review of required changes related to REBBA 2002.

The Education Committee's consultative efforts, initiated last year, will result in recommended improvements to the Continuing Education Program - delivering increased value to registrants.

The Board expects to receive final recommendations from the Education Committee early in 2006. The Insurance Committee will continue its review of RECO's Insurance Program, assessing such factors as long-term stability, affordability and coverage as they explore options to provide registrants with a stable and affordable insurance program that meets the requirements of REBBA 2002.

My colleagues on the Board and I look forward to the opportunity to



*Bruce Law, Chair of RECO's Board of Directors*

meet with you - whether at Ontario Real Estate Association events, local real estate board meetings, or other industry events. I encourage you to consider participating on a RECO Committee or Task Force - perhaps standing for election as a Director in Spring 2006.

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Return undeliverable Canadian addresses to:

Real Estate Council Of Ontario 3250 Bloor Street West, Suite 600, East Tower, Toronto, ON, Canada M8X 2X9

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# A Message from the Honourable Gerry Phillips, Ministry of Government Services



This government's commitment to consumer protection has never been stronger.

In June 2005, the Ministry of Government Services was created, which combines elements of the former Ministry of Consumer and Business Services with Management Board Secretariat.

As one of my first duties as Minister of Government Services, I had the pleasure of announcing the proclamation of the new Consumer Protection Act on July 30, 2005. This new legislation represents the largest reform in consumer laws in Ontario's history.

Part of the reform also includes modernizing Ontario's real estate legislation. In 2006, the *Real Estate and Business Brokers Act, 2002 (REBBA)* will be proclaimed into law.

The new law will mean a number of changes for your industry. It will:

- Expand the code of ethics by recognizing the demands of today's economy and respond to new ways of doing business
- Strengthen the rules against false or misleading advertising
- Address public concerns by specifying that no registrant can falsify or counsel another person to falsify any information relating to a trade in real estate
- Provide more flexible ownership provisions.

The Real Estate Council of Ontario is doing a great job in promoting a marketplace where consumers can be confident in Ontario's real estate sales professionals. We know this new law will offer RECO the opportunity to achieve even better results.

It was my pleasure to bring the new Consumer Protection Act into force and I look forward to the proclamation of REBBA.

Together, we can further our commitment to make Ontario a better home for your industry and for the consumers and businesses you serve.

## CURRENT ISSUES

# Grow Houses – A Growing Concern

Marijuana grow houses are creating an unfavourable impact on real estate in Ontario. Consumers are most happy enjoying their new home; however, if their home was previously used as a grow house, learning of the expected structural or maintenance costs will alter their level of satisfaction with the real estate transaction. Undetected grow houses impact everyone negatively.

Apart from being a criminal activity, the operation of a grow house can alter the electrical system, compromise the structural integrity of the building, and most importantly, pose safety and fire risks. As well, large amounts of water are needed to grow marijuana. The excess moisture in the property could incubate the growth of mould, creating a health concern for prospective buyers. Industry estimates show that last year, repairing the damage caused by a grow costs \$60,000 to \$80,000, on average.

**Apart from being a criminal activity, the operation of a grow house can alter the electrical system, compromise the structural integrity of the building, and most importantly, pose safety and fire risks.**

RECO, as the regulator for the industry, continues registrant and public education to increase awareness about grow houses. Working with the Ontario Real Estate Association and other industry partners, educational and voluntary measures have been developed to combat indoor grow house operations.

As part of the provincial government's Green Tide Summit initiative, RECO met with other sector partners to increase public awareness on the effect of grow houses. As a direct result of the Summit, the government committed to combating grow houses as a legislative priority. Bill 128, *Law Enforcement and Forfeited Property Management Statute Law Amendment Act* had second reading in the Legislative Assembly on March 31, 2005. Third reading is scheduled for later this year.

*"This legislation is just the first step in a comprehensive provincial strategy to address the explosive growth of indoor marijuana grow operations that threaten the safety of residential neighbourhoods,"* said Community Safety and Correctional Services Minister, Monte Kwinter. *"It is about safeguarding our neighbourhoods and families, and protecting Ontario's economy, and would help create stronger and safer communities for all Ontario residents."*

The proposed legislation if passed at third reading would amend the:

- *Electricity Act, 1998* to allow local hydro distribution companies to disconnect hydro without notice for emergency, safety or system reliability reasons;
- *Building Code Act, 1992* to require



Registrants should be aware of the warning signs of a Grow House and avoid suspicious transactions

building inspections of all homes that police confirm contained a grow op. If buildings are deemed unsafe, inspectors are required to issue orders for repair; and,

- *Fire Protection and Prevention Act, 1997* by doubling the maximum penalties under the act for any contraventions of the *Ontario Fire Code*, such as tampering with wiring that would cause excessive heating that could lead to a fire, something commonly done in grow ops.

The proposed legislation provides for setting up a special purpose account so that the proceeds of seized assets - for example, real estate, vehicles and other equipment from grow houses and other criminal activities - can be spent on enforcement, crime prevention and compensating victims.

Gerry Martiniuk, MPP, Cambridge

tabled a Private Member's Bill, 181, *Protection Against Illicit Drug Grow Houses Act, 2005*, that had

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first reading in the Legislature on March 8, 2005. RECO will provide updates on the progress of the proposed legislation

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# Preparing For New Legislative Requirements and Enhanced Professional Standards

The *Real Estate and Business Brokers Act, 2002* (REBBA 2002) is expected to come into effect in Spring 2006. In the near future, the Ministry of Government Services will publish the final regulations on the Code of Ethics and the regulations on Registration and Other Matters. This provides a period of approximately 5 months for registrants to become familiar with the new legislative requirements and enhanced professional standards. RECO has an important role to play in ensuring registrants have the information they need.

RECO has been preparing for this event for several months. Aligning our processes and structures with the new regulatory framework continues to be our top priority. Over the past year we engaged in transition planning, and proceeded with our plans as far as possible pending the release of the final regulations.

## High-Quality Services

Our objective is to maintain high-quality services to consumers and registrants throughout the transition period and beyond. That includes delivering the information that registrants need and making information accessible.

At its September meeting, the Board of Directors reviewed the communications plans related to the release of the final regulations and the proclamation of the new Act. Communications activities related to REBBA 2002 are primarily registrant

focused; the priority is to ensure that registrants understand what is changing and just as importantly, what isn't.

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Here are some of the ways RECO will provide you with the information you need:

- **Special Edition Newsletter (Final Regulations)** – Information on the final regulations, an overview of key changes, general information about the new regulatory environment
- **REBBA 2002 section on RECO's**

**website** – one section that will provide access to relevant and important information

- **Electronic Bulletins** – MyWeb users will receive important updates and announcements by e-mail
- **Registrant Guide to REBBA 2002** – a comprehensive guide to the Act and regulations, including the new Code of Ethics, and explanations of significant changes
- **Code of Ethics** – a pocket guide to the regulations on the Code of Ethics for registrants

Continuing education will also play an important role in ensuring that registrants have an understanding of the new regulatory framework. Education providers will be working hard to update course information, developing material related to new requirements and providing new courses as required.

## A Time of Reflection

The proclamation of REBBA 2002 should be a time of reflection as well. Registrants should take pride in their role in the evolution of the regulatory environment. When RECO was established, member approved By-laws allowed us to accomplish a number of consumer protection initiatives while we awaited real estate act reform. Registrants' approval of the Code of Ethics, the Complaints, Compliance &

Discipline process, the Mandatory Continuing Education Program and the Insurance Program allowed us to

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move forward. The fact that these programs are incorporated into the new legislation and regulations is an acknowledgement of their importance in the eyes of registrants, consumers and government.



Sign up now at [reco.on.ca](http://reco.on.ca) to receive important updates about REBBA 2002

## Grow Houses – A Growing Concern

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on combating grow houses as information is available. Alternatively, registrants can visit <http://www.ontla.on.ca/documents/bills>

Registrants are encouraged to learn:

- all they can to spot potential signs that a property was used as a grow house; and
- what to do if a property was used as a grow house.

### Common Deficiencies of Grow Houses

- Stained walls and floors as a result of condensation
- Mould in corners where walls and ceilings meet
- Altered hydro, gas or water lines
- Unusual or modified wiring in the exterior of the house
- Signs of roof vents or holes cut in floors including patched sub floors to hide holes
- Repaired ceilings and/or attic roof
- Painted concrete floors in basement to hide the circular marks of where pots were once placed
- Tampered electric meter



## RECO Board to work with Ontario Real Estate Association on Canadian Regulators Group's Agency Task Force Recommendations

Over the past few months, the RECO Board's Agency Task Force Report Working Group has been exploring various approaches to consultation with stakeholders on the recommendations contained in the final report of the CRG Agency Task Force.

At its September meeting, the RECO Board decided to revise action on the CRG recommendations in anticipation of the proclamation of the *Real Estate and Business Brokers Act, 2002 (REBBA 2002)* in Spring 2006. RECO is sensitive to the possibility of overburdening registrants with information about potential changes related to agency, when the priority must be communicating the legislative requirements and enhanced professional standards related to *REBBA 2002*.

The Board supports a collaborative approach and is working with the Ontario Real Estate Association (OREA) to form a joint RECO/OREA Working Group to discuss the final report and a consultation process. Understanding the importance of information sharing, the Board agreed to share its work to date on the CRG Report with OREA, making this joint approach more effective.

Over the upcoming months this newly formed joint Working Group will review and discuss next steps for consulting with interested industry groups regarding recommendations contained in the final report of the CRG Agency Task Force. Registrants interested in reviewing the recommendations of the CRG Agency Task Force, should visit [www.canadianregulators.ca/ATMFMmain.htm](http://www.canadianregulators.ca/ATMFMmain.htm).

## The Association of Real Estate License Law Officials Conference Standing the Test of Time

The Association of Real Estate License Law Officials (ARELLO) is celebrating its 75th anniversary. In 1929, a handful of real estate regulators gathered in Toronto with a vision – the exchange of information and cooperation among regulators and policy makers in the area of real property. As a result, ARELLO was formed in 1930 – its vision has stood the test of time.

The conference will be held at the Hilton Hotel in downtown Toronto from Thursday September 29th to Saturday October 1st. It will be a time of celebration and reflection as we share in ARELLO's achievements.

The conference will offer a wide range of learning opportunities, providing updates on regulatory and industry topics of interest from across the world. RECO is sponsoring the Awards Breakfast on Saturday October 1st.

Visit [www.arello.org](http://www.arello.org) for more details

## Excellence in Inspections & Investigations

### Jo Ann Swain Awarded Investigator of the Year

Earlier this summer, **Jo Ann Swain**, a member of RECO's Inspections & Investigations team was selected as Investigator of the Year, 2005 by the Council of Licensure, Enforcement and Regulation (CLEAR).

*"I am honoured to have been selected by CLEAR to be this year's recipient of the Investigator of the Year award. This award is not only a reflection of the high-quality work of our department but also of its effective leadership. It's very rewarding to be recognized on an international level."* said Swain.

This international award recognizes an investigator in occupational or professional regulation who has demonstrated exceptional performance in a particular case and has a history of excellent performance beyond what is expected or required.

*"As the Manager of the Inspection and Investigation Department, I am extremely proud of Jo Ann being chosen as the recipient of this award. Jo Ann's achievement also reflects well on the entire RECO organization. Although the award was presented in recognition of a single investigation, all investigations by Jo Ann and RECO's other investigators are of the highest calibre,"* said Brian Prendergast.

Jo Ann Swain will receive the Investigator of the Year award for her high calibre of professionalism and excellence this month at CLEAR's Annual Conference.

## Insurance Renewals September 2005

RECO has completed its annual insurance renewal, collecting renewal payments from more than 43,000 registrants. From late August until early September RECO's phone lines were extremely busy as we received more than 13,000 calls a day on insurance and other matters. This led to long wait times and, at times, an inability to get through to RECO by phone. We appreciate the patience and understanding of registrants during this extremely busy time.

MyWeb was the most popular method used by RECO registrants to make their payment. Using MyWeb, more than forty per cent of registrants enjoyed the flexibility of paying their insurance fees, any time of day, or night in a secure, real time environment. They also were able to receive insurance certificates and receipts by email from RECO.

As RECO continues to explore service enhancements, registrants' feedback on MyWeb has been valuable.

## Upcoming Events

RECO will be attending a number of events in the next few months.

REALTORS Association of Hamilton/Burlington Trade Show on October 4 from 8:30 am to 4:00 pm at the Hamilton Convention Centre, 1 Summers Lane. Visit us at our booth.

Oakville-Milton District Real Estate Board Trade Show on October 19, 2005 from 8 am to 4 pm at the Oakville Conference Centre, 2515 Wyecroft Road. Stop by our booth.

Toronto Real Estate Board Annual Meeting and Trade Show on October 19, 2005 from 12:00 noon at the Toronto Centre for the Arts, 5040 Yonge Street.

Canadian Institute of Mortgage Brokers and Lenders Conference from November 6 at 9 am to November 8 at 2 pm at the Metropolitan Toronto Convention Centre, 255 Front Street. RECO's President/CEO, Tom Wright will participate in a panel session, *Regulations: A Brave New World* on November 7 at 2 pm. The panel discussion will focus on trends in brokers duties and responsibilities to clients.

Visit [www.reco.on.ca](http://www.reco.on.ca) for a listing of RECO's upcoming events.

## We value your feedback. Please forward comments or story topics to:

Real Estate Council of Ontario  
Communications Department  
3250 Bloor Street West  
East Tower, Suite 600  
Toronto, ON M8X 2X9  
E-mail: [communications@reco.on.ca](mailto:communications@reco.on.ca)



### Public Trust In The Real Estate Marketplace

**Real Estate Council Of Ontario**  
3250 Bloor Street West, Suite 600, East Tower  
Toronto, ON M8X 2X9  
Tel: 416-207-4800 Toll-Free: 1-800-245-6910  
Fax: 416-207-4820 E-mail: [information@reco.on.ca](mailto:information@reco.on.ca)

Complaints, Compliance and Discipline  
Tel: 416-207-4847  
Toll-Free: 1-888-296-8755  
Fax: 416-207-8851  
E-mail: [ccd@reco.on.ca](mailto:ccd@reco.on.ca)

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