

117 homebuyers out millions, as Ontario builder admits to selling homes without legal approvals

Sunrise Homes entered receivership in February. CEO calls selling without legal approvals a 'calculated risk'

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Rayyan Shahid and his wife, who are expecting their first child next month, were looking forward to moving into their dream family home at the Clearview project near Wasaga Beach next year. He says he was 'devastated' to hear about the builder entering receivership. (Submitted by Rayyan Shahid)

More than 100 people are out tens of thousands of dollars each, after the developer of a pre-construction home project in Clearview, Ont., entered receivership.

Rayyan Shahid and his wife, who are expecting their first child next month, were looking forward to moving into their dream home next year at the Clearview site near Wasaga Beach, about 150 kilometres north of Toronto. But that won't be happening.

The first-time homebuyer says that since December 2021, he's paid \$100,000 of his life savings as a down payment on the home, which was supposed to have been built by Sunrise Acquisitions (Stayner) Inc. by April 2025.

That Richmond Hill-based developer entered into receivership on the project in February. As a result, court documents show 117 homebuyers stand to lose about \$4 million collectively, with some individuals losing as much as \$130,000.

Shahid's on the hook for about \$15,000.

"It's really devastating," he said. "It's heartbreaking ... One thing is not getting the house, then the other thing is losing the money also."

This isn't the first time a Sunrise Homes project has become insolvent. The builder has also admitted to CBC Toronto that it's been selling homes without getting legal approvals to do so for years.

The province's regulatory authority for home construction says it is looking into Sunrise Homes after learning it sold homes without required approvals.

There have been previous allegations made against the company for misappropriation of funds involving a Markham project, and it's in debt for tens of millions of dollars related to another project in Elmvale, Ont. That leaves buyers like Shahid, as well as a Toronto real estate lawyer, calling for better protections for homebuyers.

Court documents reviewed by CBC Toronto show Sunrise Acquisitions (Stayner) Inc. spent all the deposits, which means it isn't in a position to return the money to homebuyers. The company was not legally obligated to retain any funds.

Shahid says his biggest question is where the money went — especially given there's been no construction of the homes people put down payments on.

"It's not like they started construction and they had to leave it in the middle," Shahid said.

"It's still a barren land. So where did all the money go?"

CEO calls selling without approval 'calculated risk'

Sajjad Hussain is the CEO of Sunrise Homes, which develops housing projects under various companies using similar names that list Hussain and Muzammil Kodwavi as directors.

One of those companies was Sunrise Acquisitions (Stayner) Inc., which entered receivership earlier this year for the Clearview Township project.

"The allocation of funds is currently under review," Hussain told CBC Toronto. He said the company used some of the deposits to pay down a loan.



Sajjad Hussain, CEO at Sunrise Homes, admitted during a phone call with CBC Toronto that he did not have the required approvals to sell or build homes at the Clearview site, something he called a 'calculated risk' he's been taking for over 15 years. (Sajjad Hussain/LinkedIn)

Tarion, the provincial warranty corporation, told CBC Toronto that Sunrise Homes did not have all the required approvals to legally sell or build the Clearview property —

something Hussain admitted to during a phone call with CBC Toronto, saying it is a "calculated risk" he has been taking for years.

"Usually, we register once we start construction, which is probably not the right way to do it. You have to register the time of sales," Hussain said. "We've been doing this practice for the last 15 years, 20 years probably."

The provincial Home Construction Regulatory Authority (HCRA) says Sunrise Homes' licences are in good standing, but a spokesperson told CBC Toronto it has now begun a closer inspection on Sunrise Homes and all its entities.

Developer, Clearview Township at odds

On Oct. 7, a judge approved a plan by the court-appointed receiver to sell the Clearview Township property — which still has no water or sewage capacity — to one of Sunrise's lenders, Brexit Holdings. A condition of the sale was the termination of all purchase agreements with homebuyers.

Despite that, Hussain told CBC Toronto he wants to buy the land back and continue with the project.

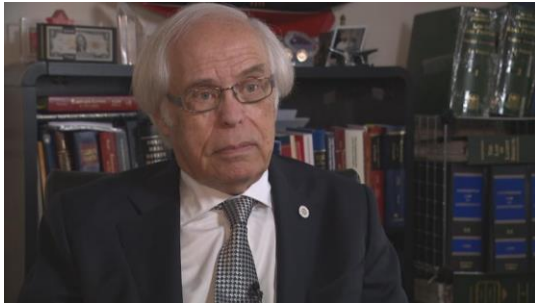
He blames a lack of water infrastructure and rising construction costs in the wake of the COVID-19 pandemic for the Clearview Township project going into receivership.

According to the builder's agreement of purchase and sale, buyers were told the town "has confirmed that water to the site will be available by summer of 2024."

But a senior official with the Township says that's not true.

"The first tender only went out in the fall of 2022 and that was to determine the cost, at which time [it] was too costly to proceed with construction," said John Ferguson, Clearview Township's chief administrative officer, in an emailed statement.

Bob Aaron, a Toronto-based real estate lawyer and former member of Tarion's board of directors, called it "a serious misrepresentation" on the part of the company "to say that the town has certified that there's enough water and we're going to get it for the subdivision, when in fact no such thing happened."



Toronto-based real estate lawyer Bob Aaron says it's 'beyond belief' that Sunrise Homes continues to hold a licence and operate in Ontario after entering receivership for four projects and being previously accused of misappropriation of funds. (Aizick Grimman/CBC)

Tarion spokesperson Andrew Donnachie says a builder who sells without the corporation's approvals is operating illegally — and "can face a range of penalties, charges and other enforcement actions."

A provincial spokesperson said Ontario is committed to protecting consumers and "is planning to consult on proposals to address illegal building and selling of new homes."

While the HCRA says it is now inspecting Sunrise Homes' entities, Aaron says lack of action or enforcement on the part of Tarion and HCRA up until this point amounts to "negligence."

"The sale of these homes by Sunrise was not exactly a secret. It was advertised, it was promoted. It was promoted in print, it was promoted online," he said. "Why wasn't Tarion protecting the public by putting a stop to marketing homes that didn't have approvals?"

Builder previously accused of misappropriation of funds

Sunrise Homes companies have had a number of financial troubles in recent years.

Sunrise Acquisitions (Hwy 7) Inc. entered receivership in 2021 for another housing project in Markham, and Sunrise Acquisitions (Elmvale) Inc. did the same earlier this year for a project in Elmvale, Ont. They each owe millions.

In the Markham case, Hussain and his business partner Kodwavi were accused by the court-appointed receiver of misappropriating millions of dollars by writing cheques to themselves while providing an incorrect general ledger to the receiver. The receiver called it a "cooked book" during a court hearing at the Ontario Superior Court of Justice in November 2022.

In an affidavit, dated Oct. 18, 2022, Kodwavi and Hussain agreed they owed about \$5.5 millions to Sunrise Homes. The court ordered Hussain and Kodwavi to pay the receiver over \$10 million in May 2023.

In an email to CBC Toronto, Hussain dismissed the idea that there was anything untoward about these payments.

"The court's focus was on inflows and outflows, and they did not take into account the legitimate project management fees," he said.



Faran Haq is one of 117 people who put down a deposit for a home in a pre-construction housing project in Clearview, Ont. Sunrise Acquisitions, the builder of the project, has entered receivership. (Saloni Bhugra/CBC)

Buyer shocked by builder's history

According to the HCRA's builder directory, there were physical issues with some homes at two projects — Sunrise Homes Ltd. in Brampton and Sunrise Acquisitions (Hwy 7) Inc. — which Sunrise failed to repair, leaving Tarion, a non-profit, to step in and pay nearly \$250,000 in chargeable conciliations, a measure of builder performance that appears on the builder's record for 10 years.

"That's beyond belief that they're still allowed to be in business selling homes with that track record," Aaron said. "It boggles the imagination."

Donnachie from Tarion says it provides home owners in Ontario "the most comprehensive deposit protection available in Canada."

But Aaron says he would like to see an increase to the deposit protection coverage — which is currently up to \$60,000 for properties purchased for \$600,000 or less, and 10 per cent for properties with higher sale prices, up to a maximum of \$100,000 in coverage.

Faran Haq is another homebuyer who says he spent \$100,000 since 2022 as a downpayment toward a home in the Clearview project. He expected to move into the new home this summer with his wife, son and parents.

He says he was shocked to learn that the company he paid a deposit to had gone into receivership under a different name in the past. He said he hoped there would have been better regulatory oversight to protect buyers like him.

"If someone's been stung once, let's make sure that ... someone is not able to get stung again by the same person, right?"