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# GROW OPS IN RENTAL

If you suspect your tenant might be cultivating more than a few herbs around your rental property, don't wait for the police to bust them. Shamon Kureshi reveals the telltale signs that your property is becoming a drug den, and what you can do to protect yourself and your investment

**T**he term "grow op" (grow operation), or "marijuana grow op", refers to the illegal cultivation of marijuana for the illicit purpose of distribution and sale for profit.

Grow ops can be found in houses, duplexes, townhouses, apartments, and on commercial property. The popularity of grow ops is on the rise throughout North America in general, but they are an even bigger problem in Canada, where our cold winters force this type of drug cultivation indoors.

Some reports have suggested that the incidence of grow ops in large Canadian centres is as high as one grow op per 1,000 houses.

Marijuana can be cultivated through hydroponic methods or soil-based growth, with the soil-based method showing a definite rise in popularity in recent years. A hydroponic operation grows marijuana by placing the roots of the plants in a nutrient- and chemical-rich, water-based solution. This method has fallen from popularity due to an increased likelihood of detection by police technology, because

hydroponic operations emit a huge amount of traceable moisture throughout the house. Soil-based methods are considerably more difficult to detect and seem to be the current method of choice for most criminal operations.

Marijuana is an annual plant, meaning that at the end of the plant's life cycle it dies. A typical life cycle for a marijuana plant is 90–120 days, and this mirrors the growth season in Central and Southeast Asia, where the plants are indigenous. Most cultivators will try to mirror the seasonal conditions of this region in their grow ops by adjusting the amount of light, moisture, and nutrients the plants receive during specific periods of the growth cycle. The results are marijuana plants that are bigger, more potent, and more chemically enhanced than ever before. This natural drug can contain as many as 25 different noxious chemicals and growth hormones.

The average marijuana plant will yield approximately 5oz of marketable material. Law enforcement officials and courts have determined the value of an ounce

of marijuana to be about \$250, so a 5oz plant is worth \$1,250 to the cultivator. The average-sized grow op will house 500 plants, which means the proceeds from the sale of these plants will equate to approximately \$625,000 per growth cycle, or nearly \$2 million per year.

## HOW LANDLORDS ARE TARGETED



The majority of grow ops are housed in property that is rented. Criminals are able to rent property through sophisticated and elaborate schemes involving fraudulent misrepresentation and fictitious identities.

According to Staff Sergeant Tom Hansen of the Royal Canadian Mounted Police's (RCMP's) Alberta Law Enforcement Response Team (ALERT), law enforcement officials have noticed a significant shift in how the perpetrators operate – from owning the properties used in this type of crime, to obtaining fraudulent mortgages, to acquiring the use

and possession of properties by renting them from unsuspecting, busy, or out-of-town landlords.

Recent changes by the Canadian government and the Canada Mortgage and Housing Corporation have made the process of applying for or obtaining a mortgage significantly more difficult than in previous years. This also virtually eliminates the ability of grow op perpetrators to create straw buyers or arrange for fictitious persons to apply for and gain mortgages for such properties.

Many cultivators of grow ops will search out landlords who are less elaborate in their screening practices and who largely forget about the rental property once a regularly scheduled rental payment arrives. These landlords can be busy professionals, expatriates, or new and inexperienced property investors.

### **IMPACT OF THE GROW OP ON A RENTAL PROPERTY**



Grow ops cause significant damage to the physical structure housing them.

#### **X Clean-up cost up to \$250,000.**

While remediation costs vary with the size of the house and the severity of the damage done, some reports suggest the cost of cleaning up after a grow op can range from \$100,000 to \$250,000.

This damage is primarily caused by harmful or noxious mould and mildew growth throughout the house, but criminal cultivators will also usually find ways of stealing water and electricity by drilling a large hole through the foundations of the house to access utility services and bypass the utility metering system. Grow ops need a lot of light and water to be successful, and cultivators know that abnormally high hydro bills will blow their cover.

#### **X No insurance cover.**

Most insurance companies will specifically exclude grow ops in the wording of their home insurance policies and will decline any coverage of the clean-up after a grow op is discovered.

To add insult to injury, many jurisdictions in Canada have a policy in place to charge the landlord with the cost of the

investigation and police action, which can tack on another \$10,000.

#### **X High legal cost.**

Legal problems stemming from a grow op are also extremely expensive. Most regional health bodies will inspect a property and register an "Unfit for Human Habitation" order on the property's title, with corresponding instructions for remediation. Usually, this requires stripping the house down to its frame, disinfecting all areas remaining, and then rebuilding the house to its original condition with new materials. This order will stay on title until a follow-up inspection has deemed the remediation to have been successfully completed.

#### **X Risk of foreclosure.**

It is a well-known fact that any mortgage company or bank will register an encumbrance against the title of a property at the time of lending the borrower the money to buy it.

This means that the property serves as collateral for the bank in the event that an



"Up until a couple of years ago, nearly all of the significant marijuana grow operations were housed inside properties that had been acquired through mortgage frauds. Since then we have seen a significant shift to rental properties. Many of the grow ops are now set up in rental properties that have been obtained from absentee landlords, wilfully blind landlords, and disreputable or inattentive property management companies."

**Staff Sergeant Tom Hansen, RCMP ALERT Team**



individual has a problem making payments. In the case of a grow op, the bank's collateral is compromised. Once a lender is made aware of a grow op, they may insist on the full balance of the mortgage being repaid immediately.

Failure to do so could result in foreclosure, in which the bank files court proceedings against the landlord for the right to acquire the property for market value, less the amount owing to them. This is harmful to the landlord's credit rating, and the value of the house will have been significantly decreased because of the damage caused by the grow op. The lender also has the right to come after the landlord for any shortfall if the home's value is less than the amount owed.

### **Unwanted property due to drug stigma.**

Despite having cleaned up and fully remediated a former grow op property, owners often find that the property remains stigmatized, or considered untouchable by future buyers. This creates an obvious drop in the value of the home for future transactions.

Real estate boards throughout the country insist that all agent members subscribe

to a strict code of conduct and ethics; in this case, the code of conduct forces them to disclose any known issues relating to a property.

If a property has been used as a grow op, then the agents are forced to pass this information on to any and all interested buyers, who will likely have second thoughts about making the purchase. The value of the property may be decreased long-term, even if it has nothing wrong with it. This could cost the owner thousands of dollars in lost sales profits in the foreseeable future, because interest in buying the property will be limited.

### **SIGNS THAT YOUR PROPERTY IS BEING USED AS A GROW OP**

#### **The house does not look lived in.**

This can mean many things, and some homeowners keep their home and grounds so tidy that one would never know there was an occupant in the first place. Look for newspapers piling up, overgrown grass, and a lack of footprints in the snow, to name only a few of the signs.

#### **Blocked windows, especially in the basement.**

Cultivators know that growing a crop of marijuana requires light for 24 hours a day during the initial stages of growth. This light is usually provided by large sun lamps placed directly above the plants. In order to avoid detection by neighbours, the cultivators often place high-tech materials over the windows to stop the light from being visible from outside the house.

#### **Attached garage.**

The garage is the primary method of entry for cultivators, and it provides an easy route for transporting equipment into and out of the house prior to the actual harvest. Once the plants are harvested, an attached garage also facilitates a discreet transportation route out of the house.

#### **The garage seems unusually clean.**

How tidy is your garage? Garages that are attached to homes often attract clutter, debris, garbage, electronics boxes, yard equipment, mountain bikes, or snow shovels. A short trek through a residential neighbourhood in any major centre in Canada will soon confirm this. A clean

garage is a good indicator that whoever lives in the house is not spending very much time there, as is the case with most grow op cultivators.

### **The home has an unfinished basement.**

Cultivators show a preference for renting homes with unfinished basements. This allows for easy set-up of necessary electrical wiring, coring through the foundations, and sectioning off of rooms for various stages of growth.

### **There is a pungent, "skunkey" smell coming from the home.**

The unmistakable smell of marijuana is most often noticed coming from the dryer vents and other areas where air can pass from the inside of the house to the outside.

### **Cash payments from your tenant or their friends.**

Some landlords appreciate a smooth transaction that does not run the risk of bouncing, and will ask their tenants to pay rent in cash. Cash payments are untraceable and are a prime method of paying the rent used by cultivators of marijuana grows op.

### **Tenants provide significant opposition when you request an inspection.**

For obvious reasons, the tenants will make excuses to avoid an inspection; they will cancel existing inspection appointments, be out of town or unavailable, and will certainly not be interested in allowing the inspection without being present themselves.

### **Roof seems to have less snow than neighbouring houses' roofs in winter.**

The huge number of sun lamps used in a grow op emit an extreme amount of heat. This heat rises and melts the snow on the roof of the property. There is no way around this for cultivators, so it can be a sure-fire way of telling that the property has a lot more heat inside it than neighbouring homes.

### **Garbage is not taken out.**

Most neighbourhoods now subscribe to the "Blue Bin" or "Black Bin" methods of garbage and recycling pick-up. Since grow ops are not likely to

have somebody living at the property, minimal or no garbage is likely to be put out. Compare this to neighbouring homes with regular garbage pick-up requirements.

## HOW DO I PREVENT A GROW OP FROM OCCURRING IN MY RENTAL PROPERTY?

### **1 Screen your tenants well, and check their references.**

This entails all of the obvious steps, such as checking with the applicant's employer, verifying income, calling around for reference and reliability checks. Sophisticated grow op cultivators will anticipate some screening and will coach referees or give false information and contacts on their applications. Try contacting the referees and asking if they can refer you to further referees for your tenant. Do your prospective tenants have a previous landlord and previous rental property address? If so, drive by and verify that the property exists.

### **2 Collect two pieces of government-issued ID for each tenant.**

A would-be grow op cultivator will not willingly give up their true identity, and a government ID is therefore a great way to verify who they are. Record passport or driver's licence numbers on your Residential Tenancy Agreements, and photocopy all relevant ID and other documents.

### **3 Inspect the property at least every three months.**

A quick inspection of the property may or may not reveal a grow op, but will definitely deter somebody who is contemplating one. Rental legislation seems to differ from province to province, but all provinces allow for a landlord to inspect a rented dwelling. Be mindful that with warning of an upcoming inspection, cultivators have time to hide any incriminating evidence of the grow op.

### **4 Introduce yourself to the neighbours and give them your contact information.**

Inspecting a property is an effective deterrent, but is by no means foolproof.

## Neighbours are the best and most effective means of catching and dismantling grow ops

The neighbours, however, can serve as a constant set of eyes and ears and are likely to be concerned about the safety of the neighbourhood. Neighbours are the best and most effective means of catching and dismantling grow ops.

### **5 Pick up the rent in person, at the property.**

This allows for a mini inspection of the premises each month. Watch for all the signs we discussed earlier, and do not let up on the monthly rental collection visit.

### **6 Continually re-educate yourself.**

Grow ops are big business. Cultivators can illegally net millions of dollars from the sale of marijuana that they have grown in your rental property. As such, they are constantly evolving their process to avoid detection. Tips and tricks that are effective in detecting grow ops in rental property today will not necessarily be useful tomorrow or in coming years. Educate yourself through seminars, books, articles, and discussions with law enforcement officials to stay one step ahead of the criminals. ■

**SHAMON KURESHI** is the president and managing broker at Hope Street Real Estate Corporation, an agency that provides rental homes to thousands of individuals and families throughout the greater Calgary area. He received the "Property Manager of the Year – 2011" award from the Calgary Residential Rental Association.

