

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON  
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT  
RAPPORT

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DATE                       10 June 1997

TO/DEST.                 Co-ordinator  
                              Planning and Environment Committee

FROM/EXP.                Finance Commissioner  
                              Environment and Transportation Commissioner  
                              Planning and Development Approvals Commissioner

SUBJECT/OBJET          **FINANCE - COMMUNAL SEWER SYSTEM**  
                              **VILLAGE COURT**

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### **DEPARTMENTAL RECOMMENDATION**

**That the Planning and Environment Committee recommend that Regional Council confirm that the developer of Village Court shall be required to pay for the capital cost of the Communal Sewer System and provide the system to the Region for one dollar.**

### **BACKGROUND**

On October 23, 1996, Regional Council (Planning and Environment Committee Report No. 44) approved, subject to certain conditions, the Village Court Development as a communal services demonstration project for wastewater treatment pursuant to Regional Official Plan Amendment No. 47. While the proposal has evolved somewhat since the Council approval, it has retained its essential characteristic as a mixed use commercial/senior citizen residential project. The demonstration nature of this project is that the sanitary sewage be treated by a wastewater treatment system provided by CMS Group-Water Treatment Systems. The system is based on "Rotordisk" technology supplemented by tertiary treatment to meet the Ministry of the Environment and Energy's discharge criteria for the sensitive Rideau River watershed

For the purposes of this report, the following two conditions of the October 23, 1996 Council approval are relevant:

**Council approve[s] ...Village Court Development as a Communal Services Demonstration Project for Wastewater Treatment pursuant to Regional Official Plan Amendment No. 47 provided that:**

4. **The assumption of the communal wastewater treatment system into Regional ownership after a two year warranty period, to commence after the system is commissioned, to the satisfaction of the Regional Municipality of Ottawa-Carleton;**
5. **That Regional staff be authorised to charge the full cost of operation, maintenance and capital cost replacement of the communal wastewater treatment system to the users through a special charge to municipal realty tax assessment on each residential, commercial and institutional unit in the Village Court Development once the RMOC has assumed ownership of the system. Prior to assumption, the full cost is to be paid by the developer;**

#### FINANCING - WASTEWATER TREATMENT SYSTEM

Normally, when on-site capital infrastructure is required for any new development project, the Region requires that the cost of that infrastructure be paid by the developer. The cost of the wastewater treatment system for the Village Court is estimated to be \$550,000. In order to improve the financial viability of the project, the agents for Village Court have asked the Region to consider an alternative financing scheme. Neither staff nor Committee or Council were advised of the proponent's intention to request an alternative financing scheme prior to Village Court being approved as a demonstration project.

The original financing proposal by the agents for Village Court was that Village Court would pay for the initial capital cost of the installation of the communal sewer system. In addition Village Court would be required to post a letter of credit in the amount of \$550,000 prior to the commencement of the construction of the system. This letter of credit is to address four objectives:

1. To ensure that the works are completed;
2. To provide a source of funds to ensure that any repairs required by the Region can be made and paid for;
3. To ensure that the costs of operation, maintenance, repair and capital cost replacement to be paid by the developer during the warranty period are indeed paid; and
4. In the event that the communal sewer system does not operate as expected in the warranty period, to provide a source of funds for alternative disposal of the sewage.

At the end of the warranty period, providing that the system has been completed and is, in the opinion of the Region, operating properly, the four objectives would be met and the letter of credit would be returned to the developer. As noted above, this approach of requiring the developer to pay for the cost of on-site capital works as well as posting a letter of credit as security for such works has been the long-standing practice of the Region with respect to any new development.

Under the new financing proposal by the agents for Village Court, the Region is expected to accept the liability for the cost of the communal sewer system as such costs are incurred. Thus while the letter of credit would continue to be provided by the developer, \$550,000 in capital would be freed up for Village Court as the Region would become the guarantor of the debt.

The increased risk to the Region is that should the developer not complete the construction of the system, the Region would have to utilise the letter of credit to do so as well as pay costs already incurred by the developer towards the construction of the system. This could lead to no funds being available for work or testing required during the warranty period. In addition should the system fail during the warranty period, no funds may be available to provide for alternative disposal of the sewage. This is important as while some aspects of the Rotordisk technology have been proven to operate satisfactorily at other locations in Ontario, the system proposed for Village Court includes a tertiary system which is not a proven technology.

It is important to distinguish the principles behind the funding of the proposed Village Court sewer system from the communal/central supply systems in Vars, Carp and Carlsbad Springs. With respect to each of the latter three systems, the primary purpose in providing water and/or sewer was to deal with an existing health problem. While limited growth is permitted with these three systems, one of the main reasons for doing so is that the growth will bear a portion of the cost of the systems and thereby reduce the cost for the existing residents to a more manageable level.

In contrast, the communal sewer system for Village Court is solely to service new development. There is no existing health problem to be alleviated by the provision of this system. Finally, it should be noted that while the Province has provided funding at levels between 70% - 80% for the Vars, Carp and Carlsbad Springs systems, the consistent position of Regional Council has been that these systems are to be at no cost to the Region.

## CONCLUSION

In the opinion of staff, a case has not been made as to why, with respect to the Village Court sewer system, the Region should depart from its established practice of requiring the developer to pay for the capital cost of on-site infrastructure. Rather, because of the risk associated with the new technology, the Region is better served by confirming this practice.

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