



## **IN CAMERA REPORT TO COUNCIL**

**DATE:** July 17, 2017  
**AUTHOR:** Ben Greenough, Superintendent of Public Works  
**SUBJECT:** Sewer Treatment Property Update

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### **RECOMMENDATION:**

1. That Council delay the decision to see if another more suitable property comes available in the future.
2. That Council consider the information in this report, identify a preferred property, and initiate the development of a Loan Authorization Bylaw for approval by the Inspector of Municipalities.
3. If proceeding, that Council identify the preferred elector approval process (i.e. a Referendum or an Alternative Approval Process [AAP]), with consideration of the timeframes involved, and direct staff to outline a clear financial plan that includes funding sources, the capital budget, cost recovery and a tax assessment breakdown.

### **BACKGROUND:**

At the June 5, 2017 In Camera Council meeting, staff were directed to investigate three properties to determine feasibility for a sewer treatment location, and in the case of two of the properties, initiate negotiations with the property owners and collect more data. The June 5, 2017 Report on Sewer Treatment Location Property Purchase is included as Schedule A of this report.

For brevity purposes, this report will not repeat the information in the June 5 report. Instead, this staff report will focus on the three properties. One already owned by the Village in the 'Central Area' and two in the 'Skidegate Landing West Area' that the Village could consider purchasing for this purpose.

#### **Property #1 – 028-911-547 No-Plan EPP17025, Lot 1, District Lot 15A**

The first property has approximately 0.22 acres of useable space and is owned by the Village of Queen Charlotte. The property has been consolidated with the Helipad/Boat Launch property to the East. Immediately to the West of the property is a residential property that is used as a home based business bed and breakfast accommodation. The property is sloped towards the ocean and treed along the South East edge. There is a rocky beach on the foreshore.

According to the 2010 Sewage Treatment and Disposal Feasibility Study written by Dayton and Knight, the smallest size of sewer treatment facility for a population of 3,000 would require approximately 0.11 ha (0.27 acres) without any buffer for adjacent properties, or 0.86 ha (2.13 acres) with a minimum buffer.

As this property is only 0.22 acres, even the smallest sewer treatment facility without any buffer for adjacent properties would be too large to accommodate within the useable space. The additional challenges of the sloping lot, potential impact to the neighboring property values, and visual impact along the scenic highway would make this the most challenging location for a sewer treatment facility.

However, as the Village does own the property it has potential to be used for a sewer pump station if a location further to the East is selected.

**Sewer Treatment Footprint on the Property:**

To give a sense of the proportions a diagram showing the property with the footprint of the smallest size (0.11 ha / 0.27 acres) sewer treatment plant is included as Schedule B of this report.

**Property #2 – 009-020-047 No-Plan 18, 4603 Martynuik Road assessed at \$417,000**

The second property is an approximately 87 acre lot owned by Sheila Karrow (lot size based on property tax assessment not the real estate assessment of 76 acres). The following detail is from a June 21, 2017 appraisal conducted by Rick Berry, GHW Appraisals Northwest Ltd which is available for review.

The majority of the parcel is situated on the upland side of Oceanview Drive. The topography of this portion of the property is strongly sloping up to the North and Northeast, with a series of benches. Aside from the site of the house, the upland property is covered by mature second-growth forest.

There are three waterfront portions of the property which are located South of Oceanview Drive and a gazetted road dating back to 1926. The most Easterly of these portions is too small to be considered as contributing significant value to the site; the most Westerly is affected by the gazetted Ministry of Transportation and Infrastructure (MoTI) road right of way (ROW) and does not contribute significant value as long as the ROW exists; the remaining portion has greater depth than the others before being affected by Oceanview Drive ROW, however there is a covenant in place.

Covenant FO2151 states that “the Grantor does hereby covenant and agree with the Grantee not to build, construct, or place any dwelling unit or any other structure requiring any form of sewage disposal system on that part of land south of the present highway 33 and adjacent to the beach, the aforesaid land being crosshatched in red on the plan and being situated immediately to the south of the proposed subdivision.” This covenant, too, affects the value of the waterfront portion of this property.

The title for the property is encumbered by two statutory ROW (TG2723 and TG2724) in favour of BC Hydro and Power Authority and BC Telephone Company. These are ‘blanket’ ROW and as such are not confined to a specific portion of the site. There are two additional encumbrances, TG2725 and TG2726 “appurtenant to Lots A and B Plan PRP13539” that are also considered blanket easements.

These factors are included in the assessment value of \$489,000 without the transfer of the MoTI ROW, and \$590,000 with the transfer of the MoTI ROW.

The appraisal noted that the property is located in a very small market with limited activity. All properties in the market area tend to be unique with substantial differences in quality and character, and the margin of error is necessarily greater than in a larger, more active market. It is also a unique property in terms of the size, location, configuration, intersection of roads (i.e. Eagle Hill Road, Martynuik Road and Oceanview Drive), topography, buildings and encumbrances registered against the title, and therefore the estimate of value includes an extraordinary degree of subjectivity and uncertainty.

**Timber Value:**

Ms. Karrow had an assessment completed in 2012 that estimated the value at **\$242,992.53**, which has now been updated to reflect 2017 values which are estimated at **\$384,042.65**. Once logging costs, dryland sort, barging and other fees are factored in, the estimated return would be a profit of **\$183,522.65**.

**Asking Price:**

Based on the appraised property value and the timber value ( $\$590,000 + \$183,522 = \$773,522$ ), Ms. Karrow has set her asking price at **\$700,000**, although she has stated that she would accept **\$650,000** with alternative compensation of some kind, and she is open to ideas as to what that could look like.

**Site Visit:**

On July 5, 2017, Ben Greenough, Arden Olsen and Lori Wiedeman conducted a site visit and walked part of the parcel. The property is heavily treed and the undergrowth has grown in with ferns and other low height plants. Old logging roads and skidder tracks keep it accessible. A full survey would be required to fully assess the elevations as the thick vegetation makes it difficult to clearly see the slopes.

Arden Olsen is a Public Works Operator with past experience in road building and logging. In his assessment it would be possible to build roads into the property, though in some cases we may need to use switch backs depending on how future subdivisions are laid out. There also appeared to be rock on the property that might be useable for road building although a fuller survey and assessment would need to be conducted to confirm its suitability. If it is useable, that could help reduce the costs of road building on the property.

The large benches would be suitable for development of residential properties, and would significantly increase in value once the sewer treatment is available. The eventual sale of these properties would help to offset the costs of property purchase and road access, but would likely not be enough to cover the costs of the sewer treatment system.

**Road Access:**

The Eagle Hill Road ROW was dedicated by subdivision in 1992, as part of a 2 lot subdivision approved by the MoTI Approving Officer. The Ministry required the dedication of the road, although it did not require that the road be developed. They did note that "Any future subdivisions on the upland side of District Lot 18 will require the Applicant to construct the road to Ministry of Highways standards within the right of way."

The Ministry never assumed responsibility to maintain Eagle Hill Road prior to the transfer to the Village in 2010. As such it is now considered a privately managed road ROW under municipal jurisdiction.

Overall, the road is in fairly good condition, although narrow, and the steepest grade is approximately 13-14%. At a minimum, the road would need to be upgraded and widened to at support further development on the property.

As part of our 2016 Roads Asset Management Project, McElhanney Consulting Services Ltd. provided a Planning Level Cost Estimate for upgrades to privately managed road ROW in the Village. It was noted that the values are susceptible to high variation due to the remoteness of Haida Gwaii, mobilization and limited construction resources available locally. In addition, no allowances for significant works, such as rock removal, soft soil remediation, utility upgrades, or complete road re-alignment were included in the estimate. For Eagle Hill Road, McElhanney was contacted regarding the proposed use of the property and received the following high-level estimate assuming a 2-lane road would be required which would result in some cut and fill, adding extra costs:

From	To	Length (km)	Width (m)	Design Width (m)	Cut/ Fill (m2)	Gravel	Paved	Total Cost
Hwy 16	Midpoint	0.11	3.4	3.25	6	\$244,119.16	\$53,437.80	\$297,557.43
Midpoint	Dead End	0.11	2.4	3.25	6	\$157,103.38	\$53,437.80	\$210,541.18
(includes items such as mobilization/demobilization, traffic control, etc.) General Fees							10%	\$50,809.86
Engineering and Survey							15%	\$76,214.79
Contingency							30%	\$152,429.58
<b>TOTAL</b>								<b>\$787,552.84</b>

**Sewer Treatment Footprint on the Property:**

To give a sense of the proportions a diagram showing the property with the footprint of the largest size (6.0 ha / 14 acres) sewer treatment plant is included as Schedule B of this report, along with an outline of potential subdivisions based on a parcel size of 1 ha (2.4 acres).

**Property #3 – 005-833-043 DL18 Lot 1, Plan 9735 assessed at \$208,000**

The third property is a 47.78 acre lot owned by Patrick McDonald. The property owners have not provided us with an assessment so the following is based on our observations at the site visit and a discussion with the property owner’s son.

The parcel is situated on the upland side of Oceanview Drive. The topography of the property is strongly sloping up to the North, with a series of benches. The property is fully covered by mostly second-growth forest.

The property has a statutory ROW agreement in place whereby the subdivided property owner granted in perpetuity the full, free, unrestricted and uninterrupted right, liberty and right of way at all times and with or without vehicles of any description to enter the lands, construct or maintain the area, clear the ROW and use it as an access point to the subject property.

This ROW was part of the subdivision that created a smaller lot on the Southwest corner of the property facing Oceanview Drive, identified as Lot A of Plan 9735. The ROW is identified on Schedule B of this report with a dashed grey line. An encroachment permit was also issued for the existing residential building and septic field for Lot A of Plan 9735 on the subdivided parcel.

The title for the property does not have any encumbrances, and the property is currently for sale, however it has not yet been publicly listed.

**Timber Value:**

Mr. McDonald has indicated that while there are some valuable trees, most would require more time to mature to substantively increase the value of the property.

**Asking Price:**

The property owner has stated that they will be listing the property between \$600,000 and \$650,000, however he is open to negotiation. His son will be acting as the primary liaison.

**Site Visit:**

On July 5, 2017, Ben Greenough, Arden Olsen and Lori Wiedeman conducted a site visit and walked part of the parcel. Similar to Property #2, this property is heavily treed and the undergrowth has grown in with ferns and other low height plants. There are still old logging roads and skidder tracks that keep it accessible. A full survey would be required to fully assess the elevations as the thick vegetation makes it difficult to clearly see the slopes.

Arden Olsen is a Public Works Operator with past experience in road building and logging. In his assessment developing access to this property would be more straightforward than Property #2. There also appeared to be rock on the property that might be useable for road building although a fuller survey and assessment would need to be conducted to confirm its suitability. If it is useable, that could help reduce the costs of road building for the property.

Similar to Property #2, the large benches would be suitable for development of residential properties, and would significantly increase in value once the sewer treatment is available. The eventual sale of these properties would help to offset the costs of property purchase and road access, but would likely not be enough to cover the costs of the sewer treatment system.

**Road Access:**

The ROW would have to be developed to provide the easiest access to the property and the cost of developing this road should be factored in to the overall cost of the property. The cost of developing this road will be dependent on a number of site specific factors that are beyond the scope of this report.

**Sewer Treatment Footprint on the Property:**

To give a sense of the proportions a diagram showing the property with the footprint of the smallest size with a buffer (0.86 ha / 2.13 acres) sewer treatment plant is included as Schedule A of this report, along with an outline of potential subdivisions based on a parcel size of 1 ha (2.4 acres).

**RECOMMENDATIONS:**

**Property #1 – 028-911-547 No-Plan EPP17025, Lot 1, District Lot 15A**

Although this property is already owned by the Village of Queen Charlotte, the small size of the property at 0.22 acres, the scenic highway and placement between a residential home based bed and breakfast accommodation and our Helipad and Boat Launch facility would make it the most challenging location for a sewer treatment facility. At this time, even the smallest footprint facility at 0.27 acres, built without any buffer, is too large for this site. If another location further to the East is selected, consideration should be given to using this location for a sewer pump station if it makes the most logistical sense once a full design is developed.

**Property #2 – 009-020-047 No-Plan 18, 4603 Martynuik Road assessed at \$417,000**

The BC Assessment value of Property #2 is \$417,000, and it has been appraised between \$489,000 and \$590,000. With the current value of the timber identified as \$183,522.65, the property owner has set the asking price at \$700,000 but she has stated that she would accept \$650,000 with alternative compensation of some kind, and she is open to ideas as to what that could look like. This property has road access, but the current road would need to be upgraded, and new roads would need to be developed to access the majority of the parcel, which is estimated to be approximately \$787,552.84 for a paved surface or \$621,895.67 for a gravel surface. This property has three waterfront portions that could be used for an outfall.

**Property #3 – 005-833-043 DL18 Lot 1, Plan 9735 assessed at \$208,000**

The BC Assessment value of Property #3 is \$208,000 and is approximately 54% of the size of Property #2. The property owner has stated that they will be listing the property between \$600,000 and \$650,000, and that he is open to negotiation. There is currently no road access to this property although there is an undeveloped ROW that could be used to develop one from Oceanview Drive, and new roads would also have to be developed to access the majority of the parcel. This property does not have any foreshore that could be used for an outfall, so another ocean front location would need to be identified.

The purchase of either of these properties will allow the Village to move forward with developing and costing a design for sewage treatment and extending our water services to cover the entire municipality. Either would require additional surveying and engineering to fully develop plans for the best use of the land for Village purposes.

Both properties have additional potential to open up new fee simple property for residential or other development. Both properties also have trees that would have value when harvested, and rock that might be suitable for road building purposes.

If Council chooses to move forward with the purchase of either property, the first step in the process would be to develop a Loan Authorization Bylaw and have it approved by the Inspector of Municipalities. This must be completed prior to going forward with either a Referendum or an AAP. The application must clearly outline the elector approval process that will be undertaken and outline a clear financial plan that includes funding sources, the capital budget, cost recovery, and a tax assessment breakdown.

There are also additional requirements for municipal loan authorizations and we will need to allow between 4 and 6 weeks for processing time at the Ministry end, in addition to the time for staff to pull together the required information.

**BUDGETARY IMPACT (if applicable):**

The cost of borrowing \$700,000 at 3% interest through the Municipal Finance Authority (MFA) over 25 years would be approximately \$525,000 in interest with total payments (principal and interest) of approximately \$29,699.51 annually. No down payment is required.

Prior to purchase, it is recommended that a full survey of the subject property be completed which has been estimated at approximately \$31,726 plus GST by Dediluke Surveyors.

Council should also consider that with either property purchase, the cost of road development will be significant given that the upgrade to Eagle Hill Road is estimated at approximately \$787,552.84 for a paved surface or \$621,895.67 for gravel.

Road development would not have to be completed until all of the planning is in place and we are ready to apply for funding to construct a sewage treatment plant. It is staff's recommendation that this cost would be included as part of the actual construction of the plant.

**Budgeted Amount:** N/A

**Unbudgeted Amount:** up to \$700,000  
for land purchase only

**SIGNATURE:**

  
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Ben Greenough, Superintendent of Public Works

### SCHEDULE B

The following diagram shows the property with the footprint of the smallest size (0.11 ha or 0.27 acres) sewer treatment plant to give you a sense of the proportions:

