

Ashcroft Homes loses control of troubled Eastboro development

The Royal Bank of Canada argued that Ashcroft failed to make \$4.85 million in interest payments on an \$80 million bank debt for the housing development in Orleans.

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Sami Bibi put a downpayment on a new Eastboro house (behind him) in 2019 but his family is still waiting to move in. PHOTO BY JULIE OLIVER /POSTMEDIA

Ashcroft Homes has lost control of its much-troubled housing development, Eastboro, which has been sent into receivership.

Ontario Superior Court Justice Owen Rees has appointed MNP Ltd. as receiver over all of the property and assets of Ashcroft Homes-Eastboro Inc., a subsidiary of Ashcroft Homes.

The Royal Bank of Canada applied for the order under the Bankruptcy and Insolvency Act, arguing that Ashcroft has failed to make \$4.85 million in interest payments on an \$80-million

bank debt and has failed to offer “a satisfactory plan” for restarting the stalled Eastboro project in Orleans.

“Development on the Eastboro development has been halted and the debtor is shown itself unable to obtain funding for the additional works needed,” Sylvia Kovesdi, RBC’s senior director of special loans and advisory services, said in an affidavit, adding:

“The project is a failure.”

The receiver has now assumed control of Eastboro’s assets, including the deposits made by would-be homeowners in the 200-acre development.

Kovesdi says the development will be marketed for sale in a process designed to maximize value for all stakeholders, including Eastboro’s homebuyers, and ensure their fair treatment.

The Eastboro project is on land bounded by Navan Road, Renaud Road and Mer Bleue Road and currently features 25 mostly-completed homes. Another 83 buyers have signed purchase agreements and put down deposits, according to the receiver, MNP Ltd.

Connor Thomson, a spokesman for MNP Ltd., says the firm is collecting information and will have a better idea next month about what the future holds for Eastboro’s homebuyers.

One of those homebuyers, Sami Bibi, 57, an economist at Statistics Canada, made a down payment on his four-bedroom Eastboro house in October 2019. His \$670,000 house was finished in June 2023, but Bibi and his family were not allowed to take possession because the subdivision’s stormwater system remains unfinished.

Bibi said Wednesday he’s saddened by the latest news, but not overly surprised since Ashcroft had not provided a timeline for the sewer work.

“I suspected they had a problem,” Bibi said.

Ashcroft’s chief financial officer, Manny Difilippo, said the company will work closely with the court-appointed receiver and “a statement will be made once the receiver gathers enough information to determine what the next steps will be.”

He declined further comment Wednesday.

Earlier this year, Ashcroft defaulted on a \$6.5-million loan connected to condominium properties on Richmond Road. Those three properties are also in receivership. (Ashcroft Homes incorporates a subsidiary for each of its real estate development projects.)

The Eastboro project was supposed to be one of Ashcroft’s crown jewels. The company received draft approval from the City of Ottawa for the subdivision in July 2014.

The company billed the development as a self-contained, planned community surrounded by farmland and country roads only 10 minutes from major shopping areas. More than 850 homes and townhouses were to be built on the site.

“Eastboro is where city meets serenity,” the company boasted.

But the development process was beset by problems and delays.

Ashcroft had to wait years for an independent engineer hired by the city to design a downstream drainage system — something that had to be approved by the Ministry of the Environment. In July 2020, the delay led Ashcroft to terminate sales agreements it had signed with 50 home buyers, some of whom had put down deposits as early as 2017.

Ashcroft said it cancelled the agreements because it couldn’t meet a condition for servicing the subdivision within the specified time period.

It meant buyers lost out on the rapid appreciation in the housing market during those years.

In 2021, Ashcroft began construction on 25 homes and townhouses. But the project ran into more trouble in January 2022, when workers digging a trench for a stormwater sewer encountered soft, marine clay.

Work was halted, and engineers eventually proposed costly changes that would require a different route, beneath Navan Road, and new materials.

The city and Ashcroft argued about who should pay for the sewer. The issue was further complicated by the fact the two sides had not signed a formal agreement in advance of Ashcroft building the infrastructure. (Ashcroft proceeded based on conditional city permits.)

In May 2024, Ashcroft filed suit against the city, seeking up to \$45 million in damages. Ashcroft alleged city staff made “negligent misrepresentations” that led them to believe the firm would be fully compensated for building the stormwater pond, sanitary sewer and storm sewer.

The city, however, said it agreed to pay the full cost of the sanitary sewer and stormwater pond, which served a wider area, but insisted the storm sewer was not eligible for coverage because it served only the Eastboro development.

In July, the two sides struck a \$30-million deal that allowed the project to proceed. The city issued road closure permits on Navan Road, but Ashcroft still needed more money to complete the work.

In her affidavit, the RBC’s Sylvia Kovesdi said that, despite the permits, “the Eastboro development remains in a state of ongoing uncertainty, as the debtor has not been able to arrange for the funding necessary to complete the Navan Road work and the constructed housing units.”