

# The Corporation of the City of Kawartha Lakes

## Council Report

Report Number VM2017-001

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**Date:** January 10, 2017  
**Time:** 2:00 p.m.  
**Place:** Council Chambers

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**Ward Community Identifier:** City of Kawartha Lakes

**Subject:** Victoria Manor Redevelopment Direction

**Author/Title:** Rod Sutherland  
Director, Human Services

**Signature:**



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### Recommendation(s):

**RESOLVED THAT** Report VM2017-001, Victoria Manor Redevelopment Direction, be received; and

**THAT** staff investigate and identify a preferred redevelopment strategy for Victoria Manor and report back to the Committee of Management and Council no later than September 2017 with recommendations for a redevelopment application.

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**Department Head:**



**Corporate Services Director / Other:**



**Chief Administrative Officer:**

## Background:

The following resolution was passed by the Victoria Manor Committee of Management (VMC) at their December 12, 2016 meeting:

**RESOLVED THAT** Report VMC2016-10, “Victoria Manor Redevelopment Direction”, be received; and

**THAT** the Committee of Management recommends that City Council direct staff to investigate and identify a preferred redevelopment strategy and report back to the Committee of Management and Council no later than September 2017 with recommendations for an application to redevelop Victoria Manor.

Staff has previously provided background information regarding the Province’s Enhanced Long Term Care Home Renewal Strategy (ELTCHRS) through Report VMC2015-04 and Council report VM2015-001.

On November 1, 2016 staff met with the Project Manager and the Senior Policy Advisor for the Long Term Care Home Renewal Branch of the Ministry of Health and Long Term Care (MOHLTC) to discuss the overall renewal strategy and the application process.

Victoria Manor was built in 1989, and is approved for 166 beds as a B class home. The ELTCHRS is intended to support all B and C class homes to redevelop to A class homes by June 30, 2025.

In 2009, the City sponsored a Building Condition Assessment (BCA) of Victoria Manor during consideration of redevelopment at that time under the first MOHLTC renewal strategy announced in 2007. That strategy saw minimal uptake across the province due to the minimal funding associated with it. With the creation of the ELTCHRS in late 2014, the Ministry created an increased Construction Funding Subsidy policy to support redevelopment.

The 2009 BCA, conducted by Snyder & Associates, highlighted that Victoria Manor was not compliant with the 1999 Design Manual, as it is not an “A class” home. Major areas of non-compliance included adequate space in resident rooms, doorway widths, dining room size and other space issues.

The two options reviewed in the BCA were renovation of the existing building to meet new standards or the construction of a new facility. Expansion of specific areas such as resident rooms and dining rooms cannot occur within the existing structure while meeting design standards. The renovation of the existing site would require the construction of new wings or floors on the building to expand space. It was noted however that this would not fully meet design standards and

would therefore result in a reduced provincial operating subsidy on an ongoing basis (as a design variance).

The recommended option in the 2009 BCA was the construction of a new building to create a fully compliant site and offer the opportunity to create a number of operating efficiencies (reduced maintenance, utility costs etc.). The following comments are copied from the BCA Executive Summary.

There are two redevelop options that are summarized in this report. In option 1, the City of Kawartha Lakes can renovate the existing resident home areas (RHAs) in Victoria Manor and build two new RHAs either on the third floor or on the south-west side of the building. In both cases, a significant capital investment is required, however full compliance with the Design Manual cannot be achieved. In addition, the resultant gross floor area and area per resident is significantly increased, which will have great financial implications on the future operating and maintenance costs of the building.

Option 2 proposes redevelopment on a new site, owned by the City, with the sale or redevelopment to a new use of the existing building. This option would allow a new building to be built to full compliance and be designed from first principles, thereby making it more efficient and more economical in terms of maximum Provincial subsidies and operating/maintenance costs.

In review, it is our considered opinion after detailed review of the development options, the most successful outcome in terms of care for the residents, staff satisfaction and financial impact on the city, redevelopment on a new site would be the best option provided the viability of alternative uses on the existing site is proven.

The City's Corporate Asset Manager is currently developing the City's Asset Management Plan (AMP) and is expecting to provide it to City Council by spring 2017. As the redevelopment of Victoria Manor is considered a mandatory requirement by 2025, the AMP will include a placeholder for the project. Estimates will be developed with the Corporate Asset Manager for inclusion in the AMP however a Council decision will still be required to approve any project, including whether to build a new home or redevelop the existing building.

On November 1<sup>st</sup>, the Director and Administrator met with the Project Manager for the Ministry's Long-Term Care Home Renewal Branch, Laura Jensen. Ms. Jensen provided an overview of the strategy and answered a number of staff questions. Ms. Jensen relayed the following key points:

- an application for redevelopment initiates formal discussion as a proposal

- the submission of a redevelopment application itself is not a final or legal commitment to redevelop
- the current Construction Funding Subsidy per diem is not indexed – the base amount of \$16.65 per bed, per year, over 25 years, is not anticipated to change over life of the strategy
- should the City approve redevelopment on a new site, the location of the building does not have to be fully finalized prior to submission of an application

On November 28<sup>th</sup>, the Director spoke with Rashmi Sharma, Senior Program Consultant at the Ministry's Licensing and Policy Branch. Ms. Sharma relayed the following key points:

- Victoria Manor has 166 approved beds – reducing the number of beds through redevelopment (for example to 160) would be supported by the Ministry. The new design standards expect a resident home area of no more than 32 beds, thus making five areas of 32 beds each for a total of 160 (the home currently has four home areas of 41 or 42 beds each). The 6 'surplus' beds could possibly be re-allocated to another home in the area by the LHIN. Increasing the subsidized number of beds by any number is unlikely to be approved.
- As a municipality, we have an approved number of beds, not a license, and we are mandated to operate them. Should a municipality choose not to redevelop under this strategy, they must still meet all Ministry requirements (such as current and any future Fire Code requirements) and would lose the ability to access any Construction Funding Subsidy per diem from the Province for any renovations or alterations.
- Through the inspection and compliance review process, the Ministry will consider approved redevelopment plans in determining appropriate remedial activities. It will be recognized that an approved plan may address certain deficiencies that preclude capital projects as redevelopment approaches. These will be considered individually as they arise with decisions primarily focused on ensuring resident safety.

## **Rationale:**

A report will be brought forward to City Council in the first quarter of 2017 including similar background information as in this report. Council will be asked to direct staff to investigate and identify a preferred redevelopment strategy and report back to Council no later than the end of 2017 with recommendations for an application to redevelop that include:

- The scope of redevelopment (renovation of existing building vs. new build vs. not participate in redevelopment strategy)
- Site location (if a new build)
- Financing model
- Implementation plan and schedule

The implementation plan, co-ordinated with the AMP, will identify the budget year(s) for a proposed project.

All reports to Council will first be presented and reviewed by the Victoria Manor Committee of Management (VMC) for a recommendation to Council.

Should Council ultimately approve the submission of a redevelopment application, detailed discussions and negotiations will follow with the MOHLTC to agree upon the terms of a Development Agreement (DA). Once approved by both Council and the Ministry, the DA becomes the formal, legal commitment of the City and Province. Redevelopment projects are generally expected to be completed within 36 months of the execution of the DA.

Construction Funding Subsidy per diem payments only commence to the City following the completion of the project and the occupancy of the redeveloped beds. The only funding received in advance of construction is a planning grant of \$250,000 that may be received following the execution of the DA.

### **Other Alternatives Considered:**

Staff recommends the development of options for a redevelopment strategy as this will assist the VMC and Council in making a decision regarding the project and involves no direct costs.

### **Financial Considerations:**

The recommendation does not have any financial implications in itself. The financing of a redevelopment project will be significant. Financing details will be described further in the strategy model that will be developed. Staff will continue to work with and consult with the Corporate Asset Manager and Corporate Services staff around the connection to the AMP, potential financing options and the impact of redevelopment options on the City's debt capacity.

As the Construction Funding Subsidy is not expected to be indexed over the life of the ELTCHRS, the net value of the subsidy is expected to decline steadily due to inflation. Further details will be included in the financial model.

Table 1 below is provided as a high level estimate of the costs for new construction (building on 2009 estimates) and financing based on the listed assumptions. It is provided for reference only at this point.

**Table 1: High Level Financing Estimates Only**

Total Construction cost: 2009 estimate	20,790,000
Indexed to 2020 (+2% / yr.)	25,849,752
Total with 15% other project / contingency costs	29,727,215
Net financing requirement	<b>29,727,215</b>
Cost of Financing (25 years based on Nov. 25/16 Infrastructure Ontario rate of 3.46%)	14,728,131
<b>Total Cost</b>	<b>44,455,346</b>
Estimated Provincial subsidy (over 25 yrs.)	(29,419,000)
<b>NET COST</b>	<b>15,036,346</b>

The assumptions applied to the figures in Table 1 include:

- Subsidy based on construction of a new building, with 160 beds
- Subsidy based on 50% of beds at basic accommodation rates
- Construction estimate and subsidy includes LEED Silver construction
- Land donated or acquired at no cost
- The onetime provincial planning grant of \$250,000 has not been included
- Financing estimate does not consider any funds that could be realized from the sale or disposition of the current site. In 2005 the City's Land Management Division listed the appraised value of the property at \$16,590,000. The Municipal Property Assessment Corporation "Destination Value" was listed at \$8,823,000.

According to the construction estimates provided by the consulting architect as part of the 2009 Building Condition Assessment, the total construction costs associated with renovating the existing building by adding a horizontal addition (new wing) would be approximately 17.2% less than the cost of a new building (\$17.2M base cost vs \$20.7M). The alternative of expanding the current building through the addition of a third floor was approximately 5.4% higher than the cost of a new building (\$21.9M base cost vs. \$20.7M). Both of these comparisons are based on 2009 figures and an assumption of 166 beds.

### **Relationship of Recommendation(s) To Strategic Priorities:**

The recommendation relates to City's Strategic Goal of An Exceptional Quality of Life.

## **Review of Accessibility Implications of Any Development or Policy:**

There are no direct implications relating to this recommendation.

## **Consultations:**

Sara Beukeboom, Strategy and Performance Officer  
Adam Found, Corporate Asset Manager  
Sanja Freeborn, Sienna Senior Living,  
Pamela Kulas, Victoria Manor Administrator

## **Attachments:**

None

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**Department File:**