

The Corporation of the City of Kawartha Lakes

Council Report

Report Number VM2017-002

Date: September 26, 2017

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier: All

Subject: Victoria Manor Redevelopment Application Approval

Author Name and Title: Rod Sutherland, Director of Human Services

Recommendation(s):

Resolved That Report VM2017-002, Victoria Manor Redevelopment Application Approval, be received;

That an application for the Redevelopment of Victoria Manor under the Enhanced Long Term Care Home Renewal Strategy be submitted to the Ministry of Health and Long Term Care; and

That the application for Redevelopment be based on a total home size of 160 beds; and

That the application for Redevelopment be based on the construction of a new facility.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

In October 2014 the Ministry of Health and Long-Term Care (MOHLTC) announced the Enhanced Long-Term Care Home Renewal Strategy (ELTCHRS) to support redevelopment of all homes to meet Level A standards by June 30, 2025. This enhanced strategy revised the previous 2007 redevelopment strategy with the implementation of the following measures:

- Establishing a dedicated project office to support the Enhanced Strategy
- Increasing the Construction Funding Subsidy by up to \$4.73
- Supporting increases to preferred accommodation premiums
- Extending the maximum Long-Term Care (LTC) licence term (from 25 to 30 years) for homes that redevelop
- Scheduling LTC homes for redevelopment
- Establishing a committee to review variance requests from design standards.

Victoria Manor, built in 1989, is approved for 166 beds as a B class home.

At the Council meeting of April 28, 2015, Council adopted resolution **CR2015-456 as follows:**

Resolved that Report VM2015-01, “Enhanced Long Term Care Home Renewal Strategy Survey”, be received; and

That Council authorizes staff to submit the Enhanced Long Term Care Home Renewal Strategy Survey to the Ministry of Health and Long-Term Care identifying the City’s potential interest in redeveloping Victoria Manor by 2025.

At the Council meeting of January 10, 2017, Council adopted resolution CR2017-022 as follows:

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.

This report addresses that direction.

Under the 2015 Long Term Care Homes design standards, there are approximately 234 identifiable design standards. All LTC homes must comply with the design standards, in addition to complying with all applicable Ontario legislation and regulations, including the Long-Term Care Homes Act (LTCHA)

and Regulation, the Ontario Fire Code, the Building Code, and the Accessibility for Ontarians with Disabilities Act.

The design standards are intended to:

- Promote innovative design in long-term care homes in Ontario, by giving service providers flexibility to create environments that make it possible to respond positively and appropriately to the diverse physical, psychological, social and cultural needs of all long-term care home residents.
- Integrate design concepts that will facilitate the provision of quality resident care in an environment that is comfortable, aesthetically pleasing and as 'home-like' as possible; and support well-coordinated, interdisciplinary care for residents who have diverse care requirements.

Staff have reviewed the design standards and identified that the current facility does not comply with approximately 71 of the 234 standards. Appendix A provides a summary of the standards and current compliance.

Key areas of non-compliance include:

- Resident Home Areas (RHA) are to be a maximum of 32 residents. There are currently four RHAs, two with 41 residents and two with 42.
- None of the RHAs include the required program and activity areas within them due to a lack of space.
- No resident bedrooms meet the minimum layout requirements.
- Bedroom doors are 36" wide, while the standard now requires 44" doors.
- Resident washrooms do not meet minimum space requirements to allow for turning radius (10" of additional width or depth required).
- Resident washroom doors are not wide enough to meet standards.
- The size of resident lounges and activity rooms are less than half the standard.

Deficiencies in space requirements in particular are difficult to remedy through renovations. The addition of a wing or another storey on the building may provide increased floor space, but moving walls and doorways to increase rooms space is very labour intensive and expensive. Full, 100% compliance with all design standards is not mandatory; however, there are defined variances that set the limits of non-compliant areas. Variances are only permitted if redevelopment involves renovations to an existing facility, they cannot be applied to new construction.

At their September 18, 2017 meeting, the Victoria Manor Committee of Management passed the following resolution:

Resolved That Report VMC2017-08, Victoria Manor Redevelopment Application Approval, be received;

That the Committee of Management recommends to City Council that an application for the Redevelopment of Victoria Manor under the Enhanced Long Term Care Home Renewal Strategy be submitted to the Ministry of Health and Long Term Care;

That the application for Redevelopment be based on a total home size of 160 beds; and

That the application for Redevelopment be based on the construction of a new facility.

Rationale:

Staff recommend the submission of an application to the MOHLTC under the ELTCHRS to redevelop Victoria Manor through the construction of a new 160-bed facility.

As previously reported, the 2009 Building Condition Assessment from Snyder and Associates identified the costs of redeveloping Victoria Manor through new construction at approximately \$20,790,000 and through renovations at least \$17,200,000. Indexing these costs at 2% annually increase these costs to \$25,849,752 and \$21,386,038 respectively in 2020 for comparison purposes.

The gross difference between new construction and renovation based on the above is \$4,463,714. With renovations to the existing building, 100% compliance with the design standards is not likely to be achievable, resulting in a variance to the Construction Funding Subsidy Per Diem. The maximum extent of design variances reduces the base per diem by up to \$5.18. While a renovation design has not been developed, applying the variance to the above estimates, each \$1.00 per diem reduction results in a subsidy reduction of \$1.46M over the 25 year funding period.

Renovations would also likely eliminate the potential to achieve a LEED Silver (Leadership in Energy and Environmental Design) certification. Achieving the LEED Silver certification would result in an additional \$1.00 subsidy per diem, representing \$1.46M over 25 years.

A reduction of six beds will result in a reduction in ongoing MOHLTC operating subsidy but the development of a 160-bed home will be fully compliant, generating full Construction Subsidy and will also create operating efficiencies compared to the existing facility. Opportunities for efficiencies include energy and heating costs and more effective workflows (eg: kitchen and server or nursing station locations).

The submission of an application to the MOHLTC does not contractually bind the City or the Province to a redevelopment project. Following submission of an application, the Ministry will review all information and work with the City to

finalize any outstanding questions. Once the Ministry is satisfied with the approach, they will issue an application approval letter. A copy of the Application for the Enhanced Long-Term Care Home Renewal Strategy is appended to this report as Appendix B.

Once the application is approved, the Ministry will work with the City to prepare a formal Development Agreement (DA) that will spell out the full details of the project, including timelines and financing. The execution of the DA will require Council approval. It is the Ministry's expectation that construction will be fully completed within 36 months of the execution of the DA.

The DA will also identify the ratio of redeveloped basic accommodation beds. Homes are expected to provide a minimum of 40% of their beds at basic accommodation rates, compared to private bed rates. The actual design of the physical room can have a private or semi-private (2 beds) set up, but the rates charged to residents have to be the basic rate in at least 40% of rooms. Developing a higher rate of basic beds, up to 60%, generates increased Construction Funding Subsidy under the redevelopment strategy. Detailed development financial planning will identify the correct ratio of basic rates to balance the long term needs of current and future residents with the funding model. While a lower construction subsidy is generated with a lower basic rate ratio, ongoing operating income is higher based on the higher rate for private beds.

Appendix C is provided for information to highlight the current (July 2017) wait list statistics for LTC homes within the Central East Local Health Integration Network (CELHIN) area. Page 4 of the Appendix C lists the Northeast cluster of the CELHIN, including Victoria Manor. Although applicants identify their preferred type of accommodation (basic to private), there are no 'basic' (or ward) rooms at Victoria Manor, only semi-private (2 beds) or private.

Estimated Timelines

Through the development of the application to the Ministry and the subsequent DA, the project timelines will be established. The steps in Table 1 below are estimated timelines only. Further development will be required and will include various internal City and external resources.

Table 1: Estimated Project Timelines

Anticipated Timing	Stage	Details
Q1 2018	Submission of Redevelopment Application	With Council's approval to submit the application, it will be prepared completed in detail and submitted in Q1 2018.
Q2 – Q3 2018	MOHLTC Approval of Application	Estimated timeframe for Ministry approval.

Q3 2018	2019 Capital Budget recommendations	Include a 2019 Capital Project for detailed design, including securing a project design firm or contractor.
Q4 2018 – Q2 2019	Site Identification	Within 6 months of approval of the application, it is expected that the site for redevelopment will be confirmed and/or acquired.
Q4 2018 – Q2 2019	Execute the Development Agreement	Prepare the Development Agreement with MOHLTC and submit for Council approval.
2019	Detailed Design	Detailed design planning, including identifying construction costs to include in a 2020 Capital Budget construction project.
Q3 2019	2020 Capital Budget recommendations – for full construction project	Include a 2020 (or multi-year) Capital Project for full construction.
2020-2021	Begin Construction	Construction to commence in 2020, with anticipated completion by 2022.
2022	Project completion and admission of residents	Includes all applicable Ministry license approvals and Service Accountability Agreements.

Municipal LTC homes qualify for the Ministry's Planning Grant. This \$250,000 subsidy is in addition to the Construction Funding Subsidy and is payable following the execution of the DA. This grant will be incorporated in the development of the Capital Budget for the project to assist with design and planning expenses.

It is expected that the design and planning work will require external expertise which will be incorporated in the project budget recommendations.

During the design phase, there is also the ability to consider innovative partnerships that could provide development opportunities to coincide with a new facility. Options for consideration could include a campus style design incorporating public or private partnerships for supportive or affordable housing or private retirement residences.

Other Alternatives Considered:

The option of renovating the existing facility could be considered although it is not recommended. Based on earlier estimates, the cost of redeveloping the existing building including the addition of a new wing would be approximately 17.2% less than the cost of a new building (\$17.2M base cost vs \$20.7M). While a new wing could be built to fully comply with the new Design Standards, the renovations to the remaining structure would not necessarily result in full compliance. The

option to redevelop through the addition of a third floor to the existing building was estimated to cost 5.4% more than the construction of an entirely new facility.

There are 11 areas of acceptable design variances that result in reduced provincial redevelopment subsidy. Based on the known areas of non-compliance in the existing facility, were renovations to be completed there would be a reduction to the redevelopment subsidy of at least \$2.11 per day, per bed. Over the 25 year subsidy period this would result in reduced subsidy of approximately \$3.1M.

While these are estimated projections, the reduced cost of redeveloping the existing building would in the long term also result in reduced subsidy. The net long term variance would be dependent on the extent of design variances.

Redevelopment of the existing facility would also create challenges for the operation of the home during construction. Renovating existing space would require moving residents out of affected areas. With no alternative outside space to house residents, in the six to ten months, or more, leading up to renovations vacancies would not be filled so that renovations could take place in stages throughout the home. Remaining residents would be moved between areas as renovations took place in vacated home areas. While this may result in a longer construction period to facilitate completion of the full project it would also reduce the MOHLTC subsidy to the home throughout the same period as subsidies are in part based on home occupancy rates. Under the renewal strategy, the Ministry has allowed for certain occupancy variances to offset some of the potential lost revenues, however, it is not fully offset.

The alternative of constructing a new facility with 192 beds could also be considered. Based on the design standard of a maximum of 32 beds per Resident Home Area, redeveloping with five RHAs of 32 beds each would be fully compliant. For new construction, 166 beds could not be considered as design variances are not permitted. Increasing to six RHAs of 32, for a total of 192 beds would be compliant with the standards. At this point however, the Ministry and the LHIN, responsible for the allocation of LTC beds within the region, have indicated that there is no ability to increase the number of funded beds in Victoria Manor, now or in the foreseeable future.

The City could still choose to create 192 beds, however, 26 beds would be unfunded by the Ministry and would require 100% municipal funding. From an operating efficiency standpoint, a 160-bed design is considered much more efficient than 192 beds. Consideration of increasing to 224 beds could be an option if looking at operating efficiency, however, the inclusion of 58 beds with no matching provincial subsidy would have significant financial implications and is not recommended.

Financial/Operation Impacts:

Table 2 below provides an estimate of the overall redevelopment for new construction. There are many factors that will affect the actual costs and subsidies. As planning proceeds and design elements are finalized, these estimates will be revised.

Table 2: 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	29,727,215
Cost of Financing (25 years based on Infrastructure Ontario rate of 3.46%)	14,728,131
Total Cost	44,455,346
Estimated Provincial subsidy (over 25 yrs.)	(29,419,000)
Net Cost	15,036,346

The potential redevelopment of Victoria Manor was included in the development of the City's Ten-Year Capital Financial Plan presented to Council in July 2017.

Not referenced in the above financial impacts are potential uses of the existing facility if a new Victoria Manor is constructed. The existing building could be sold or re-purposed by the City. 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. If approval is received to proceed with a redevelopment application for new construction, detailed options for the current building will be reviewed to develop recommendations to Council.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

As home to 166 residents, Victoria Manor's redevelopment is directly linked to the Strategic Goal of An Exceptional Quality of Life.

Redevelopment is also directly linked to the Top Ten Strategic Priorities through the Budget Strategy, Asset Management Plan and Enhanced Access to Health Services.

Review of Accessibility Implications of Any Development or Policy:

The redevelopment of Victoria Manor, as a new or renovated facility, will require compliance with Accessibility legislation. Requirements will be expressed throughout the process to ensure compliance.

Consultations:

Victoria Manor Committee of Management
Central East Local Health Integration Network
Ministry of Health and Long-Term Care, Long-Term Care Home Renewal Branch
Corporate Asset Manager
City Treasurer
Sienna Senior Living

Attachments:

Appendix A: Summary of Current Compliance with Design Standards



Appendix A Summary
of Compliance.pdf

Appendix B: Application for the Enhanced Long-Term Care Home Renewal Strategy



Appendix B
Enhanced_Strategy_

Appendix C: LTCH Wait List Statistics (July 31, 2017)



Appendix C LTC Wait
List.pdf

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