

To:	Chair Burley and Members of Long-Term Care Redevelopment Taskforce
Committee Date:	August 5, 2021
Subject / Report No:	CAOR-RD-09-21
Title:	Redevelopment Project Update
Prepared by:	Kim Wingrove and Mary Lou Spicer
Reviewed by:	
Lower Tier(s) Affected:	
Status:	Endorsed by County Council CC65-21

Recommendation

1. That Report CAOR-RD-09-21 Redevelopment Project Update be received for information.

Executive Summary

The agreement with Colliers Project Leaders for the provision of project management services has been executed and key details are provided for information. Staff met with the Ministry of Long-Term Care and it was agreed that the necessary details to complete the development agreements for each project will be available after the selection of the prime consultant this fall. The most current financial modelling and assumptions of project costs are provided and have been updated to reflect Colliers awareness of costing and market conditions.

Background and Discussion

Project Management Services Agreement

Grey County entered into an agreement with Colliers Project Leaders on May 13, 2021. Colliers will provide project management services for the long-term care redevelopment projects. While there is a single agreement, each project will be tracked and reported on separately, for ease of expense tracking and reporting to the province. The targeted completion date for the engagement is March 31, 2025. The agreement includes a detailed schedule of project milestones and deliverables.

Cost assignment and example invoice layout for Rockwood Terrace

Project Activities	ePO Amount	% Complete	Value of Work Completed to Date	Amount Previously Claimed	Net Amount Payable this Invoice
Project Initiation	26,794.00			-	-
Design and Tendering	91,391.00		-	-	-
Construction	138,038.00		-	-	-
Closeout	12,837.00		-	-	-
Furniture and Equipment	54,910.80		-	-	-
Operational Readiness	75,829.20		-	-	-
Financial Advisory	30,200.00			-	-
Total	430,000.00	0.0%	-	-	

Provincial Development Agreements

Securing provincial funding for the projects requires the execution of detailed development agreements with the province. The agreements contain details about the timelines, provincial approvals, costs and funding available to each project. County staff and Colliers met with provincial staff on July 28th to review requirements. It was agreed the necessary information for the development agreements would be available as part of the selection of the prime consultant. It was agreed the development agreements would be completed later this fall. Finance staff confirmed funding assumptions with the province.

Redevelopment Financial Update

The province announced enhanced funding for long-term care redevelopment in November 2020. The model provides different incentives depending on whether your project is classified as rural, mid-size, urban, and large urban. Grey's project is classified as rural, and the funding is \$20.78 per resident day over 25 years. There is an additional per bed investment based on the size of the home that provides \$0.75 per resident day. Finally, it introduced a development grant calculated based on the lesser of \$29,246 or 12% of eligible costs per bed. Redevelopment funding is available for 190 beds; 128 for Rockwood Terrace and 62 beds at Grey Gables.

There are many assumptions that underpin the cost side of the redevelopment projects. Future interest rate increases, property servicing costs, inflation and supply chain challenges all put upward pressure on the cost of constructing the building and supplying the furniture, fixtures, and equipment.

The most current cost modelling recommended by Colliers assumes \$400,000 per bed for two 128 bed builds. There is an additional \$5,500,000 in estimated site service costs for Rockwood Terrace. The total cost of construction for both projects comes to \$107,900,000.

After considering the development grant for 190 beds and funds transferred to reserve for this project, The Grey Gables project would require the County to finance \$49.4M and the

Rockwood Terrace would require financing of \$40.3M for a total of \$89.7M. The Province provides \$1,493,106 in construction funding subsidy annually for 25 years that will be used to assist in funding the debenture payment.

This borrowing would result in an annual net debenture payment after construction subsidy of \$3,657,004 based upon a 3% interest rate and 25-year term. Using the same assumptions with an interest rate of 4%, the debenture payment becomes \$4,247,462.

The 2021 budget includes a transfer to the redevelopment reserve of \$1,361,000; staff recommends that beginning in 2022 the transfer to reserve be increased to begin building to the amount required for a debenture payment in 2025.

Long Term Care Home Asset Renewal Redevelop at \$400,000 with 3% interest

	Grey Gables	Rockwood Terrace	TOTAL
	128 Bed Build	128 Bed Build	256 Bed Builds
Construction Cost			
Beds to be Constructed	128	128	256
Estimated Build Cost per Bed	\$400,000	\$400,000	\$400,000
Site Improvement Costs* see below		\$5,500,000	\$5,500,000
Estimated Construction Cost	\$51,200,000	\$56,700,000	\$107,900,000
Beds Eligible for Construction Subsidy	62	128	190
Construction Subsidy Per Diem Per Day			
Base Per Diem (rural market amount)	20.78	20.78	20.78
Medium home component	0.75	0.75	0.75
Total Construction Subsidy	21.53	21.53	21.53
Resident Days Per Year	22,630	46,720	69,350
Construction Subsidy (Years)	25	25	25
Annual Construction Subsidy	\$487,224	\$1,005,882	\$1,493,106

	Grey Gables	Rockwood Terrace	TOTAL
	128 Bed Build	128 Bed Build	256 Bed Builds
Total Construction Subsidy (25 years)	\$12,180,598	\$25,147,040	\$37,327,638
Development Grant** see below	\$29,246	\$29,246	\$29,246
Total Development Grant	\$1,813,252	\$3,743,488	\$5,556,740
Financing Estimate for 256 Bed Build			
Estimated Construction Cost	\$51,200,000	\$56,700,000	\$107,900,000
Less: LTC Redevelopment Reserve			
Projected 2021 Year End Balance		-\$8,580,639	-\$8,580,639
2022 Contribution		-\$1,361,000	-\$1,361,000
2023 Contribution		-\$1,361,000	-\$1,361,000
2024 Contribution		-\$1,361,000	-\$1,361,000
2025 assume will make debenture payment		\$0	\$0
	\$51,200,000	\$44,036,361	\$95,236,361
Less: Maximum Redevelopment Grant for 128 + 62 beds	-\$1,813,252	-\$3,743,488	-\$5,556,740
Principal Loan Amount	\$49,386,748	\$40,292,873	\$89,679,621
Annual Repayment (assuming 3% interest with 25 year term)	\$2,836,176	\$2,313,934	\$5,150,110
Annual Construction Funding Subsidy	-\$487,224	-\$1,005,882	-\$1,493,106
Annual Levy Requirement	\$2,348,952	\$1,308,052	\$3,657,004

	Grey Gables	Rockwood Terrace	TOTAL
	128 Bed Build	128 Bed Build	256 Bed Builds
Existing Levy Requirement	-\$52,948	-\$1,308,052	-\$1,361,000
Levy Increase Required	\$2,296,004	\$0	\$2,296,004

* Cost for site work (storm, sanitary, road, utilities, etc.) unknown at this time. A provision of \$5,500,000 has been included in order to calculate an estimated financing cost and resulting levy increase

** Development Grant - Ministry provides a maximum of \$29,246 per eligible bed to a maximum of \$5,556,740. The development grant is 12% of the estimated construction cost (in our scenario, construction costs exceed the 12%). Using an assumed cost of \$400,000 per bed, this means that at least \$242,100 per bed needs to be eligible expenditures to qualify for the development grant). Ineligible expenditures include development charges, architect fees, building permits, furniture/equipment not affixed to the building etc.

Long Term Care Home Asset Renewal Redevelop at \$400,000 with 4% interest

	Grey Gables	Rockwood Terrace	TOTAL
	128 Bed Build	128 Bed Build	256 Bed Builds
Construction Cost			
Beds to be Constructed	128	128	256
Estimated Build Cost per Bed	\$400,000	\$400,000	\$400,000
Site Improvement Costs* see below		\$5,500,000	\$5,500,000
Estimated Construction Cost	\$51,200,000	\$56,700,000	\$107,900,000
Beds Eligible for Construction Subsidy	62	128	190
Construction Subsidy Per Diem Per Day			
Base Per Diem (rural market amount)	20.78	20.78	20.78

	Grey Gables	Rockwood Terrace	TOTAL
	128 Bed Build	128 Bed Build	256 Bed Builds
Medium home component	0.75	0.75	0.75
Total Construction Subsidy	21.53	21.53	21.53
Resident Days Per Year	22,630	46,720	69,350
Construction Subsidy (Years)	25	25	25
Annual Construction Subsidy	\$487,224	\$1,005,882	\$1,493,106
Total Construction Subsidy (25 years)	\$12,180,598	\$25,147,040	\$37,327,638
Development Grant** see below	\$29,246	\$29,246	\$29,246
Total Development Grant	\$1,813,252	\$3,743,488	\$5,556,740
Financing Estimate for 256 Bed Build			
Estimated Construction Cost	\$51,200,000	\$56,700,000	\$107,900,000
Less: LTC Redevelopment Reserve			
Projected 2021 Year End Balance		-\$8,580,639	-\$8,580,639
2022 Contribution		-\$1,361,000	-\$1,361,000
2023 Contribution		-\$1,361,000	-\$1,361,000
2024 Contribution		-\$1,361,000	-\$1,361,000
2025 assume will make debenture payment		\$0	\$0
	\$51,200,000	\$44,036,361	\$95,236,361
Less: Maximum Redevelopment Grant for 128 + 62 beds	-\$1,813,252	-\$3,743,488	-\$5,556,740
Principal Loan Amount	\$49,386,748	\$40,292,873	\$89,679,621

	Grey Gables	Rockwood Terrace	TOTAL
	128 Bed Build	128 Bed Build	256 Bed Builds
Annual Repayment (assuming 4% interest with 25 year term)	\$3,161,343	\$2,579,226	\$5,740,569
Annual Construction Funding Subsidy	-\$487,224	-\$1,005,882	-\$1,493,106
Annual Levy Requirement	\$2,674,119	\$1,573,344	\$4,247,462
Existing Levy Requirement	\$0	-\$1,361,000	-\$1,361,000
Levy Increase Required	\$2,674,119	\$212,344	\$2,886,462

* Cost for site work (storm, sanitary, road, utilities, etc.) unknown at this time. A provision of \$5,500,000 has been included in order to calculate an estimated financing cost and resulting levy increase

** Development Grant - Ministry provides a maximum of \$29,246 per eligible bed to a maximum of \$5,556,740. The development grant is 12% of the estimated construction cost (in our scenario, construction costs exceed the 12%). Using an assumed cost of \$280,000 per bed, this means that at least \$242,100 per bed needs to be eligible expenditures to qualify for the development grant). Ineligible expenditures include development charges, architect fees, building permits, furniture/equipment not affixed to the building etc.

Legal and Legislated Requirements

None with this report.

Financial and Resource Implications

As noted above.

Relevant Consultation

- Internal Finance, Long-Term Care
- External Andrew Rodrigues, Colliers, Julie Girard, MLTC

