



REPORT TO: Co-Chairs and Members of
Public Health and Social Services Committee

AND

**Co-Chairs and the Members of the Corporate Services
Committee**

SUBJECT: Redevelopment of Deer Park Villa Long-Term Care Home,
Grimsby: Initiation of Capital Project ZSC0809

RECOMMENDATION

That this Committee recommends to Regional Council:

1. That approval be given to the recommended option outlined in this report, for redeveloping the Deer Park Villa long-term care home, with the corresponding funding plan, up to the amount of \$7.9 million,
2. That an exception to the Capital Management Policy be granted and that approval be given to increase the gross and net budget for Project ZSC0809 Deer Park Villa in the amount of \$2.4 million (consisting of \$1.6 million Long Term Debt financing and of \$800,000 from the Seniors Services Building Reserve Fund), raising the project total from \$5.5 million (2008 Capital Budget) to \$7.9 million,
3. That the additional Long Term Debt financing amount of \$1.6 million be funded by the Province through per diem subsidies over 25 years as outlined in this report,
4. That the approval be given to initiate \$7.9 million of the Capital Budget for ZSC0809 Deer Park Villa, with revised total Long Term Financing (20 years) of \$7.1 million and \$800,000 from the Seniors Services Building Reserve Fund. (Appendix A)
5. That the Regional Clerk be directed to ensure that the appropriate by-laws are prepared for submission to Regional Council.
6. That staff be authorized to communicate Niagara Region's intention to proceed with the redevelopment of Deer Park Villa to the Ministry of Health & Long-Term Care (MOHLTC) and the Hamilton Niagara Haldimand Brant (HNHB) Local Health Integration Network (LHIN).

EXECUTIVE SUMMARY

- Regional Council approved the acquisition of Deer Park Villa effective May 1, 2003, with the understanding of the need for future redevelopment of the over 20-year old, 39-bed long-term care home at a cost (estimated in 2003) in the order of \$5 million.
- Council approved the authorization of staff to communicate the Region's conditional intent to redevelop Deer Park Villa to the HNHB LHIN and to the MOHLTC, to explore MOHLTC funding incentives and to submit a recommended capital amount of \$5.5 million for a 2008 construction time frame in the 2008 capital budget (COM 47-2007, October 9, 2007).
- Consultants for the project have recently updated the estimated \$5.5 million project cost for the original 2008 construction time frame as follows
 - An escalation of \$800,000 in project costs to reflect the revised anticipated construction time frame of late 2009/early 2010.
 - An additional \$200,000 in construction costs to align the number of revenue-generating private and semi-private rooms to the numbers in the Region's other newly-constructed long-term care homes.
 - An additional \$800,000 in kitchen construction costs to enable the cost-effective redevelopment of the West Lincoln Memorial Hospital on this shared hospital/long-term care home site.
 - An additional \$600,000 up-front investment in this phase of Deer Park Villa's redevelopment to enable the future expansion of 21 additional beds to meet the future demand for long-term care beds in West Niagara
- Accordingly, in total, an additional \$2.4 million will be required to enable the project to proceed. This additional \$2.4 million would be financed as \$1.6 million through debentures and an additional \$800,000 from the Seniors Services Building Reserve.
- MOHLTC funding has now been confirmed in the amount of approximately \$3.2 million (present value) which is available to fund \$1.6 million of the incremental costs of \$2.4 million as noted above, as well as funding \$1.6 million of the originally approved amount of \$5.5 million. The actual funding will be accomplished through the internal allocation of the annual provincial per diem payments, over a period of 25 years, to service the debt charges relating to the project. The remainder of the original \$5.5 million capital requirement is included in the Region's recently developed 10 Year Capital Budget Affordability Strategy.
- It is anticipated that the MOHLTC and LHIN will require homes that intend to immediately proceed with redevelopment to express this intention in the very near future. Accordingly, upon Council approval of this report, staff will be required to communicate this intention in order to qualify for the funding incentives.

FINANCIAL IMPLICATIONS

- An estimate in 2007 of \$5.5 million for construction of the new long-term care home in 2008, entirely financed by debt, had been approved in the 2008 capital budget, subject to terms of provincial funding incentives. As noted above and discussed in more detail in the body of the report, due to a variety of factors these costs have been updated to \$7.9 million.
- the MOHLTC has recently announced future annual funding incentives which represent a net present value of approximately \$3.2 million or approximately 50% of the updated estimated cost of redevelopment.
- Base provincial funding that would apply for Deer Park Villa follows:
 - \$13.30 per diem over 25 years
 - \$1.00 per diem for LEED (Leadership in Energy and Environmental Design) Silver rating (Note: Achieving LEED Silver rating would match the Region's new headquarters rating and contribute to environmental improvements and cost savings over many years.)
 - \$1.50 per diem for "economy of scale" premium for small homes under 65 beds
- Under the above funding incentives, the Region would receive \$224,913 annually from the Province, for 25 years, which would support project costs of approximately \$3.2 million (i.e. \$224,913 annually would repay debt of \$3,169,911 based on an interest rate of 5% over 25 years.)
- A new long-term care building with a greater number of private and semi-private rooms than the current building will have the potential of generating additional revenue ranging from \$71,000 to \$96,000 annually.

PURPOSE

This report summarizes the funding incentives available from the MOHLTC for the redevelopment of Deer Park Villa long-term care home and seeks approval for the expansion of the project and for the revised funding sources to enable the project to proceed in the immediate future.

BACKGROUND

Business Case for Seniors Services Redevelopment

Regional Council approved the implementation of a comprehensive Long-Term Care Business Plan which envisioned quality and cost-effectiveness of long-term care and services across Niagara (SS/SCD 73-96, November 25, 1996). The Business Plan involved the continued operation of the Region's homes and community programs, while reducing the Region's contribution to their operating costs. Accordingly since 1996, Seniors Services has maintained the approximately 900 beds inherited in 1970 from the

former Counties of Lincoln and Welland, incorporated the acquired 39 long-term care beds at Deer Park Villa in 2003, and reduced the contribution to the operating budget from the Region by over \$2 million annually.

Regional Council subsequently passed a resolution, in support of this Business Plan that committed the Region to maintain quality care through continued public ownership of its long-term care homes (April 3, 1997).

Regional Council also approved the Business Case for Seniors Services Redevelopment, which included access to Ministry capital funding incentives to reduce the Region's net construction and project costs and a reinvestment strategy to offset the Region's project financing costs. Specifically, the reinvestment strategy was implemented, and Seniors Services has achieved reductions in the operating budget of over \$2 million annually. This amount exceeded the amount required to offset the projected \$1.4 million annual debt retirement costs for the redevelopment of 412 non-compliant beds (i.e., located at Dorchester Manor in Niagara Falls, Sunset Haven in Welland and Northland Manor in Port Colborne).

Commitment to Deer Park Villa

Regional Council approved a Memorandum of Understanding for a partnership between Deer Park Villa and the Region to operate a long-term care home in West Niagara and authorized staff to proceed with the necessary legal agreement to achieve this outcome (COM 03-2002, January 28, 2002). This Council directive followed numerous discussions between representatives of the West Lincoln Memorial Hospital, Deer Park Villa Board of Directors and the Region after it was determined that each organization's interests and the West Niagara citizens' interests would be best met by such a partnership.

Regional Council subsequently approved the Letter of Intent and authorized staff to negotiate the required legal agreement and proceed with the necessary human resources plans to achieve the operation of Deer Park Villa by the Region (Closed Session Report COM 64-2002, September 23, 2002). On May 1, 2003, the Region began operating Deer Park Villa as a 39-bed long-term care home and 26-bed retirement home with the following commitments:

- to ensure long-term viability of accommodation for seniors in the Town of Grimsby,
- to operate Deer Park Villa in a manner equivalent to its other facilities,
- to undertake any capital retrofitting or capital development when the Ministry determines such a need (based on a projected gross cost of 39 long-term care home beds in 2007 of approximately \$5 million, with the Province sharing the costs), and
- to operate the facility for at least 5 years, and to investigate the long-term viability of the retirement home within the first year (i.e., 2003 to 2004) and subsequently determine a future course of action that appropriately considers the requirements of the existing residents.

Need for Redevelopment of Deer Park Villa

Deer Park Villa was built in 1987 as a functional nursing home, based on traditional hospital/nursing home designs from the 1970s. Accordingly, the design incorporated many 4-bed ward rooms with limited privacy and generally incorporated very little communal space and resident amenities (e.g., lack of common rooms, chapel, café and tuck shop, activity and therapy rooms). In contrast, the Region was concurrently designing and building long-term care homes with private rooms, a maximum of 2 persons sharing a bedroom and adequate dedicated resident amenity space (i.e., Gilmore Lodge in Fort Erie and Upper Canada Lodge in Niagara-on-the-Lake, as well as a totally renovated Linhaven in St. Catharines).

In 1998, the Province produced the Long-Term Care Facility Design Guidelines and accordingly rated existing facilities for their compliance with the new Design Guidelines, from A to D (with D facilities requiring to be rebuilt to the standard of the new Design Guidelines). Deer Park Villa was rated as a “C” facility but had many features of a “D” facility (i.e., many 4-bed wards with generally limited communal and amenity space for residents’ use).

Quality of resident care in a long-term care home is the product of many variables, including the state of the physical environment. For example, the degree of privacy, the design of the building for resident amenities and the space available for staff to carry out their resident care duties (e.g., space for use of resident lifts, and use of specialized tubs, etc.) impact on the quality of resident care.

The financial sustainability of a long-term care home is also the product of many variables, including the occupancy level of the home. For example, in a Niagara market with a number of new facilities built since 1998 in accordance with modern Design Guidelines, the appeal of older and dated homes is limited. Accordingly, Deer Park Villa has suffered from lower occupancy in recent years, notwithstanding the approximately 1500 individuals on waiting lists for the 32 long-term care homes in the Niagara Region. The marketability of a home is important in order to sustain a reliable revenue stream and in the case of Niagara Region’s homes, minimize the pressure on Regional financial contributions to its homes’ operating costs.

Regional Council approved the redevelopment of Deer Park Villa subject to the exploration of funding incentives available from the MOHLTC, and the submission of a subsequent report to Committee and Council on relevant redevelopment details.

REPORT

DVP Redevelopment Project Updates

New developments in the redevelopment of Deer Park Villa have necessitated an update on project costs, leading to the need for an additional \$2.4 million to enable the project to proceed cost effectively. A summary of these additional costs follows:

1. Escalation of Cost

Uncontrollable delays in the Ministry's announcement of redevelopment details and funding incentives has moved the project from the originally anticipated 2008 construction start to a likely late 2009/early 2010 construction start. Consultants for the project have analyzed construction industry trends and have recommended an escalation of \$800,000 to cover anticipated increases in construction and related costs.

2. Improved Revenue Generation Capacity

An adjustment in the proportion of private and semi-private bedrooms in a new Deer Park Villa to align with the rooms in the Region's other newly-constructed long-term-care homes necessitates an additional \$200,000 for the project; however, this adjustment will increase the potential for generating additional revenue from private and semi-private accommodation fees. Additional revenue potential ranges from \$71,000 to \$96,000 annually.

3. Cost-effective Shared Redevelopment

Staff and consultants from the West Lincoln Memorial Hospital and Seniors Services have worked collaboratively on the joint redevelopment of the shared hospital/long-term-care home site. Accordingly, it became evident that the hospital's redevelopment plan could be made significantly more cost-effective if additional land could be made available to place the new hospital on the site between the current hospital and the current Deer Park Villa.

The existing hospital kitchen (which also serves Deer Park Villa) would need to be demolished in order to create the needed space for future hospital construction. As the new hospital will not be permitted to construct and operate its own kitchen, this will necessitate Deer Park Villa to construct and equip its own kitchen. Consultants have projected this cost to be \$800,000. Future operating costs for a kitchen within Deer Park Villa are expected to be cost-neutral to current Deer Park Villa costs, as equivalent fees are currently paid to the hospital for a comprehensive meal service.

4. Investment for Future Needs

Consultants have estimated project costs for a Proposal 1 (i.e. an updated 39-bed redevelopment with private/semi-private bedroom re-adjustments and a new kitchen) at \$7.3 million.

The consultants were requested to estimate project costs for a Proposal 2 (i.e. same as Proposal 1, but with the provision for additional building infrastructure to enable future expansion to 60 beds). An estimated investment of \$600,000 would prepare the 39-bed home for future expansion to 60 beds. The following paragraphs summarize the context that has led staff to recommend the Region proceed with Proposal 2.

The relatively small home (i.e. 39 beds compared to Niagara Region's smallest homes of 80 beds) and the anticipated increased demand for long-term-care beds in West Niagara necessitate the provision of expansion capacity at this site. Accordingly, in keeping with the standard from the Region's newly-constructed homes, this site could accommodate two Resident Home Areas of 30 beds each for a home with a total of 60 beds. A

combination of a future 60-bed long-term-care home, with the existing 26 supportive housing beds on this site would improve the cost-effectiveness of this operation.

Consultants have projected the cost of an up-front investment in the building's infrastructure (e.g. slightly larger dining and activity rooms, with corresponding hallway lengths and additional parking and other exterior requirements) to be \$600,000. Staff would recommend this investment as it positions the Region to address future demand for long-term-care beds in West Niagara on this site. The exclusion of this investment would be short-sighted and would prevent the Region's responsiveness to the future needs of seniors in this part of the Region. In summary, this table succinctly identifies the project updates and related costs of the recommended option:

Summary of Redevelopment Updates

Project Scope	Costs	Purpose
Construction of a 39-bed home	\$5,500,000	Estimated in 2007 for a 2008 construction start
Project cost escalation for 39-bed home	\$ 800,000	Revised estimate for a late 2009/early 2010 construction start
Additional Private/semi-private rooms	\$ 200,000	To align with other homes and increase revenue generation potential
Addition of kitchen and equipment	\$ 800,000	To enable cost-effective redevelopment of hospital on shared site
Addition of capacity for expansion for 60 beds	\$ 600,000	To enable future expansion of 21 beds to better meet future demand for beds in West Niagara, and improve cost-effectiveness of this site's operations
TOTAL	\$7,900,000	

The consultants were also requested to estimate the cost of construction of a 60-bed long-term-care home in a single current phase instead of making current provisions for the future addition of 21 beds. The estimated cost would be \$8.9 million, and would involve an increase in operating costs for a 60-bed facility operating with revenues from only 39 residents. As it does not appear that the LHIN is in a position to approve an additional 21 beds at this home, staff recommend proceeding with a 39-bed redevelopment with an up-front investment of \$600,000 to enable the future construction of 21 additional beds, when available for operation in the future.

Provincial Funding Incentives

The MOHLTC announced its renewal strategy for homes that are currently rated as B and C homes. Homes must indicate their intention to redevelop to the LHIN, which will screen according to locally-developed criteria for selection and forward its list of recommended redevelopments to the Ministry for approval.

Under the MOHLTC funding incentives, and as noted previously, the Region would receive \$224,913 annually for 25 years to support project financing costs for the Deer Park Villa home (i.e. for a total of \$5,622,825 from the Province.)

The Ministry's renewal strategy and funding incentives will also apply to the Region's remaining B and C homes in the future. Upper Canada Lodge, in Niagara-on-the-Lake and Gilmore Lodge, in Fort Erie are both C homes, while Linhaven, in St. Catharines is a B home.

As these homes do not have residents living in 4-bed wards (as does Deer Park Villa), and as they have been redeveloped in the past 20 years with planned additional resident amenity and common space, staff are recommending redevelopment later in the Ministry's 10 year renewal strategy for B and C homes. Estimated costs of redevelopment of these remaining homes have been included in the Region's 10-year capital forecast.

Submitted by:

Submitted by:

Brian Hutchings
Commissioner, Community Services

John Bergsma
Commissioner, Corporate Services

Approved by:

Mike Trojan
Chief Administrative Officer

This report was prepared by Dominic Ventresca, Director, Seniors Services with financial implications reviewed by Margaret Murphy, Associate Director Current and Capital Budgets and Gord Lockyer Treasurer/Director Financial Management and Planning.

TREASURER'S REPORT

<u>PROJECT IDENTIFICATION</u>		
PROJECT NO.	Description	Gross Amount
ZSC0809	Deer Park Villa	7,900,000
TOTAL		\$ 7,900,000

<u>FINANCING INFORMATION</u>					
SOURCES OF FINANCING					
PROJECT NO.	Reserve Fund	Development Charge Reserve	Long Term Financing (1-20 yr)	Other Revenue	TOTAL
ZSC0809	800,000		7,100,000		-
					7,900,000
					-
					-
					-
TOTAL	\$800,000	\$0	\$7,100,000	\$0	\$ 7,900,000

TREASURER'S VERIFICATION REPORT

(REQUIRED ONLY ON PROJECTS INVOLVING DEBENTURES FINANCING)

This is to confirm that I have updated the "Debt Repayment Limit" for Regional Niagara and passage of the by-law to approve these projects will not cause the Region to exceed its limit.

DATE: _____ SIGNATURE: _____