



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Macassa Lodge

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	June 17, 2021
SUBJECT/REPORT NO:	Macassa Lodge - Redevelopment Project Financing Plan (HSC20050(b)) (Ward 7)
WARD(S) AFFECTED:	Ward 7
PREPARED BY:	Holly Odoardi (905) 546-2424 Ext. 1906 David Trevisani (905) 546-2424 Ext. 6603
SUBMITTED BY:	Paul Johnson General Manager Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION

- (a) That funding for the Macassa Lodge Redevelopment Project, capital budget project # 6302141102, in the amount of \$27.8 M overall, be approved as follows:
- (i) That the following funding from the Ministry of Long-Term Care (MLTC) be applied to project #6302141102:
- (1) One-time funding of \$250,000 from the Planning Grant receivable upon signing the Development Agreement;
 - (2) One-time funding of \$1.03 M Development Grant receivable upon substantial completion; and,
 - (3) Construction Funding Subsidy of approximately \$174,000 per annum funded over the term of the loan, 25 years for a total of \$4.4M which will be applied against the repayment of the internal loan required to fund this capital Project;

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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- (ii) That the following funding sources from the City of Hamilton be approved:
 - (1) \$7,270,000 from Development Charges; and,
 - (2) \$19,253,000 (including \$7.4 M interest from internal loan) from the Unallocated Capital Reserve #108020, to be repaid annually over 25-years;
- (b) That an annualized increase of \$896,300 to the Macassa Lodge 2023 Operating Budget be approved related to the annual repayments to the Unallocated Capital Reserve #108020 over a 25-year period;
- (c) That in addition to the signing authority granted in report HSC20050(a), the General Manager, Healthy and Safe Communities Department or his designate be authorized and directed to negotiate, enter into, execute and amend a Development Agreement and any ancillary documents and any service accountability agreement(s) required for funding on the project with Her Majesty the Queen in right of Ontario as represented by the Minister of Long-Term Care or such other party or agency as otherwise required, with such terms and conditions in a form satisfactory to the City Solicitor; and,
- (d) In accordance with By-Law 20-205, the City's Procurement Policy, staff be directed to proceed with the competitive procurement processes necessary for the completion of the Macassa Lodge Redevelopment Project and that the General Manager of Healthy and Safe Communities or his designate be authorized and directed to negotiate, enter into, execute and amend any agreements and documents necessary to award any resulting contracts with vendors, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

On September 25, 2020, the City submitted a Long-Term Care Home Development Application to fund 64 long-term care beds at Macassa Lodge. On November 20, 2020, the City received a funding allocation letter from the Ministry of Long-Term Care for a 20-bed enhancement.

The scope of the full project submitted included construction of a new 64 bed wing, B-Wing, at an estimated cost of \$27.8 M. This included space to decant 44 beds from D-Wing into the new B-Wing, once constructed.

This long-term care growth project was first identified for Council in the 2014 Development Charges Bylaw and Background Study (Report FCS14033), and more

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recently in the 2019 Development Charges Bylaw and Background Study (Report FCS19050).

On February 4, 2021, the Emergency and Community Services Committee approved Report HSC20050(a), authorizing staff to proceed with signing the Ministry funding allocation letter. In that report, it was advised that a financial plan will be brought back to Council once the Development Charges Background Study and Development Charges By-law was completed. The Background Study and Development Charges By-Law was completed through Report FCS21048, presented to the Audit, Finance and Administration Committee on June 3, 2021.

On March 1, 2021, staff accepted the Ministry's funding allocation through a signed letter back to the Ministry. The Ministry process in 2021 will involve submitting a "preliminary plan" and subsequently executing a "Development Agreement" between the City and the Province prior to the start of the project.

A Capital Project request for the redevelopment (# 6302141102) was included in the 2021 Capital Budget through Report FCS20101(a) and was approved on December 18, 2020.

The updated financing plan for the capital budget will be included in the 2022 Capital Budget process.

Alternatives for Consideration – Not applicable.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

The proposed Macassa Lodge B-Wing project to accommodate 64 beds (20 new and 44 bed re-development) is estimated to cost \$27.8 M, broken down as follows:

Categories	Estimated Cost
Development Costs for the Land	\$335,000
Hard Construction Costs	22,311,844
Soft Construction Costs - Architecture and Engineering Services - Project Management Services - Legal Services	4,298,279
Other Costs (Furniture, Fixture, and Equipment)	832,000
Estimated Total Project Costs	\$27,777,123

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Funding Sources for the Capital Project:

As per the Ministry of Long-Term Care's letter of allocation, approval for 20 long-term care beds of the requested 64 long-term care beds was received.

Based upon staff's interpretation of the Ministry's Capital Development Funding Policy, funding for the 20 long-term care beds will result in receiving the following three capital funding envelopes:

1. A one-time payment of a Planning Grant of \$250,000 on signing the Development Agreement;
2. A one-time payment of a Development Grant of \$1.03 M to be received upon substantial completion; and,
3. Construction Funding Subsidy paid monthly over 25 years totalling \$4.4 M (to be received upon resident occupancy on a per unit basis totalling, \$174,000 year).

In accordance with the approved Development Charges By-law and Background Study, the City is eligible to collect DC's for this project.

As reported in Report HCS20050(a), the Development Charge by-law was being updated in the 2nd Quarter of 2021. This has been completed and the outcome of the DC By-law update has resulted in confirming that DC funding available for this Capital project is \$7,270,000. The Development Charge funding will be used to offset the Capital cost of the Macassa Lodge - Redevelopment Project.

These funding sources will be applied to the total cost of the Capital Project, leaving an unfunded balance of \$19,253,000, to be borrowed from the City's Unallocated Capital Reserve #108020 and paid back over 25 years.

As the Construction Funding Subsidy (CFS) to be provided by the Ministry will be received upon occupancy, annually in the amount of approximately \$174,000 over 25 years, staff are recommending that this funding be used to offset the annual \$896,300 debt charge funded from Macassa Lodges annual operating budget over 25 years.

The following table summarizes the funding sources and resulting Net Levy impact of \$896,300 annually beginning in 2023.

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	2021	2022	Total
Gross Capital Cost	\$ 4,000,000	\$ 23,800,000	\$ 27,800,000
Funding Sources			
<i>Ministry of Long-Term Care (MLTC):</i>			
Development Grant		\$ 1,027,520	\$ 1,027,520
Planning Grant		\$ 250,000	\$ 250,000
<i>City of Hamilton:</i>			
Internal Loan (Unallocated Capital Levy Reserve)	\$ 2,236,000	\$ 17,017,034	\$ 19,253,034
Development Charges	\$ 1,764,000	\$ 5,505,446	\$ 7,269,446
Net	\$ -	\$ -	\$ -
Financing Plan			
Annual Loan Repayment			\$ 1,069,864
Construction Funding Subsidy			\$ 173,594
Annual Net Levy Operating Impact			\$ 896,270

Operating Cost Impacts:

As Macassa Lodge will be adding 20 new beds, there will be operating cost impact once the Capital Project has been completed.

Staffing: Starting in 2024, the complement will need to be increased by a total of 24 new FTEs. This is projected to cost approximately \$2,360,000 which includes other employee expenses and operating costs. It is assumed that Macassa Lodge will receive additional annual funding of \$1,361,000 to offset the operating costs for additional 20 beds. This will be reflected in Macassa Lodges' operating costs beginning in the year 2024.

Lodges:	\$2,201,000
1 Housekeeper	
1 Cleaner/Porter (1 Evening)	
1 Laundry Aide	
1 Social Worker	
1 Recreationist	
3 Dietary Aides (1 Day, 1 Evening and 1 kitchen for food production)	
3 Registered Nurses (1 Day, 1 Evening and 1 Night)	
12 Personal Support Workers (PSWs)	
Facilities:	159,000
1 Maintenance	
Revenue	(1,361,000)
Net Levy Impact	\$999,000

Legal: It is anticipated that the City will be required to enter into a transfer payment agreement with the Government of Ontario to receive the funding, and further may need to enter into other ancillary agreements or pass by-laws to receive funding.

HISTORICAL BACKGROUND

In 2014, Council approved the 2014 Development Charges Bylaw and Background Study (Report FCS14033), which identified the need for a future expansion to the D-Wing at Macassa Lodge as a future growth project.

Through the 2018 Capital Budget process, Council approved Macassa Lodge to complete a feasibility study on D-Wing to address aging of the D-Wing unit at Macassa Lodge (constructed in 1956 and refurbished in 1988). Macassa Lodge and the Public Works, Energy Fleet & Facilities project team engaged MMMC Architects to complete the feasibility study on an expansion. From the feasibility study, staff were able to develop a high-level scope and budget for the expansion project.

On June 12, 2019, Council approved the Development Charges Bylaw and Background Study (Report FCS19050), which identifies the future expansion at Macassa Lodge.

On September 25, 2020, Macassa Lodge submitted a Long-Term Care Home Development application to the Province to build a new B-Wing expansion at an estimated value of \$27.8 M. The scope of the project includes space to decant 44 beds from D-Wing into the new B-Wing, once constructed. This application was submitted as a placeholder pending the completion of the feasibility study in addition to submitting a report to the Emergency and Community Services Committee which were both clearly outlined in the ministry submission.

On November 20, 2020, the Province identified that the City of Hamilton had received a funding allocation letter for its Long-Term Care Home Development application of a 20-bed enhancement. The 44-bed redevelopment is not eligible for any part of this funding allocation.

On December 18, 2020, Capital Project (# 6302141102) for the 64 beds (included in Report FCS20101(a)) was approved in the 2021 Capital Budget.

On March 1, 2021, the City signed a letter from the Ministry of Long-Term Care to receive a funding allocation of 20 long-term care beds at Macassa Lodge in response to the City's Long-term care Home Development application to fund 64 long-term care beds.

On March 25, 2021, Amendment to the 2019 Development Charges Background Study and Development Charges By-law, Report FCS21025 was presented in order to update

the City's DC By-law to be consistent with the most recent legislation introduced by the Province.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None

RELEVANT CONSULTATION

The following Departments/Divisions/Sections have reviewed and contributed to this report:

Corporate Services, Financial Planning, Administration and Policy / Finance & Administration

- Was engaged in reviewing and compiling the financial section of the report.

Public Works, Energy Fleet & Facilities

- Was engaged in completing the feasibility study with preliminary cost estimates for construction and review of construction-related matters of the report.

Staff has also engaged in consultations with the Ministry regarding funding application status and funding formulas.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The Long-Term Care (LTC) Homes sector has advocated for adequate funding to support capital development and redevelopment and the impact of this lack of funding came to light during the COVID-19 pandemic. Information gathered on LTC Homes in Ontario highlighted that older homes fared far worse than the newer builds. The information indicated that approximately 59% of LTC home resident cases occurred in homes that are older than 30 years, noting that D-Wing was built in 1954 with renovations in 1988. It was also identified that the design of these older homes contributed to the spread of the virus among residents and staff. Sadly, more than half of LTC Homes in Ontario are older and are not built to the latest Ministry Home Design Standards. The Ministry has committed to re-developing 15,000 existing beds and building 15,000 new beds by 2025.

Design standards have evolved particularly as it relates to accessibility since the original construction of the D-Wing at Macassa Lodge in 1954. Current Ministry Home Design Standards for new LTC homes built today include some of the following:

- Larger accessible turning radius size in bathrooms and shower rooms (or larger assisted transfer space)
- Wider doors for accessibility, particularly on bedrooms & bathrooms

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- Smaller sub-division of total number of occupants per resident home
- Larger dining space per resident

With all that has transpired over the past ten months, the landscape in which development or redevelopment needs to occur has shifted significantly. Any new developments or redevelopments must now consider how design standards and physical infrastructure can mitigate the impacts of outbreaks in LTC Homes.

The Macassa Lodge expansion was considered in the 2019 Development Charges Background Study and Development Charges By-law with calculations based on a previous scope of the capital project. The current capital budget and scope of the new 64 bed addition of B-Wing onto Macassa Lodge results solely in new gross floor area servicing long-term care residents, which presents greater potential for DC funding eligibility on the current project than the previous budget and scope. The current \$27.8 M expansion project does not include the cost of necessary future work associated with converting space within the existing D-Wing in order to maintain gross floor area servicing long-term care residents. That future conversion cannot take place until residents have been moved out of D-Wing and into the new completed B-Wing addition. Furthermore, a feasibility study is needed to determine the scope and budget of the future D-Wing conversion project and explore possible combinations of program, amenity, staff and education space serving Macassa lodge residents.

There is an estimated capital shortfall of \$19.3 M required to fund the estimated capital budget of \$27.8 M, after applying the various sources of funding provided by MLTC and a range of estimated DC funding, which is proposed to be funded through an internal loan from the Unallocated Capital Reserve #108020. This loan would be paid back to the Reserve over the 25-years Construction Funding Subsidy's timeline.

To pay back the Reserve, Macassa Lodge's Operating levy will have to increase an estimated amount of \$896,300 annually beginning in 2023 after adjusting for the anticipated annual Construction Funding Subsidy.

There are further operating costs for the operation of the building, and its continued maintenance, which will be in addition to the operating impact required to pay back the estimated loan from the Unallocated Capital Reserve.

Any additional funding that can be provided by various levels of government will serve to reduce the operating levy impact of this project.

Staff continues to monitor opportunities for funding from other levels of government. If any are identified during the life of the project the financing plan will be updated accordingly and reported back to Committee.

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The change in scope and available grant funding of this expansion compared to what had been considered in the 2019 Development Charges Bylaw and Background Study has been reassessed through the development charges by-law update which was recently completed through Report FCS21048 going to the June 3, 2021 Audit, Finance and Administration Committee.

The rationale for funding Capital Project # 6302141102, an addition of a new B-Wing onto Macassa Lodge to accommodate 64 beds (20 new and 44 bed redevelopment of D-Wing) includes:

1. Improved long term care waiting lists:

The situation for the Local Health Integration Network (LHIN) for Hamilton, Niagara, Haldimand and Brant (HNHB), notes there are approximately 5,682 active files waiting for placement in LTC, and of those 934 are in crisis. Specifically, in Hamilton, there are approximately 1,851 active LTC files and 411 of those are in the crisis category.

Research also reveals that some citizens in need of LTC decess before they are admitted due to the lengthy placement waiting list. There is a great need to support Hamilton with enhancing our LTC bed capacity.

2. Utilizes funding from other levels of government:

The Province of Ontario committed to creating 30,000 new long-term care beds over the next decade. These new beds will increase access to long-term care and help end hallway health care and provide high quality care and accommodation that meets the clinical, safety and social needs of Ontarians living in long-term care homes.

Redeveloping long-term care beds means either renovating existing long-term care spaces in an existing home or building a new long-term care home to replace an older one. Redeveloping existing long-term care beds helps the long-term care sector continue to provide appropriate care to residents in safe and secure environments.

As work to modernize the Long-Term Care Home Development Program continues, the Ministry sought out applications to help to build a 21st century long-term care system, improve outcomes, and enable the effective use of additional long-term care capacity to meet the diverse needs of residents and their families where it is needed the most. The Ministry of Long-Term Care provides funding for long-term care homes across Ontario to provide appropriate care and services to the residents who live in those homes. The Ministry provides support to projects that will add new long-term care bed capacity and redevelop existing, older long-term care beds to modern design standards. These net new beds will increase access to long-term care, reduce waitlists, ease hospital capacity pressures and help to end hallway health care.

3. Opportunity to align with Ministry's LTC Home Design Standards:

The existing Macassa Lodge D-Wing Resident Home Area (RHA) accommodates 44 residents in the south-west end of the building. The D-Wing was part of the original 1954 construction and although it has been upgraded over time, D-Wing is now dated and requires extensive work in order to better meet changing acuity and accessibility of residents in long term care. In addition, there are some building deficiencies that now require widespread improvements in order to meet LTC Home Design Standards for patient care areas. The expansion project, the new addition of B-Wing, is an opportunity to build with the leading best practices, current research with an opportunity to redesign to mitigate impacts of outbreaks.

All 64 long-term care beds will meet the Ministry's Long-Term Care Home Design Standards.

4. Maximizes number of beds on limited land footprint:

The proposed new 64 bed addition of B-Wing would be an expansion on the existing Long-Term Care Home, Macassa Lodge. There is limited space on the site, further decreased by a zoning setback of 7m. The proposed addition was reviewed in detail in context of the limited site size and was found to be the most efficient, cost-effective construction option in order to increase the building footprint at Macassa Lodge. The south-east corner is the most feasible location for new construction.

5. Efficiencies of single tender with single construction phase:

There is value to the City in completing the 64-bed addition, B-Wing, in one tender and construction phase. A single tender with single construction phase significantly saves on costs, efficiencies and complexities. Inflation and construction mobilization are two examples of costs that are saved over a multi-tender, multi-phase project. The single tender approach staff are recommending also has the least operational impact to resident care due to the need to decant D-Wing beds once construction is complete.

6. Minimizes levy impact by maximizing external funding sources:

In addition to the Province's recent funding allocation of a 20 long-term care bed enhancement at Macassa Lodge, the funding strategy for this growth project will include Development Charges (DCs).

The change in scope and available grant funding of this expansion compared to what had been considered in the 2019 Development Charges By-law and Background Study was considered in the development charges by-law updated. As a consequence, staff can confirm that the Development Charges available to fund the Macassa Lodge B Wing Capital project is \$7,269,446. This will be applied against the total capital cost of this project which is estimated to be \$27.8 M.

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Staff will continue to monitor opportunities for funding from other levels of government. If any are identified during the life of the project the financing plan will be updated accordingly and reported back to Committee.

As committed in Report HSC20050(a), the Development Charge By-law has been updated and a final financial plan has been presented in this report.

ALTERNATIVES FOR CONSIDERATION

None

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

None