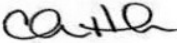




CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Macassa Lodge

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| TO: | Chair and Members Emergency and Community Services Committee |
| COMMITTEE DATE: | December 7, 2023 |
| SUBJECT/REPORT NO: | Macassa Lodge - Redevelopment Project (HSC20050(c)) (Ward 7) |
| WARD(S) AFFECTED: | Ward 7 |
| PREPARED BY: | Holly Odoardi (905) 546-2424 Ext. 1906 Indra Maharjan (905) 546-2424 Ext. 4617 David Trevisani (905) 546-2424 Ext. 6630 |
| SUBMITTED BY: | Chris Herstek Acting General Manager Community Services Department |
| SIGNATURE: |  |

RECOMMENDATION

- (a) That staff be authorized to proceed with the Macassa Lodge Redevelopment Project (the "Project") despite an unexecuted Development Agreement with the Ministry of Long-Term Care (the "Ministry"), and projected increased costs, in order to advance the Project and obtain information necessary for entering a Development Agreement with the Ministry while preserving the City's eligibility for potential additional funding, should such funding become available from the Ministry;
- (b) That staff be directed to award the Construction Manager contract without a signed Development Agreement with the Ministry to enable the City to issue the bid packages and prepare the initial estimate of cost submission necessary for Council approval and completion of the Development Agreement with the Ministry;
- (c) That staff be directed to report back to the Emergency and Community Services Committee no later than the Q4 of 2024 with an updated funding and financing plan once a draft Development Agreement and/or estimated

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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.

project costs have been provided for the Macassa Lodge Redevelopment Project including anticipated cost increases in Q1 2025; and,

- (d) That the General Manager, Healthy and Safe Communities be directed to negotiate and award a Construction Management contract and any ancillary documents required to give effect thereto for the Macassa Lodge Redevelopment Project based on the request for proposal C13-23-23 Construction Manager for the Macassa Lodge, Long-Term Care B-Wing Expansion in compliance with the Procurement By-law.

EXECUTIVE SUMMARY

The Macassa Lodge Redevelopment Project for the B-Wing Expansion (the “Project”) received capital approval by Council in June 2021, staff have faced unanticipated challenges which precluded the execution of a Development Agreement with the Ministry of Long-Term Care. This report informs Council of these challenges, and also seeks the authority to allow the Project to move forward. With Council’s approval, staff will proceed and award the Construction Manager contract, putting the City in a better position to finalize the original base funding for which the City remains eligible and to be well placed for any additional funding that may become available from the Ministry or other sources. This report also informs Council of estimated project budget increases.

Over the past twenty-eight months and during COVID-19, construction industry costs have increased significantly. As the Project plan progressed, additional components were also added to the design resulting in cost increases. The current Class C estimated Project costs are \$50.1M. This represents an increase of \$22.3M compared to the Council-approved capital budget of \$27.8M, which was based on that Class D estimate (from an early Feasibility Study) in the amount of \$27.8M in 2021. Staff have ensured that the estimated budgetary increase forecasted is identified in the multi-year 2024 annual capital budget currently under review. The updated financing plan for the capital budget will be reported to Council in 2024 assuming that the Development Agreement is received from the Ministry, to be reviewed and signed, and that a more refined Project cost through a Class B estimate (detailed design stage) from the Construction Manager has been completed.

Considering the increased projected Project costs and the absence of a signed Development Agreement, staff are recommending to proceed with the Project, to award the Construction Manager contract, and to begin construction in 2024, pending the signed Development Agreement and appropriate Ministry approvals. Staff are also requesting direction to continue working with the Ministry to pursue the original base funding which the City remains eligible for and noted again, to be well placed for any additional funding that may become available from the Ministry or other sources.

If staff are directed to proceed with the Project, the next step is to award the Contract for the Construction Manager. This will allow the Construction Manager to work with the design team to give input into the design phase of the Project, prepare bid packages for tender once appropriate approvals are in place. Some of the Construction Manager's work, such as drawing & specification finalization, is needed for the City to prepare the initial estimate of cost submission that is necessary for completion of the Development Agreement with the Ministry. Staff will continue discussions with the Ministry with respect to the form of the Development Agreement. Construction can then begin once the Development Agreement is executed and the Ministry has provided Approval to Construct.

Alternatives for Consideration – See Page 10

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: At this time, no further information is to be brought forward until staff have a final cost for the Project and finalized funding through the Ministry of Long-Term Care. Staff will report to Council with changes to total project costs once this information is provided.

The City recently obtained a Class C estimate of costs valued at \$50.1M. This represents an increase of \$22.3M compared to the Council-approved capital budget of \$27.8M, was based on that Class D estimate (from an early Feasibility Study) in the amount of \$27.8M in 2021. Staff ensured that the new estimated budgetary increase is identified in the 2024 annual capital budget currently under review. A Class B estimate of costs is expected to be received in 2024 which will provide the estimated costs of the Project at the detailed design stage.

Staffing: N/A

Legal: N/A

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 completion of a feasibility study on Macassa Lodge's D-Wing to address aging of that wing (constructed in 1956 and refurbished in 1988). Healthy and Safe Communities 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 for 20 new beds at an estimated cost 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 Ministry 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.

Through a staff report at Emergency and Community Services Committee in February 2021, Council gave the General Manager of Healthy and Safe Communities Department authority to execute a funding agreement with the Ministry for the project. The report indicated that this agreement would be executed prior to project start.

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.

On June 23, 2021, Council approved the Project financing plan, General Manager signing authority for development agreement and ancillary documents and directed staff to proceed with competitive procurement processes in HSC20050(b). The financing plan was based on a capital budget of \$27.8 million and relied on funding of \$1.3M in grants and Construction Funding Subsidy of approximately \$174,000 per annum funded over the term of the loan, which will be applied against the repayment of the internal loan of \$19.3M, required to fund this capital project, to be provided by the Ministry of

Long-Term Care under the Development Agreement. In addition, \$7.3M of Development charges were approved to fund the project. The report indicated that the Development Agreement would be executed prior to Project commencement. The report also obtained authority for staff to proceed with the competitive procurement processes necessary for completion of the project and execution of agreements necessary to award resulting contracts with vendors.

The following is the first challenge that precluded a signed Development Agreement with the Ministry: the ongoing risk of executing the Development Agreement under a previous funding policy, which would prevent the City from securing additional future funding that was anticipated to be announced, including potential Construction Funding Subsidy top-up. This risk precluded the execution of a Development Agreement with the Ministry.

In 2022, the City of Hamilton contracted Salter Pilon Architecture along with Bortolotto Architects to take the project from the design concept through schematic design, design development, construction documents and construction.

On November 25, 2022, the Ministry announced a revised 2022 Long-Term Care Capital Development Policy for funding to introduce a fixed, time-limited funding supplement, representing a Construction Funding Subsidy top-up of \$35 per diem. Named the Construction Funding Subsidy, it required that the project meet various requirements. To receive approval to construct, the following was required before August 31, 2023:

- project funding approval
- securing land and financing
- executing a Development Agreement
- approval of preliminary plans
- working drawings and operational plan
- tender for construction
- submission of approval to start construction package and,
- receive Ministry approval to start construction

A Statement of Readiness indicating that the City was attesting that the project may meet the eligibility criteria above for the additional Construction Funding Subsidy top-up was submitted December 19, 2022. There was no risk of submitting a Statement of Readiness even if the eligibility criteria were not met.

The Ministry's new 2022 policy introduced a potential opportunity for additional funding, however, it again presented a challenge which precluded the execution of a Development Agreement. To be eligible for this increased funding, the City needed Ministry approval to Construct by August 31, 2023.

Staff worked diligently towards meeting this accelerated deadline in hopes of obtaining the additional funding commitment. As a result of the increased efforts by both the municipal staff and design team, in July 2023, the Conditional Site Plan was approved in record time and the Preliminary Plans drawing package were submitted to the Ministry, with clearance provided to submit working drawings. The development of the working drawing package and clearance of the remaining legislated Site Plan and Building Permit conditions is ongoing.

Unfortunately, due to the misalignment between the initial project schedule and the Ministry's accelerated schedule for the new funding, along with resource requirements, the approval to construct could not be obtained by the Ministry's new deadline of August 31, 2023. As a consequence, the project was not able to qualify for the additional top-up funding and, the development agreement and formal funding agreement was not executed at that time in the fall of 2023. The project team was encouraged by the Ministry to keep working through the various milestones as future announcements could be made for other Construction Funding Subsidy top-up variations. The project is still eligible for original base funding, but the City will need to execute a development agreement to receive confirmation of this, as indicated verbally from the Ministry Capital team.

On August 10, 2023, Request for Proposals C13-23-23 Construction Manager for the Macassa Lodge, Long Term Care Home – B-Wing Expansion was publicly issued.

On September 12, 2023, the Request for Proposals C13-23-23 closed and the City received four proposal submissions for evaluation.

Award of the Construction Manager contract will help finalize the drawing and specification package required in order to gain Ministry approval to construct.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Request for Proposals C13-23-23 was issued and is being recommended for award in accordance with By-law 20-205 as amended, the City's Procurement Policy, section 4.5.3 Request for Proposals.

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.

Legal

- Was engaged to review draft development agreements, purchase order contracts, and reviewed funding matters of the report.

Procurement

- Was engaged to review contract matters and supporting request for proposals and tenders, as required.

Public Works, Corporate Facilities & Energy Management

- Was engaged to lead the construction of the project and review of construction-related matters of the report.

Staff have also engaged in consultations with the Ministry regarding project status, funding announcements and project milestones.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The request in the report is to give staff authority to award the Construction Manager Contract for the Macassa Redevelopment Project, in the face of increased projected Project costs and the absence of a signed Development Agreement. With Council authority, staff will be in a position to award this contract in advance of execution of the development agreement in order to allow the project design and pre-construction milestones to progress. This would allow the project to progress even though the development agreement has not been executed and there is no formal funding agreement with the Ministry.

The construction manager contract is composed of two phases: phase one, utilizing the construction manager's construction expertise to give input into the design phase of the project and for the issuance of various trade tender packages to subcontractors prior to the commencement of construction and phase two, utilizing the construction manager's services as oversight and management of the construction work.

A conventional timeframe for design and permitting prior to commencement of construction can exceed 3 years. In some instances, utilizing a construction manager contract allows for a shorter lead time prior to construction. Since the construction manager is retained prior to the completion of the project design phase, various work including tendering for subcontractors can be undertaken while the remainder of the design is being completed and permits are issued. Although the services for the construction manager are a fixed fee (for this project), it is the responsibility of the construction manager to develop the actual construction cost estimates throughout the stages of design and construction which is to be monitored against the current budget.

Staff identified the importance of reporting to Council with full transparency prior to awarding the Construction Management Contract prior to formal approval under a signed development agreement. The funding from the Ministry is not secured until the agreement is executed. The Project budget relies on the Ministry's funding however, since the proposed construction manager contract is structured in two phases (pre construction services and construction services), the City could award the construction manager contract and engage the vendor for the pre-construction services until Council and all other legislated approvals are in place. Committee and Council are also advised that the construction manager contract has provisions in it to allow the termination of the Contract, "in whole or part". Therefore, should there be any reason that the Project cannot continue as expected, or if Ministry funding were to fall through, the City has the ability to mitigate some risk and terminate the construction manager contract.

The scope of work for the construction manager begins in 2024 with the finalization of drawings, specifications and preparation of a Class B construction estimate and cashflow of all costs anticipated into 2025 to the end of construction.

If the award of the construction manager contract is delayed until a future funding announcement and an executed development agreement is in place, there is a significant risk that the proponents who submitted proposals to C13-23-23 will not honour their proposals past the required time open for acceptance period. Should this happen, the City will be required to re-issue the request for proposals for a construction manager or general contractor and subsequently delay the Project timeline further. Additionally, there is a risk that if the Project does not continue with next steps, the City could lose out on future funding that may be announced by the Ministry if the City is unable to meet the submission eligibility criteria.

The Ministry has communicated that even though the Project did not receive approval to construct by August 31, 2023, under the 2022 Funding Policy, that the Project may still be eligible for future enhanced funding under a new funding policy. The Project team has been providing frequent updates to Ministry project manager contacts with any milestones achieved.

Staff are requesting approval to proceed with the Project, to award the construction manager contract and to continue working with the Ministry in order to receive original base funding and potential enhanced funding through any Construction Funding Subsidy top-up that may become available. Any additional funding that can be provided by various levels of government will serve to reduce the operating levy impact of this Project.

In the original funding model presented June 2021 through HSC20050(b), there was 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 Ministry 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.

The current Class C estimated costs, prepared by Cost Consultants, are now \$50.1M which is an increase of \$22.3M compared to the Class D (Feasibility Study) estimate which was part of the original funding model and Council approved budget for the project in the amount of \$27.8M. The reason for the significant budget increase is due to a number of factors including significant construction industry escalation costs (approximately 25% for base construction costs), additional building and renovation square footage (approximately 40%) which includes elements added to the design from the original scope (increased resident room sizes, corridors, partial basement, penthouse, building tie into E Wing, increased parking) to meet both operational and health and safety requirements of the Lodge in order to provide the best building possible to accommodate and provide service to the residents.

To also address Council's Priorities for Sustainable Economic & Ecological Development and specifically accelerating the reduction in the City's greenhouse gases emissions in the assessment of infrastructure projects against their impact on the City's climate resilience and readiness, this project will focus on those priorities by investigating the following;

- Sustainable design approaches, while balancing capital and operational costs impacts
- Alternative technologies to gas fired equipment for HVAC and domestic water heating
- Renewable energy sources (wind, solar, geothermal)
- Stormwater management control and recovery
- Building materials with lower embodied carbon
- Increased building envelope performance (roofs, walls and windows) minimizing heat loss and solar gain
- Energy efficient electrical and mechanical equipment

Increased sustainability design elements beyond minimum legislated standards continue to be being investigated which focuses on the reduction of greenhouse gas emissions. These specific factors coupled with necessary project contingencies, taxes and fees have all contributed to the budget overage.

Long-Term Care homes were at the epicentre of the pandemic with critical learned lessons that need to be or ought to be applied to new developments or redevelopments to ensure the safety of residents and staff. Design standards have evolved particularly as it relates to COVID-19 outcomes since the original design plan was submitted. Optimizing private or private-like resident bedrooms helps to decrease or mitigate the

spread of infection. This design allows for a more home-like environment for residents and their families/friends. Social isolation for residents was a leading concern over the past number of years and with this larger room design coupled with oversized windows to allow for natural light is creating a safe and welcoming environment for our residents. The demographics of resident admissions are increasingly more complex and acute. Physical space for wheelchairs, scooters, motorized wheelchairs has been a concern for residents to have ready access to the mobility devices in their rooms. With this new design this issue would be mitigated. Currently over 55% of residents require a mechanical lift to be assisted in and out of bed. This transfer requires a large piece of equipment with two staff, a resident and typically a mobility device such as a wheelchair for the placement after the transfer. The physical area required to support this transfer will be supported in this design. There is also an increase in bariatric resident admissions to long-term care, so increased physical space for larger equipment, enhanced door openings, etc are all critical elements of the design to safely serve all of our residents.

Staff are hopeful that the Ministry will announce new incremental funding and are hesitant to execute a Development Agreement at this time in case an opportunity for additional funding arises. Awarding a Construction Manager contract will put the City in a better position to potentially enhance the funding contribution by the Ministry and execute the funding agreement at the appropriate time, meanwhile enabling the Project to progress on important pre-construction milestones in the interim. Staff will continue discussions with the Ministry with respect to the form of the Development Agreement. Construction can then begin once the Development Agreement is executed and the Ministry has provided Approval to Construct.

Staff continue to monitor opportunities for funding from all 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.

ALTERNATIVES FOR CONSIDERATION

An alternative is to not approve awarding the construction manager contract and reissue the request for proposal once there is more clarity from the Ministry regarding the development agreement and funding model. The risk associated with this is that there was already approval for the Project application through the Ministry and previous approval through Council to begin and costs have been incurred to be applied to the Project budget. Another risk would be that the City would need to re-issue the request for proposals and solicit new proposals for the construction work. It would be difficult to restart the Project if stalled and not approved to move forward at this time and could cause delays in applying for additional funding or executing a development agreement based on requirements set out by the Ministry of Long-Term Care.

APPENDICES AND SCHEDULES ATTACHED

None