

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 04, 2026**

SUBJECT Oak Bay Lodge Redevelopment Update

ISSUE SUMMARY

Oak Bay Lodge redevelopment request to undertake an expression of interest process for a third party.

BACKGROUND

On August 14, 2020, the Capital Regional Hospital District (CRHD) officially took ownership of the Oak Bay Lodge site from Island Health. The sale agreement included a covenant which requires the land to be used for the public good. Any change of use from public good would require the consent of Island Health.

In 2021, the CRHD completed two rounds of community consultation to determine interest and support for a health facility on the site. The CRHD also approached Island Health’s Board in December 2021, seeking support to develop the Oak Bay Lodge property. Island Health determined that such a project was not a priority to pursue given the multiple higher priority projects across the Island at that time. In July 2022, CRHD completed the demolition of the former Oak Bay Lodge leaving the land vacant for future development. In late 2023, a joint meeting was held with the Island Health Board Chair and senior leadership, the Oak Bay Municipal Council, representatives from the CRHD, and the MLA for Oak Bay-Gordon Head. At this meeting it was agreed that Island Health and the CRHD would jointly sponsor an economic feasibility study of the site and evaluate options to source public and/or private capital funds to create a viable project that met the requirements of the covenant and the health needs of the community.

In June 2024, Island Health and CRHD signed a Memorandum of Understanding and engaged Colliers to lead an Economic Feasibility Study. The Study undertook the review of previous studies including a detailed functional program; identification of public and private stakeholders; interviews with key stakeholders; and evaluation of financial options. The Study identified a publicly owned scenario as the best option to proceed.

Meetings were held with the Honorable Minister Diana Gibson (MLA Oak Bay-Gordon Head) and Oak Bay Mayor and Council to discuss the draft study findings in December 2024 and January 2025. On March 26, 2025, Island Health’s Board recommended:

“That the Board of Directors accept the Oak Bay Lodge Site Economic Feasibility Study and submit it to the Ministries of Health and Infrastructure for information and request commitment to increase Island Health’s annual operating funding to enable one of the Capital Regional Hospital District (CRHD) debt-financed publicly funded scenarios to move forward.

That the Island Health Board request a letter of support from the Capital Regional Hospital District (CRHD) regarding their commitment to contribute funding to the project as set out in the Feasibility Study.”

There is significant interest from public entities to participate in a project. The site has capacity to develop a campus of care concept, encompassing long term care, hospice, adult day care, restorative care services, and other ambulatory clinics. This is the best solution to meet population needs and community preferences. Two organizations with the most potential for partnerships were the Kiwanis Pavilion and Victoria Hospice. Both these organizations are in aging infrastructure beyond its useful life and have expressed interest in relocating to the former Oak Bay Lodge site. They both receive operating funding from Island Health, both have some capital they can bring to the project, and both would qualify for health facility designation. Letters of support from the Kiwanis Pavilion and Victoria Hospice are attached as Appendix A. A letter of support from Island Health is also attached as Appendix B, which outlines their support for transferring existing operating funds from these organizations to a redevelopment at the Oak Bay site.

On April 09, 2025, staff received direction from the CRHD Board to send a letter of support to Island Health and the Ministries of Health and Infrastructure (Appendix C) outlining the Hospital District's commitment to redevelop the Oak Bay Lodge site. Staff subsequently met with senior leadership within the Ministry of Health on January 09, 2026, to provide this information and request incremental operating funding to redevelop the former Oak Bay Lodge. Staff were informed that the Ministry of Health does not have any additional resources for operating or capital for this site at this time.

On February 02, 2026, Oak Bay council sent a letter, attached as Appendix D, to the Ministers of Health and Infrastructure requesting a collaborative campus of care model and pledging support for the redevelopment of the site. Staff would like to explore the possibility of a third party joining the project in hopes of bridging the incremental operating funding gap and achieving some economies of scale to reduce the overall cost of construction. To do this staff are recommending a request for expression of interest process, which will allow the CRHD to understand the market, identify interested third parties, and potential innovative approaches to advance a project.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Board authorize staff to allocate up to \$200,000 to undertake a request for expressions of interest from a third party to participate in the redevelopment of the Oak Bay lodge site.

Alternative 2

That this report be referred back to staff for additional information base on Hospitals and Housing Committee direction.

IMPLICATIONS

First Nations Implications

There are no anticipated implications for First Nations associated with this report. The report does not introduce new policy, land use changes, or operational impacts that would affect First Nations interests at this time. First Nations will be consulted as part of any future rezoning application process.

Intergovernmental Implications

A health facility designation is a requirement for any project requiring capital investment by the Hospital District. As such it is essential that CRHD partner with Island Health, which has provided a letter of support.

Financial Implications

The proposed request requires up to \$200,000 of funding. There currently exists \$300,000 in funds for feasibility study expenses in the 2026 financial plan. The \$200,000 required would draw from this balance and therefore have no impact on the current 2026 budget. The funding will be utilized to assess market interest, identify a procurement model, and develop a Request for Expression of Interest (RFEI) package. Deliverable will include a project charter, market sounding summary, RFEI document, evaluation matrix, results and a summary report.

CONCLUSION

The Hospital District has received support from Island Health, Kiwanis Pavilion, Victoria Hospice, and Oak Bay Council to pursue a publicly funded campus of care on the Oak Bay site. Undertaking a request for expression of interest from a third party is the recommended next step to identify options for redevelopment at the Oak Bay Lodge site.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Board authorize staff to allocate up to \$200,000 to undertake a request for expressions of interest from a third party to participate in the redevelopment of the Oak Bay lodge site.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health and Capital Planning Strategies
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Housing, Planning and Protective Services
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APPENDICES

Appendix A: Letters of Support, Kiwanis and Hospice

Appendix B: Letter of Support, Island Health

Appendix C: CRHD Letter to Ministries of Health and Infrastructure

Appendix D: District of Oak Bay Letter to Ministries of Health and Infrastructure and Island Health