

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, DECEMBER 06, 2023**

SUBJECT 365 Latoria Drive, Colwood – Approval of Capital Bylaw No. 421

ISSUE SUMMARY

Approval of capital borrowing and expenditure bylaw for a long-term care facility in Royal Bay.

BACKGROUND

On April 14, 2021, the Capital Regional Hospital District (CRHD) approved the acquisition of five acres of land in Royal Bay located at 365 Latoria Drive for \$8,400,000 for the future development of a long-term care facility. The proposed design for the project was initially based on the Summit project in Victoria, BC, which was modified to accommodate recent changes in space requirements, clinical best practice, pandemic considerations, and service delivery models resulting in a three storey, 306 bed facility.

The facility is broken out into two identical 150 bed blocks, with each block comprised of two identical L-shaped buildings. Within each building there are three stories of 13 bed houses (with one bariatric room each), one 20 bed hospice unit, and one 26 bed unit for a specialized long-term care population of younger residents suffering from brain injury. The two blocks will be united by a mall that contains a bistro, village square with hairdressing, therapy treatment and other services, multipurpose spaces, and a 35-client adult day program space. In a separate structure adjacent to the buildings and the mall is a proposed childcare space for up to 37 children. The design also includes space for a loading dock, kitchen, facility support spaces, storage, and parking for 215 cars.

CRHD will provide a long-term bare land lease to Island Health and enter into a project development agreement with Island Health to build, own, and operate the new facility. Ownership of the land will remain with the CRHD. Staff will report back to the Board with an updated budget and more details on the nature of the partnership once these agreements have been finalized in 2024.

The approval of this capital borrowing and expenditure bylaw will allow the CRHD to set upper limits on borrowing and allow CRHD to fund project pre-development costs planned for 2023 as in the approved 2023-2032 10-Year Capital Plan. The CRHD will undertake temporary borrowing to finance these costs until the partnership agreement terms are negotiated at which time staff will report back to the Board on the long-term borrowing strategy and amortization period.

ALTERNATIVES

Alternative 1

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

1. That Capital Regional Hospital District (CRHD) Bylaw No. 421, "Capital Regional Hospital District Capital Bylaw No. 191, 2023" be introduced and read a first, second and third time; and
2. That CRHD Bylaw No. 421 be adopted.

Alternative 2

That the 365 Latoria Drive, Colwood Capital Borrowing and Expenditure Bylaw report be referred back to staff for additional information based on Hospitals and Housing Committee direction.

IMPLICATIONS

Alignment with Board & Corporate Priorities

The Royal Bay development meets corporate priority (14a-1) and service plan goal by advancing a health facility in the Westshore.

Financial Implications

The new long-term care project at Royal Bay has been included in the CRHD 10-Year Capital Plan since 2022 as a potential partnership between the CRHD and Island Health. Island Health will provide \$156,585,800 (70%) and CRHD \$67,108,200 (30%; not including land acquisition cost), for a total construction project cost of \$223,694,000. It's important to note that these costs are preliminary, based on schematic designs, and will be refined to a Class C estimate, with a revised budget to be brought back for Board review in 2024.

Reflecting this commitment, the amended 2023-2032 CRHD 10-Year Capital Plan, approved by the CRHD Board on March 15, 2023, incorporates both the total project budget and the CRHD's financial share.

The CRHD's contribution will be financed through the Municipal Finance Authority. Annual debt servicing costs have been included in the approved 2023 CRHD Budget. Currently the plan is based on a debt repayment term of 15 years. However, it is anticipated that upon receipt of completed designs and a revised budget and before issuance of long-term debt, the amortization term will be amended in the plan to a longer term of 25 or 30 years. Based on the CRHD Debt Funding Guidelines (2009), debt funding and borrowing terms are selected for capital projects based on the nature, scope, total project cost and life expectancy of the assets. The anticipated service life of the asset and anticipated land lease term is anticipated to be greater than 20 years.

Table 1 provides a summary of the financial impacts of a 15 year repayment term and a 30 year repayment term.

Table 1 Cost of Borrowing and Requisition Impact

Description	15-Year Term	30-Year Term
Total Principal & Interest Payment on \$67,108,200 Loan	\$100,001,653	\$133,965,929
Annual Debt Servicing Payment*	\$6,666,777	\$4,465,531
Requisition Base**	\$25,873,275	\$25,873,275
% Requisition Increase	25.8%	17.3%

* Debt servicing costs calculated using MFA indicative rates on Nov 22, 2023. Rates subject to change.

** Impact to forecasted requisition assessed in 2028, the year project is forecasted to be fully funded.

To fulfill the CRHD's commitment to the new 306 bed long-term care project, a Capital Expenditure and Borrowing Bylaw must be approved. As prescribed legislatively, the debt term within the bylaw is an upper limit so the bylaw attached in Appendix A reflects a 30-year amortization. Staff will report back in 2024 on the long-term financing strategy.

CONCLUSION

The Royal Bay development is a partnership between Island Health and the CRHD that will bring much needed long-term care beds as well as space for day care to the Capital Region. CRHD's contribution of \$67,108,200 through an approved capital borrowing and expenditure bylaw supports its ongoing commitment to healthcare development.

RECOMMENDATION

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

1. That Capital Regional Hospital District (CRHD) Bylaw No. 421, "Capital Regional Hospital District Capital Bylaw No. 191, 2023" be introduced and read a first, second and third time; and
2. That CRHD Bylaw No. 421 be adopted.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health and Capital Planning Strategies
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ATTACHMENT

Appendix A: CRHD Bylaw No. 421, "Capital Regional Hospital District Capital Bylaw No. 191, 2023"