

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD  
MEETING OF WEDNESDAY, APRIL 14, 2021**

---

**SUBJECT**     **Acquisition of up to five acres in Royal Bay for a Future Health Care Facility**

**ISSUE SUMMARY**

Approval of the acquisition of up to five acres in Royal Bay, Colwood, BC.

**BACKGROUND**

The Capital Regional Hospital District (CRHD) Board has previously directed staff to pursue a health facility project in partnership with Island Health in the Westshore, Saanich Peninsula, or Sooke. This goal is also included in the Health and Capital Planning annual service plan.

The CRHD has negotiated a draft Purchase and Sale Agreement (PSA) (Appendix B) to purchase four acres for \$6.4 million, with the option to purchase an additional one acre to create a five acre lot for a total land acquisition cost of \$8.0 million.

The Capital Regional District Board provided direction on January 6, 2021:

- a) *That the Purchase and Sale to acquire four acres with an option to acquire an additional acre in Royal Bay in the City of Colwood be approved. The legal description of the lands is Lot D, Sections 40 and 54, Esquimalt District, Plan VIP58414 except part in Plans VIP75020, VIP82319, EPP53441, EPP46013 and EPP47348, PID 018-998-755 (see plan attached as Appendix A);*
- b) *That the Chief Administrative Officer be authorized to negotiate, execute and do all things incidental to finalizing the acquisition.*

The January 6, 2021 staff report indicated that if Island Health provides positive support for the funding of the project, the CRHD will progress with the acquisition. However if the CRHD does not receive a positive response from Island Health then staff will report back to the Board in April. Since that time Island Health has provided a letter of support (Appendix C) and anticipates submitting a business plan to the Treasury Board in the spring of 2021.

The closing date for the acquisition would be November 23, 2021. The following conditions precedent have been completed including a grading plan, complete due diligence items, and a letter from Island Health supporting the project. The only remaining condition to be removed is Board approval.

The Purchase and Sale Agreement requires that the CRHD pay a \$1.2 million *non-refundable* deposit by April 16, 2021 when the CRHD waives its final condition.

In addition to zoning, the lands will also be subject to the following restrictive covenants with the vendor that will expire 66 months following the date of acquisition:

- a) The lands shall not be used for any purpose other than as a public or private designated health facility, nursing home or congregate care and any uses reasonably ancillary or incidental thereto;
- b) No building or other improvement on the lands shall exceed six stories in height; and

- c) The Vendor shall have an option to purchase the lands back, if the CRHD does not commence construction within five years of purchasing the land. If the option is exercised, the Vendor will pay the greater of the purchase price and the appraised value of the lands.

After 66 months a section 219 covenant will remain with the City of Colwood that the lands shall not be used for any purpose other than as a public or private designated health facility, nursing home or congregate care and any uses reasonably ancillary or incidental thereto.

## **ALTERNATIVES**

### *Alternative 1*

- 1) That conditions be removed and staff progress with acquiring the five acre property at Royal Bay for \$8 million plus closing costs;
- 2) That Capital Bylaw No. 405, "Capital Regional Hospital District Capital Expenditure and Borrowing Bylaw No. 179, 2021" be introduced and read a first, second and third time; and
- 3) That Bylaw No. 405 be adopted.

### *Alternative 2*

That staff be directed to extend the Purchase and Sale Agreement for a fee of \$26,666.67 per month plus GST (a total of \$80,000.01 plus GST) for three months which will escalate the purchase price accordingly, with the hope that the Treasury Board may approve the project prior to progressing with the acquisition.

### *Alternative 3*

That staff decline the opportunity and await the Province to confirm funding, consider other sites, or renegotiate a Purchase and Sale Agreement with the Vendor when approval is received.

## **IMPLICATIONS**

### *Intergovernmental Implications*

The CRHD is working with Island Health staff and consultant team to ensure the business plan is submitted to Treasury Board in the spring of 2021. See Appendix C letter from Island Health outlining its interest and submission of a business plan and request for funding to the Treasury Board. It should be noted that there are no guarantees that Island Health will receive the funding for this project in 2021, however it is possible that if it is not received in 2021 the funding may be received in a future year. Island Health has invested its own resources to hire consultants, develop a schematic design, and produce a costing estimate for the project. Island Health is supportive of the project and CRHD staff are comfortable that a suitable exit strategy exists in the event Treasury Board funding is not secured in the next five years.

### *Financial Implications*

#### **Alternative 1**

Acquisition of the five acre parcel at Royal Bay will cost the CRHD \$8 million (plus up to \$400,000 for closing costs and due diligence). On March 24, 2021 the CRHD Board approved the 2021-2030 Amended 10 Year Capital Plan which included a land acquisition for \$8.4 million for a long-term care facility.

These capital expenditures will require the enactment of a Capital Expenditure and Borrowing Bylaw (Appendix D), and payment of a non-refundable deposit of \$1.2 million by April 16, 2021. The bylaw authorizes up to \$8.4 million in capital spending for the project and up to \$2.2 million in debt borrowing authority through the Municipal Finance Authority. There is a balance of \$6.2 million in the CRHD Land Development Reserve which will be applied against the purchase price of \$8 million (plus closing costs). The remainder of the acquisition cost (plus closing costs) is due on November 23, 2021 and will be borrowed through the Municipal Finance Authority.

Property holding costs are expected to be minimal and will be incorporated into the 2022 financial plan.

Hold the property and await approval from the Province, and if not received within five years there is potential the Vendor may exercise its right to purchase the property back for a minimum of the Purchase Price, or sell it to another entity interested in constructing a health facility, nursing home or congregate care facility on the site.

**Alternative 2:**

Extension of the PSA agreement for three months would defer the Board Condition date and \$1.2 million deposit obligation to July 15, 2021. The extension will cost the CRHD a monthly fee of \$26,666.67 plus GST, up to a maximum of \$80,000 plus GST. The PSA extension fees could be funded by the Administration and Feasibility Reserve. The balance in this reserve is currently \$1.4 million. We do not anticipate having any additional information regarding Treasury Board approval in three months' time so this option is not recommended.

**Alternative 3:**

There is no immediate financial implication associated with this alternative. The CRHD commissioned appraisal values the land at \$9.82 million (five acres) and \$8.02 million (four acres). The current total acquisition value is below the appraised value. By declining the current opportunity, the CRHD may risk purchase price escalation should a PSA be renegotiated on the same property in the future.

**CONCLUSION**

The acquisition of the Royal Bay site will meet a corporate priority (14a-1) and service plan goal by advancing a health facility in the Westshore. Island Health is supportive of the project and this represents an exciting opportunity to meet the long term care needs of the capital region going forward.

**RECOMMENDATION**

- 1) That conditions be removed and staff progress with acquiring the five acre property at Royal Bay for \$8 million plus closing costs; and
- 2) That Capital Bylaw No. 405, "Capital Regional Hospital District Capital Expenditure and Borrowing Bylaw No. 179, 2021" be introduced and read a first, second and third time; and
- 3) That Bylaw No. 405 be adopted.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health & Capital Planning Strategies
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

**ATTACHMENTS**

- Appendix A: Site Plan Information
- Appendix B: Purchase and Sale Agreement
- Appendix C: Island Health Letter
- Appendix D: Capital Expenditure and Borrowing Bylaw No. 179, 2021