

*For the **Regular Meeting** of Finance and Administration
To be held on **Monday, July 10, 2023 At 2:30 P.M.**
In the **Council Chamber or Via Electronic Participation**
Tom Davies Square*

Addendum

(Two-thirds Majority Required to Deal with the Addendum)

Declarations of Pecuniary Interest and the General Nature Thereof

Manager's Report

ADD- 1 Contract Award for the Construction of the Pioneer Manor Bed Redevelopment

This report provides a recommendation and request for approval to Award the Contract for the Construction of the Pioneer Manor Bed Redevelopment that exceeds Council Approved Budget, as required by the City's Purchasing By-Law Section 8 (1) (a).

Contract Award for the Construction of the Pioneer Manor Bed Redevelopment

Presented To:	Finance and Administration Committee
Meeting Date:	July 10, 2023
Type:	Managers' Reports
Prepared by:	Aaron Archibald Pioneer Manor
Recommended by:	General Manager of Community Development

Report Summary

This report provides a recommendation and request for approval to Award the Contract for the Construction of the Pioneer Manor Bed Redevelopment that exceeds Council Approved Budget, as required by the City's Purchasing By-Law Section 8 (1) (a).

Resolution

THAT the City of Greater Sudbury approves the Contract Award for the Construction of the Pioneer Manor Bed Redevelopment with M. Sullivan & Son Ltd for a Contract Price in the amount of \$80,460,000, in accordance with the terms and conditions of the Bid Solicitation and the Ministry of Long-Term Care Development Agreement requirements, from the General Manager of Community Development, as presented at the Finance and Administration Committee meeting on July 10, 2023;

AND THAT the total project budget be approved in the amount of \$92,972,553 which is an overall increase of \$29,092,553;

AND THAT staff be directed to bring back a financing plan for the \$15,674,873 in late September or October of this year.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to Quality of Life and Place as identified in the Strategic Plan and aligns with the Population Health Priority of Human Health/Well-being by enhancing existing programs and quality of services provided. It will result in the development of a more energy efficient and sustainable building which is identified as a goal in the Community Energy & Emissions Plan (CEEP).

Financial Implications

The previously approved budget for the redevelopment project was set at \$63.9 million. After the Bid Solicitation process concluded on July 5, 2023, the estimated hard construction cost increased to \$80.5 million, with an additional \$12.5 million for furniture, equipment, architectural/consulting fees, and a 5% project contingency increasing the overall project to \$93.0 million, resulting in an unbudgeted shortfall of \$29.1 million. To support these additional costs, the province has provided a new Construction Fund Subsidy (CFS) of \$35 per day for each eligible bed, of which \$15 was converted into the CGS Construction grant in the total amount of \$12.9 million.

With the addition of the CFS, the remaining balance to fund is \$15.7 million. If approved, staff will return with financing options and the associated financial implications later this year.

Background

The City of Greater Sudbury has approval from the Ministry of Long-Term Care (MLTC) to deliver Long-Term Care (LTC) services at Pioneer Manor, currently home to 433 residents. The province is in the process of updating and expanding existing beds that fall short of current design standards, thereby modernizing facilities and increasing capacity. Currently, Pioneer Manor has 149 beds (122 long-stay and 27 interim beds) that qualify for capital redevelopment.

In 2021, the MLTC gave the City the green light to renovate 122 of these eligible beds, convert the 27 interim beds, and add 11 new beds, bringing the total renovation to 160 beds.

The redevelopment plan was initially drafted in the summer of 2020, with an estimated budget of \$59.1 million. However, following the detailed design phase, the full financial impact of the COVID-19 pandemic became evident. The initial budget was insufficient due to escalating costs in materials, labour, post-contract contingencies, and enhanced pandemic safety measures for infection prevention and control (IPAC). This led to a revised budget of \$63.9 million.

Key Milestones:

April 6, 2021	<ul style="list-style-type: none">• City Council approved \$59.1M redevelopment business case
October 19, 2021	<ul style="list-style-type: none">• Redevelopment cost estimate revised to \$63.9M
October 27, 2022	<ul style="list-style-type: none">• MLTC Project approval for Pioneer Manor redevelopment
December 22, 2022	<ul style="list-style-type: none">• MLTC approved application to access new fixed, time-limited Construction Funding Subsidy (CFS) top-up for Pioneer Manor, subject to fulfillment of all conditions and requirements
March 18, 2023	<ul style="list-style-type: none">• MLTC bed allocation approval for redevelopment
May 12, 2023	<ul style="list-style-type: none">• City received fully executed copy of Development Agreement (DA) with MLTC• MLTC approved Pioneer Manor Preliminary Plans and Working Drawings
May 19, 2023	<ul style="list-style-type: none">• Redevelopment Bid Solicitation opened on bids&tenders
July 5, 2023,	<ul style="list-style-type: none">• Redevelopment Bid Solicitation closed on bids&tenders
August 11, 2023	<ul style="list-style-type: none">• Final deadline to submit for MLTC Construction Approval

Financial Analysis

On May 19, 2023, the Bid Solicitation opened on bids&tenders and closed on July 5, 2023, with the only bid of \$80,460,000. The chart below illustrates the changes in provincial funding and project costs from the last update to Committee on this project:

Project Breakdown	Previously Reported	Current Amounts
Provincial Funding		
Construction Funding Subsidy		
Per Bed Per Day*	20.53	40.53
Annual Amount	1,198,952	2,366,952
Total CFS over 25 years	29,973,800	59,173,800
Development Grant	3,987,680	3,987,680
Construction Grant	-	12,960,000
Transitional Support	-	44,700
Total Provincial Funding	33,961,480	76,166,180
Increase in Provincial Funding		42,204,700
Project Cost		
Estimated Construction Costs	59,153,500	
Site Design Costs	4,726,500	
Tender Price**		80,460,000
Furniture Fixtures & Equipment		1,347,906
Professional, Design Fees and Other Consulting Fees***		4,261,820
Project Contingency		5,000,000
Project Management		300,000
Non Refundable HST		1,602,827
Total Project Costs	63,880,000	92,972,553
Increase in Total Project Costs		29,092,553
Total Provincial Funding as a % of Total Project Costs	53%	82%
*The province provided a \$35 per bed per day increase in the CFS, however per the agreement the City was able to convert \$15 of the \$35 CFS into the Construction Grant at a value of \$12.9 million.		
**The tender price includes the cost of the new addition, renovations, site development, landscaping, building permit, and infrastructural upgrades.		
*** To date the city has paid \$2.75 million in professional fees.		

Provincial Funding

Construction Funding Subsidy: On November 25, 2022, a revised Long-Term Care Home Capital Development Funding Policy was unveiled by the province to expedite the construction of new Long-Term Care (LTC) beds or the renovation of existing ones. This revision came in response to economic conditions since the previous policy was launched in 2020. Under the updated policy the province has increased existing base Construction Funding Subsidy (CFS) by 150% increase from the original base funding as outlined within the original Council approved business case. As described below, a portion of this increase was converted to the Construction Grant, resulting in an overall increase to the CFS of approximately \$30 million over the term of the agreement.

Construction Grant: A key change to provincial funding is the addition of a construction grant. This is a conversion of a portion of the CFS equating to a discounted present value of \$81,000 per bed or \$12.9 million.

Transitional Support: The province is providing a one-time allocation of \$45K to assist with the cost of

transitioning residents to the new wing, once constructed.

Provincial funding for this project increased from a total of \$33.9 million to \$76.2 million. This has increased the provinces share of bed redevelopment from 53% to 82% leaving the City's share at 18% of the total project costs.

The rules governing this new, time-bound funding are set out in the MLTC Development Agreement. To benefit from this funding, the City is required to award the tender and receive MLTC's permission to commence construction no later than August 31, 2023. Following MLTC's approval of construction, the City will receive the \$12.9 million CFS Construction Grant after construction begins. The remaining CFS per day for each eligible LTC bed built under this agreement will be paid monthly by the MLTC for 25 years. This updated cost will be integrated into the Capital Budget as previously approved by Council.

Project Costs

The chart above illustrates the changes in project costs from the last update to Committee on this project.

While the last update to committee on this project in October of 2021 described a total project cost of \$63.9 million, the only tender received came in at \$80.46 million. This brings the total project costs to \$93.0 million, an overall increase of \$29.1 million. This increase is offset by the additional provincial funding described above, reducing the overall shortfall of \$15.7 million as illustrated below.

Funding of Construction Costs	
Total Project Costs	92,972,553
Capital Construction Grants	
Development Grant	(3,987,680)
Construction Grant	(12,960,000)
Current debt contribution	(60,350,000)
Required Funding	15,674,873

Funding Options

The increase in construction costs is largely offset by the additional provincial funding, however the project requires additional funds in the amount of \$15,674,873. Options for financing are outlined below:

1. Internal financing at a rate of 5.8% (average rate of return plus 1%).
2. Secure additional funds at an approximate rate of 4.5% for 25 years.
3. Reallocate funds from existing projects funded through sinking fund debentures currently paused or not yet started.

Staff will return to committee later this year with a full financing plan for the remaining \$15.7 million

Budget and Tender Analysis

The escalating costs observed for bed redevelopment is not unique for this project, rather, are part of a broader trend impacting LTC redevelopments and large local construction projects. The City's share of the project is 18% and the remaining 82% is funding from the province.

In 2022, the average cost per bed for a large municipal LTC redevelopment fluctuated between \$350K and \$450K, per bed, with Pioneer Manor projecting costs at \$400K per bed. However, similar projects within the North are also experiencing significant cost escalation of 20 to 30 percent over their respective budgets with tender awards of \$500K per bed. The project increase for Pioneer Manor is not an isolated or local phenomenon, indicative of the high cost for construction.

Previous Class A cost estimates by Hanscomb, a notable cost surveyor, suggested that a construction budget of \$460 per square foot or \$350K per bed was a reasonable starting point in 2021. In September 2022, the Pioneer Manor Class A estimate indicated the project was on budget, however, given the length of time required for MLTC design approvals, and with a tender in the summer of 2023, the cost has increased significantly higher than anticipated. While the cost for redevelopment is significantly higher, the analysis has determined this cost is consistent with other similar projects and with the influx of the new time-limited provincial funding, the overall project is of substantial value for the community.

Belanger Salach Architecture (BSA) are the architects for Pioneer Manor bed redevelopment, and they have successfully worked with M. Sullivan & Son Ltd on large-scale institutional projects. According to BSA, M. Sullivan & Son Ltd, is a large, highly sophisticated, pro-active, fair, and reasonable contracting company who consistently meets or exceeds expectations for quality and safety and enjoys ongoing recognition as one of Canada's 50 Best Managed Companies. While the City only received a single bid, BSA is confident this contractor can meet the terms and conditions required for bed redevelopment.

A review of the M. Sullivan & Son Ltd website indicates they have been in business since 1914 and have completed the following projects:

LTC Projects:

- Miramichi Lodge – Pembroke, Ontario
- Castlefrank Long-Term Care Facility (Garden Terrace) - Kanata, Ontario
- Salvation Army Long-Term Care Facility – Ottawa, Ontario
- Kanata Long-Term Care Facility (Forest Hill) – Kanata, Ontario
- Grey Sisters of Immaculate Conception (Caritas Residence) – Pembroke, Ontario
- Providence Manor - Kingston, Ontario
- Providence Motherhouse – Heathfield, Ontario
- The Grove Nursing Home – Arnprior, Ontario
- Island View Suites Retirement Living – Arnprior, Ontario
- Hospice Renfrew – Renfrew, Ontario
- Charms Nursing Home – Pakenham, Ontario
- Bonnechere Manor – Renfrew, Ontario
- Marianhill Home for the Aged – Pembroke, Ontario
- OMNI Health, Phase 1 & 2 – Almonte, Ontario

Health Care Projects:

- Belleville Hospital – Belleville, Ontario
- Lennox and Addington County General Hospital – Napanee, Ontario
- Pembroke Hospital – Pembroke, Ontario
- Renfrew Victoria Hospital – Renfrew, Ontario
- Arnprior Hospital – Arnprior, Ontario
- Almonte Hospital – Almonte, Ontario
- Carleton Place Hospital – Carleton Place, Ontario
- Perth Hospital – Perth, Ontario
- Smiths Falls Hospital – Smiths Falls, Ontario
- Cornwall Hospital – Cornwall, Ontario
- Huntsville Hospital – Huntsville, Ontario
- St Vincent's Hospital- Brockville, Ontario
- Barry's Bay Hospital – Barry's Bay, Ontario
- Kingston General Hospital – Kingston, Ontario
- Hotel Dieu Hospital – Kingston, Ontario
- Ottawa Valley Health Centre - Pembroke, Ontario
- Prince Edward County Hospital – Picton, Ontario
- CFB Kingston Health Care Facility – Kingston, Ontario
- St Mary's on the Lake Hospital - Kingston, Ontario

Next Steps

Upon the City's approval of the Contract Award, the Director of Long-Term Care Services will send a construction approval request to the Ministry of Long-Term Care (MLTC). The City must submit this request no later than August 11, 2023, with an expected MLTC approval no later than August 31, 2023. Following MLTC approval, construction would begin in early fall of 2023. Regular updates to Council will be provided through the Chief Administrative Officer (CAO) memo and the quarterly Pioneer Manor report to Community and Emergency Services Committee.

Resources Cited

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Report, City of Greater Sudbury, 2021 Budget, Business Case for Service Level Change, Pioneer Manor Bed Redevelopment. Retrieve at:
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M. Sullivan & Sons Construction : <https://www.sullivan.ca/>