

Update on Pioneer Manor's Bed Redevelopment

Presented To:	Finance and Administration Committee
Meeting Date:	October 19, 2021
Type:	Correspondence for Information Only
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Report Summary

This report provides information regarding the estimated cost escalation for Pioneer Manor Bed Redevelopment.

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 initial cost estimate for redevelopment has increased from the 2020 budget of \$59.1 million to an anticipated \$63.9 million. The additional cost is solely borne by the municipality. The revenue stream from the Province for capital development and resident accommodation fees remains fixed. The municipality is responsible for funding any additional increased cost(s) associated with redevelopment.

The additional cost of \$4,745,000 will be added to the total amount of debt financed and will increase the annual mortgage by \$143,186 annually. The additional \$143,186 will be drawn from capital in future years.

Background

The City of Greater Sudbury (Pioneer Manor) has the sole approval of the Ministry of Long-Term Care (MOLTC) to provide Long-Term Care (LTC) services for 433 residents. To date, the City has redeveloped 284 of the 433 beds at Pioneer Manor, leaving 149 beds for redevelopment.

The MOLTC is striving to modernize the LTC sector and recently announced plans to increase provincial bed capacity and redevelop identified existing beds that do not meet new building standards. In the spring of 2021, the MOLTC approved the City of Greater Sudbury's application for the redevelopment of 149 beds, and approved the addition of 11 new beds, for a total build of 160 beds.

During the 2021 budget, Council approved the Pioneer Manor redevelopment business case to build a new five-story wing, housing 160 beds at a projected cost of \$59.1 million. The funding breakdown, as described within the 2021 business case, shares the cost of redevelopment between the Province and the municipality. The only change due to the increased costs is related to the City's portion of debt financing, which will increase by an additional \$35,000 in 2021, \$107,000 in 2022 and \$143,000 annually for the remainder of the mortgage.

Analysis

The business case was prepared in the summer of 2020, before the full effects of the COVID-19 pandemic were realized. Additional infection prevention and control (IPAC) design considerations were analyzed and incorporated into the new design along with cost escalations and contingencies contemplating a construction tender in 2021. While undertaking the initial phase of the detailed design, it became apparent that costing provided in 2020 was insufficient and required updating due to cost increases related to materials, labour, additional cost escalation for a late tender in 2021, increased cost per square foot, post contract contingencies and an enhanced pandemic design for resident and staff safety.

Below is a breakdown of the revised additional costs:

1. Updated design providing enhanced isolation and smaller resident zones	\$ 950,000	
2. Increased costs for medical equipment	250,000	
3. Additional escalation allowance to recognize a late 2021 tender period	820,000	
4. A post contract contingency to account for risk during construction	1,700,000	
5. Increase in building's cost per square foot.	1,000,000	
	Projected Cost Increase	\$ 4,745,000
	Approved Budget	59,135,000
	Updated Project Budget	<u>\$ 63,880,000</u>

Most of the cost increase results from a new post-contract contingency fund to help reduce risk during construction; an increase in cost per square foot, to reflect the higher cost of building equipment, like air handling units, metal studs, copper piping, any wood products and roofing materials; and an additional escalation allowance to recognize a late 2021 tender period.

This change will result in an increase of \$143,186 to the annual mortgage amount (Appendix A). The increase was mitigated, as the anticipated cost to borrow has decreased from 3.2 per cent to 2.85 per cent. The 2020 business case was approved with debt financing as the funding source and future capital reductions to offset the debt repayment. The updated costs will be reflected in the Capital Budget per previous Council approval. It is anticipated that with this revised project budget, the municipal share of the project will change from 38 per cent to 42 per cent.

Cost Comparison

This cost increase is not a local phenomenon being experienced by Pioneer Manor alone. A review of other LTC redevelopments and local construction projects appear to demonstrate a similar trend, with escalating redevelopment costs. The cost per bed for large municipal LTC redevelopments appears to be between \$350K and \$450K per bed. At Pioneer Manor, it is projected to be \$400K per bed. An independent study generated by Hanscomb, a quality surveyor, has indicated that \$460 per square foot or \$350K per bed is a reasonable starting point for construction. However, Pioneer Manor has the added complexity of poor soil conditions, along with the need to integrate the new wing into the existing building. Hanscomb continues to believe that the new estimate of \$475 per square foot or \$400K per bed is an accurate representation of the Sudbury construction market. It is important to note that there continues to be some risk associated with the

project as the current cost estimate considers several assumptions; only when a more detailed analysis has been completed by the quality surveyor will the cost of redevelopment be better known.

Next Steps

Work to refine the detailed design will continue. Once completed, staff will submit plans to the Province for approval as part of the MOLTC development agreement process. The City must have a MOLTC development agreement in place prior to issuing a construction tender. Updates will continue to be provided to Council as required.

Appendix A – Pioneer Manor Cash Flow 2021-2026

Pioneer Manor Cash Flow 2021-2026							
		2021	2022	2023	2024	2025	2026
Revenues:							
Debt Financing	Onetime		(29,946,160)	(29,946,160)			
Reserves	Onetime	(3,987,680)		3,987,680			
Construction Grant	Onetime			(3,987,680)			
Construction funding subsidy (half in 2023)	Ongoing			(599,476)	(1,198,952)	(1,198,952)	(1,198,952)
Grant for 11 beds (half in 2023)	Onetime			(276,511)	(543,621)	(543,621)	(543,621)
Additional bed revenue (half in 2023)	Ongoing			(423,346)	(861,085)	(861,085)	(861,085)
Expenses:							
Construction	Onetime	3,987,680	29,946,160	29,946,160			
S&B (half year in 2023)	Ongoing			363,808	738,531	738,531	738,531
Additional Food costs (11 beds) (2023 half year)	Ongoing			22,201	45,068	45,068	45,068
Debt Repayment (phased in) @ 2.85%	Ongoing		845,564	2,536,692	3,382,256	3,382,256	3,382,256
Reserves (paid back in 2023)	Onetime						
Net Impact							
		-	845,564	1,623,368	1,562,197	1,562,197	1,562,197
Revised Alternative							
Contribution from Capital		-	845,564	1,623,368	1,562,197	1,562,197	1,562,197
Long-term Commitments							
Health Sciences North - PET Scanner							(100,000)
Health Sciences North - Capital				(300,000)	(1,000,000)	(1,000,000)	(1,000,000)
Maison McCulloch Hospice				(150,000)	(150,000)	(150,000)	(150,000)
Net Impact to Capital							
			845,564	1,173,368	412,197	412,197	312,197
Net Impact to Capital (for Budget)							
			809,753	1,065,964	269,011	269,011	169,011
Difference Required from Capital							
			35,812	107,405	143,186	143,186	143,186

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