

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 6, 2014

Item 4, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 6, 2014.

4 VAUGHAN HOSPITAL PRECINCT DEVELOPMENT LEVY & CAPITAL PROJECT UPDATE

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Interim City Manager and Commissioner of Finance & City Treasurer, dated April 28, 2014, be approved; and
- 2) That Communication C1, Memorandum from the Director of Legal Services, dated April 25, 2014, be received.

Recommendation

The Interim City Manager and Commissioner of Finance & City Treasurer recommend:

1. That the following report be received.

Contribution to Sustainability

Ensuring a plan which supports the timely development of the hospital and maximizes economic development opportunities in alignment with community objectives.

Economic Impact

There are no additional economic impacts associated with this report.

Communications Plan

Not Applicable

Purpose

The purpose of this report is to provide Council with a status update on the Vaughan Hospital Precinct Plan capital project, including tax revenues raised to date and a summary of expenses and commitments related to the land acquisition, development costs and servicing costs.

Background - Analysis and Options

Vaughan Hospital Precinct Funding Model

On June 15, 2009, Council approved a funding option for the \$80 million contribution towards the Vaughan Hospital Precinct Development, which was to be raised through property taxes. A special tax rate increase of 5.45 percent was approved in 2009 and phased in over five years ending in 2013, approximately \$60 per year for the average household. The established annual tax levy funds are necessary to cover the cost of the \$80 million contribution for the Hospital Precinct land, development, and servicing plus anticipated financing costs.

By-law 135-2009, enacted by Council June 15, 2009, authorizes debenture financing of up to \$80 million towards this initiative and permits internal financing to the extent possible, and as appropriate to the satisfaction of the City Treasurer. Leveraging internal financing can result in recovering costs more quickly; as the City's internal borrowing rate, based on the City's average investment rate, is traditionally lower than external financing arrangements. The total accumulated internal interest costs associated with the project for the period 2009 – 2013 was \$2,393,810 as of December 31, 2013. Interest costs are in addition to the capital project authorization and recovered directly by the special levy. The table below illustrates net amounts collected since 2009.

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	Levy	Interest	Net
2009	2,491,450	106,235	2,385,215
2010	3,349,549	472,228	2,877,321
2011	4,630,084	661,120	3,968,964
2012	5,872,959	602,938	5,270,020
2013	7,251,692	551,289	6,700,403
Total	23,595,734	2,393,810	21,201,924
2014 Estimate	7,088,000	480,000	6,608,000
2014 Total	30,683,734	2,873,810	27,809,924

The 2014 levy estimate excludes potential revenue associated with Payment-In Lieu (PIL) and supplemental assessment, which is uncertain until realized. It is anticipated the 2014 figure will be higher as a result of these items. In addition, the annual levy will increase slightly each year, as a result of growth. Based on the current levy the contribution will be recovered within approximately 9 years or by the year 2022. The financial plan spans 13 years, which is significantly less than the initial 20 year recovery timeframe.

Project Expenses

Land Purchase

In August 2009 an 82 acre site located at the northwest quadrant of Jane Street and Major Mackenzie Drive was acquired for \$61,045,546. The long term vision for the property is to develop it into a vibrant healthcare precinct centre with the primary focus on the delivery of a new healthcare facility (the Mackenzie Vaughan Hospital) and a range of healthcare related uses.

Costs spent to date are broken down as follows:

Land Purchase (82 acres)

Precinct Land Purchase	59,450,000
Land Transfer Tax	890,225
Other Costs*	666,689
Total Expenses to December 31, 2013	61,006,914

* related to land acquisition including legal fees and closing costs, surveyors, title insurance, appraisail fees

Precinct Plan Development Costs

The City has been proactive in taking the steps needed to move the Precinct Plan forward. The City-appointed Development Facilitator, Prism Partners Inc., is leading the City's development team which includes the professional planning firm of Malone Given Parsons Ltd. and Cole Engineering Group Ltd. Below are brief highlights, associated commitments and anticipated requirements related to Precinct Plan Development:

Prism Partners Inc. (\$539,576 committed plus \$207,529 anticipated) - Leading the City's development team: chairing and providing oversight to the ongoing activities of the Joint Co-ordinating committee; Develop the framework for the Co-operation Agreement between the City and MacKenzie Health; Support the City and MacKenzie Health with the Infrastructure Ontario: Project Readiness Assessment; Assist with the development of the land bridging agreement, ground lease, cost sharing etc.

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Although staff have taken steps to streamline the extent of involvement of the Development Facilitator on a go forward basis, due to the significant critical work still ahead and the continuing need for professional advice and assistance, a proposal to extend and increase the contract scope will be requested in a future committee of the whole report. The estimated increase associated with this extension is approximately \$207,529.

Cole Engineering Group Ltd. (\$441,692 committed) – Working closely with the Engineering & Public Works Commission to: Identify City/Region/Hospital/Canada's Wonderland functional objectives; Establish a work plan, hold meetings with stakeholders and facilitate a resolution on the access easement issues; Prepare a technical schedule of activities associated with engineering detailed design approvals required to develop an Infrastructure Implementation Strategy; Developing preliminary cost analysis for all infrastructure; Provide technical engineering assistance.

Malone Givens Parsons Ltd. (\$347,428 committed) - Working closely with the Planning Commission to: Prepare a draft plan of subdivision and to work with the City to prepare a precinct plan; Meeting attendance for development planning application process related matters (Planning, Engineering & the Ministry's PDC teams); Prepare presentation material for public meetings; Policy and mapping adjustments; Prepare cost sharing formula to be included in the Land Owners Agreement.

Schaeffer & Dzalov Limited (\$22,744 committed) – Required to complete survey work related to the development of the Precinct Plan.

Borden Ladner Gervais LLP – (\$38,632 committed) - External counsel engaged to assist with the negotiations and development of the Ground Lease Agreement with MacKenzie Health.

The table below summarizes the committed costs associated with the development of the Precinct Plan:

Prism Partners Inc.	747,106
Cole Engineering Group Ltd	441,692
Malone Givens Parsons Ltd	347,428
Schaeffer & Dzalov Limited	22,744
Borden Ladner Gervais LLP	38,632
Total	1,597,602

Future Site Servicing:

The orderly development of the Precinct and the Mackenzie Vaughan Hospital will require site servicing which included but not limited to:

- A road network to connect the developable blocks with the Regional Road network
- Provision of alternate access
- A stormwater management strategy, including watercourse realignments and stormwater ponds
- Municipal water servicing and sanitary sewers

As a result, the City will need to engage professional services to assist during this project phase. A brief description, associated commitments and anticipated requirements are provided for services planned for in the immediate future:

Cole Engineering Group Ltd. - (\$1,198,010 committed)

Work with Engineering Services to continue with the development of the site to establish municipal roads and servicing. Works include: Detailed design engineering for preparation of

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tenders to construct roads, stormwater works (including channel realignment, new culverts and stormwater ponds), and municipal water and wastewater servicing to allow for the servicing of the Vaughan Healthcare Precinct lands. These works are carried out in conjunction with cost-sharing discussions with Mackenzie Health and in parallel with Ground Lease Agreement discussions.

Prism Partners Inc. - (\$36,669 committed)

Prism Partners Inc. will continue in their role as a development facilitator to coordinate meetings between the City, Mackenzie Health and Infrastructure Ontario, providing the necessary continuity into this next phase of the project, particularly in cost sharing discussions.

Landscape Architect -TBD - (\$130,295 Item directed)

The Landscape Architect will assist in preparing the landscape development concept and detailed design for the precinct and specifications for the public realm design components. This will inform the development of Project Specific Output Specifications (PSOS) as required by Mackenzie Health and Infrastructure Ontario (IO). Award is planned for end of April.

Project Control and Risk Mitigation Consulting Services –TBD - (\$166,000 anticipated)

The Project Control and Risk Mitigation Consulting Services for the Vaughan Healthcare Centre Precinct is intended to minimize risks, ensure proper management of resources and costs in adhering to timelines in accordance with the City’s, Region of York, Cedar Fair, and Ministry of Transportation requirements. Award is planned for end of April.

Construction Contract Administration Consulting Services – TBD - (\$770,000 anticipated)

The Construction Contract Administration Consulting Services will oversee the project from a construction point of view, ensuring all work is completed in accordance to the City’s Engineering standards and specifications. Award is planned before June.

The table below summarizes the committed, item directed and anticipated costs associated with professional services to be engaged to manage the site servicing works to be completed:

Cole Engineering Group Ltd	1,198,010
Prism Partners Inc.	36,669
Landscape Architect	130,295
Project Control and Risk Management Consulting Services	166,000
Construction Contract Administration Consulting Services	770,000
Total	2,300,974

Land Construction Costs

Phase 1 of the construction phase of the project is scheduled to be awarded by the first part of July 2014 with works to begin shortly thereafter. Phase 1 includes the works associated with Cedar Fair’s site access modifications and Precinct site earthworks. Costs associated with these works are estimated at \$9,018,000.

Phase 2 of the construction phase of the project is scheduled to be awarded at the beginning of October 2014. Phase 2 includes the works associated with the internal servicing of the site, stormwater management, sanitary, water and storm works, and Jane street roadworks. Costs associated with these works are estimated at \$17,929,564.

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The Future Site Servicing costs are summarized as follows:

Professional Services	2,300,974
Phase 1 of Construction	9,018,000
Phase 2 of Construction	<u>17,929,564</u>
Total	29,248,538

Cost sharing

Progressive discussions are ongoing with Mackenzie Health regarding the apportionment of capital costs for the development of the land to form the basis of a Cost-Sharing Agreement to be executed in parallel with the proposed Ground Lease Agreement and contingent on many factors. As a result, the City has proceeded with many elements of the Hospital Precinct plan, an investment of approximately \$3.9 million, without a formal cost sharing agreement in place in order to maintain the Hospital development tight timeline requirements. The City's intent is to secure a cost sharing agreement to recover a proportion share of the development costs, but until finalized there is an element of financial risk. The upcoming Construction Phases of the project are much larger in magnitude and in the absence of a formal agreement, alternative measures will require consideration; such as a memorandum of understanding (MOU), letter of credit, project start adjustments etc. City staff continue to collaborate with Mackenzie Health and future status updates on these actions will be forth coming at the time of award or earlier.

Relationship to Vaughan Vision 2020/Strategic Plan

Not applicable

Regional Implications

Not applicable

Conclusion

The total amount raised through property taxes for the Vaughan Hospital Precinct Development, net of \$2.3 million in interest charges, is \$21.2 million. Based on the current levy the \$80 million contribution will be recovered within approximately 9 years or by the year 2022. The plan spans 13 years which is significantly less than the initial 20 year timeframe.

The long-term vision for the Vaughan Healthcare Precinct Plan is to develop the site into a vibrant healthcare Precinct with the primary focus on the delivery of a new healthcare facility (the Mackenzie Vaughan Hospital) and a range of healthcare related uses. Commitments associated with the development of the Precinct Plan Future are associated with professional services to assist in the detailed design development, project control and risk management and construction contract administration. These costs equate to a committed amount of \$3,898,576.

Phases 1 and 2 of the groundworks are anticipated to begin in the summer and fall of 2014, with an estimated cost total of \$26,947,564. The City's intent is to secure a cost sharing agreement to recover a proportionate share of the development costs, but until finalized there is an element of financial risk. Depending on the timing of the Cost Sharing Agreement alternative measures may require consideration; such as a memorandum of understanding (MOU), letter of credit, project start adjustments etc. City staff continue to collaborate with Mackenzie Health and future status updates on these actions will be forth coming at the time of award or earlier.

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Below is a summary of the project commitments and anticipated near future requirements:

Project Summary

Approved Project Funds	80,000,000
Precinct Land Purchase	61,006,914
Precinct Plan Development	1,597,602
Future Site Works:	
Professional Services	<u>2,300,974</u>
Sub-total	64,905,490
Remaining	15,094,510
Future Site Works:	
Phase 1 (July 2014)	9,018,000
Phase 2 (October 2014)	<u>17,929,564</u>
	26,947,564

Attachments

Not applicable

Report prepared by:

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