

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF SEPTEMBER 20, 2016

Item 6, Report No. 9, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on September 20, 2016, as follows:

By approving the following in accordance with Communication C6, from the Chief Financial Officer and City Treasurer and the Director of Infrastructure Delivery, dated September 15, 2016:

1. ***That this Communication be received.***

**6 VAUGHAN HEALTHCARE CENTRE PRECINCT DEVELOPMENT LEVY & CAPITAL
PROJECT UPDATE – DECEMBER 31, 2015**

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer / City Treasurer and Director of Financial Planning and Development Finance / Deputy City Treasurer, dated September 6, 2016:

Recommendation

The Chief Financial Officer / City Treasurer and Director of Financial Planning and Development Finance / Deputy City Treasurer, in consultation with the Director of Infrastructure Delivery and the City Solicitor, recommend:

- 1) That the following project status report be received.

Contribution to Sustainability

The Vaughan Healthcare Centre Precinct Development Levy was implemented to support the timely development of the hospital. This report demonstrates a commitment to sustainability by accounting for funds collected to date and their use in enabling capital projects.

Economic Impact

There are no additional economic impacts associated with this report.

Communications Plan

This report is for information only and will be made publicly available.

Purpose

The purpose of this report is to provide Council with a status update as of December 31, 2015 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 was developed in 2009 to plan for the \$80 million requirement

On June 15, 2009, Council approved a funding plan for an \$80 million contribution towards the Vaughan Hospital Precinct Development, to be raised through property taxes. A special tax rate increase of 5.45 per cent 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 City's \$80 million contribution for the Hospital Precinct land, development, and servicing plus anticipated financing costs.

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By-law 135-2009, enacted by Council June 15, 2009, authorized debenture financing of up to \$80 million towards this initiative and permitted the use of internal financing to the extent possible, and as appropriate to the satisfaction of the City Treasurer.

Total accumulated internal interest costs associated with the project for the period 2009 – 2015 was \$3.3 million as of December 31, 2015

Levy collections for 2015 were \$7.2 million. Between 2009 – 2015, total levy collections were \$38.1 million, of which \$34.8 million went to funding the capital works completed and the remaining \$3.3 million was the recovery of the internal financing costs. Attachment 1 provides the detail for levy collections each year. Leveraging internal financing has resulted in recovering costs more quickly as the City's internal borrowing rate, based on the City's average investment rate, was historically lower than the cost of external financing arrangements.

Staff will continue to monitor the market and if trends shift to lower external debt financing opportunities, staff will reassess this financing mechanism. Interest costs are in addition to the capital project authorized.

For 2016, it is estimated that the levy will result in collections of \$7.2 million. The 2016 levy estimate excludes potential revenue associated with Payment-In Lieu (PIL) and supplemental assessment, which is uncertain until realized. The 2016 figure would be higher if these items are realized. In addition, the annual levy will increase slightly each year, as a result of growth. Based on the current levy rate, the \$80 million contribution will be recovered within approximately 7 years or by the year 2022, which is 7 years earlier than the initial planned recovery date.

Development of the Vaughan Healthcare Centre Precinct is a large undertaking

Capital Project CO-0054-09 Vaughan Hospital Precinct Development for \$80 million, with funding from the tax levy, was approved in 2009 to capture the budget and subsequent expenditures for this initiative. In 2015, with the award of Tender T15-230 Vaughan Healthcare Centre – Contract 2 – Site Servicing, the capital project was amended in the amount of \$5 million, funded from City-wide Development Charges, for roadway and infrastructure works and landscaping (Rpt. 11, Item 10, Finance, Administration and Audit Committee).

To help facilitate discussion, project progress and expenditures to date are presented in four components:

- 1) Land Purchase
- 2) Precinct Plan Development
- 3) Detailed Design of Municipal Roads and Servicing
- 4) Construction

Attachment 1 provides a summary of the expenditures incurred to December 31, 2015 for each component.

1) Land Purchase - Expenditures to Date \$61,125,617

In August 2009 an 82 acre site, located at the northwest quadrant of Jane Street and Major Mackenzie Drive, was acquired by the City for \$61,125,617. The long term vision for the property is to develop it into a vibrant healthcare precinct centre with the primary focus being the delivery of a new healthcare facility (the Mackenzie Vaughan Hospital) and a range of related uses.

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2) Precinct Plan Development – Commitment \$2,381,608, Expenditures to Date \$2,354,683

The Precinct Plan includes a Master Servicing Strategy, a Functional Transportation Master Plan, and Urban Design Framework, and the establishment of the natural area boundaries, differing land uses, and phasing of proposed development. A ground lease and cost sharing agreement with Mackenzie Health have been executed.

3) Detailed Design of Municipal Roads and Servicing – Commitment \$1,543,302, Expenditures to Date \$1,429,179

The development of the Precinct and the Mackenzie Vaughan Hospital requires site servicing which includes, but is not limited to:

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

Staff and the consultants retained by the City developed detailed engineering drawings related to the servicing of the Vaughan Healthcare Centre Precinct lands. This includes the detailed design of roads, stormwater works and municipal water and wastewater servicing. A landscape development concept and detailed design for the precinct and specifications for the public realm design components has also been developed.

4) Land Construction Costs – Commitment - \$33,512,334, Expenditures to Date - \$7,082,720

To help facilitate the discussion of Land Construction Costs, the expenditures have been presented in components. These components are being carried out concurrently as part of the development of the Vaughan Healthcare Centre Precinct.

- a. Project Control and Risk Mitigation and Construction Contract Administration
- b. Staged Construction
 - i. Tender 1
 - ii. Tender 2

a. Project Control and Risk Mitigation and Construction Contract Administration – Commitment \$1,738,267. Expenditures to date - \$571,192

To help mitigate risks and ensure proper management of resources and costs in adhering to aggressive timelines in accordance with the City's, Region of York, Cedar Fair and the Ministry of Transportation requirements, consulting services for project control and risk mitigation and for construction contract administration have been awarded.

In September 2015, award amendments for project control and risk mitigation and construction contract administration in the amounts of \$309,720 and \$512,000 were approved. These amendments are associated with consulting services during Stage 2 of construction. (Rpt. 11, Items 7 and 8, Finance, Administration and Audit Committee)

b. Staged Construction for New Municipal Infrastructure on the Precinct Lands

The lands within the Vaughan Healthcare Centre Precinct are encumbered with pre-existing road infrastructure currently serving Cedar Fair (Canada's Wonderland) and

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drainage channels crossing the Precinct. For orderly development of the Precinct, and of the MacKenzie Vaughan Hospital site, new municipal infrastructure must be constructed. These infrastructure requirements are intended to be constructed in stages through two separate contracts.

i. Stage 1 – completed in Q2-15 – Commitment \$6,936,541, Expenditures to Date - \$5,299,280

Tender 1 was awarded to Con-Drain Co. Ltd. in June of 2014 and included:

- Earthworks and site grading (Site Clearing, Removal of Existing Roads and Services)
- New Traffic Signals at Major Mackenzie Drive, including illumination and pavement markings
- Construction of new road network to modify access/egress to Canada's Wonderland
- SWM Pond, Channel and new culvert installation at Major Mackenzie Drive

Other expenditures associated with TRCA permits and utility relocations were incurred as the construction work progressed.

The culvert work on Major MacKenzie Drive is required to alleviate a pre-existing flooding condition on the site that will also benefit the precinct. As such, a separate capital project, CO-0074-14 in the amount of \$3.9M, was approved by Council in June 2014 with a funding source of the Wastewater Reserve. Two reports were brought forward in 2015 to request an additional \$528,000 in funding for contract administration and inspection services and to provide an unencumbered site to Infrastructure Ontario for the Mackenzie Vaughan Hospital (Finance, Administration and Audit Committee: Rpt. 8, Item 6 and Rpt 11, Item 9). The revised budget for this project is \$4.5 million, funded from the Wastewater Reserve, with expenditures to date of \$3.5 million. The assignment for this scope of work is winding down. A future report will be brought to the Finance, Administration and Audit Committee that will speak to requirements to close out this assignment. This report is administrative in nature and will have no economic impact on the project. These works have an anticipated completion date of Q3-16.

ii. Stage 2 – currently underway with anticipated completion in Q2-17 – Commitment - \$ 24,837,525 ,Expenditures to Date - \$1,212,248

Tender 2 was awarded to Con-Drain Co. Ltd. in September of 2015 (Rpt. 11, Item 11, Finance, Administration and Audit Committee) and include:

- Internal sewer, water and storm water servicing
- Sanitary pumping station
- Internal roads, sidewalks and street lighting
- New traffic signals at Jane Street, and
- Streetscaping and landscaping features

Other expenditures associated with TRCA permits and utility relocations were incurred as the construction work progressed.

Construction work for Tender one is coming to a close. The bulk of the construction work for Tender two will occur over 2016 and into 2017.

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A Municipal Infrastructure Plan and Cost Sharing Agreement with Mackenzie Health have been executed.

In June 2015, the City signed a 99-year Ground Lease Agreement with Mackenzie Health, allowing Mackenzie Health and Infrastructure Ontario to issue a Request for Proposals (RFP).

A Municipal Infrastructure Plan and Cost Sharing Agreement were executed in July 2015. The approved Principles include the Principle that the City shall front end the Infrastructure Costs and Mackenzie Health shall reimburse the City in accordance with the Cost-sharing Agreement.

Prior to the execution of the Cost Sharing Agreement, in June 2015 the City provided Mackenzie Health with a reconciliation of the works associated with the Precinct Plan Development and Detailed Design of Municipal Road and Servicing as outlined in the Cost Sharing Agreement. Mackenzie Health subsequently paid the City for their proportionate share of the works completed.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

One of the Term of Council Priorities is to support the development of the hospital. The report summarizes the work that has been completed at a point in time, up to December 2015, to prepare the precinct lands for the construction of the Mackenzie Vaughan Hospital. This report also demonstrates the commitment to fiscal sustainability for this project through the accounting of project expenditures and the collection of the levy to support these expenditures.

Regional Implications

Not applicable

Conclusion

The total amount raised through property taxes for the Vaughan Hospital Precinct Development, net of \$3.3 million in interest charges, is \$34.8 million. Based on the current levy the \$80 million contribution will be recovered within approximately 7 years or by the year 2022. The plan spans 13 years which is significantly less than the initial 20 year timeframe.

The following is a summary of the commitments and expenditures to date for capital project CO-0054-09 as of December 31, 2015:

	Commitments	Expenditures to Date
Land Purchase	61,125,617	61,125,617
Precinct Plan Development	2,381,608	2,354,683
Detailed Design of Municipal Roads and Servicing	1,543,302	1,429,179
Project Risk Mitigation and Contract Administration	1,738,267	571,192
Construction (Stage 1)	6,936,541	5,299,280
Construction (Stage 2)	24,837,525	1,212,248
Less: City Wide Develop Charge Funding	-3,750,000	
Total	\$94,812,860	\$71,992,199

The City has secured a cost sharing agreement to recover a proportionate share of the development and construction costs, which should keep net costs within budget.

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Attachments

1. Summary of Levy Collections and Expenditures

Report prepared by:

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)