

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 19, 2015

Item 3, Report No. 9, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 19, 2015.

3 VAUGHAN HEALTHCARE CENTRE PRECINCT DEVELOPMENT LEVY & CAPITAL PROJECT UPDATE AS AT DECEMBER 31, 2014

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Interim City Manager and Commissioner of Finance & City Treasurer, dated May 4, 2015:

Recommendation

The Interim City Manager and Commissioner of Finance & City Treasurer 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, 2014 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 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.

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.

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. However given the recent market shift to historically low

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lending rates there could be a favourable external debt financing opportunity. Staff will continue to monitor the situation. The total accumulated internal interest costs associated with the project for the period 2009 – 2014 was \$2,889,681 as of December 31, 2014. Interest costs are in addition to the capital project authorized.

The table below illustrates net amounts collected since 2009.

	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	5,270,021
2013	7,251,692	551,289	6,700,403
2014	7,236,797	495,871	6,740,926
Total	30,832,531	2,889,681	27,942,850
2015 Estimate	7,200,000	495,871	6,755,821
2015 Total	\$38,099,118	\$3,385,552	\$34,713,566

The 2015 levy estimate excludes potential revenue associated with Payment-In Lieu (PIL) and supplemental assessment, which is uncertain until realized. It is anticipated the 2015 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 rate, the \$80 million contribution will be recovered within approximately 8 years or by the year 2022, which is 7 years earlier than the initial planned recovery date.

Project Expenditures

The development of the Vaughan Healthcare Centre Precinct is a large undertaking. Project progress and expenditures to date are presented in four components. The components align with previous reports, with some minor classification adjustments. Expenditures previously grouped as Future Site Servicing are included in Detailed Design of Municipal Roads and Servicing, with some expenditures not included with Construction as their purpose is better aligned with this component. The four components discussed below are:

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

1) Land Purchase

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 \$60,775,379. 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.

Expenditures to date are broken down as follows:

Precinct Land Purchase (82 acres)	59,450,000
Land Transfer Tax	890,225
Other Expenditures*	435,154
Total Expenditures to December 31, 2014	\$60,775,379

* includes legal fees and closing costs, surveyors, appraisal fees

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2) Precinct Plan Development – Commitment \$2,110,878, Actual \$2,082,456

The Precinct Plan, which is substantially complete, 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. Next steps include the execution of a ground lease and cost sharing agreement. Staff and the City Consultants have worked with MacKenzie Health to align the Precinct planning with the projected timelines for the hospital development process.

Expenditures to date are broken down as follows:

Prism Partners Inc.	765,179
Cole Engineering Group Ltd.	404,259
Malone Givens Parsons Ltd	321,589
Borden Ladner Gervais LLP	557,862
Schaeffer & Dzaldov Limited	22,082
York Region Media Group	7,916
Vaughan Citizen	3,360
Fontana Gardens	209
Total Expenditures to December 31, 2014	\$2,082,456

3) Detailed Design of Municipal Roads and Servicing – Commitment \$1,322,353, Actual \$1,036,592

The development of the Precinct and the Mackenzie Vaughan Hospital will require site servicing which include, but are 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 have developed detailed engineering drawings to assist in the tendering processes related to 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.

Expenditures to date are broken down as follows:

Cole Engineering Group Ltd.	944,719
Prism Partners Inc.	35,575
HOK Inc.(landscape)	56,298
Total Expenditures to December 31, 2014	\$1,036,592

4) Land Construction Costs – Commitment - \$6,793,232, Actual - \$2,026,231

There are various components being carried out concurrently as part of the development of the Vaughan Healthcare Centre Precinct.

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This component of the project includes consulting services for project control and risk mitigation and for construction contract administration. At the April 21, 2015 Council meeting, a budget amendment for construction contract administration services was approved for \$118,000 for extended consulting services required as a result of unforeseen construction issues associated with the first stage of construction.

Expenditures to date for these consulting services are broken down as follows:

p2i Strategies Ltd (risk management)	28,811
Cole Engineering Group Ltd. (contract administration)	146,424
Total Expenditures to December 31, 2014	\$175,235

The lands within the Vaughan Healthcare Centre Precinct are encumbered with pre-existing road infrastructure currently serving Cedar Fair (Canada's Wonderland) and 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 – currently underway with anticipated completion in Q2-15

Tender 1, accounting for the majority of the construction work to be completed, was awarded to Con-Drain Co. Ltd. in June of 2014 and includes:

- 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.

Expenditures to date are broken down as follows:

Con-Drain Co. Ltd. (Tender 1)	1,497,670
LVM INC	4,794
PowerStream Inc.	88,303
Rutherford Contracting Limited	95,790
Regional Municipality of York	78,478
Reed Construction Data	876
TRCA	85,085
Total Expenditures to December 31, 2014	\$1,850,996

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. Expenditures to date for these works are \$592,278. Due to unforeseen construction issues associated with the culvert works, a future report will be brought to the Finance, Administration and Audit Committee to request additional funding.

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- ii. Stage 2 – This stage, estimated at \$16M, consists primarily of internal sewer, water and storm water servicing and is anticipated to begin in the summer of 2015. Due to timing requirements, the Stage 2 procurement tender will be released while the cost share agreement is being finalized. The tender will be awarded once the Cost-Sharing Agreement with MacKenzie Health is executed.

Cost sharing

The City's intent is to secure a cost sharing agreement to recover a proportionate share of the development and construction costs. Progressive discussions continue with Mackenzie Health regarding the Cost-Sharing Agreement. In order to maintain the Hospital development tight timeline requirements, the City has proceeded with many elements of the Hospital Precinct plan.

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 \$2.9 million in interest charges, is \$30.8 million. Based on the current levy the \$80 million contribution will be recovered within approximately 8 years or by the year 2022. The plan spans 13 years which is significantly less than the initial 20 year timeframe.

Total expenditures as at December 31, 2014 are as follows:

	Commitments	Actuals
Land Purchase	60,775,379	60,775,379
Precinct Plan Development	2,110,878	2,082,456
Detailed Design of Municipal Roads and Servicing	1,322,353	1,036,592
Construction (Stage 1)	6,793,232	2,026,231
Total	\$71,001,841	\$65,920,658

Stage 2 of the groundworks will proceed once a cost-sharing agreement has been executed with MacKenzie Health. These capital works have an anticipated cost of \$16,146,271.

The City's intent is to secure a cost sharing agreement to recover a proportionate share of the development and construction costs, which should keep net costs within budget. 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.

Attachments

Not Applicable

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager, Corporate Financial Planning and Analysis

VAUGHAN HEALTHCARE CENTRE PRECINCT DEVELOPMENT LEVY & CAPITAL PROJECT UPDATE AS AT DECEMBER 31, 2014**Recommendation**

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

1. That the following project status report be received.

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Relationship to Vaughan Vision 2020/Strategic Plan

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Regional Implications

Not applicable

Conclusion

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Attachments

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Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager, Corporate Financial Planning and Analysis

Respectfully submitted,

Barbara Cribbett, CPA, CMA
Interim City Manager

John Henry, CPA, CMA
Commissioner of Finance and City Treasurer