

CAPITAL REGIONAL DISTRICT

STAFF REPORT TO THE HEALTH FACILITIES PLANNING COMMITTEE MEETING OF WEDNESDAY, OCTOBER 19, 2005

SUBJECT:

The Carey Road site in Saanich, BC.

PURPOSE:

Approval to undertake due diligence leading to a conditional offer to purchase an adjacent property to accommodate a large scale residential care development.

HISTORY/BACKGROUND:

In 2001 the District acquired a four-acre undeveloped property at 3800 Carey Road from the Greater Victoria School District (SD61). Prior to the purchase, the Capital Health Region provided a conditional letter of intent to use the site to replace part of the Gorge Road Hospital (GRH) extended care unit (ECU). The District rezoned the property for 174 units and completed the purchase in 2002. Subsequently, the Vancouver Island Health Authority (VIHA) chose not to replace the 287-bed GRH ECU. GRH was closed in 2002 with residents relocated to other facilities and assisted living residences.

Earlier this year the District requested VIHA to clarify if their intent is to use this property for health care purposes. If neither VIHA nor any of its residential care affiliates require the property it could be sold. In June, VIHA advised that a decision to use the property was linked to the completion of their proposed 2010 Integration Plan. To date, there is no clear commitment from VIHA and the Integration (Strategic) Plan is not yet released.

In July the District was approached by the society of a major non-profit residential care provider expressing interest in the property. This society operates two residential care facilities totalling 231 beds in Victoria. Their current facilities are inadequate for complex care residents and cannot be economically renovated therefore, their buildings need replacement. VIHA is in apparent agreement. The society is interested in replacing their facilities on the Carey Road site. The society is considering other components of a larger development including assisted living and seniors housing. Comprehensive developments are now known as "Campuses of Care" or "Communities of Care" – a concept supported by VIHA.

Whether the society proceeds with simply a replacement project or a larger campus of care, the current four-acre Carey Road property is too small. School District 61 (SD61) retains the adjacent four-acre (approximate) property – site of the former Mt. View High School. Preliminary discussions with the SD61 staff indicate that the property is surplus to their requirements and an offer to purchase would be considered. SD61's policies on land disposal require public tender at market value. SD61 land can also be sold without public tender provided the purchaser is another public body and the sale made at fair market value.

With a firm commitment from VIHA to permit the society to replace its facilities and/or support of the larger campus of care, the District could proceed to investigate the purchase of the adjacent

SD61 property. Due diligence would include; an appraisal of the fair market value of the site, an estimate to demolish current structures and possibly soil testing. The estimated cost would be in the order of \$50,000 including a refundable deposit on any agreement.

Although there is interest in the Carey Road property, there remains a broader discussion with VIHA on whether there are other health facility uses of higher priority than assisted living and seniors' independent housing. One thing seems reasonably certain, there is a shortage of suitable properties capable of accommodating health facilities and the demand for health facility projects, new or replacement, is strong.

Presently, it is not clear how the land(s) transaction would be handled. The original four-acre property was purchased for \$2,175,555 and is now worth \$4,600,000. The second property probably has a similar value. The first property was acquired with the intent for VIHA and the CRD to issue a request for proposals with the winning proponent purchasing the land from the District. The transaction involving the District's potential purchase and eventual sale of a second parcel has many elements that are not sufficiently developed to enable an informed review and discussion at this time. What is important is to capture the potential for the larger Carey Road site, enabling advancement of various facility proposals. The potential purchase of a second property would involve a conditional offer with final payment subject to land use approval and approval of the proposal by VIHA and/or other public agencies (e.g. BC Housing for an assisted living component).

Considering the limitations of the society's two existing residential care facilities and VIHA's ability to make appropriate placements and the time it takes to complete major projects, timing is important. The earlier the project planning can start the better.

Enquiries have been made to VIHA to obtain their written position on the replacement of the society's two facilities and to discuss the property's capacity for other priority health facility uses. There is concern that if the second site is acquired that the turn-around time to redevelopment be much quicker than the three years' delay on the first site. Staff expects VIHA to provide their position by October 21, 2005.

ALTERNATIVES:

1. Dismiss the opportunity to purchase the second property. This is not recommended for the reasons explained in the previous section.
2. Permit the society to acquire the property directly from School District 61. This is not recommended since SD61 would then have to put the property to public tender with no assurance that the society would succeed in acquiring the property.

FINANCIAL IMPLICATIONS:

Financial implications would be restricted to the cost of the investigations needed to submit a conditional offer to purchase and a deposit on the offer. These are estimated at \$50,000. Given that this proposal is at a preliminary stage, there has been no discussion of responsibility for site development planning and rezoning. We assume that these will be borne by the society. The full purchase price will eventually need to be paid but this is approximately a year away and would be expected to be recovered from the society's project financing. This report does not deal with the possibility of a Regional Hospital District capital contribution for this project. The risks to the

District are minimal. If the proposal collapses, the original property, according to an August 2005 appraisal, is now worth between \$1,800,000 and \$2,400,000 more than the purchase price. The \$50,000 funding would come from the Section 20-3 grant budget.

NON-FINANCIAL IMPLICATIONS:

None at this time. Refer to Attachment 1 for summary of major factors.

SUMMARY:

Two local residential care facilities need replacement. There are indications that the owner of these facilities (a non-profit society) is receiving support from VIHA and the possibility that other elderly housing components constituting a "campus of care" are being encouraged. There are other potential health facility uses for the site. The society identifies the Carey Road site as the best site available. The existing four-acre site is too small to accommodate either the replacement residential care or the larger campus of care development. There is an opportunity to acquire the adjacent four-acre site from SD61 for this larger development. The purchase of the second property requires due diligence prior to considering an offer to purchase. A centrally located eight-acre site suitable for health facility development is a rare opportunity. A written position from VIHA is expected before the meeting.

RECOMMENDATION:

That the Committee approve \$50,000 to permit due diligence needed to prepare an offer to purchase for the property at 3818 Carey Road from SD61 subject to the written commitment from VIHA to support the society pursuing such a development.

Jeremy Tate, Director
Health Facilities Planning