

**STAFF REPORT TO THE PLANNING & PROTECTIVE SERVICES COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 22, 2006**

SUBJECT: SECTION 20(3) FUNDING – SOOKE ELDERLY CITIZENS HOUSING SOCIETY

PURPOSE:

To consider a request to forgive the \$63,000 recoverable project advance to the Sooke Elderly Citizens Housing Society.

BACKGROUND:

On October 31, 2006 Director Evans submitted a letter (see attached) requesting the Hospital District Board forgive a \$63,000 loan to the Sooke Elderly Citizens Housing Society (SECHS).

In February the Committee approved \$63,000 to the SECHS to enable it to prepare a detailed proposal for a complex care/assisted living development under a Request for Proposals issued by VIHA. The approval stipulated that upon approval of project financing the advance would be repaid to the District.

The Society's proposal for a 32-bed complex care and 25-unit assisted living project has been approved by VIHA and BC Housing with virtually full project cost financing supplied by BC Housing including coverage of the expenditures under the District's funding. Thirty (30) of the complex care units and 10 of the assisted living units are publicly subsidized to affordable monthly rates.

ALTERNATIVES:

1. **Alternative One** is that the \$63,000 recoverable project advance be forgiven.
2. **Alternative Two** is that the \$63,000 recoverable project advance be recovered.

FINANCIAL IMPLICATIONS

The rationale for Alternative No. 1 as outlined in the Director's letter for forgiving the project development advance includes:

- In January 2004 the District made a conditional \$458,500 approval to the SECHS. At the time, SECHS were developing a 40-unit assisted living project (not eligible for District funding). The District's contribution was to help defray the development costs which would also be required for an inevitable residential care component (eligible for District cost sharing). This commitment is no longer valid. The current project is a completely different project with different funding protocols. The current project includes both elements and with B.C. Housing providing virtual full cost coverage of the project it exempts the District from the need to participate at the level of the 2004 conditional commitment.
- The Society and the larger community of Sooke will still need to fund raise in the order of \$1 M to properly fund the project. Examples include full landscaping and a ramp that will allow easier access to the community for wheelchairs and scooters. We are aware that the project proposal was constrained by the funders and that some items were reduced or deleted which should not have been and that fund raising is a normal part of any major project. It is unclear whether the \$1.0 M or a larger amount of fundraising is possible or whether the "project improvements" amount to \$1 M.

The Society has some justification for asking that the recoverable project advance be forgiven, largely on the basis of the limits of project financing from senior governments. A major contribution from the District of Sooke is also recognized.

The rationale for Alternative No. 2 to not forgive the recoverable project advance includes:

- All recoverable project advances (e.g. Greenwood, the Carey Road due diligence etc.) are sourced from the Section 20(3) annual grant account (which is also the source of the Region's contribution for medical equipment). The annual Section 20(3) funding for the Region's direct costs is quite low (\$100,000 in 2006 and \$120,000 proposed for 2007). The demand for these funds is increasing and the recovery of previous approvals like the Sooke project development funding (substituted by other sources) allows the Section 20(3) budget to be replenished for planned and unplanned expenditures, without resorting to borrowing. Attachment A shows Section 20(3) disbursements in 2006 and Attachment B a forecast of 2007 disbursements. On the basis of known future projected expenditures for the Section 20(3) grant the Sooke project advance should be recovered.
- The precedence of forgiving the Sooke recoverable advance could apply to Greenwoods (\$52,000) and the Baptists Housing Ministries Society for the approximate \$267,000 expended by the District to acquire and rezone the Carey Road site.

CONCLUSION:

The Sooke Elderly Citizens Housing Society's recoverable project advance is quite small and the funds could be applied to cover legitimate elements of the project reduced or deleted by senior governments in their funding approvals. That being said, it is not clear how much the reduced/excluded elements will cost and whether the community of Sooke can readily accommodate them through their fund raising.

Conversely, it was made clear to the Society that the District's \$63,000 project development approval was recoverable on approval of third party financing. The Society's proposal was approved and has received virtually full cost financing from BC Housing. Without the recovery of these funds or an offsetting increase in the Section 20(3) budget, there will be insufficient funds to cover off known and unanticipated charges to the 2007 budget. Also, forgiving this recoverable project advance could be applied to the other agencies which will further deplete the Section 20(3) budget and limit the District's ability to support other non-profits and other business without relying on borrowed funds.

It is therefore recommended that the recoverable project advance should be recovered.

RECOMMENDATION:

That the Committee recommend to the Board:

1. That the request from the CRD Board Director for Sooke to forgive the \$63,000 recoverable project advance to Sooke Elderly Citizens Housing Society not be approved.

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