



**STAFF REPORT TO THE PLANNING & PROTECTIVE SERVICES COMMITTEE
MEETING OF APRIL 2, 2008**

SUBJECT: Approval of CRHD Bylaw No. 356, "Capital Regional Hospital District Bylaw No. 139, 2007, Amendment Bylaw No. 1, 2008"- Increased Funding to the Expansion of the Bishop Coleman Memorial Health Centre

PURPOSE/ISSUE:

To consider a request by the Pender Island Health Care Society (PIHCS) for additional funding in the amount of \$142,544 to complete the redevelopment of the Bishop Coleman Memorial Health Centre.

BACKGROUND

In order to accommodate the growing health demands of the Pender Island community, PIHCS has undertaken a project to redevelop and expand the existing Bishop Coleman Memorial Health Centre (BCMHC). The 3,442 square feet addition increases the medical treatment space by 70% to provide a full range of health services including an expanded Emergency treatment room, increased practice space for attending physicians, and other private and public health-related services.

The initial capital estimate for the BCMHC Redevelopment Project was \$1,137,130. Of the total project cost, the Society had raised \$552,135 with a total fundraising goal of \$682,278. The PIHCS approached the Capital Regional Hospital District (CRHD) for the balance of the funding. Recognizing that an expanded community health centre is vital for Pender Island residents, the project was approved by the CRHD Board in May 2007. The Board approved a grant of \$454,852 (40% of the total capital cost) to enable the successful redevelopment and expansion of the Health Centre.

Significant progress has been made on the expansion since construction commenced in July 2007. The goal is to have building occupancy achieved by mid-2008. Refer to Appendix A – Table 1 for key construction milestones accomplished to date.

Following the commencement of construction, the budget has been revised to reflect the actual and anticipated costs to complete the expansion. The revised project budget is \$1,339,403; refer to Appendix A – Table 2. The increases in costs have mainly been attributed to the following reasons:

- **Construction Escalation:**
The inflationary construction industry has resulted in a cost escalation of approximately 0.8% per month or 10% per annum by conservative estimates. Recognizing that the cost of construction is higher on the Gulf Islands as compared to other regions, most of the original estimates were priced a year ago, and became outdated by the time construction started. These factors attributed to tender prices coming in higher than expected, resulting in an increase to the total project cost.
- **Weather Conditions:**
Late summer and early fall rains have made the outdoor site conditions difficult, requiring additional slate and rock fill to stabilize the site for heavy equipment and has increased time spent to prepare the site to working condition.
- **New Building Code Requirements:**
The new facility had to be built to be fully functional in "post disaster" scenarios, per the 2007 Building Code. In order to comply with the new code requirement, the facility was designed and is being built to a standard to support itself and the existing facility to a level beyond any existing

buildings on Pender Island. Also, in accordance with the new British Columbia (BC) Building Code, professional architects, mechanical, electrical, fire suppression, and geotechnical engineers were hired to obtain necessary signoffs to meet the new BC Building Code and CRD Building Inspections requirements. Retaining additional engineering consultants plus additional costs for travel and ferry, drawings and specifications, has added considerably to the original budget.

The PIHCS is experiencing capital cost increase in the amount of \$285,044 to complete this project. Appendix A – Table 3 is a detailed summary of the funding pressures.

Considering VIHA partially administers the Emergency Treatment Room and recognizing the Society had raised more than 50% of the total project cost, staff approached VIHA to support this project and fund the shortfall. VIHA recognized the need for this expansion but were unable to provide funding initially due to competing priorities. Staff requested VIHA reconsider their ability to contribute to this project and pursuant discussions with VIHA executive have led to a successful resolution of this issue.

VIHA has agreed to fund 50% of the shortfall and will provide \$142,500 to the Society by the end of March 2008. This leaves the PIHCS with a funding shortfall of \$142,544. The PIHCS is requesting the CRHD fund the balance.

ALTERNATIVES:

- 1. Do not approve the additional funding request of \$142,544.**
- 2. Amend CRHD Bylaw No. 356, “Capital Regional Hospital District Bylaw No. 139, 2007, Amendment Bylaw No. 1, 2008” to approve additional funding request of \$142,544.**

If the Society is unable to secure additional resources, the plan to open the expansion in the summer of 2008 will be delayed and the expansion left incomplete until further funds can be obtained.

Alternative Two approves the additional funding request in the amount of \$142,544. This alternative would enable a successful and timely completion of the project and is the preferred alternative.

FINANCIAL IMPLICATIONS:

The estimated cost, CRHD share and annual charges are summarized in Table 2:

Table 2	Total Cost	CRHD Share	Annual charge: 2008 assessed residential value (\$523,737)	Annual charge: \$100,000 of assessed residential value
Initial Approval – May 2007	\$1,137,130	\$454,852	\$0.67	\$0.13
Revised Approval – March 2008	\$1,339,403	\$597,396	\$0.88	\$0.21

The cost of borrowing additional \$142,544 towards funding this shortfall would entail an additional \$0.21 on the already existing \$0.67 annual charge against 2008 residential value (\$523,737).

The Regional Hospital District’s 2008-2017 Ten Year Capital Plan identified a possible \$1 M allowance to allow the Board the opportunity to consider smaller projects which have not been identified as immediate priority projects within the annualized VIHA capital planning process. At this time, the Pender Island project is the only project request under consideration in 2008. The Board provided a funding commitment of \$454,852 to the PIHCS and a funding commitment of \$545,148 to the Access Health Centre in 2007.

An independent review completed at the time of the original approval stated there is no potential to increase tenant rents, as they are already above comparable market rents. The PIHCS operates on a break-even basis and the Society does not have the ability to debt finance the expansion.

The Society confirms current cash resources are sufficient to complete the exterior of the addition; however, reserves will be depleted by the end of March. The PIHCS has expressed its concern that the expansion will not proceed as planned if additional funding is not received. In addition, further delays will jeopardize the current negotiated pricing for the outstanding work, resulting in further increases in costs to the current budget estimate.

SUMMARY/CONCLUSIONS:

The CRHD previously agreed to provide funding to expand the BCMHC in 2007. Due to escalating costs and building code requirements the project faces a \$285,044 funding shortfall. VIHA has agreed to provide \$142,500 towards the shortfall and due to its inability to raise additional funds, the Society is requesting CRHD to provide the balance of the funding.

The Pender Island community has undertaken several successful fundraising drives, raising almost \$600,000 of the total capital cost of the project to date. The average contribution of each of the 2,300 permanent residents is a commendable \$260. The Island's population is reaching its fundraising limit. The Society continues to make requests to the community; however, with most of the community contributing repeatedly, the amount raised with each fundraising effort is declining.

All stakeholders recognize the importance of a new and expanded facility. VIHA has also acknowledged the commendable fundraising job the community has done in order to realize their goal of a redeveloped health centre. By approving this request, CRHD will not only ensure the project is successfully completed but will help Pender Island residents achieve this goal.

RECOMMENDATION:

That the Planning & Protective Services Committee recommends to the CRHD Board:

1. Approval of CRHD Bylaw No. 356, to amend CRHD Bylaw No. 348, "Capital Regional Hospital District Capital Bylaw No. 139, 2007, Amendment Bylaw No. 1, 2008" to increase the CRHD grant to the Pender Island Health Care Society by \$142,544, for a total of \$597,396 for the completion of the Bishop Coleman Memorial Health Centre.

Rajat Sharma, Manager
Health Facilities Planning Division
Report Writer

Robert Lapham, General Manager Concurrence

Kelly Daniels, CAO Concurrence

COMMENTS: