

**STAFF REPORT TO  
THE PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE  
MEETING OF OCTOBER 26, 2011**

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**SUBJECT**      **Capital Mental Health Association- Non-Traditional Project Funding Request**

**PURPOSE/ISSUE**

To consider a request by the Capital Mental Health Association (CMHA) in the amount of \$900,000 to replace and expand the existing McCauley Lodge facility in Esquimalt.

**BACKGROUND**

The CMHA provides supportive housing and outreach services through McCauley Lodge to persons with severe mental illness. The original McCauley Lodge building (1037 Lyall Street) was built as a single dwelling unit in the early 1900s and incrementally added to and upgraded to its current capacity of 22 units. The existing building does not meet community care licensing standards and the BC Building Code, and is at risk of forced closure if the proposed project does not proceed. Re-purposing the existing structure is not practicable due to its design, age, condition and types of renovations and upgrades undertaken over the years.

**PROJECT DETAILS**

The project involves demolition of the existing 22-bed facility and other buildings on the site and the construction of a new and larger building to accommodate 30 residents and continue its outreach support services to clients who live in the surrounding community. The redevelopment requires rezoning approval by Esquimalt. The size of the new facility will be approximately 1,424 m<sup>2</sup> (15,328 sq.), with a total project budget of \$6,085,756. A Project Brief is attached.

**ALTERNATIVES**

1. Approve the Capital Mental Health Association funding request of \$900,000 from the 2012 budget subject to confirmation of full funding of the project before Capital Regional Hospital District (CRHD) funds are advanced and securing the CRHD investment by way of agreement.
2. Defer a decision until completion of the pending Non-Traditional Projects policy.
3. Not approve the CMHA funding request.

**FINANCIAL IMPLICATIONS**

*Alternative #1*

The Non-Traditional Project (NTP) fund for 2011 has been fully committed. The CMHA does not require CRHD funds until the summer of 2012; the request could be accommodated through 2012 NTP funds. However, this would commit ninety percent of the NTP 2012 budget and leave only \$100,000 for other NTP requests. This alternative would provide greatest security for CMHA to proceed with more detailed architectural drawings and successful and timely completion of the project.

*Alternative #2*

As with Alternative #1, any NTP funding commitment would be from the 2012 budget, so deferring a decision would not impact the CRHD's 2012 budget. However, if the Society is unable to secure additional resources at this time, the plan to replace the facility would be put on hold, the facility would be non-compliant with Community Care Licensing expectations to address significant existing building deficiencies, and may be subject to closure.

*Alternative #3*

With this Alternative, the plan to replace the facility would be significantly delayed or in jeopardy, and Community Care Licensing would likely demand the facility be closed, displacing the current 21 residents and 20 out-patient clients.

### Risk Assessment

Financial risks associated with capital projects such as this are generally attributed to factors such as: unfavorable construction market conditions; incomplete drawings and/or specifications, and design changes; rezoning requirements; construction delays; and, undetected hazardous materials located on the land, and materials contained in the buildings being demolished.

CMHA have undertaken the following practices in order to mitigate these financial risks as much as possible:

- i) Use of specialized consultants in fields such as: project and construction management; cost estimation; environmental assessment (hazardous materials); geotechnical; and, community care licensing and building code compliance.
- ii) Appropriate budget contingencies to accommodate: a) modifications to building design resulting from municipal review and neighborhood input; b) cost escalation resulting from schedule delays; and, c) emergent factors during construction.

Other financial risks relate to the ability of CMHA to raise sufficient capital support from government, community and corporate donors and the requirement for rezoning. CMHA have obtained commitments from all other funders, as outlined in the Capital Contributions of the attached Project Brief, including mortgage financing through BC Housing. While the property has not received final rezoning approval by Esquimalt Council, final readings of the rezoning application are expected in early November.

### **PUBLIC IMPLICATIONS**

The Vancouver Island Health Authority has confirmed this is the only community-based facility in the Region for persons with severe mental illness posing a risk to self. Considering the condition of the existing building, McCauley Lodge is at risk of forced closure and loss of program funding from VIHA.

### **SUMMARY/CONCLUSION**

The CMHA has obtained capital funding from a number of agencies and from the public and the CRHD funding is the final piece of their funding plan. The CMHA has undertaken the necessary due diligence to mitigate project cost risks. Alternative #1 meets the basic requirements of the proposed Non-Traditional Projects funding guidelines, although formal designation by the Minister of Health is still pending.

### **RECOMMENDATION:**

That the Planning, Transportation and Protective Services Committee recommends to the Capital Regional Hospital Board:

1. Approve the Capital Mental Health Association funding request of \$900,000 from the 2012 budget subject to confirmation of full funding of the project before Capital Regional Hospital District (CRHD) funds are advanced and securing the CRHD investment by way of agreement.

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Robert Lapham, General Manager  
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Kelly Daniels, Chief Administrative Officer  
Concurrence

Attachment: 1

COMMENTS: