

If you require this information in an alternate format, please contact the Accessibility Coordinator at accessibility@northumberland.ca or 1-800-354-7050 ext. 2327



## Report 2024-027

**Report Title:** Golden Plough Lodge Development Agreement

**Committee Name:** Community Health

**Committee Meeting Date:** March 5, 2024

**Prepared by:** Glenn Dees  
Director Health and Human Services  
Golden Plough Lodge

**Approved by:** Jennifer Moore, CAO

**Council Meeting Date:** March 20, 2024

**Strategic Plan Priorities:**  Innovate for Service Excellence  
 Ignite Economic Opportunity  
 Foster a Thriving Community  
 Propel Sustainable Growth  
 Champion a Vibrant Future

---

### Information Report

**Whereas** at the January 25, 2023 County Council meeting, Council directed staff to acknowledge receipt of a revised Long-Term Care Development Agreement containing funding terms inconsistent with the recently announced enhancements and request further discussion and clarification on funding eligibility by the Ministry of Long-Term Care prior to signing the Long-Term Care Development Agreement; and

**Whereas** as directed by Council, staff drafted a letter addressed to the Minister of Long-Term Care on January 30, 2023, and engaged in consultations with the Minister and Ministry staff;

**Now Therefore Be It Resolved That** the Community Health Committee having considered Report 2024-027 'Golden Plough Lodge Development Agreement' recommend that County Council direct staff to proceed with signing the Long-Term Care Development Agreement."

---

### Purpose

To provide Council with the outcomes of advocacy for extending enhanced Ministry of Long-term Care (MLTC) construction funding subsidy to the Golden Plough Lodge (GPL) and Northumberland County Archives and Museum (NCAM) Redevelopment Project.

## **Background**

At the County Council meeting of January 25, 2023 Council, through resolution, directed that staff send a letter to the Honourable Paul Calandra (Minister of Long-term Care at that time) and to request further discussion and clarification on funding eligibility by the MLTC prior to signing the Long-term Care Development Agreement.

## **Consultations**

Consultations occurred with Minister Paul Calandra and MLTC staff. Also, consultations with the Eastern Ontario Wardens' Caucus (EOWC) for broader advocacy strategies to address funding shortfalls for development of new long-term care homes.

## **Legislative Authority / Risk Considerations**

The replacement of the current GPL with a new long-term care home is part of the Ministry of Long-Term Care's proactive redevelopment strategy to provide residents and staff with a modern home that is a warm, bright, welcoming environment and is non-institutional in character.

The current economic environment and the impact of construction cost escalations and increasing costs for borrowing continues to put pressure on the County budget and the ability to deliver critical infrastructure projects.

## **Discussion / Options**

On November 25, 2022, the Ontario government announced an increase to its construction funding subsidy to support the cost of developing or redeveloping long-term care homes under the Long-Term Care Home Capital Development Policy, 2022. The Province has committed to build more than 30,000 net new beds and 28,000 upgraded beds across the province by 2028.

The announcement cited financial barriers such as increased construction costs and long-term borrowing interest rate escalations over the past few years as the rationale for the increased funding. However, the funding is targeted at long-term care developments or redevelopments that were in the planning stages and that those already under construction are not eligible for additional funding.

The new policy stipulates that long-term care construction under a Development Agreement, where the Ministry provided any construction commencement approval for a project (or any project phase) before April 1, 2022, will not be eligible for funding under this policy. Staff reached out to the MLTC contact for the GPL/NCAM project for clarification when the funding was announced, and it was confirmed that the GPL/NCAM project is not eligible for funding under this new policy. In the response, the Ministry contact indicated that the shift in the economic environment since the release of the Long-Term Care Home Capital Development Funding Policy had caused additional barriers to long-term care capital development projects and has been identified as one of the main barriers to getting construction started.

While these barriers may exist during the planning stages, they also exist for projects currently under construction. The GPL/NCAM project timeline has been extended impacting on overall project costs. Further, heightened inflation has placed continued pressure on interest rates. As a result, interest rates remain elevated with the Bank of Canada overnight rate remaining at its highest level since 2001. This has a direct correlation to higher construction financing costs

during construction and possibly for future debt servicing costs over 25 years once project debenture(s) are issued through Infrastructure Ontario (IO).

For these reasons, staff recommended further action and advocacy to the Province to extend the eligibility of the supplemental funding to long-term care projects currently in the construction phase such as the GPL/NCAM project or provide a separate funding program to assist municipalities with the additional financial burden of these projects as a result of the current economic circumstances.

As directed by Council, staff drafted a letter that was signed by Warden Mandy Martin addressed to Minister Paul Calandra on January 30, 2023. Further, on January 23, 2023 staff and representatives of County Council met with the Minister as a delegation at the Rural Ontario Municipal Association (ROMA) Conference. The minister had requested information on the project which was subsequently provided to him. The signing of the Development Agreement with the Ministry has been kept in abeyance and a further delegation was requested at the 2024 ROMA conference which was denied. Most recently, staff have received confirmation from the MLTC Assistant Deputy Minister that the County is ineligible for the enhanced funding based on timing of construction start. With formal confirmation of this, and exhausting of advocacy efforts, staff will now execute with the MLTC the Development Agreement.

Staff also collaborated with the EOWC to complete an Eastern Ontario Wardens' Caucus Long-term Care Capital Construction Report. The GPL/NCAM project was used as the bases for the report with County staff and KPMG building a financial model to test and validate the impacts of the Provincial capital funding formula and calculate the cost of capital for the construction of a long-term care home. This report highlighted and quantified that Provincial funding for the GPL/NCAM project is insufficient to fund the capital costs nor does it adequately compensate for interest on borrowing noting that this was based on lower interest rates at the time. Further, that this adversely affects the borrowing capacity of municipalities and the Annual Repayment Limit (ARL) as prescribed by the Province. This report was provided at the delegation with the Minister at ROMA.

### **Financial Impact**

The following is a list of the various sources of financing that have been secured (or are anticipated to be available) for the overall GPL/NCAM project as originally contemplated.

|  |                    |
|--|--------------------|
| Ministry Development Grants              | \$4,486,140        |
| Canada Cultural Spaces Fund Grant (NCAM) | \$295,000          |
| County Reserve Funds                     | \$18,082,559       |
| County Development Charge Revenue        | <u>\$1,778,967</u> |
| TOTAL                                    | \$24,642,666       |

The balance of the project (including the hard construction costs and project soft costs) are being financed through IO by way of construction financing converting to a debenture issuance(s) upon, or leading up to, project completion that has been approved up to a maximum amount of \$96.8M. The original budget had contemplated utilization of debt amounting to \$92.7M. As a result of project cost escalations, additional debt will need to be sourced that

exceeds the maximum amount that was approved. County reserves are financing the additional interest costs for construction financing as a result of higher interest rates and may also provide a source of financing towards construction overruns.

Under the current Development Agreement with the MLTC, the County will receive funding from the Ministry under the Long-Term Care Home Capital Development Funding Policy, 2020. This includes a Construction Funding Subsidy (CFS) that provides a daily per diem per bed based on market segment classification over 25 consecutive years upon project completion. For the County this translates into \$1.3M per annum or \$33.7M over the 25 years.

Under the new Long-Term Care Home Capital Development Policy, 2022 the Ministry is supplementing the base CFS with a CFS top-up per diem. The new CFS top-up will provide eligible operators with an additional per diem amount of up to \$35 per bed. The GPL/NCAM project, as a 180-bed facility, would garner up to an additional \$2.3M per annum over 25 years if eligible or \$57.5M over the 25 years.

The news release from the MLTC on the enhanced construction funding stated that “construction costs and long-term borrowing interest rates have escalated over the past few years”. Although this statement solidifies recognition that projects such as the GPL/NCAM have incurred significant cost escalations, the project is deemed ineligible having received construction commencement approval prior to the threshold date of April 1, 2022.

Prior to cost escalations, the original financing for the project included \$92.7M in long-term debt being acquired through IO on debt approved up to \$96.8M. At the onset of 2022, the interest rate for a 25-year debenture with IO was 2.95% and it is currently 4.78%. Total interest costs on the original amount of debt being contemplated would have been \$39.0M at the start of 2022 and now, at current interest rates, would be \$67.1M representing an increase of \$28.1M. Further to this, cost escalations in the project overall will require sourcing additional financing. This will likely result in the County now acquiring additional debt as the only viable alternate source for financing the shortfall further driving up debt servicing costs (principle and interest). The CFS top-up per diem, had the County been eligible, would have provided a source of funding towards alleviating some of the future debt servicing pressures particularly related to increased interest costs as well as principle for project cost escalations.

### **Member Municipality Impacts**

The successful completion of the GPL/NCAM Redevelopment Project is essential for all residents of the County to ensure the delivery of high-quality, resident-centred care of current residents and to meet the increasing need and complexity of care for future residents. The development of the NCAM is also vital to the greater community and GPL residents to allow for expanded services and programs including additional storage and capacity for collections, a display and exhibition space to showcase a diverse range of County stories and allow for social engagement and community building.

### **Conclusion / Outcomes**

Staff execute with the MLTC the Development Agreement based on the Long-Term Care Home Capital Development Funding Policy, 2022 excluding the CFS top-up per diem as disallowed based on timing of construction start for the GPL/NCAM project.

### **Attachments**

1) January 25, 2023 Council Resolution # 2023-01-25-092