

OLTCA Quality Forum

B & C Redevelopment – Recent Experience



June 12, 2013



Ontario Development Experience

- Recent & Past Projects:
 - Constructed 15 homes (2,051 beds) under the MOH program in the early 2000s
 - Awarded two projects in 2009 B&C Redevelopment Program
 - Maple View in Sault Ste. Marie – 256 Beds
 - Extendicare Timmins – 180 Beds

EXTENDICARE



Maple View – Sault Ste. Marie



EXTENDICARE



Maple View – Sault Ste. Marie



EXTENDICARE



Maple View – Sault Ste. Marie



EXTENDICARE



Timmins Extendicare





Two Categories

- Construction & development experience
- Operational & financial considerations / challenges



Cost of Recent Projects

- Total cost per bed:
 - Sault Ste. Marie \$178,500 / resident
 - Timmins \$201,300 / resident
- This includes all development costs such as land, construction, insurance, bonding, FF&E, HST, construction interest, development fees, permitting costs and professional fees.



Comparing the Past to the Present

- Sault Ste. Marie construction cost per square foot:
 - Similar 2001 to 2003 project \$125.00 / sq. ft.
 - Sault Ste. Marie \$222.35 / sq. ft.
 - Increase of 79%



Comparing the Past to the Present

- Timmins construction cost per square foot:
 - Four similar 2001 to 2003 projects \$124.00 / sq. ft.
 - Timmins \$224.85 / sq. ft.
 - Increase of 83%



What Caused the Increase?

- Sault Ste. Marie cost per square foot reconciliation
 - 2001 to 2003 project \$125.00
 - Construction inflation 59.25
 - LEED, Z-32, Z-317, other code changes 16.40
 - Local booming construction economy 12.00
 - Construction management 5.00
 - Unique site specific items 4.70

 - Total of the above \$222.35
 - Actual Sault Ste. Marie \$222.35



What Caused the Increase?

- Timmins cost per square foot reconciliation:

– 2001 to 2003 project	\$124.00
– Construction inflation	58.80
– LEED, Z-32, Z-317, other code changes	10.05
– Local booming construction economy	23.10
– Construction management	4.30
– Unique site specific items	4.60

– Total of the above	\$224.85
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– Actual Sault Ste. Marie	\$224.85
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- Stats Canada Reports 1.474 Multiplier Since 2002

Construction price indexes (Non-residential building)

	2008	2009	2010	2011	2012
Non-residential building					
2002=100					
Total	150.8	142.0	141.4	146.6	150.7
Commercial structures	151.3	141.4	140.6	145.6	149.6
Industrial structures	154.2	146.7	146.2	152.2	156.6
Institutional structures	147.9	142.2	142.4	147.4	151.8



- Added costs to achieve LEED Certification
 - Per Enermodal, our LEED consultant:
 - Basic adds 1% to 3% to construction costs
 - Silver adds 3% to 7% to construction costs



The Impact of LEED, New Canadian Standards and Other Code Requirements

- Sault Ste. Marie changes in mechanical & electrical costs
 - 2001 to 2003 M&E costs \$39.70 / sq. ft.
 - After time & location adjustment \$62.00 / sq. ft.
 - Actual Sault Ste. Marie M&E \$78.40 / sq. ft.

 - M&E Impact of LEED, Standards & Codes \$16.40 / sq. ft.
 - Additional M&E cost per resident is \$9,700 / resident



LEED, Canadian Standards and Other Code Requirements

- Timmins changes in mechanical & electrical costs
 - 2001 to 2003 M&E costs \$36.75 / sq. ft.
 - After time & location adjustment \$59.60 / sq. ft.
 - Actual Sault Ste. Marie M&E \$69.65 / sq. ft.

 - M&E Impact of LEED, Standards & Codes \$10.05 / sq. ft.
 - Additional M&E cost per resident is \$6,400 / resident



Local Construction Economy

- Northern construction economy is booming
 - Gold mining and hydro projects
- Approximate additional costs due to booming northern economy:
 - Sault Ste. Marie 6%
 - Timmins 12%



Local Construction Economy Impact on Schedule

- Sault Ste. Marie production:
 - 2001 similar project 240 sq. ft. / day
 - Actual Sault Ste. Marie project 230 sq. ft. / day
- Timmins production:
 - 2001 similar projects 200 sq. ft. / day
 - Actual Timmins project 150 sq. ft. / day



Project Delivery Method

- Competitive tender - lump sum general contract
 - Construction delivery method used for 2001 – 2003 projects
 - Use when 4 to 6 pre-qualified contractors will bid
 - Least costly delivery method when trades and labour are plentiful



Project Delivery Method

- Construction Management:
 - Used for our Sault Ste. Marie and Timmins projects because not enough interested general contractors
 - Estimated construction management premium
 - Sault Ste. Marie 2.5%
 - Timmins 2.0%



Unique Site Specific Costs Relative to Model

- **Sault Ste. Marie**
 - Extra soil excavation costs due to steeper grades
 - Porte-cochere
 - Upgraded floor materials
 - Updated exterior facade
- **Timmins**
 - Wet & difficult soil conditions
 - Severe weather and two winter conditions
 - Porte-cochere



Other Additional Costs - Builder's Risk Insurance

- **Builder's risk insurance:**
 - Combustible building
 - 2001 – 2003 \$ 100 per resident
 - Timmins \$2,400 per resident



Then Compared to Now

- New homes built in 2001-2003
 - New residents
 - New staff
 - New licences
- B&C redeveloped homes
 - Existing residents
 - Existing staff
 - Existing licences



- Resident move considerations:
 - Sault Ste. Marie
 - Combined 2 complete homes & part of another
 - Significant planning effort
 - 5 day move period for entire building
 - Moved staff with residents
 - Required outside assistance
 - Timmins
 - Moving 1 building and some from community



- Private preferred financial concerns:
 - Goal is to fill more preferred rooms
 - Existing residents may be off bedded
 - Admissions policies delay fill of preferred rooms
 - Grandfathering rates reduces revenue stream



- Staff impact of combining existing homes:
 - Less training required
 - Consolidation of management roles
 - May be multiple unions
 - PSLRTA Considerations
 - Possible labour issues if obtaining incremental beds



- Lenders require licence approval before advancing funds
- Took 8 months
 - Same LHIN & same company
 - Begin early



- Where we go from here?
 - No single item will make it viable
 - Increased funding is needed
 - CMHC financing to provide more access to capital
 - Changes and flexibility in design standards
 - Changes in policies and processes

Thank you!



Brainstorming & Things to Consider

- Find better way to reach same sustainable LEED objectives?
 - Are we okay with LEED driven decisions that result in:
 - Institutional lighting designs for resident rooms
 - Unable to reuse existing office furniture
 - Shipping drywall waste from Timmins to GTA
 - Contemplating \$30,000 for electric car recharging stations
 - LEED consultants costing \$100,000+ per project



More Brainstorming & Things to Consider

- Is our industry adequately represented in the development of new codes and standards?
 - Is the z-32 Canadian Standard intended for LTC?
 - Added \$250,000 +/- but appears to have provided limited value for residents and staff.
 - Should LTC and hospital electrical systems be equal?
 - Requirement dependent on your Administrator's interpretation of "patient care area"



More Brainstorming & Things to Consider

- Impact of z-317 Canadian Standard
 - Is the benefit of increasing resident room air exchanges from 3 to 4 per hour worth the following:
 - Additional cost for larger mechanical systems
 - Higher yearly energy usage which conflicts with sustainability
 - Higher annual maintenance costs



More Brainstorming & Things to Consider

- Are fire alarm horns & strobes needed since LTCs are fully sprinklered and staffed 24/7
 - Or when tested do they cause more harm than good
- Should the MOH reconsider the retrofit household size minimum when an addition is involved (currently drops from 40 to 32 residents)?
- Should the maximum 32 bed household size be increased?
- If some programs such as dementia residents need smaller households consider a combination of household sizes.
- Should total beds be rounded up to achieve household maximum?
 - Timmins construction cost was \$11,900 / resident higher than SSM because it only had 30 resident households and not 32.



More Brainstorming & Things to Consider

- Would allowing two households to share dining space add value?
 - It could create multiuse space to be used for large celebration events
- Is the extra safety protection & benefit gained by more items on the emergency generator worth the additional cost?
- Why should one community obtain \$5,100 per resident for new development fees and another only obtain \$600 per resident?
 - Do new hospitals pay development fees?
 - Does the MOH have any influence on local development fees?



More Brainstorming & Things to Consider

- Would greater flexibility in construction delivery methods help process?
- If 30,000+ new beds developed would local jurisdictions accept a provincial drawing review committee as the governing body?
- Since reusing existing LTC buildings is one of the most sustainable option available should there be an MOH variance review committee that has authority to approve projects that deviate responsibly from the retrofit standards?
- When the projects were developed in the early 2000s the MOH had a government “Facilitator” that helped Owners navigate permitting complexities.
- We often ask ourselves “is it necessary, and if so can it be simplified?”