HALIFAX

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Item No. 12.4.1
Audit & Finance Standing Committee
September 19, 2018

TO: Chair and Members of Audit & Finance Standing Committee

Original Signed

SUBMITTED BY:

Jerry Blackwood, Acting CFO/Director of Finance & Asset Management

Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: July 16, 2018

SUBJECT: **Grant Request – Hospice Society of Greater Halifax**

ORIGIN

This report originates with the March 27, 2018 Regional Council motion directing staff to provide a staff report to consider the Hospice Society of Greater Halifax request for funding in the amount of $1,000,000 towards a Hospice Centre as outlined in the presentation to the Audit & Finance Standing Committee on February 21, 2018.

LEGISLATIVE AUTHORITY

Administrative Order 1 Respecting Procedures of the Council.
Schedule 2, 4(f) Audit and Finance Standing Committee Terms of Reference.

Halifax Regional Municipality Charter (“HRM Charter”), S.N.S. 2008, c.39
79(1) The Council may expend money required by the Municipality for
…
(av) a grant or contribution to
…
(v) any charitable, nursing, medical, athletic, educational, environmental, cultural, community, fraternal, recreational, religious, sporting or social organization within the Province,

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…

(vii) a registered Canadian charitable organization;

Administrative Order 2014-015-ADM Respecting Reserve Funding Strategies

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend that Regional Council decline the request for funding in the amount of $1,000,000 from the Hospice Society of Greater Halifax.

BACKGROUND

This report originates with a request from the Hospice Society of Greater Halifax ("the Society") for $1,000,000 toward the establishment of a Hospice Centre, payable in two (2) instalments of $500,000; the first payment in April of fiscal year 2019-20 and the second and final instalment in April of 2020-21. Founded in 2001, the organization is a non-profit society and a registered Canadian charity whose purpose is the establishment of non-denominational hospice facilities within the Capital Health District.

A hospice provides accommodations for terminally ill individuals in the later stages of life and may also provide respite care for a patient's primary caregiver(s). As stated in the Society's presentation to the February 21, 2018, meeting of the Audit & Finance Standing Committee: "At present, 80% of Nova Scotians declare they would prefer to die at home but only 20% are able to do so. Often, as a result of pain management, caregiver fatigue or end of life complications, hospital admissions increase significantly in the last few weeks of life. Where hospices already exist elsewhere in Canada it is recognized that end of life care can be provided at significantly reduced public expense. Moreover, both the dying and their families benefit from experiencing precious time together in a home-like setting without the stress of managing end of life care. Admission to hospice will be by medical referral and without charge".

Precedence for Municipal Spending on Health Care Facilities
Following amalgamation in 1996 Regional Council agreed to fulfill outstanding capital grant pledges, including medical and out-patient facilities, made by its predecessor municipal units but the payment schedule was adjusted to address municipal deficit reduction. Payment was made in installments over a 5-year period (1996 to 2000) and the terms varied on a case-by-case basis. These outstanding commitments were referred to as "Capital Pledges" and were paid through Fiscal Services.

Medical Facilities - Although medical/health services are not a municipal mandate, of the $4,079,000 in Capital Pledges outstanding to ten (10) organizations at amalgamation $3,246,000 (79.5%) was to be paid to large-scale hospital expansion projects undertaken by the provincial government aided by fundraising campaigns undertaken by hospital foundations[1]. Upon retirement of these pledges, the Cobequid Multi Service Centre Foundation and the Dartmouth General Hospital Charitable Foundation each requested a further $500,000. Both requests were declined[2] on the basis of:

- jurisdictional mandate (delivery of hospital health care is a provincial mandate in concert with the federal government);
- HRM's budget/debt capacity and competing municipal priorities (notably deferred property maintenance);

[1] Grace Maternity Hospital Foundation, IWK Children's Hospital Foundation, Camp Hill Medical Centre Foundation, Dartmouth General Hospital Charitable Foundation, and the Cobequid Multi Service Centre Foundation.

[2] Report to Regional Council meeting of May 7, 2002, Community Grants Program: Capital Request – Dartmouth General Hospital and Community Health Centre Foundation, 325 Pleasant Street, Dartmouth, dated January 15, 2002 and Community Grants Program: Capital Request – Cobequid Multi-Service Centre, 70 Memory Lane, Lower Sackville dated January 18, 2002.

- the applicant's established fundraising capacity and investment equity; and
- funding to government-owned and operated facilities as compared to HRM's capacity to address funding requests from facilities owned and operated by non-profit organizations.

Out-Patient Accommodations - The Capital Pledge most comparable to the Halifax Hospice project was the Canadian Cancer Society's construction of out-patient accommodations on South Park Street, Halifax. *The Lodge That Gives Campaign* received $180,000 towards construction of a 10-bed facility serving persons travelling to Halifax for specialized treatment. The facility has since been expanded with an additional 28 beds and enhanced amenities. The Cancer Society raised $15,000,000 for the expansion project and did not apply for municipal funding. However, HRM's operating assistance through partial tax relief[3] under *Administrative Order 2014-001-ADM* increased based on the property's revised assessment value.

Hospice Facilities - In 2009, the Society was the only respondent in a Call for Expressions of Interest to purchase a surplus municipal property located at 9 Spring Street, Bedford. The appraised value of the property was $220,000 but was sold to the Society at less than market value for the sum of $1.00. The Municipality's interest, including the registered heritage status of the property, was secured with a Buy-Back Agreement and a Public Access Easement to ensure continued access to an HRM-owned tennis court encroaching the rear of the premises. The Society's proposal anticipated immediate occupancy as an office with outreach programming pending conversion into a residential hospice. The sale closed in March of 2010. In 2011, the Society was added to Schedule 29 of *Administrative Order 2014-001-ADM*: the level of tax relief was based on the building's interim use as an office.

Because the property was zoned Institutional and did not permit office space as a primary use, the Bedford Land Use By-law would have had to have been amended if residential accommodations were not provided at this location. At this stage, the Buy-Back Agreement could have been invoked by HRM because the intended use as stated in the Society's submission and the basis of Council's in-kind contribution through a less than market sale was not fulfilled. In the alternative, a motion was tabled at the June 15, 2015, meeting of the North-West Community Council requesting a report regarding possible by-law amendments to broaden the definition of a "special care facility" to include non-residential facilities (ie. a non-residential hospice)[4]. The by-law amendment consideration did not proceed due to subsequent notification from the Society that they wished to vacate and either return the property to HRM under the terms of the Buy-Back Agreement or sell the property if HRM had no interest in a repurchase. This notification coincided with a long-term land lease agreement between the Society and the Atlantic School of Theology to enable construction of a hospice facility in Halifax.

In 2016, the Buy-Back Agreement was exercised and HRM repurchased 9 Spring Street, Bedford, for the purchase price of $156,200[5] plus estimated closing costs of $23,430 for a combined estimated total of $179,630. Council then assigned the property to the Community Interest category under *Administrative Order 50*. This disposal category restricts consideration to registered non-profit and charitable organizations. If HRM is unable to sell the property for $179,630, the Municipality will incur a net cash loss.

DISCUSSION

This request for funding does not fall within any of Council's existing grant programs. To enable an evaluation of the grant request, the Society was asked to provide additional information with respect to anticipated occupancy, an itemized capital budget for the construction, a projected operating budget, an update on the status of the capital fundraising campaign, and financial statements for the prior three (3) years.

[3] Currently, the Lodge receives 50% reduction at the Residential rate (Schedule 28).

[4] Minutes, North-West Community Council, June 15, 2015, Item 10.2.1, p. 9.

[5] Regional Council, September 20, 2016 – Buy-Back Agreement – Hospice Society of Greater Halifax – 9 Spring Street, [Bedford] dated September 9, 2016. In Camera report de-classified April 12, 2018.

I. Project Overview

The project encompasses demolition of two existing residential structures and the construction of a three-storey building of approximately 15,423 square feet containing 10 single-occupancy units for patients, a family/guest room, a dining/living room, five (5) offices, a nurses' station, training centre, and associated mechanical and storage areas. The estimated capital cost is $6,774,372.00 excluding in-kind donations from sub-contractors valued at $41,100.00. These costs include professional fees, demolition, site preparation, construction, furnishings, equipment, landscaping, unrecoverable HST (7.5%), project management, and a construction contingency. The project has commenced and the facility is expected to open in the Fall of 2018[6].

- *Land Lease Agreement* - In 2015, the Society entered into a "ground lease"[7] agreement with the Atlantic School of Theology, 618 Franklyn Street, Halifax. The lease has an initial 20-year term commencing April 1, 2016, to April 1, 2036, and includes three renewal terms of 20 years and one renewal term of 19 years that if executed would bring the total term of the lease to 99 years. The lease is registered[8].

- *Nova Scotia Health Authority Operating Agreement* – In 2016, the Society entered into an agreement with the Nova Scotia Health Authority ("NSHA") to collaborate in the establishment and operation of a residential hospice. The agreement has an initial 5-year term from the date of opening "Hospice Halifax" and may be renewed for subsequent 5-year terms. The NSHA has committed to pay 50% of specific annual operating costs. In an NSHA press release dated May 17, 2016, this agreement was promoted as advancing the Province's palliative care strategy: "Adding this new capacity is also part of the plan to relocate services from the aging Centennial Building at the VG site of the QEII Health Sciences Centre". Under the agreement the Society manages day-to-day facility operations as part of a community-based palliative care program and works with NSHA staff to support planned admissions and discharges.

Capital Financing Agreement – In 2017, the Society entered into a Leasehold Mortgage Agreement with Housing Nova Scotia for a repayable bridge loan. The agreement permits repayment in whole or in part at any time without penalty. In correspondence received May 8, 2018, the Society indicated that they are in negotiations with their lender to increase financing to facilitate completion of the construction as scheduled. In addition, the Society has secured pledges of over $2,000,000 and the projected operating expenditures provide for on-going fundraising.

Projected operating and capital costs are listed in Attachment 1 of this report.

II. Funding Recommendation and Rationale

Capital Funding - The staff recommendation to decline funding is consistent with a prior Council decision with respect to jurisdictional mandate for medical/health facilities[9]. Although the argument put forth in the Society's funding request respecting reducing hospital admissions and associated end of life care costs is in the public interest such savings accrue to those levels of government responsible for medical services, not the Municipality. The recommendation also acknowledges the Society may be able to complete the

[6] https://hospicehalifax.ca/construction/

[7] A ground lease may also be referred to as a land lease.

[8] Lease and Mortgage are registered with the Nova Scotia Land Registry Document No.110500346.

[9] See: Background section of this report – Precedence for Municipal Spending on Health Care Facilities.

project independent of municipal funding through government financing secured on favourable terms. The facility is expected to be largely complete and operational by the Fall of 2018.

Operating Assistance – In 2017, the Society made application to the municipal *Tax Relief for Non-Profit Organizations Program* for full exemption (Schedule 26). Although the land lease was registered the property has not been assessed as taxable and as such does not meet the tax relief program's eligibility criteria. The applicant was referred to the 2019 program[10]. However, the assessment classification is unconfirmed and if all or a part of the facility is used for the relocation of hospital medical services there may be implications under sub-clause 5(1)(t) of the *Assessment Act*, which exempts the property of a "hospital" (as defined in the *Hospitals Act*) from taxation.

FINANCIAL IMPLICATIONS

There are no financial implications associated with the recommendation in this report.

RISK CONSIDERATION

In the absence of an open call for submissions, formal policy and evaluation criteria, the risk to the Municipality is largely reputational insofar as qualified non-profit organizations may be denied equitable consideration.

COMMUNITY ENGAGEMENT

Not applicable.

ENVIRONMENTAL IMPLICATIONS

Not applicable.

ALTERNATIVES

1. Notwithstanding a prior decision of Council not to fund two medical facilities on the basis that the requests were outside of the municipality's mandate and funding priorities[11], Council could approve a one-time contribution based on the Municipality's demonstrated support for the establishment of a hospice in relation to the less than market value sale of 9 Spring Street, Bedford. Because the request falls outside an established municipal grant program an award could be approved by resolution of the Council and issued under terms and conditions set out in a Contribution Agreement.

   If Council selects this alternative it is recommended that the value of award not exceed $250,000; this value is based on HRM's in-kind contribution of $220,000 through the less than market value sale of 9 Spring Street, Bedford. Using a compound interest rate (Consumer Price Index) the equivalent contribution in 2018 would be $243,996. Because the timing of Council's 2019-20 municipal budget approval cannot be predicted, the timing of any payment would be at HRM's discretion.

   If Council selects this option and chooses to use a Contribution Agreement a Supplementary Report would be advisable. The funding could be provided in one lump-sum payment issued under Fiscal Services in 2019.

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[10] Report to Grants Committee meeting of June 11, 2018, Tax Relief for Non-Profit Organizations Program: Fiscal Year 2018 – Part 1 Proposed Amendments to Schedules, dated April 20, 2018, p.12.
[11] See: Attachment 1 of this report.

2. Regional Council could award a municipal contribution in a higher amount and direct the CAO to direct staff to prepare a Supplementary Report to identify a funding source, financial implications, and the terms and conditions of funding in a contractual Contribution Agreement.

ATTACHMENTS

1. Projected Capital and Facility Operating Budget.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Peta-Jane Temple, Team Lead Grants & Contributions, Finance & Asset Management 902.490.5469

ATTACHMENT 1

Projected Capital Project and Facility Operating Budget

I. Projected Capital Budget

The following is an abridged compilation from applicant's supplementary support materials.

Projected Revenue

Mortgage	$4,200,000[1]
Campaign Pledges	$2,000,000[2]
In-Kind Donations (Corporate)	$41,000[3]
Total	**$6,241,000**

Projected Expenditures

Abatement	$43,000
Demolition	$90,080
Site Preparation	$396,000
Landscaping	$150,000
Concrete Work	$298,908
Masonry	$153,300
Construction	$2,161,338[4]
Specialities	$48,415[5]
Window Treatments	$8,555
Equipment	$40,320[6]
Elevator	$117,000
Fire Suppression	$53,875
Plumbing/HVAC	$571,500
Electrical	$415,700
Fees: Contract Management	$355,289
Reimbursables	$368,119
Construction Contingency	$200,000
Fees: Architectural/Engineering/Project Management	$560,000
Furniture, Fixtures, Equipment	$300,000
Unrecoverable HST	$484,072.65
Total	**$6,774,372.65****

** A potential deficit of $533,372.65 could be mitigated if the Society is able to (i) decrease expenditures and/or (ii) increase their mortgage by $2,000,000 as indicated in correspondence to HRM but the projected operating budget may need to be amended to increase loan interest payment if capital campaign revenues were to stagnate.

Notes:

1. Housing Nova Scotia negotiations in progress as of July, 2018.
2. Campaign status as of July, 2018. Actual schedule of receipt not stated but the value of commitments to date would cover the additional $2,000,000 the Society is seeking in an increase to the mortgage. Campaign will continue towards debt repayment as per mortgage schedule.
3. In-Kind Donations extracted from applicant's projected capital budget: construction related in-kind donations from contractors.
4. Exterior/interior structural, siding, windows, interior/exterior doors, roof, insulation, flooring, drywall, painting, entrances/interior glass.
5. Not specified.
6. Electric fireplaces, bathing system, interior/exterior signage.

II. Projected Operating Budget (Year 1)

Projected Revenue

General Donations	$250,000
Event Revenue	$250,000
Grants	$ 43,750
NSHA Funding	$860,000[1]
Total	**$1,403,750**

Projected Expenses

Salaries, Wages and Benefits	
Non-clinical	$527,612[2]
Clinical	$1,049,487[2]
Advertising/Promotions	$8,000
Audit and Legal Fees	$10,000
Bank and Credit Card Charges	$5,400
Dues and Subscriptions	$2,000
Food	$40,000
Lease (Francklyn Street)	$57,300
General and Cleaning Supplies	$7,600
Insurance	$10,000
Internet, Telephone and Cable	$4,000
IT Support and Maintenance	$2,400
Landscaping and Snow Removal	$4,000
Laundry	$8,500
Utilities	$8,000
Medical Surgical Supplies	$35,000
Meetings	$2,400
Office Supplies and Printing	$12,000
Payroll Processing	$3,500
Postage and Freight	$4,800
Security	$1,500
Small Equipment	$12,000
Travel	$2,400
Volunteer Training, Hospitality, Mileage	$11,000
Waste Removal	$7,000
Water/Sewer	$6,000
Loan Interest	$150,000[3]
Capital Campaign and Fund Development	$100,000[4]
Total	**$2,091,899****

** A potential deficit might be negated by on-going designated facility fundraising campaign.

<u>Notes:</u>

1. The value may be under-stated: the 2016 NSHA agreement funding formula allows for inflation.
2. Approximately 50% of operating costs are for clinical staff who will be employees of the Society, except for some attending physicians that will bill fee-for-service. Non-clinical full-time staff expected to include: CEO, administration/finance clerk, communications/support services manager, social work coordinator, food service manager, and facility manager.
   Pharmaceutical costs are covered by the patient's private drug coverage or through the Provincial Palliative Care Drug Program if eligible.
3. An amount of $150,000 may vary based on total mortgage and applicable interest rate.

4. Contractual employee to manage fundraising campaign. HRM review assumed that event-related costs are included in “Capital Campaign and Fund development” expenditures.

The projected operating budget is for only the first year of operation and therefore does not include preventive maintenance or minor repairs.

Review Notes:

- Projected operating expenses exclude payment of real property tax. Applicant referred to Property Valuation Services Corporation for assistance in estimating an assessment value.
- Projected operating revenue does not include partial HST rebate from Revenue Canada.