



Corporate Report

NO: R014

COUNCIL DATE: FEBRUARY 12, 2007

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **February 6, 2007**
FROM: **Acting General Manager, Planning and Development** FILE: **0460-01**
General Manager, Finance and Technology
SUBJECT: **Surrey Memorial Hospital Foundation Emergency Centre Campaign**

RECOMMENDATION

It is recommended that Council:

1. Receive this report as information;
2. Commit to making a grant to the Surrey Memorial Hospital Foundation in an amount equivalent to the rezoning, development permit and building permit application fees that will be received by the City, related to the proposed Emergency Centre Expansion at the Surrey Memorial Hospital and related to the Ambulatory Care Facility proposed to be built on the Green Timbers site, with such a grant being made subsequent to the receipt by the City of the said application fees;
3. Direct staff to include in the 2008 budget, an appropriate allocation of funds in support of such a grant; and
4. Instruct the City Clerk to forward a copy of this report and the related Council resolution to the Surrey Memorial Hospital Foundation.

INTENT

The purpose of this report is to respond to the direction from the Finance Committee for a report on the request by the Surrey Memorial Hospital Foundation (the "SMHF") as documented in a letter dated November 16, 2006 (copy attached as Appendix I), that the City of Surrey consider increasing its commitment for the SMHF Emergency Centre Campaign.

BACKGROUND

Delegations by the Surrey Memorial Hospital Foundation

A delegation from SMHF appeared before Council on June 12, 2006, requesting that the City consider partnership options with regard to the expansion of the new Emergency Centre at the Surrey Memorial Hospital. The options suggested by the SMHF included the waiving of building permits fees and development charges, offering in-kind contributions in the form of upgrades and site development, utilizing capital budget or debentures for financing all or part of the investment against anticipated revenues from new building permits and Development Cost Charges (DCC), and exploring the possibility of negotiating amenity fees from developers.

On July 24, 2006, Council considered Corporate Report No. R171, which discussed the six options put forth by the SMHF. Council, at that meeting, directed staff to examine means by which assistance could be provided and, specifically, that staff examine DCC reductions or other fee reductions that the City would typically charge for the purposes of issuing permits for the subject expansion.

On October 16, 2006 Council considered Corporate Report No. R211, which provided a description of approaches which the City could take to support the development of a new Emergency Centre at Surrey Memorial Hospital. At that time Council resolved to:

"Support the development of new health facilities, in part, by expediting the development approval process, which will contribute to the timely completion of new hospital facilities in Surrey;

Approve a grant of up to a maximum amount of \$400,000, toward the building permit fees that will be payable for the Emergency Centre expansion at the Surrey Memorial Hospital and that such a grant be provided at the time when the building permit fees would normally be paid; and

Direct staff to include a sufficient appropriation in the City's operating budget to cover such a grant".

At its Regular Council meeting on November 20, 2006, Council received a letter, dated November 16, 2006 from the SMHF (Appendix I), which included a request that the City consider increasing its commitment to the SMHF fund raising campaign from \$400,000 up to \$4 million. The letter offered some suggestions as to how the City could provide the additional amount. Council referred the SMHF's letter to the Finance Committee.

At its December 11, 2006 meeting, the Finance Committee considered the subject letter and requested that staff study the request and provide a report back to Council on the matter.

DISCUSSION

Staff has reviewed the suggested funding opportunities, as identified in the SMHF letter. The following provides information in relation to the results of that review.

Increase the Approved Grant Amount Based on Building Permit Fees

Council adopted the recommendations of Corporate Report No. R211 that the City provide assistance in the form of a grant directly to the SMHF, up to a maximum of \$400,000, from the building permit fees that would be payable for the Emergency Centre expansion at the Surrey Memorial Hospital. The SMHF has noted that this is the lowest amount that would be paid for building permit fees for the Emergency Centre. Building permit fees are calculated based on the cost of construction for a project. Given the rising cost of construction, the building permit fees for the Emergency Centre expansion could reach as much as \$650,000.

In addition to the construction of the new Emergency Centre at Surrey Memorial Hospital, the Fraser Health Authority will be proceeding with the construction of a new Ambulatory Care Facility on a site in Green Timbers. Preliminary estimates provided by SMHF suggest that the building permit fees for the Ambulatory Care Facility will be in the order of \$700,000. Other projects at Surrey Memorial Hospital, being undertaken to build immediate capacity, will require the payment of building permit fees in the range of \$100,000. The estimated building permit fees for all three projects combined, total approximately \$1.45 million.

In addition to building permit fees, the Emergency Centre project and the Ambulatory Care Facility project will generate fees to the City associated with rezoning, and development permit applications. Based on the estimates provided by the SMHF, these will amount to approximately \$600,000.

To demonstrate the City's commitment to ensuring the delivery of high quality hospital services in the City, Council could commit to providing a grant to the SMHF in an amount equivalent to the building permit, development permit and rezoning application fees that are paid for the referenced projects, subsequent to such fees being received by the City. Such a grant could amount to as much as \$2.05 million, based on the above-referenced figures.

DCC Savings from the Ambulatory Care Facility

Corporate Report No. R211 noted that the DCC rate for hospitals has been reduced under the most recent DCC By-laws in comparison to the rate previously charged for hospital development.

Preliminary figures provided by the Fraser Health Authority suggest that this reduction will result in a savings of approximately \$650,000 related to the Ambulatory Care Centre. These savings combined with the \$168,000 in savings for the proposed Emergency Centre/Acute expansion total \$818,000.

It is noted that the SMHF has assurance from the Fraser Health Authority and the Provincial Government that any savings resulting from their conversations with the City of Surrey will be credited to [the Foundation's] campaign. Since the SMHF has such an agreement with Fraser Health and the Provincial Government, SMHF could negotiate to include the \$818,000 of DCC savings into their current fund-raising campaign.

Consider Street Upgrade Costs in Calculation of Grant Amount

The SMHF also requested that the City absorb the cost of completing street upgrades at the Green Timbers site, specifically the cost to build intersection improvements on 140 Street and a new access street off 140 Street to the Ambulatory Care Facility. The total estimated cost of these works is \$900,000.

Costs associated with street upgrading work, as required from development projects, are not included in the City's budget. The City collects DCCs to pay for widening arterial roads, while the developer pays for the cost of establishing local roads or providing access to their development site. The intersection works and access road are needed for direct access to the Ambulatory Care Facility. If the City were to absorb the costs of the subject works related to the Ambulatory Care Facility, other scheduled improvements in the City would be delayed and expectations held by others would not be met.

CONCLUSION

Based on the above, Council may wish to increase the City's contribution to the SMHF's current fund-raising campaign, by committing to a grant to the SMHF in an amount equivalent to the fees paid for the rezoning, development permit and building permit applications that will be processed by the City for the proposed Emergency Centre Expansion at the Surrey Memorial Hospital and related to the Ambulatory Care Facility proposed to be built on the Green Timbers site, with such a grant being made subsequent to the receipt by the City of the said fees. If Council approves such an approach the grant could ultimately total approximately \$2.05 million. This amount, combined with the \$818,000 in reductions to the DCCs payable on the subject projects, totals \$2.82 million.

How Yin Leung
Acting General Manager
Planning and Development

Vivienne Wilke
General Manager
Finance and Technology

JM/rdd/saw

Attachments:

Appendix I Letter from the Surrey Memorial Hospital Foundation dated November 16, 2006



Surrey Memorial Hospital
FOUNDATION

Making life better.

RECEIVED

NOV 20 2006



November 16, 2006

Mayor Dianne Watts
City Councillor Bob Bose
City Councillor Tom Gill
City Councillor Linda Hepner
City Councillor Judy Higginbotham
City Councillor Marvin Hunt
City Councillor Mary Martin
City Councillor Barbara Steele
City Councillor Judy Villeneuve

City of Surrey
14245 – 56th Avenue
Surrey, British Columbia V3X 3A2

RE: Partnership with Surrey Memorial Hospital Foundation

First, let us extend our gratitude to you on behalf of Surrey Memorial Hospital Foundation and our Board of Directors, for the City's recent decision to support our Emergency Centre Campaign. We want like to clarify, however, some elements of the Corporate Report, dated October 11, 2006, which had been presented to and approved by Council.

The \$400,000 maximum grant approved by Council is likely the lowest amount to be paid by Fraser Health for Building Permit Fees. Also, the \$122,000 in savings from the amended DCC by-law only includes the ER component of the expansion project. The total savings for the new ER, floors above and the Outpatient Care Facility will be \$550,000, based on numbers provided by Fraser Health. Consequently, the commitment of the City, to date, is actually \$950,000.

We realize our original request to the City of Surrey is significantly higher than Council is able to consider, but we want to ask the City to consider increasing your commitment up to \$4 million. The City of Surrey can waive the opportunity to make money from this development of desperately needed health care facilities.

In discussion with Fraser Health we have developed the following list of high level estimates for fees that would be paid to the City of Surrey for the three projects associated with the Surrey Health Services Capacity Initiative.

Fees to be paid to the City of Surrey for the Surrey Health Services Capacity Initiative Projects				
Type of Charge	Outpatient Care Facility	ER/Acute	Immediate Capacity Development (Renovations)	Total
Development Cost Charges (DCCs) <i>These are the savings that will be realized from the amendment</i>	\$375,000	\$168,000		\$550,000
Rezoning / Development Permits	\$400,000	\$200,000		\$600,000
Building Permit Fees	\$700,000	\$640,000	\$96,000	\$1,436,000
Other Trade Charges*	\$180,000	\$160,000	\$6,000	\$346,000
	\$1,655,000	\$1,168,000	\$102,000	\$2,932,000

**this is based on the fees that are paid directly to the City by contractors and other parties that they include in their total when doing business with Fraser Health*

Additionally, there are two major upgrades that will need to take place at the Green Timbers site that the City could look at completing at no cost to Fraser Health. These include:

- Cost to build intersection \$500,000
- Cost to build a new access street \$400,000

The total for fees and upgrades that could be waived or granted back to the Foundation totals \$3.8 million, of which \$950,000 has already been confirmed. It is highly likely these estimates will increase once construction begins.

We hope that the City will make a decision regarding their commitment by the end of 2006 in time for our Campaign Launch in the spring of 2007 where we would like to recognize the City as our lead investor in this project.

I would like to clarify that we have an agreement with Fraser Health and the Provincial Government that we can raise funds in support of any of the above listed projects as a part of our \$15 million commitment. We also have assurances that any savings resulting from our conversations with the City of Surrey will be credited to our campaign. This will allow us to directly manage the expectations of the City and ensure that state-of-the-art facilities are indeed built for the residents of Surrey.

Surrey Memorial Hospital Foundation's Emergency Centre Campaign presents our community leaders with an opportunity to contribute to the health, prosperity and long-term success of our community. Please do not hesitate to contact me if you require any additional information or have any further questions. Thank you again for your consideration.

Sincerely,



Chris Midmore
Campaign Chair



Norman Stowe
Campaign Executive

Cc: Mr. Murray Dinwoodie, Acting City Manager
Mr. How Yin Leung, Acting General Manager, Planning and Development