

HOSPITAL CAPITAL FUNDING

(Regional Council at its meeting on December 11, 2003 adopted the foregoing Report with the following additional amendment:

2. That the Regional Chair send a letter to all Regional M.P.P.'s soliciting their support for this resolution.)

1. RECOMMENDATIONS

It is recommended that:

1. Council request the Ministry of Municipal Affairs and Housing to amend the Development Charges Act, 1997 ('DC Act, 1997) to reinstate Hospital Capital expenditures as costs eligible for recovery from development charges under the DC Act, 1997.

2. PURPOSE

At its meeting held on November 20th, 2003, Regional Council directed staff to prepare a report to support a request to the Province to reinstate the eligibility of hospital capital expenditures for Development Charge funding.

This report:

- i) Summarizes the support the Region has historically provided to York Region hospitals regarding the funding of capital costs, and;
- ii) Requests that the Ministry of Municipal Affairs and Housing amend the Development Charges Act, 1997 to allow for the collection of development charges to fund hospital capital costs.

3. BACKGROUND

3.1 Capital Funding History

In 1979, the Region initiated lot levies for residential development. During the 1980's, the Region provided funding support for one-third of the local hospital's one-third share of costs, with the Province funding two-thirds of the hospital capital works. In total, the Region funded \$16.2 million from lot levies and issued debentures of \$7.1 million of capital improvements at Markham/Stouffville Hospital. The debenture payments were paid through a combination of tax levy and lot levies.

The Region's initial Development Charge ('DC') By-law enacted in 1991, provided for a two-thirds portion of the local hospital's one-third capital funding share (net of the Provincial funding) to be eligible for DC funding.

During the years 1997 to 1999, Regional Council approved/committed \$7.8 m in funding from development charges to York Central and Southlake Regional (formerly York County) Hospital.

3.2 Development Charges Act, 1997

Provincial Legislation was amended and received Royal Assent in March 1998. The 'DC Act, 1997' removed solid waste management, administration facilities, and the hospitals as eligible development charge categories. Consequently, the Region's DC By-law approved by Council and enacted in June 1998 eliminated the collection of development charges for future hospital capital funding purposes.

4. ANALYSIS AND OPTIONS

In 1999, York Central Hospital, Southlake Regional Health Centre and Markham Stouffville Hospital requested that the Region continue to provide support to their ongoing capital programs. These three hospitals outlined capital requirements totalling \$202 million over the next two to five years. The Provincial Government provided preliminary funding commitments totalling \$125 million representing 62% of the total requirements.

On March 9, 2000, Council approved funding to the three hospitals equal to 50% of the preliminary amount to be funded by the Ministry of Health. Of the \$202 million total project costs, this represented funding totalling \$62.5 million to the hospitals.

A 2% tax levy increase for Hospital Capital improvements was approved in the 2001 Regional Business Plan and Budget and adopted April 12, 2001. This 2% surcharge amounts to an annual contribution of \$7.3 million. Since the inception of the surcharge, York Region has funded \$13.2 million to Southlake Regional Hospital and \$8.7 million to York Central Hospital. Construction of the redevelopment projects for Markham Stouffville Hospital has not yet begun.

The hospitals have indicated that there are capital projects to be undertaken in addition to these works for which they will be seeking Regional and Provincial support.

5. FINANCIAL IMPLICATIONS

The elimination of development charges as an eligible source for future hospital capital funding is of significant consequence to high growth areas such as York Region. If the Province amends the legislation to include hospitals as being eligible for development charge funding, the development charges collected would be used to help fund the Regional funding commitment. This would assist in funding the hospital capital expenditures resulting from growth. Additionally, collecting development charges for hospitals would assign costs related specifically to growth to the development creating the need for these improvements.

6. LOCAL MUNICIPAL IMPACT

The three hospitals provide essential services to all residents of York Region. The high growth in population to the Region has placed increasing demands and pressures on medical treatment and hospital facilities. Funding the three hospitals assists in servicing this demand in the Region's area municipalities.

7. CONCLUSION

York Region has historically funded hospital capital infrastructure. This report outlines the history of how the Region has funded hospitals. This report recommends that Council request the Ministry of Municipal Affairs and Housing to amend the Development Charges Act, 1997 to reinstate the collection of development charges for hospital capital expenditures.