

**ARMITAGE GARDENS (NEWMARKET HEALTH CENTRE PHASE 3)
COMMUNITY RENTAL HOUSING PROGRAM – FUNDING RECEIVED**

The Community Services and Housing Committee recommends the adoption of the recommendations contained in the following report, September 9, 2003, from the Commissioner of Community Services and Housing:

1. RECOMMENDATIONS

It is recommended that:

1. The capital budget for Armitage Gardens be adjusted to include unplanned expenditures and reflect the recently announced funding allocation from the Pilot Initiative of the Community Rental Housing Program (CRHP) to the Region in the amount of \$1,566,000, by way of a forgivable loan, making the final approved capital budget for the project \$8,431,702.
2. Regional Council authorize the Commissioner of Community Services and Housing to enter into a Provincial Contribution Agreement and any other necessary agreement with the Ministry of Municipal Affairs and Housing (MMAH) to access the above funding under the CRHP for such funding subject to the approval of the Regional Solicitor.
3. Debentures be issued to MMAH in the amount of \$1,566,000 for a term of 15 years or such other term as may be agreed between the parties as security for the above forgivable loan.
4. The Regional Solicitor be authorized to prepare the necessary by-law.

2. PURPOSE

The purpose of this report is to advise of the Province's approval of a funding allocation to the Region from the Pilot Initiative of the Federal/Provincial CRHP in the amount of \$1,566,000. This funding allocation allows the project capital budget to be adjusted to allow both a reduction of \$1,000,000 in the amount to be financed by the Region, and to offset unforeseen costs that arose during construction in relation to building structure and site conditions (estimated at \$566,000).

3. BACKGROUND

This project has been under development since 1996 as part of the overall redevelopment strategy for the Newmarket Health Centre site.

A public tender call was issued on April 26, 2002. The project was tendered jointly with the Phase 2A Long Term Care office renovations and programming space. The two

departments have been co-operating on shared costs to complete the project within budgeted amounts for both phases of the redevelopment.

The Region was successful in securing capital funding under the Federal government's Residential Rehabilitation Assistance Program (RRAP). The total RRAP contribution to the Region's 58 unit seniors redevelopment project is \$1,821,000. In addition, the Region received \$20,000 from the Affordability and Choice Today (ACT) program sponsored by Canada Housing and Mortgage Corporation (CMHC).

In June 2003, Council authorized staff to make application to the Ministry of Municipal Affairs and Housing for funding under the Pilot Project Initiative of the Federal/Provincial Community Rental Housing Program. The approved CRHP funding allocation allows the project budget to be adjusted to allow both a reduction in the overall Regional contribution to the project and to deal with unforeseen issues that arose during the construction in relation to building structure and site conditions.

On August 28, 2003, York Region received written confirmation of its successful CRHP application and conditional approval in the amount of \$1,566,000.

On June 27, 2002, Council gave final approval to the project at a total budget of \$7,865,702 for the residential component of the redevelopment.

4. ANALYSIS AND OPTIONS

4.1 Budget Adjustment

It is proposed that the overall budget be adjusted as follows:

Table 1
Budget Adjustment

	Original Budget	Revised Budget
Construction Contract	\$6,750,000	\$6,750,000
Architect Fees	469,125	541,000
GST	216,574	280,702
Contingency	430,003	860,000
Total	\$7,865,702	\$8,431,702

The Armitage Gardens funding sources are adjusted as follows:

Table 2
Funding Sources

	Original Budget	New Budget
Federal RRAP Contribution	\$1,841,000	\$1,841,000
Provincial MOH-LTC Funding	500,000	500,000
CRHP Funding	0	1,566,000
Regional Contribution	1,500,000	1,500,000

Total Contributions	\$3,841,000	\$5,407,000
Amount to be Financed	\$4,024,702	\$3,024,702
Total Funding	\$7,865,702	\$8,431,702

4.1.1 Unplanned Costs

At the time of the final project approval, the budget contained \$430,000 for contingency, 6% of the contract price as would normally be considered adequate for new construction, but not usual for renovations. Because the first phases of the Long Term Care facility had been completed under the direction of the same architect, it was felt that most of the major site conditions had been accounted for and that the planned contingency fund would be adequate. Unfortunately, this has not proven to be the case. It is standard practice to budget substantially higher contingency (12-15%) for renovation projects because site conditions are generally unknown.

As is typical on a job of this nature, there have been a number of small Change Orders that have been paid for through the budgeted contingency. However, there have also been a number of large unforeseen occurrences that have exhausted the contingency at a point when the contract is approximately 72% complete.

Examples of the unplanned costs are as follows:

- The tendered construction price was higher than the estimate, resulting in an increase in the architect fees in the amount of \$71,875.
- The Town of Newmarket waived approximately \$93,000 of the levy and permit fees; however, due to changes in final construction costs and other fees and charges, the final tally was higher than originally estimated.
- An understatement of the cash allowance for asbestos abatement by \$130,000.
- The past winter's extreme and prolonged cold weather caused major heaving and cracking of the south parking lot to the extent that it must be replaced at a cost of \$75,000. This was not originally contemplated, as the parking area appeared to be in adequate condition.
- A large area of the soil subsurface below the slab foundation was discovered to have subsided over the years and was required to be backfilled and reinforced at a cost of \$101,000.
- The specified location of the air conditioning chiller was changed because asbestos was identified in the originally planned location. The cost to remove the asbestos would exceed the cost of moving the chiller. It cost \$30,250 to relocate the chiller.

5. FINANCIAL IMPLICATIONS

The CRHP funding will be used to reduce the Armitage Gardens debenture requirement by \$1 million. The remaining \$566,000 will be used to offset the unplanned capital costs of the project.

This approval will reduce the operating costs by lowering the debenture financing.

6. LOCAL MUNICIPAL IMPACT

The completion of the Armitage Gardens project will provide 58 new affordable housing units in the Town of Newmarket.

7. CONCLUSION

Approval of the adjustment to the capital budget from the CRHP funding for the 58 new apartment units now known as Armitage Gardens at the Newmarket Health Centre campus will permit the orderly completion of the construction contract and the move-in of new tenants on schedule. The CRHP funding for this project will reduce the cost of this project to the Region by \$1,566,000.

The Senior Management Group has reviewed this report.