
REPORT TITLE: **Financial Incentive Program Review – Non-Profit Long-Term Care Homes in Peel**

FROM: Davinder Valeri, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

- 1. That the Regional Chair, on behalf of Regional Council, write a letter to the Minister of Long-Term Care to advocate for adequate provincial funding and increased financing for public and private non-profit long-term care homes, as well as a review of the existing funding formula; and**
- 2. That a copy of the letter be forwarded to Peel Members of Provincial Parliament, and the Association of Municipalities of Ontario.**

REPORT HIGHLIGHTS

- On July 6, 2023, Regional Council approved Resolution 2023-597 requesting that staff report back regarding offsetting the balance of the development charges (DCs) for the Ivan Franko Long-Term Care Home.
- Council also requested information regarding provincial funding to pay for DCs related to the construction of long-term care (LTC) homes.
- Staff's researches find that the Province's funding policy includes DC as an eligible cost for the Provincial funding.
- The Region's current grant-in-lieu of DCs program was introduced in March 2022, and it offers a maximum grant to non-profit organizations of up to 50 per cent of the eligible DC payable (up to 100 per cent for hospices as well as for an eligible public not-for-profit organization under hospitals in Peel).
- In 2022, the City of Mississauga and the City of Brampton approved their policy or protocol to support LTC developments.
- The Region's existing program is designed to help fill funding gaps when there is no sufficient provincial funding for DCs. Alternatives have been identified for Council's consideration which would result in the need for an increased budget to accommodate an increased DC relief amount, resulting in additional pressure to taxpayers.
- The Region is facing financial and budgetary pressures due to rising service demand and legislated changes such as Bill 23; Staff believe that maintaining the existing financial incentive program strikes a balance between providing sound public benefit policy and utilizing scarce public funding in an effective and efficient way.
- Provincial funding for many provincially mandated services continues to be outpaced by inflation, growth and service demand pressures in Ontario.
- Peel-area community support services have been historically underfunded compared to provincial averages, and to date, Peel has not received any significant Provincial financial assistance to support the redevelopment and transformation of the Peel Manor site.

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- The health care system in Ontario is primarily a provincial responsibility to be funded from income taxes. Staff recommend advocacy efforts requesting adequate provincial funding for public and private non-profit LTC homes in Peel.
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DISCUSSION

1. Background

At the July 6, 2023, Regional Council meeting, Council approved Resolution 2023-597 (the “Resolution”) providing a grant-in-lieu of development charges (“DCs”) to a delegate (Ivan Franko Homes) seeking financial relief, to offset 50 per cent of Peel Region’s portion of development charges payable under the building permit application for the proposed development of a long-term care home in City of Mississauga by Ivan Franko Homes.

As part of the Resolution, Council included the following two requests for staff to action:

- That staff report back to the September 14, 2023, Regional Council meeting regarding offsetting the balance of the Development Charges; and*
- That, a deferral agreement be entered into to enable that the building permit process be completed.*

This report provides information requested by Regional Council as part of this resolution.

2. Existing Peel Region DC Financial Incentive Program for New Long-Term Care Homes Development Project in Peel

Long-term Care (LTC) homes are not exempt from DCs according to the *Development Charges Act, 1997* (the DC Act). Instead, the DC Act provides for the deferral of DCs for eligible new LTC developments and allows municipalities to charge interest on the deferred DCs. Council approved the deferral interest rate of zero per cent in 2020 to provide support for LTC developments.

Further, on March 10, 2022, Regional Council approved the Region’s first Interim Financial Incentive Program for new Long-Term Care homes and hospices. The interim program is a Region of Peel grant-in-lieu of DCs program designed to provide financial relief to eligible not-for-profit organizations building LTCs and hospices in Peel Region. The maximum grant, after Federal and Provincial funding, for an eligible project amounts to up to 50 per cent of the eligible DC payable (or up to 100 per cent for hospices as well as for an eligible public not-for-profit organization under hospitals in Peel).

3. Local Municipalities’ Policies to Support LTC Development

Mississauga

In April 2022, the City of Mississauga Council approved the City’s Development Charge Grant Program which provides a grant amount equal to 100 per cent of the City’s portion of DCs paid on eligible non-profit LTC home developments.

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Brampton

In July 2022, the City of Brampton Council approved the “Protocol for Evaluation of Incentives to Non-Profit Affordable Housing and Long-Term Care Projects” which provides that the City staff is required to report back to the City Council on a case-by-case basis to identify financial implications for providing grants to potential eligible projects.

Caledon

The Town of Caledon currently does not have a DC relief policy in place for new LTC home developments.

4. Provincial Long-Term Care Home Capital Development Funding Policy

In November 2022, the Ontario government updated its Long-Term Care Home Capital Development Funding Policy (the Ontario Policy), which sets out eligibilities and conditions related to fundings and applications. Some elements of the policy are summarized below; a copy of the Ontario Policy is appended as Appendix I.

Three funding components are included in the Ontario Policy:

- 1) Construction Funding Subsidy (CFS) per diem which includes:
 - a. base CFS for all eligible projects if applicable
 - b. fixed time limited CFS top-up, for eligible projects that meet specific criteria (part of which is convertible to a CFS construction grant for eligible non-profit LTC homes)
- 2) Development Grant
The Ministry will provide a development grant per bed to cover a portion of eligible project costs. Eligible project costs include:
 - Development charges
 - Construction costs
 - Land costs
 - Signage
- 3) Planning Grant
A one-time planning grant of \$250,000 is provided to assist with planning for development or redevelopment projects for non-profit LTC homes.

The provincial grant amount for each project varies. For illustrative purposes, the table below shows a possible scenario which may help demonstrate the level of funding availability.

Table 1 – Possible Provincial Funding Available for a New 160-bed Non-profit LTC Home in Peel Constructed before a Deadline

Category	Amount	Term
1) a. Base CFS per diem	\$25.28 for each day of operation of an eligible bed	25 years

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Category	Amount	Term
1) b. Maximum CFS Top-Up per diem	\$35.00 for each day of operation of an eligible bed (optional conversion of up to \$15 to a one-time CFS Construction Grant of \$81,000)	25 years
2) Development Grant	Maximum \$51,376 per bed or 17% of actual costs	One-time Payment
3) Planning Grant	\$250,000	One-time Payment

5. Potential Policy Options

In response to Council's request at the July 6, 2023, Regional Council meeting, staff have conducted a further review of various policy options.

a) Maintain Current Approach

The first option for consideration is that the Region maintain its current approach. As mentioned earlier, the Region's current policy of providing DC relief in the form of grant equal to up to 50 per cent of the eligible DC payable (up to 100 per cent for hospices as well as for an eligible public not-for-profit organization under hospitals in Peel). The Incentive Program was introduced in March last year with a goal to help bolster LTC developments in Peel by offering financial support that can potentially fill gaps when provincial funding is insufficient.

b) Increase the percentage exemption to 100 Per Cent

The second option for consideration is that the Region adopt DC relief in the amount of 100 per cent for eligible non-profit organizations – i.e. replace the 50 per cent with 100 per cent in the Interim Program. This approach would result in providing applicants with greater relief to assist in the construction of long-term care homes developments. However, other implications of this approach may include:

- Increased financial pressure placed on the Region and taxpayers, as additional funding is required to accommodate increased DC-in-lieu of grant spending. i.e. the incentive program budget would need to be increased from \$4 million to \$7 million per year over the short term.
- The \$4 million budget was based on 1,500 new long-term care beds in Peel at the time of the writing of the March 10, 2022, Council report. It is expected that the need for LTC beds will only increase, so the incentive program budget will presumably also need to increase.
- At the July 6th, 2023, Regional Council meeting, it was mentioned that should Ivan Franko receive 100% DC relief, then the Holland Christian Homes (HCH) development in Brampton would then also ask for the same relief.

c) Align with Each Local Municipality's Financial Relief Percentage Exemption

Another option for Council's consideration is to determine the percentage for which Regional grant-in-lieu of DCs is to be provided for a LTC home development, using the same percentage being exempted/granted by the respective local municipality in which the LTC home is developed.

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Implications of aligning the Region's grant percentage with the local municipality's policy include:

- Limited confusion and disagreement, as the application of the Region's grant would mirror those of the local municipalities
- Automatic matching of the Regional DC grant when a local municipality changes their policy or provides an ad-hoc grant/exemption through a one-off council approval
- Increased budget may be required to accommodate funding needs.

POLICY AND RISK CONSIDERATIONS

The DC Act does not provide a DC exemption to LTC homes. The Region has worked together with local municipalities to identify viable tools and introduced the Interim Financial Incentive Program (the "Program") in 2022. The Program was designed and developed based on some key policy principles and considerations:

- The health care system in Ontario is primarily a provincial responsibility to be funded from income taxes.
- Municipalities have limited fiscal capacity, and any financial support (DC relief) will need to be funded from property taxes.
- To strike a balance between bolstering new LTC developments (by providing a financial incentive) and utilizing scarce municipal funding in an effective and efficient way, the current program design offers a maximum funding of 50 per cent grant-in-lieu of DC for eligible non-profit organizations which may help fill gaps when provincial funding is insufficient.

Similar to other municipalities, the Region is facing fiscal constraints:

- The overall population growth and the aging population in Peel, coupled with the shift to a high inflation and high interest rate macroeconomic environment has triggered higher demand for the Region's services, which continue to add pressure on the operating budget.
- Price changes for capital inputs, as captured by the Non-residential Construction Price Index, accelerated to multi-year highs in 2021 and 2022. Although inflation is expected to ease in 2024, some prices are expected to remain elevated, and will result in continued price pressure on the capital program.
- State of good repair of Peel's aging infrastructure remains a high priority.
- Impact of Bill 23 and the associated accelerated housing targets represent significant financial risks and challenges ahead, which will affect our ability to fund growth infrastructure.

DC is an eligible cost for the Province's funding available to LTC homes. As illustrated in the earlier section, the Province's funding policy provides various funding categories that can be used to cover a portion of DC payments (the percentage may vary by project). Staff feel that the Region's current incentive policy is sound in providing DC relief to non-profit LTC homes when there is a gap in provincial funding.

However, analysis suggests that funding for many provincially mandated services continues to be outpaced by inflation, growth, and service demand pressures in Ontario. For example, the following projects in Ontario have reported project delays, due to significant cost escalation:

- Valley Manor Long Term Care Home in Barry's Bay
- Markdale LTC facility
- Prince Edward County LTC Home

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Additionally, in speaking with the new LTC home development applicants, staff have learned that private LTC home operators are facing challenges in financing their operations due to mortgage and/or refinancing problems, due to high inflation and rising interest rates.

Advocacy

Protecting Peel's vulnerable seniors and ensuring quality of life for residents of long-term care, including those living in Peel Region's five LTC homes, is a priority and requires increased investment as the population continues to rapidly grow. Gaps and complexities in health and social systems are better addressed through a structured, coordinated, and integrated servicing approach.

Peel Region continues to advocate for adequate provincial funding to invest in innovative integrated care to successfully meet Peel's growing and evolving community needs. Peel-area community support services have been historically underfunded compared to provincial averages, and to date, Peel Region has not received any significant Provincial financial assistance to support the redevelopment and transformation of the Peel Manor site.

Regional staff recommend expanded advocacy to the Province to request adequate provincial funding for public and private non-profit long-term care homes, as well as have the Province conduct a review of the current provincial funding formula. It is also recommended that Province provide increased and viable financing solutions for private LTC operators to help them navigate the anticipated financial challenges ahead.

BILL 112 RISKS AND IMPLICATIONS

On June 8, 2023, *Bill 112, Hazel McCallion Act (Peel Dissolution), 2023* (Bill 112) received Royal Assent. Bill 112 provides that the Regional Municipality of Peel will be dissolved, and the local municipalities will become single-tier municipalities, effective January 1, 2025.

On June 8, 2023, Regional Council approved principles to maintain Regional services through the transition period and prepare for the 2024 Budget, as outlined in the report from the Chief Administrative Officer titled, "Bill 112 – Managing Through the Transition".

Since the inception of the Region's Financial Incentive Program for LTC, applicants have been required to enter into a DC Payment Agreement with the Region which sets out terms and conditions. One of the key elements of Bill 112 is the establishment of a Transition Board, which will make recommendations to the Province regarding the restructuring of municipal governance in Peel. The grant in lieu of the Dc's is matched to the date on which the payment would otherwise have been paid. Since the payments are deferred by the Act (commencing on the date of occupancy), the grants may not become payable by the Region or any successor organization until after dissolution. How those grant obligations will be apportioned is undetermined at this time.

Under Bill 112, recognizing that no details have been provided yet, the Transition Board, will ensure that transactions and/or decisions after May 18, 2023, are done in the public interest having regard to the municipal restructuring, and are done in a manner that does not unreasonably impact another municipality.

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FINANCIAL IMPLICATIONS

To date, the Region has received four applications to the Financial Incentive Program (Table 2). The total development charges payable across these developments are approximately \$25 million and result in estimated grant funding to be provided by the Region totaling \$19.6 million, subject to the conditions set out in each DC Payment Agreement.

Table 2 – Summary of Current Applications

Municipality & Applicant	Beds	DCs Payable	Maximum Eligibility	Estimated Grant Funding
Mississauga:				
Trillium Health Partners	632	\$13,983,501.46	100%	\$13,983,501.46
Ivan Franko Homes	160	\$3,576,476.30	50%	\$1,788,238.15
Brampton:				
Holland Christian Homes	160	\$3,776,083.75	50%	\$1,888,041.88
Golden Age Village for the Elderly	160	\$3,813,046.55	50%	\$1,906,523.28
	1,112	\$25,149,108.06		\$19,566,304.77

Under the current LTC policy and assuming each development pays in six equal, annual instalments, the current uptake of the program may result in upwards of \$3.3 million in grant funding annually. While within the current \$4 million budget allocated to the program, this assumes no further applicants partake in the program.

To accommodate an alternative to the current approach, Council would have to authorize an increase in the annual budget used to fund the incentive program. This budget is funded via property taxes, so an increase would result in additional pressure on Regional taxpayers. Budget estimates associated with each option are provided in Table 3 below.

Table 3 – Financial Comparison of the Three Options

Option	Budget Estimate
Option 1 – Maintain Current Approach	Approved \$4 million
Option 2 – Increase Grant Funding to 100% for all Eligible Projects	\$7 million
Option 3 – Alignment with the Local Municipality	\$4-7 million

CONCLUSION

Staff have conducted a review of the Region's LTC Financial Incentive Program and have identified three options for Council consideration. DC is an eligible cost for the Province's funding available to LTC homes. Staff feel that the Region's current incentive policy is sound in providing DC relief to non-profit LTC homes when there is a gap in provincial funding. Should Council choose to adopt an alternative approach, additional funding is expected to be required to accommodate the increased financial relief which will apply additional pressures on taxpayers.

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APPENDICES

Appendix I – Ontario Long-Term Care Home Capital Development Funding Policy



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