

Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Administration

To: Mayor and Members of Council

From: Gord Quinton, MBA, CPA, CGA
Chief Financial Officer / Treasurer /
GM, Finance, Budget, Information Technology & Transformation

Date: April 26, 2022

Subject: Chatham-Kent Children's Treatment Centre Grant Request

Recommendations

It is recommended that:

1. The Chatham-Kent Children's Treatment Center \$1.5 Million Grant previously approved by Council in 2017 be increased to \$3.1M, with the additional \$1.6M funding from the Strategic Reserve 17266, with 50% payable at the commencement of construction and 50% payable upon substantial completion and return of the 355 Lark Street building to the Municipality.
2. A Construction Loan Agreement for a further \$1M with a fifteen-year repayment term at 2.5% interest beginning January 1st the year after new building occupancy be negotiated.
3. Recommendations #1 and #2 be contingent on the following conditions:
 - a. The Chatham-Kent Children's Treatment Centre enter into a grant agreement and a loan agreement in a form satisfactory to the Director, Legal Services and the Chief Financial Officer.
 - b. The Chatham-Kent Children's Treatment Centre provide, at its own expense, a Building Condition Report from a qualified assessor chosen by the General Manager, Infrastructure and Engineering Services.
 - c. The Chatham-Kent Children's Treatment Center enter into an agreement satisfactory to the Chief Legal Officer to give ownership of the current occupied Children's Treatment Centre to the Municipality.
 - d. The funds be provided contingent upon the General Manager of Infrastructure and Engineering Services confirmation that the Building Condition Report is in satisfactory order.

Background

At the December 4, 2017 Council Meeting, Council unanimously supported a grant request of \$1.5M to assist in the building of the new Chatham-Kent Children's Treatment Centre (CKCTC) property at Part Lot 20, Concession 2 Dover Part 1, 24R10414 Municipality of Chatham Kent (McNaughton Ave West). At the time, the building was estimated to cost \$28.5M. Delays in securing Provincial Funding has pushed the construction start date to later in 2022 or 2023. Inflation and final architect designs now estimate the building costs to be approximately \$48M. Now that Provincial Funding has been secured, and to avoid further delays that will only escalate construction costs, the CKCTC has requested further assistance from Chatham-Kent Council.

Comments

Administration met with Mike Grail, Chair of the CKCTC Building Campaign and Donna Litwin-Makey, Executive Director, CKCTC, to discuss the current situation and receive the request for additional funding.

Of particular interest is the current facility at 355 Lark Street in Chatham. While the grant request has now increased, the value of the building the CKCTC will vacate and return to Chatham-Kent has increased in value as well. In April 2022, Chatham-Kent obtained a professional appraisal of both the land and the building. The land is currently owned by Chatham-Kent and leased to the CKCTC until 2037. As per the terms of the grant approved by Council in 2017, the building will be returned to Chatham-Kent as soon as the CKCTC moves into their new facility. The lands were appraised at \$728,000 and the building was appraised at \$1,8M; therefore, Chatham-Kent will receive control of a property with an appraisal of over \$2.5M, in exchange for the \$3.1M grant, and the community will get a modern accessible 50,000 sq. ft. CKCTC.

The additional loan for \$1M will allow the CKCTC to tender and begin construction as soon as possible with the ability to fundraise and repay Chatham-Kent over a 15 year period beginning after the project is complete. Without the loan, the CKCTC would have to delay construction which history has demonstrated erodes the purchasing power as construction inflation has been 5% to 10% per year recently. There are no collateral terms with the loan to recognize the multi-level government partnership and complexities.

All other terms of the original 2017 Council approval are retained in the new agreements.

Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

- ☐ Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy

- ☐ A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- ☐ People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- ☐ Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

- ☐ Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- ☐ Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- ☒ Has the potential to support all areas of strategic focus & critical success factors
- ☐ Neutral issues (does not support negatively or positively)

Consultation

Mike Grail, Chair of the CKCTC Building Campaign, Donna Litwin-Makey, Executive Director, CKCTC and Mayor Canniff were consulted on the contents of this report.

Legal Services will assist with a grant and loan agreement upon Council approval.

Financial Implications

The initial \$1.5M approved in 2017 has been set aside in a Reserve for the CKCTC. The additional \$1.6M is recommended to be funded from the Strategic Development Reserve.

Prepared by: Gord Quinton, Chief Financial Officer / Treasurer /
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Attachments: None