



Perley Rideau

The Perley and
Rideau Veterans'
Health Centre

Le Centre de santé
Perley et Rideau pour
anciens combattants

PATRON

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the Right Honourable
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of Canada

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January 28, 2010

To: MEMBERS, STRATEGIC PLANNING COMMITTEE

A meeting of the **Strategic Planning Committee** of the Board of Directors will be held on **Wednesday, February 03, 2010 from 16:00-19:00 hours** in the **Benidickson Room** of the Perley and Rideau Veterans' Health Centre.

A hot meal will be provided at 17:30 hours.

Mike Jeffery
Chairman

REGRETS to Judy Woodstock at 613-526-7170 ext. 2001 or
jwoodstock@prvhc.com

Objective: To review the ASHP and provide recommendations to the Board on the project and the submission of the site plan application.

Documents for the meeting will be posted to the confidential Board section of the website by end of day January 29, 2010.

AGENDA

1. WELCOME
2. APPROVAL OF AGENDA
3. APPROVAL OF MINUTES OF NOVEMBER 19, 2009
(Document # 1)
4. ASHP BUSINESS CASE

To review the Business Case with the objective of determining viability of the project. Issues to address include:

- Presentation by cm2r on their findings from the Business Case review. (Business Case document is expected January 29th . **(Document #2)**. Due to the timelines, the Strategic Planning Committee will receive the document at the same time as management. Due diligence will be completed by the

Together we improve the well-being of the people we serve.

Committee and Management at the same time prior to the meeting..)

- Presentation by cm2r of the results of the sensitivity analysis.

5. FUNDING

To review the state of project funding to confirm financial achievability. Issues to address include:

- Property Tax Relief and MPAC Guidance;
- LHIN Operating Funding for Supportive Housing Services effective 2010-11 fiscal year;
- Infrastructure Ontario Financing;
- Foundation Funding.

6. PROJECT COST MANAGEMENT

- To receive a summary of expenditures to date and the source of funding of expenditures, ie. Champlain LHIN, CMHC or Perley Rideau. (**Document #3**)
- To review the Health Centre's proposed strategy for managing the cash requirements for the ASHP for the 6 months leading up to construction and the Infrastructure Ontario loan.

7. ASHP SITE PLAN APPLICATION

To review the state of the Site Plan Application with the objective of assessing the non financial risk issues. Issues to address include:

- Status of Site Plan Application;
- Community Consultation (Community Liaison Committee and Broader Community.)
- Results of Soil and Geothermal Energy Tests;
- Status of application to the Ministry of Health and Long-Term Care and Ontario Realty Corporation for permission to construct, as required by the Land Lease;
- Project Schedule.

8. LEGAL ISSUES

To review the legal advice related to the project. The objectives are to ensure the maintenance of the Perley Rideau's charitable status and discuss the issue of whether separate incorporation would insulate the Health Centre from ASHP risks. (**Document # 4**). Terry Peterman, Lang Michner, has been invited to attend the meeting.)

9. STAKEHOLDERS

To review the state of stakeholder relations in order to assess the level of support for the project. Issues to address include:

- The state of support/relations with the Provincial Government.
- The state of support/relations with the Champlain LHIN.
- The state of support/relations with the City of Ottawa.
- The state of Community support/relations.

10. SPECIAL MEETING OF THE BOARD OF DIRECTORS

To propose February meeting date options for the special meeting of the Board of Directors to consider approval of the site plan application to the City of Ottawa.

11. DATE AND TIME OF NEXT MEETING

➤ **Thursday, March 18, 2010 at 12:30 Hours**

ADJOURNMENT

Michael Jeffery	Peter Harle	Greg Fougère
Malcolm Collins	Mac Johnston	Akos Hoffer
Ray Desjardins	Peter Martin	Ross Quane
Robin Ghosh	Jim Smith	

Guests: Alison Wesley James (Project Manager)
David Bull, Cuhaci and Assoc. Architects
Terry Peterman, Lang Michner

Public/BoardofDirectors2010/StrategicPlanning/SPAgenda 03FEB10 FIN

**MINUTES OF THE STRATEGIC PLANNING COMMITTEE MEETING
HELD ON THURSDAY, NOVEMBER 19, 2009 AT 12:00 HOURS
IN THE BENIDICKSON ROOM AT THE
PERLEY AND RIDEAU VETERANS' HEALTH CENTRE**

Present: Michael Jeffery, Chairman; Ray Desjardins, Robin Ghosh, Peter Harle, Mac Johnston, Peter Martin, Jim Smith, Greg Fougère, Akos Hoffer

Also attending: Debra Mannard-Newby

Guests: Alison Wesley-James, Project Manager, MHPM; Jason Hergert, Expedition Partners; Malcolm Collins, Chair, Community Liaison Committee; Raffaele Guglielmelli, Primecorp Commercial Realty Inc.

09/70 WELCOME

The Chairman extended welcome to all; the guests were introduced; the importance of the Community Liaison Chair's role as the Supportive Housing project moves forward was noted.

09/71 APPROVAL OF AGENDA

The agenda was approved as circulated.

CONSENSUS

09/72 APPROVAL OF MINUTES OF OCTOBER 28, 2009

The minutes of the meeting of October 28, 2009 were approved as circulated.

CONSENSUS

09/73 BUSINESS ARISING

- (i) Letters Patent – Implications re Supportive Housing (09/65, ii)

The Chairman reported that the Letters Patent and other legal issues are currently being reviewed by lawyers for the Perley Rideau. This item will be brought forward at a later date.

ACTION

- (ii) Revenue Enhancement Project

The report entitled *Revenue Enhancement: Towards Improved Sustainability – Evaluation and Implementation Plan for Revenue Enhancement Opportunities at the Perley Rideau, Draft Final Report* was circulated electronically with the agenda for the October 28, 2009 meeting, and was distributed in hard copy at that meeting.

Jason Hergert provided a high level overview of the Revenue Enhancement Project via PowerPoint. It was recognized that revenue seeking is not part of the culture and mandate of long-term care facilities; however, the need for supplemental funds that support and/or enhance care was noted. It was explained that the potential for revenue enhancement is affected by core strengths and weaknesses: existing assets and advantages as well as gaps and challenges.

Three Categories for revenue potential were identified and examples were provided: Category 1: opportunities that are relatively low risk and low impact on the facility; Category 2: natural extension opportunities that involve a few more risks and considerations; and Category 3: ideas which further extend the revenue mandate, but which involve significant changes; these are not proposed at this time.

The report includes recommendations to: increase rental rates; introduce micro-rentals, advertising revenue, event rentals, and “quick hit” areas; increase cafeteria profits; increase parking use; and the relocation of the Pub to games room area to enable rental of prime main level space. The impacts on the facility were explained.

The annual revenue that may be achieved by the proposed initiatives is estimated at \$120,900 if only Category 1 was implemented but up to \$724,800 may be reached if we succeeded in achieving all of Category 3.

Discussion

Whether to selectively pursue easier opportunities or venture into more extensive organizational changes was considered. The extent of risk that is acceptable and the appetite for revenue enhancement were noted as determinant factors.

It was queried whether the numbers projected for commercial revenue included analysis of the potentially decreased revenue for cafeteria, vending machines and gift shop. J. Hergert replied that the proposed retail rentals were not food services; they include a convenience store, lotto tickets, dry cleaning, optical, etc., therefore the effect on current retail should be negligible. Further, the increased consumer traffic that could be realized as a result of an enlarged clinic and pharmacy on the main floor may provide additional customers for the existing services and ancillary revenue for parking.

Whether the costs of implementation had been factored in was queried (i.e. legal, management, construction, leasing, insurance and other costs that would be incurred prior to the fixturing stage, which is generally covered by the client). It was replied that this was considered, but not fully costed, as it would depend on the scale of the work required for each space leased.

It was asked in general terms, if retailers would consider the opportunity to be an attractive one, in view of the Perley Rideau’s location (somewhat off the main stream) and potential client base (large, but much less so than a hospital). It was replied that several pharmacies and a dispensing optician are very interested.

Some facilities that are smaller than the Perley Rideau have hair salons, spa type facilities, and manicure/pedicure/foot clinics operating successfully.

Professional facility rental organizations versus in-house responsibility were considered; it was suggested that quotes be obtained from rental organizations for comparison to the salary that would be paid to a Perley Rideau Commercial Services Manager. It was noted that some of management's current responsibilities could be delegated to the Commercial Services Manager in addition to his role in oversight of commercial issues.

It was commented that a strong mandate is needed and culture change required in order for significant revenue potential to be realized. The nebulous issue of sustainability and best approach for disseminating the information to residents, families and staff was discussed.

The Chairman concluded that Revenue Enhancement is an issue that will require further thought and discussion at the Committee level before recommendation to the Board and management implementation. The potential for significant overlap with the Supportive Housing facility was noted and will be reviewed; whether the result would be synergy or double-counting of estimated revenue potential will be considered.

ACTION

Committee appreciation for Jason Hergert's work on the Revenue Enhancement project was expressed. He departed the meeting.

(iii) Supportive Housing Project

• **Consideration of the Options:**

The Chairman noted that the Project Team met on Remembrance Day; updates had been forwarded by e-mail to Committee members.

The key issue for Committee input was clarified: to provide guidance to the Project Team by considering the three current options and determining a single preferred option for further analysis and development by the Team, in preparation for the next Committee meeting on December 3rd and Board meeting on December 9th, 2009.

The Project Manager was asked to provide a summary of the project development and options, and discussion and assessment of the broad implications followed.

The following Project Team documents were circulated at the meeting:

- *5 draft architectural drawings* (unlabeled, views of new Option C);
- *The Perley and Rideau Veterans' Health Centre – Seniors' Affordable Supportive Housing Project – The Village, Options;*
- *The Perley and Rideau Veterans' Health Centre – the Village, Master Project Schedule – Draft; dated Thu 11/19/09; and*

- *The Perley and Rideau Veterans' Health Centre, Preliminary Cash Flow Summary – Design-Bid-Build Process, last modified 11/19/2009*

Discussion

Concern was expressed that the Committee had been presented a new option at each meeting, and it was asked whether there are other options that have been discounted that may surface for discussion at a later date. D. Bull replied that the parameters given to the Project Team had changed over time, resulting in the availability of options that had previously been non-starters; however it was his opinion that the Project Team has now identified all options.

The timing for a decision related to P3 (Public-Private Partnerships) was queried. Clarification of a P3 with regard to the project was provided: from a developmental perspective, the project is too advanced for a P3, however from a management perspective, outsourcing of management can still be considered at a later stage.

Alison Wesley-James explained that, as directed at the November 5, 2009 meeting of the Board, the Team tested the strengths and merits of Options A (two 4-storey buildings, 146 units) and B (one 7 to 8 storey building, 144 units); both options were to be located at the front of the property between Russell Road and the Rideau building. Additionally, the team developed Option C, to encompass the benefits of B and overcome its shortcomings. The pros and cons of each option are explained in the document entitled *The Perley and Rideau Veterans' Health Centre – Seniors' Affordable Supportive Housing Project – The Village, Options*.

Option C was explained: a single building connected to the facility between the main Perley Rideau entrance and the Rideau building, facing the courtyard; reduction to 124 units on 7 floors. The Team's considerations in the location of the structure included synergy of the Supportive Housing Village common with the main Perley Rideau centre and centralization of many functions, and design that is architecturally appropriate. Preliminary testing by a geo-technical expert and preliminary opinion of a structural engineer were sought for impacts of this location relative to Perley Rideau; the response given indicated that the option is workable and the impacts would not preclude this as an option of serious interest.

Discussion

The move of parking space from its current location to the ball diamond was noted; the challenges foreseen related to staff and visitors flowing through the Rideau building were recognized; parking issues during construction phase were acknowledged. Concern was expressed over the loss of pond view for supportive housing units resulting in potential loss of premium rate structure. The impact of Option C on views for Rideau building residents was considered. Complications related to joining new construction to the main building were acknowledged.

Whether the proposed Option C 7-storey structure would cause shade for homes on Browning Avenue was queried; it was recognized that this is a vital issue for the community. It was replied that the building would not cause a shade issue.

The consideration for underground parking was discussed; D. Bull replied that underground parking construction cost is \$20,000 per space, and that nothing would preclude the viability of such an option other than the funds required.

The Chairman reviewed the options; confidence in the evaluation of Options A and B was noted; due diligence has not yet been fully exercised for Option C. Option A, is the most expensive option (2 buildings, away from the Perley centre, and viability is challenging). Option B realizes cost savings through construction of a single building, but does not have direct connection to main facility. Option C comes closest to the Village concept; it was noted by the D. Bull that the cost would be less than Option A and higher than Option B.

The \$455,000 approved by the Board for the project was reviewed. It was noted the site plan application is required by February 1, 2010.

The Chairman asked whether the Committee felt sufficiently informed to provide guidance to the Team on option(s) with which to proceed; concern was expressed that marketability information was not provided prior to the request for a recommendation.

Decision

The Committee recommended that the Project Team continue to develop Option C; Option A was deemed to be no longer required; Option B was retained as a fall-back position.

CONSENSUS

Business case parameters are required from the Project Team for the December 3, 2009 Committee meeting.

ACTION

- **Marketability:**

Akos Hoffer introduced guest Raff Guglielmelli, a marketability specialist with Primecorp Commercial Realty Inc., who had been invited to the meeting to discuss business case rents and their effect on marketability. In his career in commercial real estate, Mr. Guglielmelli has worked almost exclusively in long-term care and seniors' housing (including Alta Vista Manor); he offered insight into concerns such as the market, supply, nature of absorption, rate price points/rents, and issues related to the mixing of affordable and market units.

Mr. Guglielmelli reported that in Ottawa today, 90 facilities offer seniors' housing; current construction of 15 to 20 new facilities represents approximately 2,000 additional seniors' units in the next few years. In recognition of the affluence of the end buyer (the

resident or their family), units are increased in size. It was noted that the square footage used in the market units for the Perley Rideau project reflect that realization.

In Ottawa east, many new seniors' products are under construction by development companies; vacancy rates of 10% over the past 5 years were reported; rental rates have increased significantly, to approximately \$105/day for mid- to upper-end facilities. It was commented that, based on unit size, this would be the main competition for the Perley Rideau project.

The packaging of service bundles at other facilities was explained: an apartment with one meal provided daily was reported to cost from \$3,000-\$4,000 per month; additional charges for activities and services range from \$200 to as much as \$1,500 monthly for cognitive assistance. The value to residents and their families of the services provided in the Perley Rideau project were noted.

It was reported that some facilities have contracts with the Ottawa hospital for Transitional Care Placement programs and Awaiting Care programs; the proposed rents for the Perley Rideau Supportive Housing project are at the bottom of the price range for those services.

In private seniors housing, Ottawa is reportedly the "Mecca for seniors in Canada", attributed in part to the presence of the Federal Government and the Department of National Defence; as a result, many seniors have the ability to live without touching investments; and a significant proportion of seniors move into facilities (nearly double the national and provincial average). In Mr. Guglielmelli's opinion, there would be no problem filling the market units of the Supportive Housing project, and that a stabilized rate of 90% occupancy (or higher) within 12-24 months was achievable.

Discussion

It was noted that the business case is based on 95% occupancy from year 1; concern was expressed that this might be overly optimistic.

The attractiveness of the site of the Perley Rideau was queried; it was replied that the area was no problem for the Alta Vista project; the area was seen as very attractive from a senior perspective.

Client expectancy with regard to features and fixtures, services and amenities was queried. The variation in fittings from new seniors' housing, where the trend is higher end (granite counters, stainless steel appliances, etc.) and the more basic features of market affordability units was explained; the services such as security and amenities offered were identified as key components.

The acceptability of mixing market and subsidized units within one facility was reviewed; it was noted that few comparable facilities exist; visible differentiation would affect marketability; sensitivity would be required.

It was asked whether seniors were receptive to transitioning from a traditional home to supportive housing that is co-located with a long-term care facility. Mr. Guglielmelli noted that for many years large private providers have promoted the continuum of care model, noting the logic behind such an approach; few joint supportive and long-term care facilities have come to fruition. Fundamentally, he did not feel it would be a concern. G. Fougère noted that he has expressed the same view. It was noted that current legislation does not allow for transition of residents of supportive housing directly into the long-term care facility.

It was asked whether, in Mr. Guglielmelli's opinion, a need for detailed analysis of marketability specific to the Perley Rideau Supportive Housing project was required. The acquisition of the next level of analysis was encouraged.

Chairman M. Jeffery departed the meeting at 15:05 hours; in his absence, P. Martin as acting Chair thanked R. Guglielmelli for his invaluable input. Mr. Guglielmelli departed.

Discussion

It was commented that the supportive services would not be available to everyone in the Supportive Housing facility; it was clarified that services would be provided for those who require them, based on CCAC evaluation. Whether services that are not covered by the Champlain LHIN could be paid for separately by residents and whether a meal service package might be available for purchase were considered. It was noted that the Board approved a functional program that does not include meals.

Concern was expressed that the project, which would be receiving government funding, would be in direct competition with private retirement facilities and that backlash from private sector would result.

It was commented that the legal separation of the Supportive Housing facility from the Perley Rideau is imperative. It was replied that the review of the letters patent by the Perley Rideau's lawyers is underway, and consideration for separation of the Supportive Housing project from the Health Centre, as well as management structure, are soon to be considered.

- **Risk Assessment:**

The discussion on risk issues and report to the Committee on available information was deferred.

09/74 OTHER BUSINESS

There was no other business.

09/75 DATE AND TIME OF NEXT MEETING

- Thursday, December 03, 2009 at 12:00 hours.

ADJOURNMENT - 15:35 hours.

/dgm

Perley and Rideau Veterans' Health Centre
Assisted Housing Project
Actual & Future Capital Expenditures, Excluding LHIN Funded Costs
From Project Inception to January 31, 2010

The attached analysis of Actual & Future Capital Expenditures for the Assisted Housing Project, excluding costs funded and paid for by the LHIN, provides:

- A summary of Current Expenditures and Commitments as at January 31, 2010 totaling \$310,507, representing the PRVHC's current investment in the Assisted Housing Project to date
- Identifies the current Board commitment to funding the project to a limit of \$630,000 for purposes as specified in the Board's decision at its December 9, 2009 meeting
- Summarizes the use of LHIN funding totaling \$297,000 relating to preliminary feasibility work. These costs are excluded from PRVHC accounts.
- Notes pertaining to the recognition of GST on soft and hard construction costs
- Future cashflow as per MHPM estimates as at January 25, 2010, for each of the next seven months to August 2010, and the total cashflow for the period from September 2010 to estimated project completion in March 2012, including:
 - Cash investment in the project in each month to August 2010 and the total thereafter to completion
 - Cumulative cash investment at the end of each month to August 2010 and the total at project completion, based on current actual commitment and projected future cash commitment
 - The future cumulative cash requirement from February 1, 2010 to project completion, at the end of each month to August 2010 and the total at project completion, as at January 31, 2010. (Note that February cash requirement of \$312k includes \$100 k for December and January invoices)
- Future sources of funds to project completion and notes describing key assumptions regarding timing of receipt of cash, sources and the use of that cash
- Short-term financing requirement to June 30, 2010 assuming that Infrastructure Ontario financing will be available for drawdown commencing July 1, 2010
- Post project completion Foundation contributions
- Availability of PRVHC funds for short-term investment in the Assisted Housing Project

**Perley and Rideau Veterans' Health Centre
Assisted Housing Project
Actual & Future Capital Expenditures, EXCLUDING LHIN Funded Costs
From Project Inception to January 31, 2010**

Current Expenditures and Commitments				Future Cashflow as per MHPM - January 25, 2010							
Cost	Fees	GST (Note 1)	Total	Feb	Mar	Apr	May	Jun	Jul	Aug	To Com- pletion (Note 2)
Prime Cons. - Achitects and Engineers	166,872	1,419	168,291	150,000	200,000	200,000	160,000	155,000	150,000	75,000	440,000
Legal	7,693	66	7,759	-	-	-	-	-	-	-	-
Site Investigation	9,433	81	9,514	-	-	-	-	-	-	-	25,000
Survey - Site Assessment - Develop. Fees	64,379	547	64,926	22,000	-	-	419,304	837,665	-	-	50,000
Specialized Cons. - Project Management	59,366	504	59,870	40,000	40,000	40,000	40,000	40,000	40,000	40,000	580,000
Miscellaneous & Other Soft Costs	141	6	147	-	-	-	-	2,000	2,000	2,000	209,500
Construction Costs	-	-	-	-	-	-	-	-	200,000	350,000	34,740,000
Furniture, Fixtures & Equipment	-	-	-	-	-	-	-	-	-	-	487,500
Contingency	-	-	-	-	-	-	-	14,474	14,474	14,474	231,579
Investment	307,884	2,623	310,507	212,000	240,000	240,000	619,304	1,049,139	406,474	481,474	36,763,579
Cumulative Investment	-	-	310,507	522,507	762,507	1,002,507	1,621,811	2,670,950	3,077,423	3,558,897	40,322,476
Future Cumulative Cash Requirement	-	-	-	312,000	552,000	792,000	1,411,304	2,460,443	2,866,916	3,348,390	40,111,969

Board Commitment	630,000
December 9, 2009 Meeting Decision: Commitment of up to \$630,000 (an additional \$175,000) to complete site planning application and prepare for construction tender....	
Note: This commitment was determined by reference to the MHPM Preliminary Cash Flow Summary - Design-Bid-Build Process presented to the Board at the December 9, 2009 meeting showing a cash requirement of \$629,489 to complete the site planning application and prepare for construction tender.	
Preliminary Feasibility Work - paid by LHIN via Bruyere Centre	
Architect Review - Site Investigation	25,000
Business Case	136,000
Program	136,000
	297,000

Note 1 - GST: PRVHC recovers 83% of GST paid, resulting in GST cost of charged to the account, representing approximately .85% of invoiced cost. CRA has indicated their intent to revoke PRVHC status as a hospital effective 1 April 2010. This will increase the GST cost to 2.5% of invoiced cost.

Projected Cash Flow for the project includes GST of 2.5% on 'Hard Costs' only. In this analysis, GST of approximately \$2,523 is included contributing to a difference in total project costs relative to MHPM Cash Flow. Further adjustment may be required for other costs.

Future Sources of Funds:	
Construction Period:	
Province of Ontario - on completion	\$ 5.40 million
Perley and Rideau Foundation - three annual instalments of \$200k each	0.60 million
Infrastructure Ontario (I/O) - Construction - Long Term Financing (Note 3)	<u>34.33 million</u>
	\$ 40.33 million
Short-Term Funding - to June 30, 2010 (Note 3)	<u>\$ 2.50 million</u>
Post-completion Foundation contribution instalments (2 @ \$200k)	<u>\$ 0.40 million</u>

Note 2: Assumes that I/O construction financing is available for drawdown commencing July 1, 2010.

Note 3: Assumes that I/O financing will be used to repay current investment and any short-term advances from PRVHC or short-term borrowing. PRVHC funds of \$4.35 m are available in a short-term Scotiabank GIC.

Memorandum

Date: December 8, 2009
To: Greg Fougere
From: Terry Peterman
Subject: Seniors Supportive Housing Project (the “Project”)

Further to our meeting on Tuesday, November 24, 2009 and the discussions which took place at the meeting and subsequent thereto, I will respond to the questions which were raised by the directors of the Perley and Rideau Veterans' Health Centre ("PRVHC") who were seeking some legal assistance in connection with the Project.

1. Do our current Letters Patent provide the authority for the corporation to build and operate an affordable supportive housing program. If not, what is required?

By way of background, the PRVHC is an Ontario corporation without share capital. It was incorporated on October 18, 1897 as The Perley Home for Incurables pursuant to the Benevolent, Provident and Other Societies Act, R.S.O. 1887, Chapter 172. On August 3, 1956 the name was changed to The Perley Hospital pursuant to the Companies Act (Ontario).

The Perley Hospital name was subsequently changed to the PRVHC on December 29, 1999 and the objects of the PRVHC set in 1897 were changed at that time as well. The PRVHC is now a corporation to which the Corporations Act (Ontario) applies.

The objects of the PRVHC include an ability to own and operate a long-term health care facility and an "elderly/or infirm person's residence". Section 23(1) of the Corporations Act (Ontario) provides each company subject to the Act with a number of incidental or ancillary powers including the power:

- (a) "to carry on any other business capable of being conveniently carried on in connection with its business ...";
 - (b) "to enter into arrangements with any public authority that seem conducive to the company's objects and obtain from any such authority any rights, privileges or concessions";
 - (c) "to construct, improve, maintain, work, manage, carry out or control ... and other works and conveniences that may advance the company's interests, and to contribute to, subsidize or otherwise assist or take part in the construction,
-

improvement, maintenance, working, management, carrying out or control thereof"; and

- (d) "to ... improve, manage, develop, exchange, lease ... or otherwise deal with the property of the company in the ordinary course of its business".

The combination of the present objects of the PRVHC and the ancillary powers set forth in the Corporations Act (Ontario) appear to provide authority to the PRVHC to undertake the Project. Notwithstanding the foregoing and to ensure that the PRVHC has the authority the Board should call a Special Meeting of the Members of the PRVHC and amend the objects of PRVHC to allow supportive housing program as part of the PRVHC's mandate. This amendment to PRVHC's constating documents could also be approved at the Annual Meeting of the PRVHC. The entities or third parties who might possibly question the PRVHC's authority would be a bank lending money to the PRVHC for the Project, the Canada Revenue Agency or the Municipal Property Assessment Corporation.

2. What are the legal implications of building and operating the Project under the PRVHC? Are there legal advantages to establish a separate corporation?

The legal considerations favour the PRVHC carrying on the Project itself. Setting up a separate corporation would likely attract unwarranted attention from the perspective of municipal taxes and maintaining the PRVHC's charitable status. Dealing directly with the Province rather than through a corporation would streamline the Project. There would be no need to incorporate a subsidiary or another not for profit company (and accommodate all of the administrative and financial requirements of a separate company) and there would be no requirement for a sublease by the Province to the PRVHC. The PRVHC could deal directly with the Province and the builders of the Project. Down the road if the Project did not go well and the PRVHC was required to give up the Project, it would be easier for the PRVHC and the Province to come to some sort of an arrangement to sever the lands and convey the Project to a third party.

One consideration that should be addressed with the Province while undertaking the Project would be to ask the Province for an amendment to the Ground Lease dated March 1, 1994 between the Province and the PRVHC to increase the term of the Ground Lease. At this point, there are roughly 35 years left on the term of the Ground Lease (the term expires on February 28, 2044) and the Project to be undertaken and administrated by the PRVHC will likely last well past 2044, as will the PRVHC itself.

3. Will the charitable status be affected if the Project is operated under the PRVHC?

We have provided you with a copy of the Policy Statement issued by Canada Revenue Agency ("CRA") effective March 31, 2003 with respect to a related business carried on by an existing registered charity.

The policy states that charities must have exclusively charitable purposes and cannot run a business unless it is subordinated to the organization's charitable purpose. CRA will look at the Project through a number of considerations some of which are:

- (a) Is the rationale for the Project to generate a profit?
- (b) Does the Project make sales or provide services on a regular (daily) basis and run on a continuous basis?
- (c) Will the Project be run substantially by volunteers or by professional management?
- (d) Is the Project being operated to use excess capacity of the asset and staff?
- (e) Will the Project receive a minor portion of PRVHC's attention?
- (f) Is the Project integrated into PRVHC's operations rather than acting as a self-contained unit?
- (g) Is the Project a stand-alone operation and could it operate as a business as easily outside PRVHC as within it?
- (h) Will PRVHC risk its assets intended for charitable programs to support the Project? Will PRVHC need to borrow against its resources to finance the Project in the future?

If the Project comes to the attention of CRA, CRA will endeavour to determine whether the Project is a related business or an unacceptable business. With a determination that the Project is an unrelated business, CRA could revoke PRVHC's charitable status, ask PRVHC to place it in a separate taxable corporation and levy a penalty against PRVHC.

At this stage of the Project, the Project provides a distinct impression that although it is related, it is a stand-alone operation not dissimilar to a retirement home. It should be an area of concern for the PRVHC. That being said, the PRVHC could advance many counter arguments and positions that (i) the Project is improving health care and is supported by the Province, the Minister of Health and the Local Health Integration Unit, (ii) that similar projects are underway for other health care institutions, (iii) supportive housing and aging at home are gaining importance, (iv) the business is not intended to make a profit and was not conceived by the PRVHC and (v) that the Project and PRVHC will provide continuum of care.

CRA would not likely find out about the Project save for the operators of retirement homes who might sense that the PRVHC has obtained an unfair advantage in the marketplace and register a complaint with CRA.

From the perspective of the objects of PRVHC and CRA, it would be advantageous to amend the same to include the ability of the PRVHC to carry on supportive non-profit housing.

4. Are there any other legal issues we should be considering related to this project?

PRVHC staff have agreed to review the provisions of the Transfer and Operating Agreement dated March 25, 1992 between the Minister of Veterans Affairs, the Minister of Health and The

Perley Hospital and the TransAlta arrangements between the PRVHC and other Tier I Members in connection with the supply of hot water to any other facilities constructed on the PRVHC lands.

After a cursory review of the Assessment Act, the Residential Tenancies Act and the Charitable Institutions Act, there is a real possibility that after the issue of a building permit to the PRVHC by the City of Ottawa for the Project that an assessor from the Municipal Property Assessment Corporation (“MPAC”) would determine that the Project is subject to assessment and taxation. With the Project looking on the surface more like a retirement home than a care home, there does not appear to be an exemption for PRVHC to rely on. Riding on the coattails of the PRVHC may not be enough for the Project to avoid municipal taxation.

It may be worthwhile to approach MPAC shortly to provide arguments similar to those which can be made to CRA and obtain an opinion in advance from MPAC on the issue of taxation of the Project. There may be similar situations in other municipalities which can be provided to MPAC to support PRVHC’s position.
