

## COUNCIL REPORT

May 31, 2010

**To:** Mayor & Council  
**From:** Bill Preisentanz  
**Re:** Paterson Medical Centre – Debt Repayment

---

### **Recommendation:**

That Council of the City of Kenora give three readings to a bylaw to amend Bylaw No. 37-2009 by establishing a repayment schedule of blended monthly payments based on an amortization period as determined by the City effective on or before January 01, 2011; and further  
That the interest free period for repayment of loan advances associated with the addition to the Paterson Medical Centre be extended to no later than January 01, 2011.

### **Background:**

In February 2009 Council was in receipt of a report outlining the efforts of the Kenora Health Care Centre Board to expand the renovated Paterson Medical Clinic with a 13,500 square foot addition. At the February 02, 2009 special meeting Resolution No. 2 was ratified:

*That Council of the City of Kenora hereby supports the initiative by the Kenora Health Care Centre Board to expand the Paterson Medical Centre with a 13,450 square foot health services addition; and*

*That funding of the project in the amount of \$4,675,000 for the proposed expansion be approved on the following terms;*

- 1. Bylaw No. 178-2008 which increased the original loan to finance the construction of a land ambulance and family health team centre in the amount of \$6,550,000 be amended to increase the loan amount to \$7,475,000.00*
- 2. loan advances for the construction of the facility be authorized effective February 01, 2009*
- 3. loan advances provided during the initial construction of the health care facility from February 01, 2009 to December 31, 2009 be provided interest free*
- 4. a repayment schedule, repayable by equal blended monthly payments based on a 25 year amortization period be determined by the City effective January 01, 2010.*

Subsequently, Council ratified Bylaw No. 37-2009 which increased funding to finance the construction of the new facility from the original \$2.8 million to \$7.475 million. Due to delays in construction in 2009 related to the KDSB decision not to proceed with a land ambulance facility at the Paterson Medical Centre site, Council ratified a December 14, 2009 resolution:

*That Council of the City of Kenora hereby extend the interest free period for repayment of loan advances associated with the addition to the Paterson Medical Centre from January 01, 2010 to no later than June 30, 2010; and further*

*That a repayment schedule repayable by blended monthly payments based on a 25 year amortization period be determined by the City effective on or before July 01, 2010.*

### **Capital Construction Costs**

It may be helpful to re-trace this Council's support and involvement in the development of the Paterson Medical Centre which was initially established on the basis of retaining and attracting health care professionals to the City of Kenora through the establishment of a modern, efficient medical clinic:

Initial Acquisition – Land & Building - 2006	\$1.259 million
Kenora Clinic Renovations – 2006/07	\$1.434 million
Paterson Medical Centre – new addition	<u>\$4.666 million</u>
	\$7.359 million

**Initial Return on Investment**

In return for an initial \$500k contribution followed by a further \$500k commitment, the Kenora Medical Clinic was re-named the Paterson Medical Centre in recognition of the support from the Paterson Foundation. The initial \$500 k has been committed to repaying the principal portion of the City loan, while continuing to pay monthly interest to the City on the original \$2.8 million.

While there have been challenges in maintaining an optimum level of health care professionals, overall, much credit has been given to the new modernized Paterson Medical Centre in attracting new doctors as replacement for the vacancies. In addition, there are now 17 newly employed health care professionals operating out of the Paterson Medical Centre with the Sunset Country Family Health Team. Their current annual payroll is \$1.3 million representing new money to the community.

**New Addition Paterson Medical Centre**

The new 13,500 square foot addition to the Paterson Medical Centre is completed except for the bottom floor representing approximately 5,000 sq. ft. of rentable space, with full occupancy of the top floor confirmed. As a majority of the City funding had been committed in constructing the new addition and finishing the top floor, the KHCC Board placed a moratorium on completing the bottom floor of the newly expanded Paterson Medical Centre at an estimated cost of \$500,000 until such time as tenants could be confirmed for the lower level. Subsequently, at the recent KHCC Board meeting, it was reported that new tenants had been confirmed for the lower level. With the June 30<sup>th</sup> 2010 deadline looming for establishing a repayment schedule with the City and the potential to attract tenants to fill the lower portion of the newly constructed addition, the KHCC Board developed cash flow statements and projections based on full occupancy. It was based on these projections that the KHCC Board made a determination that only with full occupancy of the building could the City loan be repaid. The Board further approached a local funding agency and received favourable support in obtaining the necessary funding to finish the lower level this summer/fall by committing the second \$500k instalment from the Paterson Foundation funding as security.

At the May 20, 2010 Kenora Health Care Centre Board meeting, it was recommended that a request be made to the City of Kenora requesting the City delay the principal portion of the loan repayment until January 01, 2011 in order to allow time to complete construction on the lower level of the new addition and ensure full occupancy of the Paterson Medical Centre.