



**Cobourg Taxpayers Association**

*Making Local Government Accountable*

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***Supporting A High Priority Need  
Northumberland Hills Hospital***

**Northumberland Medical Arts Inc.  
Request for Waiver of Building Permit  
Fees and Development Charges**

Submission to  
Town of Cobourg  
Committee of the Whole Meeting  
November 9, 2015

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## Cobourg Taxpayers Association

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The Cobourg Taxpayers Association (CTA) is a non-partisan provincially incorporated not-for profit organization.

Founded in September 2015, it is governed by a volunteer Board of Directors and its mandate is carried out with the assistance of an Advisory Committee.

The CTA believes that in order for Council to deliver good governance and tax value, it needs ongoing input and help from the community.

Our vision is *Making Local Government Accountable*.

Our mission is to gather and analyze information about town governance and report this information to Cobourg citizens. We will use our group's broad base of business skills and experience to help council and staff use best practices to discharge their duties in an accountable and transparent way.

## Executive Summary

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Northumberland Medical Arts Inc. has requested relief from, or a donation of, approximately \$240,000 in Development Charges and \$72,000 in building permit fees for a total of \$312,000.

NMAI is a not-for-profit corporation which will oversee the construction, leasing and operation of a medical arts building on land it will lease from Northumberland Hills Hospital. It must be clearly recognized that Northumberland Hills Hospital and Northumberland Medical Arts Inc. are two separate entities and that the only commonality is that the planned medical office building will sit on land leased from the Hospital.

The subject development and permit fees are real income, real money owing to Cobourg if this project proceeds. Effectively the waiver is a request for a single large grant which will provide limited and indirect aid to the Hospital. The CTA opposes waiving the fees as an indirect way of assisting Northumberland Hills Hospital (NHH). Our opposition is based on many factors including:

- This \$312,000 request is larger than the sum of all community grants in 2014 and is three times the size of the Town's current annual grant to Northumberland Hills Hospital.
- Granting the waiver will encourage other businesses to apply for similar waivers.
- Granting the requested NMAI waiver would cost the taxpayers of Cobourg over \$300,000 now, but will provide only about \$22,000 of annual additional funding to Northumberland Hills Hospital.
- A direct grant to Northumberland Hills Hospital instead of a waiver of fees to NMAI ensures that the financial benefit to the Hospital is not threatened by any future contingencies, surprises or unknowns.

The Cobourg Taxpayers Association recommends that the Town of Cobourg provide an additional annual grant directly to Northumberland Hills Hospital instead of the requested waiver by NMAI. If the Town's additional support were \$50,000 per year or \$3 per capita this would provide over twice the \$22,000 per year which the Hospital would indirectly receive due to the waiving of fees requested by NMAI. At the same time, it would have a much lower *immediate* impact to Cobourg's taxpayers.

A grant from Cobourg will encourage other municipalities to directly fund their fair share of the Hospital's expenses.

## **Preface**

The Cobourg Taxpayers Association believes that Community Grants serve a vital function to help fund various projects that make Cobourg a better place to live; however, Cobourg citizens cannot afford to fund every worthwhile project - ***so the criteria for funding must be clearly defined, and equally and transparently applied to all participants.***

In order for that to happen fairly, the Town must have a robust Municipal Grants policy in place. On September 15<sup>th</sup>, the CTA presented Council with a 15 page report containing important analysis and recommendations for putting a policy in place that will serve this Town.

The purpose was to provide Council with an easy to apply tool for guiding their decisions when requests are made. The purpose of the policy is to allow all of us to live within our means while ensuring that our taxes are distributed in a fair and transparent manner.

## **Introduction**

In a letter dated September 2015 addressed to the Mayor and Members of Council, Northumberland Medical Arts Inc. (NMAI) requested relief from, or a donation of, approximately \$240,000 in Development Charges and \$72,000 in building permit fees for a total of \$312,000.

This submission addresses how the CTA believes the community can best support the high priority funding needs of Northumberland Hills Hospital (NHH) while not using the confusing precedent of the waiving of legitimate fees.

## **Value to the Community**

The Cobourg Taxpayers Association wishes to emphasize how much we value our hospital, our medical community and our hospital volunteers. We realize and acknowledge that health care in our community and the public's support for the NHH are top priorities.

## **Northumberland Medical Arts Inc.**

NMAI is a not-for-profit corporation, overseen by a volunteer board, which will coordinate and oversee the design, construction, leasing and ultimately operation of a medical arts building on land it will lease from Northumberland Hills Hospital.

NMAI plans to construct a building with 40,000 square feet of rentable space. They have secured commitments from approximately 21 local family doctors and other health care professionals to lease 85% of the space with opportunities for a limited number of additional tenants.

Although almost all of the new space is committed to physicians currently practicing in Cobourg, the availability of a large facility which encourages collaborative practice may

aid recruiting younger replacements for those who retire. While the NMAI is a “non-profit” corporation, financing will be through investors secured by Promissory Notes and mortgage financing. Debt servicing will rely on the rental income of the building.

The NMAI’s September letter bases its request for the \$312,000 in relief or donation by stating the project development is for the benefit of the Hospital, patients and the entire community and that it may also be beneficial to Cobourg as a catalyst for development of additional health care facilities and the recruitment of physicians.

## **Important Distinction**

An important aspect that must be clearly recognized is that Northumberland Hills Hospital and Northumberland Medical Arts Inc. are two distinct and separate entities. The only commonality is that the Medical Arts building will sit on land leased from the Northumberland Hills Hospital

The NMAI is no more a part of the Northumberland Hills Hospital than any other profit or not-for-profit business that leases a portion of the Hospital’s property.

## **NMAI’s Promise**

CTA Board members Warren McCarthy and Ken Strauss recently met with John Hudson, NMAI Board Chair and Jack Russell, NMAI Board Director in order to obtain a better understanding of how the NMAI’s request for a waiver from building permit fees and Development Charges would benefit Northumberland Hills Hospital.

The understanding is that the NMAI has promised to donate all profits to the Hospital.

Presumably, by waiving the fee, the cost of the building and thus the required mortgage will be less so Northumberland Hills Hospital will benefit from the savings. They further understood that the project will almost certainly proceed with or without the waiver.

According to NMAI’s accountant, the total savings could be \$435,000 based on the waiver of \$312,000 plus interest costs of \$135,000 or about \$22,000/year assuming that a mortgage will be amortized over 20 years at 4%. Presumably, this is the average amount that would be made available to the Hospital over the 20 year period. However, the accountant did caution that “other than the land lease rental, the debt needs to come down and the hospital would not see any additional cash flow for the first few years, to be determined once the income stream and expenses are established.”

## **Community Grant Request**

The Cobourg Taxpayers Association fully respects the right of Northumberland Medical Arts Inc. to come before Council and ask for the Town’s help.

However, the NMAI request is effectively a request for a one-time Community Grant and Council needs to consider it no differently than it would a similar request from any business, including other health based clinics.

The CTA's September 28<sup>th</sup> submission to Council on a Municipal Community Grants Policy was based on the best practices in a sampling of ten Canadian municipalities and emphasized the importance of grant categories, funding criteria and limits.

Not only does a very large one-time grant such as is being requested by NMAI not meet the criteria, granting the waiver to NMAI will dilute the principled basis that Council's decisions on grants should be based upon. For example, would the requested waiver be a precedent for waiving fees on another medical office across town or a medically related business such as a pharmacy?

It should be noted that this \$312,000 request is larger than the sum of all community grants in 2014 and is almost three times the size of the Town's current annual grant to Northumberland Hills Hospital.

## **Northumberland Hills Hospital**

The Cobourg Taxpayers Association recognizes that the Hospital is struggling financially because of inadequate provincial funding. It is facing unsustainable operating and working capital deficits for the foreseeable future. It has an immediate need to obtain additional revenue to protect the health care of all Northumberland residents.

## **Recommendation**

The CTA strongly supports and recommends that Council consider a more direct, community-based approach that is simpler and transparent by providing a Community Grant to Northumberland Hills Hospital to assist in meeting their operating expense requirements.

This would be in addition to the current annual Community Grant that Cobourg gives the Hospital for medical equipment.

- Benefits

An explicit direct grant to Northumberland Hills Hospital rather than a fee waiver will remove any confusion by citizens and other municipalities regarding the purpose and benefits of the requested fee waiver. This will also aid efforts to get other communities to contribute their fair share to support the Hospital.

- Amount of Direct Donation

The amount of a direct donation to the Hospital should not be based on the \$312,000, as this does not reflect what the Hospital may need but simply represents the amount that the Town of Cobourg is due for long established construction permit fees and Development Charges.

Details of the additional grant the Town would provide to directly assist the Hospital (i.e. amount; a one-time or annual Municipal Community Grant; whether it should be solely for operating or capital requirements or both) can only be determined through discussions with the Hospital and Council. If the Town's additional support were \$50,000 per year or \$3 per capita this would provide over twice the \$22,000 per year, which the Hospital would indirectly receive due to the waiving of fees requested by NMAI. The grant method would help NHH now and in the years immediately ahead, and at the same time, it would have a much lower *immediate* impact on Cobourg's taxpayers.

The Town's share should be calculated as a percentage of its population base within the Northumberland Hill Hospital catchment area. The grant can be accommodated within our existing budget envelope by diverting resources from lower priority spending.

- Stepping Up to the Plate in Support of the Hospital

The Town's annual Budget is about funding essential services and prioritizing discretionary spending. The Cobourg Taxpayers Association believes that Northumberland Hills Hospital is deserving of high priority funding by the Town and surrounding municipalities until such time as the province provides a more permanent funding arrangement that satisfactorily meets the ongoing financial needs of the Hospital.

Although hospital funding to meet operational and capital needs should not generally be a shared responsibility between the provincial government and municipalities, there are strong reasons why Cobourg Council on behalf of its citizens must step up to the plate now to do what we can to assist the Northumberland Hills Hospital.