

North Island Hospitals Project



Project Overview

The North Island Health Service Delivery Area covers 40,000 square kilometres, extending from the northern tip of Vancouver Island, to south beneath the mid-Island cities of Campbell River, Courtenay and Comox, as well as a substantial stretch of the mainland opposite Northern Vancouver Island, including communities north of Powell River and south of Rivers Inlet.

Island Health is responsible for delivering hospital-based specialty services at two hospitals for this region: St. Joseph's General Hospital, which is funded by Island Health and owned and operated by the Diocese of Victoria, and the Campbell River and District General Hospital, which is funded, owned and operated by Island Health. Both facilities are nearly 50 years old, and their physical infrastructure is deteriorating and inflexible while demand for health-care services continues to grow.

The North Island Hospitals Project (the Project) addresses both the region's growing demand for health-care services and the limitations caused by the facilities' aging infrastructure, while meeting Island Health's goal of providing modern, effective, and appropriate in-patient and out-patient services to the communities of the North Island.

The Project includes a new 95-bed hospital to be built on the existing Campbell River and District General Hospital site, including demolition of the existing facility upon completion, and the development of a new 153-bed hospital in the Comox Valley to replace St. Joseph's General Hospital. The new facilities will enhance acute care capacity to meet growing and changing needs, enhance quality of care for patients – especially elderly and Aboriginal populations, improve access to services for all North Island communities, and maximize staff and physician recruitment and retention potential.

The total nominal cost of the North Island Hospitals Project is estimated at \$606.2 million. This includes elements within and outside of the design, build, partially finance and maintain arrangement, such as capital design and construction costs plus equipment, procurement, implementation, reserves and contingency costs. The total cost of new Comox Valley Hospital is \$331.7 million, and the total cost of the new Campbell River Hospital is \$274.5 million. The cost of the Project is being shared between the Province of British Columbia, Island Health and the Comox Strathcona Regional Hospital District.

Partnership Highlights

The 33-year partnership agreement includes an estimated construction period of three years. Under the agreement Tandem Health Partners (the private partner) is responsible for the following:

- Arranging financing for a portion of the construction and agreed facilities operations for a specified term (construction plus 30-year operating period);
- Designing and building the facilities;
- Providing facility management services for both sites including:
 - Hard facilities management;
 - Utilities and energy;
 - Roads and grounds;
 - Environmental and sustainability services;
 - Housekeeping and waste management;
 - Pest management;
 - Plant services;
 - General management; and
 - Helpdesk services.
- Maintaining the facilities over the 30-year operating phase and returning them in a fully maintained condition at the end of the Project Agreement term.

Tandem Health Partners is incented to perform through a monthly payment mechanism that is based on the principles of performance, facility availability and service quality. If Tandem Health Partners does not meet the high-quality performance standards specified in the Project Agreement, service payments can be reduced.

Expected Benefits

The final partnership agreement between Island Health and Tandem Health Partners is expected to achieve value for taxpayer's dollars of \$131.5 million when compared to the traditional procurement delivery method. Additional benefits from the partnership delivery method include:

- Competition and innovation: The competitive nature of the bidding process encouraged the bidding teams to develop innovative solutions in all aspects of the project from design and construction through to operations.
- Schedule certainty: The private partner receives a significant portion of their payment through monthly availability payments once the facilities are available for use, incentivizing them to complete the project on time.
- Cost certainty: The Project Agreement is a fixed price contract, so responsibility for cost overruns rests with the private partner.
- Integration: The private partner is responsible for the design and construction, long-term operations, maintenance and rehabilitation of the facilities. This creates opportunities and incentives to optimize the integration of these functions.
- Life cycle maintenance: The private partner is responsible for ensuring the facilities are maintained and rehabilitated over the duration of the Project Agreement otherwise the Annual Service Payment may be reduced.

Public Sector Partners

- Ministry of Health
- Island Health

Private Sector Partner

Tandem Health Partners

- Project Co Manager: Gracorp Capital
- Equity Providers: Balfour Beatty / CC&L Gvest Fund
- Design-Builder: Graham
- Design-Builder Design Lead: Stantec
- Hard Services Lead: Honeywell
- Soft Services Lead: Balfour Beatty Communities
- Soft Services Contractor Lead: Crothall Healthcare

