

Understanding Ontario's Local Share for New Hospitals and the Role of Municipal Contributions

Purpose: Ontario's funding model for hospital infrastructure requires municipalities to provide a significant local share of costs for new hospital projects. This briefing note outlines the framework, rationale, and importance of municipal contributions in hospital development.

Background:

What is local share?

The Ministry of Health's Hospital Capital Cost Share Guide defines eligible costs for a ministry-approved and funded small or major capital project. These costs are often referred to as the Ministry "shareable" costs. Generally, the Ministry will fund 90 per cent of the eligible project costs and 100 per cent of eligible planning, design, financing, and transaction costs.

Funding of both the remaining 10 per cent of all eligible project costs and any costs not eligible for Ministry funding are the financial responsibility of the hospital. These costs are also known as the hospital's "local share" for the project.

The Local Share Plan (LSP) is an important document that identifies the timing and sources of funds for the hospital's share of the Total Project Costs (TPC). It demonstrates to the ministry that the hospital has a sound financial plan to manage its local share obligations.

(source: [Hospital Capital Planning and Policy Manual](#))

Importance of municipal contributions to new hospitals

Community investment in healthcare: Hospitals are essential infrastructure for community health and well-being. Municipal funding demonstrates a community's commitment to investing in better healthcare services.

Enabling timely project completion: Provincial funding is contingent on the local share being secured. Delays in commitments can push back project timelines.

Equitable sharing of responsibility: The partnership between the provincial government, municipalities, and the community ensures a balanced approach to funding critical infrastructure.

How is local share calculated?

In September 2019, Infrastructure Ontario listed the South Niagara Hospital on their Market Update for Projects in Pre-Procurement. At that time, the estimated cost of the project was noted as exceeding \$1 billion. To meet its obligation to secure local share funding, Niagara Health began requesting contributions from the Niagara Region as early as 2021, based on the estimated costs at that time. In February 2023 Niagara Health and Infrastructure Ontario announced that EllisDon Infrastructure Healthcare had been awarded a fixed-price contract of \$3.6 billion to design, build, finance and maintain the hospital.

Recognizing that construction, furniture, fixtures and equipment costs would increase, Niagara Health committed to maintaining the local share portion at a fixed amount, ensuring fairness across the region. This commitment was made to both the Niagara Health Foundation and the community.

Based on early estimates and Niagara Health's commitment to not increase the local share portion for the community, the local share request from the community has remained at \$230 million for the South Niagara Hospital.

Use of Funds	Total Estimated Cost in 2019	Ministry of Health Share	Niagara Health Share
Estimated capital costs during construction before financing	\$1,991.4 B	\$1,784.90 B	\$206.4 M
Estimated furniture, fixtures and equipment	\$23.6 M	-	\$23.6 M
TOTAL			~\$230 M

**The cost of financing and Private-Public-Partnership (P3) costs are excluded from the calculation of the local share.*

In February 2023, Niagara Health and Infrastructure Ontario announced that EllisDon Infrastructure Healthcare (EDIH) had been awarded a fixed-price contract of approximately \$3.6 billion to design, build, finance and maintain the South Niagara Hospital.

Breakdown of local share

As was done with the City of St. Catharines, Niagara-on-the-lake and Thorold for the Marotta Family Hospital, and likewise with the Niagara Region and the City of Niagara Falls to date for the South Niagara Hospital, Niagara Health will work with each municipality on their level of commitment. Niagara Health will be using the same commitment per capita of \$340.63 as the basis for all municipal asks. Niagara Health uses the 2016 census data based on direction from the province and to ensure equity in asks across local municipalities. Niagara Region and the City of Niagara Falls local share requests were calculated based on 2016 census data.

Municipal contribution amounts

	2016 Census Population	Per Capita Amount	Calculated Amount	Official Ask	Committed
Niagara Falls	88,071	\$340.63	29,999,625	\$30.0M	\$30M
Fort Erie	30,710	\$340.63	10,460,747	\$10.5M	\$3M (initial commitment – NH has not made an official ask to date)
Port Colborne	18,306	\$340.63	6,235,573	\$6.2M	TBD
Welland	52,293	\$340.63	17,812,565	\$17.8M	TBD
Wainfleet	6,372	\$340.63	2,170,494	\$2.2M	TBD

Pelham	17,110	\$340.63	5,828,179	\$5.8M	TBD
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We have begun discussions with other southern tier municipalities (Fort Erie, Port Colborne, Welland, Wainfleet, Pelham) for their commitment and future contributions.

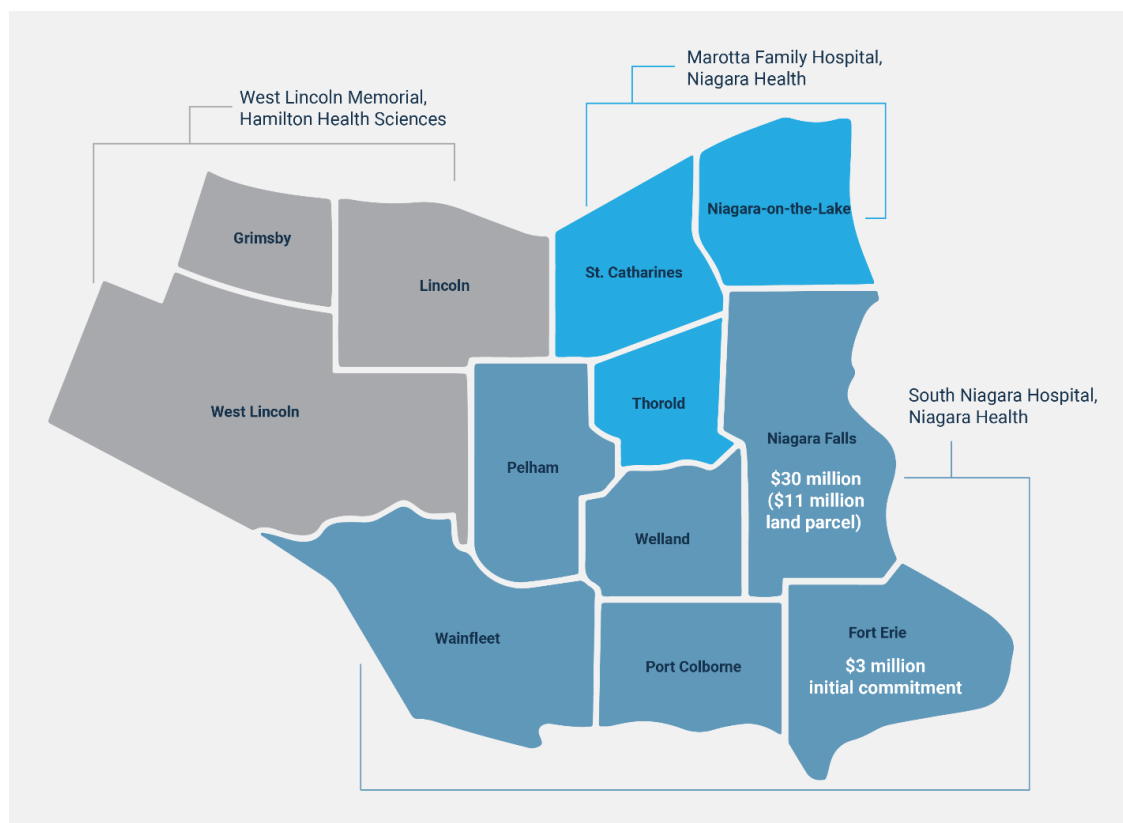
The local share for the SNH project remains \$230 million—the same amount established in 2017 when the Ministry of Health approved the project. While the overall cost of the hospital has increased substantially, NH has chosen not to raise the local contribution, instead covering the additional expenses to shield municipalities from higher costs.

Understanding municipal contributions

It is essential to understand why municipalities are being asked to contribute a local share for the new South Niagara Hospital.

- Past contributions to healthcare redevelopment: Hamilton Health Sciences previously requested and received local share contributions from the Town of Grimsby, Town of Lincoln, and Township of West Lincoln for the redevelopment of the West Lincoln Memorial Hospital. Additionally, the Niagara Region committed funding to this project, with all contributions successfully approved.
- Precedent with the Marotta Family Hospital: For the Marotta Family Hospital in St. Catharines, local share contributions were provided by the City of St. Catharines, City of Thorold, and Town of Niagara-on-the-Lake. This was aligned with Niagara Health's master plan, which anticipated future local share requests for the South Niagara Hospital from other municipalities.
- Current Contributions for the South Niagara Hospital: Following this established pattern, local share requests for the South Niagara Hospital have been directed to the City of Niagara Falls, City of Welland, City of Port Colborne, Town of Pelham, Town of Fort Erie, and Township of Wainfleet (see image below).

This approach ensures a collaborative regional effort to support critical healthcare infrastructure across Niagara.



Receiving payments

Niagara Health was required to begin making payments for our share of the overall project costs, starting after the close of the RFP in 2023. This includes the purchase of furniture and equipment, permits, fees and other ancillary costs. Local share commitments are expected to be paid upon substantial completion of the new hospital, expected for early 2028. If the full payment of local share by Niagara Region or municipalities is not made by occupancy, an interest rate would be added to the payments. The current rate used for budgeting is 6.02 per cent.

It is beneficial for Niagara Health to receive local share funds, or a portion of the funds, between 2023 and 2027 to offset its portion of project costs required to be paid in advance of substantial completion.