



ADMINISTRATIVE REPORT

Report Date: April 17, 2018
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Meeting Date: May 1, 2018

TO: Vancouver City Council

FROM: General Manager of Arts, Culture and Community Services in consultation with the General Manager of Real Estate and Facilities Management

SUBJECT: Child Care Centres at Nelson, Fleming and Tennyson Elementary Schools - Appointment of Operators, Basic Sublease Terms, and Approval of Grants

RECOMMENDATION

- A. THAT Council appoint the Association of Neighbourhood Houses of British Columbia ("ANHBC") as the non-profit operator of the two licensed group childcare centres to be co-located with the seismic replacements of:
- a. Lord Nelson Elementary School, situate at 2235 Kitchener Street (PID: 008-964-858; Lot E Block 135 District Lot 264A Plan 12063); and
 - b. Lord Tennyson Elementary School, situate at 1936 West 10th Avenue (PID: 014-182-866; Block 366 (Explanatory Plan 5596) District Lot 526 Plan 1949),
- subject to the City being granted long-term leases of the childcare facilities by The Board of Education of School District No. 39 (Vancouver) ("VBE").
- B. THAT Council appoint the Developmental Disabilities Association of Vancouver-Richmond ("DDA") to be the non-profit operator of the licensed group childcare centre to be co-located with the seismic replacement of Sir Sandford Fleming Elementary School at 1401 East 49th Avenue (PID: 007-928-955; Block 3 District Lot 731 Group 1 New Westminster District Plan 8333 Except: Firstly; Part Shown on Explanatory Plan 18841 and Secondly; Part Shown on Plan BCP31199), subject to the City being granted a long-term lease of the childcare facility by the VBE.

- C. THAT Council authorize the Director of Real Estate Services to negotiate and, upon the City and VBE entering into long-term leases of the childcare facilities, to execute sublease agreements:
- a. with ANHBC, as subtenant and childcare operator of the childcare facility at Lord Nelson Elementary School;
 - b. with ANHBC, as subtenant and childcare operator of the childcare facility at Lord Tennyson Elementary School;
 - c. with DDA, as subtenant and childcare operator of the childcare facility at Sir Sandford Fleming Elementary School,
- on the following basic terms, and on terms and conditions consistent with the Term Sheet attached hereto as Appendix A, and otherwise satisfactory to the Director of Real Estate Services, the Director of legal Services and the Managing Director of Social Policy and Projects:
- i) Term and Renewal Options: Initial term of five (5) years, with two (2) renewal options each for a further period of five (5) years.
 - ii) Total Rent: Nominal Rent of Ten Dollars (\$10.00) for the term or any renewal term, payable in advance, plus applicable taxes.
- D. THAT Council approves the following one-time grants:
- a. Up to \$138,000 to ANHBC for operational start-up costs of the childcare facility at Lord Nelson Elementary School, to be disbursed over two years.
 - b. Up to \$138,000 to ANHBC for operational start-up costs of the childcare facility at Lord Tennyson Elementary School, to be disbursed over two years.
 - c. Up to \$138,000 to DDA for operational start-up costs of the childcare facility at Sir Sandford Fleming Elementary School, to be disbursed over two years.
- Source of funds: Childcare Reserve.
- E. THAT no legal rights or obligations be created or arise by Council's adoption of these Recommendations unless and until the subleases are signed by the City and the non-profit operators.

Note: Recommendation D authorizes grants, and requires two-thirds affirmative votes of all Council members for approval.

REPORT SUMMARY

This report recommends operator appointments for three purpose-built 69-space childcare facilities, each to be built and co-located with a new seismic replacement elementary school:

- ANHBC to be appointed as the operator for childcare facilities at Lord Nelson Elementary School and Lord Tennyson Elementary School.
- DDA to be appointed as the operator for a childcare facility at Sir Sandford Fleming Elementary School.

In addition, this report seeks Council authority to enter into a nominal rent sublease for each childcare facility on terms discussed in the body of the report.

Finally, this report seeks Council approval of grants up to \$138,000 per childcare facility to assist the recommended operators with the opening and operating costs of the new centres.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On December 16, 2014, Council passed a motion to renew its commitment to childcare, along with a target to facilitate the creation of 1,000 new childcare spaces between 2015 and 2018.

On July 8, 2015, Council adopted the Healthy City Strategy. Actions on Goal #1: A Good Start aim to provide children with the best opportunities for a healthy life, including childcare as a cornerstone of healthy early child development.

In July 2015, November 2016, and December 2016, Council authorized the City to enter into arrangements with VBE that would make possible the co-location of the three childcare facilities with Lord Nelson, Lord Tennyson and Sir Sanford Fleming Elementary Schools. As part of these arrangements, the City was authorized to enter into an offer to lease with VBE for each of the three childcare facilities, and to settle the terms of a nominal long-term lease for each one (to be signed upon completion of construction). In addition, the City was authorized to enter into a development management agreement with VBE for each location for the purpose of allocating funding and responsibility for the design and construction of each of the three childcare facilities.

Pursuant to Section 206(I) (a) of the Vancouver Charter, not less than two-thirds of all members of Council must approve a resolution for a grant to a charitable institution. Therefore, Recommendation D requires eight affirmative votes of Council.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Arts, Culture and Community Services RECOMMENDS approval of the foregoing.

REPORT

Background/Context

Three purpose-built and fully constructed 69-space child care centres will be built and each co-located with a new seismic replacement elementary school at the following locations:

- Lord Nelson Elementary School at 2235 Kitchener Street:
 - Approximate size: 10,310 square feet of indoor space; 9,580 square feet of outdoor play space
 - Anticipated opening: Spring 2019
- Sir Sandford Fleming Elementary School at 1401 E. 49th Avenue:
 - Approximate size: 9,560 square feet of indoor space; 11,200 square feet of outdoor space
 - Anticipated opening: Fall 2019
- Lord Tennyson Elementary School at 1936 W 10th Avenue:
 - Approximate size: 8,850 square feet of indoor space; 9,320 square feet of outdoor space
 - Anticipated opening Summer 2020

Located on the 3rd floor of each school building, each childcare facility is designed to accommodate 12 infant spaces, 12 toddler spaces, 25 spaces for ages three to five, and 20 preschool spaces. The preschool areas have been designed as flexible programming spaces and may accommodate childcare, child development or family programming instead of or in addition to preschool. At schools where there is a demonstrated need for additional school-age care spaces, proponents were strongly encouraged to offer school-age child care in the preschool spaces.

Each of the three new childcares will provide 69 new spaces of licensed childcare. These spaces are included in the Targets and Progress Table below as 'Committed Spaces', as they are currently under development. With these additional 207 committed spaces, the City will have achieved 98% of Council's four-year target to facilitate the creation of 1000 new childcare spaces by 2018.

Table 1: City of Vancouver Child Care Targets and Progress against Targets (update)

Council Target : New Spaces Between 2015-2018	Built Spaces	Committed Spaces	Total Built and Committed
1000	341	657	998

A Request for Expressions of Interest ("RFEOI") was issued on December 13, 2017, and was advertised on the City's website; it closed on January 31, 2018. Organizations were invited to express interest in operating one, two or all three of the childcare centres. Twenty-three non-profit organizations were notified. An information meeting was held on December 18, 2017.

Strategic Analysis

While recognizing that the mandate for child care rests with senior governments, the City of Vancouver values the importance of affordable, available and quality child care to the social and economic sustainability of Vancouver's neighbourhoods. The City, therefore, uses its municipal tools to facilitate the creation and ongoing support of non-profit child care amenities.

The creation of these new childcare centres in seismically upgraded schools follows a decade of partnership between the City of Vancouver and the VBE, which was initially focused on expanding school-age child care. Following the creation of the CoV/VSB Steering Committee for the use of public lands, and creation of the School Age Care Expansion Grants in 2013-2014, 466 new school-age care spaces have been created in Vancouver schools. The City and VBE have since further expanded their focus to partner in the provision of care for children under 5 years old on school sites. In its capital planning, the VBE has prioritized seismic replacement of schools, creating a unique opportunity for partnerships with the City to deliver childcare for ages 0-4 through a new co-location model.

Co-locating a spectrum of early learning, childcare and family services in public school buildings provides a 'one stop' approach for families and an easier transition to kindergarten. This convenient and efficient co-location uses public buildings to support the City's sustainability objectives including creating a Healthy City for all, a greener city and supporting parents' economic capacity. Making quality early childhood education available in local communities supports reduced child vulnerability and increased school readiness for young children, which supports children to thrive in education, health and wellbeing later in life. The childcare centres will also offer economic benefits through supporting parent participation in the workforce. Families and communities will benefit from reduced commutes and increased local connections in and around the schools.

Childcare Operator Selection

Expressions of Interest received from ANHBC and DDA met the RFEOI requirements. They also aligned with the City's Healthy City Strategy "Good Start" goal to provide Vancouver's children with "the best chance of enjoying a healthy childhood" as well as supporting parents' ability to "Make Ends Meet", and "Cultivating Connections". The proposals were focused on delivering quality programming, supporting healthy child development, responding to the needs of parents to participate in the work force and fostering neighbourhood connections.

ANHBC is a charitable, non-profit organization originally incorporated in BC in 1894. The entire organization operates seven neighbourhood houses and an outdoor camp in Metro Vancouver, and had an operating budget of \$20M in 2016-2017. ANHBC currently operates 980 licensed childcare spaces, serving children ages 0 to 12 in 23 locations. Childcare and child development programs offered by ANHBC are supported by a robust operational structure, yet embedded in community settings with a place-based approach. Childcare at Lord Nelson Elementary School would be delivered through

Frog Hollow Neighbourhood House, while childcare at Lord Tennyson Elementary School would be delivered through Kitsilano Neighbourhood House.

DDA is a community living agency that serves over 1,600 individuals and families from birth through all ages, in the Vancouver and Richmond area every year, and had an operating budget of \$25M in 2016-2017. From opening Metro Vancouver's first inclusive child care program in 1972, it now operates ten child care centres in the region. DDA's Child Development Centres offer quality inclusive childcare programs for both typical and special needs children, supporting children and their families to develop understanding, acceptance and respect.

Implications/Related Issues/Risk (if applicable)

Financial

One-Time Grants

The following one-time grants are recommended for the three childcares to support operational and start-up costs. The grants would be sourced from the Childcare Reserve and disbursed over two years, based on and subject to demonstrated need:

	Proposed One-Time Start-up Grant
Childcare at Lord Nelson Elementary	Up to \$138,000
Childcare at Sir Sandford Fleming Elementary	Up to \$138,000
Childcare at Lord Tennyson Elementary	Up to \$138,000
TOTAL	Up to \$414,000

Sublease Terms

Should Council approve Recommendations A, B and C, staff propose that, for each childcare facility, the City (as sublandlord) and the recommended operator (as subtenant) enter into a sublease based on the City's standard non-profit childcare lease for childcare operators in City-owned or controlled facilities (generally referred to as "City-owned" facilities). The City's standard childcare lease term is 5 years, with two further 5 year renewal options for a total term of 15 years, at nominal rent of \$10 per term. The City will be in a position to enter into the subleases after signing the long-term leases for the childcare facilities with VBE (the landlord).

Given that the City's long-term leases with VBE are for nominal rent, there will be no foregone rent revenue for the three subleases.

The subleases will each provide that in the very unlikely event that the applicable childcare facility becomes subject to property taxes, the obligation to pay shall be borne by the subtenant.

The respective responsibilities of VBE, the City and the operator regarding the cleaning, maintenance, repair, and replacement of the childcare facility, as well as their proportionate share of costs, will be further detailed in a Service Level Agreement that will be attached as a schedule to and form part of each sublease. The operator will be responsible for all expenses related to utilities, communications (including internet, cable, and phone), security systems for the childcares, minor maintenance, janitorial, liability and contents insurance, and program operating and service delivery costs.

The City will be responsible for major repairs and life cycle replacement (capital maintenance) of major building systems exclusive to the premises and a proportionate share of major repairs and life cycle replacement of common systems, surfaces and envelope.

Sublease terms will include requirements that the childcare facility program meet BC Community Care Facilities Licensing regulations, operate at maximum capacity on a full time basis, adhere to financial accountability through an annual budgetary review, and such other terms as are acceptable to or required by the Director of Legal Services. The sublease terms will also address public service requirements, including provisions that ensure diverse access and parent involvement in decision-making processes, and that encourage affordability for families while maintaining financial sustainability of programming.

The basic sublease terms are attached as Appendix A.

Legal

Upon completion of construction of each of the three schools, the City and VBE will sign the applicable long-term lease agreement in substantially the same form as is attached to the existing offer to lease. Thereafter, the long-form lease may be registered at the Land Title Office to secure the City's leasehold interest in the building, and the City will sign the applicable sublease with the operator.

CONCLUSION

Staff recommend that Council appoint ANHBC as the operator of the childcares to be co-located with Lord Nelson Elementary School and Lord Tennyson School, appoint DDA as the operator of the childcare to be co-located with Sir Sandford Fleming School, and authorize entering into a nominal sublease agreement with the operator of each childcare, once the City has entered into long-term leases with VBE for the childcare facilities.

In addition, staff recommend that Council authorize a one-time start-up grant of up to \$138,000 for each childcare facility, payable to the non-profit operator selected for such facility, subject to such operator entering into a sublease with the City for such childcare facility.

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Basic Sublease Terms for Childcare Centres at:

- Lord Nelson Elementary School, 2235 Kitchener Street;
 - Sir Sanford Fleming Elementary School, 1401 East 49th Avenue; and
 - Lord Tennyson Elementary School, 1936 West 10th Avenue
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In each Sublease:

The Board of Education of School District No. 39 (Vancouver) ("VBE") is the Landlord; the City of Vancouver is the Sublandlord; and the Operator is the Subtenant.

1. **Term:** Five years.
2. **Options to renew:** Two five-year renewal options. Each renewal option is conditional upon the Sublandlord being satisfied that the Subtenant has the capacity to operate, maintain and program the Premises in accordance with the sublease terms and the stated Public Service Requirements for the duration of the renewal term contemplated.
3. **Gross floor area:**
 - **Lord Nelson:** approximately 10,310 square feet of indoor space, and approximately 9,580 square feet of outdoor play space;
 - **Sir Sandford Fleming:** approximately 9,560 square feet of indoor space, and approximately 11,200 square feet of outdoor play space;
 - **Lord Tennyson:** approximately 8,850 square feet of indoor space, and approximately 9,320 square feet of outdoor play space.
4. **Hours of access to the building:** 7:30 am to 10:00 pm, Monday to Friday, except statutory holidays.
5. **Total rent:** Nominal rent of ten dollars (\$10.00) for the Term or any renewal term, payable in advance, plus applicable sales taxes.
6. **Property taxes, if any:** Subject to finalized terms in the head leases, should any of the childcare facilities for any reason be or become subject to any property, school, local improvement or other charges or taxes, then the obligation to pay all such charges and taxes shall be borne by the Subtenant.
7. **Directly metered utilities:** The Subtenant shall be responsible for all costs and obligations associated with directly metered utilities serving the Premises.
8. **Municipal utility charges:** All Municipal Utility Charges serving the Premises are payable by the Subtenant.
9. **Service Level Agreement:** Responsibilities between the VBE (Landlord), City of Vancouver (Sublandlord) and the Operator (Subtenant) for maintenance, repair and lifecycle replacement work are listed in the Service Level Agreement, which shall be attached to and form part of each of the Subleases.

10. Use:

- **Licensing:** The Subtenant must be licensed throughout the term under the *Community Care and Assisted Living Act* to operate the Premises as a community care facility in which group childcare is provided. The Subtenant cannot reduce, change or discontinue any of the group childcare provided at the Premises at the start of the Sublease without written approval in advance by the Sublandlord.
- **Requirements:** All lawful requirements, regulations, rules and standards shall be met and adhered to at all times.
- **Hours of operation:** The Subtenant shall provide the childcare services contemplated by the Sublease on a full-time basis each day of the week, not including Saturdays, Sundays or statutory holidays.
- **Spaces and programs:** The Subtenant may receive on the Premises children from all members of the Vancouver community and from neighbouring municipalities.

The Subtenant shall have the capacity and capability to provide and manage the following childcare spaces and programs:

- a) 12 full time spaces for infants (0-19 months);
- b) 12 full-time spaces for toddlers (18-36 months);
- c) 25 full-time spaces for ages 3-5 (30 months to school age); and
- d) A flex space designed to accommodate 20 licensed preschool spaces (licensed preschool is part-time, part-day daycare for children aged 3-5 years), and/or other programs such as part-day child care for children ages 3-5, and/or School-Age Care (out of school care for children aged 5-12),

unless otherwise agreed to by the Sublandlord, in its sole discretion.

- **Number of children:** All reasonable efforts shall be made to ensure that the Centre is fully occupied at all times. In any event, the number of children enrolled in daily group care shall not be less than ninety per cent (90%) of the maximum number of children permitted to receive group care under the Subtenant's licence. The Subtenant covenants to accurately record daily the attendance or absence of each child enrolled at the Premises and to preserve these records and to allow the Sublandlord to inspect the attendance records on reasonable notice and to copy same for the Sublandlord upon request at the Sublandlord's cost.
- **Other programs:** On condition that it does not interfere with other childcare service requirements, takes place within the hours when the operator has access to the centre, and in consideration of necessary custodial and maintenance schedules, the Subtenant may also provide:
 - a) additional early care and learning programs for children from birth to age 12;
 - b) parenting and family development programs; or
 - c) other programming ancillary to early care and learning.

- **Third party use:** On the condition that third party use does not interfere with the childcare services requirements under the Subtenant's licence, takes place within the hours when the operator has access to the centre, takes into consideration necessary custodial and maintenance schedules, and complies with the Occasional Third Party Use Policy to be developed by the Subtenant and approved by the Sublandlord and Landlord, and attached to and forming part of the Sublease, the Subtenant may permit third party use of the Premises but only for the purpose of providing programs supporting children and families. In their discretion, the Sublandlord or the Landlord must approve third party use of the Premises, which approval may be unreasonably withheld and if so it shall give the Subtenant the reasons or its decision to prohibit.
11. **Liability, release and indemnity:** Except to the extent caused or contributed to by the negligence of the Sublandlord or any of the Sublandlord's personnel, the Sublandlord and the Sublandlord's personnel shall not be responsible for any costs, expenses, claims, demands, suits, judgments, damages or losses (collectively, "Losses") and the Subtenant shall hold the Sublandlord and the Sublandlord's personnel harmless against all Losses.
12. **Insurance:** The Sublandlord shall provide in the Sublease a full list of the Sublandlord's insurance coverage requirements of the Subtenant, including commercial general liability insurance and All Risk (Broad Form) insurance.
- The Landlord shall be responsible for insuring the Premises against fire and certain other perils.
13. **Assignment, mortgage, naming rights:** Except with the prior written consent of the Sublandlord, the Subtenant will not be able to assign, mortgage or license all or part of the Premises or its interest therein. The Subtenant shall follow the Sublandlord's Naming Rights policy including potential restrictions on the right to name the Premises (including any portion of the Premises).
14. **Public Service Requirements:** The Subtenant shall operate the Premises for the benefit of the residents of Vancouver and the advancement of childcare services in Vancouver. The Sublandlord, with input from the Subtenant, shall articulate a set of Public Service Requirements, which shall be attached to and form part of the Sublease, to be followed by the Subtenant.
15. **Termination:** Upon demolition or destruction of the building or expiring of the term.
16. **Early termination:** Upon not less than ninety (90) days' written notice:
- i. the Sublandlord may terminate the Sublease if the Sublandlord's elected Council is not satisfied with the group childcare service provided, including without limitation compliance with the Public Service Requirements; and
 - ii. the Subtenant may terminate the Sublease if the Subtenant intends to or has ceased to use the Premises for the permitted use.

17. **Additional lease terms and operating covenants:** All additional terms and conditions and any variations of the foregoing as required by the Director of Legal Services, the Managing Director of Social Policy and Projects and the Director of Real Estate Services.