

## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT



Report Date: March 18, 2008  
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TO: Vancouver City Council

FROM: Director of Social Planning in Consultation with the Directors of Legal Services, Real Estate Services and Facility Design and Management

SUBJECT: Sub-lease for Child Care Facility at 1188 W. Pender Street

#### RECOMMENDATION

- A. THAT Council approve the Vancouver Society of Children's Centres (VSOCC) as the operator of the facility at 1188 W. Pender Street, and authorize the General Manager of Community Services and the Director of Real Estate Services to negotiate and enter into a sub-lease on the general terms and conditions as set out in Appendix A.

Recommendation A proposes a nominal rent lease and other considerations and is therefore a grant requiring eight affirmative votes.

- B. THAT Council approve an increase in the Facility Design and Management operating budget of \$10,000 annually (prorated to \$7,800 for 2008) to provide for the City's ongoing operating maintenance responsibilities; source of funding to be the \$1.1 million community amenity contribution provided by the developer to the Childcare Endowment Reserve.
- C. THAT Council instruct staff to allocate one-time funding of up to \$200,000 to offset anticipated future capital maintenance and replacement in the amenity space; source of funding to be the \$1.1 million community amenity contribution provided by the developer to the Childcare Endowment Reserve.

#### GENERAL MANAGER'S COMMENTS

The General Manager of Community Services and the General Manager of Corporate Services RECOMMEND approval of A, B and C.

## COUNCIL POLICY

Approval of grant recommendations requires eight affirmative votes.

On October 23, 1990, Council approved the Civic Childcare Strategy, which included two actions related to child care as conditions of rezoning:

*Require, where appropriate, construction and equipping of child care facilities as a condition of rezoning in commercial, retail, and residential developments;*

*Approve, in principle, the option of obtaining agreement from the developer for the construction of child care facilities and the establishment of an on going operating fund to subsidize childcare services, as part of the rezoning process.*

This policy direction was confirmed by Council on April 16, 1991

On June 8, 1993, Council directed that in situations where non-profit organizations occupied City-owned properties at nominal rents, the assets be held in the Capital Fund.

On September 11, 2003, Council directed staff to utilize the legal agreement framework discussed in this report for all future leases/sub-leases/licenses to non-profit organizations occupying capital assets.

On December 15, 1994, Council approved a grant as start-up dollars for a new society, the Vancouver Society of Children's Centres. Along with allocating a grant Council also approved the Society's mandate, goals and objectives. The primary purpose for establishing the Society was to manage City owned and leased facilities in the Downtown Peninsula.

## PURPOSE

The purpose of this report is to seek Council's approval for the Vancouver Society of Children's Centres to be named as the operator of the facility at 1188 W. Pender Street and for staff to be authorized to enter into a sub-lease for the purpose of operating a 37-space licensed child care centre. It also seeks Council's approval for funding to provide for the ongoing operating and periodic capital maintenance responsibilities of the City under the head lease.

## BACKGROUND

On April 14, 2005, Council approved *in principle* a request from Pinnacle International to provide a child care amenity at 1188 W. Pender Street (DE 408949). Council approved the request subject to the developer entering into a Section 219 covenant and providing the City with an option to lease the space at a nominal rent for the life of the building (RTS 5020 - Community Amenity Bonus - 1188 W. Pender). The building is now constructed and Legal Services expects the head lease to be in place in the near future.

Pinnacle offered to design, construct, fully fit, furnish and equip a licensable 37-space child care facility at its cost. The facility was to be constructed as per the City of Vancouver Childcare Design Guidelines and acceptable to the Directors of Social Planning, Facility Design and Management and Community Care Facilities Licensing. In addition, the developer

provided a \$1.1 million contribution to the City Childcare Endowment Reserve to assist with the City's responsibilities under the lease and the provision of affordable, accessible child care as established by Council policy.

## DISCUSSION

Pinnacle International has advised the City that the child care facility in their project at 1188 West Pender Street will be ready for occupancy in late April, 2008. In order for the child care facility to become operational, City staff are seeking Council's authority for the General Manager of Community Services and the Director of Real Estate Services to negotiate and enter into a sub-lease agreement with the Vancouver Society of Children's Centres (VSOCC) on terms and conditions as set out in Appendix A. VSOCC will operate a 37-space licensed childcare program, of which 25 spaces will be for children three to five years old and 12 spaces will be for toddlers.

VSOCC was established as a Society in 1994 with start-up funding approved by City Council. Council's expectation around supporting the creation of VSOCC was that the Society would fulfil the responsibilities of managing City-owned and leased child care facilities in the Downtown peninsula. The Society's overall mission is to design, develop and deliver an integrated and comprehensive continuum of high quality child care and family services that reflect community, family and children's values, needs and interests. The mandate, goals and objectives were the subject of a December 15, 1994 report to Council which recommended a grant to VSOCC for the administration of City-owned facilities.

VSOCC now operates 6 downtown facilities with 335 childcare spaces that have been developed as part of a City public amenities process. The Society receives an annual City grant of \$107,242 to assist with the administration of City-owned child care facilities and approximately \$150,000 in endowment funding for some of VSOCC's existing infant/toddler spaces. VSOCC has demonstrated a track record for delivering child care programs.

## FINANCIAL IMPLICATIONS

Once conveyed to the City, the amenity space will be held as a Capital Asset and managed by Real Estate Services (lease and sublease) and Facility Design and Management (ongoing operating maintenance and capital maintenance). The City's responsibilities will include ongoing operating maintenance and capital maintenance of building equipment and systems dedicated to or contained within the leased premises, including HVAC, electrical, mechanical, and structural components.

The annual cost of ongoing operating maintenance of these systems is estimated at \$10,000 (prorated to \$7,800 for the 2008). The Child Care operator will assume the financial responsibility for operating expenses including utilities, janitorial services and play equipment maintenance.

In addition to the ongoing operating maintenance costs, the City has also assumed responsibility for the capital maintenance and/or replacement of the major building equipment and systems associated with the amenity space. This may require future one-time funding of approximately \$200,000 over the next 20 years.

It is recommended that this operating and capital maintenance be provided from the \$1.1 million community amenity contribution to the Childcare Endowment Reserve provided by the developer. This allocation will not impact the Childcare Endowment Reserve's ability to fund start-up costs or the subsidy grant for the toddler spaces. A minimum one-time contribution of \$550,000 is required to generate sufficient interest for an annual subsidy grant of \$1,650 for each of the twelve toddler spaces. In addition, \$74,000 (\$2,000/space x 37 spaces) for start-up funding will be used to offset the costs associated with implementing a new child care program. The \$1.1 million provides enough money to cover these expenses plus the annual operating maintenance costs of \$10,000 per year for twenty years (\$200,000), and a one-time contribution of up to \$200,000 for capital maintenance.

Once lease negotiations are completed, staff will seek Council's approval for allocations from the Childcare Endowment Reserve related to start-up and toddler space subsidies which will support the proposed child care operator.

## CONCLUSION

Staff recommend entering into a sub-lease with VSOCC for the use of the 37-space licensed child care facility located at 1188 W. Pender Street. In addition, it is recommended that funding for operating (\$10,000) and capital (\$200,000) maintenance over the first 20 years of the lease be approved from the community amenity contribution provided by the developer to the Childcare Endowment Reserve.

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Terms and Conditions for Sub-lease of Childcare Facility at 1188 W. Pender Street

- i) Rent: \$1.00 per annum, to be paid in advance at the commencement of sub-lease;
- ii) Term: 5 years, plus two 5 year renewals;
- iii) Use of the premises is for full time licensed group child care, and related child development activities. Child care enrolment must be maintained at not less than 90% of the maximum number of children permitted to receive care as per the Society's Provincial child care license. Operation of the facility must be in accordance with the Provincial Child Care Regulations and all other lawful requirements;
- iv) The Society shall pay as they become due all charges, rates and levies on account of the provision to the Leased Premises of heat, electricity, water, air conditioning, telephone, cable vision and like services and utilities whether provided by the Head landlord or utility companies;
- v) Maintenance: The Society will assume financial responsibility for operating costs related to utilities, janitorial services and play equipment maintenance. The City will assume responsibility for the ongoing operating maintenance and capital maintenance of the child care facility's building equipment and systems dedicated to or contained within the leased premises, including HVAC, electrical, mechanical, and structural components;
- vi) The Society shall pay when due all good and services taxes, value-added taxes, sales taxes, and consumption based taxes, rates, levies, and assessments;
- vii) Termination of the Sub-lease: The Society may terminate this sub-lease upon giving the City one hundred eighty (180) days written notice. The City may terminate this sub-lease upon giving the Society one hundred and eighty (180) days written notice of such termination if the City's elected Council is not satisfied with the group daycare service;
- viii) The Society will indemnify and save harmless the City and its officers, servants and agents against all liability for loss, damage, injury and death resulting from its use and occupation of the Leased Premises and Easement area from third party use or from the Society's default in its obligations herein;
- ix) Insurance: The Society will be required to carry the following insurance coverage: comprehensive general liability insurance with limits of at least Two Million Dollars (\$2,000,000), Fire and Legal Liability coverage of at least One Million Dollars (\$1,000,000), insurance on the Society's trade fixtures, furniture and chattels to the replacement value and other insurance as may be reasonably required by the City from time to time; and
- x) Other terms and conditions to be drawn to the satisfaction of the Directors of Legal Services, Real Estate Services, Facility Design and Management, and Social Planning. No right or legal obligation is hereby created and none shall arise until execution of the sub-lease.