



CITY OF VANCOUVER

A13

ADMINISTRATIVE REPORT

Report Date: July 7, 2009
Contact: Mary Clare Zak
Contact No.: 604.873.7207
RTS No.: 07750
VanRIMS No.: 08-2000-20
Meeting Date: July 21, 2009

TO: Vancouver City Council

FROM: Deputy General Manager of Community Services and Acting Managing Director of Social Development

SUBJECT: Appointment of Operator, Approval of Lease and Grants for the Sea Star Children's Centre - 1451 Homer Street

RECOMMENDATION

- A. THAT Council appoint the Vancouver Society of Children's Centres (VSOCC) as the operator for the childcare facility located at 1451 Homer Street;
- B. THAT Council approve entering into a five-year lease agreement with VSOCC as the operator of the childcare facility at 1451 Homer Street, renewable for two further five-year terms for a nominal rate (\$10.00), to operate a 69-space licensed childcare program on general terms and conditions as outlined in APPENDIX A, and other terms satisfactory to the Deputy General Manager of Community Services and Directors of Facilities Design and Management, Real Estate Services and Legal Services;
- C. THAT Council allocate a grant of \$138,000 to VSOCC for start-up of the new facility, subject to VSOCC entering into the lease agreement contemplated in Recommendation B. Source of funding is the Childcare Endowment Reserve;
- D. THAT Council authorize payment of \$39,600 as an annual operating subsidy to VSOCC for the 24 infant/toddler spaces at the Sea Star Children's Centre, pro-rated at \$9,900 in 2009 from the date of expected lease commencement October 1, 2009 to December 31, 2009 and subject to VSOCC entering into the lease agreement contemplated by Recommendation B. Source of funds: City Childcare Endowment Reserve; and

Recommendations B, C and D authorize grants and require eight affirmative votes.

- E. THAT Council approve an increase to the Facilities Design and Management Annual Operating Budget of \$30,000 (pro-rated to \$7,500 for the period of October 1, 2009 - December 31, 2009) for maintenance services, without offset. Source of 2009 funding is the Childcare Endowment Reserve. Future funding source for maintenance costs is pending the outcome of the review for the Childcare Endowment Reserve, as directed by Council on April 7, 2009.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the foregoing recommendations.

COUNCIL POLICY

Pursuant to Section 206(l) (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. A lease of City-owned property at less than market rent is considered to be a grant.

On October 23, 1990, Council approved the Civic Childcare Strategy, committing the City to being an active partner with senior governments, parents, the private sector and community in developing and maintaining a comprehensive childcare system in Vancouver. An action plan was adopted as part of this strategy directing staff to secure childcare facilities as a condition of rezoning land. On April 23, 2002, Council approved "Moving Forward Childcare: A Cornerstone of Childhood Development", which set out a strategic plan for the integration of childcare and child development services within a hub framework for the City.

On February 4, 1993 Council approved childcare operating contributions; established rates per childcare space for payments-in-lieu and start-up contributions; authorized staff to secure from developers a payment-in-lieu contribution for some of the childcare spaces to be built in False Creek North and Coal Harbour; and directed staff to revise the False Creek North and Coal Harbour ODPs to reflect the adjustment to the childcare requirements given some spaces had been converted for a cash contribution.

On December 15, 1994, Council approved a report that outlined the goals, objectives and scope of operations for the VSOCC, and established the Childcare Endowment Reserve to help offset the costs of starting up a new facility and operating infant and toddler programs in new City-owned childcare facilities.

On February 13, 1996, Council approved the 500 Pacific Street - Beach Neighbourhood East Rezoning which included a childcare facility.

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 July 22, 2008, Council instructed staff to conduct a review of the City Childcare Endowment Reserve to evaluate priorities, payments, conditions and streamline the administration of the endowment grant, with a report back to Council in 2009.

On April 7, 2009 Council instructed staff to undertake a supply and demand review of infant, toddler, 3-5 year old and out-of-school care spaces, and disaggregate the data by neighbourhood; and further that costs and revenue sources for implementing a universal approach to a sustainable Childcare Endowment reserve be confirmed, including the development of eligibility criteria, consultation with stakeholders and identifying alternative mechanisms to enhance this Fund. Council also directed staff to reinstate the Joint Council on Childcare and renew its goals, and previously adopted Terms of Reference, along with an objective of a further 5% increase, at a minimum, in childcare spaces in the next three years.

PURPOSE

The purpose of the report is to seek Council's approval to:

- appoint VSOCC as the operator of the childcare centre located at 1451 Homer Street;
- enter into a lease agreement with VSOCC;
- allocate a grant of \$138,000 to VSOCC for start-up of the new childcare facility;
- authorize payment of up to a total of \$39,600 per year to VSOCC for the 24 infant/toddler spaces at the Sea Star Children's Centre, pro-rated at \$9,900 for the expected lease commencement date October 1, 2009 to December 31, 2009; and
- increase the Facilities Design and Management operating budget by \$30,000 annually (pro-rated to \$7,500 for the period of October 1, 2009 to December 31, 2009), for maintenance services of the childcare facility.

BACKGROUND

As a result of the redevelopment of lands located on the north side of False Creek, the developer was required to provide childcare facilities to serve residents and workers. The provision of community amenities such as childcare facilities was discussed and illustrated in the False Creek North Official Development Plan, adopted by City Council in 1990. Initially eight childcare facilities were required. However, in 1993 Council was made aware that Federal funding for a national childcare agenda had been withdrawn and budget projections based on the available Provincial operating funding for the new childcare facilities showed projected deficits. A decision was taken to accept a payment-in-lieu contribution from the developer for some of the childcare spaces and a one-time contribution of \$2,000 per childcare space for start-up funds. In 1994, Council established the Childcare Endowment Reserve and developer contributions were deposited into this fund to be used to assist with future operating costs and ensure financially viable of the childcare facilities to be built. During sub-area rezoning processes, the delivery and specific locations for each False Creek North childcare facility were determined. Two of the childcare facilities have been completed and are now in operation. These are Dorothy Lam Children's Centre at 188 Drake Street and Quayside Children's Centre at 1011 Marinaside Crescent. VSOCC operates both facilities. This Society was incorporated in 1994 with its primary mandate being to administer City-owned childcare facilities located in the Downtown peninsula.

In 1996, Council approved the rezoning for 500 Pacific Street - Beach Neighbourhood East which included the delivery of a 69-space facility. The childcare centre associated with this rezoning is currently under construction and addressed as 1451 Homer Street (see map in APPENDIX B).

DISCUSSION

Appointment of an Operator

Concord Pacific Developments is fulfilling its obligation to construct a childcare facility in the Beach Neighbourhood. The target completion date for this amenity is October 2009. To ensure that the facility can be made operational by December 2009, City Staff is requesting that Council appoint VSOCC as operator. VSOCC currently operates eight City-owned childcare facilities in the downtown area. They are experienced operators familiar with delivering full-time group care for infants, toddlers, 3-5 year olds, preschool and school age care. Along with childcare services, they offer family drop-in and parenting programs. By utilizing the City's childcare facilities to provide other family support programs, they realize the vision of a hub service model approved by Council and discussed in the document: "Moving Forward" Childcare: A Cornerstone of Child Development Services".

VSOCC receives a City-wide administration grant to assist with the operation of city-owned/leased spaces and the development of new sites in the downtown core. It provides licensed child care services for children 3 months to 12 years old and a full range of family drop-in and support programs in high-density developments. It has a total budget of \$6.5 million, employs 112 full-time equivalent staff and is supported by 53 volunteers and 180 casual volunteers. A significant portion of the Society's funding comes from parent fees (\$3.3M). The Province supports the childcare centres and family places directly through the childcare operating fund, special needs funding and early childhood development grants (approximately \$790,000). Among its staff, 34 languages are spoken to meet the diverse family and children needs.

Lease

Council needs to authorize staff to enter into a lease agreement with VSOCC. This lease will be based on the general terms set out in APPENDIX A which are consistent with the lease terms for all non-profit capital assets approved by Council in 2003.

Grants

In order to commence the childcare services at 1451 Homer Street, VSOCC must prepare the facility for opening. Childcare staff will be hired in advance of the centre receiving children. These employees will engage in orientation training, help order and equip the childcare centre, develop parent handout materials, prepare operational policies and procedures manuals, and register families. A start-up grant of \$138,000 will be used to cover the higher expenses experienced in the opening phase of the childcare facility and in the first two years of its operation.

To help offset the higher costs of delivering the infant and toddler program which includes 24 spaces an annualized operating grant of \$39,600 is recommended. This grant should be pro-rated in 2009 to coincide with the expected lease commencement date of October 1, 2009 to December 31, 2009.

Childcare Endowment Reserve Review

A report dealing with a review of the City Childcare Endowment Reserve to evaluate priorities, payments, conditions and streamline the administration of the endowment grant, will be submitted to Council in the Fall of 2009.

Facility Maintenance

The childcare centre will be located in this stand-alone building. The City will be responsible for the building envelope and major structural repairs. As maintenance costs will be higher than a facility located within a mixed-use building, an increase of \$30,000 to the Facilities Design and Management annual operating budget is requested to assist with the ongoing landlord responsibilities for this facility. The childcare centre's 10 parking spaces are located in the next door residential building. This parking is secured by an easement which requires the City to pay its fair share of maintaining the parkade. The City's share of the parkade maintenance costs has also been factored into the increase as well as some funds for unexpected damage.

FINANCIAL IMPLICATIONS

A grant to VSOCC of \$138,000 for start-up of the new facility is recommended. Concord Pacific Developments has provided a financial contribution to pay for start-up costs. A cheque for \$207,816.02 based on \$2,000 per childcare space plus accrued interest was received on March 11, 2008 and deposited into the Childcare Endowment Reserve.

An annual operating grant payment of \$39,600 is also recommended for VSOCC to be funded from the Childcare Endowment Reserve. The amount is pro-rated to \$9,900 for the expected lease commencement date October 1, 2009 to December 31, 2009. Funds were collected from the developer in the mid-1990s when some childcare spaces planned for False Creek North were converted to payment-in-lieu contributions to provide operating funding for the remaining childcare spaces to be built. These funds have already been deposited into the Childcare Endowment Reserve.

An allocation of \$30,000 (pro-rated to \$7,500 for the period of October 1, 2009 to December 31, 2009) is being recommended as an addition to the Facilities Design and Management annual operating budget. This funding is required in order for the City to maintain the building and to pay its fair share of parkade maintenance required by the parking easement. The source of the 2009 funding increase is the Childcare Endowment Reserve. Future funding source for maintenance costs is pending the outcome of the review for the Childcare Endowment Reserve.

As of July 7, 2009, the Childcare Endowment Reserve has an unallocated balance of \$6,888,400. The total proposed payment for 2009 for the Sea Star Children's Centre is \$155,400.

The annual draw upon the Childcare Endowment Reserve for ongoing operating grants to various childcare operators and for increases to the Facilities Design and Management Operating Budget is currently projected at \$464,795 annually. This total includes proposed ongoing expenditures from the fund discussed in reports RTS 07750 and RTS 07752.

SOCIAL IMPLICATIONS

The redevelopment of False Creek North requires community amenities such as childcare centres. The planning principles for the site encouraged planning for all ages and particularly for families. To that end, both market and non-market housing was designed with families in mind. The 2006 Census shows that families have embraced living in the downtown peninsula. There are 3,180 children from birth to six years old living in the downtown area. Within that age range there are 500 children living in the False Creek North area. The demand for childcare in the downtown has resulted in significant numbers of families waiting to access available childcare spaces. VSOCC has 2,200 families on their waitlist. The new Sea Star Children's Centre, at 1451 Homer Street, will help meet the needs of some of these families.

CONCLUSION

Staff is recommending that Council appoint and authorize entering into a lease with VSOCC as the operator of the 69-space childcare facility located at 1451 Homer Street; allocate a \$138,000 grant for start-up of the facility; authorize payment of \$39,600 (pro-rated to coincide with the commencement date of the lease to December 31, 2009) to offset costs of the infant and toddler spaces; and provide an increase of \$30,000 (pro-rated to \$7,500 from October 1, 2009 to December 31, 2009) to the Facilities Design and Management Operating Budget, without offset.

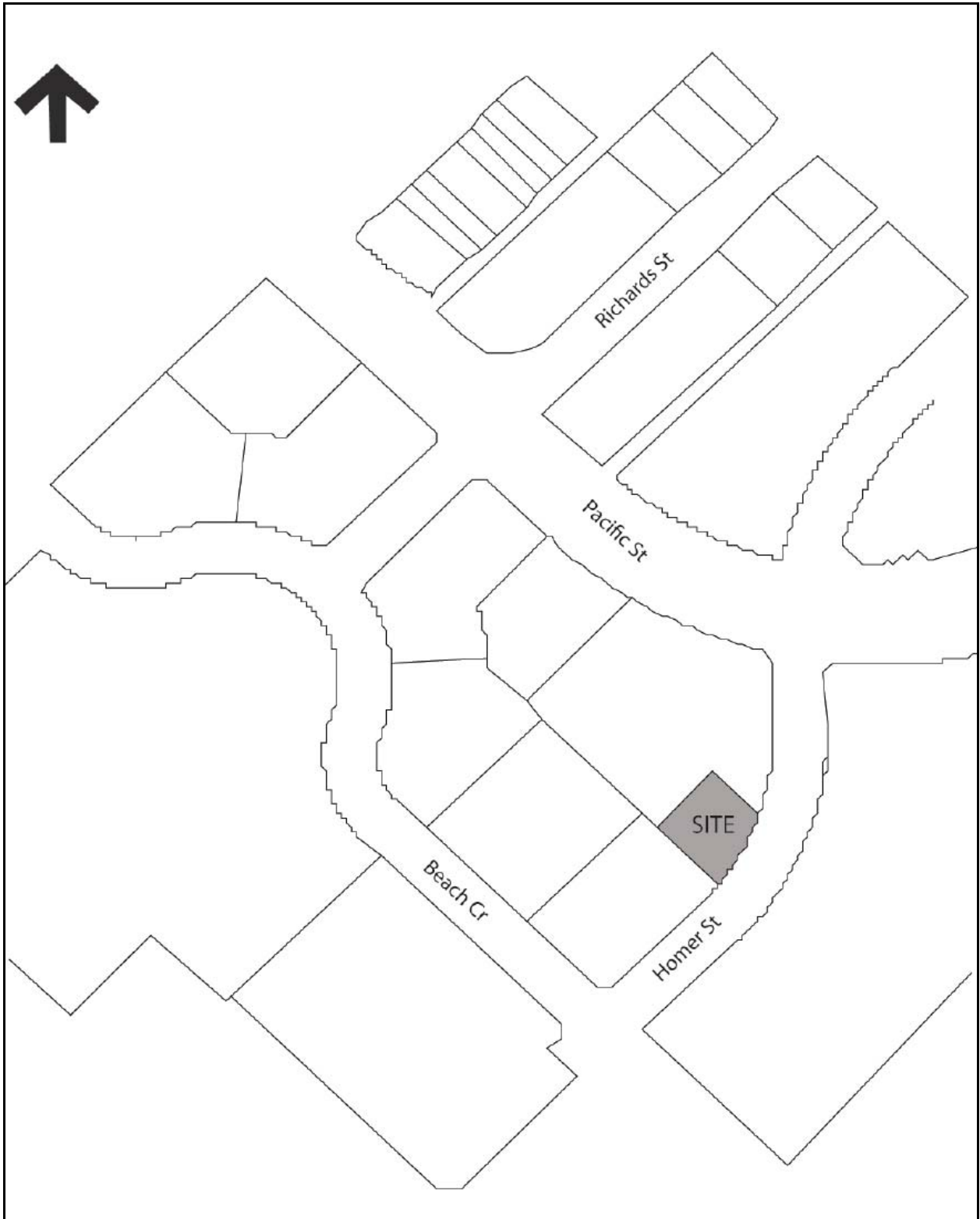
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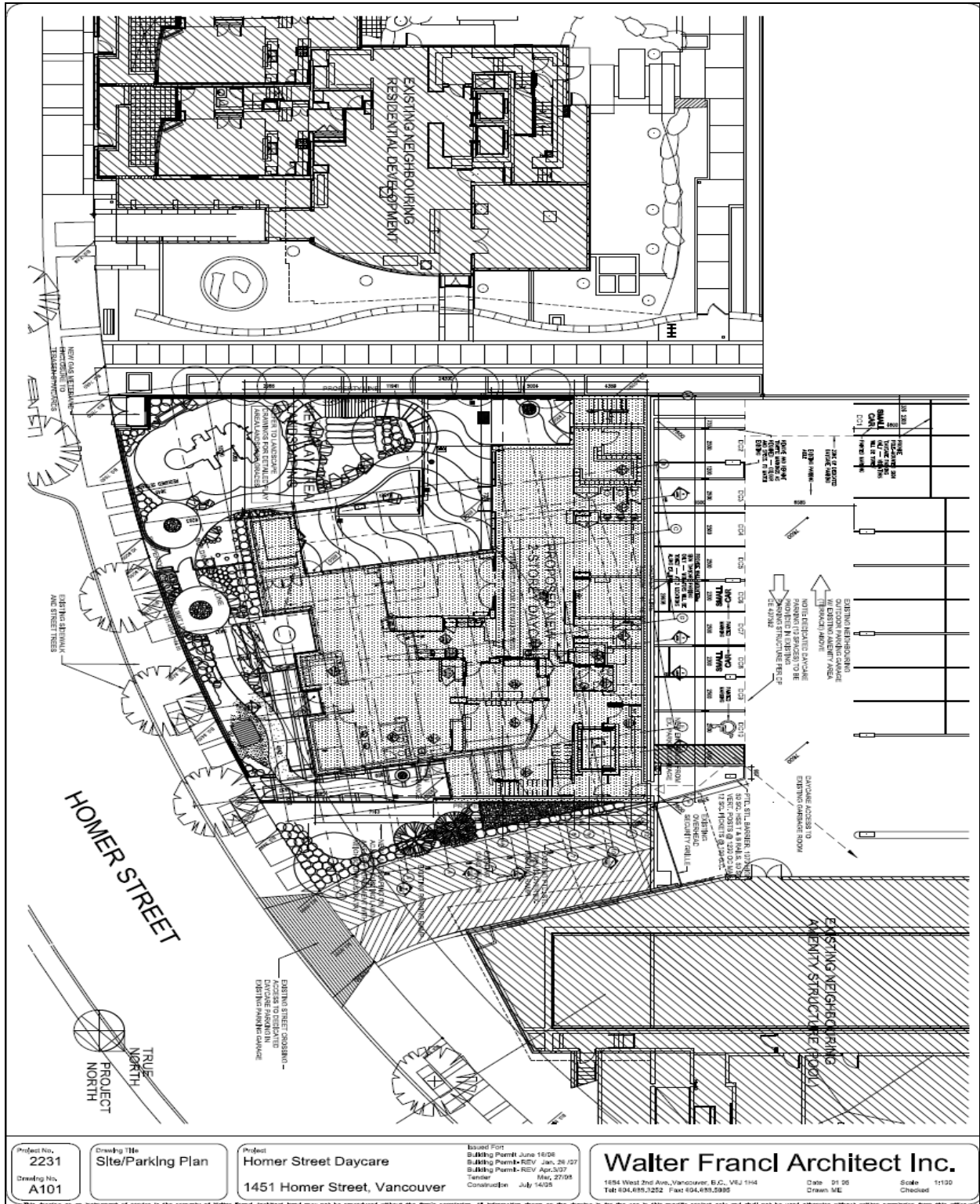
- i. **Rent:** \$10.00 per five-year term, to be paid in advance at the commencement of lease agreement;
- ii. **Term:** Five years, plus two five-year renewals;
- iii. **Use of the Premises:** is for full-time licensed group childcare, and related child development activities. Childcare enrolment must be maintained at not less than 90% of the maximum number of children permitted to receive care as per the Society's Provincial childcare license. Operation of the facility must be in accordance with the Provincial Child Care Regulations and all other lawful requirements (please see attached indoor and outdoor plans of the Premises);
- iv. **Maintenance and Repairs:** The City and the Society will share building maintenance and repairs as the City and this Society did in the Library Square childcare lease, except that garbage and recycling removal will be for the Society. At Library Square structural, HVAC, exterior and building system repairs generally are for the City, while play equipment, landscaping, janitorial and all security, furniture, equipment and appliance repair and replacement are for the Society.
- v. **Parking:** The City will pay the proportionate share of the maintenance and repair for the childcare parking located in the next door residential building (Strata Plan #BC5183).
- vi. **Taxes:** 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 Lease Agreement:** The Society may terminate this lease upon giving the City 180 days' written notice. The City may terminate this lease upon giving the Society 180 days' written notice of such termination if the City's elected Council is not satisfied with the group daycare service;
- viii. **Indemnification:** 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 from third party use as well as the Society's default in its obligations herein;
- ix. **Insurance:** The City will be responsible for building insurance. The Society will be required to carry the following insurance coverage: comprehensive general liability insurance with limits of at least \$5,000,000, Tenant's Legal Liability coverage of at least \$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 on the trade fixtures, furnishings and chattels provided by the City;
- x. **Public Service Objectives:** As part of the Agreement, the Society's Mandate and Public Service Objectives (draft to be provided by the Society for the Deputy Manager of Community Services and Acting Managing Director of Social Development's approval) shall be included and used by the City as annual and periodic performance

measures. The Society may amend the Mandate and Public Service Objectives from time to time with prior written City approval which will not be unreasonably withheld.

The Agreement shall identify Public Service Objectives including:

- _ hours of operation;
 - _ type and range of services;
 - _ process for parental input;
 - _ administrative capacity;
 - _ financial accountability;
 - _ financial viability with evidence of diversified revenue sources; and
 - _ quality, accessibility and affordability of programs and services.
- xi. **Other Terms:** Other terms and conditions as required by the Deputy General Manager of Community Services and Acting Managing Director of Social Development and the Directors of Social Policy, Facilities Design and Management, Legal Services and Real Estate.





Project No. 2231
Drawing No. A101

Drawing Title
Site/Parking Plan

Project
Homer Street Daycare
1451 Homer Street, Vancouver

Issued For
Building Permit June 16/08
Building Permit-REV Jan. 26/07
Building Permit-REV Apr. 3/07
Tender Mar. 27/08
Construction July 14/08

Walter Francis Architect Inc.
1454 West 2nd Ave., Vancouver, B.C., V6J 1H4
Tel: 604.685.3252 Fax: 604.685.5985

Date: 01/05
Drawn: ME
Scale: 1/100
Checked:

