

Supports Item No. 2
Special CS&B Committee Agenda
March 1, 2010



ADMINISTRATIVE REPORT

Report Date: February 12, 2010
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Meeting Date: March 1, 2010

TO: Special Standing Committee on City Services and Budgets

FROM: Deputy General Manager of Community Services in Consultation with the Directors of Real Estate Services and Facility Design & Management

SUBJECT: Appointment of Childcare Operator, Lease Terms, and Start-Up and Operating Grant Allocations - 825 Homer Street

RECOMMENDATION

- A. THAT Council approve the Vancouver Society of Children's Centres (VSOCC) as operator of the childcare and tenant within the City-owned air space parcel at 825 Homer Street at nominal rent and upon such terms as generally described in this report to be negotiated by Real Estate Services, and to the satisfaction of the Director of Legal Services in consultation with the Deputy General Manager of Community Services and the Director of Facility Design & Management.
- B. THAT Council approve a grant of \$100,000 to VSOCC for start-up costs of the facility, source of funds the Childcare Endowment Reserve.
- C. THAT Council approve an annual operating grant of up to \$19,800 to VSOCC for 12 infant/toddler spaces at the childcare facility located at 825 Homer, prorated at \$1,650 per month in 2010 to coincide with the lease commencement date expected to be in September 2010, source of funds the Childcare Endowment Reserve.
- D. THAT Council approve \$25,000 annual increase to the Facilities Design & Management budget; 2010 prorated funding (based on the months that the facility is operating) to be provided from the Childcare Endowment Reserve and 2011 funding to be added without offset.
- E. THAT no legal rights or obligations be created or arise by Council's adoption of Recommendation A unless and until the lease is signed by the City and VSOCC.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing Recommendations.

COUNCIL POLICY

Section 206 (l) (a) of the Vancouver Charter requires that 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. Therefore, recommendations A, B and C require eight affirmative votes.

The Child Care Endowment monies were to be used for childcare facilities created as a result of rezoning negotiations or as a result of City projects in new or emerging high-density developments/neighbourhoods and that monies be used to assist with start up and ongoing operating costs of these facilities and be limited to those programs serving infants and toddlers. (November 1994)

The Vancouver Charter requires that such public benefits be conferred on non-profit entities, and the Vancouver Society of Children's Centres was created to operate childcare and related facilities secured by the City through development processes.

On February 13, 2007 Council approved a density bonus to Magellen 2020 Developments in exchange for a fully fit, finished and equipped 37 space childcare facility and a cash contribution of \$1.1 million to the Childcare Endowment Reserve to ensure ongoing maintenance and affordability of the facility.

PURPOSE

The purpose of this report is to seek Council approval of:

- VSOCC as the non-profit childcare operator and tenant of the air space parcel secured through an amenity density bonus at 825 Homer Street;
- A start-up grant of \$100,000 to VSOCC, source of funds the Childcare Endowment Reserve;
- An annual operating subsidy of \$19,800 to VSOCC, source of funds the Childcare Endowment Reserve; and
- An addition of up to \$25,000 to the annual operating budget of Facility Design & Management, 2010 pro-rated to those months that the facility is in operation.

BACKGROUND

On February 13, 2007 Council approved an amenity density bonus at 825 Homer Street in exchange for the developer providing the City a fully fit, finished and equipped childcare facility in an air space parcel consisting of approximately 13,000 square feet of indoor and outdoor area, ancillary spaces within the building, and a \$1.1 million cash contribution to the Childcare Endowment Reserve to ensure ongoing maintenance of the amenity as provided for under the Downtown Official Development Plan.

The Childcare Endowment Reserve is currently being reviewed at Council's direction. The intent of the review is to determine how the reserve can be best utilized and sustained to achieve Council priorities on child care over the long term. The review will include:

- 1) an assessment of the degree to which the reserve has achieved its original purpose,
- 2) current context, issues and challenges and gaps, and
- 3) recommendations on future City direction, priorities, criteria, and opportunities to streamline the administration of the reserve.

DISCUSSION

Appointment of Operator

The City initiated the creation of VSOCC to operate City childcare facilities secured through development processes. VSOCC staff have been involved in design development and other activities related to this facility since early in the application and approval processes. VSOCC also operates the City-owned childcare across the street at the Vancouver Public Library, providing for opportunities for collaboration and efficient use of staff.

Start-Up and Operating Grants

The developer's \$1.1 million cash contribution to this facility is payable in two installments: \$100,000 is due 90 days prior to application for an Occupancy Permit, and the remaining \$1 million is due on the date of application for an Occupancy Permit for the childcare facility. The intent of the first installment is to cover start-up staffing and related costs incurred by the non-profit operator prior to being fully operational. The developer has already provided the first installment of \$100,000 to the City to cover these expenses in anticipation of applying for occupancy in mid April 2010.

VSOCC has already incurred start-up expenses through the design and development process, and further expenses related to final inspections, recruiting, hiring and training staff, etc., are expected prior to the developer's application for occupancy. The advance payment of \$100,000 by the developer is the source of funds for the recommended start-up grant to VSOCC for these expenses.

Childcare programs are primarily financed from parent fees, with partial offset from the provincial government childcare operating fund. Operating costs for infant and toddler care are higher than the revenue generated from these two sources. The City established the Childcare Endowment Reserve to provide a funding source for grants to support infant and toddler spaces created in new City childcare facilities resulting from development processes in high density neighbourhoods. A review of the Reserve is currently under way to determine how the Child Care Reserve can be best utilized and sustained to achieve Council priorities on child care over the long term.

An annual grant of up to \$19,800, pro-rated for the period in 2010 that the program is in operation is recommended from the Childcare Endowment Reserve.

Addition to Facility Design & Management Annual Operating Budget

The City secured this amenity by an option to purchase an Air Space Parcel (ASP). The city will be responsible for the repair of the air space parcel structure, its interior and systems, repair and maintenance of its exterior including windows as well as the City's proportionate cost of insurance and cleaning, maintaining and repairing the two elevators, lobbies and hallway serving the childcare facility.. Facilities Design & Management estimates these costs

to be approximately \$25,000 per year. Source of 2010 funding is the Childcare Endowment Reserve, with future funding to be added to the Operating Budget without offset.

Terms of Lease with VSOCC

The lease with VSOCC will be on the basis of nominal rent for five years, renewable for two further five year terms. The lease will require that the childcare facility program meet Provincial Community Care Facilities Licensing regulations. All expenses for utilities, most routine maintenance, all play equipment repairs and all play yard landscaping are to be incurred by the operator.

FINANCIAL IMPLICATIONS

Costs associated with start-up, on-going maintenance, and insurance, etc., of the City's ASP are provided for in the developer's \$1.1 million cash contribution to the Childcare Endowment Reserve.

Council is requested to authorize a grant to VSOCC of \$100,000 to cover start-up costs of the new facility. An annual operating grant payment to VSOCC of up to \$19,800, prorated for the period of 2010 that the facility is operating, is also recommended to subsidize the costs of the 12 spaces of the infant/toddler program. Source of funds will be the Childcare Endowment Reserve.

An allocation of up to \$25,000 (pro-rated for the months in 2010 that the facility is open), is being recommended as an addition to the Facilities Design and Management 2010 annual operating budget, source of funds to be the developer's contribution to the Childcare Endowment Reserve. This funding is required to cover the additional costs for the City to maintain the new facility. A future funding source for maintenance costs would be added to the Operating Budget without offset.

SOCIAL IMPLICATIONS

The opportunity provided by the density bonus to the developer, approved by Council in February 2007, has resulted in the provision of a turn-key childcare facility and an endowment contribution to support start-up, facility operating, and ongoing maintenance costs. This is an enormous contribution to the City's ability to achieve a variety of sustainability and planning goals. The City's planning goals respecting jobs and the economy in the downtown area depend on employers and working parents having access to quality affordable childcare. In terms of the 'Green Agenda', locating childcare near employment centres, family oriented residential, and transportation services results in fewer, more efficient private car trips. This childcare is located in a mixed use development that includes commercial/retail office, and residential uses. Quality, licensed childcare is an important contributor to school readiness for children. And in turn, children's ability to adapt quickly to the school environment boosts school success, general health, and life experience.

CONCLUSION

The availability of quality, affordable childcare promotes two City goals: creating walkable, liveable neighbourhoods, and supporting healthy child development. The density bonus provisions of the Downtown Official Development Plan and the rezoning process generally allow for securing childcare facilities under the auspices of non-profit operators. The City initiated the creation the VSOCC to operate childcare centres secured through development activities. Staff recommend that Council approve VSOCC as the operator of this amenity on terms outlined in this report, and that the start-up funds be released in the form of a grant.

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