

LATE DISTRIBUTION
For CS&B Committee - July 22, 2010

Supports to Item No. 3
CS&B Committee Agenda
July 22, 2010



ADMINISTRATIVE REPORT

Report Date: July 8, 2010
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VanRIMS No.: 08-2000-20
Meeting Date: July 22, 2010

TO: Standing Committee on City Services and Budgets

FROM: Managing Director of Social Development

SUBJECT: Selection of Operators and Approval of Lease Terms and Grants for the Child Development Facilities at City Gate I (1192 Quebec Street) and City Gate II (1059 Main Street)

RECOMMENDATION

- A. THAT Council approve a lease with YWCA until December 31, 2012 as operator of the child care facility at 1192 Quebec Street (City Gate I) for the nominal rent of \$10.00 and upon such terms as generally approved in this report and to the satisfaction of the Director of Legal Services in consultation with the Directors of Real Estate Services, Facilities Design and Management and the Deputy General Manager of Community Services. The lease may be renewed twice, each time for up to five years, and each time by mutual consent which on the City's part shall be given by the City Manager;
- B. THAT Council approve a lease for five years with Vancouver Society of Children's Centres (VSOCC) as operator of the childcare facility at 1059 Main Street (City Gate II) for the minimal rent of \$10.00 and upon such terms as generally approved in this report and to the satisfaction of the Director of Legal Services in consultation with the Directors of Real Estate Services and Facilities Design and Management and the Deputy General Manager of Community Services. VSOCC may renew the lease twice, each time for up to five years;
- C. THAT Council approve a grant of up to \$92,500 to VSOCC for furnishing and equipping of City Gate II subject to VSOCC providing a costed inventory of furnishing and equipment by the Director of Social Infrastructure and subject to entering into the lease agreement contemplated in Recommendation B. Source of funding is the Childcare Endowment Reserve;
- D. THAT Council approve a grant of up to \$74,000 to VSOCC for start up costs such as materials, supplies, program set up, and staff orientation, subject to a costed inventory approved by the Director of Social Infrastructure prior to purchase. Source of funding is the Childcare Endowment Reserve;

- E. THAT Council approve a grant of \$1,650 per infant toddler space pro rated to the start of the operation on the condition that VSOCC enters into an operating agreement. Source of funding is the Childcare Endowment Reserve.
- F. THAT no legal rights or obligations be created or arise by Council's adoption of these Recommendations until the respective leases are fully signed.

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

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 any organization contributing to the welfare of the City. A lease of City-owned property at less than market rent is considered to be a grant.

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.

In November 1994, Council instructed that the Child Care Endowment monies were to be applied at City childcare facilities resulting from rezoning negotiations in projects in new or emerging high-density developments/neighbourhoods to help with start up costs and ongoing operating costs for those programs serving infants and toddlers.

On February 3, 2009, Council authorized staff to undertake a Request for Expressions of Interest for an operator for City Gate II.

PURPOSE

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

- again selecting YWCA as the operator of the child development centre at 1192 Quebec Street (City Gate I);
- entering into a lease with YWCA until December 31, 2012;

AND

- selecting VSOCC as the operator of the childcare centre located at 1059 Main Street (City Gate II);
- entering into a lease with VSOCC;

- approving a grant of \$166,500 to VSOCC for start-up costs for City Gate II (including 92,500 for furnishing and equipping of City Gate II and \$74,000 for materials, supplies, program set up, and staff orientation pending VSOCC entering into a lease agreement);
- approving a grant of \$1,650 per infant toddler space pro rated to the start of the operation pending VSOCC entering into an operating agreement.

BACKGROUND

The City Gate development occupies two blocks at the east end of False Creek between Quebec and Main streets, north of Terminal Avenue. The site was rezoned in 1990 to accommodate up to 1,000 housing units including non-market housing, family housing and retail space. City Gate I and City Gate II Childcare Centres were included in the Community Amenity Contributions secured through the rezoning process.

City Gate I

The YWCA has operated City Gate I Childcare Centre for 14 years. In February 2010, YWCA gave notification to the City of its intention to vacate the premises, citing an unaffordable annual operating deficit of \$120,000 for the childcare program.

City Gate II

City Gate II was completed several years after City Gate I. In 2000, Council amended the original legal agreement to increase the floor area of the proposed child care centre at City Gate II to permit a more financially viable childcare program. At that time, the base building architect completed a preliminary design for the childcare and determined that the space was viable. Funds totaling \$1,025,700 from community amenity contributions approved in 2005 (\$495,700) and the 2006 Capital Budget (\$530,000) are available for tenant improvements.

Staff have been working to find an operator for City Gate II since 2005. In 2008, a process to request expressions of interest was initiated to seek an operator of the then 24-space infant/toddler program, however results were unsuccessful. The costs to operate infant/toddler programs are typically higher than programs for other age groups due to programming and licensing requirements and limited Provincial operating dollars, which made this program financially challenging for operators.

Recognizing the challenges of operating an infant/toddler space, Council decided on February 3, 2009, to revise the program to a more financially viable 37-space program of 12 spaces for infants and toddlers and 25 spaces for 3 to 5 year olds.

The City Gate II facility is currently a shell space that requires design development and tenant improvements. A final timeline and budget for design and construction will be determined once an architect is hired to design the shell space to accommodate a 37-space program. Staff will proceed with the design work once Council has appointed an operator.

DISCUSSION

Appointment of an Operator for City Gate I and II

In May 2010, the General Manager of Community Services and the Director of Supply Chain Management sought applications from not-for-profit organizations qualified to operate either or both of the City Gate Childcare Centres.

A Request for Expressions of Interest (RFEOI) was issued on May 21, 2010, and was advertised on the City's Supply Management website and on BC Bid until June 22, 2010. Twenty childcare organizations and three industry associations were notified. An information meeting was held on June 4, 2010, and six childcare operators attended.

Selection criteria included assessment of administrative and financial viability, service delivery and programming, collaborations and partnerships, viability of proposed operating budgets, capital fundraising history, and information on quantifiable measures, and current child care projects.

Four Expressions of Interest submissions were received by Supply Management and reviewed by the Child Care Centre Operator Selection Committee which was managed by Supply Management and comprised of representatives from Community Services, Financial Services, and the British Columbia Ministry of Children and Family Development.

Through the evaluation review process, it was determined that the submissions of the YWCA to operate City Gate I and of VSOCC to operate City Gate II best met the RFEOI requirements and were most closely aligned with City policy objectives.

City Gate I - YWCA

The YWCA submission addressed the issue of the operating deficit through a partnership with the United Way of the Lower Mainland and Vancity Credit Union. The United Way commitment is confirmed through the 2012 fiscal year and the Vancity commitment confirmed through the 2020 fiscal year. It is recommended that the lease term between the City and the YWCA be limited to the end of 2012 to coincide with the current United Way funding commitment. Renewal of the lease will be subject to agreement of both parties and the YWCA's financial capacity to continue operating. If the United Way does not renew their funding commitment beyond 2012, YWCA expects revenues generated through their own programs will cover this shortfall or it may choose to discontinue this agreement if there is a lack of financial capacity.

The YWCA Vancouver delivers more than 50 programs and services within Metro Vancouver and operates four Early Learning and Care Centres in Vancouver (including City Gate I). For 2009, YWCA had a budget of more than \$17.6 million. City Gate I has been and is currently operated to serve low-income families with multiple barriers, with 50% of the children and their families needing extra support. In 2009, all of the City Gate I families lived in Vancouver, with many from the surrounding community.

Continuation of YWCA as the operator of City Gate I will give continuity of services and stability for the children and families at this childcare facility. YWCA did not submit a proposal for City Gate II.

Terms of Lease- City Gate I

The current lease will be amended to include a term end date of December 31, 2012, that will be renewable upon the consent of both parties and YWCA's financial capacity to continue to operate. The lease will require that the childcare facility program meet Provincial Community Care Facilities Licensing regulations. All expenses for utilities, most routine maintenance, janitorial, pest control, all play equipment repairs and all play yard landscaping are to be the responsibility of the operator. A detailed breakdown will be established as part of the lease agreement.

City Gate II - Vancouver Society of Children's Centres

VSOCC is recommended as the operator for City Gate II. VSOCC provides licensed childcare for children 3 months to 12 years and a full range of family drop-in and support programs in high-density developments. In 2010-2011, VSOCC will be operating over 550 licensed childcare spaces, and serving over 700 children at 11 facilities in the downtown core. VSOCC has a budget of just over \$7 million, from a variety of funding sources, including parent fees, the Province, the City, and foundations.

City Gate II is currently a shell space that will require the new operator to be involved in tenant improvement design meetings and City approval processes. VSOCC has worked with the City and other partners to design, develop, and operate childcare programs, including the opening of nine city-owned centres.

Terms of Lease

The lease will be on the basis of nominal rent for a five year term, with renewal options 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, janitorial and pest control services, all play equipment repairs and all play yard landscaping are to be the responsibility of the operator. The details of these responsibilities will be outlined in the lease agreement.

Grants

In order to commence the childcare services at City Gate II, VSOCC must prepare for opening. Childcare staff will need to be hired in advance of the centre receiving children. These employees will engage in orientation training, setting up the facility, developing parent handout materials, preparing operational policies and procedures manuals, and registering families. A start-up grant of \$166,500 for City Gate II will include \$74,000 to cover materials, supplies, and staff related expenses and \$92,500 for furniture and equipment.

FINANCIAL IMPLICATIONS

City Gate II Grants

A grant in the amount of \$166,500 will cover one-time start-up costs including \$74,000 (\$2,000 per space x 37 spaces for the first 24 months) for materials, supplies and staff related expenses during the initial opening phase of the childcare facility and \$92,500 for equipment and furniture costs(\$2,500 per space x 37 spaces). Source of funding is

the Childcare Endowment Reserve. The recommended operating funding of \$1,650 per infant toddler space will be pro rated to the start of the operation on the condition that VSOCC enters into an operating agreement. Source of funding is the Childcare Endowment Reserve.

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 this fall.

City Gate II Tenant Improvements

\$1,025,700 has been set aside for tenant improvements to the City Gate II shell space, including design, construction, and fitting and finishing the interior and exterior space. This includes \$495,700 allocated by Council in 2004 from the Community Amenity Contribution from 950 Quebec Street/939 Main Street, and \$530,000 allocated in the 2006 Capital Budget.

Additional Maintenance Costs for City Gate II

Any additional costs for the City to maintain the new facility will be covered through an interdepartmental budget transfer from Community Services to Facilities Design and Management. All expenses for utilities, most routine maintenance, all play equipment repairs and all play yard landscaping are to be the responsibility of the operator.

There will also be future Capital costs incurred for capital life cycle replacement of dedicated and common systems. Funding for these commitments will be reviewed through the Capital Planning and Budgeting process.

SOCIAL IMPLICATIONS

Child care contributes to social sustainability in the following ways:

- Childcare supports the labour force participation of parents contributing to economic growth;
- For every dollar spent on childcare, there is a seven dollar return on social and health outcomes for children and families;
- Estimated contribution to the Gross Domestic Product of mothers with young children now in the labour force is estimated at \$53B, about 5% of the GDP;
- Quality care in early childhood supports school readiness and healthy child development.

CONCLUSION

Staff recommend that Council appoint and authorize entering into lease agreements with the YWCA for City Gate I Child Care Centre (1192 Quebec) and VSOCC for City Gate II Child Care Centre (1059 Main Street); and authorize a one-time payment for start up costs to VSOCC in the amount of \$166,500 for City Gate II.

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