



ADMINISTRATIVE REPORT

Report Date: October 23, 2012
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Meeting Date: October 30, 2012

TO: Vancouver City Council

FROM: General Manager of Community Services

SUBJECT: Selection of Operator, Lease of City-owned Property, and Approval of Grants for the Child Development Facility at Woodward's (111 West Hastings Street)

RECOMMENDATION

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease (the "Lease") to the YMCA (the "Tenant") as child care operator of the City-owned property situated at 111 West Hastings Street, legally known as PID 027-986-624, Air Space Parcel 9, Block 4, Old Granville Townsite, Air Space Plan BCP41793 ("the Premises"), on the following terms and conditions, and other such conditions satisfactory to the Managing Director of Social Development and the Directors of Real Estate Services, Legal Services and Facilities Design & Management:
- | | |
|------------------|--|
| Term: | Five (5) years |
| Option to Renew: | Two - five (5) year options |
| Basic Rent: | Nominal Rent of Ten (\$10.00) dollars per term, (inclusive of payment in lieu of property taxes), plus applicable taxes. |
- B. THAT Council approve a one-time grant of up to \$92,500 to the YMCA to fit, furnish, equip and supply the child care. Source of funds: Woodward's Child Care Capital budget.
- C. THAT Council approve a one-time grant of up to \$70,000 to the YMCA for operating start-up costs such as stabilizing the client base during gradual enrolment, development of management structure, program development, and staff hiring and orientation, subject to entering into an operating agreement with the City of Vancouver. Source of funds: Tenant Improvements Woodward's (Non-Profit) budget.
- D. THAT Council approve a Neighbourhood Access Grant of up to \$45,000 annually to the YMCA to ensure access to low-income families from the Downtown East Side ("DTES"). Source of funds: addressed as part of the annual budget process.

- E. THAT Council approve a grant of up to \$19,800 annually to the YMCA for the toddler program subsidy (12 toddler spaces at \$1,650 per space) pro-rated to the start date of the operation, and on the condition that the YMCA enters into an operating agreement with the City of Vancouver that is subject to annual staff review. Source of funds: Child Care Endowment Reserve.
- F. THAT no legal rights or obligations be created or arise by Council's adoption of these Recommendations until the Lease and operating agreement have been signed by the City and the YMCA.

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

REPORT SUMMARY

This report recommends the YMCA as the operator for the new purpose built 37-space licensed group child care program at Woodward's and seeks Council authority to enter into a nominal lease on terms discussed in the body of the report. This report also seeks approval of grants to assist the recommended operator with the opening of a new child care and to support the goal of enhancing access to child care for low income families and furthering the City's objective of creating neighbourhoods that are liveable for all residents.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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. A lease of City-owned property at less than market rent is considered to be a grant.

The Director of Finance can approve leases and lease renewals if:

- The total value is less than \$250,000, and
- The term is not longer than ten years (including renewal options)

A lease whose value is greater than \$250,000, or whose total term is longer than 10 years requires Council approval. The proposed Lease term is longer than 10 years and is therefore submitted to Council for approval.

On January 26, 2010, Council passed a motion that a social impact study be conducted to assess the effect of new developments in the existing DTES low income community.

On December 13th, 2011, Council passed a motion to renew its commitment to childcare, along with a target to facilitate the creation of 500 new childcare spaces over the next three years.

On March 26, 2012, Council approved the DTES Local Area Planning Framework.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

REPORT

Background/Context

The purpose built and fully constructed child care located on the 7th floor of the Woodward's Heritage Building (111 West Hastings Street) consists of a floor area of 377 square metres of indoor and 327 square metres of outdoor space. The 37-space child care program includes 12 spaces for toddlers and 25 spaces for children ages three to five.

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.

On December 13, 2011, Council passed a motion renewing its commitment to increasing the number of child care spaces, setting a target of 500 new childcare spaces over the next 3 years. Since this motion was passed, 91 new child care spaces have opened. An additional 378 eligible spaces are under development¹. The Woodward's development will increase the number of new spaces delivered by an additional 37 spaces.

Target: 500 new spaces between 2012-2014	Eligible New Spaces Built, as of January 1, 2012	Eligible new Spaces Under Development, as of January 1, 2012	Total (including 37 spaces at Woodward's)
500	91	378	469

There have been no major Provincial capital contributions available to this or other child care initiatives since 2009. The Province will provide a child care operating grant towards the cost of care, equivalent to approximately 14% of average operating costs. On average, the majority of costs - up to 85% - are paid by parents.

Parent fees, for those who can afford childcare services, are typically one of the most expensive costs in the average family household budget, second only to housing. Parents earning below \$49,200 (in a two-parent household with one toddler) may apply for full or partial Provincial subsidy towards the parent fees. In Vancouver, the maximum Provincial subsidy rate for a two-parent family with one infant will cover approximately 60% of parent fees for an average infant space. The remaining 40% (approximately \$450 per month) is still out of reach for many families.

After City Council approved the purchase of Woodward's on January 28, 2003, the City began a community process to involve the community and other Vancouver residents in designing and planning the redevelopment of the building in a way that is socially, environmentally and economically sustainable. During the Community Visions and

¹ Eligible spaces include new childcare spaces for infants, toddlers, 3 years to school age, and school age care groups. Replacement spaces and family childcare spaces are not included in this count.

Ideas Fair, participants identified family services, including child care, as one of the priority uses in the Woodward's project.

An RFEOI for the child care centre at Woodward's was issued on June 11, 2012, and was advertised on the City's Supply Management website and on BC Bid until July 10, 2012. Sixteen non-profit organizations were notified. An information meeting was held on June 19, 2012, with three interested organizations in attendance.

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

Three applications were received and reviewed by the Woodward's Child Care Operation Selection Committee.

Strategic Analysis

A key goal of the Woodward's development was to create an integrated community, with a mix of market housing, non-market and supportive housing, and community non-profit spaces, including a child care centre. In keeping with the overall goal for the Woodward's development, the goal for the Woodward's child care is to create, as a model, an integrated, mixed-income child care centre that serves low, modest and middle income families in the Downtown East Side.

Child care provides a significant social and economic benefit to the city by providing a sound basis for early childhood development and labour force participation. Child care also plays an important role in reducing child vulnerability and ensuring school readiness for children; school readiness in turn is a key indicator whether children will thrive in education, health and wellbeing later in life.

Research conducted by Dr. Clyde Hertzman to map children's readiness for kindergarten has concluded that the highest risk of child vulnerability is associated with low-income circumstances. According to the 2001 Census, approximately 45% of children under 6 living in the Downtown East Side are estimated to be living in low-income households, compared with 20% of children under 6 in Vancouver as a whole. The City's current local area planning efforts have confirmed the need for accessible, quality child care for the well-being of low income children and families in the neighbourhood. The Social Impact Assessment, currently underway, indicates the presence of gaps in early care and learning opportunities for families in this area.

Through the evaluation review process, it was determined that the YMCA's submission best met the RFEOI requirements and was most aligned with City policy objectives and goals for the Woodward's child care.

Recommendation for Woodward's Child Care Operator

Staff recommend the YMCA to be the operator for the Woodward's child care. The YMCA provides licensed child care to 2,378 families annually in British Columbia, through 56 child care programs in 41 locations. They are committed to nurturing the potential of children, teens and young adults, promoting healthy living, and fostering

social responsibility. In 2011, the YMCA provided \$1.4 million in direct financial assistance to people and received \$3.8 million in donations.

In keeping with the overall objectives of the Woodward's development and the current Local Area planning effort, the recommended proponent (YMCA) with the City's help will commit to offering 50% of these childcare spaces (six toddler spaces and 13 spaces for 3-to-5 year olds) at no cost to low-income families in the DTES who are receiving Provincial subsidy. Staff recommend a "Neighbourhood Access Grant" in the amount of up to \$45,000 annually as a contribution towards this accessibility target, which will cover up to half the cost of the targeted 19 spaces for families on full Provincial subsidy. This approach is also aligned with the objectives of a Social Impact Assessment process underway in the DTES that will help maintain places and spaces important for low income residents and identify ways to mitigate gaps.

Further, the approach is supported by the DTES Local Area Planning Committee where access to affordable child care has been raised by Committee members as a key need for families. The effects of this effort to improve access to child care for low income families will be evaluated.

The YMCA has proposed to meet the City's goal of 50% of spaces at no cost to families eligible for Provincial Child Care Subsidy by reserving 51% of the spaces for low income families that are eligible and raising funds annually to help contribute to the subsidy allowing for 50% of the spaces with fees of \$0.

The YMCA currently operates 260 childcare spaces in six facilities in Vancouver, with another 49-space childcare currently under development. This includes the Bob and Kay Ackles YMCA Nanook House in Mount Pleasant, which provides childcare service to a high proportion of newcomer and Aboriginal families, as well as a diverse representation of income groups. The YMCA is experienced and has the ability to respond to needs of a diverse population and to develop and foster partnerships with community organizations.

Terms of Lease

Should Council approve Recommendation A staff recommend the City and the YMCA enter into the City's standard non-profit child care lease. The City's standard child care lease requires that the child care facility program meet Provincial Community Care Facilities Licensing regulations, and operate at maximum capacity on a full time basis. The operator will be responsible for all expenses related to utilities, communications (including internet, cable, and phone), security systems for the child care, minor maintenance, janitorial, liability and contents insurance, and program operating and service delivery costs. The City retains responsibility for the base building systems maintenance, major capital maintenance and upgrades. The responsibilities of the parties regarding the maintenance, repair and replacement for the facility, as well as the proportionate share of Woodward's development-wide common costs, will be further detailed in a Service Level Agreement which will be attached as a schedule to and form part of the Lease.

Grants

In order to commence the child care services at Woodward's, the YMCA must prepare for opening. A one-time grant of up to \$92,500 will cover furnishings, equipment and supplies. An operational start-up grant of up to \$70,000 for the first 24 months of operation will support costs such as covering revenue during gradual enrolment, development of policies and practice guidelines, program development, staff recruitment, hiring and orientation.

An annual grant of up to \$19,800 for the toddler program will offset the high cost of toddler fees and an annual operating grant of \$45,000 will assist in offsetting fees for families receiving a Provincial child care subsidy, with an aim to offer half of the child care spaces at a parent fee of \$0.

Financial

Facilities Design and Management estimated the construction cost of the Woodward's Child Care facility to be \$4.294 million.

The following grants are recommended for Woodward's child care, based on and subject to demonstrated need:

ONE TIME GRANTS			
ITEM	COST	TIMING	SOURCE OF FUNDS
Fit, Furnish, Equip and Supply	Up to \$92,500 (\$2,500/space x 37 spaces)	One-time	Source: Woodward's Child Care Capital Budget
Start Up Funds	Up to \$70,000	To be used over first two years of operation	Source: Tenant Improvements Woodward's (Non-Profit) budget
	Up to \$162,500 is the total estimated one time grants allocation		
ANNUAL GRANTS			
ITEM	COST	TIMING	SOURCE OF FUNDS
Toddler Subsidy	Up to \$19,800 (\$1,650 x 12 toddler spaces)	Annual	Source: Child Care Endowment Reserve
Neighbourhood Access Grant	Up to \$45,000 To cover parent fees for approximately 10 spaces for low-income families on full Provincial subsidy (e.g. 3 toddler spaces and 7 spaces for 3-5 years)	Annual	Source: addressed as part of the annual budget process
Up to \$64,800 per annum is subject to annual budget review and approval			

A grant in the amount of up to \$162,500 will cover one-time start-up costs of up to \$92,500 (\$2,500 per space x 37 spaces) for furnishings, equipment and supplies and operational start-up costs of up to \$70,000 for the first 24 months of operation for support to a reduction in revenue due to gradual enrolment, development of policies and practice guidelines, and program development, staff hiring and orientation. Source of funds is Woodward's Child Care Capital Budget and the Tenant Improvements Woodward's (Non-Profit) Budget.

The recommended annual operating funding of up to \$19,800 (\$1,650 per space x 12 spaces) for the toddler program and \$45,000 for the Neighbourhood Access Grant will subject to approval of the 2013 budgets and be conditional on the YMCA entering into an operating agreement with the City. Source of funds is the Child Care Endowment Reserve and addressed as part of the annual budget process.

There will be an annual operating budget impact for the facility maintenance of approximately \$25,000, as well as capital budget impact for the capital maintenance as required. Funding will be provided through the regular city budgeting process.

CONCLUSION

Staff recommend that Council appoint and authorize entering into a lease agreement with the YMCA for Woodward's child care (111 West Hastings). Staff also recommend Council authorize a one-time grant to the YMCA of up to \$92,500 for furniture, equipment, and supplies, a start-up grant of up to \$70,000 (subject to entering into an operating agreement with the City), a Neighbourhood Access Grant of up to \$45,000 annually, and a toddler subsidy grant of up to \$19,800 annually (subject to 2013 budget approval and entering into an operating agreement with the City).

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