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ADMINISTRATIVE REPORT

Report Date: March 5, 2013
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Meeting Date: March 12, 2013

TO: Vancouver City Council

FROM: Managing Director of Social Development in consultation with the Directors of Real Estate Services, Facilities Design & Management and Finance

SUBJECT: Childcare Facility at 1372 Seymour St: Sublease Terms and Grants to Vancouver Society of Children's Centres

RECOMMENDATION

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute a sublease (the "Sublease") to the Vancouver Society of Children's Centres (VSOCC, the "Tenant") as childcare operator and tenant of what will be a City-leased property situated at 1372 Seymour Street, ("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 operational start-up grant of up to \$74,000 to VSOCC for staffing and related costs during the start-up period, source of funds the Child Care Reserve.
- C. THAT Council approve a grant of up to \$19,800 annually to VSOCC 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 VSOCC enters into an operating agreement with the City of Vancouver that is subject to annual staff review. Source of funds: Child Care Reserve.

- D. 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.

Note that recommendations A, B and C represent grants and therefore require eight affirmative votes.

REPORT SUMMARY

This report seeks Council approval of nominal lease terms and recommends a one-time operational start-up grant as well as an annual toddler program grant to VSOCC, the operator of the childcare and associated office and flex space, now under construction at 1372 Seymour St. The nominal lease to the City for the life of the building of the childcare and associated office and flex space was secured as a condition of rezoning the property at Public Hearing on December 8, 2009.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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.

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 Sublease term is longer than 10 years and is therefore submitted to Council for approval.

On December 15, 1994, Council approved the terms and conditions of the Child Care Reserve, including eligibility criteria and the process of accessing these funds. Council approved "that the City Child Care Reserve monies 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".

On May 3, 2007, Council approved the Downtown South Public Benefits Strategy, which included a target of the creation of 323 new childcare spaces by 2021.

On July 9, 2009, Council approved the appointment of VSOCC as operator of the childcare and multi-use family development facility, and occupant of the ancillary office space at nominal rent.

At Public Hearing on December 8, 2009 Council approved the rezoning of 1372 Seymour Street, subject to a number of conditions including;

(xv) provide the City a cash contribution of \$2,055,315. This contribution shall be set off against the City's payment to the Owner of \$2,082,500 from the Downtown South Development Cost Levy. The City's payment to the Owner shall be applied to the childcare facility construction costs. The set off shall take effect upon registration of the lease to the City of the childcare facility,

family development centre and offices with the City paying the difference of \$27,185;

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 throughout the city over the next three years.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of recommendations A through D above.

REPORT

Background/Context

While recognizing that the mandate for childcare rests with senior governments, the City of Vancouver values the importance of affordable, available and quality childcare to the social and economic sustainability of Vancouver’s neighbourhoods. Therefore, the City uses its municipal tools to facilitate the creation and on-going support of non-profit childcare.

The City collaborated in establishing VSOCC to operate City-owned or leased childcare facilities in the downtown district. No selection process was required.

The childcare facility at 1372 Seymour Street is now nearing completion. The operator needs to begin the staff hiring, equipment purchasing and waitlist management processes to ensure an efficient start-up. Council approval of lease terms and authority to release the start-up grant is required.

On December 13, 2011, Council passed a motion renewing its commitment to increasing the number of city-wide childcare spaces, setting a target of 500 new childcare spaces across the city over the following three years. Since the motion was passed, 153 new childcare spaces have opened. An additional 310 eligible spaces are under development. The Seymour Street development will increase the number of new spaces delivered by an additional 37 spaces.

Council Target	New child care spaces built since January 1, 2012	Committed spaces (under development or secured by rezoning as of January 1, 2012)	Total built and committed child care spaces since January 1, 2012 (including 37 spaces at 1372 Seymour)
500 new spaces between 2012-2014	153 spaces	310	463

In addition, on May 3, 2007, Council approved the Downtown South Public Benefits Strategy, with an updated target of 323 new childcare spaces to be built in the area during the period 1992 - 2021. With the 37 spaces at 1372 Seymour, 74 of these spaces will be built.

Strategic Analysis

Council approved this rezoning subject to various conditions of enactment, including the application of accumulated Downtown South Development Cost Levies (DCLs) to roughly half of the cost of constructing a 37-space childcare facility. The rezoning also generated a Community Amenity Contribution that included the provision of multi-use office and flex space for VSOCC. These offices will become the head office for VSOCC, and will include facilities that can be used to operate parent education and skill development workshops for the families served by all eleven centres operated by VSOCC. In addition, the developer provided a cash contribution through CAC's to ensure on going conservation of the facilities and the operating viability of the infant/toddler programs in the childcare. The fund exchanges between the developer and the City will be conducted when the head lease has been executed and is registered at Land Titles Office.

Consistent with City Policy this report recommends that the childcare facility and the associated office and flex space at 1372 Seymour St, which total roughly 10,000 square feet and are to be wholly situated on and within the common property of the neighbouring strata plan, be leased to VSOCC on the following terms, typical of other City leases with VSOCC and other childcare operators:

- five year term with options for two additional five year terms (fifteen years in total);
- nominal lease rate of \$10 per term;
- the childcare facility program meet Provincial Community Care Facilities Licensing regulations, and operate at maximum capacity on a full time basis; and
- the operator to be responsible for all expenses related to utilities; communications (including internet, cable, and phone); any security systems for the Premises beyond those initially installed by the developer; maintenance and repair of the elevator lobby serving the Premises; minor interior maintenance and repairs; janitorial; playground equipment, structures, surfaces and landscaping; cleaning, lighting, signage, and parking space demarcation for the City parking area; 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 life-cycle replacement including the dedicated elevator, while the strata corporation will be responsible for the building envelope and all structural elements of the Premises. The responsibilities of the parties regarding the maintenance, repair and replacement for the Premises will be further detailed in a Service Level Agreement which will be attached as a schedule to and form part of the Sublease.

Grants

In order to commence the childcare services at the new development, VSOCC must prepare for opening. A one-time operational start-up grant of up to \$74,000 will support costs such as covering lower revenue during gradual enrolment, development of policies and practice guidelines, program development, staff recruitment, hiring and orientation.

A pro-rated annual grant of up to \$19,800 for the toddler program will offset the high cost of toddler fees to cover the period of time once the childcare is in operation in late 2013. The source of funds for this grant is the Child Care Reserve and in future years this annual grant will be subject to the annual budget process.

Implications/Related Issues/Risk (if applicable)

Financial

The cost of constructing the 37-space childcare, multi-purpose space and offices is estimated to be approximately \$4.9 million, paid from two funding sources: a \$2.8 million in-kind Community Amenity Contribution (approved as part of rezoning in Dec. 2009 - RTS 8408) combined with \$2.1 million in Downtown South Development Cost Levies (approved as part of 2013 Capital Budget - RTS 9783).

The City also secured a cash Community Amenity Contribution of \$2.05 million as part of the rezoning (RTS 8408) and allocated it to the ongoing operation of the facility. Approximately \$1.5 million will be transferred to the Child Care Reserve to support start-up and on-going operation of the toddler spaces through annual grants, and \$550,000 to a Facility Sustainability Reserve.

This report recommends that:

- \$74,000 be allocated from the Child Care Reserve to this new 37-space childcare to cover one-time operational start-up costs; and
- up to \$19,800 be allocated annually from the Child Care Reserve to subsidize the toddler program at this childcare (12 spaces at \$1,650 per space); the amount for 2013 will be pro-rated and amounts for subsequent years will be brought forward as part of the City's annual budget.

It is estimated that the annual maintenance cost for this new facility will be about \$35,000. There will also be occasional capital maintenance costs as the facility ages. The annual maintenance costs will be funded from the Child Care and Facility Sustainability Reserve as appropriate. Amounts will be brought forward and managed by Real Estate and Facilities Management as part of the City's annual budget process.

CONCLUSION

Staff recommend that Council authorize entering into a sublease agreement with VSOCC for the childcare and associated office and flex space facility at 1372 Seymour St. Staff also recommend Council authorize a one-time grant to VSOCC of up to \$74,000 for a start-up grant, subject to entering into an operating agreement with the City, 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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