



ADMINISTRATIVE REPORT

Report Date: October 7, 2013
Contact: Brenda Proskan
Contact No.: 604.871.6858
RTS No.: 10297
VanRIMS No.: 08-2000-20
Meeting Date: October 23, 2013

TO: Standing Committee on City Finance and Services
FROM: General Manager of Community Services
SUBJECT: 2001 West 10th Avenue Appointment of Child Care Operator and Approval of Lease Terms

RECOMMENDATION

- A. THAT Council appoint Montessori Daycare Society (MDS) as the operator of the child care centre that will be located at 2001 West 10th Avenue once built, subject to the City becoming the owner of the child care facility.
- B. THAT Council authorize the Director of Real Estate Services to negotiate and, upon the City obtaining ownership of the child care facility, to execute a lease with MDS, as the tenant and child care operator, of the future City-owned child care facility to be built upon the property situated at 2001 West 10th Avenue, legally known as PID 009-165-517; Legal Description: LOT D, BLOCK 345, DISTRICT LOT 526, PLAN 11084, on the following terms and conditions (and as set out in the basic lease terms attached as Appendix A), and upon such other terms and conditions to the satisfaction of the General Manager of Real Estate and Facilities Management, the General Manager of Community Services and the Director of Legal Services.

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;
- C. THAT no legal rights or obligations be created or arise by Council's adoption of these Recommendations until the Lease has been signed by the City and Montessori Daycare Society.

Recommendation B authorizes a grant requiring eight affirmative votes of Council.

REPORT SUMMARY

This report recommends Montessori Daycare Society (MDS) be appointed as the operator of a new 37-space group child care program to be built and located at 2001 West 10th Avenue, and seeks Council authority to enter into a nominal lease on terms discussed in the body of the report.

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

At Public Hearing on December 13, 2012, Council approved the rezoning of 2001 West 10th Avenue, subject to a number of conditions including the applicant building a 37-space fully fit, furnished, and equipped child care facility and \$4.6 million cash contribution to the City as a Community Amenity Contribution (CAC). The \$4.6 million was allocated as follows: \$3.5 million to the Affordable Housing Reserve and \$1.1 million to the operation and maintenance of the proposed child care facility split equally between the Facility Capital Maintenance Reserve and the Child Care Reserve, to ensure the ongoing sustainability of the operation and maintenance of the facility. The child care facility will be built as part of the development and contained within an air space parcel to be transferred to and owned by the City.

On July 23, 2013, Council approved a capital project budget of up to \$2,545,385 to fund the building of the Kitsilano Montessori child care facility at 2001 West 10th Avenue, source of funds to be Arbutus Development Cost Levies for child care.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

REPORT

Background/Context

The purpose built and fully constructed child care will be located on the ground floor of the 6-storey building to be built on the east end of the site at 10th Avenue and Maple Street, consisting of an indoor area of approximately 4,300 square feet and approximately 5,000 square feet of outdoor space. It is anticipated that construction of the child care will be completed in 2015 and then transferred to the City. 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 child care spaces over the next 3 years. Since this motion was passed, 190 new child care spaces have opened. An additional 278 spaces have been committed¹. The 2001 West 10th Avenue child care will provide 37 child care spaces. However, since twenty-five of these spaces are replacement spaces, only the twelve new spaces count towards Council’s target of 500 additional spaces built or committed by the end of 2014.

City of Vancouver Child Care Targets and Progress Against Targets ²

Council Target: New Spaces Between 2012-2014	Built Spaces	Committed Spaces	Total Built and Committed (including 12 new spaces at 2001 West 10th Ave.)
500	190	278	468

Strategic Analysis

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. Licensed group 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.

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

² As the purpose of this report is to recommend an operator, there are no changes to the child care numbers. They are provided as a reminder only.

Recommendation for 2001 West 10th Avenue Child Care Operator

Staff recommend Montessori Daycare Society to be the operator for the child care at 2001 West 10th Avenue. This will allow MDS to relocate and expand the existing, aging 25-space modular structure at 2091 West 8th Avenue. The City and MDS have been working to find an alternate location since 2004. After exploring a variety of options and analysing the implications, both City staff and MDS have concluded that the proposed location is preferred. The CD-1 Rezoning Report dated November 2, 2012 (RTS #9813), for 2001 West 10th Avenue noted that as there are two other child care facilities north of Broadway, relocating MDS south of Broadway within the Arbutus DCL catchment area is an optimal approach.

Montessori Daycare Society has been a valued provider of child care services in the Kitsilano area since 1974. Moving Montessori Daycare to a new purpose-built facility at the Maple and West 10th Avenue site would provide stability to the Society, and allow for a modest 12 space expansion from 25 to 37 spaces, and improve the environment for the children. In addition, the city owned site at 2091 West 8th that the child care will vacate is suitable for an intensive housing development.

Financial

Terms of Lease

The City holds a registered Option to Purchase the air space parcel which is to be created once the building housing the child care facility is built. The City will purchase the child care facility, as a separate legal parcel, at a nominal cost of \$1.00 by exercising its Option to Purchase once the child care facility is complete to the City's satisfaction. Completion of construction is estimated for 2015. Recommendation B requests approval to enter into a nominal lease with Montessori Daycare Society. The City will begin negotiating the lease prior to obtaining ownership of the child care facility, however, the lease will not be executed until the ownership of the property has been transferred to the City and registered in Land Title Office.

Should Council approve Recommendation B, staff recommend the City and MDS enter into the City's standard non-profit child care lease, being a term of 5 years with two further 5 year renewal options for a total term of 15 years, at nominal rent of \$10 per term. 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, while the strata corporation to be created when the building is complete will be responsible for the building envelope and all structural elements for the child care facility. The responsibilities of the parties regarding the maintenance, repair, and replacement for the facility, as well as the proportionate share of the 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. The basic lease terms are attached as Appendix A.

Capital

Facilities Planning and Development estimated the cost of the constructing, fitting, furnishing, equipping and supplying of the 37-space child care facility at 2001 West 10th Avenue to be \$2,545,385 million. Council approved a capital project budget for this amount on July 23, 2013. Source of funds is the Arbutus Development Cost Levies.

Facility Maintenance

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. Source of funds will be from the Facility Capital Maintenance Reserve and the capital budget impact will be addressed as part of the annual budget process as required.

Operating

Commencing in the year the child care opens, and annually thereafter, MDS will be eligible to apply for an annual grant of up to \$19,800 (\$1,650 x 12 spaces) for the toddler program to offset the high cost of toddler fees. Source of funds will be the Child Care Reserve and addressed as part of the annual budget process.

CONCLUSION

Staff recommend that Council appoint Montessori Daycare Society as the operator of the child care to be located at 2001 West 10th Avenue, and authorize entering into a nominal lease agreement with Montessori Daycare Society upon the City obtaining ownership of the air space parcel containing the child care facility.

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**BASIC LEASE TERMS FOR THE CHILD CARE FACILITY
AT
2001 WEST 10TH AVENUE (The "Premises")
BETWEEN
THE CITY OF VANCOUVER (The "Landlord")
AND
MONTESSORI DAYCARE SOCIETY (The "Tenant")**

Lease Term and Renewal Options

Five (5) years, with two (2) further options to renew each for a term of five (5) years.

Rent

Nominal rent of Ten Dollars (\$10) per term, inclusive of rent in lieu of property taxes, plus applicable sales taxes.

Utility Charges

All Utility charges, including any municipal utility charges, serving the premises are payable by the Tenant.

The Tenant will be responsible for any and all costs and obligations associated with metered utilities directly serving the Premises.

Operating Costs, Repairs and Maintenance

All costs, obligations and expenses related to the operation, regular repairs and routine maintenance, and any required preventative maintenance of the Premises, including the play area and its equipment, will be the responsibility of the Tenant.

Capital/Life Cycle Replacement Costs

The responsibility for all capital costs associated with the mechanical, electrical and plumbing systems and other capital costs including those associated with the building envelope, including the roof membrane, wall membrane, exterior painting, and any structural components of the building such as foundation and slab will be as set out in a Service Level Agreement to be attached to and forming part of the Lease and otherwise as specifically provided for in the Lease, all on terms and conditions satisfactory to the City. Capital costs associated with the play yard and its equipment, as well as security systems serving the Premises are the responsibility of the Tenant.

Insurance

The Tenant is responsible at all times for maintaining commercial general liability insurance and all risk (broad form) tenants' legal liability insurance, as well as insuring for equipment, trade fixtures, furniture and all other contents, in the amounts and types of insurance to the satisfaction of the Landlord. The Landlord will be named as additional insured on each and every policy.

Use

The Premises are to be used for the delivery of licensed child care programs on a full time basis. The Premises may also be used for support activities including but not limited to office,

early care and learning programs for children from newborn to twelve (12) years of age, parenting and family development programs, and similar support activities on the condition that such does not interfere with the child care services requirements.

Public Service Objectives

The Tenant will use the Premises for the provision of licensed child care services and in a manner that benefits the citizens of Vancouver. The Tenant will be required to articulate and follow a set of *public service objectives* including minimum hours of operation; type and range of services; and its commitment to quality and accessibility in its programs and procedures.

Third Party Use

Other than in accordance with the "Third party Occasional Use" provisions provided for in the Lease as noted above, the Lease will include a clause that restricts the Tenant's right to assign, sublet, grant a mortgage or license to another party, without advance written permission by the City.

Naming Rights

The Lease will require the Tenant to follow the City's *Naming Rights Policy*, including potential restrictions on the right to name the Premises, (including any portion of the Premises).

Termination and Early Termination

Upon demolition or destruction of the Premise, expiration of the term, expiration of any option renewal terms or failure to fulfill other material terms of the lease, the lease will terminate. Either party may terminate the lease upon ninety (90) days written notice.

Additional Lease Terms

All of the foregoing Lease terms and all additional terms and conditions shall be as required by and be to the satisfaction of the Director of Legal Services and the Director of Real Estate Services in consultation with the Managing Director of Social Development.

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