



## ADMINISTRATIVE REPORT

Report Date: October 7, 2013  
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Meeting Date: October 23, 2013

TO: Standing Committee on City Finance and Services  
FROM: General Manager of Community Services  
SUBJECT: 1751 Manitoba Street Child Care Appointment of Operator, Lease of City-owned Property, and Approval of Grants

### **RECOMMENDATION**

- A. THAT Council appoint Vancouver Society of Children's Centres (VSOCC) as the operator of the child care centre that will be located at 1751 Manitoba Street once built, subject to the City becoming the owner of the child care facility.
- B. THAT Council authorize the Director of Real Estate to negotiate and, upon the City obtaining ownership of the child care facility, to execute a lease with VSOCC, as the tenant and child care operator, of the future City-owned child care facility to be built upon the property situated at 1751 Manitoba Street, legally known as PID 028-827-074; Legal Description: LOT A, BLOCK 10, DISTRICT LOT 200A, GROUP 1 NEW WESTMINSTER DISTRICT, PLAN BCP50719, 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;

Subject to need based on proposed budgets, applicable terms and conditions, and Council approval, Recommendation C and D may be provided by the City:

- C. THAT Council approve a one-time grant of up to \$172,500 to VSOCC to fit, furnish, equip and supply the child care. Source of funds: developer's contribution to the Child Care Reserve;
- D. THAT Council approve a one-time grant of up to \$138,000 to VSOCC for operating start-up costs such as providing project management during the design, construction, and start-up phases, development of a management structure, program development, and staff hiring and orientation, subject to entering into an operating agreement with the City of Vancouver. Source of funds: developer's contribution to the Child Care Reserve;
- E. 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 VSOCC.

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

### ***REPORT SUMMARY***

This report recommends VSOCC be appointed as the operator for the new purpose built 69-space child care program to be built and located at 1751 Manitoba Street, 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.

### ***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 Lease term is longer than 10 years and is therefore submitted to Council for approval.

On June 28, 2011, in the CD-1 Rezoning Report for 105-167 West Second Avenue, Council approved a fully fit, finished, furnished and equipped 69-space child care facility proposed as part of this development. It would be secured through a legal agreement and be accompanied by a cash contribution to the Childcare Reserve of \$1,410,500, \$310,500 for start-up costs and \$1,100,000 to ensure ongoing affordability of the programs, plus an additional cash contribution of \$1,100,000 for facility conservation. The total value of the childcare offering, including the cash contributions, is \$11,550,500.

On December 13<sup>th</sup>, 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.

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

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

### ***REPORT***

#### ***Background/Context***

A purpose-built and fully constructed child care will be located on the 6<sup>th</sup> floor of 1751 Manitoba Street, consisting of a floor area of 1,039 square metres of indoor and 752 square metres of outdoor space. It is anticipated that construction of the child care will be completed by fall 2014. The facility is designed to accommodate 12 infant spaces, 12 toddler spaces, 25 three-five years spaces, and 20 preschool spaces.

An RFEOI was issued on May 27, 2013, and was advertised on the City's website and BC Bid and closed on June 24, 2013. Thirteen non-profit organizations were notified. An information meeting was also held on June 7, 2013.

The RFEOI for this child care provided an opportunity for the operator to propose an alternate program for the preschool space that would meet the needs of the children and families in the community and be financially viable. This opportunity was provided because some preschool programs in the city have experienced low enrollment resulting in financial instability for the operator.

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 committed<sup>1</sup>. The child care at 1751 Manitoba Street will increase the number of new spaces delivered by at least an additional 49 spaces. As noted above, the remaining preschool area (153 square metres of indoor space) will provide additional child care spaces to be determined by the need in the neighbouring community.

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<sup>1</sup> 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.

### City of Vancouver Child Care Targets and Progress Against Targets <sup>2</sup>

Council Target: New Spaces Between 2012-2014	Built Spaces	Committed Spaces	Total Built and Committed
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. 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 of whether children will thrive in education, health and wellbeing later in life.

### *Recommendation for 1751 Manitoba Street Child Care Operator*

Through the evaluation review process, it was determined that VSOCC's submission best met the RFEI requirements and was most aligned with City policy objectives and goals for the child care located at 1751 Manitoba Street.

Staff recommend VSOCC to be the operator for the child care. VSOCC is a registered, non-profit agency created in 1994 as part of the Civic Child Care Strategy. In 2012, VSOCC operated over 600 licensed child care spaces and served almost 1000 children at 11 facilities and had a budget of just over \$7.4 million, from a variety of funding sources, including parent fees, the Province, the City, and foundations.

VSOCC has proposed four different options for the child care centre to address the best use of the preschool space. Before deciding on one of these options, VSOCC will first work with partner service providers, existing residential associations, and the property developer to identify a program which best meets the needs of the neighbourhood. The City will have final approval over the space configuration.

### *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 VSOCC. 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.

<sup>2</sup> 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.

Should Council approve Recommendation B, staff recommend the City and VSOCC 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.

*One Time Grants*

A grant in the amount of up to \$310,500 will cover one-time start-up costs of up to \$172,500 (\$2,500 per space x 69 spaces) for furnishings, equipment and supplies, and operating start-up costs of up to \$138,000 for the provision of project management during the design, construction, and start-up phases, development of a management structure, program development, and staff hiring and orientation. The operating start-up grant is subject to entering into an operating agreement with the City of Vancouver. Source of funds is the developer’s contribution to the Child Care Reserve.

An operating agreement confirms certain aspects of the operation and financing of a child care program within a city-owned facility. It ensures that priority enrolment is given to the most vulnerable children and families, parent fees are maintained at or below the citywide average, and parent involvement is encouraged in decision making processes. It also ensures that financial accountability is adhered to through an annual reconciliation process outlined in the agreement based on year-end actuals.

The following grants are recommended for 1751 Manitoba Street 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 \$172,500 (\$2,500/space x 69 spaces)	One-time	Source: developer’s contribution to the Child Care Reserve
Start Up Funds	Up to \$138,000	Disbursed the year prior to opening, and after the first 12 months of operations	Source: developer’s contribution to the Child Care Reserve
	Up to \$310,500 is the total estimated one time grants allocation		

*Capital*

Facilities Planning and Development estimates the value of the Applicant's child care amenity contribution of constructing, fitting, furnishing, equipping, and supplying of the 69 space child care facility at 1751 Manitoba Street to be \$9,040,000.

*Facility Maintenance*

There will be an annual operating budget impact for the facility maintenance of approximately \$35,000, 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, VSOCC will be eligible to apply for an annual grant of up to \$39,600 for the infant and toddler programs (\$1,650 x 24 spaces) to help offset the high cost of infant and 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 VSOCC as the operator of the child care to be located at 1751 Manitoba Street, and authorize entering into a nominal lease agreement with VSOCC upon the City obtaining ownership of the air space parcel containing the child care facility. . Staff also recommend Council authorize a one-time grant to VSOCC of up to \$172,500 for furniture, equipment, and supplies and a one-time start-up grant of up to \$138,000 (subject to entering into an operating agreement with the City).

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**BASIC LEASE TERMS FOR THE CHILD CARE FACILITY**  
**AT**  
**1751 Manitoba Street (The "Premises")**  
**BETWEEN**  
**THE CITY OF VANCOUVER (The "Landlord")**  
**AND**  
**VANCOUVER SOCIETY OF CHILDREN'S CENTRES (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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