



IN CAMERA

ADMINISTRATIVE REPORT

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TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management and the
General Manager of Community Services

SUBJECT: Proposed Child, Youth and Family Social Service Hub at City owned
Property located at 2780 East Broadway

IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city.

RECOMMENDATION

- A. THAT Council authorize the Directors of Real Estate Services and Facilities Planning and Development to proceed with the detailed planning and costing of renovations necessary to transform the office component of City owned property at 2780 East Broadway, legally described as PID: 009-551-581; Lot 2 South ½ of section 35, Town of Hastings Suburban Lands Plan 9744 (the "Kaslo Property") as shown in Appendix A, into a social service hub for child, youth and family services (the "Hub") estimated at a cost of **s.17(1)**, source of funding is the 2016 Property Endowment Fund Capital Budget, subject to final approval by Council of the City's financial contribution once detailed cost estimates have been produced.

- B. THAT Council authorize the Director of Real Estate Services to negotiate:
- i) a lease between the City and the Province of British Columbia on behalf of the Ministry of Technology, Innovation and Citizens' Services based on a lease area of 10,309 square feet of the Hub space (the "Ministry Lease") on terms acceptable to the Directors of Real Estate Services and Legal Services, subject to final approval of the lease terms by Council;
 - ii) a lease between the City and the Child, Youth and Family Innovation Centre Cooperative comprised of two (2) non-profit organizations: Pacific Community Resources Society (PCRS) and West Coast Family Centre Society (WFCS) based on a lease area of 17,716 square feet of the Hub space (the "Tenant Group Lease") on terms acceptable to the Directors of Real Estate Services and Legal Services, subject to final approval of lease terms by Council;
 - iii) such other agreements (the "Project Agreements") as may be required to facilitate the renovation of the Kaslo Property including agreements to secure the Province of British Columbia's financial commitments to the project and document the role of Shared Services BC ("SSBC") to complete the scope of work, design, and tender documents necessary for more detailed costing and construction; and
- C. THAT staff report back and seek Council approval of the following:
- i) terms for the Ministry Lease and Tenant Group Lease
 - ii) terms of the Project Agreements;
 - iii) detailed project costing including the City's contribution;
 - iv) any other matters requiring Council approval to proceed with the project.

REPORT SUMMARY

Over the years, the City's Kaslo Property location has attracted non-profit agencies involved in the provision of child and family related social services including Westcoast Family Centre Society and Pacific Community Resources Society. As these tenants co-existed in close proximity to each other, they realized that there was an opportunity to create a co-location/co-working facility to foster innovation, knowledge transfer, collaboration, and service and program integration if they re-organized as a Hub. The inclusion of three (3) of the Province of BC's Ministry of Technology, Innovation and Citizens' Services offices augmented the ability to provide a "one-stop shop" for many of the City's most vulnerable families. The tenants hired a consultant to investigate this possibility as most of the tenant leases at the Kaslo Property were coming due in 2016 and there is currently 14,359 square feet of office space running vacant, approximately 38% vacancy.

The consultant work investigated the possibility of the landlord looking after base building upgrades, the tenant group obtaining financing for tenant improvements and completing tenant renovations to almost 38,000 square feet, the entire office

component of this 100,723 square foot City owned office/warehouse complex. The consultant's review concluded a significant gap in the cost of the renovations and the ability of the tenant's to obtain and service financing. The tenants are at a disadvantage as the monies they require are only available at a premium interest rate and can only be amortized over a ten (10) year term.

Staff has discussed the consultant's conclusions and notes that significant costs can be eliminated by the City taking over the project and amortizing the project costs into the tenant rents. This also leverages the City's own recent and planned capital improvements for this building which has been operating with significant vacancies for some years. In these discussions, the participation of the tenant group was finalized resulting in a renovation, renewal and lease program to include approximately 28,025 square feet of the office component including office space for the Ministry of Technology, Innovation and Citizens' Services. Also, the securing of the tenants involved in the Hub will also facilitate two (2) other leases up for renewal thereby facilitating full occupancy of the 38,000 square foot office component.

As part of the preliminary planning, costs have been estimated at s.17(1) (see Financial Implications section), of which the City is responsible for s.17(1), per Recommendation A.

As these costs are based on preliminary planning only, there may be a requirement for an additional s.17(1) of contingency, as more detailed plans and estimates are developed. If this additional contingency is required, staff will report back to Council.

Although the required investment is substantial, the completed project aligns with the City's social and financial objectives. The Hub will house priority child and youth serving agencies that receive funding from the City's social grants in a unique co-location model with the Ministry of Technology, Innovation and Citizens' Services that is anticipated to improve responses to vulnerable children, youth and their families, including those from Aboriginal families, and signals the City's leadership in response to the Paige Report, the federal Truth and Reconciliation objectives and our efforts as a City of Reconciliation. The City asset will be updated with a renewed identity in a lagging office market, with focussed improvements on the most challenging component of the building and provide enhanced revenues. The project provides an acceptable internal rate of return but does require the City to be more tolerant than the financial markets with respect to its acceptance of risk. In staff's view, the stability and longevity of these core social service tenants, the Ministry participation, and the lack of rental prospects for the office premises in the alternative, balances the risk.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

City of Reconciliation Work plan: In January 2016, Council approved the City of Reconciliation Work Plan for 2016 and directed staff to begin implementation of cultural competency training and to facilitate Reconciliation projects.

Truth and Reconciliation: In January 2016, Council approved in principle, the City's response to the 27 Truth and Reconciliation Commission Calls to Action that fall within

its jurisdiction, in the areas of healthy communities and wellness; Indigenous and human rights and recognition; and advancing awareness, knowledge and capacity.

The Healthy City Strategy: In 2014, Council adopted the Strategy and in July 2015, directed staff to implement the Action Plan towards creating a Healthy City for All.

On July 7, 2015, Council passed a motion in response to the BC Representative for Children and Youth's report entitled *Paige's Story: Abuse, Indifference and a Young Life Discarded* (Paige Report) outlining actions for the BC government to undertake to support vulnerable youth in the DTES and for staff to report back on recommendations directed to the City.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Community Services and the General Manager of Real Estate and Facilities Management RECOMMEND approval of the foregoing.

REPORT

Background/Context

Social Policy Context:

The Healthy City Strategy guides social development and social sustainability in Vancouver. The Strategy's vision of a **Healthy City for All** commits the City to leading change and engaging the community in achieving equity and sustainability for the entire population. The complex social challenges that Vancouver faces require integration and partnership to solve. The Hub concept is responsive to a number of priorities in the Strategy including:

- i. A Good Start- Vancouver's children have the best chance of enjoying a healthy childhood
- ii. Healthy Human Services- Vancouverites have equitable access to high quality social, community and health services.
- iii. Collaborative Leadership- Leaders from the public, private and civil sectors in Vancouver work in integrated and collaborative ways towards the vision of a healthy Vancouver for all.

The Hub also supports a number of Council priorities including:

- i. Joint Childcare Council's efforts to support quality childcare and early learning opportunities to help to foster healthy children and communities, and play a crucial role in the social and economic stability of our city.
 - a. Supporting accessible, affordable and quality childcare as essential to the health and well-being of Vancouver's children and families.
 - b. Recognizing the critical need for all levels of government, community and business sectors to maintain an active partnership in developing and supporting a strong system of early care and learning.

- c. Supporting the Early Childhood Education of BC and Coalition of Childcare Advocates of BC's *Community Plan for a Public System of Integrated Early Care and Learning*.
- ii. Responding to the BC Representative for Children and Youth's recommendations to the City in the Paige Report. This Hub provides an opportunity for collaboration with the Province and non-profit service providers to provide co-located early identification and intervention services to vulnerable families with the goal of preventing more serious, long term problems for children and their families.

Asset Management Context:

The City owned office/warehouse complex at 2780 East Broadway was constructed in 1958 and building systems are approaching end of effective life making the complex due for renewal or redevelopment. A renewal strategy has been implemented with the reroofing of the complex in 2015. A new energy management program was implemented in early 2016 and a new boiler is scheduled for 2016. With significant vacancies in the office component and office leases coming due in 2016/17, the timing is right for further investment to ensure tenancies.

Preliminary assessments indicate that the renovations necessary to secure the Hub tenancies are in the range of s.17(1) which includes approximately s.17(1) in base building improvements inclusive of soft costs and contingencies and approximately s.17(1) in tenant improvements. However, given the age of the building, and the large floor plate design, a considerable contingency is highly recommended. The Province is accustomed to a further s.17(1) contingency to account for both the high level costing and potential price changes.

Strategic Analysis

Staff supports these organizations within the City-owned premise because they provide key services to vulnerable children, youth and families in Vancouver. Both organizations are fully accredited and have a long track record of successful collaborative partnerships and strong program delivery. It is anticipated that approximately one hundred and twelve (112) staff from the three (3) agencies will co-locate into the Hub.

PCRS has been in operation since 1984 with an annual operating budget of over s.17(1) s.17(1) with over six hundred (600) employees and volunteers. They provide youth and family support, education programs, employment services, addiction counselling and prevention, and housing support to over 60,000 people annually. They are the lead agency for the Broadway Youth Resource Centre (BYRC) at Broadway and Fraser that includes one of the City's supportive housing projects in collaboration with Vancouver Native Housing Society. The City has funded PCRS through the Community Services Grants program for core staffing at BYRC and for a Vietnamese Youth Outreach Worker (total 2016 grants of s.17(1)).

WFCS, also operating since 1984, provides Family Preservation and Reunification Services, Clinical Counselling, Play Therapy, Supervised Access, and Parent/Child Interaction Therapy for parents and children up to age 15. All their programs are available free of charge. WFCS has an annual budget of s.17(1), approximately one hundred (100) employees and provided service to over 7,500 individuals last year.

The provincial Ministry for Children and Family Development works together with Delegated Aboriginal Agencies, Aboriginal service partners and approximately 5,400 contracted community social service agencies and foster homes, cross government and social sector partners to deliver inclusive, culturally respectful, responsive and accessible services that support the well-being of children, youth and families. They plan to move three (3) of their offices supporting child protection and adoption and guardian work into the Hub.

This project also supports innovation by creating a service hub for families who can access co-located services. This is an opportunity for the City to partner with the non-profits and the province on creating an innovation hub supported as best practice with Vancouver's Social Purpose Real Estate Collaborative. This is a group of funders, investors and government representatives (including the City of Vancouver) that strategically engages and invests with social purpose real estate in Vancouver to create a stronger community.

Implications/Related Issues/Risk (if applicable)

Financial

The Kaslo Hub Project Costs estimates are summarized as follows:

CoV Base Building Estimate	s.17(1)
MCFD Tenant Improvements Costs	
Tenant Group Tenant Improvement Costs	
Tenant Group and MCFD Shared Space Costs	
Soft Costs	
Contingency	
Total Preliminary Project Costs	
Less: Direct Payment by MCFD	
City share of Total Project Costs	

Note: As these costs are based on preliminary planning only, there may be a requirement for an additional s.17(1) of contingency, as more detailed plans and estimates are developed. If this additional contingency is required, staff will report back to Council.

In determining the viability of the proposed renovation, staff not only considered the asset life cycle and the need for renovation of base building elements regardless of tenancies, staff also examined achievable rental rates proposed by the Hub option against market prospects without the Hub. It is staff's conclusion that not only does the project add value in a social context, it provides a City asset with a needed update, resolves a chronic vacancy issue

and meets financial objectives of the PEF and is probably are rare opportunity to do so. Total revenue with the renovation would increase on the office component from the current s.17(1) per year to almost s.17(1) achieving an IRR of approximately s.17(1) provided the cost estimate is contained to s.17(1)

The source of funding for the s.17(1) is the 2016 Property Endowment Fund Capital Budget.

Given the City approach to amortize the tenant improvements and base building upgrades over 20 years the IRR provides some compensation for the additional risk of the longer amortization period. The new rental rates do not capture the base building upgrades as some of these would be required regardless of tenancy.

Environmental

The City's Hazardous Materials Team has completed a survey of the building and hazardous building materials are present. Based on the renovation plans provided, hazardous materials abatement costs are estimated at s.17(1) The City's Hazardous Materials Team will work with the tenant to oversee the abatement work.

CONCLUSION

This report seeks council approval to create a child, youth and family hub at 2780 East Broadway through the provision of renovations of the Kaslo Property, and the execution of two leases: one to the Province of BC on behalf of the Ministry of Technology, Innovation and Citizens' Services and the second to the Child, Youth and Family Innovation Centre Cooperative.

The provision of services by Pacific Community Resources Society and Westcoast Family Centre Society and the Province support a number of council priorities to ensure residents of Vancouver have access to a strong co-located network of social services needed to ensure children have a Good Start in life as outlined in the Healthy City Strategy.

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