



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: June 9, 2017  
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Meeting Date: June 13, 2017

TO: Vancouver City Council

FROM: General Manager of Community Services

SUBJECT: David Lloyd George School-Childcare Project: Project and Funding Approval, Lease Authorization

### 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; (k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

### RECOMMENDATION

- A. THAT the General Manager of Real Estate and Facilities Management and the Director of Legal Services be authorized (on behalf of the City) to negotiate lease or ownership arrangements, a development management agreement and all related legal agreements for the David Lloyd George School Childcare centre and related space with the Board of Education of School District No. 39 (the "VBE"), all on terms and conditions satisfactory to the General Managers of Real Estate and Facilities Management and Community Services and the Director of Legal Services, and as more particularly described below in this Report.
- B. THAT subject to approval of Recommendation A, Council approve a multi-year project budget of up to \$8.5 million for the David Lloyd George School Childcare centre with funding from the following sources:

- \$2,045,425 in cash contributions collected for amenities from Density Bonus Zoning in Marpole; and
- up to \$6,454,575 in cash Community Amenity Contributions allocated to community facilities and/or childcare:
  - \$2,462,204 from the rezoning of 375 W. 59<sup>th</sup> Avenue in 2015;
  - \$1,303,280 from the rezoning of 6929-6969 Cambie Street in 2015;
  - \$757,350 from the rezoning of 7638-7664 Cambie Street in 2016;
  - \$740,000 from the rezoning of 7510-7554 Cambie Street in 2015;
  - \$643,702 from the rezoning of 6729-6769 Cambie Street in 2015; and
  - \$548,039 from the rezoning of 7807 Cambie Street in 2016.

Expenditures will be managed within the current overall approved Annual Capital Expenditure Budget.

- C. THAT the General Manager of Real Estate and Facilities Management be authorized to execute and deliver on behalf of the City the legal agreements agreed upon to reflect the lease or ownership arrangements, and the Director of Legal Services be authorized to execute and deliver on behalf of the City all other legal documents required to implement Recommendation A.
- D. THAT no legal rights or obligations will be created by Council's adoption of the above Recommendations, unless and until all required legal documents are executed and delivered by the General Manager of Real Estate and Facilities Management or the Director of Legal Services, as applicable.

### ***REPORT SUMMARY***

The purpose of this report is to seek project and budget approval to develop a 69 licensed space group childcare centre at David Lloyd George Elementary, and authorization to enter into a long-term lease/ownership agreement with the VBE.

David Lloyd George Elementary, located at 8370 Cartier Street, in Marpole, is scheduled to undergo seismic replacement by the VBE, with estimated completion in 2020. Staff recommend the inclusion of a 69-space licensed childcare centre as part of the seismic replacement, a proposal similar to three previous projects at Lord Nelson, Sir Sandford Fleming, and Lord Tennyson Elementary Schools. At David Lloyd George, the VBE will build a childcare on the roof level (3rd floor) of a new two-storey school building on the existing school site, with commitment from the City to pay all incremental costs associated with building a 69-space childcare facility as part of the new school development.

As part of an ongoing partnership with the VBE this project will help meet Council's Healthy City Action Plan aim to create 1,000 new childcare spaces by 2018. With the approval of these 69 spaces, approximately 80 percent of the target will be reached. The Childcare Centre also helps meet the City's environmental, economic, and social sustainability goals by reducing the number of trips parents make each day, enabling parents to re-enter the workforce, and providing a continuum of early care and education services in one location. School-Childcare projects on VBE land offer the City a cost efficient and effective way of increasing the supply of quality childcare spaces for children under the age of 5. In addition to the VBE partnership,

the City is moving forward with other innovative ways to deliver childcare such as on the rooftop of the City-owned Gastown parkades.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

- 2016: Council approved entering into a lease/ownership arrangement and funding up to \$8.5 M for construction of a 69-space childcare at Lord Tennyson Elementary School (1936 W 10th Ave). Council also formally approved funding up to \$8.5 M for construction of a 69-space childcare at the Sir Sandford Fleming Elementary School (1401 E 49th Ave).
- 2015: Council authorized the City to enter into a lease/ownership arrangement with the VBE and approved the Sir Sandford Fleming Elementary School (1401 E 49th Ave) 69-space Childcare Centre project in principle.
- 2015: Council approved entering into lease/ownership arrangement and funding up to \$8.5 M for construction of a 69-space childcare at Lord Nelson Elementary School (2235 Kitchener Street). An additional \$710,000 was approved for initial design work on proposed childcare project at Sir Sandford Fleming Elementary School seismic replacement, contingent upon the signing of partnership agreements for Nelson School/Childcare by both parties.
- 2015: Council directed staff to double the target of new childcare spaces to 1,000 spaces by 2018 as part of the 2015-2018 Capital Budget Plan process, and look for opportunities to include childcare facilities in elementary schools undergoing seismic renewal and upgrade.
- 2014: Council approved A Healthy City for All: Healthy City Strategy 2014-2025 Phase 1. The first goal, A Good Start for children, includes a target that at least 85 per cent of Vancouver's children are developmentally ready for school when they enter kindergarten.
- 2014: City launched the School-Age Care Expansion Projects Grant Program to support non-profit operators with renovation costs associated with the creation of new or expanded licensed School-Age Care programs in multipurpose rooms in schools.
- 2011: City Council passed a motion to support the "Community Plan for a Public System of Integrated Early Care and Learning" (\$10/Day Plan). The Plan builds on research that demonstrates that public spending on the early years is a wise social and economic investment, and honours children's and families' rights to quality early care and learning.

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

The City and VBE have worked together over the past decade to create more spaces for before and after-school childcare (School-Age Care for 5-12 year olds) and more recently, full-time childcare for 0-4 year olds. The broader focus on childcare for younger children (0-4 year olds) has marked a new phase in the City/VBE partnership, helping to provide vital childcare options for families with young children, in ways that are both cost efficient and in-line with Vancouver's Healthy City, Greenest City and Vancouver Economic Plan goals.

## REPORT

### Background/Context

While childcare is primarily a Provincial responsibility, the City has supported the provision of quality care through land use planning and development, provision of funding, and collaboration with the Province and other partners since the late 1980's. The lack of a national childcare program, coupled with gaps in capital and operating funding for childcare at the senior government levels, has resulted in a shortage of childcare spaces and affordability issues for parents.

### Demonstrated Need for Child Care

Childcare spaces for all ages (0-12) are in short supply across the City, with 32% of estimated need being met citywide. Childcare service in Marpole is near the citywide average, with 31% of area need being met.

The need for childcare is greatest for children under 5 years of age. Citywide, approximately 35% of childcare need is being met for children aged 0 to 4 years; in Marpole it is estimated that 56% of childcare need is currently being met for children aged 0 to 4 years. However, the need for infant and toddler care (children aged 0-2 years) is particularly acute, with only 28% of need being met in Marpole, compared to 18% citywide.

### Project Description

A 69-space childcare centre is proposed at David Lloyd George Elementary School (8370 Cartier Street) which is currently slated for seismic replacement by the VBE. The childcare centre will be located on the roof level (3<sup>rd</sup> floor) of the new two-storey elementary school building, with licensed childcare programs proposed as follows:

Table 1: Licensed Childcare Spaces Proposed for rooftop facility at David Lloyd George Elementary School

Childcare License Type/Age Group	# spaces proposed
Under 3 years (infant and toddler)	24 spaces
3 - 4 years	25 spaces
Preschool (or Flex space for childcare and/or family programming)	20 spaces
<b>Total</b>	<b>69 spaces</b>

If approved, the David Lloyd George Elementary School-Childcare project will be the fourth VBE/City partnership project to include a full-time childcare centre for children under 5 years of age, after Lord Nelson, Sir Sandford Fleming, and Lord Tennyson Elementary Schools.

The zoning for the site is RT-2 (Low Density Multiple-Family Housing). Childcares and schools are permitted as conditional uses. The land parcel (PID: 007-697-333) is owned by the VBE and they have agreed to allow the construction of a childcare facility on the school site, as

long as the capital funding is provided by the City for the incremental cost to build the childcare.

In this proposal, as with the preceding School-Childcare projects, the new building will be built on the same site as the existing school at 8370 Cartier Street. Upon completion of the new building, the existing school building will be demolished and converted to outdoor open space. It is expected that the building form and footprint be comparable to the School-Childcare projects at Lord Nelson, Sir Sandford Fleming and Lord Tennyson. As such, the childcare is anticipated to have an indoor floor area of approximately 10,000 square feet and an outdoor floor area of approximately 8,500 square feet.

### *School-Age Care*

Approximately 60 licensed School-Age Care (for children aged 5 to 12 years) spaces are currently being utilized on site. The seismic replacement of David Lloyd George is to include the replacement of up to 45 existing licensed spaces for school-aged children (aged 5 to 12 years) in the multipurpose room of the new school. To date, it has been VBE practice with seismic replacement schools to limit replacement of School-Age Care spaces within the school building to the number that can be accommodated within a multipurpose room (typically a maximum of 45 spaces). The VBE has expressed a commitment to replacing up to 45 School-Age Care spaces on site.

### *Timeline and Construction of David Lloyd George*

A preliminary concept plan will be prepared by the VBE and made public once the project is granted approval from the Provincial Treasury. A public open-house is expected in the fall of 2017. Design-development is expected to begin before the end of 2017, with project completion anticipated for 2020.

The childcare will be operated by a non-profit specializing in childcare services, similar to other City-owned childcare facilities. The non-profit operator will be selected through a public selection process to ensure an equitable process in selecting a qualified operator.

### *Lease / Ownership and Development Management Arrangements*

| The City is seeking a long-term lease of 60-75 years or life of the asset (whichever is greater), or transfer of fee simple title to the Childcare centre component upon subdivision by air space parcelling.

At present, the VBE Board of Trustees may only consider lease terms of up to 10 years less a day without further approval from the Minister of Education. Provincial approval will be required for the VBE to transfer title to the City of an air space parcel containing the Childcare centre. It is considered unlikely that such consent will be given, however, so a long-term lease appears to be the more realistic option. At present, the VBE Board of Trustees may only consider lease terms of up to 10 years less a day without further approval from the Minister of Education. Staff have been informed by the VBE that any consent to a longer term lease cannot be formally obtained until the building has actually been built. Accordingly, the lease proposed for approval in this Report will have a term of 10 years less a day, if the required Provincial consent to a longer term cannot be obtained; however, if and when

consent to a longer term is obtained, the lease entered into would be for the full length of that longer term.

The City has full commitment from the VBE to take the necessary steps to obtain written approval from the Minister of Education to enable the City to formally enter into a long-term lease of the Childcare centre in each of the VBE/City partnership projects. A 60-year term lease has been negotiated between the City and the VBE for two previously approved School-Childcare projects at Lord Nelson and Sir Sandford Fleming Elementary Schools. Once these buildings are completed, the negotiated leases will be forwarded to the Minister of Education for approval. A similar approach will be taken to obtain a long-term lease agreement for the David Lloyd George School-Childcare project.

A Development Management Agreement will also be entered into pursuant to which the agreement of the City and the VBE in respect of the design and construction of the new David Lloyd George Elementary School and Childcare centre will be outlined, with the VBE taking primary responsibility to manage this project, the City funding its proportionate share of the costs, based on an incremental principle, for design and construction. City will provide oversight for the childcare portion of this project.

Any other ancillary legal agreements required by the General Managers of Real Estate and Facilities Management and Community Services and/or the Director of Legal Services will be negotiated and executed as and when deemed appropriate by them.

### ***Strategic Analysis***

The David Lloyd George School-Childcare project, along with recently approved School-Childcare projects at Lord Nelson, Sir Sandford Fleming, and Lord Tennyson Elementary Schools, will provide full-time childcare facilities for children under 5 years of age within school facilities. With up to 60 school facilities needing seismic upgrades or replacement over the next fifteen years, the ongoing partnership between the VBE and the City will provide more opportunities to integrate more full-time childcare facilities for young children (ages 0-4) into school facilities, and continue to facilitate the provision and addition of School-Age Care for children aged 5-12.

Healthy City Strategy targets aim to decrease child vulnerability and increase school readiness from 65% to 85% citywide by 2025. The City made the creation of childcare spaces one of its top priorities in the 2015-2018 Capital Plan. Including the contribution of proposed spaces at David Lloyd George, the City will have reached approximately 80% of its 2015-18 target for 1000 new childcare spaces.

Table 2 - Progress towards the City's 1000-Space Childcare Target

	Council Target 2015-18: New Spaces	Built Spaces	Committed Spaces	DLG Contribution	Total (Built and Committed - including DLG)
<b>TOTAL</b>	1000	305	423	69	797

***Implications/Related Issues/Risk (if applicable)******Financial*****Capital Plan 2015-2018**

In the 2015-2018 Capital Plan, a total of \$20 million in City funding was earmarked toward the creation of 500 licensed spaces for children under five years old (full day childcare and preschool), and \$5 million toward 500 new spaces for children aged 5 to 12 years (School-Age Care), with the expectation that additional funding could be leveraged from senior governments and non-profit partners.

Three 69 space projects for child care under five years were previously approved at Lord Nelson Elementary; Sir Sandford Fleming Elementary; and Lord Tennyson Elementary schools. In 2015 the City obtained a \$500,000 grant under the Provincial Childcare Major Capital Fund for the Lord Nelson and Sir Sandford Fleming projects. Staff submitted an application for Lord Tennyson and expect a response by the end of June, 2017. Assuming this grant stream will continue, staff anticipates submitting an application during the next intake in 2018 for the David Lloyd George project.

The City is able to advance the David Lloyd George School project because development contributions since 2015 have exceeded the forecast, meaning that City investments will be greater than the \$20 million originally contemplated in the 2015-2018 Capital Plan. Table 3 provides a financial summary for the School-Childcare projects:

Table 3 - School-Childcare Projects Financial Summary:

Project	Council approved maximum	Approved or anticipated budget	Funding Sources			
			City contribution			Partnership contribution
			DCLs	Cash CACs	Cash Density Bonus	
Nelson School childcare	Up to \$8.5 M	\$6.5 M	\$6.0 M	-	-	\$0.5 M
Fleming School childcare	Up to \$8.5 M	\$7.0 M	\$6.5 M	-	-	\$0.5 M
Tennyson School childcare	Up to \$8.5 M	\$7.5 M	\$0.66 M	\$6.84 M	-	tbd
David Lloyd George childcare	Up to \$8.5 M	\$7.5 M	-	\$5.45 M	\$2.05 M	tbd
<b>TOTAL</b>	<b>Up to \$34 M</b>	<b>\$28.5 M</b>	<b>\$13.16 M</b>	<b>\$12.29M</b>	<b>\$2.05 M</b>	<b>\$1.0 M</b>

			\$27.5 M	
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Staff will continue to partner with VBE to align total project costs for all current and future School-Childcare projects. Based on the current range of estimates, the per-space cost for the School-Childcare projects ranges from \$100,000 up to \$110,000. This range is below the typical cost to deliver spaces in a 69-space childcare centre on a rooftop or podium, where the average cost is approximately \$125,000 per space.

The David Lloyd George Elementary School child care is recommended to be funded from cash contributions collected for amenities from Density Bonus Zoning in Marpole (\$2,045,425) and cash Community Amenity Contributions allocated to allocated to community facilities and/or childcare received from nearby rezonings (up to \$6,454,575) as listed below:

- \$2,462,204 from the rezoning of 375 W. 59<sup>th</sup> Avenue in 2015;
- \$1,303,280 from the rezoning of 6929-6969 Cambie Street in 2015;
- \$757,350 from the rezoning of 7638-7664 Cambie Street in 2016;
- \$740,000 from the rezoning of 7510-7554 Cambie Street in 2015;
- \$643,702 from the rezoning of 6729-6769 Cambie Street in 2015; and
- \$548,039 from the rezoning of 7807 Cambie Street in 2016.

All expenditures will be managed within the current overall approved Annual Capital Expenditure Budget.

As additional childcare project opportunities arise in the remainder of the Capital Plan, staff will continue to pursue funding opportunities with the Provincial government and encourage the Federal government to participate via its infrastructure funding programs. Additional City contributions will be allocated from cash Community Amenity Contributions and cash contributions from Density Bonus Zoning to supplement the limited City-wide Development Cost Levies available for childcare.

### Operating Costs and Agreements

Upon completion and occupancy of the School-Childcare project at David Lloyd George, there will be operating costs associated with the project, the full cost of which is still to be determined. Funding for operating costs will be brought forward through future budget processes.

Operating support from the City is contingent on the execution of an operating agreement with the childcare operator, which sets out City expectations for the child care program, and subject to demonstrated need. Details of this operating agreement will be finalized once an operator is selected.

### **CONCLUSION**

School-Childcare projects like David Lloyd George Elementary School offer the City a cost efficient and effective way of increasing the supply of much needed quality childcare spaces for children under the age of 5.



The VBE and the City of Vancouver will continue to facilitate the provision of School-Age Care at schools, and work together to pursue opportunities to integrate full-time childcare facilities for young children (ages 0-4) into school facilities. Up to 60 school facilities will need seismic upgrades or replacement over the next fifteen years, and the potential for expansion of School-Age Care, as well as care for children aged 0-4, will be explored.

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