



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: June 15, 2018
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Meeting Date: June 19, 2018

TO: Vancouver City Council

FROM: General Manager of Arts, Culture, and Community Services

SUBJECT: Eric Hamber Secondary School Childcare Project: Project and Funding Approval, and Authorization to Negotiate and Enter into Lease and Development Management Agreement

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 and settle lease arrangements, a development management agreement and all related legal agreements for the Eric Hamber Secondary School childcare centre and related spaces 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 Arts, Culture and Community Services, and the Director of Legal Services, and as more particularly described below in this Report.

- B. THAT subject to the approval of Recommendation A, Council approve this capital project and corresponding multi-year capital project budget of \$10.8 million for the design, construction and fit-out of a 69-space childcare centre at Eric Hamber Secondary School, including up to \$800,000 funding for additional design work for a second 69-space childcare facility, up to 138 spaces, to preserve the City's

ability to maximize the development potential on the site should the Province or other partners come forward with additional funding for the project.

The source of funds for the multi-year capital projects totalling \$10.8 million to be cash Community Amenity Contributions allocated to childcare in the Cambie Corridor and to community facilities and childcare in the Cambie Corridor, to be added to the 2015-2018 Capital Plan.

Expenditures in 2018 will be managed within the current overall approved Annual Capital Expenditure Budget. Expenditures for subsequent years will be brought forward as part of the annual Capital Budget process.

- C. THAT the Mayor, on behalf of Council write to the Province urging the Provincial Government to explore additional funding to support the construction of the larger childcare centre to fully utilize the development potential on this site, as more particularly described below in this Report.
- D. 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 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.
- E. 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 licensed childcare centre, with a minimum of 69 spaces, at Eric Hamber Secondary School and authorization to enter into a long-term agreement with the VBE for the project. Staff support the construction of a larger facility containing up to 138 spaces; however, the City is only able to commit sufficient funding for a 69-space facility during the timeline required for this project. The current proposal seeks approval of \$10.8 M to deliver a 69-space facility and also includes up to \$800,000 of funding to progress additional preliminary design work for a larger childcare facility, up to 138-spaces, to preserve the City's ability to maximize the development potential of the site should the Province or other partners come forward with additional funding for the project.

Eric Hamber Secondary School, located at 5025 Willow Street in the Oakridge Municipal Town Centre of the Cambie Corridor Plan (2018) ("Oakridge Neighbourhood"), is scheduled to undergo seismic replacement by the VBE, with estimated completion in 2023. Staff recommend the inclusion of a licensed childcare centre as part of the seismic replacement, a proposal similar to the school childcare projects at Lord Nelson, David Lloyd George, Sir Sanford Fleming and Lord Tennyson Elementary Schools. At Eric Hamber, the VBE will build the childcare facility on the roof level (third 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 childcare facility as part of the school redevelopment.

As part of an ongoing collaboration with the VBE, these projects will help meet Council's Healthy City Action Plan aim to create 1,000 new childcare spaces by 2018. The approval of 69 childcare spaces at Eric Hamber Secondary School will surpass the childcare target by 64 spaces.

The childcare centre at this site will also help meet the City's economic and social sustainability goals by providing early childhood programming and enabling parents to re-enter the workforce. Co-locating secondary schools and childcare have been successful in Ontario and Manitoba and include benefits of collaboration through student projects, and nurturing respectful behaviour between different ages. Resulting shared costs of childcares in schools offer the City a cost efficient and effective way of increasing the supply of quality childcare spaces for children under the age of 5.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- 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.
- 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.
- 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.
- 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 schools undergoing seismic renewal and upgrade.
- 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 authorized the City to enter into a lease/ownership arrangement with the VBE and approved the Sir Sandford Fleming School's Childcare Centre project in principle.
- 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).

2017: Council approved entering into a lease/ownership arrangement and funding up to \$8.5 M for construction of a 69-space childcare at David Lloyd George Elementary School (8370 Cartier Street).

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City and VBE have been working 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 collaboration, by providing vital childcare options for families with young children that are both cost efficient and consistent 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 1980s. The lack of a national childcare program, and gaps in capital and operating funding for childcare at senior government levels, has resulted in a shortage of childcare spaces and affordability challenges for families.

Demonstrated Need for Childcare

Childcare spaces are in short supply across the City, with 37% of estimated needs being met citywide for 0-4 year olds. The Vancouver South Corridor childcare network area, which includes the Oakridge Neighbourhood, has 53% of childcare needs met for 0-4 year olds. The need for infant and toddler care for 0-2 year olds is particularly acute with only 24% of needs being met in the Vancouver South Corridor area compared to 19% city-wide.

In addition to serving local families, the proposed childcare centre would provide additional childcare options for families from across Vancouver. This network area is a key employment hub and a major transportation corridor as shown in Appendix A.

Eric Hamber Secondary School is located in the Oakridge Neighbourhood, which includes various major project sites (i.e. Heather Lands, Oakridge Transit Centre and Oakridge Centre). The population in the Cambie Corridor is projected to more than double by 2041. New childcare demands are anticipated from population and job growth over the life of the plan.

Project Description

A childcare centre is proposed at Eric Hamber Secondary School (5025 Willow Street) which is currently slated for seismic replacement by the VBE. To confirm that the childcare centre will be included in the development, City approval is required at this time, in keeping with the VBE's project timeline. Co-location with the secondary school requires no land acquisition and provides a large floor plate that can accommodate up to a 138-space childcare. Currently, there is only sufficient secured funding for a 69-space facility; however staff recommend a 138-space facility on the site should additional funding become available. In addition, Staff recommend that \$800,000 be approved to fund preliminary design work for an additional 69-space facility (total

of up to 138 spaces) as part of the total \$10.8 M multi-year capital project budget, so that the City can be in the position to benefit from the opportunity to construct a larger facility if additional funding should later become available. The childcare centre will be located on the roof level (3rd floor) of the new two-storey secondary school building, with licensed childcare programs proposed as shown in Table 1. The facility will be the first city-owned childcare that will be part of a secondary school, and, if the larger facility is able to be constructed, will be the first 138-space childcare centre owned by the City.

Table 1: Licensed Childcare Spaces Proposed for rooftop childcare centre at Eric Hamber School

Childcare License Type/Age Group	Eric Hamber - spaces proposed	Additional Spaces to be funded
Under 3 years (infant and toddler)	24 spaces	24 spaces
3 - 5 years	25 spaces	25 spaces
Preschool (or Flex space for childcare and/or family programming)	20 spaces	20 spaces
Total	69 spaces	69 spaces

The zoning for the site is RS-1 (One-Family Dwelling), which allows childcare facilities and schools as conditional uses. The land parcel (PID: 009-348-654) is owned by the VBE and it has 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 5025 Willow Street. Upon completion of the new building, the existing school building will be demolished.

The current recommendation for a 69-space childcare centre would require an indoor floor area of approximately 10,000 square feet and an outdoor floor area of approximately 8,500 square feet. A 138-space childcare centre would have a total indoor floor area of approximately 19,000 square feet and an outdoor floor area of approximately 16,000 square feet.

No school age care currently exists on the site as it is not an elementary school and no childcare is proposed as part of the new secondary school aside from the proposed city-owned childcare centre on the roof of the building.

Timeline and Construction of Schools

A preliminary concept plan will be prepared by the VBE and made public once the project is granted approval from the Provincial Treasury. Project development is expected to begin before the end of 2018, which will include stakeholder consultation, program development and performance specifications. Project implementation will begin in 2020, which will include design, permits and construction, with expected completion in winter 2023.

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

Lease and Development Management Arrangements

The Eric Hamber Secondary School childcare centre will be owned by the VBE. The City is seeking a long-term lease of 60-75 years or life of the asset (whichever is greater) from the VBE for the school childcare.

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 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 Eric Hamber Secondary School Childcare project.

The City and the VBE will also enter into a Development Management Agreement regarding the design and construction of the new Eric Hamber Secondary School childcare centre. The agreement will confirm the roles of each party, with the VBE taking primary responsibility to manage the project, and the City funding its proportionate share of the costs, based on an incremental principle, for design and construction. The City will provide oversight for the childcare portion of the projects.

Any other ancillary legal agreements required by the General Managers of Real Estate and Facilities Management and Arts, Culture 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 Eric Hamber Secondary School Childcare project, along with approved school childcare projects at Lord Nelson, Sir Sandford Fleming, David Lloyd George, and Lord Tennyson Elementary Schools, will provide full-time childcare facilities for children aged 0-4 at schools. With up to 50 schools 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 (aged 0-4) in schools, and continue to facilitate the provision and addition of School Age Care for 5-12 year olds.

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 Eric Hamber Secondary School, the City will exceed its 2015-2018 target for 1,000 new childcare spaces by 64 spaces (Table 2).

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

	Council Target 2015-18: New Spaces	Built Spaces	Committed Spaces	Eric Hamber Contribution	Total (Built and Committed - including EH and CH)
TOTAL	1,000	374	621	69	1,064

Implications/Related Issues/Risk

Financial

Capital Plan 2015-2018

In the 2015-2018 Capital Plan, a total of \$20 million in City funding was earmarked towards the creation of 500 licensed spaces for children aged 0-4 (full day childcare and preschool), and \$5 million towards 500 new spaces for children aged 5 to 12 years old (School Age Care), with the expectation that additional funding could be provided by senior governments and other partners.

Both Federal and Provincial governments have announced strategies to enable new supply and enhance affordable childcare with varying degree of details. Staff will continue to pursue a coordinated, sustainable intergovernmental partnership and funding arrangement to address childcare needs including school-childcare projects such as Eric Hamber Secondary School.

Four 69-space projects for childcare for 0-4 year olds were previously approved at Lord Nelson, Sir Sandford Fleming, Lord Tennyson, and David Lloyd George Elementary schools. The City received a \$500,000 grant under the Provincial Childcare Major Capital Fund for each of the Lord Nelson and Sir Sandford Fleming childcare projects in 2015 and for the Lord Tennyson childcare project in 2017. The City will be seeking additional Provincial funding for the Eric Hamber Secondary School childcare project.

The City is able to advance the Eric Hamber Secondary School childcare facility because development contributions since 2015 have exceeded the forecast for 0-4 care, meaning the City investments will be greater than the \$20 million originally contemplated in the 2015-2018 Capital Plan. Table 3 provides a financial summary for childcare projects approved during this period.

Table 3 – Childcare Projects Financial Summary:

Childcare Project	Multi-Year Project Budget Maximum	City Contribution	Development Contribution	Partner Contribution
Nelson School	\$ 8.5 M	\$ -	\$ 8.0 M	\$ 0.5 M
Fleming School	8.5 M	-	8.0 M	0.5 M
Tennyson School	8.5 M	-	8.0 M	0.5 M
David Lloyd George	8.5 M	-	8.5 M	TBD
Gastown Parkades	12.3 M	-	11.3 M	1.0 M
Eric Hamber	10.8 M	-	10.8 M	TBD
TOTAL	\$ 57.1 M	\$ -	\$ 55.6 M	\$ 1.5 M

Staff will continue to work 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 is estimated at approximately \$133,000. This is below the typical cost to deliver spaces in a 69-space childcare centre on a rooftop or podium, where the average cost may be up to \$161,000. While the anticipated cost for the delivery of 69 spaces is in the range of \$9.2 M, staff are asking for approval of a maximum amount of \$10.8 M to allow a contingency for unanticipated costs such as cost escalation and includes \$0.8 M for design services for the expansion of the childcare facility for up to 138 spaces (additional 69 spaces).

The 69-space childcare facility at Eric Hamber Secondary School is recommended to be funded from cash Community Amenity Contributions allocated to community facilities and/or childcare, to be added to the 2015-2018 Capital Plan:

Cash CACs from Rezonings	Amount
Cash CACs allocated to Childcare:	
6361-6385 Cambie Street in 2013	\$ 1,232,000
755-795 West 41st Avenue in 2013	1,790,000
4412-4488 Cambie Street in 2013	2,047,733
516 West 50th Avenue & 6629-6709 Cambie Street in 2013	<u>1,298,937</u>
Total CACs allocated to Childcare	\$ 6,368,670
Cash CACs allocated to Childcare & Community Facilities:	
4162 and 4188 Cambie Street in 2015	\$ 910,712
526-548 King Edward Avenue in 2016	971,351
288-388 West King Edward Avenue in 2016	809,688
4085 Ash St & 619-633 W King Edward Avenue in 2016	527,934
467-495 West King Edward Avenue in 2015	782,340
4621-4663 Cambie St & 605 West 31st Avenue in 2017	<u>429,305</u>
Total CACs allocated to Childcare & Community Facilities	\$ 4,002,025
Total Cash CACs	\$10,800,000

All expenditures will be managed within the current overall approved Annual Capital Expenditure Budget. Expenditures for subsequent years will be brought forward as part of the annual Capital Budget process.

Operating Costs and Agreements

Upon completion and occupancy of the school-childcare project at Eric Hamber Secondary School, there will be operating costs associated with the project, the full cost of which is still to be determined. Start-up operations costs are \$4,500 per licensed space (\$2,000 for fitting, furnishing and equipment of the facility, and \$2,500 for staffing). Start-up costs for a 69-space facility are estimated at \$310,000, while costs for a 138-space facility are estimated at \$620,000. 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 childcare program, and subject to demonstrated need. Details of this operating agreement will be finalized and brought forward to Council for approval once an operator is selected.

CONCLUSION

School-childcare projects, such as the one proposed at Eric Hamber Secondary 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 will continue to facilitate the provision of School Age Care at schools, and will work together to pursue opportunities to integrate full-time childcare facilities for young children (aged 0-4) into schools. Up to 50 schools 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 continue to be explored.

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**Proposed Vancouver Childcare Project
Eric Hamber Secondary (Age 0-4)**

