



**IN CAMERA**

**ADMINISTRATIVE REPORT**

Report Date: March 22, 2019  
Contact: Jerry Evans  
Contact No.: 604.873.7430  
RTS No.: 12734  
VanRIMS No.: 08-2000-21  
Meeting Date: April 2, 2019

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management (REFM) and the General Manager of Arts, Culture and Community Services

SUBJECT: Proposed Child, Youth and Family Social Service Hub (Kaslo 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 approves the following lease agreements for a portion of City-owned premises (the "Premises") situated at 2780 East Broadway Street, legally described as PID: 009-551-581, Lot 2 South ½ of Section 35, Town of Hastings Suburban Lands Plan 9744 (see Appendix "A"):
- i) a lease (the "Ministry Lease") between the City and the Ministry for Children and Family Development ("MCFD"):
    - Premises: Rentable area of approximately 9343 square feet ("MCFD Premises").
    - Use: Social & Community Service Centre & Ancillary Office.
    - Term: Ten (10) years.

- Commencement Date: 90 days after notice from the Landlord that the Premises are ready for occupancy for the purposes of installing fixtures and moving in.
- Rent: Rent is as follows:  
Years 1-5: s.17(1) per annum (s.17(1) per sq. ft.);  
Years 6-15: s.17(1) per annum (s.17(1) per sq. ft.); and  
Years 16-20: Market Rent  
plus GST. Rent is inclusive of operating costs.
- Possession: MCFD will not be permitted to take possession of the MCFD Premises until it has:  
a) entered into a Licence with the Co-Op for the area shared with the Co-Op; and  
b) paid to the City all costs incurred by the City in connection with the construction of the MCFD Premises and the MCFD proportionate share of the area shared with the Co-Op within thirty (30) days of substantial completion.
- Parking: MCFD shall have the use of thirty-five (35) reserved parking stalls, at no additional cost.
- Renewal: Two (2) further options to renew for five (5) years with twelve (12) months written notice, at market rate.
- Right of First Offer: One (1) right of first offer on contiguous vacated space on the upper level of the Premises.
- ii) a lease (the "Co-Op Lease") between the City and the Child, Youth and Family Innovation Centre Cooperative (the "Co-Op"):
- Premises: Rentable area of approximately 13,132 square feet of dedicated space ("Co-Op Premises") and 8,762 square feet of shared space with MCFD ("Shared Use Area").
- Use: Co-Op Premises - social & community service centre & ancillary office; and  
Shared Use Area – meeting, community and conference use.
- Term: Twenty (20) years.
- Commencement Date: 90 days after notice from the Landlord that the Premises are ready for occupancy for the purposes of installing fixtures and move in.

Rent: Rent for the Co-Op Premises is as follows:  
Years 1-5: s.17(1) per annum (s.17(1) per sq. ft.);  
Years 6-15: s.17(1) per annum (s.17(1) per sq. ft.); and  
Years 16-20: Market Rent;  
plus GST. Rent for the Shared Use Area is as follows:  
Years 1-5: s.17(1) per annum (s.17(1) per sq. ft.);  
Years 6-15: s.17(1) per annum (s.17(1) per sq. ft.); and  
Years 16-20: Market Rent;  
plus GST. Rent is inclusive of operating costs and an allowance for tenant improvements.

Improvement Allowance: s.17(1) per square foot.

Loan Repayment: During Years 1 to 10, the Tenant shall reimburse the Landlord, on a monthly basis, an amount equal to the final actual costs less the Improvement Allowance, amortized over 10 years at a rate of s.17(1) p.a., estimated to be s.17(1) per month as additional rent (s.17(1) total, s.17(1) per square foot total, s.17(1) per square foot per year, net of contingency).

Possession: The Co-Op will not be permitted to take possession of the Co-Op Premises or Shared Use Area until it has entered into a Licence with MCFD Shared Use Area.

Parking: The Tenant shall have the use of thirty-five (35) reserved parking stalls, at no additional cost.

Right of First Offer: One (1) right of first offer on contiguous vacated space on the upper level of the Premises.

B. THAT subject to the approval of Recommendation A, the Director of Real Estate Services be authorized to execute and deliver on behalf of the City, the Ministry Lease and the Co-Op Lease, including any ancillary agreements or addenda thereto;

C. THAT the Director of Real Estate Services be authorized to negotiate and execute a lease (the "WCCRC Lease") between the City and Westcoast Child Care Resource Centre ("WCCRC") on the terms summarized herein and at Appendix "A":

Premises: Rentable area of approximately 5,748 square feet ("WCCRC Premises").

Use: Social & community service centre & ancillary office

Term: Twenty (20) years.

Commencement 90 days after notice from the Landlord that the Premises are

Date: ready for occupancy for the purposes of installing fixtures and moving in.

Rent: Rent is as follows:  
Years 1-5: s.17(1) per annum (s.17(1) per sq. ft.);  
Years 6-10: s.17(1) per annum (s.17(1) per sq. ft.); and  
Years 11-20: Market Rent;  
plus GST. Rent is inclusive of operating costs and an allowance for tenant improvements.

Improvement Allowance: s.17(1) per square foot.

Loan Repayment: During Years 1 to 10 the Tenant shall reimburse the Landlord, on a monthly basis, an amount equal to the final actual costs less the Improvement Allowance, amortized over 10 years at a rate of s.17(1) p.a., estimated to be s.17(1) per month as additional rent (s.17(1) total, s.17(1) per square foot total, s.17(1) per year, net of contingency).

Fixturing Period: For the purposes of installing fixtures and moving in, the period beginning the date of notice from the Landlord to the Tenant that the Premises will be ready for occupancy and ending on the Commencement Date.

Parking: The Tenant shall have the use of eight (8) reserved parking stalls, at no additional cost.

Early Termination: After ten (10) years of the Term, the Tenant may, upon 120 days prior written notice, terminate this Lease if the Tenant loses fifty (50) percent or more in funding for the Tenant's operation.

- D. THAT such other terms and conditions of the Ministry Lease, the Co-Op Lease, and the WCCRC Lease be drawn to the satisfaction of the Directors of Legal and Real Estate Services;
- E. THAT Council approve the detailed project costing, including the City's contribution as set out herein;
- F. THAT no legal rights or obligations will be created by Council's adoption of the above Recommendations, unless and until the Ministry Lease, the Co-Op Lease, the WCCRC Lease and any ancillary agreements or addenda (collectively, the "Leases") are executed and delivered by the Director of Real Estate Services and drawn to the satisfaction of the Director of Legal Services.

## **REPORT SUMMARY**

The purpose of this report is to report back to Council on the progress of the proposed Child, Youth and Family Social Service Hub (HUB) at 2780 East Broadway and to seek Council approval on:

- i) Lease Terms – negotiated terms for the Ministry Lease, the Co-Op Lease, and the WCCRC Lease are shown in Appendix “B”;
- ii) Terms for other Project Agreements - no project agreements with other parties were required as REFM Facilities Planning and Development assumed the project management duties originally intended to be provided by the Province; and
- iii) Detailed Project Costing - the City’s original financial contribution of s.17(1) for 28,025 square feet has evolved to s.17(1) for 38,062 square feet of floor area with an added scope to include a complete upgrade of building systems for better energy performance and a reduction in greenhouse gas (GHG) emissions.

The HUB will be home to child and youth serving agencies that receive funding from the City’s social grants in a unique co-working model that aligns with Healthy City Strategy goals to promote safety, inclusion and connectedness between individuals and communities with reconciliation as a focus.

The HUB will occupy approximately 38,062 square feet (the entire upper floor) of a City-owned two-level multi-tenant building located at 2780 E. Broadway for a term of twenty (20) years. Occupancy is projected to be May 2020. Commencement is 90 days after notice from the City that the Premises will be ready for occupancy. The proposed Rent for a 20 year Term is approximately s.17(1), net of tenant improvement repayments, plus GST. Rent will be credited to the PEF.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

In 2014, Council adopted the Healthy City Strategy and in 2015, the first four-year Healthy City Action Plan was adopted. City of Reconciliation objectives align with and reinforce Healthy City goals and targets, which promote safety, a sense of inclusion and building connections between individuals and communities.

The Director of Real Estate Services, Associate Directors of Real Estate Services, or Supervisor of Property Negotiations can execute Licence Agreements, Month to Month Leases, Offers to Lease, and Leases (a “Commercial Lease”), where the City is either the lessor or lessee, or licensor or licensee, where the total rental or license fee value is less than \$750,000 and the term (including renewal options) is no more than ten (10) years.

Further, the General Manager of Real Estate and Facilities Management or the Director of Finance can approve the material terms of each Commercial Lease, which, in cases where the City is the licensee or lessee, may include a commercially reasonable indemnity in favour of the licensor or lessor. The total rental value and term of each Lease exceeds the

total value of \$750,000 and term of 10 years which can be approved by the General Manager of Real Estate and Facilities Management or the Director of Finance, and the Leases are therefore submitted to Council for approval.

Council Report RTS 11616 (see Appendix “C”), dated September 20, 2016, authorized the Directors of Real Estate Services and Facilities Planning and Development to proceed with the detailed planning and costing of the Hub renovations, to negotiate leases with the Province of British Columbia (on behalf of MCFD) and with the Co-Op, to negotiate such other agreements as may be required to facilitate the renovation including securing the Province’s financial commitment, and that staff report back and seek Council approval of the following:

- i) terms for the Ministry Lease and the Co-Op Lease;
- ii) terms of any Project Agreements;
- iii) detailed project costing including the City’s contribution; and
- iv) any other matters requiring Council approval to proceed with the project.

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

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

### **REPORT**

#### **Background/Context**

Following Council’s approval of this project in September, 2016, for a 28,025 square feet social service hub at a financial contribution of s.17(1), the project has evolved to 38,062 square feet (the entire upper floor) and includes full hazardous materials abatement, full upgrade of mechanical and electrical systems, replacement of existing exterior windows and exterior wall upgrades. The increase in floor area is a result of changes to existing building occupancy freeing up an additional 10,037 square feet for redevelopment, with WCCRC taking 5748 square feet and the remainder allocated to MCFD and the Co-Op. Other costs associated with this project include seismic upgrade at s.17(1) and parking re-surfacing in the front and back of the building at s.17(1).

When this project was first brought to Council in September 2016, it was contemplated that the Province would manage the project and therefore, that additional Project Agreements would be required. However, it has since been determined that this building renewal project will be managed by the City through Real Estate and Facilities Management (REFM). Planning, design and detailed costing began in June, 2018 with Chernoff Thompson Architects (CTA) as the prime consultant. The Class A cost estimate completed by CTA, dated February 6<sup>th</sup>, 2019 is summarized in the following financial section of this report. An increase in the project per square foot construction cost is due to several factors beyond the increase in additional rentable area and includes a construction cost escalation and an increase in scope of base building upgrades.

The City's revised overall project and building net investment totals **s.17(1)**, net of MCFD, Co-Op and WCCRC tenant improvement repayments.

### **Strategic Analysis**

In determining the viability of the proposed building renewal and lease, staff:

- consider the asset condition and need for base building renovations;
- compare the achievable market rental rates with and without the Hub; and
- assess the overall impact in achieving the PEF's financial objectives.

Base building, parking lot resurfacing and seismic upgrade costs are necessary as end-of-life capital replacements and/or life safety, regardless of tenancy.

In addition to the core tenants set out in RTS 11616, the inclusion of WCCRC in the Hub supports a number of council priorities. WCCRC is a community-based non-profit organization that provides information, referrals, training and resources to families, individuals and organizations who are seeking the best child care and early learning. This includes:

- consultation and guidance to government, researchers and other organizations to promote and support excellence in early care and learning in BC;
- courses, workshops and seminars for professionals, parents and caregivers; and
- public access to Westcoast Early Learning Library (WELL), a collection of more than 12,000 loanable early learning resources.

Major funding for programs and projects offered by WCCRC are provided by Ministries of the Province of British Columbia and by the City of Vancouver.

The terms of the Ministry Lease, the Co-Op Lease, and the WCCRC Lease are detailed in Appendix "A". Rent for the upper floor with the renovation would increase from the current **s.17(1)** to almost **s.17(1)** per year. This project will achieve a rate of return of approximately **s.17(1)**. Over the twenty (20) year term, the Rent will be approximately **s.17(1)**, net of Tenant Improvement repayments. The Rent will be credited to the PEF.

It is staff's conclusion that not only does the project have a stabilizing impact for ongoing delivery of social services in the community; it meets the financial objectives of the PEF and provides a key income producing PEF asset with a needed revitalization.

### **Implications/Related Issues/Risk (if applicable)**

#### **Environmental**

The following objectives will be met upon completion of the project:

- Improved health and safety: total hazardous materials abatement of the entire second floor;

- Improved energy efficiency (20-50%) and reduction of GHG emissions with new electric heat pump HVAC system and renewed building envelope;
- Reduced energy consumption with LED lighting systems throughout to meet ASHRAE 90.1 2010; and
- Use of environmentally responsible building materials (renewable, recyclable, low VOC).

**Financial**

The updated (Class A) Kaslo Hub Project Cost estimates are summarized as follows:

<b>TABLE 1</b>	<b>RTS 11616</b>	<b>Additional</b>	<b>Class A Total</b>
<i>Project Area (square feet)</i>	28,025	10,037	38,062
<i>Tenant Improvement ("TI") Cost Estimates:</i>			
CoV Base Building Estimate	s.17(1)		
MCFD TI			
Co-Op TI			
Co-Op (58%) & MCFD (42%) Shared Space TI			
WCCRC TI			
Hazmat (included in amounts above)			
<i>Add:</i>			
Soft Costs (actual + s.17(1))			
Contingency s.17(1)			
<b>Total TI Project Costs</b>			
<b>Total Project Cost per square foot</b>			
<i>Add Base Building Improvements:</i>			
Seismic Upgrade			s.17(1)
Parking Resurfacing			
<b>Total CoV Project &amp; Building Costs</b>			
<i>Less:</i>			
MCFD Re-Payment of Project Costs	s.17(1)		
<b>Total CoV Cost Outlay</b>			
<i>Less Excess TI Costs repaid over 10 years @ s.17(1)</i>			
Co-Op Estimated Excess Costs			s.17(1)
WCCRC Estimated Excess Costs			
<b>Total CoV Project &amp; Building Investment</b>			
<b>20 YEAR IRR</b>			s.17(1)



Table 1 shows a project per square foot rate increase of ~s.17(1) over the original budget. This increase is a result of the following:

- Escalation of construction services by ~12% over the last 2 years.
- Full upgrade of the mechanical and electrical systems will be done together with an improved exterior building envelope (more energy efficient windows and better insulated walls) to achieve energy savings and aim to fulfill the City's goal of reduced GHG emissions.
- The extent of hazardous materials in the building was significantly greater than originally assumed.

The City's initial financial outlay will be s.17(1). MCFD will within 30 days of project completion pay the entire Tenant improvement cost for the construction of its Premises as well as its proportionate share of construction costs for the Shared Use Area estimated to be s.17(1). The total City outlay will be s.17(1).

In support of these lease transactions and building upgrades, s.17(1) in Tenant Improvement and Capital Costs (including parking resurfacing) and an additional s.17(1) for seismic upgrading were approved in the 2019 PEF Capital Budget. The budgeted amounts cover the projected Class A total project and building cost initial estimated outlay of s.17(1).

As part of the lease and included in rent, the Co-Op and WCCRC will receive a tenant improvement allowance to partially fund the design and construction of improvements within their Premises and their proportionate share of the Shared Space. Actual costs in excess of the Tenant Improvement Allowance will be loaned by the City to the Co-Op and WCCRC and repaid over the first 10 years of the lease at a rate of s.17(1) interest per annum, in the form of additional monthly rent. This excess amount is estimated to be s.17(1) for the Co-Op and s.17(1) for WCCRC. The City's total project and building investment totals s.17(1), net of tenant improvement repayments.

The subject site is held in the PEF as an investment property – in that the net income generated from the market tenancies at the building are used to acquire new PEF assets, fund capital maintenance investments elsewhere in the portfolio and/or contribute to the annual dividend that the PEF generates. This transaction is accretive to the building income, the entire commercial portion of the PEF, and also to the PEF itself. The interest charged on the recoverable Tenant Improvements adds to the return that the PEF will generate over the next 20 years at this site.

## **CONCLUSION**

The Director of Real Estate Services is of the opinion that the rents negotiated are representative of current market rental value for the type, location and age of the building.

The Director of Facilities Planning and Development is of the opinion that project costs are representative of the extent of work required to upgrade and improve this City asset for the next 20 years.

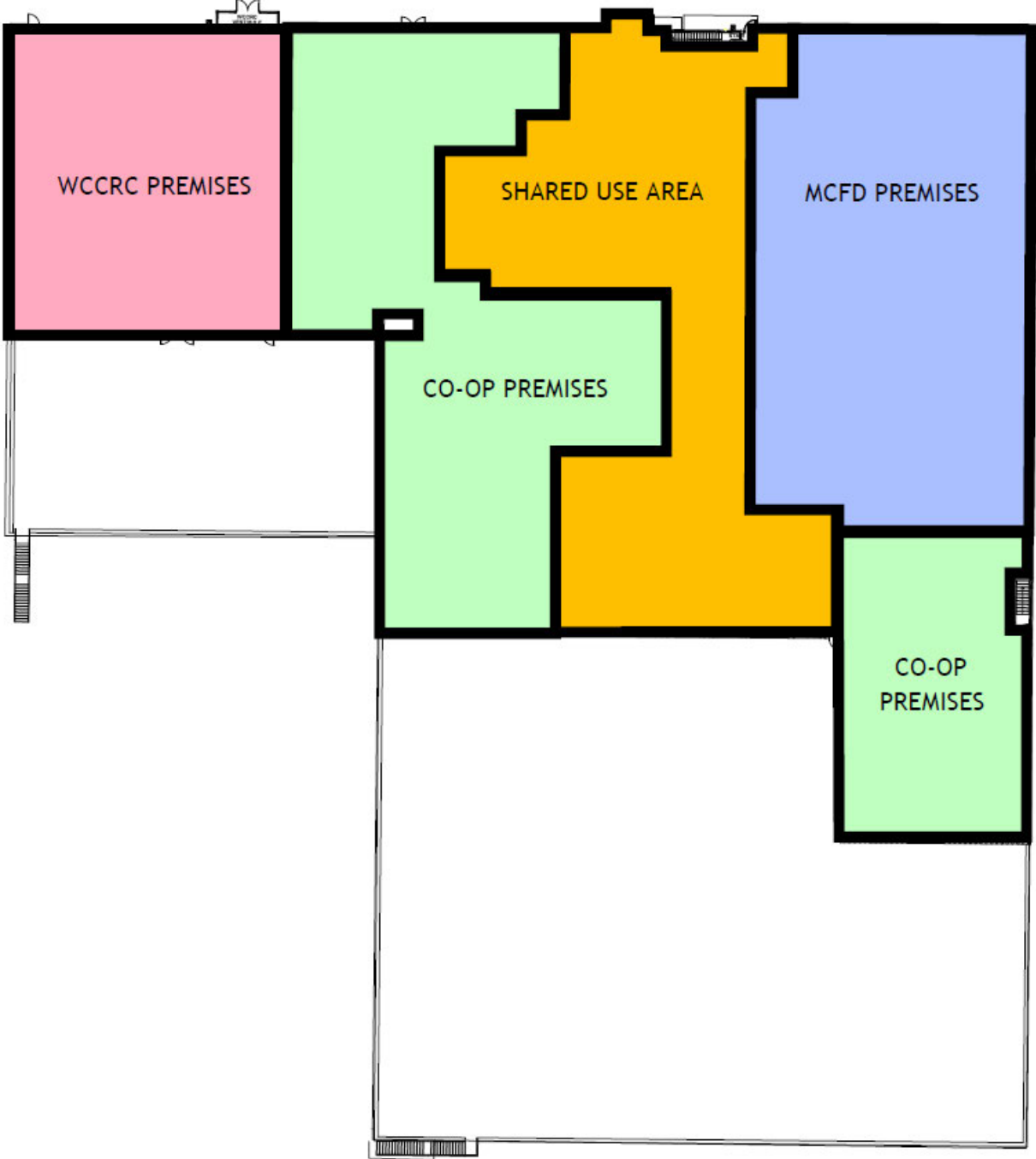
The General Manager of Arts, Culture and Community Services is of the opinion that the Hub project supports a number of council priorities to ensure residents of Vancouver have access to a strong co-located network of social services needed to ensure children have a Good Start in life as outlined in the Healthy City Strategy.

\* \* \* \* \*

**LEASE TERMS SUMMARY:**

LEASE	MINISTRY LEASE	CO-OP LEASE		WCCRC LEASE
<b>Premises</b>	9343 SF exclusive	13132 SF exclusive	8762 SF shared	5748 SF exclusive
<b>Term</b>	10 years	20 years		
<b>Commencement</b>	90 days after notice from the Landlord to the Tenant that the Premises will be ready for occupancy for the purposes of installing fixtures and moving in.			
<b>Rent</b>	Basic Rent, inclusive of Operating Costs and Improvement Allowance, is payable from the Commencement Date in equal monthly installments. Rent is estimated using the approximate size of Premises above as follows, plus GST:			
Years 1-5	s.17(1)			
Years 6-10	s.17(1)			
Years 10-15	Market Rent	s.17(1)		Market Rent
Years 16-20	Market Rent	Market Rent	Market Rent	Market Rent
<b>Improvement Allowance</b>	N/A	s.17(1) / sq. ft. (included in rent) for exclusive and proportionate share of Shared Use space		s.17(1) / sq. ft. (included in rent)
<b>Loan Repayment</b>	N/A (share of Actual Costs to be paid 30 days from the date of substantial completion)	Actual per square foot costs upon construction completion less the Improvement Allowance, amortized over 10 years at s.17(1) p.a., repaid monthly		
		* Estimated project costs s.17(1) PSF Excess Costs s.17(1) s.17(1) + GST per month (s.17(1) PSF PA)		* Est. project costs s.17(1) PSF Excess Costs s.17(1) s.17(1) + GST per month (s.17(1) PSF PA)
<b>Renewal</b>	two (2) options for five (5) years	NA		
<b>Termination</b>	N/A		After ten (10) years and upon 120 days' notice, the Tenant may terminate if it loses fifty (50) percent or more in funding	
<b>Reserved Parking</b>	35 stalls (17 upper lot, 18 lower lot)	35 stalls (10 upper lot, 25 lower lot)		8 stalls (upper lot)
<b>Deposit</b>	N/A	s.17(1) upon Lease Execution		s.17(1) upon Lease Execution
<b>Other Terms &amp; Conditions</b>	Right of First Offer - One right of first offer on contiguous vacated space on the upper level of the Premises.			N/A

HUB PLAN:  
Upper Floor Area





IN CAMERA

ADMINISTRATIVE REPORT

Report Date: September 16, 2016  
Contact: Mary Clare Zak/  
Jerry Evans  
Contact No.: 604.871.6643/  
604.873.7130  
RTS No.: 11616  
VanRIMS No.: 08-2000-21  
Meeting Date: September 20, 2016

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) f 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) 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) f 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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