



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: July 18, 2019  
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VanRIMS No.: 08-2000-21  
Meeting Date: July 23, 2019

TO: Vancouver City Council

FROM: General Manager of Arts, Culture and Community Services in consultation with the General Manager of Real Estate and Facilities Management

SUBJECT: Henry Hudson Elementary School Childcare Project, 1551 Cypress Street: Project and Funding Approval, 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 pending school seismic replacement approval by the VBE Treasury Board, 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 Henry Hudson Elementary 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 Manager of Real Estate and Facilities Management, the General Manager of Arts, Culture 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 s.17(1) for the Henry Hudson Elementary School childcare

centre with funding from development contributions in the 2019-2022 Capital Plan for new childcare including:

- s.17(1) from the rezoning of 1335 Howe Street;
- s.17(1) from the rezoning of 1380 Hornby Street: and
- s.17(1) from the rezoning of 400 West Georgia Street.

Expenditures will be managed within the 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 new 69-space licensed group childcare centre at Henry Hudson Elementary School, and authorization to enter into a long-term lease / ownership agreement with the VBE for the childcare portion of the project.

Henry Hudson Elementary School, located at 1551 Cypress Street in Kitsilano, is scheduled to undergo seismic replacement by the VBE. Staff recommend that the inclusion of a 69-space licensed childcare centre as part of the school replacement, a proposal similar to four previous projects at Lord Nelson, Sir Sandford Fleming, Lord Tennyson and David Lloyd George Elementary Schools. At Henry Hudson, the VBE will build a childcare on the roof level of a new replacement 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 the City's childcare target to create 1,000 new childcare spaces between 2019 and 2022, specifically the 750 space target for children ages 0 – 4. The childcare at Henry Hudson Elementary School will be the first project to contribute towards this new target. The childcare centre will also help meet the City's social, economic and environmental 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, while increasing the service to community. In addition to the VBE partnership, the City is moving forward with other innovative ways to deliver childcare such as the two childcares on the rooftop of the City-owned Gastown parkades.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

2019: Council approved the 2019 - 2022 Capital Plan with the following targets:

- 1,000 new spaces in total:
  - 750 spaces for children ages 0 - 4
  - 250 spaces for children ages 5 - 12

2015 – 2018: Council approved five projects at VBE schools (Lord Nelson, Sir Sandford Fleming, David Lloyd George, Lord Tennyson Elementary Schools and Eric Hamber Secondary School), for a total of 276 spaces and s.17(1)

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% 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 1980s. The lack of a national and provincial 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 Childcare*

Childcare spaces for all ages (0-12) are in short supply across the city, with 40% of estimated childcare needs met citywide. Childcare service in Kitsilano is below the citywide average, with about 36% of area need being met.

The need for childcare is significant for children under 5 years of age. Citywide, approximately 42% of childcare need is being met for children aged 0 to 4 years; in Kitsilano it is estimated that only 26% of childcare need is currently being met for children aged 0 to 4 years. However, the need for infant and toddler care (children under 36 months) is particularly acute, with only 12% of need being met in Kitsilano, compared to 21% citywide.

### *Project Description*

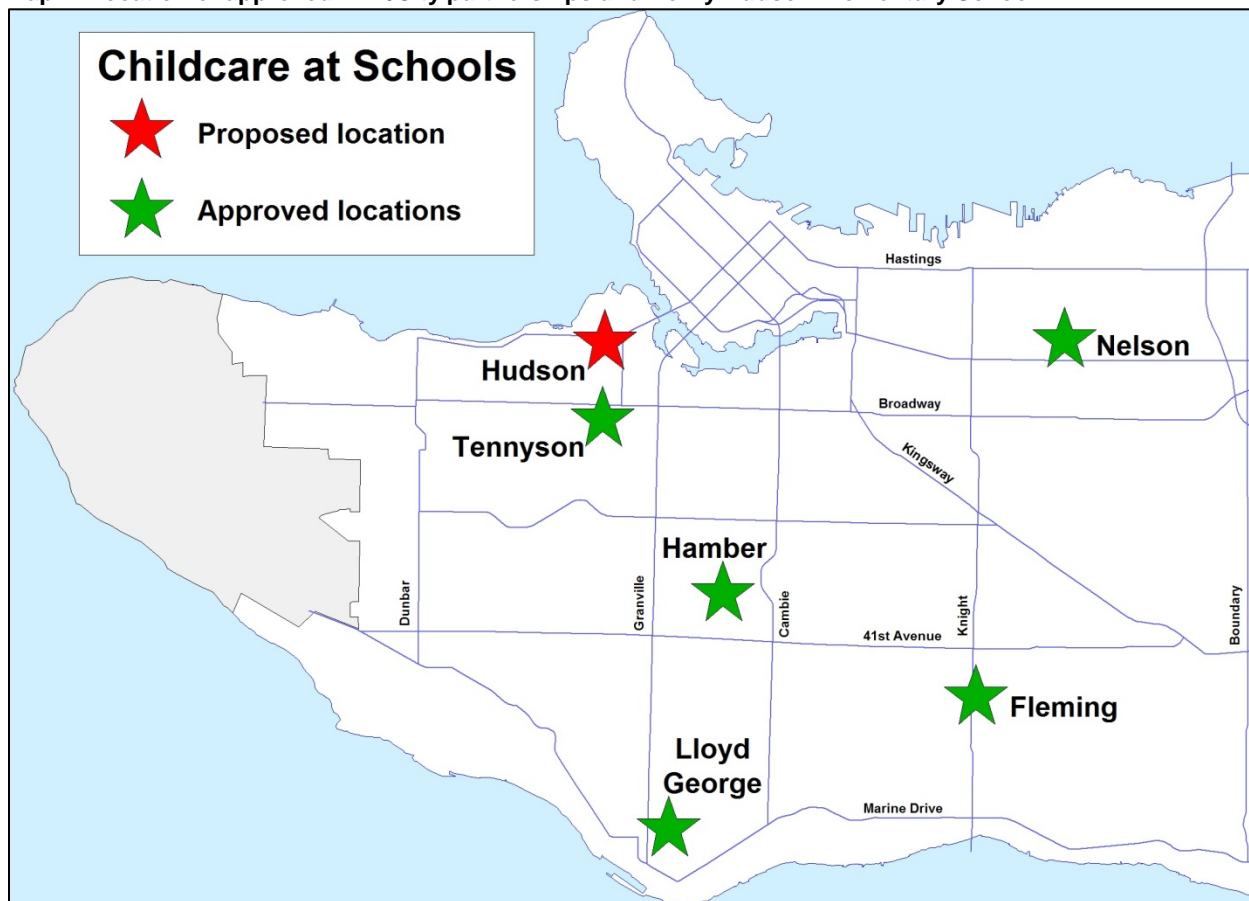
A 69-space childcare centre is proposed for Henry Hudson Elementary School (1551 Cypress Street) which is currently slated for seismic replacement by the VBE. The childcare centre will be located on the roof level of the new elementary school building, with licensed childcare programs proposed as follows:

**Table 1: Licensed Childcare Spaces Proposed for rooftop facility at Henry Hudson Elementary School**

<b>Childcare Licensed Type / Age Group</b>	<b># of Spaces Proposed</b>
<b>Under 3 years (infant and toddler)</b>	24 spaces
<b>3 - 5 years</b>	25 spaces
<b>Preschool (or flex space for childcare and/or other related programming)</b>	20 spaces
<b>Total</b>	69 spaces

If approved, the Henry Hudson Elementary School-Childcare project will be the sixth VBE/City partnership project to include a full-time childcare centre for children under 5 years of age, after Lord Nelson, Sir Sandford Fleming, Lord Tennyson and David Lloyd George Elementary Schools and Eric Hamber Secondary School, totaling 414 new childcare spaces (age 0-4years). The completion of Lord Nelson and Sir Sandford Fleming Elementary Schools is expected in 2019.

**Map 1: Location of approved VBE/City partnerships and Henry Hudson Elementary School**



The zoning for the site is RM-4. Childcare and schools are permitted as conditional uses. The land parcel (PID: 007-681-909) 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 1551 Cypress St. 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 will be comparable to the Elementary School-Childcare projects at Lord Nelson, Sir Sandford Fleming, Lord Tennyson and David Lloyd George. As such, the childcare is anticipated to have a gross indoor floor area of approximately 10,000 square feet and a dedicated outdoor area of approximately 8,500 square feet.

#### *School-Age Care*

Approximately 87 licensed School-Age Care (for children aged 5 to 12 years) spaces are currently being utilized on site. The seismic replacement of Henry Hudson Elementary is intended to include the replacement of the 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).

### *Timeline and Construction of Henry Hudson Elementary School*

A preliminary concept plan will be prepared by the VBE, with input and oversight by city staff, and made public once the project is granted approval from the VBE Treasury Board, expected by fall 2019. A public open-house is expected in the fall/winter of 2019, with project completion anticipated for 2022.

The childcare will be operated by a non-profit organization specializing in childcare services, similar to other City-owned or leased childcare facilities. The non-profit childcare operator will be selected through a public selection process led by the City of Vancouver staff to ensure equity 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.

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, so a long-term lease appears to be a 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 also been informed by the VBE that any consent to a longer term lease (of greater than 10 years) 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 lease for a 60-year term with an option to extend for up to a further 15 years, 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. An Offer to Lease has been signed for Lord Tennyson Elementary School, but the lease will not be signed until after the premises are constructed. 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 Henry Hudson Elementary School and childcare centre will be outlined, with the VBE taking primary responsibility to manage this 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 this project.

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 Henry Hudson Elementary School project, along with recently approved School-Childcare projects at Lord Nelson, Sir Sandford Fleming, Lord Tennyson and David Lloyd George Elementary Schools, will provide full-time childcare facilities for children under 5 years of age within elementary school facilities. With up to 60 school facilities across the city 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.

The Healthy City Strategy targets aim to decrease child vulnerability and increase school readiness from 65% to 85% citywide by 2025. The 2019 – 2022 Capital Plan sets the City's target of creating 1,000 new committed childcare spaces, noting that this target represents the City's contribution towards a much larger need and gap in available spaces. The proposed spaces at Henry Hudson Elementary School will help contribute to meeting this target.

**Table 2: Progress towards the City's 1,000-Space Childcare Target**

	<b>Council Target 2019-22: New Committed Spaces</b>	<b>New Committed Spaces To Date</b>	<b>Henry Hudson Elementary Contribution</b>	<b>Total (Committed - including Hudson)</b>
<b>Children Ages 0 - 4</b>	750	0	<b>69</b>	69
<b>Children Ages 5 - 12</b>	250	125	<b>0</b>	125
<b>TOTAL</b>	1,000	125	<b>69</b>	194

## Financial Implications

### Capital Plan 2019 – 2022

In the 2019-2022 Capital Plan, a total of s.17(1) in City funding is earmarked toward the creation of 500 licensed spaces for children under five years old (full day childcare and preschool), and s.17(1) toward 250 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.

In addition to the City funding toward 750 spaces the capital plan includes 250 spaces for children under five years old to be delivered by development totaling s.17(1) in in-kind funding.

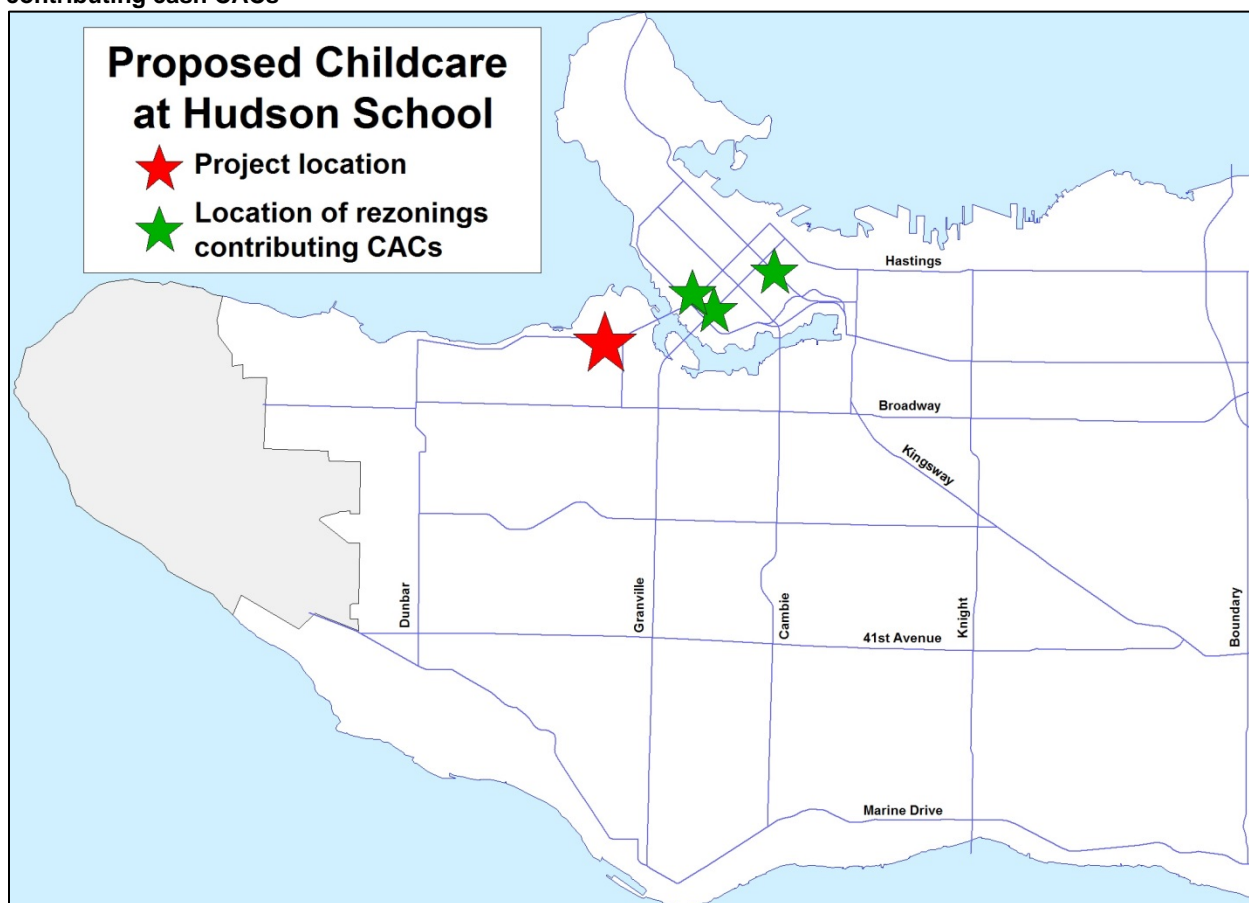
Staff will continue to partner with VBE to align total project costs for all current and future School-Childcare projects. Based on the projected range of estimates, the per-space cost for the School-Childcare projects ranges from s.17(1). This range is below the cost to deliver spaces in a 69-space childcare centre as part of a typical development on a rooftop or podium, where the average cost is closer to s.17(1) per space.

A capital project and corresponding budget will be set up for the Henry Hudson Elementary School Childcare. Funding will be from development contributions received from the following rezonings which were allocated to support childcare:

- **s.17(1)** Community Amenity Contributions (CAC) from the rezoning of 1335 Howe St, allocated towards childcare facilities in and around Downtown South;
- **s.17(1)** CAC from the rezoning of 1380 Hornby St. allocated to support construction of a childcare facility in and around Downtown South; and
- **s.17(1)** childcare contribution from the rezoning of 400 West Georgia St. towards childcare facilities in and around the Metro Core Area.

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

**Map 2: Location of proposed childcare project at Henry Hudson Elementary School and proposed rezonings contributing cash CACs**



As additional childcare project opportunities arise in the remainder of the 2019-2022 Capital Plan, staff will continue to pursue funding opportunities with senior levels of government via various infrastructure and funding programs. The City's childcare capital funding arrangement with the Provincial government will be considered as part of the funding of this project, however, details, amounts and timing are contingent on the development of a Project Delivery Plan, which is expected to be complete in fall 2019. Funding for future City childcare projects with the VBE



will be allocated from a mix of cash Community Amenity Contributions and cash contributions from Density Bonus Zoning to supplement the limited City-wide Development Cost Levies available for childcare.

Note that the entirety of the childcare component of the project is funded through City dollars (Cash Community Amenity Contributions) and is not tied to the Provincial Neighbourhood Learning Centre (NLC) program.

### **Operating Costs and Agreements**

Upon completion and occupancy of the School-Childcare project at Henry Hudson Elementary School, there will be operating costs associated with the project, the full cost of which is still to be determined. In general, the City provides support in the form of a one-time operational start-up grant, and the operator is responsible for all other operating expenses. 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 Henry Hudson 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, as well as stronger partnership with senior levels of government.

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