



COUNCIL REPORT

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Meeting Date: February 6, 2024

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TO: Vancouver City Council

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

SUBJECT: New Lease for Canuck Place Children's Hospice – 1690 Matthews Avenue (Glen Brae Manor)

Recommendations

THAT Council authorize the Director of Real Estate Services to terminate the current lease and negotiate and execute a new lease (the "Lease") with Canuck Place Children's Hospice (the "Society") as the non-profit operator and tenant for the lands and building situated at 1690 Matthews Avenue, and legally described as *PID 017-850-142; Lot B Block 34 District Lot 526 Plan LMP4875* (the "Premises"), upon the terms and conditions set out in this report and such other terms and conditions to the satisfaction of the Director of Real Estate Services, the Director of Legal Services and the Managing Director of Social Policy and Projects, including:

- (i) The term of the Lease will be twenty (20) years with three (3) renewal options for a further ten (10) years each (fifty (50) year total possible term, collectively referred to as the "Term"), commencing upon the execution of the lease, expected to be in 2024. The current lease will be terminated;
- (ii) For the initial term, nominal rent of Ten dollars (\$10.00), inclusive of payment of rent in lieu of property taxes. For each renewal term, either nominal rent of Ten dollars (\$10.00), inclusive of payment of rent in lieu of property taxes, or, should any future Council policy establish another rent amount applicable to social non-profit entities occupying City buildings or space, then such amount will be the rent applicable (the "Rent");

FURTHER THAT the Rent is below the applicable market rate and will include payment of rent in lieu of property taxes. Therefore, this Recommendation constitutes a grant valued at the estimated amount of \$15,153,000 (see Financial Implications below for details) requiring a 2/3 vote of Council pursuant to Section 206(1) of the *Vancouver Charter*;

AND FURTHER THAT no legal rights or obligations will arise or be created by Council's adoption of this Recommendation unless and until all legal documentation has been executed and delivered by the respective parties.

Purpose and Executive Summary

This report is to seek Council approval to negotiate and execute a new lease agreement (the "Lease") with Canuck Place Children's Hospice, as the tenant and non-profit operator of the social facility at the Premises having a civic address of 1690 Matthews Avenue, also known as "Glen Brae Manor".

In May of 2023, the Society reached out to the City to seek a 50-year extension to their existing lease. This request is due to their intention to invest approximately \$14.5 million in capital upgrades, \$4.5 million of which was secured from the Province of BC and is obligated to be spent by March 2025. These upgrades would be challenging to complete under their current agreement, which is set to expire in 2043. Rather than recommending a 50-year extension, staff is recommending that the current lease be terminated, and a new 50-year Lease be provided to the Society commencing when the Lease is executed, expected to be in 2024.

Council Authority/Previous Decisions

Glen Brae Manor, a significant heritage property, was gifted to the City by the estate of Mrs. Elizabeth Wlosinski in 1991. At an in-camera meeting on October 22, 1991, Council accepted in principle the offered gift of Glen Brae Manor, subject to the finalization of tax and legal planning, finalizations of seismic costs and fence restoration costs, and successful rezoning of the property. Following this, Council supported the use of Glen Brae Manor for a Children's Hospice as proposed by the HUGS Children's Hospice Society in principle. To ensure that everyone's interests were protected, the City sought formal support from all the beneficiaries and the Provincial Court of British Columbia. On July 10, 1992, all beneficiaries had formally consented to the proposed use of the children's hospice.

On July 28, 1992, Council formally accepted the gift of Glen Brae Manor and authorized the Director of Legal Services to develop an agreement for entering into a lease with HUGS Children's Hospice Society for the purposes of using the Premises as a children's hospice.

In 1993, Council approved requests to make alterations to the manor to convert it into a children's hospice. The City then entered into a lease agreement with HUGS Children's Hospice Society to formally establish the hospice. The initial term of the lease was 25 years, with two 10-year and one 5-year renewal options and with the commencement date deemed as Sept 1, 1993. If all renewals are exercised, the current lease would expire in 2043. In June 2000, HUGS Children's Hospice Society changed its name to Canuck Place Children's Hospice.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

The Premises are City-owned. The building has a designated heritage status and is located at 1690 Matthews Avenue. The size of the building is approximately 16,000 square feet, situated on a 1.1-acre site and was constructed in 1910. Glen Brae Manor was gifted to the City in 1991 by the estate of Elizabeth Wlosinski, for the City's use in perpetuity. The City delivered a vacant building to HUGS Children's Hospice Society, and they undertook interior renovations between 1993 and 1995. The purpose of the renovation was to upgrade the home to accommodate the hospice use, which also required some alterations to the building's exterior before occupancy. Consequently, the hospice was officially opened in Nov 1995. Today, the site has nine licensed beds and four family suites.

The current lease commenced on September 1, 1993, and is set to expire on August 31, 2043, if all renewal options are exercised. The current lease charged rent in the amount of \$1 dollar, and thereby constituted a grant. The City does not provide any maintenance support to the building. The Society is responsible for all operating expenses, including the major capital repairs and maintenance of the building, and any additions or improvements at its own expense. Since occupying the Premises, the Society exercised its first renewal option in 2018 and has met all its obligations under its previous lease and maintained the Premises in good condition.

The Society offers specialized care for children aged 0 to 19 with progressive, life-threatening illnesses. Their services are offered at no cost to the families and take into account the social, emotional, and economic challenges faced by these families. By providing family support, end-of-life care, pain and symptom management, respite care, a provincial 24-Hour Clinical Care Line, mental wellness support, pre/perinatal care, out-of-facility/home visits and grief and bereavement counselling, the Society contributes to abating the social determinants that can adversely affect the health and well-being of children and their families. Additionally, their family suites allow a child's family to stay with them until their passing, placing a strong emphasis on family-centered care which helps families navigate the complex medical system for caring for a terminally ill child. Therefore, the Society plays a critical role in filling a crucial gap in the healthcare system.

The Society offers services that support several goals of the Healthy City Strategy and the Spaces to Thrive: Vancouver Social Infrastructure Strategy and address other City priorities by providing quality health and wellness services to children and their families.

As it is a heritage site, heritage by-laws require that alterations to the exterior of the municipally designated building be approved by the City. The lease stipulates that no work, improvements, additions, or changes shall be made to the building that would, by changing the exterior thereof, offend the provisions of the City's Municipal Heritage By-law without the prior approval of the City.

Discussion

For over 25 years, the Society has operated the hospice to provide care to children and families across British Columbia and the Yukon. They are a world leader in children's palliative and respite care. They consult and provide training to medical staff from all over the world. In May of 2023, the Society reached out to the City to seek a 50-year extension to their lease. Their intention is to invest approximately \$14.5 million dollars in capital upgrades to the interior

of the Premises. This includes improving patient care rooms, structural repairs, enhancing ventilation, and making the Premises more accessible. Additionally, they will be replacing the roof, and are considering building a new facility for administration in the adjacent property. The proposed location for this new building is on the grounds of the adjacent property at 1698 Matthews Avenue, which is owned by the Society.

The Society has secured funding from the Province for \$4.5 million to help with the costs. The Provincial funding must be spent by March 2025. Their intention is to seek the remainder of the funding required for these upgrades from donor contributions. They have asked for a 50-year term for their new lease for a number of reasons:

- Having a secure tenancy will assure donors that their investment in the Premises will be long lasting.
- A longer term will help to amortize the cost of the renovations if they need to borrow funds from other sources.
- To ensure that families can come back year after year to the Premises. For many families this space has become sacred for them, and they return to access counseling services, or to honor their children during birthdays and anniversaries.

The proposed Lease will provide security of tenure for the Premises and enable the Society to continue its work in providing BC's pediatric palliative care. The current lease would be terminated, and the new Lease would be entered into.

If the Society were unable to enter into the new Lease, this may impact their ability to continue service provision, which would result in a significant disruption to the families that access their services, as well as impact their ability to invest in renewing the building. Given the long-standing relationship between the City and the Society, and the critical need to ensure palliative care is provided to children, staff recommend that the City enter into a new lease agreement with the Society.

City staff recommend entering into the proposed Lease with the Society for a total possible term of 50 years commencing upon execution of the Lease, expected to occur in 2024.

The key terms and conditions for the new lease will include:

Term and Renewals: Initial term of Twenty (20) years with three (3) renewal options for a further ten (10) years each (fifty (50) year total possible Term), commencing upon the execution of the Lease, expected to be in 2024. The current lease will be terminated. Each renewal option is conditional on the City being satisfied that the Society will continue to operate, maintain and program the Premises in accordance with the Lease terms and the public service requirements for the duration of the renewal term contemplated.

Total Rent: For the initial term, nominal total Rent of Ten dollars (\$10.00) inclusive of payment of rent in lieu of property taxes. For each renewal term, either Ten dollars (\$10.00) inclusive of payment of rent in lieu of property taxes or, should any future Council policy establish another rent amount applicable to social non-profit entities using City buildings or space, then such amount will be the rent payable.

Form of Lease, Service Level Agreement (SLA) and Public Service Requirements: The Lease for the Premises will be based on the City's Precedent for Non-Profit Entities (Cultural/Social). The Lease will include a Service Level Agreement detailing the Society's responsibility for maintenance and Public Service Requirements detailing the Society's goals and objectives for its services and programs - as well as reporting requirements - as schedules to be attached to and forming part of the Lease.

The report regarding this Lease was reviewed and approved by the Bid Committee on January 11, 2024.

Financial Implications

Should Council approve the Rent at a nominal rate of Ten dollars (\$10.00) for the initial term inclusive of payment of rent in lieu of property taxes, payable in advance, and for each renewal term, at either:

- (1) a nominal rate of Ten dollars (\$10.00), inclusive of payment of rent in lieu of property taxes; or,
- (2) should any future Council policy establish another rent amount applicable to social non-profit entities occupying City buildings or space, then such amount will be the rent applicable,

this would represent a maximum estimated grant to the Society of approximately \$174,600 per year (\$140,800 in base rent and \$33,800 in rent in lieu of property taxes) based on the first year of the term. The total maximum estimated grant over the initial 20-year term is approximately \$4,242,000, while the total grant over the possible 50-year term would equate to approximately \$15,153,000, both figures assuming an annual increase of 2% per annum to index for inflation, and assuming also that the Rent remains nominal over the entire 50-year term (including all renewals). Any charge under (2) would reduce the amount of the total grant.

The Society will continue to be responsible for all expenses including maintenance and operating expenses related to the Premises.

Legal Implications

Real Estate, Environment and Facilities Management, Partner Agreements and Social Policy and Projects will instruct Legal Services to prepare the lease for Canuck Place Children's Hospice, based on the City's Precedent Lease for Non-profit Entities (Cultural/Social). Real Estate, Environment and Facilities Management, Partner Agreements and Social Policy and Projects will jointly oversee the development of the Lease as well as ongoing management.

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