



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: June 13, 2005
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Phone No.: 604.871.6229
RTS No.: 5040
CC File No.: 8020
Meeting Date: June 30, 2005

TO: Standing Committee on City Services and Budgets

FROM: Director of Social Planning

SUBJECT: Financing for the Redevelopment of Little Mountain Neighbourhood House

RECOMMENDATION

- A. THAT Council receive the contribution of \$2,000,000 from the Province of BC (Community Development Initiative Program) for the redevelopment of Little Mountain Neighbourhood House (LMNH).
- B. THAT Council approve an additional Capital Grant of \$4,865,000 to the Little Mountain Neighbourhood House Society for the construction of a new LMNH, as set out in this report, it being agreed that no rights or obligations shall arise, and no grant funds shall be advanced to the Society until an agreement is drawn to the satisfaction of the Directors of Legal Services, Social Planning and Facilities Design and Management, documenting the obligations of the Society, including project development milestones to construct the facility, and is executed by the Director of Legal Services on behalf of the City; source of funds is:
 - i. The \$2,000,000 received from the Province of BC's Community Development Initiative;
 - ii. \$2,090,000 from borrowing authority approved by the electors for the City's share of projects that receive cost sharing from senior governments and other outside funders;
 - iii. \$150,000 from the City-wide Development Cost Levies held for child care developments; and
 - iv. \$625,000 from the proceeds of the sale of the existing facility.

This grant is subject to confirmation of approval of a \$250,000 Childcare grant from the Provincial Government.

- C. THAT Council authorize the Director of Legal Services to execute on behalf of the City a lease/operating agreement, granting to the Little Mountain Neighbourhood House Society a lease of the City premises to be built at 3867 - 3891 Main Street, legally known and described as Lot 15 and 16, Block 04, DL 630 Plan 1395, for a nominal rent commencing at the time of approval of the Occupancy Permit for a period of five years and renewable for two further five-year terms, under substantially the same terms and conditions as are contained in the draft terms appended to this report, and on such further other terms and conditions as may be acceptable to the Directors of Legal Services, Real Estate Services and Social Planning, it being noted that no rights or obligations hereby arise or take effect pursuant to this resolution until the agreement has been executed by both the City and the Little Mountain Neighbourhood House Society.

- D. THAT Council authorize the transfer of 3981 Main Street, legally known and described as Lot B of 12 to 14, Block 05, DL 630 Plan 2546 to the Property Endowment Fund upon completion of the new facility at a transfer price of \$625,000.

CONSIDERATION

- E. THAT Council approve an additional Capital Grant of \$150,000 to cover costs required for this project to move from LEED™ Silver standard to LEED™ Gold standard; source of funds to be borrowing authority approved by the electors for the City's share of projects that receive cost sharing from senior governments and other outside funders;

- F. THAT Council approve an additional Capital Grant of \$100,000 to cover the costs associated with the requirement to underground the electrical service from the lane to this site; source of funds to be borrowing authority approved by the electors for the City's share of projects that receive cost sharing from senior governments and other outside funders.

Approval of Grants: Recommendations B and C and Considerations E and F constitute grants and require eight affirmative votes of Council.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of A, B, C and D submits E and F for CONSIDERATION.

COUNCIL POLICY

City owned properties: In May 1993, Council directed that City-owned properties occupied by non-profit organizations be held as assets in the Capital Fund and be charged a nominal rental rate.

Lease of City-Owned Capital Assets to Non-Profit Organizations. In September, 2003, Council adopted a framework, attached as Appendix A, for all future leases of City-owned assets to non-profit social and cultural facilities and directed staff to include all City-owned buildings, occupied by social service, community and cultural tenants, as Capital Assets in the City's Structural and Physical Plant Upgrading Programs in future Capital Plans.

Green Building Strategy: On July 8, 2004, Council adopted a minimum requirement of LEED™ Gold including full registration and certification under LEED™ BC and the Canadian Green Building Council for all new civic buildings greater than 500 square metres funded out of future Capital Plans, unless otherwise determined by Council.

City Funding for Little Mountain Neighbourhood House: On July 25, 2002, Council approved, in principle, the sale of the existing property at 3981 Main Street and that the proceeds of the sale would go towards the cost of construction of the new facility.

On November 18, 2004, Council approved a recommendation that the City's financial commitment to this project be limited to \$4.0 million including the previously approved \$1.1 million from previous Capital Plans for site purchase and design costs.

SUMMARY AND PURPOSE

This report seeks Council approval to receive a Provincial grant ear-marked for redevelopment of Little Mountain Neighbourhood House (LMNH), to secure the City's contribution to the funding required to complete the construction of the new facility, and offers for Council's consideration options for increasing the Capital funding to achieve a LEED™ Gold standard of construction, and to cover unforeseen expenses related to delivery of electrical services to the site.

Council has approved a total of \$1.1 million to-date for this project for costs associated with purchase of the new site, design, and permit costs. Approval of Recommendations A, B, and D would secure the minimum capital funding required to complete the project as designed in 2004, and still remain within the funding limits set by Council in November 2004.

Approval of Recommendations E and F would allow the project to achieve a LEED™ Gold standard, and to cover costs associated with under-grounding electrical services as required by the City and BC Hydro. Approval of either or both recommendation E and F would take the budget over the \$4 million ceiling of City funding set in November 2004.

BACKGROUND

LMNH was developed in 1976 as part of the Federal/Provincial/Municipal Neighbourhood Improvement Program (NIP). LMNH currently occupies a City-owned two-storey storefront building at 3981 Main Street that was purchased and renovated with NIP funds for the

fledgling LMNH Society and a small branch library. LMNH Society leases the facility from the City for \$1 per year. The annual rent of approximately \$20,000 paid by the Library to LMNH helps with some of the operating costs of the Neighbourhood House. City Council has approved the continuation of this lease arrangement on a number of occasions.

When LMNH began 26 years ago, it had three staff providing social services in the Riley Park community - a neighbourhood with extensive needs, but little in the way of services to meet those needs. Since then, it has grown to become one of the larger Neighbourhood House operations, with over 70 staff and an annual budget of just under \$1.4 million. More than 20 of their programs are delivered from 11 off-site premises as there is not enough room in the Main Street facility for them. While this arrangement does enable the delivery of a wide range of services, it is neither efficient nor cost effective.

A functional plan for a new facility updated in 2002, shows that approximately 15,000 square feet of space is needed to support the existing programming.

Council allocated \$1.1 million from the 2000-2002 Capital Plan for LMNH to allow for the purchase of a new site and initial design costs. In July, 2002, Council authorized the purchase of a site for this project. At that time, Council also approved, in principle, the sale of the existing (City-owned) LMNH facility at 3981 Main Street and the application of the proceeds toward the costs of construction of the new facility.

Following the purchase of the new site in July, 2002, several attempts were made to design a new facility that would accommodate both the library and LMNH's programs. Unfortunately, the constrained site and program requirements do not allow for the library to be accommodated in the new facility.

In 2003, LMNH Society initiated an application to the Federal/Provincial Infrastructure Program for funding for the proposed new facility. Council endorsed the application and added this project to the City's list of priorities for Infrastructure funding. In March, 2005 the City received \$2 million from the Province of BC's Community Development Initiative (see RECOMMENDATION A) earmarked for this project.

The changes to the program requirements brought about by the decision of the library to seek another location meant that substantive changes to the design were required. On November 18, 2004, Council:

- approved a Capital Grant of up to \$125,000 from the originally approved \$1.1 million to LMNH Society to cover costs associated with changes to and completion of design drawings and to cover permit application costs;
- approved a recommendation advising LMNH that the City's financial commitment to the project would be limited to \$4 million, including the \$1.1 million previously approved; and
- instructed staff to report back with details sources of City funding required to complete development of the project should the senior government funding be awarded.

DISCUSSION

LMNH Society and the City have worked closely together to accommodate the facility requirements of this City-owned neighbourhood house. Both parties have explored every funding and design option feasible, including the possibility of retaining a branch of the Vancouver Public Library in the facility. The Vancouver Public Library leases 1,430 square feet of space in the 3981 Main Street property for its Riley Park branch.

In 2003, VPL and LMNH attempted to create a co-location in LMNH's new facility; however, the two Boards concluded that the needs of both operations could not be met in the space provided by the site. VPL has indicated its support for these plans in the letter attached as APPENDIX B, previously circulated to Council in November, 2004

In March, 2005, the VPL Board approved, in principle, the relocation of the Riley Park branch to the Olympic Legacy facility at Hillcrest Park after its use for the Olympics. The Library expects that it will be in a position to relocate services by 2011. In order to avoid service interruption to the community and the additional capital and staffing expenses that would be incurred during a temporary relocation, VPL prefers to remain in its current location until 2011.

Table 1 summarizes the financial issues related to the redevelopment of LMNH based on a budget of \$6.7 million presented to Council in November 2004. Council had established a ceiling for City funding for the project of \$4.0 million, contingent on the Province providing \$2.25 million and the Society raising \$500,000 through a fundraising program. The City has received \$2.0 million from the Province (see RECOMMENDATION A). LMNH has applied for a Provincial Childcare grant of \$250,000. The decision on the 2005 Provincial Childcare grant is expected by September, 2005.

Two issues have arisen affecting the project cost:

1. In July, 2004, Council adopted a policy that all new City-owned facilities over 500 square metres must be designed to meet LEED™ Gold standard, unless otherwise determined by Council. This policy came into effect after the redesign work for this project was completed and the additional costs were not incorporated in the November, 2004, budget. The application for Development Permit was submitted with a design to achieve LEED™ Silver standard. The additional cost to achieve LEED™ Gold is estimated to cost an additional \$150,000.
2. A recent policy of City Engineering and BC Hydro will no longer allow electrical services to be taken directly off of poles in the lane. This means that the project will require a unit substation or pad-mounted transformer. Given the small site and extensive program demands, the sub-station will have to be under-grounded in the parkade at an unanticipated additional cost of \$100,000.

These additional requirements will add approximately \$250,000 to the cost estimated by the project's Quantity Surveyor and included in the November, 2004, Council report. Although the project budget does include a contingency, staff advise this contingency is required and be retained for potential price escalations evident in the industry at this time and other unforeseen items associated with a project of this magnitude.

Therefore, staff propose four options for completing the re-development of this City-owned facility. The options are:

1. proceed with the current design, foregoing LEED™ Gold designation, and requiring LMNH to absorb the cost of upgrading electrical services in the lane. This would keep the support from the City at the approved \$4.0 million level and require allocation of project contingency to complete any further work. (RECOMMENDATION B);
2. forego the LEED™ Gold designation, but provide additional City funding to cover the additional cost of upgrading the electrical services adding \$100,000 to the City's Capital contribution, (RECOMMENDATIONS B, D and F);
3. provide additional City funding to allow the project to seek LEED™ Gold designation but require LMNH to absorb the costs of the electrical servicing adding \$150,000 to the City's Capital contribution, (RECOMMENDATIONS B, D and E) or;
4. provide additional City funding to allow the project to seek LEED™ Gold, and cover the costs of the upgrading of the electrical servicing, adding \$250,000 to the City's capital contribution (RECOMMENDATIONS B, D, E and F).

These options are summarized in Table 1 below:

	Option 1	Option 2	Option 3	Option 4
Recommendation	November 2004 Budget (B)	Add Electrical (B, D & F)	Add LEED™ Gold (B, D & E)	Add LEED™ Gold/Elect (B,D, E & F)
PROJECT BUDGET	\$ 6,715,000	\$6,815,000	\$6,865,000	\$6,965,000
FUNDING SOURCES				
Province of BC				
Community Development Initiative	2,000,000	2,000,000	2,000,000	2,000,000
Childcare Capital Grant(unconfirmed)	250,000	250,000	250,000	250,000
Total Provincial Funding	2,250,000	2,250,000	2,250,000	2,250,000
LMNH Fundraising	500,000	500,000	500,000	500,000
City				
2000 - 2002 Capital Plan	1,100,000	1,100,000	1,100,000	1,100,000
Development Cost Levies (Childcare)	150,000	150,000	150,000	150,000
Proceeds of Sale of Current Site	625,000	625,000	625,000	625,000
Current Capital Allocation Options	2,090,000	2,190,000	2,240,000	2,340,000
Total City Contribution to Construction	3,965,000	4,065,000	4,115,000	4,215,000
Total	\$6,715,000	\$6,815,000	\$6,865,000	\$6,965,000

FINANCIAL IMPLICATIONS

1. Funding the Neighbourhood House

There are four funding options presented for Council's consideration as outlined above.

Approval of RECOMMENDATION A confirms receipt of the \$2.0 million provided by the Province specifically for the redevelopment of LMNH, to be applied to all options. Recommendations C and D regarding future lease arrangements and sale of the existing site to the PEF are also applied to all options.

Approval of RECOMMENDATION B would require a Capital allocation of \$4, 865,000. The source of funds would be \$2,000,000 received from the Province of BC's Community Development Initiative; \$2,090,000 from the City's Capital program, \$150,000 from City Wide Development Cost Levies for child care, and \$625,000 from the sale of the existing site. The total City contribution, including the previously approved capital allocation of \$1.1 million, would be slightly less than the \$4.0 million ceiling that Council established in November, 2004.

Approval of RECOMMENDATION E would add \$150,000 to the City's Capital contribution to the project, providing the project with sufficient funding to achieve LEED™ Gold standard. Approval of this Recommendation (in addition to RECOMMENDATIONS B and D) would exceed the \$4.0 million ceiling Council established by \$145,000.

Approval of RECOMMENDATION F would add \$100,000 to the City's Capital contribution to construct an electrical sub-station in compliance with recent City and BC Hydro requirements. Approval of this RECOMMENDATION (in addition to RECOMMENDATIONS B and D) would exceed the Council established ceiling by \$95,000.

Approval of RECOMMENDATIONS B, D, E and F would see the City contribution rise to \$4.245,000, exceeding the Council established ceiling by \$245,000.

City funding would be provided from three sources:

- \$150,000 from City Wide DCL funding;
- \$625,000 from sale of existing site; and
- between \$2.09 million and \$2.335 from borrowing authority approved by the electors for the City's share of project funding for projects that receive cost sharing from senior governments and other outside funders.

Should funding from sale of the existing site exceed the current estimate, the amount of City capital funding will be reduced accordingly.

Council has previously approved or committed funding from the cost shared borrowing authority of \$17.0 million, leaving \$3.0 million for this and other projects.

In 2003 Council approved standard lease terms for City-owned assets occupied by non-profit social and cultural facilities. A copy of the lease framework approved by Council in 2003 is attached as Appendix A. These lease terms specify those costs that are to be borne by the City and those that are the responsibility of the non-profit organization. Any financial obligations arising from the lease with LMNH Society that are the responsibility of the City (e.g. roof replacement) will be provided for in future Capital Plans.

2. Sale of 3891 Main Street

The City's funding for the LMNH project includes provision of \$625,000 from the sale of the existing site. Given the location of this site on Main Street and the continued occupancy of the building by the Vancouver Public Library, it is proposed that the site be transferred from Capital Assets to the Property Endowment Fund, with the transfer to take place following the move of LMNH to the new facility. The Director of Real Estate Services indicates that the current market value of the site is approximately \$625,000.

SOCIAL IMPLICATIONS

Little Mountain Neighbourhood House provides many needed educational, cultural and social programs to the multicultural residents of Riley Park and Little Mountain neighbourhoods. The population trends in the neighbourhood over the past 20 years show an increasing number of families with children, with a higher-than-City-average number of single parent families. LMNH offers a variety of family/parent support programs, language and adaptation services and other community development and capacity building initiatives. However, this work is becoming increasingly difficult to do as there is not enough room, or the right kind of spaces in the existing facility. There are expenses and inefficiencies related to offering programs in locations other than the neighbourhood house.

A new facility that is designed to meet existing and future community needs will enable the community work to be done far more efficiently and effectively, and give residents a clearly identifiable centre for their community involvement and activities.

CONCLUSION

In this time of escalating construction costs, it is pragmatic to proceed with the development of this valuable City-owned asset. The Province has contributed \$2 million, which the City has deposited. With the \$2 million from the Province and the remainder of the funding required from the City, this project, which has been many years in the making, can finally be built.

* * * * *

Agreement between the City of Vancouver (the "City")
and
Little Mountain Neighbourhood House Society (the "Society")

DRAFT TERMS

Term: Five years commencing _____renewable for two further five-year terms.

Rent: \$10.00 payable in advance

Premises: 3867 - 3891 Main Street

Lease/Sublease/License:

The City to grant:

- a lease/sublease/license of the Premises as shown on plans to be appended to the Agreement, for the purposes set out in the Use section below;
- the Agreement will not be registered in the Land Title Office.

Use:

The permitted use of the Premises is restricted to:

- the operation of a Little Mountain Neighbourhood House, including child care facility (the "Facility") within the Mandate and Public Service Objectives established by the Society appended to the Agreement as a schedule and approved by the City (see below); and
- purposes necessarily incidental to the operation of a Facility and permitted within the applicable zoning.

Public Service Objectives:

As part of the Agreement, the Society's Mandate and Public Service Objectives (draft to be provided by the Society for City approval) shall be included and used by the City as annual and periodic performance measures. The Society may amend the Mandate and Public Service Objectives from time to time with prior written City approval.

The Agreement shall identify Public Service Objectives including:

- hours of operation;
- type and range of services;
- process for community input;
- administrative capacity;
- financial accountability;
- financial viability with evidence of diversified revenue sources; and
- quality, accessibility and affordability of programs and services.

Laws, Regulations and Requirements

The Society shall comply with all laws and regulations relating to its operation of a Facility and shall provide evidence with such compliance on request by the City. The Society shall also comply with any requirements imposed on the Society by the City as Landlord in connection with the Society's operation of the Facility on the Premises including the obligation to comply with all federal, provincial and municipal laws and by-laws including the British Columbia Human Rights Code which prohibits discrimination in many areas including in publications which are likely to expose a person or a group or class of persons to hatred or contempt because of the race, colour, ancestry, place of origin, religion, marital status, family status, physical or mental disability, sex, sexual orientation or age of that person or that group or

class of persons. If there is a head lease, the Society shall be obliged to observe and comply with the applicable terms of the head lease in order that the City is not in default under the head lease.

Rentals:

The Society may contract with third parties for occasional use of the Premises periodically as set out in an Occasional Third Party Use Policy that shall form part of the Agreement and shall be subject to City approval, unless prohibited by the head lease, if any. All such rentals will be required to be appropriate to, and support the Mandate of the Society. The Society may not assign or sublet any portion of the Premises without the City's prior written permission.

Insurance:

The City will insure the building against fire, vandalism etc. as determined by the City's Director of Risk and Emergency Management. The Society shall be responsible for insuring all equipment, fixtures and furniture and shall be required to maintain comprehensive general liability insurance as well as all risk broad form tenant's legal liability insurance in the amounts and types to the satisfaction of the City's Director of Risk and Emergency and Emergency Management.

Utilities, Janitorial, Maintenance and Repairs:

A Service Agreement shall form a Schedule to the Agreement and shall itemize both City and Society obligations for utilities, security systems, telephone, janitorial, maintenance and repairs.

In general, the Society shall be responsible for all utilities, security systems, janitorial services, minor and preventative maintenance, landscaping, repairs such as lighting and appliance replacement and repairs, etc. and the City, subject to the availability of resources, shall be responsible for major capital repairs such as roof replacement, building envelope repairs, foundations, infrastructure services (water, sewage, power) and building systems (excluding security systems). The City reserves the right to not rebuild in the event of substantial destruction of the Premises or of the building housing the Premises.

The Society shall be required to set aside an adequate maintenance reserve within its annual operating budget to meet the obligations in the Agreement.

Improvements:

Prior to the Society making any alterations, erections or modifications (hereinafter collectively referred to as "Improvements") to the Premises, the Society shall obtain the City's written consent. In giving its consent, the City may attach conditions or deadlines as it sees fit and the Society shall be responsible for all cost of Improvements, and claims or liabilities of any kind arising from the Improvements.

Reporting to the City:

On or before December 31 of each year, or at any time requested by the City, the Society will provide to the City the following:

- Board-approved financial statements for the previous year, prepared at the Society's expense by an accounting professional. Such statements shall include all operating, capital, maintenance reserve and special purpose funds and shall itemize administrative and program costs;
- a balanced annual budget including an estimate of all revenues and expenditures;

- a summary of activities for the past year demonstrating how the Society has fulfilled its Public Service Objectives;
- evidence of a functioning/governing Board of Directors; and
- a summary of planned activities for the coming year. Further, if requested by the City, the Society shall submit to the City minutes of all Board meetings.

Indemnification:

The Society shall indemnify the City for any costs, losses, suits, or expenses incurred by the City arising as a result of the Society's use and occupation of the Premises and related City property.

Early Termination:

The City may terminate the Agreement prior to the end of the Term on the happening of any one or more of the following events:

- the Society is in default on any payments owed to the City following 30 days notice;
- termination of the head lease, if any;
- the Society defaults in performing any other provision of the Agreement, including, without limiting the generality of the foregoing, failure to comply with any laws or regulations relating to its operation of a neighbourhood house facility;
- the Premises are not operated as a neighbourhood house facility for more than 30 days without the City's prior written consent;
- the Premises are not used in the operation of a neighbourhood house facility to the satisfaction of the City;
- the Society becomes bankrupt, is wound up or dissolved;
- by mutual consent; and/or
- substantial destruction of the Premises or the building in which the Premises are situated.

Options to Renew:

The Society may only exercise its options to renew if it is in good standing under the Agreement.

Additional Provisions and Qualifications:

The Agreement shall contain such other terms and conditions as may be satisfactory to the City's Directors of Legal Services, Real Estate, Facilities Design & Development, Social Planning and Risk and Emergency Management, it being noted that no rights or obligations hereby arise or take effect until the Agreement has been executed by both the City and the Society. The foregoing represents typical terms and provisions. The City reserves the right to vary such terms and provisions in its sole discretion depending upon the individual tenant as well as the individual premises that are being leased/sublease/licensed.

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Vancouver Public Library
Office of the Chair

November 26, 2003



Ingrid Steenhuisen
President
Little Mountain Neighbourhood House Society
3981 Main Street
Vancouver, B.C.
V5V 3P3

Dear Ms. Steenhuisen:

I am writing in response to your letter dated October 20, 2003 regarding the desire of the Little Mountain Neighbourhood House Society to continue to share space with Vancouver Public Library in the proposed new neighbourhood house building.

The Library Board reviewed your letter at its November meeting. The Board appreciates the support LMNHS has shown for library service in Little Mountain/Riley Park. Library Board members and staff understand the value in different civic services sharing space, and the library does value the advantages offered to neighbourhood residents by the current joint facility.

As LMNHS understands, the site for the new building is not able to accommodate the building programs for both the neighbourhood house and the library. It is the Board's understanding that financial and legal obstacles to the City acquiring the adjacent lot resulted in the site being sold to another purchaser.

The VPL Board is committed to providing library service in the Little Mountain/Riley Park area, and the library will continue to explore options for a new facility. The library values its twenty-two year relationship with LMNHS, and wishes the Society every success in its pursuit of a new building.

Yours sincerely,

A handwritten signature in black ink that reads "Joan Andersen".

Joan Andersen

cc: Brent MacGregor
Bruce Maitland
Rick Gates



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