

REPORT
***Engineering Services and
Climate Action, Planning and Development***

To: Mayor Johnstone and Members of Council
Date: May 8, 2023

From: Lisa Leblanc
Director of Engineering
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Serena Trachta
Acting Director of Climate Action and Planning

Item #: 2023-296

Subject: Daycare Lease Agreement at 490 Furness

RECOMMENDATION

That Council authorize the Mayor and City Clerk to execute the attached Lease Agreement between the City and the Kolumbia Inn Daycare Society (KIDS).

PURPOSE

To provide Council with information on the proposed Lease Agreement with the Kolumbia Inn Daycare Society (KIDS) for the exclusive use of the civic facility and grounds at 490 Furness Street.

BACKGROUND

Located at 490 Furness Street, the new not-for-profit child care facility was realized in partnership with the Province of B.C. and Anthem Properties. The daycare provides full-day care for 37 infant/toddler and preschool-aged children and is operated by KIDS Child Care, whose former space at Queensborough Community Centre is being converted into a before-and-after-school care facility through additional provincial funding.

As part of their new Portside development, Anthem Properties constructed a two-storey base facility that accommodates 12 infant/toddler spots and 25 preschool-age spots for full-day care. Construction funding of \$500,000 was provided by the Province of B.C. through the ChildCareBC New Spaces Fund. The City contributed an additional \$407,000 to cover the cost of energy efficiency upgrades, interior improvements, furnishings, and outdoor play area enhancements.

The Kolumbia Inn Daycare Society (KIDS) was selected by way of a proposal call to operate a City-owned child care facility as part of an expansion to the Queensborough Community Centre. Given budgetary constraints, all areas of the expansion were trimmed, including the child care, which resulted in the loss of the infant/toddler component. KIDS has always expressed an interest in providing a continuum of child care, including infant/toddler, the absence of which has proven financially challenging for the society. With the development of the child care facility at 490 Furness Street, there was an opportunity for KIDS to provide a continuum of child care, including infant/toddler, which they wanted to do and which they felt was important to their financial sustainability. After a review by Purchasing, a license agreement was extended to KIDS to operate the child care facility at 490 Furness Street.

ANALYSIS

In January 2020, Council endorsed a Child Care Facility Ownership and Management Policy which provides a framework for assigning operating costs and a funding model for different facility arrangements. 490 Furness is the first example of a child care facility or program in a purpose-built, standalone building on a City-owned property. Under this model, the policy states:

- *That the City retain ownership of the facility and property and that it exercise a lease agreement with a non-profit child care provider.*
- *That the City, under the terms of the lease agreement, furnish and equip the facility or space and be responsible for facility repairs and maintenance and security services.*
- *That the non-profit provider, under the terms of the lease agreement, be responsible for staffing costs; furniture and equipment replacement; damage caused by gross negligence; janitorial services and supplies; and operational expenses such as insurance, internet and telephone.*
- *That the lease agreement be structured on a cost recovery basis and take into consideration costs related to electricity and other utility services; facility depreciation (i.e., contribution to facility maintenance reserve fund); and security services.*
- *That the Civic Buildings and Properties Division of the Engineering Department be responsible for ongoing management of the lease agreement.*

Engineering staff have developed an estimated operating budget to establish the monthly lease rate of **\$2,800**. Monthly utility costs will be passed along to the operator for reimbursement at cost. Schedule C of the lease lays out operating and cost responsibilities between the City and the non-profit operator. The operating budget was estimated according to best practice for scope of work and comparable costs across the facility portfolio.

DISCUSSION

The following is a summary of the Lease area, terms and conditions.

Lease space: Approximately 225 m² (2,425 ft²) outdoor space
 Approximately 179.5 m² (1,932 ft²) interior space

Term: 5 year commencing on June 1, 2023

Lease rate: \$2,800.00 per month

The Daycare operator has reviewed the proposed lease agreement.

A copy of the proposed Lease Agreement is provided in Attachment 1.

FINANCIAL IMPLICATIONS

There will be ongoing costs that require additional funding including depreciation, unscheduled maintenance and staff time allocation. In Year 1 (2023) costs to the City are estimated to be minimal due to the warranty period for the new facility. Staff have a commitment from a non-profit society to gift funds in 2023 to which will help offset unexpected costs. Staff are seeking additional funds from a variety of sources including the Ministry of Education and Child Care, which is working on a strategy to provide on-going operating subsidies specifically for non-profit child care programs located in municipal facilities. Staff propose to allocate funding within the current Operating Budget, through annual lease adjustments and securing additional grant funding, to address funding shortfall to cover the full costs to operate and maintain the facility. If funding shortfall persist, staff will provide Council with funding options at that time.

NEXT STEPS

The next steps in processing the Lease Agreement will be providing public notification of the City’s intention to enter into a Lease Agreement with the Daycare, and, subject to no objection being heard in response to public notification, will conclude with signing and distribution of the documents.

INTERDEPARTMENTAL LIAISON

Staff from CAPD, Engineering, Parks & Recreation, and Finance have collaborated on this report. The City's Manager of Legal Services has reviewed the lease.

OPTIONS

The following options are provided for Council's consideration:

- 1) That Council authorize the Mayor and the City Clerk to execute the attached Lease Agreement between the City and the Kolumbia Inn Daycare Society, or;
- 2) That Council provide staff with alternative direction.

Staff recommend Option 1.

ATTACHMENTS

Attachment 1 - Lease Agreement between the City and Kolumbia Inn Daycare Society

APPROVALS

This report was prepared by:
Tobi May, Manager of Civic Buildings & Properties

This report was reviewed by:
John Stark, Supervisor of Community Planning
Craig MacFarlane, Manager of Legal Services
Harji Varn, CFO, Director of Finance

This report was approved by:
Serena Trachta, Acting Director of Climate Action, Planning and Development
Lisa Leblanc, Director of Engineering Services
Lisa Spitale, Chief Administrative Officer