

Report

Date June 15, 2022
Subject Community Childcare Spaces Grant Application

File:

PURPOSE

To obtain Council support to submit a grant application to the Childcare BC New Spaces Fund for the creation of new and replacement childcare spaces for Parkside Academy Childcare Society.

BACKGROUND

Staff developed a replacement childcare centre (Attachment 1) in conjunction with Parkside Academy Childcare Society (Parkside) staff for the future replacement of their facility. This replacement modular building was proposed to be built through a two-phase construction process with a total estimated Class D cost of \$8.1 million (October 2021). The two-phase process was identified due to allowable funding limits within the Province of B.C.'s New Spaces Fund (NSF) for childcare centres at that time.

Staff submitted a grant application for Phase One in November 2021 and were notified on March 28, 2022 that it was denied. Immediately following this denial, NSF program staff reached out to identify the specific points for the rejection. Identified were several reasons, including the inability to secure phase two funding, not meeting the \$40,000 per space building cost requirement, and concerns with the proposed drawings regarding space allotments and shared space scheduling.

DISCUSSION

On May 31, 2022, the Province of B.C. released an updated NSF which removed the maximum funding availability (previously \$3,000,000), retained the prioritization of projects meeting the \$40,000 cost per space, added eligibility for funding of consulting services up to 12 months prior to entering into a funding agreement, and a requirement to include a 10% contingency fund.

The grant, with a continual submission format, also provides a review and approval (or denial) turnaround estimated to be six weeks. This is decreased from the four-month turnaround with the previous application process.

For the cost per space calculation, there is also specific guidance indicating that specific projects that exceed the provincial cost of \$40,000 cost per space may be considered at the discretion of the Ministry of Education and Childcare.

The design shortfalls and missing scheduling requirements within the original application have also been updated to ensure compliance with the NSF grant.

IMPLICATIONS

- **Facility Funding and Cost Overruns**

Staff has developed a Class C cost estimate for the project, which is intended to be all-inclusive of all eligible building and land development costs and previous consulting costs used in the development of the grant application. A 10% contingency will be added to this cost estimate as per the NSF requirements.

Any cost overruns will be the obligation to be funded through the Municipality and/or Parkside.

- **Long Term Operational Requirements**

Additionally, for projects that have funding of more than \$3,000,000, there is a requirement to continue child care operation for a minimum of 20 years (increased from 15 years previously). It has been identified that there may be a lengthier requirement, but the exact duration is not articulated in the funding guide.

- **Lease Agreements**

The Municipality will negotiate a long-term licence of occupation arrangement between the Municipality and each provider, post-grant award. The lease agreement will be based on the outcomes identified within the grant funding and the protection of the Municipality's investment in the building. Specifically, this includes the 20-year requirement for supplying child care services, child care fee reduction initiatives, and facility maintenance and life cycling (asset replacement) costs.

- **Facility Maintenance and Staff Related Costs**

If constructed, this facility will require ongoing maintenance costs from the Municipality regarding structural issues, key infrastructure and associated items. The facility's day-to-day operations, including general maintenance, will be the service provider's responsibility. The current estimate for ongoing cost for each facility, based on similar size/scope facilities already sustained by the Municipality, is approximately \$20,000 per annum.

Estimated building insurance costs, using equal value Municipal building(s), are \$30,000 per year.

If these specific costs (\$50,000) are not included as part of the licence of occupation agreement with Parkside, they will impact the Municipal annual operating budget, which would be equivalent to 0.16%, based on 2021 rates upon full build-out.

- **Build Costs**

We have identified estimates for architectural, construction management, development, site-servicing, building permit costs, and pre-submission work with consultants costs within the grant application. The additional internal costs and/or time implications are not included in the application, including project oversight (including tendering, approvals and associated works), lease preparation and legal review, land disposition notification costs, invoice processing, and technical document review and development, and grant reporting requirements.

OPTIONS

1. **(Recommended Option)** THAT Council support and authorize staff to apply to the Ministry of Education and Childcare - Childcare BC New Spaces Fund, as outlined in the Director of Parks and Recreation's June 15, 2022 report, in partnership with the Parkside Academy Childcare Society for the Morton Way facility, for an amount up to \$10,000,000.
 - This provides staff with the direction to continue with the Childcare BC NSF application for Parkside. It also furthers conversations with Parkside to develop license of occupation agreements for the future operation of said child care spaces, pending grant approval.
2. THAT Council direct staff not to submit a grant application to the Ministry of Education and Childcare under their Childcare BC New Spaces Fund at this time.
 - Staff would not proceed with completing the grant application and provide notification to Parkside of the direction not to proceed.

IMPLICATIONS

Financial: There is uncertainty in the actual construction costs when estimated without construction drawings completed and a minimum of three to six months in advance of project tendering. This may result in cost implications for the Municipality for any cost overruns and no reserves identified to offset additional costs associated with the project.

Undertaking these projects will result in a liability related to the continued provision of childcare services for 20 years.

Social: If the grant is successful, the development of two child care sites will secure long-term child care services in two separate areas of the Municipality, meeting part of the intent of the Cowichan Region Child Care Plan.

RECOMMENDATION

THAT Council support and authorize staff to submit an application to the Ministry of Education and Childcare - Childcare BC New Spaces Fund, as outlined in the Director of Parks and Recreation's June 15, 2022 report, in partnership with the Parkside Academy Childcare Society for the Morton Way facility, for an estimated amount of \$10,000,000.

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Attachment: Parkside Childcare Centre Drawings