

From: **"Mochrie, Paul"**

To: **"Direct to Mayor and Council - DL"**

Date: 2024-06-05 2:45:55 PM

Subject: Memo - Downtown Eastside Special Enterprise Program: 2-Year Update (2021-2023)

Attachments: Memo to Mayor & Council - Memo - Downtown Eastside Special Enterprise Program 2-Year Update (2021-2023).pdf

Dear Mayor and Council,

Please find enclosed a memo from Josh White containing the Downtown Eastside Special Enterprise Program: 2-Year Update (2021-2023). The memo includes:

- A midway progress update on the implementation of the Special Enterprise Program (SEP) during the period of 2021 to 2023.
- Key program highlights, challenges, lessons learned and next steps.
- An appendix with additional detail on the program.

Should you have any questions, please don't hesitate to contact Josh White directly.

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the x m k y m (Musqueam), S w w u 7 mesh (Squamish), and s lilw ta (Tsleil-Waututh) Nations.

MEMORANDUM

June 5, 2024

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Sandra Singh, Deputy City Manager
Katrina Leckovic, City Clerk
Maria Pontikis, Chief Communications Officer, CEC
Teresa Jong, Administration Services Manager, City Manager's Office
Mellisa Morphy, Director of Policy, Mayor's Office
Trevor Ford, Chief of Staff, Mayor's Office
Neil Hrushowy, Director, Community Planning
Chris Robertson, Director, City-wide and Regional Planning
Michelle Au, Director, Permitting Services

FROM: Josh White
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Downtown Eastside Special Enterprise Program: 2-Year Update (2021-2023)

The purpose of this memo is to share a midway progress update on the implementation of the Special Enterprise Program (SEP) during the period of 2021 to 2023. This memo includes key highlights, challenges, lessons learned and next steps. Additional detail on the program can be found in Appendix A.

Overview

The Special Enterprise Program is a 5-year pilot approved by Council in 2021 (RTS #14172) with the purpose of preserving and strengthening the cultural diversity, long-term viability, and economic opportunity of heritage and community-serving businesses, social enterprises, and non-profit organizations in the Downtown Eastside (DTES), including Chinatown. The program aligns with the [DTES Plan](#) and the [Community Economic Development Strategy](#), both recognizing the need for a coordinated approach to community economic development to improve the local economy.

According to the City's 2023 Storefronts Report¹, the city-wide vacancy rate (~11%) is generally trending down to a healthy vacancy rate between 5% to 7%. However, some retail and commercial areas within the city are still experiencing high vacancy rates due to ongoing challenges including viability of small businesses; affordability of premises; time and complexity of permitting; and maintenance, safety, and quality of public space². The three DTES Business Improvement Areas (BIAs) - Hastings Crossing, Chinatown, and Strathcona - have high and rising vacancy rates ranging from 20% to 30%. The DTES BIAs also contain a disproportionate share of the city's persistent vacancies (~21%). The above-mentioned challenges, in addition to other complex issues (e.g. opioid crisis, homelessness, etc.), reinforce the need for targeted and coordinated actions between the City and the community in these neighbourhoods.

The SEP includes three strategic components (See Appendix A). Four community partners are engaged to implement the Program. The community partners provide a suite of tactics to support the retention of local-serving businesses and non-profit organizations, and to activate vacant storefronts.

Program Highlights

Council has approved a total of **\$845,000** to the four community partners: the Vancouver Chinatown Foundation for Economic Revitalization, the Community Impact Real Estate Society, the Strathcona Business Improvement Association, and the Vancouver Chinatown Merchant Association. As of December 31, 2023, these partners have achieved the following outcomes:

1. **18** Chinatown heritage and community-serving businesses, and non-profit organizations, received business supports to improve their resilience and enhance their capacity. These tactics have an overall positive impact of improving the retention of these important businesses and organizations.
2. **One** vacant commercial space at the Chinese Nationalist League Society was renovated and in the process of being tenanted to a community-serving business. In addition to providing goods and services to residents, the tenant will also generate an income to support the needs of the Society and contribute to restore the vitality of Chinatown.
3. **Two** privately-owned vacant or underutilized commercial spaces were renovated and activated, providing **3,250 ft²** of space to two non-profit organizations. **Two** additional privately-owned vacant spaces (**2,788 ft²**) are undergoing renovations and tenants have been identified. Partnering with private property owners to make their spaces available contributes to the reduction of empty storefronts and adds vibrancy to these commercial streets.
4. A cross-departmental **SEP Staff Technical Team** was established. Staff representatives from across the organization bring a variety of expertise and collaborate on providing advice and support to guide the implementation of the Program.

¹ City of Vancouver, 2023: Storefronts Report

² City of Vancouver, 2020. Employment Lands and Economic Review. Community Engagement



Map 1. Location of project sites in the Downtown Eastside.

Challenges and Lessons Learned

While the program has achieved successes in many areas, the community implementation partners reported some challenges and lessons learned:

- It is difficult for businesses, non-profit organizations and property owners to envision change and dedicate time to participate in the program when they are busy keeping their businesses or programs afloat. Taking the time to build long-term relationships with them is an important part of implementation. In addition, showcasing success stories of early program participants can be an effective way to communicate the Program's benefits to other potential participants.
- We heard that applicants and businesses owners have found it difficult to respond to the requirements and processes for renting out units, as well as the renovation process for eligible businesses and non-profit organizations. Development, Business and Licensing (DBL) will be supporting applicants through a new commercial renovations fast track program, providing end to end, 1:1 support, to assist navigating these challenges. Many non-profit organizations expressed a preference for 'turnkey' spaces (a fully renovated space that mostly of wholly prepared for occupancy).
- Participation in the program is challenging for businesses and non-profit organizations due to the lack of additional operating funds to cover rent increases. It takes time for them to build their capacity and increase their revenues before considering moving or expanding programs and services to a new space. Market rental rates in the DTES, while low comparatively to other ground floor commercial spaces in Vancouver, are still beyond the scope of many community-serving and non-profit organizations.

- Lengthy permitting processing remained a major hurdle. The SEP Staff Technical Team was useful as members were able to assist the partners by navigating permit requirements or clarifying policy questions, often saving time for project implementation.
- This program focuses on supporting heritage and community-serving businesses, and non-profit organizations, which can alienate a portion of the community that might not qualify according to the SEP criteria, but still require assistance. To mitigate this, the Vancouver Chinatown Foundation, for example, leveraged City funding to attract other funders. And as a result, they were able to extend support to other businesses. This has a positive impact of attracting a diverse clientele to Chinatown and contributing to the overall vibrancy of the neighbourhood.

The lessons learned in the last two years will help staff and community partners to improve the pilot program and potentially expand it to other areas of the city where persistent vacancies are a problem.

Next steps

The program is established and entering the second half of its five-year pilot period. Staff will continue working with community partners to complete projects underway, engage with eligible businesses and organizations and identify new pilots. Building on current success and momentum, staff will explore two areas of work: a) the feasibility of expanding the SEP to commercial areas in other neighbourhoods, specifically the ethno-cultural community areas identified in the [Vancouver Plan](#), to help advance the City's redress and equity goals. These areas are also experiencing similar challenges as in the DTES; and b) broaden the program by creating an SEP funding stream for Indigenous-owned businesses or Indigenous-led organizations, which can contribute to the City's reconciliation goals and the implementation of UNDRIP.

Staff will bring a report to Council in June 2024 with funding recommendations to community partners and an outline for the next phase of implementation.

If you have any questions or require further information, please contact me or José Fernández García, Community Development and Economic Planner, at jose.fernandez.garcia@vancouver.ca.



Josh White
General Manager, Planning, Urban Design and Sustainability
604.877-5159 | josh.white@vancouver.ca

APPENDIX A

1. Component 1: Business Supports/Capacity Building

The purpose of this program component is to enhance the capacity of Chinatown businesses, improve the business environment, and prevent the displacement of heritage and community-serving businesses. Two community partners are assisting the City with the implementation of this program component, the Vancouver Chinatown Foundation for Community Revitalization (VCF) and the Vancouver Chinatown Merchant Association (VCMA).

1.1 Vancouver Chinatown Foundation for Community Revitalization

VCF is a local non-profit organization dedicated to building a more resilient and inclusive community in Chinatown by promoting the wellbeing of those in need while preserving Chinatown's irreplaceable cultural heritage. VCF is spearheading the capacity building component of the program by working alongside a diverse group of merchants to understand their unique challenges and provide tailored supports to help them navigate the modern business landscape.

Since the approval of the SEP, the City allocated \$300,000 to the VCF to provide business supports and strengthen the capacity of heritage and community-serving businesses, and non-profit organizations in Chinatown. VCF leveraged the City's SEP funds to secure financial support from the Provincial Government and create the **Chinatown Impact Fund** to provide businesses with financial resources to undertake projects that will further their growth, contribute to the vibrancy of Chinatown and achieve the goals of the SEP.

There are five different streams of supports: digital marketing, traditional marketing, human capital, physical improvements, web design and E-commerce. An information package (English and Chinese) that includes an overview of the SEP and an application form, was developed and shared to businesses and non-profit organizations. VCF staff meets with interested business to understand businesses' unique needs and goals. Applications are reviewed to ensure they meet eligibility requirements and criteria. If these are successful, VCF and the interested businesses or non-profits will sign an agreement that lays out the funding requirements and deliverables. Beneficiaries are required to submit an impact report one year after the support period to gain insights into the results and outcomes.

In the two years of implementation, VCF has achieved the following:

- 18 businesses received supports (Table 1):
 - Seven businesses were supported in year 1;
 - Eleven new businesses were engaged and supported in year 2.
- 21 individual business interviews helped identify many underlying issues and unmet needs, so the implementer can tailor their support to each business.
- Cost-sharing arrangement: 85% of each project is funded through the SEP and 15% by the participant business.

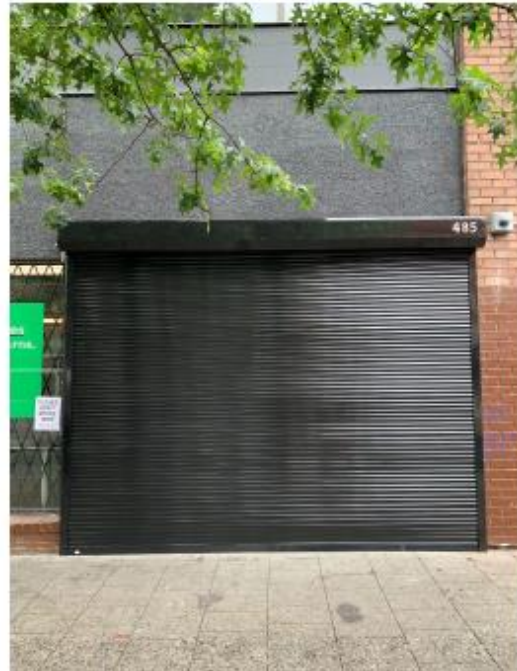
- Strong relationships were developed with eleven different contractors who provided awning replacement services and other consulting services (e.g., website development, marketing, etc.), and painting.
- The inclusion of agreements between the VCF and the businesses provides a valuable reference to ensure transparency, accountability and alignment on the support being provided.
- Relationships are being established with Chinatown groups such as the Vancouver Chinatown Business Improvement Association (VCBIA) and the Vancouver Chinatown Merchant Association (VCMA) to engage with the Chinatown's businesses to and encourage participation in the program.

Table 1. List of Chinatown businesses that participate in the SEP.

Business	Type	Support	Description
1. Forum Appliances	Heritage	Digital marketing	A long-term marketing plan with videos on the social media channels.
2. KK Boutique	Heritage	Physical improvement Digital marketing	Set up a window display plinth, online store update, and awning replacement.
3. Ochi Chinese Fashion	Heritage	Physical improvement	Repair window display and install a new entry lock system.
4. The Chinese Tea Shop	Heritage	Physical improvement	Awning replacement.
5. Artistic Arts and Crafts	Heritage	Physical improvement	Improve branding and visual merchandising.
6. Bamboo Village	Heritage	Physical improvement	Awning replacement.
7. Fuling	Heritage	Physical improvement	Awning replacement.
8. Good Luck Entertainment	Heritage	Physical improvement	Sign replacement.
9. Private & Co	Other	Physical improvement	Upgrades to the lighting fixtures.
10. Say Hey Café	Other	Physical improvement	Awning replacement.
11. Sino United Publishing	Heritage	Physical improvement	Façade improvements and awning replacement.
12. THIS Gallery	Other	Physical improvement	Installation of a rolling shutter gate.
13. Chi Shing Trading Co Ltd	Heritage	Physical improvement	Glass panel replacement.
14. Sam's Pharmacy	Other	Physical improvement	Awning replacement.
15. Ai & Om	Other	Physical improvement	Back gate replacement.
16. Centre A	Non-profit	Website/ E-commerce	Revamping their website.
17. The Boss Bakery	Heritage	Physical Improvement	Awning replacement.
18. Maxim's Bakery	Heritage	Physical Improvement	Lighting fixture upgrades.



Picture 1. Exterior of THIS Gallery before shutter gate installation



Picture 2. Exterior of THIS Gallery after shutter gate installation



Picture 3: Exterior of Chi Shing before glass replacement



Picture 4: Exterior of Chi Shing after glass replacement



Picture 5: Exterior of Say Hey Café before the awning replacement.



Picture 6: Exterior of Say Hey Café after the awning replacement.

1.2 Vancouver Chinatown Merchant Association

In order to advance the economic revitalization of Chinatown and further the implementation of this component of the SEP, City Council approved a total of \$35,000 from SEP funds to the Vancouver Chinatown Merchants Association (VCMA) in October 2023. The purpose of this funding is to support the VCMA’s strategic planning and build their capacity to support the retention of Chinatown’s heritage businesses. This project is currently being implemented with the assistance of Dunefield Consulting and it is expected to be completed by the end of this year.

2. Component 2: Activation of vacant spaces in Chinese Benevolent Society buildings

The purpose of this program component is to support the activation of storefronts in Chinese Benevolent Society buildings to attract or retain heritage and community-serving businesses. By doing this, Chinese Benevolent Societies will obtain an income from the rent to support the needs of the Society.

The City partnered with the Strathcona Business Improvement Association (SBIA) after the successful renovation of the commercial retail unit owned by the Kong Chow Benevolent Association of Canada, and the retention of the heritage business Kam Wai Dim Sum. In 2021, The City approved an allocation of \$150,000 to support the activation of spaces in other Chinese Society buildings in Chinatown.

Between 2021 and 2023, the SBIA and Dunefield Consulting worked together with the Chinese Nationalist League Society (CNLS) to renovate a vacant ground floor commercial unit at the Kuomintang Building. The work included renovation of one out of two vacant storefronts at the Kuomintang Building (525 Gore Avenue) to bring the space to a ‘clean slate’ and make the

available for community-serving uses. Dunefield Consulting provided consulting services to the Society on financing, property management and planning.

The outcomes of the project included the following:

- Performed a hazardous materials survey of two vacant spaces - 525 Gore Ave and 284 E Pender St.
- Developed scope of work and Request for Proposal (RFP) process to select a qualified contractor, resulting in successful procurement within project budgets.
- Signed a Space Activation Agreement with the Chinese Nationalist League Society, securing two vacant units for community-serving retail.
- Funding allowed for the renovations of only one vacant site (1,000 sf2) at 525 Gore Avenue:
 - Remediated identified hazardous materials.
 - Demolished non-compliant mezzanine, and outdated kitchen equipment, plumbing, and electrical and mechanical systems.
 - Installed new electrical panel, wiring, exit signs and emergency lighting.
 - Removed rat droppings from unit and closed wall and ceiling opening to prevent future vermin infestation.
 - Constructed and retained hoarding at unit entrance to facilitate future tenant outfits.

The unit has now been brought back to a clean and empty shell. Dunefield Consulting is helping the Society to recruit a suitable local entrepreneur or community-serving tenant. A brochure was developed by the consultants and distributed in Chinatown to promote the newly renovated space. Approximately 15 candidates visited the space, of which 3 have expressed interest. Once a tenant is selected, they will be responsible for their own tenant improvements.

In terms of next steps, the consultants and the Society are interested in the renovation of the second vacant storefront (284 E Pender Street). The Society is very keen on continuing this collaboration with the City and hopes for a next phase within the SEP.



Picture 7: Exterior of the Kuomintang building at 525 Gore Avenue



Picture 8: Interior of the site during renovation

3. Component 3: Access to Affordable Vacant or Underutilized Spaces

The purpose of this program component is to assist values-aligned property owners in activating their vacant storefronts and provide capacity building opportunities to non-profit organizations and community-serving businesses to tenant these spaces.

The Community Impact Real Estate Society (CIRES) is the implementation partner for this component of the program. CIRES is a Vancouver-based social enterprise designed to operate a commercial property portfolio of 52 BC Housing commercial units. CIRES works with Exchange Inner City (EIC) and Hessey Consulting + Architecture (HCA) as a team of consultants implementing the vacant space activation initiative in the DTES/Oppenheimer District (DEOD).

SEP funds are held in trust by CIRES and quickly delivered to participant organizations at appropriate stages of their activation project, eliminating lengthy waiting periods. The team of consultants share information about the project at local community meetings to identify potential beneficiaries. The team also conducts individual meetings with real estate professionals in the neighbourhood, including building owners, property managers, BIAs, and leasing agents active in the area to identify vacant sites with potential to be activated. The program directly supports community-serving and non-profit organizations by providing a tenant-improvement allowance of up to \$60,000 per site that must be matched by a property owner, incentivizing an investment in local building stock. The allowance covers the cost of consultants, permits & bylaws, surveys, and capital improvements. The SEP ensures that the upgraded unit stays available to community serving organizations for the medium term (3 + 3 lease) with an agreement of right-of-first refusal to the tenant and an innovative 'right-of-second refusal' to CIRES. If the community serving organization does not choose to renew their lease, CIRES can identify a qualified tenant prior to the suite being offered on the open market. Each funded project is subject to a project agreement, developed by legal counsel under the first year of Activate DTES and executed by CIRES, the building owner, and the tenant.

Since 2021, CIRES has received a total of \$360,000 and achieved the following outcomes:

- 61 organizations were engaged between 2021-2023, 26 needed space. A total of 34 consultation services were rendered.
- Two applied research were completed:
 - **Commercial Rent Affordability**, which explores four different models of creating commercial rental affordability for community-serving organizations.
 - **DTES Development Forecast** to learn and understand factors related to development on a site-by-site basis inside of the program target area. The research was done to identify sites suitable for targeted investment and partnership development related to new developments.
- Two privately-owned vacant sites for a total of 3,250 f² were activated (Table 2 and 3).

Table 2. Description of Pilot 1

Tenant	Lookout Housing and Health Society
Location	450 E Hastings
Size	2,350 ft ²
Lease	3 years + 3 years renewal option. Right of Refusal to CIRES on Lookout decision not to exercise renewal option
Use	Powell Street Getaway serves as a drop-in space, offering referrals to local health and housing resources. Other organizations, such as Vancouver Coastal Health, UBC Allard School of Law, Native Housing Society and Greater Vancouver Library, also use the space to deliver programs.
Benefits	<ul style="list-style-type: none"> • Employment opportunities for 17 FTE and 35 DTES residents as peers. • Approximately 300 individuals are served daily. Program participants identify as Indigenous (70%), female (30%), 2SLGBTQI+ (15%), and age 40+ (65%). • A “Change of Use” permit issued, creating opportunities for other non-profit organizations to occupy the space in the future.



Picture 9: Exterior of the site before renovation



Picture 10: Exterior of the site after renovation



Picture 11: Interior of the site before renovation



Picture 12: Interior of the site after renovation

Table 3. Description of Pilot 2

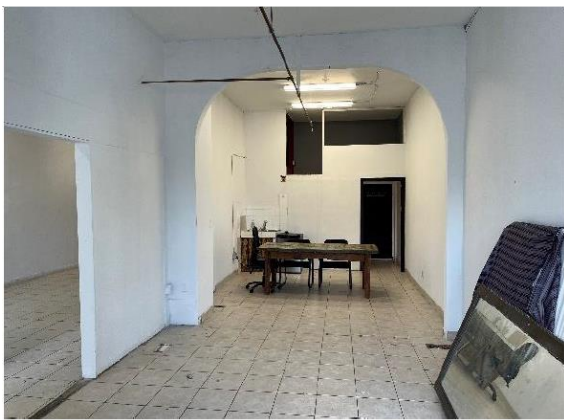
Tenant	Mission Possible
Location	748 E Hastings
Size	950 ft ²
Lease	5 years + 5 years renewal option. CRU offered to CIRES for a 1-year term on Mission possible decision not to exercise the renewal option
Use	Employment Readiness Program Women’s Team. The space is comprised of a retail component, an ancillary office, a training space, an office admin space, and secured parking space.
Benefits	<ul style="list-style-type: none"> • Employment opportunities for five FTE permanent staff and 24 program participants to be trained and employed in the space annually. • Program participants identify as having a disability (44%), a person of colour (55.4%), and identify as Indigenous (25%).



Picture 13: Exterior of the site before renovation



Picture 14: Exterior of the site after renovation



Picture 15: Interior of the site before renovation



Picture 16: Interior of the site after renovation

- Two vacant sites (total of 2,788 ft²) are undergoing renovations or about to start renovations:
 - **Pilot 3** – a 1,638 ft² at 16 W Hastings. The space will be tenanted by East Van Roasters. Location offers secured tenure for chocolate production expansion and increases peer employment opportunities. The project is in the building permit application and processing phase.
 - **Pilot 4** – a 1,150 ft² at 547 E Hastings. The space will be the temporary site for the DTES Neighbourhood House while their permanent space at 573 E Hastings is being renovated. Once the renovation of Neighbourhood House's permanent location is completed, the 547 E Hastings site will be provided to another community-serving tenant. The project is in the design and planning phase.
- The average cost per ft² is \$17.94 over all 4 projects.
- Cost-sharing: more than \$383,000 (63%) over all 4 projects contributed by property owners, compared to \$223,000 (36%) contributed by the SEP program.