



REPORT

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VanRIMS No.: 08-2000-20
Meeting Date: September 22, 2021
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TO: Standing Committee on Policy and Strategic Priorities

FROM: General Manager of Planning, Urban Design and Sustainability

SUBJECT: Downtown Eastside Special Enterprise Program – Allocation of Grant Funding to Implementers

RECOMMENDATION

- A. THAT Council allocates \$350,000 in Special Enterprise Pilot Program grants, from the remaining funds approved in January 2021 (RTS No. 14172), and distribute the funds as follows:
 - i. Business Supports: \$150,000 for the Vancouver Chinatown Foundation (VCF) to provide capacity building to heritage and community-serving businesses, non-profits and social enterprises in accordance with the criteria set out in Appendices A and B; and
 - ii. Affordable Spaces: \$200,000 for the Community Impact Real Estate Society (CIRES) to assist the three non-profit and social enterprise tenants, as set out in Appendix B, to gain access to affordable spaces.
- B. THAT, pursuant to Section 206 (1) (j) of the *Vancouver Charter*, Council deems any organization receiving funds as a result of Recommendation A of this report to be contributing to the welfare of Vancouver.
- C. THAT the General Manager of Planning, Urban Design, and Sustainability (GM of PDS) (or their designate) be authorized to negotiate and execute agreements to disburse the grants described in this report on the terms and conditions generally set out in this report and on such other terms and conditions as are satisfactory to the GM of PDS and the Director of Legal Services.

- D. THAT no legal rights or obligations will be created by the approval of Recommendation A and B above unless and until the applicable grant agreement or letter of agreement is approved by the City in accordance with Recommendation C above and executed and delivered by both the grant recipient and GM of PDS (or their designate).

Approval of Recommendations A and B require a 2/3 affirmative vote of all Council members in accordance with section 206 (1) of the *Vancouver Charter*.

REPORT SUMMARY

The Downtown Eastside (DTES) continues to experience challenges that are impacting the economic revitalization and well-being of those who live and work in the neighbourhood. These include: the opioid crisis; increased homelessness and housing affordability; lack of access to social and cultural places and spaces for low-income residents; and the lack of affordable retail and commercial spaces for non-profits, social enterprises, and cultural/heritage businesses related to rising triple net leases, property and building upgrade costs, among others. The COVID-19 pandemic has aggravated these challenges and requires concerted action to mitigate impacts on local-serving organizations and businesses. The Special Enterprise Program (SEP) pilot is designed to address a number of these challenges.

The objective of the SEP is to preserve and strengthen the cultural diversity, long-term viability, and economic opportunity of heritage businesses, social enterprises, and non-profit organizations in the DTES. It consists of three strategic components: (1) business supports, (2) affordable spaces, and (3) community-serving retail businesses.

This report recommends the allocation of previously approved SEP funding to the Vancouver Chinatown Foundation (VCF) and Community Impact Real Estate Society (CIRES). This report recommends additional SEP grant allocations to those approved by Council June 2021 (RTS 14336). VCF was selected through a competitive Expression of Interest process where they demonstrated specialized expertise and capacity needed to deliver the 'business supports' component of the SEP. CIRES currently manages the vacant space activation project, which is a part of the larger 'affordable spaces' component of the SEP. The funding will enable these two local non-profit organizations ('implementers') to carry out these remaining two components of the program and manage the process that supports eligible businesses and organizations based on SEP criteria (Appendix A).

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- Downtown Eastside Local Area Plan (March 2014)
- Downtown Eastside Community Economic Development Strategy (November 2016)
- Special Enterprise Program (January 2021)
- Downtown Eastside Plan Implementation Grant Allocation (June 2021)

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

The DTES Plan (March 2014) sets out policies, strategies, quick-start and short-term actions needed to achieve the long-term vision of a neighbourhood made up of mixed-income communities with affordable housing options, local serving commerce, social services and cultural activities where all residents feel welcome and valued. The plan established four strategic directions to foster a robust, competitive and resilient economy:

- Attract new businesses;
- Retain local businesses;
- Enhance local serving retail; and
- Encourage inclusive local employment.

To meet the goals of the DTES Plan, the Community Economic Development (CED) Strategy (November 2016) was developed based on the need for a more coordinated approach to CED that builds on both past and current efforts to improve the health of the local economy.

Over the last 5 years, community engagement and research revealed a range of economic challenges for commercial areas across the DTES. In order to address these challenges, Council approved the SEP in January 2021 as a 5-year pilot program focussed on three objectives:

1. Attract and prevent the displacement of heritage and community-serving businesses, non-profit organizations, and social enterprises in the DTES and other commercial areas;
2. Enhance the capacity of the small business sector to adapt to the current business environment and improve their operations; and
3. Assist property owners (non-profit and/or for-profit with a social purpose) in activating their vacant spaces with businesses or other activities that align with permitted uses and current policies, and respond to community needs.

The DTES SEP report (RTS 14172) noted that staff will report back with recommendations for grant allocations to non-profit groups who will implement the 'business supports' and the 'affordable space' components of the SEP. The source of funding is the DTES Capital Grants under the approved multi-year capital budget of 2021.

Strategic Analysis

Staff is working with local non-profit organizations with expertise in delivering economic, social and cultural revitalization initiatives at the neighbourhood level. The organizations will assist the City with the implementation of three components of the SEP (Table 1). In January 2021, Council approved an allocation of \$150,000 to the Strathcona Business Improvement Association to implement one component of the SEP: facilitating 'community-serving retail in Chinese benevolent society buildings.' In June 2021, Council approved the reallocation of \$50,000 to CIRES to continue with the implementation of the vacant space activation project, including pilot identification and delivery plan, as a component of the SEP.

This report recommends the allocation of the remaining \$350,000 to two non-profit organizations to implement the remaining two components of the SEP. The initial agreement with each implementer is proposed for a period of one year with an option to renew for the balance of the pilot (contingent on the availability of future funding).

Table 1. Special Enterprise Components

SEP Component	Description	Implementer	Funding
Business Supports/ Capacity Building	Provision of supports to build the resilience and capacity of small businesses, non-profits and social enterprises through various business supports.	Vancouver Chinatown Foundation	\$150,000
Affordable Spaces	Activation of vacant and under-utilized spaces to support small community-serving activities, cultural organizations, non-profits and social enterprises.	Community Impact Real Estate Society	\$200,000
Community-serving businesses in Chinese Benevolent Society Buildings*	Curation and tenanting of affordable spaces to enable community-serving retail in Chinese society buildings.	Strathcona Business Improvement Association	\$150,000
Total			\$500,000

**Note: Approved by Council (January 2021)*

The SEP funds are considered seed capital to help leverage external (non-City) funds from other funding partners and senior levels of government. Staff will continue establishing partnerships to secure additional funding for the SEP.

The selection criteria of beneficiaries, as approved by Council in January, are set out in Appendix A. Details on the two recommended implementers and their proposed scope of work are contained in Appendix B.

Financial

The total amount of grant funding recommended to be allocated in this report is \$350,000 with \$150,000 to be allocated to the VCF and \$200,000 to be the CIRES. The source of funding is the DTES Capital Grants under the multi-year capital project budget of 2021, which Council approved in January 2021 (RTS 14172). No additional funding is required.

Legal

The City of Vancouver is governed primarily by the Vancouver Charter. As defined under section 206 of the Vancouver Charter, money grants are subject to a 2/3 vote of all Council members. Section 206 (1) (j) authorizes Council to grant money to any organization it deems to be contributing to the welfare of the city.

Following Council approval of the proposed grant allocations, appropriate terms of reference and agreement documents will be signed with the implementers outlining the terms and conditions for each program component.

CONCLUSION

The SEP pilot was approved by Council as a strategic initiative to address community concerns related to: commercial vacancies; affordable space needs; capacity building; and the retention of heritage and community-serving non-profits and social enterprises in the DTES, including Chinatown. The recommended grant allocations specified in this report will help implement the SEP and address its priorities of fostering community economic development, protecting community assets, neighbourhood improvement, and community building. Staff will continue to work with funders, senior levels of government, and staff across City departments to seek funding to expand support to eligible businesses and non-profit organizations.

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Special Enterprise Program Selection Criteria

Approved by Council in January 2021, the SEP can only provide supports to eligible businesses, non-profit and for-profit groups that fall under the following categories:

1. *Heritage Businesses*: defined as “a business that is shaped by values from a shared past that is recognized and deemed important by the communities of people who frequent the business and/or the area” (proposed definition by LOCO BC, 2017). This category seeks to provide supports for tenants that contribute to the cultural heritage character of the area.
2. *Community-serving and Social Enterprises*: non-profits or charities, community contribution companies and cooperatives that focus on their community value, whether social, cultural or environmental, re-invest at least half of their profits back to that purpose. (Buy Social Canada, 2019). This category includes businesses that provide affordable goods and services to low income residents.
3. *Non-profit/For-profit Properties with a Social Purpose*: for-profit and non-profit organizations, societies, and cooperatives that own property and hold it for a social purpose (properties and facilities owned and operated by mission-based organizations and investors for the purpose of community benefit, and to achieve blended value returns¹), provide a wide range of economic, social, cultural and artistic services to residents, especially those considered low-income, and are critical to anchoring communities and stabilizing neighbourhoods.

Eligibility criteria

Heritage Businesses

Contributing and expressing the five identified cultural heritage values of Chinatown: celebrating our identities, caring for each other, positive change and prosperity, honouring heritage and memories, belonging to a living community;

Historic significance and length of operations in the area;

Expression and connection to contemporary or historic cultural heritage of Chinatown including specific domains of Intangible Cultural Heritage as defined by UNESCO: social and cultural practises (including performing arts), language, festivals and rituals, neighbourhood history, traditional craftsmanship, and knowledge of nature and universe.

Priority to Black, Indigenous and People of Colour (BIPOC) businesses (owned and operated).

¹ Social Purpose Real Estate Collaborative, December 2020: <https://www.socialpurposerealestate.net/about/what-is-spre>

Community-serving businesses & social enterprises

Priority to BIPOC enterprises (owned and operated);

Focus on mission driven businesses and enterprises that incorporate a social purpose into their strategy and operations;

Alignment with the CoV's plans and strategies: DTES Plan, the Social Impact Assessment, the Community Economic Development Strategy, the Culture Shift Plan and the Healthy City Strategy;

Contributing to local economic development, arts & culture, etc.;

Community-serving characteristics with focus on serving vulnerable low-income residents (e.g. affordable, low cost groceries, etc.);

Details of local employment benefits;

Length of operations.

Non-profit/For-profit properties with a social purpose

Priority to BIPOC properties (owned);

Focus on properties that incorporate cultural values, attributes, and a social purpose into their strategy and operations;

Alignment with the CoV's plans and strategies: DTES Plan, the Social Impact Assessment, the Community Economic Development Strategy, the Culture Shift Plan and the Healthy City Strategy;

Contributing to local economic development, arts & culture, etc.;

Length of operations.

Other criteria that may apply include:

- Proof of need for supports. Applicants need to prove there is a financial burden or hardship to continue operations, expand operations, upgrades for space activation.
- Other factors such as business capacity, the impact of a business in the neighbourhood, may be considered and subject to the availability of external funding.

Downtown Eastside Special Enterprise Program *Recommended Program Implementers*

1. Vancouver Chinatown Foundation

The Vancouver Chinatown Foundation is a registered charity dedicated to building a more resilient and inclusive community in Chinatown. The Foundation has considerable expertise in marketing, branding, social media, events and project management, and has successfully launched different programs to support local businesses, promote economic recovery and build social housing in the DTES. The Foundation's strategy to revitalize this important cultural neighbourhood is grounded by three interconnected pillars:

- *Economic Revitalization*: support and attract both traditional Chinese businesses and culturally appropriate shops that complement the natural evolution of Chinatown while respecting its historic character
- *Cultural Revitalization*: provide and attract a mix of traditional Chinese businesses and culturally appropriate shops that complement the natural evolution of Chinatown, and invite the community to share their stories and experiences of Chinatown for generations to come.
- *Physical Revitalization*: help preserve and rehabilitate historic buildings in the neighbourhood as well as improve and increase the supply of quality housing in Chinatown, especially for seniors

Selection Process

In February 2021, the City conducted a survey to understand the needs of small business and gather their feedback to help plan the SEP. 13 respondents representing 14 businesses and/or non-profit organizations completed the survey (note: 1 respondent has 2 restaurants). The results of the survey showed:

- Respondents: 5 retail shops, 6 community-serving businesses and 3 restaurants;
- **8 out of 13 respondents** identified as cultural/legacy and/or community-serving businesses;
- 100% of respondents **serve local residents** and **demonstrated interest** in business supports offered by the SEP;
- Businesses emphasized the need for finding ways to **increase foot traffic** to Chinatown;
- The business supports most needed right now are **tools, equipment & furnishings, marketing and promotion** and **digitizing services**, followed by business development, tenant improvements, succession planning and hiring of staff listed by order of mentions; and,
- In order to participate in the SEP program, the respondents expressed the need for **financial sustainability**. Staffing support including workshops, professional development were listed as important supports.

Based on the result of the survey, Staff conducted a *Call for Expressions of Interest (EOI)* to invite non-profit organizations, societies or cooperatives in Chinatown to submit proposals to assist with the implementation of the Business Support/Capacity Building component of the SEP. The Foundation was the successful proposal based on their experience, expertise and the proposed scope of work, which aligns with the SEP objectives and criteria.

Proposed scope of work

<p>1. Desired Outcomes</p>	<ul style="list-style-type: none"> • Expand the market reach of businesses by adopting alternative business models (e.g. online) to compliment brick and mortar business. • Improve business practices to maximize efficiency and service levels (e.g. business marketing and promotion, how to engage with their current consumer base and grow their client base, etc.). • Improve business practices to maximize efficiency and service levels. • More frequent community initiatives/events as a way to attract locals back to Chinatown. 	
<p>2. Intake Process</p>	<ul style="list-style-type: none"> • The selection of beneficiaries is based on the SEP criteria approved by Council (refer to Appendix A) and dependant on availability of funds: <ul style="list-style-type: none"> ○ In consultation with members of the <i>LSG Small Business Economic Working Group</i>, businesses and NPO's that completed the survey could be considered for assistance in this first round of the Program. ○ Interested businesses and NPO's will be required to provide a readiness assessment in order to participate in the program. • The selected businesses will be matched with mentors to guide them through the process. 	
<p>3. Team of Experts</p>	<ul style="list-style-type: none"> • Establish a team of consultants/coaches/subject matter experts to mentor and educate businesses. • Provide support in English, Cantonese, and Mandarin. • Collaborate with local Associations such as the Vancouver Chinatown BIA, Chinatown Benevolent Association, Vancouver Chinatown Merchant Association, and the Dr. Sun Yat-Sen Classical Chinese Garden. 	
<p>4. Monitoring and Evaluation</p>	<ul style="list-style-type: none"> • Ongoing communication with mentors and businesses to monitor progress, gather feedback, and assess effectiveness. • Identify gaps/opportunities and modify deliverables (if needed). 	
<p>5. Proposed budget</p>	<p>Program implementation – business supports</p>	<p>\$125,000</p>
	<p>Operation and administration costs</p>	<p>\$25,000</p>
	<p>Total</p>	<p>\$150,000</p>

2. Community Impact Real Estate Society

CIRES is a Vancouver-based social enterprise designed to operate a commercial property portfolio of 52 BC Housing commercial units (~104,000 ft²) in Vancouver's inner city. CIRES leases street-level spaces for uses that ensure affordable goods and services, social support, and employment opportunities are available to residents of the communities in which they work, including low-income residents in the DTES. CIRES also employs a licensed social enterprise property management company to perform rental property management duties, as outlined in the Rules and Regulations of the Real Estate Services Act. Tenants are selected based on identified community need, community benefits they can provide (e.g. targeted employment, local procurement, and donations, etc.), and market opportunities. Special consideration is given to legacy businesses and health services addressing the current Opioid crisis.

Since February, CIRES has been working with Exchange Inner City (EIC) and Hessey Consulting + Architecture as part of a team of consultants tasked to develop a vacant space activation initiative in the Downtown Eastside/Oppenheimer District (DEOD). Phase 1 of this initiative included the identification of vacant affordable spaces, landlords and tenants interested in activating these spaces, and the development of a pilot implementation proposal that align with the SEP objectives. Outreach to prospective participants was led by EIC through individual conversations with its membership and other non-profit organizations and social enterprises in the DTES. Three pilots have been suggested based on a criteria established by the consultants and in agreement with City staff.

Proposed affordable space activation pilots

Tenant	Space	Population served	Max Funding
*Lookout Housing and Health Society	450 E Hastings St. (2,350 ft ²)	Adults living in the DTES with low or no income facing extreme poverty, homelessness or addiction.	\$60,000
Working Gear	239 Main St. (3,000 ft ²)	Employment-seeking DTES residents with low or no income.	\$60,000
All Nations Outreach	**Pending confirmation	Indigenous DTES residents who are struggling with substance use, mental health or homelessness.	\$60,000
Implementation of pilots			\$20,000
Total			\$200,000

**Additional funding is being recommended by ACCS (RTS14659)*

***Funding will not be released until the premises have been confirmed*

Selection criteria and eligible costs for proposed affordable spaces

<p>Tenant</p>	<ul style="list-style-type: none"> • Participating groups must be community-serving organizations, including Social Enterprises, focusing on directly serving DTES residents. Additional consideration will be given to organizations that: <ul style="list-style-type: none"> ○ Have a significant equity contribution, including Black, Indigenous and People of Colour (BIPOC)-led and BIPOC-serving groups; and, ○ Demonstrate an organizational structure in harmony with the City of Vancouver’s sustainable procurement policy.
<p>Space</p>	<ul style="list-style-type: none"> • Units must be vacant, ground-floor storefronts with street frontage located within the project area. • Projects must involve a new lease agreement and cannot be a renewal. • Tenancies must be lawful and subject to an Occupancy Permit. • Property owners must establish a lease agreement that includes the following: <ul style="list-style-type: none"> ○ The term of lease must be a minimum of 3 years plus 3-year renewal (minimum 6 years under the Activate DTES program). At the expiry of the lease term, right of first refusal is first offered to the current leaseholder organization; ○ If the current leaseholder does not renew, right of second refusal must be offered to a CIRES-recommended community serving organization currently on the CIRES space wait list; and, ○ There is a no demolition clause for the initial term of the lease. • Property owners must provide a tenant improvement allowance that meets or exceeds the SEP Affordable Spaces funding provided to the organization.
<p>Eligible costs</p>	<ul style="list-style-type: none"> • SEP Funds could be applied to the following typical categories of work related to the tenant improvement of the CRU in order to achieve a lawful occupancy: <ul style="list-style-type: none"> ○ Consultant fees related to the project including: Architect, Engineer, Code Consultant, Construction Management, Project Management, Legal; ○ Site assessment fees related to the project including: Engineer, Hazardous Materials Survey, HVAC, Water & Sewer Survey, and Interior Area & Layout Survey; ○ City of Vancouver fees including: Permits, Water Works By-law, and Sewer and Watercourse By-law; and ○ Construction scope related to tenant improvement that is permanently fixed to the building.