



## CITY OF VANCOUVER

# UB-1

### ADMINISTRATIVE REPORT

Report Date: March 30, 2007  
Author: Nathan Edelson  
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VanRIMS No.: 11-2000-14  
Meeting Date: May 17, 2007

TO: Standing Committee on Planning and Environment

FROM: General Managers of Community Services and Corporate Services in consultation with the Director of Legal Services

SUBJECT: Lease Subsidy Program

#### RECOMMENDATIONS

- A. THAT Council approve the Downtown Eastside Lease Subsidy Program at a total cost of \$670,000, as outlined in this report; source of funds to be \$186,000 carried forward from the 2000-02 Capital Plan, \$100,000 from the 2006 Capital Budget for the Downtown Eastside, and the balance to be provided from the Downtown Eastside Program subject to approval of the 2008 Capital Budget.
- B. THAT the City enter into an agreement with Building Opportunities with Business Inner City Society ("BOB") to administer the Lease Subsidy Program generally in accordance with the terms set out in Appendices A and B and such other provisions as considered appropriate by the Director of Legal Services in consultation with the General Managers of Community Services and Corporate Services, it being understood that no legal relations are hereby created and none shall arise hereunder until the agreement is drawn to the satisfaction of the Director of Legal Services and executed by her on behalf of the City.
- C. THAT staff complete an evaluation of the Lease Subsidy Program in consultation with BOB and community stakeholders, and report to Council by the end of 2010 on the effectiveness of the Program with a recommendation as to whether the Program should be extended, subject to funding availability.

## GENERAL MANAGER'S COMMENTS

The General Managers of Community Services and Corporate Services recommend approval of the foregoing.

## CITY MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

## COUNCIL POLICY

In July 1998, Council confirmed principles to provide general guidance to actions and planning in the Downtown Eastside, Chinatown, Gastown, Strathcona and Victory Square which include encouraging legitimate commercial activity, improving conditions at the street level, improving low income housing, reducing crime, and helping community people to find allies and seek a common future.

In November 1998, Council approved "A Program of Strategic Actions for the Downtown Eastside." One objective of the Program was to bring legitimate businesses back to the storefronts of Hastings Street between Gore Avenue and Cambie Street.

In March 2000, Council approved the Lease Subsidy and Tenant-Improvements Assistance Pilot Programs to encourage locally-based businesses to commence operations in the Downtown Eastside. \$150,000 was allocated from the 2000 - 2002 Capital Plan for each of these Programs.

## PURPOSE

This report recommends that Council approve the Lease Subsidy Program and negotiate an agreement with Building Opportunities with Business Inner City Society ("BOB") to administer the Program with revised terms of reference. The objectives of the Program include helping community-based businesses fill empty storefronts in the Downtown Eastside and providing jobs and affordable commercial services for local residents. The Program is one of a number of initiatives supported by the three levels of government to help implement the Vancouver Agreement's Economic Revitalization Plan as well as the Inner City Inclusive Olympic commitments.

## BACKGROUND

In March 2000 Council approved the Lease Subsidy Pilot Program to test out whether it could help establish new businesses in the Downtown Eastside. The Program was administered by the Vancouver Economic Development Commission (VEDC) in partnership with Partners for Economic and Community Help (PEACH). Council allocated \$150,000 from the 2000 - 2002 Capital Plan for this Program. This Pilot Program provided a grant to pay half the rent of an approved social enterprise over a three year period. A social enterprise is a revenue generating business owned and operated by a non-profit society. An additional \$150,000 was

allocated for a Tenant Improvement Pilot Program in which the City could renovate and sublease space to private businesses as well as social enterprises.

In May, 2000 Council approved the first Lease Subsidy grants to Clothes Encounters - a laundry and café -- and to Call 'N Post - a social enterprise offering voicemail, mailboxes, printing and fax services to residents of the Downtown Eastside.

While both were good business concepts, both have ceased operation. The Call 'N Post was brought back into the DERA office as a result of an organizational consolidation due to funding constraints related to other projects. Clothes Encounters faced exceptionally challenging start-up, building code as well as water and electrical services issues. Its loan was called in by Four Corners Community Savings Bank and it was forced to cease operations. However, the bank sold the laundry machines at cost to the landlord on the basis that these assets would be transferred to a small business that would lease the same site. That business - the Blue Shell Laundry - has proven to be profitable and remains in operation at the same site.

## DISCUSSION

The objective of the Lease-Subsidy Program is to help revitalize the Downtown Eastside by facilitating the establishment or expansion of locally-based businesses which are owned and managed by registered charitable institutions or welfare organizations incorporated under the Societies Act. Pursuant to section 206(1)(a) of the Charter, the City can provide grants to any charitable institution. Pursuant to section 206(1)(j), the City can also provide grants to "welfare organizations", or "any organization deemed by the Council to be contributing to the culture, beautification, health, or welfare of the city."

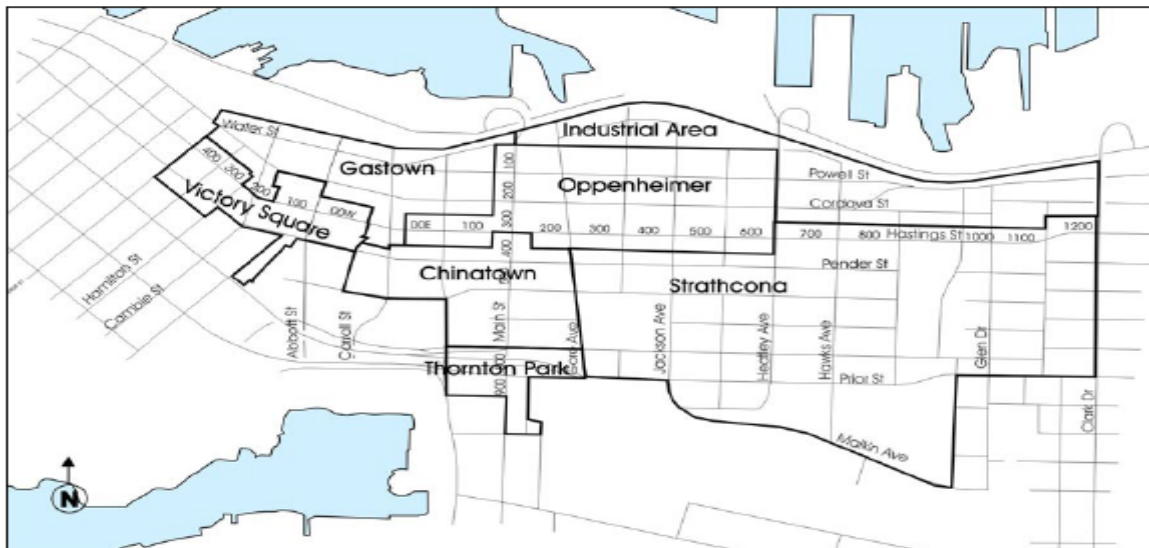
It is recommended that Council approve the 3-year Lease Subsidy Program (2007 - 2009) at a total cost of \$670,000. A total of \$286,000 is already set aside, and the remainder is subject to approval of the 2008 capital budget. There is an understanding that administration and actual disbursements of the Council approved leases could continue through 2013. A formal evaluation will be performed in 2010 to determine the effectiveness of the Program and the need for an extension subject to funding availability. It is also recommended that the Program be administered by Building Opportunities with Business ("BOB").

BOB was established by the Vancouver Agreement ("VA") in 2005 to help coordinate implementation of the VA Economic Revitalization Plan and Employment Strategy and to help meet the Inner City Inclusive Olympic commitments. BOB is an integration of a number of VA supported programs including FTE (Fast Track To Employment) which developed the Social Purchasing Portal and PEACH, which previously administered the City's Lease Subsidy Program and a Federal loans program. BOB is continuing these and other programs and will be managing on behalf of the City, Community Benefit Agreements to secure jobs and business spin-offs from major development, including redevelopment of Southeast False Creek.

Other initiatives identified in the VA Economic Revitalization Plan include ongoing operation and expansion of the City's Heritage Incentive Program, Woodwards, the Victory Square and Chinatown Plans, the Carrall Greenway and other public realm improvements as well as revitalization initiatives in the Hastings Corridor, Powell Street and the industrial areas.

### *Lease Subsidy Criteria and Considerations*

- **Location:** The business should be located in the Downtown Eastside (See map below). Consideration can be given to proposals that are located nearby and show significant job creation potential or affordable commercial services for residents of the Downtown Eastside. [Note - the previous Program was restricted to the Hastings corridor between Gore Avenue and Cambie Street.]



*Downtown Eastside Sub-Areas*

- **Premises:** The business will generally be in a storefront street-level commercial space. Consideration can be given to proposals for non-storefront locations which demonstrate significant job creation potential for residents of the Downtown Eastside. [Note - The previous Program was restricted to storefronts.]
- **Lease Rates and Terms:** The pre-subsidy lease rates should be at or below market for the location and condition of the premises. The rates and terms must be approved by Real Estate Services. This will prevent the subsidies from artificially inflating commercial rents in the area.
- **Standard Lease Terms:** Although many landlords will prefer to use their own legal agreements as a starting point for negotiations, BOB, in consultation with Real Estate Services and major private landlords will design a standard lease agreement. This lease template will allow the addition of property-specific clauses. It could help expedite the lease review process, generate greater awareness and support for the Lease Subsidy Program amongst area landlords and provide greater security for subsidy recipients.
- **Type of business:** The business should be a commercial enterprise that provides either goods or services. Consideration can be given to subsidizing the office needs of such an enterprise. The business must not be involved in illegal activity.

- ***Non-competing:*** BOB will make efforts to help ensure that the business will not be in direct competition with another existing legitimate Downtown Eastside business, unless it can be demonstrated that there is adequate market demand to accommodate a new establishment or that the new business will help expand existing market demand.
- ***Community benefits:*** The business must directly support the Downtown Eastside community by providing employment or training opportunities or affordable commercial services for Downtown Eastside residents. Social enterprises whose profits help fund the delivery of programs that directly benefit the Downtown Eastside shall also be considered.
- ***Business Advisory Review Committee:*** BARC will provide community-based expertise in determining whether a proposal should be recommended to Council for approval of a lease subsidy. BARC is made up of representatives from the Board of BOB, Downtown Eastside residents, business organizations and business people. The committee will have representatives with experience in commercial real estate and the City development process. It will meet as required to review applications and to assess the progress of the enterprises receiving assistance from BOB.

### *Lease Subsidy Program Steps*

1. ***Application:*** A society will apply to BOB for business development assistance. BOB will determine what supports might be appropriate given the experience and assets of the organization and the viability of its business plan or business proposal.
2. ***BARC Review:*** Should BOB staff conclude that a lease subsidy should be considered as part of a package of supports, the proposal will be reviewed by BOB's Business Advisory Review Committee.
3. ***Council Approval:*** If the application is supported by the BARC, it will be reported by City staff, in consultation with BOB, to Council. Council approval in principle of a grant for up to three years will be made subject to successful negotiation and execution of a lease. It will be based on conditions describing the nature of the business, approximate location, size and lease cost of the premises. In addition to the maximum monthly lease subsidy, Council will approve a grant to BOB and to the applicant to purchase needed legal and/or relevant professional real estate expertise.
4. ***Transfer of Funds to BOB:*** In accordance with Council's decision on a particular application, the City may release to BOB the first year's portion of the Lease Subsidy grant in trust for the non-profit society as well as funds to purchase needed legal and/or relevant professional real estate expertise. The early release of these funds will help enable the society to enter into a lease for a site in a timely way and help minimize potential cash flow problems for the society as well as for BOB. BOB will report on the status of all funds semi-annually in a manner acceptable to the City's Director of Finance and General Manager of Community Services (refer to the proposed terms in Appendices A and B). Should the project continue to meet approved criteria, funding for years 2 and 3 would be released annually to BOB by the City. In any event, BOB will provide each approved society with a one month advance and thereafter only release the grants to subsidize rent payments incrementally and on a monthly basis as rent becomes due.

5. **Securing Premises:** BOB will work with the grant recipient and the City to identify potential sites and to assist in making an offer to lease. Funds from the Lease Subsidy Program may be provided by BOB for the applicant to pay for a Special Inspection, to hire a professional to carry out a Building Code Inspection and other needed professional advice for the preferred site(s). Lease Subsidy funds may also be used so the non-profit society can hire a lawyer to review the proposed lease. This in turn will also be reviewed by BOB's lawyer to ensure that the lease terms are appropriate. BOB will also seek professional real estate advice to ensure that the lease rates are at or below prevailing market rates.
  6. **Lease:** The non-profit society approved by Council to receive the grant would lease the commercial space in the Downtown Eastside. Neither the City nor BOB would enter into any agreement with the landlord.
  7. **Transfer of Funds from BOB to Society:** The Services Contract will enable BOB to provide funding on a monthly basis to the non-profit society in advance of the leasing period for which funds would be applied. BOB will carry out monthly monitoring to ensure that the society is paying its rent and is otherwise not in default under its lease. The society will submit monthly rent receipts to BOB.
  8. **Subsidy Maximum and Payment Schedule:** Satisfying the criteria mentioned previously in the report, the lease subsidy would pay for approved fees for legal and/or other relevant professional real estate expertise plus a percentage of the market lease cost:
    - Year 1 of operation - 75% of the lease to a maximum subsidy of \$3750 per month
    - Year 2 of operation - 50% of the lease to a maximum subsidy of \$2500 per month
    - Year 3 of operation - 25% of the lease to a maximum subsidy of \$1250 per month
- [Note: The maximum permitted monthly subsidy is based on typical storefront sizes and rents. Typical storefronts are a maximum of 3000 square feet. They rent for about \$10 per square foot per year on East Hastings to about \$20 on Water Street. Thus the maximum permitted lease subsidy would be calculated as a percentage of a market rent of up to \$5000 per month {(\$20 per sq ft x 3000 sq ft)/12 months}]
9. **Unused Subsidy:** Any grant monies not used by BOB for such purpose will be refunded to the City.

### ***Tenant-Improvements Assistance Program***

The objective of the Tenant-Improvements Assistance Program is for the City to lease a privately owned storefront, renovate and sub-lease it to a social enterprise or private business. The program was approved in 2000 as a way of helping attract private sector business to the Downtown Eastside. However, the City could be responsible for any outstanding rent should a sub-tenant fail. Given the amount of work and the potential risks associated with this Program, staff recommends that it not be pursued at this time and will report back after the Lease Subsidy Program is well established, should a significant opportunity for a Tenant Improvement project emerge.

### *Evaluation*

Each lease subsidy grant will be administered for three years. Staff, in consultation with BOB, applicants, local BIAs and other community stakeholders will prepare a formal evaluation of the Program in 2010. If the evaluation indicates that the Program has been ineffective or is no longer needed, staff will recommend that no new grants be approved and that only those already funded be administered until the outstanding grants are completed. Should the evaluation indicate that the Program continues to be needed, staff may recommend securing additional funding to extend the Program.

### **FINANCIAL IMPLICATIONS**

The anticipated cost to undertake the 3-year Lease Subsidy Program commencing 2007 is \$550,000, with the understanding that administration and actual disbursements of the Council approved leases could continue through 2013. This includes the costs of a share of each three year subsidized lease, plus legal and other relevant professional advice related to leasing.

In addition, there is an administrative fee to BOB of up to \$120,000, about \$20,000 per year in the first three years and thereafter the fee is subject to a review of the programme at the end of year three, all as set out in Appendix A. Following this review, staff will report back if any adjustments are necessary.

It is recommended that the funding be provided from Downtown Eastside Revitalization capital included in the 2006 - 2008 Capital Plan. There is \$286,000 available funding for start up of the Program in 2007 (\$186,000 remaining from the previous Pilot Programs and \$100,000 from the 2006 DTES Capital budget) and the balance of the funding will be subject to approval of the 2008 Capital Budget.

By the end of 2010 an evaluation will be completed to help determine whether additional City funded lease subsidies should be considered or whether the Program should be wound down.

The Lease-Subsidy Program involves grants made by Council and is thus not intended to be operated on a cost-recovery basis. The participating business will be responsible for signing the lease and paying the rent. If a business fails, the City cannot be held liable, and will make no further rent subsidy payments.

BOB may also look for companion funds from senior governments, the private sector, or foundations to expand the Program and/or to make assistance available to privately owned businesses or to other parts of the inner city.

### **RISK MANAGEMENT**

This Program gives BOB the fiduciary responsibility for handling the annual grant approved by Council in trust. BOB has a well-defined financial policy and will have to report on the status of all funds semi-annually in a manner acceptable to the City's Director of Finance and General Manager of Community Services (refer to the proposed terms in Appendices A & B). Staff from Community Services and Corporate Budget Services will have joint responsibility to ensure that the reporting requirements are adhered to on a timely basis.

In addition, the VA has a senior staff liaison and also appoints one member to BOB's Board of Directors. BOB will maintain adequate insurance to protect itself from third party liability claims and fraudulent losses. With BOB's consistent adherence to its financial policies and compliance with the Society Act, the City's liability exposure would be mitigated.

### COMMUNITY CONSULTATION

Staff coordinated a community consultation meeting in early January to discuss the proposed Programs with existing social enterprises in the Downtown Eastside, neighbourhood non-profit organizations, area BIAs, local private and non-profit landlords and other community stakeholders. The meeting was attended by 27 community representatives and generated substantial positive feedback and recommendations on how to better deliver and manage the Program so that it can better serve target recipients. Key community-generated recommendations are summarized in Appendix C and many were incorporated by staff into this report.

### CONCLUSION

Although a significant number of new businesses have been established in Gastown and Chinatown and vacancy rates are low in the Industrial Area, it is very difficult for legitimate businesses to succeed under current conditions in the Downtown Eastside - especially along the Hastings Corridor. The proposed Program is one of many initiatives intended to address the complex and inter-related issues facing the area. It is also an important component of the Vancouver Agreement's Downtown Eastside Economic Revitalization Plan, which includes an array of supports for existing, as well as new businesses.

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THE PROVISIONS OF THE AGREEMENT (the "AGREEMENT") BETWEEN THE CITY OF VANCOUVER AND BUILDING OPPORTUNITIES WITH BUSINESS INNER CITY SOCIETY (the "SOCIETY") SHALL INCLUDE, BUT NOT BE LIMITED TO, THE FOLLOWING:

1. TERM

- The term of the Agreement shall be for six (6) years commencing on the date the City executes the document;
- At least thirty (30) days prior to the third anniversary of the commencement of the term the City may, in its discretion, offer to extend the term of the Agreement for an additional three (3) years on terms satisfactory to the City;

2. SOCIETY'S RESPONSIBILITIES

- The Society shall administer the Lease Subsidy Program and carry out its related obligations to the City, all as generally set out in Appendix B and elsewhere in this Report, to the satisfaction of the City;

3. FEES

- During the first three (3) years of the term of the Agreement the City shall pay to the Society Sixty Thousand (\$60,000.00) Dollars as outlined below:
  - Year 1: reasonable "start up" costs approved in advance by the City as a one-time payment not in advance; and
  - after deducting the approved "start up" costs from the sum of Sixty Thousand (\$60,000.00) Dollars the balance shall be paid in monthly instalments not in advance; and
- During the second three (3) years of the term of the Agreement the City shall pay to the Society monthly instalments not in advance in amounts determined by the City following a review of the Lease Subsidy Program at the end of the first three (3) years of the term;

4. PROGRAM FUNDING

- The budget for the Lease Subsidy Program, inclusive of fees to the Society, is targeted at Six Hundred and Seventy Thousand (\$670,000.00) Dollars but a portion is subject to future City funding; and

5. TERMINATION RIGHTS

- Either party may terminate the Agreement at any time upon giving the other party three (3) months prior notice.

Lease Subsidy - Proposed Reporting Requirements  
March 29, 2007

*A. Reporting Requirements for Application to Council for a Lease Subsidy*

*All Lease Subsidies must be approved by Council, based on a Council report prepared by City staff. BOB, in consultation with the applicant, will provide staff with the following information to be included in the Council report:*

*1. Description of the applicant*

- a. Name and contacts of the non-profit society owner*
- b. Names and contacts for its board of directors*
- c. Evidence of registration (e.g. Society Act; Revenue Canada Charity if applicable)*
- d. Years in operation of the society*
- e. Brief description of the society's objectives, other programs it operates, and how the Lease Subsidy will help it meet its objectives*

*2. Description of the Social Enterprise*

- a. Name of the Social Enterprise*
- b. Evidence of Business License*
- c. Years in operation and previous address (if applicable)*
- d. Name and contacts of lawyer and other professional advisors*
- e. Brief Description of the business (e.g. what it will sell; to whom, etc.)*
- f. Brief Description of the Commercial Space to be subsidized:*
  - i. Approximate location and floor space required*
  - ii. Estimate of market rents to accommodate the enterprise*
  - iii. Estimate of Lease Subsidy requested*
- g. Financial projections demonstrating*
  - i. Viability of enterprise*
  - ii. Need for Lease Subsidy*
  - iii. How Social Enterprise will operate without Lease Subsidy in year 4*
- h. Commitment to support the Downtown Eastside economy*
  - i. Description of Hiring Strategy including projections of*
    - Total Number of employees*
    - Number of employees from Downtown Eastside*
    - Number of employees with challenges to employment*
  - ii. Description of Procurement Strategy including*
    - Membership in Social Purchasing Portal, local BIA, etc.*
    - Anticipated procurement from the Downtown Eastside*
  - iii. Other ways of contributing to DTES Economic Revitalization Plan*

*3. Portfolio Report previously approved Lease Subsidies*

- a. How much Lease Subsidy has been committed to each Social Enterprise*
- b. How much has been spent on each Social Enterprise*
- c. How much committed funds remain outstanding for each Social Enterprise*
- d. Relevant changes effecting previously approved Lease Subsidies*
- e. Number of applications in process*

**B. Reporting Requirements for Semi Annual Portfolio Report**

1. *Portfolio Report on previously processed Lease Subsidies (see above)*
2. *Brief description of the status of each subsidized Social Enterprise*
  - a. *Any change of status of the non-profit society owner, its board of directors, and evidence of registration*
  - b. *Name and Location Social Enterprise*
    - i. *Address*
    - ii. *Square feet*
    - iii. *Rent*
    - iv. *Amount of Lease Subsidy*
  - c. *Status report describing how the Social Enterprise is performing in relation to its original projections and previous semi-annual report regarding:*
    - v. *Financial projections*
    - vi. *Commitment to support the Downtown Eastside economy*
      - a. *Description of Hiring Strategy including*
        - *Actual total Number of employees*
        - *Actual number of employees from Downtown Eastside*
        - *Actual number of employees with challenges to employment*
      - b. *Description of Procurement Strategy including*
        - *Membership in Social Purchasing Portal, local BIA, etc.*
        - *Actual procurement from the Downtown Eastside*
      - c. *Other ways of contributing to DTES Economic Revitalization Plan*
4. *Brief description of each application that was rejected by BOB or Council and the reason why*
5. *Brief Overview of the Status of Lease Subsidy Program*
  - a. *Changes to how it is being managed*
  - b. *Its impact on the economy of the Downtown Eastside*
  - c. *Challenges*
  - d. *Suggestions for improving the Program*

**C. Program Evaluation**

- *A Program evaluation will be completed by the end of 2010 and carried out by staff or an independent consultant, in consultation with BOB, the organizations receiving Lease Subsidies, applicants that were not approved for subsidies, local BIAs and other community partners. The evaluation will contain a recommendation about whether to extend the Program by considering additional applications or whether to wind down the Program so it can terminate by the end of 2013.*

**Lease Subsidy Program – Community Review Meeting**  
Carnegie Community Centre – Theatre Room  
January 9, 2006 11:30AM to 1:00PM  
MEETING MINUTES

**PARTICIPANTS**

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Vicki Scully, *Building Opportunities with Business Inner City Services Society (BOB)*  
Mike Carter, *BOB*  
Jane O'Conner, *Canadian Mental Health Association*  
Ethel Whitty, *Carnegie Centre*  
Syrus Lee, *Chinatown BIA*  
Diamond Liu, *Chinatown BIA*  
Leslie Kemp, *Community Arts Council*  
Nathan Edelson, *City of Vancouver*  
Richard Tetrault, *Eastside Culture Crawl*  
Joel Solomon, *Endswell Foundation/Renewal Partners*  
Shawn Swartz, *Evergreen*  
Irwin Oostinde, *Gallery Gachet*  
Robert Glass, *MacDonald Developments*  
Jim Green, *MacDonald Developments*  
John Richardson, *Pivot Legal*  
Peter Wrinch, *Pivot Legal*  
Tom Laviolette, *PHS Community Services*  
Alanna MacLenan, *Projections*  
Heather O'Hara, *Potluck Café Society*  
Robert Fung, *The Salient Group*  
Tony Wilson, *Social Worker*  
Toby Barozzoul, *Strathcona BIA*  
Doug Peat, *United Gospel Mission*  
Caryn Duncan, *Vancouver Women's Health Collective*  
John Ingram, *Verdant Group*

## AGENDA

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1. Introductions
2. Downtown Eastside Economic Revitalization and the Lease Subsidy Program – *Nathan Edelson, City of Vancouver*
3. Lease Subsidy Program Delivery – *Vicki Scully, BOB*
4. Discussion
  - Some questions to consider:
    - Do you consider your social enterprise/non-profit business a candidate for the Lease Subsidy Program? Why- including plans for business growth? How? When?
    - How could each of you and/or your organization/business/agency help build awareness of the Lease Subsidy Program amongst your communities or help identify potential subsidy recipients?
    - Based on your experience in the DTES and in business, what business opportunities exist that could be filled by social enterprises or non-profit driven businesses?
    - What are the key components of design for a program that meets your needs (i.e., documentation required, reporting, flow of funds, terms of the lease subsidy, technical assistance with leasing/business development)
5. Wrap up and Next Steps – *Nathan Edelson, City of Vancouver*

## SUMMARY

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The community meeting was intended to introduce existing social enterprises in the Downtown Eastside, non-profit organizations, private and non-profit landlords and other stakeholders to the proposed Lease Subsidy Program and to collect information on how it could better serve target subsidy recipients. The meeting was well attended with 27 community representatives in attendance and it generated substantial feedback and recommendations on how to better deliver and manage the program.

Following a round of introductions, the meeting began with Nathan Edelson from the City of Vancouver providing an overview of key Vancouver Agreement economic revitalization initiatives in the Downtown Eastside. Mr. Edelson reiterated the VA's desire to achieve economic revitalization without displacement in the area and introduced the Lease Subsidy's main objectives of providing affordable commercial services to residents, providing employment opportunities for residents and reanimating the area's main commercial streets.

Vicki Scully, BOB's Business Development Advisor, next provided a more detailed overview of the Lease Subsidy Program, its eligibility requirements and its approval process and criteria. Ms. Scully also provided an overview of BOB's other business support programs and the Lease Subsidy's Program's fit with them.

Following these presentations, a facilitated discussion of the program was led by John Ingram of the Verdant Group. Participants were given the opportunity to ask specific questions about the program and asked whether they would consider their organizations or businesses a candidate for the program. The majority of non-profit representatives present felt that their organizations and/or social enterprises would be a candidate for the program.

While participants expressed overall support for the program, several key issues were identified. These issues are summarized below along with recommended program changes (where necessary) for each of them. Except where noted, the recommendations were participant-generated. Notes of clarification are provided where no recommendations were made, or where City staff in attendance offered them during the meeting.

### ISSUE 1: Perceived retail goods focus

Although the current program defines “commercial retail” as the provision of *both* goods and services participants felt that there was a perceived bias toward the former. Participants, including those who anticipate being able to take advantage of the Lease Subsidy Program, suggested that the majority of social enterprises may be service-oriented and may not require a store front location (i.e. they require office/administrative space, warehouse or light manufacturing space).

- **Recommendation:** *BOB should have some flexibility in applying location criteria.*  
It was indicated that current program criteria explicitly recognize commercial retail as the provision of either goods *or* services. In addition, it is proposed that BOB be granted some flexibility in making its Lease Subsidy Program recommendations to the City regarding both the nature and location of recipient businesses. While the proposed Program criteria does favour street level, store front retail (reactivating and reanimating commercial streets in the Downtown Eastside is one of the Program’s key objectives), it is recommended that non-store front locations can be considered. It is worth noting that potential commercial service enterprises (e.g., a proposed cleaning service to be operated by the Canadian Mental Health Association [CMHA]) could be located in a street front location with either their administrative offices or a sales agent occupying the store front portion.

### ISSUE 2: Long turnarounds for Program approvals may jeopardize a recipient’s lease opportunities and do not support private sector landlord’s leasing needs.

Several participants representing both the private and non-profit sectors were concerned that the proposed 4- to 6-week approvals timeline to get an Approval from City Council could negatively impact a subsidy recipient’s ability to quickly secure a desired location, particularly in a more active real estate market (something that is widely predicted for the area). Participants representing both area BIAs and the development community/private sector landlords expressed concern over potential approval timelines conflicting with the landlord’s need to turn around leases as quickly and efficiently as possible. Private sector participants also expressed their interest in a program like this to attract socially responsible private businesses back to the area.

- **Recommendation:** *Council should approve grants in advance of final site selection.*  
It is recommended that City approvals be made on agreements in principle based on the amount of space sought by the potential subsidy recipient and the per square foot lease cost of the space. The lease rate would be determined at the time of the application and be based on current market values. A condition of approval would be to work with Real Estate Services on securing an appropriate property and completing a satisfactory Special Inspection.
- **Recommendation:** *Standard lease agreement should be developed.*  
With the support of the Real Estate Services and after consultation with major private landlords, a standard lease agreement should be developed for the program. The standard lease template would allow the addition of property-specific clauses, but would help expedite City-led lease review process, generate greater awareness and support for the Program amongst area landlords and provide greater security for program recipients.

### ISSUE 3: Timing of Reimbursements

A number of social enterprises strongly cautioned that the proposed reimbursement procedure of monthly disbursements against rent receipts could cause cash flow problems and business risk for the recipient organizations. Reference was made to standard granting guidelines of providing lump-sum funding based on a Contract.

- **Recommendation:** *Disbursement procedures are designed to not impact the cash flow of the Social Enterprise.*  
It is recommended that funding be provided on a quarterly or semi-annual basis to the client ahead of the leasing period for which funds will be applied. This would be based on the pre-approval of Council for the application and then checks on final lease inspection and budgets and ongoing monitoring by BOB.

**ISSUE 4: The Lease Subsidy Program must be integrated with major arts initiatives for the area to be effective.**

A number of representatives from the arts community were in attendance. It was requested that the Lease Subsidy Program be integrated with community arts initiatives already underway, including the Community Arts Network (CAN) initiative and Downtown Eastside Arts and Culture Investment Strategy. It was indicated that key initiatives from these activities could include development of new gallery and artist resource spaces. It was proposed that the Lease Subsidy Program could be used to support these ventures.

- **Recommendation:** *Support the DTES Arts and Culture Investment Plan.*  
It was indicated that the Lease Subsidy Program will not conflict with the Downtown Eastside Arts and Culture Investment Strategy and, indeed, is intended to support the Strategy. Closer integration and harmonization of the two initiatives will be carried out when the Investment Strategy is released in early 2007. It was further noted that while the Lease Subsidy Program can not be used to support non-commercial galleries, it could potentially be used to support commercial galleries and arts-related social enterprises (e.g., an East Side Culture Crawl program office, gallery and training centre was proposed by one of the meeting's participants).

**ISSUE 5: Length of coverage by the Lease Subsidy Program may not be sufficient.**

A number of participants were concerned that the program's 3-year timeline would be inadequate for most social enterprises, as economic self sufficiency generally takes longer with these businesses and additional ongoing funding supports are typically required (i.e., ongoing grant financing is used to offset additional business costs, such as more comprehensive staff training, outside work placements, etc.).

- **Recommendation:** *Monitor effectiveness of 3 Year Lease Subsidy.*  
The City of Vancouver indicated the issue is understood and will be considered. It was suggested that the City report back on the effectiveness of the program annually and monitor whether program adjustments, including the time period of the subsidy are required

**ISSUE 6: Other City and VA funding programs and strategies need to be integrated with Lease Subsidy Program.**

A number of points were made about the implications of the Lease Subsidy Program on other neighbourhood strategies and City funding programs. Some participants were concerned about whether a lease subsidy would jeopardize other City funds (e.g., City Capital Grants, City Arts and Culture funds, etc.) they might be receiving. In addition, participants wanted more information on how and if other City investments in the area (e.g., streetscape improvements) would be harmonized with the Lease Subsidy Program.

- **Recommendation:** *Lease Subsidy should not substitute for other City Funding.*  
It was noted that City staff will work with other departments to investigate this. City staff will work with other departments to confirm and ensure that there will be no impact from the Lease Subsidy Program on other City funding programs. In addition, the City will work closely with BOB to ensure that the organization is aware of and able to share details on planned City-funded streetscape improvements and lease opportunities in City-owned buildings in the area with potential lease subsidy recipients.

In addition to these major common issues, other issues related to revitalization of the DTES streetscape were also identified that are worth noting.

- Eligibility criteria need to be clarified around the development of new social enterprises being incubated in an existing non-profit organization. Could these be supported through the Lease Subsidy Program through sub-lease agreements?
- A broader range of business supports for small enterprises needs to be developed (e.g., signage support program).
- The typical revenue mix of social enterprises needs to be acknowledged (i.e., sales revenues, grants, other fundraising).
- More enforcement of illegal and illegitimate businesses necessary (e.g., businesses that use stolen produce or products, businesses that “pay” staff with illegal goods or services, etc.) to help legitimate enterprises compete.
- Flexibility needs to be maintained around partnerships involving private sector businesses (i.e., joint business ventures between the private sector and non-profit organizations should be considered for the Lease Subsidy Program if the resulting social enterprise was an eligible recipient).
- An inventory of affordable properties, particularly for arts-related enterprises, should be maintained.
- The Downtown Eastside’s enormous potential workforce needs to be recognized and promoted.