

# The Orange Hub Financial Need Update

## Recommendation

That Community and Public Services Committee recommend to City Council:

That the 2021 COVID-19 Relief Grant Program for The Orange Hub, as set out in Attachment 3 of the May 28, 2021, Citizen Services report CS00516, be approved.

## Executive Summary

Administration, in collaboration with the tenant organizations, is committed to achieving City Council's vision for The Orange Hub to become a community hub for arts, recreation, learning, and wellness. In support of this objective, Administration established a range of lease rates and currently has lease agreements with a total of 20 non-profit and for-profit organizations, including four that are recognized as professional artist organizations.

At least nine tenant organizations at The Orange Hub have stated that federal and provincial relief programs intended to offset the financial impacts of the COVID-19 pandemic are not sufficient for them to remain viable at The Orange Hub and collectively, they are requesting municipal support. In response, Administration is recommending the use of a one-time operating grant to continue the growth of this vibrant community hub.

## Report

In 2017, the City purchased The Orange Hub to create a vibrant, active intercultural and interagency community hub for arts, recreation, wellness, and learning. The facility provides affordable and accessible spaces for the non-profit and for-profit sectors, while supporting opportunities that help connect people and build vibrant local communities.

The Orange Hub provides a unique collection of programs and services for users from diverse sectors, abilities, cultures and ages. The Orange Hub is occupied by 20 non-profit and for-profit organizations (Attachment 1) including a college and other learning institutes, music-focused and film sector societies, counselling and wellness services, an information technology business, a daycare, and a ticket redistribution service for underprivileged youth. A key factor in selecting tenant organizations for The Orange Hub is their interest and plans to be active partners in achieving City Council's vision of a collaborative community hub, through co-sharing of space, co-leading of

programs, projects and initiatives, as well as the creation of tenant-led working committees.

### Current State

The COVID-19 pandemic has prevented organizations at The Orange Hub from delivering their programs or services and their traditional revenue streams have been eliminated or greatly reduced. To assist with the long-term viability of community organizations, the federal and provincial governments are offering relief funding to offset operating costs, including rent and wages. The Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy provide up to 65 percent of rent and up to 75 percent of wages respectively.

Originally, tenants of municipally-managed buildings were not eligible for the federal rent subsidy. In September 2020, the Canada Emergency Rent Subsidy eligibility expanded to include tenants of municipal buildings and Administration has encouraged organizations at The Orange Hub to apply for Canada Emergency Rent Subsidy as well as other relief programs they may be eligible for.

Four organizations at The Orange Hub have indicated they have been in urgent financial need since late 2020 and anticipate remaining in need through 2021 due to being ineligible or partially ineligible for the original federal relief programs and having spent significantly from savings or reserves. Another five organizations have stated that when Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy end in September 2021, they will not be able to sustain themselves financially unless the federal programs are extended and/or traditional revenue streams are restored.

### Approach to Providing Relief

Administration considered a number of approaches to provide relief, including partial rent abatement and an operating grant (Attachment 2). Administration selected a one-time operating grant to provide gap funding as the best option (Attachment 3) in alignment with Administrative Policy A1476 - Municipal Funding Arrangements.

The grant program would be restricted to eligible organizations at The Orange Hub that experienced a reduction in revenue due to the COVID-19 pandemic. Funding requests would need to include a narrative outlining the circumstances of the need and supporting organizational and financial documentation.

Administration is exploring existing internal and external grant administrative processes, such as those used by the Edmonton Arts Council, to establish the appropriate review process. As such, in addition to internal stakeholders, the grant review team may include external members who represent relevant community organizations.

Funding requests would be reviewed and assessed by an ad hoc grant review team that would make its funding recommendation to Administration for final approval.

**Budget/Financial Implications**

The total impact of the relief program could result in expenditures of up to \$180,000. However, the likelihood of reaching that level of funding support is low, due to other support programs and the anticipated needs of the tenants.

Due to ongoing pandemic-related closures and reduced services in recreation facilities, one-time cost savings in staffing, utilities, and other expenses are available in the 2021 operating budget and will be used as a funding source for the one-time relief program.

City revenues for The Orange Hub are primarily from leases. Without support from the City, there is a risk that organizations would be unable to remain at the facility and will terminate their leases. This would result in an overall reduction of annual lease revenue for the City. In current market conditions and until the pandemic is ended, it is unlikely new tenants would be attracted to the facility, creating a longer-term, negative impact on future revenue budgets.

**Public Engagement**

Engagement was limited to The Orange Hub tenants and the tenant advocacy group. Engagement did not include the general public, as the focus on relief was specific to The Orange Hub tenants.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome:</b> The City of Edmonton has a resilient financial position.			
Outcome	Measure	Result	Target
The City of Edmonton provides support to tenants of The Orange Hub to maintain arts, recreation, wellness, and learning opportunities for organizations and citizens	Branch revenue variance	2020: \$539,205 2019: (\$8,119,832) 2018: (\$4,483,615)	Positive branch revenue variance
	Branch expenditure variance	2020: \$8,053,735 2019: \$4,378,862 2018: (\$134,828)	Positive branch expenditure variance

**Risk Assessment**

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
<b>If recommendation is approved</b>						

## The Orange Hub Financial Need Update

Public Perception	A relief program intended for The Orange Hub exclusively may not be well received by other organizations who are experiencing financial hardship	4 - Likely	2 - Moderate	8 - Medium	Communicate and share other initiatives that the City of Edmonton is doing to support businesses and organizations experiencing financial hardship	
Financial	There may be an increase in funding requests from other organizations	4 - Likely	2 - Moderate	8 - Medium	Communicate and share other initiatives that the City of Edmonton is doing to support businesses and organizations experiencing financial hardship	
<b>If recommendation is not approved</b>						
Financial	Revenues may be negatively impacted as organizations are not sustainable and terminate leases at The Orange Hub	4 - Likely	2 - Moderate	8 - Medium	Work with organizations to understand their current challenges to see if alternative solutions can be found that maintains their tenancy	
Financial	Loss of revenue to The Orange Hub due to an anticipated loss of three to five tenants	4 - Likely	2 - Moderate	8 - Medium	Work with existing tenants and partners to identify other organizations that could potentially replace the ones that were lost	
Public Perception	The City may be seen as not supporting Council's vision for The Orange Hub	3 - Possible	2 - Moderate	6 - Low	Continue to communicate to the public on the direction and vision of The Orange Hub	
Public Perception	The City may be perceived as not a supporter of community organizations	3 - Possible	2 - Moderate	6 - Low	Continue to communicate the positive initiatives the City is supporting with community organizations	

### Attachments

1. Current List of The Orange Hub Tenants (as of April 2021)
2. Options for Providing Financial Relief at The Orange Hub

3. The Orange Hub COVID-19 Impact Operating Grant Program Overview

**Others Reviewing this Report**

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- K. Fallis-Howell, Acting City Solicitor