



## ADMINISTRATIVE REPORT

Report Date: August 21, 2018  
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Meeting Date: September 18, 2018

TO: Vancouver City Council  
FROM: General Manager of Arts, Culture and Community Services  
SUBJECT: Community Benefit Agreement Policy

### **RECOMMENDATION**

- A. THAT Council approve the Community Benefit Agreement Policy (Appendix A), generally as outlined in this report, to standardize practice and the development industry's contribution towards local hiring and social procurement that is based on local knowledge, international best practice, and consultation with industry, social enterprise and other community stakeholders.
- B. THAT, subject to Council approval of the Community Benefit Agreement Policy, staff be instructed to work closely with partners in the development, non-profit and social enterprise sectors to develop an implementation framework to support the related activities and desired outcomes as outlined in this report (Appendices C, D, E, F).
- C. THAT Council direct staff to provide implementation progress updates every two years, and deliver a comprehensive evaluation report on the Community Benefit Agreement Policy including implementation, outcomes, learnings and potential refinements by 2024.

### **REPORT SUMMARY**

In 2015, Council directed staff to create a city-wide Community Benefit Agreement (CBA) policy as part of the Healthy City Strategy four year action plan (2014-2018). The purpose of a CBA is to ensure that development brings improvement in the lives of people through local hiring and social procurement. For Vancouver residents, this proposed CBA policy emphasizes equity of opportunity for residents. With a quarter of Vancouver's residents living below the Low-Income Measure, the third highest rate of any city in Canada, and with the second highest income gap

of any Canadian city, Vancouver's CBA policy will help ensure decent paying jobs across the life-cycle of development are more equitably distributed in communities<sup>1</sup>. This new policy environment will signal opportunities and needs in the years ahead through which CBAs can be strategically crafted and implemented, maximizing opportunities for workforce development, supplier diversity, and capacity building in communities and sectors. This will help to reach the City's goals of improving economic security and affordability for its residents, in particular those who are statistically overrepresented in poverty and precarious employment.

The policy also seeks to leverage Vancouver's unique business environment, which includes having among the highest concentration of social enterprises in North America, and the opportunity for approaches to supporting business and livelihoods through procurement in Vancouver and across the region. While the City has entered into CBAs over the past decade, approaches are not standardized and lack predictability as well as consistent and effective implementation and monitoring. The proposed CBA policy is based on lessons learned from past CBAs and in particular the Parq Urban Resort and Casino pilot, which saw a more robust form of monitoring and reporting and established practices now included in this draft CBA Policy including employment opportunities beyond construction phase. An examination of international best practice and local engagement has played a significant role in formalizing the City's approach to required community benefit agreements.

If adopted, it will be the first CBA policy of any major city in Canada and will support our vision of a healthier city for all. The report also outlines a possible implementation framework to support successful implementation, including proactive issues management, a cross-sector support system, and monitoring and evaluation for ongoing learning.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

- Healthy City Strategy Implementation Plan, 2015 – 2018, recommended the creation a CBA policy as an action
- DTES Community Economic Development Strategy, 2016 identified Community Benefits Agreements as one of several emerging priorities for inclusive job creation and training
- Past Rezoning and Development Permit Decisions that required/included CBAs include:
  - Hastings Racecourse (2005)
  - Millennium Olympic Village (2007)
  - Concord 5BE (2014)
  - Concord 5BW (2014)
  - Aquilini Pacific Coast Arena (2014)
  - Parq Urban Resort (2015)

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

The City Manager recommends approval of the foregoing. The proposed CBA policy will provide greater clarity to the development community while leveraging the City's work to support social enterprise, social procurement, and community economic development. The policy also supports work underway at the Vancouver Economic Commission to identify opportunities on Vancouver's employment lands via innovation in materials for construction and other emerging

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<sup>1</sup> For more information on Vancouver's statistics on poverty and income inequality compared to other Canadian cities visit <https://vancouver.ca/files/cov/prosperity-for-all-through-a-healthy-communities-approach.pdf>

goods and services. In addition to these, this work reinforces Healthy City Strategy goals and City of Reconciliation principles, promotes new and flexible opportunities for the development community to contribute towards economic well-being for Vancouver residents, especially those who tend to be excluded from traditional types of employment, and supports social impact purchasing, including from social enterprise and other diverse suppliers. The CBA policy will also play a role in supporting the City's efforts in poverty reduction.

## **REPORT**

### **Background/Context**

A Community Benefits Agreement (CBA) is an agreement signed by a developer committing them to actions, targets and/or outcomes relating to employment and local or social procurement. Geographically, these agreements refer to a community where the development is occurring or in nearby communities in where equity seeking groups, including low income people and others, can be found<sup>2</sup>.

Since 2005 the City of Vancouver has required Community Benefit Agreements (CBA) on several large development sites. These agreements have required developers to reach agreed-upon targets relating to localized labour and procurement necessary for the completion of the project and, in some cases, monetary or other commitments to support social and economic well-being in affected communities. However, agreements have not been approached in a consistent or predictable manner, have lacked adequate community outreach and engagement, and have failed to employ consistent approaches to monitoring and reporting.

All levels of government in Canada are actively exploring, creating, or have recently adopted standard policies for Community Benefits Agreements. The Federal Government introduced its Community Employment Benefits initiative in 2018, focusing on “providing employment and/or procurement opportunities for: apprentices; Indigenous Peoples; women; persons with disabilities; veterans; youth; newcomers to Canada; small and medium sized enterprises and social enterprises” (Investing in Canada Plan, Government of Canada, April 2018, p33).

Also in 2018, the Province of British Columbia introduced a CBA Policy for key public sector projects focusing predominantly on maximizing apprenticeship opportunities on major projects, increasing membership in unions, and in creating opportunities for employment and skill development for Indigenous people and women. The new policy requires the creation of a Provincial Crown Corporation, BC Infrastructure Benefits Inc. (BCIB), to assist in implementation and monitoring.

Vancouver will be the first major city in Canada to establish a municipal-level CBA Policy; however, the City of Toronto, City of Victoria and other municipalities are in the process of finalizing policies. Consultation also occurred with staff in these cities to ensure Vancouver's draft policy is aligned with emerging practices and standards, while also considering unique local opportunities. In addition to this, if approved by Council, Vancouver's CBA Policy will also align with the goals of senior government as emphasized above.

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<sup>2</sup> See Appendix A for definition of equity seeking group

## **CBA in Vancouver 2005-2014**

Vancouver's first CBA was required of Great Canadian Gaming in 2005, shortly after it entered into an operating agreement with the City of Vancouver for Hastings Racecourse. The CBA was not attached as a condition of development but rather a condition of operations. A Community Legacy Fund was established through the CBA to support community initiatives as well as an ongoing Local Hire Program focusing on Hastings Sunrise and the DTES. It also required Great Canadian Gaming to build and ensure provision of on-site childcare for workers and nearby residents and to provide other programmatic community benefits that are ongoing, such as Community Days and a Groom School<sup>3</sup>. Four other CBAs followed Hastings Racecourse including Millennium Water's Olympic Athletes Village site, Concord (5BE and 5BW), Aquilini Pacific Coast Arena and Parq Urban Resort and Casino, which were all clustered near BC Place Stadium on the Northwest shore of False Creek. These CBAs focused more specifically on local material procurement and labour sourcing with a focus on social impact (i.e. creating opportunities for people facing barriers to entering the workforce due to stigma, lack of formal training and education, criminal record, or a lack of recognition of their abilities and experience etc.).

These CBAs, with the exception of Parq, and Olympic Village were developed without mechanisms of enforcement and generally had few monitoring and reporting requirements in place. Subsequently, learnings from these 'first generation' of CBAs have been limited to input from developers, vendors and community representatives involved. Some evaluative reporting is available regarding the Millennium Water Olympic Village CBA including the comprehensive *Building on Success: An evaluation of the Community Benefits Agreement for the Vancouver Olympic Village Site*.<sup>4</sup>

### **Parq Urban Resort and Casino CBA: Moving towards a more robust and standardized model for Community Benefits Agreements in Vancouver**

In an effort to move beyond a more ad hoc process for CBA negotiation and towards a consistent and predictable policy environment, the development of Parq Urban Resort and Casino presented the City with an opportunity to pilot a new model for CBAs. This evolution in CBAs included international best practice, including a more robust monitoring and reporting requirement that emphasized the need to build relationships with local social enterprise and other training organizations as well as local business. It also included enforcement mechanisms such as permit holds and a letter of credit should the developer not demonstrate 'best efforts' to meet their obligations as per the agreement. Further, the Parq development provided the opportunity for ongoing local hiring and procurement into the post-occupancy operations of the development where previous CBAs (with the exception of Hastings Racecourse) focused solely on opportunities related directly to construction.

Integral to the success of this CBA was the hiring of an independent third party consultant to facilitate supplier relationships with those social enterprise and other community actors. The Parq CBA has provided a more robust model to model the CBA policy for the next generation of agreements. Included in this is the creation of an implementation framework and a CBA Working Group, including developers with signed CBAs, the City, technical experts from employment and

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<sup>3</sup> <http://www.hastingsracecourse.com/community-benefits/>

<sup>4</sup> Report authored by Karen Peachey and Prepared for Building Opportunities with Business Inner-City Society, June, 2009. For additional evaluative reporting on CBA outcomes from North American and the U.K. see *Community Benefits and Tower Renewal*, Dina Graser, May 2016 available at [https://www.evergreen.ca/downloads/pdfs/HousingActionLab/TowerRenewal\\_Report\\_FINAL.pdf](https://www.evergreen.ca/downloads/pdfs/HousingActionLab/TowerRenewal_Report_FINAL.pdf)

procurement fields, training and skill development institutions and non-profits, all supported by an independent third party. This serves to ensure better coordination among all parties to identify capacity building opportunities, avoid preventable challenges, and implement the policy to achieve the desired outcomes.

Learnings from the implementation of the Parq CBA indicated the value of an independent third party to monitor and assist in procurement and labour activities. These learnings are re-enforced by observations made in United Way Centraide Canada's 2017 supplemental policy paper on Community Benefits Agreements in which it notes this type of third-party could serve to "...breathe life into the spirit of legislation" as senior levels of government prepared their respective CBA legislation in 2017<sup>5</sup>. Here in British Columbia the coordinating and implementation body for provincial CBAs is British Columbia Infrastructure Benefits Inc.

### **The Key Elements of the Recommended CBA Approach for Vancouver: First Source Hiring, Social Procurement, and Supplier Diversity**

In addition to analysis of past CBAs in Vancouver, staff examined CBA approaches established in the U.S. and Canada to consider the types of industry and public policy best practices that could inform this policy. The CBA policy has been created with a strong consideration placed on implementation and monitoring. Among these, First Source Hiring, Social Procurement and Supplier Diversity comprise the core implementation actions that the policy engenders. What follows is a brief description of these concepts and some of the tools and processes the engagement undertaken to develop this policy has identified to support them. For a more detailed explanation see appendix D of this report.

#### **First Source Hiring**

First Source Hiring programs have been used throughout the United States to ensure that development creates pathways out of poverty for marginalized residents. These programs may be laid out in local government policies or ordinances. Though more common in the United States First Source Hiring was a key component of Toronto CBAs revitalizing its downtown waterfront and Regent Park community. In order for these types of initiatives to be effective their needs to be a designated third party to administer the program and a clear policy directive compelling industry to participate.<sup>6</sup>

In the case of Vancouver's proposed CBA Policy a complimentary refrain to First Source Hiring has been "Diverse jobs for diverse people across the entire lifecycle of development" which compliments the Supplier Diversity procurement objectives by considering work opportunities through an equity lens i.e. jobs that are appropriate for a diverse range of people no matter their age, gender, ability etc. which by necessity challenges developers and contractors to consider opportunities beyond (before, during, or after) the construction phase.

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<sup>5</sup> Community Benefits Agreements: Empowering Communities to Maximize Returns on Public Infrastructure Investments, July 14<sup>th</sup> 2017 full report available at <http://www.unitedway.ca/wp-content/uploads/2017/07/UWCC-Supplemental-Policy-Paper-Community-Benefits-Agreements.pdf>

<sup>6</sup> For a comparison of American and Canadian CBAs exploring concepts like First Source Hiring etc. see The Prosperous Province: Strategies for Building Community Wealth released by the Mowatt Centre and Atkinson Foundation (2015) <http://communitybenefitsagreements.ca/>

## Social Procurement

Social Procurement (aka Social Impact Purchasing) is emerging in tandem as a best practice and emerging priority at every level of government in Canada.

The City of Toronto defines social procurement as:

*“...the achievement of strategic social, economic and workforce development goals using an organization’s process of purchasing goods and services”*

The Province of British Columbia defines social impact purchasing as:

*“...a process through which organizations consider not only value for money, but also social and environmental impacts when purchasing goods and services”*

These terms are recognized in this report as being one and the same.

## Supplier Diversity

Similar to Organic and Fair Trade certification a range of 3<sup>rd</sup> party social impact certifications have emerged in recent years to support Supplier Diversity initiatives. Supplier Diversity has emerged as a public policy best practice in social procurement efforts as part of a broader societal effort of affirmative action. The Government of Canada describes Supplier Diversity as “... a business that is at least 51 per cent owned, operated, and controlled by either women, members of an Indigenous community (e.g., First Nations, Inuit, or Metis people), members of a visible minority group or members of the lesbian, gay, bisexual and transgender (LGBT) community”<sup>7</sup>

This CBA policy also recognizes that supplier diversity should extend to businesses 51% owned by someone with a recognizable disability and businesses owned 51% by an immigrant or refugee.

## Implementation Considerations: Coordinated Workforce Development, Upskilling and Re-Skilling, Capacity Building in Local Supply Chains.

Staff developed this policy with its implementation and its implications for industry, community and the City in mind. Throughout the engagement process with external partners potential implementation models were examined in order to establish possible partnership models to support all stakeholders. If the CBA policy is approved staff will engage with the Development Industry and other stakeholders (training and education institutions, non-profits, unions, and other technical expertise in community) to support the creation of a CBA Working Group which will provide support to Developers with CBAs and ensure consistent monitoring and reporting across different projects and help identify capacity building needs to improve workforce development and grow opportunities in local supply chains.

The City will work with this group to continue building a comprehensive list of local suppliers of goods and labour and develop a LEED Style CBA Social Value Menu that can be referred to when minimum benchmarks for labour and material procurement are demonstrably unfeasible. Further work remains to determine how this working group can be resourced and supported but

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<sup>7</sup> For more information on Supplier Diversity in a government context visit the [Government of Canada’s Status of Women page on the Business Case for Supplier Diversity](https://www.swc-cfc.gc.ca/initiatives/sdr-rdf/supplier_diversity-diversification_fournisseurs-en.html) [https://www.swc-cfc.gc.ca/initiatives/sdr-rdf/supplier\\_diversity-diversification\\_fournisseurs-en.html](https://www.swc-cfc.gc.ca/initiatives/sdr-rdf/supplier_diversity-diversification_fournisseurs-en.html)

past experience has shown that technical expertise and knowledge, connections to suppliers and community non-profits and general knowledge of social procurement and related fields have brought needed perspective to past CBA holders to help them achieve success.

By taking an implementation focused approach the CBA Policy builds on the previous decade of learning in Vancouver as well as best practices developed over time in other jurisdictions with successful CBAs. Vancouver's CBA Policy as presented in this report stands as a next generation evolution of complimentary practices and concepts.

**Table 1 Different CBA Approaches in Vancouver 2005-2015**

<b>CBA Types</b>	<b>Implementation, Monitoring and Enforcement Measures</b>	<b>Focus of Impact</b>
CBAs 2005-2014	Limited evaluation No permit holds or penalties	Construction jobs for people facing barriers Material procurement from DTES or "inner city" catchment area businesses
Parq CBA (2015)	Monitoring and evaluation conducted by independent 3 <sup>rd</sup> party Applied as condition of RZ with permit holds to enforce compliance with best efforts	Construction jobs for people facing barriers Post occupancy jobs in hotel, restaurants and casino for people facing barriers Material procurement from "inner city" catchment area Social Impact Purchasing with social enterprise
Future CBAs if Policy Approved	Monitoring and evaluation and support for implementation of the policy conducted in a coordinate partnerships model across projects (Proposed CBA Working Group – Community of Practice) Made a condition of Rezoning Application	Inclusive and diverse jobs across the entire lifecycle of development from site preparation to post-occupancy Procurement focus on Small and Medium Sized Enterprise (SME) enhanced by recognition of joint-venture and other partnerships and Supplier Diversity approach First Source Hiring Program and Social Procurement Program LEED Style CBA Social Value Menu to support alternative forms of benefit and capacity building investments for future labour and material needs <sup>8</sup>

<sup>8</sup> See Appendix D for full description of First Source Hiring Program and Overview of LEED Style Menu

### ***Public/Civic Agency Input***

In 2016, the City began consultation and engagement with community and industry stakeholders to address key considerations regarding the application of a future city-wide CBA Policy. Multiple engagement sessions and meetings were held with:

- The Urban Development Institute and its individuals members
- The Urban Land Institute and its individual members
- The Metro Vancouver Aboriginal Executive Council
- Peter Baker (Development and Employment Partnership, Squamish Nation and BC Industry Training Authority of BC)
- Sandra Hamilton (CED and Social Procurement Expert providing support to regional and local government's developing CBA policies)
- Buy Social Canada (social enterprise and procurement experts)
- The broader not-for-profit and social enterprise sector
- Local residents and other equity seeking groups
- Other cities developing CBA policy (Toronto, Victoria)
- Vancouver Economic Commission

In addition to consultation and engagement with those listed above, staff contracted a team of consultant researchers to examine the supply chain needs of development in the context of the potential for social enterprise development and capacity building and revitalization of employment lands to meet demand.<sup>9</sup> The information gathered from consultations and research has directly informed the development of the CBA policy,<sup>10</sup> and demonstrated partnership with the development sector on a mutually beneficial goal.

### ***Strategic Analysis***

The most strategic opportunities for inclusive job creation, for those who can be assisted out of poverty and precariousness through work, rest with our largest employment sectors. None presents a more immediate opportunity than the property development industry. A full 15% of the Province of British Columbia's GDP comes from the activities of the property development industry, which directly employs over 123,000 people and sees a further 110,400 people working due to indirect and induced employment to support the industry's needs<sup>11</sup>. Metro Vancouver is home to the highest concentration of development in the province, powering labour demands in several sectors. According to the most recent BC Labour Market Forecast, in the Mainland-Southwest the construction sector (For all types of construction) will create the second highest number of job openings in the region between 2017-2027 (Retail job forecast at 136,630 is the highest). 97% of these positions will be created due to current workers exiting the labour market (retirement).

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<sup>9</sup> For the full report see Appendix F

<sup>10</sup> For more information regarding the consultation process please see Appendix E

<sup>11</sup> See Economic Impacts of the BC Property Development Industry in 2016, Urban Development Institute accessible at <http://udi.bc.ca/wp-content/uploads/2018/02/MNP-Economic-Impact-Report-201618.pdf>

### Lower Mainland-Southwest BC Labour Market Forecast for Construction Jobs (2017-2027)<sup>12</sup>:

- 2017 construction jobs: 131,500
- Growth rate 2017-2027: 0.2%
- Job openings 2017-2027: 35,940

In addition to this, acute need for skilled labour and trades in particular has been growing in the sector.<sup>13</sup>

Vancouver proper will see several large-scale sites built out in the coming decade that present a clear opportunity to leverage through strategic Community Benefits Agreements. Based on what was achieved through the Parq CBA three to four large sites alone could create over 4,000 entry level positions, generating nearly \$14 million in spending in Vancouver communities (from workers' wages alone) where residents accessing employment opportunities through the CBA policy reside.<sup>14</sup>



Over the past decade community economic development work supported by the City and its partners in community, industry and government has fostered specialized knowledge and practices in Vancouver that are optimally positioned to leverage a consistent and transparent CBA policy environment. This includes networked bodies like Exchange Inner City and the Urban Core Community Workers Association which includes several employment services agencies and workforce development non-profits. In addition to this, employment-based social enterprises have come to play an increasingly important role in transitioning those who have faced challenges to life-stability due to drug and alcohol use, spent time in the corrections system or faced mental or physical health conditions, into meaningful work. Examples include Bladerunners which helps transition Indigenous youth, including youth at-risk, into construction and trades and EMBERS which placed over 1,900 residents with barriers on construction and other job sites in 2017 and paid out over \$5.97 million dollars in wages.

Previous CBAs in Vancouver have helped develop partnerships between these and other social enterprises and the development sector that can be strengthened and expanded through the adoption of the CBA Policy. Other partnerships like the Social Purpose Business Roundtable

<sup>12</sup> For full report see [https://www.workbc.ca/getmedia/12e9c92b-172a-47ee-bdfa-261b06efc37c/BC\\_Labour\\_Market\\_Outlook\\_2017\\_English.PDF.aspx](https://www.workbc.ca/getmedia/12e9c92b-172a-47ee-bdfa-261b06efc37c/BC_Labour_Market_Outlook_2017_English.PDF.aspx)

<sup>13</sup> See BC Construction Monitor, Winter 2018 accessible at [https://q053y1oyhx645cfec1k3q72w-wpengine.netdna-ssl.com/wp-content/uploads/2018/02/Con-Mon\\_winter2018\\_wagesurvey-FINAL.pdf](https://q053y1oyhx645cfec1k3q72w-wpengine.netdna-ssl.com/wp-content/uploads/2018/02/Con-Mon_winter2018_wagesurvey-FINAL.pdf)

<sup>14</sup> Average salary is drawn from regional compensation numbers for full time entry level construction worker. Average local spend reflects census data for the amount residents spend within their neighbourhoods on daily essentials, goods and services as a portion of income.

convened by The United Way of the Lower Mainland and City of Vancouver signal a broader cultural shift in the private sector towards a growing interest in exploring the range of ways business can create positive social impact in communities and regions.<sup>15</sup> Programs and policies to support things like social hiring, social procurement and community benefits agreements aid the private sector in developing best practices to leverage their activities and investments for social good. In being the first city in Canada to adopt a Community Benefits Agreement Policy, Vancouver is showing leadership in the public sector as a partner in this work.

### **Applying Lessons Learned to Community Benefits Agreement Policy**

The City and its partners have learned that a consistent, flexible Community Benefits Agreement Policy will allow the private sector, community suppliers of goods and labour, and funders like the City and its philanthropic partners to strategically engage on mutual goals and opportunities that can benefit the overall economic health and well-being of Vancouver. The proposed CBA Policy seeks to apply lessons learned from the first generation of CBA work to a citywide and regional approach that: 1) fits maximum social benefit to a diversity of project types; 2) involves the community in implementation through sharing knowledge and expertise; 3) prioritizes labour procurement; and 4) extends community benefit beyond project construction and into the ongoing operations of the business where possible.

The following lessons were learned during the project with PARQ that served to inform the policy recommended in this report.

#### **1. Flexible and adaptable forms of CBA implementation are needed to maximize social impact and unique opportunities that different forms of development present.**

Engaging with industry partners emphasized how a diverse range of development is financed, constructed, and managed post-occupancy. The range of opportunities for social impact employment is increased by including post-occupancy opportunities for social impact, demonstrated by the Parq CBA and in the ongoing commitments of the Hastings Racecourse CBA; however, some types of development are more feasible candidates for a CBA where post-occupancy commitments can or should be made.

In particular, self-performing development firms or firms that otherwise retain ownership and control of operational management of built-out sites retain more control over contracts for services (janitorial, landscaping, building management etc.) and in the case of mixed-use comprehensive development, they may also have more influence or direct control over the leasing of ground floor Commercial Retail Units (CRUs), office space or other types of space that could factor into post-occupancy CBA considerations.

These types of projects invite a flexible approach to how social value can be created across the life cycle of development. By including post-occupancy opportunities for social impact, demonstrated through the Hastings Racecourse and Parq CBA, the range of opportunities for social impact employment and procurement is increased. However, not all developers may be feasible candidates for post-occupancy CBA opportunities, reinforcing the need for a

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<sup>15</sup> For more information on the work of United Way to support social purpose business practices in Vancouver visit <https://www.uwlm.ca/socialpurpose/>

flexible and adaptable form of CBA implementation that maximizes the unique opportunities that different forms of development present.

## **2. Bridging community knowledge and expertise with local industry knowledge will strengthen potential impacts and aid in effective implementation of CBAs**

Previous CBAs have been agreements between the City and an owner or long-term operator of a site (eg. Great Canadian Gaming). While the City sees itself as an informed agent acting in the interest of communities, the potential to unlock workforce development opportunities and diversification of supply chains requires a more involved and transparent process. A process whereby all stakeholders can better plan and build capacity together in order to help fulfil the material, labour and services needs of developments is needed. This invites a partnership-driven implementation framework and a mechanism through which stakeholders could provide perspective and local knowledge in order to help prioritize the unique opportunities for social impact.

This type of mechanism builds on the third party monitoring and reporting model used in the Parq CBA. The model requires that the City, developer, technical experts, training institutes and CED capacity building organizations commit to an implementation partnership – one possibly supported by an independent third party to engage in similar work to monitor and build capacity and supplier relationships for the Olympic Village and Parq developments. This body could then act as a resource both to the developer and implementation partners in community.<sup>16</sup> Importantly, an independent Third Party Monitor could serve as liaison for local residents, not-for-profits and other civic organizations to provide input into the CBA process and receive regular reports back regarding compliance, results and future opportunities. This has been identified as a future piece of work to explore further contingent on Council's approval of the policy.

## **3. Make labour procurement a priority, especially if/when meeting material procurement targets are not feasible**

Meeting material procurement targets is more challenging than labour procurement. Without expanding catchment areas to include concrete from suppliers such as LeFarge or Ocean Concrete, past CBAs would have been significantly less successful reaching their minimum 10% local procurement target. Research undertaken to explore opportunities for fulfillment on Vancouver's industrial lands has pointed towards opportunities for a more diverse procurement focus than just construction materials<sup>17</sup>. With that being said a recent report released by the Vancouver Economic Commission emphasizes that current international trade dynamics, current public policy, corporate practices and other factors point towards a potential re-localization of supply chains which is driving a 're-urbanization of industry' (Industrial Insights, VEC, p9). The report also notes the increasing affordability pressures

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<sup>16</sup> For more information regarding the third party monitor please see Appendix B

<sup>17</sup> Maximizing Social Enterprise Supply and Demand in Vancouver, Buy Social Canada, May 2018 See Appendix G for full report

that industrial lands face in Vancouver. The CBA Policy has a view to this future scenario but doesn't lock developers into unrealistic expectations about supply chain re-localization.<sup>18</sup>

The lack of affordable industrial land in Vancouver, and the realities of just-in-time manufacturing supported by current longer supply chains, provides justification for the City adopting a larger geographical approach to procurement that can have knock-on effects for local and regional sectors. This expanded geographical approach could support and incentivize joint-ventures between Vancouver companies who could supply a portion of materials or play a role in the delivery of those goods (e.g. warehousing, installation) as was the case with Parq Urban Resort and Casino, leveraging the economies of scale and flexible production of larger farms outside the city-proper who successfully bid on projects.<sup>19</sup>

Through labour market research, stakeholder engagement and past experience with CBAs it has been shown that creating and filling employment vacancies is relatively straightforward, with a well-established ecosystem of agencies and non-profits supporting. However, this doesn't mean that labour procurement is easy, let alone workforce transition between projects. Drawing from successful models elsewhere, in particular Toronto, a new CBA Policy would include a 'First Source Hiring' approach. First Source Hiring would mandate that new entry level jobs would be made available to equity seeking community members first. This model provides closer coordination in communities on workforce development and placement and ensures equitable access to newly created positions.<sup>20</sup>

#### **4. Seek opportunities to embed community benefits into long-term, ongoing operations**

Some projects have more opportunities for job creation and social impact beyond the construction phase that can foster long-term social procurement and social hiring. The experience of previous CBAs has reinforced the practical value of social impact purchasing of non-construction related goods and services across the development lifecycle, including exploring what kinds of secondary and induced employment opportunities may be created through a supplier diversity approach (see Appendix D). Staff mirrored the approach of colleagues in Supply Chain Management to develop the City's Social Procurement Framework and the City of Toronto regarding its emergent CBA Policy by:

- Relying on 3<sup>rd</sup> party certification to verify that purchasing decisions prioritize equity seeking businesses (i.e. businesses owned by women, LGBTQ2S, refugees and racialized minorities, businesses owned by individuals with a recognized disability, Indigenous owned businesses etc.)
- Prioritizing businesses that have been audited by 3<sup>rd</sup> party certifying organizations for social impact (including B-Corps, Community Contribution Companies, Buy Social Canada, Living Wage Certified employers etc.)
- Prioritizing suppliers with explicit community focused missions such as Community Services Co-Ops and Non-Profits.

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<sup>18</sup> Industrial Insights Vancouver, 2018, Vancouver Economic Commissions, for more information visit [http://www.vancouvereconomic.com/wp-content/uploads/2018/06/Industrial-Insights\\_Final-Report\\_June26\\_2018\\_Vancouver\\_Economic\\_Commission\\_Digital.pdf](http://www.vancouvereconomic.com/wp-content/uploads/2018/06/Industrial-Insights_Final-Report_June26_2018_Vancouver_Economic_Commission_Digital.pdf)

<sup>19</sup> Parq CBA Agreements Final Construction Report, p5

<sup>20</sup> For more information of first source hiring programs please see Appendix C

These lessons have not only revealed ideal practices and outcomes the policy can successfully engender but key principles as well to root its implementation and monitoring in.

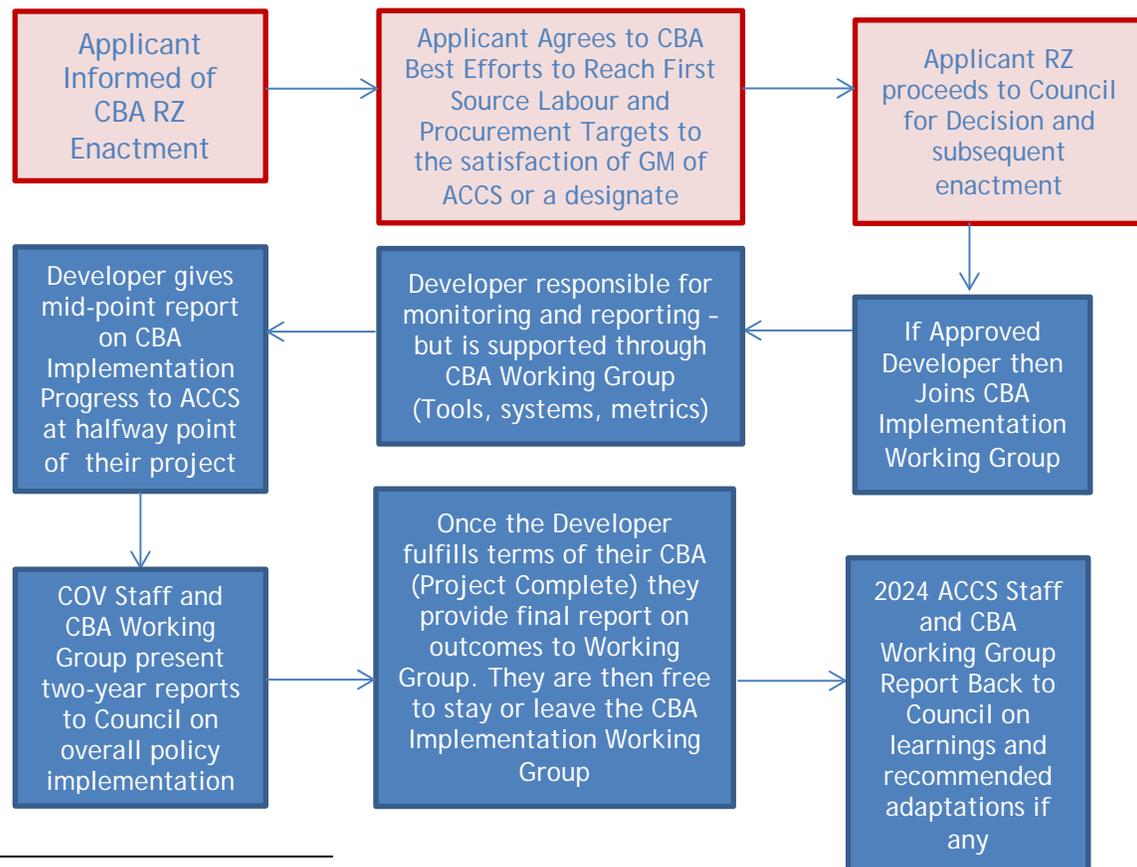
## Recommended CBA Policy Overview

A summary of the proposed CBA Policy includes goals, principles, criteria and process, as well as an ongoing role for partners to continue to engage on opportunities and challenges. The City can waive compliance with the policy requirements or modify the CBA agreement subject to several different scenarios. Full details of the CBA Policy can be found in Appendix A of this report.<sup>21</sup>

## Criteria & Process

Overall, the approach to implementation of the CBA Policy is focused on enabling and supporting success. In terms of regulatory compliance, the proposed CBA Policy would require a CBA for each development as a condition of a Council approved rezoning application for development sites with 45,000 m<sup>2</sup> (484,375 sq. ft.) or more of new development floor area. This aligns with the Sustainable Large Development policy.<sup>22</sup> The terms and conditions of the CBA will be subject to the approval of the General Manger of Arts, Culture and Community Services.

Figure 1: Flow of CBA Enactment and Implementation



<sup>21</sup> For complete details of the CBA policy please see Appendix A

<sup>22</sup> Sustainable Large Developments Rezoning Policy

A developer with a smaller site may opt-in to compliance with the CBA policy to achieve corporate social responsibility, community relations, or social impact goals. The minimum threshold for this type of inclusion is 9290m<sup>2</sup> or 100,000 sq. ft. with no conditions being applied. In this case the developer commits to the same targets but without any rezoning enactment conditions attached to their development regarding the CBA. Further, the opt-in category will be expected to make 'reasonable efforts' to achieve targets, while large developments will be expected to make 'best efforts'. They are otherwise expected to adhere to the same monitoring and reporting standards as their CBA Working Group colleagues and will agree to the Terms of Reference of that group.

### **Why Developers would “Opt-In”**

Developers have already been engaging in various forms of Corporate Social Responsibility including social procurement and social hiring, and value having a social purpose and supporting social good. In the case of local developers, this effort has had positive impacts by helping create positive relations in communities with local suppliers, community non-profits, and residents as well as solve labour sourcing challenges and enhance efficiencies.

### **Goal**

The primary goals of the CBA policy are to create meaningful employment for equity seeking groups in Vancouver and the Lower Mainland and encourage and support procurement practices that create local multiplier effects, and social value, in particular by supporting companies that practice social impact employment or are majority owned by groups traditionally underrepresented in the private sector (e.g. Women, immigrants and refugees, people with a recognized disability, First Nations, etc.). The policy is designed to leverage the purchasing power of development to reduce instances of poverty and precariousness for Vancouverites who are able to work or own local businesses and identify opportunities for strategic workforce development and capacity building in local and regional supply chains to aid the development community.

To align the goal of creating meaningful employment, the developer, its contractors and sub-contractors agree to a 'First Source Hiring Program' that commits to demonstrating best efforts in sourcing diverse labour across the lifecycle of development from equity seeking communities. The baseline is established at a minimum of 10% of the total project labour force. In addition, the developer commits to demonstrating best efforts for social and local business procurement targets at a minimum of 10% of goods, services and material needs of the development across its life cycle. This includes any joint-ventures formed between larger businesses and smaller ones to deliver materials, goods and services.

The baseline targets are aspirational, with an understanding that material supply chains for development and construction extend globally through flexible and just-in-time production methods relying on economies of scale and complex logistics infrastructure. The City commits to working with the development community and other stakeholders to explore ways of supporting capacity in local supply chains and workforce development in communities that could benefit from the policy's implementation with various other partners.

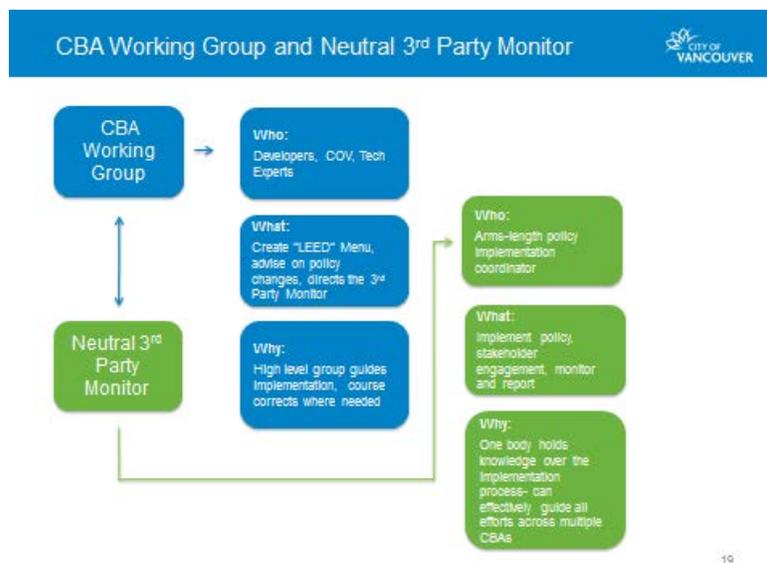
## Considerations for Implementation

Though the signing of a Community Benefit Agreement Policy is required for large scale projects, the implementation will be focused on enabling and supporting maximum community benefits through a partnership driven approach. The following implementation model has been proposed for further consideration and development.

Once the agreement has been signed and rezoning enacted, the developer becomes a member of a CBA Implementation Working Group that includes the City and employment and skill development partners (Appendix D). This group is formed to support successful outcomes and to provide broad insight and recommendations as to the efficacy of the CBA policy and possible improvements and additions.

In addition, the developers with CBAs could benefit from the support of a neutral third party monitor (Appendix C) to assist with labour sourcing and material procurement to fulfill the commitments of the CBA – as was demonstrated by past successful CBAs in Vancouver (Parq and Olympic Village in particular). The third party will also monitor and report regularly on the progress and impacts of the CBA policy to the City and the CBA Working Group with a view to highlighting learnings and successes.

*Figure 2: Proposed Organizational Structure for CBA Implementation*



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In cases where 10% First Source Labour and 10% Social Procurement are unattainable, a LEED style CBA social value menu has been put forward by stakeholders engaged in this policy's creation, to determine other benefits and targets. This is where technical expertise and input from knowledgeable stakeholders is particularly useful and would be an activity of the CBA Working Group.

***Implications/Related Issues/Risk (if applicable)******Financial***

Staff will work with partners in the development, non-profit and social enterprise sectors to develop an implementation framework and the level of city support required. Funding requirements of this initiative will be considered as part of the 2019 operating budget process.

***CONCLUSION***

The proposed Community Benefits Agreement (CBA) Policy seeks to contribute mutually beneficial and significant impact towards economic well-being for Vancouver residents and the overall economy and help address challenges to labour and other procurement needs in one of the most important economic sectors in our region. The CBA Policy outlined in this report provides clarity and vision to achieve this desired outcome. In order to reach its full potential, a thoughtful implementation framework will be required, one that is resourced and supported by ongoing partnerships.

The process outlined for implementation of the CBA Policy will be supported by both community and industry, and its implementation driven by a CBA Working Group that is ideally supported by a neutral third party, allowing the success of the Policy to be shared by all partners. Furthermore, the Policy will support the broader and aligned goals of poverty reduction and community economic development as key pillars of the Making Ends Meet and Working Well goal in the Healthy City Strategy, both initiatives informed by the inclusion of stakeholders and their unique perspectives. The mutually reinforcing work of the City's CBA Policy will contribute to a healthier and more inclusive city for all residents.

\* \* \* \* \*

## Appendix A: Proposed Vancouver Community Benefits Agreement Policy

**“Developer” herein applies to any entity either public (i.e. Crown Corporation, Ministry, municipal department, arms-length governmental agent, authority or commission, Public-Private-Partnership, or publicly traded firm), private, or non-profit organization, that applies for a rezoning as per the conditions laid out in section 1.0 of the CBA Policy.**

1.0 Subject to Council’s unfettered discretion at a Public Hearing, a CBA will, if so or determined by Council, be required as a condition of rezoning

- Upon application for a rezoning if the proposed development is 45,000 m<sup>2</sup> (484,375 sq. ft.) or more of new development floor area or/as per the City of Vancouver’s Rezoning Policies for Sustainable Large Developments.

Note: A developer may choose to opt-in; however, the minimum inclusion threshold for inclusion is 100,000 sq. ft. These CBAs will receive the benefits of participation on the CBA Implementation Working Group. These CBAs are not a condition of development and ‘reasonable vs. best efforts’ will be sought.

### CBA Policy Details:

1.1 The CBA Policy requires the developer, its contractors and sub-contractors to agree to support social impact employment and local procurement goals, committing them to demonstrate best efforts in sourcing labour, goods and services across the lifecycle of development from equity seeking groups and small-medium-sized businesses in Vancouver and the Lower Mainland through:

- 1.1.1 participating in a First Source Hiring program, making new entry level jobs available to equity seeking community members in Vancouver first
- 1.1.2 demonstrating best efforts to procure a minimum of 10% of material goods and services from third party certified social impact and/or equity seeking businesses, with a priority on Vancouver businesses but extending to procurement activities regionally and outside the Province and the Country
- 1.1.3 demonstrating best efforts to attain 10% procurement of materials, goods and services from Vancouver companies or companies located in Metro Vancouver or British Columbia. These may or may not also be equity seeking 3<sup>rd</sup> party certified businesses.

### 2.0 Discretion to waive compliance with the CBA conditions or show discretion

2.1 At the discretion of the General Manager of Arts, Culture and Community Services, the City will consider flexibility and adaptability in setting terms and conditions of CBAs and implementation of the CBA Policy to achieve best possible outcomes under the following circumstances:

- 2.1.1 If the capacity of community employment services providers and local businesses to deliver the anticipated demand is determined to be insufficient by the City:
  - 2.1.2 In which case new targets below 10% could be negotiated and agreed to.

- 2.1.3 In which case additional forms of benefit could be explored to include a range of other types of community benefits to help upskill labour and build capacity in local employment sectors key to development
- 2.1.4 In which case higher labour targets could be agreed to in order to offset expected lower material procurement targets
- 2.1.5 In which case other forms of value can be explored and supported via the CBA Social Value Menu e.g. Support for indigenous reconciliation processes in communities (i.e. material reconciliation, recognition of historic sites, procurement of indigenous art, incorporation of indigenous design principles in built form, or other opportunities identified by MVAEC, local First Nations or otherwise by urban Indigenous people engaged)
- 2.2.1 If both the labour and material needs of development are extraordinarily unique:
  - 2.2.2 For example, if highly specialized skilled labour required for the build out of the site is deemed to be unavailable in Vancouver and surrounding area
  - 2.2.3 For example, if the new building materials required for the development site are available by import only.
- 2.3 If a developer, its contractors or sub-contractors encounter a situation where a pre-existing City policy impedes their ability to source labour, materials or services this should be noted as part of monitoring and evidence provided to substantiate
- 2.4 If a developer, its contractors or sub-contractors has engaged in a pre-existing agreement with a local First Nation (Musqueam, Squamish or Tsleil- WauTuuth) including employment and procurement targets these should be included as contributions to the CBA targets as per the City of Reconciliation Framework; or if deemed sufficiently comprehensive in scope by the General Manager of Arts, Culture and Community Services, can supersede the CBA policy
- 2.5 If a developer has engaged in a pre-existing Community Benefits Agreement or Social Procurement (AKA Social Impact Purchasing) agreement as a condition placed on it by either the Province of British Columbia or Government of Canada
- 2.6 In respect of Section 1.1.3 above, if a developer is a public entity subject to the requirements of an inter-provincial or international treaty that prohibits the developer from conducting local preference procurements.
- 2.7 The General Manager of Arts, Culture and Community Services or delegated authority has the authority to set the appropriate terms and requirements of CBAs as condition of development.

### **3.0 Implementation, Monitoring and Reporting on Outcomes of the CBA Policy**

3.1 Each CBA will include a schedule containing targets, deliverables and milestones corresponding to the various stages of the development based on the context of that development and any unique considerations it brings. Best efforts to achieve targets and deliverables are required to be demonstrated by the Developer and its contractors and sub-contractors by the mid-point (even if only an estimated or approximated mid-point) of that development's lifecycle.

3.2 Where applicable, CBA provisions will be extended through the post occupancy phase of development. The length of adherence to these provisions will be no less than 5 years from the issuing of occupancy permits.

3.3 Monitoring of CBA implementation and reporting back to the City on targets and milestones is the responsibility of the Developer.<sup>23</sup>

### **This Policy is Informed by 7 Proposed CBA Principles**

1. **Provide flexible range of activities and outcomes in a CBA across the entire lifecycle of development.** This will:
  - a. Avoid overwhelming a limited number of suppliers in the city and region
  - b. Make sure that the development industry is able to contribute in other ways if a trained workforce is not currently available
  - c. Look beyond construction labour to other direct and indirect labour opportunities and impacts, including those created by social procurement and diverse suppliers (i.e. secondary and where possible to monitor and report, tertiary social impact employment created by the CBA's implementation)
2. **Acknowledgment that development occurs in Vancouver in different ways and timelines are important.** This will:
  - a. Prevent delays
  - b. Provide opportunities for social impact in types of development that may be particular to them (i.e. institutional real estate development, self-performing developers able to self-finance and manage the overall aspects of the development)
3. **Apply a gender informed and intersectional lens to opportunity creation through CBAs.** This will:
  - a. Help identify diverse opportunities for diverse people with different abilities across the different phases of development
4. **Be transparent and accountable with all partners, including community.** This will:
  - a. Allow for communities to engage with projects in constructive ways where all stakeholders can build capacity, strategically plan and support one another to implement, monitor progress, share learnings, and improve process.
5. **Provide alternatives when labour or material needs are exhausted to meet CBA requirements and best efforts have been demonstrated.** For example:
  - a. The development of a social value menu of potential CBA options (modeled after the LEED environmental certification program), to assist in the policy's implementation, or the potential for post-occupancy social impact actions and workforce development partnerships.

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<sup>23</sup> The policy notes that support should be given to participating developers through a CBA Working Group, in addition to this, an independent third party that could support all developers participating in the program with the appropriate measurement frameworks, tools, and practices based on previous CBA monitoring and reporting and established best practices. Options proposed are detailed in Appendix C and Appendix E of this report

6. **Complement existing and emerging policies to avoid situations where there is policy dissonance and competing demands placed on the development community by the City.** For example:
  - a. Green Building By-Law and other sustainability related policies
  - b. City of Reconciliation Framework and pre-existing agreements with local First Nations or MVAEC regarding benefits to indigenous peoples in Vancouver
  
7. **Support a radiating procurement approach, appreciating that an expectation of hyper-localization of supply chains for material procurement is potentially problematic and that a broader geographical approach is more feasible for some types of materials.** This will:
  - o Support joint-venture creation between larger companies competitively positioned to bid successfully on contracts with local companies positioned to build capacity as a junior partner
  - o Signal new opportunities for sectors in Vancouver to become more competitive and strategic
  - o Help to engage local Business Improvement Areas as partners on the CBA Working Group to connect with industrial property owners and their tenants
  - o Through the CBA Working Group, if established, develop consistent metrics for varying degrees of “local”
  - o Encourage developers and their contractors to seek local options for procurement rather than require them to, avoiding placing expectations on the private sector that public sector procurement is currently not required to meet
  - o Define local in a broader context that includes both the region (Lower Mainland) and Province (British Columbia)

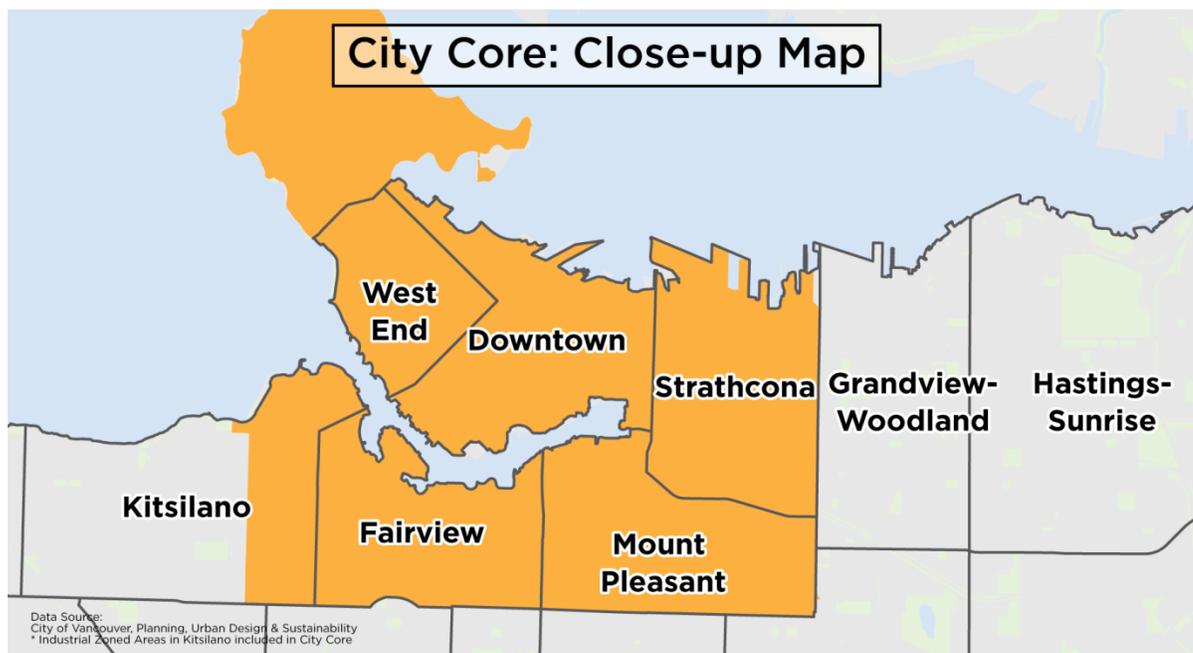
These seven principles will establish a policy that sets industry, community and the City up for success in its implementation and aspirations.

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## Appendix B: Definitions

- **Best Efforts** being defined as demonstrating an exhaustive effort to achieve targets as per the Agreement with clearly demonstrated reasons as to why these were unachievable if not fulfilled
- **CityCore** defined as:

The neighbourhoods identified in the City Core Planning Process and adjacent communities where levels of poverty and inequality are statistically high including Grandview Woodland and Hastings Sunrise



- **Diverse** pertaining to the diversity of equity seeking groups and the diversity of job types or other opportunities created through the Agreement e.g. Administrative and office support, creative, community relations, finance, business development etc.
- **Equity seeking groups** are defined as groups whose members are treated differently because of their faith, immigrant status, sexual orientation, economic status and level of education and/or literacy and who have historically been denied equal access to employment, education, social services and housing because of membership in the group. Or, other groups given the particular context of a site in which development is occurring<sup>24</sup>
- **First Source Social Impact Employment Program** being defined as a program requiring employers to make best efforts to employ equity seeking community residents

<sup>24</sup> Glossary of Access and Equity Terms, City of Toronto Task Force on Community Access & Equity (1998-1999)

first in newly created positions on applicable projects from Vancouver's CityCore neighbourhoods first before expanding to broader geographies

- **Lifecycle** defined as from site preparation to post-occupancy and including office and other off-site positions and tasks
  
- **Local** defined as (in priority descending):
  - From neighbourhoods, commercial districts and employment lands in Vancouver's CityCore (See Image 1 Map of CityCore Area)
  - From any self-identifying equity seeking group in a Vancouver neighbourhood )
  - With the above options being exhausted, self-identifying equity seeking groups from any other community in the Lower Mainland
  - Non-equity seeking groups (general labour pool) from Vancouver low-income neighbourhoods as defined by most recent Canadian Census Data
  - General labour pool of any Vancouver neighbourhood
  - General labour pool from another community in the Lower Mainland
  
- **Social Impact** being defined as the net positive benefits that equity seeking, stigmatized, or otherwise barriered communities receive from the labour sourcing and procurement efforts of the project. Social impact created in communities wherever supply chains for development extend are to be included in social impact metrics when reporting progress on CBA implementation.
  
- **Third-Party Certification** defined as Cooperatives, Social Enterprises, Community Contribution Companies, B-Corps, LGBTQ2S Owned Businesses, Women Owned Businesses, a business owned by an Immigrant or Refugee, Members of a 'Buy-Local' or Social Purpose Business Alliance such as LOCO BC or the Business Alliance for Local Living Economies, Ashoka, or Buy Social Canada or a First Nations owned business or social enterprise or a certified Living Wage employer. Other third party certifications may be considered and adopted in the future.

## Appendix C: Implementation Considerations: The Value of a Potential Neutral Third Party Monitor

In order to best realize the aspirations and intentions of the policy an implementation framework could be developed in partnership between the City, Industry and community organizations working in employment services, social enterprise development, skill-development, education and training and related community economic development fields.

In addition to this proposed partnership-focused implementation framework an independent 3<sup>rd</sup> party could potentially be resourced to assist with business and workforce development in support of CBAs, and in monitoring and reporting on the progress of CBAs in tandem with industry, community partners, and the City. This would reduce costs for developers with CBAs and ensure consistency in monitoring and reporting and help create a more coordinated community of practice around the CBA Policy and its implementation. One possible model to explore is the budget to pay for the services of this independent 3<sup>rd</sup> party, coming jointly from the City and the Developers/Developments who have a project falling within the CBA policy with potential to leverage with contributions from other external funders. This could create a legacy fund helping to solve workforce development challenges and build capacity with suppliers to help grow social impact purchasing opportunities.

The CBA policy considers four cornerstones on which its particulars are built around. These inform both the policy itself and the framework for its implementation. The Third Party Monitor will ensure policy efforts are predicated on this framework:

- Geography
  - In which development occurs
  - Where equity seeking groups are located
  - Where supply chains extend
- Diverse Jobs for Diverse People
  - Applying a lens of equity and intersectionality that sees diverse job opportunities for the diversity of Vancouverites
  - Creating meaningful Employment across the lifecycle of development, from site preparation to post-occupancy
  - Jobs created on site or off-site via direct operations or via suppliers and service providers
- Demand-led labour market development
  - Using the CBA policy as a means to better coordinate training and skill development in advance of projects and economically plan in communities through adoption of the framework
- Social value procurement
  - Mirroring work underway to create the City's own Social Procurement Framework by recognizing both the potential of social enterprise and 3<sup>rd</sup> party certified social purpose businesses e.g. women-owned businesses, immigrant and refugee owned businesses, businesses with strong corporate CSR commitments, to deliver a range of goods and services
  - Creating clear and meaningful measurements of social impact to be monitored and reported on

A Third Party monitor could help to operationalize the CBA process in a more efficient, pragmatic and coordinated way. They would ideally serve as a resource and support for community partners, industry and COV staff. The Third party monitor offers value to all stakeholders by potentially:

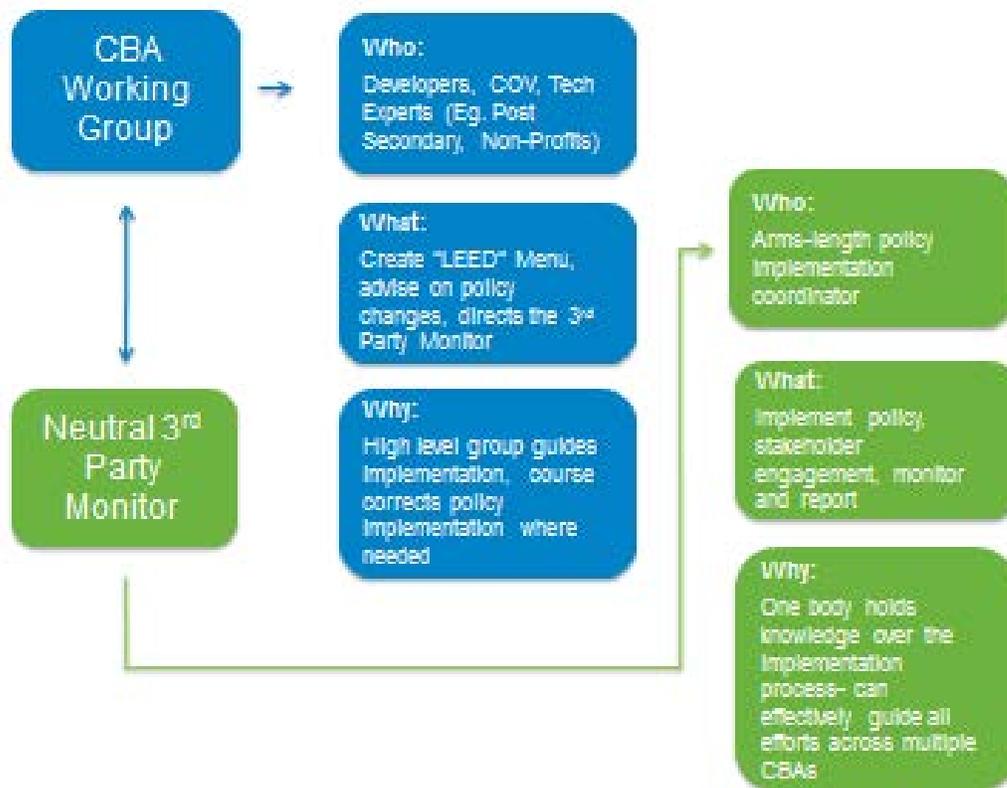
- Sharing the funding cost for this group between the City and developers participating in a CBA, both groups lower their individual operating costs when executing an agreement:
  - CBA Working Group members benefit from real-time knowledge of opportunities, sources and opportunities through a community of practice
  - Single 3<sup>rd</sup> Party ensures consistent monitoring and reporting and takes burden off developer to invent systems and hire consultants etc.
  - Pooling \$ reduces individual costs to staff-up or hire external support on a project by project basis
  - Opportunities can be strategically identified in advance within and between projects that are at different stages
  - Funding could be leverage when approaching senior government and other funders
- Community stakeholders have a dedicated channel to participate in CBA negotiations, support the implementation and execution of agreements and receive regular and consistent feedback about specific CBA agreements

The Third Party monitor is ideally responsible for:

- Administering and coordinating the First Source hiring program
- Assisting in the facilitation of community engagement sessions on behalf on developers and the City of Vancouver
- Supporting social value procurement efforts by identifying potential suppliers and opportunities for joint-venture consideration
- Coordinating the workforce planning across multiple CBAs
- Facilitating the meetings of the CBA Working Group
- Monitoring, reporting and evaluating CBAs
- Recognizing where excellence in Corporate Social Responsibility has been achieved through CBA implementation and where innovations have occurred

If these things are done, and done well, then it is hoped that all parties can support each other and be accountable to one another in order to successfully implement the city-wide Community benefit agreement Policy and a lasting legacy created in partnership between the City and the Development Community.

## Proposed Implementation Framework



## Appendix D: First Source Hiring, Social Procurement and Supplier Diversity

### First Source Hiring

First Source Hiring programs are designed to ensure equity seeking groups have access to new labour market opportunities. These workforce linkage strategies explicitly connect redevelopment and efforts to create meaningful employment for un and underemployed residents. These programs help to negate the impacts of growth (displacement, housing cost appreciation) that often affect the historically disadvantaged far more profoundly than redevelopment's positive impacts do.

First Source Hiring programs have been used throughout the United States to ensure that development creates pathways out of poverty for marginalized residents. These programs may be laid out in local government policies or ordinances. For example:

- City and county of San Francisco requires that developers, contractors, and employers utilize good faith efforts toward employing economically disadvantaged San Franciscan residents in new entry-level positions on applicable projects enacted into law in 1998 under Chapter 83 of the City's Administrative Code (the law was amended in 2004, 2006 and 2014)

These programs may also be attached to particular large projects:

- The Los Angeles World Airports First Source Hiring Program created as a part of the LAX Master Plan Community benefit agreement. This program is designed to provide employment consideration and access to vacant positions for residents from the communities immediately surrounding the airport and those most impacted by airport operations

In order for these types of initiatives to be effective their needs to be a designated third party to administer the program and a clear policy directive compelling industry to participate. The city of Toronto, in partnership with local not-for-profits, George Brown College and Waterfront Toronto (a crown corporation) launched such an initiative in 2009. The Waterfront Toronto Employment Initiative (WTEI) was designed to connect equity seeking groups to employment opportunities generated by the development of Toronto's West Don Lands and East Bayshore. The first source hiring program was administered by Toronto Employment and Social Services, had broad community backing and was endorsed by senior executives from the development industry. Despite such strong support the program struggled to place candidates into available positions.

A recent debrief of the WTEI program with Toronto City Staff determined that the lack of a clear policy directive and measures to hold industry accountable for participation comprised the efficacy of the initiative. In addition, there was a lack of clarity around what types of positions (and necessary experience) were suitable for inclusion in the program. There was a consensus that the WTEI would have succeeded if these provisions were in place from the beginning of the program. The City of Vancouver has already established such provisions by reserving the right to withhold permits if best efforts had not been demonstrated by Parq regarding its CBA commitments. No permits were withheld on the project, but it also received additional support from an independent 3<sup>rd</sup> party that assisted with supplier diversification and labour procurement as well as monitoring and reporting.

The learnings from the program have been instrumental in formulating a Vancouver approach to first source hiring. Specifically, there needs to be a neutral, independent third party administering the program, there must be clear policy compelling industry to participate and there needs to be a mechanism that holds stakeholders accountable for demonstrating best efforts to meet program targets. Finally, the program should focus primarily on making new, entry level positions available to equity seeking group members first. This doesn't preclude the inclusion of jobs that require greater degrees of experience but it does ensure that the majority of low-barrier and accessible opportunities are offered to targeted residents first.

In the Vancouver context, a First Source Social Impact Employment Program would look like the following:

- A program requiring employers to make best efforts to employ equity seeking community residents first in newly created positions on applicable projects from Vancouver's CityCore neighbourhoods first before expanding to broader geographies
- Self-identified equity seeking groups being defined as groups whose members are treated differently because of their faith, immigrant status, sexual orientation, economic status and level of education and/or literacy and who have historically been denied equal access to employment, education, social services and housing because of membership in the group. Or other groups, given the particular context of a site or sites where development is occurring
- Businesses that are subject to a First Source hiring policy would be required to project the number of new, entry level job openings they expect during the contract period and provide that information to the First Source Hiring Administration or their designee
- The First Source hiring program administration would be provided by a third-party observer that monitors and supports the implementation of a CBA
- Employers would be required to post their new openings with First Source and proactively work with First Source to accept and consider qualified candidates that are referred to these positions
- While this policy would not require an employer to hire a specific candidate, it does require that employers demonstrate best efforts to hire referrals through a First Source

Based on the analysis of the outcomes from previous CBA's, the Parq experience in particular, a First Source Hiring program would create tremendous opportunity for equity seeking groups to attach to the labour market. An examination of the construction sector alone demonstrates that just three or four major projects would produce:



**4200**  
 Entry Level  
 Construction Jobs\*



**\$39,000**  
 Average Annual  
 Salary\*



**\$13,900,000**  
 Average Economic  
 Local Spend

\*Average salary is drawn from regional compensation numbers for full time entry level construction worker

\*Average local spend reflects census data for the amount residents spend within their neighbourhoods on daily essentials, goods and services

**Social Value Procurement: Third Party Certification and Supplier Diversity**

Similar to Organic and Fair Trade certification a range of 3<sup>rd</sup> party social impact certifications have emerged in recent years to support diversification of procurement efforts, particularly with equity seeking groups. For example, with descriptions taken from the organizations themselves:

**Women’s Business Enterprise (WBE) Canada<sup>25</sup> (Est. 2012)**

WBE’s Canada certifies majority-owned, managed, and controlled women’s businesses and facilitates opportunities for them to meet buyers and get access to bids for corporate contracts as part of supplier diversity programs

**Canadian Gay & Lesbian Chamber of Commerce (Est. 2003)**

Established in 2003, the Canadian Gay & Lesbian Chamber of Commerce (CGLCC) is a national, non-profit industry association. The CGLCC is committed to forming a broad-based coalition, representative of the various interests of *Lesbian, Gay, Bisexual, Trans-identified, Queer, Two-Spirited and Intersex* (LGBT\*) owned businesses, allied businesses, corporations, professionals, and students of business for the purpose of promoting economic growth and prosperity, through public and private sector advocacy and engagement, to advance the common business interests and opportunities of its members and stakeholders.

**Disability:IN<sup>26</sup>**

DOBE (Disability Owned Business) Certification is available to businesses with 51% ownership by a person or persons with a disability in the United States through the Disability Supplier Diversity Program. The two-year certification process is offered through Disability:IN (Formerly the United States Business Leadership Network):

The Disability Supplier Diversity Program (DSDP) is the leading third-party certifier of disability-owned business enterprises (DOBEs), including service-disabled veteran-owned business enterprises (SDV-DOBEs) promoting their utilization and growth through:

- **Certification Process:** A rigorous and highly credible two-year national certification trusted by corporate America
- **Education and Information:** Access for corporations to share best practices and for disability-owned suppliers expand their knowledge on how to compete effectively
- **Networking and Business Matchmaking:** Events that bring together leading corporate/government leaders and decision-makers with suppliers to foster relationships and competitive bidding opportunities

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<sup>25</sup> <http://www.wbecanada.org>

<sup>26</sup> <http://www.usbln.org/what-we-do/supplier-diversity/>

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## Social and Community Impact Focused 3<sup>rd</sup> Party Certifiers

### B-Corp (Benefit Corporations)<sup>27\*</sup>

B Corp is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk. B Corps are for-profit companies certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. Today, there is a growing community of more than 2,100 Certified B Corps from 50 countries and over 130 industries working together toward 1 unifying goal: to redefine success in business

### Community Services Co-Op<sup>28</sup>

With the passing of the 2007 amendments to the BC Co-operative Association Act, non-profit co-ops can now incorporate as community service co-ops, which have the same legal status as non-profit societies, including eligibility for charitable status where applicable. The legal recognition of community service co-ops formalizes the unique value and role provided by co-operatives that wish to operate as non-profits, and clarifies their legal status.

To incorporate as a community service co-op, a co-op's Memorandum of Association must include all of the following non-alterable provisions:

1. That the co-op is a community service co-operative,
2. That the co-op will not issue investment shares,
3. That the co-op's purposes are charitable or to provide health, social, educational or other community services,
4. That upon dissolution, the co-op's property must be transferred to another community service co-op or a charitable organization,
5. That no part of the property of the co-op is to be distributed to members while it is in operation.

### Buy Social Canada<sup>29</sup>

Buy Social Canada brings socially driven purchasers and social enterprise suppliers together, building business relationships that generate social benefits to communities across the country. We offer a recognized, Canada-wide social enterprise certification program that opens the door to an emerging social impact network. We work with community, private sector, and government to support the development of policy and resources to strengthen local and regional social procurement initiatives

3<sup>rd</sup> Party Certification to support Supplier Diversity initiatives has emerged as a public policy best practice in social procurement efforts as part of a broader societal effort of affirmative action. The Canadian Government for example describes Supplier Diversity as:

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<sup>27</sup> <http://bcorporation.eu/what-are-b-corps> \*Note that B Corps are privately owned businesses committed to a range of verified environmental, cultural or social sustainability actions embodied in their operations

<sup>28</sup> <http://bccca.coop/knowledge-centre/co-op-business-model/co-op-legislation/>

<sup>29</sup> <https://www.buysocialcanada.com>

“... a business that is at least 51 per cent owned, operated, and controlled by either women, members of an Indigenous community (e.g., First Nations, Inuit, or Metis people), members of a visible minority group or members of the lesbian, gay, bisexual and transgender (LGBT) community”<sup>30</sup>

Social Procurement is emerging in tandem as a best practice and emerging priority at every level of government in Canada.

The City of Toronto defines social procurement as:

“...the achievement of strategic social, economic and workforce development goals using an organization’s process of purchasing goods and services”

Inclusion of Social Procurement as a priority is noted in Minister Judy Foote Minister’s Message 2017-2018 Departmental Plan, Government of Canada, Public Services and Procurement<sup>31</sup> while the Village of Cumberland became certified via Buy Social Canada in 2017 with the adoption of its social procurement framework<sup>32</sup> and the Province of British Columbia introduced Social Impact Purchasing Guidelines in 2014<sup>33</sup>.

The Province of British Columbia defines social impact purchasing as:

“...a process through which organizations consider not only value for money, but also social and environmental impacts when purchasing goods and services”

For all intents and purposes these terms are recognized in this report as being one and the same.

### **Living Wage Employers**

From Living Wage Canada:

“A Living Wage Employer Certification Process certifies employers (both public and private) that commit to pay their staff and contracted service staff a Living Wage based on the locally calculated rate”

For more information visit <http://www.livingwagecanada.ca/index.php/living-wage-employers/employer-certification/>

Concept: LEED Style CBA Social Value Menu

In consultation with UDI, ULI and other industry partners the need for flexibility and adaptability in implementing CBAs was noted multiple times. A reference was continually made to LEED (Leadership in Energy and Environmental Design) and other Green Building Standards which

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<sup>30</sup> For more information on Supplier Diversity in a government context visit the Government of Canada’s Status of Women page on the Business Case for Supplier Diversity [https://www.swc-cfc.gc.ca/initiatives/sdr-rdf/supplier\\_diversity-diversification\\_fournisseurs-en.html](https://www.swc-cfc.gc.ca/initiatives/sdr-rdf/supplier_diversity-diversification_fournisseurs-en.html)

<sup>31</sup> <https://www.tpsgc-pwgsc.gc.ca/rapports-reports/pm-dp/2017-2018/pm-dp-00-eng.html>

<sup>32</sup> <https://cumberland.ca/social-procurement/>

<sup>33</sup> <https://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/social-innovation/si-purchasing-guidelines.pdf>

the development sector has become intimately familiar with since the early 1990s. When labour and procurement efforts to reach 10% baselines are demonstrably not-feasible other forms of social value should be explored. This could include workforce development funding to support labour needs, or capacity building in local supply chains, fostering of joint-ventures, or incorporation of indigenous concerns into development for example. The full development of this LEED style menu would be one of the principle pieces of work for the Independent 3<sup>rd</sup> party monitor and CBA Working Group. This mirrors processes underway on Vancouver Island and other communities.

## **Appendix E: Proposed Policy Implementation Framework and CBA Working Group**

Care needs to be taken when moving towards implementing a city-wide CBA policy. Although Vancouver has had experience with past CBAs, they have been one-off agreements that have not significantly taxed the capacity of City staff and community partners in implementation. However, multiple CBA's enacted at the same time could overwhelm the capacity of staff to activate the policy and the ability for community to reap the maximum benefits the policy presents.

In order to ensure the policy is successfully implemented, a number of issues need to be thoughtfully addressed. These include selecting a CBA Implementation Working Group comprised of members with particular technical expertise. This group would assist City staff and the Third Party monitor in overseeing and evaluating the ease of implementation and impact of the different facets of the CBA policy. In addition, they would help formulate what type of items are included in the LEED style CBA toolbox, and contribute to an examination of how the policy fits within existing City mandates. They would also provide insight to how the policy is monitored and evaluated.

### **DRAFT CBA Working Group Terms of Reference**

#### **Overview**

In order for the CBA policy to be successfully executed, it's imperative that all stakeholders play a role in the policy's implementation. These stakeholders include industry representatives, the not-for-profit and social enterprise sector, funding partners, and City of Vancouver Staff. Selected for their particular technical expertise, this working group ensure that the CBA policy implementation framework is fully operationalized and opportunities to refine the policy are recognised and capitalized on. Most importantly, the CBA Working Group will ensure the CBA policy continues to mature and evolve with the guidance and support of all stakeholders.

#### **CBA Working Group Purpose**

- Assist the third party monitor and COV staff oversee and evaluate the ease of implementation and impact of the different facets of the CBA policy
- Assist in the formulation of options in the LEED style CBA toolbox
- Support an examination of how the CBA policy fits within existing COV polices and mandates, troubleshoot potential conflicts and offer workable solutions
- Provide insight and suggestions to how the policy is monitored and evaluated

#### **Working Group Member Selection and Working Group Composition**

Representatives should bring city-wide familiarity and expertise and should be respected leaders with knowledge of planning, development and other relevant areas of concern. The CBA working Group will be led by two co-chairs selected by the COV Staff. The balance of the working group will be comprised of up to 10 members with balanced representation from:

- Social Enterprise Sector
- Work BC Contract Holders
- Lenders/Funders like the Vancouver Foundation and the Vancity Community Foundation
- City-Wide Not-For-Profits like the United Way
- The Industry Training Authority
- First Nations/Indigenous Representatives
- Development Industry Representatives subject to the policy

- COV Staff
- Residents from communities impacted by developments subject to the policy

### **Meeting Schedule**

It is expected that during the initial launch period of the CBA policy the group will need to meet more frequently. As stakeholders become more comfortable executing the policy the meeting frequency could be reduced. It is expected the CBA Working Group will be convened for a period of six (6) years. With Staff and the Working Group reporting to City Council every two years on the progress of the policy's implementation, learning, and recommended adjustments if any.

During year one (1) the group will meet monthly. Provided the implementation and execution of the policy is proceeding smoothly the group will meet bi-monthly during year two (2) and quarterly during year three (3) through six (6).

#### **CBA Working Group Actions**

- Assist in the development of a LEED style menu of CBA options that would give the policy the necessary flexibility to consider other community benefits should labour or procurement options be exhausted
- Advise COV Staff and the Third Party Monitor on how the policy outcomes should be monitored and evaluated
- Speak to the experience of the various stakeholders participating in the CBA process
- Advise COV Staff and the Third Party Monitor on potential policy amendments in an effort to continually improve the policy's efficacy and impact

### **Attendance and Participation**

It is expected that all CBA Working Group Members will make best efforts to attend all working group meetings and participate in a meaningful way. Should a member miss three (3) consecutive meetings without sending regrets or providing a reasonable explanation their participation in the working group will be reviewed and they could possibly be removed. This decision would be made by the co-chairs.

The CBA Working Group members will be responsible for:

- Updating the Group as a whole on the labour and material needs of their respective developments and share development timelines for workforce transition and procurement
- Sharing any and all data or other relevant information relating to the fulfillment of their respective CBAs with the independent third party for monitoring and reporting purposes
- Supporting successful implementation of the CBA Policy by working with the independent third party contracted to assist the working group
- Abide by a code of conduct standard to City of Vancouver committees and working groups and a Terms of Reference
- Not divulge any information discussed by the Working Group deemed sensitive or privileged unless otherwise given permission by that party or parties

## Appendix F: Civic Engagement Process

During the preparation of the third generation CBA policy, staff consulted extensively with community and industry stakeholders. Specific questions included:

- Is there a size threshold at which a CBA should be applied as a condition of development?
- Are there particular communities in which CBAs should be applied to development?
- Is there capacity in Vancouver's communities to ensure the demand for labour, goods and services from CBAs can be fulfilled?
- Can supply chains for local manufacturing be re-localized given the value of Vancouver's Employment Lands and changing nature of our local and regional economy?
- How can communities become better engaged in the CBA negotiating process, capacity building and implementation and monitoring of agreements?
- Will there be municipal or private sector staffing implications in order to fulfil the intention of the CBA policy?
- How will the policy best be enforced to ensure it fulfills the aspirations and intentions in which it is rooted?
- What kinds of partnerships may be required to ensure the potential of future CBAs are fully realized?

These and many other questions were explored through consultation and engagement and research commissioned directly by the City, the Vancouver Economic Commission or other academic, industry and community sources. These studies are appended to this council report and include:

- Maximizing Social Enterprise Supply and Demand in Vancouver, Buy Social Canada (2018)
- Industrial Insights Vancouver 2018, Vancouver Economic Commission (2018)

In 2017 and 2018 three workshop sessions were held with the Urban Development Institute and Urban Land Institute in which over two dozen development firms and other professionals working in real estate (finance, contractors and builders etc.) provided feedback and input into the development of the CBA Policy. In addition to this, Staff engaged with leading organizations in communities delivering employment services, engaging in poverty reduction advocacy and social enterprise capacity building, this included attending several CBA Working Group meetings hosted by Exchange Inner-City<sup>34</sup> and a participating in a 'CBA Day of Learning' event held at the Vancouver Library on March 21<sup>st</sup> 2018 in which industry, government (City of Vancouver) and community perspectives explored the concept of CBAs and their future potential in Vancouver. This was organized and hosted by Buy Social Canada<sup>35</sup>

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<sup>34</sup> For information about the work of Exchange Inner-City's CBA Working group see [https://www.exchangeced.com/cba\\_working\\_group](https://www.exchangeced.com/cba_working_group) and <https://vancouver.ca/files/cov/may-newsletter-from-CEDSAC.pdf> (Exchange was previously known as CEDSAC - the Community Economic Development Strategic Action Committee)

<sup>35</sup> <https://www.buysocialcanada.com/news-2/2018/3/12/community-benefit-agreement-information-seminar>



## MAXIMIZING SOCIAL ENTERPRISE SUPPLY AND DEMAND IN VANCOUVER



May 2018

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## EXECUTIVE SUMMARY

The purpose of this research stream is to explore and determine strategies that will leverage a community social and economic impact from the significant residential, commercial and industrial development that is projected to occur in the City of Vancouver over the next five to ten years, especially in areas such as Northeast False Creek and the False Creek Flats which directly abut the poorest neighbourhoods in the city.

These higher un-employment and lower income levels in the inner city indicate a significant community economic development need and potential impact. So logically, the city wishes to see if there is a potential connection to leverage the emerging major developments and construction projects to address the existing socio-economic community needs, achieve the Healthy City Goals and continue efforts to meet the DTES CED objectives.

We are building upon previous efforts and processes and some pilots developed over the past 15 years, including Olympic Village and Parq Casino Community Benefit Agreements focusing on local purchasing and targeted employment. Social Enterprises, such as EMBERS, have seen the benefits of increased opportunities for creation of targeted employment and more impact through a stronger localized circular economy. Developers such as EllisDon were active construction partners in the Parq CBA.

This report, commissioned by the City of Vancouver, builds on these initiatives to assess the potential to enhance these existing efforts by building a local materials supply chain for the city's construction industry.

Clearly the demand exists, since the two targeted developments will result in the construction of more than 8 million ft<sup>2</sup> of new residential and non-residential floor area over the next 30 years. Additionally, in 2016, the Province of British Columbia's Major Project Inventory identified 39 public sector construction projects proposed or under construction in Vancouver with an estimated value of \$4.3 billion.

Currently the supply chain for major construction materials and supplies comes from outside the Vancouver inner city area – it is in fact 'imported' to the area. The key research question was: will an "import substitution" strategy on the supply side enhance social enterprise capacity to provide local procurement and targeted jobs.

***Unfortunately, the findings from our primary research, outlined and documented below, indicate that because of one, the immediate labour needs in the industry, and two, the complexity and established market models of the existing systems the goal of increasing local targeted job creation and social procurement impacts cannot be met through an import substitution strategy.***

The conclusion was informed by both interviews with industry players and an extensive literature review and provided two significant findings. One message from the developer perspective was: the big gap and need for developers is labour not materials. And two: the construction materials industry is global in nature, featuring tightly integrated supply chains, just-in-time delivery systems, tight margins and often volatile conditions and costs for key input commodities, such as steel. The nature of the global construction materials

market creates very limited opportunities for import substitution – that is, for the development of a local supply chain for Vancouver’s construction industry.

Based on these primary findings, and consultation with the COV staff, we shifted the scope of the project to explore another potential avenue to leverage the planned developments and construction projects to achieve the City’s policy goals of inner city supply and targeted labour engagement. We proceeded to assess the social enterprise opportunity for potential local economic value and employment opportunities generated by public and private sector social value procurement in Vancouver.

We layered onto the social enterprise analysis a review of the emerging literature on business cluster theory and its application to community economic development through enhancement of the social enterprise sector.

*An initial analysis from the secondary stream of our research reveals that, in fact, social procurement and sub-contracting from social enterprise business sector clusters during construction and the operational life-span of the building may potentially meet the COV policy objectives.*

A couple leading examples emerged from analysis of existing research: a building services cluster and a food services cluster. Connecting these presumptive concepts, major building development and COV inner city policy objectives, will require further analysis and research focused not on construction materials needs, but on construction labour options and especially post-construction maintenance and service’s needs.

The key findings we derived from the pivot in the research project and the areas that require further analysis are:

- 1) The findings derived from the Social Impact Assessment of the new St. Paul’s Hospital and Health Centre Campus point toward the opportunity for the City to encourage the development of a social enterprise firm cluster, or series of mini-clusters, to create a resilient, innovative, social enterprise supply and demand ecosystem that serves the construction phase, but more emphatically the operational life of new major developments.
- 2) Vancouver is already home to several nascent and emerging mini-social enterprise clusters, such as the Downtown East Side and the United We Can – Recycling Alternative co-location initiative. Our secondary research and analysis suggests that the City has a unique and timely opportunity to substantially scale the local social enterprise market through the deployment of policy tools, targeted investments and partnerships with demand-side participants, research and innovation hubs and related local market actors.

## THE GLOBAL CONSTRUCTION MATERIALS INDUSTRY

The global construction materials manufacturing and distribution industry totals over \$1.5 trillion and is projected to grow at a rate of approximately 7% over the next 5 years<sup>1</sup> & <sup>2</sup>.

Some of the key characteristics of the global industry include:

1. **Increasing consolidation:** the value of mergers and acquisitions worldwide totaled \$4.3 trillion last year. This record level of M&A activity reflected the drive to achieve greater economies of scale in materials production and distribution, and the need to respond to increasing consolidation within other segments of the industry;<sup>3</sup>
2. **The high rate of consolidation can make it difficult for smaller companies to enter the industry and compete.** This limits the potential for new suppliers to establish themselves successfully within Vancouver market;
3. **The industry tends to be highly cyclical, closely tied to the overall economy and demographic changes.** Economic downturns cause operational and financial challenges. While there are major developments planned for the Vancouver region, there are significant concerns about the overvaluation of properties (e.g. the CMHC January 2018 Quarterly Report noted that “house prices exceed fundamentals such as local income and economic growth”). A price adjustment in response to the overvaluation, recent government policy and/or rising interest rates would precipitate a decline in construction activity;
4. **There is increasing competition between distributors, including pro dealers and big box channel competitors.** The home improvement center distribution channel is aggressively competing with the pro dealer or specialty distributor segments by targeting a variety of products and services directly at builders and contractors. Some distributors have responded by providing value-added services such as incorporating some manufacturing capabilities (e.g. roof trusses, wall panels and stair production), support for installation, improved delivery, and improved merchandising through product showrooms. Although the market is strong, the level of competition has been increasing. Companies report that margins have tightened;
5. **Larger manufacturers are working to shorten the supply chain by facilitating more direct sales.** The objective is to shorten delivery lead times, lower logistics costs and enable manufacturers to capture more of the available margin. To do so, larger manufacturers are working to bypass wholesalers and go directly to dealers or even further directly to builders or contractors. Others are vertically integrating by investing in company-owned distribution channels;<sup>4</sup>

These industry factors highlight the limited potential to establish a local manufacturing and distribution industry for Vancouver’s construction and development sector.

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<sup>1</sup> ReportBuyer, Roland Berger (2017). *Building materials industry potential upsides in an uncertain market: North America building materials winners and industry outlook*. See also: *WiseGuyReports* (2018). *Global construction materials industry market 2017* by analyzing the performance of various competitors. *Crossroads Today*

<sup>2</sup> Harris, Williams & Co., *Building Products & Materials, Industry Update*, January 2018 and

<sup>3</sup> Harris, Williams & Co., *Building Products & Materials, Industry Update*, January 2018

<sup>4</sup> The trends toward shorter supply chains was highlighted in various reports (e.g. Roland Berger and Boston Consulting), news articles, and interviews.

## Matching Supply and Demand Opportunities within Vancouver's Construction Industry

Market research conducted for this report demonstrates there is also limited potential for import substitution to meet local industry demand.

We conducted interviews with approximately 15 participants in Vancouver's construction and materials supply sectors to assess the potential to shift demand to local suppliers.

Our findings from this market research include:

- 1. Employment opportunities are likely more significant in the area of construction labour** and possibly in opportunities associated with operating or maintaining completed buildings;
- 2. The supply chain for building materials in Vancouver is global in nature.** The [Parr Progress Report](#) noted that few products are manufactured in the region and that is consistent with what we heard from representatives and found in the literature. Products come into Vancouver from other parts of Canada, the United States, Asia and Europe. In our interviews, developers and contractors estimated that, apart from concrete, 95% to 100% of goods originate from outside of Vancouver. Global competition tends to be fierce and has contributed to declining sales margins across many of the product segments. According to available import statistics, over 60% of the building materials imported into Canada originate in the United States. The United States is the leading source of imports for all product segments, with the exception of lighting;
- 3. The global supply chain has benefited greatly from the reduction of tariff and non-tariff barriers.** It was also noted that the possible restructuring or termination of NAFTA and the re-imposition of trade barriers could have a disruptive impact on the global supply chain. Some industry representatives expect that issues around NAFTA combined with the implementation of the Trans Pacific Partnership (TPP) Agreement (involving Canada and 11 other countries) may shift the balance of imports over time from the US to Asia;
- 4. Very few building materials products are manufactured in Vancouver and in the region, and most of that occurs outside of the City of Vancouver.** Those products that are manufactured in BC tend to be relate specifically to the raw materials that are available here, such as wood, and bulk products which are difficult to transport such as concrete, gravel and landscaping. The region also produces drywall and relatively small volumes of paint and glass. There are some manufacturers or fabricators of doors, windows and cabinets in the region.
- 5. The existing supply chains were viewed as operating effectively, providing goods on a near just-in-time basis.** As the supply chain becomes more sophisticated, there is an increasing use of Just-In-Time (JIT) production and delivery. Given limited storage space in Vancouver and more generally the Lower Mainland, JIT delivery is a common practice in the region. Generally speaking, JIT requires more sophisticated communications, coordination, and materials handling systems. Operating on a just-in-time basis means that purchasers only have to pay for materials as they are needed, reduces the requirement for storage, and minimizes wastage or returns. Contractors and sub-contractors typically apply a mark-up to the products they purchase and provide to the client, which contributes to their overall earnings from the project;
- 6. The developers and contractors did not identify major issues associated with being able to access building materials and did not see a need for a local transfer station or distribution centre.** While the diverse range of products, suppliers and contractors adds to the complexity and fragmented nature of the system, the long experience of participants in dealing with major projects has

supported the development of an effective supply chain. Contractors tend to work most closely with suppliers they are familiar with and have built up a working relationship over time.

7. **Product procurement was viewed as a much less effective tool for creating employment than establishing targets related to the hiring of local workers for construction activities.** Some of the issues that were identified with respect to procurement targets included:
- o **The number of jobs created may be very limited.** Developers or contractors are purchasing products from suppliers at the end of the value chain, who may be providing little value added apart from processing the orders. For example, there may be no new employment associated with strictly the distribution of building materials (i.e. ordering products through a local supplier), particularly when products that are delivered directly to the jobsite. Most of the product expenditure simply passes through the distributor to others in the supply chain.
  - o **Even for manufactured or fabricated products, the level of employment creation may be very limited.** This is particularly true when most of the purchase price flows back to earlier stages in the value chain (e.g. purchase of materials or components) and when the manufacturing or fabrication process is capital rather than labour intensive. Most of the building material product segments are becoming more capital-intensive not less.
  - o **Most suppliers based in the City of Vancouver market small product volumes (relative to the requirements for major developments) and tend to target the renovation and homeowner markets rather than larger scale projects.** This can make it hard for them to supply to larger projects.
  - o **Purchasing decisions may be highly decentralized which can make it more difficult to coordinate procurement activities.** While the developer, architect, or designer may provide the specifications, it is often the sub-contractors which make the actual purchase decisions.

These findings further demonstrate the limited potential to enhance local job creation and social procurement through the development of a local construction materials manufacturing and distribution sector. While there may be opportunities to supply certain materials – such as locally produced wood or other green building materials – there is significantly more potential to increase job creation and social procurement in post-construction building operations and maintenance.

## LOOKING AHEAD: STRATEGIES TO ENHANCE SOCIAL PROCUREMENT SUPPLY AND DEMAND

Secondary research conducted for this report indicates that there are untapped opportunities for the City of Vancouver to strengthen the socio-economic impact of the local social enterprise sector. Further development of the City's already supportive policy environment would contribute to the strengthening of local supply and demand, job creation and innovation within the sector. In particular, the emerging Community Benefit Agreement policy will enable the City of Vancouver to leverage both public sector purchasing and municipal policy/regulatory tools to enhance supply-side capacity by increasing market demand for goods and services produced by the social enterprise sector.

Public sector procurement, investment and supportive policy have long been recognized as catalysts for the development of nascent market sectors. Moreover, the City's regulatory control over development permitting and community planning processes - coupled with its large asset base of land and buildings - can act as a set of catalytic tools to spur further growth of supply and demand for goods and services produced by Vancouver's social enterprise sector.

The City's Policy Statement and the Social Impact Assessment Survey on the new St. Paul's Hospital and Health Campus highlight the scope and range of opportunity to develop a strategy focused on matching community demand with social enterprise supply in post-construction maintenance and facility operations. The Social Impact Assessment report suggests the range of social enterprise supply and demand opportunities includes: food services, building maintenance and related services, parking, security, accommodations and retail services.

The findings derived from the Social Impact Assessment point toward the opportunity for the City to encourage the development of a social enterprise firm cluster, or series of mini-clusters, to create a resilient, innovative, social enterprise supply and demand ecosystem. The concept of industrial, or firm-based, clusters was pioneered by the Harvard Business School professor Michael Porter. Clusters are defined as geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field or sector. Clusters have also emerged in recent years as an alternative approach to regional and community economic development<sup>2</sup>. There are several examples of the application of cluster theory to community economic development, including Oakland California's wellness cluster which links both for-profit and non-profit organizations into a comprehensive community-based delivery ecosystem<sup>3</sup>.

Vancouver is already home to several nascent and emerging mini-social enterprise clusters, including the Downtown Eastside and the United We Can - Recycling Alternative co-location initiative. Our secondary research and analysis suggests that the City has a unique and timely opportunity to substantially scale the local social enterprise market through the deployment of policy tools, targeted investments and partnerships with demand-side participants, research and innovation hubs and related local market actors.

To this end we suggest further research and analysis focused on:

1. Post-construction occupancy and building operations may offer the greatest potential to enhance local job creation and social procurement. Areas of opportunity could include: property

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<sup>2</sup> Porter, Michael. "Reshaping Regional Economic Development". Talk given at the University of Minnesota on September 29, 2014, <https://www.youtube.com/watch?v=mF2CsUcwFrw&t=2s>

<sup>3</sup> See also Community Investments Vol. 10, Issue 2 Recent Study Supports the Competitive Advantages of America's Inner Cities published by the Federal Reserve Bank of San Francisco.

management, grounds maintenance, food and catering services, retail grocery, and short-term accommodation services;

2. The development of a social enterprise industrial cluster in the Northeast False Creek Flats - to service the new St. Paul's Hospital and Health Centre, the commercial building sector and the surrounding community – has significant potential to increase opportunities for job creation, social procurement and the continued growth and diversification of Vancouver's social enterprise sector;
3. The City should commit to working with Vancouver's commercial building owners and managers to encourage increase demand for goods and services produced by the city's social enterprise sector;
4. The City should explore opportunities to support Vancouver's social enterprise sector through access to low cost commercial facilities and patient capital options to help nurture and grow the sector as part of the development of a cluster strategy.

The exploration of development of a cluster-based strategy falls well outside of the scope of this project. Moreover, this topic should be the subject of a stand-alone research project to assess fully the socio-economic costs and benefits and required contributions by the City of Vancouver, in both policy and investment.

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## Interviews Conducted

- Bob Bremner, VP Vancouver Construction, Onni Group of Companies  
Wayne Chu, Policy Development Officer, Social Policy, Analysis and Research for Social Development, Finance and Administration, City of Toronto  
Morris De Cotis, Director, Onni Group of Companies  
Bob De Wit, Chief Executive Officer, Greater Vancouver Home Builders' YES Association  
Nathan Edelson, Senior Partner, 42nd Street Consulting  
Thomas Foreman, President, Building Supply Industry Association of BC  
Zane Hill, City Planner, False Creek  
Philip Hochstein, Past President, Independent Contractors and Business Association  
Ben Jarvis, VP Construction, Onni Group of Companies  
Hale Jones-Cox, City Planner, St Paul Hospital Redevelopment

April Lim, Policy Development officer for Social Development, Finance and Administration and Social Policy,  
Analysis and Research, City of Toronto

Mark Mazzone, Director, Aquilini Development

Marcia Nozick, CEO, EMBERS

Warren Perks, Vice President, Director of Industry Practices, BC Construction Association

Lyle Perry, VP – Operations, The Kerrisdale Lumber Company

Ross Power, President, PowerHouse Building Solutions

Jamie Vaughan, Senior Development Manager, Onni Group of Companies

Rick Wagner, President, Maxwell Floors Ltd.

Tom Wanklin, City Planner, Downtown Eastside

Jeff Waters, Business Development Coordinator, EllisDon

James Weldon, Principal Director J.T.W. Consulting

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