

The Potluck Café

Navigating the “twilight zone” of social enterprise

BY LIZ LOUGHEED-GREEN

“The poorest postal code in the country,” Vancouver’s Downtown Eastside is a neighbourhood dealing with extreme poverty, unimaginable numbers of intravenous drug users, a high proportion of folks living with serious mental health concerns, and HIV and AIDS rates similar to those in some Third World countries. The nightly fare of televised “poverty porn” presents a neighbourhood inhabited by the jobless, the homeless, substance abusers, and criminals.

Yet the Downtown Eastside (DTES) remains home to thousands of people and dozens of organizations that are dedicated to its survival and revival. One expression of this dedication is the Potluck Café, a social enterprise rooted in the linkages between nutrition, health, housing, meaningful employment, and personal independence.

To make these linkages we’ve had to cross into a lot of grey areas: the grey areas between trainer and employer, nonprofit and not-for-profit, self-sustaining and self-sufficient, and social service and small business.

As a result, despite the good work we do, a lot of organizations don’t recognize in us something that fits their criteria for funding, for partnership, or for purchasing. We sometimes find ourselves under pressure to break the very linkages that

are our reason for existing in the first place.

Sound familiar? I think our experience is much like that of social enterprises right across the country.

Social Origins

Although a relative newcomer to the Downtown Eastside, Potluck has deep roots. It took shape when three nonprofit organizations decided to add enterprise to their long-standing record of social action.

The Portland Hotel Society (1993) operates residences that offer clean, affordable alternatives to the many

HIV/AIDS since 1990. Volunteers home-deliver entrees, soups, bread, and fruit to hundreds of clients in Greater Vancouver. Although these meals are meant as supplements, they provide the caloric requirements necessary for a balanced diet.

United We Can, the third founding organization, is a bottle recycling business. In 2000 it also hosted a weekly homestyle meal to “binners” – people who collect bottles and cans from garbage bins and city streets. Five local at-risk youth prepared these “Binners’ Dinners,” as they were called, at the Bottle Depot.

And that’s where Potluck got its start. When Binners’ Dinners came to a close in

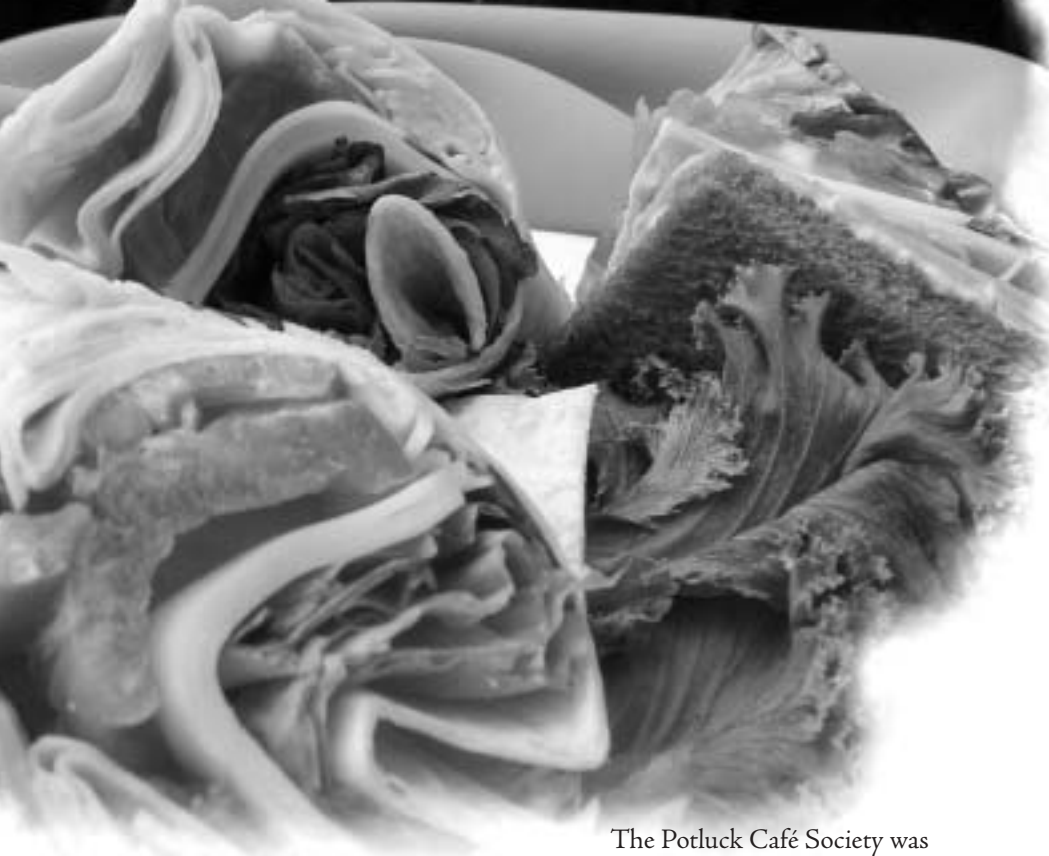


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decrepit, single-room occupancy (SRO) hotels in Vancouver’s downtown core. SRO tenants are known as “hard-to-house” and given the state of the average SRO, it is generally a person’s last resort short of homelessness. Many of the Society’s tenants live with alcohol and drug addiction, mental illness, physical disabilities, poverty, and life-threatening diseases, especially HIV/AIDS.

Malnourishment is a major threat. So a second organization, A Loving Spoonful, has been providing free, nutritious meals to people living with

December 2000, the program staff began looking for alternatives. Members of the Portland Hotel Society, United We Can, and A Loving Spoonful became involved, and a vision began to crystallize. A storefront café, located in a vacant space on the Portland’s ground floor, could serve nutritious meals to hotel residents while selling menu items to the general public and catering to local businesses. The café could be staffed by local people trained in food services as a stepping stone to permanent, mainstream employment.



*"It couldn't be more rewarding to watch our staff improve not only their skills but their confidence & self-esteem. And to have get to the point where they are helping put out a product that is of such wonderful quality is a powerful statement."
(Johnny, Head Chef)*

(above) Potluck delectables: the classic Ham and Swiss on Rye and a Turkey Wrap. (below) The staff of the Potluck Café.



The Potluck Café Society was founded. Support rolled in. The Society received \$245,000 in grants and donations to support start-up and subsidize the first three years of operations. The provincial government provided \$85,000 for planning, staffing, and operations. There was \$25,000 from the Vancouver Foundation for kitchen equipment, \$90,000 from Human Resources Development Canada (HRDC) for wages and training, plus numerous smaller grants.

Potluck started its first meal service in April 2001. The Café's doors opened early in 2002. Soon afterwards, after working as a consultant for Potluck, I was offered the organization's lead position.

A 2-Sided Mandate

Although Potluck's repertoire of services is always changing, there have always been two major sides to our work.

The food program currently has four services on offer. We serve 2500 meals a month free of charge to "hard to house" Downtown Eastside residents. While respecting people's food preferences, the focus of this meal service program is nutrition, an important factor in the struggle to get residents to eat and maintain their weight. In the Café itself, they ideally enjoy a socially normal

experience eating amongst members of the general public. (Since Potluck got underway, nutritionists have documented significant improvements in weight and quantitative health among DTES residents.) A lunch delivery service supplies one nutritious meal a day to low-income people in the neighbourhood.

In the Café itself, a daily special priced on a sliding scale allows about 500 low-income customers a month to pay as little as \$2.50 while encouraging other customers to pay more. A community kitchen trains DTES residents in food preparation for the purposes of improving their nutrition and basic food preparation skills, and reducing their dependence on food banks. Potluck has 100 people permanently out of the food line-ups and intends to increase this number each year until the program reaches capacity.

The other side to our work is a Vocational Training Program in food preparation for area residents who usually face several barriers to employment: life choices; learning disabilities and mental age; and physical limitations that affect both endurance and capacity. They form the workforce for the Café and for Potluck Catering, a catering and banquet service for businesses and organizations.

In the kitchen two Chef Trainers and one Sous Chef oversee the work currently carried out with the help of 9 low-threshold staff. By maintaining this high ratio of skilled staff to trainees, Potluck is able to offer individualized training, counselling, and peer support. We are not just about training people for the restaurant business after all, but about helping them reintegrate into society.

An initial training phase focusses on learning vocational skills, including meal preparation, serving, and hosting. In addition, trainees learn lifeskills for functioning day to day and in the workforce. A second phase of training builds the trainees' knowledge base and encourages them to take on responsibilities appropriate to their abilities in the Café.

Program participants begin at minimum wage. Every six months there is an elective self-evaluation process after which they generally get a \$.50/hour wage

increase. It takes about two years to help trainees reach a point where they are ready to move to mainstream employment elsewhere.

It's a big operation, and initially Potluck carried out the training under contract with HRDC. The fact that we can't any more, and instead rely on catering revenues to run that whole side of Potluck, is one of the things that sets us apart.

A Different Take on Training

What HRDC funded was a training and employment program that offered six months of training to local youth. But after that contract ended in 2002, we quickly began to realize that it wasn't just youth that required training. A steady stream of older people started to appear at our door, asking for help. We learned from other agencies that the people disconnected from the job market are often over 30 years of age and a great many are over 45.

In response, we began to take on older participants. The more we worked with the wider age range, the more we realized the inadequacy of past strategies. We couldn't expect to re-train people within six months when many of them had a lifetime of difficulties to overcome. We couldn't expect to run an 8-hour shift when some folks could only manage 4-6 hours. Last but not least, we realized that some of the people we were training would only ever have one specific set of skills. They were unlikely to find employment outside of Potluck.

So we developed a "continuum of employment." It allows people to work the length of shift and do the tasks they can manage, and to be with Potluck for as long as they need to make a successful transition into mainstream employment. The continuum allows us to offer the whole gamut of opportunities: lifeskills, training and re-training, and where necessary, permanent employment.

The results speak for themselves. Since the beginning of 2003, attendance by Vocational Program trainees has risen from 65% to 98%. In addition to work-

place reliability, a recent survey indicates that practically all staff (current and recent departures) recognize a number of other ways in which they have increased their employability. They reported new skills in sanitation, food handling, interpersonal communications, multitasking, and conflict resolution. In their personal lives, most said they have seen improvements to their financial situation, self-esteem, and ability to achieve short- and long-term goals.

The Café, in short, is the right place for them at the right time and with the right people. (Significantly, nearly all the things that respondents suggested to improve Potluck concerned ways to make the catering business more prosperous.) We now experience no attrition except in the case of those we move on to other training programs or employment.

The balance of funding comes from governments, financial institutions, charitable organizations, and local businesses. VanCity Community Foundation, the Canadian Mental Health Association, the Cooperators, and BC Technology Social Venture Partners are prominent supporters. (The Portland Hotel Society also makes the commercial space in its ground floor available to us free of charge.)

Here is the problem. While monthly revenues averaged \$20-25,000 by September 2002, expenses (operating, administrative, and cost of goods sold) were averaging \$40,000. HRDC funding for Potluck's employment program ended and our subsequent changes meant that Potluck's program no longer fit the mould that traditional funding programs have been designed to



"I never thought I'd be in a kitchen in the city but Potluck has given me stability, the chance to learn from everybody & the chance to learn in a different way. It's not just physical but mental learning." (Blu, trainee)

The trouble is, by responding in this way to the training and employment needs of the community, we have seriously limited our funding options.

The Financial Dilemma

I have always been interested in nonprofits that make money. Surely it's easier to have a revenue stream than to be accountable to the mandates of a multitude of agencies, particularly in an era of funding cuts.

Our commercial revenue streams together account for 75% of the Café's annual income (\$300,000 in 2003). Here's how that 75% breaks down:

- market-rate café sales and lunch delivery service – 2%
- subsidized meals (i.e., Portland Hotel tenants) – 4%
- catering sales – 69%

serve: cohort-based, time-limited, demographic-specific (e.g., youth) training programs.

At the time an additional contract with A Loving Spoonful for feeding a specific demographic did not cover costs. So on top of our other burdens, we were subsidizing one meal service.

Costs were mounting and so were the monthly deficits as we drew heavily off the grants made during our start-up period. In a matter of months we would have been forced to close our doors.

We had to make some choices if we were going to survive. We could alter our programs to fit the funding streams. We could leave our programs as they were and focus a lot more energy on fundraising. Alternatively, we could look for ways to build our business revenue.

"I came to Potluck having never had a job & really wanting to support my children who were being looked after by family. Three years later, not only do I have a permanent position, I am enrolled to challenge for my apprenticeship certification & I have my children living with me." (Tracy, Sous Chef)

"The Café feels like the right place at the right time, with the right people." (Employee)

(below) Potluck's Fresh Veggie Wrap: carrots, cucumbers, roma tomatoes, Swiss cheese, and hummus, served in a flour tortilla.



New Image, New Outlook

We chose the latter. To get started, we had to map out the issues that stood in the way of business success, and we had to find out what our current and potential customers expected.

As it turned out, we found that our nonprofit identity was itself a problem. It was misleading others and even misleading us about what the Café was about and what it could achieve.

In the summer of 2003, market research by Vancouver's Partners in Economic And Community Help (PEACH – a nonprofit business development group) laid the foundation for Potluck's improvement and growth. What did they find? Our customers didn't make their purchases based on our social goals. These were an advantage after the fact and not a motivating factor. Rather, our customers wanted a product that consistently met or exceeded the quality of our competitors, and they were willing to pay for it. What we did with the profits was admirable, but "gravy."

There were two other problems with our nonprofit status. It led some customers to expect us to provide services at little or no cost. We had to struggle to get customers to understand that our fair market prices were essential to program cost recovery. On the flip side, people in the corporate sector were reluctant to patronize us because of their preconceived notions of what "nonprofit products" look like (and taste like, in our case). We eventually made the difficult decision to eliminate the term "nonprofit" from our communications and marketing. Today, Potluck's customers are often unaware of our social bent.

A second aspect of our research was to interview small business owners. What had they done to achieve success?

They all related the same story. In most cases husband and wife teams began the businesses. They spent the first 3-5 years working 18-24 hour days so that they could control labour costs. This

was also the way to build the company's reputation for quality and service. As one owner told me, "No one takes care of my business like I do – the attention to the details, the focus on customers, and the product perfectionism."

Even so, most small businesses fail. Those that succeed take 3-5 years to break even and another 4-5 to turn a profit.

All of a sudden, the pieces began to fall into place for me. We were experiencing challenges that most small businesses do in start-up. We were no different from them, except that we were getting some supportive funding to provide social programs and (in the name of our social mandate) we were subsidizing a large contract.

A picture of just what we had been up against began to emerge. Along with it emerged an idea of how to address the challenges.

Our Head Chef and I sat down one morning with all the information we had collected and agreed that the only solution was to treat Potluck as though we were owner-operators. We agreed to put in the hours upon hours of work with little compensation except the thrill of the challenge and the satisfaction of the social accomplishments.

If Potluck was to work, we had to think and act like a socially responsible business rather than like a nonprofit food program.

On the Rebound

And off we went. We added one other person to the mix (my husband) whose business background and dedication fit well with the group. We believed he would be able to help us turn our \$6-8,000 per month catering business into a surplus-generating success.

With the three of us over-seeing every aspect of the business and with a staff and training contingent that was acting as an incredibly cohesive team, Potluck began to reach some important milestones.

By Christmas of 2003, we had reached \$18,000 per month in catering revenue. We experienced no January lull. By February, monthly revenues began to soar. By June 2004 they had reached \$37,000 and by July, \$51,000.

At the same time, our long-term meal contract with A Loving Spoonful came to an end. Our partner couldn't afford to cover our costs on the program and we could no longer subsidize it. We had to reduce the number of our trainees temporarily, which reduced our impact with the local neighbourhood.

Even so, it presented us with an enormous opportunity. The end of that relationship freed us up to make some much-needed program changes. We changed our resident mealtime from noon to two o'clock and freed up the valuable lunch hour within the Café. This has allowed us to begin to build clientele, and subsequently revenues, for the Café while still meeting resident needs and desires.

To date, Potluck has had six months of sustainability. That is, we are breaking even but still rely on formal grants as well as support in-kind. In addition, senior staff still work 60 or more hours a week, and it isn't unusual for the most senior staff to work close to a 100 hours in a week.

Self-sufficiency – breaking even on the basis of our business revenues, with adequate compensation and without support funding – will be another story. Without another revenue source, especially one with higher margins than those in the food industry, our situation won't change for some time to come.

The "Sustainability" Trap

Issues of quality and consistency still plague Potluck, but the solution is more complicated than it might appear.

On-the-job training programs, by their very nature, bring about inconsistency in products and services. We could combat the inconsistency by hiring more Chef Trainers. But that makes for a difficult balancing act. One more skilled staff person entails the same costs as two trainees. So, until revenues rise, the cost of additional supervision will actually oblige us to reduce the number of low-threshold folks that we employ and thereby deviate from our social mandate.

Funding to cover the wages of additional skilled staff would be a solution, but we have looked for such a

funder to no avail. The problem seems to be twofold. First, as a social enterprise in operation for three years, there is an expectation that we should be self-sufficient. Barring imminent bankruptcy, we have been told, there is little that can be done to help us – unless we re-mould our requests and programs to fit with current funding programs, of course.

Is this reasonable? In 2003 Potluck spent \$145,500 on wages and salaries in the Vocational Training Program – all money generated from our catering. For 2004 we have budgeted almost \$250,000 for the same purpose.



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And saving everybody else a lot of money in the process. All our Vocational Training Program participants were previously clients of the provincial Ministry of Human Resources; most had not held stable employment in the three years prior to enrollment with Potluck. If our participants were not earning this money, they would be receiving it through income assistance and other supports – in short, through taxpayers' dollars. Our requests for money to cover additional staff amount to but a fraction of what Potluck saves the provincial and federal governments. (It's worth noting that the costs of Potluck's meal service too, are only partly compensated by provincial gaming

revenues; the balance is paid out of our catering revenue.)

The expectation that Potluck – or any social enterprise – will become self-sufficient within three years of start-up is unrealistic. The double bottom-line of *sustainability* and valuable social outcomes is a manageable goal, but not in the short-term.

Without core funds or a commitment of support over several years, we might only be setting up social enterprises for failure. I see it as my mission to help funders, private sector partners, and social entrepreneurs themselves to

understand social enterprises as long-term strategies. They require years of both financial support and mentorship.

The key is to forge ahead regardless of the challenges. We at Potluck will address the complaints that our customers make, remind ourselves that the positive feedback vastly outnumbers the negative, and take pride in a product that really does compete in the marketplace. Most importantly, we will remind ourselves that these challenges are worth it when we consider how much we have been able to do in response to community-identified needs.



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