

To Whom it May Concern,

My name is Rob Kettner and I am the Owner/Operator of Hey Happy Coffee on Lower Johnson Street in Victoria, BC. I am writing to you in the hopes that you can carefully review my unique situation and help my business survive this pandemic, like you are doing for so many others. I feel fortunate to live in a country where the government is taking such an active approach to assisting small businesses, but unfortunately the blanket you have thrown doesn't cover us due to a critical timing issue. Allow me to explain.

I opened Hey Happy in 2014 and it quickly became a reputable hotspot for locals and tourists alike. The cafe enjoyed steady growth and in 2019, the space next door became available and I was offered the opportunity to knock down the wall in between and expand in size and scope. Although my rent and fixed costs would more than double, financial projections for an updated business model indicated Hey Happy would continue to flourish. The build-out cost around \$400,000 which I was able to put together through a combination of my own savings and loans. Construction began in September 2019 and wrapped in February 2020. The reimagined Hey Happy opened to much fanfare. There were lineups out the door and every seat was occupied. We were open just under four weeks with good profits but were forced to close our doors due to the unforeseen global crisis.

We were able to re-open in May as a takeout window and signed up for the CEWS wage subsidy program, which covered us for the full 75% or \$17,000 during the first two periods. However, due to the newly amended CEWS formula based on a business' gross sales from the previous year -- a year in which we were operating as a small 800 square foot business with 50% less rent and fixed costs -- we are now only being granted \$3,000 a month versus \$17,000. A year ago, Hey Happy was a financially successful business -- but today, we are losing between \$6,000 and \$8,000 a month. Sales are low due to Covid-19 and our labour cost is high due to low sales, and yet we are operating with the smallest crew possible. Included in our expansion was a brand new kitchen which offers hot items priced up to \$20. These items boost our sales, but not our profits -- and the amended CEWS formula doesn't take into account that we weren't offering these last year. Simply put, we are being given wage subsidy based on a business model that doesn't exist anymore.

I am an experienced and hardworking professional and a connected member of Victoria's small business community. I have tapped out all loans available and my wife and I are now spending our family savings to keep my once-prosperous cafe afloat. Last year, she stepped down from her prominent management position at CTV Vancouver Island to spend more time with our young daughter, in part because Hey Happy was thriving. But she is forced to go back to work full time while we send our three-year-old to preschool. She will work as a video producer for the BC Public Service Agency while continuing to freelance for CTV, all in an effort to replenish the money we have lost and continue to lose.

More than anything, I am frustrated because this is a simple oversight. My competitors are receiving the full wage subsidy and Hey Happy is bleeding money, all because of the

expansion's poor timing. I am more than happy and available to show you my carefully maintained books and discuss the financial loss in further detail. But please -- I urge you to review Hey Happy's special circumstances and re-determine an appropriate and fair subsidy based on the situation, rather than a one-size-fits-all approach. I know we are among a handful of small businesses that have fallen through the cracks and I respectfully seek your help in keeping our collective establishments alive. I do not believe we can survive this otherwise. I look forward to discussing this important matter further.

Sincerely,

Rob Kettner  
Hey Happy Coffe Inc.

Dec 7<sup>th</sup> 2020  
1025 Cook Street  
Victoria BC, V8V 3Z7  
778 677 6283

## GOVERNMENT WAGE AND RENT SUBSIDIES: BEAR & JOEY RESTAURANTS INC

### PURPOSE

1. This report is an overview of Bear & Joey Restaurants Inc, operating in the current economic climate at 1025 Cook Street, Victoria BC V8V 3Z7
2. It highlights the impact of COVID -19 on our business, and the additional disadvantages we face, due to our ineligibility with Government wage and rent subsidies.
3. It demonstrates that our business is legitimate and genuine.
4. Although it cannot demonstrate a loss of sales compared to 2019, the supporting information demonstrates over a 50% decrease in sales from August to November 2020 as a result of;
  - a. A positive case of COVID-19 in our restaurant, and;
  - b. The effect of BCHA dining regulations imposed on restaurants (dining with your core bubble only)
5. We have missed out on between \$172,262.07 and \$227,775.34 in Government subsidies to date, which will be demonstrated below.
6. Contained are urgent requests, and potential solutions.
7. Whilst many businesses fall in this category, the below information, findings, and requests are specific to Bear & Joey Restaurants Inc.
8. To my knowledge, we are 1 of 20 restaurants in this situation, (more from other industries), in the Vancouver, and Vancouver Island regions.

### COMMITMENT TO OUR PROJECT PRE COVID-19

Whilst some businesses saw opportunity in opening a new business during COVID-19, the below points outline our commitment to the project pre COVID-19.

1. Signing of lease – June 2019
2. Commencement of construction – December 2019
3. Pre-construction, \$85,000.00 had been spent in design, engineering, equipment procurement, city fees & professional fees.
4. Total project cost exceeding \$700,000.00
5. We have paid, or are to pay over \$66,000.00 in taxes and payroll remittance
6. EXCLUDING rent increases, I committed to our lease and am personally liable to facilitate a \$1,400,000.00 10-year lease.
  - a. Should I exit the business, I am immediately liable for current rent of \$11,855.00 per month until a new tenant is found. Should the new tenant negotiate a lower rate of lease, I will be liable for the deficit.

### OUR BUSINESS MODEL

1. Bear & Joey was intended to be a brunch service café through the day, and a private events space in the evening.
2. Due to COVID-19, the events we have offered, have been at 40% capacity.

3. Due to dining regulations imposed on November 19<sup>th</sup>, 2020, most of our in-house & private events were cancelled from November – January.
  - a. 10 events, with an estimated loss revenue of \$18,500.00
4. “Gatherings & Events” have been prohibited by BCHA, on December 4<sup>th</sup> which has prevented us from taking event bookings.

#### COMMONALITIES WITH COMPETITORS

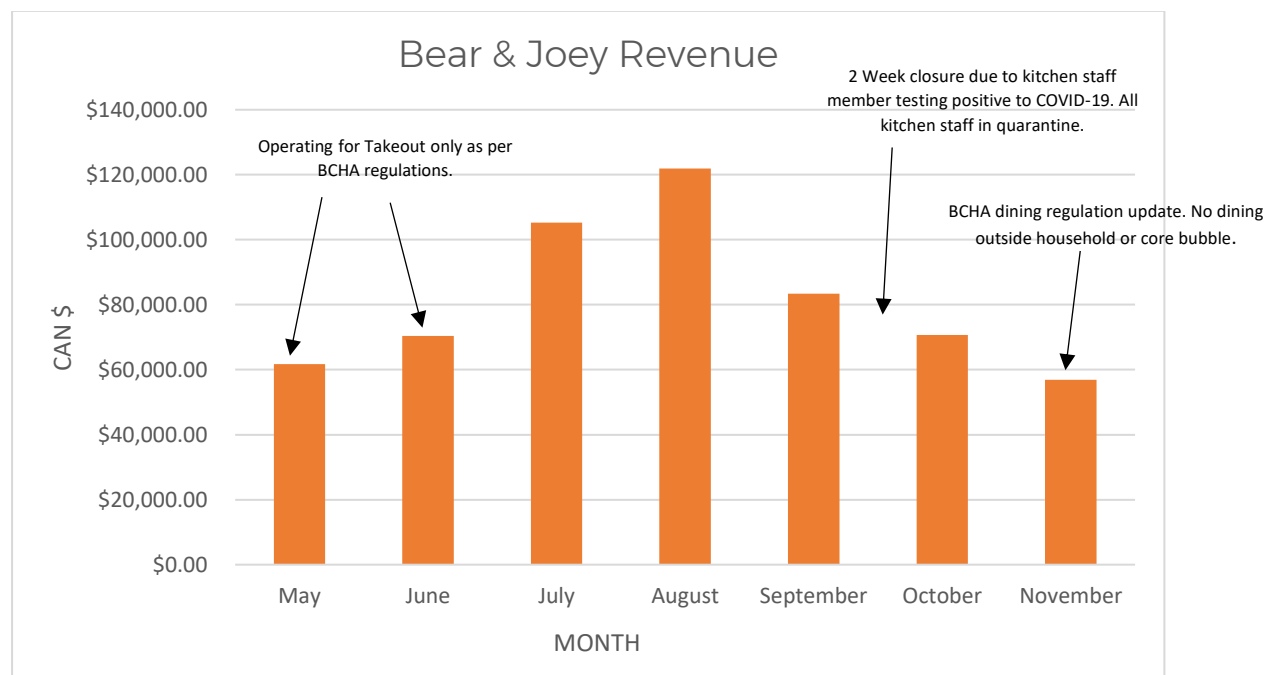
1. We are bound by same BCHA restrictions.
2. We opened with takeout only as per these restrictions.
3. We have not ever exceeded 50% capacity.
4. We share the same customers.
5. We are both liable for our business leases, whether we succeed or not.

#### DIFFERENCES TO COMPETITORS

1. We had to change our entire business model, without having any ‘base’ operations to rely on.
2. We do not have the financial cushion of years of profit, or an established customer base.
3. We do not have the financial facilities (bank loans, higher credit limits etc) available to others due to lack of financial track record.
4. We have paid COD for months before credit was available from suppliers.
5. We opened with no good will or reputation with guests.
6. We have one chance to make a first impression.
  - a. A thin level of service / reduced menus / or “COVID-19 version” of the restaurant will be their first impression, and detrimental to our business long term.
7. In a downturn, customers will support their ‘local’ business not the “new” business.

#### FINANCIALS

The following graph shows our financial performance to date, and the impact BCHA guidelines, and COVID-19 has had on our business.



## CLOSURE DUE TO COVID-19

1. Late September, our Head Chef contracted COVID-19.
2. Our entire kitchen team had to quarantine
3. We had to close our doors for 14 days and announce publicly why we were doing so.
4. We lost \$42,000.00 to \$48,000.00 in revenue.
5. The following October saw a 30% drop in trade due to the COVID-19 publicity.

## OUR RENT VS INDUSTRY STANDARD

1. The industry standard for rent as a percentage of sales is 12%. Anything higher is dangerous financially.
  - a. This assumes, "business as usual", no lockdowns or dining restrictions and normal consumer spending.
2. At present our rent accounts for 20% of our total revenue.
3. As months get colder & people tighten up on spending, our rent could easily reach 25-30% of sales.

## RENT SUBSIDIES OUR COMPETITORS HAVE RECEIVED

1. The below table shows the rent we have either paid or deferred to date.
2. Based on the subsidies our competitors are receiving, what we have missed out on are in red-

| MONTH     | RENT PAID / DEF | 60% SUBSIDY |             | 75% SUBSIDY |             | 90% SUBSIDY |             |
|-----------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| MAY       | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| JUNE      | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| JULY      | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| AUGUST    | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| SEPTEMBER | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| OCTOBER   | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| NOVEMBER  | \$11,855.00     | 0.6         | \$7,113.00  | 0.75        | \$8,891.25  | 0.9         | \$10,669.50 |
| TOTAL     | \$82,985.00     |             | \$49,791.00 |             | \$62,238.75 |             | \$74,686.50 |

## WAGE SUBSIDIES OUR COMPETITORS HAVE RECEIVED

1. The below table shows the wages we have paid to date.
2. Based on the subsidies our competitors are receiving, what we have missed out on are in red.

| MONTH     | WAGES PAID   | 60% SUBSIDY |              | 75% SUBSIDY |              |
|-----------|--------------|-------------|--------------|-------------|--------------|
| MAY       | \$8,912.49   | 0.6         | \$5,347.49   | 0.75        | \$6,684.37   |
| JUNE      | \$25,746.53  | 0.6         | \$15,447.92  | 0.75        | \$19,309.90  |
| JULY      | \$38,939.19  | 0.6         | \$23,363.51  | 0.75        | \$29,204.39  |
| AUGUST    | \$38,996.64  | 0.6         | \$23,397.98  | 0.75        | \$29,247.48  |
| SEPTEMBER | \$33,994.69  | 0.6         | \$20,396.81  | 0.75        | \$25,496.02  |
| OCTOBER   | \$33,854.51  | 0.6         | \$20,312.71  | 0.75        | \$25,390.88  |
| NOVEMBER  | \$23,674.40  | 0.6         | \$14,204.64  | 0.75        | \$17,755.80  |
| TOTAL     | \$204,118.45 |             | \$122,471.07 |             | \$153,088.84 |

## DAMAGE

1. In order to operate & keep staff employed, we have incurred over \$185,000.00 in financial damage, liabilities and future obligations.

| ITEMS                            | AMOUNT        |
|----------------------------------|---------------|
| INVESTOR LOAN REPAYMENTS         | \$ 36,000.00  |
| DEFERRED RENT OWED BY 2021       | \$ 15,340.00  |
| TAX OWED (INC GST PST & PAYROLL) | \$ 26,000.00  |
| MY PERSONAL SALARY               | \$ 32,000.00  |
| CREDIT CARD DEBT                 | \$ 8,000.00   |
| UTILITIES                        | \$ 7,000.00   |
| CANCELLED EVENTS                 | \$ 18,500.00  |
| 2 WEEK CLOSURE RE COVID          | \$ 45,000.00  |
| TOTAL                            | \$ 187,840.00 |

## THE FUTURE

Based on our financials to date (and assumption of a normalised, larger capacity), it is fair to assume that over our 10-year lease;

1. We will employee close to 300 staff either on a part-time or full-time basis
2. We will pay taxes and payroll remittance in excess of \$1,300,000.00.
3. We will open 3 more locations.

## SOLUTION / PROPOSITION

1. The situation outlined is simply not sustainable.
2. If we are to continue, we need IMMEDIATE government support in the form of;
  - a. A MINIMUM of 60% wage and rent subsidies, backdated from our opening date.
  - b. Of that, 10% of it paid within 14 days in the form of an emergency relief grant to assist with immediate cashflow.
  - c. A MINIMUM of 60% wage and rent subsidies moving forward, until the correct bracket of subsidy is determined.

## MOVING FORWARD

Whilst I appreciate things take time, our situation is dire, and we need clear direction on the viability of keeping our doors open. We need to know;

1. How long will it take to receive a response?
2. What are the steps from here?
3. What is the timeline of implementing something like this?
4. Who is my direct contact for following up?
5. What might the process of accessing funds look like?

I appreciate you looking into this on behalf of Bear & Joey Restaurants Inc, and any new small business who has fallen through this gap of Government funding. Should you require any further information, please do not hesitate to contact me.

Kind Regards,  
Peter Wood

I am writing this impact statement in order to **ask for your support in addressing a flaw in the eligibility criteria** for the Canadian Emergency Wage Subsidy (CEWS), the Canadian Emergency Rent Subsidy (CERS) and the Canadian Emergency Business Account's new extension. (CEBA)

These programs have proven their worth as crucial federal supports for small business through this COVID-19 crisis, and in particular have saved our Hospitality Industry from being decimated.

Unfortunately, there is a subset of new hospitality business for whom the pandemic, especially the onset second wave, has been or will be catastrophic - *but whom are ineligible for CEWS, CEBA & CERS due to having no demonstratable revenue either last year nor in January or February 2020.*

These hospitality businesses include:

- Any business who opened on March 1<sup>st</sup> or later and was forced to close or reduce operations immediately
- Any business who was ready to open post March 15<sup>th</sup>, but was prevented in doing so due to regional/provincial orders
- Any business who was delayed from opening due to pandemic-related delays such as the delivery of supplies

These businesses have the ability to demonstrate that they are genuine, invested small business through presenting one or more of the following, *dated prior to March 15<sup>th</sup>, 2020*;

- Proof of loans/financing
- Proof of long term leases
- Contracts for building and construction

These businesses can also often demonstrate the second wave of COVID-19's impact by;

- comparing revenue in one period to the period prior to it
- demonstrating the impact that the winter months have on their planned capacity and their ability to use the outdoors as they did through the summer
- demonstrating that they are, post September 2020, operating at a loss and owners are forced to personally subsidize wages, rent

Hospitality business who fall into this category face laying off staff, closure, forfeiture &/or bankruptcy due to the current eligibility structure of these critical federal programs.

I therefore request that special consideration be made for these businesses, as it relates to eligibility for CEWS, CERS and CEBA.

**My own business falls into this category; we incorporated Tribe Called Zest Hospitality (El Segundo) in February of 2019 and were slated to open May 2020 – although this was delayed until July due to construction slow downs and supply issues that carried on even after provincial dine-in restrictions were lifted.**

Over the summer we had 35 employees although that has now been whittled down to 29, and we are facing 10 more layoffs in the next few days. We have a 20 Year Lease (executed April 2019), and we invested \$410k into the business (borrowed May 2019/March 2020/July 2020).

Our revenue has experienced a hit over the past 2 months, first gradually as weather dictated no more outdoor seating, then as COVID cases increased, and recently to catastrophically low levels with the new health orders restricting social activity.

In practical terms, this recent (and likely to be extended) BC ban on socializing outside of your household has seen our weekly revenue plummet to only 30% of our realistic forecasts for this time of year, and crucially well below what we know to be our breakeven point.

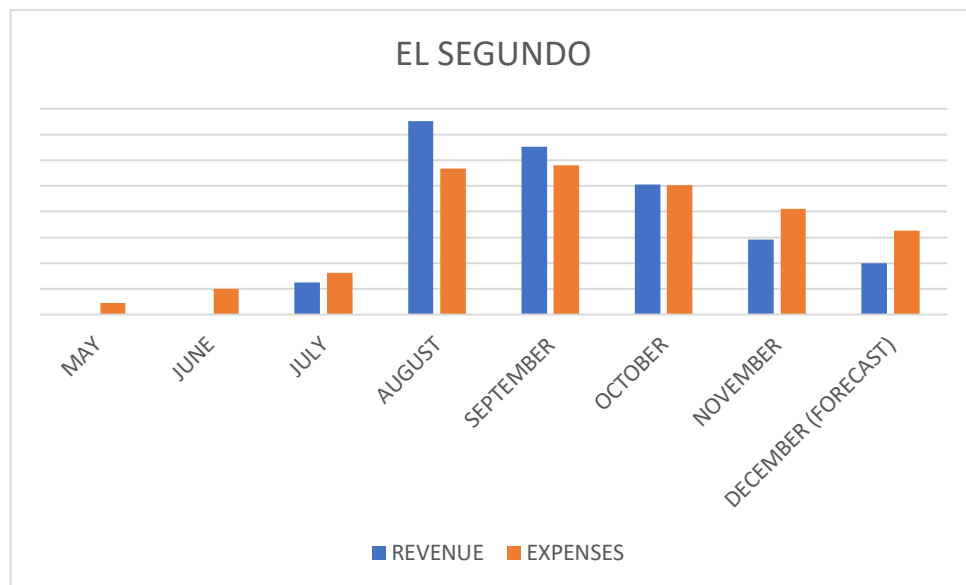
My business partner and I are currently personally subsidising our payroll and our business, at a burn rate of \$4000/week, which is unsustainable for many reasons, and as such I ask for your urgent support in this matter.

Please do not hesitate to reach out to me in the instance that you have any questions, or I can clarify anything further.

Regards,



Scarlet Osborne  
Owner  
604 329 7877





TOTALS TO DATE

INITIAL INVESTMENT  
**\$368,000**

OPERATING LOSSES DUE TO COVID  
**\$118,778**

WAGES PAID  
**\$411,575**

RENT PAID  
**\$41,841**

| NEW DEBT DUE TO COVID        |  |          |
|------------------------------|--|----------|
| Balance of Loans             |  | \$60,000 |
| Current Overdraft            |  | \$15,000 |
| Current Credit Card Debt     |  | \$16,000 |
| Additional Capital Injection |  | \$55,000 |
| Deferred Rent                |  | \$0      |
| Tax Owed                     |  | \$0      |
| Owners Salaries Deferred     |  | \$10,000 |
| Any Other Debt               |  | \$0      |

