

## APPROVAL REPORT

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### Lease to Manage the Farmers' Market Building

#### ISSUE

This report summarizes the key terms of the proposed lease for Ideas Inc. to manage the public market with a farmers' market component at the Farmers' Market Building. Approval by City Council is requested for the lease agreement as well as for the capital cost of furnishings within the public building.

#### RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council:

1. That the City enter into a lease agreement with Ideas Inc. to operate the public market within the Farmers' Market Building, located at 414 Avenue B South in River Landing, based on the terms outlined in this report;
2. That a five-year tax exemption, estimated at \$53,162, based on the increasing scale outlined in Appendix 2, be approved;
3. That the City Solicitor be requested to prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal; and
4. The City Council approve the post budget request for a 2022 capital project at a cost of \$150,000, for the purchase of furnishings for the common areas, funded 50% from the Reserve for Capital Expenditures and 50% by Ideas Inc. as a private contribution.

#### BACKGROUND

At its September 24, 2018 Regular Business meeting, City Council directed Administration to:

“Prepare and issue a Request For Proposal to lease the Farmers' Market Building within River Landing, seeking a proponent to develop and manage a six-day-a-week public and farmers' market and revising the proposed scoring matrix in order to provide specific consideration for:

- Dedicated farmers' market days; and
- More explicit evaluation of 'authenticity' with respect to local produce and content.”

The Request For Proposals (RFP) to lease the Farmers' Market Building was issued in October 2018. During the due diligence review of the building for planned interior work, it was determined there would need to be more significant repairs to the roof of the building than originally assessed. As a result, the proponent subsequently withdrew their proposal and in February 2019 the RFP was cancelled.

A second RFP was issued on November 8, 2019 for the Lease of the Farmers' Market Building at River Landing. In February 2020, Administration began negotiations with the

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highest scoring proponent, Ideas Inc. Negotiations were interrupted by the market uncertainty and financial impacts created by the COVID-19 pandemic.

An RFQ/Tender Package to replace the roof of the Farmers' Market Building was released on February 12, 2020 and closed on February 27, 2020. Demolition and construction work began in June 2020.

At its June 27, 2022 Regular Business meeting, City Council received a report providing an update on the Farmers' Market renewal project and approved an increase to the project budget to complete the interior renovations to the Farmers' Market Building.

### **DISCUSSION/ANALYSIS**

#### Expectations of the Lease

The RFP that led to selecting Ideas Inc., as the operator of the Farmers' Market Building, identified the expectations of the leaseholder. The key expectations include:

- 1) Operate a public market, focused on local product, food and beverage, with a farmers' market component, open to the public for a minimum of six days-a-week;
  - 2) Operate a seasonal (spring to fall) farmers' market annually; and
  - 3) Provide quarterly and annual metrics relating to animation requirements.
- Refer to Appendix 1 for an overview of operating metrics for the building.

#### Key Lease Terms

Full scale negotiations resumed in early 2022 and Administration and Ideas Inc. have now agreed on the key lease terms. The key lease terms relate to the financial requirements of the lease, including a five-year lease term, occupancy costs, property taxes, contributions to the Civic Buildings Comprehensive Maintenance (CBCM) Reserve and operational responsibilities (see Appendix 2 for summary of the key lease terms).

The lease agreement is based upon Ideas Inc. undertaking all vendor management and covering all operating costs. They will also be responsible for managing all tenant fit-out work and associated costs, which includes the construction within the individual vendor spaces such as millwork, installation of mechanical equipment, shelving, signage and other items relevant to the vendor's needs. The cost of this work is the responsibility of Ideas Inc. and/or the vendors.

The lease agreement provides Ideas Inc. with the authority to select their vendors, provided they fall into the following categories as outlined below and defined in the lease agreement:

“The use of the building is a public market and will primarily sell food, beverages and non-food items by independent local vendors. Food related items may include produce, meat/deli, fish, dairy products, baked

goods, coffee, spices, beverages (alcoholic and non-alcoholic) and various specialty and prepared foods and restaurant spaces. Related non-food items may include flowers and local crafts, local artisanal and hand made products, as well as essential grocery items. The public market will also manage a seasonal outdoor farmers' market. The public market may also dedicate space for special events, including entertainment and cultural events, with or without a defined stage area."

The quarterly and annual metrics provided by Ideas Inc. will assist Administration in ensuring the operator and vendors meet the established criteria.

### Furnishings

As part of the negotiation process, Administration and Ideas Inc. have agreed to share the cost of the furnishings within the common areas of the facility. Administration is requesting approval of a post budget capital project of \$150,000 for the purchase of furnishings, funded 50% from the Reserve for Capital Expenditures and 50% by Ideas Inc. as a private contribution. Under the proposed lease agreement, Ideas Inc. would contribute 50%, for the cost of the furnishings, to be paid, over the five-year lease agreement, with annual installments.

### Public Notice

Due to the proposed lease rate for the space being below market value, public notice under Policy C01-021 Public Notice Policy will be provided in The StarPhoenix and posted on the City's webpage and notice board in the lobby of City Hall.

## **FINANCIAL IMPLICATIONS**

There is a partial property tax exemption proposed in the terms of the lease, which will be foregone revenue. All other financial implications have been addressed in the report.

## **OTHER IMPLICATIONS**

A CPTED review has been undertaken on the proposed public market design. There are no other policy, environmental, privacy, or CPTED implications or considerations.

## **NEXT STEPS**

The following are the next steps in the project:

1. Complete detailed design drawings and issue construction tender.
2. Award and undertake interior renovation construction work.
3. Ideas Inc. will coordinate tenant fit-outs prior to opening.

The lease will begin when the interior building renovations have been completed by the City, prior to the vendor spaces beginning construction.

## **APPENDICES**

1. Farmers' Market Building Tenant Operating Metrics
2. Summary of the Key Lease Terms – Farmers' Market Building at River Landing

**REPORT APPROVAL**

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Approved by: Lynne Lacroix, General Manager, Community Services

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