

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Infrastructure, Development and Enterprise Services
Date	Monday, November 1, 2021
Subject	<b>Guelph Farmers' Market – 10C Negotiation Update</b>

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## Recommendation

1. That Council delegate authority to the Deputy Chief Administrative Officer of Infrastructure, Development and Enterprise Services to enter into an agreement with 10 Carden Shared Space for the property municipally known as 2 Gordon Street, to manage and operate the Saturday Farmers' Market and program the building and grounds on other days of the week in accordance with the Market's Council-approved vision and mission and 10 Carden Shared Space's proposal, entitled Engage Possibility, subject to the satisfaction of the City Solicitor.
  2. That 10 Carden Shared Space assume all operating costs and expenses related to the Market building's maintenance, repair, administration, management, and operation while having the opportunity to establish and collect all fees, charges, rent and recoveries.
  3. That 10 Carden Shared Space pay rent based on a percentage of revenue generated formula.
  4. That the City provide to 10 Carden Shared Space transitional funding totaling \$500,000 over six years (2022 to 2027), recognizing the loss of revenue incurred by the Saturday Farmers' Market due to COVID-19, the costs associated with developing and implementing new programming, and the Market's 200<sup>th</sup> anniversary in 2027, and that this be included in the 2022/23 multi-year budget.
  5. That staff ensure a smooth transition from City of Guelph operation and management of the Guelph Farmers' Market to 10 Carden Shared Space with existing regulation remaining in place during 2022, and that By-law Number (2009) – 18874, known as a By-law to regulate the operations of the Guelph Farmers' Market, be repealed on December 31, 2022 and replaced with 10 Carden Shared Space's Market Operating Policies and Procedures.
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# Executive Summary

## Purpose of Report

To report back to Council, as directed on July 19, 2021, on the outcome of negotiations with 10 Carden Shared Space (10C) and to seek Council approval to delegate authority to staff to enter into an agreement with 10C to manage and operate the Saturday Farmers' Market in keeping with the Market's Council-approved [Refreshing Our Local Tradition](#) and 10C's proposal [Engage Possibility](#). Consistent with its proposal, the agreement will set out how 10C would create a multi-purpose, indoor-outdoor community market that is thriving with active uses 7 days a week.

This report summarizes the results of the negotiation and presents the purpose, goal, and main terms of the agreement for Council's consideration.

## Key Findings

Council directed staff to negotiate an agreement with 10C to manage and operate the Guelph Farmers' Market on Saturdays and program the building and grounds on other days of the week, as outlined in the [Guelph Farmers' Market: Refreshing Our Local Tradition](#) report, dated July 5, 2021 and approved July 19, 2021.

10C's proposal was aligned with the Market's vision and mission, which clearly contributed to the success of the negotiations. 10C's keen interest in the Market and the community was demonstrated throughout the negotiation process.

The expanded programming and use of the Market building and grounds, with a focus on local food and business incubation, will generate direct and indirect employment, build on the work and furthering the goals of the Our Food Future & COIL initiatives and have a positive economic impact on the City of Guelph and Wellington County.

## Financial Implications

The Saturday Farmers' Market only operates for five hours on 52 days of the year and is the sole use of the Market building. The City's direct operating costs (on-site staff, supplies, utilities, and services) averaged \$125,000 in the five years pre-COVID-19. Vendor fees covered those costs but did not contribute to overhead (management, communication, legal and other City staff) costs. Those indirect costs are estimated to have exceeded \$100,000 annually.

The agreement proposes that 10C will assume responsibility for the management and operation of the Saturday Farmers' Market and programming on other days of the week. 10C will establish and collect the associated fees and charges and cover all direct operating costs.

A rental fee for 10C has been established based on a percentage of revenue generated. This formula, from five to 20 percent of revenue, is an opportunity for the City to participate in the success of the programming being undertaken by 10C. More activity undertaken means greater economic benefits for Guelph-Wellington and more revenue generation for 10C and the City. For example, when gross rental revenues reach \$350,000 in a year, the City would receive \$37,500 in rent.

To acknowledge the impact of reduced vendor fees due to COVID-19 physical distancing restrictions, the nature of start-up programming, software requirements, policy development and the promotional and event costs for the Market's 200th

anniversary in 2027, staff have negotiated transitional funding of \$500,000 over the first six-year term of the agreement. Given the timing of this report, the financial implications of this agreement have not been included in the 2022/23 Budget and pending approval, will be directed to Budget approval on December 2, 2021.

This operational funding will ensure that 10C is set-up for success as they deal with the impacts of COVID-19, experiment with programming and increase the use of the Market building and grounds during the initial term of the agreement. The City could also receive rent during this period based on total revenues generated. For the renewal periods, years seven through 21, the City will not contribute to any Market operating costs and will receive rent base on the percentage of revenue formula.

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## Report

The Guelph Farmers' Market has operated for almost 200 years and is seen as an important community asset. The Market has been in its current location on Gordon Street for 50 years.

In 2018, City staff initiated a consultative process to review the vision, mission, policies, and procedures of the Farmers' Market. Refreshing Our Local Tradition gathered input from vendors and shoppers to update the Market's vision and mission and to develop five goals to build on the success of the Saturday Farmers' Market and ensure the tradition continues. The value and importance of a Saturday Farmers' Market was reaffirmed by both vendor and shopper feedback, and opportunities to strengthen the Farmers' Market tradition, expand use of the market building by animating the space throughout the week and make the Market building and grounds the focus of local food and business incubation for Guelph-Wellington.

The City looked to the community for innovative and entrepreneurial proposals for the operation of the Saturday Farmers' Market and additional indoor/outdoor programming throughout the rest of the week. Not-for-profit social enterprise 10C submitted a creative and inspiring proposal which was accepted by the City for consideration.

On July 19, 2021, Council directed staff to negotiate an agreement with 10C to manage and operate the Guelph Farmers' Market on Saturdays and program the building and grounds on other days of the week, as outlined in the [Guelph Farmers' Market: Refreshing Our Local Tradition](#) report.

Staff initiated negotiations with 10C and the parties were able to agree on terms that meet Council's direction.

### Agreement Purpose and Goals

The purpose of the agreement is to implement 10C's proposal to support the continued success of the Saturday Farmers' Market while activating the Market building and grounds as a quality public place that represents downtown Guelph as a food district and the heart of food and culture in Guelph-Wellington.

The goal of the Agreement is to support the following City objectives:

1. To operate the Saturday Farmers' Market year-round based on the 2021 Council approved vision, mission, goals and objectives.

2. To operate the Saturday Farmers' Market in accordance with the City's policy direction and procedures.
3. To program and animate the building and grounds on other days of the week with a focus on local food, community engagement and business incubation for Guelph-Wellington.
4. To have the program recover all direct operating costs from revenues.
5. To ensure a smooth transition from City operation and management of the Saturday Farmers' Market to 10C.
6. To maintain and keep the Market building and grounds in good repair.

The Agreement supports this goal through a collaborative relationship with 10C to achieve the following shared objectives:

1. A responsive, innovative, and entrepreneurial approach to operating and programming the Market building and grounds.
2. Activation of the Market building and grounds seven days a week.
3. A flexible membership/activity/sliding-scale not-for-profit enterprise framework providing accessible, affordable, and free use by multiple organizations and individuals.
4. An open process to engage food, farming, social, arts, and cultural communities as to possible uses, including community-based teaching, learning, and mentorship opportunities and partnership development based on shared interests.
5. A review of the feasibility of redeveloping the Market site with expanded open and accessible access, including urban agriculture and cultivation opportunities.
6. Seeking collaboration with and investment by all levels of government, developing scale-appropriate funding and financing methods, engaging private and foundation investment, and raising community philanthropic support to create a best-in-class community-run market and urban agriculture facility.

### **Commencement Date, Term and Renewals**

10C will require time to implement its full vision for programming of the Market building and grounds and for economic recovery from the impacts of the COVID-19 pandemic. An initial agreement term of six years starting January 1, 2022, including the Market's 200<sup>th</sup> anniversary in 2027, is proposed with three additional five-year renewals for a total of 21 years.

### **Transition from City Management to 10C**

The agreement includes a plan to ensure a smooth transition from City operation and management of the Saturday Farmer's Market to operation by 10C. Current vendors will enter into license agreements with the City and the existing Market By-law ([2009\) 18874](#), policies and procedures will remain in effect for 2022. The City's onsite staff will manage the Market and train 10C staff in January and February 2022.

10C will present its proposed policies and procedures for 2023 to City staff, vendors and stakeholders in the fall of 2022 and they will be finalized by November 1, 2022. Market vendors will enter into agreements with 10C for 2023 Farmers' Market

activities. The City’s existing Market By-law (2009) 18874 will be repealed December 31, 2022 and 10C will assume full management and operations on January 1, 2023.

### Alternative Options

Had City staff not reached a tentative agreement with 10C that was in the City’s, Market’s, and community’s best interest, staff would have prepared additional options for Council’s consideration including a second expression of interest seeking an organization to operate the Market or the City would continue to operate the Saturday Farmers’ Market per Council approved direction.

Community and stakeholder consultation undertaken during the Refreshing Our Local Tradition project identified that Guelph residents want the Market to be more than a once-a-week shopping experience and envisioned the Market as a central hub in the local food community. To meet this community vision and expand programming on other days of the week, the City would require additional funding estimated at \$100,000-\$250,000 annually for a dedicated manager, support staff and additional operating costs.

### Financial Implications

The Saturday Farmers’ Market only operates for five hours on 52 days of the year and is the sole use of the Market Building. The City’s direct operating costs (onsite staff, supplies, utilities, and services) averaged \$125,000 in the 5 years pre-COVID-19. Vendor fees covered those costs but did not contribute to overhead (management, communication, legal and other City staff) costs. Those indirect costs are estimated to have exceeded \$100,000 annually.

In 2020, vendor fees were down by \$90,100 (65 per cent) and in 2021 they are projected to be down by \$44,500 (32 per cent) due to a major reduction in vendor space to meet COVID-19 physical distancing requirements. Meanwhile, staffing, and other costs have increased due to implementation of COVID-19 precautions. The Market’s operating deficit for 2020 was almost \$170,000 and it is projected to be almost \$130,000 for 2021. Should Council direct staff to continue to operate the Market and undertake increased programming on other days of the week, additional costs would be incurred with no guarantee of additional revenue. Increased costs are estimated at \$100,000-\$250,000 annually.

The Agreement proposes that 10C assume responsibility for the management and operation of the Saturday Farmers’ Market and programming on other days of the week. 10C will establish and collect the associated fees and charges and cover all direct operating costs. The City will receive rent based on the following percentage of revenue formula, starting in 2023:

### Rent Formula for Revenue shared with City:

$$\text{Revenue-based Annual Rent Paid } \$ \underline{\hspace{2cm}} = (\text{Gross Rental Revenue } \$ \underline{\hspace{2cm}} - \text{first } \$100,000) * \underline{\hspace{2cm}} \%$$

Total annual vendor fees, and rental charges	% paid to City
There is no % paid on the first \$100,000	0%
\$100,001 – \$200,000	5%

\$200,001 - \$300,000	10%
\$300,001 - \$400,000	15%
Over \$400,000	20%

The percentage of revenue rent formula is an opportunity for the City to participate in the success of the programming being undertaken by 10C. More activity would lead to greater economic benefit for Guelph-Wellington and more revenue generation for 10C and the City. For example, when gross Market revenues reach \$350,000 in a year, the City would receive \$37,500 in rent. These revenues will be used to offset the one-time transition cost until 2027, and then subsequently directed to the City’s Rental Property Reserve Fund where the revenue can offset future capital maintenance costs.

To acknowledge the impact of reduced vendor fees due to COVID-19 physical distancing restrictions, the nature of start-up programming, software requirements, policy development and the promotional and event costs for the Market’s 200<sup>th</sup> anniversary in 2027, staff have negotiated the following transitional funding schedule:

**Operational Funding During Transition (value in 000’s)**

2022	2023	2024	2025	2026	2027*	Total
\$150	\$100	\$50	\$50	\$50	\$100	\$500

\* 200th anniversary of the Market

This operational funding, subject to approval, will ensure that 10C is set up for success as they deal with the impacts of the COVID-19 pandemic, experiment with programming and increase the use of the Market building and grounds during the initial term of the agreement. The City could also receive rent during this period based on total revenues generated. For the renewal periods, years seven through 21, the City will not contribute to any Market operating costs and will receive rent base on the percentage of revenue formula shown above.

The agreement proposes the City continue to own the Market building and be responsible to maintain its structural elements and systems. Since 2015, the capital expenditures on the building have been approximately \$550,000. The City’s Capital Project [CT0002 – Culture Facilities Renewal Budget](#) identifies a total of \$700,000 for improvements to the building and grounds over the next 10 years including HVAC upgrades, electrical upgrades and refinishing of the building exterior. As the City is remaining the owner of the property, this facility will remain in the City’s asset management inventory, and there will be no reduction in the infrastructure renewal funding requirement except for the recognition of the new revenue stream in 2027.

There is also an understanding in the agreement that the City will support capital expenditures and one-time match funding/grant applications, on a case-by-case basis, with a priority for capital improvements to the building and grounds. This represents an opportunity for savings for the City as funding may be matched by other levels of government and other sources. Illustrating its commitment to this

project, 10C has already developed and applied for capital funding, which is pending review.

## **Consultations**

As detailed in the [Guelph Farmers' Market: Refreshing Our Local Tradition report](#), staff engaged Market stakeholders during each stage of the three-year initiative. 10C's proposal was supported by the Guelph Chamber of Commerce and eight other community partners. Since the report was approved, Market vendors participated in video conference calls and the Tourism Advisory Committee and Economic Development Advisory Committee have been informed.

## **Strategic Plan Alignment**

The recommended approach aligns with the City's Strategic Plan:

1. Powering our Future:
  - Accelerates Guelph's innovation economy through partnerships by fostering downtown business innovation to support a thriving downtown.
  - Supports and attracts circular economy business.
  - Builds collaborative partnerships with business.
  - Leverages partnerships with businesses to attract the talent that Guelph's economy requires.
  - Encourages the growth of Guelph's employment base.
2. Sustaining our Future:
  - Cares for the local environment, responds to climate change and prepares Guelph for a net-zero-carbon future.
3. Working Together for our Future:
  - Develops strategic partnerships with stakeholders to improve service delivery
4. Building our Future:
  - Maintains existing community assets
  - Works to enhance community well-being
  - Continues to build equitable, strong, vibrant, safe, and healthy communities

The approach also aligns with the CAO's objective to identify and action collaborative efficiencies in coordination with the [Service Rationalization](#) Review.

## **Attachments**

Attachment-1 Guelph Farmers' Market 10C Negotiation Update Presentation

## **Departmental Approval**

Tara Baker, City Treasurer/General Manager, Finance

Antti Vilkkko, General Manager, Facilities and Energy Management

Christopher C. Cooper, General Manager, Legal Realty and Court Services/City Solicitor

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