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## Farmers' Market Building Lease and Operating Agreement Renewal

### Recommendation

That the Administration be directed 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.

### Topic and Purpose

The purpose of this report is to provide City Council with information about the renewal of the Lease and Operating Agreement for the Farmers' Market Building in River Landing and proposed next steps.

### Report Highlights

1. The current Lease and Operating Agreement for the Farmers' Market Building expires in May 2019.
2. Administration has been contacted by several parties expressing an interest in the Farmers' Market Building for the purposes of a public market.
3. The City has undertaken lease renewal negotiations with the current tenant of the building, the Saskatoon Farmers' Market Co-Operative Ltd. (SFMCL) which submitted a business plan. Its plan anticipates eventually providing an increased number of days each week in which market and program activities would occur, however, the full animation of the site would not be achieved.
4. A number of cities have seen the development of six or seven-day-a-week public markets that include a farmers' market component along with other local food, service and product offerings.
5. Administration recommends issuing a Request for Proposal (RFP) to introduce a clearer expectation for building utilization and identify the entity best positioned to develop and manage a six-day-a-week public and farmers' market in Saskatoon.

### Strategic Goal

River Landing, through the Farmers' Market, supports the Strategic Goal of Quality of Life by ensuring facilities are accessible and meeting community needs. As a cultural, recreational, and market centre, River Landing invites citizens and visitors alike to enjoy the natural beauty and benefits of parks, trails, and other amenities that bring people together.

### Background

The SFMCL leases a City-owned 13,561 square foot building (the Farmers' Market Building) in River Landing. The initial SFMCL Lease and Operating Agreement started April 2007. The current Lease and Operating Agreement is for a five-year term, from June 1, 2014 to May 31, 2019.

As part of lease negotiations, Administration met with representatives from the SFMCL to discuss animation, usage of the space, future vision, and to ask for a business plan

from SFMCL outlining their proposed approach to increase animation and activity for the next lease before reporting to Committee.

### **Report**

#### Saskatoon Farmers' Market Business Plan

The concern with the current arrangement is that other than on market days, the Farmers' Market Building has not achieved the animation that was expected by this point in time.

Administration met with representatives of the SFMCL on several occasions, with both parties in agreement that there are current shortcomings in how SFMCL has approached animation and building utilization. As a result, Administration requested the submission of a business plan describing how the organization would manage the facility into the future to achieve the desired outcomes and success factors for the building described in the current lease. Attachment 1, Highlights of Previous Lease Terms with the Saskatoon Farmers' Market Co-operative Limited, outlines the lease outcomes and terms.

SFMCL submitted a business plan identifying a strategy for bringing more customers into the Farmers' Market Building and increasing building utilization through facility rentals.

Administration notes that the SFMCL have made strides in working toward changes that increase activity at the site to meet the terms of the current lease. Thirty new vendors have been added this year to replace some that have been lost. Targeting of vendors for products not currently available through SFMCL has occurred and they have sourced a cheese vendor this summer. They host a Thursday night art market in the summer; Etsy markets; and self-generated special events such as a Mother's Day Brunch, Easter Egg Hunt, and Santa Claus. Pop up restaurant kitchen rentals are filled for each Saturday market into the fall.

However, the plan for further enhancements requires implementation over a period of at least three years and focusses on growth in subtenant restaurateurs and rental activities. Vendor recruitment (i.e. SFMCL members) would occur to address annual attrition. The plan indicates that even after three years, vendors would continue to operate a maximum of three market days a week with reliance on subtenants and rentals to animate the building on non-market days.

Administration also notes that Vendor commitment to the SFMCL (and to the outcomes outlined in the lease agreement) is not clearly evident in the plan, given the high rate of attrition, disinterest in expanding market days, and continued practice for its members to participate in other community markets despite the SFMCL identifying this practice as competitive pressure on the successful animation and growth of the Market in River Landing.

### Proposed Next Steps

The River Landing Concept Plan calls for a farmers' market entity at this location. Farmers' markets, food trends, and food hubs are evolving worldwide with a number of cities developing six or seven-day-a-week public markets that include a farmers' market component along with other local food, service and product offerings.

Administration has received unsolicited interest from other third parties expressing an interest in the development and management of the Farmers' Market Building in the manner anticipated by the Concept Plan and past lease agreements.

Administration, therefore, proposes issuing a public RFP to identify the entity best positioned to develop and manage a six-day-a-week public and farmers' market in Saskatoon. A RFP would provide greater clarity on the expectation for building utilization.

### Request for Proposal (RFP) Process

If supported, Administration will develop the RFP utilizing the following evaluation criteria:

Demonstrated management experience, organizational capacity and proposed governance (30 points)

- Demonstrated track record in developing and/or operating a business, with highest scores provided for documented success in managing the same or similar type of entity.
- Management resumes and financial references.
- Proposed organizational structure, including proposed target skill-sets for governance and/or staff positions.

Business plan (30 points)

- Operating plan with financial projections demonstrating viability, ability to cover lease costs, and ability to make necessary leasehold capital improvements.
- Reporting plan against identified metrics. Attachment 2, Farmers' Market Building Tenant Metrics, to be provided.

Approach to meeting the City's objectives of animation and local food production (40 points)

- Vendors are open for business six-days-a-week, year-round. Proponents will achieve the highest score through the RFP evaluation process for the greatest proportion of the building utilized, highest inclusion of vendors each day, and highest number of business hours.
- A focus on local food production. Proponents may include products not grown or produced in Saskatchewan, but the highest evaluation points will be provided for the greatest inclusion of local content.
- A variety of food/agricultural products are offered to ensure a wide selection for customers (i.e. meat, fish, poultry, produce, cheese, eggs, flowers, wine/alcohol, etc.).

- A variety of products that complement food items, such as local handmade crafts, baking, etc.
- The site is a 'food hub', utilizing the commercial kitchen within the building and also including food and beverage offerings for customers (i.e. restaurants, food stalls, etc.).
- Participation in River Landing festivals, special events, etc. Proponents will achieve points based on plans for accommodating and/or maintaining operating hours during special events.

The Administration intends to utilize a Negotiations RFP procurement approach. This means that the City will enter into negotiations with the highest scoring proponent from the RFP evaluation process prior to completing the final terms for the Lease and Operation Agreement.

### **Options to the Recommendation**

As an alternative, the City could renew the lease with SFMCL and hold them accountable to meet certain targets and metrics, within a set time period (e.g. one to three years). If at the end of that period, the targets were not achieved, then the City could refuse a further renewal and seek new tenants for the building.

### **Public and/or Stakeholder Involvement**

Administration has met several times with the Board and Management of the SFMCL, including meeting to discuss the contents of this report and letting the SFMCL know they could submit a proposal to the RFP, if it so chooses.

### **Communications**

A communications plan has been developed to assist in informing stakeholders, as well as the public, about the proposed RFP and the procurement process. Activities will include a news release and other materials.

### **Policy Implications**

Consistent with the lease rate (\$10 per year plus contributions to CBCM Reserve) approved by City Council in April 2007, this report proposes an exception to the "Leasing Civic Buildings to Outside Organizations" Policy No. C03-024. The policy states, that Civic Buildings may be leased to Outside Organizations at prevailing Market Rates plus all Occupancy Costs. Sale or lease of City-owned lands at an amount less than market value requires City Council's approval and a public notice hearing.

### **Financial Implications**

The current cost to lease the Farmers' Market Building in River Landing annually is \$10 plus the costs for contributions to the Civic Buildings Comprehensive Maintenance (CBCM) Reserve (which are equal to 1.2% of the appraised value of the building). A market rate rent for a similar building type in that location is approximately \$130,000. A subsidized rent has been offered to the current operator of this facility as it is a specialized use within the River Landing Concept Plan, and one that is expected to generate significant value for the area and city at large. The leasee is currently

responsible for Occupancy Costs (property taxes, insurance, utilities, regular repairs, maintenance costs, and leasehold improvements).

**Other Considerations/Implications**

There are no environmental, Privacy, or CPTED implications or considerations.

**Due Date for Follow-up and/or Project Completion**

If the recommendation to issue an RFP is approved, Administration will report back once negotiations with the highest scoring proponent through the competitive RFP process have concluded. The RFP and negotiation process are anticipated to be complete by March, 2019.

**Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required at this time. However, once lease terms are finalized, Public Notice will be required if the lease rate continues to be set below market value.

**Attachments**

1. Highlights of Previous Lease Terms with the Saskatoon Farmers' Market Co-operative Limited
2. Farmers' Market Building Tenant Metrics

**Report Approval**

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