



ECONOMIC AND CREATIVE DEVELOPMENT MEMORANDUM

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TO: MAYOR J. LEHMAN AND MEMBERS OF COUNCIL

FROM: A. KELLY, SENIOR BUSINESS INNOVATION AND ENTREPRENEURSHIP OFFICER, EXT. 5459

NOTED: S. SCHLICHTER, DIRECTOR OF ECONOMIC AND CREATIVE DEVELOPMENT
A. MILLER, RPP, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT
M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RE: BRIX MAKERSPACE AND WOODSHOP UPDATE FROM STAFF REPORT ECD002-20

DATE: FEBRUARY 10, 2020

The purpose of this Memorandum is to provide members of Council with an update concerning Staff Report ECD002-20 and the follow-up information requested from General Committee related to the BRIX community workshop. The following information has been collected pertaining to Council's questions.

Impact of a 10-Year Lease:

The current lease that BRIX has negotiated is specifically related to the initial phase of the BRIX model, which is 59 Maple Avenue. It does not contemplate the additional square footage (Bayfield Street unit) required to deliver the woodshop, at 15,000 square feet. Terms of the two-year lease currently on the table include a substantial rental discount, subsidized through the generosity of the property owner. Beyond this, discussions have taken place outlining a gradual increase to the rental rate over time, concurrent with BRIX' growth in operations and revenue.

The recommended motion, suggested that a long-term lease be a pre-condition for the capital financing request (\$300,000) required to construct the second phase of the BRIX operating model, which includes a woodshop.

Based on verbal conversations, the BRIX organization, with their real estate representative, have been consulting with the landlord's representative and have confirmed that the landlord is prepared to entertain a long-term lease of a minimum of 10-years for the second unit (Bayfield Street) upon such time as the BRIX organization is prepared to proceed with the second phase of its program, pending the space be available. A written confirmation has not been provided at the time of writing the Memorandum.

To confidently commit to a 10-year lease would also require business plan forecasting into 2030. At present, this would be based on the performance of operations that are not yet live. Relevant data, best practices, and benchmarks have been applied from similar spaces in Canada and North America to generate the current business model. The BRIX organization can model a longer-term 10-year plan, but it would currently hinge on estimates rather than proven outputs and trajectory in the Barrie market.

Business modelling and market research has shown that operation of a woodshop alone, independent of other disciplines, is not a financially sustainable model. Further research has indicated that to support operational sustainability, a multi-disciplinary approach to diversify revenue is an appropriate model. As such, BRIX plans to establish five foundational revenue streams:

1. Partner memberships and storage/studio rentals;
2. Individual memberships;
3. Programming fees;
4. Retail (sale of products, tool library fees); and
5. Services (including furniture refurbishment and community construction projects).

Operational revenue from these sources is expected to provide ongoing security to BRIX. The success and revenues generated from each stream will inform realistic cash-flow projections, validate the short and long-term business model, which will inform timing, securing matching funds, and establishing a minimum 10-year lease for the adjacent unit for the full woodshop build-out.

Phase 1: BRIX Space – Building capacity at 59 Maple Avenue

The first phase of the BRIX model, is seeking to secure funds of \$35,000 in 2020 and \$20,000 in 2021 to secure lease space at 59 Maple Avenue to develop the BRIX multi-disciplinary and partner driven business model.

The proposed lease was for two-years with extremely favourable terms and includes opportunity for expansion into the woodshop and additional uses into the adjacent unit. The two year lease and model allows for BRIX to scale-up, onboard their partners, validate their business case, and revenue model, which would drive the growth into Phase 2.

Three criteria were recommended to Council as a condition of providing the two-year subsidy and included that the recipient consent to meeting specified milestones and collecting pre-determined success metrics with City Staff, and that an Agreement be signed by BRIX outlining these terms.

It was staff's intent that funds not be released until this agreement is signed by BRIX outlining these terms.

One of those terms, will be confirmation that the BRIX team can achieve any municipal permitting required for occupation of Phase 1 of the space, including any Change of Use or Building permits required.

Staff maintain the recommendation that a two-year period of funding for a two-year lease option is reasonable and desirable, as it will allow BRIX to implement, measure, and scale their operations.

Phase 2: Addition of Woodshop and Additional Space – Bayfield Street

Phase 1 is designed to facilitate revenue generation that would support and fund the pre-design work, and also to coordinate in-kind expertise and contributions from committed partners and community members. Once space at Maple has officially been secured, Phase 1 will begin and BRIX would have the means and capacity to explore fit-out of Phase 2 of the adjacent Bayfield Street unit. This would be outlined as part of their requirements for generating matching funds and securing the second lease.

Architect and Engineering work will need to be undertaken to complete the design of the technical build-out of the additional space and cannot be fully completed until the lease space to be utilized is secured. All architectural and construction plans pertaining to the full woodshop build-out will be required to meet Ontario Building Code, City requirements and any additional codes that may be applicable.

Staff provided a recommendation for conditions for release of the capital grant that included, long-term lease, build-out plan and securing matching funds.

Council could contemplate additional conditions related to the recommended motions provided by staff in staff report ECD002-20 regarding the support and release of the capital funding request of \$300,000. Conditions could include a requirement for BRIX to report back to Council when they have secured matching funds at the recommended or other funding ratio as determined by Council, a minimum lease term of 10-years with a business plan and build out plan for the space that demonstrates compliance with Ontario Building Code requirements, and a sustainable business model based on the success of Phase 1 of the BRIX model.

Leasehold Improvements

Council motion 17-G-104 outlined that the City should be limited to an arm's length party, and as such, it would not be prudent to locate the woodshop in a City facility.

Any leasehold improvements to be contemplated by the landlord, would need to be considered as part of the negotiation for the woodshop space and provided as part of the recommended condition of the confirmation of a long-term lease.

Transferability of Key Assets

Contingent upon the receipt of matching capital funds from the City of Barrie, pre-estimates of core expenses for the Bayfield woodshop, provided by BRIX, would include capital equipment costs for a dust collector, lighting, spray booth, signage and fans that would be transferrable. Fixtures would include fire proofing, electrical and networking, and flooring. Soft costs will include architectural design, engineering and a project manager (externally funded). Total costs are estimated at approximately \$437,000, with an estimated \$193,000 considered transferable assets (dust collector, spray booth and other accessories, \$77,000 in soft costs and the remaining attributable to fixed fit-up costs.

In addition, a portion of construction expenses, including labour and materials, would be provided in-kind by partner organizations and volunteers holding professional designations.

It is worth noting that the BRIX team brings extensive equipment and operational assets to the workshop themselves, valued at approximately \$100,000. The ownership and donation of this equipment enables all capital funds to be allocated to the fit-up. These assets include:

- Industrial Woodworking Machines (approximately 20 machines);
- 3D Printers & Filament;
- Desktop CNC Machine; and
- Office Computers, Arduino Programming Kits, Cameras (DSLR, 360, Action Cam), lenses, flash, light meter, tripods.