



CORPORATE FACILITIES MEMORANDUM

TO: MAYOR J. LEHMAN AND MEMBERS OF COUNCIL

FROM: L. WORTON, MANAGER OF FACILITY PLANNING AND DEVELOPMENT

NOTED: R. PEWS, DIRECTOR OF CORPORATE FACILITIES

D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RE: YEAR ROUND DOWNTOWN MARKET (ALL WARDS)

DATE: DECEMBER 18, 2017

The purpose of this Memorandum is to provide members of Council with follow-up information regarding the Year Round Downtown Market.

Three Sixty Collective's Market Business Plan

In January 2017, as appended to Staff Report FCT001-17, Council endorsed the Three Sixty Collective (Three Sixty) Market Business Plan in principle. For reference, the Market Business Plan has been attached as Appendix "B" to this Memorandum.

On page 65 of the Three Sixty Market Business Plan (Market Precinct Operating Proforma) Three Sixty has estimated Expenses that total \$709,500, potential Revenue identified as \$404,843, and capital costs estimated in a range from \$5.6M to \$6.5M.

The difference between revenue and expenses were identified to be subsidized by the City. As stated by Three Sixty, "*The Public Market [operation] can "break even" through shifting some of the expense burden to the City as it is a City-owned property and reducing some expenses through less emphasis on marketing.*"

Lett's Validation of the Three Sixty Market Business Plan

Lett Architects Inc. was hired to complete a financial and technical validation of the Market Business Plan conducted by Three Sixty Collective. Their scope, as directed by motion 17-G-020, included:

- Examining the proposed programming factors, development components, site location, and interrelated costs.
- Providing a recommendation for realizing the proposed year-round downtown market.

Lett found challenges in validating several aspects of the Three Sixty Market Business Plan, including growth, attendance, and potential fundraising. The Lett study concurs with Three Sixty's recommendation to construct the Market Precinct as a single phase. In addition, Lett outlines key criteria which speak to the critical importance of community benefit and market attendance in realizing the successful operation of the Market Precinct.

The Project Cost + Revenue section from Lett's report states (on p. 59) that, under the scenario of break-even with subsidized operating funds of approximately \$305,000 provided by the City, "*the information presented by Three Sixty Collective and through consultation with the City of Barrie...can be validated. It would be likely that the proposed Market Precinct would operate at a break-even margin in Option C.*"

The Validation section of Lett's study states (on p. 21) that the Market Precinct model suggested by Three Sixty, "is not used in any other city in the province of Ontario." Furthermore, "In many of the precedent cases, the farmer's markets are only operational one or two days a week, the exceptions being the Kingston Public Market and the Kitchener Market. The Market Business Plan presented by Three Sixty Collective suggests the Barrie Farmer's Market could expand its hours to include Wednesday and Thursday afternoons, although based on similar models of precedent markets this may not be feasible. By comparison, the Kitchener Market is the only model in the province that resembles what the City of Barrie wants to achieve and it's population is much larger.

When Lett reviewed Three Sixty's proposed test kitchen and estimated revenues with this program element, they found that the Three Sixty Market Business Plan "... has identified this as a desired program, but without a precedent in the province, it would be difficult to see this as a feasible program for the Market Precinct. In addition, it is important to note that this facility operates at a loss and does not generate revenue for the City of Kitchener."

Fundraising

Lett's report states, "For a project like the proposed Market Precinct, a successful capital campaign would be required. A successful campaign depends on four factors:

- an emotional compelling case for support,
- wealthy prospects,
- volunteer leadership, and
- a well-organized fundraising plan

If the City of Barrie project stakeholders were to proceed with a fundraising goal to support the construction of a permanent market, it would be the first project of its kind in Canada. Furthermore, the emotional connection people need to drive their charitable gift would be hard to create."

Should Council approve the project, staff would seek opportunities to offset capital costs through grant funding as well as other fundraising initiatives.

Market Lease Rates and Evolving Business Model

Current lease rates on Dunlop Street are estimated at \$15-18 per square foot excluding maintenance, utilities, insurance and taxes. The market value assessment recently completed by City staff for the restaurant space within the Transit Terminal concluded that \$20 per square foot for a 5 to 10 year lease is reasonable. The Three Sixty Market Business Plan carried an aggressive \$25 per square foot for the restaurant space.

As identified by the BIA during their presentation to General Committee on December 11, 2017, additional vendors have expressed interest in participating in the Market Precinct. While this is seen as positive, this increased interest in the project underscores the evolving nature of the Business Plan, affecting proposed leasing rates, vendor mix, programming, and potential revenues / expenses of the Market Precinct.

Lett's Financial Validation of Capital Estimates

The table attached as Appendix "A" summarizes the capital components presented in the Three Sixty Business Plan, alongside the updates from Lett's report, and highlights a category of expenses that are business-related (not design or construction related).



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In Three Sixty's Business Plan, an estimate for soil conditions was not included, nor was the cost for accommodating a Transit facility and operational components.

\$2.9 Million Dollars in 2018 - Placeholder Capital Cost

In January 2017, Council endorsed the Year Round Public Market and Three Sixty Market Business Plan in principle for planning purposes, which identified capital costs of \$6.5 million dollars for the Permanent Market and Farmer's Market Pavillion.

Staff submitted a placeholder project in the 2018 Business Plan to ensure this project was included for consideration by Council alongside all other capital requests for financial funding and affordability in years 2018 and 2019, with the intention to update the costs and timing once the recommended Option C of Lett's report was presented to Council.

Should Council approve the project, the first step of the recommended Option C is for Transit to complete their study in 2018. Staff had always intended for the 2018 Business Plan motion to state that there would be no authority to expend project funds for the Year Round Permanent Market until the recommendations from the Transit study are reported back to Council, and the design and construction schedule are approved to move forward.

Transit Hub Study - Timeline & Next Steps

As referenced in Staff Report FCT006-17, should Council direct staff to undertake the study at \$100k and report back to Council by June 2018, the scope would include:

1. The Allandale GO Station would be the only site considered in the study
2. Traffic Impact Study would be need to be completed for the site
3. Functional Design Drawings for the proposed terminal
4. High Level Transit Service/Scheduling Scenarios

There following highlights potential impacts to consider by expediting and de-scoping the project:

1. Public consultation would occur after the results of the study are reported back to Council.
2. There would be a reduced focus on the impact of route and schedule realignments and route connectivity.
3. Removal of the active transportation network components from the study.
4. The Parking Demand Assessment would be included as a provisional item. If the item cannot be accommodated within the approved budget and timeframe, then staff would look to complete the study at a future date.

Staff will be reporting back to General Committee in 2018 with information related to Council's amended motion from the December 4, 2017 General Committee meeting, including:

- The potential to reduce the overall cost of the project by \$2M (Option A) and \$4M (Option B) with the following considerations for each:
 - Potential to reduce cost of the transit facility costs
 - Potential to reduce permanent market costs
 - Potential to reduce the farmers market pavillion costs
 - Overall potential to reduce the construction cost per square foot for the project components, with an accompanying summary
 - Potential to compress the project implementation schedule
- Potential funding opportunities
 - Staff actively pursue funding opportunities for all projects, and will provide information within the report on any potential funding and eligibility



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APPENDIX "A"

CAPITAL ESTIMATE SUMMARY

Capital Element	Three Sixty Collective Estimate	Lett's Updated Estimate	Business Related Expenses
Site Preparation and Demolition (soil testing, structural pile foundation, etc.)	TBD	\$1,000,000	
Landscape, parking, planting, public plazas, lighting	\$1,000,000	\$1,060,000	
Exterior and Interior Lighting	\$400,000	\$424,000	
Market Pavilion Building			
Construction 7,500/sq.ft. \$200 to \$300/sq.ft - steel structure with natural light	\$1,500,000 to \$2,225,000	\$2,625,000	
Community Kitchen - equipment, finishes, fit out	\$160,000	\$169,600	
Public Washrooms	\$50,000	\$53,000	
Permanent Market Building			
Interior alterations for Permanent Market on ground floor of existing Transit facility (7,000 sq.ft.)	\$1,000,000	\$1,575,000	
Washrooms	\$50,000	\$53,000	
Branding and Iconography	\$200,000	\$212,000	
Signage and Wayfindings	\$100,000	\$106,000	
Leasing, Opening, Administration			
Grand Opening and Year One Additional Marketing	\$150,000		\$159,000
Leasing - Year One	\$40,000		\$42,400
Tenant Inducements	\$150,000		\$159,000
Staff Executive Search	\$10,000		\$10,600
Pre-construction and Construction Manager and Public Relations - 2 year part time salary	\$80,000		\$84,800
Administration Type Fees	\$30,000		\$31,800
Soft Costs - Architects, Engineers,	15%	\$1,172,040	
Year Round Market Sub-Total	\$5.6 to \$6.5M	\$8,449,640	\$487,600
Transit Cost Estimate			
New Transit HUB Facility			
New Construction - 6,000 sq.ft.		\$2,184,000	
SPOKE Model		\$250,000	
Site Works			
Asphalt + Concrete - 36,000 sq.ft		\$1,872,000	
Soft Costs			
Relocation Costs		\$30,000	
Construction Manager		\$80,000	
Administration		\$30,000	
Professional Fees		\$629,400	
Transit Sub-Total		\$5,075,400	
TOTAL	\$5.6 to \$6.5M	\$13,525,040	\$487,600



APPENDIX "B"
THREE SIXTY COLLECTIVE'S
DOWNTOWN PERMANENT PUBLIC MARKET BUSINESS PLAN