

Date: 2023-11-14

Subject: **Budget Amendment – Certified Commercial Kitchen**

Contact: Gage Board, A/Manager, Tourism

Report Number: Corporate Support Services-2023-1014

Recommendations:

1. That the report from Gage Board, Acting Manager, Tourism, dated November 14, 2023, to the Committee of Council meeting of November 29, 2023, re: **Budget Amendment – Certified Commercial Kitchen** be received; and,
2. That a budget amendment be approved for project 171255-001 Certified Commercial Kitchen to increase the project by the amount of \$808,728, with funding to be transferred from Reserve #4 – Asset R&R for the completion of the Certified Commercial Kitchen in 2024.

Overview:

- Brampton City Council unanimously approved the Tourism strategy in April 2021 that recommends a certified kitchen be developed to create a culinary hub to support local food entrepreneurs and home cooks and to be a destination.
- The Downtown Revitalization Division, in partnership with the Tourism Office and Brampton Entrepreneur Centre (BEC) has undertaken the project of establishing a Certified Commercial Kitchen that provides public health certified commercial kitchen space to chefs, cooks, bakers, private caterers, and food entrepreneurs. The commercial kitchen aims to increase access to public health certified commercial kitchen space and professional food handling equipment, while fostering food entrepreneurship and promoting food tourism in the downtown.
- The Certified Commercial Kitchen is to be located at Brampton City Hall (West Tower), 41 George Street South, Suite 103. The project consists of the renovation and fit-out of the existing 1,222 square foot Commercial-Retail Unit.

- The Certified Commercial Kitchen project is partially funded by Federal Economic Development Agency for Southern Ontario (FedDev Ontario) through the Canada Community Revitalization Fund (CCRF) to support downtown revitalization and establishing new community infrastructure projects to support its residents, entrepreneurs, and businesses. The City of Brampton has been approved for \$522,375 in funding.
- The project has been tendered for both the construction/renovation of the unit and for the required equipment to be an operational commercial kitchen.
- Due to scope development, unanticipated scope and cost escalation for materials, renovations, and mechanical, electrical, and HVAC upgrades, and project management costs, additional budget of \$808,728 is required to (a) award the contracts to the lowest qualified bidders and (b) complete the renovations and fit-out for the commercial kitchen use at 41 George Street South, Suite 103.
- The project must be completed by no later than March 31, 2024 to receive the grant funding.
- Given the limited construction window specified by the grant requirement, it is necessary to award these tenders in a timely manner to complete construction by March 31, 2024. Staff recommends budget amendment approval to satisfy the grant obligations with FedDev and to deliver the commercial kitchen project.

Background:

Integrated Downtown Plan (IDP)

Through the Integrated Downtown Plan (IDP), the Downtown Revitalization Division is exploring a strategic approach to revitalizing properties in the downtown to support the redevelopment, and reoccupation of vacant City-owned buildings. The IDP *Meanwhile Strategies* are intended to support the needs of residents and businesses during the time of economic recovery in Downtown Brampton by making improvements to City assets and introducing community amenities. The Certified Commercial Kitchen project is one of the *Meanwhile Strategies* implemented as part of the IDP.

Certified Commercial Kitchen

The Certified Commercial Kitchen project is undertaken by the Downtown Revitalization Division in partnership with the Tourism Office and the Brampton Entrepreneurship Centre (BEC). The certified commercial kitchen will provide public health-certified commercial kitchen space to chefs, cooks, bakers, private caterers, and food entrepreneurs. A commercial kitchen is also referred to as a shared, cloud, ghost, or virtual kitchen, whereby individual kitchens or shared kitchen spaces are rented out on

an hourly or daily basis by chefs, cooks, bakers, and food entrepreneurs to test their food products, and to prepare food, meal kits, and self-stable packaged goods.

The certified commercial kitchen was identified to be located in the vacant unit at 41 George Street South, Suite 103.

Canada Community Revitalization Fund (CCRF)

The Tourism and Downtown Revitalization Divisions, in collaboration with Economic Development, successfully acquired \$522,375 grant funding from the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) through the Canada Community Revitalization Fund (CCRF). The grant amount represents 75% of the estimated project cost at the time of application. CCRF provided funding to projects aimed at supporting cities across Canada to build and improve community infrastructure projects and drive post-COVID-19 recovery to revitalize Main Streets and downtown cores, build community infrastructure such as community and cultural centers, farmers' markets, libraries, outdoor space, and other public places that attract residents and visitors alike, supporting local businesses and jobs. The City is required to meet funding obligations through CCRF and complete the project (and spend all funds) by March 31, 2024.

Brampton Entrepreneurship Centre (BEC)

BEC sees a significant number of consultations for food-related businesses; they have worked with over 125 clients interested in pursuing food ventures. The goal of the certified commercial kitchen is to support this demand and promote economic diversity by providing a platform for small businesses to succeed and innovate. With affordable access to resources and support, this commercial kitchen will help create a more diverse and dynamic food industry in Brampton. This commercial kitchen will contribute to Brampton's Innovation District, the goal of which is to support business incubation and entrepreneurship.

Current Situation:

The commercial kitchen aims to promote economic diversity by providing a platform for small businesses to succeed and innovate. With affordable access to resources and support, this commercial kitchen will help create a more diverse and dynamic food industry that benefits all. This commercial kitchen will contribute to Brampton's Innovation District, the goal of which is to support business incubation and entrepreneurship.

Due to the complexity of the project, City staff have been working on parallel processes to realize the project within the project completion timeline identified by FedDev. Key components of the project are defined as follows:

1. Architectural Consulting Services

Led by BDC, the City retained consultants for the preparation of detailed design and construction documents in May 2023. The consultant also applied for the building permit, which is anticipated to be fully approved by December 2023, prior to start of construction.

2. Renovation/Construction

Led by BDC, the City issued a public construction tender for the renovation of the unit in October 2023. In order to complete the project by the grant deadline of March 31, 2024, the construction tender must be awarded in December 2023.

3. Equipment and Start-Up

Led by BDC, the City issued a tender for the supply and installation of commercial-grade kitchen equipment and appliances in October 2023. The tender must be awarded by January 2024 in order to complete the project by the grant deadline.

4. Operation and Management

Led by Downtown Revitalization, the City issued a Request for Proposals (RFP) for the selection of a tenant/operator for the certified commercial kitchen. The tenant/operator will be responsible for the management and day-to-day operations of the commercial kitchen. The RFP was issued on September 15, 2023, and proposals must be received by November 17, 2023. For more information, visit

<https://letsconnect.brampton.ca/commercial-kitchen>

Project Cost Breakdown

In October 2023, tenders were issued for the construction and fit up of the commercial kitchen. Six (6) bids were received for the renovation work, with the lowest price being \$882,227.00 plus tax. Three (3) bids were received for the kitchen equipment, with the lowest compliant bid being \$361,556 plus tax. Together these bids exceeded the current available project funding of \$724,272.00.

This report is requesting \$808,728 in top-up funding to allow for the project to be awarded to the lowest compliant bidders and completed in time to meet the Fed Dev Grant application, bringing the total project budget to \$1,533,000.

	Initial Budget	Actual cost (at tender)	Variance/Required
Consulting	\$ 25,000	\$87,660	\$62,660
Construction	\$ 510,500	\$882,227	\$371,727
Equipment	\$ 161,000	\$361,556	\$200,556
Non-recoverable Tax	-	\$23,433	\$23,433
Contingency	-	\$78,124	\$78,124
Project Management	\$ 27,772	\$100,000	\$72,228
Total Cost Estimate	\$724,272.00	\$1,533,000	\$808,728

The following outlines key changes in the scope of work to the overall project that has resulted in budgetary implications. Below are the reasons for this budget increase:

Consulting (increase of \$62,660):

In May 2023, the City issued an Invitational Procurement to retain an architectural consulting firm for design and contract administration services for renovation and fit out of the commercial kitchen. Three bids were received, all of which exceeded the original estimate. The project was awarded to the lowest bidder, ATA Architects Inc for \$87,660 plus Non-Recoverable Tax, an increase of \$62,660 from the initial budget estimate of \$25,000 at the time of grant application.

Equipment (increase of \$200,556):

As part of the validation process, it was established that two individual kitchen spaces and one common dishwashing/shared equipment space were required. A complete list of equipment was developed during project validation in consultation with Planning and Tourism staff. The tendered cost for kitchen equipment supply and install is \$361,556.00 plus NRT, an increase of \$200,556.00 from the initial budget estimate of \$161,000 at time of grant application.

Construction (increase of \$371,727):

During the design phase, it was established that the existing mechanical and electrical capacity of the retail unit was insufficient to fully accommodate the requirements of two new kitchen spaces. Additional scope of work includes modifications to the existing ventilation, heating, and cooling systems, and an upgrades to the existing electrical service capacity. The tender price of the construction work is \$882,227 plus NRT, an increase of \$387,254.20 from the original estimate at the time of grant application.

Project contingency (addition of \$78,124):

A contingency of \$78,124 is included in the total project budget to cover any unforeseen issues that may arise during construction. This is 5% of the project budget.

Project Management (increase of \$72,228):

The initial budget estimate included \$27,772 that was allocated to internal project management costs. Due to the increased project duration and complexity, an additional \$72,228 is required for staff recoveries to complete the project.

Implications of Budget Shortfall

Failure to secure additional funding to complete renovations and fit-out for the commercial kitchen will result in failing to meet obligations through CCRF to deliver a commercial kitchen project intended to benefit the community at large. Additional funding must be approved prior to awarding the construction and renovation contract. Due to strict timelines from FedDev, the project must be delivered in a timely manner by March 31, 2024.

Anticipated Revenue

The City of Brampton plans on leasing the Certified Commercial Kitchen to the successful tenant proponent at fair market rent. Based on market conditions in the downtown and the fit out and renovations being provided in this unit, Fair Market Rent is determined as \$18 net per sq. ft. plus TMI annually.

The City of Brampton anticipates an annual rent fee of \$22,000, net revenue, for the operation of the Certified Commercial Kitchen.

Corporate Implications:

Financial Implications

This initiative requires a capital budget amendment for project # 171255-001 Certified Commercial Kitchen to increase the project by \$808,728, with funding to be transferred from Reserve #4 – Asset R&R. The original funding sources for this project were Federal Grants and Reserve #4. Pending Council approval of this amendment, the total funding for this initiative will amount to \$1,533,000.

	Amount (\$)
Revised Budget Estimate (A)	1,533,000
Spending to Date	104,612
Balance Available	619,660
Original Budget (B)	724,272
Budget Amendment Required (A - B)	808,728

The 2023 Budget included approval of a 3-year capital program and funding plan, which maximized the allocation of anticipated funding availability across planned projects. This initiative was not part of the 3 year capital forecast. The approval of this budget amendment will require reprioritization of capital projects forecasted to be funded against Reserve #4 Asset R&R through the 2024 capital budget submission.

Staff will explore opportunities to secure additional grant funding for this initiative throughout the duration of the project.

Legal Implications

There are no legal implications with this budget amendment request.

Purchasing Implications

Aside from making a decision on whether to approve a budget amendment or cancel the project based on the current project requirements and market pricing, as outlined in this Staff Report, because this is an active procurement section 3.1 of the Purchasing By-law otherwise applies and provides that Council shall have no involvement in specific procurements until a contract has been entered into.

Strategic Focus Area:

Growing Urban Centres & Neighbourhoods

The Brampton Certified Commercial Kitchen will provide an innovative space for young culinary professionals to connect and share ideas. It will contribute to Brampton's Innovation District while focusing on education, employment opportunities and job investment within the local culinary industry. Downtown Brampton will continue to grow as an urban centre for culinary alongside the development of entrepreneurs and tech industry. It will provide a safe and practical cooking environment for chefs and entrepreneurs to practice their craft.

Culture and Diversity

Culinary experiences and tourism help form Brampton's unique identity as a cultural mosaic. The Commercial Kitchen provides an innovative workspace to help residents develop their culinary practice and express their authentic self through the potential international flavours produced. The accessible space will foster culinary creativity and support inclusive culinary expression. It will support the high demand for food ventures in Brampton while promoting economic diversity by providing a platform for small businesses to succeed and innovate. With affordable access to resources and support, this commercial kitchen will help create a more diverse and dynamic food industry in Brampton.

Conclusion:

To complete the Certified Commercial Kitchen project, the budget amendment of \$808,728 must be approved. Failing to approve this budget amendment request will result in the cancellation of the procurements, and the construction of this project will not take place. Furthermore, failure to secure additional funding to complete renovations and fit-out for the commercial kitchen will result in failing to meet the obligations of the CCRF grant to deliver a commercial kitchen project intended to benefit the community at large. Additional funding must be approved prior to awarding the construction and renovation contract. Due to grant deadlines from FedDev, the project must be completed by March 31, 2024.

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