

Date: 2023-12-04

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

Secondary Title: 2024 Programming and Operations Considerations

Contact: Gage Board, A/Manager, Tourism

Report Number: Corporate Support Services-2023-1047

Recommendations:

1. That the report from Gage Board, Acting Manager, Tourism, dated December 4, 2023, to the City of Council meeting of December 6, 2023, re: **Supplementary Report - Budget Amendment – Certified Commercial Kitchen** be received; and,
2. That the options outlined by staff to have the Certified Commercial Kitchen managed and operated in 2024 be considered.
3. 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:

- **At the Committee of Council meeting of November 29, 2023, staff presented the Budget Amendment Report on the Certified Commercial Kitchen for the construction/renovation of the unit along with the purchase of kitchen equipment for an operational commercial kitchen.**
- **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 report was referred back to staff to report on options for the management and operation of the certified commercial kitchen. This report outlines two options for the project.**
- **Option 1: Third Party Managed/Operated (*budget amendment required*)**
 - Phase 1:* Current RFP Submissions are reviewed and a suitable tenant is selected
 - Phase 2: **City Stakeholder Engagement Campaign***- In the event that a suitable tenant is not selected through the current RFP, staff will move to Phase 2 and lead a Stakeholder Engagement Campaign in Q1 – Q2 of 2024 to reissue an RFP in Q3 of 2024 (space is temporarily programmed by the Brampton Entrepreneur Centre and Tourism teams in 2024, additional budget required)
- **Option 2: Project Placed on Hold (*no budget amendment required*)**
- **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.**
- **The commercial kitchen project is aligned with cross-departmental objectives to support the revitalization of the downtown through establishing a culinary hub located within the Innovation District to support food tourism, food entrepreneurship, and business start-ups.**

Background:

The City is establishing a certified commercial kitchen (“commercial kitchen”) at 41 George Street South, Suite 103, Brampton, Ontario, to provide a leasable, public health certified commercial kitchen space to chefs, cooks, bakers, private caterers, and food entrepreneurs.

The certified commercial kitchen will act as a culinary hub and food incubator for Downtown Brampton - driving innovative food solutions for the community. The commercial kitchen is anticipated to be ready-for-occupancy by approximately March 31, 2024, and the anticipated commencement date is approximately May 31, 2024, subject to the outcomes of this RFP process.

Staff report Budget Amendment – Certified Commercial Kitchen went to Committee of Council on Wednesday, November 29. The report requested an increase in project budget of \$808,728 to bring the total spending to \$1,533,000 - \$522,375 from the FedDev Grant and the remaining project funds coming from City budget.

This report is to provide further details regarding the community engagement, programming opportunities and economic outcomes for the Certified Commercial Kitchen if the budget amendment on November 29 is approved.

Brampton's Culinary Industry

- 2021 Brampton Tourism Strategy recommends a certified commercial kitchen to be developed to create a culinary hub to support local food entrepreneurs and home cooks to be a destination.
- 2017 Brampton Food Tourism Strategy identified as a key priority through stakeholder engagement the development of designated kitchens as centres for food entrepreneurship, learning and growth.
- Culinary industry has been identified as one of Brampton's strengths in tourism experiences.
- 200+ restaurants in Brampton that provide tastes of home for newcomer residents and showcase innovative entrepreneurs fusing together cultures and traditions to create delicious modern dishes.
- 350+ businesses in Brampton included in the food tourism value chain; accommodations, attractions, culinary schools, markets, events, producers, retailers and restaurants.
- 10+ commercial kitchens available for rent in Toronto and the surrounding area, none of which are located in Brampton.
- All food operators in Brampton must adhere to the Health Protection and Promotion Act and Ontario Food Premises Regulation, undergoing routine inspections by a public health inspector. Besides complying with public health legislation, operators must also reach out to the City of Brampton before launching a home-based food business to ensure conformity with municipal by-laws. Specific requirements may vary based on the operation's nature and the types of foods prepared in the HBFB. Recognizing the challenges of meeting these requirements, many operators find commercial kitchens essential for successfully establishing and maintaining a food business.
- BEC has successfully run 4 consecutive educational programs through the Food Venture Program from 2020 to 2022, showing the need to support food entrepreneurs in Brampton.
- Since August 2023, the Brampton Entrepreneur Centre has successfully conducted ten food service related webinars, engaging with 136 entrepreneurs eager to launch or expand their food ventures.

Benefits to a Commercial Kitchen

- Provides a public health certified kitchen space for chefs, cooks, bakers, private caterers and food entrepreneurs
- The Culinary Tourism in Ontario Strategy identified the following success factors for the market that align with a commercial kitchen; Community Based Collaboration, Safe and Accessible Environments

- Helps overcome industry barriers such as: access to commercial kitchen space, lack of skills or knowledge related to home-based food handling certifications and an excess of not-market-ready culinary products
- Closing the gap between culinary ideas and practical execution
- Supports the revitalization of downtown
- Contributes to Brampton's Innovation District
- Produce storefront activation and occupation
- Generates economic stimulus
- Provides a safe space for culinary entrepreneurship
- Fosters synergies with Culinary Tourism amongst other programs and events ie. Farmers' Market

Request for Proposals (RFP) for the Tenant/Operator for the Certified Commercial Kitchen

The City issued the Request for Proposal (RFP) for the tenant and operator for the certified commercial kitchen on September 15, 2023, and closed on November 17, 2023. The City received submission(s) through the RFP, which are being reviewed through an internal evaluation committee consisting of staff from Economic Development, the Office of the CAO, Tourism, Realty, and Downtown Revitalization. Staff are evaluating the submission(s) based on their merits and satisfying the evaluation criteria of the RFP. The tenant/operator will be responsible for the management and day-to-day operations of the commercial kitchen.

To remain fair, transparent, and in keeping with the evaluation process, the details of proponent submissions cannot be disclosed at this time.

Should a successful tenant/operator be identified through the process, it is expected that they will enter into a lease agreement with the City based on agreed upon terms negotiated through the City's Realty Division and the Proponent's realtor. If required, a subsequent Committee of Council report will provide a status update on the selection of the tenant/operator.

Project Cost Breakdown

A Committee of Council report on November 29 provided an update on the project including a budget amendment to proceed.

Table 1: Certified Commercial Kitchen Project Cost			
	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

CURRENT STATUS

Staff have outlined two options for consideration for implementation of a commercial kitchen. The first option is to proceed with construction of the commercial kitchen and budget amendment and have a third party tenant/operator manage the space either through the current RFP process or through a new stakeholder engagement process through Q1-Q3 of 2024.

The second option is to pause the project to do further project planning. Pausing the project would result in the return of the FedDev grant funds (\$522,375) and construction/equipment tenders not being awarded.

Staff have outlined the costs, opportunities and risks associated with each option.

Option 1 (Phase 1) – Third Party Tenant/Operator-managed Commercial Kitchen

Current RFP Submissions are reviewed and a suitable tenant is selected, subject to negotiations with the preferred tenant.

The primary option for the Commercial Kitchen is to have a successful applicant through the RFP process to manage and operate the space.

Managed by:	Third party tenant/operator selected through issued RFP
Grant Funds Returned:	No
Timeframe:	RFP Closed: November, 2023 Programming/Operations start: March 31, 2024 to May 31, 2024
Goals:	<ul style="list-style-type: none"> • Third party for-profit business or non-for-profit is responsible for the management and operations of the commercial kitchen • Great access for the community to use the commercial kitchen space on a daily basis • Booking/rental fee for the community is a reasonable rate to increase accessibility
Revenue to City:	Market Rent (\$20k - \$25k/year)
Cost:	No associated costs anticipated for the City of Brampton
Tenant/Operator Responsibilities	<ul style="list-style-type: none"> • Maintain the overall management and operations of the commercial kitchen as a food and entrepreneurship focused space supporting food service innovators and food entrepreneurs through the initial business start-up phase. • Provide management services in the operation of the commercial kitchen, including opening/closing procedures, food safety procedures, program delivery, communications with property management, and scheduling shared use spaces. • Regular upkeep of the space including maintenance and repairs of equipment and appliances • Maintain working relationships with the Tourism and BEC offices to collaborate and offer enhanced food-related services to the community and business community. • Support the City's goals to provide complementary services, events, workshops, and classes to businesses and food entrepreneurs. • Liaise and build strong relationships with Peel Public Health to facilitate routine inspections, food handling, sanitation, and maintain compliance with various legislations to maintain certification.

Option 1 (Phase 2) - City Stakeholder Engagement Campaign to reissue RFP in Q3 of 2024

Dependent on outcomes of RFP for a tenant/operator of the space, staff will consider reissuing the RFP for a tenant/operator in Q3 2024 to facilitate a tenancy in 2025. Staff anticipate greater interest from the business community when the commercial kitchen renovation is completed.

The City will produce a comprehensive stakeholder engagement and promotion campaign that showcases the completed renovations of the commercial kitchen. The campaign will connect with the business and culinary community for the purpose of gaining more interest from businesses to submit proposals to manage/operate the commercial kitchen.

The City will continue to support food entrepreneurship and food innovation by introducing the commercial kitchen to the community during its infancy stages in 2024 as marketing and establishing the promotion, brand, and service model. The purpose of this would not be to fully manage/operate the commercial kitchen, but to produce a promotion campaign that allows businesses and community members into the space to learn more about the opportunities it presents. Staff would facilitate programming that engages the community and introduces the commercial kitchen to the culinary industry.

This would be a temporary campaign to help highlight the value of the commercial kitchen and generate interest for more businesses to submit proposals to manage the space.

Managed by:	Brampton Entrepreneur Centre/ Tourism
Grant Funds Returned:	No
Timeframe:	Planning/ Consultations: January – March, 2024 Promotions: April – August, 2024 Tenant RFP Re-issued: September 2024
Goals:	<ul style="list-style-type: none"> • Introduce the Commercial Kitchen to the community • Offer free tours, informational training, and educational sessions • Invite local secondary and post-secondary schools • Generate buzz and interest in the culinary industry and amongst entrepreneurs
Revenue:	Not applicable
Cost:	~\$80k - \$100k required. Anticipated costs for the following; <ul style="list-style-type: none"> • BEC and Tourism staff resources to manage space and plan promotion/activities • Marketing campaigns for all programming elements planned • Professional services fees to host training/educational sessions
Community Engagement:	<ul style="list-style-type: none"> • Staff would conduct consultations with professional culinary leaders in Brampton • Showcase the space to local secondary and post-secondary schools

Option 2 – Commercial Kitchen Project Placed on Hold

Staff have considered the option of placing this project on hold to conduct additional project planning and uncouple the project from the Fed Dev CCRF grant.

Opportunities:

- Conduct further community engagement and assessment to better understand the demand for a commercial kitchen in downtown
- Conduct focused engagement with the business community and food industry to solidify stronger partnership models
- Short term savings of \$1M+ in City of Brampton budget spending until the project is completed in the future
- Provide time to apply for additional/new federal grants that may be applicable for the project
- Provide potential opportunities to explore other locations for the commercial kitchen
- Allow staff extended and unrestricted time to consider a variation of options.

Risks/ Considerations:

- Loss of Fed Dev funding through the CCRF grant (\$522,375) and the City must notify Fed Dev immediately of inability to complete the project in accordance to the agreement.
- Should the City be interested in re-instating the project, there will be additional project funding required as a result of lost grant funding and the likelihood of increased construction costs when project is re-tendered.
- Current construction and equipment procurements will have to be cancelled
- City's Purchasing department requires minimum 6 months from the original tender before re-tendering with the same scope of work, to avoid perception of bid shopping.
- RFP for the tenant/operator will have to be cancelled. Current bid validity period is 210 calendar days (7 months) from the RFP submission deadline.
- Additional consulting costs may be applied if the project has to be re-scoped and the unit is no longer available
- The location of the commercial kitchen may be re-considered and may be subject to location availability.

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 tourism 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:

A budget amendment of \$808,728 has been requested by staff to complete the construction of the commercial kitchen, bringing the total project spending to \$1,533,000 – of which \$522,375 comes from grant funds.

Staff have identified two options for City Council to consider for moving forward with implementation of the commercial kitchen.

- 1. Third Party Managed/Operated (*budget amendment required*)
 - Phase 1:* Current RFP Submissions are reviewed and a suitable tenant is selected
 - Phase 2:* City Stakeholder Engagement Campaign to reissue RFP in Q3 of 2024
- 2. Project Placed on Hold (*no budget amendment required*)

If City Council would like to proceed with the certified commercial kitchen project as described in option 1, then the budget amendment of \$808.728 is required to finish the construction at 41 George St. by March 31, 2024. This would ensure the project meets the needs of the grant application and the \$522,375 does not have to be returned.

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