

**6. BYWARD AND PARKDALE MARKETS REVITALIZATION PROJECT - FINAL
RECOMMENDATIONS AND TRANSITION UPDATE**

**PROJET DE REVITALISATION DES MARCHÉS BY ET PARKDALE :
RECOMMANDATIONS FINALES ET LE POINT SUR LA TRANSITION**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Delegate authority to the Ottawa Markets Municipal Services Corporation (“Ottawa Markets”) to administer the provisions of the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449, as may be amended by Council, to be effective January 1, 2018 and to include the collection and retention of fees for operational purposes, as described in this report;**
- 2. Receive for information the 2018 operating budget of Ottawa Markets Ottawa Markets” attached as Document 1;**
- 3. Delegate authority to the City Treasurer to transfer the Markets Deferred Revenue Fund balance to Ottawa Markets for the purposes described in this report;**
- 4. Delegate authority to the City Treasurer to approve financial support to Ottawa Markets in the form of a guarantee for a commercial bank line of credit or loan of up to \$1,000,000 for a period to be authorized by the City Treasurer and reviewed annually in conjunction with the annual report, as described in this report; and**
- 5. Delegate authority to the City Treasurer, in consultation with the City Clerk and Solicitor, to finalize and execute all necessary financial agreements, as described in this report.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

- 1. Délègue à la Société des services municipaux des marchés d'Ottawa (« Marchés d'Ottawa ») le pouvoir d'administrer les dispositions du Règlement sur le marché Parkdale n° 2008-448 et du Règlement du programme du marché By n° 2008-449, modifiées au besoin par le Conseil, entrant en vigueur le 1^{er} janvier 2018, y compris la collecte et la conservation des droits à des fins opérationnelles, comme le décrit le présent rapport;**
- 2. Prenne connaissance, à titre d'information, du budget de fonctionnement de 2018 de Marchés d'Ottawa, ci-joint en tant que document 1;**
- 3. Délègue à la trésorière municipale le pouvoir de transférer le solde de fonds des recettes reportées des marchés à Marchés d'Ottawa, aux fins décrites dans le présent rapport ;**
- 4. Délègue à la trésorière municipale le pouvoir d'approuver le soutien financier octroyé à Marchés d'Ottawa sous la forme d'une garantie pour une marge de crédit bancaire commerciale ou d'un prêt d'un montant maximal de 1 000 000 \$, pour une période qu'elle autorisera et qui sera revue chaque année en conjonction avec le rapport annuel, comme le précise le présent rapport ;**
- 5. Délègue à la trésorière municipale, de concert avec le greffier municipal et l'avocat général, le pouvoir de parachever et de signer toutes les ententes financières nécessaires, comme le précise le présent rapport.**

DOCUMENTATION/DOCUMENTATION

1. Manager's report, Right of Way, Heritage and Urban Design Services, Planning, Infrastructure and Economic Development Department dated 28 November 2017 (ACS2017-PIE-EDP-0038)

Rapport de la Gestionnaire, Services des entreprises, du patrimoine et du design urbain, Direction générale de la planification, de l'infrastructure et du développement économique, daté le 28 novembre (ACS2017-PIE-EDP-0038)

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
5 December 2017 / 5 décembre 2017**

**and Council
et au Conseil
13 December 2017 / 13 décembre 2017**

**Submitted on November 28, 2017
Soumis le 28 novembre 2017**

**Submitted by
Soumis par:**

**Court Curry, Manager/ Gestionnaire, Right of Way, Heritage and Urban Design
Services / Services des entreprises, du patrimoine et du design urbain / Planning,
Infrastructure and Economic Development Department / Direction générale de la
planification, de l'infrastructure et du développement économique**

**Contact Person
Personne ressource:**

**Shannon Kenney, Program Manager / Gestionnaire de programme, Markets
Management / Gestion des marchés
(613) 580-2400, 25633, Shannon.Kenney@ottawa.ca**

**Ward: RIDEAU-VANIER (12)
KITCHISSIPPI (15)**

File Number: ACS2017-PIE-EDP-0038

**SUBJECT: ByWard and Parkdale Markets Revitalization Project - Final
Recommendations and Transition Update**

**OBJET: Projet de revitalisation des marchés By et Parkdale :
recommandations finales et le point sur la transition**

REPORT RECOMMENDATIONS

That Finance and Economic Development Committee recommend Council:

- 1. Delegate authority to the Ottawa Markets Municipal Services Corporation (“Ottawa Markets”) to administer the provisions of the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449, as may be amended by Council, to be effective January 1, 2018 and to include the collection and retention of fees for operational purposes, as described in this report;**
- 2. Receive for information the 2018 operating budget of Ottawa Markets Ottawa Markets” attached as Document 1;**
- 3. Delegate authority to the City Treasurer to transfer the Markets Deferred Revenue Fund balance to Ottawa Markets for the purposes described in this report;**
- 4. Delegate authority to the City Treasurer to approve financial support to Ottawa Markets in the form of a guarantee for a commercial bank line of credit or loan of up to \$1,000,000 for a period to be authorized by the City Treasurer and reviewed annually in conjunction with the annual report, as described in this report; and**
- 5. Delegate authority to the City Treasurer, in consultation with the City Clerk and Solicitor, to finalize and execute all necessary financial agreements, as described in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

- 1. Déléguer à la Société des services municipaux des marchés d’Ottawa (« Marchés d’Ottawa ») le pouvoir d’administrer les dispositions du Règlement sur le marché Parkdale n° 2008-448 et du Règlement du programme du marché By n° 2008-449, modifiées au besoin par le Conseil, entrant en vigueur le 1^{er} janvier 2018, y compris la collecte et la**

conservation des droits à des fins opérationnelles, comme le décrit le présent rapport;

2. Prendre connaissance, à titre d'information, du budget de fonctionnement de 2018 de Marchés d'Ottawa, ci-joint en tant que document 1;
3. Déléguer à la trésorière municipale le pouvoir de transférer le solde de fonds des recettes reportées des marchés à Marchés d'Ottawa, aux fins décrites dans le présent rapport ;
4. Déléguer à la trésorière municipale le pouvoir d'approuver le soutien financier octroyé à Marchés d'Ottawa sous la forme d'une garantie pour une marge de crédit bancaire commerciale ou d'un prêt d'un montant maximal de 1 000 000 \$, pour une période qu'elle autorisera et qui sera revue chaque année en conjonction avec le rapport annuel, comme le précise le présent rapport ;
5. Déléguer à la trésorière municipale, de concert avec le greffier municipal et l'avocat général, le pouvoir de parachever et de signer toutes les ententes financières nécessaires, comme le précise le présent rapport.

EXECUTIVE SUMMARY

Assumption and Analysis

The purpose of this report is to provide Council with an update on the transition status of Ottawa Markets, the newly incorporated Municipal Services Corporation assuming management of the ByWard and Parkdale Markets on January 1, 2018. This report confirms that the appropriate milestones and initiatives are complete or are underway to lead to an orderly transition to the new governance model.

The report also sets forth a number of related recommendations for Council's consideration. Approval of these recommendations marks an essential milestone in finalizing the transition, supporting the stabilization, and promoting the sustainability of Ottawa Markets.

Efforts to revitalize the ByWard and Parkdale Markets have been ongoing since 2012, when community concerns prompted City staff to explore the current state of the ByWard Market. While local residents were concerned about an increasing prevalence

of bars and restaurants and a decrease in retail food and service establishments in the Market area, a simultaneous decline was being noted in the revenues, vendor diversity, sales, and customer base of the two outdoor public markets.

It was during this period that City staff engaged Project for Public Spaces (PPS), a consulting firm who carried out a comprehensive process of consultation and analysis with internal department representatives and members of the community. PPS and City staff jointly concluded that the creation of an independent not-for profit Municipal Services Corporation (MSC) would best align with long-term visions for the Markets.

More recently, MNP, an independent financial and managerial consultancy, validated these findings through a risk assessment and financial analysis related to three proposed governance options, which included maintaining the status quo, transferring all operations to a public/private partnership and establishing an MSC. Based on the comparative analysis of options evaluated, the establishment of a Municipal Service Corporation scored the best overall score (lowest in terms of residual risk) assuming implementation of management controls and risk mitigation measures. This fulsome business case reconfirmed staff recommendations, and satisfied the requirements of the *Municipal Act 2001* as it relates to the establishment of a MSC.

As recommended by staff in the April 2017 report, Council approved a new governance model in the form of a Municipal Services Corporation, to assume management of the ByWard and Parkdale Markets effective January 1, 2018.

Following Council's approval, staff have worked diligently throughout the intervening months to achieve critical legal and administrative milestones required for Day 1 readiness, including:

- Recruitment and appointment of a Board of Directors;
- Legal Incorporation of Ottawa Markets;
- Development of corporate by-laws and key policies;
- Preparation and negotiation of the Service Agreement; and
- Recruitment of Ottawa Market employees.

By way of the following report, staff seeks Council's approval of measures that will support the final stages of transition to a new governance model for the Markets.

From a regulatory perspective, it is recommended that Council delegate authority to Ottawa Markets to administer the provisions of the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449, as may be amended by Council, to be effective January 1, 2018, and which would include the collection and retention of fees for operational purposes.

It is also recommended that Council receive for information the approved balanced 2018 operating budget of the Ottawa Markets Municipal Services Corporation (herein referred to as "Ottawa Markets").

Staff further recommends that Council approve the transfer of the Markets Deferred Revenue Fund to alleviate initial cyclical financial pressures and cover unforeseen costs.

Finally, this report recommends that delegated authority be given to the City Treasurer to provide the City's guarantee of a commercial bank line of credit or loan should Ottawa Markets wish to seek one from a financial institution.

Financial Implications

Ottawa Markets considered a balanced 2018 operating budget at their Board meeting of November 27, 2017. However, financial mechanisms will need to be put in place to off-set start-up costs, provide a source for initial cash flow fluctuations and allow Ottawa Markets to address unforeseen costs. For this purpose, it is recommended that the uncommitted balance in the existing Markets' Deferred Revenue Fund in the amount of \$160,000 be transferred to the Ottawa Markets and to allow Ottawa Markets to solicit a commercial bank line of credit or loan of up to \$1,000,000.

It is also recommended that the City Treasurer have the authority to guarantee these loans or credit facilities on behalf of the City. Consideration of such commercial financial obligations will require that Ottawa Markets present a comprehensive Business Case, to the City Treasurer for review. If approved, the City Treasurer will define the acceptable term of repayment for the obligation.

Public Consultation/Input

Staff in the Planning, Infrastructure and Economic Development department have been undertaking public consultation related to Market-related governance issues since 2012, including on the occasion of previous reports to Planning Committee (March 13, 2012, August 23, 2012, and June 11, 2013) and to Finance and Economic Development Committee (May 11, 2016, and March 7, April 4 and July 4, 2017).

Key contributors to the outcome of this project include ByWard Market Standholders Association, Lowertown Community Association, Hintonburg Community Association, 55 ByWard Tenants' Association, ByWard Market Business Improvement Area, Wellington West Business Improvement Area and Councillor Fleury's and Councillor Leiper's offices.

Over the course of the project period, consultation and feedback was also solicited from other stakeholders having an interest in the ByWard Market area, including the National Capital Commission, Ottawa Tourism, Just Food/Savour Ottawa, the National Gallery, the Aga Khan Foundation and Ottawa Farmer's Market.

RÉSUMÉ

Hypothèse et analyse

Le présent rapport a pour objet de fournir au Conseil une mise à jour sur l'état d'avancement du processus de transition de Marchés d'Ottawa, la société de services municipaux nouvellement constituée qui assurera la gestion des marchés By et Parkdale à compter du 1^{er} janvier 2018. Le présent document confirme que les étapes et les initiatives prévues ont été respectées et réalisées, ou sont en voie de l'être, pour mener à une transition méthodique vers le nouveau modèle de gouvernance.

Le présent rapport contient en outre un certain nombre de recommandations connexes, qui doivent être examinées par le Conseil. L'approbation de ces recommandations marque une étape essentielle permettant d'achever la transition et de favoriser la stabilisation et la pérennité de Marchés d'Ottawa.

Des efforts en vue de revitaliser les marchés By et Parkdale sont déployés depuis 2012, époque à laquelle les préoccupations de la population ont incité le personnel de la Ville à examiner l'état du marché By. Tandis que les résidents du secteur s'inquiétaient de la prédominance croissante des bars et des restaurants et de la chute du nombre de magasins d'alimentation au détail et d'établissements de service autour du marché, une

baisse simultanée des recettes, de la diversité des fournisseurs, des ventes et de la clientèle sur les deux marchés publics extérieurs était observée.

C'est au cours de cette période que le personnel de la Ville a retenu les services de Project for Public Spaces (PPS), une firme d'experts-conseils chargée de mettre en place un processus complet de consultation et d'analyse avec des représentants du service et des membres de la collectivité. PPS et le personnel de la Ville ont conclu conjointement que la création d'une société de services municipaux (SSM) sans but lucratif et indépendante correspondrait au mieux aux visions à long terme des marchés.

Plus récemment, MNP, une société indépendante de conseil financier et de gestion, a validé ces conclusions par suite d'une évaluation des risques et d'une analyse financière portant sur trois options de gouvernance proposées : le maintien du statu quo, le transfert de toutes les opérations vers un partenariat public-privé et la création d'une SSM. Sur la base d'une analyse comparative des options évaluées, la création d'une société de services municipaux a obtenu la meilleure note globale (le plus faible risque résiduel) selon l'hypothèse de la mise en place de contrôles de gestion et de mesures d'atténuation des risques. Cette analyse de rentabilité exhaustive a permis de confirmer les recommandations du personnel et de répondre aux exigences de la *Loi sur les municipalités de 2001* concernant la création d'une SSM.

Comme le recommandait le personnel dans le rapport d'avril 2017, le Conseil a approuvé un nouveau modèle de gouvernance, sous la forme d'une société de services municipaux, pour assurer la gestion des marchés By et Parkdale à compter du 1^{er} janvier 2018.

Après l'approbation du Conseil, le personnel a travaillé avec diligence au cours des mois qui ont suivi, afin de franchir les étapes juridiques et administratives cruciales assurant un état de préparation opérationnel le moment venu :

- Recrutement nomination de membres d'un conseil d'administration;
- Constitution en société de Marchés d'Ottawa;
- Élaboration de règlements administratifs et de politiques clés;
- Préparation et négociation de la convention de services;
- Recrutement des employés de Marchés d'Ottawa.

Dans son prochain rapport, le personnel sollicitera l'approbation par le Conseil de mesures qui soutiendront les étapes finales de transition vers un nouveau modèle de gouvernance des marchés.

Sur le plan réglementaire, il est recommandé que le Conseil délègue à Marchés d'Ottawa le pouvoir d'administrer les dispositions du Règlement sur le marché Parkdale 2008-448 et du Règlement du programme du marché By 2008-449, modifiées au besoin par le Conseil, entrant en vigueur le 1^{er} janvier 2018, y compris la collecte et la conservation des droits à des fins opérationnelles.

Il est également recommandé que le Conseil prenne connaissance, à titre d'information, du budget de fonctionnement de 2018, approuvé et équilibré, de la société de services municipaux Marchés d'Ottawa (« Marchés d'Ottawa »).

Le personnel recommande par ailleurs au Conseil d'approuver le transfert du solde de fonds des recettes reportées des marchés afin d'alléger les pressions financières initiales cycliques et couvrir les coûts imprévus.

Enfin, le présent rapport recommande de déléguer à la trésorière municipale le pouvoir de fournir la garantie par la Ville d'une marge de crédit ou un prêt bancaire pour le cas où Marchés d'Ottawa souhaiterait en obtenir une d'une institution financière.

Répercussions financières

Marchés d'Ottawa a présenté un budget de fonctionnement de 2018 équilibré lors de la réunion de son conseil d'administration le 27 novembre 2017. Cependant, des mécanismes financiers devront être mis en place afin de compenser les frais de démarrage, d'assurer une source pour les fluctuations initiales des flux de trésorerie et de permettre à Marchés d'Ottawa de faire face aux coûts imprévus. À cette fin, on recommande que le solde non engagé qui se trouve actuellement dans le Fonds des produits reportés de Marchés d'Ottawa et qui se chiffre à 160 000 dollars soit transféré à Marchés d'Ottawa et on recommande de permettre à Marchés d'Ottawa de solliciter une marge de crédit bancaire ou un prêt bancaire allant jusqu'à 1 million de dollars.

On recommande également que la trésorière municipale ait le pouvoir de garantir ce prêt ou cette marge de crédit au nom de la Ville. L'examen de ces obligations financières commerciales exigera que Marchés d'Ottawa présente une analyse de rentabilisation exhaustive à la trésorière municipale aux fins d'examen. Si ces

obligations sont approuvées, la trésorière municipale établira la période acceptable de leur remboursement.

Consultation publique et commentaires

Le personnel de la Direction générale de la planification, de l'infrastructure et du développement économique a procédé à une consultation publique au sujet des questions entourant la gouvernance des marchés depuis 2012, notamment dans le cadre de rapports remis précédemment au Comité de l'urbanisme (13 mars 2012, 23 août 2012 et 11 juin 2013) et au Comité des finances et du développement économique (11 mai 2016, 7 mars 2017, 4 avril 2017 et 4 juillet 2017).

Parmi les principaux intervenants ayant contribué au résultat de ce projet, mentionnons l'Association des détenteurs d'étal du marché By, l'Association communautaire de la Basse-Ville, la Hintonburg Community Association, la 55 ByWard Market Tenants Association, la zone d'amélioration commerciale du marché By, la zone d'amélioration commerciale de la rue Wellington Ouest ainsi que les bureaux des conseillers Fleury et Leiper.

Pendant la durée du projet, d'autres intervenants ayant des intérêts dans le secteur du marché By ont été consultés et ont pu faire part de leurs commentaires, notamment la Commission de la capitale nationale, Tourisme Ottawa, Alimentation juste / Savourez Ottawa, le Musée des beaux-arts du Canada, la Fondation Aga Khan Canada et le Marché des producteurs agricoles d'Ottawa.

BACKGROUND

Efforts to revitalize the ByWard and Parkdale Markets have been an ongoing priority for City staff and Ward Councillors since 2012, when local community leaders voiced concern over the loss of retail food sellers and other residential-oriented businesses, as well as a rise in the number of area restaurants and bars.

In March of 2012 and in response to these concerns, Planning Committee directed the Planning and Growth Management department to undertake with the community a visioning exercise for the ByWard Market area (PLC motion 31/5).

Staff followed up with an information report entitled "A Future Strategy for the ByWard Market" to Planning Committee in August of 2012 ([ACS2012-PAI-PGM-0184](#)), which led to the engagement of Project for Public Spaces (PPS), an American-based non-profit

organization, to carry out a review of the current state of the ByWard Market and to make recommendations for its future.

PPS' findings and stakeholder feedback were put forth in a report to Planning Committee and Council in June of 2013 (ByWard Market – Strengthening the Future of the ByWard Market - [ACS2013-PAI-PGM-0126](#)). At that time, Council approved the report's strategies and recommendations for new governance of the ByWard Market, including changes in management, operations, policy, and regulation.

Following the June 2013 report, PPS was further retained to explore governance options, propose opportunities for the Market's public realm, establish a business plan and develop a transition strategy. PPS was also mandated to re-engage with ByWard Market stakeholders, as well as City staff, and submit a final report for the City's consideration.

In its 2015 City Strategic Plan, Council approved the ByWard and Parkdale Market / Sparks Street Revitalization as a Strategic Initiative in support of Objective 2 (Support Growth of Local Economy). This Strategic Initiative was allocated \$500,000 in funding for the transition to a new governance model for both City markets and to undertake a proactive zoning compliance initiative.

In May 2016, staff presented a report to Finance and Economic Development Committee and Council recommending that the City proceed with the revitalization of the ByWard and Parkdale Markets (Revitalization of ByWard and Parkdale Markets – Proposed New Governance Model and Amendments to By-law No. 2008-449 Related to George Street Plaza Renewal Project - [ACS2016-PAI-DCM-0001](#)). At that time, staff was directed to return to Council with a report for the establishment of a MSC to oversee the operations of both public markets. This report was to propose a structure, set of duties and governance for the MSC, as well as a transition strategy to achieve its implementation.

In December 2016, Markets Management was the subject of an audit by the Office of the Auditor General (OAG) – (Annual Report and Detailed Audit Reports - [ACS2016-OAG-BVG-0004](#)). In response to audit recommendations, staff committed to addressing leadership and operational issues and, in keeping with the requirements of the *Municipal Act, 2001*, to present a fulsome business case for the proposed governance model including a thorough options and risk analysis.

Staff provided Finance and Economic Development Committee and Council with an update on the Markets' revitalization project in March of 2017 (Update – Revitalization of the ByWard and Parkdale Markets Project and Amendments to Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449 - [ACS2017-PAI-ED-0004](#)).

The revitalization initiative gained considerable momentum in April 2017 (report [ACS2017-PIE-ED-0006](#)) when a fulsome business case and risk analysis was presented pursuant to the requirements of the *Municipal Act, 2001* (S. 203) and as recommended by the OAG. These findings resulted in Council's endorsement of the establishment of a Municipal Services Corporation to assume management of the ByWard and Parkdale Markets, effective January 2018. At that time, Council also approved the Board selection and recruitment process, including the delegation of authority to the Mayor, Councillor Fleury and Councillor Leiper to appoint the initial three Board Members. The General Manager, Planning, Infrastructure and Economic Development was concurrently delegated the authority to incorporate the new entity and enter into ancillary legal agreements.

On July 12th 2017 (Inaugural Board Appointments for the Municipal Services Corporation of the ByWard and Parkdale Markets – [ASC2017-PIE-EDP-0020](#)) Council approved the inaugural six Board Directors, at which time they also received for information the appointment of a three member Executive Committee.

DISCUSSION

As a matter of due diligence, Council's approval to proceed with the MSC option in July 2017 was accompanied by direction to staff to present an interim report in October 2017. Its purpose would be to evaluate the initiative's progress and determine whether sufficient risks had been mitigated to ensure a successful transition on January 1, 2018 and going forward. This report was delayed to this meeting of Finance and Economic Development Committee pending the achievement of project milestones so as to provide Committee and Council with a fulsome project update and confirm that all necessary components were in place to lead to a successful and orderly governance transition.

The requisite overview to provide this confidence is captured in the following report. It outlines major milestones accomplished to date, and demonstrates that sufficient

progress has been achieved as to ensure a positive, long-term outcome and mitigate risk.

The report also sets forth a number of recommendations whose approval will enable staff to enter the final transitional stages and subsequently guide the new entity into a phase of stabilization.

Transition Update

Throughout the transition process, staff have strived to achieve a sense of equilibrium between providing Ottawa Markets with the latitude to pursue entrepreneurialism and autonomy, while also recognizing the need to protect both the City's assets and its overall vision for the Markets.

Accountability

Staff have worked closely with representatives from Legal Services, Finance, Corporate Real Estate Office, Human Resources, Infrastructure Services and the City's external Counsel (Borden Ladner Gervais) to pioneer a not-for profit entity whose strength will be its ability to leverage new opportunities and affect innovative change. Such independence will be balanced by a well-defined accountability framework consistent with the requirements of the *Municipal Act 2001*, *Canada Not-for-profit Corporations Act 2009* (the "Act") and the recommendations of the Auditor General's Report in December 2016. To this end, Ottawa Markets will be mandated to submit, for purposes of information, an Annual Report to Council, which will include the following:

- i.) Auditor's report and audited financial statements;
- ii.) Quantifiable progress or accomplishments relative to the performance indicators set forth Ottawa Markets' strategic plan;
- iii.) Any material variance in the projected ability of any business activity to meet or continue to meet the financial objectives set forth in Ottawa Markets' strategic plan;
- iv.) Such additional information that may materially affect the City, and/or any other information the member, the City Treasurer or the General Manager may specify from time to time.

In addition, Ottawa Markets will submit its annual budget and quarterly financial reports to the City Treasurer.

Ottawa Markets will be similarly required to present its long-term strategic plan by Q2 2018 to the City. It will outline high-level strategic priorities and business objectives, as well as identify metrics for measuring achievements and milestones. Yearly progress will be communicated to Council through the Annual Report.

A formalized mechanism for supporting Ottawa Markets beyond the official transition of January 1, 2018 will exist through the Director, Economic Development and Long-Range Planning or his/her delegate, who will serve in an *ex-officio* capacity on the Board.

For matters requiring Departmental consultation and/or approval, or Council consideration, Ottawa Markets 2017 shall communicate with the General Manager, Planning, Infrastructure and Economic Development or his/her delegate, who was delegated such authority by Council in April 2017 and who will be the signatory to the Service Agreement to be entered into between the City and Ottawa Markets.

Incorporation

Following the appointment of its Board of Directors by Council on July 12th, Ottawa Markets was officially incorporated under the *Canada Not-for-profit Act* on October 2, 2017 for the following purpose:

Maximize the ByWard and Parkdale Markets' potential to be unique year-round gathering places and destinations to purchase local produce and goods as well as other services and products that meet the needs of local and city-wide residents and tourists alike.

Ottawa Markets will build upon the rich heritage of the public markets in their communities and promote the importance of local food sustainability in an entrepreneurial manner. Ottawa Markets will strive to build a creative and innovative retail and outdoor vending mix and work with partners to ensure that all public space is inviting and enhanced as opportunities are made available.

Amendments to these articles of incorporation or letters patent or to any subsequent articles or supplementary letters patent must comply with *Municipal Act, 2001* O. Reg. 599/06 and cannot be made without prior written approval of Council.

Ottawa Markets shall subsist as a not-for-profit corporation, without share capital, and shall be incorporated, organized and at all times be in good standing. Ottawa Markets will be required to advise Council, in writing, in the event of a change of its corporate status or organization.

Ottawa Markets is authorized to have one class of members, which means the Mayor of the City of Ottawa and each Councillor of the City of Ottawa have been collectively admitted to membership of the Corporation (referred to as the “Member”) and are considered ex-officio members of the Board.

The provisions of the *Act* prescribe that the inaugural “Meeting of Members” must occur within 18-months of incorporation (i.e., prior to February 2019), whereupon Ottawa Markets must also present its Corporate By-laws to Council for consideration.

As per the joint provisions of the *Act* and the Corporate By-laws, the ‘Meetings of Members’ shall occur during the course of regular Council meetings. Following the inaugural meeting, “Meeting of Members’ shall take place on an annual basis.

In the event that Ottawa Markets is subject to dissolution, such dissolution will comply with the provisions of the *Canada Not-for-profit Corporations Act* (and its regulations) as such may be amended from time to time.

Service Agreement

A detailed Service Agreement, articulating the terms and conditions of the service relationship between the City and Ottawa Markets, is currently in the final stages of negotiation. Recommendation 1, 3 and 4, as presented in this report, correspond to provisions in the Service Agreement and require Council approval prior to execution.

The City's ability to transfer administrative authority to Ottawa Markets on January 1st is conditional upon the execution of the Service Agreement prior to January 1st 2018. The agreement shall be executed by the General Manager, Planning, Infrastructure and Economic Development, and to the satisfaction of the City Clerk and Solicitor, as authorized by City Council in April 2017 (report [ACS2017-PIE-ED-0006](#)).

The Service Agreement will serve to enhance governance, accountability, and service quality by clearly defining roles, responsibilities, processes, and performance expectations of each party. It will also offer a mechanism for governance and issue resolution and allow the City to manage risk through appropriate provision on a go-forward basis.

More specifically the Service Agreement provides the framework and conditions under which the City will be transferring authority to Ottawa Markets to manage the ByWard and Parkdale Markets, and assume administration of municipal assets for such purposes. It outlines both legal and operational provisions for Ottawa Markets, including but not limited to its status and organization, governance structure, regulatory requirements, annual reporting requirements, financial accountability, transfer of assets, repairs/replacements and lifecycle management, insurance requirements, default and remedies and termination and dissolution.

The Service Agreement sets out the responsibilities of Ottawa Markets as being:

- i.) Managing the ByWard Market and Parkdale Market as prescribed by the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2208-449, while such regulations remain in force as directed by Council;
- ii.) Managing the general operations of the ByWard and Parkdale Markets;

- iii.) Managing the Garage Retail Units (Clarence Street Garage), including all commercial retail and common spaces;
- iv.) Managing the Market Building (55 ByWard Market Square), including all commercial retail and common spaces;
- v.) Managing and maintaining the George Street Plaza in partnership with the City; and
- vi.) Managing and maintaining the Gateway Stands.

Notwithstanding that Ottawa Markets will be authorized to generate, collect and retain all revenues derived from the management of the above-mentioned municipal assets for the purposes of operations and re-investment, the City maintains continued ownership of such assets.

Within the context of protecting municipal interests, the Agreement also states that Ottawa Markets may not sell, transfer, exchange or otherwise dispose of, whether for valuable consideration, any real property with which Ottawa Markets uses to carry on its business, or acquire, transfer or dispose of real property through purchase, donation, trade or any other method of acquisition.

Once executed, a copy of the Service Agreement will be held on file with the City Clerk and Solicitor's Office.

Staff Recruitment - Ottawa Markets

In preparation of the operational transfer on January 1st, recruitment efforts have focussed on filling several key positions at Ottawa Markets, including Executive Director, Vending Operations Manager, and property management.

An Executive Director has been successfully engaged by the Board, and City staff have begun an intensive process of knowledge transfer and stakeholder orientation. City staff will continue to support the Executive Director through the initial stages of stabilization.

Services of a Property Management firm have also been secured, and City staff are working closely with Real Estate staff, and the P3 who currently oversees the 55 ByWard Market building, to ensure that the necessary steps are taken to ensure a smooth transition on January 1st.

Recruitment of a Vending Operations Manager is underway.

Senior Management is concurrently working with staff from Human Resources and the Unions to ensure that processes affecting City employees who oversee current Market operations align with the terms and conditions set forth in the collective agreements. As reported in the Draft 2018 Budget, which was presented at Environment and Climate Protection Committee on November 21, 2017, the Economic Development and Long Range Planning (EDLRP) Services Operating Resource Requirement will show a consequential reduction of 11.57 FTEs from 2017.

Asset Transfer

As indicated earlier in this report, real property assets will remain under the ownership of the City. For purposes of business continuity, however, ownership of equipment and supplies currently used to support Market operations will be transferred to Ottawa Markets pursuant to the Disposal of Assets Policy and under the authority of the Purchasing By-law (s. 41).

Upon transfer of these goods, Ottawa Markets will be responsible for their maintenance, repair, storage and overall management. Ottawa Markets will also, at its own expense, replace the supplies and equipment as necessary without any obligation, financial, legal or otherwise, to the City. Finally, Ottawa Markets will assume any losses or revenues derived from the ownership and disposal of the supplies and equipment.

Equipment and supplies to be transferred include market vending stall structures, IT equipment, tools, street furniture, office furniture and bike racks.

Asset Maintenance and Lifecycle Management

The ongoing maintenance of real property assets will be undertaken and financed by Ottawa Markets, with support from the City for major lifecycle components.

As a point of reference Ottawa Markets will develop and implement a preventative maintenance/operations plan for 55 ByWard, the Clarence Garage retail units, and the Parkdale Market. The City will continue to administer Lifecycle Management planning for the sites, including the preparation of building condition audits at five-year intervals.

From a financial perspective, Ottawa Markets will be responsible for financing and performing all repairs and replacements below a single value threshold of \$10,000 per

occurrence. A written summary of repairs and replacements made to major components will be provided to the City on an annual basis.

Ottawa Markets may refer, in writing, any repair and replacement estimated at a single value threshold of \$10,000 or more per occurrence to the City for consideration within its Asset Lifecycle Program.

The Asset Lifecycle Program will address major building components with a single replacement or single repair value greater than \$10,000 per occurrence. Priorities for capital expenditure are to be established by the City, with advice from Ottawa Markets, based on anticipated lifecycle, competing priorities, and available budget as approved by Council.

Lease Assignments

Existing leases, including associated rent deposits, for both the Market Building and the garage retail units will be transferred to Ottawa Markets through Lease Assignment, conditional upon execution of the Service Agreement and effective January 1, 2018. Existing Gateway Stand permits, as well as permits and licenses issued under the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449 will be similarly transferred to Ottawa Markets, pending both the execution of the Service Agreement and Council approval of this report.

Stabilization Measures

Following the transfer of authority on January 1, 2018, the City will continue to support Ottawa Markets for a period of three to six months through its early stages of stabilization. During this time, City staff will work closely with Ottawa Markets staff to allow for an in-depth transfer of knowledge, operational procedure and overall business process. Any complications that arise due to oversights during the transition and implementation stages will also be resolved at this time. Thereafter ongoing Board liaison will be through Economic Development and Long-Range Planning staff.

Strategic Planning

Within its first year, Ottawa Markets is expected to undertake a strategic planning exercise to articulate the direction in which the new organization will be moving, the actions needed to achieve its objectives and the measures to assess whether it has been successful. This plan, which is expected to be presented to the City before

Q2 2018 will provide Ottawa Markets with a stable baseline upon which to base its annual reports.

By-law Review

Pending Council approval, Ottawa Markets will assume administration of the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449, effective January 1, 2018.

As a means of fostering a nimbler, innovation-driven and more responsive vending environment, it is anticipated that Ottawa Markets will propose amendments to, or a full repeal of these regulations to the City within its first years of operation.

Any proposed amendments or repeal of the By-law(s) by the Ottawa Markets will be overseen by the Director, Economic Development Long Range Planning within his/her role as ex-officio member of the Board of Directors. He/she will ensure that all changes comply with legislative and public consultation requirements, and are presented to Council for consideration and approval.

Recommendation 1: Delegate authority to the Ottawa Markets Municipal Services Corporation (“Ottawa Markets”) to administer the provisions of the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449 and as may be amended by Council, to be effective January 1, 2018 and to include the collection and retention of fees for operational purposes, as described in this report.

The ByWard and Parkdale Markets currently operate within the regulatory framework of the Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449. Authority to administer and enforce these by-laws is delegated to the Markets Manager. Any amendments must be approved by City Council, and are subject to a process of public consultation.

Enacted in 2008, the by-laws define the parameters of both the agri-food and arts and crafts vending landscapes, including vending categories, vendor selection, hours of operation, licencing and permitting fees, stand operations, allocation processes and rights of renewal.

Whereas Ottawa Markets has been established to assume management of the Parkdale and ByWard Markets on January 1, 2018, and the management of these two

Markets is synonymous with their associated by-laws, it is recommended that Council delegate authority to this new entity to administer the provisions of Parkdale Market Program By-law 2008-448 and ByWard Market Program By-law 2008-449, as may be amended.

It further recommended that Ottawa Markets be authorized to collect and retain all licensing and permitting fees for the purposes of supporting the cost-recoverable nature of its operations, and promoting re-investment in the Markets.

Authority over existing by-laws and associated fee collection and retention would be transferred upon execution of the service agreement and effective January 1, 2018.

Recommendation 2: Receive for information the 2018 operating budget of Ottawa Markets attached as Document 1;

Ottawa Markets approved a balanced 2018 operating budget at their Board meeting of November 27, 2017.

In preparation of the 2018 budget, City staff (on behalf of the Ottawa Markets Board) applied a conservative revenue forecast based on recent year trends and current market constraints. Staff maintained that expenses should not to exceed revenues and used historical costs or cost estimates to predict expenses. Additional budget pressures were incorporated where priorities were identified and inflationary increases for costs were based on historical inflationary results.

It should be noted that the 2018 Budget deviates from the pro-forma presented within the Business Case in April 2017, which was proposed for decision making purposes at that time. In the intervening period, new factors have come to light which have changed previous assumptions and resulted in an overall more conservative approach. Further analysis by Finance staff, coupled with recommendations from the Board Treasurer have therefore resulted in a number of adjustments, including compensation, overhead components and recoverable expenditures.

Recommendation 3: Delegate the authority to the City Treasurer to transfer the Markets Deferred Revenue Fund balance to Ottawa Markets for the purposes described in this report;

Financial surpluses generated by the ByWard and Parkdale Markets have been historically directed into the Markets' Deferred Revenue Fund. These funds exist as

allocations of accumulated net revenue for the specific purposes of funding special initiatives and covering unforeseen costs within the Markets.

Given that these funds were generated by the Markets and retained for future Market re-investment, staff suggest that these funds should continue to remain available for such purposes. Staff therefore recommend that authority be delegated to the City Treasurer to transfer the Markets Deferred Revenue Fund to Ottawa Markets.

The existing Markets' Deferred Revenue Fund has an uncommitted balance of \$160,000, including commitments of \$376,000. The \$160,000 is recommended for immediate transfer, conditional upon execution of the Service Agreement, to off-set start-up costs, provide a source for initial cash flow and allow Ottawa Markets to address unforeseen costs as warranted. Following resolution of the outstanding commitments, any residual funds in the account will be transferred to Ottawa Markets.

Recommendation 4: Delegate authority to the City Treasurer to approve financial support to Ottawa Markets in the form of a guarantee for a commercial bank line of credit or loan of up to \$1,000,000 for a period to be authorized by the City Treasurer and reviewed annually in conjunction with the annual report, as described in this report;

It is anticipated that Ottawa Markets' strategic plan will include provisions for increasing revenues through the diversification and densification of outdoor stands, as well as through the introduction of new initiatives. As the new manager of two properties, it is similarly possible that Ottawa Markets will undertake capital improvements as a means of increasing its revenue-earning potential.

While motivated by opportunities for strategic growth, such initiatives will nonetheless require varying levels of investment at their outset. In certain cases, Ottawa Markets may need to incur financial obligations in order to attain these long-term objectives.

In the spirit of entrepreneurialism, and therefore to accord Ottawa Markets the freedom and flexibility to seek rates and terms favorable to its circumstances, staff recommends that Council allow Ottawa Markets to solicit a commercial bank line of credit or loan of up to \$1,000,000. Such obligation shall be considered for the sole purpose of supporting capital investment in the two municipal assets: 55 ByWard Market Square and the retail units located within the parking garage at 70 Clarence.

Consideration of such commercial financial obligations will require that Ottawa Markets present a comprehensive Business Case to the City Treasurer for review. If approved, the City Treasurer would define the acceptable term of repayment for the obligation.

Ottawa Markets will be further subject to any loan and line of credit application and review procedures required by commercial banking institutions.

Appropriate financial oversight control at the City will be provided through quarterly financial statements submitted by Ottawa Markets to the City Treasurer and annual consolidated financial statements to Council.

The Ottawa Markets' third-party borrowing process, as outlined above, would come into effect on January 1, 2018 and upon the execution of the Service Agreement.

Recommendation 5: Delegate authority to the City Treasurer, in consultation with the City Clerk and Solicitor, to finalize and execute all necessary financial agreements, as described in this report.

Staff recommend that the City Treasurer have the authority on behalf of the City to guarantee to loans or credit facility entered into by the Ottawa Markets, pending any approval by the financial institution. It is also recommended that the City Treasurer be delegated the necessary authority to finalize and execute necessary financial agreements, including guarantees and loan and credit facility agreements.

This arrangement will provide the City Treasurer with the ongoing capacity to measure the inherent risk associated with commercial financial obligations assumed by Ottawa Markets.

As approved by Council in April 2017 (report [ACS2017-PIE-ED-0006](#)), the General Manager, Planning, Infrastructure and Economic Development will maintain delegated authority to enter into ancillary legal agreements related to the transition, including service and asset management agreements and lease assignments, to the satisfaction of the City Clerk and Solicitor.

RURAL IMPLICATIONS

The recommendations in this report are intended to support the continued sustainability of the ByWard and Parkdale Markets as vending places for Ottawa's rural agri-food industry.

CONSULTATION

Ongoing communication has been maintained with the Core Team, whose membership is comprised of representatives of the ByWard Market Standholders Association, Lowertown Community Association, Hintonburg Community Association, 55 ByWard Tenants' Association, ByWard Market Business Improvement Area (BIA), Wellington West Business Improvement Area and Councillor Fleury's and Councillor Leiper's offices. Representatives from each organization have documented their priorities, and this information has been circulated to Ottawa Markets for consideration.

City staff have continued to work very closely with the ByWard Market Standholders Association over the course of past months on matters affecting the outdoor vending environment. Staff have similarly worked alongside the ByWard Market BIA, attending their monthly meeting and thereby keeping this neighbourhood partner apprised of milestones achieved throughout the project.

Joint meetings have occurred between the City, ByWard Market (Business Improvement Area) BIA and the Downtown Rideau BIAs to address boundary responsibilities as they relate to the new entity.

Meetings have been ongoing with the P3 (55 ByWard) at both the administrative and management levels to ensure a smooth transition of leases and property management responsibility.

Meetings with union representatives have been held to discuss the impacts of this report's recommendations on current City employees.

COMMENTS BY THE WARD COUNCILLORS

Councillor Fleury provided the following requirements:

“As the January 1st 2018 transition approaches, I am confident the necessary steps have been taken to welcome this new entity into our community. Much hard work, from both City staff and community partners has gone into this project, and our vision of adopting a new management model is coming to fruition.

Milestones achieved since the last report have been significant, and include the appointment of the inaugural Board, the incorporation of Ottawa Markets as a not-for-

profit corporation, the hiring of an executive director and property management firm, and the development of a Service Agreement.

In past years, growing evidence showed that a shift was needed to both revitalize and secure the long-term viability of the ByWard and Parkdale Markets. As an independent entity, Ottawa Markets represents a new opportunity to manage all of the outdoor vending spaces, and the retail spaces in the 55 ByWard Market building and the ground floor shops of the parking garage. The Ottawa Markets (not for profit) will bring a more creative, innovative, and entrepreneurial lens to the ByWard Market.

Recent public realm investments in the ByWard Market, the gem of our City, have also resulted in wonderful success. The renewed George Street Plaza, the Gateway Stands, and the York Street Plaza Pilot Plaza have each made a positive contribution to the Market area and reflect the City's commitment to the success of the historic district. These showcase the continued need to invest in the ByWard Market public realm.

The journey ahead will bring year-round positive change for ByWard Market neighbours, Ottawa residents and tourists."

Councillor Leiper provided the following comments:

"I continue to look forward to the fast-approaching point at which the MSC will take over operations under revised by-laws for the ByWard and Parkdale Markets. It is encouraging that significant progress has been made toward that end, including the hiring of a new executive director. The measures recommended in this report are further substantive steps on the way to a new and exciting chapter for the Markets, and I hope that colleagues will support those."

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

From a financial perspective, the transfer of municipal assets to an arms-length entity carries inherent risk. There is also certain level of risk associated with transferring long-standing public markets to a new entity. Ottawa Markets could fail to achieve desired levels of revitalization and/or create conditions that foster further economic decline and an additional loss of vendors.

These risks are being mitigated by clearly defining Ottawa Markets' roles and responsibilities through a comprehensive Service Agreement. Risks have also been managed through the appointment of an experienced and skills-based Board, which includes the Director, Economic Development as an ex-Officio member, who will provide an ongoing mechanism for dialogue between Ottawa Markets and the City.

From a financial perspective, Ottawa Market's financial scenario has been conservatively forecast, and opportunity exists for the generation of new revenues and future off-setting of costs.

In terms of formal accountability, Ottawa Markets is mandated to submit a formal report to City Council on an annual basis. This report will include audited financial statements, and will provide Council with a tool for overseeing the entity's ongoing activities and performance. Should Ottawa Markets fail to achieve desired objectives, Council may formally impose corrective action as provided within the Service Agreement.

ASSET MANAGEMENT IMPLICATIONS

The implementation of the CAM program results in timely decisions that minimize lifecycle costs and ensure the long-term affordability of assets. To fulfill its obligation to deliver quality services to the community, the City in partnership with Ottawa Markets, must ensure that assets are managed in a way that balances service levels, risk and affordability.

The recommendations documented in this report are consistent with the City's [Comprehensive Asset Management \(CAM\) Program](#) objectives. Applying a new governance model for the ByWard and Parkdale Markets is an example of a sustainable way of working in a cooperative manner with City partners for the delivery of services with an outward focus on community benefit and an inward focus on efficiency and affordability.

FINANCIAL IMPLICATIONS

A guarantee provided by the City of Ottawa to a financial institution in relation to the associated borrowers obligation to execute the terms and conditions of the loan agreement would require the City to assume commitments and or responsibility with respect to the loan facility should the borrower default on its obligation to the loan agreement.

The existing Markets' Deferred Revenue Fund has an uncommitted balance of \$160,000, including commitments of \$376,000. If approved for transfer to Ottawa Markets, the \$160,000 could be transferred immediately upon execution of the Service Agreement. Following resolution of the outstanding commitments, any residual funds in the account will be transferred to Ottawa Markets.

ACCESSIBILITY IMPACTS

Ottawa Markets is subject to the *Accessibility for Ontarians with Disabilities Act* and is obliged, among other requirements, to have an accessibility policy, provide accessible customer service, consider accessibility when purchasing self-service kiosks, have accessible employment practices, train its staff on accessibility requirements, and make new or redeveloped public spaces accessible.

In addition, the City will require that improvements to both public markets in the form of new or enhanced infrastructure would be undertaken in line with the City's Accessibility Design Standards.

As both public markets are intended to be gathering places for all Ottawa residents and visitors, Ottawa Markets will be mandated to ensure that all decisions it makes incorporates accessibility and considers the perspective of people with disabilities.

ENVIRONMENTAL IMPLICATIONS

The recommendations in this report aim to promote local food security and environmental sustainability within the City of Ottawa. A revitalized marketscape would present opportunities to broaden the range local food products (i.e., organic, biodynamic, heirloom) through an increased vendor base. Farmers who sell direct to consumers need not give priority to packing, shipping and shelf-life issues and can instead select, grow and harvest crops to ensure peak qualities of freshness, nutrition and taste.

Similar growth amongst artisans would encourage both residents and tourists to 'buy local', which would reduce processing, packaging and transportation waste, leading to less pollution.

TECHNOLOGY IMPLICATIONS

Information Technology Services is working with the Markets Management transition team to complete the inventory of technical assets and document the transition of both the assets, as well as the ongoing maintenance/support, to Ottawa Markets as of January 1, 2018.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priority:

Economic Prosperity: EP2 – Support growth of local economy

SUPPORTING DOCUMENTATION

Document 1 Ottawa Markets 2018 Operating Budget

DISPOSITION

Planning, Infrastructure and Economic Development staff, in consultation with staff in Legal Services, Human Resources, Finance, Roads Services, Real Estate, Public Information and Media Relations, will continue supporting Ottawa Markets through the transition period leading up to January 1, 2018. Planning, Infrastructure and Economic Development staff will further support Ottawa Markets into its initial stabilization phase.

As approved by Council in April 2018 (report [ACS2017-PIE-ED-0006](#)), the General Manager, Planning, Infrastructure and Economic Development, is delegated the authority to execute the necessary transitional agreements (i.e., Service Agreement and Lease Assignments) with Ottawa Markets, and will along with the Director of Economic Development and Long Range Planning subsequently serve as the ongoing liaison between Ottawa Markets and City Council and City departments on an as-needed basis.

Document 1 – Ottawa Markets 2018 Operating Budget

In Thousands (\$000)

Total Revenues	1,575
-----------------------	-------

Expenses:

Compensation	770
--------------	-----

Purchased Services	908
--------------------	-----

Materials and Supplies	75
------------------------	----

Utilities	204
-----------	-----

Property Tax	236
--------------	-----

Other Overhead Costs	148
----------------------	-----

Cost Recoveries*	(766)
------------------	-------

Total Expenses	1,575
-----------------------	-------

Surplus / (Deficit)	-
----------------------------	---

* Operating costs that are charged back to retail tenants