



THE CORPORATION OF THE
DISTRICT OF SUMMERLAND
REQUEST FOR DECISION

DATE: June 11, 2024 FILE: 6750-20
TO: Graham Statt, Chief Administrative Officer
FROM: Brad Dollevoet, Director of Development Services
SUBJECT: Okanagan Food and Innovation Hub – Land & Building Partner

STAFF RECOMMENDATION:

That Council pass the following resolution:

THAT staff be directed to enter into a Memorandum of Understanding with LocalMotive Organic Delivery and Community Futures Okanagan Similkameen (CFOS) to locate the Okanagan Food and Innovation Hub in Summerland.

STRATEGIC PRIORITY:

Community Resilience – The development of a food hub/agricultural innovation centre within Summerland has been a strategic priority project of Council's since 2018. A regional food hub will help provide community resiliency and sustainability by encouraging value-added processing of local food to meet regional market demand and less dependence on global supply chains for food security purposes.

CULTURAL IMPACT STATEMENT:

Agriculture – “The community is well positioned to take advantage of the local food movement and champion sustainable, regional food systems”

*District of Summerland Cultural Plan (2016)

PURPOSE:

To provide project updates to Council with regards to the Okanagan Food and Innovation Hub (OFIH), and to provide direction to staff to pursue a memorandum of understanding with LocalMotive Organic Delivery (LocalMotive) for a new location and partnership for the Food Hub.

DISCUSSION:

Following the award of an \$800,000 grant in February 2023 from the Ministry of Agriculture and Food (Attachment No. 1), OFIH project partners, the District of Summerland and Community Futures Okanagan-Similkameen (CFOS), have continued to work to try to meet deadlines and terms of the Agreement for the grant. However, Okanagan Crush Pad has not been able to advance a new building construction at its property of 26405 Garnet Valley Road, citing unfavourable economic conditions of high construction costs and increased costs for borrowing to move forward with a new building at this time.

Due to delays in confirming a location for the Food Hub, there have been delays in meeting the Ministry of Agriculture's (Ministry) grant deadlines to advance the OFIH project. Ministry staff have provided the following project deadlines for CFOS/Summerland to complete:

1. A job description and hiring plan for the Food Hub project manager by Feb 16, 2024
2. Written update on the status of food hub location and outline of next steps by March 14, 2024
3. Confirmation of creation of a steering committee to manage work of project manager by March 14, 2024
4. Confirmation of hiring of Food Hub project manager by April 30, 2024, to be funded by grant funding received from the Ministry of Agriculture and Food.
5. Confirmation of building construction agreement or lease agreement between CFOS and contractor/landlord by May 31, 2024
6. Professional external audit of business plan and update by July 30, 2024
7. Documents submitted and received to obtain a building permit by December 31, 2024
8. Proof of building permit issued by March 3, 2025.

Deliverables 1 and 2 have been completed by our project partner CFOS. For deliverables 3 through 6, the Ministry of Agriculture has been submitted a timeline extension request from CFOS and is likely to approve this request.

For deliverable 5 above, Okanagan Crush Pad has now removed themselves as a land/building partner for the project (see written correspondence provided in Attachment No. 2). As a result, the District has been examining a new partnership with a local food producer, Thomas Tumbach, owner of LocalMotive Organic Delivery to locate the OFIH project. Additionally, Okanagan Crush Pad has expressed their support for this possible new partnership.

LocalMotive Organic Delivery was recently awarded a \$3 million grant from the Investment Agriculture Foundation of BC in January of 2024 to construct a new commercial food storage and distribution facility in Summerland. The intent of LocalMotive is to construct a new state-of-the-art storage, packaging and processing facility for their own operation and to partner with the OFIH project, by co-locating in the same space and offering synergetic services. The idea would be the OFIH would provide local farmers and food processors space to test new product ideas, access processing equipment, and learn from other Hub users, while LocalMotive could provide complementary "scaling-up" commercialization services of additional storage space, and regional distribution - which has been already developed as part of LocalMotive's current business operation. It's planned that LocalMotive would require 16,000 sq. ft space, with 6,000 of that available for cold storage, while the OFIH would require 6,000 to 10,000 sq. ft. of space for its operation.

LocalMotive is already a regional distributor with a fleet of refrigerated delivery vehicles and plans with its new grant funding to expand its distribution network and increase frequency. New distribution routes are planned for the Okanagan-Similkameen, Shuswap, and Thompson-Nicola regions – to increase the volume and access to locally produced foods source from growers in our region. New distribution routes will focus on servicing rural communities that currently do not have access farm-to-table services from another distributor.

LocalMotive is also considering alternative ownership structures, such as a not-for-profit society or a cooperative, to ensure this shared facility has longevity as a shared community resource for the local and regional farming community.

At the time of this report, LocalMotive been investigating available properties for sale to build the new facility. When and if confirmation of the property sale is finalized, it is proposed by staff that a MOU be signed between the District and LocalMotive, staff will proceed with the remaining Agreement requirements from the Ministry.

While ideally, the District and CFOS would have time to move ahead with a new “Expression of Interest” process to find a new land/building partner and provide the opportunity for others to express interest to be the land/building partner of the OFIH, the Ministry’s grant funding deadlines complicates this process now and the Ministry is requiring action from both the District and CFOS to move the project forward, or the project may risk losing the \$800,000 grant funding. Finalists of the previous Expression of Interest process have previously been contacted and confirmed they no longer want to be considered for the project.

In addition, an OFIH project steering committee is required to be developed to meet the needs of the Ministry’s funding agreement. At the time of this report, staff and CFOS are working on developing a list of possible steering committee members and will be sending out invitations prior to the start of June. The OFIH project steering committee is intended to provide strategic guidance, oversight and support to the future Project Manager in the development and operationalization of the OFIH.

BACKGROUND:

The District of Summerland has been leading the idea of a regional food hub project over the past 5 years for the purpose of advancing the agriculture sector within Summerland and the broader Okanagan region. The Hub’s mission is to:

- Build regional agri-food capacity and connect food and agri-tech entrepreneurs to the right resources so that they can develop, successfully commercialize and market new agri-food products and technologies, while redefining the food system.
- Help agricultural communities and the existing food system become more sustainable, ecologically resilient and economically robust.

In July of 2021, the District was successful in receiving additional “pre-feasibility” funding from the Economic Trust of the Southern Interior (ETSI) to hire a consulting team to confirm a land/building partner and to revise the OFIH’s business plan.

On November 2, 2021, the District of Summerland issued a Request for Expressions of Interest (RFEOI) for a building/land location for the Okanagan Food Innovation Hub (OFIH). Three proposals were received by District, with a preferred proponent recommended by staff through the review process. The preferred proponent was the Okanagan Crush Pad, and on December 13, 2021 following a staff report (Attachment No. 3), Council supported staff’s recommendation for the preferred proponent.

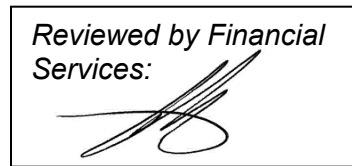
On February 17, 2023, the Ministry of Agriculture and Food confirmed the award of a grant for \$800,000 to support the partnership with the District of Summerland and Community Futures Okanagan-Similkameen for the Okanagan Food and Innovation Hub. This was to be used towards the establishment of a Food Hub facility at the Okanagan Crush Pad property at 26405 Garnet Valley Road.

LEGISLATION and POLICY:

- Agricultural Land Use Reserve Regulation
- Zoning Bylaw No. 2000-450

FINANCIAL IMPLICATIONS:

Following the award of the grant from the Province, project partner challenges have delayed District and Community Futures Okanagan Similkameen staff from proceeding with the grant agreement deadlines and requirements.



Additional project delays may result, in the Province not providing the remaining 50% (\$400,000) still to be provided and allocated to this project. Currently 50% has been provided to our project partner CFOS with the remaining issued after final reporting.

The District's financial commitments should any arise, in relation to the established deliverables and the draft MOU should all be funded through grant monies received from the Ministry of Agriculture and Food. Finance staff are somewhat concerned that after signing the proposed MOU, LocalMotive may come back to Council with a request to waive related fees and DCC's on the construction of a facility. Council has recently supported two construction projects in this manner with foregone DCC's and fees of approximately \$2M. The District has not included such fee waivers in its 2024-2028 financial plan bylaw for the Food Hub project, therefore, should such a fee waiver request be submitted, the District of Summerland taxpayers could potentially be on the hook for those foregone revenues.

SUPPORTING DOCUMENTS:

1. February 17, 2023 – Ministry of Agriculture and Food News Release
2. Correspondence from Okanagan Crush Pad
3. Council Report – December 13, 2021
4. Draft MOU – LocalMotive – CFOS - District

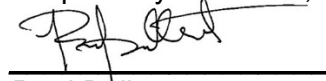
CONCLUSION:

Staff are recommending Council support entering a Memorandum of Understanding with LocalMotive Organic Delivery, following the Okanagan Crush Pad removing themselves as an option to proceed with the OFIH project. This will provide a promising new land/building partner already in the food and agriculture industry in Summerland; the proposition of a new, community-orientated location for the Food Hub; and additional financial security to the project because of the additional grant funding brought in by LocalMotive Organic Delivery.

OPTIONS:


1. Move the motion as recommended by staff.
2. Refer to staff for other options.

Respectfully submitted,



Brad Dollevoet
Director, Development Services

Endorsed by,



Graham Statt
Chief Administrative Officer