

Deputy City Manager's Office Report to  
Executive Committee  
2022 July 20

ISC: UNRESTRICTED  
EC2022-0563  
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## Council Innovation Fund Application - Operation Social Enterprise - Urban Agriculture Pilot

### RECOMMENDATION(S):

That the Executive Committee recommend that Council:

1. Allocate one-time funding not to exceed \$250,000 from the Council Innovation Fund for Operation Social Enterprise – Urban Agriculture Pilot, with funds to be managed by Administration;
2. Direct Administration to develop and oversee the execution of a formal funding agreement for Operation Social Enterprise to include a licence to occupy a currently vacant storage garage located adjacent to the Armour/Reliance Block for a period not to exceed 24 months;
3. Direct Administration to report back to Executive Committee the results of the Pilot Project no later than 18 months after the execution of the funding agreement, including recommendations on how The City may further support larger scale deployment of indoor urban agriculture projects while supporting community partners; and
4. Direct that this Report be forwarded to the 2022 July 26 Combined Meeting of Council

### HIGHLIGHTS

- This project demonstrates a sound business case and directly supports Calgary's Council approved *Food Action Plan*, titled "*Calgary Eats!*" This alignment helps build on community efforts to create a healthy, equitable, and sustainable food system with the goal of providing more places to grow, sell, and access local foods.
- **What does this mean for Calgarians?** This investment is an opportunity for The City to support social and agricultural innovation while developing a potential community partner to collocate at an integrated civic facility, which would support the execution of master plan recommendations.
- The project will also seek to validate the applicability of a *social enterprise model* to generate economic benefits for urban farmers and those employed by these operations, while increasing access to affordable fresh produce for Calgarians. A verified model could be replicated in communities across Calgary, by helping identify and remove barriers while developing a roadmap for seizing potential opportunities.
- **Why does this matter?** All Calgarians could benefit from a proven social enterprise model for urban agricultural projects, because access to affordable, healthy, and culturally appropriate food is a fundamental human right, as defined by the Universal Declaration of Human Rights. By identifying how to remove barriers and promote opportunities for indoor urban agriculture in Calgary, this could lead to an increase in locally grown products, that are accessible to all people, produced in a manner that is more environmentally sustainable while supporting economic opportunities in the community.
- This report supports an application by a partnership between Fresh Routes Calgary (local non-profit), Sunspring Farms (local social enterprise) and The City for a pilot project to validate a *social impact model* to support indoor urban agriculture (vertical farming) as source of accessible produce for Calgarians. This venture is titled "*Operation Social Impact*."

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- The Pilot Project will validate the *social impact model* and reinvest profits back into the community by subsidizing access to affordable produce. If successful, this model could be replicated across Calgary, thereby increasing accessibility with multiple secondary benefits, including a potential use of vacant commercial spaces (including spaces in the Downtown). The City's investment in this Pilot will be used to refund a portion of the operating expenses for the project, with the project and associated expenses to be overseen by an experienced City Project Lead.
- The Pilot is the first phase of a multi-phased growth strategy, with the Project Team seeking to expand production capacity in the Crescent Heights and Bridgeland-Riverside communities. If successful, and at the direction of Council, Administration will work with Sunspring and Fresh Routes to develop a plan for growing production capacity at a larger facility and documenting lessons learned. Administration will also share guidance on the adaptive reuse of commercial spaces with industry to further accelerate indoor urban agriculture in Calgary.
- Strategic Alignment: **A healthy and green city**

## DISCUSSION

### Background

During the summer of 2021, the Mayor's Office sponsored an Innovation Challenge. This program encouraged the public and industry to identify how The City might support a path to a net-zero emissions future for Calgary. A compelling submission proposed a partnership between industry, the non-profit sector, and The City to validate a social enterprise model as a means of encouraging growth in the indoor urban agriculture industry in Calgary, while increasing access to healthy food for all Calgarians. This proposal builds upon an existing model using City-owned land for food production and community activation at Highfield Regenerative Farm located in SE Calgary. This is a partnership between Roads, Real Estate & Development Services, and Planning & Development to transform 15 acres of under-utilized City-owned land into a productive urban farm and community hub.

With the guidance of Administration (Corporate Analytics & Innovation), the Innovation Challenge applicants (Sunspring Farms) and their non-profit partner (Fresh Routes), referred to as the Project Team in this report, have developed a proposal for an investment from the Council Innovation Fund, with the support of the Mayor's Office, Ward 7 and Ward 9 offices. This funding application is in support of *Operation Social Enterprise*, which requires \$250,000 for a proposed indoor urban agriculture pilot in Crescent Heights / Bridgeland Riverside in a currently vacant City storage garage.

### Analysis

*Operation Social Enterprise* is envisioned to be a multi-phased initiative. The funding application is for the pilot phase which proposed utilizing a vacant storage garage located adjacent to the Armour/Reliance Block situated on 4<sup>th</sup> Street at Meredith Road NE, for a period of up to 24 months. This would involve the installation and operation of a containerized vertical farm, capable of producing an estimated \$150,000 in produce per year, generating over \$13,500 in subsidized produce for access by any Calgarian who needs it through the Fresh Routes program. See Attachment 1 (Innovation Fund Application) for more information.

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At a total estimated pilot project cost of \$620,000 (including capital and operating costs), an investment from the Council Innovation Fund would enable the Project to access capital from the Social Enterprise Fund that provides money to social enterprises in Alberta that want to make things better in the community and in the world. See Attachment 4 for further information on the Social Enterprise Fund and their support for the Pilot Project.

The intent of the Pilot Project is to validate the proposed social impact model, with a primary performance metric being the amount of subsidy that can be generated to support access to affordable produce. Additionally, this Pilot intends to evaluate whether expansion into a larger City or privately owned commercial space is feasible. This is part of an innovation process where the minimum viable product (MVP) is tested quickly to identify a pathway to market and commercialization.

If deemed feasible, the Project Team have expressed their desire to work with The City in charting a path forward to expand operations into the currently vacant 10,000 square foot commercial space in the Armour/Reliance Block. Administration is currently evaluating the feasibility and cost of revitalizing the Armour/Reliance Block to accommodate municipal uses and is considering potential commercial tenant. Significant improvements are anticipated to the building should funding be available and budget approved. This facility planning study will evaluate the site under the Corporate Facility Planning & Delivery Policy (CP2018-04) support of the objectives of the Integrated Civic Facility Planning Program. This analysis is anticipated to be complete by the end of 2023. The proposed second phase of Operation Social Enterprise at the Armour/Reliance Block will be informed by the results of the facility planning study.

Through the lessons learned from this pilot, Fresh Routes and Sunspring Farms will support Administration in developing a guidebook as a deliverable from this pilot to address barriers and opportunities for the indoor farming industry in Calgary and more specifically to support their growth plans. This would build on information that has been collected to date from the indoor farming industry, by providing additional information on containerized farms, the integration of farming at heritage buildings, leveraging grants and incentives from Government and non-government organizations and the use of City-owned buildings for indoor farming.

The development of this guidebook complements the Council approved Calgary EATS! Food Action Plan. This Action Plan which seeks to conduct research, build community partnerships, support community food programs, and support/promote local food growth via urban agriculture. Refer to the *Project Presentation* in Attachment 2 which provides a summary of the potential benefits and project alignment with City and community goals, in addition to a project process, budget and timelines.

### **Next Steps**

With an adoption of the Recommendations, Administration will work with the Project Team to develop a Contribution Agreement, including a detailed project plan and License of Occupation for the garage located adjacent to the Armour/Reliance block. Administration will work closely with the Project Team to oversee project progress, performance reporting, and budget.

Administration will report back to the Executive Committee no later than 18 months after the execution of a Contribution Agreement, reporting on the performance of the Pilot and recommended next steps based on the lessons learned.

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### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- ☐ Public Engagement was undertaken
- ☐ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Multiple internal business units have been and will continue to be engaged on the Pilot Project, with the objective of identifying risks, potential benefits, alignment with service line priorities, financial capacity, and project feasibility, including:

- Facility Management
- Climate & Environment
- Real Estate & Development Services
- Finance
- Downtown Strategies
- Affordable Housing
- City Manager's Office
- Mayor's Office
- Ward 7 and 9 Offices

With the support of the Mayor's Office, Ward 7, and Ward 9 offices, the Crescent Heights and Bridgeland Riverside Community Associations were contacted to provide highlights on the Pilot, to solicit feedback on the proposed benefits to the Community, and to request support from the respective Community Association Boards. A Letter of Support from both Community Association are provided as Attachment 3 and 4. Engagement was conducted in the format of a presentation to the Boards, as follows:

- Bridgeland Riverside – 2022 May 16
- Crescent Heights – 2022 June 21

### **IMPLICATIONS**

#### **Social**

The Council approved Social Wellbeing Policy (CP2019-01) directs Administration to strive to provide equitable services, including the removal of barriers to access and inclusion. The social enterprise model at the core of the Pilot is focused on removing financial barriers to any Calgarian who needs access to affordable food by generating a subsidy through the sale of local produce. This is further supported by the mission of the Project Team. Fresh Routes ensures that everyone has access to affordable, nutritious food through the Mobile Market Program. Sunspring Farms is committed to optimizing profits earned from food production to generate local food subsidies in support of the Mobile Market Program, while acting as a catalyst for equity, diversity, and inclusion in the community by creating meaningful employment and career growth for the underserved populations.

#### **Environmental**

Urban Agriculture is identified in the Downtown Strategy and the Climate Strategy as an opportunity for adaptive reuse of existing, vacant commercial spaces and as a strategy to put Calgary on the path to our net-zero goals. Under carefully controlled conditions, the Pilot Project will grow food year-round, without sunlight, herbicides, or pesticides, with a limited amount of water when compared to traditional farming practices. Crops are grown on shelves, stacked in columns, boosting productivity per square meter. As a hyper local source of food, produce

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remains fresh for longer periods, and transportation related Greenhouse Gas (GHG) emissions are reduced as food is distributed at markets or directly to consumers while introducing resilience in food supplies that are potentially disrupted by a changing climate. A quantification of environmental benefits will be included in the final report.

### Economic

The Pilot Project is anticipated to generate an estimated \$135,000 in gross revenues, with over \$13,000 a year in subsidy to support the Fresh Routes program. With the objective of validating the social impact model, a successful pilot may lead to additional investment by Sunspring Farms and others across Calgary.

The Pilot also intends to develop a guidebook to address the barriers and opportunities for further deployment of indoor urban agriculture in Calgary. In the development of this guidebook, Administration will investigate the role indoor urban agriculture can play in utilizing vacant commercial spaces in addition to how these projects can help attract private investment and government grants to support building revitalization and renewal. This guidebook will also support Calgary's Business Experience Representative Program.

### Service and Financial Implications

#### Council Innovation Fund request

Up to \$250,000 of one-time funding from the Council Innovation Fund is requested by the Project Team on a cost reimbursement basis, to be overseen by a Project Lead in Administration. The approximate balance of the Council Innovation Fund is \$2.3 million. Funding will be used to reimburse eligible operating expenses. The Project Team has secured a funding source for the capital costs (over \$300,000) from the Social Enterprise Fund, contingent on The City's contribution toward operating costs. Additional operating grants (which are contingent on The City's contribution) are also being investigated including the Alberta Ecotrust, Max Bell Foundation and Trinity Place Foundation to name a few.

A full budget breakdown, a listing of eligible operating expenses, and a project timeline are provided in the *Innovation Fund Application* included as Attachment 1.

Investigating the role urban agriculture can play in addressing building vacancies, addressing climate resilience, and supporting access to food is identified as an action in the Downtown Strategy, the Climate Strategy and the Food Action Plan (Calgary Eats!) respectively. To date, these strategies and action plans do not specify a budget, thus, in the absence of an investment through the Council Innovation Fund, this investigation will be delayed and will jeopardize access to capital funding.

### RISK

The overall risk profile of the project is low, with risks predominantly associated with project timelines and capital cost uncertainty due to supply chain issues. Key risk management measures include:

- **Operational Risks:** The Project Team is experienced in marketing, engineering, project management and social programs delivery, including award winning entrepreneurs who are recognized social impact leaders in Calgary.

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- **Technical Risks:** A team of external technical experts (Agritecture) has been engaged to support design and delivery of a containerized vertical farming solution.
- **Financial/Reputational Risks:** The Project will also be supported by subject matter experts within Administration in tracking performance metrics, overseeing operating expenses, and providing engineering and business advisory support where required.
- **Risks to The City / Facility:** The Pilot Project site is currently vacant and is intended for demolition soon, therefore presenting a low risk to The City for damage/repairs after the Pilot is complete. The City is not investing into capital, thus, there are no ongoing operating cost implications or risks.

### ATTACHMENTS

1. Application for Council Innovation Fund
2. Presentation
3. Letter of Support from Bridgeland Riverside Community Association
4. Letters of Support from Crescent Heights Community Association
5. Letter of Support from Calgary Platform Innovation Centre

### Department Circulation

| General Manager/Director            | Department                         | Approve/Consult/Inform |
|-------------------------------------|------------------------------------|------------------------|
| Stuart Dalgleish                    | Planning & Development Services    | Inform                 |
| Bruce Cullen, Director              | Corporate Analytics & Innovation   | Approve                |
| Carolyn Bowen, Director             | Climate & Environment              | Inform                 |
| Ian Fleming, Director               | Facility Management                | Inform                 |
| Campbell Berry, Director            | Real Estate & Development Services | Inform                 |
| Carla Male, Chief Financial Officer | Chief Financial Office Department  | Inform                 |