

Item 8.3.

Section I – Items for Board of Directors Action

TO: Chair and Members of the Board of Directors
Meeting #4/19, Friday, April 26, 2019

FROM: Derek Edwards, Director, Parks and Culture

RE: **BLACK CREEK HISTORIC BREWERY**
Request for approval to undertake a competitive process to operate the brewery

KEY ISSUE

Report on received proposal from byPeterandPauls.com for the ownership or license to operate the Black Creek Historic Brewery and request for approval to undertake a competitive process to operate the brewery.

RECOMMENDATION

WHEREAS Toronto and Region Conservation Authority (TRCA) has been in an external partnership for the operation of Black Creek Historic Brewery (BCHB) since 2009, the most recent partnership with All or Nothing Brewhouse ending on December 31, 2018;

AND WHEREAS TRCA received an unsolicited proposal from byPeterandPauls.com, the current exclusive Food Service vendor at Black Creek Pioneer Village (BCPV) and Kortright Centre for Conservation (KCC) for the ownership and operation of the Black Creek Historic Brewery;

AND WHEREAS TRCA staff have been exploring the feasibility of transfer of ownership of BCHB operations versus granting an exclusive license to BCHB;

THEREFORE, LET IT BE RESOLVED THAT staff be authorized to prepare a Request for Proposal for exclusive license to operate the BCHB, subject to terms and conditions satisfactory to staff and TRCA's solicitor;

AND THAT staff be directed to undertake a competitive process and report to the Board with the results.

BACKGROUND

In 2008, TRCA was approached by Trafalgar Ales and Meads regarding their interest in operating a brewery at Black Creek Pioneer Village. At Executive Committee Meeting #10/08, held on December 12, 2008, Resolution #B168/08 was approved to establish and operate BCHB. The brewery was established to help generate revenue by attracting a more diverse clientele to Black Creek Pioneer Village. The brewery was also a means of connecting visitors to the historical production and consumption of ale in Southern Ontario.

Subsequently, on April 29, 2009, TRCA and Pioneer Brewery Ltd (PBL) signed an agreement to jointly operate BCHB from June 10, 2009 to December 31, 2015 through its subcontractor Trafalgar Ales and Meads. The contract was renewed for an additional three (3) years from January 1, 2016 to December 31, 2018 following approval by Resolution #265/15 at Authority Meeting #12/15, held on January 29, 2016.

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The contract included the operations of an on-site brewery for demonstration purposes, and production of beer to be sold on-site, as well as the operation of an off-site commercial brewery to produce beer to be sold at the LCBO, the Beer Store and retail outlets, for which TRCA received royalty payments. TRCA subcontracted the services of an on-site brew master from PBL to conduct on site brewing duties, with costs being offset through on-site beer sales and tastings.

In June of 2016, Trafalgar Ales and Meads and Pioneer Breweries Ltd. was sold to All or Nothing Brewhouse. The terms of the contract between All or Nothing Brewhouse and TRCA remained unchanged for the balance of the term until December 31, 2018. TRCA decided not to renew the contract with All or Nothing Brewhouse as the parties could not come to mutually acceptable financial and operating terms and conditions.

TRCA remains in ownership of the BCHB name, branding and all beer recipes related to BCHB. To continue operations, a partner is required to own all licenses required to brew commercially (including CRA Business Number, Excise Duty License, etc.) and be responsible for all expenditures incurred in the brewing, packaging, distribution and marketing.

On Site Brewery

BCHB became an integrated feature of BCPV, providing an experiential educational opportunity for visitors on an annual basis. Visitors interacted with BCPV's historical interpreters and took part in interactive education programs to explore the history of beer, brewing and society in 19th century South Central Ontario. Visitors could also taste and purchase specialty ales made onsite that mimic popular historic brews.

LCBO Sales

BCHB launched its first beer in the LCBO in November 2010. In 2018, there were two permanent listings (Rifleman's Rations, Canadian Frontier) and one seasonal listing (Pioneer Pumpkin Ale), in more than 100 LCBO stores. The beer was also available in approximately 10 Beer Stores in Toronto and the GTA and approximately 40 Grocery Stores (Including Loblaws, Sobeys and Metro) in Ontario.

RATIONALE

At Executive Committee Meeting #11/17, held on January 12, 2018, Resolution #B125/17 was approved as follows:

"THAT the Chief Executive Officer and Chair of the Authority be authorized to award Contract #10004550 for Food Service and Public Events at Black Creek Pioneer Village and Kortright Centre for Conservation, subject to terms and conditions satisfactory to Toronto and Region Conservation Authority (TRCA) staff and solicitor;

THAT authorized TRCA officials be directed to take such action as is necessary to complete negotiations with the preferred proponent in line with the parameters outlined in the staff report;

AND FURTHER THAT staff report back as required after award of the contract."

Following the aforementioned resolution, TRCA engaged in contract negotiations with byPeterandPauls.com. A mutually acceptable agreement was executed on August 15, 2018.

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The partnership between TRCA and byPeterandPaul.com brings business and audience growth potential for both parties, strengthens brand recognition, and provides value added services and experiences for users and partner groups.

In March 2019, TRCA received an unsolicited letter of intent from byPeterandPauls.com proposing to take over the ownership of the names, branding and recipes of BCHB. In exchange, byPeterandPauls.com would provide TRCA with a percentage of the revenue of all gross sales in the form of royalties and assume the responsibility for all related expenditures including: the commercial brewing and licenses, sale of the beer, distribution, marketing, packaging, the sale of branded merchandise, tasting demonstration, and the continued facilitation of limited onsite demonstration brewery.

In their unsolicited letter of intent, byPeterandPauls.com stated their commitment to:

- Continuing guided demonstration/ tastings on site and absorbing all costs of providing this service
- Maintaining the beer styles and ensuring authenticity, while enhancing and refreshing the branding
- Media engagements and increased brand awareness
- Increased distribution and sales
- Producing and selling merchandise that features and reinforces the branding and creates further awareness about the beer and brewery
- Continuing to receive TRCA approval on all branding and recipe updates

TRCA is interested in determining whether further market interest exists to promote the Black Creek brand, provide for an interactive and immersive village, experience and make BCPV more marketable to a wider audience.

Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:

Strategy 6 – Tell the Story of the Toronto Region

An on-site demonstration of historic brewing methods, as well as the use of historic beer recipes, tells the story of the region's rich history in ways that can be experienced through taste.

Strategy 7 – Build partnerships and new business models

This partnership will attract new user markets to Black Creek Pioneer Village, contributing to further growth within the Tourism and Recreation Service Area.

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