

NFM Regular Board Meeting 10/26/2016 Minutes

The regularly scheduled meeting of the Nashville Farmers' Market Board was called to order by Board Chair Frank Cardenas at 9:30 am October 26, 2016.

In attendance were Board members Frank Cardenas, Priscilla Norman and Margot McCormack. Staff members present were Tasha Kennard, Carolyn Sanders, Charles Kizer, Jackie Contreras, Rebecah Boynton and Kay West, and Metro Legal representative Macy Amos. A quorum was present.

Also in attendance were vendors Beth Piper, Lily Webb, Timothy McKinney, Bob Hall, Sam Davidson and Matt Kerske.

Chair Cardenas calls the meeting to order and read the following standard announcement.

As information for our audience, if you are not satisfied with a decision made by the Farmers' Market Board today, you may appeal the decision by petitioning for a writ of cert with the Davidson County Chancery or Circuit Court. Your appeal must be filed within 60 days of the date of entry of the Board's decision. To ensure that your appeal is filed in a timely manner, and that all procedural requirements have been met, please be advised that you should contact your own independent legal counsel.

Public comments were invited at the start of the meeting to ensure that anyone who wants to comment can do so prior to the Board discussing the business on the agenda. Chair Cardenas read the following standard announcement:

Individuals, requesting to address the Board; will be limited to three (3) minutes unless granted more time by the Board Chair. Each person authorized to speak is expected to state her/his name and address and the organization represented if any, and if the speaker reads prepared text, to provide a copy to Board staff.

Lily Webb requested to speak. She had several questions and concerns from the weekenders.

1. She asked the progress on her request of some years ago for speed bumps between Shed 2 and 7th Avenue. She cited cars speeding and lots of pedestrian traffic.
2. She asked if the tarps would be re-installed to the sheds
3. She asked for a rental fee of \$15 for Thursday and Friday
4. She asked if weekenders tables and any framework they use could be left during the week.

ED Kennard said she would be happy to address what she can. She said NFM shares Ms. Webb's concerns about the speed and safety in the gated area and parking lot. As a reminder, vehicular traffic used to be prohibited during peak market operating hours, between 9 am and 3pm. That changed when the NFM lost the parking on the north side. The NFM has increased the number of security inside the gated area and added traffic calming signage in response. She said she would inquire to costs of speed bumps and how they might fit into capital spending.

Ms. McCormack asks about the parking status. ED Kennard says Metro Legal has done a great job of getting a lease agreement for the vendor parking off Sixth, and Public Works has evaluated the space and communicated that they can get 90 spaces. The agreement has been signed by ED Kennard and Chair Cardenas and has moved past Planning Commission and is going through other committees. It is one reading and will be on agenda for following week. Once passed, work will be able to begin. The contract with State makes it exclusive to NFM use but NFM is responsible for costs of upgrades. The Finance Director and Mayor's office have agreed to allow use of capital funds. The estimate is 30 days to completion and hopefully ready in November at some time. Sixth and Seventh are still being evaluated for one-way traffic and pull-in slanted parking. It is supported by the city, Bicentennial Mall and TN State Museum. It has to go before Capitol Planning Commission and will be on next meeting agenda. Once approved, Mayor has approved use of NFM capital funds for that project. An additional 50 spaces per street.

ED Kennard also addresses the question of tarps. There were tarps on all sides of sheds. An evaluation showed them to be unsafe. Charles Kizer has done a cost estimate of replacing the tarps twice and is doing a third time. The first two times there was no budget. Now that there is some budget, the goal is safety. Merchants are looking for protection of rain and wind, and in the summer provide shade. The dark green tarps provided shade, but not protection from rain and wind, and in fact were a safety hazard in windy conditions. Mr. Kizer is still seeking solutions, perhaps a wall and also clear tarps. For now, the Farmers' Market is an open air shed market, and when merchants apply to do business here, they are aware of that. There are many markets in the community that are open air markets, and only operate one day a week, and not in the winter. If it falls within the budget and meets safety standards NFM will move forward.

Ms. McCormack asks about the plan to enclose the sheds. ED Kennard says the administration asks that the focus be on Market House improvements first, because they will be very costly. In addition to restrooms and HVAC, there are two loading docks, metering utilities, and patios to prioritize. For now, the best bet is a temporary solution, then looking forward to what would enclosure cost.

Mr. Kerske asks if there has been any change to the parking plan for the Museum and when that parking is expected to return. He is concerned with spring for GOB and how to get the things customers purchase at their store to their cars. ED Kennard reports that the Museum has given two preliminary parking plans. Both are limited to surface lots. One is about 145 shared spaces when the Museum opens in 2018 if NFM does not change the loading dock on the north side. It is hoped that the parking will be completed earlier in 2018. The second plan is if the north loading dock is eliminated and moved elsewhere that would be 160-175 parking spaces. An evaluation is underway of loading dock options. From an operational standpoint the NFM needs to be ready for spring and is happy to work with GOB to create a loading zone for their customers.

Chair Cardenas asks for approval of September 28 Board meeting minutes. Moved, seconded and approved.

Financial Overview and Fee Waivers

ED Kennard points out monthly BAR for month closing September 30, 2016. This is a summary of revenue and expenses. Directs attention to the NFM FY17 Financial Overview and Analysis. Effective July 1, 2016 the NFM operating budget is \$1,952,700 which includes total revenue of \$952,700 and an operating subsidy of \$1,000,000. The operating subsidy will utilize funds from the state lease amendment agreement. Total expenses should not exceed the operating budget.

As of September 30, 2016, the Market earned \$250,748 in revenue collections, ahead \$1,271 at this time.

Outstanding payments have been and will continue to be invoiced per NFM policies and remaining uncollected fees will be reported during the quarterly outstanding fee report in October. There are no additional fee waivers to report at this time.

As of September 30, 2016 Market expenses total \$177,779 per the BAR. The NFM has expensed more than that, a total of \$253,442 but there is a little lag time between what is processed and what is on the BAR. That will catch up.

Two final candidates for business services manager have been interviewed. Second interviews will be set up with Charles and Carolyn and get background checks.

ED Kennard points to the Revenue Snapshot and Expense Snapshot charts included in the Board package. It is a comparison of FY15 and FY 16 Actuals and the FY17 Forecasts and FY 17 monthly Actuals. The Expense Snapshot is still being finalized re: forecast and actuals. As stated at previous meetings, in the past Forecasts were straight-line. ED Kennard has been going through two years of Actuals and re-forecasting based on the Actuals. But Actuals vary greatly depending on when vendors invoice us versus when expenses are incurred. There is no trend to follow but the expense snapshot is an attempt to be more accurate in the forecast. The new Business Services Manager will concentrate on doing even more accurate forecasts. As of now we are well below where we are projected to be. But in November, December, January and February, the NFM utility expenses will increase significantly when the heat is turned on.

Per outstanding collections, Carolyn Sanders has been doing a fantastic job in tracking and invoicing past due accounts. She has set up a system and it is working. Longtime NFM vendor Johnny Howell passed away recently and his personal and business accounts have been locked. The NFM is working with his family on payment terms to catch up and then stay current in the face of this. Late fees are being waived. Otherwise, other past due accounts have been collected.

Rate Review for Lease Renewals and 2017 Season

At the last Board meeting, it was requested that the options for Gardens of Babylon rate renewal be presented to Board. Those options are in the Board packet. It presents current, proposed and standard. The current is about \$9.63-sq.ft but it is a little different because they are assessed utility fees and they currently pay \$3,226 per month. The proposed renewal rate would include their utilities rather than utilities assessed on top of their base rent. That would help NFM more accurately collect the amount of

utilities they use while not increasing their base rate significantly until greenhouse improvements are concluded. Currently, NFM is heavily subsidizing the lease they are under. Taking them to the standard renewal rate that MH tenants incur, that would be \$11.79-sq.ft. and their monthly would jump from \$3,226 to \$5,334. The Board previously asked the NFM to hold off on doing that until the renovations of the greenhouse are complete. The proposal is for in the interim, the rate be set at \$10-sq.ft. and once the renovations are complete, no later than December of 2018, the lease would be renegotiated. There has been a meeting with the Capital Improvements group and renovations will begin sooner than thought. The plan will move forward sooner and not conflict with their spring season. An evaluation by Metro of what improvements need to happen will take place (GOB has already done so) before the work begins. Discussions are ongoing on with GOB. There are 25 addendums to the lease at this point, many to do with the greenhouse and improvements. No Board action is required at this time.

ED Kennard introduces discussion of lease rates at the NFM. The lease rates being applied do not allow the Market to collect the revenue needed to cover the expenses of Market House operations. Based on the completed analysis, the MH operations cost approximately \$1.2 million annually. This includes utility expenses, services, janitorial, security, management, furnishings, etc. The NFM collects approximately \$478,000 revenue annually from 18 leased tenants. The NFM also collects additional revenue from special events held at the Market, from GLK and the artisan residency program. Rounding up, \$500,000 is collected in revenue and \$1.2 million is spent just for the Market House. The NFM collects 42% of expenses incurred. The average square footage for MH tenants is 677 square feet. The largest is 3,557 and the smallest is 250. The average rate when blending the old rate that five tenants remain on and the new rate the others are on is \$10.75-sq.ft. What is recommended is a complete evaluation of the MH lease rate to be presented to the board in the next 60 days and requesting that the Board look at a 3-year approach to increasing rates. The average square foot rate for conditioned space—restaurant and retail—in this corridor is \$22-sq.ft. as compared to the NFM average of \$10.75-sq.ft.

Immediate action that can take place according to current lease agreements is to do a 5% Consumer Price Index increase on an individual basis. ED Kennard recommends that the NFM exercise that right as of January 2017. The way leases are written an increase of over 5% is not permitted but this option has not been exercised since January 2014. ED Kennard recommends the Board approve a 5% CPI effective January 1, 2017. She would also like the Board to begin discussion around a phased in lease rate approach. The NFM lease rate needs to increase significantly. The NFM understands these are small businesses, many minority-owned and immigrant owned, and the administration wants to assist them in any way possible. But it is not within the NFM mission to use tax-payer dollars to subsidize NFM businesses at the current rate. It is in the best interest of the Market going forward that the rental rates be stabilized and balanced with expenses.

An off-the-cuff snapshot shows that in order to collect approximately \$1 million in revenue from the MH tenants, an \$18.79 per SF rate would need to be applied. An increase of that size calls for a phased approach to implement such a big jump. Other considerations could be adding meters to the MH and accurately collect the utility expenses associated with each independent business. In calendar year 2013, the Market did not have the financial resources to do that. When General Services was overseeing the Market, they consulted BOMA (Building Owners and Managers Association) and their standard for

calculating rates. Currently, tenants are on the \$9.63-sq.ft. rate or the \$11.79-sq.ft. rate. Those on the \$9.63 rate are assessed an additional utility charge, it ranges from \$300 to \$1,000 depending on the business. The \$11.79 rate is based on the type of business. Businesses with hoods have a multiplier of 4. No hood and light retail such as Batch, the multipliers is 2.5. Their impact on the overall HVAC is not as great as a business with a hood or a business with a walk-in. This model is not enough. Looking only at utility expenses associated with MH, rent collected does not even cover utility expenses of the MH. Total utilities are over \$800,000 a year but charges for GOB and sheds need to be backed out of there, making the total closer to \$600,000+ associated with the MH. Ms. McCormack asks if it would ever be possible for each business to pay their own utilities as well as requirements that every business with a hood must have it cleaned once a month or on a consistent basis.

ED Kennard says the first thing that can be done is to use some of the capital funds to put in meters. It was recommended in the capital planning process and approved but until then, forecasts of how much it will help are difficult to make. She believes meters will help but rate increases must be discussed. There is also not a system in place where renewals are made at the same time. All renewals are different. The best time to assess a new base rate structure would be February 2017 which would line the NFM up for any renewals beginning in 2017 and as renewals come up, they will go onto new structure. It will take 3 years for everyone to come up to new structure.

Other options as discussed with Susan Jones would be to terminate every lease for convenience and set in place new terms effective on a certain day. She recommends beginning those conversations and taking at least 4 months to examine and discuss. At this time she is asking for discussion of the management recommendation for the 5% CPI increase effective January 2017. The right exists to do this.

Ms. McCormack points out that historically, merchants have been undercharged, sometimes due to mismanagement, sometimes because the Market is in flux. She points out that the NFM cannot continue to go to Council and ask for a subsidy when the market is undercharging merchants. She urges the board to begin with the 5% increase January 2017. Chair Cardenas wants to go on record that the Board knows this immediate increase is necessary and wants to begin consideration of future increases at next meeting, acknowledging it is a big increase and that the Board is available to assist merchants going forward.

Chair Cardenas moves to pass the 5% CPI increase starting January 1. Seconded and approved. ED Kennard says management will work on spread sheets to provide an overview of increases but recommends that wait until the effect of meters is known. The NFM would pay for the installation of meters from capital funds.

ED Kennard reminds the Board that any increase in rate structure is a phased approach to get to where the Market needs to be in three years. Ms. McCormack wants to underscore that it is not about raising rent to make money but to make clear what the Market expenses are. Chair Cardenas wants this discussion to begin next meeting and information to be shared about the expenses of the Market. ED

Kennard says this information will be shared with merchants at Friday's Merchant Meeting and that she is available for individual meetings with tenants as requested and needed.

Executive Directors Report

ED Kennard gives floor to Ms. Contreras to report on Harvest Celebration. Ms. Contreras reports that Harvest Celebration was successful, though Night Market the night before was one of slowest of the year. There were many activities for kids and all the activities went well. Ms. West reports that the Country Music Hall of Fame reported a very successful day for their Instrument Petting Zoo with close to 300 touches.

Ms. Contreras gave an update on Winter Market which kicks off November 16th with Wednesday Market, the pop-up inside the Market House every Wednesday from 10 am-2 pm. The focus will be on Friday-Sunday outside with the primary day for farmers being Saturdays. She predicts at least 20 merchants on Saturdays which includes flea, craft and food artisan in addition to farmers.

The Turnip Greens Festival sponsored by Smiley's Farm is November 5th and includes free samples, blues music, a turnip green eating contest and cornbread recipe contest. The Holiday Festival is December 17th and Breakfast with Santa is December 10.

Kay West reports the Farm Hand Dinner was the most successful so far, the Mayor spoke and stayed for much of the dinner and visited with all the chefs. The Bacon & Barrel Festival on Friday September 30th brought about 1,200 people to the Market and went very well. There were vendors inside and out, live music and a whole hog in the GLK. It was a good test run to see how to utilize the alley in the South Sheds for events and accommodate people who previously did events in the North Sheds.

Save the Food was well-executed. Nashville Food Project did a meal in the GLK using food from NFM farmers and sold out. They had 20 vendors setting up displays and showed a film. D&D did the cash bar. The attendance was not what they hoped but it was a first year event and if they do it again, it was a good learning experience. This was not a revenue generator for the Market.

The Tennessean is holding their final Storyteller event of the year at the Market on November 7th on the topic Music City Miracle. Bella Nashville and Jeni's will open to sell food.

'Nashville ' the television show will tape part of an episode in Farm Shed 2 on November 9 and 10 which is a significant revenue source. On November 11 the NFM is donating space for a Veterans Town Hall produced by TSU students.

Downtown Employee Appreciation Week brought 1,100 people to the Market one day that week for a bag of produce and lunch at the Market.

Grow Local Kitchen remains full and busy. ED Kennard and Ms. West met with Conexion Americas to discuss a partnership to bring some of their Mesa Komal tenants to the GLK for a week once a month. Discussions on how to schedule tenants in the GLK are on-going and will be determined by the end of November to begin the application process in December.

Rebecah Boynton reports that the NFM was named Best Farmers' Market in the Nashville Scene's Best of Nashville issue. They participated in the event at Centennial Park and distributed apples.

Ms. Boynton taped Carey Bringle from Peg Leg Porker about serving whole hog BBQ and posted it on social media. She did a video interview with Troy Smiley about turnip greens and points out that there is a big opportunity at the Market to promote and educate on southern food culture. Ms. Kennard adds that merchants have become more engaged with social media following Ms. Boynton's encouragement and the exposure other merchants have received when they add social media.

Charles Kizer reports that meetings with the Capital Improvement group are focused on getting started on restroom renovations which has been his priority since he came to the Market one year ago. Plumbing lines will be scoped. Aggressive deadlines have been set for restrooms and patios. There will be family restrooms with changing tables and everything will be automated. There will not be added locations.

Other Business

The Parking Agreement comes before Council next week.

Ms McCormack asks for an update on the available space inside the Market House. ED Kennard reports that the application form and guidelines have been approved and distributed to people who have inquired, to restaurant ownership groups and current GLK tenants. Two applications have been received so far. The deadline to apply is November 15th and the goal is to bring approved and interested tenants to the December board meeting to make presentations. Charles Kizer has cleaned, painted and redone floors and walls of the space.

The work session is being rescheduled for post November board meeting to include absent board members.

Motion made to adjourn. Meeting adjourned at 10:58 am.