



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	September 17, 2014
<b>SUBJECT/REPORT NO:</b>	Agreement with McMaster University Regarding the Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM) (PED14091(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Neil Everson (905) 546-2424 Ext. 2359 Carolynn Reid (905) 546-2424 Ext. 4381
<b>SUBMITTED BY:</b>	Jason Thorne General Manager Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the agreement between the City of Hamilton and McMaster University, attached as Appendix “A” to Report PED14091(a), regarding the provision of a grant for the Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing at McMaster University (“FMPC”) be approved;
- (b) That the City Manager be authorized and directed to execute the agreement, attached as Appendix “A” to Report PED14091(a), in a form satisfactory to the City Solicitor, with such revisions as may be deemed necessary by the City Solicitor, which maintain the intent of the agreement;
- (c) That, subject to the approval of Recommendations (a) and (b) of Report PED14091(a), that the subject site (see Appendix “B” to Report PED14091(a)) described as Part Lot 20, Concession 3, Barton; Part Park Lots 11, 12, 15, and 16, A., MacNab Survey (aka OM1434); designated as Parts 1, 2, 7, 11, 13, and 15 on Reference Plan 62R-17420; subject to Rights-of-Ways and easements over the lands designated as Part 7 on Reference Plan 62R-17420, as described in Instrument No. CD331623 and CD 342223; subject to an easement over the lands designated as Part 2 on Reference Plan 62R-17420, as described in Instrument No. NS290560; City of Hamilton; and Part Park Lots 11 and 14, A. MacNab Survey, being Parts 1, 2, 3 and 4, Plan 62R-10973 (aka OM1434); together with an Easement as in NS290560, now partially release as to Part 1 on Plan 62R-18835, as in WE715100; subject to an Easement as in HL262531;

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save and except Parts A, B, C, D and K, on Plan No. RC-H-676A Surveys, City of Hamilton, comprising a lot area of 14.825 acres, be declared surplus to the requirements of the City of Hamilton, in accordance with the “Sale of Land Policy By-law”, being By-law No. 14-204;

- (d) That the Real Estate Section of the Economic Development Division of the Planning and Economic Development Department be authorized and directed to transfer the subject property at fair market value to McMaster University in accordance with the “Sale of Land Policy By-law”, being By-law No. 14-204, subject to approval of Recommendations (a) and (b) of Report PED14091(a);
- (e) That the Mayor and City Clerk, the General Manager of Corporate Services or delegate be authorized to execute any documentation required in the opinion of the City Solicitor, to implement this transaction;
- (f) That the item respecting Fraunhofer Project be identified as complete and removed from the General Issues Committee Outstanding Business List.

## **EXECUTIVE SUMMARY**

On May 7, 2014, City staff presented Report PED14091 entitled “*Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM)*”, to the General Issues Committee (GIC). Fraunhofer – IZI Institute for Cell Therapy and Immunology (Leipzig-Germany) has expressed significant interest in working with McMaster University and the City of Hamilton to develop the Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM). Subsequent to the staff Report, the name of the project centre has been changed to Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing at McMaster University (“FMPC”). Start-up funding for this Institute will be based on a partnership between Fraunhofer, McMaster University, and the Federal, Provincial and Municipal levels of government.

McMaster University engaged Deloitte Professional Services to conduct a five-year assessment of the qualitative and quantitative impact of FMPC to Hamilton, Ontario and Canada. Deloitte evaluated the direct, indirect and induced benefits resulting from the job creation, talent development, commercialization and projected consumer spending. This analysis is based on the strength of Hamilton’s Life Sciences cluster, the world class McMaster Innovation Park and McMaster’s reputation for specialized knowledge in bio-engineering and bio-manufacturing.

Staff recommended that the City enter into a partnership and commit the monies required to fulfil McMaster’s request for partnership funding. Further, that a Memorandum of Understanding be developed by the City’s Legal Services Division, Corporate Services Department in consultation with Planning and Economic

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Development, McMaster University and Fraunhofer IZI. Subsequently, on May 14, 2014, Council approved the following direction:

- “(d) That a Memorandum of Understanding, including mutually agreed upon key Performance Indicators, be prepared in a form satisfactory to the City Solicitor, General Manager of Planning and Economic Development and City Council, prior to the disbursement of any City funding to McMaster University for the establishment of this Institute.”

A staff team consisting of representatives from the Real Estate Section, Economic Development Division, Planning and Economic Development Department, Financial Planning and Policy, Corporate Services Department and Legal Services Division, City Manager’s Office met on several occasions with McMaster University and McMaster Innovation Park. The results have been formalized into the document attached as Appendix “A” to Report PED14091(a) between the City of Hamilton and McMaster University noted as staff recommendation (d) which will be referred to as the “Agreement” throughout this Report instead of “MOU”. A Memorandum of Understanding (MOU) is a form of agreement and throughout this report the document that is being recommended is identified as an **agreement**. This is consistent with the form and title of the document which governs the provision of the grant by the Province to McMaster University for FMPC.

In general terms, the Agreement formalizes the original objectives and intent as follows:

- (a) Basis of the Agreement;
- (b) Article 1 Interpretation;
- (c) Article 2 Representations, Warranties and Covenants;
- (d) Article 3 Term of the Agreement;
- (e) Article 4 Funds;
- (f) Article 5 Conflict of Interest;
- (g) Article 6 Financial Controls;
- (h) Article 7 Reporting, Records and Accounting and Review;
- (i) Article 8 Credit;
- (j) Article 9 Freedom of Information and Protection of Privacy;
- (k) Article 10 Goals Reporting;
- (l) Article 11 Covenants;
- (m) Article 12 Default and Remedies;
- (n) Article 13 Indemnification;
- (o) Article 14 Change of Circumstances;
- (p) Article 15 Relationship;
- (q) Article 16 Survival;
- (r) Article 17 Entire Agreement;
- (s) Article 18 Successors and Assigns;
- (t) Article 19 Governing Law;

- (u) Article 20 Severability;
- (v) Article 21 Further Assurances;
- (w) Article 22 Counterparts;
- (x) Article 23 Other Agreements;
- (y) Article 24 Waiver;
- (z) Article 25 Circumstance Beyond the Control of Either Party;
- (aa) Article 26 Consent by City of Hamilton Article 27 Funds Not Spent;
- (bb) Article 28 Acquisition of Goods and Services and Disposal of Assets;
- (cc) Article 29 Insurance; and,
- (dd) Article 30 Notice.

As a result of the directions approved by Council on May 14, 2014, Section 4.6 in the Agreement provides that the funds being provided by the City are for the purpose of accomplishing the economic development goals identified in Section 4.6. Further, Section 4.2.4 of the Agreement provides for a holdback mechanism whereby, \$500,000 of the grant is held back and, if the University does not accomplish certain specific goals, the \$500,000 will not be advanced to the University. Section 10.1 of the Agreement requires McMaster University to provide a report on the achievement of the goals, annually, for a period of five years, from the date on which FMPC commences activities and operations at the FMPC Project Centre.

The Agreement is similar to the agreement entered into between the Province and McMaster but differs in that the Agreement with the City requires McMaster to achieve certain economic development goals in order to receive the full Grant.

***Alternatives for Consideration – See Page 7***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The City of Hamilton contribution of \$4 Million to FMPC (BEAM) will consist of the value of the former Canadian Pacific (CP) Lands (currently owned by the City of Hamilton and being divested to McMaster University) with the remaining amount of the \$4 Million contribution coming in the form of cash from the City. The approximate value of the CP Lands parcel has been jointly determined at \$3.1 Million for the entire 17.6 acres. Of the 17.6 acres, there will be 2.775 acres at a value of \$488,777 required for the extension of Frid Street from Chatham Street to McMaster Innovation Park. Therefore, the City's cash contribution will be \$1,388,777 to be funded from the Shovel Ready Industrial Land Reserve Account No. 11006.

There will also be a \$500,000 holdback provision in the grant in the event that the University does not accomplish certain specific goals established in the MOU.

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**Staffing:** The Director of Economic Development and the Life Sciences Specialist, Economic Development Division, Planning and Economic Development Department will be the City staff leads on this project. The Legal Services Division, City Manager's Office will be responsible for all legal matters / issues related to the Agreement.

**Legal:** The Agreement, attached as Appendix "A" to this Report, has been drafted by and with the advice of staff of the Legal Services Division, City Manager's Office, and reviewed by McMaster University staff. The Agreement requires that McMaster University will provide an annual report to the City which shall provide such information on the achievement of the Goals as is reasonably available to FMPC and the University.

## **HISTORICAL BACKGROUND**

In 2010 Council approved the Hamilton Economic Development Strategy 2010 - 2015, which recommended that staff resources be directed to the development of six clusters in which the City had demonstrated strengths. The primary reason for this strategy was the diversification of the City's economy through the attraction of high-technology / advanced manufacturing companies to Hamilton. This would result in increased non-residential assessment and the creation of high-skilled, high-paying jobs.

One of these clusters was Life Sciences; a sector where there has been a convergence of a number of industries including health, environment, information technology, agriculture and manufacturing. Life Sciences would build on Hamilton's inherent strengths in medicine and the research capabilities at McMaster University, Hamilton Health Sciences, St. Joseph's Healthcare and their related research facilities. The City's role was to focus on the creation of a supportive business environment for this cluster and assist in the commercialization of local research and clinical trials. In order to support innovation and the development of this Life Sciences cluster, the need for world class infrastructure investment at the local level was identified.

Fraunhofer – IZI Institute for Cell Therapy and Immunology (Leipzig-Germany) has expressed a keen interest in a number of research areas in which McMaster University is recognized as a global leader and specifically, their expertise in health sciences and engineering. FMPC will be a joint venture between McMaster University and Fraunhofer IZI, to be located at the McMaster Innovation Park (MIP), and focusing on commercializing cell therapies and biomedical engineering.

On April 14, 2014, the Province of Ontario announced that they would be contributing \$4 Million toward the FMPC in Hamilton. Building Ontario's knowledge economy is part of the government's economic plan to create jobs for today and tomorrow. Their comprehensive plan and its six priorities focus on Ontario's greatest strengths – its people and strategic partnerships such as McMaster University and Fraunhofer IZI.

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They anticipate this joint project will create jobs and attract top scientists and industry researchers from around the world. It will also help establish Hamilton as a hub for Ontario's Life Sciences sector.

On May 7, 2014, City staff presented Report PED14091 entitled "*Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM)*", to the General Issues Committee (GIC). Subsequently, on May 14, 2014, Council approved the following direction:

- “(a) That a contribution of \$4 Million to McMaster University, be approved to support the development of the Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM) in Hamilton;
- (b) That subject to the approval of Recommendation (a) above, that the contribution of \$4 Million from the City of Hamilton be comprised of the following components and conditions;
  - (i) Declaration of the former CP Lands property comprised of 16.5 acres located at 0 Chatham Street, described as Part of Lot 20, Concession 3 (Barton) and Part of Park Lots 11, 12, 14 and 15 on Plan 6R-17420, as surplus to the requirements of the City of Hamilton;
  - (ii) The lands described in Recommendation (b) (i) of Report PED14091, be disposed of at fair market value (to be determined by an external appraisal) to McMaster University or an affiliate (McMaster Innovation Park), save and except any lands required for municipal infrastructure (roads, sanitary / storm sewers, ancillary structures and/or easements or rights of way to facilitate municipal infrastructure);
  - (iii) A cash contribution for the remaining amount necessary to meet the City of Hamilton's total commitment of \$4 Million will be funded from the Shovel Ready Industrial Land Reserve Account # 110060;
- (c) That the City of Hamilton's funding be conditional on McMaster University receiving the following specified financial contributions from the Province of Ontario (in the amount of \$4 Million) and the Federal Economic Development Agency for Southern Ontario (in the amount of \$8 Million) for the establishment and development of the Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM);
- (d) That a Memorandum of Understanding, including mutually agreed upon key Performance Indicators, be prepared in a form satisfactory to the City Solicitor, General Manager of Planning and Economic Development and City Council, prior to the disbursement of any City funding to McMaster University for the establishment of this Institute; and,

- (e) That the Economic Development Division and/or McMaster University report back annually to City Council with a summary of the progress and economic benefits realized from this municipal investment.”

A staff team, consisting of representatives from Real Estate Section, Economic Development Division, Planning and Economic Development Department, Financial Planning and Policy Division, Corporate Services Department, and Legal Services Division, City Manager’s Office, met with McMaster University and McMaster Innovation Park. These discussions were based on the Council direction as noted above. Subsequently, McMaster University has provided staff with a business plan for the FMPC, included as Schedule “A” of the Agreement, attached as Appendix “A” to this Report, which serves as a comprehensive outline for this project centre and preparation of the Agreement. The economic development goals identified in the Agreement are, in part, based upon the content of the business plan and the presentation to Planning Committee on May 7, 2014, by Fraunhofer and McMaster University representatives.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### **RELEVANT CONSULTATION**

- London Economic Development Corporation;
- International Economic Development Council Washington, D.C.;
- Fraunhofer Project Centre, at Western University, London, Ontario;
- Fraunhofer IZI Leipzig-Germany;
- McMaster University Faculty of Engineering;
- McMaster University Industry Liaison Office;
- McMaster University Vice-President of Administration;
- McMaster Innovation Park;
- City Manager’s Office;
- Legal Services Division, City Manager’s Office;
- Financial Planning and Policy Division, Corporate Services Department; and,
- Senior Management Team.

### **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The Executive Summary section of this Report contains general analysis of the overall recommendations, and Appendix “A” of this Report contains the general rationale. The analysis and rationale are contained in Report PED14091 entitled “*Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM)*”.

### **ALTERNATIVES FOR CONSIDERATION**

That the City of Hamilton chooses not to participate in this partnership with Fraunhofer, McMaster University and the other two levels of government. The relocation of the

Institute to another Ontario municipality or outside Ontario and Canada may be a consequence.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**  
**Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

**Strategic Objective**

- 1.1 Continue to grow the non-residential tax base.
- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.
- 3.2 Build organizational capacity to ensure the City has a skilled workforce that is capable and enabled to deliver its business objectives.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” - Agreement Re: Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing at McMaster University (“FMPC”) between the City of Hamilton and McMaster University

Appendix “B” – Registered Plan 1434

NE/CR:dkm