



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 1, 2016
SUBJECT/REPORT NO:	Innovation Factory Request for Funding Renewal Option – 2016, 2017 and 2018 (PED16123) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Neil Everson (905) 546-2424 Ext. 2359 Carolynn Reid (905) 546-2424 Ext. 4381
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the request by the Innovation Factory (IF) to exercise their renewal option of the City’s 2015 annual community partnership contribution of \$50,000, per previous General Issues Committee (GIC) Report PED15090, be approved;
- (b) That the Innovation Factory (IF) renewal option for 2016, 2017 and 2018 be conditional on City Council’s satisfaction with the annual Key Performance Indicators (KPIs) for 2015 contained within Report PED16123;
- (c) That this \$50,000 annual contribution for the Innovation Factory (IF) be funded from the Economic Development Investment Reserve Account No. 112221;
- (d) That City staff, together with Innovation Factory (IF), report back to City Council with an annual review of the Municipal funding program prior to the approval of a renewal option for 2017 and 2018 and subject to satisfactory KPI results of the previous year.

EXECUTIVE SUMMARY

At its meeting of April 16, 2014 the General Issues Committee (GIC) approved Report PED14056 which supported a community partnership contribution of \$50,000 to Hamilton’s Innovation Factory (IF) for the 2014 calendar year. In addition, at its meeting of July 6, 2015 GIC approved Report PED15090 which provided for a \$50,000

renewable option for 2015 with IF having met to the satisfaction of Committee members Key Performance Indicators (KPIs).

The current Board of Directors and staff have continued to launch and expand services offered by IF, such as the Synapse Life Sciences Consortium aimed at supporting and coordinating Hamilton's efforts in building a life sciences cluster. This Consortium will play a key role in supporting Hamilton Health Sciences and IBM's Collaborative Innovation Centre announced March 2016. In 2015, the IF also expanded on the "The Forge @ McMaster Innovation Park" model by establishing "The Forge Downtown" which builds on Hamilton's accelerator (2nd stage Incubator) space for newly formed companies that require dedicated space and "hands-on" mentorship in moving their businesses forward. These initiatives have supported and attracted new start-ups, many of which competed in IF's successful annual entrepreneurship gala "Lions Lair" with Hangry and Green Lid landing deals on CBC's "Dragons Den".

Between the three primary funding sources for the Innovation Factory (the Ministry of Economic Development, Employment and Infrastructure / Ministry of Research and Innovation; the City of Hamilton; and community partners), the IF managed a very modest surplus, while at the same time increasing the number of their programs and new innovation related clients. Innovation Factory has firmly embedded itself as the commercialization arm supporting Hamilton's innovation and research community.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: This request can be accommodated through the Economic Development Investment Reserve with no impact on the Levy.

Staffing: N/A.

Legal: N/A.

HISTORICAL BACKGROUND

Innovation Factory (IF) under the leadership of Executive Director David Carter is Hamilton's not-for-profit Regional Innovation Centre (RIC) and was established to service a gap (the commercialization of intellectual property) that existed in our community. Officially launched in November 2010, its core function is to accelerate the innovation process for knowledge-based companies in Hamilton and to simplify the economic and social impact of key ideas and discoveries. Innovation Factory's primary focus is to strengthening Hamilton's next generation of job creators and foster innovation across all sectors while drawing on expertise from Hamilton's universities and college to create an ecosystem of entrepreneurship and innovation.

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Innovation Factory was featured prominently in the City of Hamilton's application for both the Intelligent Communities Forum (ICF) Smart 21 and ICF Top 7. Their programs have helped drive up the "innovation", one of the key intelligent community indicators, within our City. David Carter was a key participant in our process by being involved with the telephone interview portion of the application and was one of the guest speakers at the March 23, 2016 GIC (PED16038) - Intelligent Community Forum Smart 21 Designation.

In addition to the City of Hamilton's annual financial contribution to the Innovation Factory and those of IF's community partners, in particular the Provincial Ministry of Economic Development, Employment and Infrastructure / Ministry of Research and Innovation has again committed funding to 2018. The Ministry made a \$422,917 contribution in 2015 and \$445,000 for 2016. The City of Hamilton's annual financial contribution is approximately 5% of IF's budget.

Julie Ellis (CEO of Mabel's Labels) is the current Chairperson of the IF Board of Directors. Neil Everson, Director of the City's Economic Development Division, enters his sixth term as a Board Member on the Innovation Factory where he represents the City of Hamilton in an oversight capacity. The 2015 audited financial statements for Innovation Factory, completed by Grant Thornton, are currently available if Council requires same.

INNOVATION FACTORY (KPIs)

- Total number of clients since inception = 1,192
- Total number of active clients = 741

OTHER NOTATBLE INDICATORS (since inception)

- \$50 million + (government programs and private investor) in total funds clients have raised with IF support
- Over 12,000 hours spent in client meetings
- Over 280 events with attendance at over 17,000

INDUSTRY BREAKDOWN (2015)

Innovation Communication Technology (ICT)	45%
Other Miscellaneous	25%
Life Sciences	19%
Advanced Manufacturing	8%
Clean Technology	3%
Total	100%

The “***New Clients By Industry***” table illustrates both the diversity of the Innovation Factory’s client base and the growing demand for their services.

NEW CLIENTS BY INDUSTRY

Industry Group	2013	2014	2015	2016
Advanced Manufacturing	13	24	31	18
Agriculture	1		1	1
Clean Technology	10	12	10	7
ICT and DM	58	104	149	106
Education	2		4	6
Financial Services		1	2	3
Food and Beverage	2	9	11	9
Life Sciences	14	28	45	43
Mining			1	
Tourism and Culture	3	3	5	6
Other	63	54	50	42
Total	166	235	309	241

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION:

- Innovation Factory Executive Director David Carter
- Innovation Factory Board

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The City of Hamilton has long been criticized for the lack of required infrastructure necessary for the development and growth of an innovation-based economy. The performance and presence of the Innovation Factory combined with the Hamilton Technology Centre (Business Incubator), the City’s over-achieving Small Business Enterprise Centre and City Hall’s One Stop Centre have significantly contributed to changing this perception.

Further proof of this transition can be seen in the “Historical Background” section of this Report.

ALTERNATIVES FOR CONSIDERATION

Provision of a reduced community partnership contribution by the City of Hamilton or eliminate the annual contribution. Either option would require the Innovation Factory to scale back the number of clients it serves and / or terminate existing programs and services. The result would most certainly have an impact on meeting their current KPIs and literally handicap one of the best performing Research and Innovation Centres in the Province of Ontario.

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.
- 1.6 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.

APPENDICES AND SCHEDULES ATTACHED

N/A

CR/dt