



**STAFF REPORT
ACTION REQUIRED**

An Update On Toronto's Business Incubation & Commercialization Program

(Collaborating for Competitiveness - Implementation Action 1a)

Date:	January 30, 2014
To:	Economic Development Committee
From:	General Manager, Economic Development & Culture
Wards:	ALL WARDS
Reference Number:	

SUMMARY

The City's Economic Development Strategy, *Collaborating for Competitiveness*, identifies small business growth as one of the core strategies for advancing job creation in high growth, high value industry sectors, and across our communities and neighbourhoods. The City's Business Incubation & Commercialization (BIC) program plays a key role in supporting small business success through community partners that offer an array of targeted entrepreneurial incubator / accelerator programs, services, and resources. These include, among others, private office/ studio space, shared industrial equipment, business advisory/ mentoring services, product development support, market testing, access to capital, and networking opportunities.

Incubators and accelerators are recognized world wide for their key role in the start-up ecosystem. They advance business formation, create and retain jobs, commercialize technologies, and accelerate the delivery of new products and services to the marketplace.

The purpose of this report is to provide a 2013 snapshot on business incubator/ accelerator activities and outcomes.

RECOMMENDATIONS

The General Manager, Economic Development & Culture recommends that:

1. City Council request the General Manager Economic Development & Culture, in consultation with the Deputy City Manager and Chief Financial Officer to identify a recommended funding approach for the Business Incubation & Commercialization program for consideration in the 2015 budget cycle;
2. City Council request the General Manager of Economic Development & Culture to report back in the 2015 Budget Cycle on a strategic vision for business incubation activities across the city;

Financial Impact

There are no immediate financial impacts associated with this report beyond what has been approved in the 2014 Operating Budget. The current BIC program is included in the Operating Budget for Economic Development & Culture and entirely supported by annual funding provided by the Toronto Port Lands Company and indexed for inflation, as directed by Council at its meeting of October 29 and 30, 2008.

For 2013, the Toronto Port Lands Company provided \$1,355,449 which includes support for incubator grants, two staff and other support services in the Economic Development & Culture division.

The Deputy City Manager and Chief Financial Officer have reviewed this report and agree with the financial impact information.

DECISION HISTORY

The genesis of the BIC program dates back to the late 1980's, when the Toronto Port Lands Company (TPLC), then known as Toronto Economic Development Corporation (TEDCO), was directed by its shareholder (City of Toronto) to oversee and fund business incubation activity.

In October 2008, Council approved a New Model To Enhance Toronto's Economic Competitiveness. Among other matters, the new model amended the mandate for the Economic Development & Culture (EDC) division by transferring the BIC program from

TPLC/TEDCO to EDC, effective January 1, 2009, to support the development of business incubation in Toronto. This new model included a provision for the program to continue to be funded by TPLC, pursuant to an Assumption and Services Agreement.

At its meeting of March 5, 2013, the Economic Development Committee requested the General Manager of Economic Development & Culture to provide an annual report to the City's Economic Development Committee on the Business Incubation and Commercialization program, and to report to the Executive Committee on possible financial approaches to support the development of the Toronto Food business Incubator. This report responds to this request with an overview on 2013 activities and outcomes as well as an update on the status of the pilot Toronto Food Business Incubator.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.ED20.4>

At its meeting of November 22, 2013, the Economic Development Committee requested the General Manager of Economic Development & Culture to report back on the business incubation program and how it could be expanded for newcomers. This report identifies business incubation activities and other City initiatives that support newcomers that want to start a business.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.ED27.1>

ISSUE BACKGROUND

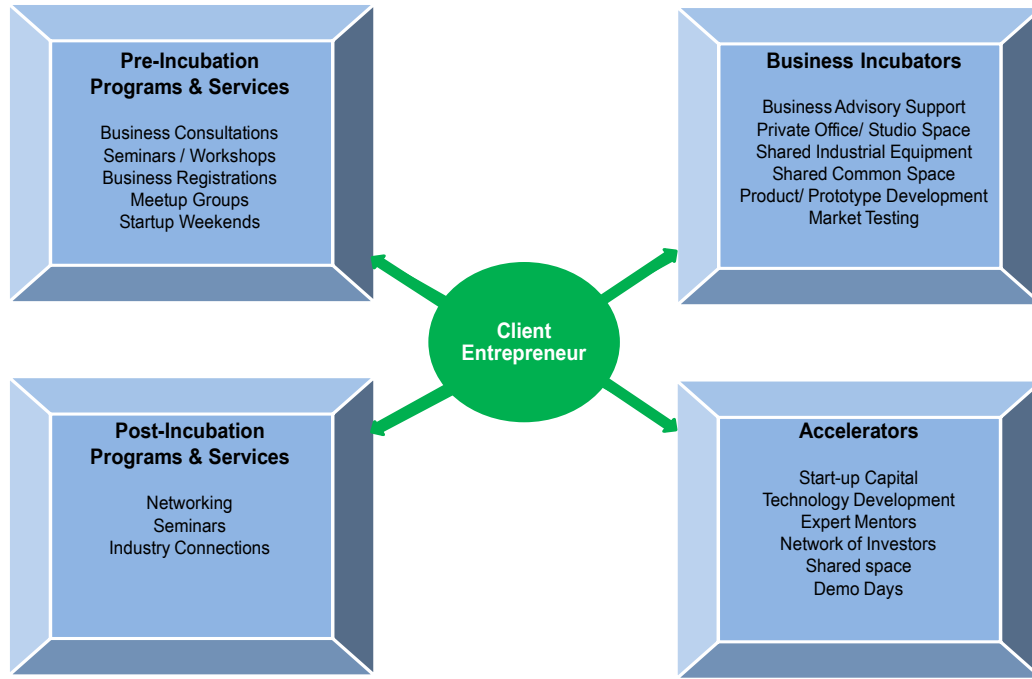
Toronto's Start-up Ecosystem and Business Incubation

Toronto has a dynamic entrepreneurial ecosystem that supports start-up and early stage companies through an array of programs and services delivered by public, private, not-for-profit, and academic organizations. This enabling environment supports residents interested in starting a business, existing businesses looking to grow, or global entrepreneurs seeking to invest or expand into the North American market.

There are various opportunities to access small business support across the city's start-up ecosystem. (See Exhibit 1). These access points link to one another to create an integrated network, from pre-incubation programs and services, to business incubators and accelerators, to post incubation services. A small business can connect anywhere within the network, and may interact with one or many of the organizations that provide these respective programs and services. Where a small business interacts within the ecosystem will be subject to numerous variables that could include stage in the business cycle, type of business, and cash flow/ start-up capital.

Exhibit 1

Client Access to Start-up Ecosystem



COMMENTS

The City's Business Incubation & Commercialization (BIC) program plays a pivotal role in supporting economic growth. Through technical expertise, networks, tools and a social capital environment, incubators dramatically enhance the success of entrepreneurs as they work to move their ideas into viable, successful new businesses that create jobs and commercialize new products, services and technologies that grow our economy.

The following provides some activity highlights for 2013.

JUMPSTART Your Biz:

Over the past several years EDC has collaborated with community partners to leverage existing infrastructure to expand business incubation programs, services and resources across the City. Last year EDC and Toronto Employment & Social Services worked together to pilot a business incubation program at one of the City's Employment Centres, with a view for potential roll out to other Centres across the City. The Scarborough Consilium Place Employment Centre was selected for the pilot given its size, available space, TESS staff engagement, and limited support for entrepreneurs in the Scarborough district.

In spring 2013 the JUMPSTART Your Biz program was launched. The program targets entrepreneurial support to Ontario Works clients who have a business idea and want to launch their enterprise. The program was delivered by the Toronto Business Development Centre which has existing agreements with the City to deliver business incubation program(s) and the Ontario Works Self Employment Program. JUMPSTART Your Biz is a 14-month program that provides potential entrepreneurs with access to a range of valuable resources to help launch a successful new business, including:

- guidance in developing a profitable business model;
- participation in business management workshops;
- support from knowledgeable business advisors;
- direction in preparing a business plan;
- access to shared hot desk/ private office space during office hours;
- access to shared office equipment (printer/ telephone/ photocopier);
- peer-to-peer support to accelerate business growth.

The JUMPSTART Your Biz program has provided accessible and convenient access to 17 TESS clients interested in starting a business and the pilot program continues to provide support to facilitate the growth of several new companies (eg: commercial cleaning/ bookkeeping/ sewing & alterations). As with any pilot program, there have been lessons learned that will inform actions to grow the program in 2014.

Business Inc:

The Business Inc program is an 8-week business incubation seminar series delivered by the Toronto Public Library in partnership with EDC and the Toronto Business Development Centre. The program provides participants in communities and neighbourhoods across the city with the skillsets required to launch their new business or to accelerate growth of an early stage business.

In 2013 the program was delivered to 125 participants through six public libraries, specifically:

- Northern District Branch
- Albion Branch
- Agincourt Branch
- Maria A. Shchuka Branch
- Thorncliffe Branch
- North York Central Library.

A testimonial from one of the participants is provided below –

"Business Inc was the catalyst for realizing my dream. With the guidance of our savvy business advisor, I learned about writing a Business Plan in a way that made sense to me. I can't stress how validating it was to be in a room with other new entrepreneurs facing the same challenges. We brainstormed ideas, encouraged and supported each other, problem-solved for one another and, best of all, I am now part of a network of new entrepreneurs." -- Wendy Fisher, tranSCRIBE captioning and consulting

Toronto Food Business Incubator Relocation:

The Toronto Food Business Incubator (TFBI) began as a pilot project in 2007 to ascertain demand by the food industry for small business advisory and technical support. The incubator supports the growth and development of start-up and early stage food enterprises in a highly regulated industry that employs over 58,000 people in more than 700 food and beverage processing firms across the City. As strict health and safety regulations, shrinking margins due to high energy and transportation costs, a strong Canadian dollar, and a lack of skilled labour continue to erode the industry, providing support for the development of innovative food products and processes is crucial to the future growth of the food cluster.

In December 2013, TFBI announced that it would be closing its pilot facility (1,800 sq.ft) effective January 31, 2014. As a pilot project, TFBI successfully identified an unfilled need. However, the facility's configuration, design, and capacity could not accommodate food entrepreneurs through the various stages of the business cycle and was too small to provide the scale economies needed to be a sustainable contributor to Toronto's economy. Larger premises were required to facilitate production-size batches, increase line speed, enhance productivity, meet client orders, and ensure long term sustainability.

Over the past 2 years the TFBI Board of Directors investigated over 20 different sites across the City in an effort to relocate to larger space. Unfortunately with food grade space at a premium in Toronto, TFBI was unable to find suitable premises to meet the needs of startup and early stage food processing companies. The City continues to work with industry stakeholders that include the Alliance of Ontario Food Processors, MaRS, George Brown College, and other orders of government to identify a sustainable business model as well as suitable premises for a food processing incubator in Toronto.

Success Metrics:

Throughout 2013 the BIC program leveraged existing infrastructure and forged community partnerships that provided opportunities and solutions for propelling Toronto's entrepreneurs forward. These community partnerships provided effective and cost-efficient business incubation programs and services. By effectively engaging our community partners and leveraging their resources, the City was able to build and expand its incubator network to support small business success.

During the 2012/2013 reference period, the City provided financial support to seven organizations (Toronto Fashion Incubator, Toronto Business Development Centre, Toronto Food Business Incubator, Centre For Social Innovation, DRIVEN Accelerator, CEO Fusion /INcubes Accelerator, George Brown College) that collectively:

- leveraged \$3.3 M dollars for company formation & job creation;
- supported 485 on-site client companies, representing 1,275 full-time equivalent jobs;
- served more than 16,000 entrepreneurs;
- delivered 446 products / services/ technologies to the marketplace;
- supported client companies that leveraged \$3.8M for innovation and commercialization (eg: financial institutions/ organizations).

Entrepreneurial Support For Newcomers:

Toronto is one of the most multi-cultural cities in the world, with a diverse population that gives its workforce a global perspective. Many immigrants come to Canada with entrepreneurship in their DNA and a desire to start their own company.

In 2011, Maytree and the Metcalf Foundation prepared a report entitled "*Immigrant Self-Employment and Entrepreneurship in the GTA*". The report indicates that strategies to accomplish even modest entrepreneurship goals are complex, and no single solution will be effective for all immigrants. Some key findings from this report, as well as a recent study completed by North York Community House in June 2013 entitled "*DIY: Immigrant Entrepreneurs Are Doing It For Themselves*", include among others, the need for:

- skills development in finance, marketing, and sales;
- information on the rules and regulations for opening and operating a business in Canada;
- networking and mentoring opportunities;
- micro-finance programs;
- access to computers;
- incubation space for small scale emerging entrepreneurs (enhances opportunities for entrepreneurs to be a resource to one another as well as potential partners for joint benefit);
- itinerant service provider support such as legal advice or financial expertise, particularly in the context of business incubation space.

The City supports a range of entrepreneurial programs, services, and resources that vary in nature, location, and scale across the City. Some programs are focussed on the commercialization of technologies or accelerating the success of high growth, high value companies, while others may be designed for youth, specifically target women entrepreneurs, or support persons on social assistance. There is a broad spectrum of programs and services available along the business incubation continuum that offers one or more points of entry for a newcomer.

The Business Inc and JUMPSTART Your Biz programs both offer excellent opportunities for newcomer support. These programs provide information on business fundamentals, business advisory support, and opportunities to network with other entrepreneurs.

In 2013, the Business Inc program was delivered through local libraries located in or adjacent to designated "Community Improvement Areas", characterized by high concentrations of newcomers. Although the City is unable to require information on immigration status as part of the program application, through a show of hands at orientation sessions it appears the program is very popular with newcomers, representing approximately 30% of the attendees. The libraries also provide an excellent opportunity to access computers through their well equipped computer labs and business training modules.

There were 17 participants in the 2013 JUMPSTART Your Biz program, of which 14 were born outside of Canada, and 6 were newcomers. This program also provides incubator space (private office/ hot desks) to support nascent business activity and plans are being developed to deliver lunch and learn sessions with select service providers.

Enterprise Toronto (ET) also provides small business support through a range of free services that include workshops across the City on a range of business fundamentals as well as one-on-one business advisory support. In 2014, ET will deliver a new program - *Startup Company* - to support youth entrepreneurship through a grant program supported by the Ministry of Economic Development Trade & Employment.

There are also a number of multi-service and not-for-profit organizations across the City that provide entrepreneurial support, such as the Chinese Canada Business Council, Italian Chamber of Commerce, and University Settlement House.

As there are a range of programs and services already in place across the City to support newcomers interested in starting a business, opportunities should be explored to:

- 1) promote existing programs and services more effectively to newcomers;
- 2) package information more efficiently on the availability of entrepreneurial services.

Both of these actions are consistent with the Maytree/ Metcalf and North York Community House reports. To effectively move these actions forward, EDC, TESS, and Social Development Finance & Administration (Toronto Newcomer Office) will work together in 2014 to identify and undertake a targeted outreach program.

CONCLUSION

Encouraging business investment and formation by helping small and medium size enterprises form and prosper is a principle tenet outlined in the City's Economic

Development Strategy, *Collaborating for Competitiveness*. The BIC program plays a pivotal role in supporting the strategy through the delivery of targeted programs and services that embrace a broad and open concept along the business incubation value chain – from pre-incubation to post incubation.

This robust entrepreneurial ecosystem contains all the necessary ingredients for cultivating innovation and supporting startup and early stage companies, including workshops and seminars, startup weekends, meetups, conferences, business competitions, on-line resources, newsletters, community space, co-working space, incubators, accelerators, research labs, post secondary institutions, entrepreneurs, investors, and thought leaders. The City has an important catalytic role to play in facilitating the interaction within this dynamic ecosystem to support entrepreneurship and innovation and to harvest the benefits through company formation and job creation.

The BIC program is well positioned to advance this momentum through its support for existing, new, and aspiring entrepreneurs engaged in all business sectors and at various stages of the business cycle.

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SIGNATURE

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