

ATTACHMENT 1
Part 1



From Concept to Commercialization

A Startup Eco-system Strategy for the City of Toronto



Toronto Mini Maker Faire. Photo courtesy of Toronto Mini Maker Faire.

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Executive Summary

Toronto has an incredible story to share with the world about entrepreneurship. This story centres on the growth of a vibrant startup eco-system that has achieved international recognition and homegrown successes that inspire a future generation of startups. Toronto's startup eco-system is unique and stands at the intersection of a healthy and diverse set of people, places, and programs that act together to facilitate an entrepreneur's ability to commercialize, network and scale their business. Though there are many players in the eco-system, this Strategy intends to be a rallying point. There is no better time for the City of Toronto to take a leadership role in building a strong entrepreneurial environment in Toronto through supporting eco-system partners and building upon the city's strengths.

The City of Toronto's Economic Development & Culture Division (EDC) has worked to support startups across the city through its Enterprise Toronto and Business Incubation programs. Small and medium enterprises (SMEs) are recognized as the foundation of the Canadian economy. Toronto is no exception, with approximately 98 per cent of all businesses being small (under 100 employees). The City understands the value and contributions of this segment of business, which is the impetus for the creation of this Strategy. This Strategy was created to:

- Identify collaborative initiatives the City of Toronto can implement to support the startup eco-system and establish Toronto as a global leader in business formation and growth.
- Identify roles for the City of Toronto in business incubation across the city through addressing key sectoral and community economic development gaps in the startup eco-system.
- Set measurable objectives and actions to be achieved over the next five years.

This Strategy has set the ambitious vision of making Toronto the startup capital of the world, the ideal place to start and grow a business. The Strategy's vision, while long-term in its aspiration, can be achieved by taking a planned approach to supporting the infrastructure of the startup eco-system, addressing sectoral gaps and building neighbourhood entrepreneurial capacity. This comprehensive approach will ensure that the key facets of the startup eco-system are supported and that a divide is not created between certain sectors or scales of economic development.

In undertaking the development of this Strategy an interpretation of Toronto's startup eco-system was made, as well as a high-level review of the city's innovation infrastructure, key sectors and business incubation activity in neighbourhoods across Toronto was undertaken to provide context and identify opportunities that the Strategy could address. This contextual analysis was paired with a stakeholder engagement process that sought the involvement and insight of eco-system partners in the creation of the Strategy's actions. Ongoing collaboration with eco-system partners in the implementation of actions is crucial to the implementation of this Strategy.

In achieving the Strategy's vision, three roles for the City have been identified. Those being: Catalyst, Collaborator and Funder. These roles are critical as the City cannot undertake all actions in isolation, or always lead. The startup eco-system has an immense amount of activity and leadership already and the City is best positioned to place its resources in areas where the most impact can be made, while supporting the already vibrant eco-system activity.

The actions laid out in this Strategy are guided by three goal areas:

Goal 1: Strengthen the infrastructure that supports a sustainable startup eco-system.

This strategic area examines the foundational aspects of the startup eco-system and actions required to support its vibrancy and sustainability. Actions related to funding, collaboration and communications are set forth here.

Goal 2: Support regional economic growth by focusing on sectoral convergence opportunities and gaps in the eco-system.

Toronto's key sectors are regional drivers. This strategic area identifies actions to support startups and small businesses through a sectoral approach. A focus on specific sectors does not negate the opportunity for the City to address sectoral needs and opportunities that may arise during the implementation of this Strategy. In addition, some actions are regional in scope and require collaboration with partners from across the Greater Toronto Area.

Goal 3: Support community economic development across Toronto's neighbourhoods through entrepreneurial capacity building and business incubation.

Examining Toronto's neighbourhoods is equally as important as a regional approach to economic development. Building local entrepreneurial capacity and supporting an enabling environment for entrepreneurs to grow is a strategy that targets community sustainability and self-sufficiency to grow strong neighbourhoods.

Within these goal areas, there are specific objectives and actions laid out. In total, there are 31 actions proposed with various roles for the City in each.

Achieving success and building the Toronto brand as a startup capital will not happen overnight, nor will it happen in isolation. The Strategy takes a collaborative approach to achieving the stated vision over a five-year period. Each action has an implementation timeline assigned ranging from:

- Short-term (1 year) – 2015/2016
- Medium-term (2-3 years) 2017/2018
- Long-term (4-5 years) 2019/2020
- Ongoing (over the five-year period)

Successful implementation of the actions identified in this Strategy will require resources and leadership from the City of Toronto, along with ongoing collaboration with stakeholders across the startup eco-system. A governance structure comprising of a Startup Eco-system Program Advisory Body and actionable project teams is proposed to ensure that this is a living, iterative strategic plan that is achieved in collaboration.



1.0 Introduction: Building on Toronto's Strengths

Toronto is a dynamic, global city that has cultivated an internationally recognized startup eco-system. Ranking 8th worldwide, Toronto's startup eco-system is home to some of the most cutting-edge early-stage companies in the world¹. The city is recognized as an ideal environment to start and grow a business as demonstrated through 2014 world rankings in key competitive areas such as quality of place, business location and talent.

In 2014, Toronto was the:

- World's top Intelligent Community of the Year 2014
- Most tax-competitive major city globally, ahead of 51 other major international destinations
- The best city to live in North America according to the 2015 Safe Cities Index²
- World's most resilient city, ranking 1st against 50 global cities
- 8th most popular destination for global job seekers³

These conditions have enabled the growth of a truly entrepreneurial city, with strengths in various sectors of the economy and an innovative small business community.

At the national level, small businesses have consistently outperformed medium and large enterprises in employment growth over a 10-year period and play a significant role in net job creation. Between 2002 and 2012, small businesses created 77.7 per cent of all private jobs in Canada. In total, creating approximately 100,000 jobs each year on average⁴. Post 2008-2009 recession employment figures showed that Canadian small businesses experienced an upward trend in hiring, surpassing pre-recession employment levels in early 2010⁵. This is evidence of the impact that small businesses have on job creation, wealth and prosperity in Canada.

Supporting the growth of small businesses in Toronto is essential, as they have the greatest potential to add new employees.

Small businesses are acknowledged as the cornerstone of economic growth in the Canadian economy. Small businesses (defined as having fewer than 100 employees) account for 98.2 per cent of employer

¹ MaRs News Insights, Toronto and the Startup Ecosystem Report, November 2012,

² The Economist Intelligence Unit, The Safe Cities Index: Assessing Urban Security in the Digital Age, 2015

³ City of Toronto, 2014 World Rankings, 2014

⁴ Industry Canada, How Many Jobs Do Small Businesses Create?, August 2013

⁵ Industry Canada, How Many Jobs Do Small Businesses Create?, August 2013

the growth of small businesses in Toronto is essential, as they have the greatest potential to add new employees. If each of the 88,000 small businesses in Toronto were to add at least 1.5 employees, the City of Toronto’s unemployment rate would equal zero. The contribution of small businesses to the economy, quality of place and vitality of Toronto’s neighbourhoods cannot be underscored enough.

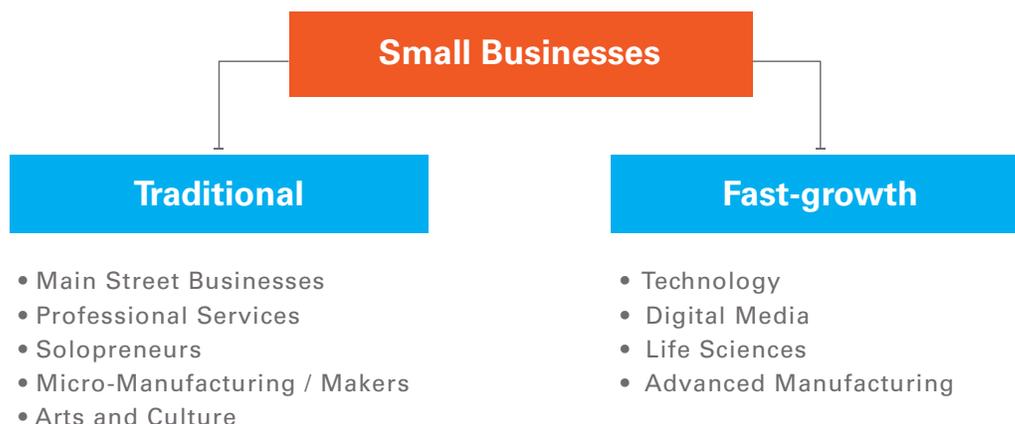
With this in mind, the City of Toronto is taking a broad view in characterizing small businesses. For the purposes of this Strategy, small businesses are segmented into traditional and high-growth (Diagram 1). Recently, policymakers worldwide have focused on high-growth firms alone, particularly in technology, as drivers of the economy. The City of Toronto recognizes the importance of supporting high-growth firms, but equally so traditional small businesses, as these enterprises are part of the fabric of what makes Toronto prosperous and economically competitive. Economic Development & Culture provides distinct services to each segment of small business in Toronto.

In the context of this Strategy, both traditional and high-growth businesses in their early-stages can be referred to as a type of startup. A startup is defined as an “organization formed to search for a repeatable and scalable business model”⁶. Traditional small businesses are those that may have a scalable business model, but a slower growth trajectory, and may range from manufacturers and distributors, to main street retail, personal services or home-based businesses. In particular, traditional main street businesses play a vital role in building resilient neighbourhoods as they are usually locally owned and directly invested in the neighbourhood.

On the other hand, high-growth businesses are those that have a scalable business model and achieve significant short-term revenues and employment growth. High-growth companies are often characterized as having a high level of intellectual property and capacity to disrupt and transform sectors of the economy through product and process innovations. These could be startup companies focused in the technology, medical or digital sectors that start off small but grow quickly into medium and large enterprises. These firms are typically located across the 22 employment districts in Toronto.

⁶Industry Canada, Key Small Business Statistics, August 2013
⁷Steve Blank, What is a Startup? First Principles, January 2010.

Diagram 1: Segmentation of Small and Medium-sized Enterprises



While small businesses dominate the composition of business types in Toronto, about 30 per cent fail within the first 3 years and about 50 per cent do not survive year five. These are the most critical years in the growth of early-stage businesses. Providing assistance to entrepreneurs and enabling their growth, in turn creating jobs in Toronto, is a key objective for the City. Specific policy and program interventions, such as supporting business incubators in Toronto, can reduce these barriers and enable startups to achieve sustained growth.

Business incubator and accelerator programs, while particularly supportive infrastructure, belong to a larger eco-system of entrepreneurial activity in Toronto. This eco-system is built by a critical mass of entrepreneurs taking a concept through to commercialization by leveraging an integrated network of people, places and programs – also referred to as the startup eco-system. As Toronto's startup eco-system continues to grow and become globally recognized, the City of Toronto recognizes this to be the right time to take a leadership role and a strategic approach to creating an enabling environment for entrepreneurship to thrive.



1.1 The Importance of a Startup Eco-system Strategy for the City of Toronto



VISION:

Toronto is the startup capital of the world, the ideal place to start and grow a business.

This Strategy is a call to action. It has been developed to showcase the City of Toronto's leadership and commitment to driving the growth of the startup eco-system. The Strategy takes a collaborative approach to identifying the foundational and aspirational actions required to achieve this vision.

The creation of this Strategy is in response to a request from Toronto City Council at its meeting in April, 2014, directing the development of a strategic vision for business incubation activities across the city in collaboration with local and regional partners. The City of Toronto's Economic Development & Culture Division (EDC) recognizes the need to establish a strong and competitive entrepreneurial environment. To do so, an approach that supports the broader startup eco-system is required. This Strategy takes that approach by building upon the strengths of the startup eco-system and identifying measurable actions to achieve the ambitious vision of becoming the startup capital of the world.

The Strategy's vision, while long-term in its aspiration, can be achieved by taking a planned approach to supporting the infrastructure of the eco-system, addressing sectoral gaps and building neighbourhood entrepreneurial capacity. With that in mind, this Strategy was created to:

- Identify collaborative initiatives the City of Toronto can implement to support the startup eco-system and establish Toronto as a global leader in business formation and growth
- Identify roles for the City of Toronto in business incubation across the city through addressing key sectoral and community economic development gaps in the startup eco-system
- Set measurable objectives and actions to be achieved over the next five years.

Toronto's varying and diverse neighbourhoods are home to entrepreneurs who are integral to the economic vitality and uniqueness of the city. This Strategy draws upon and complements foundational City strategies including:

- *Collaborating for Competitiveness: A Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*
- *Creative Capital Gains: An Action Plan for Toronto*
- *Working as One: A Workforce Development Strategy for Toronto*
- *Toronto Strong Neighbourhoods Strategy 2020*

The Strategy directly supports achieving the vision set forth in Collaborating for Competitiveness by seeking to achieve increased job creation, business formation and investment growth by aligning with key recommendations in the areas of:

- **Encourage Business Investment and Formation**
 - Help small businesses establish and prosper
 - Attract companies and investment to Toronto
- **Boost Business Growth**
 - Strengthen high-value sectors

The actions of the Strategy are aligned with the objectives of Economic Development & Culture Division as well as with initiatives being delivered in Toronto's neighbourhoods by Social Development, Finance and Administration; Toronto Public Health; Toronto Employment and Social Services, among others.

Finally, the overall approach has been informed by research and ground truthed by engaging eco-system stakeholders. This Strategy will set the course for how the City of Toronto engages with partners to build local entrepreneurial capacity, regional economic development opportunities and catalyze Toronto's startup eco-system as the preferred global location to start and grow a business.

1.2 City of Toronto - Entrepreneurship Services

Entrepreneurship services delivered by the City of Toronto's Economic Development & Culture Division provide a range of assistance for those looking to establish or grow a small business through Enterprise Toronto, the City's small business enterprise centre, and the Business Incubation program. Assistance currently focuses on three specific areas of operation:

1. Business support for startups and existing small businesses:

- Key activities include one-on-one business consultations, development and delivery of targeted programming and training focused mainly on traditional small businesses. This is primarily delivered through Enterprise Toronto.

2. Entrepreneurship Eco-system infrastructure development:

- Focused on developing business incubators in specific key economic sectors that are important to the community and region, delivered through the Business Incubation Program.

3. Eco-system Facilitator:

- Bringing together resources to explore ways for further collaboration on things such as new incubator opportunities, incubator programming, marketing and building the brand of Toronto's start-up eco-system. This is primarily delivered by the Business Incubation program.

On an annual basis, Enterprise Toronto often deals with an average of 30,000 client engagements and plays two important roles in supporting new and established businesses. The first role is that of a one-window connector that provides clients with an overview of the eco-system and connects them to the right resources to start or grow their business. The second role is to provide support to traditional small businesses. The goal of Enterprise Toronto is to provide exceptional service to any and all businesses that



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are engaged by its staff, while ensuring those businesses are connected to the right supports and tools within the Toronto business development eco-system.

Working together with Enterprise Toronto, the Business Incubation program supports the startup eco-system in Toronto to assist the growth of businesses by providing infrastructure. The Business Incubation program supports three key incubators in the eco-system, the Toronto Business Development Centre, the Toronto Food Business Incubator and the Toronto Fashion Incubator, while also working with other incubators to provide support on a project-by-project basis, as well as collaborating with stakeholders to develop new incubator infrastructure to address gaps within the eco-system.

In the 2012-2013 reference period, the Business Incubation program provided financial support to seven organizations. These organizations included: The Toronto Fashion Incubator, Toronto Business Development Centre, Toronto Food Business Incubator, Centre for Social Innovation, DRIVEN Accelerator, CEO Fusion/ INcubes Accelerator, and George Brown College. Collectively, investment in these organizations:

- Leveraged \$3.3 million for company formation and 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, and;
- Supported client companies that leveraged \$3.8 million for innovation and commercialization (e.g.: Through financial institutions/organizations).

Continued support and investment in eco-system partners, leveraging the infrastructure and programming already available to entrepreneurs will be an integral role for EDC's Enterprise Toronto and Business Incubation programs moving forward.

EDC plays an essential role in supporting local and regional economic growth. Through its programming delivery, technical expertise, networks, tools and support of incubator infrastructure, Entrepreneurship Services helps 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 Toronto's economy. This Strategy will guide the work of the EDC and the supports it provides to entrepreneurs over the next five years.





2.0 The Context: Supporting a Sustainable Startup Eco-system in Toronto

This section sets the context for the Strategy by examining, at a high level, the composition of Toronto's startup eco-system and opportunities through regional and community economic development perspectives.

2.1 A Snapshot of Toronto's Startup Eco-system

Innovation does not happen in isolation, but is supported by the collaboration and integration of a diverse network of people working to move a concept to a commercially viable enterprise. The term startup eco-system is ubiquitous and has no common definition, but at its core is a system driven by the presence of entrepreneurs that interact with organizations, institutions and investors that create an enabling environment for small businesses to form and grow.

Toronto's startup eco-system is at a critical juncture in time. While relatively young, Toronto's eco-system has grown and evolved over the last decade to become internationally recognized. Toronto's startup eco-system stands at the intersection of a vibrant and diverse set of people, places, and programs that act together to facilitate an entrepreneur's ability to commercialize, network and scale their business. Though there are many players in the eco-system, this Strategy intends to be a rallying point that enables collaborative projects. The City of Toronto is well-positioned to take a leadership role in building a strong entrepreneurial environment in Toronto through supporting eco-system partners.

In interpreting the startup eco-system a comprehensive approach has been taken based on the unique attributes of Toronto's entrepreneurial community. This interpretation and Strategy does not seek to replicate other startup communities across the globe, but to reflect and grow what is unique about Toronto. An entrepreneur can access various parts of the startup eco-system that is required to assist them towards commercialization and sustained business growth. Economic Development & Culture staff assist entrepreneurs in navigating the eco-system and finding the right resources and connections to support the growth of their business.

For the purposes of this Strategy, an interpretation of Toronto's startup eco-system is illustrated in Diagram 2.

This strategy does not seek to replicate other startup communities across the globe, but to reflect and grow what is unique about Toronto.

Diagram 2: Toronto’s Startup Eco-system



Toronto’s startup eco-system is neither sector specific, nor focused on just one type of entrepreneur. In this interpretation:

- **Entrepreneurs** are at the centre of the eco-system and are considered to be those who work to build a startup, be it traditional or high-growth, across all industries of the economy, including social entrepreneurs. The critical mass of entrepreneurs that have taken up residence in Toronto drives the eco-system forward. Toronto’s rich immigrant and newcomer population possess global pipelines and act as ambassadors of the Toronto brand around the world. The City’s motto “Diversity Our Strength” acknowledges the competitive benefits our economy gains from a globally connected workforce.
- **Post-secondary Institutions** represent the network of universities and colleges delivering educational programs across the Greater Toronto Area which cultivates the flow of talent through the eco-system. In addition, post-secondary institutions in Toronto produce world-class research critical to innovation, and have increasingly taken on a commercialization role through campus-led incubator/accelerator infrastructure. Essentially all eight of the universities and colleges in Toronto are home to innovation programming and infrastructure, which include but are not limited to:
 - OCAD University: Imagination Catalyst, the Centre for Emerging Arts & Designers, the Digital Media Research and Innovation Institute

- Ryerson University: Digital Media Zone, the Fashion Zone, Innovation Centre for Urban Energy
 - University of Toronto: Department of Computer Science Innovation Lab, Impact Centre, Creative Destruction Lab, the Hatchery, the Hub Ideation and Experimental Learning Centre, among others
 - York University: Launch YU, York Entrepreneurship Development Institute Accelerator
 - Centennial College: Centre for Entrepreneurship, Student Business Incubator, Wireless Acceleration program in partnership with Wavefront
 - George Brown College: Digital Media and Gaming Incubator, Empowered Youth Startup Hub, Prototyping Lab
 - Humber College: Humber Launch
 - Seneca College: The Health Entrepreneurship and Lifestyle Exchange (HELIX) incubator
- **Support Organizations** are those that have a mandate to support entrepreneurs. These organizations can include MaRS Discovery District and the Ontario Centres of Excellence (OCE). For example, to encourage youth entrepreneurship, Futurpreneur, MaRS and OCE have taken leading roles in the eco-system.
 - **Government** plays a role at all levels (municipal, provincial, and federal) in funding and delivering a vast array of programming to support entrepreneurs, including the Province's Ontario Network for Entrepreneurs, which plays a key role in funding innovation and support for entrepreneurs.
 - **Investment Networks** include venture capital and angel investors that provide private sources of capital that entrepreneurs require in scaling their business. Some of the major players partnering with Toronto entrepreneurs include OMERS Ventures, Maple Leaf Angels, Relay Ventures, Ryerson Angels Network, among others. Other investment organizations include the MaRS SVX and the ACCESS Community Capital Fund.
 - **Entrepreneurship Events/Startup Competitions** capture all of the activity in the entrepreneur community, including meet-ups, mastermind groups, conferences and competitions that facilitate the flow of knowledge and enhancement of networks and collisions that facilitate innovation. Recent events that made a mark on the eco-system include Startup Open House, which provided tours of startup offices in Toronto. In addition, organizations such as HackerNest curate events to unite players in the technology space. Youth entrepreneurship competitions at the secondary and post-secondary level are also important to capture as these young entrepreneurs become the future business leaders in the eco-system.
 - **Not-for-Profits** represent the organizations that build community entrepreneurial capacity through program delivery, as well as, organizations that cultivate social innovation, social enterprise and social impact investing activity. The Centre for Social Innovation, for example, has played a catalytic role in moving the social innovation/social enterprise benchmark forward in Toronto and internationally. Other not-for-profit community arts organizations such as Arts Etobicoke, UrbanArts, Mural Routes and SKETCH provide support for emerging creative entrepreneurs by building both artistic, business and management skills in youth.
 - **Large Enterprises** refer to the corporate customers to which startups and small businesses commercialize products and sell services. In addition, these firms also tend to acquire startups, which is a good indicator of eco-system health. Larger enterprises also have a role as mentors and advisors to startups and early-stage companies. Toronto is home to a significant concentration of Canadian head offices for multinational corporations in the business and professional services, technology and financial services sectors that could be leveraged.

- **Mentors/Advisors** are the network of experienced entrepreneurs and enterprises in the eco-system that support startups through both formal and informal channels.
- **Communications Networks/Social Networks** refer to both the traditional and digital media that spreads information across the eco-system and facilitate knowledge transfer. There are a number of media channels (both traditional and social) that can be tapped into to spread the Toronto startup story.

While this interpretation of Toronto's startup eco-system has identified a handful of examples to provide context, of importance to note is the fact that there are many more players contributing to the vibrancy of the city's entrepreneurial environment. The City can play a role in supporting existing infrastructure and leveraging the work of organizations in the eco-system to push forward on priority initiatives.

In addition, taking a focus on supporting business incubator formation and growth is an area of opportunity for the Economic Development & Culture Division. Providing funding for the programming that assists startups is a key area of influence for the City. Taking a deeper dive to understand Toronto's innovation infrastructure is key to this Strategy.

2.2 Innovation Infrastructure: Business Incubators/ Accelerators/Co-working Spaces

An important component of the startup eco-system is the innovation infrastructure that supports new business formation and growth, in particular business incubators, accelerators and co-working spaces. This infrastructure is increasingly recognized as an essential economic development tool through supporting new entrepreneurs, fostering rapid growth and sustainability of early-stage businesses, identifying high-growth potential for special investment and support, anchoring/complementing strategically important industry clusters, and creating an environment that attracts and retains entrepreneurs and investors. This type of infrastructure can advance business formation, create and retain jobs, commercialize technologies, and accelerate the delivery of new products and services to the marketplace.

A business incubator is typically operated as a not-for-profit organization that offers a longer tenure than an accelerator with broader programming and training for entrepreneurs with a concept⁷. An incubator can be a bricks and mortar facility, or a virtual operation and could offer a number of these common services:

- Private office/studio space/hot desks/storage
- Shared common space (meeting rooms/ reception area)
- Shared industrial or commercial equipment/ production space
- Product/prototype development assistance
- Product testing/ proof of concept
- Embedded business advisory curriculum/strategies for market readiness
- Seminars/workshops (business planning/financial management/ marketing, etc.)
- Direct access to equity capital
- Industry mentors/coaches
- Networking opportunities

⁷ Canada Business Network, Business Incubators and Accelerators – are they for you? November 2014, www.canadabusiness.ca/eng/blog/entry/4877/

Similarly, accelerators are typically defined as

“for-profit organizations owned and operated by venture capital investors, who intend to generate returns from equity-based investments in their client firms. Accelerators provide a range of services to early-stage firms, including financial support, business advice, office and development space and complementary services offered by partner organizations”⁸.

Accelerators are very similar to incubators; however, they can be characterized by the following:

- An open, highly competitive application process
- Pre-seed investment, usually in exchange for equity
- A focus on small teams, not individual founders
- Time-limited support comprising programmed events and intensive mentoring
- Startups supported in cohorts rather than individual companies
- Accelerators may also offer a demonstration showcase, office space and access to other technology and professionals services.⁹

While incubators and accelerators are sometimes used interchangeably, accelerators have become a model somewhat distinct based on the characteristics listed above. However, some hybrid models are emerging that combine both incubator and accelerator functions.

Co-working spaces on the other hand, provide entrepreneurs with the flexible space required to continue their business growth. These spaces cater to startups looking for inexpensive access to a desk, private office or other common office requirements. It also provides an opportunity for the collision of ideas through the co-location of entrepreneurs.

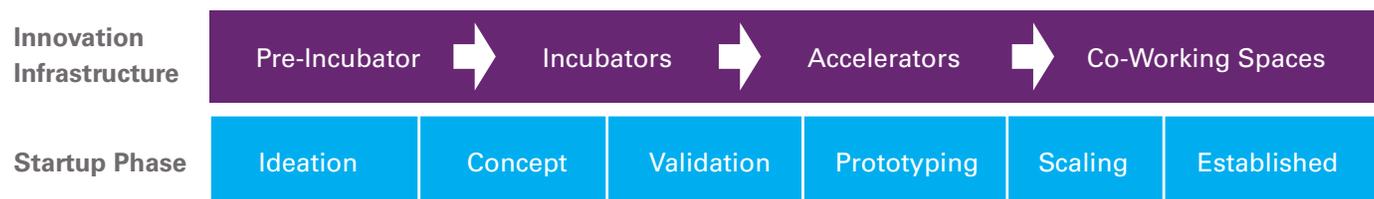
Physical space to support innovation and entrepreneurship across Toronto is an important part of the startup eco-system. For certain sectors, physical incubation/acceleration space is critical to closing the gap between research and development and commercialization. For example, entrepreneurs in the food and beverage sector in Toronto require access to food grade commercial space and specialized equipment to achieve commercialization. However, the high capital cost of space and equipment is a barrier to enabling the growth of small and medium enterprises in this sector. Examining tools and policies that could alleviate this challenge will become an important part of supporting Toronto’s startup eco-system. Leveraging financial tools to make bricks and mortar incubators an attractive opportunity can assist in creating additional square footage of space and retaining startups to the city. However, new space for business incubation and acceleration is not always necessary. Leveraging existing real estate in public institutions such as libraries or civic centres, adaptive re-uses of industrial/ commercial buildings, vacant storefronts and second storey space on main streets are all potential opportunities. While physical space matters, support for program development through funding is equally as important. Providing learning experiences, mentorship and networking will ensure entrepreneurs have the building blocks required to grow their business and that quality startups are produced and sustained in Toronto. The City has traditionally taken a role in making capital investments in incubator development. The opportunity exists to take a more significant role in leveraging partnerships and funding to support incubator programming across the city to create a more accessible environment for the growth of startups.

Both physical and virtual innovation infrastructure play a supporting role in moving a startup through various phases of growth. The continuum of activity from pre-incubation right through to acceleration is illustrated in Diagram 3.

⁸ Canada Business Network, Business Incubators and Accelerators – are they for you? November 2014, www.canadabusiness.ca/eng/blog/entry/4877/

⁹ MaRS Data Catalyst, Seeding Success: Canada’s Startup Accelerators, June 2013

Diagram 3: Business Startup Continuum¹⁰



A study of Canadian business incubators and accelerators showed that the four provinces with the largest rates of urbanization hosted the majority of business support organizations (Ontario, Quebec, British Columbia, Alberta), with Ontario leading the pack with the highest concentration of business incubator and accelerator activity. Looking deeper at a city level, Canada’s four largest cities (Toronto, Montreal, Vancouver and Calgary) are home to one third of the incubators and accelerators in the country¹¹. In Toronto, there are approximately 90 support organizations across the business startup continuum supporting entrepreneurs.

Drawn from a database compiled by Economic Development & Culture, a breakdown by sector is illustrated in Table 1. It can be seen that the majority of services are at the incubation level, with pre-incubation as a close second. The diversity of Toronto’s economic base and the intersection of various industry sectors can be seen through the large proportion of mixed-use pre-incubation and incubation programs. Additionally it can be seen that the Information and Communications Technology (ICT) sector is well represented in the incubator space, while other sectors such as environment (inclusive of green Industries, clean technology, etc.) are under-represented, yet are growing areas of the economy. In the area of mixed co-working spaces, this includes places such as maker spaces, which are growing in popularity due to the nascent maker movement in Toronto.

Table 1: Innovation Infrastructure by Sector

Sector	Pre-Incubation	Incubation	Accelerator	Co-working Space
Mixed	18	12	7	9
ICT	2	13	8	2
Social Innovation	0	2	0	1
Environment	0	1	1	0
Creative	6	4	0	0
Bio-Medical	0	0	1	0
Fashion	0	2	0	0
Food & Beverage	0	1	0	0
Total	26	35	17	12

¹⁰This concept was developed by combining ideas from the following sources: Startup Commons, Key Startup Phases and Startup Genome, Startup Genome Report Extra on Premature Scaling.

¹¹Dalziel, Margaret, A Study of Business Incubators and Business Accelerators in Canada. October 2012, http://www.theevidencenetwork.com/media/3639/ten_2012_bis_and_bas.pdf

Additional gaps that can be identified from this sector breakdown include the lack of space and programming to encourage business incubation and acceleration in trades and traditional small businesses, which are integral to the workforce and community development of Toronto.

Business incubators, accelerators and co-working spaces and associated programming play a key role in the startup eco-system.

2.3 Strengths and Weaknesses of Toronto's Startup Eco-system

While Startup Genome considers the startup eco-system in the context of the technology industry, in its 2012 edition of the Startup Eco-system Report, Toronto is described as the 8th best startup eco-system, globally. This report is one of the only comprehensive views into Toronto's entrepreneurial environment and provides a valuable analysis of gaps and opportunities.

According to the report, Toronto was also characterized as having one of the largest eco-systems in the world, with a healthy funnel of startups across all stages of the startup lifecycle. The top seven jurisdictions faring better than Toronto in this ranking included: Silicon Valley, Tel Aviv, Los Angeles, Seattle, New York City, Boston and London¹². Upon examining some of these jurisdictions deeper, Toronto has shown strengths and similarities to other jurisdictions in the areas of:

- **Ambition:** Toronto entrepreneurs are just as ambitious as their counterparts in Silicon Valley. Key motivators include building a great product and trying to change the world (similar to entrepreneurs in Boston).
- **Diversity:** Toronto's eco-system has a healthy mix of startups across the startup lifecycle stages considered in the analysis (Discovery, Validation, Efficiency, Scale).
- **Mentor Support:** Toronto has a similar level of mentor support per startup.

Some of the main differences between Toronto and other leading startup eco-systems include:

- **Funding/Capital:** Toronto has a relatively under-capitalized environment where startups receive 71% less funding than Silicon Valley startups. The deficiency exists both before and after market fit. Startups rely on self-funding or rounds from friends/family.
- **Employment:** Toronto startups employ less people per startup lifecycle phase than in Silicon Valley, likely associated with undercapitalization.



Despite some of these similarities and differences distinguished by Startup Genome, looking more broadly at Toronto, it can be seen that the city has a number of unique and leading attributes that have contributed to its growth as an entrepreneurial hub. Some of the key strengths to highlight include:

- **A strong network of post-secondary education institutions:**
 - Institutions in Toronto produce world-class research in various sectors. An example would be the University of Toronto, with 152 research centres and institutes representing a multi-disciplinary mix. University of Toronto and its partner hospitals raised the largest amount of research funding of any university in Canada, totalling \$1.1 billion in 2013¹³.

¹² Startup Genome, Startup Ecosystem Report 2012: Part One. 2013

¹³ University of Toronto, Economic Impact Report 2013, 2014

- The increasing campus-led incubation and acceleration infrastructure emerging out of post-secondary institutions is supporting increased commercialization activity and startup spin-offs.
- **Top talent:** Toronto is a producer of top talent in Canada. Torontonians have higher levels of educational attainment than other Canadians. One third (33%) of all Torontonians 15 years and over have a bachelor degree or higher¹⁴.
- **A city of diversity:** Diversity is one of Toronto's main strengths, as Toronto is home to virtually all of the world's culture groups, where over 180 languages and dialects are spoken. In 2011, 44% of the population had a mother tongue in a language other than English or French¹⁵. Toronto is a gateway for newcomers into Canada, who possess global connections. The city's economic base is also extremely diverse, supported by a wide-array of leading industry sectors (from ICT, to Business and Professional Services, to Education Services, among many others).
- **Liveable city:** Toronto is recognized as the world's fourth most liveable city¹⁶ and the best city of live in the 2015 Safe Cities Index¹⁷, giving it a unique advantage in attracting and retaining those who seek high quality of life/quality of place advantages.
- **Innovative city region:** Toronto is part of an innovative City Region and benefits from being part of a broader regional innovation network that connects post-secondary institutions, incubators and accelerators, and other communities, such as Waterloo, along a broad corridor of innovation and entrepreneurship.



While these strengths are important to leverage, there are gaps in the eco-system that require attention in order to achieve the vision of this Strategy. Some of the key gaps include:

- **Mapping and measuring eco-system performance:** The startup eco-system in Toronto has not been mapped in any robust manner to capture all the diverse players. There is also a clear lack of data on the composition and performance of Toronto's startup eco-system as a whole. A standard set of metrics could assist incubators and accelerators in improving entrepreneurship programming while attracting more entrepreneurs and investors to the eco-system through demonstrable results.
- **Telling the Toronto story:** Other startup eco-systems have recognized the power of telling their story and promoting a strong brand. One example is New York City and the "We Are Made in NY" economic development initiative that provides access to eco-system resources, promotes and celebrates startups and highlights employment opportunities. Toronto has a compelling story to tell with numerous homegrown success stories and strengths that can be captured by a strong brand.
- **Uneven geography of innovation:** Currently, much of the programming and space for startups is located in the downtown core. Extending the concentration of programming in downtown Toronto to other areas of the city, and more broadly across the Greater Toronto Area (GTA), could create a more accessible entrepreneurial environment.
- **Adoption of innovation and technology:** One of the key insights shared with the City is that the startup eco-system needs better support to encourage the early adoption of innovation, new technologies and improved services and products. The City of Toronto, post-secondary institutions and large enterprises could create the necessary on-ramps to enable the growth of startups and eliminate barriers to purchasing processes.
- **Supporting traditional economic sectors:** From examining the composition of the types of business support organizations in Toronto, there is a lack of infrastructure to support traditional economic sectors such as the trades and retail. These are sectors that are important to the workforce and from a community economic development standpoint.

¹⁴ City of Toronto, 2011 National Household Survey –Labour Force, Education, Place of Work, Commuting and Mobility Background, June 2013,

¹⁵ City of Toronto, Why Toronto – Diversity, 2014

¹⁶ City of Toronto, 2014 World Rankings, 2014

¹⁷ The Economist Intelligence Unit, The Safe Cities Index: Assessing Urban Security in the Digital Age, 2015

- **A vibrant entrepreneurial environment:** There is an abundance of workshops, networking events, conferences and competitions in Toronto that can provide assistance to entrepreneurs of all types, yet no tool or system to enable an entrepreneur to navigate the startup eco-system.

2.4 Business Incubation in Toronto's Key Sectors

Toronto's key sectors are interconnected and have a host of business incubation activity supporting startups. This section examines various sectors with the aim of identifying local and regional opportunities that can be influenced to support startups. The sector overviews aim to inform the strategic framework and actions by identifying issues and opportunities of priority to address.

Business & Professional Services

Sector Overview:

Toronto has one of the largest clusters of corporate headquarters and global professional firms, representing a highly diversified mix of businesses. The major sub-sectors within business and professional services includes legal and accounting firms, engineering/construction consulting firms, advertising and marketing agencies, management, technical and design consultancies, and human resources services. In total, the sector is comprised of approximately 24,000 firms, representing 21 per cent of the Canadian total for this cluster, employing 316,480 people¹⁸.

Of note is the size and quality of firms residing in Toronto, including nine of Canada's 10 largest law practices, seven of Canada's top 10 accounting firms, 10 of Canada's largest advertising and communications agencies and all of the country's top 10 human resources and benefits firms¹⁹. While these are well established businesses, they play a role in the startup eco-system as potential enterprise patrons for startup innovation.

The advertising and marketing subsector is composed of a wide variety of agencies and firms with offices in Toronto that range from global leaders to smaller agencies. The concentration of startups in Toronto provides a pool of potential partners for larger firms and access to emerging technologies. This can generate increased economic activity at both levels, helping large firms adopt disruptive innovation while generating revenue and growth opportunities for startups.



Toronto has one of the largest clusters of corporate headquarters and global professional firms, representing a highly diversified mix of businesses.

¹⁸ City of Toronto, Business and Professional Services Sector Profile, 2014

¹⁹ City of Toronto, Business and Professional Services Sector Profile, 2014

Business Incubation Landscape:

In the business incubation space, Cossette, a leader in this sub-sector has established an incubator known as the Cossette Lab. The purpose of the incubator is to host technology startups that can provide a benefit to the team, their clients and partners.

Other convergence opportunities between the business and professional services sector and technology that could be potentially explored include the development of legal technology. Legal technology is a growing market area for startups to partner with large legal firms in Toronto to develop solutions. Spaces such as the Ryerson Digital Media Zone and the University of Toronto, Department of Computer Science Innovation Lab are already supporting emerging legal technology companies.

Opportunities:

- Connecting startups to large enterprises to support the creation and adoption of innovative products, processes or services.
- Encouraging the ongoing convergence of business and professional services with other sectors such as technology and the creative industries to support the emergence of new firms. An example would be the emergence of interdisciplinary strategic design firms that are at the intersection of business services and design thinking in creative practices, which is currently being tracked by OCAD University.
- Build global pipelines through large enterprises in this sector.

Retail business incubation is an area of opportunity to build upon in Toronto.



Retail

Sector Overview:

With a consumer population of 6 million in the GTA, retail establishments are generally well-positioned. The retail trade sector is comprised of two types of retailers primarily, store and non-store retailers. The significant retail trade subsectors (by number of jobs) in Toronto include Food and Beverage Stores, Clothing and Clothing Accessories Stores, General Merchandise. This sector has both direct and indirect impacts on Toronto's economy by bridging production and consumption²⁰.

Of importance to this sector is the location of retailers on Toronto's main streets and in neighbourhoods across the city. Toronto's Business Improvement Areas (BIAs) are home to 35,000 businesses, of which retail represents a significant proportion of the business type. Retailers contribute to the unique character of a neighbourhood and are direct social and economic contributors to Toronto's communities through tax assessment and local employment opportunities.

A significant trend is the adoption of digital technology at the retail level to optimize business operations, engage customers and leverage business to business opportunities such as cross-promotion. An opportunity exists to work with retailers at the BIA level to improve digital adoption and create a connected retail environment across all areas of Toronto.

²⁰Toronto Workforce Innovation Group. Retail Sector Profile, <http://www.workforceinnovation.ca/sectors/retail>

Business Incubation Landscape:

Retail business incubation is an area of opportunity to build upon in Toronto. The micro-food retail incubation model at Scadding Court Community Centre, known as Market 707, is a leader in this space. Market 707 enables food retailers/restaurants to test their concept by renting low cost space in shipping containers in front of the Scadding Court Community Centre. This model has been proven successful and could potentially be applied to other neighbourhoods in Toronto, enabling micro-enterprise development.

Another model of retail incubation that has emerged at the community level is through the Danforth East Community Association in partnership with Woodgreen. The project took shape as a grassroots initiative to revitalize an under-performing area of the Danforth in Toronto through tenancing vacant storefronts with pop-up retailers. This is considered a model of retail incubation because it provides the entrepreneur with the opportunity to test their business model in a low-risk environment. This program resulted in many of the pop-up shop tenants staying-on with longer term leases, animating and revitalizing the area.

Opportunities:

- Micro-retail incubation in neighbourhoods across Toronto.
- Main street revitalization through retail incubation models, including pop-up shops.
- Leveraging main street retail areas to demonstrate and test new retail technologies.

Education Services

Sector Overview:

Toronto is home to four universities and four colleges which provide a significant pool of talent into the workforce annually. In 2012, approximately 260,000 people were enrolled in Toronto's eight university and college institutions, which graduated over 53,000 students²¹. Post-secondary institutions in Toronto are also global pipelines, attracting approximately 60 per cent of all international students in Canada²².

In the Economic Development & Culture Division at the City of Toronto, the International Students program is working in partnership with others to create a welcoming environment for international students. The City undertakes a number of activities to enable the integration of international students into Toronto's urban fabric and to enhance the retention of this talent once graduated. International students could either become members of the local labour force, or entrepreneurs who possess global connections to their country of origin.

In addition, post-secondary institutions play a significant role as anchors in regional innovation systems. The Toronto Census Metropolitan Area (CMA) is home to 128 research centres that focus on a wide range of research activities, many of which are affiliated with the university network²³. These institutions have a role in research and development, knowledge transfer and increasingly commercialization.

²¹ City of Toronto, Education Services Sector Profile, 2014

²² City of Toronto, Education Services Sector Profile, 2014

²³ City of Toronto, Education Services Sector Profile, 2014

Business Incubation Landscape:

Most if not all of the post-secondary education institutions in Toronto have programming related to entrepreneurship, and infrastructure to support commercialization (such as campus-led incubators/accelerators).

An emerging area of opportunity is education technology, where augmented reality platforms and virtual classrooms are being developed to enhance and evolve the way learning happens. Mobile and collaborative technologies are being explored and adopted in classrooms across the primary, secondary and post-secondary landscape in Toronto and elsewhere.

Opportunities:

- Promote campus-led incubator/accelerator programs to potential youth entrepreneurs through strategic partnerships with Toronto schools boards.
- Leverage the strong regional network of post-secondary education institutions in the Greater Toronto Area to support the development of new incubator opportunities/partnerships.
- Retain international students by promoting entrepreneurship as a career option.

Not-for-Profit

Sector Overview:

The Canadian not-for-profit sector is a significant contributor to the local economy. The sector employs almost 1 million people and generates a gross domestic product (GDP) of 2.6% in Ontario²⁴. Many not-for-profit organizations have leveraged social enterprise as a way to sustain their activities and make a significant impact on society and the economy. According to the Province of Ontario, a social enterprise is defined as “an organization that uses business strategies to maximize its social or environmental impact”. Ontario is home to more than 10,000 social enterprises, employing an estimated 160,000 people and serving 3.4 million customers²⁵. In Toronto, the not-for-profit sector is inextricably tied to the startup eco-system.

Business Incubation Landscape:

The Centre for Social Innovation (CSI) in Toronto is a social enterprise that supports social innovation. CSI is a co-working space and community that provides organizations with the required tools to succeed. An example of a CSI community member that is not only generating opportunities for young artists as entrepreneurs, but also animating public spaces and contributing to the vibrancy of Toronto’s neighbourhoods is the STEPS Initiative, Patch Portfolio Development Program. This organization is building the entrepreneurial capacity of youth in the creative industries through business incubation programming. In addition, Social Innovation Generation (SiG) at the MaRS Discovery District is an organization that has created a “living laboratory” of social experiments with the end goal of achieving system change and improving the well-being of Canadians.

²⁴ Ontario Nonprofit Network, Shaping a Labour Force Strategy for Ontario’s Non-profit Sector, 2014

²⁵ Province of Ontario. Impact: A Social Enterprise Strategy for the Province of Ontario, September 2013

Also, a network of nine not-for-profit organizations called AVNU provides co-ordinated access to workshops, mentorships and networks for young artists to develop artistic, management and entrepreneurial skills. Other organizations such as Kapisanan Philippine Centre for Arts and Culture, develop creative social enterprise models that support small businesses and not-for-profit activities simultaneously. Pop-up markets for seasonal sales of arts and artisan products generate both community impact and economic vibrancy at the neighbourhood and local levels. WorkInCulture, connects, creates and curates training and tools that help arts and culture professionals develop the business skills to match their creative talents. These are a few examples of organizations that are building entrepreneurial capacity and making an impact locally.

Opportunities:

- An area of opportunity could be to better integrate the not-for-profit/ social enterprise eco-system that exists into the broader startup eco-system in Toronto.
- Knowledge sharing of projects that could potentially be collaborative and joint funding opportunities for community-based incubator programming.
- Regional collaboration with other social innovation hubs and community development organizations.

Creative Industries

Toronto is a hub for creative and cultural activity. According to research completed in the Creative Capital Gains: An Action Plan for Toronto report, the cultural economy has contributed more than \$9 billion annually to Toronto's GDP and employs more than 130,000 people²⁶. The creative industries have both a significant economic and social impact on Toronto, adding not only employment to the city, but also contributing to urban vitality and livability. In addition, the creative industries have a deep reach into Toronto's neighbourhoods, creating economic opportunities for young artists and big impact regionally and nationally through landmark events and organizations.

In the context of this Strategy, the creative industries are examined at a high level, with a focus on the resources and initiatives in place at the City of Toronto. This Strategy recognizes that multi-disciplinary artists (e.g.: actors, writers, painters, dancers, musicians) are occupations that are embedded in the creative industries in Toronto. There are a number of key creative industry sectors that the City supports including: Film, Television and Digital Arts, Music, Design and Fashion/Apparel. Opportunities to support the development of creative entrepreneurs, and enhance the intersection of sectors to create economic value are discussed below.

²⁶ City of Toronto, Creative Capital Gains: An Action Plan for Toronto, May 2011, pg. 6

Creative industries have significant economic and social impacts on Toronto.



Photo courtesy of Coalition Music

Film, Television and Digital Arts

Sector Overview:

Toronto's film and television cluster ranks third in North America and employs more than 25,000 people with over 800 businesses active in all aspects of the sector, including production and distribution, music publishing, recording and radio and television²⁷. The economic impact of film and television production in Toronto in 2013 was \$1.19 billion²⁸. The city is increasingly becoming well-known as a place where digital media and film collide. Toronto-based companies are internationally renowned as suppliers of cutting-edge animation (both 2D and 3D), and visual and special effects that are dependent on emerging technologies, many of which are developed by startups. The Toronto Film, Television & Digital Media Office and the Toronto Film, Television and Digital Media Board are EDC initiatives that help support this economic sector.

Business Incubation Landscape:

The infrastructure in the startup eco-system supporting film, television and digital arts includes organizations such as the Canadian Film Centre (CFC), which is home to the accelerator ideaBOOst.

ideaBOOst is a program that invests in early-stage startups and small and medium enterprises developing commercially relevant enabling technologies for the entertainment industry. In addition, exemplifying this union between film and technology is 3D FLIC Partners. Initiated by York University, 3D FLIC is an interdisciplinary team of scientists, filmmakers and industry leaders to innovate in the international stereoscopic 3D production area. Moreover, the Women in Film and Television (WiFT) Development Incubator focuses on multiple aspects of feature film development, from writing to financing, to marketing and distribution. In addition, co-working spaces across Toronto, such as Bento Miso, provide space for startups in film to grow.

Opportunities:

- Collaboration with other creative industries subsectors such as music and visual art.
- Convergence with the technology sector to enhance the production of film in Toronto.



Photo courtesy of Coalition Music

Toronto is the largest centre of music in Canada with a vibrant and well-established music scene

Music

Sector Overview:

Toronto is the largest centre of music in Canada with a vibrant and well-established music scene that attracts, visitors, artists and cross-pollinates with other sectors such as film, television and fashion. The economic impact of the industry demonstrated a total output of \$400 million in 2010²⁹. The live music sector generates an estimated \$455 million in revenues and

²⁷ City of Toronto, Film and Television Sector Profile, 2014

²⁸ City of Toronto, Film and Television Sector Profile, 2014

²⁹ City of Toronto, Music Sector Profile, 2014

contributes \$252 million to the Canadian economy³⁰. In late 2013 Toronto formalized an alliance with Austin, Texas through the Music City Alliance to foster greater music industry trade, export and to establish ongoing lines of communication to explore mutual growth opportunities.

Business Incubation Landscape:

Business incubator programming and infrastructure within the startup eco-system include places such as Coalition Music, the Manifesto Festival and the Remix Project. These organizations provide incubator programming that cultivates the talent of local musicians by teaching them the business skills required to scale as an artist. Of interest is that these programs do not exclusively focus on performers in the sector, but encourage entrepreneurial development across the entire value chain – from the technical aspects of music, to production and management. The Beat Academy, a non-profit organization is dedicated to the creative and economic advancement of young producers from around the world. Since 2010, its programs and events have encouraged music makers to explore their passion and discover ways to turn it into their career through training and by connecting them to industry professionals in music, film and television, and direct participation in international competitions such as South by Southwest in Austin, Texas.

Opportunities:

- Foster greater connections with other sectors such as film and television, gaming and mobile technology to further expand opportunities for artist entrepreneurs in this space.
- Expansion of incubator programming into various neighbourhoods and districts in Toronto, to not only further cultivate talent, but also to activate spaces and engage audiences are opportunities to enhance the impact of the sector.

Design

Sector Overview:

Toronto has the most significant critical mass of designers in the disciplines of architecture, landscape architecture, interior, industrial, graphic and fashion design in Canada. Approximately 71 per cent of Ontario's architects, landscape architects, industrial, graphic and interior designers are located in Toronto³¹. The city is home to over 27,970 designers, which is the largest design workforce in Canada and the third largest in North America (after New York and Boston)³². This accounts for 27 per cent of all Canadian designers, who possess a high level of post-secondary education and training. Design is driven by a support system of post-secondary institutions in the eco-system. All four universities and numerous colleges offer design programs, educating approximately 3,000 students per year³³.

Business Incubation Landscape:

Toronto is a hub for designers and innovators. The Design Industry Advisory Committee (DIAC) launched the Designer Connection Program as part of the Design Advisory Service (DAS) for small businesses who have an immediate need for design input. Through this program, designers work with approximately 10 companies per year, introducing them to a design-led approach to address common challenges in the

³⁰City of Toronto, Music Sector Profile, 2014

³¹ Martin Prosperity Institute, The Place of Design: Exploring Ontario's Design Economy, March 2009, p.19.

³² City of Toronto, Design Sector Profile, 2014

³³ City of Toronto, Design Sector Profile, 2014

innovation process and make the products of innovation more competitive. In addition, organizations such as Kinetic Café apply design thinking to the development of innovative solutions and the creation of connected environments.

Design entrepreneurs work across all industries. Opportunities in design include an intersection with technology, retail, manufacturing, as well as sustainability and green building. An opportunity to create economic opportunities and generate employment in the design sector includes building the connective tissue between the design disciplines and small businesses in emerging sectors of the economy.

Opportunities:

- Designers could become more connected with small businesses to enhance innovation potential by embedding design thinking into their business processes.

Fashion/Apparel

Sector Overview:

Toronto is home to internationally acclaimed fashion designers, retailers and manufacturers and hosts the second largest Fashion Week event in North America. The fashion/apparel cluster in Toronto employs nearly 50,000 people, more than half of them in manufacturing³⁴. Toronto is home to more than 550 apparel manufacturers whose wholesale shipments total nearly \$1.4 billion annually, or 16 per cent of the \$9 billion Canadian market³⁵.

The first of its kind in the world, TFI has been a model for similar centres created in New York, London, Paris, Milan, Chicago and Amsterdam among others.

The city produces talent through post-secondary institutions such as Ryerson University, George Brown, College, Seneca College, among others. This experienced workforce ranges from sewers, pressers and CMT (cut, make trim) producers to apparel and accessory designers, stylists, sales agents, distributors and art directors. The sector continues to grow and create entrepreneurial opportunities across this value chain.

Business Incubation Landscape:

In the business incubation space, the Toronto Fashion Incubator (TFI) is a global leader with almost 30 years of experience developing successful entrepreneurs. With shared production facilities, work studios, meeting rooms, seminars, one-on-one mentoring and product-testing opportunities, TFI helps all types



³⁴ City of Toronto, Fashion Sector Profile, 2014

³⁵ City of Toronto, Fashion Sector Profile, 2014

of fashion entrepreneurs develop their creative and business skills. The first of its kind in the world, TFI has been a model for similar centres created in New York, London, Paris, Milan, Chicago and Amsterdam among others.

In addition, the Ryerson Fashion Zone is a business incubator focused on launching Canadian fashion startups that include, but are not limited to the areas of wearable technology, e-commerce, mobile applications, textile innovation, functional apparel (sport, medical, etc.), fashion buying, magazines, accessories, men's/women's/children's wear and visual arts.

Opportunities:

- An opportunity for the fashion/apparel sector is at the intersection of design and manufacturing. A renewed interest in sustainable production presents an opportunity for Toronto companies who manufacture fashion apparel to grow here and partner with fashion startups.
- An opportunity to examine convergence opportunities with technology, in the space of wearable technology is an emerging area of growth in the eco-system. Many post-secondary institutions and incubators are growing into this space.
- Collaborative opportunities between fashion incubators in Toronto and other organizations such as Fashion Group International could build an even more supportive environment for emerging fashion designers.

Information and Communications Technology (ICT)

Sector Overview:

Toronto is the largest hub of technology-focused businesses in Canada. With over 14,600 technology establishments located in the Toronto Census Metropolitan Area (CMA), employing approximately 159,000 people, Toronto is home to 35 per cent of Canada's technology businesses³⁶. The labour pool is deep, with 55 per cent of technology workers in Ontario and 26 per cent of all technology workers in Canada being employed in Toronto³⁷. The composition of the workforce is dominated by a younger demographic, with approximately 57 per cent of technology workers being under the age of 45. There is also a strong international labour force in Toronto, with business and personal global linkages.

The quality of the companies located in Toronto are top-rated, with 4 of the 10 fastest-growing ICT companies in Canada being located in the Toronto CMA, according to the 2014 Branham 300 list. While Toronto is home to large corporate head offices, the majority (78 per cent) of tech establishments are micro-enterprises with 1 to 4 employees³⁸. Many of these enterprises operate across various technology sub-sectors, such as manufacturing, technology services, interactive/gaming, mobile, among others. Toronto's technology sector is considered an enabler and economic driver of other sectors of the regional economy, including financial services, life sciences, renewable energy, film and television, digital media and manufacturing.

Business Incubation Landscape:

Toronto's technology sector is very well represented in the eco-system. Some of the innovation infrastructure available to entrepreneurs in this sector include, but are not limited to:

³⁶ City of Toronto, Technology Sector Profile, 2014

³⁷ City of Toronto, Technology Sector Profile, 2014

³⁸ City of Toronto, Technology Sector Profile, 2014

Toronto's technology sector is considered an enabler and economic driver of other sectors of the regional economy.

- Brightspark Venture
- Driven Accelerator Group
- Highline
- INcubes
- Kinetic Café
- MaRS
- Multiplicity
- OneEleven
- Ryerson DMZ
- The Next 36



Additional infrastructure across the Toronto region that play a key role in further growing this sector are the connections with other Regional Innovation Centres, including those in York, Durham and Peel Region and building the conduit to Kitchener-Waterloo.

The Toronto startup eco-system is fairly dominated by technology sector representation, which presents many opportunities to cultivate stronger regional and global pipelines with international startup eco-systems.

Opportunities:

- The ICT sector is rapidly becoming an integral part of what Toronto is known for internationally. This presents the opportunity to build greater collaborations and pipelines to other technology jurisdictions.
- The talent in Toronto is attracting a number of companies and startups. The opportunity to leverage the talent network to support the growth of startups and retain them to Toronto is key.
- The incubator/accelerator network associated with technology in Toronto is growing; the opportunity to convene these stakeholders to push strategic projects forward exists.

Financial Services

Sector Overview:

Toronto is the business and financial capital of Canada, and the third largest North American financial services centre based on direct employment, following New York and Chicago. The Toronto CMA's financial services sector employs more than 245,000 people, which represents 64 per cent of Ontario's sector employment³⁹. This sector accounts for roughly 8 per cent of the Toronto CMA's direct employment and roughly 14 per cent of its GDP (19 per cent of the city's GDP itself)⁴⁰. Growth within the sector is dominated by banking, which accounts for just over half of sector employment. Despite the recent disruptions in the global economy, Canada's banking system is ranked as the most sound in the world by the World Economic Forum seven years in a row.

³⁹ City of Toronto, Financial Services Sector Profile, 2014

⁴⁰ Conference Board of Canada, Understanding the Importance of Toronto's Financial Services Sector. November 2013

Financial services accounts for about 1 in every 13 jobs and indirectly supports activities in a variety of other sectors, such as professional services (consulting, computer, legal and accounting services) and administrative services (services to buildings, security services and business support services)⁴¹. Small businesses are common in most of the areas that make up Toronto's financial sector. In 2012, 87.5 per cent of enterprises had fewer than 20 employees versus 89.1 per cent for all industries.

In addition, a study by the Information and Communications Technology Council (ICTC), shows that more than 49 per cent of the total number of ICT workers in Canada's financial services sector are located in Toronto CMA. The growth of financial services has created significant opportunities for the emergence of financial technology (FinTech) companies. Toronto has a unique advantage of having the presence of both international financial institutions and leading technology firms. The Toronto Financial Services Alliance (TFSA) is a partnership that was created by EDC to support this important sector of our economy.

Business Incubation Landscape:

Opportunities exist in commercializing products and services in the area's mobile commerce/payment systems; big data analytics and cloud computing. A number of incubators and accelerators have started to gather momentum in this area. Those include: INcubes, MaRS Fintech Cluster, OneEleven, Highline, and the Ryerson Futures. In addition, organizations such as the Toronto Financial Services Alliance and the Ontario Centres of Excellence have also taken a critical role in pushing the FinTech space forward through engaging with the financial services sector generally to understand needs and opportunities and creating a forum for dialogue between players in the sector.

Opportunities:

- The growth of FinTech in Toronto offers the opportunity to convene stakeholders in the space to create an incubation program to assist startups and retain them in Toronto.
- As Toronto is the financial centre of Canada, engagement with large enterprises in the financial services sector to work with startups to generate sector solutions is an opportunity to leverage.



Financial services accounts for about 1 in every 13 jobs and indirectly supports activities in a variety of other sectors

⁴¹ Conference Board of Canada, Understanding the Importance of Toronto's Financial Services Sector. November 2013,

Advanced Manufacturing

Sector Overview:

Ontario's advanced manufacturing industry has evolved to include innovative applications of technology such as computer numeric controls (CNC), 3D printing, computer-integrated manufacturing (CIM), robotics, automation and lean manufacturing techniques. While the perception of manufacturing has been centred on decline, more new manufacturing businesses were established in Toronto in 2013 than in any of the past five years⁴². In 2013, manufacturing represented almost 10 per cent of the city's workforce, contributing 9 per cent to Toronto's total GDP⁴³. Manufacturing continues to be an evolving industry of importance to Toronto's economy.

More new manufacturing businesses were established in Toronto in 2013 than in any of the past five years.



Many of the post-secondary institutions in Toronto have research and innovation programs related to manufacturing. One example is Seneca College's Office of Research and Innovation that has a focus on applied research in manufacturing. As well, at the University of Toronto, the Mechanical and Industrial Engineering program houses a research laboratory focused on advanced manufacturing and materials engineering covering areas such as smart and adaptive polymers, fuel cell materials and microcellular plastics, demonstrating an intersection with sectors such as green energy and technology.

While Toronto is home to large scale manufacturing operations across various sectors (food, fashion, life sciences, etc.), small manufacturers dominate the composition of business type. In the Toronto CMA, approximately 78 per cent of manufacturing establishments have 1-4 employees⁴⁴. Organizations such as Toronto Made showcase the full range of manufacturing in Toronto, celebrating the re-imagination and growth of local manufacturing in the city.

Business Incubation Landscape:

The emergence of the global maker movement has taken root in Toronto. The ability to purchase technology such as 3D printers, at a low cost, and the availability of open source design and software has enabled a movement of people to re-invent the way products are made. These makers include computer programmers, crafters, designers, engineers, artists, and scientists, and entrepreneurs⁴⁵. The infrastructure to support makers and small scale entrepreneurs seeking to prototype products is starting to emerge in Toronto. This includes everything from maker spaces, do-it-yourself workshops, meetups to more formal institutions such as the Digital Innovation Labs at the Toronto Public Library and prototyping labs within post-secondary institutions such as George Brown College, Humber College and the University of Toronto. An event such as the Toronto Mini Maker Faire has catalyzed the presence and value of the maker movement

⁴² Invest Toronto, Key Business Sectors – Manufacturing and Materials, 2014

⁴³ Toronto Employment Survey, 2013.

⁴⁴ Invest Toronto, Key Business Sectors – Manufacturing and Materials, 2014

⁴⁵ Centre for Social Innovation, Toronto's Maker Movement Part of a New Industrial Revolution? September, 2013,

and its economic potential. In addition, one of the spaces in Toronto that supports the emergence of manufacturing startups is MakeWorks. MakeWorks is a co-working space for startups, makers and designers. In addition to space, such as prototyping labs and workshops, they provide expertise and tools to enable innovation and growth.

Micro-manufacturing and process innovation have significant potential in re-inventing the way products reach the market. Various opportunities exist in this sector, one of which is connecting the existing maker spaces and programs across the city to engage potential entrepreneurs in this space, as well as, developing a manufacturing incubator to support startups and existing small businesses.

Opportunities:

- The momentum of the maker movement in Toronto presents the opportunity to incubate entrepreneurs in this space to commercialize their micro-manufacturing innovations.
- With the increase in maker spaces and prototyping spaces emerging around the city, convening stakeholders in this area to collaborate and network could enable a stronger foundation for startups in this space to grow.
- Advanced manufacturing in Toronto is a mainstay and key component of the regional economy. Encouraging workforce participation through incubation and entrepreneurship is a key opportunity in this space.

Food & Beverage

Sector Overview:

Food and beverage processing is Ontario's largest and Canada's third-largest manufacturing sector. Toronto is at the heart of the GTA's \$17 billion food processing industry⁴⁶. Within Toronto, the sector employs more than 50,000 people within over 920 firms, 75 per cent of which are small and medium sized manufacturers⁴⁷. Small businesses engaged in food and beverage manufacturing continue to account for a larger share of total establishments in the food and beverage sector. In 2013, small businesses with less than 100 employees accounted for 90.2 per cent (1,036) of Toronto's total food and beverage establishments compared to 88.4 per cent (880) in 2012⁴⁸. Other aspects of the food value chain, such as restaurants, catering and food retail play a significant role in the startup eco-system.

However, there are a number of challenges that face food entrepreneurs, including the lack of available commercial food grade production space, the high capital investment required to get started, the limited training opportunities and the regulatory environment. In addition, emerging trends in consumer demand



Food and beverage processing is Ontario's largest and Canada's third-largest manufacturing sector.

⁴⁶ City of Toronto, Food and Beverage Sector Profile, 2014

⁴⁷ City of Toronto, Green Sector Profile, 2014

⁴⁸ Invest Toronto. Key Business Sectors – CleanTech and Green Energy, 2014

for organic foods, allergen-free, ethnic and ready-made foods have challenged food processors and entrepreneurs to develop new and innovative products and processes. In addition, food safety standards have tightened over the years forcing the sector to adapt the way manufacturing is done.

Business Incubation Landscape:

In the business incubation landscape, the Food Innovation & Research Studio (FIRSt) at George Brown College works with companies to develop their food concepts and prepare it for commercialization. In addition, the Toronto Food Business Incubator (TFBI) provides a range of support for new and early-stage food processing companies. Currently, the TFBI operates virtually until expansion plans are implemented.

Drawing upon connections in the Ontario food eco-system can assist early-stage entrepreneurs in commercializing products. These connections include the Institute of Food Processing Technology at Conestoga College, the University of Guelph – Ontario Agricultural College, Canadian Food and Wine Institute at Niagara College, the Northumberland Agri-Food Venture Centre, among others. These relationships could positively impact the programming at the TFBI enabling the entrepreneur to innovate and optimize food and beverage manufacturing. In addition, partners across the Greater Toronto Area are also important in creating a client referral pipeline between Regional Innovation Centres, Small Business Enterprise Centres and the TFBI.

Opportunities:

- Food and Beverage Manufacturing is a growth area that Toronto's economy is driving. A leadership role in supporting startups in this space through incubation is an opportunity for the City of Toronto.
- At a local scale, connecting food entrepreneurs to commercial production space can facilitate greater chances of sustainability in this sector.
- Collaboration with regional partners across the food and beverage value chain to support business incubation activities could provide entrepreneurs with additional resources and networks required to start and scale their business.

Green

Sector Overview:

Toronto has emerged as a leader in green industries. Innovative companies residing in Toronto currently generate an estimated \$2 billion in annual revenues⁴⁹. The Toronto Stock Exchange is ranked first in the world for the number of listed renewable energy and clean-tech companies (TSX, 2014)⁵⁰. More than 36,000 people are employed in over 1,700 Toronto-area companies that provide alternative energy and cleantech products and services across a wide range of sub-sectors. Over 400 of these companies focus solely on green energy and technology⁵¹. In addition, a focus on the green economy has recently been added to the City of Toronto's Economic Development and Culture Division to support this emerging and growing sector of Toronto's economy.

⁴⁹ Invest Toronto. Key Business Sectors – CleanTech and Green Energy, 2014

⁵⁰ Invest Toronto, Key Business Sectors – Green, 1014

⁵¹ City of Toronto, Life Sciences Sector Profile, 2014

The green sector encompasses a wide variety of technologies, products and services, with Toronto having particular strengths in these green industry sub-sectors:

- Energy efficiency and smart grid
- Electric vehicles
- Green energy
- Green buildings
- Green roofs
- Resource management

Key areas of this sector include green building and clean technology (CleanTech). Toronto has a vibrant building industry, with over 25 per cent of Canada's LEED (Leadership in Energy and Environmental Design) professionals being located here and over 150 green building suppliers. In addition, the smart grid market is expected to grow further to \$100 billion by 2030⁵².

There are a number of research and innovation centres supporting the growth of this sector. Two examples include, the Centre for Green Cities and the Living Campus. Centre for Green Cities at Evergreen Brick Works is a LEED Platinum facility that demonstrates the application of green building technology and automation systems for energy efficiency. The Living Campus at Kortright, operated by the Toronto and Region Conservation Authority, is a centre of excellence for urban sustainability where research occurs and solutions are experienced and demonstrated. Kortright is a testing ground and living laboratory for green energy and green building solutions.

Business Incubation Landscape:

In the business incubation landscape, organizations such as Cleantech North support the growth of the Canadian cleantech sector by working with companies and providing acceleration support and services. In addition, MaRS Cleantech assists businesses by creating a connected environment to advance innovative technologies and provides a one-stop shop for industry partners.

George Brown College's Green Building Centre is a hub for applied research that includes facilities such as an advanced prototyping lab for new building technology and energy management product development, a building materials lab for technology companies to demonstrate and test their prototypes and green building systems, as well as a business accelerator and entrepreneurship space that has an international business outreach component to tap into green technologies worldwide.

The Innovation Centre for Urban Energy (iCUE) is a business incubator and accelerator focused on urban energy. The purpose is to assist young businesses turn their urban energy ideas into commercially viable products, services, and/or technologies. The opportunity to bridge the gap between startups and larger enterprises to develop new green innovations can be fostered in Toronto.

The Toronto Stock Exchange is ranked first in the world for the number of listed renewable energy and clean-tech companies.



⁵² City of Toronto, Life Sciences Sector Profile, 2014

Opportunities:

- Commercializing some of the research activity in this sector is an opportunity that can be leveraged through collaborative incubation programs.
- Regional partnerships with organizations, such as Kortright, will be an important opportunity to support startups in this sector.
- Partnerships with other municipal jurisdictions in the Greater Toronto Area who have a green sector focus could be an opportunity to support startups and grow the sector.

Life Sciences

Sector Overview:

With over 800 companies, employing over 160,000, Toronto's life science sector is a national leader⁵³. Toronto's sector includes pharmaceuticals; biotechnology; and medical research, devices, surgical supply and assistive technologies. Toronto is home to 55 per cent of Canada's pharmaceutical companies making the Toronto area the largest pharmaceutical cluster in the nation⁵⁴. The Toronto Region is also a hub for medical devices, with 16 of the top 25 global medical device companies operating in the region.

Toronto's Discovery District is Canada's largest concentration of research institutes, business incubators and business support services for the life sciences sector, spanning 2.5 square kilometres, making it the densest geographic centre for research in the world. The District is home to over 7 million square feet of facilities including the University of Toronto and affiliated teaching and research hospitals, over 30 medical and related research centres and a mix of biomedical companies⁵⁵.

The Toronto area is the largest pharmaceutical cluster in Canada.



While Toronto is home to major international companies in life sciences, it is recognized that startups are driving innovation. New approaches in health sciences, medical devices and pharmaceuticals are being driven by startups. More and more multinational companies are seeking new sources of innovation in order to replenish their off-patent pipelines in cost-effective and efficient ways⁵⁶. However, some of the key challenges facing startups in this space are commercializing research innovations due to a small domestic market and limited early-stage funding. Research has been completed looking at opportunities outside of Canada for life sciences opportunities, particularly in the emerging market of China.

Business Incubation Landscape:

In regard to business incubation, the MaRS Discovery District plays a role in commercialization in this sector. Through the MaRS Health venture services group, startups can gain access to assistance in developing their concept to raise Series-A financing. As part of this, the MaRS Excellence in Clinical

⁵³ City of Toronto, Life Sciences Sector Profile, 2014

⁵⁴ MaRS Market Insights, Entering China's Emerging Life Sciences Market: The opportunity for Ontario Startups, December 2014,

⁵⁵ Learning Enrichment Foundation, Employment Services – Entrepreneurship, 2015

⁵⁶ City of Toronto, About Business Improvement Areas, 2014

Innovation Technology Evaluation (EXCITE) program is a collaboration between a range of stakeholders in the health system that work together to help innovation health technologies get to market faster and improve patient outcomes. MaRS HealthKick is Canada's largest annual healthcare venture showcase. The close connections between the University of Toronto, research hospitals and MaRS Discovery District are a driving force in the life sciences sector in Toronto.

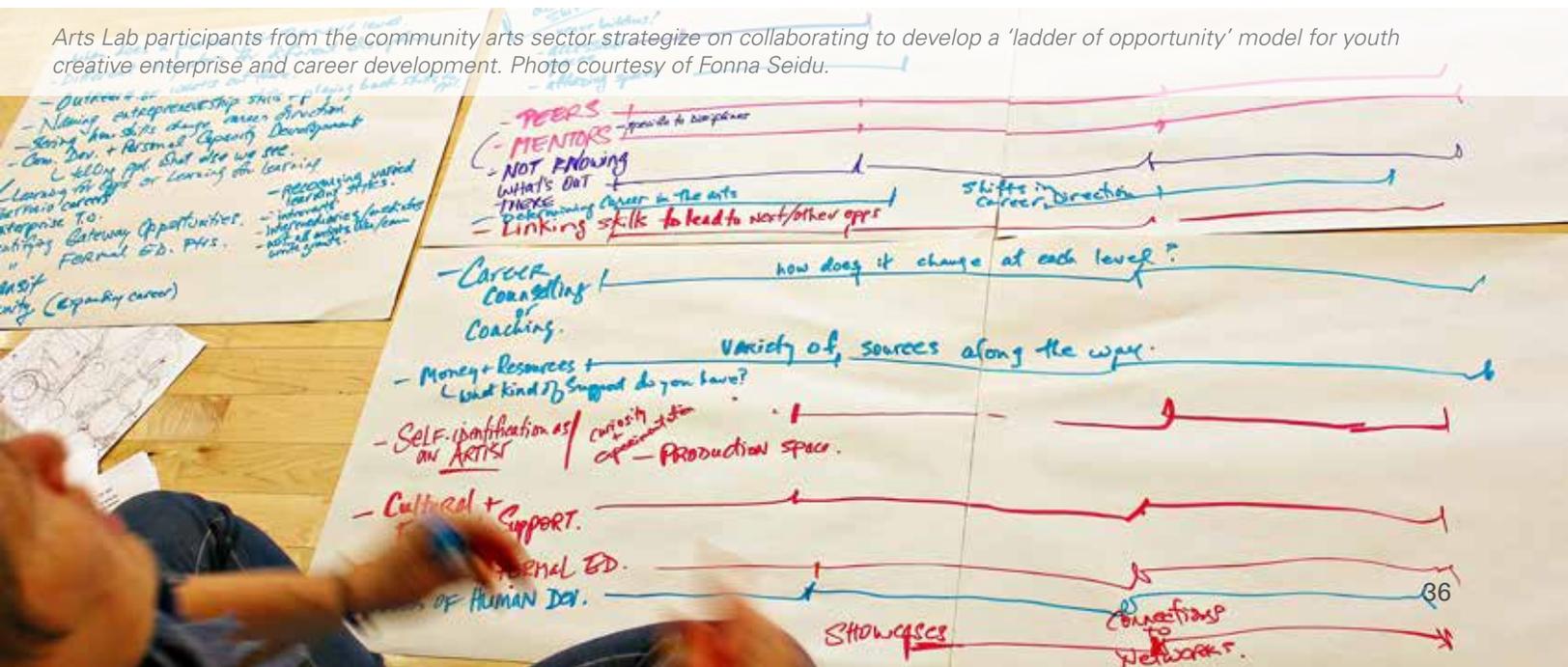
At a regional scale there are additional partners that play a role in the life sciences sector. Examples are the Southlake Innovation Centre associated with the Southlake Regional Health Centre in Newmarket and VentureLAB, a Regional Innovation Centre located in Markham that aims to commercialize health information technology.

Opportunities:

- A regional approach to supporting key subsectors such as medical devices, or health IT, could assist startups in reaching commercialization goals and scaling their business.
- Leveraging international relationships in this space, to take Canadian innovation to market is also an emerging opportunity.
- Opportunities for startups and small businesses in this sector range from the application of technology to developing solutions in the health space, to fostering the commercialization of emerging areas such as artificial intelligence.

2.5 Business Incubation in Toronto's Neighbourhoods

Toronto is celebrated for its diversity and culture, reflected in the unique composition of each neighbourhood. These neighbourhoods make Toronto exceptional because they are distinct in their demographic blend, social atmosphere, natural heritage and economic vitality. Supporting economic opportunities in Toronto's 140 neighbourhoods is a key area of action for City Divisions through various strategies such as Working as One Toronto: A Workforce Development Strategy for Toronto, and Toronto Strong Neighbourhoods Strategy 2020.



Arts Lab participants from the community arts sector strategize on collaborating to develop a 'ladder of opportunity' model for youth creative enterprise and career development. Photo courtesy of Fonna Seidu.

The development of this Strategy recognizes two important facets of community economic development, that being place-based community economic development and entrepreneurial capacity building.

Place-based Community Economic Development

Within the Toronto eco-system there are community-based organizations delivering business pre-incubation and incubation services in the neighbourhoods that they serve. An example would be the East Scarborough Storefront, working to foster economic vitality and resiliency in the Kingston Galloway/Orton Park community. Part of their programming serves food entrepreneurs through a kitchen incubator that enables small scale entrepreneurs to develop their ideas and products into a commercial scale enterprise. On the other end of the city, the Learning Enrichment Foundation offers a 13 week business skills training program that has enabled the formation of 40 startups, 16 of which are operated by newcomers to Canada⁵⁷. While these are prime examples of local impact, a gap in the eco-system is the delivery of incubation programming and the physical presence of innovation infrastructure at the neighbourhood level in Toronto. There are a number of community-based organizations that the City could seek to partner with to address this gap.

Moreover, main streets and commercial corridors in Toronto are facing a number of challenges. Some of these include an increase in vacant storefronts, a lack of succession planning leading to business closures, changes in the surrounding neighbourhood demographics, as well as, meeting the needs of a changing consumer base (digital adoption) to name a few. At the main street retail scale, Toronto's neighbourhood model of main street renaissance was the establishment of Business Improvement Areas (BIAs). The city is home to over 80 BIAs, which are a powerful part of the social and economic fabric and cultural identity of Toronto. Member businesses in BIAs contribute to community economic development by employing more than 400,000 people in both full-time and part-time positions⁵⁸. The festivals and events, in combination with the heritage and façade improvements in BIAs contribute to the exceptional quality of place and livability of Toronto. Keeping Toronto's main streets vibrant through supporting the formation and growth of traditional small businesses is crucial. The opportunity to explore incubation models that can fill storefront vacancies and activate under-utilized spaces are of interest to this Strategy. Lowering the barriers to entering the marketplace will allow retailers to test their concept in a low-risk environment through tools such as pop-up shops on Main Streets.

⁵⁷ Learning Enrichment Foundation, Employment Services – Entrepreneurship, 2015

⁵⁸ City of Toronto, About Business Improvement Areas, 2014



