



REPORT FOR ACTION

Startup Eco-System Strategy Implementation Update

Date: March 24, 2017

To: Economic Development Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

In 2015 City Council endorsed the City of Toronto Startup Eco-System Strategy that provided an approach for making Toronto the best place globally to start and grow a business.

The Strategy outlined three key goals and 31 action items for City staff to collaborate with stakeholders in the startup eco-system on implementation. Since 2015, a majority of these action items have been implemented and there has been remarkable growth and improvement in Toronto's startup community.

This report provides an overview of the action items that have been completed, some of the highlights that have been realized, and identifies tasks that still need to be completed.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. City Council direct the General Manager, Economic Development and Culture to report back to the Economic Development Committee in the fall of 2018 with a further update on the implementation status of the Startup Eco-System Strategy.

FINANCIAL IMPACT

The annual cost of Economic Development and Culture's business incubation of \$1,890,293 is funded entirely by the Toronto Port Lands Company (TPLC) for a net \$0 impact to EDC. Both expenditures and revenues are included in EDC's 2017 Approved Operating Budget. Expenditures of the program include operating grants for business incubators, as well as special projects and initiatives with a range of business incubators within the startup eco-system.

This report explores additional financial tools – a Business Incubator Loan Fund and a Permanent Property Tax Break for Business Incubators. These tools, requiring additional financial resources, will be brought forward in subsequent reports once further detailed plans can be developed and resources identified.

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

DECISION HISTORY

At its meeting on April 1, 2014 City Council requested the General Manager, Economic Development and Culture, in consultation with the Deputy City Manager and Chief Financial Officer to identify a recommended funding approach for the Business Incubation and Commercialization program for consideration in the 2015 budget cycle; and directed the General Manager of Economic Development and Culture to report back in the 2015 budget cycle on a strategic vision for business incubation activities across the City.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.ED29.10>

At its meeting on May 5, 2015 City Council adopted the recommendation to endorse Attachment 1 to the report (March 31, 2015) from the General Manager, Economic Development and Culture, From Concept to Commercialization: A Startup Eco-System Strategy for the City of Toronto, and directed the General Manager of Economic Development and Culture to report back, as part of the 2016 budget cycle with an implementation plan, including financial impacts.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.ED3.6>

COMMENTS

From Concept to Commercialization: A Startup Eco-System Strategy for the City of Toronto set forth an ambitious vision and strategic framework to enable the sustained growth and development of new businesses in Toronto, aiming to make Toronto's startup eco-system the preferred global location to start and grow a business.

Toronto is a regional driver of entrepreneurial activity, with approximately 98 per cent of all businesses being small (having fewer than 100 employees). 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 to year five. These are the most critical years in the growth of early-stage businesses. Specific policy and program interventions, such as supporting innovation infrastructure and programming (i.e.: business incubators and accelerators), can reduce these barriers and facilitate the sustainable growth of startups.

The City of Toronto is well-positioned to take a leadership role in building an environment for entrepreneurs to grow by supporting startup eco-system partners. Though there are many stakeholders in Toronto's startup eco-system, the Strategy is a rallying point and sets the course for how Economic Development and Culture (EDC) engaged with partners to build local entrepreneurial capacity, support regional economic development opportunities and catalyze Toronto's startup eco-system so that it is recognized as a global leader.

The startup community in Toronto was highly engaged during the creation of the Strategy, and continues to be engaged during its implementation by way of project teams and working groups.

The purpose of this report is to provide an update on the implementation of the Strategy and the successes that have been realized to date.

Strategic Framework

The Strategy was developed to reflect and grow what is unique about Toronto, while not seeking to replicate other startup communities across the globe. The strategic vision was developed by examining the strengths of Toronto's eco-system and mirrors the ambitions of stakeholders for Toronto to become a global startup community.

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

This vision is supported by 31 actions guided by the following goals:

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

This goal focuses on 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 under this goal.

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

This goal identifies actions to support startups and small businesses through a sectoral approach.

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

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.

Startup Eco-System Implementation Highlights

Over the past two years there has been remarkable growth in Toronto's startup eco-system and the support available for entrepreneurs.

There are now over 60 business incubators and accelerators supporting sectors ranging from technology and health sciences, to music and food processing. In some cases the City has played a direct role in this growth, while in other cases the City has enjoyed being the passive beneficiary of investments from other orders of government and private sector organizations. Overall, the result has been that a vast network of infrastructure to support entrepreneurs has been built.

A full overview of the City's work to implement the Strategy can be found in Appendix A. The following are some implementation highlights.

StartUp HERE Toronto

Working with a range of startup community leaders, the City led an initiative to develop a brand and platform to tell the story of Toronto's startup eco-system. The web platform www.startupheretoronto.com is managed by a community editorial board that oversees content development, aggregating news and events from Toronto's startup community in order to share it in one place, while also providing a directory of resources available for entrepreneurs. The site also creates unique content and profiles local entrepreneurs sharing their stories on why Toronto has been a great place to build a business.

Food Starter

In the fall of 2015 the City assisted in launching Food Starter, a relaunch of the Toronto Food Business Incubator. The incubator provides support for early stage food processing companies, providing shared production space and advisory support, aimed at helping entrepreneurs develop products and bring them to market. Food Starter currently services almost 100 food processing clients.

StartUp HERE Toronto Café

Working with over 30 business incubators and accelerators, City staff developed and launched the StartUp HERE Toronto Café on www.startupheretoronto.com as a Greater Toronto Area wide entrepreneur mentoring platform that connects entrepreneurs with advisors and mentors. The platform currently has over 1,300 members and has resulted in over 780 new relationships being developed between mentors and entrepreneurs.

Digital Main Street

To support Toronto's neighbourhoods, the City partnered with the Toronto Association of Business Improvement Areas and a number of corporate partners to develop and launch Digital Main Street. The platform (www.digitalmainstreet.ca) and program supports Toronto's main street businesses adopt new technologies to assist in operating and growing their businesses.

Digital Main Street Lab

The Digital Main Street Lab is an incubator that brings together Toronto's main street retailers to work with retail tech companies developing technologies in the city. The platform allows for retail tech companies to work with main street businesses to test and pilot their technologies.

Innovation Procurement Program

When developing the Strategy a key issue identified by technology startups was the need for the City to support the community through the purchase of new technologies being developed in Toronto. To support this goal, a new Innovation Procurement Program (similar to the City of Guelph's Civic Accelerator Program) has been developed with the assistance of Purchasing and Materials Management Division that will allow City Divisions to identify challenges they are facing, in which there are no off-the-shelf products that can solve the challenge and allow the local technology community to propose and develop solutions for these challenges. The new program will be launched later in 2017.

StarterSpace @Crossways

To support young people receiving Ontario Works who have business ideas, Economic Development and Culture and Toronto Employment and Social Services developed an incubator at the Crossways Employment Services Centre to provide training, mentoring and a grant to young entrepreneurs.

ResolveTO

The Strategy identified developing and launching a startup festival that showcases Toronto's innovation community. City staff partnered with a range of stakeholders to launch ResolveTO in the winter of 2017. The innovation festival attracted over 1,500 attendees and brought together corporate innovators with the startup community to solve a range of corporate and community challenges.

Outstanding Implementation Requirements

There are still a number of items that need to be developed and implemented as part of the Strategy, including additional financial tools to support Toronto's startup community. Two of these tools - a Business Incubator Loan Fund (which could take the form of loan guarantees) and a Permanent Property Tax Break for Business Incubators - are still being explored and, if viable and fundable, will come forward for Council consideration at a future date.

The overall goal of EDC's business incubation programming is to support the creation of businesses and jobs. Over 2015 and 2016, the program supported 41 incubator partnerships that resulted in 3,541 new jobs and 2,366 businesses. Based on the budget for the Business Incubation Program this resulted in an investment of just over \$1,000 to support the creation of each job.

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SIGNATURE

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ATTACHMENTS

Attachment A: City of Toronto Startup Eco-System Strategy Implementation Update - April 2017