

COMMUNITY ECONOMIC RESILIENCY FUND - INNOVATION FUNDING

EXECUTIVE SUMMARY

In 2016 February, the Priorities and Finance Committee approved \$7 million in Community Economic Resiliency Funds for Calgary Economic Development (CED) to accelerate implementation of the 10 Year Economic Strategy for Calgary. Of this amount, \$325 thousand earmarked for innovation work was held back pending a report back with further details about how CED would allocate these funds. The following report outlines the development and implementation of an innovation framework for Calgary that is being supported and driven by community and private sector leaders. Based on gaps identified in Calgary's innovation ecosystem, the report recommends that The City's \$325 thousand investment be directed to fund a portion of a \$750 thousand three year pilot between CED and Startup Calgary to enhance, expand, and deliver programs and services for early stage entrepreneurs. CED will evaluate progress after the first year of the pilot and update Council on the results to as part of the 2018 progress update on the Economic Strategy for Calgary. Through a fund development plan, CED will seek opportunities to leverage The City's investment to ensure sustainability. Any further requests for investment will be brought forward for Council's consideration through The City's 2019-2021 budget process.

ADMINISTRATION RECOMMENDATIONS

That the Priorities and Finance Committee recommend that Council:

1. Receive this report for information;
2. Approve the release of \$325 thousand from the Community Economic Resiliency Fund to Calgary Economic Development for the pilot detailed in this report; and
3. Request that Calgary Economic Development include evaluation results for the first year of the three year pilot as part of the annual report on implementation of the 10 Year Economic Strategy by 2018 May.

PREVIOUS COUNCIL DIRECTION / POLICY

2016 November 15, Council approved that the Committee recommendations contained in PFC2016-0906 be adopted as follows: That the Priorities and Finance Committee recommend to Council to defer the report on the allocation of \$325 thousand in Community Economic Resiliency Funding to support innovation in Calgary to no later than Q1 2017.

2016 June 13, Council approved that that the Committee recommendations contained in PFC2016-0476 be adopted as follows: That the Priorities and Finance Committee recommend to Council to defer the report on the development of an innovation framework for Calgary to no later than the 2016 October Priorities and Finance Committee.

2016 February 22, Council adopted that Administration recommendations contained in C2016-0176 be adopted, as follows: That Council: 1. Receive this report for information; and 2. Direct Calgary Economic Development to report back with Innovate Calgary and Administration to the Priorities and Finance Committee with a plan to develop an Innovation Framework for Calgary for approval no later than 2016 May prior to release of \$325 thousand of the \$7 million referenced in recommendation 1 of PFC2016-0081.

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2016, February 2, The Priorities and Finance Committee approved as amended that Administration recommendation 4 contained in PFC2016-0081 be approved, as amended, as follows: That the Priorities and Finance Committee recommend that Council: 4. Direct Administration to provide a supplementary report to the 2016 February 22 Meeting of Council containing more information as requested at today's meeting, with respect to Recommendations 1 and 2.

2015 December 18, Council adopted that the Priorities and Finance Committee recommendations contained in PFC2015-0959, be adopted, as follows: 1. File the Resolution contained in Report PFC2015-0959; 2. Retain the \$14.4 million in the Community Economic Resiliency Fund; and 3. Direct Administration to work with Calgary Economic Development, Calgary Housing and the Calgary Chamber of Commerce to determine options for the best use of these and other funds, and return to the Priorities and Finance Committee no later than 2016 February 02.

BACKGROUND

In 2016 February, Council approved \$7 million from the Community Economic Resiliency Fund for Calgary Economic Development Ltd. (CED) to accelerate implementation of the 10 Year Economic Strategy for Calgary. Of these funds, CED proposed that \$325 thousand be allocated to innovation-related work. While Council approved the allocation of the \$7 million, a plan to develop an Innovation Framework for Calgary was requested before the release of the \$325 thousand for innovation. Following deferral requests in 2016 June and 2016 November, Council directed that a report come back before the end of Q1 2017.

Since early 2016, CED has worked collaboratively with a coalition of community and business leaders, entrepreneurs, The City, and innovation-supporting organizations, including Innovate Calgary to develop and implement a framework to support and grow and a culture of innovation in Calgary. This work is directed and driven by the 10 Year Economic Strategy for Calgary, and is focused on refining and furthering the strategies and actions identified under “entrepreneurial energy” and “innovative energy.”

CED's full proposal, included as an Attachment to this report, outlines a “Rainforest” approach to an Innovation Framework for Calgary (described below) and proposes that The City's \$325 thousand be used to support CED to address the gap in programs and services for early stage entrepreneurs through a three year pilot program that seeks to enhance and expand the delivery of Startup Calgary programs.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

An Innovation Framework for Calgary – Adopting Rainforest Approach

Business leaders, innovation-related organizations, and community members have developed and are driving implementation of an innovation framework that adopts a “Rainforest” approach based on the book *“The Rainforest: The Secret to Building the Next Silicon Valley.”* Rainforest workshops were held in 2016 September and 2017 March, and there are over 150 members of a Rainforest network that are meeting weekly to set priorities, and align resources and effort. Local entrepreneur Brad Zumwalt has invested significant personal resources and time to drive

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the Rainforest approach forward. Leading agencies in this work include Calgary Economic Development, Innovate Calgary, Startup Calgary, the A100, Post-secondary Institutes, Civic Innovation YYC (Analytics Calgary), Alberta Innovates, and the Alberta Enterprise Corporation.

As an innovation framework, the Rainforest approach focuses on six areas: leadership; culture; frameworks, infrastructure, policies; resources; activities and engagement; and role models. To tailor this approach to Calgary, stakeholders have mapped the innovation-related work underway; identified gaps, emerging needs and opportunities; and sought to align activities and resources. Key gaps in Calgary include a need for better alignment of priorities between leading organizations, a stronger culture of trust; branding and promotion of Calgary as a centre of innovation; programming for early stage entrepreneurs; stronger mentorship and role models; supportive regulatory environment; and access to information, resources and support for entrepreneurs.

To respond to the gap in programming for Calgary's early stage entrepreneurs and to enhance the capacity of Startup Calgary to meet the needs of this group, CED is proposing that the remaining \$325 thousand from the Community Economic Resiliency Fund be used to fund a portion of a \$750 thousand, three year pilot program where Startup Calgary would transfer their operations to CED and operate as a CED business unit, allowing them to enhance and expand their programs (Attachment). CED would conduct an evaluation after the first year of the pilot program (2017 April 1 to 2018 March 31) and report these results as part of its progress report on the Economic Strategy for Calgary to Council by 2018 May. Evaluation results would be measured against targets established by CED in their proposal (Attachment) and would use a Results Based Accountability approach to identify progress. The total budget for the pilot is \$750 thousand. Any further requests for funding from CED for the remaining \$425 thousand would be referred to the 2019-2021 budget process in 2018 November for Council's consideration.

Startup Calgary is one of 20 grassroots Startup Canada Communities that aims to inspire and connect entrepreneurs by fostering the development and growth of startups, connect entrepreneurs, and support the local innovation ecosystem through activities and events. While Startup Calgary's current operations have strong community support and high participation rates, financial sustainability has been a challenge. Unpredictable funding has affected long term planning, program expansion, and marketing efforts. Startup Calgary's board has identified that the organization's focus on networking, connecting, and facilitating aligns with CED's core strengths as an opportunity maker, connector and storyteller. Operating under CED would provide a more predictable and stable funding model for Startup Calgary programs, improve internal controls and compliance, leverage CED's existing office space and IT infrastructure, and improve stewardship of the Startup brand. Administration supports CED's plan to create a fund development plan for sustainability of the programming past the three year pilot to leverage The City's funding by pursuing potential sources of earned revenue, provincial and federal government funding, and private funding.

The *Startup Development Phases* created by Startup Commons Global (Figure 1) demonstrates how a startup company develops and the programs and services they need across the

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continuum to help them grow and thrive. This provides a framework to understand the types of programs and services needed in Calgary:

Startup Development Phases

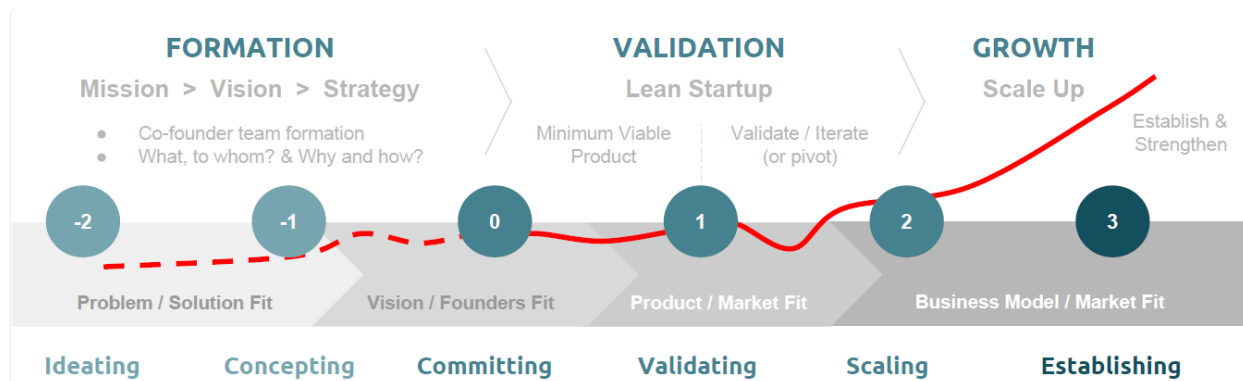


Figure 1 Startup Development Phases, Startup Commons

Innovate Calgary (Calgary Technologies Inc.), a City of Calgary Civic Partner and subsidiary, focuses on programs and services for start-ups in stages from -2 to +1. While Innovate Calgary does offer some early stage programs and services, they complement and enhance Startup Calgary's offerings and include support for entrepreneurs who are further along the startup development continuum. In the past, Innovate Calgary has worked collaboratively with Startup Calgary and provided annual funding to the organization. Both organizations refer clients to each other's programs when appropriate. Ongoing collaboration with CED during the pilot program and through the Rainforest network will help avoid duplication and increase access to programs for entrepreneurs at all stages.

Innovate Calgary and Startup Calgary have both seen a growth in demand. In 2015, 618 Calgarians sought support from Innovate Calgary and 641 in 2016; up from 355 in 2014. In 2016, applications to participate in Startup Calgary's signature Launch Party showcase event went from 32 to 46 and event attendance increased from 400 to 700 people.

CED has undertaken a due diligence process and proposed a mutually acceptable governance structure that includes Startup Calgary's board chair joining CED's board (results in Attachmnet). CED would work with Startup Calgary to transition its paid affiliation with the Startup Canada Communities network to CED to ensure the ability to use the Startup brand and access Startup Canada's services. Performance measures and targets for the pilot have been established based on Startup Calgary's 2016 participation rates. Startup Calgary's corporate entity will be wound up, and CED will not take on any obligations related to past activities; however its sole employee would become a CED employee.

CED's current area of work will benefit Startup Calgary's mandate through opportunities to increase promotion of Calgary's startup community; connect startups with trade, investment, and market opportunities; and convene business and government to create a business environment that supports startup development.

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Programming under the pilot would include early stage programs for incubators and accelerators; inbound innovation trade missions; support for innovation entrepreneurs; events including Pitch Nights, Startup Weekend, Launch Party; government relations; marketing and promotion; attraction of venture capital and private equity business managers; among other initiatives.

The alignment of Startup Calgary with CED mirrors the approach adopted in two other jurisdictions: Edmonton and Seattle. In both municipalities, the city's economic development organization acquired the local Startup chapter and provides funding support. This reflects both the strategic alignment of these two areas of work, and the challenges of funding a stand-alone Startup focused organization. Benefits also include improved internal controls, continuity of expertise from the existing board of directors, and leveraging of resources and supports including IT, HR, marketing and other areas.

Stakeholder Engagement, Research and Communication

Since the initial approval of \$7 million in Community Economic Resiliency funding, Administration, including Analytics Calgary, has worked with CED, Innovate Calgary and other key innovation ecosystem stakeholders to understand and map the needs in Calgary's innovation ecosystem. CED has worked collaboratively with a broad range of stakeholders that reflect the diversity of needs in the innovation sector. Under the newly formed Rainforest network, key stakeholders continue to work to align their efforts and resources to develop and support Calgary's innovation community.

Strategic Alignment

Increased programs and services for early stage entrepreneurs supports and enhances innovation-related efforts and diversification work under Action Plan and the 10-Year Economic Strategy for Calgary (Entrepreneurial Energy, Innovative Energy). Innovative energy is a key focus of the Economic Strategy, and this is a key example of the collaboration and coordination of existing resources needed for success.

Social, Environmental, Economic (External)

To be successful, entrepreneurs need a range of support at all stages. Programming that creates a strong network in Calgary supports mentorship and peer learning, and helps showcase the community's success stories.

In 2016, Statistics Canada reported that the majority of Canada's employers were small businesses that had between one to 99 employees (97.9 per cent in 2015). Over half of employers are micro-enterprises that employ one to four employees¹. Supporting growth of start-ups helps support this critical component of Calgary's economy. The proposed pilot supports implementation of the Economic Strategy for Calgary, in particular strategies and actions under Innovative Energy and Entrepreneurial Energy; and Action Plan's Prosperous City priority for 2015-2018.

¹ Statistics Canada. Key Small Business Statistics (June 2016)

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Financial Capacity

Current and Future Operating Budget:

The report recommends that Council release the previously approved \$325 thousand in Community Economic Resiliency to fund CED's proposed pilot program.

Any future funding requests related to the pilot program brought forward for Council's consideration would be referred to the 2019-2021 budget process in 2018 November. Future requests would include an evaluation report on the first year of the pilot (by 2018 May) and fund development progress.

Current and Future Capital Budget:

There are no impacts from this request.

Risk Assessment

As part of the due diligence review process, CED has assessed Startup Calgary's operational risks and identified mitigation strategies (Attachment). As a wholly owned subsidiary of The City and a Civic Partner, CED has an existing accountability framework in place, including annual report to PFC on the progress of implementing the 10 Year Economic Strategy for Calgary, annual report to the Standing Policy Committee on Community and Protective Services, annual report to Audit Committee, and inclusion in the in-camera Civic Partners Audit report to Audit Committee.

REASON FOR RECOMMENDATION:

This report outlines the development and implementation of a Rainforest approach to an innovation framework for Calgary that is being supported and driven by community and private sector leaders. Based on gaps identified in Calgary's innovation ecosystem, the report recommends that the remaining \$325 thousand in Community Economic Resiliency Funds be directed to fund a portion of a \$750 thousand three year pilot between CED and Startup Calgary to enhance, expand and deliver programs and services for early stage entrepreneurs.

ATTACHMENT

Calgary Economic Development Innovation Framework and Proposal