



Finance and Corporate Services Committee Agenda

Monday, April 22, 2024, 2:00 p.m. - 3:00 p.m.

Council Chambers - Hybrid

City of Kitchener

200 King Street W, Kitchener, ON N2G 4G7

People interested in participating in this meeting can register online using the delegation registration form at www.kitchener.ca/delegation or via email at delegation@kitchener.ca. Please refer to the delegation section on the agenda below for registration in-person and electronic participation deadlines. Written comments received will be circulated prior to the meeting and will form part of the public record.

The meeting live-stream and archived videos are available at www.kitchener.ca/watchnow.

Accessible formats and communication supports are available upon request. If you require assistance to take part in a city meeting or event, please call 519-741-2345 or TTY 1-866-969-9994.

Chair: Councillor S. Davey

Vice-Chair: Councillor B. Ioannidis

Pages

1. Commencement

The Finance and Corporate Services Committee meeting will begin immediately following the Special Council (in-camera) meeting at approximately 2:00 p.m.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

Members of Council and members of the City's local boards/committees are required to file a written statement when they have a conflict of interest. If a conflict is declared, please visit www.kitchener.ca/conflict to submit your written form.

3. Consent Items

The following matters are considered not to require debate and should be approved by one motion in accordance with the recommendation contained in each staff report. A majority vote is required to discuss any report listed as under this section.

- | | | | |
|-----|--|--|----|
| 3.1 | 2024 Natural Gas Supply Rate Change 1 - INS-2024-168 | | 3 |
| 3.2 | Charles Street Terminal - Memorandum of Understanding with the Region of Waterloo - DSD-2024-144 | | 7 |
| 3.3 | Outcomes of Accelerating Commercial Business Approvals Review - DSD-2024-159 | | 10 |

4. Delegations

Pursuant to Council's Procedural By-law, delegations are permitted to address the Committee for a maximum of five (5) minutes. All Delegations where possible are encouraged to register prior to the start of the meeting. For Delegates who are attending in-person, registration is permitted up to the start of the meeting. Delegates who are interested in attending virtually must register by 12:00 p.m. on April 22, 2024, in order to participate electronically.

- 4.1 Item 5.1 - Chris Albinson CEO, Communitech

5. Discussion Items

- | | | | |
|-----|--|------|----|
| 5.1 | Communitech Partnership - DSD-2024-145 | 45 m | 18 |
|-----|--|------|----|

6. Information Items

- 6.1 None

7. Adjournment

Dianna Saunderson

Manager of Council/Committee Services & Deputy Clerk

Staff Report



Infrastructure Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: April 22, 2024

SUBMITTED BY: Greg St. Louis, Director, Gas & Water Utilities, 519-741-2600 ext. 4538

PREPARED BY: Khaled Abu-Eseifan, Manager, Gas Supply and Engineering, 519-741-2600 ext. 4826

WARD(S) INVOLVED: Ward(s)

DATE OF REPORT: April 3, 2024

REPORT NO.: INS-2024-168

SUBJECT: 2024 Natural Gas Supply Rate Change No.1

RECOMMENDATION:

That the supply component of the natural gas rate be decreased to 11.63 cents per cubic meter from 16.70 cents per cubic meter for system gas customers of Kitchener Utilities effective May 1, 2024; and,

That the supply rate of natural gas be reviewed quarterly against market conditions and necessary changes to be brought forward for Council approval.

REPORT HIGHLIGHTS:

- The purpose of this report is to provide an update and recommendations to change the natural gas supply rate for Kitchener Utilities.
- The key finding of this report is that the supply rate is recommended to decrease from 16.70 cents per cubic meter to 11.63 cents per cubic meter to respond to lower market prices compared to forecasts.
- The financial implications to Kitchener Utilities residential customers will be savings of approximately \$80.69 or 9.3% in 2024 compared to 2023.
- This report supports the delivery of core services.

BACKGROUND:

Kitchener Utilities (KU) is committed to delivering natural gas using a rate setting approach that focuses on rate stability for our customers. We follow the Council endorsed Gas Purchase Policy for the procurement of natural gas. The policy outlines how much of our natural gas portfolio can be purchased in advance and on the spot market. It provides the ability to blend our natural gas rate with fixed and market price natural gas. The blending of fixed and market price natural gas is used to reduce volatility in prices to keep rates stable for customers. It is also used to respond to significant changes in market prices within a reasonable time frame. Although this feature is designed to soften spikes in market prices and provide longer range rate stability, it doesn't always protect against rate shocks that usually follows a delayed response to changing market conditions.

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

Other natural gas utilities, regulated by the Ontario Energy Board, purchase natural gas on the market and adjust rates quarterly, due to the volatility of natural gas. This strategy provides rates that are more reflective of market prices, but also includes more frequent rate fluctuations.

Kitchener Utilities last natural gas rate change was in November 2023. At that time, the supply rate was decreased with a plan to review the prices more frequently due to the anticipated volatility in market prices. This report aims to revise the supply rate based on updated market conditions. Kitchener Utilities is in a very good storage position and the proposed changes aim to timely adjust rates to benefit customers, avoid significant rate spikes and ensure reasonable rates are maintained.

REPORT:

Kitchener Utilities natural gas rates have two components: gas supply, and gas delivery. The gas supply program is responsible for the purchase of the gas commodity and transportation of natural gas to Kitchener and is a pass-through cost program. The delivery program is responsible for delivery of natural gas to customers. This includes billing, meter reading, capital, maintenance, and operating costs of the distribution system.

The purpose of this report is to decrease the natural gas supply rate for system gas customers. There are no proposed changes to the gas delivery rate at this time.

Gas Supply:

The natural gas market prices usually fluctuate with supply, demand, and weather factors. Kitchener Utilities relies on its purchasing policy to create a blended portfolio of hedging (fixed price contracts) and market price purchases. Along with the purchase policy, KU relies on the stabilization reserve to absorb sudden price increases and soften rate spikes. By the end of 2023, the supply rate was set to maintain the stabilization reserve in anticipation of high volatility in market prices. Actual market prices were lower than projected and the stabilization reserve is forecasted to be over the maximum limit by the end of 2024. As the supply program is a pass-through-cost program, the rate should be reduced to benefit customers. Current market prices are at a very low level caused by consecutive mild winters and good storage levels. However, prices are forecasted to increase later in 2024 and in 2025 as the demand for natural gas is forecasted to increase in response to the low prices. Additionally, more Liquefied Natural Gas (LNG) export facilities are planned to open. They allow the export of North American gas to international markets which would reduce the amount of gas available for local use. These conditions indicate the need to reduce the supply rate in 2024 while maintaining the stabilization reserve balance at the maximum limit at the end of 2024 given the uncertainty in market prices and the desire to avoid sudden rate shocks. This would provide financial benefits to customers as well as sufficient funds in the stabilization reserve to absorb market volatility and maintain rate stability. Depending on actual market prices, the ability of KU to continue to secure reasonably priced deals and actual gas consumption volumes, the supply rate should be reviewed frequently and changed as needed subject to Council approval. Therefore, staff recommends the following:

- Decrease the supply rate from 16.70 cents per cubic meter to 11.63 cents per cubic meter effective May 1st, 2023,
- Maintain the stabilization reserve at the maximum limit at the end of 2024,
- Continuously monitor market prices and recommend changes to supply rate if needed.

Figure 1 below shows historical and forecasted supply rate changes for Kitchener Utilities compared with market prices and Enbridge rates. The forward market prices are provided by KU's consultants. These consultants are natural gas subject matter experts who are hired to provide natural gas market analysis, forecasts, gas models and assist in purchasing KU's natural gas portfolio.

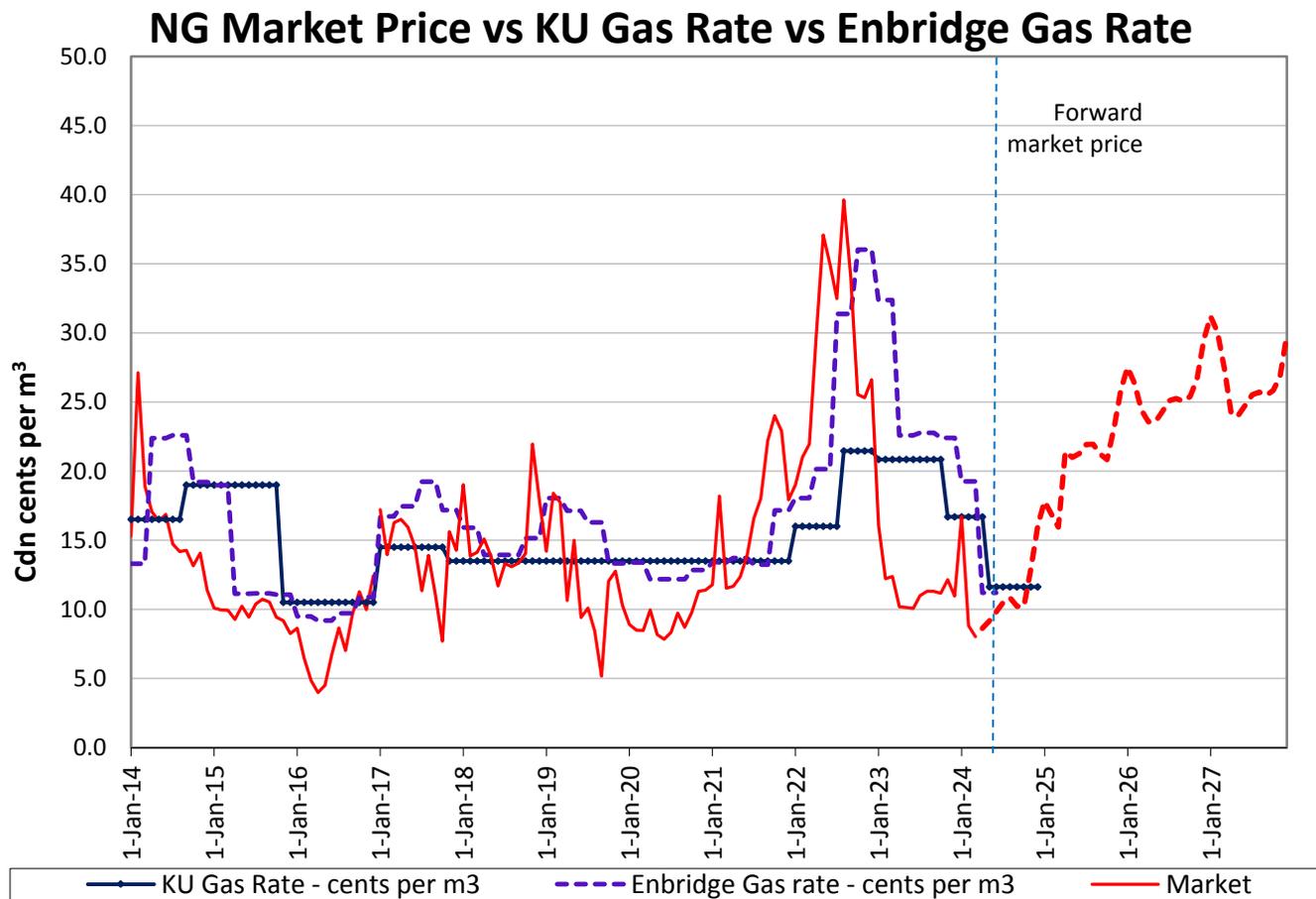


Figure 1: Natural gas supply rates comparison

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

The natural gas supply stabilization reserve balance is forecasted to be higher than the 2024 budget estimate and therefore, a decrease in the supply rate intends to keep the balance towards the maximum benchmark of the reserve in 2024. The supply stabilization reserve is needed to absorb fluctuations in market prices and soften rate spikes. Due to uncertainty and volatility of gas markets, this reserve should be at the maximum balance to avoid rate shock for KU customers.

The financial implications to Kitchener Utilities residential customers will be savings of approximately \$80.69 or 9.3% in 2024 compared to 2023.

COMMUNITY ENGAGEMENT:

INFORM - Kitchener Utilities will work with the Corporate Communications and Marketing Division to ensure that the rate change details are included in the Council Key Decisions media

brief. A bill insert will be distributed with utility bills along with posting information on the Kitchener Utilities' and City websites. An on-bill message will also appear on May 2024 natural gas bills.

This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

PREVIOUS REPORTS/AUTHORITIES:

- INS-2023-334: 2023/2024 Natural Gas Rates

APPROVED BY: Denise McGoldrick, General Manager Infrastructure Services.

ATTACHMENTS:

None

REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: April 22, 2024

SUBMITTED BY: Cory Bluhm, Executive Director of Economic Development
519-741-2200 ext. 7065

PREPARED BY: Cory Bluhm, Executive Director of Economic Development
519-741-2200 ext. 7065

WARD(S) INVOLVED: Ward 9

DATE OF REPORT: April 11, 2024

REPORT NO.: DSD-2024-144

SUBJECT: Charles Street Terminal – Memorandum of Understanding

RECOMMENDATION:

That the General Manager of Development Services be authorized to enter into a Memorandum of Understanding with the Region of Waterloo pertaining to the pre-development work on the Charles Street Terminal lands, including any additional approvals/documents required to facilitate the pre-development work, as described in report DSD-2024-144, with said documentation to the satisfaction of the City Solicitor.

REPORT HIGHLIGHTS:

- The purpose of this report is to authorize a Memorandum of Understanding with the Region of Waterloo that outlines the responsibilities and cost sharing structure of the joint work of the City and Region to prepare the Charles Street Terminal Lands for a future redevelopment.
- The key finding of this report is that a range of pre-development work is required in order to prepare the Charles Street Terminal lands for future redevelopments. As the Region and City each own a portion of the lands, the City will contribute accordingly.
- The financial implications are that the City will cover a proportionate share of the costs of pre-development work, paid to the Region at the time the land is sold.
- Community engagement includes an ongoing and extensive engagement process as part of the overall redevelopment of the Charles Street Terminal.
- This report supports **the delivery of core services.**

BACKGROUND:

The Region of Waterloo owns approximately 2.59 acres (88%) of 15 Charles Street West (Charles Street Terminal) and the City of Kitchener owns a 0.35-acre (12%) parking lot as part of the approximate 2.94-acre block. In June of 2021, Council directed City staff to collaborate with the Region to advance technical work for the Charles Street Terminal lands

(DSD-2021-95). Accordingly, Region and City staff have been collaborating on a comprehensive community engagement process. Simultaneously, the Region has led a range of pre-development work (ex: Phase 1 and Phase 2 Environmental Site Assessment) with City support. Council also directed staff to report back with a more detailed “Memorandum of Understanding”, which is the subject of this report.

REPORT:

The City and Region have been working collaboratively toward a future disposition and redevelopment of the overall Charles Street Terminal lands, to which the City owns a portion thereof. As the majority landowner, the Region has acted as the project lead with City staff supporting in various capacities.

City and Regional staff have developed a ‘Memorandum of Understanding’ (MOU) which outlines the obligations of each municipality, including the following terms:

- City staff shall participate in all applicable processes and provide any available documents pertaining to the lands;
- The Region shall be the final decision maker on consultant selections with the City providing input;
- The Region will lead all processes/preliminary work;
- The Region will carry all costs for preliminary work. At the time the land is sold to a purchaser, the Region will deduct the City’s portion of expenses from the purchase value. Should both Councils decide to discontinue the Charles Street Terminal process, resulting in no sale of the land, the City will reimburse the Region for its share of expenses incurred to that point; and,
- The signing of an MOU does not constitute approval by either Council of the future development of the Charles Street Terminal Lands, as such decisions will be subject to future Council deliberations.

Costs

The MOU further refines the anticipated costs of preliminary work which includes an extensive community consultation process. The total cost is estimated at \$840,000. This work includes, but not limited to, environmental work, technical studies, urban design briefs and a heritage impact assessment. City and Regional staff have agreed that costs associated with community consultation should be shared equally (with the City paying 50%) and costs associated with all other preliminary work to be proportioned to the percentage of land ownership (with the City paying 12%). The estimated City costs would be up to \$120,000.

This report seeks Council authorization for staff to enter into the MOU with the Region to guide this preliminary phase of work as described above. As certain preliminary works may require administrative or technical approvals by the City, staff recommend the General Manager of Development Services be authorized to make such decisions on Council’s behalf, subject to the satisfaction of the City Solicitor. Any decisions that would result in significant financial impact to the City would be referred back to Council.

STRATEGIC PLAN ALIGNMENT:

This report supports **the delivery of core services.**

FINANCIAL IMPLICATIONS:

Capital Budget – In 2021, Council had authorized up to \$100,000 from the Economic Development Reserve to cover costs associated with preliminary work. Staff are now recommending that the City’s costs would be reimbursed to the Region through the future land sale revenue for its portion of the lands. Should a land sale not occur, Council will be presented with options for covering incurred expenses, such as the Economic Development Reserve. City costs are now estimated to be up to \$120,000

Operating Budget – The recommendation has no impact on the Operating Budget.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

CONSULT – The Region and City have been collaborating since 2021 on a comprehensive community consultation to guide the future redevelopment of the Charles Street Terminal lands.

COLLABORATE – If applicable.

ENTRUST – If applicable.

PREVIOUS REPORTS/AUTHORITIES:

Report DSD-2021-95: Council endorsed a set of guiding principles and directed staff to collaborate with the Region to advance preliminary work on the Charles Street Terminal Lands. Staff were directed to report back with a more detailed ‘Memorandum of Understanding’.

APPROVED BY: Dan Chapman, Chief Administrative Officer

ATTACHMENTS:

None.

Staff Report



Development Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: April 22, 2024

SUBMITTED BY: Mike Seiling, Director, Building Division, Development Services, 519-741-2200 ext. 7669

PREPARED BY: Margaret Love, Manager, Service Coordination and Improvement, Development Services, 519-741-2200 ext. 7042

WARD(S) INVOLVED: All

DATE OF REPORT: March 25, 2024

REPORT NO.: DSD-2024-159

SUBJECT: Outcomes of 'Accelerating Commercial Business Approval' Review

RECOMMENDATION:

That the use of Building Enterprise funds to: (1) pilot a Project Manager for an 18-month staff secondment position and (2) support the implementation of initial improvements for the 'Accelerating Commercial Business Approvals' Strategic Plan project, including supporting a portion of the cost to develop a roadmap/handbook for business owners be endorsed; and further,

That the remaining funding in the Development Services Review capital budget be reallocated to support initial improvements for the 'Accelerating Commercial Business Approvals' Strategic Plan project.

REPORT HIGHLIGHTS:

- The purpose of this report is to share high-level outcomes from the 'Accelerating Commercial Business Approvals' Strategic Plan project, and to allocate Building Enterprise funds to pilot an 18-month secondment position and support the implementation of initial improvements.
- The key finding of this report is that financial resources are required to begin implementing the improvements from the 'Accelerating Commercial Business Approvals' Strategic Plan project, and that initial implementation can be supported by Building Enterprise funds and the remaining Development Services Review budget.
- The financial implications outlined in this report include a request to use Building Enterprise funds to: (1) support one full-time, temporary Project Manager position at approximately \$101,239 (Step 1) - \$126,550 (Step 4) per year (includes 29% fringe benefits) and (2) \$50,000 (one-time funding), plus approximately \$48,000 remaining capital funding from the development services review to support the implementation of initial improvements.

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

- Community engagement included one-on-one interviews with a cross-section of business owners that opened their business within the last 12 months, to gain insights into what it was like to navigate the City’s required processes for opening a business.
- This report supports **Creating an Economically-Thriving City Together: Focuses on growing an agile, diverse local economy powered by talented entrepreneurs, workers & artists; creating opportunities for everyone and a resilient future that propels our city forward.**

BACKGROUND:

As part of developing the City’s current Strategic Plan and 20-year vision for our community, businesses and community members identified Creating an Economically Thriving City Together as one of the five pillars in the Strategic Plan. Staff were subsequently directed by Council to review the City’s business permitting, approvals, and licensing processes to ensure that: (1) businesses can open their doors quicker, (2) the City is delivering first-rate customer service, and (3) Kitchener remains attractive to new businesses and entrepreneurs moving forward, particularly in a post-pandemic landscape when business attraction is critical. To deliver on this direction, in 2023, a new Strategic Plan project was identified: Accelerating Commercial Business Approvals. A Lean review of seven processes, administered within five internal business areas, was completed between September 2023 and March, 2024, which resulted in 55 improvement recommendations.

REPORT:

The objectives of the ‘Accelerating Commercial Business Approvals’ review were to:

- Streamline permitting, approvals and licensing processes for new business owners, relocating businesses, or businesses undertaking major renovations so that they can open their doors quicker;
- Ensure the City is delivering first-rate customer service; and,
- Ensure that Kitchener remains attractive to new businesses and entrepreneurs.

The following processes were reviewed end-to-end as part of a Lean review (note: process administrator/owner are identified in square brackets):

1. Zoning Occupancy Certificate [Planning Division]
2. Interior Finishing Permit [Building Division]
3. Business Licence [Legislated Services]
4. Permanent Sign Permits [Planning Division/Building Division]
5. Encroachment Agreement [Legal Services]
6. Patio Approval [Building Division]
7. Façade Grant [Economic Development]

There was an intentional focus on downtown/Mainstreet businesses, as this is where the majority of issues arise (e.g., conversion of older buildings, inaccessible buildings, constrained by space, etc.), however, this review and the improvements generated will eventually apply more broadly and will benefit new businesses across the city.

The review was completed over a 5-month period and involved engagement with business owners, City staff, and staff from the Waterloo Region Small Business Centre.

Based on estimates provided by business owners, the length of time to obtain the necessary approvals and open their doors for business ranged from five weeks to over a year, with the average being five months. The most difficult process to navigate and obtain approvals was identified by business owners as the 'Interior Finishing Permit' process (i.e., a building permit for interior construction/renovations), as it is a highly technical and complex process, requiring the expertise of design professionals to support business owners through the application, inspection, and approvals processes.

The top 10 process improvement themes recommended by business owners included:

1. Info package / handbook / roadmap document for businesses with steps to help plan properly (e.g., things to consider/what you need to know when opening, timelines, contacts, tips/tricks for each business type - restaurant, office, retail, checklist with the order to obtain approvals, etc.);
2. Project Manager/Liaison role – point person throughout the process;
3. Point person at the City for each service area, with staff hand-off at appropriate time;
4. Processes need to be less transactional and more invested in relationships and face-to-face contact;
5. Meeting upfront with key stakeholders in approvals process (identify issues / concerns, requirements, and expectations);
6. Mobilize quickly to find solutions to issues;
7. Have different streams for independent businesses and larger organizations / corporations;
8. Review resubmissions quicker;
9. Provide a 3-month reminder if building permit is still open; and,
10. Provide a 15-minute call ahead window for inspections (versus half day).

The above-noted recommendations for improvement were shared with the City's cross-disciplinary project team early in the process. The team built upon these ideas and spent several months exploring the 'current state' of our processes, understanding pain points and defining problems, identifying root causes, and developing additional improvement strategies. In total, 55 improvement recommendations were prioritized out of several hundred ideas that were generated. Over 50% of the prioritized recommendations are considered 'quick wins', meaning it is anticipated that businesses will experience a high impact from implementing the improvement, and a lower effort will be required by staff to implement them. A 2-year implementation plan was developed with staff leads assigned to support the implementation of the 55 prioritized improvements. Attachment A to this report provides a consolidated summary of the top prioritized improvements.

During the 2024 budget cycle, staff proactively requested funding to support the implementation of this Strategic Plan project, however, Council decided that the review should be completed and recommendations known prior to requesting funds for implementation. As the busiest season for many businesses is fast-approaching – summer – staff are bringing this report forward to begin implementing the prioritized process improvements.

To fund initial improvements, staff are recommending that the remaining capital budget allocated to the Development Services Review (DSR) be re-allocated and pooled with

funding from Building Enterprise to support initial implementation efforts from this review (as outlined in the Financial Implications section of this report). The rationale for this recommendation is that all the improvements from the DSR have now been implemented and 24 of the 55 prioritized improvements from this review directly impact Building Services processes.

There are two immediate improvements that require funding:

- (1) A new, 18-month Project Manager staff secondment, supported by Building Enterprise, that would act as the single point of contact/liaison for businesses and further streamline approvals processes – a pilot project that, if successful, would result in the development of a business case to make the role permanent (similar concept to the two PMs that support affordable housing applications/strategic projects in Planning division), and
- (2) The development of a highly visual and informative handbook-type document for navigating the City’s approvals processes, and will support planning and decision-making as businesses open, relocate or renovate – this requires third-party consulting services to support both content creation and graphic design.

These two improvements have been prioritized for funding as they align with the top two improvements recommended by business owners as well as staff.

Additional budget requests may be made as part of the 2025 budget cycle to support the implementation of additional improvements in year 2 of the 2-year implementation plan.

STRATEGIC PLAN ALIGNMENT:

This report supports **Creating an Economically-Thriving City Together: Focuses on growing an agile, diverse local economy powered by talented entrepreneurs, workers & artists; creating opportunities for everyone and a resilient future that propels our city forward.**

FINANCIAL IMPLICATIONS:

Capital Budget – The recommendation has the following impact on Capital Budget:

- The remaining capital funding from the Development Services Review (approximately \$48,000) will be used to support the implementation of initial recommendations from this review including, but not limited to, funding a portion of the handbook document for businesses.

Operating Budget – The recommendation has the following impact on Operating Budget:

- Building Enterprise funds will be used to support an 18-month secondment at approx. \$101,239 (Step 1) - \$126,550 (Step 4) per year (estimate based on interim rating and includes 29% fringe benefits) , and
- Up to \$50,000 of Building Enterprise funds will be used to support initial improvements from this review, including funding a portion of the handbook document for businesses (one-time funding).

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting and an email with this link has been sent to business owners who engaged with staff during the review.

CONSULT

- Customer feedback surveys undertaken in business licensing from 2018 – 2023
- One-on-one interviews with business owners in 2023
- Feedback survey circulated to business owners to prioritize solutions
- Future consultation on several improvements will include collecting feedback from business owners via workshops as well as feedback surveys
- The Kitchener Development Liaison Committee was engaged on March 22 and did not object to the use of Building Enterprise funds to implement the recommendations within this report as improvements will support faster permit approvals.

PREVIOUS REPORTS/AUTHORITIES:

There are no previous reports/authorities related to this matter.

APPROVED BY: Justin Readman, General Manager, Development Services

ATTACHMENTS:

Attachment A – Consolidation of Improvements & Summary of Benefits

Attachment A – Consolidation of Improvements & Summary of Benefits

Improvement	Enhanced Customer Service/ Satisfaction	Digitization/ Automation	Education/ Communication	Reduces Risk	Reduces Cost	Quality Improvement	Efficiency
Consistent customer service standards when booking inspections with City of Kitchener staff.	✓					✓	✓
Hire a project manager to support independent business owners in navigating City processes to obtain the necessary approvals required to open their business faster with a single point of contact to answer questions and help resolve issues. This role will also take on accountability for ensuring improvements from this review are implemented successfully.	✓		✓	✓	✓	✓	✓
Provide independent business owners with the option to request an on-site in-person pre-application meeting where representatives from Building, Fire, Licensing, Planning and Economic Development (as applicable) will attend to explain the potential approvals that will be required for the business to open, educate the business owner, provide guidance and build relationships. Pilot with downtown business owners with the potential to expand beyond the downtown if successful.	✓		✓	✓	✓	✓	✓
Hire a consultant to work with staff to develop a visual roadmap that business owners can use as their 'handbook' when opening a business in Kitchener. The guide will include simple steps to help plan for opening a business, the types of City approvals required for common business types (e.g. restaurants, offices, retail, services), and contact information.	✓		✓		✓	✓	✓
Support businesses owners by escalating significant technical/code issues from customers quickly to the management-level so a meeting can be held to discuss a resolution.	✓		✓	✓	✓		✓
Increase Fire Prevention Officer's capacity to complete inspections at businesses by ensuring there is equal coverage throughout the week and more consistent response timeframes.	✓				✓		✓
Undertake a review of the current licensing by-law to allow for multiple services under one licensing application to ensure City of Kitchener is aligning with current business best practices and trends as more of these types of businesses are opening. This will also ensure there are less fees for business owners and will reduce the number of inspections required before opening.	✓				✓		✓

Improvement	Enhanced Customer Service/ Satisfaction	Digitization/ Automation	Education/ Communication	Reduces Risk	Reduces Cost	Quality Improvement	Efficiency
Develop a pre-approved encroachment agreement template and delegate preparation and sign-off of Patio Approval encroachment agreements to the Manager and Director of Economic Development. A delegation report will be submitted to Council to eliminate the requirement for the Mayor's and Clerk's sign-off.	✓						✓
Formalize an internal process for confirming if an encroachment agreement is needed, identify circulation criteria that can be established with utility companies to only include them on encroachments that have a higher likelihood of impacting utilities, and create a centralized circulation and commenting process.	✓			✓	✓		✓
Identify the types of façade improvements that could lead to additional mandatory amendments and added costs for business owners and streamline the reimbursement process so business owners can get reimbursed faster.	✓			✓	✓		✓
Accelerate the issuance of permit approvals by: <ul style="list-style-type: none"> • redlining and approving drawings • beginning the detailed review of incomplete applications as soon as they are received • prioritizing resubmissions • requesting a phone or teams meeting with the applicant or consultant after their status letter is issued to ensure they understand the requirements 	✓		✓	✓	✓		✓
Staff to coordinate and host onsite pre-construction meetings with Fire and Building staff when permit approval is issued. Staff to print and bring approved/redlined drawing set, inspection schedule, and signage reminding contractors of top things to remember, for example, to call for inspections, leave work open if completed on weekends, etc.	✓		✓	✓	✓	✓	✓
Develop an occupancy letter template and begin to issue occupancy certificates that include what "occupancy" means and next steps to complete/close their permit. After occupancy is granted send regular, recurring, auto-generated emails to the business owner reminding them to complete the necessary work and call for an inspection if the permit is open after occupancy at the 6-month mark and every month thereafter until it is closed.	✓	✓	✓	✓	✓		

Improvement	Enhanced Customer Service/ Satisfaction	Digitization/ Automation	Education/ Communication	Reduces Risk	Reduces Cost	Quality Improvement	Efficiency
Streamline the inspections process by narrowing the call-ahead window, eliminating duplication between Fire and Building when providing initial comments and during onsite inspections, and copying business owners on all correspondence related to permit status and inspections.	✓	✓	✓		✓		✓
Building staff to follow-up with the business owner via auto-generated emails if inspections are not booked after the building permit has been issued to undertake an inspection of the site and to notify them that the permit can be revoked if work is not completed within 12 months.	✓	✓	✓	✓	✓		
Create a more streamlined application process for downtown patios with key dates and timelines, as well as simplified, visual instructions/tools for business owners to complete patio drawings.	✓	✓	✓		✓	✓	✓
Automate and digitize processes by adding them to the AMANDA portal / enhancing them within AMANDA, with the goal of having one integrated portal interface for the following processes: <ul style="list-style-type: none"> • Zoning occupancy certificate • Interior finishing permit • Business license • Sign Permits • Patio permit • Façade grant 	✓	✓		✓	✓	✓	✓

Staff Report



Development Services Department

www.kitchener.ca

REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: April 22, 2024

SUBMITTED BY: Cory Bluhm, Executive Director Economic Development
519-741-2200 ext 7065

PREPARED BY: Brian Bennett, Manager Business Development,
519-741-2200 ext. 7230

WARD(S) INVOLVED: Ward(s) All

DATE OF REPORT: April 11, 2024

REPORT NO.: DSD-2024-145

SUBJECT: Communitech Partnership

RECOMMENDATION:

That the Mayor and Clerk be authorized to execute a Partnership Agreement with Communitech as outlined in DSD-2024-145, subject to review by the City Solicitor; and,

That \$500,000 from the Economic Development Investment Fund 2.0 be allocated in each of the 2024 and 2025 budget years to Communitech for programming outlined in report DSD-2024-145; and further,

That the General Manager of Development Services be authorized to extend funding to Communitech for each of the 2026 and 2027 budget years, subject to the following:

- i) the availability of funding within the Economic Development Investment Fund 2.0, as outlined in report DSD-2024-145;
- ii) Communitech's adherence to the goals outlined in DSD-2024-145; and,
- iii) Staff's determination that the needs articulated in report DSD-2024-145 remain relevant.

REPORT HIGHLIGHTS:

- The purpose of this report is to renew the City of Kitchener's partnership with Communitech from 2024 up to 2027.
- The key finding of this report is that there is a need to supercharge the local startup ecosystem, with a particular focus on Downtown Kitchener, and Communitech is a key partner to deliver supports to startups and scaling companies.

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

- The financial implications are a \$500,000 investment in each of the 2024 and 2025 budget years. A further \$500,000 investment in each of the 2026 and 2027 budget years at the City of Kitchener's option, with funding coming from the Economic Development Investment Fund 2.0 subject to the stipulations outlined in DSD-2024-145.
- Community engagement included this report being posted to the City's website with the agenda in advance of the committee meeting. Communitech member organizations were interviewed as part of the proposed startup strategic alignment.
- This report supports **Creating an Economically-Thriving City Together: Focuses on growing an agile, diverse local economy powered by talented entrepreneurs, workers & artists; creating opportunities for everyone and a resilient future that propels our city forward.**

BACKGROUND:

The City of Kitchener has had a long-standing partnership with Communitech since its inception in 1997. In 2010, the City invested \$500K in the Communitech Hub to assist with its relocation to the Tannery located at 151 Charles St W, Kitchener. In 2016, the City invested \$1.5M in Communitech to assist with their expansion, leasehold improvements and expanded programming. This investment enabled Communitech to significantly increase their economic impact based on a study completed by Deloitte. In 2021, the City invested \$1.5M over 3 years to support growth in the founder, startup and scaleup sector due to the adverse impact the pandemic had across the business and technology sector.

Communitech has 1000+ members and operates the Communitech Hub where tech startups and scaleups are incubated, corporate innovation labs are located and coworking space is available for lease. The City of Kitchener has an Innovation Lab in the Hub, with a focus on solving municipal problems. Communitech helps anchor the Toronto-Waterloo Region corridor, the 18th largest tech ecosystem in the world in 2023, improving from 24th in 2022 according to CBRE. In addition to the Hub, Communitech supports the following initiatives:

CANHealth Network:

Coordinated Accessible National Health Network provides Canadian Health innovation companies with an integrated marketplace by removing common access barriers that prevent business from growing and scaling to their full potential and procurement.

ElevateIP:

Nationwide project to assist business accelerators and incubators to support startups in strategically managing and leveraging their intellectual property, with \$38M provided through Innovation, Science and Economic Development Canada.

Business and Economic Support Team Waterloo Region:

Communitech is an active participant of this initiative formed during the pandemic to support businesses.

REPORT:

Since 2010, Communitech has been a key partner in the transformation of Downtown Kitchener (and the broader community) into a globally relevant startup and tech ecosystem. However, the COVID-19 pandemic caused significant shifts to this ecosystem:

- Startup services (training, mentorship, etc.) were forced to transition from in-person to virtual platforms;
- A change to in-person office behaviours away from collaborative co-working environments to work-from-home offices; and,
- Major office-based companies opting for completely remote, hybrid or reduced footprint workspaces.

As a result, Downtown Kitchener has experienced significant negative impacts, including the following:

- Fewer startups operating in-person at the Communitech Hub, resulting in fewer collisions, networking and community building;
- The traditional funnel of companies graduating from the Hub and locating in office space in Downtown Kitchener has diminished;
- Major office companies wanting to locate downtown to be close to talent/emerging startups has diminished significantly; and,
- An overall loss of startup “buzz” that was prevalent prior to the pandemic.

This has contributed to a 27% office vacancy in Downtown Kitchener, one of the highest of any urban area in Canada. As such, staff are proposing a partnership with Communitech to “supercharge the startup pipeline” with a focus on local, in-person programming.

Proposed Partnership (Investment funding shown is annual)

To enhance the startup pipeline”, Communitech would deliver the following programming, on-site at the Hub annually, which requires an annual investment from the City of \$500,000:

1) *Supporting Founders exploring entrepreneurship* (\$200,000)

Activities will include:

- Create and execute a combination of community outreach and a series of discovery and validation stage programs for early-stage tech startups; and,
- Incubate 450 new startups annually, with the number of new startup companies to be reported quarterly and annually.

2) *Discovery Stage Bootcamp and Community events* (\$40,000)

Activities will include:

- Support 30-50 companies per year, with the bootcamp 8 weeks in length to refine ideas and identify potential markets;
- Dedicated cohort space; and,

- Four quarterly community events targeted at groups/individuals that are exploring entrepreneurship.

3) *Validation Stage Bootcamp* (\$20,000)

Activities will include:

- Support 20 companies to move from discovery to early validation.

4) *Startup Intensive Track* (\$20,000)

Activities will include:

- Support 5 late-stage startups/scaleups that are in early revenue generation and validation stages.

5) *Communitech Founder Showcase Event* (\$20,000)

Activities will include:

- Compliment the Communitech Annual Meeting, enabling bootcamp participants to showcase their companies through demonstrations and displays.

6) *Fierce Founders* (\$200,000)

Activities will include:

- Support underrepresented groups to establish and grow their ventures;
- Support 30 Fierce Founders annually through the Fierce Founders Bootcamp, Uplift and Intensive Track Programs;
- Support 10-15 companies per year focused on pre-validation, idea refinement and identifying potential markets;
- Deliver 'Uplift', a 7-month program to support 10 companies with each receiving \$10,000 in non repayable funding focussed on market sizing and go to market strategies;
- Expand leadership and business skills through one-on-one coaching; and,
- Deliver 'Intensive Track' a 9-12 month program for 10 companies focused on finding product market fit, growing revenue and investment attraction.

7) *MedTech Innovation* (no additional investment required by the City)

Activities will include:

- Develop the MedTech ecosystem programming, validation, IP protection, financial literacy, commercialization support and investment attraction; and,
- Host an Annual CEO dinner.

8) *Communitech Peer2Peer* (no additional investment required by the City)

Communitech will create connections between member companies by expanding their Peer2Peer networks through sessions and events.

9) Make It Kitchener Coworking Area & Recognition (no additional investment required by the City)

Communitech will establish a coworking area within the Hub, branded Make It Kitchener, providing free workspace for Founders of many of the above noted programs. For each of the programs listed above, Communitech will ensure Founders and participants are aware of the City's support for these programs.

Reporting

Communitech will provide the City of Kitchener with quarterly reporting on the objectives of each program and provide the City with a summary annual report.

Funding:

Not unlike the Waterloo Region Small Business Centre, Communitech is a program delivery organization. It can only deliver programs based on the funding it receives and generates. In order to deliver the scale of programming proposed above, the City would need to contribute \$500,000 annually. Communitech receives funding from both Fedev Ontario (Federal) and the Provincial Government, which is leveraged off the City of Kitchener's initial investment.

Communitech receives membership fees from its 1,000+ members. Pre-pandemic, Communitech's objective was to be funded more than 50% through the private sector with government funding providing the balance. The current ratio is 43% private sector and 57% government. Communitech plans to restore private sector funding in excess of 50%. Deloitte is currently preparing a new economic impact for fiscal 2024 which concludes with Communitech's year end of March 31, 2024.

Business Case:

The business case in Attachment A outlines the rationale for the City's continued support of Communitech.

Term:

To maximize impact, Communitech has identified the need to deliver the above listed programming over a 4-year period. Staff recommend committing to a 2-year initial term with conditions for extension by up to two years, based on two primary considerations – 1) the availability of funding, and 2) the uncertainty of the changing office market. As such, staff propose that funding be committed for 2024 and 2025. Funding for 2026 and 2027 would be subject to the following conditions:

- Land sale revenues having been added to the City's Economic Development Investment Fund 2.0 (EDIF 2.0);

- Communitech achieving the objectives and milestones contained in the partnership agreement; and,
- City staff determining that the needs and justification articulated in the attached business case remain relevant.

Should this approach be acceptable to Council, the decision to extend the term of the agreement would be delegated to staff based on the above conditions.

STRATEGIC PLAN ALIGNMENT:

This report supports “Creating an Economically-Thriving City Together: Focuses on growing an agile, diverse local economy powered by talented entrepreneurs, workers & artists; creating opportunities for everyone and a resilient future that propels our city forward”.

FINANCIAL IMPLICATIONS:

Through Make It Kitchener 2.0, Council identified the intent to invest up to \$7.5 million (through EDIF 2.0) to support a ‘City-Wide Startup Network’. The proposed partnership would see the annual contribution of \$500,000 allocated from this Area of Focus (up to \$2 million in total).

EDIF 2.0 contains 3 revenue sources – reserves, debt and land sales. As the City would not retain any capital asset through this partnership, debt funding is not eligible. As such, staff propose funding the initial 2 years through the reserve revenue. As there is limited reserve funding remaining, staff recommend years 3 and 4 be funded from future land sale revenues, provided said revenues have been achieved.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

CONSULT – Communitech member organizations were interviewed as part of the proposed startup strategic alignment.

PREVIOUS REPORTS/AUTHORITIES:

- [DSD-2021-43 Kitchener’s Economic Recovery Framework](#)
- [CAO-16-008 Communitech Expansion](#)

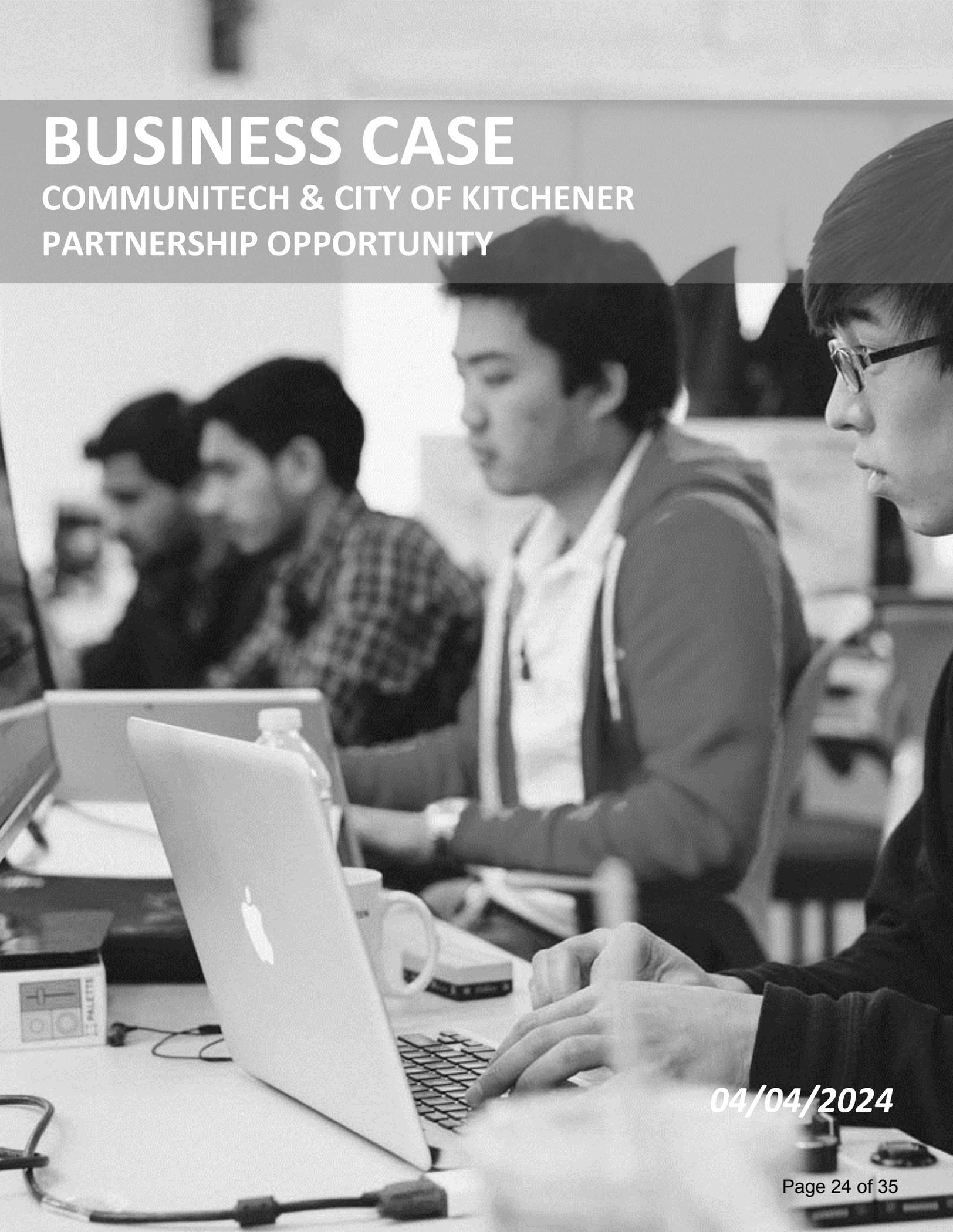
APPROVED BY: Dan Chapman, CAO

ATTACHMENTS:

Attachment A – Communitech Business Case

BUSINESS CASE

COMMUNITECH & CITY OF KITCHENER
PARTNERSHIP OPPORTUNITY



04/04/2024

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EXECUTIVE SUMMARY

Downtown Kitchener's office market has been significantly impacted as a result of the COVID-19 pandemic. A shift to hybrid work settings and the virtual delivery of start-up services has led to a significant increase in the office vacancy rate.

Despite the local impacts, Ontario's innovation technology sector remains strong, generating \$48.3 billion dollars of gross domestic product (GDP) in 2023 (representing 6.03% of Ontario's total GDP)¹. The innovation technology sector grew 22.4% between fiscal years 2021 and 2023 (exceeding Canada's overall economic rate of growth). With 22,000 technology companies employing more than 404,000 workers, Ontario has the second largest concentrated IT cluster in North America.

The City of Kitchener has had a long-standing partnership with Communitech since its inception. Communitech has played an integral role in the resurgence of Downtown Kitchener. With the 2021 partnership agreement expired, the City and Communitech have engaged in discussions to define a new partnership to recharge the start-up ecosystem in Downtown Kitchener by supporting start-up and scale-up technology businesses directly in the core.

The proposed partnership would see Communitech deliver on-site programming for up to four (4) years from 2024 to 2027. The City of Kitchener would contribute \$500,000 annually for fiscal years 2024 and 2025 funded by the EDIF 2.0 reserve fund. The City would reserve the right to extend the partnership agreement for \$500,000 annually for fiscal years 2026 and 2027.

By investing in the new partnership with Communitech, the City of Kitchener should realize the following economic impacts:

- Enhance the start-up/scale-up business pipeline;
- Attract Communitech graduates to locate in the City of Kitchener, specifically Downtown;
- Creation of innovation employment;
- Support the acquisition of start-up/scale-up business capital; and
- Generate new office space tenants for Downtown Kitchener.

¹ Source: Invest Ontario – IT Industry Profile, last modified January 22, 2024

BACKGROUND – THE CHALLENGES

In 2003, the City introduced the Economic Development Investment Fund (EDIF 1.0) with two clear objectives – to build a knowledge economy and to revitalize Downtown Kitchener. Since 2010, Communitech has been a key partner in the transformation of Downtown Kitchener (and the broader community) into a globally relevant startup and tech ecosystem. With the onset of the COVID pandemic (2020 – 2023), Communitech made a business decision to pivot their program and service delivery model from on-site at the Hub to remote/hybrid. The transition of the service delivery model significantly reduced the presence of on-site incubation of start-up businesses and reduced in-person program delivery. While Communitech continued to demonstrate a significant impact in the innovation sector, the economic benefits to Kitchener were impacted. In particular:

- What had predominantly been a place-based start-up ecosystem, centred at the Communitech Hub, shifted to a virtual ecosystem with less gravitational pull to co-working environments; and,
- A loss of community “buzz’ within the startup and tech communities due to the inability to offer and sustain in-person interactions through networking, events, collaborations and casual collisions, etc.

IMPACTS TO DOWNTOWN KITCHENER

Downtown Kitchener’s office market was a direct beneficiary of the work of Communitech and other similar organizations since 2010. Startup companies graduating from the Communitech Hub would often take up space in nearby office buildings. As some companies became more successful, they would often expand their footprint or move to new or multiple locations. In several instances, this resulted in underutilized buildings being adaptively repurposed for office space.

As a result of the global shift to hybrid work, spurred by the COVID-19 pandemic, Downtown Kitchener’s office vacancy rate has increased significantly. This is due to a multitude of factors. Many companies have abandoned their office spaces entirely in favour of a remote workforce, others have scaled their footprint back in favour of a hybrid workforce, while some have retained their workspace but decreased the number of employees who are present each day. Compounding these challenges, very little absorption (new office companies locating in the core) has occurred in the past 2 years.

Downtown Kitchener Office Space Statistics, Q4 2023 (Colliers)

Class	# of Bldgs.	Total Inventory	Total Vacant Space	Vacancy Rate	Net Absorption
A	12	1,305,351	309,196	23.6%	40,695
B	19	1,681,081	580,051	34.5%	-36,567
C	12	489,365	69,492	14.2%	-10,253
All	43	3,479,997	958,739	27.5%	-6,105

Most scaling companies from the Communitech Hub would gravitate to Class C space as the lease rates are more affordable for new companies.

The lack of office workers has contributed to an overall decrease in commercial foot-traffic during regular working hours. A University of Toronto study is monitoring activity levels (via mobile phone data) of numerous downtowns across North America. In the summer of 2021, cities had seen activity levels as low as 33% of pre-pandemic levels. Most recently, the following activity levels were reported from the Spring of 2023:

Downtown	% of Pedestrian Activity Compared to 2019
Ottawa, ON	82%
Toronto, ON	70%
London, ON	79%

Source: University of Toronto, School of Cities, Downtown Recovery Rankings (2023)

While there is no data on the impacts to Downtown Kitchener, it can be assumed that Kitchener’s current numbers would be similar to those shown in the chart above.

MAKE IT KITCHENER 2.0

The City of Kitchener’s economic development strategy – Make It Kitchener 2.0 – identifies innovation technology as a key area of focus for economic growth. It identifies an ambition to collaborate with industry and educational partners to become a global leader in innovation technology. The strategy identifies “A City-wide Startup Network” as a key area of focus for investment. This would result in the creation and support of spaces and programs that enable entrepreneurs to start, lead and scale-up innovative technology businesses while remaining in the Region. With the new Health Innovation Arena focusing on health and med-tech based companies, the SDG Idea Factory focusing on social innovation, and 44 Gaukel focusing on creative-based entrepreneurs, the Communitech Hub remains a key nexus to continue to grow tech-based startups.

COMMUNITECH

Launched in 1997 by a group of innovation founders, Communitech is a non-profit public-private innovation hub located in Downtown Kitchener that supports a community of more than 1,000+ innovation technology companies. Communitech provides access to talent, capital, incubation space, mentorship and programming, with supports that innovation entrepreneurs require for commercialization and success.

Communitech's technology programming has generated the following results in 2023:

- Served over 550 companies at various stages of development;
- Supported the creation of 325 start-up companies;
- Assisted local innovation technology companies raise \$400 million dollars in capital; and,
- Recruited and filled over fifteen hundred (1,500) new full-time and part-time employment positions.

As a service-delivery organization, Communitech is dependent on public/private funding to deliver core services to founders. With shifts in federal and provincial funding priorities, Communitech has seen a decrease in total funding from \$32 million to \$25 million over a three (3) year period, 2021-2023. Private sector funding represented 43% of funding in Fiscal 2023, public sector funding 57% of revenue. Without additional funding, Communitech will be unable to deliver the core startup services that were critical to expanding the ecosystem locally.



VISION

The City of Kitchener and Communitech are committed to forming a new partnership that will support the delivery of onsite support programming for start-up and scale-up technology businesses. The new partnership will grow the start-up business pipeline, attract Communitech graduates to locate in Kitchener, spur innovation employment and increase the demand for office space in Downtown Kitchener.

As part of the new partnership, Communitech would deliver the following on-site programming and achieve the identified performance benchmarks:

Supporting Founders Exploring Entrepreneurship:

- Create and execute a combination of community outreach, a series of discovery and validation stage programs for early-stage tech start-ups.
- Support the creation of 425 new start-up companies annually.

Discovery Stage Bootcamp and Community Events:

- Support 30-50 companies per year, with a bootcamp eight (8) weeks in length to refine ideas and identify potential markets.
- Four (4) quarterly community events targeted at individuals and groups that are exploring entrepreneurship.

Validation Stage Bootcamp:

- Support twenty (20) companies to move from discovery to early validation.

Start-up Intensive Track:

- Support 5-8 late-stage start-ups and/or scale-ups that are in early revenue generation and validation.

Communitech Founders Showcase Event:

- Compliment the Communitech Annual Meeting by enabling bootcamp participants to showcase their companies through demonstrations and displays.

Communitech Peer2Peer Program:

- Facilitates a minimum of ten (10) Peer2Peer groups annually.

Fierce Founders:

- Full-time project manager to support female identifying and underrepresented founders to establish and grow their ventures.

Fierce Founders Bootcamp:

- Host a bootcamp(s) to support 10-15 companies per year focused on pre-validation, idea refinement and identifying potential markets.

Fierce Founders Uplift:

- Deliver a 7-month program to support ten (10) companies with each receiving \$10,000 in non-repayable funding focused on market sizing and go-to-market strategies.
- Expand leadership and business skills through one-on-one coaching.

Fierce Founders Intensive Track:

- Deliver a 9-12 month program for ten (10) companies.
- Focus on finding product market fit, growing revenue and investment attraction.

Medtech Innovation:

- Support founders with validation, IP protection, financial literacy, commercialization, and investment attraction.
- Host an annual CEO dinner event;

Make It Kitchener Coworking Area & Recognition:

- Communitech would establish a coworking area within the Hub, branded Make It Kitchener, providing free workspace for Founders of many of the above noted programs.
- For each of the programs listed above, Communitech will ensure Founders and participants are aware of the City's support for these programs.

By providing a volume and diversity of start-up focused programming at the Communitech Hub provides the best opportunity to re-establish the “buzz” within the startup and tech community and the flow of prospective companies into downtown Kitchener office space.

OPPORTUNITY – BUSINESS CASE

Ontario's innovation technology sector generated \$48.3 billion dollars of gross domestic product (GDP) in 2023 (representing 6.03% of the Ontario's total GDP)². The innovation technology sector grew 22.4% between fiscal years 2021 and 2023 (exceeding Canada's overall economic rate of growth). With 22,000 technology companies employing more than 404,000 workers, Ontario has the second largest concentrated IT cluster in North America.

Startup Growth

In 2023, Canada recorded over three thousand (3,000) new business start-ups raising \$6.3 billion dollars. 44.17% of all Canadian start-up businesses are from the innovation technology sector: 23.63% - technology and telecommunications, 10.27% - pharmaceutical, medical and health, and 10.27% - insurance and financial. The growth of total early-stage start-up business activity in Canada over the past ten years has grown by 66.67%.

Tech Growth in Toronto-Waterloo Corridor

The Toronto-Waterloo Corridor is Canada's leading startup ecosystem, ranking as number 17 globally due to an impressive growth of 128 per cent. In 2021, a record \$7.7 billion went to startups in Toronto and Waterloo.³ Critical to the growth of the Corridor is the talent pipeline generated by local educational institutions: Waterloo Region is ranked #1 among small tech talent markets in North America and #4 in North America for tech talent quality.⁴

Downtown Office Space Availability

The City of Kitchener has a total inventory of 5,730,573 square feet of office space with an overall vacancy rate of 18.1%. Kitchener's downtown office space market has a significantly higher vacancy rate of 27.5% or 958,739 square feet. The net absorption of downtown office space in Kitchener continuing its negative trend: -121,592 square feet of net absorption for 2022 and -6,105 square feet of net absorption for the last quarter of 2023.⁵

Situated in the Toronto-Waterloo Corridor, the City of Kitchener has capitalized on the prosperity of the innovation sector by making strategic investments in key local institutions and organizations in the Waterloo Region ecosystem including the following:

- City of Kitchener invest \$1,500,000 over three (3) years in Communitech (2021-2023)
- City of Kitchener invested \$30 million in the UW School of Pharmacy;
- City of Kitchener invested \$500,000 in wet labs at UW Velocity in 2016;

² Source: Invest Ontario – IT Industry Profile, last modified January 22, 2024

³ Source: University of Waterloo – Toronto Waterloo Corridor highlighted in 2022 Startup Genome rankings, 06/22

⁴ Source: Waterloo EDC – Tech Feature Article, June 27, 2023

⁵ Source: Colliers – Waterloo Office Market Report

- City of Kitchener invested \$8.5 million in the UW Innovation Arena; and,
- City of Kitchener will invest \$450,000 in the City's Collaboration Space (Small Business Centre) in the UW Innovation Arena.

OPPORTUNITY FOR THE CITY OF KITCHENER

A new partnership agreement presents an opportunity for the City of Kitchener to continue to support a key organization in the regional ecosystem, outlining programming and funding conditions that ensure the City will maximize local economic impacts and create a cooperative business development relationship. The new partnership agreement with Communitech will be built on the following four (4) pillars:

1) **Bringing Start-Ups Back To The Communitech Hub**

Key start-up programming will be delivered on-site at the Communitech Hub including but not limited to Discover/Validation Stage Bootcamps, Start-up Intensive Track and Fierce Founders. The premise is to "supercharge" the start-up pipeline in Kitchener generating new business development, innovation employment and office space tenants.

2) **Support Start-Ups To Locate In The City Of Kitchener**

Develop a cooperative business development strategy to attract and locate new start-ups businesses graduating from Communitech programs in Downtown Kitchener.

3) **"Make It Kitchener 2.0" Cohort Space At The Communitech Hub**

A dedicated in-person cohort workspace in the Communitech Hub for founders and start-ups that provides branded presence of the City of Kitchener.

4) **Joint Communications Strategy**

Cooperative communications strategy to market the City of Kitchener to start-up innovation technology businesses, the City's role in supporting an enhanced start-up pipeline and the Make It Kitchener 2.0 branding.

INVESTMENT

If approved by Kitchener City Council, the City and Communitech would enter into a new partnership agreement to deliver onsite technology support and programming for up to four (4) years from 2024 to 2027. The City of Kitchener would contribute \$500,000 annually for fiscal years 2024 and 2025. The City would reserve the right to extend the partnership agreement for fiscal years 2026 and 2027. Funding would be conditional on the successful completion of stipulated programming and the achievement of stated benchmarks (as defined on pages 6 and 7 of this business case) and the availability of funding through EDIF 2.0. Communitech would agree to the following use of City funding:

- 1) Onsite and in person programming to accelerate the growth of start-up and scale-up technology businesses at the Communitech Hub;
- 2) Deliver entrepreneurial programming including the attraction and retention of program participants within Kitchener;
- 3) Deliver programming that supports diversity, equity, and inclusion through the Fierce Founders program;
- 4) Identify a co-working space within the Communitech Hub for program participants with mutually agreeable City of Kitchener branding;
- 5) Continue to house the City of Kitchener's Digital Innovation Lab in a mutually agreed upon location in Area 151 for the period of 2024 to 2027, which the City will continue to maintain and operate;
- 6) Supply the City of Kitchener with quarterly and annual reports of all partnership activities, including stipulated benchmarks; and,
- 7) Provide prominent recognition of the City's investment under the partnership agreement including digital, social media and promotional platforms.

In total, the City's investment could total up to \$2 million over 4 years.

CONCLUSIONS & RECOMMENDATIONS

Based on the size and growth of Ontario’s innovation technology sector, including the growth of new startups in Canada, the City of Kitchener is poised benefit through a new partnership agreement with Communitech. Given the current challenges with the Downtown office market, resulting from the shifts to hybrid and remote work arrangements, opportunity exists to drive more localized, in-person startup activity to the core. As evident by the positive impacts new startups had on Downtown Kitchener from 2010 to 2020, a significant increase in in-person startup services delivered by Communitech should, over time, support a decrease in Downtown’s office vacancy rate.

The proposed partnership aligns with the City of Kitchener s economic development strategy - Make It Kitchener 2.0. The partnership supports the Area of Focus “A City-Wide Startup Network” and can be accommodated with the funding allocations of the Economic Development Investment Fund 2.0 (EDIF 2.0).

In addition, the structure of the new partnership agreement would ensure that the City of Kitchener supports a key organization in the local innovation ecosystem and maximize the local economic benefits of the technology sector including but not limited to:

- Enhance the start-up/scale-up business pipeline;
- Creation of innovation employment;
- Support equity, diversity and inclusion through Fierce Founders
- Support the acquisition of start-up/scale-up business capital; and
- Generate new office space tenants for Downtown Kitchener.

Based on the foregoing, staff recommend entering into a new partnership agreement with Communitech to deliver onsite technology support and programming for up to four (4) years from 2024 to 2027 based on mutually agreed conditions and benchmarks/milestones and funding availability from EDIF 2.0.