

# Staff Report



Development Services Department

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**REPORT TO:** Finance and Corporate Services Committee

**DATE OF MEETING:** August 14, 2023

**SUBMITTED BY:** Bluhm, Cory, Executive Director, Economic Development  
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**PREPARED BY:** Brown, Jay, Economic Analyst, Economic Development  
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**WARD(S) INVOLVED:** Ward 9

**DATE OF REPORT:** July 27, 2023

**REPORT NO.:** DSD-2023-328

**SUBJECT:** Collaboration Space in the UW Innovation Arena

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## RECOMMENDATION:

That up to \$450,000 from the Economic Development Investment Fund 2.0 (EDIF 2.0) be allocated to support the completion of leasehold improvements for the City of Kitchener's space to be located at 280 Joseph St West Unit 2A, Kitchener Ontario; and further,

That the annual operating costs for Common Area Maintenance fees, estimated at \$17,500, be referred to the 2024 budget process; and further,

That the Mayor and Clerk be authorized to execute all documentation required to complete the transaction, including the execution of a lease agreement, in accordance with report DSD-2023-328, with said documentation to be to the satisfaction of the City Solicitor.

## REPORT HIGHLIGHTS:

- The purpose of this report is to present the business case for the City of Kitchener to invest up to \$450,000 for leasehold improvements for the City of Kitchener's space to be located in the University of Waterloo's Innovation Arena (Downtown Kitchener), which would be operated by the Waterloo Region Small Business Centre (WRSBC).
- The key finding of this report is that the establishment of a 5,000 square foot collaboration space for use by the Waterloo Region Small Business Centre (WRSBC) will support positive economic impacts by enabling health-based entrepreneurs and small businesses access to the UW Innovation Arena while enabling the WRSBC to provide co-work space, programming and supports tailored to health-based businesses.

\*\*\* 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 include an initial capital investment of \$450,000 from the Economic Development Investment Fund 2.0, and an annual operating cost of \$17,500 to cover Common Area Maintenance fees. Additional staffing resources will be contemplated through future budgets.
- During the development of Make It Kitchener 2.0, the community identified Health Innovation as the top economic growth sector for the City to invest in.
- This report supports A Vibrant Economy by undertaking industry business cases.

## **BACKGROUND:**

Throughout the community engagement that led to the creation of Make It Kitchener 2.0, health innovation was identified as a top growth priority for our local economy. The University of Waterloo (UW), in partnership and collaboration with the City of Kitchener, is developing a new 90,000 square foot innovation facility focused on health innovation, medical technology and deep science on the UW Health Sciences Campus located in Kitchener's Downtown Innovation District (280 Joseph Street West). The new Innovation Arena will include:

- Refurbishment of a 90,000 square foot warehouse already owned by UW on the Health Sciences Campus.
- The new home for UW's Velocity program expanding into 45,000 sq ft on the second floor
- Multi-use biosafety, clinical instrumentation, product development and wet lab space for small and medium sized enterprises (SME's), entrepreneurs and innovators; and
- Co-location with the Waterloo Region Small Business Centre (through the City of Kitchener) to support health entrepreneurs and practitioners grow their businesses.

Additional background information can be found in Attachment "A."

## **REPORT:**

As part of the City's \$8.5 million investment in the Innovation Arena, the City has the opportunity to lease 5,000 square feet for use by the Small Business Centre. The City has the option to for two 10-year terms for \$1 annually. The City would also be responsible for 50% of the common area maintenance (CAM) costs for the leased space including but not limited to electricity, natural gas, water, and maintenance. The annual cost is estimated at \$17,500.

The City of Kitchener would be responsible for 50% of the leasehold improvement costs, estimated at \$450,000, which includes construction costs (ex: partitions, doors, finishes, washrooms, kitchenette, etc.), furnishings and contingency.

The University of Waterloo is responsible for the procurement and project management of the proposed leasehold improvements. Fit out costs per sq ft of \$90 per sq ft compare favourably to industry middle range buildouts of \$81-135 per sq ft.

## **Business Case**

City staff have developed a business case (Attachment "A") to assess the benefit of pursuing the proposed space. Based on the projected growth in the health innovation industry and

the ability of the WRSBC to provide access to the Innovation Arena for non-tech health businesses, including tailored programs and services, staff recommend pursuing a lease agreement.

To support the required investment, staff recommend allocating up to \$450,000 from Economic Development Investment Fund 2.0 (EDIF 2.0).

**Benefits for the Small Business Centre Clients:**

The WRSBC would provide direct oversight of the space, utilizing existing programs, to provide local entrepreneurs and small businesses with the following health-industry focused supports:

- Programs & Training
- Advisory Services
- Hot Desk Space
- Networking
- Events
- Community Partners
- Collision of Ideas

Based on the WRSBC's current client base, it is anticipated that the following entrepreneurs/businesses would utilize this space:

- Paramedical Services – acupuncture, massage therapy, chiropractic, etc.
- Health, Wellness & Beauty – fitness, dietician, cosmetics, etc.
- Health Food – pre-packaged foods, supplements, etc.
- Counselling and Therapy Services – mental health, speech, addition, etc.
- Registered Health Services – Registered Practical Nurse, midwifery, etc.

The WRSBC currently operates from the SDG Idea Factory. Should THE MUSEUM be successful in developing a plan to expand its facility, the WRSBC may need to vacate the Factory as early as August of 2025. In this case, the Innovation Arena could become the primary location for the Centre.

**STRATEGIC PLAN ALIGNMENT:**

This report supports A Vibrant Economy by undertaking industry business cases. As part of the 2019-2022 Strategic Plan, Council directed staff to foster a citywide network of incubators, accelerators, and co-working spaces by undertaking business cases for health/med-tech industries (among others).

**FINANCIAL IMPLICATIONS:**

Capital Budget – The recommendation would require an allocation of \$450,000 from the Economic Development Investment Fund 2.0.

Proposed Funding Allocation EDIF 2.0

Total allocation to support Health Innovation (Make It Kitchener 2.0)	\$10,000,000
Funding committed to date	\$ 8,500,000

Proposed funding to support this space	<u>\$ 450,000</u>
Funding remaining for future allocation	\$ 1,050,000

Operating Budget – the proposed space would require an annual operating expense of \$17,500 to cover CAM fees. Staff recommend consideration of this expense as part of the 2024 Budget process. Should it be determined that additional staff resources could be needed to best support this space, those could also be considered as part of a future budget. In the meantime, existing WRSBC and City Economic Development budgets would support the activation of this space.

As the University of Waterloo has agreed to cover 50% of the leasehold improvement costs and 50% of the ongoing CAM fees, the proposed costs represent strong value to taxpayers.

**COMMUNITY ENGAGEMENT:**

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

CONSULT – as part of the development of Make It Kitchener 2.0, the community identified Health Innovation as a key sector for the City to invest in. This proposed investment supports this community direction.

**PREVIOUS REPORTS/AUTHORITIES:**

- 1) DSD-20-178: Make It Kitchener 2.0 – Health Innovation Partnership & Business Case

**APPROVED BY: Justin Readman, General Manager Development Services**

**ATTACHMENTS:**

Attachment A – Business Case: City Collaboration Space at UW Innovation Arena