



City of
Peterborough

To: **Members of the General Committee**

From: **Richard Freymond, Commissioner, Finance & Corporate Support Services**

Meeting Date: **March 11, 2024**

Report: **Innovation Cluster Loan, Report FCSFS24-005**

Subject

Report FCSFS24-005 is provided in response to the noted Council resolution of January 15, 2024 regarding deferral of the Innovation Cluster remaining loan owing to the City and identify the economic benefits to the community that would result if the City were to outright forgive the loan.

Recommendation

That General Committee approve the recommendation outlined in Report FCSFS24-005, dated March 11, 2024 of the Commissioner of Finance and Corporate Support Services as follows:

That Report FCSFS24-005 dated March 11, 2024 of the Commissioner of Finance and Corporate Support Services, be received for information.

Executive Summary

- Council resolution on January 15, 2024 directed staff to report back on the feasibility of deferral of the Innovation Cluster's remaining loan to the City, and for Innovation Cluster to identify the economic benefits to the community resulting from outright forgiveness of the loan.
- This report provides the requested information from that Council resolution.

- The Innovation Cluster's outstanding loan balance is \$154,523.03 plus 2023 accrued interest of \$8,422 for a total loan amount of \$162,945.03.
- Forgiveness of the loan would require funding the total amount from another revenue source, such as a transfer from reserve.
- Appendix A to this report includes a response from Innovation Cluster of the economic benefits to the community if the City were to forgive the loan balance owing.

Background

The "Innovation Cluster – Peterborough and the Kawarthas" (Innovation Cluster) is a not-for profit corporation that was incorporated January 7, 2004. It is not a local board of the City.

With approval of Report CLSFS22-005, the City entered into a five-year funding agreement with the Innovation Cluster for the period January 1, 2022 to December 31, 2026. One element of this agreement is that the Innovation Cluster will repay amounts owing to the City over the term of this agreement. The agreement stipulates a minimum annual payment equal to no less than 50% of the City's annual grant payment to the organization.

On December 11, 2023 the Innovation Cluster Executive Director, Camila Duarte, requested that Council consider a deferral of the remaining payments of the loan. This request was not included as part of the adopted 2024 budget.

At its meeting on January 15, 2024, Council passed the following resolution:

Whereas further to the request made to Council on December 11, 2023, by Camila Duarte, Executive Director of the Innovation Cluster, that Council forgive the Innovation Cluster's outstanding loan:

- a) That staff be directed to report back to Council on the feasibility of deferring the Innovation Cluster's remaining loan,
- b) That the Innovation Cluster be asked to clearly identify the economic benefits to the community that would result if the City were to forgive the loan; and
- c) That the report be brought back to Council in the first quarter of 2024.

This Report responds to Council's request.

As of December 31, 2023 the balance owing to the City from the Innovation Cluster is \$154,523.03 + 2023 accrued interest of \$8,422 for a total of \$162,945.03.

Strategic Plan

Governance & Fiscal Sustainability

Strategic Priority: Pursue service excellence in governance to support long-term fiscal sustainability of the City while respecting the impact of decisions on taxpayers.

Strategic Priority: Continue the work to strengthen our relationships with the provincial and federal governments, and our regional partners to make these relations more productive, collaborative, and complementary.

The Innovation Cluster is a regional partner that contributes to the economic development of the City. While forgiveness of the amounts owing to the City would provide benefits to the Innovation Cluster as noted in Appendix A, there would be a negative impact on the financial sustainability of the City through the use of reserves.

Engagement and Consultation

Appendix A to this report was prepared by Innovation Cluster staff, providing information about the economic benefits that would result in the community if the City were to forgive the loan.

Budget and Financial Implications

There are no budget and financial implications in approving this Report.

If Council desires to defer payment of the remaining loan balance to a later date, staff will prepare an amendment to the February 2022 agreement for Council's further consideration. The appropriate resolution would be as follows:

That in consultation with the Innovation Cluster, staff prepare an Amending Agreement to the February 2022 Agreement for Council's consideration, on terms acceptable to the Commissioner, in forms acceptable to the City Solicitor.

Alternatively, if Council wishes to consider outright forgiveness of the Innovation Cluster loan balance in its entirety, then an unbudgeted expense in 2024 of \$162,945.03 will result. To fund this expense, staff would suggest a draw from reserve equal to the amount of loan forgiveness. In reviewing the available reserves, staff suggest that this be drawn from the Future Assessment Loss reserve. The balance available in the Future Assessment Loss reserve is \$268,955. The appropriate resolution would be as follows:

That Council forgive the remaining loan outstanding in the amount of \$162,945.03 and that the cost be funded by a transfer in an equivalent amount from the Future Assessment Loss Reserve.

Attachment

Appendix A: Memo from Innovation Cluster dated February 16, 2024

Submitted by,

Richard Freymond
Commissioner, Finance and Corporate Support Services

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February 16th, 2024

Subject: Economic Benefits of Forgiving the Innovation Cluster's Loan

Dear City Officials and Mayor Jeff Leal,

I am responding to the Mayor's motion to forgive the Innovation Cluster's outstanding loan. As requested, I have prepared a report outlining the economic benefits to the community that would result from forgiving the loan, specifically focusing on the request outlined in part b) of the motion.

b.)That the Innovation Cluster be asked to clearly identify the economic benefits to the community that would result if the City were to forgive the loan

The Innovation Cluster in Peterborough and the Kawartha is crucial in driving economic growth and fostering entrepreneurship within our community. As a non-profit organization, the Innovation Cluster supports entrepreneurs at every stage of their journey, from inception to expansion. The Innovation Cluster empowers businesses through comprehensive programs, mentorship initiatives, and networking opportunities, directly contributing to job creation, economic diversification, and regional development.

Here are the economic benefits to the community that would result from forgiving the Innovation Cluster's loan:

Direct Job Creation: By the end of Q4 in 2023 alone, the Innovation Cluster supported 40 regional companies, supporting the creation of 300 new jobs. The job categories come from full-time paid, part-time paid, full/part-time unpaid, and students positions (internships and co-ops). These positions are created within the companies training the leaders of tomorrow with real-life business experiences. These jobs are designed and influenced by our programs, partnerships and advice from our experts. These companies are in different stages of development: ideation, validation, R&D, growth and scale. This means that regardless of the stage of the company, these entrepreneurs are creating opportunities for students, mature entrepreneurs, experienced professionals, and retired workers. These companies create jobs even in the pre-revenue stage as they build teams on research, technology creation or market validation. We are using the whole spectrum in the community to leverage talent and continue advancing the region. With the new accelerator program [LevelUp](#), we are supporting the faster growth of 13 companies that would create jobs and economic support for the [region](#).

These companies need storage space, commercial space, funding support, research and development tools, etc. The Innovation Cluster is the only organization that currently provides all these resources in one place to accelerate its growth efficiently, innovatively, and effectively.

Internationally, we are attracting companies through our StartUp Visa Program. In 2023, we supported 67 companies; on average, there were 5 team members, and each team member typically had 4 dependents. This totals 1340 people intending to land in the region per year. Those are 67 companies that are choosing to bring their companies and families

Appendix A

to the region, provided they find the right support in finding housing, commercial land, and cultural assimilation opportunities to stay and feel like they belong. We work with these companies for at least a year before they come to the region. They trust us with their families, finances and businesses when we sell them Peterborough. Our latest research project with Trent University focused on the assimilation of our landed clients in the region; we have found that our landed clients value our guidance and want to stay in Peterborough if we support them to do so. Our impeccable client service builds trust, and our company leads become a company and a family living in the city after their immigration process. We have partnered with mid-term rental companies that support the assimilation process for those companies and help them establish themselves here quickly while they find the proper space.

Additionally, partnerships, network opportunities and new teams are developed through events and collaborations with universities and colleges, further contributing to job creation and training for the entrepreneurs of today and tomorrow.

Talent Retention and Leverage: Forgiving the loan enables the Innovation Cluster to continue its efforts to retain talent and leverage the expertise of senior leaders, thereby avoiding brain drain and re-engaging valuable resources into the workforce. Collaborations with Trent University and Fleming College students contribute to talent development and retention within our community.

Without the Innovation Cluster, young entrepreneurs will leave the city, retiree expert knowledge will be lost, technology development will go in another direction, and the economy will not improve.

Community Economic Development: By partnering with the Innovation Cluster, businesses can access entrepreneurial research, targeted marketing, and programs supporting business growth and scalability. This collaboration fosters community revitalization, attracts investments, and reinvigorates local business landscapes, contributing to economic development.

Investment Attraction and Sector Development: The Innovation Cluster's success stories and expertise in nurturing specific sectors is attracting investors, showcasing the region's entrepreneurial potential. The Innovation Cluster catalyzes sector development through strategic partnerships and initiatives, driving growth and innovation within key industries.

Forgiving the Innovation Cluster's loan aligns with our community's economic development goals by supporting job creation, talent retention, business growth, and sector development. The continued partnership with the Innovation Cluster will benefit local businesses and contribute to our community's prosperity and vibrancy.

We are a team of passionate, driven professionals with a big vision and common goal: to contribute to the economic development of the City of the Future: Peterborough.

Please do not hesitate to contact me for further information or clarification.

Sincerely,

M Camila duarte M

Camila Duarte

Executive Director Innovation Cluster Peterborough and The Kawarthas