SUBJECT: Southern Ontario Development Program (FCS09111) (City Wide)

RECOMMENDATION:

(a) That the Projects, as listed in Appendix “A” of report FCS09111, be approved for consideration under the Southern Ontario Development Program;

(b) That the Projects, as listed in Appendix “A” of report FCS09111, be submitted in the amount of $14.4 million, in accordance with the terms and conditions associated with the Southern Ontario Development Program; and

(c) That copies of report FCS09111 be forwarded to local MP’s and MPP’s.

Roberto Rossini
General Manager,
Finance and Corporate Services
EXECUTIVE SUMMARY:

On October 2, 2009, the Government of Canada announced that applications are now being accepted under the Southern Ontario Development Program (SODP).

Its objective is to promote economic development, diversification and innovation.

The SODP was established as a core program of the newly created Federal Economic Development Agency for Southern Ontario (FedDev Ontario). It will build upon the assets and strengths of communities to create an environment where businesses can thrive, and maximize Southern Ontario’s potential to succeed in the knowledge-based economy.

Funding for this multi-year program will go towards projects that can stimulate local economies and enhance the growth and competitiveness of local businesses and communities.

Overall Agency funding in 2009-10 is $206 million. Of this amount, approximately $100 million has been allocated to the SODP, including $40 million initially announced for the first intake process. A top-up of $15 million for the first application intake of SODP, was announced on November 6, 2009 which brings the total amount of funding available for the first intake to $55 million.

On November 10, 2009, a new $20-million investment was announced by FedDev Ontario whereby applications will now be accepted under SODP for projects submitted by small- and medium-sized businesses involved in the manufacturing and processing of food and beverages. This new SODP intake has a deadline of December 22, 2009. Other aspects of SODP are to be announced shortly.

Eligible applicants located in Southern Ontario who may qualify for the $55 million SODP intake must meet one of the following criteria:

- is a commercial enterprise (note that the focus of this program will be for small- and medium-sized enterprises (SMEs), defined as having up to 1,000 employees);
  - the focus of this program will be on existing businesses with a proven track record that are looking to expand, modernize, innovate, and/or improve their competitiveness. Business start-ups will not be supported.
- is an SMEs group and/or association;
- is a non-profit organization whose primary mission is business support or economic development;
- is an organization or institution dedicated to the promotion and dissemination of knowledge and know-how, including colleges, polytechnic institutes, universities and teaching institutions;
- is an Aboriginal organization;
- is a municipality.
Sectors that are ineligible include:

- retail/wholesale;
- real estate;
- government services;
- accommodations and food services; and
- services of a personal or social nature.

Applications to access funding in 2009-10 will be accepted from October 2, 2009, to **December 1, 2009**. FedDev Ontario will favour projects that can be started quickly and completed by March 31, 2010. Multi-year projects may also be considered, if portions of the project costs can be incurred by March 31, 2010 and these projects must be completed by March 2014.

The Agency will review applications as they are received, and announcements will be made on an ongoing basis. A public announcement on any future intake for applications under SODP will be made once details are finalized.

Eligible applicants can submit more than one project for funding consideration. However, under SODP, multiple projects cannot be submitted under one application. Each project must be supported by a separate and fully completed application form to be considered. If an applicant submits more than one project, they must be ranked by the applicant in order of priority for funding consideration. Appendix “A” to report FCS09111 reflects the priority ranking for SODP Intake One.

Applicants must complete an application form, along with supporting documents, outlining how the project meets program criteria that will be the basis for assessing the projects to be funded:

- conformity with FedDev Ontario priorities (economic development, innovation and diversification);
- compatibility with SODP objectives;
- economic impact of the project;
- long-term economic viability of the project;
- incremental nature of the assistance;
- demonstrated financial need for implementation of the project, taking other existing funding sources into account;
- demonstrated evidence that the project meets a recognized need and significantly contributes to a region’s economic development;
- applicant’s management capacity;
- track record and viability of the enterprise or organization;
- applicant’s financial contribution to the project;
- degree of leveraging of commercial financing and other sources of financing;
- level of risk involved; and
- adverse impacts on competition.
Priority will be given to organizations or enterprises located in communities in Southern Ontario with populations of 500,000 or less, as well as, to communities whose economies are less diversified and/or are reliant on a limited number of employers. FedDev Ontario will take other federal government funding into consideration when determining eligibility under this program. Only in exceptional circumstances will FedDev Ontario consider using SODP funds to support projects that are eligible for funding under other federal government programs.

Projects that do not have other sources of funds confirmed will not be considered for funding under SODP. In all cases, applicants are expected to contribute a minimum of 10% of the eligible costs of the project.

Eligible costs include all expenses directly related to the project and deemed reasonable and necessary for its execution. Agency priorities, policy and guidelines are taken into account in the analysis of costs. Costs must have been incurred after the project has received the Agency’s approval.

For capital projects, up to 50% funding is available for eligible costs and for non-capital projects (eg. feasibility studies, business proposal development, marketing plans, etc) up to 75% funding is available for eligible costs.

Project proponents must commit to measure and report on the results obtained through the implementation of projects funded by FedDev Ontario.

The 2010 and 2011 Capital Budgets have not been funded or approved by Council. The sources of financing of the City’s contribution will vary and is dependant on the specific projects approved and the amount of funding approved. Once the Agency advises the City of Hamilton which projects have been approved, staff will report back to Council with a financing plan.

A cross-section of staff have reviewed a number of projects relative to the criteria and requirements under the SODP. The projects were evaluated, based upon staff’s interpretation of the criteria, as specified within the application process and the program guidelines.

Report FCS09111 requests Council’s selection of the projects to be submitted under the SODP.

**BACKGROUND:**

Announced in Canada’s Economic Action Plan, the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) was established to deliver federal economic development programs to support the priorities of workers, businesses and communities in Southern Ontario. Budget 2009 allocated $1 billion over five years for the new Agency.
One of the Agency's new programs, the Southern Ontario Development Program (SODP), will be a multi-year funding program to support productivity, innovation, commercialization, community economic development and diversification in Southern Ontario.

Overall Agency funding in 2009-10 is $206 million. Of this amount, approximately $100 million has been allocated to the SODP, including $55 million for the first intake process. Other aspects of the program will be announced shortly.

Applications to access funding in 2009-10 will be accepted from October 2, 2009, to December 1, 2009. FedDev Ontario will favour projects that can be started quickly and completed by March 31, 2010. Applications will be assessed based on merit and against SODP criteria. Applications will be reviewed as they are received by the Agency. The Agency, at a later date, may further refine the criteria for future calls for proposals.

This report, “Southern Ontario Development Program” (FCS09111) is requesting Council’s selection of the projects and approval to apply for SODP funding.

**ANALYSIS/RATIONALE:**

Funding under the Southern Ontario Development Program (SODP) will be awarded on the basis of applications competitively evaluated against the criteria outlined as follows:

- conformity with FedDev Ontario priorities (economic development, innovation and diversification);
- compatibility with SODP objectives;
- economic impact of the project;
- long-term economic viability of the project;
- incremental nature of the assistance;
- demonstrated financial need for implementation of the project, taking other existing funding sources into account;
- demonstrated evidence that the project meets a recognized need and significantly contributes to a region’s economic development;
- applicant's management capacity;
- track record and viability of the enterprise or organization;
- applicant's financial contribution to the project;
- degree of leveraging of commercial financing and other sources of financing;
- level of risk involved; and
- adverse impacts on competition.

Applicants must complete an application form, along with supporting documents, outlining how the project meets program criteria, in particular how the project aligns with FedDev Ontario’s priority areas:

**A. Competitiveness and Productivity**

Projects under this priority aim to foster the competitiveness and productivity of Southern Ontario SMEs. Project proponents should demonstrate, for example, that the project:
is in line with the business’ growth and innovation strategy;
will improve the technological capabilities of the firm;
will further the region’s economic priorities;
Examples of eligible projects include:
  ▪ the conducting of research and diagnoses on an enterprise’s needs and requirements;
  ▪ access to management consultants;
  ▪ the hiring of technology experts;
  ▪ technical testing of processes and equipment;
  ▪ implementation of advanced management systems;
  ▪ purchasing equipment and improving the technological capabilities of businesses;
  ▪ operational costs related to implementation.

B. Innovation and Commercialization

Projects under this priority aim to increase innovation and commercialization in Southern Ontario. Project proponents should demonstrate, for example, that the project will:

  ▪ help SMEs create new products, processes or services (or improve existing ones) and support their efforts to commercialize these innovations;
  ▪ support SMEs at developing or implementing export strategies for international markets;
  ▪ increase SMEs’ capacity to innovate, adopt leading-edge technologies or processes and develop markets.

Examples of eligible projects include:
  ▪ planning the development of new products, processes or services;
  ▪ marketing plans and market testing;
  ▪ pre-commercialization activities;
  ▪ acquisition of leading-edge technologies for R&D, design and commercialization activities;
  ▪ feasibility studies or preliminary market research for testing and experimentation projects;
  ▪ the conducting of diagnoses, market studies and strategic plans relating to sales, marketing and customer relations;
  ▪ the hiring of foreign market representatives; and
  ▪ participation in trade missions.

C. Community Development and Economic Diversification

Projects under this priority aim to foster the economic development and diversification of communities, as well as increase their mobilization and attractiveness. Project proponents should, for example, demonstrate that the project will:
help build communities’ capabilities in order that they may take charge of their own development;
- encourage entrepreneurship;
- increase the number of new and sustainable enterprises;
- attract and retain skilled labour.
Examples of eligible projects include:
- strategic planning;
- studies;
- business incubators;
- industrial parks;
- technology and innovation parks;
- entrepreneurship development and training;
- skills training;
- business support services; and
- internships.

As part of its project assessment process, the Agency requires that all projects conform to the environmental guidelines set out in the Canadian Environmental Assessment Act.

Priority will be given to organizations or enterprises located in communities in Southern Ontario with populations of 500,000 or less, as well as, to communities whose economies are less diversified and/or are reliant on a limited number of employers.

FedDev Ontario will take other federal government funding into consideration when determining eligibility under this program. Only in exceptional circumstances will FedDev Ontario consider using SODP funds to support projects that are eligible for funding under other federal government programs.

Projects that do not have other sources of funds confirmed will not be considered for funding under SODP. In all cases, applicants are expected to contribute a minimum of 10% of the eligible costs of the project.

Eligible costs include all expenses directly related to the project and deemed reasonable and necessary for its execution. Agency priorities, policy and guidelines are taken into account in the analysis of costs. Costs must have been incurred after the project has received the Agency’s approval.

For capital projects, up to 50% funding is available for eligible costs which include:

- The construction or acquisition of a building.
- Machinery and equipment needed for the project.
- Working capital requirements related to an expansion project.
- Site improvements such as land clearing and paving required for the project.
- Leasehold improvements required for the project.
- Leased equipment and expenditures under conditional sales contracts.
- Infrastructure (such as water and sewer) required for a specific business development initiative.
- Intangible assets such as patents, trademarks and licenses.
Start-up costs such as insurance and interest capitalized during construction.

For non-capital projects up to 75% funding is available for eligible costs which include:

- **Marketing**: Includes the development of a marketing plan, the hiring of marketing expertise to implement the plan, and related marketing activities such as labelling, packaging, promotional materials, advertising, product demonstrations and participation at trade shows.
- **Training**: Includes the development of a training plan, the hiring of training expertise to implement the plan and related activities such as training materials, seminar fees, and wages during the time that employees received off-the-job training.
- **Productivity/Quality Improvement**: Includes the development of a productivity or quality improvement plan, the hiring of expertise to implement the plan, and related activities such as obtaining a recognized quality certification such as ISO, and the cost of needed technical equipment.
- **Innovations**: Includes costs related to researching and developing new or improved products, services and processes such as the labour costs of expertise, materials, special equipment, testing and patents.
- **Consultant Advice**: Includes the cost of hiring a qualified consultant to prepare a business plan, feasibility study, investigate licensing opportunities, conduct a venture capital search, technology transfer search or provide advice to improve your business skills.
- **Contract bidding**: Includes the cost of improving your competitive ability to bid on and acquire public and private sector contracts.
- **Business proposal development**: Includes the cost of turning your idea into a viable business proposal, for example, the completion of feasibility study, prototype development, and gathering information on markets and raw material suppliers.
- **Business Support**: Not-for profit organizations may qualify for assistance towards activities that support the business community, entrepreneurship or economic development.

This program, similar to previous programs, has accountability provisions. Successful project proponents must commit to measure and report on the results obtained through the implementation of projects funded by FedDev Ontario.

Eligible applicants can submit more than one project for funding consideration. However, under SODP, multiple projects cannot be submitted under one application. Each project must be supported by a separate and fully completed application form to be considered. If an applicant submits more than one project, they must be ranked by the applicant in order of priority for funding consideration.

Project proposals were evaluated, based upon staff’s interpretation of the criteria, as specified within the application process and the program guidelines. Based on the SODP criteria, staff believe the highest probability of success for the City would result from applications being submitted as listed in Appendix “A” to report FCS09111.
ALTERNATIVES FOR CONSIDERATION:

There are no alternative considerations.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial - The 2010 and 2011 Capital Budgets have not been funded or approved by Council. The sources of financing of the City’s contribution will vary and is dependant on the specific projects approved and the amount of funding approved. Once the FedDev Ontario advises the City which projects have been approved, staff will report back to Council with a financing plan.

The City has the funding capacity to complete all these projects more specifically, various methods and sources of funds (i.e., reserves, debt, Development Charges, etc.) will be utilized to finance the projects once grant approvals are received.

Staffing – N/A.

Legal - N/A.

POLICIES AFFECTING PROPOSAL:

N/A.

RELEVANT CONSULTATION:

Community Services Department – Culture Division
Economic and Planning Department – Tourism Division
Economic and Planning Department – Economic Development & Real Estate Division
Economic and Planning Department – Downtown & Community Renewal Division
Economic and Planning Department – General Manager’s Office
Economic and Planning Department – Administration

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☐ Yes ☐ No

Environmental Well-Being is enhanced. ☐ Yes ☐ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No
In September of 2009, Hamilton City Council endorsed the concept in-principle, of creating a Hamilton Waterfront Development Corporation. The Corporation will be municipally owned, but will operate independently of the municipality through a separate corporate structure. City staff have been directed to report back to COW with recommendations regarding a specific mandate, governance structure, staffing, and financial funding model for a Hamilton Waterfront Development Corporation, and the parameters of a legal agreement that would be required to establish the Corporation.

To date, the mandate, governance structure, and staffing model are in-progress.

It has become apparent however, that although municipalities are involved in the development industry through its legislative planning and development roles, internal municipal staff do not have the necessary experience or expertise to develop a financing model that would blend public sector values, within the content of a private-sector development model.

This project would be focused on a business development proposal to establish a sustainable financing and investment model for the Hamilton Waterfront Development Corporation. It is envisioned that this project would utilize the advice of external consultants, with solid experience within the private-sector development industry, to develop a business plan and financial feasibility study. This project would cover the following:

1. Research financing models of development corporations in various jurisdictions
2. Create a range of options on the initial upfront capital investment required to establish the development corporation with forecasted development goals and rates of return for the various options
3. Establish a range of development financing models that could be employed by the development corporation on a project-by-project basis
4. Create a financial sustainability plan for the development corporation

**Total Project Cost:** $100K - $100K non-capital SODP request

**Current funding:** None identified
### West Hamilton Innovation District Expansion

**City Of Hamilton, SODP Intake One Priority Two**

In preparation for the redevelopment of the West Hamilton Innovation District (WHID) and its connection to the McMaster Innovation Park (MIP), there are a number of infrastructure projects and upgrades that must occur. Specifically, the redevelopment and construction of Frid Street which may involve the remediation of potentially contaminated soils within the road allowance and will also include the installation of new water, storm and wastewater infrastructure.

Frid Street has been identified as the major arterial road in WHID that will eventually connect this high technology business park to MIP and Longwood Avenue. This is critical transportation infrastructure that will stimulate new non-residential development in the form of new knowledge based companies, the creation of new high paying jobs, and significant new non-residential tax assessment.

**Total Project Cost:** $4.3M - $1.8M SODP capital request  
**Current funding:** $400K Dev Charges, $2.1M Municipal

### City of Hamilton Protocol and Curatorial Centre at Auchmar

**City Of Hamilton, SODP Intake One Priority Three**

The use of Auchmar as the City of Hamilton Protocol and Curatorial Centre at Auchmar (PPCA) is an innovative and progressive readaptive use of a heritage site. Auchmar is an excellent and rare surviving example of Gothic Revival residential architecture. It is also significant for its associations to a prominent Hamilton figure and its associations to important African Canadian history.

The purpose of the PPCA is to:
- provide a site for civic use including a curatorial centre, a conservation lab, and several meeting spaces for civic hearing and protocol events.
- to open the restored heritage grounds for the enjoyment of the public and visitors, and,
- provide a public space dedicated to the story of black history in Hamilton.

The project will implement an adaptive re-use of a significant heritage building, including several major components.

**Total Project Cost:** $10M - $10M SODP capital request  
**Current funding:** None