

Our File/N/Réf.
Your File/V/Réf.

DATE 13 March 2000

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Executive Director, Economic Affairs

SUBJECT/OBJET **OTTAWA LIFE SCIENCES COUNCIL (OLSC)**
REQUEST FOR GRANT

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council approve a one-time grant of \$95,000 to the Ottawa Life Sciences Council to support their operations for the year 2000.

BACKGROUND

The Ottawa Life Sciences Council (OLSC) is one of four external agencies which receive operating grants from the Region on an annual basis to support activities related to economic development in the Region.

In 1999, Regional Council approved an amount of \$147,000 for the OLSC and the same amount was also approved for the year 2000.

The OLSC has recently advised that it is experiencing a severe cash flow situation and has formally requested, copy attached, a one-time grant of \$95,000 to support their operations for the balance of 2000.

DISCUSSION

The life sciences sector is one of seven clusters identified as part of the Plan for Economic Generators project initiated by the Ottawa Partnership (TOP) to carry out a detailed examination of the region's economy and identify Ottawa's current and future economic generators, the engines that power the economy and create wealth in the community.

Although still quite small in the Ottawa region, this cluster has very significant growth potential and will continue to need on-going support and attention to realize its full potential. The recent announcement by the Province of Ontario on the creation of the Ontario Government's Biotechnology Commercialization Fund, also confirms the Province's interest in this sector.

Proposals for the development of an Ottawa Biotechnology Incubation Centre and of an Ottawa Biotechnology Institute have been developed by the OLSC and submitted for funding to the Province. The Region supports these initiatives and believes that their implementation would provide key elements in the local economy to contribute to the accelerated growth of this cluster.

Discussions have been held with the OLSC concerning their cash flow situation and it has been agreed that the OLSC needs to be much more focused in its approach. Currently, the OLSC is involved in the marketing and development of the Ottawa Life Sciences Technology Park and because of some recent serious interest in erecting a second building in the park, has been quite involved in efforts surrounding the building. Discussions have been held between the Region, the City of Ottawa and the Executive Director of the OLSC to address the situation, with the result that the City of Ottawa, effective immediately, will take the leadership role for all land and building development related issues in the Park.

Also, as part of the terms of reference for the Plan for Economic Generators, the consultant will review the mandate of the various agencies involved in economic development, including the OLSC, and based on best practices and their experience in this field, will recommend to TOP an approach to best utilize these agencies in the future.

Based on the fact that the life sciences sector is one of seven engines that power our local economy, and based on the growth potential and recent activity shown in that cluster, and given the review of mandates currently underway for external agencies, the Economic Affairs Office believes that it is appropriate to support the continued operations of the OLSC for the balance of 2000.

FINANCE DEPARTMENT COMMENT

The funding of a one time operating grant in the amount of \$95,000 to the Ottawa Life Sciences Council was not included in the 2000 Budget as adopted by Council on December 22, 1999. Should the Committee wish to recommend that Council approve the grant, uncommitted funds are available in the Region Wide Capital Reserve Fund. The uncommitted balance in this Fund as of December 31, 1999, is approximately \$2.8 million. This balance does not reflect the 1999 year end operating results of the Region Wide Operating Fund.

*Approved by
Réjean Chartrand*



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March 14, 2000

Mr. Robert Chiarelli
Chair
Regional Municipality of Ottawa-Carleton
111 Lisgar St.
Ottawa, Ontario
K2P 2L7

Re: Request for Funding

Dear Mr. Chiarelli,

As per my discussion with your office and RMOC staff, I am writing to formally request a one time injection of \$95,000 for the Ottawa Life Sciences Council (OLSC) to deal with the increased activity in the life sciences sector and a serious cash flow situation.

The OLSC's base funding from RMOC is \$147,000 per annum. Each year, the OLSC leverages over 4 times this amount in additional funding from private and public sector sources. Last year, the OLSC's budget totaled more than \$700,000 - salaries, rent and administrative expenses represented some \$375,000. The remainder of the budget is directed towards a series of cluster building activities and projects including the OLSC annual conference which also generates revenues to support the base.

When the OLSC submitted its budget in October of 1999, we did not foresee the impact of three major projects on our time and resources:

Ottawa Life Sciences Technology Park (OLSTP)

- transfer of project land to the City of Ottawa and termination of marketing support to OLSC by the Ontario Development Corporation (loss of \$42,000 in revenue).
- development opportunity for up to 11 companies representing an additional 200,000 sq. ft. in the Park

Bioproducts Institute

- opportunity to develop a new Bioproducts Institute on the former Centre for Farm Animal (CFAR) site on Woodroffe Avenue

Ottawa Biotechnology Incubation Centre

- the opportunity to attract over \$6 million in Provincial funding for two new incubator centres to house start-up biotechnology companies (CFAR and OLSTP sites)

Background

As you are aware, the Ottawa Life Sciences Council was formed in 1994. Its mandate is to facilitate and promote growth in Ottawa's Life Sciences Sector. Over the past five years, the OLSC's record of achievements include:

- a doubling of the number of companies since 1995
- OLSC Annual Conference has grown into Canada's largest and most successful life sciences conference
- reinvigorated the Ottawa Life Sciences Technology Park (full leasing of existing facility)
- development of a major human resources initiative (report to be released in April 2000)
- significant progress towards a Regional Health Information System (former OCHIP project - report finalized in February 2000)
- several consortia under development including genomics, DNA chips, and bioproducts
- awareness of Ottawa as an international centre for life sciences research, investment and commercialization (local, national and international)

The life sciences sector is one of seven clusters identified in TOP's Economic Generators study. Over 11,000 people are employed in Ottawa's life sciences research, commercialization and regulatory organizations (public and private). An estimated \$300 million is invested in health research and development (including regulatory activities) and another \$22 million in advanced agricultural technologies each year.

Ottawa-area companies employ over 3,300 people. Employment is increasing at a rate of 12-15% each year. Company revenues topped \$600 million last year and are expected to increase by 20% in the next 12-15 months (source: OLSC Human Resources Study). The vast majority of the companies are small start-ups with great growth potential. The OLSC's role is to ensure that all the building blocks necessary to advance and grow the sector (human resources, financing, physical infrastructure, technology development and technology transfer) are in place and are helping to spin-off and accelerate new company growth.

The bio-based economy is fast becoming a major economic force world-wide. Local companies such as World Heart Corporation, Iogen, i-STAT, MDS Nordion and Adherex are world leaders in their respective fields. Both the federal and provincial governments have identified the life sciences sector as a significant economic engine and have invested heavily into research and development. Ottawa has been a net beneficiary of this investment. The University of Ottawa's Faculty of Medicine has seen 12-15% growth per annum in research funding since 1997-98.

Against this backdrop, the level of OLSC's activities has increased significantly. The number of projects and their size and scope have grown.

Ottawa Life Sciences Technology Park

The Ottawa Life Sciences Technology Park and the site's existing building is owned by the Province of Ontario (Ontario Development Corporation - ODC). The ODC is being wound down by the Province and the building assets transferred to Ontario Realty Corporation. The City of Ottawa is a partner in the project. The land is now being transferred to the City of Ottawa under the terms of a 1991 agreement. However, the transfer is not yet complete.

In 1998, the OLSC signed an agreement with the ODC to market the building and the site on behalf of the partners. In a few short months, the OLSC successfully leased all remaining space in the building to new tenants (over 2/3 of the building). In late December 1999, the OLSC was informed by the ODC that the land was to be transferred to the City of Ottawa and since the building was full, the ODC would no longer provide funding to support the marketing of the site. This represents an unexpected loss of \$42,000 of revenue to the OLSC - the equivalent of OLSC's leasing costs. No new dollars are available at this time to replace the funding lost from ODC.

In the meantime, the development of the incubator project (described below) and OLSC marketing activities have resulted in 11 companies looking to locate in the park in the next 12-15 months. This represents over 200,000 sq. ft. of life sciences development - 6 times the space in the current facility. The list of companies includes several from outside the Region and all fit within the zoning requirements.

The concept for the first building, which includes the incubator below, has been costed and a selection process is being developed by the anchor tenants to select a developer. This process is expected to be expanded to include buildings for other potential tenants. The OLSC has been very active in working with potential tenants and the City of Ottawa is taking the lead role with the OLSC in support.

Centre for Farm Animal Research

Since the late 1960's, the Centre for Farm Animal Research (CFAR) site on Woodroffe Avenue has been one of Agriculture Canada's principal centres for animal research in Canada. The sprawling site is situated on some 1,130 ha of arable land with some 60 animal research buildings occupying 200 ha of serviced land. The site is currently considered surplus to Agriculture and Agri-food Canada and is in the process of being transferred to the National Capital Commission (NCC). Originally the transfer was expected to be completed no later than November - it is only now being finalized (March).

In early summer, the NCC approached RMOC regarding their interest in the site. The OLSC was invited to work with RMOC to develop a plan on how best to utilize and leverage the existing facilities to further the development of the life sciences sector.

In early fall, the OLSC developed a series of efforts designed to engage the research community and to determine industry's interest in the site. A vision for the site emerged that includes the creation of a new bioproducts research institute, an incubator laboratory facility to house start-up companies and the leasing of the existing buildings to interested companies. Site comparisons with similar centres and a prospect list of potential clients been developed including multi-nationals. Interest from industry has been high. An internationally respected advisory committee has been formed and a number of potential projects are under consideration. This activity is ongoing.

In October, the OLSC approached the provincial and federal governments for seed funding of the business plan. A recent commitment for \$225,000 has been made, however the funding is contingent upon reaching an agreement with the NCC for access to the site. Since October, the OLSC has invested over \$45,000 towards the project (consulting, planning, representations, site comparisons). Delays in the transfer of the property has directly impacted on our ability to access the funding offered. The OLSC has had to fund this short-fall from its existing revenues.

The RMOC has commissioned a consultants report to provide an independent analysis of the sites costs and RMOC's potential role in assisting with the project. The report is expected to be completed shortly (end of March).

Ottawa Biotechnology Incubation Centre

In November of 1999, the Province of Ontario announced a \$20 million capital fund to support the development of a number of Biotechnology Commercialization Centres (Incubators) to provide much needed laboratory and business development services to start-up biotechnology companies. Ottawa is well positioned to receive its share of the funding from the capital program. With \$75,000 of project funding (Agriculture and Agri-food Canada, the City of Ottawa and RMOC) the OLSC developed a proposal. The interim business plan was submitted on February 25th to the Province of Ontario for the establishment of two Incubation Centres.

The first incubator would occupy 26,000 sq. ft. of laboratory/office space in a new 77,000 sq. ft. building in the Ottawa Life Sciences Technology Park. Two anchor tenants have been identified and are willing to lease the remainder of the space in the new building. The second facility is a 20,000 sq. ft. retrofit of a former hatchery building on the Centre for Farm Animal Research (CFAR) site for bioproduct and agricultural research. Occupancy (both sites) is expected in spring 2001.

The two incubators will service some 41 start-up companies over 10 years and generate an economic impact of over \$400 million (conservative model - only SME's created). The capital and operating costs over the first five years total \$14 million. The proposal calls for \$6.19 million from the province for contributions to capital costs and first year operating expenditures. \$3.6 million of additional funding from public and private sources will be required to match the Provincial contributions. A number of discussions with potential sources of capital funding are currently underway.

A presentation to the Provincial selection committee is slated for March 22nd. The final business plan must be submitted to the Province no later than April 28th. Funding announcements are expected in June 2000.

Use of the Funds

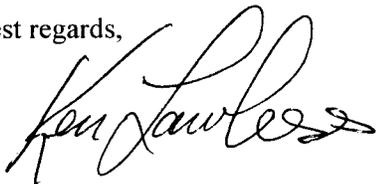
Due to the nature of the above life sciences projects, the OLSC is the only organization that is currently positioned to ensure that these projects move forward. The \$95,000 of additional funding (one time) will ensure the continuation of the OLSC's important contributions to the development of the sector.

The funding requested will be applied to our project deficit on the bioproducts institute, assist in covering the short-fall created by the withdrawal of Provincial funding for the marketing of the Park and to ensure an adequate amount of working capital is available to manage cash flow requirements.

It is hoped that the Economic Generators study and the Ottawa Partnership (TOP) will provide an opportunity to identify and address base funding requirements and organizational mandates for the sector's continued growth over the next fiscal year and beyond.

If you have any questions, please do not hesitate to contact me directly at 521-1008.

Best regards,



Ken Lawless
Executive Director
Ottawa Life Sciences Council