

Community Services Report to
Executive Committee
2022 February 22

ISC: UNRESTRICTED
EC2022-0253
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Calgary Technologies Inc. – Shareholder Resolution

RECOMMENDATIONS:

Review or Release By: 2022 December 31

That the Executive Committee recommend that Council:

1. Authorize the Mayor, or in the Mayor's absence, the Deputy Mayor, to execute shareholder resolutions and any agreements related to the proposed structure change for Calgary Technologies Inc. outlined in this report;
2. Authorize Administration to execute both an Operating Funding Agreement, and Capital Grant Agreement between The City and the new corporate entity created pursuant to the proposed structure change for Calgary Technologies Inc. outlined in this report;
3. Approve one-time capital funding of \$1.5 million from the Fiscal Stability Reserve for the Platform Innovation Centre to be repaid to the Fiscal Stability Reserve per PFC2021-1116; and
4. Direct that the Report, Attachment, Presentation and Closed Meeting Discussions remain confidential pursuant to Sections 16, 23, 24 and 25 of the *Freedom of Information and Protection of Privacy Act* (Alberta), and only be released once the shareholder resolution(s) is executed by all three shareholders of Calgary Technologies Inc.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2022 FEBRUARY 22:

That Council:

1. Authorize the Mayor, or in the Mayor's absence, the Deputy Mayor, to execute shareholder resolutions and any agreements related to the proposed structure change for Calgary Technologies Inc. outlined in this Report;
2. Authorize Administration to execute both an Operating Funding Agreement, and Capital Grant Agreement between The City and the new corporate entity created pursuant to the proposed structure change for Calgary Technologies Inc. outlined in this Report;
3. Approve one-time capital funding of \$1.5 million from the Fiscal Stability Reserve for the Platform Innovation Centre to be repaid to the Fiscal Stability Reserve per PFC2021-1116; and
4. Direct that the Report, Attachment, Presentation and Closed Meeting Discussions remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, and only be released once the shareholder resolution(s) is executed by all three shareholders of Calgary Technologies Inc., to be reviewed by 2022 December 31.

HIGHLIGHTS

- Calgary Technologies Inc. (CTI), operating as Platform Calgary, is owned by three shareholders – The City, the University of Calgary, and the Calgary Chamber of Commerce.
- Under a corporate restructuring plan proposed by CTI, all three shareholders will sell their CTI shares to a new entity (*NewPlatform*) for a nominal amount (one dollar each) and transition to become strategic partners. The shift in The City's relationship with CTI will better align with our objectives and reduce The City's financial risk.

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- To support our ongoing partnership with CTI and implementation of *Calgary in the New Economy: An economic strategy for Calgary*, a one-time capital investment of \$1.5 million is recommended to support completion of the Platform Innovation Centre. To date, The City has not invested in this capital project.
- **What does this mean to Calgarians?** CTI leads the Innovation Pillar of the economic strategy and plays a critical role in supporting the growth of Calgary's entrepreneurs, start-ups, and innovation sector. Restructuring CTI supports increased alignment with, and engagement of, the community in CTI's vision, governance, and operations while maintaining strategic partnerships with each of the current shareholders. Investing in the Platform Innovation Centre will leverage funding already secured from other orders of government, and support delivering programs and services for Calgarians.
- **Why does this matter?** CTI plays an important role in economic development and diversification by connecting, catalyzing and growing Calgary's entrepreneurs, start-ups and innovation sector. The proposed corporate restructuring will increase alignment with community priorities and needs. The Platform Innovation Centre is a critical piece of innovation sector infrastructure to deliver the organization's mandate and contribute to downtown vibrancy and economic diversification.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Calgary Technologies Inc. (CTI), currently operating as Platform Calgary, was first established in 1981 under the *Calgary Research and Development Authority Act* (Alberta), and in 2000 transitioned to the *Business Corporations Act* (Alberta). It is owned by three shareholders – The City, the University of Calgary, and the Calgary Chamber of Commerce. In addition to The City's role as a shareholder, The City also provides an annual operating grant (\$1.47 million in 2022).

Since it rebranded and reorganized from "Innovate Calgary" to "Platform Calgary" in late 2017, the organization has engaged in a collaborative effort to create a high impact organization. It has broadened its operations to provide a range of resources, events, services, and programs to support the growth of Calgary's entrepreneurs, start-ups, and innovation sector. Platform Calgary is guided by its mission: *empowering people building the next economy*. It leads implementation of the Innovation Pillar of *Calgary in the New Economy: An economic strategy for Calgary*, and is the owner/operator of the newly constructed Platform Innovation Centre slated to open to the public in 2022.

As the next step in its evolution, CTI is proposing a new corporate structure that will increase the community's role in its governance and operations, and increase alignment between its operations and the priorities of the broader innovation community. Under the proposed corporate structure, all three shareholders will sell their shares to a new not-for-profit entity (*NewPlatform*) that will be incorporated as a member-based organization under the federal *Canada Not For Profit Corporations Act* (*Canada*). Shares will be sold for the nominal amount of one dollar per share.

Under the restructuring, *NewPlatform* will become the sole shareholder of CTI, and CTI will continue to hold the Platform Innovation Centre real estate asset. Membership in *NewPlatform* will be open to the local innovation community, and The City will have the right, pursuant to an

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Operating Funding Agreement with *NewPlatform*, to nominate selected individuals to be appointed to the board of directors.

Under the new structure, The City would continue to provide annual operating funding to *NewPlatform* (\$1.47 million in 2022) and work with the organization as a Civic Partner. As noted in the recommendations, a new Operating Funding Agreement would be executed with *NewPlatform* to identify roles, responsibilities, accountabilities and requirements.

Capital Investment

The Platform Innovation Centre, slated to open to the public in 2022, is located on 9th Avenue downtown across from the New Central Library and down the street from the National Music Centre. This new hub will contribute to the vibrancy of the downtown, and deliver on key outcomes for the Innovation Pillar of the economic strategy.

The total project budget is \$27.5 million and Platform Calgary is fundraising for the final \$5.4 million to complete the project. The recommended \$1.5 million capital allocation from The City will leverage contributions from other orders of government, including a \$2 million commitment from the Government of Canada through Prairies Economic Development Canada (PrairiesCan), and private sector donations to support the successful launch of this valuable hub that will support Calgarians, further diversifying our local economy. Platform Calgary has also applied to the Government of Alberta for support of the project. The City would execute a capital funding agreement with *NewPlatform* for this investment.

Council approved the funding of \$1.5 million to Platform Calgary through PFC2021-1116, which was to be funded through the proceeds of the sale of the Calgary Film Centre. However, with the delay in the sale of that asset, Administration recommends the investment to be initially funded through the Fiscal Stability Reserve (FSR), and then repaid to the FSR from the net future proceeds as per PFC2021-1116. The recommended \$1.5 million capital funding investment would support The City's ongoing strategic partnership and will support final capital fit-out requirements in the Innovation Centre. The Innovation Centre supports the advancement of the Innovation pillar of the economic strategy by supporting a centrally located hub that provides one-window access to programs and services for Calgary's entrepreneurs and start-ups, while also supporting the outcomes of the Downtown Strategy related to placemaking, vibrancy and activation.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder or customer dialogue/relations were undertaken

This report was prepared in collaboration with CTI, based on information provided by CTI.

IMPLICATIONS

Social

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Calgary Technologies Inc. operations support advancement of the organization's mission to empower people building the next economy through place, programs and partners.

Environmental

Not applicable

Economic

CTI's operations support implementation of *Calgary in the New Economy: An Economic Strategy for Calgary*, and CTI's President and CEO co-chairs the Innovation pillar in the strategy. This role as a leader in implementation would continue under the new corporate structure, and would increase community buy-in and engagement for the work to grow Calgary's start-up and innovation ecosystem. The City's capital investment would support completion of the Centre.

Service and Financial Implications

New capital funding request

\$1,500,000

CTI supports the delivery of the Economic Development and Tourism line of service in One Calgary. This report proposes the Council approved one-time capital investment of \$1.5 million be advanced from the Fiscal Sustainability Reserve (FSR) with the amount to be repaid to the FSR from the net future proceeds arising out of PFC2021-1116, to support the final capital fit-out of the Platform Innovation Centre.

RISK

Transitioning The City's role from being a one third shareholder and funder of CTI, to being a funder and strategic partner in the new entity (*NewPlatform*) will still align with our objectives related to supporting and enhancing the role of innovation in economic development and diversification. If the resolution for shareholders to sell shares back to CTI is not approved by The City, The City may become the sole shareholder of CTI, which may create a higher level of risk. If the resolution to sell The City's share to CTI is approved, any risks related to The City's new role of funder and strategic partner will be mitigated through execution of a new operating funding agreement. If the advancement of the capital funding is approved, The City would execute a separate capital funding agreement with *NewPlatform* to mitigate any related risk.

ATTACHMENT

1. Previous Council Direction, Background (Confidential)
Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer	Consult
Jill Floen	Law Department	Consult