



STAFF REPORT TO COMMITTEE

DATE OF REPORT September 24, 2024
MEETING TYPE & DATE Committee of the Whole of October 9, 2024
FROM: Economic Development Division
Strategic Services Department
SUBJECT: Cowichan Tech & Innovation Project Funding Options
FILE: 1855-40 EDC REDIP 2024 - Cowichan Tech & Innovation
Ecosystem Project

PURPOSE/INTRODUCTION

The purpose of this report is to seek approval to apply for funding to support the implementation of the Cowichan Tech & Innovation Ecosystem Project.

RECOMMENDED RESOLUTION

That it be recommended to the Board on October 9, 2024 that:

1. Staff apply for \$500,000 in funding from the Rural Economic Diversification and Infrastructure Program and \$62,500 from Island Coastal Economic Trust's Capital and Innovation Program to support the implementation of the Cowichan Tech & Innovation Ecosystem Project;
2. If the CVRD is unsuccessful in securing ICET funding, then \$62,500 be allocated to the project from Function 121 operating reserves; and
3. Letters of support for the project be requested from the Town of Ladysmith, City of Duncan, Municipality of North Cowichan and Town of Lake Cowichan.

BACKGROUND

Cowichan Tech & Innovation Ecosystem Project

In 2017, Economic Development Cowichan (EDC) worked with consultants from Goss Gilroy Inc. to complete *A Development Strategy For the Tech Sector in the Cowichan* (aka, the Cowichan Tech Sector Strategy). The report includes an overview of the sector, plans for future development and indicators to track progress. Section 3.4 of the strategy identifies five key priority areas, including:

- **Access to skilled workers:** increasing the access to tech workers for businesses located in Cowichan.
- **Networking:** facilitating greater interaction and linkages within the tech sector and between tech companies and available programs and services.
- **Business Attraction:** attracting investment from businesses located outside of the region.
- **Business Development:** increasing access to business support services for start-up and expanding businesses and improving the local climate for business establishment, expansion and attraction.

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- **Access to Capital:** increasing access to capital in the region, particularly angel investment.

A Development Strategy For the Tech Sector in the Cowichan is included for reference as Attachment A to this report.

The Cowichan Tech & Innovation Ecosystem Project aims to advance implementation of the Cowichan Tech Sector Strategy and position Cowichan as a leader in the technology and innovation sector by leveraging local talent, fostering partnerships, and implementing tech-driven solutions across industries. Since 2017, the regional landscape has evolved significantly, particularly with advancements in artificial intelligence (AI) and the shift towards remote work. In light of AI's transformative potential, the Cowichan Tech & Innovation Ecosystem Project will prioritize technology adoption and innovation, positioning local businesses to leverage AI for increased efficiency and competitiveness in a rapidly changing economy. This project will advance implementation of several recommendations within the Cowichan Tech Sector Strategy and will focus on three priority areas. Below is a draft scope that may be refined with partner input before applying for funding.

1. Increasing Access to Capital through Developing an Angel Investor Network and Innovation Challenge

- a. Create a local angel investor network to fund early-stage tech start-ups
- b. Organize a pitch and present event where entrepreneurs propose innovative and fundable solutions to address specific challenges identified by the Angel Investor Network. Ideally, these challenges would be regionally relevant (e.g., climate change, drought, housing, circular economy, etc.).
- c. Support Cowichan entrepreneurs with mentorship, capital, and visibility

2. Tech & Innovation Ecosystem Development

- a. Strengthen Cowichan's tech ecosystem through strategic networking events, roundtables, and partnership development
- b. Promote collaboration between CVRD, First Nations tech enterprises and key players in the regional tech and investment landscape (e.g., VIATEC, South Island Prosperity Partnership's COAST initiative, Vancouver Island Economic Alliance, Foresight Clean Tech Accelerator, Innovation Island)
- c. Develop digital assets, such as an online portal and changemaker profiles, to enhance visibility and attract talent as well as improving the region's brand as a leader in technology & innovation

3. Technology Adoption & Innovation for Existing Businesses

- a. Offer workshops and AI masterclasses to help local businesses adopt new technologies like AI, cloud computing, and digital marketing
- b. Partner with First Nations to deliver tech training and boost Indigenous participation in tech industries

Total Project Costs

Staff anticipate a total project budget of \$625,000. We propose to apply for \$500,000 from the Rural Economic Diversification and Infrastructure Program (REDIP), and \$62,500 from Island Coastal Economic Trust's (ICET) Capital and Innovation Program. The remaining project budget will be an in-kind contribution of \$62,500.

Draft Project Budget

| Projected Project Revenue | | |
|-------------------------------------|---|------------------|
| REDIP-ED | | \$500,000 |
| ICET Capital & Innovation | | \$62,500 |
| CVRD (In-Kind) | | \$62,500 |
| Total Revenue | | \$625,000 |
| Draft Project Expenses | | |
| | Description | |
| Administrative Costs | <ul style="list-style-type: none"> • Internal staff time for admin duties • Internal staff time for project oversight | \$62,500 |
| Consulting & Professional Fees | <ul style="list-style-type: none"> • Angel Investment Network Management • Pitch & Present Project Organizer • Consultant(s) for Cowichan Tech Adoption and AI Masterclasses • Project Management and Networking • Indigenous Training and Capacity Building | \$302,500 |
| Marketing, Promotion and Engagement | <ul style="list-style-type: none"> • Community Partnerships and Consultation • Digital Assets and Ecosystem Development (online portal; community profiles; changemaker profiles; branding) | \$260,000 |
| Total Draft Expenses | | \$625,000 |

Rural Economic Diversification and Infrastructure Program

The [Rural Economic Diversification and Infrastructure Program \(REDIP\)](#) (see program guide link) is a grant launched by the Ministry of Jobs, Economic Development and Innovation (JEDI), with a funding allocation of \$33M per year from fiscal year 2022-23 through to fiscal year 2024-25. REDIP supports projects that promote:

- Economic diversification
- Resilience
- Clean growth opportunities
- Infrastructure development

Following consultation with REDIP program staff, EDC staff propose to apply to the Economic Diversification (REDIP-ED) – Implementation stream, which supports the implementation of new or enhanced programs or services related to workforce development, business development, circular economy and industry/sector development, retention, and expansion. This stream funds 80% of project costs up to a maximum of \$1,000,000 for communities with populations of 25,000 or less. Regional districts can submit applications on behalf of the whole district if the individual population of each electoral area is less than 25,000. REDIP staff have advised that the CVRD's application should focus on electoral areas and municipalities under 25,000 as direct beneficiaries of the project. Regardless of these criteria, staff have confirmed the intent is to make this a regional project to benefit all Cowichan stakeholders and we have been supported by the program staff to advance the project as proposed.

The deadline to apply to the REDIP program is 11:59 pm on October 31, 2024. Funding decisions will be announced in Spring 2025. Project activities must start within one year of approval and acceptance of funds, and be completed within two years of project start.

ANALYSIS

The technology industry is growing across the province. Tech is now Greater Victoria's #1 industry with a \$5.22 billion economic impact and over 16,775 employees across 995 high-tech companies. The technology sector provides an opportunity to diversify Cowichan's economy away from resource-dependent sectors while delivering higher-paying jobs and seeking opportunities to address labour shortage concerns.

The Cowichan Tech & Innovation Ecosystem Project presents a unique opportunity for the CVRD to position itself as a regional leader in technology and innovation. By capitalizing on the region's existing strengths, such as its proximity to larger tech hubs like the Greater Victoria Region, lifestyle advantages and comparatively lower cost of living, this project will contribute to the diversification and economic resilience of the Cowichan economy.

The technology sector represents a high-growth, high-wage industry that can help diversify Cowichan's traditionally resource-based economy. By fostering innovation and tech adoption, the project will support Cowichan businesses to become more resilient. Additionally, technology solutions offer the potential to bolster foundational sectors through innovations in agri-tech, sustainable forestry practices, and resource management, as well as proposing tech-driven solutions. As these challenges become more urgent, the need for innovative solutions becomes increasingly clear.

This project aligns with the Cowichan Tech Strategy, the anticipated priority areas of the revised EDC Strategic plan (pending completion), as well as the CVRD Strategic Plan (2023-2026).

Workload Impacts

The implementation of the Cowichan Tech & Innovation Ecosystem Project will require thoughtful coordination to ensure the efficient and successful delivery of its initiatives, alongside other EDC priorities. To support this, up to 10% of the project budget can be allocated to in-kind contributions like staff time, etc. These funds would be used to cover project administration and oversight. The majority of the workload for this project would be contracted out to third-party providers, including a project manager to oversee the entire project. This approach would ensure the project is well-resourced, leveraging external expertise where needed to support the success of the project while allowing staff to focus attention on other EDC projects and responsibilities.

Reporting requirements for REDIP-funded projects include interim reports when 25% and 75% of total funding has been spent, and a final report at 100% project completion. These reports would be prepared by EDC staff, and reviewed by Finance.

Municipal Applications

To maximize funding for the region and avoid regional competition for funding, EDC proposes to apply to the REDIP-ED stream. EDC staff are aware that other municipalities are likely submitting applications to REDIP. However, we understand that EDC would be applying for a stream that other municipalities are either not applying for or are ineligible to apply for:

1. Municipality of North Cowichan staff have indicated that they are applying for REDIP under the Forest Impact Transition stream (REDIP-FIT), which supports economic recovery and transition of up to \$500,000 in communities affected by impacts in the forest sector. This is a

separate funding stream from REDIP-ED and is not in direct competition in the adjudication process. North Cowichan is applying for Phase 2 of the Industrial Land Servicing Project, which includes detailed design work for supply, storage, distribution, etc. of water and sewer. A request seeking a CVRD letter of support for the application is forthcoming, and EDC is highly supportive of their application.

2. Town of Ladysmith staff have advised that they are applying for REDIP-ED, for their mountain bike trail project, which includes planning, mapping, feasibility, economic impact, and preliminary costs in partnership with Stz'uminus First Nation and Mosaic. The Town of Ladysmith is applying for REDIP-ED in the Development stream versus Implementation stream, which means that we would not be competing for the same pool of funding in the adjudication process.

REDIP staff have indicated that the REDIP-ED stream is highly competitive and typically oversubscribed. If the CVRD's application is not awarded funding under this stream, REDIP staff have advised that they may be able to shift the application into the REDIP-FIT stream. As this is the same stream that the Municipality of North Cowichan is applying for, the CVRD would only agree to the transfer of our application if it did not displace North Cowichan's application in the adjudication process.

FINANCIAL CONSIDERATIONS

Staff anticipate a total project budget of \$625,000. We propose to apply for \$500,000 from the Rural Economic Diversification and Infrastructure Program (REDIP), and \$62,500 from Island Coastal Economic Trust's (ICET) Capital and Innovation Program. The remaining project budget will be an in-kind contribution of \$62,500.

Should the CVRD be unsuccessful in securing ICET funding, \$62,500 will be drawn from Function 121 Operating Reserves to advance project implementation. As of Dec 31 2023, Function 121 Operating Reserve stood at \$458,014, with \$81,014 committed and \$376,164 uncommitted in 2024. The recommended reserve range for Function 121 is between \$110,000 and \$219,000. Should the CVRD be unsuccessful in securing REDIP funding, staff will report back to Committee with options to move this project forward.

COMMUNICATION CONSIDERATIONS

Staff will issue a news release should the funding be secured to move forward with the project.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

This project supports several strategic objectives of the CVRD Corporate Strategic Plan (2023-2026), including:

- Strategic Objective 1: To support efforts to strengthen cooperation, collaboration, and relationships between Indigenous peoples and non-Indigenous in our communities.
- Strategic Objective 5: To increase the levels of economic resiliency, security, and prosperity for residents of the Cowichan region.

This project also supports Action 2.1 of EDC's current strategic plan (2018-2022) to implement recommendations in skills development, business development and attraction and investment for the Cowichan Tech Strategy.

Referred to (upon completion):

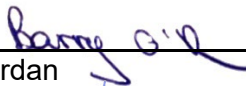
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- ☐ Community Services *(Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit)*
 - ☒ Corporate Services *(Finance, Human Resources, Information Technology, Legislative Services)*
 - ☐ Operations *(Utilities, Parks & Trails, Recycling & Waste Management)*
 - ☐ Land Use Services *(Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement)*
 - ☒ Strategic Services *(Communications & Engagement, Economic Development, Emergency Management, Environmental Services)*

Prepared by:

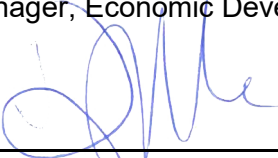
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Reviewed for form and content and approved for submission to the Committee:

Resolution:

Financial Considerations:

☒ Corporate Officer

☒ Chief Financial Officer

ATTACHMENTS:

Attachment A – A Development Strategy for the Tech Sector in the Cowichan
