

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 22, 2016

Item 15, Report No. 12, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on March 22, 2016.

15 BUSINESS MISSION TO CHINA 2015 – POST MISSION UPDATE

The Committee of the Whole recommends approval of the recommendation contained in the following report of the Deputy City Manager, Planning & Growth Management and Director of Economic Development and Culture Services, dated March 1, 2016:

Recommendation

The Deputy City Manager, Planning & Growth Management and Director of Economic Development and Culture Services recommends:

1. THAT this report be received.

Contribution to Sustainability

Green Directions Vaughan embraces a *Sustainability First* principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations. Under this definition, activities related to economic development contribute to the sustainability of the City.

Economic Impact

During the mission, the three participating Vaughan companies reported signing more than \$125 million in letters of intent or agreements. As these partnerships and joint ventures materialize over the coming years, there will be a net positive impact on job creation and investment for the City of Vaughan.

The cost of the mission was approximately \$26K including mission pre-planning fees, marketing materials, travel, food, accommodations, provincial mission fees and some incidental expenses for gifts and translations. This figure will be adjusted slightly lower, pending the receipt of approved Invest Canada – Community Initiatives (ICCI) funding. These costs were within the Economic Development and Culture Services Department's 2015 Operating Budget.

Communications Plan

Staff will continue to follow-up with the leads and prospects developed during the mission as well as supporting Canadian businesses that have interests in the Chinese market. These communications will emphasize the City's international business development strategy - its desire to open new markets for Vaughan's companies as well as being a gateway for new investments from foreign-based industries looking to penetrate the North American market.

All international business development activities will be highlighted on the website and the Business Link newsletter.

Purpose

The purpose of this report is to provide Council with an update on the economic development outcomes resulting from the City's business mission to China in 2015.

Background – Analysis and Options

The City of Vaughan's international business development program encompasses three objectives: attracting foreign direct investment; creating export development opportunities for local businesses; and creating learning opportunities for the City's administration. Scheduled to

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occur in conjunction with Premier Wynne's business mission, Vaughan's mission (November 2-15, 2015) leveraged the opportunities created by the larger, high profiled mission, and at the same time, allowed the City to support three local businesses, renewed relationships with its economic partner cities and meet with potential investors. Attachment 1 provides a detailed mission itinerary.

Leveraging Opportunities from the Province's Mission

The Wynne mission which included the Premier Kathleen Wynne; Minister of Economic Development, Employment and Infrastructure (MEDEI) Brad Duguid; and Minister of Citizenship, Immigration and International Trade (MCIIT) Michael Chan among the 85 or so delegates presented a substantial presence in China. The representation and profile of these government officials aid in creating a heightened media buzz both at home and abroad; and open doors to their Chinese government counterparts and company representations which would otherwise, be difficult to secure from the municipal level.

Leveraging opportunities created through the high profile provincial mission; the City was able to meet with officials from Jiangsu Province. Twinned with Ontario for the past 30 years, Jiangsu is the second smallest of China's 22 provinces but is ranked second nationally in gross domestic product (GDP). During this portion of the mission, the City met with science and technology, clean technology, construction, engineering and agriculture sector companies. The City also attended the 4th Global Nanjing R&D Summit which featured discussions on research and innovation projects, a high-level talent exchange and matchmaking sessions with Fortune 500 and Chinese top 500 enterprises, universities and scientific research institutes. The Ontario government facilitated meetings with high profile company representatives in Beijing and Shanghai, such as the Yongtai Group, a land and investment company. The Vaughan delegation was given the opportunity to showcase and market Vaughan, seeking matchmaking opportunities.

Supporting Local Business Expansions in China

Understanding that business practices in China requires a close relationship between Chinese commercial enterprises and their government agencies, City staff have been working with a number of local Vaughan companies to provide this same level of support. Even prior to launching Vaughan's business mission, staff has been working with a number of local companies to support their market entry, joint venture partnerships and business development pitches.

Door Components Canada (DCC) and New Concept Quality Doors (NCQD) is one of the largest manufacturers and distributors of residential entry door components and systems, primarily for the retrofit market. Both founded by Adam Jiang, Door Components and New Concept have two locations in Vaughan, plus a third in southwestern Ontario. Since inception, these enterprises have been on an impressive growth track, employing more than 100 people and generating annual revenues of C\$20 million in fewer than 5 years since start-up. With contracts in some of North America's largest home improvement retailers, e.g. Home Depot, Lowe's, Home Hardware and Rona, the companies have established a solid reputation for building door kits.

The companies are now in the process of transitioning from traditional building materials to incorporating smart home technology and intelligent building technology in their products. During the mission, they entered into three agreements (signed in Hong Kong, Shanghai and Beijing).

In Hong Kong, DCC and NCQD signed a joint venture with a Hong Kong company as an investor to set up a smart home industry platform in North America with the central base to be located in Vaughan. In Beijing NCQD signed a joint venture to build a customized manufacturing facility for doors. A three-phase agreement was signed with a Fortune 500 company located in Shanghai.

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The first phase will establish the financial framework for setting up a supply chain function in North America. The second phase will be an overseas warehousing inventory program with a warehouse in Vaughan. The third phase is a joint venture investor agreement to build an industrial park in southern Ontario to supply all types of building materials from China and Canada for export throughout the North American market. According to the President, the three signings are valued at C\$116.5 million with a potential to create 300 jobs in Ontario over the next three to five years.

Hot Yoga Wellness (HYW), a yoga studio started by Sujun Chen in Woodbridge, now has six locations across the Greater Toronto Area (GTA) with two locations in Vaughan. HYW and is branching out in China by entering into an agreement with the Chinese Health Qigong Association in Beijing to provide teacher training for yoga qigong. The project scope is to provide qigong yoga training across China to approximately 500 teachers annually, having a potential value of approximately C\$1.5 million over the next five years.

Ionada Inc., began as a Vaughan-based cleantech company with patents in marine exhaust scrubbing technologies. Initially employing five staff, Ionada has grown to 20 full-time employees and in the past year, acquired another 6,000 square feet of space and filed several additional patents. Since inception in 2014, Ionada has focused on Chinese markets, either as manufacturers, consumers or potential investors in these technologies. China's ascent to becoming the world's second largest economy ensures that demand for shipping is only expected to grow.

Prior to the mission, City staff was requested to support business development approaches with Chinese investors and customers. Staff prepared and delivered presentations to their customers, as well as provided training and hiring assistance.

In response to the Ionada request, City representatives were present for Ionada and Jiangsu Yadong International Investment Co. Ltd.'s announcement of a C\$10 million joint venture to manufacture and market marine exhaust gas cleaning systems in China and internationally. The project will create up to 20 high-tech research jobs in Ontario.

Although only three Vaughan companies were direct participants in the mission, there were a number of local companies that could not attend but had requested marketing and export development assistance from staff. Their interests and requirements were also explored while in China.

Attracting Foreign Business Investment

Chinese interests in Canadian real estate opportunities are not confined to Western Canada but are also prevalent in Vaughan. In Shanghai and Beijing, City representatives met with real estate development investors in pre-qualified meetings. Introductions facilitated by Will Sung of the Vaughan Chinese Business Association and Helen Dong of L&D Investment Consulting netted meetings with George Shi, Chairman of the Hangzhou Zhehai Business Management Co. Ltd. and William Zhong, Investment Director of Zhejiang Hi-Genius Investment Co. Ltd. Both highly experienced in establishing joint ventures and incubation centres in China, and also Canadian citizens, they are now seeking opportunities to invest up to \$100 million in commercial buildings and industrial enterprises in Vaughan. Follow-up meetings will be arranged to present more investment options during their return visit in 2016.

Having met with Eontime Real Estate during their visit earlier in 2015, City representatives held meetings with company officials in Beijing, facilitated with the Ontario International-Beijing Trade and Investment Office from the Embassy of Canada. Eontime is a professional real estate development and management group within the Zhongfa Group. With assets in excess of 100

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billion RMB (C\$20 billion), the company is focused on three sectors: finance, healthcare and cultural tourism. Eontime has expressed interest in large scale developments in integrated indoor malls and hotel/entertainment complexes. Having toured properties in Edmonton and Toronto, the company is seeking suitable sites in the Greater Toronto Area.

In addition to Eontime, meetings were held with another Beijing investor seeking 35 acres of land for the development of indoor waterparks, shopping centres and movie theatre complexes.

Introducing the Vaughan International Commercialization Centre (VICC) in China

Launched earlier in October 2015, the VICC is intended to ease the transition of foreign-based businesses entering the Canadian market with access to soft landing spaces, business consulting resources, networking and localization of technologies. The business mission offered the first opportunity to promote the VICC abroad, and specifically to the Chinese market. In meetings with government and business officials, the VICC was well received, with the City receiving multiple requests for memberships or partnerships. The City of Zibo and the City of Yangzhou have proposed partnership agreements with the VICC following the mission. The City will be producing additional marketing collateral materials translated into Simplified Chinese for follow-up.

Strengthening Economic Relationships with Zibo and Yangzhou

Vaughan's engagement in the Chinese market is facilitated by a series of socio-cultural sister city and economic relationships. This mission provided an opportunity to further strengthen these relationships through reciprocal meetings and public relations events.

Earlier in 2015, the City received an invitation from Yangzhou, Vaughan's only sister city in China to celebrate its 2500th Anniversary. Although the City was not able to be present on the actual anniversary date, Vaughan officials paid a visit to Yangzhou to present official congratulatory letters from Mayor Maurizio Bevilacqua and celebrate its 20th Anniversary of the signing of the Friendship City Agreement.

The visit was also an opportunity to meet with some of the industry groups who had visited Vaughan this past March. A delegation of 25 Yangzhou companies were given a tour and meeting with Mircom Group of Companies. During the two-day visit, the City met the Director of the Science and Technology Bureau to discuss opportunities to leverage Yangzhou technology companies with companies in the VICC to do business in Canada.

Interest was expressed by Yangzhou officials to elevate the relationship from friendship status to a full sister city agreement. Staff will review this request in accordance with the principles as detailed in Item 3, Report No. 29 of Committee of the Whole (Working Session): *Cultural and Social International Partnerships* adopted by Council on May 24, 2011 (Attachment 2).

During Vaughan's last mission to China in 2012, the City entered into an economic agreement with the City of Zibo. Since that time, Zibo has made seven visits to the GTA facilitated by Charlie Liu, Zibo's in-country representative. During this visit, Zibo's Foreign Affairs Office arranged meetings with six companies. In addition to receiving a presentation on the VICC, all companies delivered a 10-minute briefing on their business activities as well as their specific interests in Canada. This included: exporting, sales representation, and matchmaking opportunities. One of the most promising ventures was a stevia (sweetener) manufacturer that is considering a packaging and distribution operation in Ontario.

Learning Opportunities / Knowledge Exchanges

As with every venture into new places, there are numerous opportunities to learn. The City received tours and briefings from several cultural and educational organizations: West Kowloon Cultural District in Hong Kong; the Shanghai Film Art Academy and Yihai Group. Through these

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discussions, the City is able to see the development of a large scale culture and entertainment district based on a private/public partnership model – the West Kowloon Cultural District – that could inform the development of similar ventures in the Vaughan Metropolitan Centre.

The Shanghai Film Art Academy (SFAA), a college featuring a 120,000 square meter campus comprised of seven buildings and an underwater film studio provides film-making, animation, design, dance and music training to 8,000 students. Co-sponsored by the Shanghai Municipal Government, SFAA's teaching staff is comprised of working professionals and experts in the media and performing arts industry from around the world. School officials took a keen interest to both the Vaughan Film Festival and the VICC during discussions. Upon the delegation's return to Canada, correspondence was received from the SFAA indicating an interest in partnership opportunities.

On the request of the Association of Chinese Canadian Entrepreneurs (ACCE), an influential business network, Vaughan officials provided support and representation at the Randolph Dance Academy's signing ceremony with the Shanghai Dance School. Based in Toronto, the Randolph Dance Academy entered into a partnership agreement to create international student exchanges and dance productions touring across Ontario and China. Randolph had previously tested the international market for its arts education program with a successful partnership with the Amman (Jordan) Stardust Academy, that country's first performing arts school. The City may also benefit from this association, as Randolph has indicated an interest in expanding its performing arts program locally.

In Beijing, a meeting with the Yihai Group, a privately operated education provider netted some contacts for several Vaughan schools, including RoyalCrest Academy. Yihai provides lifelong learning opportunities, with schools ranging from kindergartens to an international high school (with a Canadian-based curriculum from British Columbia) to seniors learning. Yihai's interests are focused on teacher and student exchanges. The increasing propensity for foreign-based education from the growing Chinese middle class creates opportunities to establish private educational investments, possibly in the VMC.

Media Coverage and Communications

The City undertook extensive marketing and communications efforts to promote its business mission both locally and abroad. Significant media attention for the mission was achieved through both traditional and social media channels during and post mission. Some of the tactics employed include: print, radio, social media, website, the Business Link and e-Link newsletters. Working closely with the Corporate Communications Department, staff used Twitter and Facebook to track daily progress. A three-part series on the mission was published in the City of Vaughan's blog. Extensive coverage was received from the Vaughan Citizen, Thornhill Liberal and yorkregion.com as well as an on-air radio interview with a Chinese language radio station AM1430 and Ming Pao Chinese newspaper was conducted. Attachment 3 provides a sample of the media coverage received.

Staff found and used communication channels through Chinese-sanctioned platforms - e.g. WeChat, a mobile text and voice messaging communication service - to facilitate communications with Chinese economic development and business counterparts. Although the Chinese responded to conventional e-mail services, the rate of response through WeChat was much better, as they were using this service much more extensively.

Next Steps

The Economic Development and Culture Services Department will be following up on the leads and expressions of interests derived from both local businesses as well as Chinese entities.

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For January or February 2016, staff has already issued a letter of invitation to the Hanjiang District in Yangzhou for five-member delegation visit to discuss economic cooperation between respective industries.

Staff will continue to pursue expressions of interest for membership or participation in the various pilots underway that are associated with the VICC. With the support of the Canada China Business Council, ACCE, Greater Toronto Marketing Alliance, MEDEI, MCIIT and others, staff continues to work with local businesses on market readiness and business matchmaking initiatives.

The City will be refining its marketing and communications materials detailing development opportunities and business advantages. Advice from the ACCE and others will assist the City to tailor its value proposition to better appeal to investors.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report is consistent with the priorities set on the Term of Council Service Excellence Strategy Map: facilitate the development of the VMC; and attract investment and create jobs.

Regional Implications

Copies of this report will be shared with York Region's Economic Strategy Branch. The City will also continue to seek their assistance in servicing the needs of Vaughan and foreign-based companies as they pursue market entry and expansion.

Conclusions

The City of Vaughan is committed to developing a long-term relationship with China based on present and future economic growth. China's growing middle class is demanding innovative products and services particularly related to education, the environment and healthcare to deliver quality of life for its citizens. Its increasingly sophisticated populace is travelling more, and recognizes the potential return of investment from outside China. The availability of Chinese capital is not well utilized and yet it could offer opportunities for our businesses and city-building. Canadian businesses are better-served to embrace the potential that this market brings.

Attachments

1. Vaughan China Business Mission Itinerary
2. Item 3, Report No. 29 of Committee of the Whole (Working Session): *Cultural and Social International Partnerships*
3. Media Clippings

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)