

PRIORITIES AND KEY INITIATIVES COMMITTEE – JANUARY 28, 2013

UPDATE ON THE ECONOMIC DEVELOPMENT STRATEGY (EDS)

Recommendation

The Executive Director in consultation with the City Manager recommends that this report and presentation be received for information purposes only.

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 contributes to the sustainability of the City.

Economic Impact

There is no economic impact with receipt of this report.

Communications Plan

A communications plan is not applicable to this report.

Purpose

The purpose of this report is to provide Council with an annual overview of the actions and progress that has taken place in the implementation of the 10-year Economic Development Strategy: “Building a Gateway to Tomorrow’s Economy”.

Background – Analysis and Options

Council adopted the Economic Development Strategy (EDS) entitled “*Building a Gateway to Tomorrow’s Economy*” in September 2010. The Economic Development Strategy for the City of Vaughan was developed based on a need to integrate economic development activities into a greater framework of partnerships and activities focused on creating a vibrant community life that is inclusive, progressive, environmentally responsible and sustainable. It is a 10-year plan that provides a compass for both public and private resources to achieve those goals, and ties together all of the work done through the Vaughan Vision 20|20 Growth Management Plans. As such, it presents Economic Development Department activities as a necessary component to achieving the goals and objectives for the City over the next 10 years.

In November 2011, the Economic Development Department provided the first progress update on the EDS. This report provides a progress update based on 2012 activities.

New Business Investments and Expansions

In 2012, the Economic Development Department worked on projects totaling 2.2 million square feet, and generating or retaining 1,640 jobs. Of the 17 successful completions, 12 (71 percent) were new investments into the City, i.e. new startups, or relocations from other communities. Almost one-quarter of the successful completions were expansions of existing local businesses; and one completion was an acquisition that staff facilitated with a large US-based developer.

Warehouse/distribution functions account for more than 54 percent of the completions, or 1.2 million square feet of space. Office projects and manufacturing followed in second position and third position, with 19 percent (419,000 square feet) and nine percent (200,000 square feet), respectively, of the total space occupied. KPMG, a leader in tax, audit and business advisory services, capped the City's economic development efforts with the announcement of their 125,000 square foot office lease within SmartCentres' new 350,000 square foot office building in the Vaughan Metropolitan Centre.

Of note, foreign direct investments accounted for 2 of the 17 completions, originating from the United Kingdom (UK) and Australia. Staff worked extensively with the Ministry of Tourism, Culture and Sport to successfully bring Canada's first Legoland Discovery Centre to Vaughan. Owned and operated by Merlin Entertainment Group, the world's second largest visitor attractions operator out of the UK, the Legoland Discovery Centre represents an investment of \$12 million and 100 new jobs.

As the Department moves forward in 2013, Staff is currently working on leads in the financial services, food and beverage, tourism attractions, retail distributors, business services, transportation and logistics sectors. These projects represent an additional 1.3 million square feet of office, manufacturing and warehouse space.

Convergent Sectors Advances – Creative Economy

The EDS focuses Business Investment and Attraction activities on three convergent sectors: Creative Economy; Innovative Research Development and Design; and Advanced Goods Production and Movement. The convergent sectors are predicated on knowledge, learning and value-added economic activities that have transformative possibilities for a number of industry sectors.

Business development activities related to the creative, cultural and knowledge-based industries include: tourism capital attraction; historic village revitalization; placemaking; attraction of social innovation enterprises as well as business services related to developing arts, cultural and other intellectual property pursuits. The focus is on establishing a platform that enables the City to build capacity in these sectors.

Social Innovation Activities

Establishing the VMC as a creative and cultural hub, the Economic Development and Policy Planning Departments brought in a panel of industry experts to provide insight on drivers for social innovation and entrepreneurship. Representatives from Artscape and the Centre for Social Innovation in Toronto provided details on the model objectives, drivers and future directions for their models. While the adaptation of these models to Vaughan may or may not be feasible, they provide an understanding of some of the approaches which are currently being used.

Staff supported and participated in the York Region Arts Council's Arts Exposed Conference and the Vaughan Film Festival. Both these events provide small arts-based groups with business advice and showcase opportunities.

Tourism Sector Activities

The Department undertakes business attraction activities related to the tourism and hospitality sector. By developing a richer and deeper sector with more product offerings, the City's attractiveness as a destination grows, benefiting all tourism and hospitality operators with additional visitor spending. In June 2012, the City held its second annual Tourism Roundtable bringing together representatives from the Ministry of Tourism,

Culture and Sport, with Central Counties Tourism (RTO 6), York Region Arts Council and local operators.

Notably in 2012, the City attracted a new Element Hotel by Westin, a 131-room superior class hotel, increasing the hotel asset class by eight percent. As well, the new Legoland Discovery Centre, opening in Spring 2013, is expected to generate two million visitors annually.

Kleinburg Revitalization

Following the completion of the Kleinburg Economic Development Study (KEDS) in June 2011, Staff have been active participants in the Kleinburg Business Improvement Association (KBIA) lending assistance to the organization and its individual members. The issues that Staff have addressed range from signage permits to zoning and bylaw compliance. Staff, through the Vaughan Business Enterprise Centre (VBEC), organized and delivered three retail-focused business workshops to area businesses at no cost to the business, while respecting their hours of operations. These workshops provided business advice on marketing, sales and customer service.

KEDS identified retail recruitment as a necessary measure towards improving usage and visitation of the Kleinburg core. Staff have been working with real estate professionals to attract potential tenants that would improve the retail mix. Discussions are ongoing with several retail tenants including a small-scale beverage company.

Convergence Sector Advances – Innovative Research Development & Design

Within the Innovative Research Development and Design sector are initiatives related to attracting a post-secondary institution, innovation hubs and/or infrastructure which strengthens our sectors or provide them with research, design or development funding.

Recognizing that York Region's population growth is outpacing that of Toronto, post-secondary institutions are starting to show an interest in creating a research and academic presence in Vaughan. This interest is clearly aligned with the City's Economic Development Strategy, Vaughan Official Plan 2010 and the Region's draft Economic Development Action Plan. Working in cooperation with external support organizations, Staff and Members of Council have had preliminary discussions with several post-secondary institutions, putting forward the City's future growth objectives, employment needs and potential sites. The development of the Mackenzie Vaughan Hospital has also prompted a number of enquiries from healthcare providers for potential locations.

World-Class Innovation Park at Kortright

In the clean tech and green tech sectors, staff has undertaken business development actions both locally and abroad. Business missions taken in 2012, discussed in later parts of this report, have been focused on these sectors. At the local level, Staff are working with the Toronto and Region Conservation Authority (TRCA) and Region of York to complete a feasibility study/business plan for establishing an Innovation Park at the Kortright Centre. Based on a model developed by UK's Building Research Establishment (BRE) group, an Innovation Park is a pre-commercialization demonstration and training centre for sustainable and green building products. With a 90-year track record, BRE has established three Innovation Parks in the UK and one in China. Although the TRCA has developed a similar model with the Archetype Sustainable House demonstration project, the Innovation Park would broaden the concept with a heavier emphasis on demonstration of private sector products, and capitalizing on the global industry and research connections developed by BRE. It is anticipated that the business plan will be completed by Q2 2013.

VBEC – Small Business Development

The VBEC core business model delivers entrepreneurship training and small business support. In 2012, VBEC completed 714 business consultations, which resulted in the start-up or expansion of 171 businesses, generating employment of more than 280 jobs.

In addition, VBEC delivers youth specific programs such as the Summer Company Program, the Centre's key youth initiative. This year, VBEC received forty-four applicants, and the province approved 10 Vaughan students. Eight students completed the program and earned cumulative revenues of approximately \$25,000. Virgili Contracting was recognized as the outstanding Summer Company having generated a total income of \$10,945 or 44 percent of the cumulative income of all eight businesses.

For the second consecutive year, VBEC in cooperation with the Recreation and Culture Department offered "Biz Teen Camp" through the Summer Camp programs at the Rosemount Community Centre. The popular camp targeted to youth aged 12 to 14, taught participants how to create a business plan and put it into practice by running a lemonade stand. The Biz Teen Camp was sold out, with 15 participants, and five on a waiting list.

Small Business Week, an annual signature event for VBEC took place during October 15-19, 2012. Working in partnership with the Vaughan Chamber of Commerce, VBEC Staff delivered 17 workshops to 519 participants. A sample of the workshops and seminars offered include: social media; marketing strategy; Quickbooks; branding; employment law; apprenticeship funding; people engagement. In addition to Small Business Week, VBEC held three other major events: Vaughan Business to Business Expo & Trade Show (226 attendees); International Women's Day Conference (95 attendees) and Import/Export Conference (109 attendees).

Economic Cluster Development

The Economic Development Department undertakes a number of programs to grow the economic base by developing strong economic "clusters" or centres of competitive advantage. It is widely recognized that 80 percent of all investments in a community comes from the existing business base. Therefore, it is essential to provide existing businesses with one point-of-contact and to deliver seamless business assistance. The Economic Development Department assists local business with such issues as product sourcing, employee orientations, corporate events, government funding initiatives, and issues resolutions.

For 2012, the Department established an aggressive target of 125 corporate visits by year end. Staff completed the 125 visits, and utilizing the Synchronist program to analyze and establish benchmarks, the following findings emerged:

- 75 percent of those surveyed were at a growth point in their business life cycle; only 5 percent were at a declining point
- 84 percent of businesses introduced new products within the last 5 years
- 89 percent of businesses expect to introduce new products in the next 2 years
- On plans to expand in the next 3 years, companies were somewhat mixed – 41 percent responded "Yes", while 38 percent responded "No" and 18 percent did not respond
- 73 percent of businesses stated that employment needs were stable or increasing
- Recruitment of skilled labour was identified as an issue by 46 percent of businesses

- 86 percent of those identifying recruitment issues, attribute the issues to industry challenges, rather than community challenges

Of note, the prevalent issues identified through the corporate visits include employee recruitment, new market development, access to capital and traffic congestion. In co-operation with internal staff, and Ministry advisors, Economic Development Staff lent assistance with resolving property standards infractions; expediting building permit reviews; business planning; job fair organization; and sourcing government funding and training options, etc.

Overall, the snapshot of the business community, learned through the corporate calling program, indicates a stable position. Businesses have navigated the economic downturn and reported that their earnings have been regained to pre-2009/2010 levels. Employment levels are stable and could be increasing, particularly in occupations such as machinists, welders, press operators, and mechanical engineers. Businesses in particular noted that they would like community colleges to work with local industries to offer the required technical courses to help fill these skilled positions. Several of the largest metal and machinery fabricators in the City have indicated that they could increase production by as much as 50 percent if they could recruit skilled workers.

Foreign Business Development

One of the City's goals is to build its international presence and establish Vaughan as a gateway for economic activity in the GTA. In 2012, Council approved business travel to three markets: Israel, Italy and China, focusing on the clean tech and green technology sectors. This disciplined approach in international business development allows Staff to develop a single value proposition, taking a more strategic approach and ensuring better planning and coordination among various City departments and stakeholders. A Cleantech Brochure was produced in English, Italian and Chinese that highlighted this growing sector in Vaughan. The choice of these sectors is also strategic from the standpoint that they occupy a relatively lighter focus with competing jurisdictions.

Exploratory Mission to Israel

An exploratory mission was undertaken to Israel in July, led by Councillors Alan Shefman and Tony Carella, and Executive Director Tim Simmonds. The goal of the mission was to identify future opportunities for the City with Israeli businesses and to collaborate with key Israeli government agencies to understand the current Israeli/Canada business relationship. Staff utilized the connections of the United Jewish Appeal Foundation, Government of Israel, Economic Mission to Canada and local Jewish community leaders to facilitate one-on-one business meetings. The outcome of the mission brought a deeper understanding of Israel's ability to support innovation in renewable energy sectors. It also forged new relationships with government agencies in Israel and began to build a local stakeholder base.

Business Mission to Italy

In late September, the City participated in the Italian Chamber of Commerce's (ICCO) 17-person delegation to Italy, led by Mayor Maurizio Bevilacqua and which included business representatives, ICCO officials, and the Greater Toronto Marketing Alliance. The City's representatives also included Councillor Rosanna DeFrancesca, City Manager Clayton Harris and Executive Director Tim Simmonds. During the mission, the City signed economic co-operation agreements with the City of Rome and the Province of Milan promoting trade, technical transfer and economic co-operation. These centres represent two of Italy's leading business centres – Milan is known as the economic capital of Italy with a population of 3 million; Rome is the country's capital with a

population of 2.8 million. In addition, the delegation participated in roundtable discussions on renewable energy and green technologies, toured the new Turin subway development, and made presentations to Chambers of Commerce in Milan, Turin, Verona and Rome. In total, the delegation held more than 65 face-to-face business meetings.

Of the face-to-face meetings that were conducted during the mission and the larger group presentations, the City is actively working with six leads. These leads are companies that have contacted the City since the delegations return to Vaughan and are actively pursuing business opportunities here in Vaughan or the Greater Toronto Area.

A few of the companies are: Teta Group, which is involved with renewable energy and green building. A representative from the company set up a temporary office in Vaughan during October and November in order to identify opportunities and joint ventures, as well as look for a site for a North American head office.

Another company that Vaughan met with, Novamont S.p.A, is considered to be one of the leading edge bio/green companies in the world. Novamont is currently working with York Region on a pilot project for its compostable bags and one of the pilot locations for the bags is the Fortino's store on Major Mackenzie Drive and Jane Street in Vaughan. The trade mission met with this company at their global headquarters in Novara and this gave the Vaughan team an unprecedented opportunity to sit face-to-face with Senior Management of Novamont to discuss Vaughan as a location for its environmentally safe materials manufacturing facility.

In addition to Teta and Novamont the following contacts are being worked as prospects as a direct result of the mission: Rocco Laudato, Planner's One, Giulio Barbieri, and Faresin for a total of six (6) companies.

Staff in the City's Economic Development Department will continue to follow-up on these leads and work with all of the companies to promote job creation, business investment or find joint venture opportunities for partnerships with established Vaughan companies.

Business Mission to China

In co-operation with the Confederation of Greater Toronto Chinese Business Association, the City participated in a 71-person delegation to China in November. The City was led by Deputy Mayor and Regional Councillor Gino Rosati, Councillor Sandra Yeung Racco, Executive Director Tim Simmonds and Senior Manager of Economic Development Shirley Kam. Vaughan was joined by five other municipalities: Barrie, Brampton, Clarington, Markham and Oakville. Participating in this mission is essential to building on Vaughan's success over the past three years. Business connections developed as a result of past missions have yielded product placements as well as economic cooperation interests from a number of Chinese cities with similar business and trade goals. Building local trade capacity continues post-mission – the City worked with the Canada China Business Council to host a Market Entry Workshop for local businesses in March.

Staff is currently following up on a number of leads in automotive parts, food, packaging and solar industries. In-country meetings as well as local visits have been held with leads developed in all three markets. In addition, the City facilitated introductions and business meetings for local companies in the food, personal care products and building technology sectors.

Social/Cultural Relationships

The City of Vaughan's diverse cultural base attracts visitors and delegations from many parts of the globe. Since January 2012, the City has received 18 incoming delegations, including:

- From China: Yiwu (2), Guangzhou, Guangxi, Shaanxi, Shanghai Changning, Yangzhou, Guizhou
- From Italy: Ceprano, Casalvieri, Sora, Rome, Sicily, Raiano
- Taipei (Taiwan)
- Russia (Kazakhstan, Belarus, Tartasan)
- Baguio City, Philippines
- Huron Wendat (Quebec)

Employment Zone Development – Vaughan Metropolitan Centre

The City of Vaughan is undergoing significant growth, and has completed a considerable amount of planning to ensure that future development will be sustainable. Although the City takes a business attraction approach on the basis of convergent sectors, it also takes an approach based on key development areas. The Vaughan Metropolitan Centre (VMC) and the Vaughan Enterprise Zone (VEZ) are two of the more immediate areas.

The activities undertaken by the Economic Development Department to advance the development of the VMC have been varied. They include: subway station naming; office market study; subway construction communications; marketing support for residential projects, etc.

VMC 3D Video Animation

In June 2012, the Economic Development Department launched its new brand for the VMC with a 3D video animation, *Vaughan Metropolitan Centre – It'll Move You*. The 2:30-minute video articulated the City's vision for the VMC as a centre for the creative economy; and as a connected downtown that welcomes the world. In addition to the link on the City's website, the video is also available on social media site, YouTube. To date, the video has had 7,000 viewers on YouTube, or approximately 1,000 unique viewers per month. Copies of the video have been distributed to developers, office commercial and residential real estate brokers to include in their marketing tool kits. The video has also been translated in Chinese and Italian for international business development use.

Staff are now finalizing a suite of print ads, website banners and information brochures to support the video. A media placement and marketing strategy are being finalized.

VMC Office Market Study

The Economic Development Department engaged Live Work Learn Play, an international real estate advisory and development firm, to complete an Office Market Study. The study provided an understanding of the opportunities and challenges in attracting office tenants; competing office nodes; influence of the subway; and office market rents. This understanding is fundamental to achieving the economic development goals of the City and attracting the business investment that is envisioned.

The Office Market Study determined that Mississauga's Airport Corporate area; Markham Centre and North York Centre were the key competitors to the VMC. Furthermore, the economic rents that office space would need to achieve are approximately \$50 per square foot. Facilitating and accelerating office development within the VMC requires two strategies: lowering the cost of office development, or increasing the real or

perceived value of locating in the VMC. Successful development of the VMC requires the formation of a Landowners Group to develop a shared master plan and business plan for the VMC.

A copy of the VMC Office Market Study was provided to the Region of York to inform their discussions about the Centres and Corridors Study.

VMC Communications Support

The construction of the subway extension at the VMC has triggered development interest in the City's new downtown. However, in and of itself, the subway construction has significant economic and transportation impact on the existing business community and the travelling public. In partnership with York Region Rapid Transit/VIVA communications team, the Transportation Engineering and Economic Development Departments have taken the lead on a number of initiatives to inform area residents and businesses on the status of subway construction, traffic disruptions and detour routes. The City's website, Business Link newsletter, and social media channels regularly feature subway updates. Staff issued 28 e-mail bulletins in 2012 and it is anticipated that workload will increase in 2013, as construction advances in both subway and bus rapidways along Highway 7 and Steeles Avenue.

Corporate Branding & Marketing

The Economic Development Department continues to lead in innovative marketing and branding. The Department took a focused approach to its marketing and collateral materials concentrating on materials that highlight the Vaughan Metropolitan Centre, the cleantech sector and placemaking. These materials also dove-tailed with international business development objectives.

Urban Design Awards 2012

Jointly with the Development Planning Department, the Economic Development Department hosted the 2012 Urban Design Awards competition. The Urban Design Awards highlights the City's commitment to placemaking and thus, creative economy. The importance of urban design, sustainability and livability is well documented in literature and is reaching common acceptance in real estate decision-making. Twenty projects submissions were received.

Public Relations

Working with the Corporate Communications Department, Economic Development has secured coverage for the VMC in publications that include: Condo Life, Homes Magazine, Toronto Focus - BUILD, Canadian Real Estate Wealth, Toronto Star, City Post Magazine and Real Estate Investment Network. The media strategy targets both the national and local real estate investment sector. Undertaking public relations activities that are geared to residential tenants is a limited but calculated shift from the traditional focus on industrial/commercial target audiences. However, it is very necessary in the case of the VMC, as it builds the critical mass of residents required to make the downtown a vibrant centre throughout the day and supports the retail and office uses.

Research and Statistical Analysis

In 2012, Statistics Canada issued four releases of the data (e.g. population, dwelling counts, age and sex, family and household structure and language) collected by the 2011 census. Staff has been working on the statistical analysis to update the myriad of publications produced by the Department. The data is also provided to internal

departments for the purposes of policy formulation and programming decisions. Releases on jobs and employment are part of the National Household Survey and will be issued in early 2013.

Business Communications Support

The Economic Development Department provides communications support to internal departments, external agencies, community organizations and private sector businesses. In addition to the statistics, images, and graphics, Staff have provided publishing, graphic design expertise and e-blast communications assistance on projects including District Energy, Mayor's event sponsorships, Budget Book, and Woodbridge Farmers Market.

The City's marketing and collateral materials continue to earn accolades from peer-level professional organizations. The Economic Developers Council of Ontario honoured the City with an Award of Excellence for the City's Economic Development Strategy, Building a Gateway to Tomorrow's Economy.

Next Steps

The Economic Development Department intends to undertake the following objectives in 2013:

1. Identify opportunities to continue to attract post-secondary institutions including a new university or college. These institutions not only foster innovation, they also work at the shop-floor level to improve business operations and processes.
2. Finalize and execute the marketing strategy for the VMC. Utilizing the suite of collateral materials and tools created by the Department, develop a media placement and public relations plan to generate awareness of the VMC as Vaughan's new downtown which will be complemented with great dining and entertainment venues, residences and open, green spaces.
3. Grow the business relationships and connections that were established in China, Italy and Israel by continuing to focus on opportunities arising from the convergent sectors.

These objectives span multiple years and will continue to grow in value and return on investment over the long term. These highlighted objectives will complement the day-to-day activities that sustain Economic Development such as corporate calling, site selection and broker assistance and local business expansion.

Relationship to Vaughan Vision 2020 / Strategic Plan

This report is consistent with the priorities previously set by Council. Specifically, this report assists in fulfilling Vaughan Vision 2020 Goal: Manage Growth and Economic Well-being.

Regional Implications

The Economic Development Department continues to work in collaboration with York Region's Economic Strategy & Tourism Department, Greater Toronto Marketing Alliance, Vaughan Chamber of Commerce, the Kleinburg Business Improvement Association and Ministry of Economic Development and Innovation to name a few of the key partners and stakeholders. Copies of all of the City's Economic Development materials have been distributed to the stakeholders throughout the year. In addition, as the Region moves

forward with a new Economic Development Action Plan, the City's goals will be considered and highlighted in their work.

Conclusion

Despite the global economic challenges of the past several years, the economic indicators have been positive for the City of Vaughan. Based on the 2011 York Region Employment Survey, the City led the Region, accounting for 37 percent of regional employment, and having positive employment growth of 6.1 percent from 2010 to 2011. Analysis of the 2012 data is underway, and preliminary indicators show that Vaughan is expected to maintain its position as the largest employment centre in the Region. The City has added 284 new businesses over the previous year's survey. Commercial / industrial real estate market remains steady. Net absorption of industrial properties held steady with vacancy levels at 5.2 percent in Q3 2012, compared with 5.4 percent for the same period in 2011. Industrial lease rates are continuing to hold at \$5.02 per square foot, compared with \$4.59 for the same period in 2011. Construction activity in the industrial and commercial sectors surpassed 2011 levels by 119 percent and 69 percent respectively, despite a decrease in the overall building permits values.

Successful completions are a key metric of economic development activity. In 2012, the Economic Development Department worked on 17 completions totaling 2.2 million square feet, and which created or retained 1,640 jobs.

In 2012, the City continued to lay the foundation and building blocks for some of its most significant and transformative projects. Many of these projects (e.g. VMC, creative and cultural industries, innovation centres) have strategic importance for the Economic Development Department and require nurturing over an extended period of time.

A key measurement of the Economic Development Strategy's success is the collaboration and support that Staff in the Economic Development Department have received over the past year, from every Commission across the City.

Attachments

Not applicable.

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Respectfully submitted,

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