

Clause 14 in Report No. 17 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on November 19, 2015.

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New Greater Toronto Region
Global Investment Attraction Agency (Newco)

Committee of the Whole recommends adoption of the following recommendations contained in the report dated October 23, 2015 from the Commissioner of Corporate Services and Chief Planner:

1. Recommendations

It is recommended that:

1. Council endorse in principle the Region's participation in the recently incorporated corporation known as the "GTA Region Investment Attraction Agency" ("Newco") in furtherance of the Region's foreign investment attraction efforts previously undertaken through the public-private partnership, Greater Toronto Marketing Alliance, which Alliance is ending December 31, 2015. The Region's participation will be determined when:
 - a. Newco's governance and operating structure including the Region's role and participation is known;
 - b. The funding commitments from provincial, federal and municipal partners over the next three years is known.
2. The Regional Clerk circulates this report to the interim Board of Directors of Newco, local municipalities, and appropriate federal and provincial government ministries.

2. Purpose

This report provides an update on the status of the formation of a new Greater Toronto Area foreign investment attraction agency, known as Newco, that is proposed to replace the Greater Toronto Marketing Alliance.

3. Background

A new model for collaborative foreign direct investment attraction is under development in the Greater Toronto Area

As reported to Committee of the Whole in a report entitled Greater Toronto Area Foreign Direct Investment Update, dated June 11, 2015, a review is underway to change the way foreign investment attraction is undertaken jointly in the Greater Toronto Area.

Foreign investment attraction is an important component of developing and maintaining a strong regional economy. York Region has been working with municipalities across the GTA since the early 1990's and more formally with public and private partners through the Greater Toronto Marketing Alliance (GTMA) since 1998, to undertake joint international promotion activities. The focus of these efforts is to attract global businesses to set up operations or expand here, which results in job growth.

Progress has been made toward creating a new entity, currently referred to as Newco, to lead foreign investment attraction in the GTA

Since the last report to Committee of the Whole in June of this year, a number of steps have been taken to create Newco to lead GTA efforts in foreign investment attraction. Major steps include:

- Incorporation of Newco on July 27, 2015 as an Ontario non-share capital corporation under the name "GTA Region Investment Attraction". This name is used for incorporation purposes only
- Appointment of an Interim Board of Directors, comprised of Mayor Tory of Toronto, Mayor Ryan of Pickering and Mayor Crombie of Mississauga, as well as Chair Emmerson of the Region of York and Janet Ecker (President and CEO of the Toronto Financial Services Alliance) and Pat Horgan (Vice President, IBM Canada)
- Appointment of Toby Lennox (formerly of the Greater Toronto Airports Authority) as Interim Chief Executive Officer and Chair of the Interim Board of Directors

Mr. Lennox appeared at Committee of the Whole on Thursday, October 8, 2015 to provide members of Committee with an update on the status of Newco and address questions.

Progress is also being made towards establishing a governance and operational model for Newco and to establish a brand

Led by Newco and involving municipalities, the Province, and existing GTA investment attraction agencies the following work is currently underway:

- Development of the strategy and operating model for the new organization with the assistance of an Economic Development Officer Working Group. The EDO Working Group is comprised of economic development officers for each of the Regions of Halton, Durham and York, the cities of Caledon, Mississauga, Brampton and Toronto, the Province of Ontario and representatives of Invest Toronto the Greater Toronto Marketing Alliance. A report drafted by the consultant with recommendations from the Working Group is expected to go to the Interim Board for consideration later in November, 2015.
- Development of a governance structure and processes using one of Canada's leading authorities on corporate governance to assist the Interim Board of Directors. This work is expected to be completed and presented to the interim Board in early November, 2015.
- Development of a brand for Newco, leveraging the international recognition that already exists with "Toronto". This work will involve various focus group sessions with stakeholders and is expected to be completed sometime in late November of 2015.

Efforts are on-going to secure formal support from senior levels of government for Newco

In support of Newco, the Ontario Ministry of Economic Development, Employment and Infrastructure has agreed to provide \$730,000.00 to fund the start-up costs for Newco. These costs are being used primarily to retain consultants to undertake the work described above and to defray other costs related to the endeavor. This funding is in addition to the Provinces annual funding commitment that will commence in 2016.

As a result of the election, Federal officials are currently constrained on making any commitments that may have policy or funding implications. However, Federal officials at the Department of Foreign Affairs, Trade and Development (DFATD) and at Fed Dev Ontario are willing to participate in strategic and operational discussions on the interface between Newco and the Government of Canada.

They have indicated they see tremendous merit in the Newco model and mandate and have expressed an interest in continuing discussions to the extent that they are able.

Newco is planned to be operational in early 2016, at the same time the Greater Toronto Marketing Alliance and Invest Toronto will wind down

A significant amount of work is underway to put the proper structure, models and funding in place to allow Newco to commence operations by the beginning of 2016.

In concert with this effort, the Greater Toronto Marketing Alliance is planning to cease operations early in 2016 and fold its operations into Newco. While the City of Toronto has not yet formally approved any actions, it is also working towards winding down and combining its Invest Toronto operations into Newco as well. The combined resources of the GTMA and Invest Toronto are to be used as a base for ramping up the new, more robust investment attraction agency.

Over the course of this fall each municipality is being asked to consider their participation in Newco as a funding partner, and, perhaps equally importantly, will have to consider undertaking certain changes to existing programs as Newco assumes more responsibility for the generation of foreign investment attraction in the region.

4. Analysis and Options

Through significant senior government funding, Newco will be able to deliver a more coordinated approach for the benefit of the GTA and York Region economy

In contrast to the locally funded GTMA, a larger, properly resourced and funded foreign direct investment agency could provide increased benefits to the GTA and York Region economies as follows:

- Broader global marketing of the 'Toronto' brand message
- Identification and targeting of larger investment-ready companies
- Access into more established and emerging global markets
- Research and intelligence on global markets and companies that would be available to all municipalities
- Likelihood of increased inbound investments to both the GTA and York Region
- Increased economic spin-off benefits through overall business and job growth, spending, employment opportunities, and increased GDP output

Establishing a stronger GTA agency would provide information, research, marketing and investment lead generation capabilities well beyond the capacity of individual municipalities and regions, and well beyond what exists today with

the GTMA. This initiative would assist in making the GTA more competitive relative to other global jurisdictions, with the intention of increasing its share of foreign direct investments.

The Toronto brand is recognized world-wide, and it makes sense to undertake international investment efforts under a common recognized brand. Collectively, the Toronto Region has been successful in delivering the Toronto message internationally, and locations such as York Region within the GTA market attract significant foreign direct investments every year. Collective collaborative marketing efforts internationally under a common brand can only serve to benefit all locations in the GTA.

Newco will measure, monitor and report results based on performance metrics

Newco is establishing a set of performance metrics based on activities, investment results and economic impact. These metrics will form part of the operating model and reporting that is being established through the organizational review currently underway. Municipalities will have an opportunity to comment on the proposed metrics during this review. Newco will undertake reporting of its activities and results to staff of the municipal funders on a regular basis throughout each year, and an annual report of results will be provided to Regional Council.

Municipalities will play an important role in the success of Newco

In terms of roles, it is proposed that Newco be the lead in the GTA on foreign investment attraction outreach and lead/client identification and servicing. Business retention and expansion will remain the primary role of municipalities. Where appropriate and on request, Newco and municipalities will play a supporting role to each other's mandate.

Municipalities will play an important role in supporting Newco with client servicing by providing data and information on local companies, clusters and opportunities that would support a client's decision making. Municipalities can also play an important role in identifying local opportunities for foreign investment that could benefit from connecting local companies with the resources Newco will bring to the table.

York Region has an integrated program for facilitating investment attraction with demonstrated success

York Region, under the Investment and Marketing program (branded as *Invest in York*) has been successfully facilitating business retention, expansion and attraction in York Region including foreign direct investment since 2010. The

Invest in York program has facilitated the creation of over 800 jobs in York Region through business expansion and attraction advisory services. The program also facilitated over 25 new business investments across York Region, over half of which are foreign businesses.

The *Invest in York* program is delivered in collaboration with York Region's local municipalities and an extensive network of partners and multipliers, including the GTMA. The program currently facilitates business attraction in York Region via the following key elements:

1. Identification and support of Canadian and foreign companies that may consider establishing new business operations locally.
2. Development and maintenance of an extensive marketing and client-support partnership network from the private, public and non-profit sectors.
3. Awareness building marketing and promotion of York Region and its area municipalities as the location of choice for business and technology investment via a dedicated website (www.investinyork.ca), social media, customized presentations and print material.
4. Economic research and business intelligence to support Regional and local-municipal business retention, expansion and attraction activities and initiatives.

York Region is well positioned to support Newco

Invest in York is building on business strengths, industry clusters, demographics and location advantages unique to York Region and its local municipalities. The program is successfully leveraging cross-municipal economies of scale, a collective value proposition and a Region-wide business network to differentiate York Region as a top business location within the wider GTA market, in the context of an increasingly competitive business environment.

To date, the program prioritized engagement of investment attraction clients in the enterprise-scale technology sector, and in the U.S. marketplace. These focus areas have been set so as to complement, rather than duplicate, international initiatives already undertaken by some of the Region's local municipalities in other markets such as China, India, Germany, Italy and Israel, as well as external partners such as the GTMA. The knowledge generated by York Region of its businesses, clusters and strengths will serve as assets that Newco can leverage in developing its brand, sales pitch, and support client servicing.

York Region's "Invest in York" program will serve as the vehicle for delivering on Regional contractual and operational commitments with Newco

Should Regional Council authorize a multi-year agreement with Newco, a significant share of *Invest in York* program resources will need to be allocated

towards administering the agreement and participating in the new alliance. This includes, among others, representing Regional economic development interests to Newco; providing data on York Region as well as research and analysis support; co-ordinating Requests for Information (RFIs) responses from York Region and its local municipalities; assisting with client servicing that may be required and; ensuring on-going participation in Newco's Foreign Direct Investment sales and marketing activities.

At the same time, the *Invest in York* program will maintain its core functions in the areas of business retention and expansion advisory, awareness building marketing, research & analysis and domestic investment attraction. This work is essential to building York Regions' economy, and will also be the foundational work necessary to support Newcos' efforts. These services will continue to be delivered in close collaboration with the local municipalities as well as external partners in the private, public and non-profit sectors.

Link to key Council-approved plans

Initiatives around investment attraction and job creation directly support the objectives in the strategic priority of Strengthening the Regional Economy in the *2015 – 2019 Strategic Plan*. Global investment attraction is also a key component of developing a diverse and resilient economy which is an important element of both the *York Region Official Plan 2010 and Vision 2051*.

5. Financial Implications

The GTMA and municipalities continue to operate and deliver their respective investment attraction programs until the end of 2015. All municipal funding partners have agreed to continue through 2015 to work with the GTMA and provide funding at 2014 levels while the new agency is being formed.

York Region currently funds the GTMA in the amount of \$100,000 annually. The 2015 funding for the GTMA in the amount of \$100,000 is included in the approved Planning and Economic Development branch budget.

While precise figures have not been provided to the GTMA municipal funders, a sample funding model outlined in the Revitalization Study indicated that total annual funding to operate Newco should increase from \$1,500,000 to \$7,500,000 with \$5,000,000 of this amount coming from the federal and provincial governments. Based on this proposed funding model, the amount of municipal funding would increase from \$500,000 to \$2,000,000 annually beginning in 2016. The balance of the \$7,500,000 or \$500,000 would ultimately come from the private sector.

A per capita share basis is suggested in the proposed funding model. This model would result in York Region's annual contribution increasing from \$100,000 to approximately \$330,000. The potential funding impact of the proposed funding model on all GTA municipalities is outlined in Table 1.

Table 1
Greater Toronto Area Foreign Direct Investment
Existing and Proposed Municipal Funding

GTA Municipal Funders	Current GTMA Funding	Proposed Newco Per Capita Funding Model
York Region (on behalf of 9 area municipalities)	\$100,000	\$329,389
City of Toronto (Invest Toronto)	\$100,000	\$890,412
Halton Region (on behalf of 4 area municipalities)	\$100,000	\$160,039
Durham Region (on behalf of 8 area municipalities)	\$100,000	\$206,397
In Peel Region:		
City of Mississauga	\$55,000	\$227,598
City of Brampton	\$40,000	\$167,135
Town of Caledon	\$5,000	\$19,030
Total GTMA	\$500,000	\$2,000,000

Alternative funding models are also being considered which could result in York Regions share increasing to up to \$430,000 annually. It is Regional staff's view that the per capita funding model is the most appropriate and easily calculated basis for funding.

Any additional funding from York Region would need to be addressed through the review of the Regions 2016 Budget.

6. Local Municipal Impact

The local municipalities in York Region are not currently direct funders of the GTMA and at this time are not anticipated to be direct funders of Newco. As noted previously, the Region currently provides support to local municipalities involved in foreign direct investment activities including GTMA initiatives and programs, as well as assistance with servicing GTMA clients interested in locations within the communities.

Implementation of Newco may increase in-bound investment opportunities for local municipalities. At the same time it may have an impact on the current local municipal roles and relationships as they relate to business development and foreign direct investment attraction efforts.

A number of the local municipalities in York Region have their own significant international business development programs, some aspects of which have a foreign investment attraction component. These activities and the international relationships that have been developed can serve as valuable assets in the overall effort to attract investment to the GTA and the Region. Local municipalities that are not directly funding Newco are not expected to discontinue their international business development efforts. It is anticipated that over time, once Newco is fully operational that local municipalities will see the benefit of delivering their programs through or in partnership with Newco.

7. Conclusion

There is value in undertaking coordinated global investment attraction efforts under the recognized "Toronto" brand. A new, larger foreign direct investment attraction agency is being created that will replace current formal dedicated foreign investment attraction agencies in the GTA to the benefit the entire region.

The new agency will require additional funding, and three-year commitments from the federal and provincial governments for \$5,000,000 annually are in the process of being secured. Commitments are now being sought from the existing municipal funding partners, which would result in an increase for York Region from \$100,000 to approximately \$330,000 annually. The additional funding would need to be addressed during the 2016 Regional Budget review.

The success of a new GTA foreign direct investment agency will depend on the development of an organizational and operational structure that takes the important role of municipalities in supporting in-bound investment into account.

For more information on this report, please contact Doug Lindeblom, Director, Economic Strategy at ext. 71503.

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