

Clause 13 in Report No. 11 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 25, 2015.

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Greater Toronto Area Foreign Direct Investment Update

Committee of the Whole recommends adoption of the following recommendation contained in the report dated May 22, 2015 from the Commissioner of Corporate Services and Chief Planner:

1. Recommendation

It is recommended that this report be received for information.

2. Purpose

This report updates Council on the status of the review underway to establish a new agency and model for attracting foreign direct investment in the Greater Toronto Area.

3. Background

Foreign direct investment is important to York Region's economy

Foreign investment in York Region is an important component of developing and maintaining a strong Regional economy. There are over 500 foreign owned businesses located in York Region that collectively represent close to ten percent of the total workforce. Sixty-eight percent of these jobs are in the key growth sectors of information and communications technology, financial services, business services, and life sciences. Globally branded companies such as IBM, AMD, GE, KPMG, Bank of China, and Teva serve to anchor these key sectors, creating access to markets and a positive image of the investment climate in York Region.

York Region undertakes joint international promotions to attract global businesses which creates job growth

York Region has been working jointly 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.

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.

The Greater Toronto Marketing Alliance provides international investment attraction services within the Greater Toronto Area

The GTMA is a public/private partnership founded in 1998 to promote the GTA as a place for international investment and to provide services to companies interested in investing in the GTA. The organization is funded from a variety of sources including GTA municipalities, other government agencies, and private sector partners.

The five Regions in the GTA contribute a total of \$500,000 annually to GTMA core funding. This is divided amongst the Regions of York, Durham, Halton, and the City of Toronto contributing \$100,000 each, and the City of Mississauga, City of Brampton, and Town of Caledon sharing the remaining \$100,000 cost on a per capita basis. York Region has been a contributing partner since the GTMA's inception.

York Region funds the Greater Toronto Marketing Alliance annually as a supplement to regional investment attraction activities

The annual funding provided to the GTMA by York Region on behalf of all nine area municipalities, provides direct access to GTMA programs and activities. The Economic Strategy Division works cooperatively with local economic development offices and the GTMA, supporting potential incoming investments and connecting local companies to growth opportunities both here and abroad. Participation in the GTMA is designed to maximize York's reach globally and avoid duplication of

effort within the Region or with the GTMA. The GTMA promotes the Toronto brand, which assists York Region in gaining recognition in foreign markets. The GTMA also acts as one of many sources of potential international investment contacts that York Region uses to support business growth locally. York Region also helps connect the local municipalities to the GTMA and supports them in servicing investment prospects looking for specific locations within the GTA.

The need to improve GTA foreign direct investment attraction has prompted a review of the GTMA structure and mandate

Over the past several years, issues have been raised both within the GTMA and by various groups regarding the overall success of foreign direct investment activities in the GTA. Issues raised include limited results, a lack of coordination of investment attraction efforts and limited resourcing amongst the various agencies involved to provide an effective effort.

In an effort to address the issues the GTMA Board of Directors initiated a review of the organization by commissioning a consultant report in late 2012 entitled "Greater Toronto Marketing Alliance Roadmap to Revitalization". York Region was engaged in the overall process through the GTMA Board of Directors, representation on the Strategy Group formed to guide the process, and through participation in stakeholder consultations.

The Roadmap to Revitalization Report identified the GTMA organization as underperforming relative to other similar investment attraction agencies. The Report made 14 recommendations relating to the role and structure of the GTMA and its relationship to senior levels of government, municipalities, and the private sector. In summary, the Report recommended an expanded and rebranded GTMA organization utilizing increased funding primarily from senior levels of government and GTA municipalities.

A new GTA foreign direct investment organization is now in the process of being formed

On June 24, 2013, the GTMA Board of Directors approved the recommendations of the Roadmap to Revitalization Report, and has been actively undertaking measures to form a new organization that will replace the GTMA. The GTMA Board has appointed a Transition Committee to provide advice and recommendations on how to set up the new agency, and is taking steps to incorporate a new entity with an interim board of directors that will lead the transition. The intent is to have a new agency up and running in January, 2016.

4. Analysis and Options

The status quo is being maintained while discussions around a new agency are conducted

The GTMA continues to operate and deliver an investment attraction program as per the International Marketing Services Agreement between the Region and the GTMA. All the municipal funding partners have agreed to continue through 2015 to work with the GTMA and provide funding at 2014 levels while discussions around creating a new agency take place.

A new GTA foreign direct investment agency could benefit the GTA and York Region economy through increased inbound investments

Direct investments in York Region as a result of GTMA activities have been limited over the years. A larger, properly resourced 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 successful launch of a new GTA foreign direct investment agency (“Newco”) requires several key elements to be in place

The proposed new GTA foreign direct investment agency is tentatively being referred to by the GTMA Board as “Newco”. The plan is to undertake a branding exercise for the new organization once a new board of directors is in place.

There are several key elements that need to be put in place to create an effective and sustainable organization that meets the needs of the various partners in the GTA. These include:

- Funding support from senior levels of government
- A commitment from the City of Toronto to engage directly in the endeavour including addressing the status of Invest Toronto, the City’s own arms-length foreign direct investment attraction agency
- Creation of a structure and operating model that represents and links with local and regional municipal partners

The status of these elements is addressed in the following sections.

Progress has been made in securing commitments from the provincial and federal governments to invest in “Newco”

A request for federal funding has been manifested in a FedDev application for \$2,500,000 per year for three years. The application is on hold by the federal government pending a decision by the province to also participate at the same funding level.

In October of 2014, Minister Duguid of the Provincial Ministry of Economic Development Employment and Infrastructure announced the province’s intention to assist with funding “Newco”. The Premier has also recently signalled to the GTAH Mayors and Chairs her commitment to support this initiative. The GTMA Board has advised that direction from the province has been given to prepare a funding agreement for \$2,500,000 annually for three years and to proceed with incorporation of a new entity that will be the recipient of the funding.

An injection of \$5,000,000 annually into GTA foreign direct investment activities is an opportunity that warrants serious consideration

Previous senior government funding for the GTMA has fluctuated annually as it has been provided based on annual applications for specific projects or programs. Beginning in 2016, a total of \$5,000,000 for each of the next three years is likely to be available from senior levels of government as core funding to operate

“Newco”. This is an unprecedented level and form of funding for support of foreign direct investment initiatives by both the federal and provincial governments, and is recognition of the importance of the GTA economy to the rest of the province and the country.

“Newco” would require additional funding from all levels of government including municipalities

Increased provincial funding is contingent on the full participation of municipalities in the GTA, including increased municipal funding participation as contemplated in the Revitalization Study.

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.

On the per capita share basis suggested in the proposed model, this would result in York Region’s annual contribution increasing from \$100,000 to approximately \$329,000. 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 between \$330,000 and \$430,000 annually.

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

The City of Toronto is currently considering how it can engage in “Newco”

The City of Toronto is the only municipality in the GTA that operates its own formal foreign direct investment attraction agency, called Invest Toronto. Invest Toronto is an arms-length agency of the City with a board of directors and staff of 15. In the GTA economic development context it is a significant entity. It has been recognized through the review and discussions around “Newco” that there would need to be a ‘melding’ of the GTMA and Invest Toronto resources to create one entity for foreign direct investment in the GTA to make “Newco” work. Transferring on-going client flow and expertise from the existing organizations will be an important element in the successful transition to the new organization.

Toronto staff is preparing a report on this matter for City of Toronto Council consideration, which is expected to be presented in late June or July of 2015. Region staff will report back to Committee on Toronto Council’s direction.

The “Newco” structure and model will need to address representation and operational linkages with all GTA municipalities

The success of the new agency will require an organizational structure and operating model that links to and utilizes economic development resources across the GTA. The GTA is a large geography with various strengths exhibited throughout the different municipalities. In-bound investment clients need to be exposed to the multiple opportunities presented across the Regions, and the model cannot simply be Toronto-centric. Municipalities have an important role to play in connecting in-bound investment opportunities to local businesses and networks which improves the chances of success. Any new agency model must take this municipal role into account.

To help address this issue, an Economic Development Office Working Group of economic development officers from the municipal funding partners has been established to provide advice to the Transition Committee on creating an effective operation. The Working Group will advise on matters such as:

- Setting out roles for the new organization and communities with the goal of working collaboratively and cooperatively to augment existing capabilities
- Identifying research and marketing work that needs to be undertaken

- Identifying sectors and markets that would address the needs of the GTA and its communities
- Establishing a protocol for sharing information and handling leads

York Region is represented directly on the Working Group, and staff will report back on the results of those discussions.

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 *Regional Official Plan 2010* and *Vision 2051*.

5. Financial Implications

The Regional Municipality of York 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 budget.

The proposal under development to create a new GTA foreign direct investment agency would result in an increase in York Region's annual share from \$100,000 to approximately \$324,000. As noted previously in this report, funding this increase would need to be considered as part of the 2016 Regional Budget review process.

6. Local Municipal Impact

The Regional Municipality of York funds the GTMA on behalf of the nine area municipalities within the Region. The Region also provides support to local municipalities involved in GTMA initiatives and programs, as well as assistance with servicing GTMA clients interested in locations within the communities.

Implementation of a new GTA foreign direct investment agency may increase in-bound investment opportunities for local municipalities. At the same time it may have an impact on the current area municipal roles and relationships as they relate to business development and foreign direct investment attraction efforts. This would definitely be the case in the area of coordination of missions, delegations and outreach initiatives in foreign markets, as the new model would require increased coordination and cooperation amongst the municipalities in delivering these activities.

7. Conclusion

There is value in undertaking coordinated global investment attraction efforts under the recognized “Toronto” brand. A proposal is coming forward through the GTMA to develop a new, larger foreign direct investment attraction agency that would benefit the entire GTA 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 \$324,000 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. Staff will report back to Committee once further details around the new organization are established.

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

The Senior Management Group has reviewed this report.

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