

## 3.0 Typical Municipal Economic Development Roles and Structures

Dufferin County is developing its first Economic Development Strategic Plan to provide the County with a framework and road map for its involvement in economic development. To encourage discussion among stakeholders, councillors and officials, this paper outlines typical municipal economic development roles and structures, and considerations that can influence which levels of government undertake them.

### 3.1 Goals of Municipal Economic Development Programs

The overarching goal in economic development is to improve the economic well-being of a community through policies and initiatives that will increase the municipal tax base and that will foster business and job creation, retention and expansion; beneficial investment; the health of the goods, services, agriculture and tourism sectors; economic diversity; and quality of place. Economic development does not equate simply to economic growth; rather it seeks, in addition, to encourage an enhanced quality of life and a qualitative balance with other community goals such as sustainability.

Economic development is a longer-term investment to be sustained through both good and challenging economic times. Efforts are cumulative. Immediate payback is seldom the norm. Results come over the medium- to long-run.

Performance metrics for initiatives and programs should be based principally on the outcomes that they ultimately will directly influence. There is also merit in reporting on the inputs and activities designed to contribute to the outcomes, though they are not ends in themselves.

### 3.2 Municipal Policies and Infrastructure Investments

Economic development is one of many lenses through which elected municipal officials and staff must view issues when developing policies and taking decisions on budgets and programs. The desire to promote economic growth and support the creation of jobs must be weighed together with other goals, such as planning and the environment.

Municipal infrastructure investments are critical to economic development, especially for roads and the provision of water and sanitary sewage for industrial and commercial sites. Having a varied inventory of immediately available industrial and commercial sites and buildings – ideally many fully serviced – is a prerequisite to attracting new businesses and meeting the expansion needs of local businesses. A considerable number of municipal governments invest in the establishment of their own industrial and business parks to ensure the ready availability of serviced land.

Some municipalities choose to develop targeted municipal initiatives to encourage economic development outcomes. Brownfield and Downtown or Main Street Redevelopment programs, involving tax incentives and/or grants, are examples.

High-speed broadband is also a vital part of modern infrastructure that significantly enables and influences economic development. Private sector providers are involved but rural and remote areas can be more costly to service adequately. The Federal and Ontario governments continue to offer some matching funding, including for community initiatives. Some communities have been able to capitalize on government or educational networks and needs to kick-start development. Other municipalities have ensured that conduit for broadband fibre is laid when other services or infrastructure are provided.

Also of importance in terms of municipal contributions is the availability of public transit to get people to and from work places.

### **3.3 Typical Components of Economic Development Programs**

#### **3.3.1 Retention and Expansion of Existing Businesses**

The retention and expansion of existing businesses are core objectives of economic development programs. Economic development organizations generally rank business retention and expansion as their number one economic development activity. As with a company's sales development efforts, it tends to be easier and less expensive to retain and grow the existing business base, as compared to identifying, cultivating and convincing new clients.

Well-structured and systematic business retention and expansion (BR&E) programs build relations with existing businesses and identify value-added assistance to help them sustain and grow their business, for example through export assistance or research and development linkages. BR&E calls generate valuable aggregate data on the plans, concerns, needs and success factors of local businesses. This can inform municipal decision making. When it comes to attracting new businesses, existing local businesses are on the front lines and best placed to help identify the community's real assets and strengths. Companies can also identify supply chain partners (suppliers and customers) that might be encouraged to establish a presence.

In two-tier municipal structures, the lead for business retention and expansion activity is generally left to the lower-tier municipalities as they are closest to local firms and have the prime interest in responding in the first instance to their taxpayers' needs. Joint effort and the sharing of information between the two tiers (along with coordinated involvement of provincial representatives too) is of obvious value given shared interests and responsibilities. Where smaller lower-tier municipalities have limited resources, regional or county involvement can contribute to joint BR&E programs that will draw on a larger pool of similar companies.

In a number of two-tier regional or county situations, the senior-tier's economic development program may provide dedicated staff or project funding support from which less populous second tier municipalities can benefit, sometimes exclusively or in other cases along with all the area municipalities. For example, the region or county may have an economic development officer who focuses on agriculture and rural affairs. A county or region might also have a modest annual fund to assist area municipalities to build their economic development capacity, to bring certain aspects to a common basic standard, to support BR&E activity, or to undertake joint projects such as a common business directory or a list of available sites and buildings.

#### **3.3.2 Nurturing the Growth of New Firms**

New business creation and entrepreneurship are increasingly important to healthy, vibrant local and regional economies. Analysis indicates that job creation is driven by companies which are new and young – generally in existence for five years or less. Though entrepreneurship knows no age barrier, the peak age range of successful entrepreneurs has been shown to be the late 30s or early 40s.

Innovation and business formation and growth are major priorities for the Ontario and Federal governments which are making significant investment both as catalysts and partners. Both governments acknowledge that delivery must be largely through local on-the-ground entities. Innovation and entrepreneurship are also driven – not only among start-ups but with more mature firms – by strong linkages with universities and colleges involving, research and development, prototyping and testing.

The Orangeville and Area Small Business Enterprise Centre (SBEC), which is run by Orangeville Economic Development for the benefit of the entire County and to which the County contributes, focuses on servicing small businesses that have been in existence for five years or less and have ten or fewer employees. It offers assistance as well to other smaller businesses and individuals that seek its help. SBEC's advisory services are offered at no cost. The SBEC is one of 57 Ontario Small Business Enterprise Centres that are part of the Ontario Network of Entrepreneurs (ONE) and that are

funded in part by the Ontario Government. SBEC also delivers targeted programs offered by the Ontario government, such as Summer Company and Starter Company.

Municipalities in Ontario have also chosen to support the development of incubators and shared working spaces to create places and ecosystems designed to foster and mentor innovative start-ups that have high growth potential. Private sector models are also operating.

### **3.3.3 Attracting New Investment**

The pro-active attraction of new businesses requires sustained and focused effort and resources.

Investment attraction is exceptionally competitive. In order to hope to be successful, initiatives must be exceedingly well researched and targeted toward companies in sub-sectors, niches and specialized clusters for which economic development organizations have developed credible and compelling value propositions that clearly differentiate their region from most others.

Economic development organizations involved in investment attraction must be fully investment ready – that is, staffed and organized to provide prompt and professional engagement with prospects. The key aspects of such readiness are the availability of comprehensive, up-to-date databases that permit full and immediate responses to prospective investors' detailed requirements, including profiles of available sites and industrial and commercial buildings.

Municipalities benefit from cultivating close relationships with the Ontario Ministry of Economic Development and Growth (and a new Strategy Investment Office that is now being established) in order to ensure provincial officials are well informed about the principal local opportunities. In addition to local realtors involved with industrial and commercial properties, the industrial and commercial real estate and development community in the Greater Toronto Area (GTA) is a further target group meriting cultivation, potentially through the Society of Industrial and Office Realtors (SIOR) Central Ontario Chapter events.

In two-tier government structures, the lead responsibility for investment attraction is almost always at the more senior level. Companies considering a new location examine alternative locations without reference to political boundaries. The data that will influence their decisions is common to an economic region wider than any one municipality. As a result, foreign direct investment (FDI) attraction agencies are now commonly structured to represent wider economic areas, such as the new entity for the GTA, Toronto Global. Headwaters Tourism is an example focused on that sector.

Collaborative efforts among economic development agencies – sometimes labelled co-opetition or competi-mating – have grown in Ontario and are now common – especially for tourism and foreign direct investment attraction. Some are product centred (e.g. food, information and communication technologies, manufacturing, and clean technologies), while others involve a wider geographic area (such as Ontario East and the Southwestern Ontario Marketing Alliance). A group of jurisdictions pooling resources in this way stands to create a critical mass that will attract more attention, have greater impact, share research and lead generation and generate more prospects than if each organization went it alone. Though potentially helpful and beneficial to all, such collaborations need to be subject to careful due diligence to be sure that the group will serve the participant's principal needs.

### **3.3.4 Marketing**

The marketing of a community needs to be built upon well-defined advantages and attractions.

Websites are central marketing tools. Tourism websites offer an unequalled opportunity to visually introduce the community and its assets and to enable prospects to get further information and make bookings. For investment attraction, the most critical aspect is to populate the website with readily accessible and detailed factual information and comprehensive data that companies, site selection professionals, realtors and investors require as they narrow their

search for locations that align with the specific requirements that they have developed. An informative and searchable real estate directory and maps are essential components.

The other elements that feature prominently in tourism and economic development marketing are branding, marketing collateral, social media, video content, media relations, testimonials, value propositions and advocacy.

Tourism and investment attraction involve different audiences, channels, products and offerings, though some themes may be similar. Each may benefit from interest that the other generates. As such, neither's marketing should be developed in isolation.

Proactive marketing of a jurisdiction should only be launched once the community is fully investment ready – or, in the case of tourism, product ready. There is no benefit – indeed there are definite downsides – in generating interest and not being able to promptly and fully respond to the interest and enquiries that result.

### **3.3.5 Workforce Availability and Development**

Global firms undertaking expansions or new investments in advanced economies such as Canada put a premium on the ability to access the best and most highly qualified personnel. The ability to get well-trained and experienced talent is invariably the principal pain point for high performance firms in almost all sectors. Immigration is a key component if communities are to sustain a sufficiently large talent pool, as the number of young Canadians entering the labour force plateaus.

Economic development agencies need to have detailed information on the available workforce and its characteristics, including commuters who can be attracted to take jobs closer to home. Well-structured workforce development and worker retention programs that identify, develop and retrain the workers that are known to be in demand will attract the attention of expanding businesses. The ability to partner with and access talent from post-secondary educational institutions is a vital important component that will give a community an advantage.

Partnerships with Workforce Development Boards – such as have been identified by Dufferin County and Orangeville with the Workforce Development Board of Waterloo Wellington and Dufferin – are often a key aspect.

### **3.4 Sectors of Focus**

Economic developers and economic development initiatives almost always concentrate on so-called tradable sectors. Tradable sectors are ones where goods or services from local firms are (or could be) sold outside the region and internationally, drawing revenue into the community and thereby generating incremental wealth locally. Tourism is also among the tradable sectors, as it brings incremental expenditures by non-residents to the community. Non-tradable sectors involve goods and services – most often services – that meet mainly local needs and demand, including in the health, education, retail and construction sectors. In non-tradable sectors, the revenue and funding sources are mainly local. The growth of non-tradable sectors tends to track local population changes.

Traditionally, economic development strategies identify priority sectors. In recent years however, sector boundaries are less distinct than they once were, given the emergence of technologies that cross traditional boundaries and influence many sectors. Targeting of limited resources remains crucial nevertheless, though the focus may need to be less fixated on conventional sectors.

The growing convergence of technologies – most digitally-based – has increasingly blurred traditional product sector boundaries, as the same technologies cut across and impact many different categories of products and services. Technologies that are driving innovation across traditional sectors include the Internet of Things (IoT), Big Data, the Cloud, 3D printing, 3D visualization, imaging, robotics, GPS, cyber security, augmented and virtual reality, machine learning and artificial intelligence. Another cross-cutting factor is the emergence of major thematic policy initiatives –

such as sustainability policies to mitigate climate change – where technologies apply across multiple sectors and lead to categories such as clean technologies that encompass a broad swath of products and services. The growing difficulties of packaging priorities into neat sector packages are increasingly apparent – and will become more so. Sector distinctions are also less relevant from a talent point of view. Given the pervasiveness of new technologies, businesses are now more often seeking employees possessing advanced digitally-based skill sets instead of people who distinguish themselves by in-depth sector experience and traditional sector qualifications.

Sectors can also intersect in ways that cross-fertilize and add value to other sectors. Tourism marries well with agriculture-based pursuits and with foods and beverages, not least the craft, artisanal, culinary and specialty variety. Creative industries blend with and can enrich tourism, the agri-food and hospitality sectors, architecture and design, media and communication, software, talent attraction and retention, and research and innovation.

### **3.5 Organizational Structures for Economic Development**

Throughout Canada, the most common organizational model adopted for the municipal economic development function is a department or division within the municipal government structure.

Municipalities most commonly position economic development either as (1) a parallel unit alongside the planning department with both reporting to the same manager, or, alternatively (2) a unit in the Office of the CAO reporting to the CAO. The former acknowledges the close relationship between economic development and planning and development approvals, while the latter recognizes and emphasizes that the economic development role cuts across and interfaces with many municipal functions and that economic development is the principal unit within the organization that is proactively marketing the municipality.

An optional approach is the creation of a stand-alone economic development agency. Generally, the stand-alone model is adopted in larger urban areas especially in regional situations where multiple municipal jurisdictions are involved. Often such arrangements evolve based on prior less formal collaborations among economic developers that have built relationships and trust. Varying degrees of municipal control can be involved. Having an accountable but independent agency with some degree of private sector input or direction at the Board level is desirable because it can co-opt community leaders and introduce business-oriented approaches. The greatest challenges often relate to tensions over the extent of direct involvement by elected officials and/or the direction and the independence and accountability of the organization.

There are isolated instances throughout Canada where, as has been the case with Dufferin County, a Chamber of Commerce or Board of Trade is contracted or funded by a municipality to deliver the economic development program (e.g. Clarington in Ontario and Burnaby in British Columbia). Though Chambers and Boards of Trade are important interlocutors and partners in economic development, their prime accountability is to their members.

Where two levels of municipal government are playing direct roles in economic development, consultative mechanisms to ensure collaboration are an essential part of the fabric, ideally supported by protocols about respective roles, lead handling, assuring transparency and areas for cooperation.

### **3.6 Marshalling the Local Community**

Conscious steps are generally taken to bring the community to play a part in economic development efforts.

Economic development advisory committees are common, some populated entirely, others dominantly with a representative mix of non-elected individuals. The choice of a stand-alone model for economic development is often favoured as a means to involve the business community directly in the governance of the economic development entity.

An additional approach is the creation of Ambassador teams which will harness community leaders and their networks to be volunteer sales persons on behalf of the community. Their testimony about the community assets has special credibility. The economic development agency needs to devote resources to ensuring Ambassadors have up-to-date material and messaging.