

**Community Planning & Economic Development Standing Committee
February 9, 2012**

TO: Chair and Members of Community Planning & Economic Development
Standing Committee

Original Signed

SUBMITTED BY: Jennifer Church, Managing Director, Government Relations &
External Affairs

DATE: January 25, 2012

SUBJECT: Review of Economic Development Governance Structure

INFORMATION REPORT

ORIGIN

April 20, 2010 motion moved by Councillor Uteck, seconded by Councillor McCluskey,
directing staff to:

*“consider the optimal governance structure for agencies within Halifax Regional
Municipality who are performing an economic development function in respect of the
new Economic Strategy with the goal being an organizational and governance model best
suited to the implementation of the Economic Strategy and that information be brought
forward to Council for consideration pending Council endorsement of a 2011-2016 new
Economic Strategy.”*

March 22, 2011 Information Report, “Status Update – Economic Development Governance
Review”

BACKGROUND

This report provides an update on efforts being made to respond to Council's direction to consider the optimal governance structure for agencies within Halifax Regional Municipality who are performing an economic development function, as provided in the March 22, 2011 information report to Council:

- Trade Centre Ltd
- Greater Halifax Partnership
- Destination Halifax
- Business improvement Districts
- HRM Business Parks

The current economic development structure has evolved over the past 29 years.

Trade Centre Ltd (TCL):

Trade Centre Ltd.'s genesis stems from agreements dating back to 1981 respecting the construction of the Convention Centre and 1982 respecting the construction and operation of the convention centre and the operation of the Metro Centre. The 1982 agreement states:

“Metro Centre shall be managed and operated by Trade Centre and the City shall continue to finance the operation of Metro Centre, and all profits from the Metro Centre shall accrue to the accounts of the City.”

HRM provides an annual amount to TCL pursuant to these agreements, which state that upon completion of the Convention Centre, the city will pay an amount not to exceed \$250,000 calculated in 1981 dollars to the operating deficit of the Convention Centre excluding debt servicing costs. In the last two years, 2009/10 and 2010/11, the payments based on 1981 dollars have been \$570,758 and \$588,000.

TCL is a crown corporation, and the HRM operating subsidy is not tied to any specific outcomes or deliverables. Since the Metro Centre is an HRM asset, TCL is required to provide HRM with consolidated financial statements for the Metro Centre on an annual basis. Otherwise, TCL does not report to HRM in any capacity although HRM Council has four seats on TCL's board. Work is ongoing to clarify and strengthen the reporting relationship between HRM and TCL in regard to both the Metro Centre and major events.

Greater Halifax Partnership:

At the time of amalgamation there were several municipally-funded agencies delivering economic development services in HRM. Two of these were tasked with the implementation of HRM's first Economic Strategy, adopted in 2005: the Greater Halifax Partnership and the Halifax Regional Development Authority (HRDA). GHP was formed in 1996, as a public-private partnership with a mandate was to retain and grow resident businesses and expand high-wage job sectors. The HRDA was a community economic development agency with a mandate

to create, facilitate and strengthen community economic development in HRM's rural and suburban areas.

Concurrent with the adoption of HRM's Economic Strategy, Council began to explore the possibility of a merger between GHP and HRDA. Alignment and reducing duplication was one of the key Economic Strategy principles, and there was a significant amount of overlap between the two organizations. The merger was a first step post-strategy approval to achieve alignment. In March of 2007, Council merged the two entities to become the Greater Halifax Partnership. A Service Level Agreement that tasked the new entity with implementing (among other things) HRM's Economic Strategy was established in June 2007. HRM provides an annual operating grant to GHP. In 2011-12 this grant was \$1.4 million, which constituted 42% of GHP's budget. The grant and SLA are currently separate approval processes, with the grant as an item for consideration in annual budget deliberations and the SLA as a separate Council report.

Destination Halifax (DH):

Destination Halifax was established in 2003 through an MOU signed by HRM and the Hotel Association of Nova Scotia. DH is a destination marketing organization created to oversee tourism marketing for HRM. It was formed to coordinate the marketing efforts of the HRM's Department of Tourism, Culture and Heritage, the Greater Halifax Meetings & Convention Bureau, the provincial Department of Tourism and the World Trade & Convention Centre. The creation of DH was made possible through provincial legislation that enabled HRM to set, and collect, a hotel marketing levy. HRM designates 60% of its revenue from the hotel marketing levy to support DH. In 2011 this hotel levy contribution amounted to \$1.9 million, which constituted 70% of DH's budget. HRM Community Development (now Community & Recreation Services) also provides an annual \$386,000 grant to DH as a legacy from the transfer of HRM's Tourism, Culture & Heritage staff and marketing budget to Destination Halifax.

In 2007, Council also discussed merging DH with GHP and HRDA. The Chair of the DH Board was involved in initial discussions with Council and the GHP and HRDA Board Chairs but subsequently advised that its involvement, if any, would be determined by Council at a later date. The HRM staff recommendation at the time was that DH's tourism marketing mandate was insufficiently linked to specific HRM Economic Strategy goals. As such, a merger was not seen as desirable and DH remained an independently operated entity.

Business Improvement Districts (BIDs):

Beyond TCL, GHP, and DH, HRM supports two other lines of business that directly or indirectly promote HRM's economic prosperity. HRM provides support to Business Improvement Districts and HRM Business Parks (BPs). There are currently eight BIDs located throughout the Municipality:

- Downtown Dartmouth Business Commission
- Downtown Halifax Business Commission
- Spring Garden Area Business Association
- Quinpool Road Mainstreet District Association

- Main Street Dartmouth and Area Business Improvement Association
- Sackville Drive Business Association
- Spryfield and District Business Commission
- North End Business Improvement Association

BIDs support the development of vibrant and strong commercial areas by attracting new business and entrepreneurs and creating an environment for sustainable community development within specific geographic boundaries. BIDs are funded, in large part, by an area rate levied on the commercial properties in the BID catchment area. Business-Occupancy-based area rate levies will apply in 2012, but will be phased out completely in 2013. Each May BIDs submit financial statements, budgets and activity plans to HRM. Based on this information, Council approves the area rate for each BID in June. BIDs set area rates independently of one another. Applicable levies for 2011/2012 (inclusive of federal and provincial levies) are as follows:

Business Improvement District	Levy
Downtown Halifax	\$920,085
Spring Garden	\$332,913
Downtown Dartmouth	\$225,393
Quinpool Road	\$91,722
Sackville	\$157,376
Spryfield	\$68,005
Main Street Dartmouth	\$82,645
North End	\$107,319
Total	\$1,985,458

In 2011/2012 Council approved \$100,000 in discretionary funding to be apportioned between HRM's BIDs (equal to 5.04% of the collective BID levy). Pursuant to mutual agreement among the BIDs, and subsequent endorsement by Regional Council, each BID's share of discretionary funding is allocated on the basis of each BID's proportional share of the combined area rate levied for all eligible BIDs. This approach recognizes that each BID's percentage of the total levy, and by extension, their proportional share of the discretionary funding allocation, is self-determined. Individual BIDs are autonomous in establishing individual area rates, including minimum and maximum thresholds.

HRM currently has Service Agreements in place with all eight HRM BIDs. Seven Service Agreement renewals were approved by Council in April 2011. An eighth Service Agreement was subsequently approved when the North End BID was formed in July 2011. A one year Service Agreement renewal was requested to allow HRM staff time to consult with the BIDs regarding a by-law based approach to BID governance. Staff intends to present a comprehensive BID by-law in the first quarter of 2012. That by-law has been drafted to address existing policy gaps and ensure compliance with any Auditor General recommendations.

Business Parks:

HRM Industrial/Business Parks is part of the Planning & Infrastructure business unit and provides for the supply of competitively priced industrial and commercial lands for business attraction, growth and expansion. HRM through its Municipally owned Parks is the primary supplier of industrial lands in the region. Supporting policies include the Regional and Functional Plans and Economic Strategy.

HRM Industrial/Business Parks oversees the planning, development & programming of five industrial/business parks in HRM including Burnside, City of Lakes, Bayers Lake, Aerotech and Ragged Lake. Approximately 80 to 90% of current activity is driven by Burnside and City of Lakes.

Economic Context – Burnside/City of Lakes 2009:

- \$4.6 billion in direct annual GDP
- 28,000 employees (FTE equivalent)
- 1,800 Businesses/Companies
- 2009 Property assessment of \$874M
- HRM Commercial Property Taxes of \$34M annually as of 2009

HRM Industrial/Business Parks provide a critical resource in supporting the Halifax Gateway, NSBI, GHP, Port and related economic development initiatives for the region.

DISCUSSION

HRM provides over \$6 million annually to the economic development efforts described above. Funding allocations for 2011-12 break down as follows: (Note: the TCL subsidy and marketing levy revenue vary from year-to-year)

- \$1.4 million in operating grants to GHP
- \$386,000 in operating grants to DH
- \$588,000 in subsidies to TCL for the operating deficit of the Metro Centre
- \$100,000 in operating grants to the BIDs
- \$1.9 million to destination marketing from the hotel tax levy to Destination Halifax
- \$1.9 million to BID's through the various business levies

Given the current fiscal climate, and fierce competition from other urban centres, it is imperative that municipal economic development resources be leveraged effectively to produce tangible, beneficial outcomes.

Scope of Review

The economic development review is being jointly championed by HRM's CAO and the Municipal Auditor General. The review is focused on three entities: Greater Halifax Partnership, Destination Halifax and Trade Centre Limited. This aligns the governance review with the scope

of the value-for-money assessment being conducted by the Municipal Auditor General which also focuses on GHP, DH and TCL. In addition, the BIDs and HRM Business Parks are currently going through separate processes in regard to governance and budget planning. As noted above, a comprehensive BID bylaw is being drafted and will come to Council early this year. HRM Business Parks, as an internal HRM unit, is part of the ongoing review of budgets and business plans that will come to Council this spring as the 2012-13 proposed budget.

The economic development review encompasses (1) governance structures; (2) funding relationships; (3) program delivery expectations /outcomes; and (4) performance metrics. The focus is to understand and consider the effectiveness of the current relationship in terms of alignment to the objectives and outcomes of the 2011-2016 Economic Strategy and the HRM Corporate Plan.

Staff is analyzing a range of configuration options, including the establishment of an overarching economic development entity, the merger of one or more existing economic development entities, and options for maintaining the current configuration, but introducing innovations to enhance the existing delivery model. Due consideration is being given to the impact of any realignment and its effect on HRM's relationship with existing delivery partners including the federal and provincial governments, the private sector, business associations, volunteer and not-for profit organizations and community-based organizations.

Approach to Analysis

The analysis includes: (1) a value for money audit; (2) a jurisdictional review; (3) a SWOT analysis; and (4) stakeholder consultation. This approach will provide Council with a basis for considering an organizational and governance model best suited to the needs of HRM.

Value for Money Audit: The Municipal Auditor General is conducting a value for money audit of Greater Halifax Partnership, Destination Halifax and Trade Centre Limited. The time period to be audited is 2005 to 2010, the duration of the first Economic Strategy. The Municipal Auditor General has commenced the value for money audit and anticipates audit completion by Spring, 2012. The result of this review will be considered in the context of the additional analysis outlined below & together will inform any recommendations brought forward to Council.

Jurisdictional Review: The CAO's office is conducting a review of comparable economic development and destination marketing entities from other Canadian municipalities. Municipalities included in the review were taken from the C-11 grouping, of which Halifax is a member municipality through GHP.¹ Details on funding levels and sources, operational mandates, core services and governance structures are being compiled. The review provides a context for assessing HRM's current economic development configuration. Staff is completing the economic development agency review and will be commencing the destination marketing review in February 2012. Anticipated completion of the jurisdictional review is March 2012.

¹ Other C-11 municipalities include Ottawa, Toronto, Montreal, Vancouver, Calgary, Edmonton, Waterloo, Winnipeg, Saskatoon and Quebec City. C-11 cities represent more than 50 per cent of Canada's economic activity.

SWOT Analysis: The CAO's office has conducted a SWOT analysis of HRM's economic development entities. Core services will be reviewed to assess whether, and to what extent, GHP, TCL and DH are positioned to advance HRM's economic development mandate. HRM's Corporate Plan and the 2011-2016 Economic Strategy will be used as evaluative touchstones. Staff has commenced the SWOT analysis with an initial scan complete and anticipate completion by May 2012.

Stakeholder Consultations

The CAO and Auditor General have held several meetings with senior representatives of GHP, TCL and DH in response to Council's motion. Staff anticipate further stakeholder consultations with the following parties (regarding delivery model options):

- Regional Council's Standing Committee on Community and Economic Development, relative to how this committee of Council shapes its role in framing and advancing local economic policy.
- The Greater Halifax Partnership, Destination Halifax and Trade Centre Limited, relative to how these organizations see themselves playing a key role in leading Halifax's economic agenda in the future.
- The Hotel Association of Nova Scotia, relative to the role of HANS in establishing Destination Halifax and support for legislation enabling the Hotel Marketing Levy which is a key source of revenue that supports destination marketing efforts and events.
- The Halifax Chamber of Commerce, relative to its role as an advocate for the Halifax business community and in helping to shape public economic policy through this role.
- The Provincial Department of Economic and Rural Development and Tourism, relative to its role in leading in the implementation of the Province's economic strategy, and as the sole shareholder in Trade Centre Limited.
- The Atlantic Canada Opportunities Agency, relative to its key role as an economic partner with the Province and Municipality, interest in domestic and international trade and in growing the economy of Atlantic Canada.
- The Economic Strategy Steering Committee, relative to its role in implementing the 2011-16 Economic Strategy.

HRM staff will also consult with the Municipal Auditor General's office relative to the Auditor's role in undertaking a value for money assessment of HRM's current economic development partnerships. Staff has commenced the stakeholder consultation process and anticipate completion by May 2012.

BUDGET IMPLICATIONS

None. This is an information report.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

The governance review is being undertaken with the participation by the parties that are potentially impacted.

ATTACHMENTS: None.

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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