



**Item No. 11.1.2 (i)**  
**Halifax Regional Council**  
**March 4, 2014**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:**

Original signed by 

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** February 18, 2014

**SUBJECT:** **Economic Development Governance Structure**

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### **ORIGIN**

April 20, 2010, Halifax Regional Council directed staff to consider the optimal governance structure for agencies within Halifax Regional Municipality who are performing an economic development function, with respect to the new Economic Strategy that was being undertaken. The goal being an organizational and governance model best suited to the strategies described in the Economic Strategy, and that information be brought back to Council for consideration pending the Council endorsement of a 2011-2016 Economic Strategy.

April 9, 2013, Halifax Regional Council requested staff to:

1. Review the Auditor General's Report and its recommendations;
2. Meet with the Greater Halifax Partnership, Destination Halifax and others involved in Economic development to consider the report and its recommendations in detail; and

Determine an effective review process for the Auditor General's Report beginning with the involvement of the Community Planning and Economic Development Standing Committee and making recommendations and setting priorities for further action.

### **LEGISLATIVE AUTHORITY**

Pursuant to sections 71(1) and 79(1) of the Halifax Charter, Council has legislative authority to expend money in support of economic development in the municipality.

**RECOMMENDATION ON NEXT PAGE**

## **RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Endorse the remaining responses to the Auditor General's report on economic development as articulated in attachment 11;
2. Accept the Statement on Economic Development in attachment 2, as the overarching economic development approach in HRM;
3. Endorse the current arms-length development model approach to agencies performing economic development and tourism functions in HRM;
4. Endorse the current configuration of economic development and tourism agencies in HRM, assigning Destination Marketing Organization (DMO) functions to Destination Halifax and Economic Development Organization (EDO) functions to Greater Halifax Partnership;
5. Direct closer collaboration between the Greater Halifax Partnership and Destination Halifax as described in the discussion section of this report;
6. Endorse the continued oversight and governance of the Greater Halifax Partnership, Destination Halifax, and the Business Improvement Districts by means of Service Agreements, supplemented where appropriate by Memoranda of Understanding; and
7. Endorse the continued development of outcome measures, tied to the 2011-2016 Economic Strategy, where appropriate, for agencies performing an economic development and tourism function on behalf of HRM.

## **BACKGROUND**

The intent of this report is to:

- Articulate HRM's economic development mandate to provide appropriate focus, scope and direction to HRM's economic development approach;
- Identify programs, services and activities associated with economic development that are funded or otherwise supported by municipal resources;
- Review how programs and activities are currently delivered in relation to established mandate, policy and economic development direction; and
- Recommend appropriate governance and delivery models that facilitate alignment of programs, services and activities with HRM's economic strategy and corporate priorities.

This report examines HRM's existing economic development framework in order to better understand what is working well, what needs improvement and if there are opportunities to better position the municipality to capture new investment and foster growth. It speaks to the

governance structures and processes that are in place to govern HRM's economic development activities.

A review of the existing framework was undertaken to identify the main stakeholders actively involved in the promotion of economic prosperity. This review included gathering information on each organization's origins, mandate, organizational structure and governance, legal relationships with HRM and sources of funding. This review was informed by multiple consultations with senior staff members of these organizations. Extensive research into economic development in other jurisdictions was also undertaken to understand the economic development structures of other municipalities, identify trends in economic development across Canada and help discern whether other models might better serve HRM's economic development objectives. This report is also informed by extensive consultation with Community Planning and Economic Development (CPED) Standing Committee regarding the nature of economic development and HRM's role in facilitating economic development. Finally, the Auditor General's report "Economic Development through Partnerships – A Performance Evaluation" and its recommendations and reflections were considered in the development of this report.

The process of governance review originated in April 2010 with a motion of Council directing staff to consider the optimal governance structure for agencies performing an economic development function. The Auditor General's report was released in February 2013. The CPED review of HRM's role in economic development took place over the spring and summer of 2013.

## **DISCUSSION**

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**1.0 Executive Summary**

Task – At meetings in 2010 and 2013, Regional Council directed staff to

- consider the optimal governance structure for the economic development strategy for agencies within HRM performing an economic development function, and
- develop a process, with CPED, to review the Auditor General's report on economic development and in conjunction with GHP and DH consider the report in detail.

Findings – What is working? What needs improvement? To answer these questions, staff:

- gathered information on HRM's economic development organizations,
- researched how other jurisdictions support economic development,
- identified trends in economic development support practice across Canada,
- consulted CPED on the nature of economic development and HRM's role,
- considered the AG's report on Economic Development and its recommendations.

Purpose of Economic Development Activities

- HRM does economic development work to increase the economic & social well-being of citizens.
- HRM's economic growth objectives include growth in population, employment & income levels and business tax base.

HRM's Role in Economic Development

- Successful economic development requires an integrated and collaborative approach.
- HRM can support economic development work by acting itself, facilitating the work of others or collaborating with others.

Current Activities and Structures

- HRM has significant legislative latitude regarding economic development.
- The Council approved 2011-2016 economic strategy guides HRM's economic development work.

- HRM's economic development activities are carried out by HRM itself and its partners.
- Council's economic development objectives and the activities of HRM's partners are well aligned.
- HRM's economic development agencies need clear roles, expectations and links with HRM priorities.
- Good service agreements can provide the direction needed by arms-length agencies.
- Continuing work on economic development outcome measures will improve alignment between the objectives in the economic strategy and the activities of the organizations HRM supports, GHP, DH, and the BIDs.

#### Jurisdictional Review

- Staff reviewed how 10 other municipalities deliver economic development services.
- HRM uses arm's length agencies for economic development like many other municipalities and works with separate DMO and EDO agencies as do most other municipalities. HRM's approach is a common and effective one.

#### AG's Report

- Staff have reviewed and begun to implement the report's 21 recommendations.
- The report highlights the need for HRM to focus its economic development activities better.
- Staff suggest that GHP and DH would benefit from closer collaboration but would gain little from merging.

#### CPED Discussion

- CPED discussed 5 economic development questions, including what is economic development, how should it be supported, led, worked on collaboratively and measured.
- CPED's responses to the questions have helped shape this report

#### Analysis

- The report analyzes delivery models for economic development support, a possible GHP/DH merger, accountability frameworks, implementation of the economic development strategy and outcome measures.
- The report contains recommendations on the foregoing issues.

#### Recommendations – The report makes seven recommendations.

1. Endorse the responses to the AG's economic development report.
2. Accept the Statement on Economic Development as the overarching HRM economic development approach.
3. Endorse the current arms-length development model approach to HRM economic development agencies.
4. Endorse the current configuration of HRM economic development and tourism agencies, assigning DMO functions to DH and economic development functions to GHP.
5. Direct closer collaboration between GHP and DH.
6. Endorse continued oversight and governance of GHP, DH, and the BIDs through Service Agreements, supplemented where appropriate by Memoranda of Understanding.

Endorse the continued development of outcome measures, tied to the 2011-2016 Economic Strategy for agencies performing an economic development and tourism function for HRM.

## **2.0 Purpose of Economic Development Activities**

The municipality undertakes economic development activities in order to increase the economic and social well-being of its citizens. Economic development activities include particularly those activities that aim to realize the economic growth objectives of population growth, employment and income level growth and growth in the business tax base.

## **3.0 HRM's Economic Development Role**

Nova Scotia municipalities do not have the authority to carry out all the actions which could be part of an overall economic development program. Successful economic development requires an integrated and collaborative approach.

HRM can support economic development in three broad ways, by acting, facilitating and collaborating:

**Act:** HRM has over 3700 employees and an annual budget of almost \$1 billion. HRM is governed by the Halifax Regional Municipality Charter which permits HRM to undertake a variety of actions in support of economic development (described in Attachment 3) and which permits HRM to undertake a wide variety actions that affect economic development.

The following municipal activities facilitate economic development:

- provide the infrastructure, services and amenities needed for development
- engage and include residents in development support activities
- plan and regulate for best use of HRM's assets, both natural and manmade, including through land use planning and a municipal planning strategy
- ensure that residents are safe and secure
- look after the environment so that HRM is a good place for people to live
- link economic development support activities to social development ones
- promote the municipality as a destination for doing business (business attraction)
- connect businesses to available programs and services within or outside the municipal government
- support labour market development
- preserve and make available land for industrial uses e.g. business parks
- promote the municipality as a tourist destination

**Facilitate:** HRM can also facilitate, or hinder, economic development. Finding the right balance between regulating, to keep residents safe and healthy, and minimizing red tape is key to creating a business climate that encourages development. The climate created by HRM's legislative and regulatory frame work (the Regional Plan and land use planning bylaws, other bylaws, administrative orders or policies) impacts our capacity to attract businesses and residents.

Likewise, our effectiveness in governing the municipality impacts HRM's attractiveness to site selectors and potential immigrants. How HRM works will impact how well HRM develops.

**Collaborate:** Some aspects of responsibility for economic development lie outside HRM's direct scope of authority – they instead lie with either the Province of Nova Scotia or the Government of Canada. Reaching HRM's economic development goals requires intergovernmental collaboration. Activities of local public sector partners such as the Atlantic Canada Opportunities Agency, Nova Scotia Business Inc., and the Nova Scotia Department of Economic and Rural Development and Tourism can drive economic development priorities. Likewise, national and provincial economic growth agendas such as the Government of Canada Economic Action Plan, Gateways and Trade Corridors, the National Shipbuilding Strategy, and provincial economic development strategies can impact intergovernmental cooperation on economic development.

Collaboration is also imperative in the context of community partners such as non-governmental organizations (NGOs), the Chamber of Commerce, community associations and growth leaders such as the Halifax International Airport Authority, Halifax Port Authority, post-secondary institutions, and hospitals. Collaboration with HRM's semi-autonomous economic development partner agencies will also be critical to municipal economic development.

#### **4.0 Current Activities and Structures**

HRM has significant legislative latitude regarding economic development. HRM's economic development work is guided by the Council approved Economic Development Strategy which assigns economic strategy action plan implementation to HRM business units and to GHP. Council impacts the economic strategy through focus areas and priority setting exercises, community policy implementation (i.e. Regional Plan, Cultural Plan, Economic Strategy), and development of the annual budget and fiscal policy. HRM administration implements economic strategy through business plans, service delivery, and operational outcomes.

##### **4.1 Economic Strategy**

HRM's 2011-2016 Economic Development Strategy was developed by the GHP on behalf of HRM and endorsed by Regional Council in March of 2011. Over 330 stakeholders participated in two rounds of consultations. The result is a document that provides a blueprint for economic development in the municipality.

The economic strategy proposes action on multiple fronts. Each of the economic strategy's overarching goals includes actions to support the goals and outcomes against which progress may be measured. The strategy's four strategic goals are: (1) Regional Centre; (2) Business Climate; (3) International Brand; and (4) Growth Maximization.

##### **4.2 Economic Development Partners**

HRM's economic development activities, including implementation of economic strategy actions, are carried out both by HRM itself and by a number of partner organizations. HRM's current economic development landscape has evolved over the past 29 years.

Economic development in HRM mostly follows an arms-length development model with delivery of economic development activities resting largely with autonomous organizations. Management of business parks and some coordination of those HRM activities which most affect economic development are conducted 'in-house'. Destination Halifax (DH), Greater Halifax Partnership (GHP) and the Business Improvement Districts (BIDs) all operate as arms-length entities.

Staff developed organization profiles for the following key economic development partners:

- Greater Halifax Partnership (GHP)
- Destination Halifax (DH)
- Business Improvement Districts (BIDs)

These organizations were profiled because of their close alignment with the municipality. The organizations are autonomous, but most have contractual agreements with HRM and all receive financial support from HRM. The agencies chosen for detailed profiling were identified in the original Council motion directing staff to review agencies' governance structures.

Each organizational profile includes details on origins, mandate, structure and governance, legal relationship, and financial status.

#### **4.3 Partners' Alignment to Strategy**

Table B (see Attachment 5) summarizes the alignment of GHP, TCL, DH and BID activities with HRM's economic strategy outcomes. Although HRM Regional Council is responsible for setting policy for the municipality and responsible for delivering municipal services, these arms-length economic development organizations inform the discussion and help to shape the municipality's approach.

As the table suggests, there is a relatively high degree of alignment between Council articulated economic development objectives and the mandates and activities of these organizations. To the extent that there is disconnect, that disconnect can partially be attributed to scope of operations.

A narrowly defined mandate could suggest misalignment between the organization's activities and economic development objectives identified by Council. It would be more accurate to say that the entity is aligned, but only in so far as its mandate maps onto the objectives articulated. While this is a fine distinction, it is an important one to make. Neither TCL nor DH is operating at odds with the municipal mandate – rather their operations are restricted to a narrow segment of the range of activities that support HRM's economic development objectives.

Of the four entities, GHP currently has the highest degree of alignment with HRM's



economic strategy outcomes. This is due not only to GHP's status as the primary delivery agent of economic development activity for HRM but also to the breadth of activities GHP undertakes. GHP is a generalist organization and has multiple focuses. By contrast, DH and TCL have much more restrictive focuses. They are effectively specialists in their realms of economic development.

#### **4.4 Gaps**

Expanding the scope of operation for HRM's arms-length economic development organizations is valuable only in so far as it is necessary to address gaps. Where there are no appreciable gaps, expanding scope may be of questionable value. A review of Table B suggests that the "gaps" in coverage relate mostly to areas of concern that are inward focused and within the purview of HRM itself (e.g. development of Strategic Infrastructure Investment Plan, update of Transit Plan, issuance of building permits, construction approval speed and mayoral advisory committee). These are matters internal to HRM, and thus not really amenable to the involvement of arms-length entities like GHP, TCL and DH.

#### **4.5 Partners' Roles**

HRM's relationship with its arms-length economic development agencies is best served by clearly defined roles, expectations and points of integration with HRM priorities. Although progress has been made in regards to role clarity, additional progress can be made in terms of implementing an integrated strategy for leveraging the capacity of its external economic development partners.

The priorities and activities of each partner agency are driven by their respective mandates, individual Boards and business plans. Arms-length economic development entities are independent and loyal to their respective stakeholder interests – interests which may or may not coincide with HRM's development interests. While this independence is a strength, it may also presents challenges for HRM in achieving its economic development mandate.

#### **4.6 Accountability Framework**

***Greater Halifax Partnership:*** GHP has recently entered into a renewed Service Agreement with HRM. Under the terms of the contractual relationship, GHP is responsible for clearly articulated deliverables. These deliverables correspond directly to the development objectives set out in the 2011-2016 Economic Strategy. HRM funding is linked to measures defined in the agreement. Ongoing reporting to Council is mandated and the agreement is subject to renewal on an annual basis. This contractual arrangement has evolved over the past three years and will continue to evolve as the municipality develops greater familiarity with this governance approach. HRM's 2013-2014 contribution to GHP is budgeted at \$1.57 million.

As noted above, GHP is closely aligned with the municipal economic development objectives endorsed by Council. This has been achieved using the current configuration of economic development entities.

GHP has become a recognized leader in developing a private/public economic development organization, with cities from across the country and around the world seeking advice on building a similar model. GHP has been the recipient of numerous national and international economic development awards and recently achieved standing as an accredited economic development organization by the International Economic Development Council member organization. This recognition reinforces the conclusion that the current configuration is working well.

***Business Improvement Districts:*** HRM's Business Improvement Districts are governed by service agreements that define the parameters of BID operations, but allow the BIDs considerable latitude in terms of mandate and operations. In light of the fiduciary relationship between area rate levy rate payers and the municipality, a measure of BID accountability is necessary. Per the terms of a Service Agreement, BIDs report annually on their activities and submit budgets to Council for approval. BID area rate levies for 2013/2014 are budgeted at \$2,047,400 for all BIDs. These levies range from a high of \$267,300 (Downtown Halifax Business Commission) to a low of \$73,200 (Spryfield and District Business Commission). In addition, \$106,000 is budgeted in 2013/2014 for discretionary grants from HRM to BIDs.

Despite the latitude afforded to the BIDs, Table B (attachment 5) reveals significant alignment of BID activities with HRM's development objectives. BIDs can and do play an advocacy role on behalf of the business community. In this regard, they may not always align with municipal interests. This, however, is in and of itself a valuable asset. BIDs act as an independent touchstone for gauging business climate.

***Destination Halifax:*** Destination Halifax (DH) was created in April 2002 through a merger of the Greater Halifax Conventions & Meetings Bureau and the tourism marketing arm of the Halifax Regional Municipality Tourism, Culture & Heritage Department. A 60% share of the hotel marketing levy forms the majority of Destination Halifax's funding. The levy is collected by HRM under the authority granted it to do so by the province through the Halifax Regional Municipality Marketing Levy Act. Destination Halifax currently operates independently of HRM and has no formalized accountability to the municipality. The DH-HRM working relationship is loosely governed by an MOU with a third party, the Hotel Association of Nova Scotia (HANS). The 2001 MOU defines broad parameters of a partnership which led to the creation of DH as a destination marketing organization. This scenario is problematic given the fact that the Hotel Association is the signatory to the MOU (as opposed to Destination Halifax itself being the signatory). Destination Halifax has honoured the undertaking to submit a business plan and budget. In 2013/2014 DH's portion of the marketing levy was budgeted

at \$1,985,600. HRM also provides DH with an annual operating grant which in 2013-2014 was budgeted at \$386,000.

As articulated previously, DH's activities do generally align with HRM's stated development objectives, but they do so, on a narrow basis.

DH itself has indicated that HRM's service delivery expectations are unclear. This may, in some measure, be due to HRM's failure to articulate its position on tourism and destination marketing. Brand development is an economic strategy objective. The extent of DH's role in that branding exercise is not yet clear. It is also not clear to what extent that economic-strategy-brand is distinct from a tourism and destination marketing brand. A Service Agreement similar in scope and intent to that entered into with GHP could introduce much needed clarity. A service agreement in advanced stages of development is expected to be brought forward to CPED in December 2013.

**Trade Centre Limited:** A 1982 MOU between City of Halifax and the Province established HRM's payment of an annual operating subsidy toward WTCC operations and stipulated that TCL would manage the Metro Centre. Economic development objectives are not articulated in the MOU and the MOU is not subject to renewal or periodic review. Given the recent developments regarding Ticket Atlantic operations, recommendations of the Auditor General and directives of the Audit and Finance Standing Committee, HRM and TCL have negotiated an interim management agreement for the operation of Metro Centre. This interim management agreement has been approved by both Council and the TCL Board. HRM is working with the Province of Nova Scotia on governance issues related to the new convention centre. The 2013/14 budgeted operating subsidy from HRM to TCL was \$626,000.

#### **4.7 Outcome Measures**

**Greater Halifax Partnership Outcome Measures:** In the development and updating of HRM's economic strategy, efforts were made to align GHP's business plan with the strategy. Updated outcome measures, tied directly to the 2011-2016 Economic Strategy, have already been introduced into the GHP-HRM Service Agreement. While this approach is relatively new, the experience to date has been positive. Although not all deliverables may be achieved, HRM's relationship with GHP, has benefitted from the role clarity introduced by integrating performance metrics into the Service Agreement. GHP has also developed the Halifax Index as a means of tracking HRM's economic development progress, using a range of indicators, many of which map onto the list of metrics used by other Consider Canada City Alliance<sup>1</sup> economic development organizations. These outcome measures will continue to be refined over time.

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<sup>1</sup>Formerly called the C11, the Consider Canada City Alliance represent the economic development agencies of Canada's largest cities; Toronto, Montréal, Vancouver, Ottawa, Calgary, Edmonton, Halifax, Québec City, Winnipeg, Waterloo Region and Saskatoon.

***Destination Halifax Outcome Measures:*** HRM currently lacks performance metrics for Destination Halifax. These outcome measures are being developed in tandem with the drafting and signing of a Service Agreement. Staff have drafted a Service Agreement for Destination Halifax. Pending Council's endorsement of staff's recommendation to not merge DH and GHP, the DH Service Agreement will be put forward for Council's consideration. The draft Destination Halifax Service Agreement incorporates outcome measures that can be adjusted on an annual basis as required. This model maps onto the approach taken with GHP.

***Business Improvement Districts Outcome Measures:*** Where Business Improvement Districts are concerned, per the terms of a Council approved Service Agreement, BIDs report annually on their activities and submit budgets to Council for its approval. BIDs are also accountable to their membership (i.e. area-rate--paying commercial property owners within each respective BID and their commercial tenants). This combination of area rate payer and Council scrutiny of outcomes will help to ensure that BIDs, despite being arms-length entities, are acting to further economic development as articulated in the enabling legislation that permits their formation. Given the autonomy of BIDs a fluid, self-directed approach to outcomes is appropriate.

## **5.0 Jurisdictional Review**

### **5.1 Role Definition**

A review of Consider Canada City Alliance jurisdictions is instructive regarding economic development services delivered by economic development entities on behalf of municipalities (see Table A, attachment 4). Business and investment attraction, business retention and expansion, economic development marketing, and cluster/sector development were heavily represented in the survey. Marketing is more ambiguous. Although seven (7) of the eleven (11) agencies were involved in attracting international events, only two (2) show tourism as within the economic development mandate. Differentiation is common in the case of tourism and destination marketing activities.

### **5.2 Economic Development Trends**

Municipalities are increasingly looking at their economic development frameworks to improve the effectiveness of their services. One of the questions being considered is how to achieve better coordination between economic development and planning functions.

A number of nation-wide municipal economic development trends emerged in the review:

- While municipalities may not have a direct mandate for economic development they are, nevertheless, frequently involved in either an enabling or a coordinating role across many economic development functions.

- Municipalities are highly involved in business attraction, business expansion and retention, employment, land and community development. They also play a role in labour market development, marketing, infrastructure, quality of life initiatives, data collection and dissemination, research, policy development, policy review and accessing funding from upper levels of government.
- Business associations and business improvement districts are active in economic development and focus primarily on business expansion, business retention and marketing. In some instances they play an active role in research and policy.
- Post-secondary institutions play a key role in labour market development as well as research, data collection, policy development and review as well as improving the quality of life in the region. It is recognized that they play a very important supportive (and sometime direct) role in the economic development of the community. Some municipalities are active in cluster development with a specific focus on small & medium sized businesses. Activities generally focus on either practical assistance for these groups or research and contributions to site selection initiatives.

### **5.3 Delivery Models**

Canadian municipalities use a variety of economic development models to achieve their economic development objectives. These can be broadly classified into three (3) economic development models:

***In-House:*** Some municipalities employ a municipal development model (essentially doing all or most economic development “in house”). It ensures strong connections between the associated planning, public works/ infrastructure and other municipal departments. As part of their economic development portfolio, the team may also deal with Council directed priorities such as brownfield redevelopment, industrial land development and small business supports.

While some jurisdictions have created business units internal to the municipality to deal directly with economic development, they are the exception rather than the rule. Of the eleven (11) Consider Canada City Alliance group of municipalities reviewed for this report, only one (2) municipalities configured its economic development entity as an internal unit (see Table C, attachment 6) and even these two municipalities organized some of their economic development activity through external agencies.

Advantages of this approach include better integration of economic development activities into other aspects of municipal operations such as planning and transportation. On the other hand, this approach may increase susceptibility that economic development priorities be subsumed by other municipal priorities. It may be more difficult to engage the private sector with such a model of economic development.

**Arms-Length:** While significantly supported by government, arms-length development agencies remain semi-autonomous and employ a corporate management structure. Funding is typically received from the area municipality, potentially other levels of government and contributions from the private sector.

Six (6) of the eleven (11) Consider Canada City Alliance municipalities reviewed use arms-length relationships (see Table C, attachment 6). This is by far the most prevalent delivery model used in major Canadian cities.

By virtue of their having a degree of separation from administrative/political matters generally associated with the public sector, the nimbleness and ability of these organizations to mobilize membership, raise awareness of key issues and to move swiftly in the pursuit of opportunities or to address perceived threats is an asset. Having a high degree of private sector participation and leadership in developing and executing economic strategies adds credibility and influence to the overall approach.

**Hybrid:** This model combines elements of both the purely arms-length and public models. The private sector is engaged through an advisory board usually comprised of senior elected officials as well as business leaders. The purpose of the board is to provide strategic direction on economic development matters and to assist in the marketing and attraction activities. Public servants remain responsible for day-to-day management. Given that the economic development function remains within the municipality, it enjoys the advantage of being integrated within the other supporting departments.

Hybrid arms-length/public models are marginally more prevalent than in-house configurations, with three (3) out of eleven (11) Consider Canada City Alliance municipalities opting for this delivery model (see Table C, attachment 6). While this model has the advantage of private sector input, it lacks some of the flexibility that a full autonomous agency generally enjoys, including a higher degree of responsiveness to private sector interests.

The classification above helps to understand the overall picture of economic development models across comparator cities. There is some nuance to and variation on the models in different jurisdictions (e.g. cities with arms-length economic development organizations may have some economic development expertise in-house and vice versa) but these classifications indicate the predominant model. Pros and cons of these models are highlighted in Attachment 7.

## **5.4 Outcome Measures**

A review of Consider Canada City Alliance municipalities' development agencies provides insight into performance metrics usage. There is a fair degree of diversity among metrics used by the Consider Canada City Alliance agencies (see Table D, Attachment 9). Job retention figures, dollars leveraged, data information/assistance requests processed, and investment leads facilitated top the list. Each of these metrics garnered a response

rate of between eight (8) and nine (9). Beyond these metrics, however, the commonality is lost. Other metrics used garner only a response rate of six (6) or fewer – or roughly half of the respondents. Undoubtedly this is related to differences in terms of operational mandates.

These data suggest highly individuated performance measures tailored to the respective agencies. No universal performance measure is being used to gauge economic development agency performance. HRM, in developing its own performance measurement framework should apply metrics unique to the agencies in question and the objectives articulated in individual Service Agreements.

## **6.0 Auditor General’s Report**

The Auditor General report, “Economic Development through Partnerships – A Performance Evaluation”, released in February 2013 is a high level analysis of the development, various funding levels, execution and achieved economic outcomes of HRM’s economic strategies, with a primary focus on GHP and DH. The report contains 21 recommendations on economic development issues, approaches, and governance. A detailed accounting of the status of the HRM response to these recommendations can be found in Attachment 11. As of the writing of this report, 13 of the 21 AG recommendations have been implemented. The 8 outstanding AG recommendations are currently under consideration or actively being implemented. A number of the recommendations and more general considerations from the AG’s report, such as the possible merger of GHP and DH, are explored in this report.

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### **❖ *Recommendation One***

Endorse the responses to the Auditor General’s report on economic development as articulated in attachment 11.

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## **7.0 Community Planning and Economic Development Discussions**

In December of 2012 Regional Council set “economic development” as one of its four priorities. In February 2013, the Municipal Auditor General’s report titled Economic Development through Partnerships – A Performance Evaluation was released. The AG’s report underscored the importance of economic development to HRM’s future prosperity. In light of these developments, Government Relations & External Affairs undertook a comprehensive review of HRM’s approach to economic development. GREA staff proposed that the Community Planning and Economic Development (CPED) Standing Committee consider five questions related to economic development:

- What is economic development?
- How can HRM best support economic development?
- Who should lead HRM’s economic development activities?
- How should HRM work with others on economic development issues?
- How will HRM know if its economic development activities are successful?

In the spring and summer of 2013, CPED discussed these five questions. Highlights of that discussion are attached in Attachment 2. The Standing Committee's feedback and commentary has been incorporated into this governance review.

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❖ ***Recommendation Two***

Endorse the Statement on Economic Development in Attachment 2 as the overarching economic development approach in HRM.

**8.0 Analysis**

**8.1 Delivery**

**Model**

Of the Consider Canada City Alliance municipalities reviewed by HRM staff, most use an arm's length configuration for their primary economic development organization (see Table C, attachment 6). In general, arms-length economic development organizations provide a municipality with more flexibility regarding economic development activities and an improved ability to leverage funds from other partners. An arms-length configuration also allows for better engagement of the private sector. The drawbacks to an arms-length configuration can be mitigated through active collaboration, open dialogue and clearly articulated "outcomes" or "deliverables" set out in formal service agreements.

Given the comparative pros and cons of the three configuration options (in-house, arms-length, hybrid) and given the preponderance of arms-length configurations in other jurisdictions, staff support maintaining the current arms-length development model.

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❖ ***Recommendation Three***

Endorse the current arms-length development model approach to agencies performing economic development and tourism functions in HRM.

**8.2 Merger**

The question of whether HRM's economic development interests are better served by a single primary economic development organization or by the current structure with the general economic development function performed by GHP and tourism marketing performed by DH has been raised by Council and by the AG. Specifically, should GHP and DH be merged into one entity?

Three governance options have been identified by staff in regards to DH and GHP. They are as follows:

- Status quo
- Merger
- Integration



A more detailed exploration of the options related to a merger of DH and GHP can be found in attachment 8.

Key merger considerations include the following:

- HRM has a limited capacity to compel changes in regards to these independently constituted entities. Certainly the suggestion of a cut to funding could be used to motivate compel a merger. Given the high percentage of HRM funding, relative to their respective overall operating budgets, both DH and GHP would be at significant risk if HRM funding were withdrawn.
- A merger may or may not be viewed favorably by current private supporters. To what extent support is contingent on the current configuration is difficult to gauge. In the case of DH, merger may be seen as dilution of focus and undermine sector-specific support currently enjoyed by DH. At the same time, it may be seen as placing undue focus on a single sector and precipitate a loss of the private sector support currently enjoyed by GHP. To the extent that both advisory input and financial backing from the private sector are valuable assets to HRM, merger should be approached with caution.
- While there may well be administrative and oversight cost savings realized through a merger, the extent to which those cost savings would be realized is not well understood. No attempt to quantify costs savings was made by the AG in his report. In the absence of this analysis, the savings are unquantified. Whatever dollar value could be associated with merger cost savings would have to be weighed against potential loss of private sector and governmental financial support and against the costs associated with realigning the two organizations.
- A lack of integrated focus is, perhaps, the most significant drawback of the status quo. With limited funding available to advance HRM's economic development agenda, inefficiencies must be limited as far as practicable. Clearly articulated outcomes for economic development partner organizations can mitigate this drawback, but will do so only in the context of duplication of efforts and overlap in economic development activities. Service Agreements (discussed more fully later in the report) can help to maintain distinctiveness and reduce overlap in organizational mandates.
- Authority to apply a marketing levy comes from the Halifax Regional Municipality Marketing Levy Act. This enabling legislation specifies that the marketing levy may only be used to fund an organization "formed to promote the Municipality as a tourist destination". Thus only tourism marketing activities can be funded by the levy. While a DH-GHP merger is not strictly speaking prohibited by the enabling legislation, organizational distinctiveness/separation is useful.

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❖ *Recommendation Four*

Endorse the current configuration of economic development and tourism agencies in HRM, assigning Destination Marketing Organization (DMO) functions to Destination Halifax and Economic Development Organization (EDO) functions to Greater Halifax Partnership.

In order to ensure the activities of the GHP and DH are aligned as best as they are reasonably able to be and each organization leverages the activities of the other where possible a number of activities to be taken:

- Regular meeting between the Executive Directors/CEOs and Chairpersons of GHP and DH
- GHP to assist DH with respect to identification of priority sectors
- Generation by DH to GHP of potential business attraction leads
- Continued joint participation on Halifax Gateway Council
- Continued collaboration on Halifax's brand development

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❖ *Recommendation Five*

Direct closer collaboration between the Greater Halifax Partnership and Destination Halifax wherever appropriate.

### **8.3 Accountability Framework**

Formalizing the business relationships between HRM and its economic development partners through organization-specific service agreements will enable the Municipality to articulate clear expectations, deliverables and measures, in order to ensure that municipal taxpayers receive value for investment.

- From an oversight and management perspective, the execution of a formal service agreement between HRM and economic development partners introduces a number of accountability measures. For example, service agreements can:
  - Articulate clearly defined outcomes and measures;
  - Require the preparation and presentation to Regional Council an annual business plan and budget to ensure alignment between the service agreement and HRM corporate outcomes;
  - Mandate an annual report on activities and outcomes of the service agreement and key performance indicators;
  - Stipulate that audited financial statements be produced in accordance with accounting principles established by the Canadian Institute of Chartered Accountants and be provided to HRM
  - Confer on HRM an ability to audit partner organization financial records, if an audit was warranted;
  - Require collaboration between and among organizations;

- Provide an accountability framework for work done on behalf of HRM by organizations.

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❖ ***Recommendation Six***

Endorse the continued oversight and governance of the Greater Halifax Partnership, Destination Halifax, and the Business Improvement Districts by means of Service Agreements, supplemented where appropriate by Memoranda of Understanding.

#### **8.4 Economic Strategy**

HRM's economic development generates a lot of activity. That activity can become an end in itself. In the plans HRM makes, like the economic strategy or annual operational plans, HRM spells out deliverables. A good set of deliverables, carefully monitored, will keep Council and staff aware of progress, or lack of it. Given the breadth of the economic strategy and HRM's other activities in support of economic development, the number of annual deliverables can be formidable. Working to achieve those deliverables disciplines the activities that HRM and others do to achieve a better state of economic development.

Regarding the implementation plan for the economic strategy, the AG has recommended that HRM should articulate "expected outcomes". He also noted that GHP and DH's engagement in the implementation plan for the economic strategy should include "...expected goals or outcomes to ensure roles and accountabilities are absolutely clear."

The Community Planning and Economic Development Standing Committee has expressed a clear interest in seeing more focus on outcomes, using the economic strategy as a driver for economic development activities. The 2011-2016 economic strategy initially included 5 goals, 17 five-year objectives and 57 short-term actions for the first two years. The AG has suggested shortening the list. In a February presentation to CPED, GHP highlighted the need to grow the economy, grow the number of good paying jobs, and grow the commercial tax base. These three objectives help to provide the focus that the AG has recommended. Additionally, in June 2013, Regional Council approved mid-term updates to the economic strategy which reduced the number of strategy actions in order to focus in line with the Auditor General's recommendation.

#### **8.5 Outcome measures**

What HRM does, however, is not always the actual cause of the results being measured. Forces external to HRM are also at work. The impossibility of attributing economic development outcomes to a single organization limits the extent to which outcome measures can be used to hold economic development organizations accountable. A mix of outcome and activity measures will always be necessary for the governance of economic development organizations.

Given the challenges of measurement in the field of economic development, best practices in other jurisdictions suggest that in addition to measuring results, it is

important to consider the activities being done and the processes being used as we track progress. Qualitative as well as quantitative measures matter in government, perhaps more so than in the private sector. Part of this measurement challenge is due to the fact that economic development is not and cannot be performed by any single organization.

Staff will continue to work towards improved outcome and accountability measures for HRM's economic development organizations. This includes on-going improvement of measures in Service Agreements, work with GHP on the on-going refinement of the Halifax Index, continuation of the citizens' survey and work towards improved measures to take into account appropriate measures for different parts of HRM (e.g. rural areas) and to consider broader measures of community health such as quality of life measures.

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❖ ***Recommendation Seven***

Endorse the continued development of outcome measures, tied to the 2011-2016 Economic Strategy, where appropriate, for agencies performing an economic development and tourism function on behalf of HRM.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**COMMUNITY ENGAGEMENT**

Stakeholder discussions took place in the early stages of the governance review. The Auditor General had discussions with stakeholders in the course of his report preparation.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications.

**ALTERNATIVE**

Committee may direct staff to propose a different governance structure than recommended.

**ATTACHMENTS**

1. Detailed timeline
2. An HRM Statement on Economic Development
3. HRM Charter - Sections Relating to Economic Development
4. Economic Development Role Definition – A Cross-Jurisdictional Comparison
5. Alignment of Economic Development Partners with 2011-2016 Economic Strategy
6. C11 – Economic Development Delivery Models
7. Pros and Cons of Economic Development Delivery Models
8. Merger of Destination Halifax and Greater Halifax Partnership
9. Cross-Jurisdictional Outcome Measures
10. Economic Development Organization Partner Profiles (Origins, Mandate, Structure and Governance, Legal Relationship, Financial Contributions, SWOT Analysis)
  - a. Business Improvement Districts (BIDs)

- b. Destination Halifax (DH)
  - c. Greater Halifax Partnership (GHP)
11. Response to Auditor General Recommendations
12. Per Capita Funding of Economic Development and Destination Marketing Organizations
- 

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

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**ATTACHMENTS  
ECONOMIC DEVELOPMENT  
GOVERNANCE REVIEW**

**ATTACHMENTS**  
**ECONOMIC DEVELOPMENT GOVERNANCE REVIEW**

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**ATTACHMENT 1**

**Detailed Timeline – Governance Review**

**April 2010** – Halifax Regional Council directed 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.”

As a result of Council’s motion, HRM’s Chief Administrative Officer (CAO) and Municipal Auditor General (AG) engaged the Board Chairs and Chief Executive Officers of the Greater Halifax Partnership (GHP), Trade Centre Limited (TCL), and Destination Halifax (DH), as well as senior provincial staff, to initiate a governance review project.

**December 2010** – Regional Council discussed a motion to combine GHP and DH “into one department.” It was withdrawn when it was noted that matter was already under review.

**September 2012** – Staff surveyed Canada’s group of C-11 municipalities. This nation-wide research was conducted to provide a comparative framework against which HRM’s approach might be assessed. Staff reviewed operational mandates, funding, staffing, operational structures, reporting mechanisms and metrics. This research data informs this report.

**December 2012** – Regional Council selected “economic development” as one of its four priorities. Economic development is not a new priority for HRM. Since 1996, successive councils have supported many economic development initiatives.

**February 2013** – AG released a report entitled Economic Development through Partnerships — A Performance Evaluation. The report is a high level analysis of the development, funding levels, execution and economic outcomes of HRM’s economic strategies, with a focus on GHP and DH. The report excludes TCL from consideration. The AG concluded that while TCL “does have a role to play in the economic development of HRM, funding provided by HRM to TCL is not specifically related to the activities undertaken by TCL in economic development.”

The report contained 21 recommendations, including recommendations on economic development issues, approaches, and governance. The question of a possible DH-GHP merger was raised in the report and in the Standing Committee discussion.

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**March 2013** – Following direction from the Community Planning and Economic Development (CPED) Standing Committee information from the staff governance review project has been consolidated with the process of addressing the recommendations from the AG's report.

**May/July 2013** – Government Relations & External Affairs staff saw the economic development priority and the AG's recommendations as a chance to look more comprehensively at HRM's economic development approach. Over the course of two Community Planning and Economic Development (CPED) Standing Committee meetings, committee members considered the nature of economic development, HRM and its partners' roles in facilitating economic development and determinants of success vis-à-vis economic development.



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**ATTACHMENT 2**

**An HRM Statement on Economic Development**

**Introduction**

After Council set economic development as a corporate priority and the AG released his February 2013 report on economic development, staff seized the chance to take a comprehensive look at the matter. Staff proposed that the Community Planning and Economic Development (CPED) Standing Committee consider five questions related to economic development:

- What is economic development?
- How can HRM best support economic development?
- Who should lead HRM's economic development activities?
- How should HRM work with others on economic development issues?
- How will HRM know if its economic development activities are successful?

In the spring and summer of 2013, CPED discussed the above questions. What follows are the highlights of those discussions. Taken together, they constitute a statement on economic development in HRM.

**1. What is economic development?**

Wikipedia's definition of economic development notes that it generally refers to the sustained, concerted actions of policymakers and communities that promote the standard of living and economic health of a specific area. Such actions can include development of human capital, infrastructure, competitiveness, environmental sustainability, social inclusion, health, safety, literacy and other initiatives. Economic development is a policy intervention which aims to increase the economic and social well-being of people. Economic growth is a phenomenon of market productivity and rise in the GDP. Economic growth is one aspect of the process of economic development.

Support for economic development is important to promote economic growth and to improve citizens' quality of life. Economic growth – more people, more jobs and a larger tax base – enables a municipality to raise municipal revenues in order to cover of the costs of amenities and services that citizens want.

GHP presented to CPED in February three fundamental economic growth objectives: (1) to grow the population; (2) to grow the number of good jobs; and (3) to grow the commercial tax base. HRM's economic development strategy seeks to marshal HRM resources and external resources to achieve those three objectives.

While economic growth may not be the ultimate end that the municipality seeks, HRM does need growth to generate the revenue required to provide the services citizens expect. Today HRM

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needs growth and development that can be sustained without over-exploiting natural or human resources.

HRM must tailor any economic development program to account for the following considerations

- **The Nature of Economic Development** – Economic development is a means not an end in itself. Good economic development leads to good social development and a better quality of life.
- **The Nature of HRM** – HRM has a unique set of assets, natural and manmade, to build on. HRM's size, location, harbour, port, airport, people, skilled work force, existing business, military and government presence, universities, and health care institutions are some of the key assets.
- **Rural and Urban** – HRM's extensive rural area challenges economic development planners. Different parts of HRM offer different opportunities. HRM needs to support both its urban core and its suburban and rural regions. Different investments will yield the best results in different areas.
- **Choices** – HRM has limited resources. Money or time spent on one activity cannot be spent on others. Economic development must always involve making choices. HRM's annual budget reflects short term choices, but the budget must also be used to implement long-term plans.
- **Strategy** - Since 2005, HRM has had in place two successive five year economic strategies. Each tried to bring order to the variety of economic development activities that could be undertaken. A Greater Halifax, covering 2011 to 2016, sets out actions to achieve a higher level of economic development. Circumstances change. New opportunities arise. Old ones fade. The strategy should guide HRM choices but must constantly adapt to changes.
- **Private Sector** – HRM, and other governments, can work to establish a business climate that promotes economic growth and development but sustained real progress will always require an active, innovative and profitable business sector.
- **Support for Local Businesses** – All things being equal, supporting and investing in local businesses can lead to a stronger local economy. Encouraging local food production can help the local economy and link HRM's urban and rural populations.
- **Collaboration** - The HRM Charter defines what HRM can do to support economic development. Some requirements for HRM's development are the responsibility of the Province of Nova Scotia or the Government of Canada. Reaching HRM's economic development goals will require collaboration with other governments. HRM has MOUs with many key players in supporting economic development. HRM will need to revisit those MOUs and develop new ones to maximize the impact of collaborative efforts.
- **Limitations** – Many issues impacting HRM's economic development lie outside HRM control. Changes in the global economy or new national policies can have an impact on HRM. HRM must be nimble enough to recognize and react to changes.
- **Attribution** – In any collaborative economic development endeavour it will be difficult to attribute success to any one player. If building ships generates the levels of employment forecast, who gets the credit? The shipbuilder? Its suppliers? The

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government funders? The training institutions which provided the skilled workers? What HRM contributes will always overlap with others' contributions.

- **Inclusion** – On many economic development questions, Council will have to make decisions about what HRM does. It will be important to make sure that HRM residents are included in the process that leads to those decisions. Those “HRM residents” must include all the people who live in HRM – urban and rural, old and young, rich and poor, groups that have historically been on the margins like African Nova Scotians or Aborigines, and the newcomers, especially immigrants.

#### 2. How can HRM best support economic development?

HRM can support economic development in three broad ways. HRM can:

- Act – do things itself – e.g. through direct project or program support
- Facilitate – create a climate for others – citizens, businesses, non-profits - to do things
- Collaborate – work with other organizations doing things

**Act:** HRM has over 3700 employees and an annual budget of almost \$1 billion. HRM is governed by the Halifax Regional Municipality Charter which permits HRM to undertake a variety of actions in support of economic development (described in attachment 3) and which permits HRM to undertake a wide variety of actions that affect economic development.

The following municipal activities facilitate economic development:

- provide the infrastructure, services and amenities needed for development;
- engage and include residents in development support activities;
- plan and regulate for best use of HRM's assets, both natural and manmade;
- ensure that residents are safe and secure;
- look after the environment so that HRM is a good place for people to live;
- link economic development support activities to social development ones;
- promote the municipality as a destination for doing business (business attraction);
- connect businesses to available programs and services within or outside the municipal government;
- support labour market development;
- preserve and make available land for industrial uses e.g. business parks;
- promote the municipality as a tourist destination.

Putting in place infrastructure for transit or recreation, keeping citizens safe, and the other programs HRM delivers can all be looked at through an economic development lens. How does spending any dollar help make HRM a more attractive place, leading to an increase in population? How will it increase the number of people working in HRM? How will it build the HRM tax base?

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**Facilitate:** HRM is not the sole driver of its own economic development. The businesses which employ and serve residents and the institutions which provide education, health care and other services are crucial to the development and growth of the municipality.

Businesses, large or small, are vital for long term economic development. Finding the balance between regulating to keep residents safe and healthy and minimizing red tape can create a business climate that encourages development that meets people's needs.

The climate created by the Regional Plan and land use planning bylaws, other bylaws, administrative orders or policies, the municipal regulatory regime and how effectively HRM governs can encourage people to come to HRM. How HRM works will have a profound impact on how well HRM develops.

**Collaborate:** Other stakeholders in HRM's economic development have their priorities. Economic development in HRM will require aligning many players and their priorities, always a challenging task.

Businesses will do what is in their best interests. A good business climate should keep businesses here and open to collaboration with HRM. Other governments have priorities, too. The federal government, through its regional offices and naval presence, is a major player in HRM. Its support for HRM activities will be tempered by its need to meet national objectives. The province is the driving force in education, health care, housing and other matters which impact HRM. The province, likewise, has its own priorities.

In developing HRM's economic development strategies, GHP engaged a range of stakeholders at the planning stage. It is hard to sustain the levels of support offered in the preparation phase. Priorities change. Opportunities evaporate. New ones arise. The need to keep lines of communication open among the stakeholders in economic development is a constant challenge. Having an overall strategy as a roadmap is a good first step in determining what programs to support, how to create a good climate for development and when to collaborate with others.

Having economic development as a council priority, having an economic development strategy and putting that strategy on a solid regional development plan foundation are pre-requisites to successful economic development.

### 3. Who should lead HRM's economic development activities?

Who leads all this work? Who delivers it? Who is accountable for results?

**Leadership:** Mayor and Council set HRM's directions. Mayor and Council receive staff reports on many subjects. Many relate, directly or indirectly, to economic development. Mayor and Council can make sure that HRM's various activities link together to produce better economic development.

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**Delivery:** How should HRM organize to do the work? Who delivers?

The AG suggested a Chief Economic Development Officer (P 20 and P 39). He notes (P 16) “HRM must ensure it understands the importance of the need to both lead and manage the municipality differently going forward in order for enhanced economic development activities to have the desired impact.”

HRM’s economic development work is guided by the Council approved economic development strategy which assigns to HRM business units and GHP responsibility for implementing various actions. HRM’s annual operational plan and its outcomes and deliverables also direct staff work.

The definition of economic development makes it clear that it is complex undertaking with many facets and players. If direct economic development work or economic development support work is a part of what everybody does, it may not be possible or even desirable to simplify it too much.

The AG wrote (P 16) “ every person at HRM who has responsibility for spending of almost any type must now focus on economic development in every spending decision.” Setting economic development as a Council priority is a first step to this end.

The AG lists the many economic development players in HRM (P 35 to 39). While it may be possible to reduce the number of players somewhat, the nature of the federation and HRM’s role in it means that there will always be many economic development stakeholders. A challenge for HRM is to know who is doing what. Another is to coordinate the efforts being undertaken by the different players. A third challenge is to communicate who does what and the progress being made to all those involved.

An overall economic strategy helps HRM understand who does what. Having people or groups responsible for tracking how things are going and reporting on progress or lack of progress will also help. The current structure does this by assigning the action items in the economic strategy to various appropriate people and asking them to report regularly.

Leadership includes roles for Mayor and Council, HRM staff, GHP, DH and, probably the BIDs.

**Council:** The AG states (P 16) “there is a clear need for HRM Regional Council to take clearer ownership of the economic development agenda.” This work started in December when Council set economic development as a priority. CPED and Council need to continue to play that role.

**Staff:** In 2013-2014, staff is taking steps to implement the spirit of the AG’s recommendations. A team in Government Relations & External Affairs will work with the Economic Development Priority Outcome team to co-ordinate the work of business units involved in economic development and GHP.

**GHP:** Council has given GHP a major role in HRM’s economic development activities. The AG suggests that Council either “make Greater Halifax Partnership totally responsible for the

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development and delivery of economic strategy for HRM” or “use Greater Halifax Partnership as a means of execution of specifically assigned tasks which flow from the strategy.” (P 15)  
Through approval of a service agreement with GHP, Council has opted for the second option.

**DH:** Some years ago, Council assigned DH the tourism role HRM itself once played. With access to funds through the Marketing Levy, DH has operated outside the HRM spotlight since then. A future CPED meeting will discuss a first Service Agreement with DH to clarify the outcomes Council wants from DH.

**BIDs:** The 8 Business Improvement Districts in HRM also provide economic development services. Their work is especially important in the small business and sector.

GHP, DH and the BIDs benefit from private sector support, both financially through investment (GHP) and levies (DH and BIDs) and with strong private sector leadership on their boards.

#### **4. How should HRM work with others?**

Nova Scotia municipalities do not have the authority to carry out all the actions which could be part of an overall economic development program. Successful economic development will require close collaboration with others who have primary authority over some of the important elements.

Coordinating HRM’s internal economic development activities poses challenges. Setting economic development as a priority and looking at all HRM’s activities through an economic development lens are good starting steps. They will need to be taken, again and again, and actively communicated. There is also significant external coordination work to do.

**Collaboration and Alignment – Private Sector:** The private sector is a huge part of HRM’s economy. HRM cannot tell companies what to do but can, through its regulatory powers, tell companies “how” to do certain things. HRM can facilitate businesses. To play its role effectively, HRM needs to know what business needs. HRM needs to listen to business.

Working effectively with the private sector requires better mutual understanding between business and government about what each needs from the other, and what each can and cannot do. Good communication is required. That communication cannot simply be business demanding things or government telling business what to do. There need to be opportunities for real dialogue.

GHP and DH have significant private sector presence on their boards. Those boards offer an excellent opportunity for genuine dialogue, the starting point for good communication. Programs like GHP’s business retention and expansion work provide mechanisms for feedback from business about its needs.

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**Collaboration and Alignment – Public Sector:** Both the provincial and federal governments work on economic development in HRM. HRM does need to know what other public entities plan to do. HRM needs to look for ways to collaborate with the province and the federal government.

GHP and HRM have developed ways to understand what other governments are trying to achieve. There have been successes. GHP engaged the province and ACOA in preparing HRM's economic strategy. The province worked with HRM in preparing jobsHere, the provincial economic development strategy. Over the years, the three governments have identified a common list of challenges and opportunities. There is a body of joint work to build on. GHP and DH have both accessed other government's programs, where they can, especially where objectives overlap.

While there are some areas of overlapping jurisdiction, over the past few years the three governments have developed a better understanding of what each one can or cannot do. On issues like immigration, the governments are developing better ways to partner. A number of creative ideas are on the table.

Working more effectively with other governments, like working with the private sector, requires two-way communication. HRM's Governmental Relations and External Affairs staff have made a start in this area but given the many points of contact between HRM and the province or HRM and the federal government, coordination challenges remain. On collaboration, HRM needs to tell others what HRM is doing, learn what other governments are doing, and develop ways to build better joint understanding.

**5. How will HRM know if its economic development efforts are successful?**

HRM generates a lot of activity. That activity can become an end in-and-of-itself. In the plans HRM makes, like the economic strategy or annual operational plans, HRM spells out deliverables. A good set of deliverables, carefully monitored, will keep Council and staff aware of HRM's progress, or lack thereof. Given the breadth of the economic strategy and HRM's other activities in support of economic development, the number of annual deliverables can be formidable. Working to achieve those deliverables disciplines the activities that HRM and others do to achieve a better state of economic development.

**Focus:** The 2011-2016 economic strategy initially included 5 Goals, 17 Five-year Objectives and 57 Short-term Actions for the first two years. The AG suggested shortening the list. In a February presentation to CPED, GHP highlighted the need to grow the economy, grow the number of good paying jobs, and grow the commercial tax base. These three objectives provide the focus the AG recommended.

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The three measures above are a starting point but cannot tell the whole story. Council will also need to know how achievement of those objectives is having an impact on the following:

- the quality of life (economic and social) in urban and rural parts of HRM;
- people's confidence in the economy; and
- stakeholders' views on the services HRM provides to support economic development.

**Measures:** HRM has many other measures. The Economic Strategy includes 16 "measures". In the Halifax Index, GHP tracks 61 "key indicators." The service agreements with GHP and DH track sets of deliverables. Those deliverables help the organizations set work targets for their staff. Inside HRM, the overall operational plan is the framework for business unit operational plans and, ultimately, guides the work of individual staff.

Any deliverables, in the economic strategy or the annual operational plan, should be way-stations on the road to achieving the three objectives for economic development. If HRM achieves those three objectives, at least in the medium term (5 to 10 years), HRM's economic development will advance.

It is important to measure the results of HRM's economic development work – "outcomes". Given the challenges of measurement in the field of economic development, best practices in other jurisdictions suggest that in addition to measuring results, it is important to consider the activities being done and the processes being used as we track progress. Qualitative as well as quantitative measures matter in government, perhaps more so than in the private sector.

**Attribution:** What HRM does, however, is not always the actual cause of the results being measured. Forces external to HRM are also at work. No single organization controls them. It is often not possible for higher level economic development outcomes in HRM to be linked directly or solely to HRM's own economic development activities. The fact that many people perceive economic development to be mostly about business attraction exacerbates this situation. At the municipal level, economic development activities are much broader in scope than simply attracting new businesses.

The numbers of people working in HRM is tracked carefully. HRM could work hard to make our business climate attractive but decisions made by private sector or public sector employers, based elsewhere, could lead to layoffs here, in spite of the work that HRM does locally. Could HRM have prevented the closure of the ESSO refinery? Could HRM dictate, or even influence, Canadian dollar exchange rate fluctuations that impact HRM businesses that import or export goods or services? Many macro-level economic climate determinants/factors are beyond HRM's control.



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**Summary**

This summary attempts to capture two lively CPED discussions – what economic development is and how economic development should evolve in HRM. CPED's views provide a basis for evaluating what HRM does now. CPED's views also provide a lens through which new economic development ideas can be assessed. As HRM tries new ways to tackle both old and new economic problems, HRM will learn lessons that will lead to future modifications to HRM's Statement on Economic Development.

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**ATTACHMENT 3**

**Halifax Regional Municipality Charter – Primary  
Sections Relating to Economic Development**

***Area improvement and promotion***

- 70 (1) The Municipality may
- (a) beautify, improve and maintain property owned or leased by the Municipality;
  - (b) pay grants to a body corporate for the purpose of promoting or beautifying a business district and for airport, wharf or waterfront development;
  - (c) identify and promote a business district as a place for retail and commercial activity;
  - (d) establish or maintain parking facilities.
- 70 (2) The Municipality may levy an area rate applicable only to the commercial property and business occupancy assessments in the area benefited by the expenditures in order to recover them.
- 70 (3) In setting such an area rate, the Council may set
- (a) different rates for business occupancy assessments and commercial property assessments; and
  - (b) a minimum and maximum amount to be paid by a person assessed, or may provide that payments be made on another basis established by the Council.

***Business and industrial development***

- 71 (1) The Municipality may
- (a) solicit and encourage the establishment and development of new, and the establishment, development and expansion of existing institutions, industries and businesses in and around the Municipality;
  - (b) publicize the advantages of the Municipality or any part of the Municipality and the surrounding areas as a location for the establishment and expansion of institutions, industries and businesses;
  - (c) pay grants to a body corporate for the purpose of promoting the Municipality or any part of the Municipality and the surrounding areas as a location for institutions, industries and businesses;

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(d) prepare and disseminate information about the Municipality or any part of the Municipality and the surrounding areas for the assistance of institutions, industries and businesses intending to locate or expand in the Municipality or the surrounding area.

71 (2) The Municipality may not grant a tax concession or other form of direct financial assistance to a business or industry.

***Power to expend money***

79 (1) The Council may expend money required by the Municipality for...

(l) advertising the opportunities of the Municipality for business, industrial and tourism purposes and encouraging tourist traffic, with power to make a grant to a non-profit society for this purpose;

(m) promotion and attraction of institutions, industries and businesses, the stabilization and expansion of employment opportunities and the economic development of the Municipality;

(ai) public grounds, squares, halls, museums, parks, tourist information centres and community centres;

(ap) industrial parks, incubator malls and land and other facilities for the encouragement of economic development;

(aq) parking lots and parking structures;

(ar) landing strips and airports;

(as) wharves and public landings.

***Purpose of municipal planning strategy***

228 The purpose of a municipal planning strategy is to provide statements of policy to guide the development and management of the Municipality and, to further this purpose, to establish

(a) policies that address problems and opportunities concerning the development of land and the effects of the development;

(b) policies to provide a framework for the environmental, social and economic development within the Municipality;

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(c) policies that are reasonably consistent with the intent of statements of provincial interest; and

(d) specify programs and actions necessary for implementing the municipal planning strategy.

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**ATTACHMENT 4**

**Economic Development Role Definition – A**  
**Cross-Jurisdictional Comparison**

Table A (see below) indicates, for Consider Canada City Alliance jurisdictions, economic development services delivered.

Business and investment attraction, business retention and expansion, economic development marketing, and cluster/sector development were heavily represented in the survey. A range of seven (7) to eleven (11) entities indicated that these activities were within their mandates.

Marketing is more ambiguous. Although seven (7) of the eleven (11) agencies were involved in attracting international events, only two (2) show tourism as within the development mandate. Differentiation is common in the case of tourism and destination marketing activities.

<b>Table A: Type of Service Delivered by C-11 Organization</b>	
<b>Economic Development Service</b>	<b>No. of Responses</b>
Business Investment Attraction	11
Leadership and/or facilitation of community economic issues	11
Business Retention & Expansion	9
Economic Development Marketing	9
Cluster/Sector Development	9
Economic Policy Development	8
Site Selection	7
Labour Force Development	7
International Events/Festival Attraction	7
Small Business Development	3
Incubator Program	3
Film Permitting Office	3
Tourism Marketing	2
Business Tourism Attraction	2
National / International Delegation hosting	2
Employment Lands Redevelopment	1
Real Estate Redevelopment	1
BIA Office	1
Convention Centre Management	1
International Trade Promotion	1

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**ATTACHMENT 5**

**Alignment of Economic Development  
Partners with 2011-2016 Economic Strategy**

Table B (see below) summarizes the alignment of GHP, TCL, DH and BID activities with HRM's economic strategy outcomes.

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<b>Table B: Alignment with 2011-2016 Economic Strategy</b>	<b>GHP</b>	<b>TCL</b>	<b>DH</b>	<b>BIDS</b>
<b><i>Regional Centre – Build a vibrant and attractive Regional Centre that attracts \$1.5 billion of private investment and 8,000 more residents by 2016</i></b>				
• Direct and oversee a pro-development policy environment within the Regional Centre	•	–	–	•
• Further the liveability and attractiveness of our urban core	•	–	–	•
• Reinvent current approach to mobility in the Regional Centre	–	–	–	•
• Celebrate and enable a rich variety of cultural and creative opportunities in the Regional Centre	•	•	•	•
<b><i>Business Climate – Promote a business climate that drives and sustains growth by improving competitiveness &amp; leveraging strengths</i></b>				
• Reduce regulatory, tax and policy issues that can inhibit development and investment	•	–	–	•
• Create a service oriented culture within HRM that supports the business community’s need for competitiveness and growth	•	–	–	•
• Develop a responsive, integrated regional transport system.	•	–	•	•
• Focus on quality of place including civic engagement, public investment and initiatives to increase social capital	•	–	–	•
• Halifax is recognized internationally for its clean and healthy environment	•	•	•	–
• Increase the engagement and active support of the private sector in the economic growth of Halifax	•	•	•	•
<b><i>Talent – Create a welcoming community where s talent can find opportunities, engaged employers &amp; resources for career advancement</i></b>				
• Maximize opportunities for increased alignment, awareness and engagement of the business community in the implementation of the Province’s workforce strategy	•	–	–	•
• Build a welcoming and inclusive environment for underrepresented groups	•	–	–	–
• HRM will become an “Employer of Choice” serving as a model for its business community	–	–	–	–
<b><i>Brand – Create a unique, international city brand for Halifax</i></b>				
• Create a unique, international brand for Halifax that reflects our best qualities and what we aspire to be	•	•	•	•
• Move Halifax from Good to Great – Live the Brand	•	•	•	•
<b><i>Maximize Growth – Capitalize on our best opportunities for economic growth</i></b>				
• Support and validate the implementation of the economic strategy through an enhanced research capacity	•	–	–	–
• Identify and respond to high value, high potential economic growth opportunities and encourage investment, exports, business productivity, innovation & competitiveness	•	–	–	•

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**ATTACHMENT 6**

**Consider Canada City Alliance Municipalities  
Economic Development Delivery Models**

<b>Table C: Consider Canada City Alliance Municipalities Economic Development Delivery Models<sup>1</sup></b>			
<b>Jurisdiction</b>	<b>In-House</b>	<b>Hybrid</b>	<b>Arms-Length</b>
Toronto	●	—	—
Calgary	—	●	—
Waterloo Region	—	—	●
Halifax	—	—	●
Montréal	●	—	—
Quebec City	—	—	●
Saskatoon	—	—	●
Vancouver	—	●	—
Winnipeg	—	—	●
Ottawa	—	—	●
Edmonton	—	●	—

<sup>1</sup> The classification above helps to understand the overall picture of economic development models across comparator cities. There is nuance and variation on these models in different jurisdictions (e.g. cities with arms-length economic development organizations may still have some economic development expertise in-house and vice versa; some jurisdictions have aspects of economic development activities such as investment attraction or real estate management either in-house or with arms-length organizations) these classifications indicate the predominant model in the above jurisdictions.



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**ATTACHMENT 7**

**Pros and Cons of Delivery Models**

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**In-House Configuration**

- |             |   |
|-------------|---|
| <b>Pros</b> | <ul style="list-style-type: none"><li>• ease of integration/alignment with municipal planning/development</li><li>• direct control over day-to-day operations (by HRM)</li></ul>  |
| <b>Cons</b> | <ul style="list-style-type: none"><li>• decreased flexibility vis-à-vis workforce/staffing</li><li>• limited capacity to leverage HRM funding (gov't and private sector)</li><li>• public perception as government body inhibits liaison function</li></ul> |
- 

**Arms-Length Configuration**

- |             |  |
|-------------|--|
| <b>Pros</b> | <ul style="list-style-type: none"><li>• increased flexibility vis-à-vis workforce/staffing</li><li>• significant private sector presence on board</li><li>• public perception as independent body facilitates liaison function</li><li>• significant capacity to leverage HRM funding (gov't and private sector)</li></ul> |
| <b>Cons</b> | <ul style="list-style-type: none"><li>• lack of direct control of day-to-day operations (by HRM)</li><li>• potential conflict over mandate/agenda vis-à-vis other investors' interests</li></ul>   |
- 

**Hybrid Configuration**

- |             |   |
|-------------|---|
| <b>Pros</b> | <ul style="list-style-type: none"><li>• benefits from board expertise</li><li>• direct control over day-to-day operations (by HRM)</li><li>• ease of integration/alignment with municipal planning/development</li></ul>                                    |
| <b>Cons</b> | <ul style="list-style-type: none"><li>• decreased flexibility vis-à-vis workforce/staffing</li><li>• limited capacity to leverage HRM funding (gov't and private sector)</li><li>• public perception as government body inhibits liaison function</li></ul> |
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**ATTACHMENT 8**

**Merger of Destination Halifax and Greater Halifax Partnership**

The question of whether HRM's economic development interests are better served by a single primary economic development organization or by the current structure with the general economic development function performed by GHP and tourism marketing performed by DH has been raised on by Council and by the AG. Specifically, should GHP and DH be merged into one entity.

Three governance options have been identified by staff in regards to DH and GHP. They are as follows:

- Status quo
- Merger
- Integration

The relative merits of each option are discussed in turn below.

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**Merger**

<b>Pros</b>	<ul style="list-style-type: none"><li>• Integrated focus possible</li><li>• Potential to leverage funds for projects, events, etc. from other funding sources due to prioritization at Board level and business planning</li><li>• Synergies, particularly in areas such as marketing and communications, event bidding, international delegations and trade presence</li><li>• Potential cost savings through elimination of duplicated administrative and oversight functions</li></ul>
<b>Cons</b>	<ul style="list-style-type: none"><li>• HRM cannot compel two arms-length organizations to merge</li><li>• The organizations have distinct and different mandates</li><li>• Introduces a single sector (tourism) focus into HRM's primary EDO</li><li>• Mergers can be disruptive, particularly in early years, resulting in human resource and other challenges</li><li>• Likely pushback from (largely private sector) independent management boards</li><li>• HRM cannot redirect marketing levy funds for non-destination-marketing purposes (statutory limitation of enabling provincial legislation)</li></ul>

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**AG's Position on Merger**

Staff have reviewed the Municipal Auditor General's report *Economic Development through Partnerships – A Performance Evaluation*, with a view to informing the discussion of possible

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merger. Despite noting potential costs savings from the consolidation of “duplicated administrative or oversight functions” (see page 60), the AG does not explicitly recommend a merger of the two organizations. The AG concedes that, “the uniqueness of the respective services may not adequately lend themselves to a complete merger of administrative or oversight functions” (see page 61). The AG leaves the question of the relative merits of a merger to Administration and Council.

#### **Practical Limitations vis-à-vis Merger**

As noted in the pros-and-cons summary above, HRM has a limited capacity to compel changes in regards to independently constituted entities. Neither DH nor GHP can be directed to merge. Both DH and GHP are private-public entities incorporated under the Societies Act, with boards of directors appointed through a community-based process. Although HRM councillors sit on their respective Boards as voting members, they do not hold a majority voting bloc. Certainly a threat to cut funding could be used to motivate compel a merger. Given the high percentage of HRM funding, relative to their respective overall operating budgets, both DH and GHP would be at significant risk if HRM funding were withdrawn.

#### **Response of Private Sector to Merger**

Consideration must also be given to the ramifications of merger. Where private sector support is concerned, a merger may or may not be viewed favorably by current supporters. To what extent support is contingent on the current configuration is difficult to gauge. While an argument could be made that merger would widen the potential base of support, a counter argument could also be made that merger would precipitate a loss in private sector support. Merger may be seen as dilution of focus and undermine sector-specific support currently enjoyed by DH. It may be seen as placing undue focus on a single sector and precipitate a loss of the private sector support currently enjoyed by GHP. To the extent that both advisory input and financial backing from the private sector are valuable assets to HRM, merger should be approached with caution.

#### **Merger Impact on Capacity to Leverage Financial Support**

Accessing funding, from other levels of government or from the private sector, may necessitate flexibility in terms of focus and services offered. Autonomous economic development agencies must be free to adapt to funder priorities. Where HRM is only one part of the funding equation, sensitivity must be exercised in regards to dictating configuration and operations. Despite HRM’s providing disproportionately high levels of funding, when compared with other funders, the reality is that HRM is not the only funder at the table and cannot, therefore, expect to dictate terms unilaterally.

#### **Legislative Rationale for Separation of GHP and DH**

Authority to apply a marketing levy comes from the *Halifax Regional Municipality Marketing Levy Act*. This enabling legislation specifies that the marketing levy may only be used to fund an organization “formed to promote the Municipality as a tourist destination”. Thus, tourism

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marketing activities – and only tourism marketing activities – can be funded by the levy. While a DH-GHP merger is not strictly speaking prohibited by the enabling legislation, organizational distinctiveness/separation is useful. HRM must be able to demonstrate clearly that levy money collected by HRM under the Act has been allocated for the exclusive purposes of tourism development, per the requirements of the provincial legislation.

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**Status Quo**

<b>Pros</b>	<ul style="list-style-type: none"><li>• Option well understood</li><li>• Minimal disruption</li><li>• Independence of the two organizations respected</li><li>• No need to change financial arrangements between HRM and the two organizations</li></ul>
<b>Cons</b>	<ul style="list-style-type: none"><li>• Lack of integrated focus</li><li>• Continued administrative duplication</li><li>• Gives the appearance of “no action”</li></ul>

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**Administrative Duplication Under Status Quo**

While there may well be administrative and oversight cost savings realized through a merger, the extent to which those cost savings would be realized is not well understood. No attempt to quantify costs savings was made by the AG his report. In the absence of this analysis, the savings are unquantified. Whatever dollar value could be associated with merger cost savings would have to be weighed against potential loss of private sector and governmental financial support and against the costs associated with realigning the two organizations.

**Lack of Integrated Focus Under Status Quo**

A lack of integrated focus is, perhaps, the most significant drawback of the status quo. With limited funding available to advance HRM’s economic development agenda, inefficiencies must be limited as far as practicable. Clearly articulated outcomes for economic development partner-organizations can mitigate this drawback, but will do so only in the context of duplication of efforts and overlap in economic development activities. Service Agreements (discussed more fully later in the report) can help to maintain distinctiveness and reduce overlap in organizational mandates.

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**Closer Collaboration**

- |             |   |
|-------------|---|
| <b>Pros</b> | <ul style="list-style-type: none"><li>• Encourages organizations themselves to analyze need for change and buy into ideas which make sense to those organizations</li><li>• More integrated focus in areas of overlap</li><li>• Possible new synergies through closer collaboration between the two organizations</li><li>• Project based collaboration could lead to better outcomes</li><li>• Allows for consideration of co-location</li></ul> |
| <b>Cons</b> | <ul style="list-style-type: none"><li>• More time spent on joint planning, meetings and reports</li></ul>   |

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**Collaboration as Means of Achieving Integrated Focus**

Encouraging closer cooperation between DH and GHP can result in improved operational integration. Aside from cost-savings realized from a merger, integration is the primary positive outcome of merger. Were, however, the two organizations to remain distinct, but work cooperatively the principle advantage of merger would be had without the downside risks associated with merger. Collaboration will necessitate careful drafting of organization-specific outcome measures to facilitate/compliment closer association. Apart from agreement-based support, collaboration will require a willingness on the part of the respective parties to work cooperatively around tourism development and promotion as an aspect of economic development.

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**ATTACHMENT 9**

**Cross-Jurisdictional Outcome Measures**

A review of Consider Canada City Alliance Municipalities' development agencies provides insight into performance metrics usage. There is a fair degree of diversity among metrics used by the Consider Canada City Alliance Municipalities agencies (see Table C below). Job retention figures, dollars leveraged, data information/assistance requests processed, and investment leads facilitated top the list. Each of these metrics garnered a response rate of between eight (8) and nine (9). Beyond these metrics, however, the commonality is lost. Other metrics used garner only a response rate of six (6) or lower – or roughly half of the respondents. Undoubtedly this is related to differences in terms of operational mandates.

These data suggest highly individuated performance measures tailored to the respective agencies. No universal performance measure is being used to gauge economic development agency performance.

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<b>Table D: C-11 Organizations and Outcome Measures Used</b>	
<b>Outcome Measure</b>	<b>No. of Responses</b>
Total number of new and retained jobs resulted due to direct action, facilitation or intervention from the EDO	9
Total dollars leveraged by EDO activities from other orders of government or organization, for sector development projects.	9
Total number of information/data request processed	9
Total number of investment leads received by the EDO that are developed into qualified investment prospects.	8
Total number of qualified investment prospects resulting from out-bound trade missions, hosting of in-bound trade missions and participation at trade shows.	8
Number of request for assistance from local businesses serviced by the EDO	6
Total number of "out-bound" trade missions; organized, led or assisted by the EDO	6
Total number of earned media mentions/articles.	6
Total dollar value of new assessment due to direct EDO activities, facilitation or interventions	5
Total number of small business consultations	5
Total number of "in-bound" missions/delegations hosted.	5
Total square footage of new development facilitated by the EDO	4
Total number of web hits.	4
Total dollar amount of BIA capital projects assisted by the EDO	3
Average response time to information/data inquiries	2
Total number of film and television permits issued	2
Number of bids prepared for major international events	2
Total number of "out-of-town" business conventions and events secured	2
Average response time to small business inquiries	1
Total dollar value of film and television activity attracted to municipality by EDO	1
Number of corporate contacts	1
Number of expansions and companies retained	1
Number of successful client issues interventions	1
Total business investment due to EDO assistance	1
Number of new businesses registered	1
Estimated economic impact of secured events	1
Number of companies making investments which are new to the City and assisted by EDO staff	1
Number of major partnership activities completed	1
Total dollar value of investments leveraged	1
Media Activity	1
Project specific execution	1

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**ATTACHMENT 10**

**Economic Development Organization Partner Profiles**

To enable a better understanding of HRM's current economic development environment, staff developed organization profiles for the following economic development partners:

- Greater Halifax Partnership (GHP)
- Destination Halifax (DH)
- Business Improvement Districts (BIDs)

These entities were selected because of their close alignment with the municipality. Most of these autonomous entities have contractual agreements with HRM and all receive financial support from HRM. BIDs were included because they perform an economic development function in respect to HRM's economic strategy.

Each organizational profile includes details on origins, mandate, structure and governance, legal relationship, and financial status.



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#### **Business Improvement Districts (BIDs) – Origins**

In 1970, Ontario passed enabling legislation to create the world's first Business Improvement District (BID) in Bloor West Village. Since the creation of this first BID, the concept has been adopted by thousands of communities across the globe.

In HRM, BIDs are established through a formal request for BID designation made by business community leaders. The onus is on the proponents to organize, and solicit support for, the BID's formation – support that must be demonstrated through an HRM facilitated BID-formation plebiscite.

There are currently eight BIDs located in HRM.

- Downtown Dartmouth Business Commission
- Downtown Halifax Business Commission
- Main Street Dartmouth and Area Business Improvement Association
- North End Business Association
- Quinpool Road Mainstreet District Association
- Sackville Drive Business Association
- Spring Garden Area Business Association
- Spryfield and District Business Commission

#### **Business Improvement Districts (BIDs) – Mandate**

BIDs act to revitalize and maintain dynamic commercial districts and promote areas as business, or retail destinations. Revitalization and maintenance creates a cleaner, safer and more attractive environment that benefits businesses operating within the district and, enhances property values for owners. Beyond beautification and promotion, BIDs also facilitate the development of strategic partnerships and advocate with all levels of government on behalf of their membership.

#### **Business Improvement Districts (BIDs) – Structure and Governance**

BIDs are structured as private entities, Provincially incorporated as either a Society or a Nova Scotia Limited by Guarantee Company. BID boards are appointed through a process set out their respective by-laws. In some instances BID Boards include HRM councillors and/or HRM staff.

Although autonomous, BID boards are accountable to HRM Council. They are contractually obligated to provide HRM with activity plans, year-end activity reports and audited financial statements on an annual basis. HRM approves BID Boards' budgets and area rate levies in June of each fiscal year.

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#### **Business Improvement Districts (BIDs) – Legal Relationship**

HRM's eight (8) BIDs and HRM have formalized their working relationship through a service agreement mechanism. In 2012, HRM and the BIDs renewed individual service agreements that identified economic development activities to be pursued within the districts, stipulated reporting obligations and set out disbursement schedules for area rate levies payable to the BIDs. In 2012, a BID by-law was introduced to govern the creation of new BIDs and to govern boundary changes to existing BIDs.

#### **Business Improvement Districts (BIDs) – Financial Contributions**

Once a BID is approved by HRM's Regional Council, non-residential property owners within the business district's geographic boundaries pay an area rate levy.<sup>2</sup> The area rate levy funds are collected by HRM and then transferred to the BID to manage on behalf of the district's membership. HRM does not retain any portion of the levies collected.

Area rate levies differ from business district to business district. Each individual BID sets its area rate and, therefore, determines its own baseline operating budget.<sup>3</sup> The 2013/2014 budget shows a total of \$2,047,400 in BID area rate levies (inclusive of federal and provincial levies). Budgeted levies for 2013/2014 range from a high of \$267,300 (Downtown Halifax Business Commission) to a low of \$73,200 (Spryfield and District Business Commission). BIDs engage in fundraising and fee for service activities to supplement their budgets. A number of BIDs also receive Federal and/or Provincial funding.<sup>4</sup>

In 2013/2014 Council approved \$106,000 in discretionary funding to be apportioned between HRM's eight BIDs. Each BID's share of discretionary funding is allocated on the basis of its proportional share of the combined area rate levied for all eligible BIDs.

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<sup>2</sup>Area rate levies payable are collected from commercial property owners through their interim and final commercial tax bills. HRM has authority to apply these levies pursuant to Section 70 of the *Halifax Regional Municipality Charter*.

<sup>3</sup> The BID area rate is typically expressed as a percentage of assessed property value. BIDs establish maximum and minimum levies to facilitate equitable cost sharing.

<sup>4</sup> Federal and provincial funding of BIDs is project-based, fluctuates annually and, as a proportion of overall BID budget, differs from BID to BID.

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#### **Destination Halifax (DH) – Origins**

Destination Halifax (DH) was created in April 2002 through a merger of the Greater Halifax Conventions & Meetings Bureau and the tourism marketing arm of the Halifax Regional Municipality Tourism, Culture & Heritage Department. DH has evolved into a partnership of the Hotel Association of Nova Scotia, the Provincial Department of Tourism, the Halifax Regional Municipality, and the World Trade and Convention Centre.

#### **Destination Halifax (DH) – Mandate**

DH works to increase business and leisure tourism activities in the region. Governed by a Board of Directors, Destination Halifax promotes the Halifax Regional Municipality as a year-round destination of choice for business and leisure travelers.

#### **Destination Halifax (DH) – Structure and Governance**

DH is structured as a private entity incorporated under the Societies Act, whose board is appointed through a process set out in its by-laws. Board membership reflects DH's focus on promoting the tourism and hospitality sector. A staff representative of HRM's CAO is appointed to the Board, along with one elected representative of Council and the Mayor, all as voting members. DH and HRM senior executive meet regularly to review matters of strategic and mutual significance.

DH's business plan and operating budget process timeframes do not coincide with those of HRM, however, DH does provide HRM with its approved annual business plan and budget in advance of HRM's budget process. DH participates in other aspects of economic strategy, most notably in developing strategies related to marketing the Halifax brand and attributes associated with attracting visitors.

#### **Destination Halifax (DH) – Legal Relationship**

The DH and HRM working relationship is not defined by a service agreement but instead by an MOU with a third party, the Hotel Association of Nova Scotia (HANS). The 2003 MOU defines broad parameters of a partnership which led to the creation of DH as a destination marketing organization.

#### **Destination Halifax (DH) – Financial Contributions**

HRM's annual operating grant to DH was initially intended to fund activities that were carried out by the Municipality prior to DH's formation – activities that were subsequently absorbed into DH operations. It is not clear whether the funding arrangement was intended to be long term. DH is currently funded by a hotel marketing levy<sup>5</sup> and by the tourism industry at large. HRM's current practice is to transfer 60% of the hotel marketing levy to DH.

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<sup>5</sup> The Province of Nova Scotia passed enabling legislation that permits HRM to impose a hotel marketing levy to promote the municipality as a tourist destination.

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In 2013/2014 DH's portion of the marketing levy was budgeted at \$1,985,600. In 2013 HRM's levy contribution constituted 67% of DH's revenues. HRM also provides DH with an annual operating grant (budgeted at \$386,000 in 2013-2014). This grant is a legacy of the transfer of HRM's Tourism, Culture & Heritage staff and marketing budget to Destination Halifax.

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#### **Greater Halifax Partnership (GHP) – Origins**

In 2006 the Greater Halifax Partnership (GHP) and the Halifax Regional Development Authority (HRDA) were tasked with creating HRM's first Economic Strategy.<sup>6</sup> With the adoption of HRM's Economic Strategy, Council began to explore the merger of GHP and HRDA to eliminate perceived duplication of effort. In March of 2007, Council merged the two entities and they became the newly constituted Greater Halifax Partnership.

#### **Greater Halifax Partnership (GHP) – Mandate**

The Greater Halifax Partnership (the Partnership) is a catalyst for economic growth and confidence in Greater Halifax, the economic hub of Atlantic Canada. The Partnership works to keep and grow business, attract new investment and strengthen the community to create economic growth and prosperity for Greater Halifax.

#### **Greater Halifax Partnership (GHP) – Structure and Governance**

GHP is a private-public entity incorporated under the Societies Act, with a board of directors appointed through a community-based process set out in its by-laws. The GHP Board is largely a private sector board, with representation from senior staff of the Province, ACOA and Municipality appointed as observers as well as representatives from HRM Council appointed as voting members.

GHP has more than 130 private-sector investors – large and small companies alike. Additionally, members of GHP and HRM's executive management meet regularly to review matters of strategic and mutual interest.

#### **Greater Halifax Partnership (GHP) – Legal Relationship**

GHP and HRM have formalized their working relationship through a service agreement mechanism. In 2007, HRM and GHP agreed to a 5-year service agreement that was tied closely to outcomes and activities identified in the 2005-2010 Economic Strategy. In 2011, a service agreement was prepared to support implementation of HRM's 2011-2016 Economic Strategy. In 2012, this agreement was renewed and detailed deliverables were integrated in the terms of the contract.

#### **Greater Halifax Partnership (GHP) – Financial Contributions**

GHP receives a substantial proportion of its funding from private investors and from the three orders of government, with the Municipality being the largest single investor. HRM provides an annual operating grant to GHP. In 2013/14 this grant was \$ 1.57 million. HRM's 2012/2013 contribution of \$1.4 million constituted 44% of GHP's revenues.

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<sup>6</sup> At this point in time GHP's mandate was retaining and growing resident businesses and expanding high wage job sectors while HRDA's mandate was facilitating and strengthening community economic development in HRM's rural and suburban areas.

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**ATTACHMENT 11**

**Status Update on Auditor General's report: Economic Development Through Partnerships – A Performance Evaluation**

<b>Recommendations</b>	<b>Update</b>	<b>Status</b>
<p>1.0.1 The OAG would recommend HRM explore the possibility of creating a Chief Economic Development Officer, who would be located in City Hall and would report directly to perhaps the Mayor who has expressed a personal interest in and focus on economic development. This type of 'bold' approach would signal the importance HRM places on economic development and the needed authorities to ensure success. Page 39</p>	<p>Given the complex nature of support for economic development and its interconnection with work being done by many HRM business units, it could be difficult to assign responsibility for the work to a single person. The advantages and costs of such an approach are under consideration.</p>	<p>In progress</p>
<p>1.0.2 HRM should explore the opportunity of enhancing a liaison position jointly with the Federal and Provincial governments whose primary focus would be to coordinate efforts and who would have specific expertise and experience (preferably at two levels of government) in both coordination and economic development. Page 39</p>	<p>HRM's Government Relations and External Affairs section (GREA) includes staff with previous experience in all orders of government, and conducts significant intergovernmental liaison work. GREA, which includes HRM's Economic Development unit, manages relationships with all external economic development partners, and coordinates specific liaison activities of municipal staff working with these partners and other levels of government.</p>	<p>Complete</p>
<p>1.0.3 Should the above recommendations not be implemented, the OAG would recommend HRM Administration consider arranging for a secondment/secondments of the HRM resource(s) who will be the economic development point person to allow for the development of:  - Additional knowledge and experience at the other levels of</p>	<p>HRM has actively pursued the idea of secondments, and has recently hired or seconded several staff members with provincial government work experience in key positions, including those positions with a primary focus on economic development.</p>	<p>Complete</p>

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<b>Recommendations</b>	<b>Update</b>	<b>Status</b>
<p>government where economic development has greater resources and focus - The appropriate relationships to aid in collaboration and greater coordination once the individual returns to HRM. Page 40</p>		
<p>2.1.1 HRM Administration place a renewed emphasis on the HRM economic development strategy after consideration of the points made by the OAG in this report. This strategy should be developed separate and apart from the implementation plan. Page 42</p>	<p>HRM Council has approved a more focused set of activities for years 3 to 5 of the 2011-2016 Economic Strategy implementation, and has set economic development as one of its four key priorities. As a result, a Director-led team has been established to prioritize and coordinate activities in relation to economic development.</p>	<p>Complete</p>
<p>2.1.2 HRM Administration should ensure the implementation plan noted above contains and outlines clearly the inputs to be used (along with efficiency performance measures) and the expected outcomes (along with the appropriate effectiveness measures). This will allow for the development of formal or ad hoc measures of economic development performance. Page 42</p>	<p>HRM has worked with the Greater Halifax Partnership (GHP) to improve reporting on economic development outputs and outcomes through both the Economic Strategy update and approval of a new service agreement between the two parties. A progress report on the strategy will be sent to the Community Planning and Economic Development Standing Committee in November. HRM and GHP will continue to work toward more meaningful reporting on economic development outputs and outcomes including through the annual Halifax Index.</p>	<p>Complete</p>
<p>2.3.1 HRM Administration should ensure the draft Memorandum of Understanding with Destination Halifax is reviewed and any appropriate changes made and finalized as soon as possible. Page 48</p>	<p>A Service Agreement with Destination Halifax has been drafted and is being reviewed. It is anticipated that the agreement will be brought to Council for debate and ratification in late 2013.</p>	<p>In progress</p>
<p>2.3.2 HRM Administration should consider, along with Destination Halifax, the funding arrangement within the Memorandum of Understanding. The current formula is a fixed percentage of the yearly Marketing Levy. The OAG would suggest a fundamental and needed change would be to</p>	<p>The approved Service Agreement with Destination Halifax will contain a specified funding approach and clear outcome measures which will be tracked over time.</p>	<p>In progress</p>

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tie the funding to agreed-upon and measureable performance. Page 48		
2.3.3 On the assumption (or at least for the time being) should current arrangements continue, HRM Administration should engage both Greater Halifax Partnership and Destination Halifax in the development of the implementation plan to achieve the economic strategy, which would include the expected goals or outcomes to ensure roles and accountabilities are absolutely clear. Page 48	The new Council-approved Service Agreement with GHP includes clearer implementation goals and outcomes measures, as does the draft Service Agreement with DH.	In progress
2.3.4 With the above recommendation in mind, once the implementation plan and its goals are approved, HRM Administration should request Greater Halifax Partnership and Destination Halifax prepare action plans for those outcomes for which they have accepted responsibility. Page 48	The service agreements with GHP (approved) and DH (in progress) will address this recommendation.	In progress
2.3.5 Using the services of the economic development resource being suggested by the OAG in Recommendation 1.0.1, HRM Administration should determine the appropriate performance measures for the goals accepted by each of Greater Halifax Partnership and Destination Halifax and hold both organizations accountable on a yearly basis. Page 49	Work on strengthening performance measurement and reporting is being done with GHP, and has been reinforced through both the Economic Strategy update and development of the new service agreement. This approach will be formalized with DH when the new service agreement is approved.	In progress
2.3.6 The OAG would suggest HRM Administration, Greater Halifax Partnership and Destination Halifax accept the view of the OAG that both Greater Halifax Partnership and Destination Halifax have limited resources and with that the likely lack of expertise in all areas which may be needed to	Both GHP and DH have used, and will continue to use, outside expertise as required to meet the outcomes included in their respective service agreements. Increased focus as a result of the Economic Strategy renewal and approval of service agreements will help to ensure actions are clearly identified and aligned with expertise. In terms of the \$3,600,000 figure quoted, it should be noted that there are some restrictions on use of the revenue that is generated by the Marketing Levy.	Complete



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<p>achieve the outcomes of the strategic implementation plan. With this in mind, HRM should consider utilizing a portion of the approximately \$3,600,000 in annual funding to engage other service providers with the needed experience or expertise, or how this would be accomplished through its partners and their ongoing funding. Page 49</p>		
<p>2.3.7 HRM Administration should consider reviewing and amending the business case for the Marketing Levy Special Events Reserve to establish a specific mechanism to deal with any surplus funds which may occur in a fiscal period due to a) unanticipated revenue increases or b) a reduction in spending. Page 49</p>	<p>The Marketing Levy Special Events Reserve, like other reserves, can carry a balance forward from year-to-year. In this case, reserve surplus from a “slow” events year can be carried over for use in future years and assist with multi-year planning.</p>	<p>Complete</p>
<p>2.4.1 In keeping with the process already developing between HRM and Greater Halifax Partnership, and as suggested in industry literature, HRM should strengthen its business plan development in both the operating and capital budgets, to better align with the goals and action plans outlined in the economic strategy. A series of workshops could perhaps provide senior and mid-level management with an opportunity to better understand the various stakeholders who participate in economic development activities within HRM, and to explore and discuss the economic challenges and opportunities which exist. Page 52</p>	<p>Director-led staff outcome teams have been established for all Council priority outcomes, including economic development, to ensure internal coordination of activities. HRM is working with GHP on an ongoing basis to develop tools to help educate senior and mid-level managers on economic development issues, as well as explore economic development opportunities. In terms of budget alignment, Economic Development is a Council priority, the CAO Business Plan reflects Economic Development priorities, and initiatives like the Strategic Urban Partnership are helping to strengthen economic development linkages within the HRM structure.</p>	<p>Complete</p>
<p>2.4.2 HRM Administration should consider developing, in conjunction with Greater</p>	<p>Director-led staff outcome teams have been established for all Council priority outcomes, including economic development, to ensure coordination of activities. Staff</p>	<p>In progress</p>

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Halifax Partnership, a training tool which would educate municipal staff and elected officials regarding the roles and responsibilities the Municipality plays in developing the local economy and the importance of the work they do in support of economic growth. Page 52	will continue to work with GHP to determine appropriate training measures to help educate senior and mid-level managers on the importance of economic development and the relationship between economic development and their roles and responsibilities.	
2.6.1 HRM Administration should review the reasoning behind the formation of Greater Halifax Partnership and Destination Halifax both as separate organizations and also as organizations outside of the administration of HRM. The OAG has suggested a number of questions to be considered as a starting point for a discussion, given the original objective for the formation of Greater Halifax Partnership, for example, was centralization. Page 61	Research conducted as part of an HRM economic development governance review outlines the reason for establishment of both organizations, and demonstrates that most municipalities use arm's length organizations to conduct economic development work. A few combine economic development and tourism organizations, but the model of two separate agencies is more common. In addition, the province and the federal government separate these two functions and distinctly different funding arrangements have been established by HRM Council for GHP and DH. Both GHP and DH rely on private sector participation and funding.	Complete
2.6.2 HRM Administration should consider the OAG's suggestion of a more focused approach to economic development with high consideration of the comments around more focused support for businesses of all sizes and entrepreneurs. With the decline in Greater Halifax Partnership private sector funding and projects, this trend is of great concern to the OAG. Page 62	<p>GREA has worked with the Community Planning and Economic Development Standing Committee of Council over a series of meetings to refine the municipality's approach to economic development. The GREA operational plan includes this process, as well work with CRS and GHP to define service agreement deliverables, economic strategy actions and other actions that address the regulatory environment. For example, one such goal is to "define next steps with respect to barriers and unnecessary steps to starting a business, including through participation in the province's A2B projects". In addition, a number of the objectives and actions in the 2006-11 Economic Strategy speak to this question.</p> <p>In terms of focussing on size of business, diversity in is important. While small businesses are important to the economy, the largest businesses in Nova Scotia (over 500 employees) represent 0.2% of businesses but 50% of employment, and innovation is often linked with mid-sized businesses. Focusing on regulatory and service improvements that benefit all businesses will likely yield the greatest benefit for the economy.</p> <p>In reviewing GHP's revenue stream, private sector</p>	Complete

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	funding has been relatively stable since 2007. The noted trend of decline in funding more apparent from government sources. GHP is actively working on this issue and HRM has contributed by increasing its grant to cover inflationary increases over the past six years.	
2.6.3 HRM Administration should consider offering in-kind services and extending procurement opportunities (beyond the current levels) to Destination Halifax and Greater Halifax Partnership in an effort to minimize administration costs. Page 62	GHP has reviewed administration costs to identify possible areas for in-kind and/or procurement opportunities. Ultimately this issue will be addressed by GHP and DH in discussion with HRM on a service-by-service basis, with appropriate consideration of the legal relationship between HRM and the specific organizations.	Complete
2.6.4 As has been noted in a number of other OAG reports, the roles and responsibilities of HRM-appointed representatives to various boards and commissions has been raised as a concern. The OAG saw, once again in the completion of this report, some level of confusion as to roles, responsibilities, expected competencies and reporting requirements of its representatives on Greater Halifax Partnership and Destination Halifax boards. As previously recommended in other reports, the OAG would recommend HRM provide specific written clarification outlining what the expected roles and responsibilities are for their representatives serving on the boards of Greater Halifax Partnership and Destination Halifax. Page 62	As noted in the management response, and in responses to several recommendations from previous AG reports, Legal Services is examining issues related to Board governance throughout HRM.	In progress
3.0.1 The OAG recommends HRM Administration consider, with respect to the risk management concerns noted above, the additional benefits to be gained through the services of the individual(s) as suggested in Recommendations 1.0.1, 1.0.2 and 1.0.3. Page 64	As noted in responses to 1.0.1, 1.02, and 1.03 the outcomes envisioned will be addressed through existing roles in GHP, HRM's Government Relations and External Affairs Office, and those leading and participating on the economic development priority team.	Complete

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<b>Recommendations</b>	<b>Update</b>	<b>Status</b>
<p>3.0.2 With the original objective of GHP being a partnership between the three levels of government and the private sector, the apparent reduction in revenue from private sector activities (support) should be reviewed by HRM Administration to determine the likely reasons for this and the impact on HRM's current economic development model. Page 64</p>	<p>Private sector funding has been relatively stable since 2007. The noted trend of decline in funding more apparent from government sources. GHP is actively working on this issue and HRM has contributed by increasing its grant to cover inflationary increases over the past six years. This has helped GHP make a stronger case to its investors.</p>	<p>Complete</p>
<p>4.1.1 HRM should consider focusing its efforts and resources to those areas where it has primary responsibility and expertise, such as land use planning and property taxation within a facilitative/strategic role. This approach should ensure HRM resources are used to improve the environment in which businesses operate, ensuring businesses and of course the citizens of HRM receive the best possible service (less red tape) for the level of investment made (value for money). Page 76</p>	<p>GREa and GHP are working closely on the update of the Regional Plan to make sure that it includes appropriate support for the Economic Strategy. In the updated actions for years 3 to 5 in the Economic Strategy, a director-led economic development outcome team will track and report on business plan actions related to economic development. GHP is also emphasizing its Business Retention and Expansion work to insure that business needs are clearly brought to the attention of HRM.</p>	<p>Complete</p>

# ATTACHMENTS ECONOMIC DEVELOPMENT GOVERNANCE REVIEW

## ATTACHMENT 12

### Per Capita Funding of Economic Development and Destination Marketing Organizations

1) Per Capita funding of Destination Marketing Organizations  
The chart below compares funding levels per capita of 18 destination marketing organizations across Canada. The chart shows that Destination Halifax has a lower per capita level of funding than average.

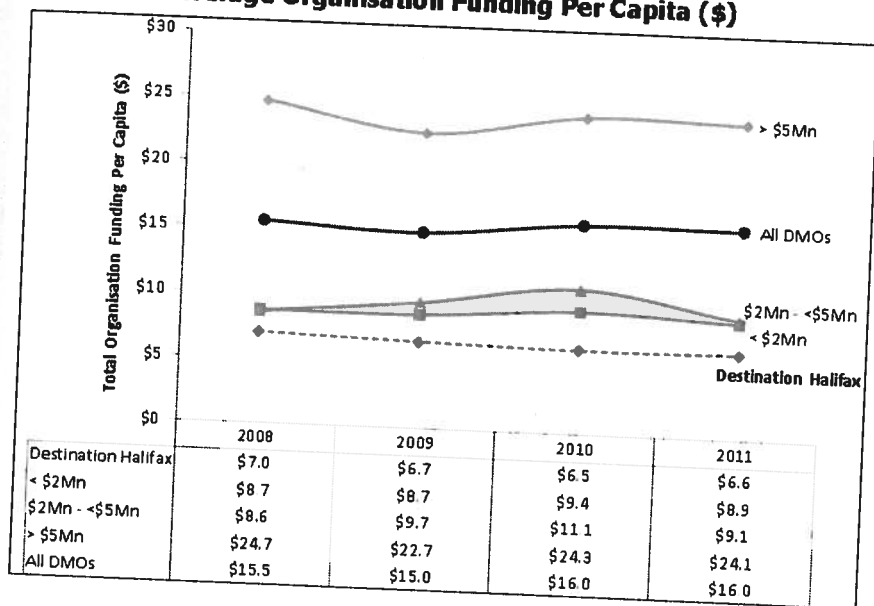
### PRODUCTIVITY & EFFICIENCY

#### Availability of Resources

**Destination Halifax has a lower level of funding relative to destination size relative to its DMO peers.**

- Organization funding per capita is used as a measure of organization funding relative to destination size.
- Larger DMOs tend to have a larger ratio of organization funding per capita ratio relative to smaller DMOs which suggests a higher level of funding even when respective destination size is taken into account.
- Destination Halifax has a lower ratio relative to DMOs in its own peer category, which suggests that organizational funding may be low relative to destination size compared to its peers.

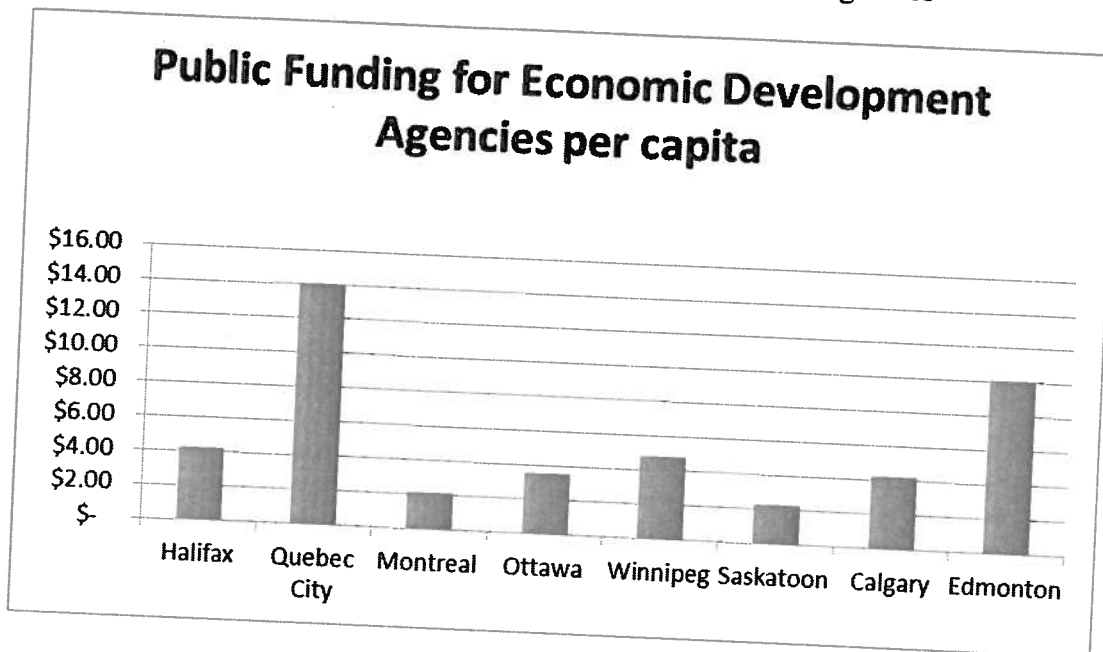
**Average Organisation Funding Per Capita (\$)**



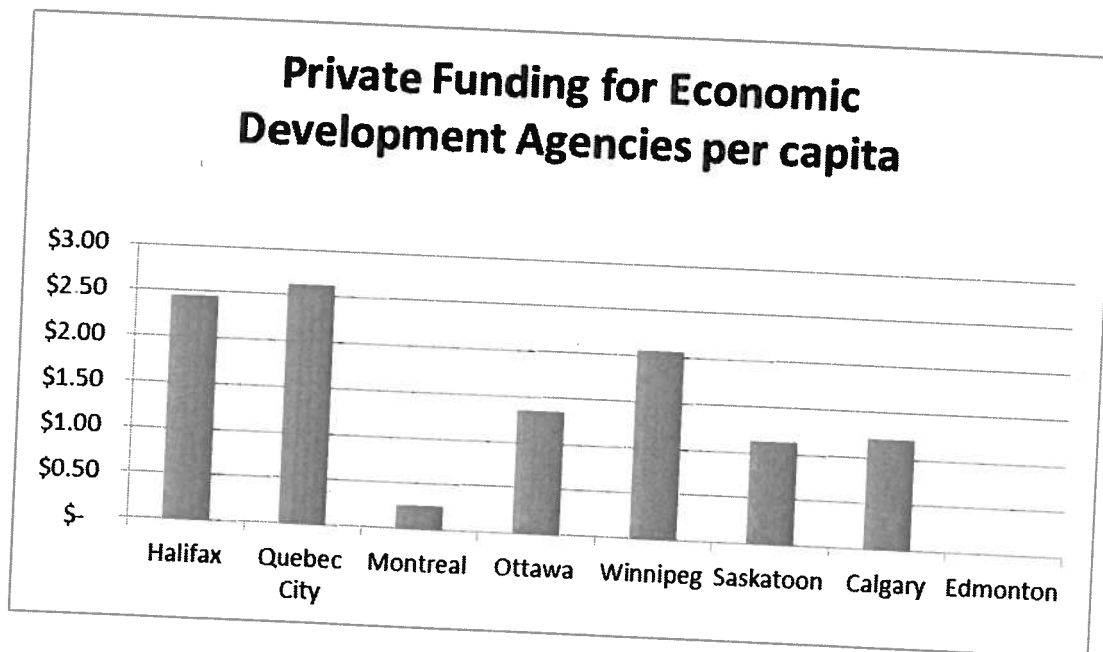
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2) Public Funding per Capita - Economic Development Agencies



3) Private per Capita Funding – Economic Development Agencies



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4) Public funding of economic development

Charts 2 and 3 show the funding levels to economic development organizations among cities across Canada. It should be noted that economic development organizations vary in the programs and initiatives they operate which makes comparisons difficult. In addition, some cities allocate budgets through both an arms-length organization and a municipal department.

Halifax is average in the public sector funding provided to economic development organizations like the GHP. In several instances federal and provincial governments provide more funding in other cities than in Halifax. The Greater Halifax Partnership has among the highest private sector contribution per capita among comparison cities.