

TO: Committee of the Whole

FROM: Paul Thompson
Manager of Long Range Planning

SUBJECT: Regional Economic Development

MEETING: June 12, 2018

RECOMMENDATIONS

1. That a meeting be organized with the organizations listed in Attachment 2 to consider the creation of a region-wide economic development service.
2. That to assist with the meeting, a background report that incorporates input from the other organizations be prepared addressing the current state of economic development in the Regional District of Nanaimo.

SUMMARY

This report provides a summary of: the basic economic development service models; the general services offered by economic development organizations; the economic development initiatives currently underway in the Regional District of Nanaimo (RDN); the economic development models currently in use by local governments on Vancouver Island; and a proposal to further the discussion on a regional economic development service.

While there are many initiatives and programs underway in the region there is no coordination of economic development at the regional level. With the wide range of disparate initiatives currently underway, in order to have effective economic development, activities should be delivered in a coordinated manner. In order to determine how best to proceed, a discussion is needed on the benefits of a region-wide economic development service. The recommendation is to proceed with the next step, which is to hold a workshop that includes all of the organizations involved in economic development in the region. Through this discussion, direction on approaches to economic development can be considered for the RDN on a go forward basis.

BACKGROUND

The Board directed that a report on establishing a regional economic development function be prepared in response to local economic trends, initiatives by private sector and business groups, changes to existing RDN economic development services, the collapse of the Nanaimo Economic Development Corporation and the desire to examine how to best promote sustainable growth and resiliency in our region. Establishing a regional economic development function requires a number of considerations. The first consideration is how the RDN could be more involved in economic development, or more specifically, what role should the RDN play in economic development considering there are number of

other organizations, including the member municipalities already active in providing this service. The role of the RDN will affect the type of service model, governance structure and funding to be provided. Recognizing that the RDN is already involved in the delivery of economic development services in the region, what part should the RDN play? Should the RDN services evolve into a coordinating role? Should the RDN directly coordinate and deliver a regional service? Is there a hybrid role for the RDN?

To provide background on the establishment of a regional economic development service, this report covers the standard economic development models; possible economic development services; economic development initiatives currently underway in the RDN; economic development services offered by other regional districts and municipalities on Vancouver Island; and, a proposed process to determine if there is a need and/or role for the RDN in region-wide economic development.

Local Government and Economic Development

Economic development is typically understood to encompass a number of goals and activities in furtherance of a higher standard of living for a community, a concept which itself is defined in any number of different ways. Economic development is thus about communities continually enhancing their competitiveness, increasing sustainable growth, improving their investment climate, retaining jobs, improving incomes, and ensuring that growth is inclusive of the community in which it occurs. It encompasses a range of disciplines including physical planning and economics and marketing. It also incorporates many local government and private sector functions including business development, infrastructure provision, real estate development and finance.

Economic development is often considered to be an important service for a community, because a local economy that is active and healthy will help create more public funds and generate higher and more cost-effective public revenues, allowing local government to provide better services to the community. In this region, economic development has been traditionally identified as a path to grow the local and regional economy, support job growth and address key sectors like resource management, tourism, tech sector and knowledge based industries. In recognizing the need to support growth, investment and employment, many local governments provide an economic development service. This often combines both economic development and tourism marketing. Providing economic development is consistent with both the RDN Strategic Plan 2016-2020 and the Regional Growth Strategy (RGS).

Economic Development Models

There are four general models that are used for economic development. For all of these models, both economic development and tourism promotion can be included, or just economic development. Each model has its advantages and disadvantages. The first model is as a department or agency of the local government. In this model, the local government provides the majority of funding for the service. This is the model used by the Cowichan Valley Regional District (CowVRD), the City of Campbell River and City of Port Alberni. The CowVRD provides both economic development and tourism promotion while the Cities of Port Alberni and Campbell River focus on economic development.

A second model is as a semi-independent economic development commission mandated by the local government. The majority of funding usually is provided by the local government. The society or local government owned corporation are two forms of this “arms-length” delivery model. This was the model used by the City of Nanaimo with the Nanaimo Economic Development Commission (NEDC) and is

currently being used in the Comox Valley Regional District with the Comox Valley Economic Development Society.

A third model is for a Chamber of Commerce or other local organization to assume responsibility for economic development. This may or may not be with funding from the local government. An example is the Nelson and Area Economic Development Partnership in the West Kootenay. To a certain extent this is the model currently in use in District 69, where Oceanside Initiatives, which is led by the Parksville Chamber of Commerce, has taken the lead on economic development.

A fourth model is for a private agency or corporation to be contracted on a fee-for-service basis. This model is currently being used on Gabriola Island where the Gabriola Island Chamber of Commerce is providing economic development services for the RDN on a contract basis.

In some cases, providing grants is part of an economic development service. The economic development service will provide funding to projects that further the goals of the service. While it is not part of a broader economic development service, the Northern Community Economic Development (NCED) program is an example of an economic development activity which has been established as a grant program. Another example of a grant program is the Island Coastal Economic Trust (ICET).

Economic Development Services

An economic development service, regardless of the delivery model, can provide a wide variety of services depending on the goals and objectives of the service. Some of the more common activities are: business investment and attraction; business retention and expansion; economic profile and market research statistics; small business support; education and training; and specific programs for certain industries such as agriculture or technology.

In British Columbia, the most common services provided by local and regional economic development organizations are business retention and expansion, promotion of tourism and cultural activities, and attracting external industry, businesses and resources. These are findings of a province wide survey conducted by the Union of BC Municipalities (UBCM) in 2009 and 2016¹.

The services provided will depend on what is needed for the region and what is already being provided by other economic development organizations. The activities of the organization and the services provided are usually guided by a strategic plan. Also important for determining the effectiveness of the activities are a monitoring program and an evaluation.

Economic Development Initiatives in the RDN

A significant number of economic development initiatives are currently underway in the RDN, with some being led by local government and others by the private sector. There is no one body that provides coordination, and each initiative is generally being undertaken independently of the others. In some cases, different agencies/organizations do participate in other initiatives.

¹ Local Economic Development in BC 2016 Survey. UBCM

Local Government Led Initiatives

Regional District of Nanaimo

The RDN has two economic development services, the Southern Communities Economic Development (SCED) service and the Northern Communities Economic Development (NCED) service. These services include all of the electoral areas and municipalities except for the City of Nanaimo and the District of Lantzville.

Southern Communities Economic Development (SCED)

The SCED service is an economic development service of the RDN comprised of Electoral Areas A, B and C and was initially set up to contribute funding to the NEDC. With the closing of the NEDC, delivery of the service had to be reconsidered. The service is currently providing funding to the Gabriola Island Chamber of Commerce to undertake economic development and tourism promotion on Gabriola Island under contract and will run until March 31, 2020. A review of the service to the other two electoral areas is scheduled to take place in 2018. The service is entirely funded through a tax requisition and has a maximum requisition of \$191,000.

Northern Communities Economic Development (NCED)

The NCED service includes the City of Parksville, Town of Qualicum Beach and Electoral Areas E, F, G and H. The service operates as a grant program and provides funding to projects that will provide economic benefits to the service area. The NCED has provided \$257,000 to 35 projects since its inception in 2012. The quantitative value of the benefits from all of the funded projects is not known. A recent review of the service by the members confirmed that the service will continue to operate as a grant program and will not be offering other types of economic development services. The annual requisition for the service is \$50,000.

City of Nanaimo

In 2017 the City of Nanaimo moved from an arms-length corporation to a government department model to deliver economic development services. The Nanaimo Economic Development (NED) office is a municipal function within the City of Nanaimo and has one full time employee. The services offered by NED include business investment and attraction; business retention and expansion; economic profile and market research statistics; and small business support. The economic development activities are focussed on the City of Nanaimo. The budget for economic development is \$946,722 for 2018 with a portion of that being transferred to Tourism Nanaimo.

Tourism Nanaimo

Tourism destination marketing for the Nanaimo region has been contracted to Tourism Vancouver Island. Destination marketing includes the promotion of attractions, activities and accommodations in Nanaimo and the surrounding region from Lantzville to Ladysmith and Gabriola Island. Currently, the City of Nanaimo is contributing the majority of funds for this service. The Gabriola Island Chamber of Commerce has also recently agreed to contribute funds to Tourism Nanaimo to include Gabriola Island in tourism marketing.

District of Lantzville

The District of Lantzville has two economic development initiatives underway. The first is an economic action strategy and the second is a branding exercise. With funding assistance from ICET the economic action strategy will identify economic goals for the community and the associated short, medium and long term actions to achieve the goals. The branding exercise is being undertaken to identify what makes Lantzville unique and then use that for the purpose of marketing the District as a place to do business.

City of Parksville

The City of Parksville does not have a formal economic development service. The City participates in the NCED and Oceanside Initiatives.

Town of Qualicum Beach

The Town of Qualicum Beach does not have a formal economic development service. The Town participates in the NCED and Oceanside Initiatives.

Private Sector Led Initiatives

Oceanside Initiatives

Oceanside Initiatives (OI) is a partnership of local governments, First Nations and business leaders in the Parksville-Qualicum Beach region that is led by the Parksville and District Chamber of Commerce. Stakeholder partners include the City of Parksville, Regional District of Nanaimo, Town of Qualicum Beach, Qualicum Beach Chamber of Commerce, School District 69, Vancouver Island University, Parksville Downtown Business Association, Parksville-Qualicum Beach Tourism Association, Nanoose First Nation, and Qualicum First Nation. OI developed an economic development strategy for the Oceanside area in 2015. However, the strategy was not endorsed by the local governments in District 69, and no action was taken on a recommendation to form a regional economic development body to be funded by the RDN. OI is currently working on a labour market needs assessment.

Mid Island Business Initiative

The Mid Island Business Initiative was formed by a group of local businesses and organizations to promote the benefits of living and working in east central Vancouver Island. The purpose of the organization is to attract businesses to be established in the mid island region from Ladysmith to Deep Bay. There are no local government members nor financial support. Services include providing information, introductions to existing businesses, and assistance with visits to the region.

Gabriola Island Chamber of Commerce

Gabriola Island Chamber of Commerce (GICC) is providing economic development and tourism marketing services for the RDN on a contract basis. Funds come from the SCED service which includes Electoral Areas A, B and C. The GICC was also successful in obtaining a grant from the Rural Dividend Fund to support economic development activities. The GICC is now able to hire an economic

development coordinator. Economic development activities provided by GICC are focused on Gabriola Island.

Parksville Qualicum Beach Tourism Association

The Parksville Qualicum Beach Tourism Association (PQBTA) is the destination marketing organization (also known as a convention and visitors bureau) for the Parksville, Qualicum Beach, Nanoose Bay, French Creek, Lighthouse Country, and Arrowsmith Coombs Country region of Vancouver Island. Partial funding for the PQBTA comes from the Municipal Regional District Tax (MRDT) tax on accommodation.

Community Futures Central Island

Community Futures Central Island specializes in providing business loans to small and medium sized businesses. The area served extends from Ladysmith to Deep Bay. They also provide other services for small businesses such as: assistance with business plans; small business training; start-up or expansion consulting; support in gaining access to other small business supports; information and access to capital.

Vancouver Island Economic Alliance

The Vancouver Island Economic Alliance (VIEA) is a collaborative partnership spearheading regional economic development for the Vancouver Island region. VIEA provides opportunities for communities, First Nations, businesses, and other key stakeholders to collaborate on broad-based economic development programs to improve the region's overall capacity for economic vitality. VIEA covers all of Vancouver Island from Victoria to Port Hardy as well as the Northern and Southern Gulf Islands. Membership is open to anyone. VIEA hosts a number of events each year, including the Vancouver Island Economic Summit, and produces information on economic development. The RDN, City of Nanaimo and Town of Qualicum Beach are members of VIEA.

There are numerous other organizations that are also involved in economic development in the RDN such as INFilm, Tourism Vancouver Island, Innovation Island and Island Coastal Economic Trust.

Economic Development Initiatives by BC local governments

Cowichan Valley Regional District

The Cowichan Valley Regional District (CowVRD) has an economic development department with staff who work directly for the CVRD. Economic Development Cowichan is a part of the CowVRD's *Land Use Services Division*, and part of their mandate is to build connections between community, business, and local government. Working in collaboration with regional economic development partners, the focus is on: supporting and attracting businesses and sector development; engagement and support for community-based initiatives; and, communicating the advantages of living, working and investing in Cowichan. The entire program is funded by the CowVRD with supplemental funding from grants from other levels of government. Economic Development Cowichan includes Film Cowichan, the aim of which is to: attract film productions to the area; promote Cowichan film locations; prepare online location packages; assist with scouting and permitting; liaising with local municipalities and business organizations; and supporting local film initiatives. The 2018 budget for the economic development service is \$670,000 with about 79% coming from a tax requisition.

Comox Valley Regional District

The Comox Valley Economic Development Society (CVEDS) is the contractor for the delivery of economic development services in the Comox Valley. The Comox Valley Regional District (ComVRD) provides the majority of funding to the CVEDS. The services provided by CVEDS focus on assisting existing businesses to grow, while working with potential investors and entrepreneurs. The three focus areas of the office include: business retention and enhancement; investment attraction and promotion; and, economic development coordination, facilitation and communication. The CVEDS is also responsible for tourism marketing and promotion. The 2018 budget for the service is \$1.29 M with the majority of that funding coming from a tax requisition.

Strathcona Regional District

The Strathcona Regional District does not have an economic development service. However, Campbell River, the largest municipality, does have an economic development office that is staffed by the City of Campbell River employees. The services provide focus on business retention and expansion as well as supporting entrepreneurs looking at investment opportunities in Campbell River. Tourism marketing is provided by a separate organization, Destination Campbell River. The 2018 budget for economic development is \$923,000 with approximately two thirds coming from tax requisition and one third coming from the Municipal and Regional District Hotel Tax (MRDT).

Alberni Clayoquot Regional District

The Alberni Clayoquot Regional District (ACRD) does not have an economic development service but Port Alberni, the largest city in the regional district, does have an economic development office. The department has two ACRD employees and focusses on diversification of the local economy, business retention, business attraction and marketing of key properties in the community.

Capital Regional District - South Island Prosperity Project

The Capital Regional District (CRD) does not have a regional economic development service. The South Island Prosperity Project (SIPP) is a private sector-driven economic development agency founded by (among others) seven businesses, twelve local governments, three post-secondary institutions, and five business and industry organizations in the Greater Victoria region. SIPP currently has 42 members including 10 of the 13 municipalities in the CRD and five First Nations. The 2018 budget for SIPP is \$960,047 with the 10 local governments providing roughly 63% of the funding. SIPP has five main activities: sector development, business growth and expansion; business investment and attraction; and First Nation economic development and collaboration.

The SIPP was a recent winner of \$250,000 as part of Infrastructure Canada's Smart Cities Challenge. The Greater Victoria based project is one of ten finalists and beat out other Vancouver Island cities such as Nanaimo, Langford and Campbell River. The SIPP will use the money to further develop their proposal on sustainable transportation in competition for a \$10,000,000 grand prize.

Regional District of Mt. Waddington

The Economic Development Commission (EDC) is a function of the Regional District of Mount Waddington (RDMW), and its membership is comprised of four municipalities and four participating

electoral areas. The RDMW Board approves policy, strategy and all associated project and engagement activity.

The manager of economic development is an integral member of the RDMW's staff and is secretary to the EDC. The role of the manager is to coordinate and execute core activities, provide advice, engage with stakeholders and prepare proposals in cases where the regional district is the lead agency. There are a number of committees and working groups linked to the economic development function. This includes the Mt. Waddington Workforce Planning and Action Committee (WPAC) and the Vancouver Island North Tourism Advisory Committee (VINTAC). The RDMW also employs a tourism coordinator who works with their Board and VINTAC. The RDMW has contracted out tourism marketing to Tourism Vancouver Island. The budget for the economic development service in 2017 was \$203,228 with about 87% funded from tax requisition.

Central Okanagan Regional District

The Regional District of Central Okanagan's Economic Development Commission (COEDC) is a service provided by the Regional District of Central Okanagan, providing economic development services to the District of Lake Country, RDCO Electoral Area East, City of Kelowna, City of West Kelowna, Westbank First Nation, District of Peachland and RDCO Electoral Areas East and West. The main activities of the COEDC are business retention and enhancement, investment and attraction and coordination and connection.

The COEDC reports on its activities to the Regional District of Central Okanagan Board of Directors through quarterly reporting and annual reporting mechanisms. The COEDC is guided by a 45 member advisory committee with representatives of business associations, local government, and key industry leaders of Agriculture, Advanced Manufacturing, Professional Services, Construction & Development, Technology and Tourism. The 2018 Budget for the COEDC is \$897,000 which is almost entirely funded from a tax requisition. Four full time staff work for the COEDC.

Regional Economic Development Service Discussion

The trend in general in British Columbia is for economic development to take a regional approach, recognizing that when it comes to economic development there are significant benefits for communities to work together that are part of the same economic unit. For this reason, many local governments in BC are involved in regional economic development entities. Three examples are the two regional districts to the north and south of the RDN and CORD. The regional district economic development service provides coordination for various economic development initiatives in those regions. The two CVRD's and the CORD play a leadership and coordinating role and are also involved in local economic development activities. Each of those services is guided by a strategic plan which identifies the partners involved and who takes the lead on various actions. Each also has a committee comprised of the various economic development organizations in the region.

Sharing of costs and leveraging of additional resources are the primary arguments in favour of a regional approach. The resources of a combined regional entity are often greater than any of the individual entities could fund on their own. This is particularly true of small communities that can deliver a far more substantial economic development program by partnering with other communities in their region.

Businesses looking to invest in an area are interested in the size of the market, regardless of boundaries, so it often makes better sense for multiple jurisdictions to have a unified economic development organization or approach. Regions are also large enough to offer a critical mass of companies, institutions, infrastructure and talent, while small enough to enable close interactions among people, firms and organizations – factors that contribute to regional innovation.

Collaboration at the regional level allows local governments to work together to achieve common goals or address common needs, and potential partners include local governments, First Nations, community groups and private sector organizations. Taking a regional approach also offers the opportunity to access additional sources of funding that would otherwise be unavailable. Regional coordination can also ensure that efforts are linked to, and support, other strategies such as the Regional Growth Strategy, Official Community Plans and Board/Council Strategic Plans.

The general trend in BC is in contrast to what has happened in the RDN over the past few years where there has been a move away from regional economic development to a local and/or a sector specific focus. Numerous initiatives are currently underway in the RDN but there is no one body that serves to coordinate the activities of the different initiatives.

In recent years economic development has gone from a sub-regional approach centered around Greater Nanaimo and the Oceanside areas to focusing on local areas. In the southern part of the RDN there are three separate local government initiatives focused on Nanaimo, Lantzville and Gabriola Island. In the northern part of the RDN Oceanside Initiatives has attempted to play a coordinating role, but insufficient commitment from the local governments and a lack of resources has hampered its effectiveness. A recent attempt by the RDN to create a regional economic development service did not receive support from two of the four member municipalities.

The possible budgets for the established services operated by the RDN and the City of Nanaimo are approximately \$1.2M (includes funding for Tourism Nanaimo). This amount does not include funding provided to other organizations involved in economic development or other sources of funding such as the MRDT. The budget amount for economic development is comparable to the Comox Valley Regional District and significantly greater than the Cowichan Valley Regional District.

There is no one “right” model for economic development and there are many variations within an in-house and an arms-length model to choose from. There are a number of factors to consider when determining which model may be suitable and it may take time to find the structure that best fits the circumstances for this region. A process is needed to investigate the benefits of having a regional economic development service or a way to coordinate the different economic development services in the region. Prior to proposing a service, an opportunity to examine the need for such a service and how it might operate is needed. With support to proceed, the details of the service can be worked out. Alternatively, as the RDN already has two economic development functions, revisions to those functions could be made to include the City of Nanaimo and District of Lantzville and then the role and services delivered could be reviewed.

Should there be support to have an economic development discussion, background information will be compiled including consultation with the existing providers. The discussion, to take place at a facilitated workshop, will take a closer look at how economic development is delivered in the region. With input from those who are currently providing the service, the RDN can examine how economic development

at the regional level can be improved and whether there is a role for the RDN. A proposed outline for the discussion is provided as Appendix 1. A list of proposed participants in the workshop is provided in Appendix 2.

The primary purpose of the workshop is to determine if there is support for establishing a regional economic development service to be funded through an RDN function.

In support of the Board's strategic plan, what role will the RDN play in economic development? A first step would be to host a workshop to look at the benefits of a regional approach to economic development and the role for the RDN in collaboration with the other organizations already engaged in economic development activities. Should the RDN be taking on a leadership role to coordinate economic development activities in the region? With all the disparate initiatives currently underway the RDN may be the best placed organization to take the lead and organize a discussion to consider how the region may benefit from collaboration.

Should there be support to establish the regional service, then the next step is to look at the delivery model, the possible services to be offered and source of funding, budget and staffing.

ALTERNATIVES

1. Receive this report for information only
2. Receive this report for information and provide direction to organize discussions about a revised role for the RDN in regional economic development.


FINANCIAL IMPLICATIONS

The financial implications at this time are the costs to fund for a facilitator for the meeting. A small amount will also have to be budgeted for professional services. Staff will investigate the opportunity of applying for a grant to pursue funding with a possibility to apply to ICET, as they have a funding program for communities who want to examine the need for an economic development strategy. Funds have been established to conduct service reviews for RDN functions. These funds have not been allocated to any one service and, with the Board's approval, could be used for a review of the economic development services.

Following the initial meeting, should a decision be made to proceed with establishing a new economic development service, then a financial analysis will be conducted.

STRATEGIC PLAN IMPLICATIONS

The Board 2016-2020 Strategic Plan includes a strategic focus on economic health with a priority to foster economic development. The Board identified in the 2018 Strategic Plan review that promoting economic growth, diversification and resiliency was a continuing priority and that efforts in the area of economic development should be pursued in an effective manner. The Board supported economic development as a regional service that should be explored. Discussions on updates to the Strategic Plan are scheduled for January of 2019. The recommendation is to include regional economic development as a priority discussion area in the review of the Board Strategic Plan following the 2018 civic election.



Paul Thompson
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May 28, 2018

Reviewed by:

- G. Garbutt, General Manager, Strategic and Community Development
- P. Carlyle, Chief Administrative Officer

Attachments

1. Proposed Agenda Outline for Economic Development Discussion
2. Proposed Participants in Economic Development Discussion

Appendix 1

Proposed Agenda for Economic Development Discussion

Facilitation: Economic Development Professional

Purpose: To determine if there is support to proceed with the establishment of a regional economic development service.

Materials in support of the discussion:

- Background on each of the economic development providers including:
 - Services provided
 - Budgets and staffing
 - Governance structure
 - Guiding documents (e.g. strategic plan)
 - Networking
- Economic Development Models
- Economic Development Services
- Sources of funding for economic development

Discussion items

- What is missing in terms of regional collaboration?
- Is a regional economic development service needed in the RDN?
- Is a new local government service needed?
- What is the role of the RDN?
- What is the best delivery model?
- What is the best governance model?
- What services should be provided?
- What are sources of funding?

Appendix 2
Proposed Participants in Economic Development Discussion

- City of Nanaimo
- District of Lantzville
- City of Parksville
- Town of Qualicum Beach
- Regional District of Nanaimo
 - Northern Communities Economic Development
 - Southern Communities Economic Development

- Mid Island Business Initiative
- Oceanside Initiatives
- Community Futures Central Island

- Island Coastal Economic Trust
- Vancouver Island Economic Alliance
- Island North Film Commission

- Greater Nanaimo Chamber of Commerce
- Gabriola Island Chamber of Commerce
- Parksville and District Chamber of Commerce
- Qualicum Beach Chamber of Commerce

- Parksville Qualicum Beach Tourism Association
- Tourism Nanaimo
- Tourism Vancouver Island