

10 YEAR ECONOMIC STRATEGY UPDATE

EXECUTIVE SUMMARY

In 2016, Calgary's economy continued to be challenging. *Building on our Energy: an Economic Strategy for Calgary*, stewarded by Calgary Economic Development (CED), continued to be a roadmap that guided collaborative economic development activities and set shared priorities. This report is a progress update on implementation of the Strategy since the last update to the Priorities and Finance Committee in 2016 May. In 2016, implementation of the strategy was accelerated in four key areas with Council's approval of an additional \$7 million in Community Economic Resiliency Funds: sector diversification in trade and logistics, creative industries and agribusiness; telling Calgary's story; headquarter attraction; and a talent hub initiative. As of 2017 March 31, CED has spent approximately 30 per cent of the Community Economic Resiliency Funds. In 2016, CED attracted or retained 37 companies that generated or retained over 1,500 jobs in Calgary. As of Q1 2017, an additional 16 companies were attracted or retained that created or retained 450 jobs.

As of the end of 2016, 87 per cent of all tactics in the Economic Strategy were completed or underway, compared to 80 per cent in 2016 May. In 2016, CED also increased participation of the private sector in implementation activities and there was an increased focus on the innovation sector that led to a new level of collaboration among key stakeholders, and a rapid acceleration of activities. CED's Attachments to this Report provide detailed updates about activities and progress for all Economic Strategy actions and core indicators.

ADMINISTRATION RECOMMENDATION

That the Priorities and Finance Committee recommends that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2016 June 13, Council approved that Administration's recommendation in PFC2016-0396 10 Year Economic Strategy Update be adopted as follows: That the Priorities and Finance Committee recommends that Council receive this report for information.

On 2016 February 22, Council approved that Administration's recommendations in C2016-0176 be adopted, as follows: That Council 1.Receive this report for information; and 2. Direct Calgary Economic Development to report back with Innovate Calgary and Administration to the Priorities and Finance Committee with a plan to develop an Innovation Framework for Calgary for approval no later than 2016 May prior to release of \$325 thousand of the \$7 million referenced in recommendation 1 of PFC2016-0081.

On 2016 February 2, the Priorities and Finance Committee adopted Administration recommendation 1 contained in PFC2016-0081 be approved, as follows: That the Priorities and Finance Committee recommend that Council: 1. Approve a one-time increase to operating budget program 449 - Calgary Economic Development by \$7 million from the Community Economic Resiliency Fund to carry out the initiatives detailed in Attachment 1 and direct Calgary Economic Development to report back on the use of the funds through their 10-Year Economic Strategy updates to the Priorities and Finance Committee; and that Administration Recommendation 4 contained in Report PFC2016-0081 be approved, as amended, as follows: That the Priorities and Finance Committee recommend that Council: 4. Direct Administration to

10 YEAR ECONOMIC STRATEGY UPDATE

provide a supplementary report to the 2016 February 22 Meeting of Council containing more information as requested at today's meeting, with respect to Recommendations 1 and 2.

On 2015 December 15, Council approved the 10 Year Economic Strategy Update (PFC2015-0821) and directed Calgary Economic Development to provide an annual report to the Priorities and Finance Committee no later than May each year, commencing 2016 May.

On 2014 November 3, Council adopted *Building on our Energy: an Economic Strategy for Calgary* including implementation plan, and directed Calgary Economic Development Ltd. to provide an annual report on the Strategy to the Priorities and Finance Committee no later than December, commencing 2015 December (PFC2014-0809).

BACKGROUND

2016 was a challenging economic environment in Calgary, and according to the Spring 2017 Calgary and Region Economic Outlook, it will be several years before 2014 levels of economic activity return. In 2016, Calgary's office and residential vacancy rates rose, construction activities and housing prices fell, building permit values were down, and overall economic activity contracted in response to lower oil prices and reduced capital expenditures. It was the first time since data was collected in 1987 that the economy contracted for two consecutive years. The 2017 Outlook projected that the economy will expand 1.9 per cent in 2017 and 2.3 per cent in 2018 through growth in consumer spending, business investment, government expenditures and net exports.

While Calgary's economic conditions have shifted dramatically from when *Building on our Energy: an Economic Strategy for Calgary* was released in 2015, the Strategy's fundamental focus on working collectively to build on Calgary's core strengths is even more relevant in today's environment. The Strategy draws together Calgary's global connections, entrepreneurs, innovators, communities, and people to focus on shared economic development priorities.

In terms of its collaborative structure, the Strategy's 32 actions and related 143 tactics are each assigned to a lead organization and other stakeholders are identified as providing support. Representatives from leading organizations including Administration, Civic Partners, post-secondary institutions, not for profit agencies and the provincial and federal governments sit on a Leadership and Implementation Team that provides advice and guidance. Success of the Economic Strategy is based on cross-sector collaboration and participation. In 2016, CED increased private sector participation by appointing private sector volunteers to chair all Economic Strategy advisory committees.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2016 February, in response to the challenging economic conditions, Council approved a one time investment of \$7 million in Community Economic Resiliency Funds to accelerate implementation of the Economic Strategy. CED leveraged this funding to secure an additional \$3.2 million from the Government of Alberta and Western Economic Diversification. The funding accelerated activities related to sector diversification in trade and logistics, creative industries and agribusiness; telling Calgary's story; headquarter attraction; and a talent hub initiative. As of 2017 March 31, CED had spent approximately 30 per cent (\$2 million) of the

10 YEAR ECONOMIC STRATEGY UPDATE

funds. Spending in some areas was lower in 2016 than initially budgeted due to the time required to put staff resources in place. Highlights and detailed key results from the accelerated implementation are detailed in Attachment 1. In the Attachment, CED refers to the additional \$7 million as “Opportunity Calgary” funding.

Collaboration with Administration, CMLC and others in 2016 continued to support alignment of strategies, and leverage CED’s expertise and knowledge to enhance planning and development activities. In 2016, CED led an Economic Summit for re-energizing Calgary’s downtown (with a follow up report anticipated in 2017 Q2), brought their economic development expertise to the Green Line LRT planning process, and supported the alignment of Infrastructure Calgary’s capital investment plans with the Economic Strategy.

In 2016, Calgary was invited to join the Rockefeller Foundation’s 100 Resilient Cities’ Network (100 RC). Through the 100 RC, Administration can access technical support for resiliency planning, expertise from platform partners to support strategy development and implementation, and share knowledge and best practices with other members of the 100 RC Network. Administration is working with CED to determine how the 100 RC Network resources and opportunities can be leveraged to enhance and refine the Economic Strategy, and to ensure resiliency planning and the Economic Strategy are complimentary and aligned.

Activity Highlights

As of the end of 2016, 87 per cent of all tactics in the Economic Strategy were initiated or completed, compared to 80 per cent in 2016 May. Attachment 1 provides a summary and details of activities, supplementary indicator results, and future plans for each action area including an overview of how the Community Economic Resiliency Funds were invested. Attachment 2 reports the status of the Strategy’s 14 core indicators (some data is not yet available for 2016).

Building Calgary’s profile

Results from CED’s Annual Client Survey indicate that the most common service requested by agencies is for CED to encourage external investment in Calgary and promote Calgary to external markets. In 2016, CED’s outreach activities enhanced Calgary’s profile locally, regionally, nationally and internationally; and continued to build CED’s network of relationships.

Highlights for 2016 when compared year over year include:

- \$11 million in media value generated, up from \$1.6 million;
- 11 outbound trade missions up from 5, and 26 inbound up from 24;
- 211 active prospects and leads, up from 101;
- 22 film scouting and familiarization or “FAM” tours, up from 18;
- 60 government roundtables and events, up from 10; and
- 63 Investor visits including Stampede Investment Forum, up from 42.

As well, a national survey commissioned by CED in 2016 indicated that 75 per cent of Canadians asked had a favourable perception of Calgary as a place to do business and invest, up from 68 per cent in 2014.

10 YEAR ECONOMIC STRATEGY UPDATE

Impact

The following are some key results from 2016:

- 37 companies were attracted, compared to 22 in 2015 that created or retained over 1,500 direct and indirect jobs.
- Three transportation and logistics investments generated over 625 jobs.
- Twelve film projects were attracted that created or retained 725 jobs and represented \$165.5 million in economic activity.
- Three agribusiness investments were attracted that generated 195 jobs and 18 active agribusiness prospects were secured.
- 35 active renewable energy prospects and eight investments that generated 230 jobs.

Attachment 1 provides a summary of key impact highlights, and detailed impacts for each action in the Strategy.

Focus on innovation

Supporting collaboration was a key focus of innovation-sector activities in 2016. An innovation-focused Rainforest Network and Calgary Innovation Coalition were established in 2016 and helped the private sector, entrepreneurs, and nonprofit organizations collaborate on planning strategically, pooling resources, establishing shared priorities, and submitting joint funding requests. Over 150 local entrepreneurs, innovators, and organizational representatives joined the Rainforest Network, met weekly, and collaborated on the development and implementation of an innovation framework for Calgary.

In 2017 Q1, Council approved the release of the remaining \$325 thousand in Community Economic Resiliency funding for CED to establish a pilot to enhance, expand, and deliver Startup Calgary's programs and services for early stage entrepreneurs. Ongoing collaboration with other organizations that provide entrepreneurial services and programs, including Innovate Calgary, will help ensure entrepreneurs have access to programs and services at all stages of their development.

Measuring progress

Strategy implementation is being measured through community wide, high-level core indicators and sector-specific supplementary indicators in individual action areas. Attachment 1 provides an update on selected supplementary indicators, contextual information, activity highlights and next steps for each area of focus. Attachment 2 presents core indicators that are population-level measures with data collected over a longer period. New data is only available annually or every few years for particular measures.

At the population level, the majority of core indicators remained relatively stable year over year only dropping marginally since 2013, however, a few key measures declines significantly. The number of Calgarians agreeing that Calgary is a great place to make a living that has steadily declined since 2013, from 90 per cent to 65 per cent in 2016. Calgary's overall GDP for all industries reflected the current economic conditions and dropped to \$115.2 billion from \$117.4 billion in 2015 and \$120.7 billion in 2016. Data for some measures including the percentage of Calgarians living at or below the Low Income Cut Off level before tax is not yet available from Statistics Canada.

10 YEAR ECONOMIC STRATEGY UPDATE

Stakeholder Engagement, Research and Communication

Initial engagement for the development of the Strategy included outreach to 490 stakeholders. Collaboration with sector and industry members across all action areas continues to be critical for successful implementation. Engagement through CED events continued to be high in 2016 with 2,900 participants at signature events and 159 Global Business Centre events, compared to 117 in 2015.

Strategic Alignment

The Economic Strategy closely aligns with Action Plan 2015-2018, the Municipal Development Plan, Corporate Industrial Land Strategy, imagineCALGARY, Centre City Plan, and Enough for All.

CED is a member of The City's Resiliency Team which provides an ongoing opportunity to align their work with City programs and initiatives related to economic development and Administration is also working with CED to leverage resources and support available to The City through The City's 100 Resilient Cities membership.

CED also participates on the Implementation Leadership Council for the Enough for All Strategy and the Stewardship Group for imagineCALGARY to ensure continued alignment throughout the implementation of the Economic Strategy.

Social, Environmental, Economic (External)

The Strategy is a key method of delivering on the following Council Strategies in Action Plan 2015-2018:

- P1. Strengthen Calgary's position as a global energy centre and location of choice for international talent, investment and innovation through enhanced business development, marketing and place-making initiatives.
- P2. Advance purposeful economic diversification and growth.
- P3. Support civic, business and community partners, as well as business revitalization zones to collaborate and attract local and global investment.

The Strategy's integration of the economic, social and environmental elements of development are reflected in its guiding vision: *Calgary is a city of boundless energy. The source of our energy and economic success is our sense of community and our commitment to shared prosperity and sustainable development. We welcome everyone to be part of the energy.*

Actions in the People Energy section adopt an inclusive economic development focus that embraces social inclusion and shared prosperity. Community Energy aims to support a vibrant, urban and prosperous community that offers people friendly neighbourhoods, diverse housing, and inspirational spaces.

Financial Capacity

Current and Future Operating Budget:

Funding for implementation of the Strategy is included in Action Plan 2015-2018. The additional \$7 million was a one-time allocation from the Community Economic Resiliency Fund to accelerate implementation of the Strategy.

10 YEAR ECONOMIC STRATEGY UPDATE

Current and Future Capital Budget:

There are no impacts regarding this request.

Risk Assessment

Many of the risks identified in PFC2014-0809 including lack of leadership, continuity, and accountability are mitigated by the Strategy's design and collaborative implementation approach. In light of the current economic conditions, CED continues to monitor implementation of the Strategy to assess if adjustments to the model are required. As an organization, CED also has an Enterprise Risk Matrix that identifies risk and mitigating strategies.

REASONS FOR RECOMMENDATION:

Continued collaborative implementation of the *Building on our Energy: an Economic Strategy for Calgary* will help strengthen Calgary's trade and investment, foster purposeful diversification, channel innovation and creativity, support the development of strong communities, and reinforce that every citizen should benefit in the region's prosperity.

ATTACHMENTS

Attachment 1: Progress Update

Attachment 2: 2016 Core Indicator Update