

ECONOMIC DEVELOPMENT INVESTMENT FUND

EXECUTIVE SUMMARY

On 2017 March 06, Council directed Administration to explore the creation of an Economic Development Investment Fund (EDIF) to respond to the prolonged economic challenges and capitalize on new opportunities that will create jobs, drive economic recovery and revitalize the downtown core. An EDIF can be seen as a pool of City funding for business units, departments and partners to access that supports their ability to address economic and public needs. At the Downtown Economic Summit (2017 March 02) participants identified a need for government bodies to create additional funding sources and approaches for innovative projects and ideas. One short-term action that could create significant impact on the local economy involves the establishment of an EDIF in Calgary. Recognition of Calgary's economy as requiring municipal intervention was also reinforced at The City's #ResilientYYC Agenda-Setting Workshop (2017 March 03) where economic uncertainty and macro-economic stress were identified by participants as the top shock and stressor impacting the city.

Across North America, EDIFs have helped relieve conditions of economic distress and increased diversification, while providing significant returns on investment. Current City research suggests Calgarians are looking to government for leadership and investment to strengthen and diversify the economy. Labour market reviews are suggesting a slow economic recovery for Calgary, and a majority of Calgarians believe that The City has an impact on their quality of life and an obligation to support the local economy. Other reviews conducted demonstrate that a culturally vibrant downtown affects Calgary's ability to attract and retain businesses, residents and jobs. In order for Calgary to continue to be a city that supports non-profits, and attracts businesses and talented entrepreneurs, targeted public-sector investment is required. Administration recommends facilitating economic development through a made in Calgary EDIF to:

- Help create the right conditions for growth;
- Diversify the local economy;
- Leverage municipal funds for additional private and public sector investments;
- Create employment lands and stimulate employment; and
- Create a return on investment (both direct and indirect).

Intentionally managing Calgary's economy through the establishment of an EDIF requires leadership and governance. Along with recommended outcomes and goals to support Calgary's economy, through the establishment of an EDIF, Administration recommends a governance structure that leverages the expertise of the business community to ensure the outcomes of the EDIF are achieved.

Research demonstrates that arts organizations create significant direct and indirect economic activity. However, in the current economic climate, the core group of ten "Cornerstone" arts organizations that contribute significantly to Calgary's arts eco-system have been negatively affected by a dramatic loss of private sector funding. The EDIF creates an opportunity to support this critical sector through investment in the ten "Cornerstone" arts organizations who serve as incubators, employers and cultural content creators. They are significant cultural assets, tourism attractions, educational institutions, and community builders that attract visitors and support a diversified economy, a high quality of life, and a vibrant downtown core.

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ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Approve the creation of an Economic Development Investment Fund (EDIF);
2. Approve the conceptual scope and criteria for the EDIF (ATTACHMENT 3);
3. Approve the intake model and governance structure of the EDIF (ATTACHMENT 4);
4. Approve \$10 million from the Fiscal Stability Reserve (FSR) to initiate the short-term start up of the EDIF;
5. Approve \$2 million in Economic Development Investment Funds for Calgary Arts Development Authority (Program 449) to invest immediately in the 10 Cornerstone arts organizations as set out in the EDIF Business Case and report back in one year on the investment of the funds (ATTACHMENT 5); and
6. Direct Administration to return to Council during the 2018 budget deliberations process in November 2017 to present terms of reference, and identify the long-term recommended value and funding sources of the EDIF.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2014 November 03, Council adopted Building on our Energy: an Economic Strategy for Calgary, directing Administration to lead or partner with Calgary Economic Development (CED) to advance strategies needed to build a community that attracts expert talent and business investment as part of the implementation plan (PFC2014-0809).

On 2015 February 10, Administration presented the Economic Resilience Strategy to Council (VR2015-0014) to focus efforts and to respond to the emerging economic downturn. The seven strategies of the Economic Resilience Program emphasize the need for The City to continue to deliver services to Calgarians in a responsible fashion and to stay financially prudent in the midst of changing economic conditions. One strategy singles out the need to contribute to the creation of a vibrant and prosperous downtown, because an economically and culturally vibrant downtown affects Calgary's ability to attract and retain businesses, residents and jobs.

On 2016 November 28, Council adopted the first Cultural Plan for Calgary that emphasized, as one of five key priorities, the need to Grow Calgary's Cultural Sector and Creative Industries, recognizing the economic and creative potential of Calgary's not-for-profit cultural sector and for-profit creative industries.

On 2017 January 23, Council directed Administration to work with CED to organize a Downtown Economic Summit to identify emerging trends and opportunities to ensure The City uses its capacity to best position resources for the future. This included that Administration and CED create a short, medium and long-term action plan report to be presented to a strategic planning session of Council by late Q2, 2017.

On 2017 March 06, Council directed Administration to explore the creation of an Economic Development Investment Fund (EDIF) to respond to the prolonged economic challenges and capitalize on new opportunities that will create jobs, drive economic recovery and revitalize the downtown core.

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BACKGROUND

Economic circumstances and global commodity prices have had significant impacts on many citizens, businesses and non-profits in Calgary and the Alberta economy generally. Calgary is a city that has been heavily dependent on the oil and gas economy, which is an industry experiencing significant job losses. Labour market and Statistics Canada reviews indicate that job loss in the Calgary Economic Region (CER) continues to be in the Natural and Applied Sciences (oil and gas) sector and other industries (e.g. construction) that have historically benefitted from a strong oil and gas sector (ATTACHMENT 1). In particular, the economic downturn has also impacted Calgary's art and culture sector.

A vibrant arts sector helps attract businesses and visitors, supports high quality of life, and creates a sense of belonging for Calgarians. A 2015 economic impact analysis indicated that arts organizations in Calgary, including some of the Cornerstone organizations, generated over \$87 million in economic output, including \$49 million in direct spending. The arts also support a high quality of life by engaging Calgarians. A 2016 survey indicated that 91 per cent of Calgarians were engaged with the arts; 79 per cent believed that a strong arts and culture scene was key to creating a vibrant, safe, and prosperous city; and 86 per cent believed the arts bring people together and enabled people to connect to each other.

The City of Calgary has devoted itself to making life better for Calgarians every day, one that is focused on making the city a great place to make a living and a great place to make a life. To this end, and during the current economic downturn, fewer Calgarians think Calgary is a great place to make a living in an era of increased unemployment rates. Survey results in 2017 show declines in citizens' views regarding Calgary being a good place to make a life and a living. Specifically, 80 per cent agree that "Calgary is a great place to make a life," a marked decline from 89 per cent in 2013, while 68 per cent agree that "Calgary is a great place to make a living," a clear decline from 90 per cent in 2013.

In 2016, The City of Calgary granted Calgary Economic Development (CED) \$7 million in funding to implement the three-year "Opportunity Calgary" program to accelerate sector diversification, redeploy talent and attract headquarters to Calgary. \$3 million of additional funding was provided by both the Government of Alberta (\$2 million) and the Western Economic Diversification Canada (\$1 million) to support CED's work.

With a key focus on attracting businesses to Calgary, 2016 was a foundational year. CED took its message to the world, trying to attract businesses to move to Calgary, to take advantage of our highly skilled workforce and well-run city. Over the course of hundreds of meetings with businesses from California to Shanghai, CED confirmed that the key attraction for any business to re-locate was a perceived high quality of life. Most recently, on 2017 May 30, RocketSpace – a global network of technology campuses designed to connect corporate clients with technology entrepreneurs and start-ups — confirmed it will move into 75,000 square feet of office space to the 9th Avenue SW downtown tower formerly known as Encana Place. CED's effort is credited for attracting RocketSpace to Calgary.

A Downtown Economic Summit was held on 2017 March 02 at the Calgary TELUS Convention Centre. The event included approximately 160 participants that identified emerging trends and

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opportunities to ensure The City uses its capacity to best position resources for the future. The high-level tactics that participants identified to support Centre City included:

- Funding / seed capital from both public and private sector, land incentives;
- Partnerships / collaboration between public and private sector industries;
- Attracting entrepreneurs and innovative industries;
- Integrating and/or co-locating incubators and accelerators;
- Improving government processes / cutting red tape;
- Enabling legislation / improved zoning and land use;
- Repurposing office space in the downtown for other uses / providing space for free;
- Building a downtown university campus with student housing;
- Adjusting parking strategies to accommodate residential; and
- Improving neighbourhood vibrancy.

On 2017 March 03, the Deputy City Manager's Office hosted the #ResilientYYC Agenda-Setting Workshop as part of its membership in the Rockefeller Foundation's 100 Resilient Cities network. Participants worked together to identify the top shocks and stressors for Calgary. Economic uncertainty and macro-economic stress was identified by participants as the top shock and stressor facing Calgary, while fostering economic prosperity was considered by participants as the area needing the most improvement in Calgary.

On 2017 May 17, as part of the Brookfield International Speaker Series, the University of Calgary's Haskayne School of Business Westman Centre for Real Estate Studies, the Urban Land Institute Alberta, CED and Calgary Municipal Land Corporation hosted the former Mayor of Denver (Federico Pena) and the former Chief Executive Officer (CEO) of Metro Denver Economic Development Corporation (Tom Clark). Under the leadership of both individuals, Denver, previously known as a city undergoing economic contractions for decades, is now currently touted as the top city in the U.S. to live and work due to its economic diversification and associated growth in the arts and culture, jobs, economy, and notable infrastructure developments.

Cumulatively, citizen, business and non-profit perceptions on Calgary's economy, the Downtown Economic Summit and the #ResilientYYC Agenda-Setting Workshop have pointed to the need for The City to intentionally manage Calgary's economy.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

EDIFs across North America

Administration has conducted research across North American municipalities and has reviewed academia, not-for-profit and business consulting research to understand municipal approaches to facilitate economic development. In North America, an EDIF represents a commitment by municipal government to invest in catalyst projects to strengthen the local economy. An EDIF can be seen as a pool of City funding for business units, departments and partners to access that supports their ability to address economic and public needs. Access to funding is on the

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basis that projects are not within the recipient's pre-approved budget and that proposed projects address the economic goals and outcomes identified by the EDIF.

Across North America, results achieved through dedicated economic development funding have included, but are not limited to:

- Accelerator and incubator hubs;
- Airport expansions;
- Arts and culture facilities;
- Business park developments;
- Corporate headquarters' relocations;
- Convention centres;
- Clusters such as:
 - Aerospace
 - Aviation
 - Beverage production
 - Broadcast telecommunications
 - Energy (fossils and clean technology)
 - Financial services (banks, insurance, investments)
 - Healthcare and wellness
 - Software and Information Technology
- Digital and performing arts;
- Downtown community centre developments;
- Downtown parking improvements;
- Life sciences centre / campus;
- Professional sporting arenas / stadiums / districts;
- Research institutes that formerly had no presence in the region;
- Scientific / cultural facilities district; and
- University facilities in the downtown.

Indirect results of this work have offered regions unique social and economic benefits, including regional employment creation, improved regional gross input and income, economic attraction, tourism, and more.

The Case of Kitchener, Ontario

While a number of municipalities have implemented an EDIF, Kitchener is unique in that it has leveraged similar strategies that are at The City's disposal, namely: (1) ideas, (2) partnerships, (3) financial investment, (4) land, assets and real-estate, and (5) enabling government processes to create both direct and indirect results for its community. Detailed results of Kitchener's implementation of an EDIF can be found in ATTACHMENT 2.

An EDIF for Calgary

Administration is proposing that Council establish an EDIF to help keep Calgarians working, invest in infrastructure, and increase the effectiveness of local government. These outcomes support Calgary's mission to make life better every day.

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The goals of the EDIF include, but are not limited to:

- Help create the right conditions for growth in the local economy through efforts to strengthen existing industries and create new ones;
- Diversify the local economy;
- Leverage municipal funds for additional private and public sector investments into the community;
- Create employment lands and stimulate employment; and
- Create a return on investment (both direct and indirect).

Principal Uses

Defining strategies of the EDIF is integral to ensuring economic outcomes are achieved. (1) Ideas, (2) partnerships, (3) financial investment, (4) land, assets and real-estate, and (5) enabling government processes are five strategies at The City's disposal that will enable an EDIF to succeed.

Defining how the fund will be used is also required to differentiate the EDIF from that of other funds and reserves that The City maintains. To facilitate economic development, Administration has created conceptual scope / criteria as to what the fund can and cannot be used for (ATTACHMENT 3).

Investing funds in Calgary's 10 Cornerstone arts organizations' directly meets the EDIF's conceptual criteria (Business Case included as Attachment 5). The proposed funding will use an existing grant program to immediately disburse the funds, and ensure reporting of performance measures to evaluate the success of EDIF's goals and outcomes.

Governance (including intake, review and assessment):

A review of EDIFs across North America point to municipal government, an economic development body, and Council as core groups that enable the results of an EDIF to be achieved. To further ensure that tangible outcomes of the proposed EDIF are achieved, administration recommends a governance structure that leverages the expertise of the business community (ATTACHMENT 4).

Stakeholder Engagement, Research and Communication

The City of Calgary is working to address the needs of Calgarians in light of economic changes in the community with a focus on supporting the economy, keeping Calgarians working, and increasing government effectiveness. The City continues to conduct research about the needs and changing priorities of Calgarians, to gauge perceptions of quality of life, the economy, and infrastructure investments. In light of the current economic climate, City research suggests that Calgarians are looking to government for leadership and investment to strengthen and diversify the economy moving forward. A majority of Calgarians believe that The City has an impact on their quality of life and an obligation to support the local economy.

Strategic Alignment

On 2017 March 03, economic uncertainty and macro-economic stress was identified by participants as the top shock and stress at The City's #ResilientYYC Agenda-Setting Workshop

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as part of its membership in the Rockefeller Foundation's 100 Resilient Cities network. The report and recommendations directly align with Council Priorities for 2015-2018. The EDIF has strong alignment with Calgary Economic Development's 10-Year Economic Strategy for Calgary: Building on our Energy, which speaks to a collaborative effort between business, government and community partners to position Calgary as the location of choice for business and investment, foster trade and develop Calgary's workforce.

Administration's proposed EDIF aligns with the Cultural Plan for Calgary, which outlines the central role that culture plays in city shaping, connecting people and ideas to strengthen communities. The recommendations are also in alignment with The City's seven key result areas in the Economic Resilience Strategy. In particular, the recommendations of this report support findings identified at the Downtown Economic Summit in response to Council's direction on Notice of Motion 2017-01 *Downtown Calgary and Economic Uncertainty: A Coordinated Response*. Lastly, outcomes of the EDIF will align to The City's Capital Investment Plan.

Social, Environmental, Economic (External)

Calgary's EDIF offers unique social, environmental and economic benefits. The collective impact of the EDIF is enhanced resilience, a range of social and economic benefits including regional employment creation, gross domestic product, regional gross input, and regional income.

Financial Capacity

Current and Future Operating Budget:

To initiate the short-term start up of the EDIF, Administration recommends the approval of \$10 million from the Fiscal Stability Reserve (FSR). Of the \$10 million, Administration recommends \$2 million be directed to The City's 10 Cornerstone arts organizations. Administration will return to Council during the 2018 budget deliberations process in November 2017 to present terms of reference, and identify the long-term recommended value and funding sources of the EDIF.

Current and Future Capital Budget:

There are no current or future capital budget impacts associated with this report or its attachments.

Risk Assessment

From an Integrated Risk Management perspective, three potential risks are in the areas of (1) internal capacity, (2) economic and social, and (3) reputation.

1. In terms of **internal capacity** to deliver on the EDIF's goals and outcomes, this risk is mitigated by the nature of the EDIF's conceptual scope, which enables business units, departments and partners to execute on projects where there may be public and economic benefit, but no budget capacity. This risk will be further mitigated as Administration will be developing a detailed terms of reference and intake process for the EDIF.
2. From an **economic and social** perspective, the outcomes of the EDIF (keep Calgarians working; invest in infrastructure; increase government effectiveness) seek to address the economic and social pressures that Calgarians are experiencing due to the economic downturn and as reinforced at The City's Resilience Agenda-Setting Workshop. The risk is

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further mitigated by Administration's recommendation to initiate the immediate start up of the EDIF and investment into Calgary's 10 Cornerstone arts organizations.

3. Lastly, **reputational**, the proposed EDIF represents strong municipal action by The City and demonstrates to citizens that their municipal government understands the role it can play in supporting their quality of life and economic/social prosperity.

REASON(S) FOR RECOMMENDATION(S):

The City of Calgary and its partners are taking action to keep Calgarians working, invest in infrastructure, and increase the effectiveness of local government. Across North America, Economic Development Investment Funds (EDIF) have helped relieve conditions of economic distress and increased diversification, while providing significant returns on investment for communities, citizens, businesses and non-profit organizations.

An EDIF is a mechanism to intentionally address Calgary's economic uncertainty and the financial and economic crisis, both of which were identified as the top acute shock and chronic stress from the 2017 March 03 #ResilientYYC Agenda-Setting Workshop.

By intentionally managing Calgary's economy through the establishment of an EDIF, The City will be able to: help create the right conditions for growth; diversify the local economy; leverage municipal funds for additional investments into the community; create employment lands and stimulate employment; and achieve a return on investment, both direct and indirect.

The 10 Calgary arts organizations that are included in Calgary Arts Development Authority's (CADA) "Cornerstone" program play a critical role in the arts eco-system, as incubators, employers, and cultural content creators. An infusion of \$2 million in the Cornerstones will ensure the retention of jobs in the cultural sector; result in significant economic impact through direct, indirect and induced impacts; enhance Calgary's quality of life; and support a vibrant downtown.

ATTACHMENT(S)

1. Statistics Canada - Calgary Economic Region statistics since August 2014
2. Kitchener, Ontario – Economic Development Investment Fund Summary
3. Conceptual Scope / Criteria of the Economic Development Investment Fund
4. Proposed Governance of the Economic Development Investment Fund
5. Business Case — Calgary's 10 Cornerstones arts organizations