

**Community Services Report to
Priorities and Finance Committee
2018 June 05**

**ISC: UNRESTRICTED
PFC2018-0668
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10 Year Economic Strategy Update and Refresh

EXECUTIVE SUMMARY

Building on our Energy: an Economic Strategy for Calgary (the Strategy) stewarded by Calgary Economic Development (CED) is a roadmap that guides collaborative economic development activities in Calgary and establishes shared priorities. At the end of 2017, 87 per cent of all tactics in the Strategy were completed or underway. Under CED's specific responsibilities, the Strategy helped attract, retain, or expand 67 companies and create or retain 5,719 jobs that contributed over \$500 million to the economy. The Strategy's core indicators saw slight increases and decreases in 2017; most notably, Calgary's overall GDP increased for the first time since 2014, regaining 2014 levels. This report includes a detailed update for each action in the Strategy.

Implementation of the Strategy was accelerated in 2017 with the investment of \$2.3 million of the \$7 million in Community Economic Resiliency Funds approved by Council in 2016. In 2017, these funds supported efforts related to renewable energy, transportation and logistics, creative industries, agribusiness, and innovation.

At the end of 2017, CED initiated a process to refresh the Strategy to address Calgary's changing economy, leverage emerging opportunities for economic diversification, and align with the development of a Calgary Resilience Strategy through the 100 Resilient Cities network. This report brings forward a refreshed strategy for consideration and approval.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council approve *Calgary in the New Economy: An Update to the Economic Strategy for Calgary* (Attachment 3).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 May 29, Council approved Administration's recommendations in PFC2017-0472 10 Year Economic Strategy Update be adopted as follows: That the Priorities and Finance Committee recommends that Council receive this report for information.

On 2017 April 10 Council approved Administration's recommendations in PFC2017-0298 Community Economic Resiliency Fund-Innovation Funding as follows: 1. Receive this report for information. 2. Approve the release of \$325 thousand from the Community Economic Resiliency Fund to Calgary Economic Development for the pilot detailed in this report; and 3. Request that Calgary Economic Development include evaluation results for the first year of the three-year pilot as part of the annual report on implementation of the 10 Year Economic Strategy by 2018 May.

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.

See additional Previous Council Direction in Attachment 1.

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BACKGROUND

Building on our Energy: an Economic Strategy for Calgary (the Strategy) stewarded by Calgary Economic Development (CED) is a road map that brings together Calgary's global connections, entrepreneurs, innovators, communities, and people to collectively build on Calgary's core strengths and set shared priorities.

In terms of its collaborative structure, the Strategy's 33 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 Strategy is based on cross-sector collaboration and participation.

2017 was a more positive year for Calgary's economy with overall gross domestic product (GDP) rising for the first time since 2014 to \$120 billion, the same as 2014 levels. Downtown vacancy levels continued to be a challenge, with The City of Calgary Spring 2018 Calgary and Region Economic Outlook reporting they are just over 23 per cent. Despite economic challenges, the overall employment rate stayed stable in 2017 compared to 2016 at 67.9 per cent, down slightly since the last peak of 70.6 per cent in 2013.

While 2017 data is not yet available for the Low Income Measure, the number of Calgarians experiencing poverty in 2016 dropped slightly to 10.8 per cent, compared to 11.1 per cent of Calgarians in 2015.

Despite the challenging economic conditions, Calgarians' sense of community indicators remained relatively stable, year over year, with for example, 82 per cent agreeing that Calgary is a great place to make a life.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

At the end 2017, 87 per cent of all tactics in the Strategy were initiated or completed. Attachment 2 includes core indicator results, and detailed summaries of activities and supplementary indicator results for each action area.

In 2017, Council approved \$100 million for a new economic development investment fund, the Opportunity Calgary Investment Fund (OCIF). OCIF will be a catalyst to increase the viability of projects that can facilitate economic development in Calgary in the short, medium and long term. Projects will be evaluated against their alignment to the Strategy, among other factors. OCIF is a City of Calgary reserve that will be stewarded by a new City of Calgary wholly owned subsidiary and through a Service Agreement, CED will manage the fund and provide administrative support, including management of the intake and review process.

Key implementation results

The following are key Strategy implementation results from 2017:

- CED attracted or retained 67 companies that created or retained over 5,719 direct and indirect jobs, up from 37 companies in 2016 that created or retained 1,561 jobs. This 2017 result contributed over \$500 million to the economy.
- CED helped attract Rocketspace, an Amazon fulfillment centre, an expansion of Home Depot's distribution centres, and the establishment of headquarters for Swoop Airlines.

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- CED conducted 13 outbound trade missions, 29 inbound trade missions and six webinars for overseas trade commissioners. The Stampede Investment Forum expanded to include renewable energy, financial services and agribusiness.
- 2017 was a record year for film and TV production with \$175 million in production activity including nine new film and TV productions, and two new commercial productions.
- Collaboration was high in innovation in 2017, with the Hunter Hub, Creative Destruction Labs Rockies, and Nucleus launched.
- New space for innovation and technology companies opened in the Edison, and Platform was announced to be constructed in the East Village.
- Calgary Economic Development acquired Startup Calgary.
- Through the work of Enough for All poverty reduction strategy partners, 8,445 tax returns were filed by low income Calgarians leading to \$3.72 million in refunds, and matched savings programs resulted in over \$400 thousand saved by struggling families and individuals.
- The Cultural Plan for Calgary was approved by Council and CED secured funding for a Digital Media Strategy.
- Tourism Calgary launched Calgary's Destination Strategy.
- CED hosted a Downtown Economic Summit and conducted five investment attraction missions focused on attracting headquarters.

Focus on innovation – Startup Calgary

In 2017, CED continued to work with a coalition of community and business leaders, entrepreneurs, The City, and innovation-supporting organizations through the Rainforest Network to expand and build Calgary's innovation ecosystem. In April, following Council approval for a three year pilot, Startup Calgary transferred their operations to CED and continued to offer programs and services to early stage entrepreneurs. From May 2017 to April 2018 all performance measures were exceeded. Startup drew 2,400 participants to 24 ideations events and supported or organized an addition 93 events with 2,200 participants. In addition, Startup Calgary referred 38 clients to incubators and accelerators, 15 clients secured capital to grow and 17 jobs were created. CED also worked closely with Calgary Technologies Inc. and the A100 to form the Calgary Innovation Coalition and collectively secure an additional \$1.5 million over two years to support startup entrepreneurs in Calgary.

Refreshed Strategy

In 2017, CED proposed to refresh the Strategy to address Calgary's changing economic landscape, and leverage new and emerging opportunities for diversification and growth. The development of Calgary in the New Economy: An Update to the Economic Strategy for Calgary (Attachment 3) was a highly collaborative process built on broad stakeholder engagement and in-depth research including competitive benchmarking, sector research, and leading practices. Stakeholder engagement focused on the business community, and five facilitated sessions were held with a CEO roundtable of Calgary business leaders. Over 1,600 Calgarians were engaged through the #loveyyyc digital platform.

CED worked closely with Administration to develop and refine the updated Strategy, ensure that efforts align and leverage each other, and to capture and reflect the work underway within The City. CED worked closely with The City's Resilience team, and the updated Strategy aligns and leverages The City's work as a member of 100 Resilient Cities. The updated Strategy also

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aligns with Council Directives for One Calgary 2019-2022, and a number of other Council approved and Administrative policies, plans and strategies.

The refreshed Strategy continues to be about people. Ensuring they can contribute and take part in the city's prosperity, feel welcome and safe within Calgary's community. It is built on the foundation of three core values: it is inclusive, entrepreneurial, and embodies community spirit. It proposes the following new vision: Calgary is Canada's city of choice for the world's best entrepreneurs. We embrace innovation and create solutions to meet the world's needs in food, health, energy and transportation.

The updated Strategy proposes shifting from six areas of focus in the current version to four interconnected focus areas that create an environment that fosters economic development. Additional details including key performance measures, an initial timeline estimate, and milestones are included in Attachment 3. The following is an overview of each area of focus:

Talent

Integrating innovation and technology into our economy requires the very best talent. The focus of the refresh is on actions that establish Calgary as Canada's destination for talent. Key initiatives include:

- Create Canada's largest talent accelerator.
- Establish Calgary as a magnet for students.
- Emphasize creativity and innovation in kindergarten to university.
- Address immediate needs through attraction efforts.

Innovation

Innovation, creating and commercializing new products and processes is needed to build a strong and inclusive economy. The update focuses on becoming Canada's leading business to business innovation ecosystem. Key initiatives include:

- Create the Calgary Innovation Corridor.
- Building funding to support generation growth.
- Adopt an Innovation Everywhere approach.
- Accelerate and measure step-change in the ecosystem.

Place

Cities need to develop policies and action plans to attract and retain talent to be drivers of growth. The update focuses on building Calgary as Canada's most liveable city. Initiatives include:

- Accelerate urbanization and connectivity in the core.
- Expand and enhance tourism, culture and recreation assets.
- Intentionally support diversity and inclusion.

Business Friendly

An effective business environment including policy frameworks, processes and clear communication can enhance competitiveness and attract investment. The update focuses on becoming Canada's most business friendly city. Key initiatives include:

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- Deploy initiatives to facilitate business development.
- Develop Calgary as a Living Lab.

The updated Strategy focuses on factors that enable economic development. Guidance is provided on the established clusters of energy, agribusiness, transportation and logistics; and the emerging and growth clusters of life sciences and health, and financial services, creative industries, and tourism. Details about each area of focus and cluster research results are included in the updated Strategy in Attachment 3.

The refreshed Strategy in Attachment 3 is an initial roadmap. If the refreshed Strategy is approved, CED will develop a detailed implementation plan.

Stakeholder Engagement, Research and Communication

To update the Strategy, CED engaged more than 1,800 community and business stakeholders, including five sessions with a CEO roundtable, focus groups, interviews, and online engagement through the #loveyc digital platform. Members of Administration were also engaged to ensure alignment with City strategies and plans, including the Resilient Calgary team. Collaboration with sector and industry members across all action areas is critical for successful implementation.

Strategic Alignment

The refreshed Strategy closely aligns with Council Directives for One Calgary 2019-2022, the Municipal Development Plan, Corporate Industrial Land Strategy, imagineCALGARY, Centre City Plan, Enough for All poverty reduction strategy, Calgary Metropolitan Region Board, Tourism Calgary's Destination Strategy, Calgary's Arts Development Strategy, Cultural Plan for Calgary, Calgary's Affordable Housing Strategy, and work undertaken to date on towards a Calgary Resiliency Strategy.

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

It will also deliver on the Council Directives for One Calgary 2019-2022, in particular those related to a Prosperous City.

One of the core values of the update is inclusivity including that Calgary is safe and diverse, our community values individual contributions, and we have a shared sense of ownership in

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decision making and implementing initiatives. Inclusivity and diversity of different populations is built into a number of the focus areas, most notably Talent and Place.

Financial Capacity

Current and Future Operating Budget:

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 support CED to accelerate implementation of the Economic Strategy. In 2016, \$3.5 million was invested by CED in accelerate implementation, and in 2017, \$2.3 million was invested to accelerate work related to renewable energy, transportation and logistics, creative industries, agribusiness, and innovation. This includes \$325,000 that Council approved in Q1 of 2017, to support a pilot that would see CED enhance, expand, and deliver Startup Calgary's programs and services for early stage entrepreneurs. It is anticipated that CED will invest the remaining \$1.2 million in 2018.

It is anticipated that CED will bring forward an additional funding request during the One Calgary 2019-2022 budget process to support implementation of the refreshed Strategy.

Current and Future Capital Budget:

There are no capital budget impacts from this report.

Risk Assessment

CED, a City of Calgary wholly owned subsidiary and Civic Partner, stewards the Strategy. As stewards, it is responsible for implementation and identifying and mitigating and risks related to this work, including assessing the capacity of partners to deliver on actions identified in the Strategy. If approved, CED will complement the refreshed Strategy with a new implementation plan that considers how to mitigate risk.

In terms of managing overall risk, CED has an Enterprise Risk Matrix that identifies risk facing its operations and mitigation strategies. The City's exposure to risk related to CED as a City of Calgary partner is also identified, tracked, and mitigated through existing controls under The City of Calgary's Principle Corporate Risk program (Partnership Risk), including CED's reporting requirements through the accountability framework for Civic Partners.

REASON(S) FOR RECOMMENDATION(S):

Since Building on our Energy: a 10 year Economic Strategy for Calgary was approved in 2014, Calgary's economy has shifted significantly. Approving the Calgary in the New Economy: An Update to the Economic Strategy for Calgary will help strengthen Calgary's collective efforts to strengthen and diversity our economy, and address challenges and emerging opportunities.

ATTACHMENT(S)

1. Attachment 1 – Previous Council Direction
2. Attachment 2 – Economic Strategy Progress Update (as of December 31, 2017)
3. Attachment 3 – *Calgary in the New Economy: An Update to the Economic Strategy for Calgary*