



**SUBJECT: Burlington Economic Development Corporation (BEDC)
and consideration of Municipal Development Corporation
(MDC)**

TO: Committee of the Whole

FROM: Office of the Mayor

Report Number: MO-04-19

Wards Affected: All

File Numbers:

Date to Committee: July 8, 2019

Date to Council: July 15, 2019

Recommendation:

1. Authorize the issuance of a Request for Proposal to an upset limit of \$100,000 from Strategic Planning Reserve Fund to review and report back to council by December 2019
 - a. on the efficiency, effectiveness and optimal structure of the Burlington Economic Development Corporation and TechPlace in achieving the city's business attraction and retention goals, including but not limited to bringing BEDC in-house under the City Manager; and
 - b. Review the opportunities and optimal structure of a Municipal Development Corporation in achieving the city's business attraction and retention goals; incorporate any changes in economic development functions arising from the provincial Regional Review, the results of which are expected in November 2019; and
2. Authorize the Mayor and City Manager to form a steering committee to develop the terms of reference, oversee the work of the consultant(s) and engage council and the BEDC/TechPlace staff & board in the process, with representation on the steering committee from: Mayor's Office, City Manager's office, Capital Works, Planning, Legal, and Finance departments, BEDC/TechPlace staff & board, Regional Economic Development department, Ward 5 Councillor appointee on BEDC Board, Ward 1 Councillor, co-chair of Red Tape Red Carpet initiative.
3. Include this strategic initiative in the Council Workplan as a priority time-dated action item under the City Manager

Background and Discussion:

The results of the Red Tape Red Carpet Task Force, coupled with the change in leadership at the Burlington Economic Development Corporation and on city council following the municipal election, provide a new opportunity to review the efficiency, effectiveness and optimal structure for the BEDC/TechPlace and the potential for a Municipal Development Corporation to ensure the city is well positioned to retain and attract business to Burlington.

Red Tape Red Carpet Task Force

The Red Tape Red Carpet (RTRC) Task Force, co-chaired by the Mayor and Ward 1 Councillor Kelvin Galbraith, was established to cut red tape and roll out the red carpet for existing or new businesses in Burlington.

Throughout the process, participants accorded high praise to the BEDC for assisting new or expanding businesses with navigating the business development process, providing timely and clear information, and advocating to the city and other levels of government on individual files, as well as providing an independent voice for business on the city's overall business attraction strategy via participation in the Official Plan Review and other studies.

A common theme that emerged from RTRC participants is the need to improve and simplify internal city processes, provide clear communications, and speed up timelines for business approvals, including development applications. The RTRC draft recommendations are contained in a companion report on this agenda: MO-06-19.

One of the recommendations is the establishment of a business advocate within City Hall, providing direct accountability to council and internal influence on process improvement.

This and other recommendations within the RTRC initiative provide an opportunity to review the efficiency, effectiveness and optimal structure of the BEDC/TechPlace in achieving the city's business attraction and retention goals.

BEDC

The previous Executive Director of the BEDC left the organization in June of 2018, prior to the municipal election, with the current Executive Director taking on an acting role since that time. A formal recruitment process for a permanent Executive Director was put on hold pending the results of the Red Tape Red Carpet Task Force, which has led to the RFP for an independent review of the efficiency, effectiveness and optimal structure of the BEDC/TechPlace requested in this report.

Currently, BEDC is a stand-alone entity, operated by a full-time staff of 7 and governed by a Board of Directors which include the Mayor, Ward 5 Councillor, City Manager and 8 Citizen appointees representing the business community.

In 2019, BEDC's approved operating budget was \$1.82 million with a city contribution of \$1.368 million. A summary of how the BEDC's budget is allocated against its strategic objectives is below and the budget of the BEDC is attached as Appendix E.

| Strategic Area | Share of Resources (2018) | Share of Resources (2019-2022) |
|--|----------------------------------|---------------------------------------|
| Retention and Expansion of Existing Businesses | 35% | 30% |
| Nurturing the Growth of New Firms | 30% | 25% |
| Marketing & Attracting New Investment | 20% | 35% |
| Advocacy and Policy | 15% | 10% |
| Total | 100% | 100% |

BEDC rents space in the city-owned Team Burlington offices on Locust Street, which also house Tourism Burlington, the Burlington Downtown Business Association and the Burlington Chamber of Commerce.

BEDC is structured as an external economic development corporation delivering economic development services on behalf of the City of Burlington.

Economic development units typically fall into one of three organizational structures:

- An internal unit alongside the planning department, with both economic development and planning reporting to the same manager. This is to better tie economic development with planning & development approvals.
- An internal unit reporting to the City Manager, emphasizing the cross-functional and marketing, business attraction and business support focus of economic development, or
- An external unit, typically provided through an economic development corporation, emphasizing high responsiveness to the business community with a Board of Directors generally comprised of business leaders.

In Ontario, approximately 80% of municipalities have adopted an internal economic development function within the municipal government structure and approximately 20% have adopted an external structure.

The BEDC is unique in the region as a stand-alone entity, given economic development is operated as an in-house city department in most neighbouring municipalities including Hamilton, Oakville, Mississauga and Whitby, to name a few.

Throughout the Red Tape Red Carpet initiative, BEDC consistently received high praise for customer service, providing information for new or expanding businesses to locate in Burlington and engaging in advocacy to the city and other levels of government (including the Ministry of Transportation) to speed approvals. They have provided a unique and independent voice for economic development on planning matters, including the Mobility Hub work, and Official Plan review.

In the past, most of the BEDC's work has focused on business retention, creating a competitive policy environment and supporting business to locate in Burlington. In 2019, BEDC began a transition to create a stronger focus on business attraction and completed a workshop on the new approach to business attraction with the BEDC Board and members of city council in February 2019. A copy of this report can be found in Appendix G. There is opportunity for increased focus on business attraction. Much of the business attraction piece is focused on working with partner organizations like Halton Region and Toronto Global in addition to using the soft landing program at TechPlace.

As an external body, the BEDC has no direct accountability to the city, or direct ability to influence change within city hall on business development and process improvement, both of which have been identified through the Red Tape Red Carpet Task Force as having opportunities for improvement.

As such, there is merit in taking this opportunity to review the pros and cons of bringing the BEDC into the city as an independent department reporting directly to the City Manager, giving consideration to: a closer working relationship with Planning to ensure expedited processes, direct accountability to the city and council, potential for streamlined services and cost savings, the need to retain an independent voice, the value of retaining the expertise of an independent board of directors, and other considerations.

TechPlace

TechPlace is a program of the BEDC, with a staff of 1.5 and an average annual contribution from BEDC's core budget of approximately \$220,000 per year over the 6-year lease period. Due to landlord inducements over the 6-year lease period, gross rent over the 6-year contract varies from \$24,000 in year 1 of operations to an annual cost of \$301,000 in the final year. The budget of TechPlace is attached as Appendix F.

TechPlace rents commercial space in an office building at Burloak and the North Service Road. Angel One Network and HalTech are co-located in the space.

Led and supported by the Burlington Economic Development Corporation, TechPlace is a one-stop destination for new and growing technology companies. TechPlace was established to support Burlington's Strategic Plan 2015 – 2040 Direction 1.1.f that calls for "Innovative, entrepreneurial businesses have settled or developed in Burlington. The city has helped create the technological support, business supports, infrastructure and

educational environment to attract startups and growing businesses” and to “Create and invest in a system that supports the startup and growth of businesses, innovation hubs and entrepreneurship.”

Following best in class ecosystem research and stakeholder engagement conducted in 2017 a clear need to have a physical space to build a successful entrepreneurial ecosystem in Burlington was identified to create connectivity, vibrancy and tell our entrepreneurial story. Burlington Economic Development Corporation became the change champion and opened TechPlace to accomplish the City of Burlington Strategic Plan in a way that was aligned with community need and stakeholder input. TechPlace is focused on supporting the scale up and growth of high potential companies through its Launch Pad program and a host of wrap around services delivered through partners such as Haltech, Angel One, Mentorworks, Mohawk College, McMaster University and Halton Region Global Business Centre. In addition, BEDC has created a “Soft Landing” program to use as a unique business attraction tool that allows companies considering a location in the west GTA to establish a footprint in Burlington and begin operations while BEDC supports their long term business relocation to Burlington through its traditional business support services.

Since TechPlace launched in 2017 it has hosted over 10,000 visitors, 200 events, attracted 13 LaunchPad companies, creating a strong business attraction brand and value proposition for Burlington. Results since inception are:

Total LaunchPads -13

Total LaunchPads from outside of Burlington - 10 of 13

Graduates - 7

Graduates that stayed in Burlington - 5 of 7

There have been a number of recent changes to the local start-up support ecosystem including the launch of Nuvo Network and the review of the Regional Innovation Centre model by the provincial government including Haltech. This creates opportunities for reviewing TechPlace’s operating model and determining whether BEDC delivering TechPlace activities directly or spinning off the activities to a partner can create the same benefits for Burlington with a different operating and financial model.

As part of the overall BEDC review, it is worth reviewing the efficiency, effectiveness and optimal structure and mandate of TechPlace to determine the pros and cons of retaining it as part of BEDC or spinning it off to an independent provider. The review would include a cost-benefit analysis of the current investment in TechPlace and what it produces in business attraction, versus other strategies for business attraction (e.g., dedicated staff) that don’t rely as heavily on physical space.

MDC

During the previous term of council, the city and BEDC partnered to hire a consultant to explore the opportunity of creating a Municipal Development Corporation to buy and sell land for economic development. This background work is attached in Appendices A, B, C, and D.

Upon receiving the reports and recommendations, the previous council took no further action.

The 2018 municipal election delivered a new mayor and five new council members, which presents an opportunity to revisit this possibility. The BEDC board, including its two council appointees (the mayor and Ward 5 councillor) are interested in the potential of an MDC.

During the Red Tape Red Carpet initiative, we heard of the challenges in getting land shovel-ready in a timely manner, including the need for studies, permits from upper levels of government, and lengthy approval processes. One of the benefits of an MDC would be the ability to buy and pre-permit land, including conducting relevant studies, so that it can be put back on the market as essentially shovel-ready, significantly speeding the timelines to locate or expand business in Burlington. It would also create the opportunity to consider joint ventures or other operating models for the City of Burlington to operate industrial/commercial properties and business parks, creating long-term revenue streams for the city and providing direct control over the types of companies we can attract to Burlington.

Similar MDC initiatives can be found in Oakville, Toronto and Midland. The Oakville MDC, for example, operates within city hall, though as an independent entity governed by a board, chaired by the mayor.

Increasingly, governments are considering MDCs as a way to deal with significant public surplus lands in order to manage development and maximize value to the community. Local governments can implement this approach when dealing with real estate opportunities by establishing a MDC pursuant to the provisions of the Municipal Act, 2001.

The new composition of council, the results of the Red Tape Red Carpet Task Force and the review of BEDC and TechPlace requested here provide an opportunity to also review the merits of a Municipal Development Corporation in advancing the city's goals of business attraction and retention.

The study would not repeat the work already done on MDCs, detailed in the appendices, but would review it in light of the overall review of BEDC/TechPlace and make recommendations on the merits of implementing an MDC as part of any restructure.

Conclusion:

The change in leadership at the Burlington Economic Development Corporation and on city council, coupled with the results of the Red Tape Red Carpet Task Force, provide an opportunity and imperative to review the structure of the BEDC and TechPlace, and the possibility of establishing a Municipal Development Corporation to advance the city's goals of business attraction and retention.

An independent consultant would provide an outside, impartial perspective and resource capacity to do this study.

The study would include a review of other municipalities and how they facilitate economic development, what works and doesn't, pros and cons of different structures, cost-benefit analysis in terms of greatest bang for the buck on business attraction and retention, streamlined services and cost savings of different operating structures, and results of the Regional Review. The study would not repeat the previous work done on MDCs but would review that work and provide recommendations on an MDC as part of the overall BEDC/TechPlace review, for a comprehensive and holistic set of recommendations to council on the most efficient and effectively way to promote business development in Burlington.

Respectfully submitted,

Mayor Marianne Meed Ward

905-335-7607

Appendices:

- A. [KPMG Report: Burlington Economic Development Corporation Review of Governance and Structure, Final Report November 11, 2013](#)
- B. [Cresa Phase 1 Report – Strategic Land Framework for Burlington, Final Report October 2016](#)
- C. [Draft BEDC Employment Land Framework](#)
- D. [BEDC Board Report: Strategic Real Estate Implementation Study Joint Steering Committee and Advisory Committee Workshop Meeting May 3, 2017](#)
- E. BEDC Budget
- F. TechPlace Budget
- G. [BEDC Investment Attraction Overview & Strategy Discussion February 2019](#)