

DATE OF MEETING | AUGUST 26, 2019 |

AUTHORED BY | BILL CORSAN, DIRECTOR, COMMUNITY DEVELOPMENT |

**SUBJECT ECONOMIC DEVELOPMENT FUNCTION SERVICE MODEL
RECOMMENDATION**

OVERVIEW

Purpose of Report

To provide the Governance and Priorities Committee with the findings of the Economic Development Function Service Model review and to seek direction on implementation. |

Recommendation

That the Governance and Priorities Committee recommend that Council endorse the recommendations set out in the Economic Development Service Model (Final Report), specifically:

1. That Council endorse an initial scope of services for the City's new economic development function as outlined in the report;
2. That Council endorse the In-House/City-Owned Agency Hybrid Model for the delivery of the City's new economic development function;
3. That Council, in accordance with the In-House/City-Owned Agency Hybrid Model, divide the scope of services between an in-house economic development group, operated by City Staff, and an arm's-length Nanaimo Prosperity Agency, incorporated and owned (primarily) by the City of Nanaimo, governed by an autonomous Board of Directors, and operated by its own staff.
4. That Council assign the following initial scope of services to the in-house economic development group:
 - a. The development of a new Nanaimo Economic Development Strategy;
 - b. The formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities and needs;
 - c. The provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses and other permissions or information;
 - d. Management of the City's service contract with Tourism VI, as well as any future economic development related service contracts with external agencies; and
 - e. The provision of input into the formulation of City policies for other departments and Council aimed at facilitating economic activity and investment.
5. That Council assign the following initial scope of services to the City-Owned Agency:
 - a. The implementation and maintenance of the Nanaimo Economic Development Strategy (once developed);
 - b. The coordination of organizations with roles to play in the community's ongoing economic development;
 - c. Business attraction effectors, including the development and embodiment of a single Nanaimo Brand.
6. That Council establish the Nanaimo Prosperity Steering Committee to oversee the creation of the new Nanaimo Economic Development Strategy, and to fully develop

- the ownership, funding, governance, staffing, and other elements of the City-owned Nanaimo Prosperity Agency; and
7. That Council direct Staff to return to an upcoming Finance and Audit Meeting with a detailed business case for the new Economic Development Service Model.

BACKGROUND

The City's Economic Development Department was established in the 1980s. Over time, the department grew to meet the demands of the changing demographics and economic conditions of Nanaimo. In 2010, Council made a decision to establish an arms-length economic development corporation to deliver tourism and economic development services. In response, the Nanaimo Economic Development Corporation (NEDC) was established in 2011.

In the fall of 2016, Nanaimo City Council gave direction to cease operations of NEDC. Following the dissolution of NEDC, Council approved a tourism service agreement with Tourism Vancouver Island (TVI), which expired in March 2019. That contract has been extended until 2024-MAR-31. TVI provides destination marketing, visitor servicing, and tourism development services. The five-year term commenced 2019-APR-01.

In 2017, the Economic Development function was brought back "in house" within the City of Nanaimo's Development Services Division and is currently modestly resourced compared to other communities. Economic Development-related services are also being delivered by a number of non-profit partners in the community, such as the Mid-Island Business Initiative, the Chamber of Commerce, Community Futures, Innovation Island, etc.

Council has expressed a desire to increase its level of support for economic development in the community. The goal is to work collaboratively with existing partners, leverage investment, and grow local businesses. A new economic development function is targeted to be operational in 2020. Ideally, the model that is implemented should be supported by the community and be designed to align with Council's priorities.

At the 2019-APR-29 Council meeting, Council endorsed a terms of reference for a consultant to undertake a review of the economic development service model.

Neilson Strategies (the "Consultant") was hired to undertake the assignment. The Consultant's review included a five-stage approach:

1. Background Research – the Consultant undertook background research to identify the various agencies involved in different facets of economic development in Nanaimo. Research was also conducted to identify and fully understand the local government economic development service models in place in Canada today.
2. Interviews — over a three-week period in June 2019, over 20 interviews were held with representatives from all sectors, as well as the Snuneymuxw First Nation, to discuss existing economic development efforts in the community, and to understand the views of community leaders on the preferred scope of and service delivery model for the City's economic development function. Interviewees were brought together at the end of June for a two-hour workshop discussion on these points.

3. Community Engagement — a public open house was held to introduce economic development and to highlight service delivery models to consider. An online public survey was issued on the City's website at the same time.
4. Interim Report — the findings from the research, interviews, group discussion and public feedback were used to produce an Interim Report. The report, which set out options for consideration but did not provide recommendations, was presented to City Council's Governance and Priorities Committee for discussion in a workshop setting on 2019-JUL-29. Feedback was received from the Mid Island Business Initiative, Chamber of Commerce, and Community Futures.
5. Final Report — based on the 2019-JUL-29 discussion with committee members, the Consultant produced the final report for presentation to Council on 2019-AUG-26. The final report will inform the development of the City's 2020-2024 Financial Plan.

DISCUSSION

The Final Report (Attachment A) sets out a number of recommendations around the scope of services, the service delivery model, and the need for an economic development strategy.

The report recommends the initial scope of services for the new economic function should include:

- the development and maintenance of a new Nanaimo economic development strategy;
- the formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities, and needs;
- the provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses, and other permissions or information;
- management of the City's service contract with Tourism VI, as well as future economic development-related service contracts with external agencies;
- the provision of input into the formulation of City policies by departments and Council aimed at facilitating economic activity and investment;
- the coordination of organizations with roles to play in the community's ongoing economic development; and
- business attraction efforts, including the promotion of opportunities in Nanaimo, under a single Nanaimo brand.

In terms of the Service Delivery Model, the report recommends that:

- Council endorse the In-House/City-Owned Agency Hybrid Model for the delivery of the City's new economic development function;
- Council, in accordance with the In-House/City-Owned Agency Hybrid Model, divide the scope of services between an in-house economic development group, operated by City Staff, and an arm's-length Nanaimo Prosperity Agency, incorporated and owned (primarily) by the City of Nanaimo, governed by an autonomous Board of Directors, and operated by its own staff.
- Council assign the following initial scope of services to the in-house economic development group:
 - The development of a new Nanaimo Economic Development Strategy;

- The formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities and needs;
- The provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses, and other permissions or information;
- Management of the City's service contract with Tourism VI, as well as any future economic development-related service contracts with external agencies; and
- The provision of input into the formulation City policies of other departments and Council aimed at facilitating economic activity and investment.
- Council assign the following initial scope of services to the City Owned Agency:
 - The implementation and maintenance of the Nanaimo Economic Development Strategy (once developed);
 - The coordination of organizations with roles to play in the community's ongoing economic development;
 - Business attraction effectors, including the development and embodiment of a single Nanaimo Brand.
- That Council establish the Nanaimo Prosperity Steering Committee to oversee the creation of the new Nanaimo Economic Development Strategy, and to fully develop the ownership, funding, governance, staffing, and other elements of the City-owned Nanaimo Prosperity Agency.

In terms of the economic development strategy, the report recommends that Council provide funding for an initial strategy and that the work be managed by City Staff and be overseen by the new Nanaimo Prosperity Steering Committee. The report notes it is important the strategy be initiated and funded by Council, developed through an inclusive process, and be endorsed by the City and other organizations in Nanaimo that are active in economic development.

Conclusion

Should Council move forward with the recommendations set out in the final report, the following next steps are anticipated:

- Staff will prepare a business case for the 2020-2024 Financial Plan and return with a report in September for Council's consideration;
- Staff will prepare the terms of reference for the Nanaimo Prosperity Steering Committee and return to Council for endorsement;
- Staff will work with the Nanaimo Prosperity Steering Committee to develop a terms of reference for a consultant team to assist in the creation of the economic development strategy.

OPTIONS

1. That the Governance and Priorities Committee recommend that Council endorse the recommendations set out in the Economic Development Service Model (Final Report), specifically:
 1. That Council endorse an initial scope of services for the City's new economic development function as outlined in the report;
 2. That Council endorse the In-House/City-Owned Agency Hybrid Model for the delivery of the City's new economic development function;

3. That Council, in accordance with the In-House/City-Owned Agency Hybrid Model, divide the scope of services between an in-house economic development group, operated by City Staff, and an arm's-length Nanaimo Prosperity Agency, incorporated and owned (primarily) by the City of Nanaimo, governed by an autonomous Board of Directors, and operated by its own staff.
 4. That Council assign the following initial scope of services to the in-house economic development group:
 - a. The development of a new Nanaimo Economic Development Strategy;
 - b. The formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities and needs;
 - c. The provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses and other permissions or information;
 - d. Management of the City's service contract with Tourism VI, as well as any future economic development related service contracts with external agencies; and
 - e. The provision of input into the formulation of City policies for other departments and Council aimed at facilitating economic activity and investment.
 5. That Council assign the following initial scope of services to the City-Owned Agency:
 - a. The implementation and maintenance of the Nanaimo Economic Development Strategy (once developed);
 - b. The coordination of organizations with roles to play in the community's ongoing economic development;
 - c. Business attraction effectors, including the development and embodiment of a single Nanaimo Brand.
 6. That Council establish the Nanaimo Prosperity Steering Committee to oversee the creation of the new Nanaimo Economic Development Strategy, and to fully develop the ownership, funding, governance, staffing, and other elements of the City-owned Nanaimo Prosperity Agency; and
 7. That Council direct Staff to return to an upcoming Finance and Audit Meeting with a detailed business case for the new Economic Development Service Model.
 - Advantages: There is strong support from stakeholders for the City to increase presence in economic development. The approach outlined in the report represents a somewhat cautious, phased approach that increases investment as more information on priorities and areas of focus come to light through the economic development strategy.
 - Disadvantages: There could be some members of the public who would like to see the economic development function fully restored in 2020 and this approach would not meet that goal.
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2. That the Governance and Priorities Committee recommend that Council receive the recommendations set out in the Economic Development Service Model, with the following modifications:
 1. That Council endorse an initial scope of services for the City's new economic development function as outlined in the report;
 2. That Council initially endorse an in-house economic development group for the delivery of the City's new economic development function;
 3. That Council assign the following initial scope of services to the in-house economic development group:

- a. The formulation of Nanaimo-specific economic reports on economic activity, performance, trends, opportunities, and needs;
 - b. The provision of advice and assistance to existing and prospective businesses that must navigate City Hall to obtain permits, licenses, and other permissions or information;
 - c. Management of the City's service contract with Tourism VI, as well as any future economic development-related service contracts with external agencies;
 - d. The provision of input into the formulation of City policies of other departments and Council aimed at facilitating economic activity and investment;
 - e. The development of a new Nanaimo economic development strategy;
 - f. The coordination of organizations with roles to play in the community's ongoing economic development;
 - g. Business attraction effectors, including the development and embodiment of a single Nanaimo brand.
4. That Council establish the Nanaimo Prosperity Steering Committee to oversee the creation of a new economic development strategy for the City of Nanaimo.
5. That Council explore external delivery options upon the completion of the Economic Development Strategy; and
6. That Council direct Staff to return to an upcoming Finance and Audit Meeting with a detailed business case for the new Economic Development Service Model.
 - Advantages: Under this approach, the City will increase investment in the in-house function and create a strategy. The external entity would be created after the completion of the economic development strategy. This approach would be more cost effective.
 - Disadvantages: The more gradual approach means the current gaps in service provision will remain and there could be funding requests of Council to support service contracts in the absence of the City-owned entity.
3. That the Governance and Priorities Committee recommend that Council receive the recommendations set out in the Economic Development Service Model, with the following modifications:
 1. That Council continue to provide the same level of economic development service to the community until the completion of the economic development strategy;
 2. That Council direct Staff to establish the Nanaimo Prosperity Steering Committee to oversee the creation of a new economic development strategy for the City of Nanaimo; and
 3. That Council consider funding options and service delivery models upon completion of the economic development strategy.
 - Advantages: Under this option, Council would limit investment in economic development until the economic development strategy is complete. The additional funds could be allocated to other priorities.
 - Disadvantages: There is a desire from the key stakeholders to see an increased level of investment and presence in economic development. Delaying the investment may not be well received as current opportunities will not be addressed.

SUMMARY POINTS

- Council has expressed a desire to increase the level of support for the City's economic development function, effective 2020.
- At the 2019-APR-29 Council meeting, Council endorsed a terms of reference for a consultant to undertake a review of the Economic Development Service Model with a focus on the specific scope of services that should be provided and the delivery model.
- Neilson Strategies was engaged to complete the assignment.
- The work included background research, stakeholder interviews, community engagement, the delivery of an interim report, and then a final report.
- The final report sets out a number of recommendations for Council's consideration around scope of service, delivery model, and the need for an economic development strategy.
- Staff are recommending that a hybrid service delivery model be implemented with an in-house economic development function and a City-owned external agency, created to deliver certain functions.
- Staff are also recommending the Nanaimo Prosperity Steering Committee be established to oversee the economic development strategy and to provide insight on the form and function of the new agency.
- A business case will be brought to Council in September for consideration in the 2020-2024 Financial Plan.

ATTACHMENTS:

ATTACHMENT A: Economic Development Service Model: Final Report |

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