

DATE OF MEETING July 26, 2021

AUTHORED BY BILL CORSAN, DIRECTOR, COMMUNITY DEVELOPMENT

SUBJECT ENDORSEMENT OF DRAFT ARTICLES OF INCORPORATION AND SHAREHOLDER AGREEMENT FOR THE NANAIMO PROSPERITY CORPORATION

OVERVIEW

Purpose of Report

To provide Council with an update on the work completed to date to establish the Nanaimo Prosperity Corporation and to seek Council endorsement of the draft articles of incorporation and shareholder agreement.

Recommendation

That Council:

1. approve in principle the draft articles of incorporation and shareholder agreement for the Nanaimo Prosperity Corporation;
2. direct Staff to submit the articles of incorporation and shareholder agreement to the Inspector of Municipalities for approval;
3. delegate the Chief Administrative Officer to represent Council in discussions with the Inspector of Municipalities; and
4. direct Staff to return for Council's final approval of the articles of incorporation and shareholder agreement following approvals by the Inspector of Municipalities and the respective Councils/Boards of the five shareholder organizations.

BACKGROUND

Council has expressed a strong commitment to economic development. The *2019-2022 Strategic Plan* identifies Economic Health as one of the four pillars. The plan specifically identifies the need to identify an economic development model and completion of an Economic Development Strategy as specific actions.

Considerable work has been advanced on the economic development file in the past three years. A review of the Economic Development Function was completed in the fall of 2019. Council established the Economic Development Task Force (EDTF) to prepare an economic development strategy and to prepare the framework for a new external economic development agency.

The work of the EDTF was completed at the end of 2020, with Council endorsing the Economic Development Strategy and the Economic Development Corporation Charter at the 2021-FEB-01 Council meeting. The following resolutions were provided by Council:

At the 2021-FEB-01 Council Meeting, it was moved that Council:

- “1. endorse the final Economic Development Strategy;
2. endorse the External Corporation Charter; and
3. direct Staff to work with the Class B shareholders to prepare Letters of Incorporation and return to an upcoming meeting for Council approval.”

Progress in Establishing the Nanaimo Prosperity Corporation

Since February 2021, the City solicitor has worked with Staff and representatives of the five shareholders to develop the Articles of Incorporation and the Shareholders Agreement for the Corporation.

The group have met on a number of occasions, including on:

- 2021-APR-27
- 2021-MAY-12
- 2021-JUN-17

Each of the shareholders has reviewed the Articles of Incorporation and the Shareholder Agreement and provided feedback.

Corporation Charter

The framework for the new Economic Development Agency (now referred to as the Nanaimo Prosperity Corporation [the “Corporation”], Attachment A) was originally developed by the EDTF with the assistance of Neilson Strategies. In subsequent conversations with the shareholders, minor adjustments have been incorporated into the document.

The key elements of the Charter are as follows:

Purpose: The Corporation is the economic development corporation through which business, government, First Nation, and community partners collaborate to build Nanaimo’s economy and increase the level of shared prosperity enjoyed by those who live here.

Mandate: The Corporation will maintain and update the Economic Development Strategy, develop and undertake initiatives to attract business and employers to the community, coordinate the sector-specific activities, and develop initiatives to retain and expand business.

Ownership: The Corporation is jointly owned by the City of Nanaimo and five other governments and organizations (Class B & C shareholders), including (in alphabetical order):

- Nanaimo Airport Commission
- Nanaimo Chamber of Commerce
- Nanaimo Port Authority
- Snuneymuxw First Nation
- Vancouver Island University

Board of Directors: The Corporation is comprised of nine voting directors appointed by the shareholders, with one being from the social services sector.

Funding: The City of Nanaimo is a Class A shareholder and will provide the bulk of the base funding. The Class B & C shareholders are committed to providing a \$5,000 cash or in-kind contribution in 2021, and \$10,000 cash or in-kind contribution in 2022 through to 2025 (subject to approval of their respective boards).

Remuneration: All board members serve without remuneration.

Three-Year Review: All founding shareholders agree to support and fund the corporation for an initial period of three years.

NEXT STEPS

City Staff will continue to work with the shareholders to establish the Corporation.

The *Community Charter* (Section 185[1]) requires a municipality to secure approval from the Inspector of Municipalities prior to establishing a corporation.

Should Council approve the recommendations in this report, Staff will submit an application to the Inspector of Municipalities. Approval from the Inspector is expected to take up to three months.

While the City awaits the approval from the Inspector of Municipalities, the shareholders will circulate the documents to their respective councils and boards for final approval.

In the fall of 2021, the City and its partners will be in a position to:

- Prepare policies and procedures for the new Corporation;
- Select three additional voting board members, including one from the social services;
- Host an inaugural board meeting;
- Hire an executive director;
- Secure office space;
- Prepare a 2022 work plan based on the Economic Development Strategy.

FINANCIAL CONSIDERATIONS

Staff were advised through the development of the Economic Development Strategy that a City the size of Nanaimo should allocate between \$750,000 and \$1,000,000 towards economic development.

The Economic Development Function Service Review recommended that economic development be delivered in Nanaimo through a hybrid approach with both an internal and external function.

The internal function has an annual budget of \$328,000 in the 2021-2025 Financial Plan. These funds are largely committed to staffing through an economic development manager and economic development officer.

The 2021-2025 Financial Plan has a budget of \$449,000 allocated towards the Nanaimo Prosperity Corporation in 2021. These funds are to establish the Corporation and cover office rental, staffing, marketing, etc. Staff anticipate \$100,000 will be carried forward into 2022.

Under the Shareholder Agreement, the shareholders will provide an additional \$50,000 per annum in cash or in-kind contributions. The total 2022 budget is \$450,000, with the City contributing \$300,000 from the General Reserve and a \$100,000 carry over from 2021.

OPTIONS

1. That Council:
 1. approve in principle the draft articles of incorporation and shareholder agreement for the Nanaimo Prosperity Corporation;
 2. direct Staff to submit the articles of incorporation and shareholder agreement to the Inspector of Municipalities for approval;
 3. delegate the Chief Administrative Officer to represent Council in discussions with the Inspector of Municipalities; and
 4. direct Staff to return for Council's final approval of the articles of incorporation and shareholder agreement following approvals by the Inspector of Municipalities and the respective Councils/Boards of the five shareholder organization.
 - Advantages: Advancing the creation of the Nanaimo Prosperity Corporation aligns with the recommendations of the Economic Development Function Service Model Review (2019) and the recommendations of the Economic Development Task Force. The creation of the external economic development agency is consistent with Council's goals in the *2019-2022 Strategic Plan*.
 - Disadvantages: None identified.
 - Financial Implications: Council has allocated \$449,000 towards the Nanaimo Prosperity Corporation in 2021. The draft 2022 budget has \$400,000 allocated by the City to the Corporation. The shareholders are expected to contribute \$50,000 in 2022 as envisioned under the Shareholder Agreement.
2. That Council provide alternative direction.

SUMMARY POINTS

- Council has expressed a strong commitment to economic development. The *2019-2022 Strategic Plan* identifies Economic Health as one of the four pillars.
- In 2019, Council completed a review of the Economic Development Function.
- In 2020, Council created the Economic Development Task Force to prepare an economic development strategy and a framework for an external economic development agency.
- At the 2021-FEB-01 Council meeting, Council endorsed the creation of an external Economic Development Corporation and directed Staff to move forward with its creation.
- The City solicitor has prepared draft Articles of Incorporation and a Shareholder Agreement for the Nanaimo Prosperity Corporation.
- Under the *Community Charter* (Section 185[1]), the formation of a corporation requires approval of the Inspector of Municipalities.
- Staff will continue to work with the shareholders to have the Corporation established in the fall of 2021.

ATTACHMENTS:

ATTACHMENT A: Revised Nanaimo Prosperity Corporation Charter
ATTACHMENT B: Draft Articles of Incorporation
ATTACHMENT C: Draft Shareholder Agreement

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Concurrence by:

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