

DATE OF MEETING January 17, 2022

AUTHORED BY BILL CORSAN, DIRECTOR, CORPORATE AND BUSINESS DEVELOPMENT

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

OVERVIEW

Purpose of Report

To seek Council approval to establish the Nanaimo Prosperity Corporation by formally approving the Articles of Incorporation and Shareholder Agreement.

Recommendation

That Council:

1. approve the Articles of Incorporation and Shareholder Agreement for the Nanaimo Prosperity Corporation;
2. appoint a Council member as a non-voting director to the Board of the Nanaimo Prosperity Corporation until November 2022; and
3. direct Staff to work with the Nanaimo Prosperity Corporation shareholders to host the inaugural Board meeting no later than 2022-MAR-30.

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 select an economic development model and complete an Economic Development Strategy.

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 further define the economic development corporation. This work was completed at the end of 2020.

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.”

Since February 2021, the City and the shareholders have met on numerous occasions to develop and review the Articles of Incorporation and the Shareholders Agreement for the Corporation.

The final agreements have also been approved by the Inspector of Municipalities as required under Section 185[1]) of the *Community Charter*.

The City is now in a position to formally establish the Nanaimo Prosperity Corporation.

Nanaimo Prosperity Corporation – Articles of Incorporation & Shareholder Agreement

The framework for the Nanaimo Prosperity Corporation (NPC) 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 two foundational documents (Attachment A & B). The most significant change to the structure of the Corporation during these discussions has been Vancouver Island University is now designated as a Class C Shareholder and not required to provide an annual financial contribution.

The key elements of the NPC Shareholder Agreement 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 (Class A shareholder) and five other governments and organizations (Class B & C shareholders), including (in alphabetical order):

- Nanaimo Airport Commission - Class B
- Nanaimo Chamber of Commerce - Class B
- Nanaimo Port Authority - Class B
- Snuneymuxw First Nation - Class B
- Vancouver Island University – Class C

Board of Directors: The Corporation is comprised of nine voting directors. This includes six directors, with representation from each shareholder. In addition there are three members at large appointed by the shareholders through a public call for applicants. In appointing directors, the Board will consider the skill set and backgrounds of the applicants and the economic sectors they represent. At least one director should be from the social services sector. The City of Nanaimo is represented on the board by a senior staff member and one elected official as a non-voting director.

Term: Each director is appointed for a term of two-years and may be reappointed by the shareholders for two (2) consecutive additional terms for a maximum period of six (6) years.

Funding: The City of Nanaimo is a Class A shareholder and will provide the bulk of the base funding. The Class B shareholders are committed to providing a \$10,000 cash or in-kind contribution in 2022 through to 2025 (subject to approval of their respective boards). Class C Shareholders are not obligated to provide funding to the NPC.

Remuneration: All board members serve without remuneration.

Voting: All shareholders (Class A, B & C) participate in and receive one vote on Board decisions. The City of Nanaimo as the only Class A Shareholder makes all decisions related to borrowing of money, change to the corporation's status or the inclusion of additional Class A Shareholders. Two-thirds of the NPC's Shareholders are required to create or transfer Class B or C shares, make any material change to or within the business of the company or the composition and authority of and method of appointment to the Board of directors.

Three-Year Review: At the end of the initial three years, the City will initiate and complete a review of the NPC to examine the Corporation's mandate, structure, funding and performance and to assess the level of community and shareholder support for the organization.

Operations: The NPC will hire its own Executive Director, lease its own office space in downtown Nanaimo and is responsible for its own operational needs, including those related to financial management and accounting, legal matters, human resources, purchasing, information technology and others.

Financial Considerations

Staff were advised through the development of the Economic Development Strategy that comparable communities to the City of Nanaimo 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 \$323,100 in the 2022-2026 Financial Plan. These funds are largely committed to staffing through an economic development manager and economic development officer.

The approved 2022-2026 Provisional Financial Plan has a budget of \$407,100 allocated towards the NPC in 2022 for the annual operation of the Corporation funded from general revenue.

Under the Shareholder Agreement, the shareholders will provide an additional \$40,000 per annum in cash or in-kind contributions to the corporation. \$236,650 will be carried over from the City's 2021 budget to support establishment of the Corporation increasing the 2022 budget to \$643,750 for the 2022 – 2026 Final Financial Plan.

NEXT STEPS

The City is required to appoint a Council member as a non-voting director for the remainder of the Council term (November 2022). In addition, a senior Staff member will be selected by the Chief Administrative Officer to attend the Board meetings as a voting director.

The next steps for the NPC are as follows

- Host an inaugural board meeting before the end of 2022-MAR-30;
- Recruit and hire an executive director;
- Secure shared office space with partners such as the Chamber of Commerce and Tourism Nanaimo;
- Prepare policies and procedures for the new Corporation;
- Advertise for three directors, including one from the social services;
- Prepare a 2022 work plan based on the Economic Development Strategy.

OPTIONS

1. That Council:
 1. approve the Articles of Incorporation and Shareholder Agreement for the Nanaimo Prosperity Corporation;
 2. appoint a Council member as a non-voting director to the Board of the Nanaimo Prosperity Corporation until November 2022; and
 3. direct Staff to work with the Nanaimo Prosperity Corporation shareholders to host the inaugural Board meeting no later than 2022-MAR-30.
 - The advantages of this option: Establishing the Corporation will meet one of Council's key Strategic Priorities. The Corporation requires the City to work in partnership with the City and Region's key shareholders to deliver economic benefits to the community. Creation of the Corporation will enable the City to enhance delivery of the economic development function and commence implementation of the Economic Development Strategy.
 - The disadvantages of this option: None identified.
 - Financial Implications: An annual budget of \$407,100 has been allocated to the NPC. In 2022, additional funding of \$643,750 has been carried over to account for start-up costs of the new corporation.
2. That Council provide alternative direction to Staff. |

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. Council established an Economic Development Task Force to develop an economic development strategy and to further define the economic development corporation.
- At the 2021-FEB-01 Council Meeting Council approved the Economic Development Strategy and directed staff to establish the Nanaimo Prosperity Corporation.

- The City and its shareholders have prepared Articles of Incorporation and a Shareholder Agreement for the Nanaimo Prosperity Corporation. The Inspector of Municipalities has approved the creation of the Corporation.
- The inaugural board meeting of the Nanaimo Prosperity Corporation will be held by 2022-MAR-30. The Board will advertise for three additional director positions.
- Council has allocated \$643,750 in 2022 to establish the Nanaimo Prosperity Corporation.
- Next steps include recruitment of an Executive Director, securing shared office space and preparing policies and procedures.

ATTACHMENTS:

ATTACHMENT A: Articles of Incorporation
ATTACHMENT B: Shareholder Agreement

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