SUBJECT: Planning and Economic Development Performance Measures for 2008 (PED09168) (City Wide)

RECOMMENDATION:

That Report PED09168 respecting Planning and Economic Development Performance Measures for 2008 be received.

EXECUTIVE SUMMARY:

Council’s approval of the Economic Development Governance Report (PED07306) on January 7, 2008 significantly increased both the budget and the staff complement of the City’s Planning and Economic Development Department. The budget enhancements were applied to four (4) divisions within the Planning and Economic Development Department, these being: the General Manager’s Office; Economic Development and Real Estate; Downtown and Community Renewal; and Planning. Additionally, there were a number of one-time allocations of funding to specific economic development initiatives and the establishment of a new Economic Development Investment Fund.

The approval of this budget enhancement also included direction to staff to develop a number of performance measures and benchmarks for the Department as identified in Report PED08303. In that report and pursuant to Council direction, 2007 was established as the base year and staff was directed to report back to Committee of the
Whole every six (6) months. These performance measures were deemed necessary in order to track the effectiveness of the new programs and staff resources, and to justify the resulting levy impact with measured value for the taxpayers’ dollar.

Therefore, this report presents the 2008 performance measures at the divisional, department and corporate levels. In an effort to reduce the amount of staff resources allocated to compilation of this data, staff aligned these measures as closely as possible to the Focus Areas and SMART Performance Measures identified in City Council’s 2008 Strategic Plan as approved by Council on June 10, 2008.

**BACKGROUND:**

The City of Hamilton’s entire Planning and Economic Development Department delivers both “programs” and “services” aimed at growing the local economy. “Programs” refer to specific activities involving the administration, delivery and marketing of economic development-related financial incentives (i.e. Enterprise Zone, Brownfields ERASE, Downtown Residential Loan, Commercial Property Improvement Grant, etc.) offered by the municipality. These programs are relatively easy to quantify in terms of effectiveness and establishing performance targets.

“Services”, on the other hand, are less tangible and more difficult to measure because they are generally demand based and subject to many uncontrollable variables (i.e. economic recession, exchange rates, interest rates, energy prices, changes of government, etc.). Regardless, all of the “services” like business attraction, retention and expansion, business facilitation, planning approvals, and marketing are critical to creating a positive business environment for the City and there is value in assigning performance measures.

At the January 7, 2008 Committee of the Whole, City Council approved Report PED07306: Economic Development: MOVING FORWARD Governance Review, Organizational Change, Engagement with Community and Enhanced Investment Funding that included two (2) specific recommendations regarding performance measures:

- **g)** That the Economic Development and Real Estate Division’s Annual Work Plan include benchmarks and performance measures with identified targets of what is intended to be achieved each year and how activities have demonstrated support of Council’s strategic priorities.

- **h)** That the Economic Development and Real Estate Division prepare quarterly Progress Reports on achievement of targets and identified performance measures.

On September 25, 2008, a draft of the proposed Performance Measures was presented to the City’s new Economic Development Advisory Committee. They provided three (3) significant recommendations:
1) Reduce the number of Performance Measures to be more realistic and attainable;
2) Extend the target dates for the performance measurements beyond annual targets to three (3) years or longer; and,
3) Extend the timelines for reporting on performance to Council.

The Advisory Committee felt that a “quarterly” report was too frequent and that there would be insufficient time for programs, initiatives, and a “new” pro-economic development environment to materialize in order to show achievement of these results. Consequently, in Report PED08303 Recommendation (b) was approved by Council that amended Report PED07306 Recommendation (g) to provide semi-annual reporting of the Performance Measures.

At the December 8, 2008 Committee of the Whole meeting, Report PED08303 provided specific detail on Performance Measures which were approved at the December 10, 2008 Council meeting. At that meeting, Report PED08303 was received with the following amendments:

4. Economic Development Performance Measures and Update on 2008 Initiatives and Budget Enhancements (PED08303) (Item 7.4)
   (a) That the performance measures, benchmarks and identified targets outlined in Report PED08229 be adopted with the following amendments:
      (i) Under the City of Hamilton Section
          Add to first bullet point of Taxable Assessment Growth:
          (Commercial/Industrial growth rate #’s)
   (b) That the General Manager of Planning and Economic Development report semi-annually, instead of quarterly, on the achievement of these targets as a general indicator of economic performance.
   (c) That staff benchmark from 2007 with the first report to be presented to the Economic Development and Planning Committee by the end of June, 2009.

2008 Performance Measures

The performance measures and targets were established on December 10, 2008, including comparison with the established 2007 base year. Of these proposed Performance Measures listed below, approximately 83% (19 of 23) are identical to the SMART measures approved by City Council on June 10, 2008 as part of the Corporate Strategic Plan. The results for 2008 are presented in the following tables:
City of Hamilton

- Taxable assessment growth to exceed 1.5% by 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total ($ million)</th>
<th>Res</th>
<th>Com/Ind</th>
<th>Inst/Gov't</th>
<th>Assess Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$801.7</td>
<td>49%</td>
<td>24%</td>
<td>26%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2008</td>
<td>$818.4</td>
<td>50%</td>
<td>25%</td>
<td>25%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

- Meet established growth targets for 2011 of 540,000 people and 230,000 for GRIDS and Places to Grow.
  - in progress, ongoing.

- Increase the number of community-redevelopment projects and economic development-related initiatives.
  - in progress, ongoing.

- Increase the employment rate by 3% by the next Census.
  - in progress, data for census to be released 2011.

Planning and Economic Development

- Triple amount of shovel ready lands by 2011 to 850 acres.

<table>
<thead>
<tr>
<th>2007 Shovel Ready</th>
<th>2008 Shovel Ready</th>
</tr>
</thead>
<tbody>
<tr>
<td>285 acres</td>
<td>27 acres in Ancaster Industrial Park Phase V</td>
</tr>
<tr>
<td></td>
<td>- ongoing work re servicing and land assembly in North Glanbrook Business Park and Stoney Creek</td>
</tr>
</tbody>
</table>

- Increase value of non-residential building permits by 5% by 2011.

<table>
<thead>
<tr>
<th>2007 (total $ value)</th>
<th>2008 (total $ value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>406,383,889</td>
<td>403,031,887</td>
</tr>
</tbody>
</table>

- Annual Customer Satisfaction Survey-90% approval rating.
  - Economic Development Rating by Clients on scale of 1-7, 7 being the best rating.

<table>
<thead>
<tr>
<th>Grade</th>
<th>% as a Whole</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>5</td>
<td>43</td>
</tr>
<tr>
<td>6</td>
<td>21</td>
</tr>
</tbody>
</table>
  - OP completed and scheduled for June public meetings – Industrial and Commercial Zoning to be completed by the end of 2009.

• Prepare detailed secondary plans for new employment areas.
  - ongoing.

• Celebration of Successes-Annual Report to Community.
  - Economic Development completed Annual Report, two (2) gatefold supplements in 2009.

• Increase the number of positive media reporting.
  - In progress, working with new media tools to accurately track.

**Economic Development and Real Estate Division**

• Increase number of Brownfields – Number of Council Approved Applications.
  
<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

• Increase number of new businesses by 5% per year.

<table>
<thead>
<tr>
<th>2007 (total # of Bus’s)</th>
<th>2008 (total # of Bus’s)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>26,763</td>
<td>27,689</td>
<td>+3.5%</td>
</tr>
</tbody>
</table>

• Increase number of new jobs in Hamilton by 10% year.

<table>
<thead>
<tr>
<th>2007 (total # of jobs)</th>
<th>2008 Total # of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>195,577</td>
<td>n/a expecting data end of Q2 2009</td>
</tr>
</tbody>
</table>

• Increase number of small business jobs by 50 per year.

<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>810</td>
<td>464  (terminals removed)</td>
</tr>
</tbody>
</table>

• Increase impact of film by $1M per year.

<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,000,000</td>
<td>$6,625,000</td>
</tr>
</tbody>
</table>

• Increase total Gross Farm Receipts by Commodity types by 2% per year.
Increase number of Corporate Calls by 10% per year.

- 2008 (# of calls) 2009 (# of calls)
  - 253 Ongoing – Target for 2009: 400 plus Top 100 Employers every two (2) years


**Downtown and Community Renewal Division**

- Decrease office vacancy rate by 25% in Downtown Core by 2011, using 2008 baseline.

<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>unknown</td>
<td>unknown</td>
</tr>
</tbody>
</table>


- Increase the number of residential units in Downtown by 150 per year starting in 2009.

<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>17</td>
</tr>
</tbody>
</table>

- Complete 2 significant waterfront developments per year starting in 2009.

<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

- Increase in downtown property taxes by $1.45 million (per year) based on a 2008 baseline.

<table>
<thead>
<tr>
<th>2007 (total $million)</th>
<th>2008 (total $million)</th>
<th>Difference</th>
<th>Increase in Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$22,799,500</td>
<td>$23,709,500</td>
<td>+$910,000</td>
<td>$306,000</td>
</tr>
</tbody>
</table>

*please refer to Assessment Growth as a Performance Measure in next section*

**please refer to Job Creation as a Performance Measure in next section*

***please refer to Business Retention as a Performance Measure in next section*

**The Recession’s Impact on Performance Measures:**
Even though the recession statistically began long before September 2008, the economic crisis did not fully materialize until the fourth quarter of last year. No economy or country has been spared from the economic devastation that ravaged stock markets and financial institutions. The consequences have been the worst since the Great Depression with record unemployment, negative economic growth, and dramatic increases in personal and corporate bankruptcies, plant closures, bank failures, record declines in consumer confidence, and a prolonged credit crisis.

Compared to other countries, Canada seemed to initially “weather the storm” but the speed and severity of the recession finally took hold in the country and in particular, in the manufacturing heartland of Ontario. This sector continued to hemorrhage as plant closures and job losses increased in the first quarter with no visible end in sight. And despite the billions of dollars in financial assistance committed by the U.S., Canadian and Ontario governments to the automotive industry there still remains grave concern about the viability of this sector.

In this recession, no economic sector is exempt - from service industries to institutional employment and this has resulted in both new home construction and housing resale activity plummeting to some of their lowest levels on record. Hamilton’s building permit totals are down by over 300 compared with the same time last year translating into a decrease of over $200 million in construction value.

Regardless, Hamilton’s diversification efforts have made a significant difference in how severe the recession has grasped the community in comparison to other Ontario manufacturing municipalities. Over the last six months, Hamilton has remained amongst the lowest in terms of unemployment with comparator municipalities even with the recent idling of U. S. Steel’s Hilton and Lake Erie Works. For the month of April, the unemployment rate was 7.9% which is below both the Provincial and national averages.

Consequently, the magnitude of this economic downturn has had a tremendous impact on the realization of the targets and performance measures established in the respective “Focus Areas” of the Corporate Strategic Plan. The majority of these were not achieved simply because of the prevailing economic circumstances and uncontrollable variables. However, many of the measures are multi-year and still may be achievable if the recovery commences as forecasted in early 2010.

**New Programs and Initiatives:**

In June 2008, the Economic Development and Real Estate Division commenced the introduction of a new Business Retention and Expansion (BR&E) Program. This new program coupled with the additional staff resources will significantly increase both the quality and the number of corporate visitations in Hamilton. A leading edge web-based BR&E software program has been acquired that will allow Hamilton companies and Hamilton’s economic development efforts to be compared directly with other large North American urban centres. The detailed information on Hamilton’s economic base will be able to be utilized by a number of other City departments specifically Community Services, Planning and Economic Development, and Corporate Services. Also, a new Contact Resource Management software (Salesforce) was instituted that will be a
comprehensive tracking tool and data base of all economic development activity in the City. The Division recorded 253 corporate calls this year and has targeted 400 company visits for 2009. Further, the BR&E Program includes a mandatory visitation to Hamilton’s top 50 employers every two (2) years.

The Economic Development and Real Estate Division, in cooperation with the Jobs Prosperity Collaborative, launched the Hamilton Business Ambassador Program in September 2008. This program was established to increase the external marketing and promotion of the City by engaging senior business leaders as a sales team to attract companies to relocate and expand in Hamilton. The total number of City Ambassadors as of the end of April now exceeds over 120. The innovative technology used in this program has received an overwhelming response by the community. Hamilton Ambassador Sticks are now in China, the Middle East, and throughout the United States. Over 45% of the sticks have been used on-line and every user has run the stick once every 2.5 days. In order to accommodate this program, Economic Development staff has developed a Hamilton Ambassador Portfolio (training guide for Ambassadors), added a Hamilton Ambassador section on the Invest in Hamilton website, and developed a tracking system for each stick.

Economic Development has also aggressively stepped up its marketing efforts with the new funding from the 2008 Budget Enhancements. This included two (2) major inserts in the Hamilton Spectator (2007 Annual Report in May and the Small Business Week insert in October) and multi-page advertising in the 2009 Hamilton Perspective Insert. Finally, in April, the Division awarded the contract for the Comprehensive Marketing Strategy (companion document to the Economic Development Strategy) that will be completed by September 2009.

**ANALYSIS/RATIONALE:**

The identification of standard comprehensive performance measures and benchmarks for economic development is a complex issue that municipalities, development corporations, Provincial and State Governments, etc. have wrestled with for decades. More recently, over the last five (5) years, Ontario Municipal Benchmarking Initiatives organization (OMBI) has tried unsuccessfully to create standardized benchmarks for economic development. There are a number of reasons why this is the case. They include the following:

- Uncontrollable factors (i.e. recession, interest rates, energy prices, change of government, etc.)
- Quantitative vs. qualitative measures
- Availability and accuracy of data bases
- The size of a municipality
- Degree of involvement/work by the service delivery organization
- The economic development priorities of the municipality
- The level of funding and resources for the economic development function
- The economic development model employed
- Two-tier or local municipal government model
Assessment Growth as a Performance Measure

At the April 3, 2007 Economic Development and Planning Committee meeting, staff presented a table highlighting the differential in the assessment growth between the former suburbs of the Region of Hamilton-Wentworth and the old City of Hamilton. The negative growth numbers in the old City of Hamilton’s non-residential classes were a direct result of a number of uncontrollable factors such as tax write-offs, successful assessment appeals, demolition of buildings, and the lack of employment lands. Due to the sheer size of the former City of Hamilton’s non-residential assessment base, the magnitude of successful assessment appeals, etc. have the negative effect of considerably lowering the overall assessment growth performance of the City, even though the suburbs are performing above the Provincial average.

It is because of the uncontrollable nature of assessment growth that few municipalities across Canada employ assessment growth as their primary performance measure (see Analysis/Rational section). The majority of large urban cities choose to use performance measures that can be specifically attributable to their economic development function. However, with Council direction established as a key component in the City’s new Strategic Plan, there is support by staff that assessment growth must be one of the performance measures but it is recommended that assessment growth targets (net of appeals, demolition, etc.) be established as a responsibility of the corporation as a whole and not just a specific department or division. Further, it must be understood that any gains in the City’s assessment do not quickly appear on the rolls. There is at least a one (1) year lag from land acquisition through completion of construction and a further delay to the time that MPAC records the new investment and assigns new assessment.

Job Creation as a Performance Measure

One of the most common measures of performance in economic development is the creation of new jobs across all non-residential classes (industrial, commercial and institutional) and its business attraction, business retention and expansion, and/or small business development efforts that create these new jobs. Even though new job creation is a popular performance measure, the important issue emerging now is quantity vs. quality of employment. Specifically, what does a municipality value more - 100 jobs at $10/hour or 20 jobs at $50/hour? In today’s business environment, white collar jobs are no more secure than blue collar jobs. In fact, since September, the loss in manufacturing jobs and the financial sector across North America has been absolutely staggering. Therefore, the cost of labour will continue to be the #1 driver behind the relentless off-shoring and outsourcing of business. Consequently, the concept of sustainable jobs has gained prominence. There is no universally accepted definition/measure for a “sustainable job” but staff will continue to investigate this as a performance measure to be included at a future date.

Business Retention as a Performance Measure

Retaining and expanding established businesses in Hamilton was approved by Council as a major focus and a component of the 2007 reorganization of the Planning and
Economic Development Department and the 2008 Budget Enhancements. Traditional economic development theory suggests that only 20% of non-residential growth is attributable to new companies moving to a city. Instead, it is the remaining 80% of non-residential assessment growth that originates from business already located in the community. There are many examples of staff efforts that have prevented a business from closing or relocating outside the City or expanding their existing operations in Hamilton. Although these efforts may not create any new jobs or increase assessment growth (remaining in existing premises or leasing new facilities) the service, and result of this service, is absolutely critical to the prosperity of the City and, therefore, must be measured.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial: None


Legal: None

**POLICIES AFFECTING PROPOSAL:**

None

**RELEVANT CONSULTATIONS:**

Economic Development Advisory Committee
Downtown and Community Renewal Division
Planning Division

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No

Effective monitoring of value for the taxpayers’ dollar.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The economic base is diversified.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No