SUBJECT: Economic Development Performance Measures and Update on 2008 Initiatives and Budget Enhancements (PED08303) (City Wide)

RECOMMENDATION:

(a) That the performance measures, benchmarks and identified targets outlined in Report PED08229 be adopted.

(b) That the reporting direction provided by Council on January 7, 2008, be amended to have 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.

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 related to economic development activities. The approved increase effectively brought the City of Hamilton in line with economic development-related spending/funding in neighbouring and equivalent sized municipalities. The budget enhancements were applied to three (3) divisions within the Planning and Economic Development Department, these being:
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.

Included in this report are a number of recommended performance measures and benchmarks. These are considered 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. This report presents a number of target-based performance measures at the divisional, corporate and municipal level. In formulating these measures, staff endeavoured to align them as closely as possible to the Focus Areas and SMART Performance Measures identified in City Council’s 2008 Strategic Plan as approved by Council in June 2008. Subject to Council approval, some of these performance measures may change as a result of the approval of the multi-year Economic Development Strategy. Specifically, new priorities or directions identified in the Strategy will require benchmarking and performance measures.

The Department is cognizant of the delay in reporting back to Council in 2008 on these performance measures. This delay is attributable to the development of Council's Strategic Plan setting Desired End Results (measurables) and the establishment of the Economic Development Advisory Committee to first consult with on such performance measures/targets.

In addition, this report provides an update on the status and implementation of the 2008 Budget Enhancements for the Planning and Economic Development Department as well as the Communities in Transition funding received from the Province of Ontario's Ministry of Economic Development and Trade.

**BACKGROUND:**

**GOVERNANCE REVIEW RESULTS AND PERFORMANCE MEASURES**

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

**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.
The City of Hamilton’s 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, 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 because they are subject to many uncontrollable variables (i.e. economic recession, exchange rates, interest rates, energy prices, change of government, etc.). In some cases, like Business Retention, staff assistance is invaluable but often unquantifiable at the same time. A common example of the difficulty in Performance Measures for a “Service” is related to an office or plant location in a municipality. After months of work by Economic Development or Downtown and Community Renewal staff, the decision to locate a new plant/office may come down to where the company President lives or where the company’s key staff resides instead of what municipality is best suited or most cost competitive for the new office or plant location. Similarly, Planning can “fast track” and expedite an application only to have it delayed by another agency (i.e. Department of Fisheries and Oceans, Conservation Authority, etc.). Regardless, all of the “services” like business attraction, retention and expansion, business facilitation, and marketing are critical to creating a positive business environment for the City and there is still value in performance measures being assigned.

Performance Measures

Pursuant to Council’s direction, the performance measures have been identified and categorized as follows: by the entire Corporation overall, by the Department, and those that are more specifically the responsibility of the Economic Development and Real Estate and the Downtown and Community Renewal Divisions. 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 achieve these results. Accordingly, recommendation (b) to this report is recommending semi-annual reporting and amending the January 7, 2008 Council direction requesting quarterly reporting.

The established performance measures and targets being recommended are as follows:
City of Hamilton

- Taxable assessment growth to exceed 1.5% per year (net of appeals, demolition, write-offs, etc) by 2011*
- Meet the established growth targets for 2011 of 540,000 people and 230,000 for GRIDS and Places to Growth
- Increase the number of community-redevelopment projects and economic development-related initiatives
- Increase the employment rate by 3% by the next Census

Planning and Economic Development Department

- Triple the amount of shovel-ready land by 2011 resulting in 850 acres
- Increase the value of non-residential building permits by 5% by 2011
- Annual Customer Satisfaction Survey - 90% Approval rating
- Prepare the new Urban Official Plan by June 2009 and new comprehensive commercial and industrial zoning by the end of 2009
- Prepare detailed secondary plans for new employment areas and identified nodes and corridors by January 2011
- Celebration of Successes - Annual Report to the Community
- Increase the number of positive media reporting on a year over year basis

Downtown and Community Renewal Division

- Decrease the office vacancy rate by 25% in Downtown Core based on 2008 baseline by January 2011
- Increase the # residential units Downtown by 150 (per year) starting in 2009
- Complete two (2) significant waterfront developments per year starting in 2009
- Increase in downtown property taxes by $1.45 million (per year) based on a 2008 baseline

Economic Development and Real Estate Division

- Increase the # of Brownfields redeveloped by two (2) per year based on a 2008 baseline
- Increase the number of new businesses (net of closures) by 5% per year based on 2008
- Increase the # of new jobs in Hamilton by 10% year based on 2008 baseline**
- Increase the # of small business jobs** by 50 per year based on 2007 baseline **
- Increase direct economic impact of film by $1M (per year) on 2008 baseline
- Increase total Gross Farm Receipts by Commodity types and Percentage Total by 2% per year based on 2008 baseline
• Increase the number of Corporate Calls by 10% per year based on the new Business Retention and Expansion Program with a 2008 baseline***
• Completion of multi-year Economic Development Strategy by December 2009

*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

Of these proposed Performance Measures listed above, approximately 83% (19 of 23) are identical to the SMART measures approved by City Council on June 10, 2008. This alignment is essential being that Department measures should conform to those Performance Measures established corporately in order that Council’s Vision can be realized. Furthermore, staff are cognizant of the fact that efficiency and effectiveness are lost if too many resources are being allocated to measuring performance instead of delivering performance.

The development of the Annual Work Plan for the Economic Development and Real Estate Division, which incorporates these new performance measures, will be completed by the end of the fourth quarter of 2008. The primary reasons for this delay being:

• The recruitment of professional and the “right” staff to fill existing vacancies and the new positions.
• The lengthy process involved in preparing job assessment questionnaires, job descriptions, job rating and recruiting eight new positions.
• The delay in the formation and the approval of the Economic Development Advisory Committee.
• The preparation of a new revised Economic Development Strategy (the basis for the Work Plan) in consultation with City Council, the Economic Development Advisory Committee, community stakeholders, etc.

**Benchmarks**

In land surveying, a benchmark is a “point of reference” used for measuring purposes. A benchmark in an economic development context is also a point of reference but it is used to determine a City’s success in achieving its vision and overall economic development goals. Traditionally, both the Official Plan and Economic Development Strategy are a City’s blueprint for growth. To realize these goals, an effective Economic Development Strategy must contain both short and long-term deliverables (and measures). In the previous two (2) versions of the City’s Economic Development Strategy (2001 and 2004), approximately 80% (82 out of 103) of all the short and long term deliverables were either completed or are currently in progress. The new version of the Economic Development Strategy will not be completed until the end of 2009. As a result, there are no deliverables available to be included in this report for benchmarking purposes. These will be identified and presented when the new Economic Development Strategy comes before City Council for approval. These
Benchmarks will then be monitored to ensure their completion along with other performance measures identified in the report.

**BUDGET ENHANCEMENTS:**

The $1,500,000 budget enhancement increased both the operating budgets and staff complement of a number of divisions within the Planning and Economic Development Department. The allocation of this new funding and the respective status of the new positions are as follows:

**Operating Budgets:**

**Annual Expenditures** $1,043,000

- General Managers Office $145,000
- Downtown and Community Renewal $280,500 *
- Development Planning $163,000
- Economic Development & Real Estate $399,500 *
- Industry Education Council Annual funding $25,000
- McMaster Institute for Transportation $30,000

**One-time costs** $457,000

- Intergovernmental Affairs (CMO) $150,000
- Jobs Prosperity Collaborative $100,000
- Marketing Strategy $100,000 **
- Economic Investment Fund $107,000

**Total Budget Enhancement** $1,500,000

* includes $150,000 increase to marketing programs (split equally)

** RFP completed and will be released in December 2008

**New Staff Complement:**

<table>
<thead>
<tr>
<th>POSITION</th>
<th>DIVISION</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Advisor</td>
<td>General Manager’s Office</td>
<td>Filled</td>
</tr>
<tr>
<td>Marketing Coordinator</td>
<td>General Manager’s Office</td>
<td>Filled</td>
</tr>
<tr>
<td>Business Analyst</td>
<td>General Manager’s Office</td>
<td>Filled</td>
</tr>
<tr>
<td>Manager of Bus Dev</td>
<td>Ec Dev and Real Estate</td>
<td>Filled</td>
</tr>
<tr>
<td>Senior Consultant</td>
<td>Ec Dev and Real Estate</td>
<td>Filled</td>
</tr>
<tr>
<td>Senior Consultant</td>
<td>Downtown and Community Renewal</td>
<td>Filled</td>
</tr>
<tr>
<td>Business Facilitators (2)</td>
<td>Development Planning</td>
<td>Filled</td>
</tr>
</tbody>
</table>

It is also noted that three (3) new staff were recruited for the Economic Development and Real Estate Division in March/April 2008 filling three (3) existing vacant positions. Approximately $750,000 will exist in the Economic Development Investment Fund by
year end. This is attributable to surplus funds not used for staffing due to recruitment processes as well as budget recovery from Communities in Transition funding from the Province. It also takes into account new funding required for Pan Am games staffing and consultant costs for the Creative Catalyst initiative.

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 (Sales Force) was instituted that will be a comprehensive tracking tool and data base of all economic development activity in the City. The Division will exceed 250 corporate calls this year and has targeted 500 company visits for 2009. Further, the BR&E program will include a mandatory visitation to Hamilton’s top 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 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. The City was also a primary sponsor of the Hamilton Economic Summit that attracted over 100 key community stakeholders to a one-day conference in Ancaster.
On Monday June 23, 2008, Ontario Industry Minister, Sandra Pupatello, announced at the Hamilton District Chamber of Commerce, that the City of Hamilton would receive $386,000 in Provincial funding through the of Communities in Transition program. This program has been established to assist older manufacturing/industrial-based communities with their economic development efforts to diversify and transition their economies to accommodate new growth companies/development.

The City’s Economic Development and Real Estate Division prepared a detailed submission that identified the following five (5) areas where the funding would be allocated:

- Multi-Year Economic Development Strategy $120,000
- Comprehensive Marketing Plan $ 80,000
- Airport Economic Impact Analysis $ 40,000
- Eco-Industrial Business Parks $135,000
- Hamilton Economic Summit (May 1, 2008) $ 11,000

Total Funding $ 386,000

City of Hamilton Corporate Services Department, Budgets and Finance Division, has established separate capital accounts for each of these four (4) projects in order to monitor the budget and any related expenditures. Per the agreement with the Province, staff will be preparing a quarterly status update and a finished product upon completion of the project.

**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 (Appendix A to Report PED08303). 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’s - 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.

The following survey of other municipalities highlights the different perspectives used for performance measurement of the economic development function.

**PERFORMANCE MEASURES SURVEY - ONTARIO**

**Barrie**
- Industrial land absorption
- Number of new companies and start ups
- Employment growth by cluster
- Number of new patents by cluster

**Brantford**
- Industrial land sales
- New investment ($)
- Number of projects completed
- Number of major initiatives

**Burlington**
- Balanced budget
- External revenue generated
- Number of Corporate calls
- New industrial and commercial assessment

**Chatham-Kent**
- New non-residential assessment*
- New non-residential jobs*

*If they touch it - they claim it

**Halton Region**
- No benchmarks (in progress)
• Completion of action items in strategy

London
• Number of company visits
• Number of new jobs created
• Number of new projects
• Number of external sales calls
• Building permits (non-residential)
• Number of square feet leased (non-residential)

Mississauga
• Number of Corporate calls
• Number of files/clients serviced
• Number of new files and projects

Niagara
• Completion of action items in strategy
• Number of closed files
• Report on program activities

Oakville
• Number of company visitations
• Number of new jobs created
• Completion of action items in the strategy

Ottawa
• Performance measures are a work in progress at this time

Windsor
• Number of company visits
• Number of projects/files started
• Number of projects/files completed

* Non-residential includes industrial, commercial, retail and institutional development

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: None
Staffing: Business Development Analyst position critical in tracking performance already approved
Legal: None

POLICIES AFFECTING PROPOSAL:
None

RELEVANT CONSULTATIONS:

Downtown and Community Renewal Planning Divisions, Planning and Economic Development Department
Economic Development Council of Ontario
Economic Development Association of Canada
International Economic Development Council
Economic Development Advisory Committee
Jobs Prosperity Collaborative

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

The public are involved in the definition and development of local solutions.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The economic base is diversified.
Investment in Hamilton is enhanced and supported.

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

A vibrant local economy will retain and attract employees to the Corporation.

NE/db
Attach. (1)
## 2006 Assessment Growth

<table>
<thead>
<tr>
<th>Property Class</th>
<th>Former City of Hamilton</th>
<th>Other*</th>
<th>Total City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>0.4%</td>
<td>2.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Multi-Residential</td>
<td>(0.1%)</td>
<td>0.0%</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>Commercial</td>
<td>(0.4%)</td>
<td>3.2%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Industrial</td>
<td>(1.9%)</td>
<td>7.1%</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Other</td>
<td>0.6%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Total</td>
<td>(0.01%)</td>
<td>2.8%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

* Other includes: former municipalities of Stoney Creek, Glanbrook, Ancaster, Dundas and Flamborough