



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: July 12, 2006
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Meeting Date: July 20, 2006

TO: Standing Committee on City Services and Budgets

FROM: General Manager of Corporate Services

SUBJECT: Vancouver Economic Development Commission (the "VEDC")
Economic Development Strategy - Project Plan & Budget

RECOMMENDATION

- A. That Council approve the VEDC's Economic Development Strategy ("ED Strategy") Phase I project plan and budget, and release the 2006 program costs of \$62,500 with the source of funding being the 2006 Operating Budget, as approved by Council on April 6, 2006.
- B. That Council approve an additional \$106,000 to be added to the 2007 Operating Budget without offset to enable the VEDC to carry on the Phase I project plan through July 2007; release of funds subject to a progress report by the VEDC by December 2006.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval for the foregoing.

Council has identified economic development as a top priority and contracted the VEDC to develop an ED Strategy for Vancouver. The proposed ED Strategy Phase I project plan as outlined in this report will span 12 months from July 2006 to July 2007. The 2006 portion of the Phase I project costs were approved by Council in April 2006. To ensure project continuity through July 2007, City staff support approval of the 2007 portion of the project costs. Release of the 2007 funds will be conditional upon the VEDC's submission of a progress report by December 2006 to update Council on the project status.

COUNCIL POLICY

Council has a policy of contracting with the VEDC for the provision of economic development services through a service contract. The contract is renewable every 3 years at the discretion of Council; provided that any obligation of the City to provide funding for each year of the 3-year contract will be subject to an annual review of the operating and financial results, and audited financial statements for the preceding year; and Council approval of the business plan and operating budget for the upcoming year. Current agreement allows the City to terminate the service contract on 90-day notice.

PURPOSE

The purpose of this report is to:

- Present the VEDC's ED Strategy Phase I project plan and budget to Council for approval.
- Request that Council release the 2006 program costs already approved in April 2006.
- Request that Council approve the 2007 portion of the project costs to enable the VEDC to carry on the Phase I project plan through July 2007; release of funds subject to a progress report by the VEDC by December 2006.

BACKGROUND

Council has identified economic development as a top priority for Vancouver. The economic development activities that are carried out by the VEDC are intended to:

- Improve Vancouver's economy
- Enhance the current tax base
- Sustain the quality of life
- Ensure that Vancouver retains the competitive edge of being the No. 1 business capital in British Columbia

Despite being a major center for business and job creation within the greater Vancouver region which accounts for 28% of regional population, 35% of regional jobs, and 36% of regional businesses, Vancouver does not have an ED Strategy that sets a vision for the future economy, and that defines and coordinates economic efforts among various levels of governments and stakeholders.

Recognizing the shortfall, in March 2006, the VEDC Board (the "Board") presented a 3-year business plan to Council that includes the development of an ED Strategy for Vancouver. The goal is to establish a framework for future economic development efforts that establishes Vancouver as an internationally competitive business location through:

- Establishing a shared vision of Vancouver's future economy.
- Providing a clear roadmap for implementation and stakeholders' involvement.
- Building a coordinated, multi-stakeholder team committed to work in collaboration toward the defined goals.
- Providing a clear context for decision-making.

To develop an ED Strategy, the VEDC requested \$662,000 over 3 years from 2006 to 2008, of which \$212,000 was for 2006. To reflect the timing of the operating budget approval and

commencement of the project mid-year, the 2006 funding request was adjusted by City staff to \$106,000: \$43,500 for a contract position and \$62,500 for program costs; release of program costs subject to a report back by the VEDC of a project plan and budget. Council approved the funding request in April 2006.

DISCUSSION

Guiding Principles for Economic Development

Council is considering the adoption of "guiding principles" for economic development. These principles will be discussed and endorsed by Council in July, and will form the basis of the ED Strategy.

These guiding principles state that Vancouver will:

1. Establish a competitive business climate that puts the City ahead of competitor jurisdictions.
2. Understand and build world-class export-oriented industry clusters that contribute to a diverse and resilient economy.
3. Make investments in infrastructure that are strategic, sustainable, and focused to deliver economic returns to the City.
4. Maintain a high quality of life that attracts and retains skilled and talented workers required to drive the City's economy.
5. Provide regional leadership for economic development.
6. Be a global leader in sustainability practices, balancing social, environmental and economic considerations for the benefit of both residents and business.

Timeline

Development of a comprehensive ED Strategy will take approximately 2 ½ years and will require significant multi-year resource commitment. To expedite delivery of incremental results and build community momentum and support, the VEDC is proposing to develop the ED Strategy in 2 phases.

Phase I (July 2006 - July 2007) - the focus will be on Guiding Principle #1: *To establish a competitive business climate that puts the City ahead of competitor jurisdictions* through:

- Identifying and measuring key factors that affect Vancouver's business climate.
- Benchmarking Vancouver's competitive position on the above factors relative to other cities.
- Establishing goals for a competitive business climate that position Vancouver ahead of its competitor cities.
- Defining strategies and actions to enable Vancouver to become an internationally competitive business location.
- Building buy-in and commitment of governments, NGOs and industry to collaborate to enhance Vancouver's competitiveness.
- Establishing a strong leadership team to direct, monitor and evaluate implementation, and champions to initiate and lead action.

Phase II (August 2007 - August 2008) - the focus will be on Guiding Principle #2: *To build world-class export-oriented industry clusters that contribute to a diverse and resilient economy*. Commencement of Phase II is conditional upon funding availability.

Guiding Principles #3 to #6 will be integrated into the work in both phases. The results of each phase will build on each other, and the overall outcome will form the foundation of the ED Strategy. Upon completion of Phase II, the VEDC will assess whether additional work is required.

Methodology

The VEDC will adopt a strategic planning process called the "Q Framework" for Phase I and II. Each "Q Framework" consists of the following 4 steps:

1. **Preparation** - review where Vancouver is
2. **Vision** - establish where Vancouver wants to be, and analyze the gaps and bridges
3. **Goals, Strategies & Actions** - develop options and solutions to achieve the vision
4. **Implementation SWOT** - set priorities and create a blueprint for change

The "Q Framework" for Phase I will focus on "Business Climate" (refer to Appendix I for details). Commencement of Phase II will depend on funding availability. The results of these "Q Frameworks" will form a comprehensive ED Strategy with clearly articulated economic goals. The multiple "Q Framework" approach enables the VEDC to develop the broader economic vision in smaller steps, and provide Council with some policy input at regular intervals.

Deliverables

The following will be produced in Phase I:

I. Preparation	Jul 2006 - Sept 2006
Process Plan (<i>completed</i>)	
Communications Plan	
"State of Vancouver's Economic Competitiveness" White Paper - summarizing business climate factors, benchmarks and analyses	
II. Vision	Oct 2006 - Mar 2007
"Vancouver Advantage" Report - summarizing the vision based on input gathered throughout the engagement process	
"Bridges and Gaps to Vancouver's Advantage" Report - outlining broad business climate goals, and the gaps and bridges to achieving the vision	
Leadership Forums - initiating dialog and gathering input from the business community, Council, and key stakeholders	
III. Goals, Strategies & Actions	Apr 2007 - Jun 2007
"Putting Vancouver Ahead of the Competition" Strategic Framework Document - outlining what needs to be done to enhance Vancouver's business climate	
Leadership Forums - initiating dialog and gathering input from the business community, Council, and key stakeholders	
IV. Implementation SWOT	Apr 2007 - Jul 2007
"Creating the Vancouver Advantage" Implementation Plan - outlining recommendations, strategies and actions	

Roles & Responsibilities

Commitment, support and input from key stakeholders are crucial to the development of the ED Strategy. The roles and responsibilities of each group are outlined below:

Stakeholders	Roles & Responsibilities
Council	<ul style="list-style-type: none"> • Approve and fund the ED Strategy process • Provide input and advice • Approve and adopt the results of the process • Publicly support the process to provide profile and credibility • Support City staff to collaborate with the VEDC
VEDC Board	<ul style="list-style-type: none"> • Approve the ED Strategy process • Monitor the process to ensure progress and results • Provide advice when required • Create awareness about the ED Strategy, implement the Communications Plan • Raise funds from the private sector
VEDC Staff	<ul style="list-style-type: none"> • Define the ED Strategy process • Manage the process, ensure deliverables • Obtain approvals from the VEDC Board and Council at appropriate milestones • Report results to the VEDC Board • Create awareness about the ED Strategy, implement the Communications Plan • Support the VEDC Board's fundraising efforts
Consultants	<ul style="list-style-type: none"> • Researcher <ul style="list-style-type: none"> - gather, analyze and interpret information, prepare written summaries of findings • Process Planner <ul style="list-style-type: none"> - establish a community engagement process, facilitate input, synthesize and report results • Communications Planner <ul style="list-style-type: none"> - establish a communications plan, support implementation of the plan
Community Stakeholders	<ul style="list-style-type: none"> • Provide ideas, opinions and thoughts • Provide VEDC staff with access to information and key networks • Provide input and validation at key stages • Commit to supporting implementation, monitoring and providing feedback on the process

Expected Benefits

Successful execution of Phase I will result in the following:

- Business and community leaders inspired to think boldly about Vancouver's future economic competitiveness.
- Cooperation built among local government, business leaders, infrastructure operators, industry associations, educators, and workforce development agencies to collaboratively resolve integrated economic issues relating to Vancouver's business climate.
- A blueprint for actions established to enhance Vancouver's business climate competitiveness.
- Investment of resources in economic development optimized by establishing clear goals, priorities, and measures of success.
- A clear focus for economic development policies related to land use, taxation and regulation.

- Creation of a catalyst for strategic action and investment that supports economic growth and prosperity for Vancouver.

FINANCIAL IMPLICATIONS

The Phase I project plan is budgeted at \$262,000, which includes the City's contribution of \$106,000 for 2006. To partially address the funding shortfall as a result of Western Economic Diversification programs being temporarily put on hold, a sub-committee has been set up to raise funds from the private sector with a minimum target of \$50,000. The VEDC will continue to pursue additional external funding throughout the process, which will contribute to the breadth of the ED Strategy and acceleration of the development process. In addition to the City's contribution and external funding, the 15 VEDC Board members will contribute at least 800 hours in project leadership (equivalent to \$48,750 in-kind contribution) and the VEDC will dedicate staff to project management and administration.

The Phase I project plan will span 12 months from July 2006 to July 2007. Hiring of consultants will commence in July 2006 and their terms of engagement will go beyond December 2006. To ensure project continuity through July 2007 and that deliverables are accomplished on schedule, the VEDC requests that Council approve the 2007 portion of the project costs at \$106,000; release of funds will be conditional upon the VEDC's submission of a progress report to Council by December 2006.

Budget details are presented in the table below:

	Total
Project Expenses - Phase I (07/2006 - 07/2007)	
Researcher - research, analysis, writing, report preparation, presentations	39,000
Surveys - survey design, data collection/analysis, presentation of results, taxpayer survey	35,000
Data - purchase of statistics, data reports	15,000
Process Planner - process design, meeting organization, facilitation, consulting/advice, writing, report preparation, public presentations	105,000
Community Forums - meeting room rentals, coffee/tea, meeting invitations, background materials preparation	25,000
Communications Planner - communications planning, consulting/advice, communications materials preparation, graphic design	28,000
Printing, Binding & Distribution - graphic design, printing/binding of reports, website content updates	5,000
Project Contingency	10,000
Total Project Expenses - Phase I (07/2006 - 07/2007)	262,000
Other Sources of Funding	
Private Sector Fundraising	50,000
Excess Project Expenses over Other Sources of Funding	(212,000)

Committed Funding from the City - 2006	106,000
Additional Funding Request for the City - 2007	106,000
Total Contribution from the City - Phase I (07/2006 - 07/2007)	212,000

CONCLUSION

This report updates Council on the VEDC's ED Strategy Phase I project plan and budget. To enable the VEDC to commence work in July 2006 and to carry on the plan through July 2007, staff recommend that Council release the 2006 program costs already approved in April 2006, and further approve \$106,000 for 2007; release of funds subject to a progress report by the VEDC by December 2006.

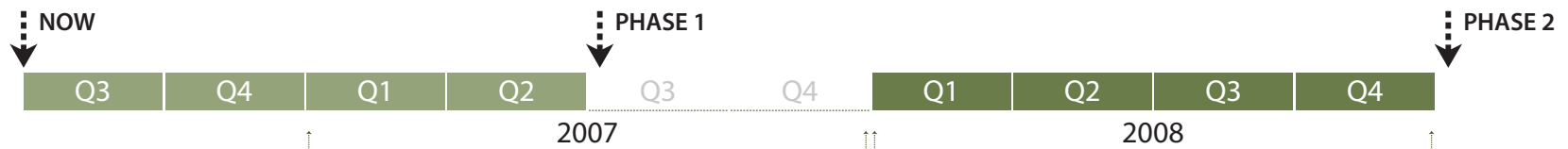
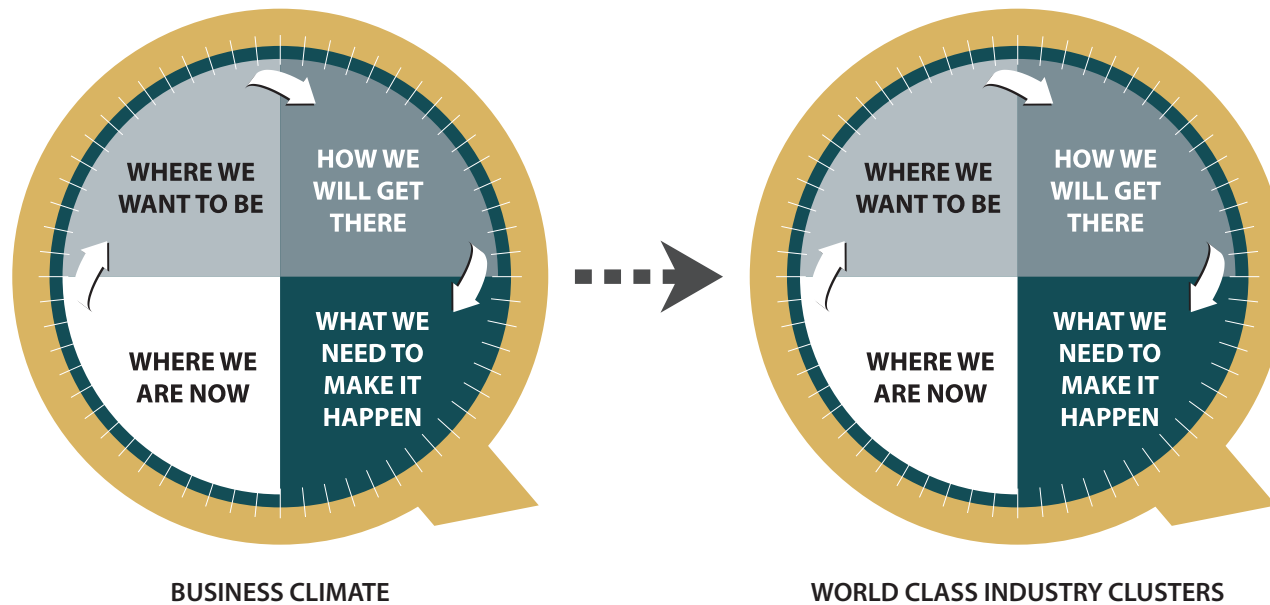
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STRATEGIC PLANNING PROCESS

BUSINESS CLIMATE

GUIDING PRINCIPLES

1. Establish a competitive business climate that puts the city ahead of competitor jurisdictions.
2. Understand and build world-class export-oriented industry clusters that contribute to a diverse and resilient economy.
3. Make investments in infrastructure that are strategic, sustainable, and focused to deliver economic returns to the city.
4. Maintain a high quality of life that attracts and retains skilled and talented workers required to drive the city's economy.
5. Provide regional leadership for economic development.
6. Be a global leader in sustainability practices, balancing social, environmental and economic considerations for the benefit of both residents and business.



BUSINESS CLIMATE

2. VISION [OUR DESIRED FUTURE]

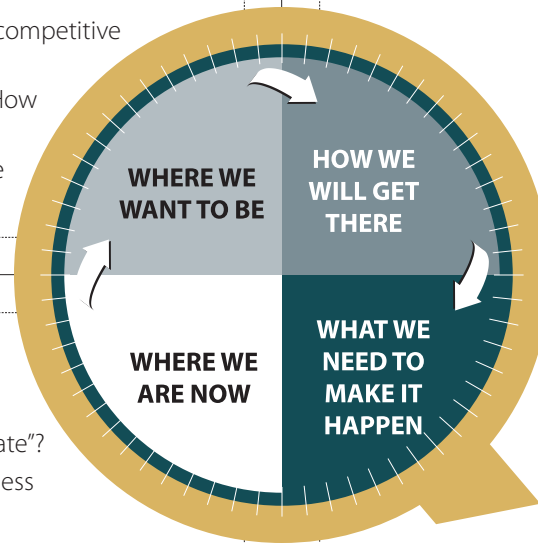
Key Questions:

- 1 What would an ideal “competitive business climate” look like?
- 2 What would set Vancouver apart from its competitor cities?
- 3 What are the gaps and bridges between where we are now and where we want to be?
 - o On what competitive business climate factors does Vancouver excel? Why?
 - o On what competitive business climate factors does Vancouver lag behind? Why?
 - o What needs to change in order to establish our ideal competitive business climate?
 - o What are the barriers to change? Why do they exist? How do we overcome those barriers?
 - o What are the accelerators to change? How do we take advantage of them?

3. GOALS, STRATEGIES & ACTIONS

Key Questions:

- 1 What are our options?
- 2 What do we need to do to establish our ideal competitive business climate?
- 3 How will it be done?
- 4 Who is responsible? What do they need to do? How do we influence them to do it? Who will take the lead to make it happen?



1. PREPARATION [DOING OUR HOMEWORK]

Key Questions:

- 1 What are the benchmarks of a “competitive business climate”?
- 2 What do we think we know now about Vancouver’s business climate?
- 3 How does Vancouver compare to its competitor cities?
- 4 Are the results what we expected? Are the results what we want?

4. IMPLEMENTATION SWOT

Key Questions:

- 1 What are the assets that will help make the plan a reality?
- 2 What are the weaknesses that will hold us back from accomplishing our goals?
- 3 Where are the opportunities to make things happen?
- 4 What are the threats to the plan?
- 5 What are the priorities for action?
- 6 How do we monitor progress and measure success?

1 PREPARATION [DOING OUR HOMEWORK]

WHERE
WE ARE
NOW

Key Questions:

- 1 What are the benchmarks of a “competitive business climate”?
- 2 What do we think we know now about Vancouver’s business climate?
- 3 How does Vancouver compare to its competitor cities?
- 4 Are the results what we expected? Are the results what we want?

Methods / Processes

Information gathering & analysis

- Research business climate factors
- Gather data - from existing sources, from surveys, from interviews
- Establish benchmarks
- Analyze & present results

Engagement, education & awareness

- Initiate “education and awareness” campaign among key stakeholders

Products / Outcomes

- “The State of Vancouver’s Economic Competitiveness” white paper summarizing factors, benchmarks & analysis
- Process plan
- Communications plan
- Competitive intelligence to use for marketing & sales activities
- Clear understanding of “facts” versus “myths”
- Establish credible baseline measures

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2 VISION [OUR DESIRED FUTURE]

WHERE
WE WANT
TO BE

Key Questions:

1. What would an ideal “competitive business climate” look like?
2. What would set Vancouver apart from its competitor cities?
3. What are the gaps and bridges between where we are now and where we want to be?
 - o On what competitive business climate factors does Vancouver excel? Why?
 - o On what competitive business climate factors does Vancouver lag behind? Why?
 - o What needs to change in order to establish our ideal competitive business climate?
 - o What are the barriers to change? Why do they exist? How do we overcome those barriers?
 - o What are the accelerators to change? How do we take advantage of them?

Methods / Processes

Education & Awareness

- Present results from “preparation” phase

Engagement

- Dialog session with City Council, implementers
- Surveys with business community
- Leadership forum to gather input

Research & Analysis

- SWOT analysis - compare where we are to where we want to be
- Engage input from “subject matter experts”

Products / Outcomes

- “The Vancouver Advantage” report summarizing the vision for Vancouver’s competitiveness
- “Bridges and Gaps to Vancouver’s Advantage” report outlining broad business climate goals, and the gaps and bridges to achieving the vision.
- Business survey results
- External perceptions survey results
- Leadership forums
- Build buy-in, shared understanding among stakeholders, implementers

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3 GOALS, STRATEGIES & ACTIONS

HOW WE
WILL GET
THERE

Key Questions:

- 1 What are our options?
- 2 What do we need to do to establish our ideal competitive business climate?
- 3 How will it be done?
- 4 Who is responsible? What do they need to do? How do we influence them to do it? Who will take the lead to make it happen?

Methods / Processes

Engagement

- Dialog sessions with City Council, implementers
- Leadership forum
- Input from “subject matter experts”

Products / Outcomes

- Strategic Framework: “Putting Vancouver Ahead of the Competition” report outlining what needs to be done
- Leadership forum
- Build buy-in for action

2007



4 IMPLEMENTATION SWOT

WHAT WE
NEED TO
MAKE IT
HAPPEN

Key Questions:

- 1 What are the assets that will help make the plan a reality?
- 2 What are the weaknesses that will hold us back from accomplishing our goals?
- 3 Where are the opportunities to make things happen?
- 4 What are the threats to the plan?
- 5 What are the priorities for action?
- 6 How do we monitor progress and measure success?

Methods / Processes

Engagement

- Dialog sessions with City Council, implementers
- Leadership forum
- Input from “subject matter experts”

Products / Outcomes

- Implementation plan: “Creating The Vancouver Advantage” report outlining recommendations, strategies & actions
- Leadership forum
- Blueprint for change
- Commitment among stakeholders to take action to establish a competitive business climate that puts Vancouver ahead of its competitor cities
- Champions to lead action
- A systematic process to monitor progress and measure success

2007

