

TORONTO STAFF REPORT

February 10, 2006

To: Economic Development and Parks Committee

From: Sue Corke Deputy City Manager Economic Development, Culture and Tourism

Subject: 2005 Business Investment Activity Summary Report
All Wards

Purpose:

To summarize Economic Development's Investment, Attraction and Retention activities for the year 2005.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendations:

It is recommended that this report be received for information.

Background:

Economic growth in the City of Toronto results from new business start-ups, attraction of investment from outside the City, or through expansion of existing businesses. The Economic Development Division is active in all three areas. Enterprise Toronto assists individual entrepreneurs and business start-ups, the Investment Marketing Unit seeks to attract investment from outside the City, while the Business Development and Retention Unit (BD&R) works with existing companies to retain and expand their operations in the City as well as working with specific dominant employment sectors through the Strategic Sector Partnerships group. From time to time the BD&R unit also works with companies from beyond Toronto's borders to accommodate their locational requirements. The Film and Television Office is focussed on attracting foreign and domestic investment in the form of film and television production.

This report addresses Economic Development activities in attraction and retention, and provides information on the numbers of jobs created, commercial taxes generated and GDP impact.

Comments:

Toronto is Canada's economic centre. A significant proportion of Canada's investment flows through Toronto, either directly to activities located in the city, or to activities located elsewhere in the country through the city's hundreds of corporate head offices and financial institutions. It is a fundamental goal of staff involved in investment service and retention activities to capture and generate as much investment as possible in the City of Toronto. The following table summarizes staff activity for 2005.

Table 1
Summary of External and Local Investment Activity, 2005

Type of Investment	Activities	Results
Film & TV Production	Marketing and promotion Location filming facilitation and problem solving Permit issuance Industry and neighbourhood liaison	\$898.25 million in film and tv production spending 4,154 permits issued 1,258 new projects 7,319 shooting days
Business Investment Attraction	Marketing and international relationship building Investment client service International Alliance Program	10 companies attracted/relocated adding 280 new jobs and occupying 82,000 sq. ft. of floor space \$588,214 annual impact on property taxes \$19.4 million annual GDP impact 1873 investment contacts 20 Inbound Foreign Missions 4 Outbound Missions
Business Retention and Expansion	Assisting local firms to grow their businesses in Toronto Corporate Calling proactive outreach Customer service and advocacy	35 companies investment projects 2,750 service requests 760 corporate calls 3,278 jobs retained 2,624 net new jobs 2,840,732 sq. ft. of floor space occupied total investment of \$303,865,000 \$5.024 million annual impact on municipal property taxes \$73.875 million GDP impact

Economic Development achieves its goals by promoting the city, providing strategic data to potential investors and nurturing contacts with senior decision-makers. Its activities include:

- (i) securing and providing clients with the most comprehensive and relevant information possible for making an investment decision in Toronto;
- (ii) servicing clients in a timely manner by coordinating projects in the development approval and permitting process;

- (iii) keeping Toronto at the “top of the investment list” by systematically following-up leads and inquiries;
- (iv) generating new contacts, conduits and leads through networking activities with business associations and organizations;
- (v) capitalizing on opportunities to promote and market the city;
- (vi) partnering with key firms in the private and public sectors in servicing investment leads (e.g., lawyers, accountants, immigration specialists, recruitment firms, etc.);
- (vii) building international economic relationships with sister cities;
- (viii) tapping the investment potential of our partner city relationships by facilitating direct investment in Toronto and marketing local products abroad;
- (ix) working in partnership with other organizations such as the Greater Toronto Marketing Alliance (GTMA), Toronto Industry Network (TIN), Toronto Board of Trade, and others to position Toronto;
- (x) building relationships with existing businesses (head offices, manufacturing plants, subsidiaries, suppliers and customers) through the corporate calling program (investment growth is tracked through business retention activities);
- (xi) attending trade shows, targeting site selectors, conference organizers and sector-based associations;
- (xii) contacting, on a regular basis, foreign consular and trade officials located in Toronto and Canadian Trade offices abroad.

The Economic Development Division is able to maximize its investment reach globally by utilizing and expanding upon formal and informal partnerships and networking opportunities with public and private sector stakeholders.

International Investment Attraction

The Economic Development Division provides effective investment attraction services by establishing a central Investment Services team responsible for building core international relationships with key decision makers. This team serves as a single point of contact for investment inquiries. The approach of the Investment Services group revolves around providing accurate business investment information to prospective clients in a timely and professional manner.

With the client servicing function as its base, the other program areas of the group, Investment Promotion and International Alliances, are used to generate new investment inquiries. Investment promotion focuses on making face-to-face contact with key investment decision-makers and investment conduits. The list includes service providers to investment decision-makers, commercial realtors, site selection consultants, consular offices and others.

Activities include attending key strategic business meetings and trade shows, and attracting groups of site selectors and their business meetings and conferences to the city so that delegates can see for themselves the advantages of investing in Toronto. In 2005, the Investment Services group successfully hosted 2000 corporate real estate executives and site selectors at the Toronto CoreNet Global Summit. In addition to attracting the most influential corporate location decision-makers in the world to our city to view our investment climate first hand, the 2000

delegates spent approximately \$5 million directly in the Toronto economy, exclusive of the positive multiplier effect that will spread throughout the region.

The International Alliance Program stimulates incoming economic investment and outgoing export development by focussing on the economic similarities between Toronto and its partner cities. Establishing strong links between Economic Development staff and foreign consular/trade staff enhances investment opportunities. The relationships established locally can facilitate inbound and outbound foreign investment missions and build local businesses.

In addition to efforts by the Investment Services team, sector specialists and district field offices also work with external investment clients. Staff specializing in sectors such as medical and biotechnology; information technology; financial services; fashion and apparel; food, beverage and design; and call centres, work with local firms and external firms to grow the economy. District field offices often come into contact with foreign investors through referrals from local firms and through location-specific inquiries.

Staff involved in Investment Services tailor their response and level of “service” or “advice” to clients, based upon the nature of the inquiry. These types of inquiries and their attendant levels of service can be summarized as:

Contacts:

Enquiries received through the ‘invest@toronto.ca’ email address, at business meetings and conferences and from inbound foreign delegations. Also included are email requests for business directories, city information, etc., but excluded are all contacts categorized as leads and prospects.

Leads:

Decision-makers seeking information for possible future investment, often through intermediaries. Includes trade show leads. Client services provided include personal response letters and information packages as well as telephone calls to determine the prospective time frame of investment.

Prospects:

Decision-makers actively seeking sites for an immediate investment. Client services provided are more substantial, including custom research, meetings, presentations, visitation programs, etc. Prospects receive regular follow-up telephone calls, emails, letters, etc. offering additional assistance on behalf of the investment team wherever possible.

Business Delegations:

Clients with larger potential investments in the city usually travel to Toronto to meet with staff and examine sites in person. Services offered range from a formal or informal meeting with the client to a two-day familiarization program run by investment staff, including extensive presentations by public and private sector experts in real estate, employee recruitment and training, legal issues, accounting issues, fringe benefits plans, immigration issues, financial incentives, etc.

Foreign Delegations:

International groups or individuals that are visiting Toronto for purposes not directly related to investment. Investment staff works with the Protocol Division in hosting foreign delegations and extolling the virtues of the City of Toronto. In some cases, foreign delegations have been a source of potential investment leads.

New Investment Activity in 2005

Nearly 1,900 inquiries and contacts from investment clients outside of Toronto were addressed in 2005. The chart below (Table 2) lists the inquiries by type and corresponds to the definitions outlined above.

Table 2
Investment Inquiry Activity, 2005

Client Type	Number
Contacts Meeting/Conference and foreign Contacts (1100) Business Visitors (576)	1676
Leads	116
Prospects	81
Total	1873

As for actual closed deals by investors from outside of the Toronto region, Economic Development staff assisted ten companies in finalizing investment deals in the City of Toronto in 2005. Data in Table 3 indicate that these companies are making an estimated annual direct contribution to the city via municipal property tax of \$588,214 and an indirect contribution of \$19.4 million in the form of GDP impact.

Table 3
Completed External Investment Deals
Facilitated by Economic Development Division, 2005

<u>Type of Company</u>	Name of Companies	Square Feet	<u>Jobs</u>	New Property Taxes	<u>GDP Impact</u>
IT	Business Objects	5,000	30	\$49,550	\$3,215,803
IT	Cognizant Technology Solutions	5,000	20	\$35,850	\$1,460,000
IT	Managed Business Solutions	750	1	\$5,378	\$63,222
Call Centre	Network Omni	15,000	60	\$107,550	\$3,793,320

Financial Services	RI3K	3,500	20	\$17,408	\$622,220
Financial Services	ICICI Bank Branch	4,000	10	\$20,408	\$622,220
Head Office	Home Depot Canada	25,000	60	\$179,250	\$3,793,320
Film	SDI Media Canada Inc.	21,000	70	\$150,570	\$4,425,540
Bio	Oxygenix	750	1	\$7,433	\$107,193
Office	Pannattoni Dev. Corp	2,000	8	\$14,340	\$505,776
TOTALS:	10	82,000	280	\$588,214	\$19,426,394

¹ Municipal Property Tax is calculated by multiplying the assessed value of the property by the appropriate tax rate (excludes education portion).

² GDP is a measure of the goods and services produced in the City of Toronto.

In terms of site selection within Toronto, the new companies chose locations throughout the city.

Table 4

External Investment Activity: 2001-2005 Comparisons

	2001	2002	2003	2004	2005
Contacts					
Web Hits	12009	17145	22900	25028	23285
Conference contacts	281	706	602	1259	1100
Inbound mission delegates	164	170	124	202	300
Outbound mission delegates				315	276
Leads (information sent)	97	105	107	102	116
Prospects	84	92	82	83	81
New investment					
Number of Companies	13	13	4	6	10
Number of Employees	1,305	893	70	685	280
Building Space (sq. ft.)	566,111	305,300	20,000	154,000	82,000
Municipal Taxes (\$)	\$1,528,000	\$670,944	\$108,340	\$1.87 mil	\$588,214
GDP Impact (\$)	\$89.8 mil	\$62.8 mil	\$4.9 mil	\$43.0 mil	\$19.4 mil

Film and Television Production

In 2005, the Toronto Film and Television Office (TFTO) promoted Toronto as a location filming destination of choice to the domestic and international film, television and commercial production industry and continued to streamline internal permitting processes in order to make the filming experience in Toronto a positive one.

The Provincial labour tax credit for foreign and domestic production was increased to 18% and 30% from 11% and 20% respectively in December 2004. This coupled with the joint marketing initiatives involving our partners the Ontario Media Development Corporation (OMDC) and FilmOntario resulted in a 7% increase in US feature film production spending (from \$398.416 million in 2004 to \$425.213 million in 2005) and a 21% increase in overall feature film production spending (US and CAD - from \$294.457 million in 2004 to \$355.522 million in 2005). Total spending on major productions, however, showed a 5% decrease (from \$949.05 million in 2004 to \$898.245 million in 2005); as well, there was a 16% decrease in the number of new projects (1,258 in 2005 versus 1,502 in 2004), a 3% decrease in the number of locations used / location filming permits issued (4,154 in 2005 versus 4,302 in 2004) and a 6% decrease in the number of shooting days (7,319 in 2005 versus 7,743 in 2004).

FilmPort:

Official announcement of the FilmPort studio complex development took place in September, 2005. The Toronto Economic Development Corporation (TEDCO) and The Rose Corporation are now ready to move forward. Construction on the first phase of the development begins in the Spring of 2006 and includes plans for six sound stages totalling 123,000 square feet, plus 110,000 square feet of production support space and production offices, wardrobe, shops, and commissary.

Mayor's Toronto Film Board and Working Groups:

The Mayor's Film Board was established in the fall of 2004 and acts as an advisory body to the Mayor and City Council. There are four working groups that report to the Toronto Film Board: the Marketing and Promotion working group; the Domestic Development Working Group; the Strategic Infrastructure Working Group; and the Interdepartmental Working Group. In 2005, the Mayor's Film Board struck an Executive Committee made up of the chairs of the Film Board and working groups. Priority planning workshops to determine short- and long-term goals are scheduled to take place in early 2006.

The Marketing and Promotion Working Group, OMDC, TFTO and FilmOntario developed, designed and executed a marketing campaign to be used by all of the partners. The Mayor's Film Board wrote to the Canadian Television Fund (CTF) to protest the practice of granting regional bonuses that have a negative effect on Toronto's domestic film and television industry.

The Interdepartmental Working Group (IWG) brings city departments together to discuss location filming issues and resolve them in a timely manner. In 2005, the IWG produced a matrix comparing the filming policies and procedures in the City of Toronto to those of its major North American competitors Los Angeles, New York City and Vancouver. The purpose of the matrix was to highlight best practices and improve film friendliness in city departments and Agencies, Boards and Commissions (ABCs). The Parks, Forestry & Recreation (PF&R) Department undertook a successful review of its film policy and presented the result to the IWG. The Chair of the IWG also met with a consultant hired by the Greater Toronto Airport Authority to work on their policy.

West Don Lands Relocation Program:

In 2005, the Toronto Waterfront Revitalization Corporation (TWRC) announced that the waterfront revitalization project would begin with the development of the West Don Lands area. City staff recognized the need to assist the 25 film-related businesses situated in the West Don Lands and participated in the Relocation Taskforce with the Ontario Realty Corporation (ORC), TEDCO and the Waterfront Revitalization Corporation (TWRC). To date, Economic Development has worked successfully with 22 of the 25 businesses to find other accommodations including Absolute Location Support Services, the area's largest employer.

During the course of these meetings, staff of Economic Development conceived the idea of creating a film co-op which would involve the leasing or accelerated construction of approximately 15,000 square feet of space where relatively small companies can cluster, build synergies and reduce individual costs. Economic Development and TEDCO are working to flesh out the concept and assess its feasibility.

Toronto/Ontario Film Office in Los Angeles:

Toronto has renewed the operation of the Toronto / Ontario Office in Los Angeles, jointly funded by the city, the OMDC and FilmOntario. The two full-time staff in the Los Angeles office follow up leads on "greenlit" projects and sell Toronto as a location destination. TFTO staff work closely with our partners to liaise with staff of the Los Angeles office; staff participate in monthly conference calls, receive bi-weekly production updates, review current issues, discuss joint marketing missions and events in Los Angeles and provide advice and information in an effort to increase the number of productions choosing to film in Toronto. In 2005, 20 projects chose in Toronto as a result of the work of the Los Angeles office and had an economic impact of \$213 million.

Strategic Planning for the Film Cluster:

In 2005, TFTO staff prepared a request for proposal entitled "Professional Services to create a strategic plan to ensure the sustainability and long-term growth of the Film, Television, and Television Commercial Industry in the City of Toronto", interviews were held and a consultant was chosen. The consultant has begun work on the project. The work will include extensive stakeholder consultation as well as data analysis of factors locally, nationally and internationally that are affecting Toronto's competitiveness. The strategy will be ready by Summer 2006.

Continued Competitive Pressures on the Film Industry:

Toronto continues to face major competition from many other jurisdictions in North America, Europe, Australia and New Zealand. Recent increases to the provincial tax credit in Manitoba and Saskatchewan and the CTF regional bonus have attracted Toronto-based producers with the result that less money is being spent and less people are being hired in our jurisdiction. In California the Governor continues to come out strongly against "runaway production". A recent article in the L.A. Times noted that there has been a steep rise in production in Los Angeles.

It is imperative that the City continue to promote Toronto as a location of choice to producers scouting sites for their latest projects. This means aggressively marketing, advertising, and promoting the economic and artistic advantages of location filming in Toronto in Canada, the U.S., and also in Europe and South East Asia (India). This can be achieved by advertising in trade magazines and production guides, attending trade shows and conferences, one-on-one meetings with our clients and familiarization tours.

The City and the Film Board will have to continue to address at all levels and with other governments and agencies the structural elements having a negative impact on the industry.

Investment from Business Development and Retention Activities

Companies looking to invest often weigh all their options before making a decision. They will consider consolidating sites and business lines, growing onsite or moving operations. A mature and well-developed economy can generate significant investment activity. Economic Development works with existing Toronto businesses to make investing in the City as easy as possible. Staff help firms find new sites within the City, and facilitate the expansion and renovation of their premises.

An active business outreach program by district field office and sector staff contacted more than 2,518 companies and conducted over 755 corporate calls to local businesses in 2005. As a result of this outreach program, Economic Development staff were able to coordinate and facilitate 35 investment projects in 2005, and assist \$303,865,000 in total investment, as shown in Table 5.

Table 5
2005 Business Retention and Expansion Activity Facilitated by BD&R Staff

Type of Company	No. of Firms	Total Investment \$ ³	New Construction (Square Feet)	Total Building Space (Square Feet) ⁴	Total No. of Jobs (New and Retained)	New Taxes \$ ¹ (Est.)	GDP Impact \$ ²
Manufacturing	18	\$94,295,000	795,997	1,283,997	1,979	\$1,698,000	\$6,000,000
Office Development	2	\$3,200,000	0	80,000	730	\$73,000	\$30,000,000
Retail, Hospitality, Tourism	7	\$115,440,000	745,291	1,045,291	2,990	\$1,860,000	\$37,500,000
Service and Other	4	\$44,300,000	93,044	93,044	97	\$970,000	\$375,000
Institutional	0	\$0	0	0	0	\$0	\$
Warehousing, Distribution	4	\$43,430,000	268,400	338,400	100	\$423,000	\$0
Total	35	\$303,865,000	1,902,732	2,840,732	5,896	\$5,024,000	\$73,875,000

1. Municipal Property Tax is calculated by multiplying the assessed value of the property by the appropriate tax rate.
2. GDP is a measure of the goods and services produced in the City of Toronto.
3. Total investment includes the cost of new construction, renovations and capital investment in machinery.
4. Total Building space includes new space constructed and retained space.

Of the 35 Toronto companies which received assistance from BD&R staff, the Retail, Hospitality and Tourism sector contributed the greatest number of investment's to the City's economy in

2005. Retail, Hospitality and Tourism contributed almost 38% of total investment while adding over 50% of retained and new job growth. The Manufacturing sector contributed 31% of total investment while adding a further 34% of retained and new job growth. The Service and Warehousing and Distribution sectors combined to contribute almost 29% of total investment while adding only 3% of retained and new job growth. The office sector added 1% of total investment, but added 12% of retained and new job growth.

In total for 2005, staff provided business retention and expansion assistance to thirty-five companies, which created 2,624 new jobs, retained over 3,278 jobs, and generated a gross domestic product impact of \$73,875,000 and a property tax impact of \$5,024,000.

Although Toronto manufacturers displayed steady growth throughout 2005, in comparison to 2004 results, total building space was down 23%, while the number of jobs created and retained was 7% lower. Our assessment of this downturn is due to a number of factors which emerged in 2004. Factors such as the strengthening Canadian dollar, skyrocketing oil prices, higher utility costs and intensifying direct competition from China and India in the manufacturing sector, had lead many firms to defer expansion and reinvestment plans in 2005. However, 2005 did see sectors such as Tourism, which had been negatively impacted by SARS and 9/11 in the first half of the decade, rebound somewhat from 2004.

Conclusions:

The year 2005 presented some challenges in terms of global economic conditions and those impacts on Toronto businesses. Steady progress was made in all economic sectors of the City. Offshore investment was up slightly from 6 new firms in 2004 to 10 in 2005.

Film permits totalled 4,154 and film companies spent more than \$898.245 million in production spending. Based on a recent marketing mission in Los Angeles it appears interest in Toronto has been renewed because of new tax incentives and Toronto's reputation for quality film and television crew, varied locations and experienced suppliers.

Manufacturing expansion continued at a lower rate in 2005 although significant projects such as Estee Lauder's 180,000 sq. ft. head office consolidation, Give and Go Foods 118,000 sq. ft. expansion and Viva Magnetics 120,000 sq. ft. expansion are indications that the manufacturing sector is still vibrant. In addition, the Marriott and Sandman Hotel developments and the potential for 2 or 3 new downtown core hotel projects in 2006, shows a strong resurgence in the Hospitality sector.

With the challenges and uncertainties that businesses face in the coming year, the City must continue to enhance its competitive environment. This in part can be accomplished by stabilizing employment areas and containing the City's cost structure in terms of taxes, utility rates and other fees.

Contact:

Karen Thorne Stone
Executive Director, Economic Development
Tel: (416) 395-6152
Fax: (416) 397-5314
Email: kthorne@toronto.ca

Sue Corke
Deputy City Manager