



## STAFF REPORT ACTION REQUIRED

### Towards a Regional Development Agency (Foreign Direct Investment Agency)

<b>Date:</b>	January 5, 2015
<b>To:</b>	Economic Development Committee
<b>From:</b>	Michael Williams, General Manager
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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Two foreign direct investment (FDI) agencies operate in the Greater Toronto Area (GTA): Invest Toronto, founded in 2009 and wholly-owned by the City of Toronto and the Greater Toronto Marketing Alliance (GTMA), a non-profit agency founded in 1997 by the regions and municipalities within the GTA (Durham, York, Toronto, Brampton, Caledon, Mississauga and Halton). Other than some limited project funding, neither agency receives financial support from the federal or provincial governments (unlike for many other such regional agencies elsewhere in Canada). In addition, various municipalities and regions have devoted some of their own resources to pursue FDI themselves.

Through the efforts of a working group established by the GTMA, co-chaired by now Mayor John Tory and Mayor David Ryan of Pickering, formal requests were made to the Federal and Provincial governments in 2014 for new funding. It can be expected that the City of Toronto will also soon receive a formal request to increase funding. This Report asks for the City Manager to prepare a report for Council that discusses options for the City of Toronto, implementation issues and a discussion of implications for Invest Toronto and the City's Economic Development and Culture Division.

## RECOMMENDATIONS

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### **Economic Development Committee recommends that Council:**

1. Request the City Manager to report as soon as possible on the options for the City of Toronto with regard to its participation in a large foreign direct investment (FDI) agency for the Greater Toronto Area, including impacts on Invest Toronto and the City's Economic Development and Culture Division;
2. Authorize the City Manager to undertake and report back on discussions with federal, provincial, regional and municipal officials, as required, regarding proposals for a large regional FDI agency, including:
  - a. possible mandate, structure, governance and budget;
  - b. alternative organizational approaches;
  - c. implementation issues and the best ways to overcome these issues; and
  - d. key success factors from the City of Toronto's perspective.

## Financial Impact

There are no additional requests for financial requirements in this report. As required, a subsequent report will highlight all potential financial impacts.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## COMMENTS

Two foreign direct investment (FDI) agencies operate in the Greater Toronto Area (GTA): Invest Toronto, founded in 2009 and wholly-owned by the City of Toronto and the Greater Toronto Marketing Alliance (GTMA), a non-profit agency founded in 1997 by the regions and municipalities within the GTA (Durham, York, Toronto, Brampton, Caledon, Mississauga and Halton). Other than some limited project funding, neither agency receives financial support from the federal or provincial governments (unlike for many other such regional agencies elsewhere in Canada). In addition, various municipalities and regions have devoted some of their own resources to pursue FDI themselves.

A number of major issues have been raised with the current system of FDI promotion in this region including confusion due to two agencies being involved and a shortage of resources being committed to a very competitive economic development strategy. Specifically the GTMA's annual budget varies between \$1.0 mil and \$1.5 mil compared to that of an equivalent agency in the Montreal area, Montreal International, with an annual budget of over \$8 mil. About two years ago, the GTMA formed a working group

to explore the rationale for larger funding and commissioned PwC to undertake a study. In the Report, PwC indicated that there were strong grounds for better resourcing FDI in this region and indicated that there would be significant upside to increased funding. They recommended that the Province, the Federal government, local government and the private sector be asked to participate with funding totalling \$7.5 mil, as follows:

**Possible Annual Core Funding Allocation for a Large Foreign Direct Investment Agency in the Greater Toronto Area**

Source	New Funding Level	Existing Funding Level	Status of Request
Federal Gov't (FedDev)	\$2,500,000	Limited project 'grants'	Formally asked by GTMA. No decision yet.
Provincial Gov't (MEDEI)	\$2,500,000		Formally asked by GTMA. Positive general response given by Minister
905 Regions and Municipalities	About \$1,000,000 in total or an avg of about \$250,000 per region but actual would be based on regional share of population or jobs	\$100,000 per region plus some extra project fees	Not yet formally asked but staff are aware
City Of Toronto	About \$1 mil based on regional share of population or jobs	\$100,000 (paid by Invest Toronto)	Not yet formally asked but staff are aware
Private Sector	\$500,000	Approx \$500,000. Varies by year	Not yet formally asked
Total	\$7,500,000	\$1,000,000 to \$1,500,000	

The GTMA have formally approached both the federal and provincial governments for their 'share' – namely \$2.5 mil each. Ontario's Minister of Economic Development, Employment and Infrastructure indicated publicly last October a willingness to contribute to the funding (no specific amounts were mentioned) and no answer has been received from the federal government. Local governments have not yet been formally approached with regard to increased funding for the GTMA nor has the private sector been approached.

Assuming increased funding can be made available, there are many issues to be resolved in moving from the situation today to a large FDI agency in the GTA. The mandate, goals, targets, governance structure, organizational design and budget allocation all need to be decided. The impacts on existing organizations need to be determined. The basis for funding from each of the partners needs to be understood. Timing and implementation steps and all the related issues need to be resolved.

## **CONCLUSION**

A large regional foreign direct investment agency would have significant positive economic benefits for the City of Toronto. Given that there are two agencies currently operating with one wholly-owned by the City of Toronto and one collectively funded by the region's local governments, the City should examine its options given the current opportunity for possible new federal and provincial funding. There are major organizational and governance issues involved. This Report asks for Council direction to the City Manager to report back on the City's options and key considerations in evaluating the prospects for a large FDI agency for the region.

## **CONTACT**

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## **SIGNATURE**

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